

# Bilibili (BILI US)

## A strong start in FY21E

Bilibili's delivered upbeat 1Q21 results, with rev +68% YoY (3% above consensus) and better bottom line. 2Q21E rev guidance beat 2%. We view this result as positive, given its solid user metrics (MAU +30% YoY) and strong ads momentum (ads rev +234% YoY). 2Q21E games would be flat QoQ on new titles delay, which will boost 3Q21E growth. We expect ads & ecommerce +150% YoY in 2Q21E. We keep our topline forecast unchanged, but lowered bottom line in FY21/22/23E, to factor potential higher content cost and investment. Maintain BUY with new DCF-based TP of US\$154. Stock price might see volatility for sector de-rating.

- **1Q21 beat, with solid guidance.** 1Q21 rev +68% YoY, 3% above consensus. Non-GAAP net loss was RMB665mn, vs. consensus of RMB804mn. 2Q21E rev guidance came in at RMB4.25bn-4.35bn (up 62-66% YoY), with midpoint 2% above consensus.
- **Strong MAU and engagement.** MAU reached 223.3mn, +30% YoY/+11% QoQ, largely in line with our estimates. 2Q21E MAU might see QoQ deceleration (forecasting +3% QoQ) for weak seasonality, which is well anticipated by market, in our view. We believe its annual MAU target remains intact, driven by expanding Gen Z+.
- **Eye-catching ads to offset soft games.** 1Q21 game/ads/VAS/ecommerce & others rev grew +2%/+89%/+234%/+230% YoY, vs our estimates of +1%/+96%/+203%/+190% YoY. 2Q21E games might be flat QoQ, due to weak seasonality and delay of Artery Gear (5.25) and Sword Art Online (Mid-Jun). Suggest to look into 3Q21E game momentum (forecasting +30% QoQ). Ads beat already-high expectation, backed by its increasing brand perception and better targeting. Game, 3C, Food & beverage, ecommerce and beauties were Top 5 ads verticals. We expect ads rev +153% YoY in 2Q21E, backed by deeper Huahuo penetration & integrated marketing efficiencies. We expect VAS/ ecommerce & others rev +100%/156% YoY in 2Q21E.
- **Maintain BUY.** We kept our rev unchanged, but trimmed bottom line and lowered TP to US\$154 (12x FY22E P/S, vs prior 15x FY22E P/S) from US\$173. Bili's stock price pulled back by 23% in recent two weeks for regulation headwinds, game delay and weak market sentiment. Stock price might see short-term volatility for sector de-rating, but we keep confident on its long-term user trend and monetization enhancement.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	6,778	11,999	19,113	26,706	34,960
YoY growth (%)	67	64	77	59	40
Adj. net income (RMB mn)	(1,096)	(2,622)	(3,680)	(4,529)	(3,781)
Adj. EPS (RMB)	(3.35)	(7.46)	(11.64)	(13.27)	(10.97)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(9.00)	(5.91)	(1.03)
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	32.5	18.4	11.5	8.3	6.3
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(16.6)	(38.6)	(101.5)	NA	NA
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	US\$154
(Previous TP	US\$173)
Up/Downside	+76.0%
Current Price	US\$87.5

### China Internet Sector

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### Stock Data

Mkt Cap (US\$ mn)	36,064
Avg 3 mths t/o (US\$ mn)	709.13
52w High/Low (US\$)	157.7/ 28.1
Total Issued Shares (mn)	297

Source: Bloomberg

### Shareholding Structure

FMR LLC	4.03%
Alibaba Group Holding	3.36%
BlackRock Inc	2.44%

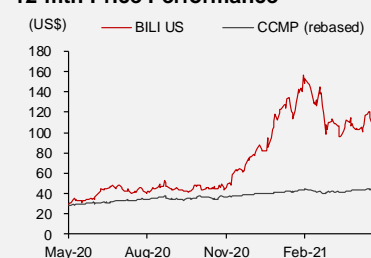
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-10.5%	-7.2%
3-mth	-39.5%	-36.9%
6-mth	116.6%	86.7%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: PwC

### Related Reports

1. Guiding 400mn MAU in FY23E – 26 Feb 2021
2. 3Q20 beat on topline and guidance – 20 Nov 2020
3. Initiation: Evolving and Expanding – 9 Nov 2020

**Figure 1: 1Q21 financial review**

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	QoQ	YoY	Consensus	Diff %
Revenue	1,374	1,538	1,859	2,008	2,316	2,618	3,226	3,840	3,901	1.6%	68.5%	3,782	3%
Operating profit	(307)	(345)	(423)	(420)	(544)	(610)	(1,083)	(903)	(1,031)	14.1%	89.4%	(907)	NA
Net profit	(186)	(313)	(407)	(383)	(535)	(567)	(1,082)	(828)	(904)	9.2%	68.8%	(946)	NA
Adj. net profit	(136)	(268)	(345)	(333)	(480)	(472)	(971)	(666)	(665)	-0.2%	38.5%	(804)	NA
Adj. EPS (RMB)	(0.44)	(0.82)	(1.05)	(1.01)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	-0.5%	28.4%	(2.11)	NA
<b>Margin (%)</b>													
Gross margin	14%	16%	19%	20%	23%	23%	24%	25%	24%			24.2%	
Operating margin	-22%	-22%	-23%	-21%	-24%	-23%	-34%	-24%	-26%			-24.0%	
Adj. net margin	-10%	-17%	-19%	-17%	-21%	-18%	-30%	-17%	-17%			-21.2%	
<b>Growth (%)</b>													
Revenue (YoY)	58.2%	49.8%	72.3%	73.8%	68.6%	70.2%	73.5%	91.3%	68.5%			63.3%	
Revenue (QoQ)	18.9%	12.0%	20.9%	8.0%	15.3%	13.0%	23.2%	19.0%	1.6%			-1.5%	
Operating profit	NA	NA	NA	NA	NA	NA	NA	NA	NA			76.7%	
Adj. net profit	NA	NA	NA	NA	NA	NA	NA	NA	NA			67.5%	

Source: Company data, Bloomberg, CMBIS estimates

**Figure 2: 1Q21 revenue breakdown**

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	QoQ	YoY
<b>Revenue (RMB mn)</b>	<b>1,374</b>	<b>1,538</b>	<b>1,859</b>	<b>2,008</b>	<b>2,316</b>	<b>2,618</b>	<b>3,226</b>	<b>3,840</b>	<b>3,901</b>	<b>1.6%</b>	<b>68.5%</b>
Mobile games	873	920	933	871	1,151	1,248	1,275	1,130	1,171	3.6%	1.7%
Live broadcasting and VAS	292	326	453	571	794	825	980	1,247	1,497	20.0%	88.6%
Advertising	112	168	247	290	214	349	558	722	715	-1.1%	233.6%
Others	96	124	226	276	157	196	413	741	519	-29.9%	230.4%

Source: Company data

**Figure 3: CMBIS estimates vs consensus**

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	19,113	26,706	34,960	19,190	27,429	37,414	-0.4%	-2.6%	-6.6%
Gross Profit	4,848	7,463	11,030	5,207	8,631	13,274	-6.9%	-13.5%	-16.9%
Operating Profit	(4,727)	(5,890)	(5,706)	(3,723)	(2,769)	(1,051)	NA	NA	NA
Adj. net profit	(3,679)	(4,529)	(3,781)	(3,206)	(1,909)	186	NA	NA	NA
EPS (RMB)	(11.64)	(13.27)	(10.97)	(9.00)	(5.91)	(1.03)	NA	NA	NA
Gross Margin	25.4%	27.9%	31.6%	27.1%	31.5%	35.5%	-1.8ppts	-6.1ppts	-7.5ppts
Operating Margin	-24.7%	-22.1%	-16.3%	-19.4%	-10.1%	-2.8%	-5.3ppts	-14.6ppts	-19.2ppts
Net Margin	-19.2%	-17.0%	-10.8%	-16.7%	-7.0%	0.5%	-2.5ppts	-12.3ppts	-17.5ppts

Source: Company data, Bloomberg, CMBIS estimates

**Figure 4: Earnings revision**

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	19,113	26,706	34,960	19,142	26,640	34,807	-0.2%	0.2%	0.4%
Gross Profit	4,848	7,463	11,030	4,960	7,661	11,528	-2.3%	-2.6%	-4.3%
Operating Profit	(4,727)	(5,890)	(5,706)	(4,463)	(5,358)	(4,817)	NA	NA	NA
Adj. net profit	(3,679)	(4,529)	(3,781)	(3,664)	(4,319)	(3,276)	NA	NA	NA
EPS (RMB)	(11.64)	(13.27)	(10.97)	(11.58)	(12.64)	(9.49)	NA	NA	NA
Gross Margin	25.4%	27.9%	31.6%	25.9%	28.8%	33.1%	-0.5ppts	-0.8ppts	-1.6ppts
Operating Margin	-24.7%	-22.1%	-16.3%	-23.3%	-20.1%	-13.8%	-1.4ppts	-1.9ppts	-2.5ppts
Net Margin	-19.2%	-17.0%	-10.8%	-19.1%	-16.2%	-9.4%	-0.1ppts	-0.7ppts	-1.4ppts

Source: Company data, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	6,778	11,999	19,113	26,706	34,960
Mobile games	3,598	4,803	5,821	6,983	8,166
Live broadcasting & VAS	1,641	3,846	7,032	9,641	12,296
Advertising	817	1,843	4,090	7,006	10,546
Others	722	1,507	2,170	3,077	3,952
<b>COGS</b>	(5,588)	(9,159)	(14,265)	(19,242)	(23,929)
<b>Gross profit</b>	1,190	2,840	4,848	7,463	11,030
S&M	(1,199)	(3,492)	(5,804)	(8,707)	(11,319)
Admin. Exp.	(592)	(976)	(1,419)	(1,590)	(1,749)
R&D	(894)	(1,513)	(2,352)	(3,057)	(3,669)
<b>Operating profit</b>	(1,495)	(3,141)	(4,727)	(5,890)	(5,706)
Other income, net	227	140	363	430	488
<b>Pre-tax Income</b>	(1,268)	(3,001)	(4,364)	(5,460)	(5,218)
Income Tax	(36)	(53)	(78)	(97)	93
<b>Net profit</b>	(1,304)	(3,054)	(4,442)	(5,557)	(5,126)
<b>Adj. net profit</b>	(1,081)	(2,580)	(3,679)	(4,529)	(3,781)

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Net income</b>	(1,304)	(3,054)	(4,442)	(5,557)	(5,126)
D&A	1,177	1,526	2,291	3,017	3,563
Change in WC	223	1,782	2,472	234	2,503
Others	98	1,368	735	1,027	1,345
<b>Operating CF</b>	195	1,622	1,057	(1,278)	2,285
Capex	(1,565)	(2,744)	(3,422)	(4,413)	(4,356)
Purchase of ST investments	(9,974)	(2,096)	-	-	-
Others	7,580	(284)	-	-	-
<b>Investing CF</b>	(3,958)	(5,124)	(3,422)	(4,413)	(4,356)
Equity raised	-	-	-	-	-
Change of Debts	42	100	-	-	-
Cash from CB raised	3,356	8,500	-	-	-
Others	1,681	-	-	-	-
<b>Financing CF</b>	5,079	8,600	-	-	-
<b>Net change in cash</b>	1,423	(285)	(2,365)	(5,691)	(2,070)
Cash (beg of yr)	3,540	4,963	4,678	2,313	(3,378)
FX	108	-	-	-	-
<b>Cash (end of yr)</b>	4,963	4,678	2,313	(3,378)	(5,448)

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	5,193	8,126	9,305	10,700	11,493
Fixed asset	516	762	960	960	960
Long-term investments	1,251	2,233	2,233	2,233	2,233
Intangible assets	1,657	2,357	3,547	4,803	5,435
Others	1,768	2,774	2,565	2,705	2,865
<b>Current assets</b>	10,324	15,740	15,395	11,695	11,639
Cash	4,963	4,678	2,313	(3,378)	(5,448)
Restricted cash	-	-	-	-	-
Account receivable	745	1,054	1,565	1,655	2,368
Others	4,617	10,008	11,518	13,418	14,720
<b>Current liabilities</b>	4,273	7,392	11,884	14,110	18,627
Trade payable	1,904	3,074	5,524	6,075	8,349
Salary and welfare payables	356	734	734	734	734
Accrued liabilities	576	1,238	1,967	2,251	2,994
Deferred revenues	1,369	2,118	3,357	4,667	6,079
Others	68	227	303	383	471
<b>Non-current liabilities</b>	3,608	8,692	8,692	8,692	8,692
Long-term debt	3,608	8,692	8,692	8,692	8,692
MI	584	182	182	182	182
Total Equity	7,636	7,782	9,355	4,826	1,045
<b>Shareholders' equity</b>	7,052	7,600	9,173	4,644	863

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Mobile games	53.1	40.0	30.5	26.1	23.4
Live broadcasting & VAS	24.2	32.0	36.8	36.1	35.2
Advertising	12.1	15.4	21.4	26.2	30.2
Others	10.7	12.6	11.4	11.5	11.3
<b>Total</b>	100.0	100.0	100.0	100.0	100.0
<b>Growth rate (%)</b>					
Revenue	64.2	77.0	59.3	39.7	30.9
Gross profit	39.1	138.6	70.7	53.9	47.8
EBIT	NA	NA	NA	NA	NA
Adj. net profit	NA	NA	NA	NA	NA
<b>P&amp;L ratios (%)</b>					
Operating margin	(22.1)	(26.2)	(24.7)	(22.1)	(16.3)
Adj. net margin	(16.0)	(21.5)	(19.2)	(17.0)	(10.8)
Effective tax rate	(0.5)	(0.4)	(0.4)	(0.4)	0.3
<b>Returns (%)</b>					
ROE	(16.6)	(38.6)	(105.8)	NA	NA
ROA	(7.0)	(10.8)	(14.9)	(20.2)	(16.3)
<b>Per share</b>					
Adj. EPS (RMB)	(3.35)	(7.46)	(11.64)	(13.27)	(10.97)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	15.36	13.53	7.32	(9.90)	(15.80)

Source: Company data, CMBIS estimates

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