

Bilibili (BILI US)

Strong mobile games and ad businesses support solid 3Q24 results

Bilibili reported 3Q24 results: total revenue was up by 26% YoY to RMB7.31bn, 3/2% ahead of our/Bloomberg consensus estimate; the company achieved quarterly breakeven and recorded an adjusted net income of RMB236mn (vs. adjusted net loss of RMB878mn in 3Q23), ahead of our/consensus estimate of RMB195/217mn. The solid 3Q24 print is mainly due to the strong performance of new game title *SanMou* and the effective cost optimization initiatives. Looking ahead to 4Q24E, we forecast total revenue to grow by 21% YoY, with adjusted net margin further expanding to 5.3% (3Q24: 3.2%). We lift FY24-26E total revenue forecast by 1-5% in view of the robust game performance. We roll over our valuation period to FY25E and fine-tune our SOTP-derived target price to US\$22.0 (previous: US\$20.50). Maintain BUY.

- Robust revenue growth on strong mobile game performance.** Bili recorded a strong top-line performance in 3Q24. 1) mobile games revenue grew by 84% YoY to RMB1.82bn in 3Q24 (10% ahead of consensus), primary due to the strong performance of *SanMou*. The company will start to prepare for the international launch of *SanMou* in 4Q24. 2) Advertising revenue increased by 28% YoY to RMB2.09bn in 3Q24, fuelled by c.50% YoY growth of performance-based ads. Bili e-commerce ecosystem development continues to accelerate and bring monetization opportunities. During the summer vacation and back-to-school season, Bili's e-commerce advertising revenue was up by 80% YoY. 3) VAS revenue was up by 9% YoY to RMB2.82bn in 3Q24, mainly driven by the growth of premium membership revenue and the Fan Charging revenue.
- Solid revenue growth momentum to continue in 4Q24E.** For 4Q24E, we expect total revenue to grow by 21% YoY, with mobile games/ads/VAS revenue +78/24/5% YoY. *SanMou* will remain the key growth driver of mobile game business, and its Season 4 with new gameplay and map will be launched in 16 Nov, which shall boost its gross receipt in 4Q24E. For advertising, management expects Bili's ad revenue to maintain faster-than-industry growth in 4Q24E and FY25E, underpinned by the growing ad inventories, improving monetization efficiency and increasing ad budget share of different verticals.
- Ongoing margin expansion.** Overall GPM expanded by 9.9ppt YoY and 5.0ppt QoQ to 34.9% in 3Q24, thanks to the cost optimization initiatives and strong mobile game performance. Adjusted net margin improved by 18.4ppt YoY and 7.7ppt QoQ to +3.2% in 3Q24, and we expect it will further expand to 5.3% in 4Q24E. Bili also announced a share repurchase program of US\$200mn (c.3% of the market cap as of 14 Nov) for the next 24 months.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	21,899	22,528	26,780	30,005	32,273
YoY growth (%)	13.0	2.9	18.9	12.0	7.6
Gross margin (%)	17.6	24.2	32.8	36.8	38.9
Adjusted net profit (RMB mn)	(6,691.7)	(3,533.8)	(68.1)	1,550.4	2,532.1
YoY growth (%)	na	na	na	na	63.3
EPS (Adjusted) (RMB cents)	(1,700.40)	(854.72)	(16.41)	373.35	609.73
Consensus EPS (RMB cents)	(1,700.40)	(854.72)	(44.01)	369.00	686.43
P/S (x)	2.5	2.5	2.1	1.9	1.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$22.00**
 (Previous TP) US\$20.50
Up/Downside **18.3%**
Current Price **US\$18.59**

China Internet

Saiyi HE, CFA
 (852) 3916 1739
 hesaiyi@cmbi.com.hk

Wentao LU, CFA
 luwentao@cmbi.com.hk

Ye TAO, CFA
 franktao@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	7,686.0
Avg 3 mths t/o (US\$ mn)	49.3
52w High/Low (US\$)	29.66/8.94
Total Issued Shares (mn)	413.4

Source: FactSet

Shareholding Structure

Rui Chen	13.7%
Tencent	9.3%

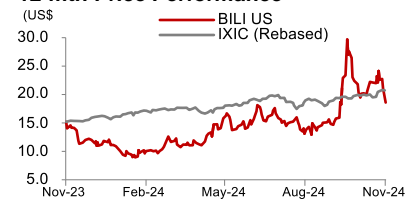
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-8.5%	-12.8%
3-mth	38.8%	27.0%
6-mth	17.4%	2.2%

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	26,780	30,005	32,273	26,357	28,836	30,619	1.6%	4.1%	5.4%
Gross profit	8,771	11,049	12,558	8,519	10,152	11,350	3.0%	8.8%	10.6%
Adj. operating profit	(1,378)	187	1,314	(1,707)	(287)	785	na	na	na
Adj. net profit	(68)	1,550	2,532	(255)	1,236	2,155	na	na	na
Adj. EPS (RMB)	(0.2)	3.7	6.1	(0.6)	3.0	5.2	na	na	na
Gross margin	32.8%	36.8%	38.9%	32.3%	35.2%	37.1%	0.4 ppt	1.6 ppt	1.8 ppt
Operating margin	-5.1%	0.6%	4.1%	-1.2%	3.4%	6.8%	-3.9 ppt	-2.8 ppt	-2.7 ppt
Adjusted net margin	-0.3%	5.2%	7.8%	-1.0%	4.3%	7.0%	0.7 ppt	0.9 ppt	0.8 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	26,780	30,005	32,273	26,565	30,236	33,349	0.8%	-0.8%	-3.2%
Gross profit	8,771	11,049	12,558	8,551	10,631	12,307	2.6%	3.9%	2.0%
Adj. operating profit	(1,378)	187	1,314	(798)	1,140	2,474	na	na	na
Adj. net profit	(68)	1,550	2,532	(187)	1,717	3,045	na	na	na
Adj. EPS (RMB)	(0.2)	3.7	6.1	(0.4)	3.7	6.9	na	na	na
Gross margin	32.8%	36.8%	38.9%	32.2%	35.2%	36.9%	0.6 ppt	1.7 ppt	2.0 ppt
Operating margin	-5.1%	0.6%	4.1%	-3.0%	3.8%	7.4%	-2.1 ppt	-3.1 ppt	-3.3 ppt
Adjusted net margin	-0.3%	5.2%	7.8%	-0.7%	5.7%	9.1%	0.4 ppt	-0.5 ppt	-1.3 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Bili: Quarterly financial figures

(RMB mn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	Cons.	Diff%	CMBI	Diff%
Mobile games	1,132	891	992	1,007	983	1,007	1,823	1,660	9.8%	1,623	12.3%
YoY%	-16.7%	-14.8%	-32.6%	-12.1%	-13.2%	13.1%	83.8%				
VAS	2,156	2,302	2,595	2,857	2,529	2,566	2,821	2,857	-1.2%	2,852	-1.1%
YoY%	5.1%	9.4%	17.4%	21.6%	17.3%	11.5%	8.7%				
Advertising	1,272	1,573	1,638	1,929	1,669	2,037	2,094	2,089	0.3%	2,094	0.0%
YoY%	22.2%	35.8%	20.9%	27.6%	31.2%	29.5%	27.8%				
IP derivatives and others	510	539	580	556	484	516	567	526	7.8%	516	9.9%
YoY%	-15.5%	-10.4%	-23.5%	-51.0%	-5.0%	-4.1%	-2.2%				
Total revenue	5,070	5,304	5,805	6,349	5,665	6,127	7,306	7,144	2.3%	7,086	3.1%
YoY%	0.3%	8.1%	0.2%	3.4%	11.7%	15.5%	25.8%				
Average MAUs	315	324	341	336	342	336	348				
YoY%	7.4%	6.0%	2.5%	3.1%	8.3%	3.7%	2.1%				
Gross profit margin	21.8%	23.1%	25.0%	26.1%	28.3%	29.9%	34.9%				
S&M ratio (%)	17.4%	17.3%	17.1%	17.7%	16.4%	16.9%	16.5%				
R&D ratio (%)	20.3%	19.7%	18.4%	20.9%	17.0%	14.6%	12.4%				
Adjusted net margin (%)	-20.3%	-18.1%	-15.1%	-8.8%	-7.8%	-4.4%	3.2%	3.0%		2.8%	
Adjusted net profit	(1,029)	(963)	(878)	(556)	(440)	(272)	236	217	8.8%	195	21.0%

Source: Company data, CMBIGM estimates

SOTP Valuation

Based on the SOTP valuation, our target price for Bili is US\$22.0 per ADS, which implies 2.2x 2025E PS. Our target price of US\$22.0 includes:

1) US\$8.9 for the advertising business (40.5% of the total valuation), based on a 14x 2025E PE. The target PE multiple is on par with the average PE of advertising platforms.

2) US\$8.0 for the VAS business (36.1% of the total valuation), based on a 2.0x 2025E PS. The target PS multiple is largely on par with the average PS of other video platforms.

3) US\$4.9 for mobile games (22.2% of the total valuation), based on a 15x 2025E PE. The target PE multiple is at a discount to the industry average (20x 2025E 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 (1.2% of the total valuation, previously disclosed as e-commerce and others), based on a 0.4x 2025E PS. The target PS multiple is on par with the average PS of the other e-commerce platforms.

Figure 4: Bili: SOTP Valuation

(RMBmn)	2025E revenue	Net margin (%)	Target PS (x)	Target PE (x)	Target valuation	As of total valuation
VAS (Live streaming + Membership)	11,951		2.0		23,901	36.1%
Advertising	9,561	20%		14	26,771	40.5%
Mobile games	6,544	15%		15	14,724	22.2%
IP derivatives and others	1,950		0.4		780	1.2%
Total valuation (RMBmn)					66,176	
Number of ADS (mn)					416	
Valuation per ADS (US\$)					22.0	

Source: Company data, CMBIGM estimates

Figure 5: Peer comparison: online games and advertising sector

Companies	Ticker	Price (Local)	EPS growth (YoY %)			PE (x)		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Online games								
NetEase	NTES US	76.3	0	11	10	11	10	9
Electronic Arts	EA US	162.7	19	9	10	23	21	19
Nexon	3659 JP	2,137.0	9	4	8	14	13	12
Nintendo	7974 JP	8,197.0	16	(30)	25	21	30	24
Bandai Namco	7832 JP	3,324.0	(14)	38	1	27	20	20
Perfect World	002624 CH	12.2	NA	NA	27	NA	31	24
37 Interactive	002555 CH	17.6	(19)	13	11	15	13	12
Average PE						18	20	17
Online advertising								
Weibo	WB US	8.2	(15)	4	2	5	4	4
Baidu	BIDU US	84.5	1	1	10	8	8	7
Meta	Meta US	580.0	55	12	13	25	22	20
Google	GOOG US	180.5	35	11	16	22	20	17
Average PE						15	14	12

Source: Bloomberg, CMBIGM

Note: data as at 13 Nov market close

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

Companies	Ticker	Price (Local)	EPS growth (YoY %)			PE (x)		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Online video								
iQiyi	IQ US	2.1	(4.6)	4.8	4.6	0.5	0.5	0.4
Mango Excellent Media	300413 CH	29.0	3.3	10.4	9.9	3.6	3.3	3.0
Average PS						2.1	1.9	1.7
First-party e-commerce								
JD	JD US	35.7	5.0	5.9	5.7	0.4	0.3	0.3
Vipshop	VIPS US	13.9	(0.0)	1.2	2.1	0.5	0.5	0.5
Average PS						0.4	0.4	0.4

Source: Bloomberg, CMBIGM

Note: data as at 13 Nov market close

Risks

Slowdown in user growth; weaker-than-expected monetization; macro headwind 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	26,780	30,005	32,273
Cost of goods sold	15,341	18,050	17,086	18,009	18,957	19,715
Gross profit	4,043	3,849	5,442	8,771	11,049	12,558
Operating expenses	10,472	12,207	10,506	10,150	10,862	11,244
Selling expense	5,795	4,921	3,916	4,419	4,801	5,002
Admin expense	1,838	2,521	2,122	2,035	2,160	2,207
R&D expense	2,840	4,765	4,467	3,696	3,901	4,034
Operating profit	(6,429)	(8,358)	(5,064)	(1,378)	187	1,314
Investment gain/loss	(194)	(532)	(436)	(268)	(285)	(291)
Other gains/(losses)	(5)	1,457	389	0	0	0
EBIT	(6,628)	(7,434)	(5,111)	(1,646)	(98)	1,023
Interest income	70	281	542	451	491	517
Interest expense	(155)	(251)	(165)	(168)	(168)	(168)
Pre-tax profit	(6,713)	(7,404)	(4,733)	(1,363)	225	1,372
Income tax	95	104	79	23	34	206
After tax profit	(6,809)	(7,508)	(4,812)	(1,385)	191	1,166
Minority interest	20	11	(11)	28	(4)	(23)
Others	0	0	0	0	0	0
Net profit	(6,789)	(7,497)	(4,822)	(1,358)	187	1,143
Adjusted net profit	(5,478)	(6,692)	(3,534)	(68)	1,550	2,532
BALANCE SHEET						
	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	36,447	24,453	18,727	44,957	47,865	52,982
Cash & equivalents	7,523	10,187	7,242	27,356	28,948	33,088
Account receivables	1,382	1,329	1,574	2,898	3,247	3,493
Prepayment	4,848	3,545	2,063	6,698	7,505	8,072
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	13,516	13,433	13,319
PP&E	1,350	1,227	715	878	1,020	1,148
Investment in JVs & assos	5,503	5,651	4,367	4,099	3,814	3,523
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	2,149	2,260	2,360
Total assets	52,053	41,831	33,159	58,472	61,298	66,301
Current liabilities	12,071	17,093	18,104	22,747	24,091	25,073
Short-term borrowings	1,232	6,621	7,456	7,456	7,456	7,456
Account payables	4,361	4,292	4,334	6,167	6,492	6,752
Tax payable	1,232	6,621	7,456	7,456	7,456	7,456
Other current liabilities	2,613	(2,084)	(2,937)	(1,970)	(1,389)	(974)
Accrued expenses	2,633	1,643	1,796	3,638	4,076	4,384
Non-current liabilities	18,266	9,498	651	21,567	21,662	23,313
Long-term borrowings	17,784	8,683	1	20,784	20,784	22,369
Other non-current liabilities	482	814	650	783	878	944
Total liabilities	30,337	26,591	18,755	44,314	45,753	48,387
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)	(24,464)	(23,072)	(20,680)
Other reserves	(255)	(255)	(255)	(255)	(255)	(255)
Total shareholders equity	21,704	15,238	14,392	14,118	15,509	17,902
Minority interest	12	2	12	40	36	13
Total equity and liabilities	52,053	41,831	33,159	58,472	61,298	66,301

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(6,713)	(7,404)	(4,733)	(1,363)	225	1,372
Depreciation & amortization	539	755	462	532	589	639
Tax paid	95	104	79	23	34	206
Change in working capital	(9)	(1,246)	1,413	(1,316)	188	170
Others	3,442	3,878	3,047	4,408	4,655	4,453
Net cash from operations	(2,647)	(3,911)	267	2,284	5,691	6,839
Investing						
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	693	(271)	(266)
Net cash from investing	(24,578)	10,609	5,435	(2,953)	(4,099)	(4,286)
Financing						
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
Net cash from financing	30,389	(4,355)	(8,683)	20,783	0	1,585
Net change in cash						
Cash at the beginning of the year	4,678	7,523	10,187	7,242	27,356	28,948
Exchange difference	(319)	321	36	0	0	0
Cash at the end of the year	7,523	10,187	7,242	27,356	28,948	33,088
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	61.5%	13.0%	2.9%	18.9%	12.0%	7.6%
Gross profit	42.4%	(4.8%)	41.4%	61.2%	26.0%	13.7%
Operating profit	na	na	na	na	na	603.1%
Net profit	na	na	na	na	na	510.4%
Adj. net profit	na	na	na	na	na	63.3%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	20.9%	17.6%	24.2%	32.8%	36.8%	38.9%
Operating margin	(33.2%)	(38.2%)	(22.5%)	(5.1%)	0.6%	4.1%
Adj. net profit margin	(28.3%)	(30.6%)	(15.7%)	(0.3%)	5.2%	7.8%
Return on equity (ROE)	(46.3%)	(40.6%)	(32.6%)	(9.5%)	1.3%	6.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.5	0.3	0.0	0.1	(0.0)	(0.2)
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
YE 31 Dec						
P/E	ns	ns	ns	ns	298.6	48.9
P/E (diluted)	ns	ns	ns	ns	298.6	48.9
P/B	2.4	3.5	3.9	4.0	3.6	3.1

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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