

Bilibili (BILI US)

The worst is over

Bilibili would deliver largely in-line 2Q22 results, with rev +9% YoY (in line) and non-GAAP net loss at RMB2.0bn. By segment, game/ads/VAS/others -13%/+6%/+30%/+0% YoY, in our estimates. Ads saw gradual recovery from ecommerce and auto verticals in Jun, and we expect Story mode to bring upside with higher time spent and eCPM (ads +24% YoY in 2H22E). Game would still bear pressure in 2H22E (but well anticipated), given limited titles to launch. 2Q22E GPM would be the lowest (at 15%), then rebound to 17%/20% in 3Q/4Q22E. Adj. NPM would improve sequentially in 2H22E, with higher GPM and opex control from S&M. We think the worst is over, and suggest to eye on 2H22E ads recovery and margin enhancement amid epidemic resurgence. We keep our topline forecast barely changed, and maintain TP at US\$40.

■ **Expecting 2Q22E largely in line.** We forecast Bili's rev +9% YoY in 2Q22E (in line with previous guidance), in which game/ads/VAS/others -13%/+6%/+30%/+0% YoY. 2Q22E would see the lowest GPM (forecasting 15%), and then to improve sequentially in 2H22E (forecasting 17%/20% in 3Q/4Q22E). We forecast its non-GAAP net loss at RMB2.0bn in 2Q22E, with flat opex QoQ.

■ **The worst is over.** We think 2Q22E would be the worst quarter for FY22E, and expect 3Q22E rev to rebound to +13% YoY (at RMB5.9bn). In 2Q22E, game would see 13% YoY decline, for a lack of new key titles and amortization base. Noted that game rebound should be slower than license resumption. Game would still bear pressure in 2H22E, given limited titles to launch (*Non Anonymous Instruction, FIST*) and grossing fading of Space Hunter 3. VAS rev would be resilient at +30% YoY in 2Q22E and 2H22E, in our estimate. We expect ads rev +6% in 2Q22E (with gradual recovery of ecommerce and auto verticals in Jun), while ecommerce to be flat YoY in 2Q22E. In the long run, Story mode would bring ads upside with higher time spent and eCPM (expecting VV share up to 50% from 20%+). With upcoming epidemic stabilization and lockdown relaxation, ecommerce and ads would gradually recover in 2H22E (forecasting ads +24% YoY in 2H22E). Bili will scale back its opex to improve its LT margin ahead, through cost control and S&M efficiency enhancement (forecasting S&M/ratio <25% in 2H22E).

■ **Maintain BUY.** We keep our topline forecast barely changed, and maintain our TP at US\$40 (3.5x FY23E P/S).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	11,999	19,384	22,879	28,848	35,210
YoY growth (%)	77	62	18	26	22
Adj. net income (RMB mn)	(2,622)	(5,128)	(6,718)	(5,164)	(2,316)
Adj. EPS (RMB)	(7.5)	(13.7)	(16.7)	(12.7)	(4.9)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(17.1)	(11.7)	(4.2)
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	5.4	3.3	2.8	2.2	1.8
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(38.6)	(30.2)	NA	NA	NA
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates



招商銀行全資附屬機構
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BUY (Maintain)

Target Price US\$40
(Previous TP) US\$40
Up/Downside +58.1%
Current Price US\$25.3

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn) 9,542
Avg 3 mths t/o (US\$ mn) 188.74
52w High/Low (US\$) 116.2/ 14.9
Total Issued Shares (mn) 307
Source: Bloomberg

Shareholding Structure

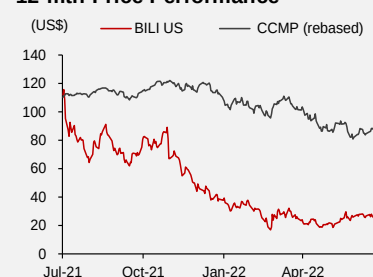
FMR LLC 6.35%
Alibaba Group Holding Ltd 3.26%
Yiheng Capital 3.05%
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-7.2%	-11.8%
3-mth	4.7%	22.8%
6-mth	-35.7%	-17.9%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

- Better margin and ads recovery ahead – 10 Jun 2022
- Factoring in epidemic impact – 4 May 2022
- Shifting into efficiency enhancement – 4 Mar 2022

Figure 1: 2Q22E financial preview

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	QoQ	YoY	Consensus	Diff %
Revenue	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	5,054	4,887	-3.3%	8.7%	4,900	0%
Operating profit	(544)	(610)	(1,083)	(903)	(1,031)	(1,521)	(1,878)	(2,000)	(1,991)	(2,000)	NA	NA	(1,825)	NA
Net profit	(535)	(567)	(1,082)	(828)	(904)	(1,122)	(2,677)	(2,096)	(2,284)	(2,199)	NA	NA	(2,035)	NA
Adj. net profit	(480)	(472)	(967)	(666)	(665)	(1,325)	(1,622)	(1,660)	(1,655)	(1,975)	NA	NA	(1,725)	NA
Adj. EPS (RMB)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	(3.44)	(4.18)	(4.22)	(4.21)	(4.74)	NA	NA	(4.37)	NA
Margin (%)														
Gross margin	22.9%	23.1%	23.6%	24.6%	24.0%	22.0%	19.6%	19.0%	16.0%	15.1%			15.0%	
Operating margin	-23.5%	-23.3%	-33.6%	-23.5%	-26.4%	-33.8%	-36.1%	-34.6%	-39.4%	-40.9%			-37.2%	
Adj. net margin	-20.7%	-18.0%	-30.0%	-17.3%	-17.0%	-29.5%	-31.2%	-28.7%	-32.7%	-40.4%			-35.2%	
Growth (%)														
Revenue (YoY)	68.6%	70.2%	73.5%	91.3%	68.5%	71.7%	61.4%	50.5%	29.6%	8.7%			9.0%	
Revenue (QoQ)	15.3%	13.0%	23.2%	19.0%	1.6%	15.2%	15.8%	11.0%	-12.6%	-3.3%			-3.1%	
Operating profit	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA			NA	
Adj. net profit	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA			NA	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Revenue breakdown

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	QoQ	YoY
Revenue (RMB mn)	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	5,054	4,887	-3.3%	8.7%
Mobile games	1,151	1,248	1,275	1,130	1,171	1,233	1,392	1,295	1,358	1,072	-21.1%	-13.1%
Live broadcasting and VAS	794	825	980	1,247	1,497	1,635	1,909	1,895	2,052	2,123	3.5%	29.9%
Advertising	214	349	558	722	715	1,049	1,172	1,588	1,041	1,114	7.1%	6.2%
Others	157	196	413	741	519	578	734	1,003	603	578	-4.3%	-0.1%

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	22,879	28,848	35,210	22,986	30,029	37,493	-0.5%	-3.9%	-6.1%
Gross Profit	3,903	5,750	8,926	3,989	6,912	10,309	-2.2%	-16.8%	-13.4%
Operating Profit	(7,718)	(6,647)	(4,082)	(7,227)	(5,105)	(1,841)	NA	NA	NA
Adj. net profit	(6,718)	(5,164)	(2,316)	(6,631)	(4,599)	(1,715)	NA	NA	NA
EPS (RMB)	(16.66)	(12.68)	(4.94)	-17.14	-11.71	-4.20	NA	NA	NA
Gross Margin	17.1%	19.9%	25.4%	17.4%	23.0%	27.5%	-0.3ppts	-6.0ppts	-7.6ppts
Operating Margin	-33.7%	-23.0%	-11.6%	-31.4%	-17.0%	-4.9%	-2.3ppts	-16.7ppts	-18.1ppts
Net Margin	-29.4%	-17.9%	-6.6%	-28.8%	-15.3%	-4.6%	-0.5ppts	-14.0ppts	-13.3ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	22,879	28,848	35,210	22,879	28,848	35,210	0.0%	0.0%	0.0%
Gross Profit	3,903	5,750	8,926	3,903	5,750	8,926	0.0%	0.0%	0.0%
Operating Profit	(7,718)	(6,647)	(4,082)	(7,718)	(6,647)	(4,082)	NA	NA	NA
Adj. net profit	(6,718)	(5,164)	(2,316)	(6,718)	(5,164)	(2,316)	NA	NA	NA
EPS (RMB)	(16.66)	(12.68)	(4.94)	(16.66)	(12.68)	(4.94)	NA	NA	NA
Gross Margin	17.1%	19.9%	25.4%	17.1%	19.9%	25.4%	-0.0ppts	+0.0ppts	-0.0ppts
Operating Margin	-33.7%	-23.0%	-11.6%	-33.7%	-23.0%	-11.6%	-0.0ppts	-0.0ppts	+0.0ppts
Net Margin	-29.4%	-17.9%	-6.6%	-29.4%	-17.9%	-6.6%	+0.0ppts	-0.0ppts	+0.0ppts

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	11,999	19,384	22,879	28,848	35,210
Mobile games	4,803	5,091	5,099	5,815	7,051
Live broadcasting & VAS	3,846	6,935	9,151	11,729	13,884
Advertising	1,843	4,523	5,596	7,716	10,080
Others	1,507	2,834	3,033	3,588	4,194
COGS	(9,159)	(15,341)	(18,976)	(23,098)	(26,283)
Gross profit	2,840	4,043	3,903	5,750	8,926
S&M	(3,492)	(5,795)	(5,679)	(5,622)	(5,510)
Admin. Exp.	(976)	(1,838)	(1,966)	(2,163)	(2,379)
R&D	(1,513)	(2,840)	(3,976)	(4,612)	(5,119)
Operating profit	(3,141)	(6,429)	(7,718)	(6,647)	(4,082)
Other income, net	140	(119)	(42)	(125)	(125)
Pre-tax Income	(3,001)	(6,548)	(7,760)	(6,772)	(4,207)
Income Tax	(53)	(116)	(138)	120	75
Net profit	(3,054)	(6,665)	(7,898)	(6,652)	(4,132)
Adj. net profit	(2,580)	(5,127)	(6,718)	(5,164)	(2,316)

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	(3,054)	(6,665)	(7,898)	(6,652)	(4,132)
D&A	1,837	609	1,098	1,673	2,338
Change in WC	1,487	(384)	770	4,146	(3,122)
Others	484	4,269	1,180	1,488	1,816
Operating CF	754	(2,170)	(4,850)	655	(3,100)
Capex	(2,239)	(456)	(4,109)	(3,559)	(4,252)
Purchase of ST investments	(26,731)	(11,704)	-	-	-
Others	20,064	(1,043)	-	-	-
Investing CF	(8,906)	(13,202)	(4,109)	(3,559)	(4,252)
Equity raised	-	19,500	-	-	-
Change of Debts	100	1,132	-	-	-
Cash from CB raised	5,595	-	-	-	-
Others	2,640	-	-	-	-
Financing CF	8,335	20,632	-	-	-
Net change in cash	(285)	5,259	(8,959)	(2,904)	(7,352)
Cash (beg of yr)	4,963	4,678	9,937	978	(1,926)
FX	-	-	-	-	-
Cash (end of yr)	4,678	9,937	978	(1,926)	(9,278)

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	8,126	15,606	13,722	15,608	17,522
Fixed asset	762	1,350	1,374	1,374	1,374
Long-term investments	2,233	5,503	5,503	5,503	5,503
Intangible assets	2,357	3,836	2,562	4,351	6,239
Others	2,774	4,918	4,283	4,379	4,406
Current assets	15,740	36,447	29,412	28,403	22,160
Cash	4,678	7,523	978	(1,926)	(9,278)
Restricted cash	-	-	-	-	-
Account receivable	1,054	1,382	1,165	2,155	1,704
Others	10,008	27,541	27,269	28,174	29,735
Current liabilities	7,392	12,071	12,351	18,392	16,379
Trade payable	3,074	4,361	4,953	8,969	6,873
Salary and welfare payables	734	995	995	995	995
Accrued liabilities	1,238	2,633	1,932	3,131	2,342
Deferred revenues	2,118	2,645	2,995	3,758	4,564
Others	227	1,436	1,475	1,538	1,605
Non-current liabilities	8,692	18,266	18,266	18,266	18,266
Long-term debt	8,692	18,266	18,266	18,266	18,266
MI	182	12	12	12	12
Total Equity	7,782	21,716	9,952	4,788	2,472
Shareholders' equity	7,600	21,704	9,940	4,776	2,460

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Mobile games	40.0	26.3	22.3	20.2	20.0
Live broadcasting & VAS	32.0	35.8	40.0	40.7	39.4
Advertising	15.4	23.3	24.5	26.7	28.6
Others	12.6	14.6	13.3	12.4	11.9
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)	77.0	61.5	18.0	26.1	22.1
Revenue	138.6	42.4	(3.5)	47.3	55.2
Gross profit	NA	NA	NA	NA	NA
EBIT	NA	NA	NA	NA	NA
Adj. net profit					
P&L ratios (%)	(26.2)	(33.2)	(33.7)	(23.0)	(11.6)
Operating margin	(25.0)	(33.8)	(33.9)	(23.5)	(11.9)
Adj. net margin	(21.5)	(26.4)	(29.4)	(17.9)	(6.6)
Effective tax rate	(0.4)	(0.6)	(0.6)	0.4	0.2
Returns (%)					
ROE	(38.6)	(30.2)	NA	NA	NA
ROA	(10.8)	(9.8)	(15.6)	(11.7)	(5.8)
Per share					
Adj. EPS (RMB)	(7.46)	(13.73)	(16.66)	(12.68)	(4.94)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	13.53	26.61	2.43	(4.73)	(19.81)

Source: Company data, CMBIGM estimates

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