

# Bilibili (BILI US)

## Revitalizing business model; intact breakeven target

BiliBili reported 1Q24 results: total revenue increased by 12% YoY to RMB5.67bn, in line with our/consensus estimate; adjusted net loss narrowed by 56% YoY to RMB456mn, beating our/consensus estimate of RMB518/498mn, mainly due to better-than-expected GPM expansion. Bili's share price correction after result was mainly due to investors' profit taking after the strong rally since Feb, in our view. The company's target to achieve non-GAAP operating breakeven in 3Q24E remains intact, underpinned by solid GPM expansion and efficiency improvement. We narrow our FY24 adjusted net loss estimate to RMB710mn (previous: RMB896mn) in view of the operating leverage and efficiency gains. We maintain our SOTP-derived TP at US\$20.50. Maintain BUY.

■ **Resilient ads and VAS revenue growth.** 1) Advertising revenue was up 31% YoY to RMB1.67bn in 1Q24, supported by strong growth of performance-based ads (up over 50% YoY). Management expected the strong momentum to continue in FY24, driven by the enhanced ad infrastructure. We estimate ad revenue to grow by 27% YoY in 2Q24E. 2) VAS revenue grew by 17% YoY to RMB2.53bn in 1Q24, driven by resilient live-streaming business and innovative VAS services. Revenue from paid content services including premium online courses and fan-charging video products reached c.RMB1bn in 1Q24. We expect VAS revenue to grow by 16% YoY in 2Q24E. 3) Mobile games revenue dropped by 13% YoY to RMB983mn in 1Q24. We expect mobile games revenue to recover by 5% YoY in 2Q24E, driven by solid performance of legacy titles like *Azure Lane* and launch of new titles. Two highly-anticipated games are lined for launch: *SanGuo: MouDing TianXia* (June 2024) and *Heaven Burns Red* (3Q24E).

■ **Healthy development of user and commercial ecosystems.** Average DAUs grew by 9% YoY to 102.4mn in 1Q24, with average daily time spent up by 9% YoY to 105 minutes. For the e-commerce ecosystem development, Bili expanded collaboration with e-commerce platforms. Management expected total e-commerce ad budget during this year's 618 shopping festival to grow by over 30% YoY, which we expect to drive ad revenue growth in 2Q24E. Specifically, brand advertising revenue is expected to grow by 40% YoY and ad revenue from e-commerce merchants is expected to grow by over 250% during the 618 shopping festival, per management.

■ **On track of non-GAAP operating breakeven in 3Q24E.** Gross margin expanded by 6.6ppt YoY and 2.2ppt QoQ to 28.3% in 1Q24, thanks to a favourable revenue mix shift and effective cost control. We expect gross margin to further improve QoQ to 29.4% in 2Q24E. Adjusted net loss margin improved by 12.5ppt YoY to -7.8% in 1Q24. And the company remains on track of achieving non-GAAP operating breakeven in 3Q24, supported by solid GPM expansion and operating efficiency improvement.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	21,899	22,528	25,489	27,660	29,287
Adjusted net profit (RMB mn)	(6,691.7)	(3,424.7)	(710.0)	1,161.4	1,435.5
EPS (Adjusted) (RMB cents)	(1,700.40)	(828.34)	(170.97)	279.67	345.68
Consensus EPS (RMB cents)	(1,700.40)	(828.34)	(179.82)	216.42	497.70
P/S (x)	1.9	1.8	1.6	1.5	1.4

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** US\$20.50  
**Up/Downside** 49.2%  
**Current Price** US\$13.74

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### Stock Data

Mkt Cap (US\$ mn)	5,680.7
Avg 3 mths t/o (US\$ mn)	40.2
52w High/Low (US\$)	19.07/8.94
Total Issued Shares (mn)	413.4

Source: FactSet

### Shareholding Structure

Rui Chen	13.7%
Tencent	9.3%

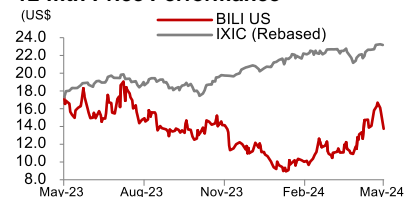
Source: Company data

### Share Performance

	Absolute	Relative
1-mth	7.8%	1.2%
3-mth	37.1%	31.1%
6-mth	-2.8%	-17.3%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Business forecasts update and valuation

Figure 1: Bili: forecast revision

RMB mn	Current			Previous			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	25,489	27,660	29,287	24,772	26,858	28,423	2.9%	3.0%	3.0%
Gross profit	7,639	8,989	10,046	7,200	8,613	9,636	6.1%	4.4%	4.3%
Operating profit	(2,073)	(637)	214	(2,362)	(734)	94	na	na	na
Adjusted net profit	(710)	1,161	1,436	(896)	1,177	1,340	na	na	na
Adjusted EPS (RMB)	(1.7)	2.8	3.5	(2.2)	2.8	3.2	na	na	na
Gross margin	30.0%	32.5%	34.3%	29.1%	32.1%	33.9%	0.9 ppt	0.4 ppt	0.4 ppt
Operating margin	-8.1%	-2.3%	0.7%	-9.5%	-2.7%	0.3%	1.4 ppt	0.4 ppt	0.4 ppt
Adjusted net margin	-2.8%	4.2%	4.9%	-3.6%	4.4%	4.7%	0.8 ppt	-0.2 ppt	0.2 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	25,489	27,660	29,287	25,349	28,421	31,502	0.6%	-2.7%	-7.0%
Gross profit	7,639	8,989	10,046	7,461	9,175	10,775	2.4%	-2.0%	-6.8%
Operating profit	(2,073)	(637)	214	(1,172)	509	1,763	na	na	na
Adjusted net profit	(710)	1,161	1,436	(722)	1,047	2,113	na	na	na
Adjusted EPS (RMB)	(1.7)	2.8	3.5	(1.8)	2.2	5.0	na	na	na
Gross margin	30.0%	32.5%	34.3%	29.4%	32.3%	34.2%	0.5 ppt	0.2 ppt	0.1 ppt
Operating margin	-8.1%	-2.3%	0.7%	-4.6%	1.8%	5.6%	-3.5 ppt	-4.1 ppt	-4.9 ppt
Adjusted net margin	-2.8%	4.2%	4.9%	-2.9%	3.7%	6.7%	0.1 ppt	0.5 ppt	-1.8 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Bili: Quarterly financial figures

(RMB mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	Cons.	Diff%	CMBI	Diff%
Mobile games	1,471	1,146	1,132	891	992	1,007	983				
YoY%	5.7%	-11.5%	-16.7%	-14.8%	-32.6%	-12.1%	-13.2%				
VAS	2,210	2,350	2,156	2,302	2,595	2,857	2,529				
YoY%	15.8%	24.0%	5.1%	9.4%	17.4%	21.6%	17.3%				
Advertising	1,355	1,512	1,272	1,573	1,638	1,929	1,669				
YoY%	15.6%	-4.7%	22.2%	35.8%	20.9%	27.6%	31.2%				
IP derivatives and others	758	1,134	510	539	580	556	484				
YoY%	3.2%	13.1%	-15.5%	-10.4%	-23.5%	-51.0%	-5.0%				
<b>Total revenue</b>	<b>5,794</b>	<b>6,142</b>	<b>5,070</b>	<b>5,304</b>	<b>5,805</b>	<b>6,349</b>	<b>5,665</b>	<b>5,606</b>	1.0%	<b>5,603</b>	1.1%
YoY%	11.3%	6.3%	0.3%	8.1%	0.2%	3.4%	11.7%				
<b>Average MAUs</b>	<b>333</b>	<b>326</b>	<b>315</b>	<b>324</b>	<b>341</b>	<b>336</b>	<b>342</b>				
YoY%	24.5%	20.0%	7.4%	6.0%	2.5%	3.1%	8.3%				
Gross profit margin	18.2%	20.3%	21.8%	23.1%	25.0%	26.1%	28.3%				
S&M ratio (%)	21.2%	20.6%	17.4%	17.3%	17.1%	17.7%	16.4%				
R&D ratio (%)	19.5%	24.3%	20.3%	19.7%	18.4%	20.9%	17.0%				
Adjusted net margin (%)	-30.4%	-21.4%	-20.3%	-18.1%	-15.1%	-8.8%	-7.8%	-8.9%		-9.2%	
<b>Adjusted net profit</b>	<b>(1,763)</b>	<b>(1,312)</b>	<b>(1,029)</b>	<b>(963)</b>	<b>(878)</b>	<b>(556)</b>	<b>(440)</b>	<b>(498)</b>		<b>(518)</b>	

Source: Company data, CMBIGM estimates

## SOTP Valuation

Based on the SOTP valuation, our target price for Bili is US\$20.5 per ADS, which implies 2.4x 2024E PS. Our target price of US\$20.5 includes:

1) US\$8.5 for the advertising business (41.3% of the total valuation), based on a 15x 2024E PE. The target PE multiple is on par with the average PE of advertising platforms.

2) US\$7.5 for the VAS business (36.7% of the total valuation), based on a 2.0x 2024E PS. The target PS multiple is on par with the average PS of other video platforms.

3) US\$4.3 for mobile games (20.8% of the total valuation), based on a 15x 2024E PE. The target PE multiple is at a discount to the industry average (18x 2024E PE), as Bili has yet to establish a successful track record in in-house games development.

4) US\$0.3 for IP derivatives and others (1.3% of the total valuation, previously disclosed as e-commerce and others), based on a 0.4x 2024E PS. The target PS multiple is on par with the average PS of the other e-commerce platforms.

**Figure 4: Bili: SOTP Valuation**

(RMBmn)	2024E revenue	Net margin (%)	Target PS (x)	Target PE (x)	Target valuation	As of total valuation
VAS (Live streaming + Membership)	11,265		2.0		22,530	36.7%
Advertising	8,040	21%		15	25,327	41.3%
Mobile games	4,246	20%		15	12,738	20.8%
IP derivatives and others	1,938		0.4		775	1.3%
<b>Total valuation (RMBmn)</b>					<b>61,369</b>	
Number of ADS (mn)					415	
<b>Valuation per ADS (US\$)</b>					<b>20.5</b>	

Source: Company data, CMBIGM estimates

**Figure 5: Peer comparison: online games and advertising sector**

		Price	EPS growth (YoY %)		PE (x)	
Company	Ticker	(Local)	FY24E	FY25E	FY24E	FY25E
Online games						
NetEase	NTES US	98.4	(6)	17	15	13
Electronic Arts	EA US	135.1	19	5	19	18
Nexon	3659 JP	2,710.5	(11)	17	22	18
Nintendo	7974 JP	8,351.0	16	(16)	22	26
Bandai Namco	7832 JP	3,080.0	(13)	22	25	21
Perfect World	002624 CH	9.8	65	20	14	12
37 Interactive	002555 CH	15.8	19	13	9	8
Average PE					18	17
Online advertising						
Weibo	WB US	8.9	2	11	4	4
Baidu	BIDU US	102.4	(1)	10	9	8
Meta	Meta US	467.8	37	16	23	20
Google	GOOG US	178.0	17	14	26	21
Average PE					15	13

Source: Bloomberg, CMBIGM

Note: data as at 22 May market close

**Figure 6: Peer comparison: online video and first-party e-commerce**

		Price	Revenue growth (YoY %)		PS (x)	
Companies	Ticker	(Local)	FY24E	FY25E	FY24E	FY25E
Online video						
iQiyi	IQ US	5.0	7.1	6.9	1.1	0.9
Mango Excellent Media	300413 CH	25.7	12.6	10.1	3.0	2.7
Average PS					2.0	1.8
First-party e-commerce						
JD	JD US	32.7	7.0	6.5	0.3	0.2
Vipshop	VIPS US	16.5	6.8	5.1	0.6	0.5
Average PS					0.4	0.4

Source: Bloomberg, CMBIGM

Note: data as at 22 May market close

**Risks**

Slowdown in user growth; weaker-than-expected monetization; macro headwinds weighing on ad revenue growth.

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	19,384	21,899	22,528	25,489	27,660	29,287
Cost of goods sold	15,341	18,050	17,086	17,851	18,672	19,241
Gross profit	4,043	3,849	5,442	7,639	8,989	10,046
Operating expenses	10,472	12,207	10,506	9,711	9,626	9,831
Selling expense	5,795	4,921	3,916	3,772	3,596	3,807
Admin expense	1,838	2,521	2,122	2,116	2,158	2,170
R&D expense	2,840	4,765	4,467	3,823	3,872	3,854
Operating profit	(6,429)	(8,358)	(5,064)	(2,073)	(637)	214
Investment gain/loss	(194)	(532)	(436)	(444)	(457)	(460)
Other gains/(losses)	(5)	1,457	389	0	0	0
EBIT	(6,628)	(7,434)	(5,111)	(2,516)	(1,094)	(246)
Interest income	70	281	542	451	1,165	1,216
Interest expense	(155)	(251)	(165)	(0)	(416)	(416)
Pre-tax profit	(6,713)	(7,404)	(4,733)	(2,065)	(345)	555
Income tax	95	104	79	34	(52)	83
After tax profit	(6,809)	(7,508)	(4,812)	(2,100)	(293)	472
Minority interest	20	11	(11)	42	6	(9)
Others	0	0	0	0	0	0
Net profit	(6,789)	(7,497)	(4,822)	(2,058)	(287)	462
Adjusted net profit	(5,478)	(6,692)	(3,425)	(710)	1,161	1,436

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	36,447	24,453	18,727	43,916	46,097	49,934
Cash & equivalents	7,523	10,187	7,242	26,779	28,020	31,109
Account receivables	1,382	1,329	1,574	2,758	2,993	3,169
Prepayment	4,848	3,545	2,063	6,376	6,919	7,325
ST bank deposits	7,632	4,768	5,195	5,351	5,511	5,677
Other current assets	15,061	4,623	2,653	2,653	2,653	2,653
Non-current assets	15,606	17,378	14,432	13,329	13,067	12,772
PP&E	1,350	1,227	715	878	1,020	1,148
Investment in JVs & assos	5,503	5,651	4,367	3,923	3,466	3,006
Intangibles	3,836	4,327	3,628	3,664	3,615	3,563
Goodwill	2,338	2,725	2,725	2,725	2,725	2,725
Other non-current assets	2,580	3,448	2,998	2,139	2,241	2,329
Total assets	52,053	41,831	33,159	57,246	59,163	62,705
Current liabilities	12,071	17,093	18,104	22,299	23,278	23,993
Short-term borrowings	1,232	6,621	7,456	7,456	7,456	7,456
Account payables	4,361	4,292	4,334	6,113	6,394	6,589
Tax payable	1,232	6,621	7,456	7,456	7,456	7,456
Other current liabilities	2,613	(2,084)	(2,937)	(2,189)	(1,785)	(1,486)
Accrued expenses	2,633	1,643	1,796	3,463	3,758	3,979
Non-current liabilities	18,266	9,498	651	21,530	21,593	23,226
Long-term borrowings	17,784	8,683	1	20,784	20,784	22,369
Other non-current liabilities	482	814	650	745	809	857
Total liabilities	30,337	26,591	18,755	43,829	44,871	47,219
Share capital	0	0	0	0	0	0
Capital surplus	35,930	35,930	38,837	38,837	38,837	38,837
Retained earnings	(13,971)	(20,437)	(24,190)	(25,219)	(24,350)	(23,146)
Other reserves	(255)	(255)	(255)	(255)	(255)	(255)
Total shareholders equity	21,704	15,238	14,392	13,363	14,232	15,435
Minority interest	12	2	12	54	60	51
Total equity and liabilities	52,053	41,831	33,159	57,246	59,163	62,705

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(6,713)	(7,404)	(4,733)	(2,065)	(345)	555
Depreciation & amortization	539	755	462	532	589	639
Tax paid	95	104	79	34	(52)	83
Change in working capital	(9)	(1,246)	1,413	(1,301)	201	132
Others	3,442	3,878	3,047	4,496	4,939	4,368
<b>Net cash from operations</b>	<b>(2,647)</b>	<b>(3,911)</b>	<b>267</b>	<b>1,696</b>	<b>5,333</b>	<b>5,777</b>
<b>Investing</b>						
Capital expenditure	(3,687)	(2,738)	(3,472)	(3,646)	(3,828)	(4,020)
Acquisition of subsidiaries/ investments	(7,238)	(2,646)	(113)	0	0	0
Others	(13,652)	15,994	9,020	703	(263)	(254)
<b>Net cash from investing</b>	<b>(24,578)</b>	<b>10,609</b>	<b>5,435</b>	<b>(2,943)</b>	<b>(4,091)</b>	<b>(4,273)</b>
<b>Financing</b>						
Net borrowings	11,203	251	(8,683)	20,783	0	1,585
Proceeds from share issues	19,288	0	0	0	0	0
Others	(103)	(4,606)	0	0	0	0
<b>Net cash from financing</b>	<b>30,389</b>	<b>(4,355)</b>	<b>(8,683)</b>	<b>20,783</b>	<b>0</b>	<b>1,585</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	4,678	7,523	10,187	7,242	26,779	28,020
Exchange difference	(319)	321	36	0	0	0
<b>Cash at the end of the year</b>	<b>7,523</b>	<b>10,187</b>	<b>7,242</b>	<b>26,779</b>	<b>28,020</b>	<b>31,109</b>
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Revenue	61.5%	13.0%	2.9%	13.1%	8.5%	5.9%
Gross profit	42.4%	(4.8%)	41.4%	40.4%	17.7%	11.8%
Adj. net profit	na	na	na	na	na	23.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Gross profit margin	20.9%	17.6%	24.2%	30.0%	32.5%	34.3%
Operating margin	(33.2%)	(38.2%)	(22.5%)	(8.1%)	(2.3%)	0.7%
Adj. net profit margin	(28.3%)	(30.6%)	(15.2%)	(2.8%)	4.2%	4.9%
Return on equity (ROE)	(46.3%)	(40.6%)	(32.6%)	(14.8%)	(2.1%)	3.1%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.5	0.3	0.0	0.1	0.0	(0.1)
Current ratio (x)	3.0	1.4	1.0	2.0	2.0	2.1
Receivable turnover days	26.0	22.1	25.5	39.5	39.5	39.5
Payable turnover days	103.8	86.8	92.6	125.0	125.0	125.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
P/E	ns	ns	ns	ns	ns	89.4
P/E (diluted)	ns	ns	ns	ns	ns	89.4
P/B	1.7	2.6	2.9	3.1	2.9	2.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
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**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

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