

Bilibili (BILI US)

Short-term pressure from macro uncertainty

Bilibili delivered mixed 2Q22 results, with rev in line but bottom line & guidance below consensus. By segment, game/ livestreaming & VAS/ads /others -15%/+29%/+10%/+4% YoY, in which game & ads slightly missed our estimates. 3Q22E rev guidance midpoint missed 4% on soft ecommerce and VAS. Macro uncertainty/COVID disruptions and content delay might weigh on short-term topline recovery, while margin improvement trend intact in 2H22E. We forecast 3Q22E rev +9% YoY, in which game/ ads/ livestreaming & VAS +5%/+18%/+11% YoY. GPM would improve sequentially in 2H22E (forecasting 17%/20% in 3Q/4Q22E), coupled with opex control. Stock price might see short-term pressure on prudent ads and VAS outlook amid macro headwinds. We cut our topline forecast by 4%-9% in FY22-24E, and trimmed TP to US\$35. Maintain BUY for its long-term user expansion and monetization upside, backed by vibrant ecosystem and unique community.

- **Mixed 2Q22.** Bili's 2Q22 result missed on bottom line and guidance, while topline was inline. Total rev +9% YoY in 2Q22, in which game/ads/VAS/others -15%/+10%/+29%/+4% YoY (vs. our estimates of -13%/+6%/+30%/+0% YoY). 3Q22E rev guidance was RMB5.6-5.8bn, midpoint 4% below consensus, on soft VAS and ecommerce. 2Q22 GPM came out at 15%, and is expected to improve sequentially in 2H22E (forecasting 17%/20% in 3Q/4Q22E). Non-GAAP net loss was RMB2.0bn in 2Q22, vs. consensus at -RMB1.7bn.
- **Cloudy 2H22E with macro uncertainty.** As the worst quarter is behind, we expect 3Q22 to see gradual recovery, but the recovery pace should be relatively slower on macro certainty. We expect 3Q22E rev +9% YoY (vs. prior +13%). Game would see mid-single-digit growth YoY in 3Q22E, on grossing contribution of Space Hunter 3. We expect full-year game growth to be flat YoY, under conservative estimates. We forecast ads to pick up +18% YoY in 3Q22E, with rising budget from game, 3C and ecommerce. In the long run, story mode would bring ads upside with higher eCPM (30% above regular ads, while ad load at 5%). We expect livestreaming to be resilient at +30% YoY in 3Q22E, while subs soft on content delay. On the margin side, disciplined opex would continue in 2H22E, and we forecast opex ratio to improve 5ppts in 4Q22E (vs. 2Q22), through cost control and S&M efficiency enhancement.
- **Maintain BUY.** To reflect macro uncertainty, we cut our topline forecast by 4%-9% in FY22-24E, and trimmed our TP to US\$35 (3.3x FY23E P/S).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	11,999	19,384	21,975	26,672	32,143
YoY growth (%)	77	62	13	21	21
Adj. net income (RMB mn)	(2,622)	(5,128)	(7,022)	(5,463)	(3,055)
Adj. EPS (RMB)	(7.5)	(13.7)	(17.4)	(13.4)	(6.5)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(17.4)	(11.6)	(3.9)
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	4.3	2.6	2.3	1.9	1.6
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

BUY (Maintain)

Target Price US\$35
(Previous TP) US\$40
Up/Downside +74.1%
Current Price US\$20.1

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

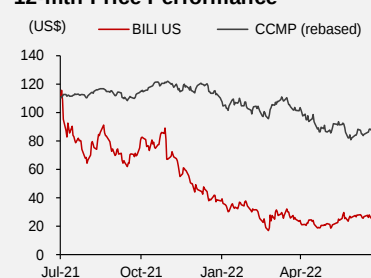
FMR LLC 6.35%
 Alibaba Group Holding Ltd 3.26%
 Yiheng Capital 3.05%
 Source: Bloomberg

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

1. The worst is over – 20 Jul 2022
2. Better margin and ads recovery ahead – 10 Jun 2022
3. Factoring in epidemic impact – 4 May 2022

Figure 1: 2Q22 financial review

RMB mn	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	3,226	3,840	3,901	4,495	5,207	5,781	5,054	4,909	-2.9%	9.2%	4,908	0%	4,887	0%
Operating profit	(1,083)	(903)	(1,031)	(1,521)	(1,878)	(2,000)	(1,991)	(2,191)	NA	NA	(1,805)	NA	(2,000)	NA
Net profit	(1,082)	(828)	(904)	(1,122)	(2,677)	(2,096)	(2,284)	(2,010)	NA	NA	(2,099)	NA	(2,199)	NA
Adj. net profit	(967)	(666)	(665)	(1,325)	(1,622)	(1,660)	(1,655)	(1,968)	NA	NA	(1,739)	NA	(1,975)	NA
Adj. EPS (RMB)	(2.76)	(1.88)	(1.87)	(3.44)	(4.18)	(4.22)	(4.21)	(4.99)	NA	NA	(4.37)	NA	(4.74)	NA
Margin (%)														
Gross margin	23.6%	24.6%	24.0%	22.0%	19.6%	19.0%	16.0%	15.0%			15.0%		15.1%	
Operating margin	-33.6%	-23.5%	-26.4%	-33.8%	-36.1%	-34.6%	-39.4%	-44.6%			-36.8%		-40.9%	
Adj. net margin	-30.0%	-17.3%	-17.0%	-29.5%	-31.2%	-28.7%	-32.7%	-40.1%			-35.4%		-40.4%	
Growth (%)														
Revenue (YoY)	73.5%	91.3%	68.5%	71.7%	61.4%	50.5%	29.6%	9.2%			9.2%		8.7%	
Revenue (QoQ)	23.2%	19.0%	1.6%	15.2%	15.8%	11.0%	-12.6%	-2.9%			-2.9%		-3.3%	
Operating profit	NA	NA	NA	NA	NA	NA	NA	NA			NA		NA	
Adj. net profit	NA	NA	NA	NA	NA	NA	NA	NA			NA		NA	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Revenue breakdown

	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY
Revenue (RMB mn)	3,226	3,840	3,901	4,495	5,207	5,781	5,054	4,909	-2.9%	9.2%
Mobile games	1,275	1,130	1,171	1,233	1,392	1,295	1,358	1,046	-22.9%	-15.2%
Live broadcasting and VAS	980	1,247	1,497	1,635	1,909	1,895	2,052	2,103	2.5%	28.7%
Advertising	558	722	715	1,049	1,172	1,588	1,041	1,158	11.3%	10.4%
Others	413	741	519	578	734	1,003	603	601	-0.4%	4.0%

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	21,975	26,672	32,143	22,810	29,802	37,245	-3.7%	-10.5%	-13.7%
Gross Profit	3,728	5,239	7,762	3,949	6,794	10,179	-5.6%	-22.9%	-23.7%
Operating Profit	(7,971)	(6,837)	(4,673)	(7,154)	(5,079)	(1,826)	NA	NA	NA
Adj. net profit	(7,022)	(5,463)	(3,055)	(6,747)	(4,580)	(1,720)	NA	NA	NA
EPS (RMB)	(17.41)	(13.41)	(6.52)	-17.35	-11.60	-3.89	NA	NA	NA
Gross Margin	17.0%	19.6%	24.1%	17.3%	22.8%	27.3%	-0.4ppts	-5.8ppts	-7.7ppts
Operating Margin	-36.3%	-25.6%	-14.5%	-31.4%	-17.0%	-4.9%	-4.9ppts	-19.2ppts	-20.7ppts
Net Margin	-32.0%	-20.5%	-9.5%	-29.6%	-15.4%	-4.6%	-2.4ppts	-16.6ppts	-15.9ppts

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	21,975	26,672	32,143	22,879	28,848	35,210	-4.0%	-7.5%	-8.7%
Gross Profit	3,728	5,239	7,762	3,903	5,750	8,926	-4.5%	-8.9%	-13.0%
Operating Profit	(7,971)	(6,837)	(4,673)	(7,718)	(6,647)	(4,082)	NA	NA	NA
Adj. net profit	(7,022)	(5,463)	(3,055)	(6,718)	(5,164)	(2,316)	NA	NA	NA
EPS (RMB)	(17.41)	(13.41)	(6.52)	(16.66)	(12.68)	(4.94)	NA	NA	NA
Gross Margin	17.0%	19.6%	24.1%	17.1%	19.9%	25.4%	-0.1ppts	-0.3ppts	-1.3ppts
Operating Margin	-36.3%	-25.6%	-14.5%	-33.7%	-23.0%	-11.6%	-2.6ppts	-2.6ppts	-2.9ppts
Net Margin	-32.0%	-20.5%	-9.5%	-29.4%	-17.9%	-6.6%	-2.6ppts	-2.6ppts	-2.9ppts

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	11,999	19,384	21,975	26,672	32,143
Mobile games	4,803	5,091	5,099	5,815	7,051
Live broadcasting & VAS	3,846	6,935	8,403	10,273	12,128
Advertising	1,843	4,523	5,497	7,063	8,848
Others	1,507	2,834	2,976	3,521	4,116
COGS	(9,159)	(15,341)	(18,247)	(21,432)	(24,381)
Gross profit	2,840	4,043	3,728	5,239	7,762
S&M	(3,492)	(5,795)	(5,291)	(5,238)	(5,133)
Admin. Exp.	(976)	(1,838)	(2,205)	(2,426)	(2,668)
R&D	(1,513)	(2,840)	(4,203)	(4,413)	(4,634)
Operating profit	(3,141)	(6,429)	(7,971)	(6,837)	(4,673)
Other income, net	140	(119)	(42)	(125)	(125)
Pre-tax Income	(3,001)	(6,548)	(8,013)	(6,962)	(4,798)
Income Tax	(53)	(116)	(143)	124	85
Net profit	(3,054)	(6,665)	(8,156)	(6,839)	(4,713)
Adj. net profit	(2,580)	(5,127)	(7,022)	(5,463)	(3,055)

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	(3,054)	(6,665)	(8,156)	(6,839)	(4,713)
D&A	1,837	609	1,055	1,567	2,166
Change in WC	1,487	(384)	395	3,936	(2,869)
Others	484	4,269	1,133	1,376	1,658
Operating CF	754	(2,170)	(5,573)	40	(3,758)
Capex	(2,239)	(456)	(3,931)	(3,289)	(3,875)
Purchase of ST investments	(26,731)	(11,704)	-	-	-
Others	20,064	(1,043)	-	-	-
Investing CF	(8,906)	(13,202)	(3,931)	(3,289)	(3,875)
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	(9,504)	(3,249)	(7,634)
Cash (beg of yr)	4,963	4,678	9,937	434	(2,816)
FX	-	-	-	-	-
Cash (end of yr)	4,678	9,937	434	(2,816)	(10,449)

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	8,126	15,606	13,587	15,309	17,019
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	2,461	4,095	5,786
Others	2,774	4,918	4,249	4,338	4,356
Current assets	15,740	36,447	28,577	26,958	20,182
Cash	4,678	7,523	434	(2,816)	(10,449)
Restricted cash	-	-	-	-	-
Account receivable	1,054	1,382	1,056	2,013	1,509
Others	10,008	27,541	27,088	27,761	29,122
Current liabilities	7,392	12,071	11,686	17,252	15,240
Trade payable	3,074	4,361	4,577	8,341	6,354
Salary and welfare payables	734	995	995	995	995
Accrued liabilities	1,238	2,633	1,772	2,926	2,151
Deferred revenues	2,118	2,645	2,877	3,475	4,166
Others	227	1,436	1,465	1,515	1,573
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	9,648	4,185	1,130
Shareholders' equity	7,600	21,704	9,636	4,173	1,118

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Mobile games	40.0	26.3	23.2	21.8	21.9
Live broadcasting & VAS	32.0	35.8	38.2	38.5	37.7
Advertising	15.4	23.3	25.0	26.5	27.5
Others	12.6	14.6	13.5	13.2	12.8
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	77.0	61.5	13.4	21.4	20.5
Gross profit	138.6	42.4	(7.8)	40.6	48.1
EBIT	NA	NA	NA	NA	NA
Adj. net profit	NA	NA	NA	NA	NA
P&L ratios (%)					
Operating margin	(26.2)	(33.2)	(36.3)	(25.6)	(14.5)
Adj. net margin	(21.5)	(26.4)	(32.0)	(20.5)	(9.5)
Effective tax rate	(0.4)	(0.6)	(0.6)	0.5	0.3
Returns (%)					
ROE	(38.6)	(30.2)	NA	NA	NA
ROA	(10.8)	(9.8)	(16.7)	(12.9)	(8.2)
Per share					
Adj. EPS (RMB)	(7.46)	(13.73)	(17.41)	(13.41)	(6.52)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	13.53	26.61	1.08	(6.91)	(22.31)

Source: Company data, CMBIGM estimates

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