

Bilibili (BILI US)

4Q24 earnings beat on strong mobile games and ad businesses

Bilibili reported 4Q24 results: total revenue grew by 22% YoY to RMB7.73bn, in line with our/Bloomberg consensus estimate; adjusted net income was RMB453mn (vs. adjusted net loss of RMB556mn in 4Q23) and 15% ahead of consensus estimate, mainly due to strong revenue growth of higher-margin businesses (mobile games & ads). FY24 total revenue grew by 19% YoY to RMB26.8bn, and adjusted net loss narrowed by 99% YoY to RMB22.1mn. We expect advertising and mobile games businesses to maintain solid revenue growth in FY25E, which shall further drive GPM and OPM expansion. Management reiterated its long-term OPM target of 15-20% (vs. 6% in 4Q24), which should also boost investor confidence, in our view. We raise our FY25-26E earnings forecast by 7-13% on a better margin outlook. We lift our SOTP-derived target price to US\$26.4 (previous: US\$22.0). Maintain BUY.

- **Mobile games and advertising revenue maintained solid growth.** By segment: 1) VAS revenue was up by 8% YoY to RMB3.08bn in 4Q24 (40% of total revenue), driven by the growth of premium membership revenue and the Fan Charging revenue. The newly introduced Fan Charging program attracted over 8mn users in FY24, revenue from which also grew by over 400% YoY; 2) advertising revenue grew by 24% YoY to RMB2.39bn in 4Q24 (31% of total revenue), primarily attributable to the strong growth of performance ad revenues. Total performance ad revenues increased by over 40% YoY, and the number of advertisers grew by over 30% YoY in FY24; 3) mobile games revenue increased by 79% YoY to RMB1.80bn in 4Q24 (23% of total revenue), mainly thanks to the incremental contribution from *SanMou*.
- **Solid 1Q25E outlook.** For 1Q25E, we forecast total revenue to increase by 22% YoY to RMB6.91bn, with mobile games/ads/VAS revenue +73/19/10% YoY. Key game title *SanMou* continues to maintain steady revenue performance in Season 5, and management expects the game to have a long life cycle of over 5 years. For advertising, the company will continue to improve efficiency of its advertising platform and explore opportunities in verticals such as mini games and consumer brands. We expect advertising revenue to grow by 21% YoY in FY25E.
- **Upbeat long-term margin target.** GPM was up by 10ppt YoY to 36.1% in 4Q24, underpinned by the solid growth of high-margin businesses like mobile games and advertising. Adjusted OPM rose by 17ppt YoY to 6.0% in 4Q24. For 1Q25E, we expect adjusted OPM to expand by 12ppt YoY to 3.3%, despite the content investment in Spring Festival Gala. Supported by growth of high-margin businesses and steady expenses, management targets GPM/adjusted OPM of 40-45%/15-20% in the long term.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	22,528	26,832	30,424	32,570	34,197
YoY growth (%)	2.9	19.1	13.4	7.1	5.0
Gross margin (%)	24.2	32.7	37.3	39.3	41.0
Adjusted net profit (RMB mn)	(3,533.8)	(22.1)	1,752.6	2,724.0	3,735.5
YoY growth (%)	na	na	na	55.4	37.1
EPS (Adjusted) (RMB cents)	(854.72)	(5.32)	419.45	651.95	894.04
Consensus EPS (RMB)	(8.55)	(0.05)	4.01	6.72	9.60
P/S (x)	2.9	2.5	2.2	2.0	1.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$26.40
 (Previous TP) US\$22.00
Up/Downside 19.4%
Current Price US\$22.11

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Stock Data

Mkt Cap (US\$ mn)	9,141.3
Avg 3 mths t/o (US\$ mn)	108.3
52w High/Low (US\$)	29.66/9.67
Total Issued Shares (mn)	413.4

Source: FactSet

Shareholding Structure

Rui Chen	13.7%
Tencent	9.3%

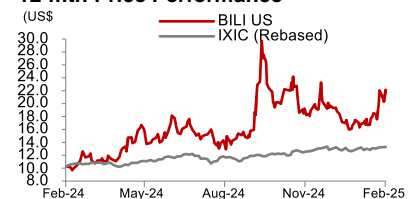
Source: Company data

Share Performance

	Absolute	Relative
1-mth	29.7%	27.7%
3-mth	17.4%	11.1%
6-mth	57.7%	40.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Bili: forecast revision

RMB mn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	30,424	32,570	34,197	30,005	32,273	NA	1.4%	0.9%	NA
Gross profit	11,358	12,794	14,016	11,049	12,558	NA	2.8%	1.9%	NA
Adj. net profit	1,753	2,724	3,736	1,550	2,532	NA	13.0%	7.6%	NA
Adj. EPS (RMB)	4.1	6.4	8.8	3.7	6.1	NA	10.7%	5.3%	NA
Gross margin	37.3%	39.3%	41.0%	36.8%	38.9%	NA	0.5 ppt	0.4 ppt	NA
Adjusted net margin	5.8%	8.4%	10.9%	5.2%	7.8%	NA	0.6 ppt	0.5 ppt	NA

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	30,424	32,570	34,197	30,294	33,152	35,775	0.4%	-1.8%	-4.4%
Gross profit	11,358	12,794	14,016	10,961	12,538	14,018	3.6%	2.0%	0.0%
Adj. net profit	1,753	2,724	3,736	1,784	2,925	3,966	-1.8%	-6.9%	-5.8%
Adj. EPS (RMB)	4.1	6.4	8.8	4.0	6.7	9.6	3.0%	-4.4%	-8.3%
Gross margin	37.3%	39.3%	41.0%	36.2%	37.8%	39.2%	1.1 ppt	1.5 ppt	1.8 ppt
Adjusted net margin	5.8%	8.4%	10.9%	5.9%	8.8%	11.1%	-0.1 ppt	-0.5 ppt	-0.2 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Bili: Quarterly financial figures

(RMB mn)	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Cons.	Diff%	CMBI	Diff%
Mobile games	891	992	1,007	983	1,007	1,823	1,798	1,791	0.4%	1,788	0.5%
YoY%	-14.8%	-32.6%	-12.1%	-13.2%	13.1%	83.8%	78.5%				
VAS	2,302	2,595	2,857	2,529	2,566	2,821	3,083	2,999	2.8%	3,001	2.7%
YoY%	9.4%	17.4%	21.6%	17.3%	11.5%	8.7%	7.9%				
Advertising	1,573	1,638	1,929	1,669	2,037	2,094	2,389	2,375	0.6%	2,394	-0.2%
YoY%	35.8%	20.9%	27.6%	31.2%	29.5%	27.8%	23.8%				
IP derivatives and others	539	580	556	484	516	567	465	475	-2.1%	500	-7.0%
YoY%	-10.4%	-23.5%	-51.0%	-5.0%	-4.1%	-2.2%	-16.4%				
Total revenue	5,304	5,805	6,349	5,665	6,127	7,306	7,734	7,639	1.2%	7,683	0.7%
YoY%	8.1%	0.2%	3.4%	11.7%	15.5%	25.8%	21.8%				
Average MAUs	324	341	336	342	336	348	340				
YoY%	6.0%	2.5%	3.1%	8.3%	3.7%	2.1%	1.2%				
Gross profit margin	23.1%	25.0%	26.1%	28.3%	29.9%	34.9%	36.1%				
S&M ratio (%)	17.3%	17.1%	17.7%	16.4%	16.9%	16.5%	16.0%				
R&D ratio (%)	19.7%	18.4%	20.9%	17.0%	14.6%	12.4%	11.9%				
Adjusted net margin (%)	-18.1%	-15.1%	-8.8%	-7.8%	-4.4%	3.2%	5.9%				
Adjusted net profit	(963)	(878)	(556)	(440)	(272)	236	453	393	15.3%	407	11.3%

Source: Company data, CMBIGM estimates

SOTP Valuation

Based on the SOTP valuation, our target price for Bili is US\$26.4 per ADS, which implies 2.6x 2025E PS. Our target price of US\$26.4 includes:

- 1) US\$10.5 for the advertising business (39.2% of the total valuation), based on a 16x 2025E PE. The target PE multiple is on par with the average PE of advertising platforms
- 2) US\$8.0 for the VAS business (29.9% 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\$8.0 for mobile games (29.8% of the total valuation), based on an 18x 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 (1.1% of the total valuation), based on a 0.5x 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)	12,041		2.0		24,082	29.9%
Advertising	9,883	20%		16	31,624	39.2%
Mobile games	6,667	20%		18	24,000	29.8%
IP derivatives and others	1,834		0.5		917	1.1%
Total valuation (RMBmn)					80,623	
Number of ADS (mn)					418	
Valuation per ADS (US\$)					26.4	

Source: Company data, CMBIGM estimates

Figure 5: Peer comparison: online games and advertising sector

Companies	Ticker	Price	EPS growth (YoY %)			PE (x)		
		(Local)	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Online games								
NetEase	NTES US	104.2	(1)	6	14	15	15	13
Electronic Arts	EA US	129.3	19	(8)	15	18	20	17
Nexon	3659 JP	2,013.5	(8)	(8)	11	15	16	15
Bandai Namco	7832 JP	4,819.0	(14)	63	(1)	40	24	25
Perfect World	002624 CH	11.6	(198)	(186)	52	NA	30	20
37 Interactive	002555 CH	16.1	(21)	12	11	14	12	11
Average PE						20	20	17
Online advertising								
Weibo	WB US	10.5	(12)	0	5	6	6	5
Baidu	BIDU US	88.0	(7)	(4)	13	9	9	8
Meta	Meta US	703.8	60	10	15	30	27	23
Google	GOOG US	187.1	37	9	17	23	21	18
Average PE						17	16	14

Source: Bloomberg, CMBIGM

Note: data as at 19 Feb market close

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

Companies	Ticker	Price	EPS growth (YoY %)			PE (x)		
		(Local)	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Online video								
iQiyi	IQ US	2.4	(8.9)	(0.3)	4.2	0.6	0.6	0.6
Mango Excellent Media	300413 CH	27.5	1.7	10.6	8.7	3.5	3.1	2.9
Average PS						2.0	1.9	1.7
First-party e-commerce								
JD	JD US	39.2	4.9	5.9	5.2	0.4	0.4	0.4
Vipshop	VIPS US	14.6	(0.0)	(0.2)	2.0	0.5	0.5	0.5
Average PS						0.5	0.5	0.4

Source: Bloomberg, CMBIGM

Note: data as at 19 Feb market close

Risks

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

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	21,899	22,528	26,832	30,424	32,570	34,197
Cost of goods sold	18,050	17,086	18,058	19,066	19,775	20,182
Gross profit	3,849	5,442	8,774	11,358	12,794	14,016
Operating expenses	12,207	10,506	10,118	10,800	11,139	11,228
Selling expense	4,921	3,916	4,402	4,868	5,048	5,130
Admin expense	2,521	2,122	2,031	2,130	2,182	2,200
R&D expense	4,765	4,467	3,685	3,803	3,908	3,898
Operating profit	(8,358)	(5,064)	(1,344)	557	1,656	2,788
Investment gain/loss	(532)	(436)	(470)	(506)	(515)	(514)
Other gains/(losses)	1,457	389	68	0	0	0
EBIT	(7,434)	(5,111)	(1,746)	51	1,141	2,274
Interest income	281	542	435	417	380	521
Interest expense	(251)	(165)	(89)	(71)	(57)	(46)
Pre-tax profit	(7,404)	(4,733)	(1,400)	396	1,463	2,750
Income tax	104	79	(37)	20	117	330
After tax profit	(7,508)	(4,812)	(1,364)	376	1,346	2,420
Minority interest	11	(11)	(17)	(8)	(27)	(48)
Others	0	0	0	0	0	0
Net profit	(7,497)	(4,822)	(1,381)	369	1,319	2,372
Adjusted net profit	(6,692)	(3,534)	(22)	1,753	2,724	3,736

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	24,453	18,727	19,756	26,270	31,759	33,406
Cash & equivalents	10,187	7,242	10,299	8,965	13,574	14,524
Account receivables	1,329	1,574	1,227	3,292	3,525	3,701
Prepayment	3,545	2,063	1,935	7,610	8,146	8,554
ST bank deposits	4,768	5,195	3,588	3,696	3,807	3,921
Other current assets	4,623	2,653	2,707	2,707	2,707	2,707
Non-current assets	17,378	14,432	12,942	11,950	11,592	11,210
PP&E	1,227	715	589	730	859	980
Investment in JVs & assos	5,651	4,367	3,912	3,405	2,890	2,377
Intangibles	4,327	3,628	3,201	3,152	3,100	3,047
Goodwill	2,725	2,725	2,725	2,725	2,725	2,725
Other non-current assets	3,448	2,998	2,515	1,937	2,018	2,081
Total assets	41,831	33,159	32,699	38,220	43,351	44,616
Current liabilities	17,093	18,104	14,763	18,376	19,302	19,951
Short-term borrowings	6,621	7,456	1,572	1,572	1,572	1,572
Account payables	4,292	4,334	4,801	6,530	6,772	6,911
Tax payable	6,621	7,456	1,572	1,572	1,572	1,572
Other current liabilities	(2,084)	(2,937)	4,259	4,570	4,962	5,250
Accrued expenses	1,643	1,796	2,559	4,133	4,425	4,646
Non-current liabilities	9,498	651	3,832	4,154	5,802	2,850
Long-term borrowings	8,683	1	3,264	3,264	4,850	1,850
Other non-current liabilities	814	650	568	890	953	1,000
Total liabilities	26,591	18,755	18,595	22,530	25,104	22,801
Share capital	0	0	0	0	0	0
Capital surplus	35,930	38,837	38,732	38,732	38,732	38,732
Retained earnings	(20,437)	(24,190)	(24,368)	(22,775)	(20,191)	(16,574)
Other reserves	(255)	(255)	(255)	(255)	(255)	(255)
Total shareholders equity	15,238	14,392	14,108	15,702	18,286	21,903
Minority interest	2	12	(4)	(12)	(39)	(87)
Total equity and liabilities	41,831	33,159	32,699	38,220	43,351	44,616

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(7,404)	(4,733)	(1,400)	396	1,463	2,750
Depreciation & amortization	755	462	532	589	639	684
Tax paid	104	79	(37)	20	117	330
Change in working capital	(1,246)	1,413	3,019	(4,127)	157	66
Others	3,878	3,047	3,901	5,145	4,859	4,453
Net cash from operations	(3,911)	267	6,015	2,023	7,235	8,283
Investing						
Capital expenditure	(2,738)	(3,472)	(3,646)	(3,828)	(4,020)	(4,156)
Acquisition of subsidiaries/ investments	(2,646)	(113)	0	0	0	0
Others	15,994	9,020	(2,575)	471	(192)	(177)
Net cash from investing	10,609	5,435	(6,221)	(3,357)	(4,211)	(4,333)
Financing						
Net borrowings	251	(8,683)	3,264	0	1,585	(3,000)
Proceeds from share issues	0	0	0	0	0	0
Others	(4,606)	0	0	0	0	0
Net cash from financing	(4,355)	(8,683)	3,264	0	1,585	(3,000)
Net change in cash						
Cash at the beginning of the year	7,523	10,187	7,242	10,299	8,965	13,574
Exchange difference	321	36	0	0	0	0
Cash at the end of the year	10,187	7,242	10,299	8,965	13,574	14,524
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	13.0%	2.9%	19.1%	13.4%	7.1%	5.0%
Gross profit	(4.8%)	41.4%	61.2%	29.4%	12.7%	9.5%
Operating profit	na	na	na	na	197.2%	68.4%
EBIT	na	na	na	na	2,147.1%	99.4%
Net profit	na	na	na	na	257.9%	79.7%
Adj. net profit	na	na	na	na	55.4%	37.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	17.6%	24.2%	32.7%	37.3%	39.3%	41.0%
Operating margin	(38.2%)	(22.5%)	(5.0%)	1.8%	5.1%	8.2%
Adj. net profit margin	(30.6%)	(15.7%)	(0.1%)	5.8%	8.4%	10.9%
Return on equity (ROE)	(40.6%)	(32.6%)	(9.7%)	2.5%	7.8%	11.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.3	0.0	(0.4)	(0.3)	(0.4)	(0.5)
Current ratio (x)	1.4	1.0	1.3	1.4	1.6	1.7
Receivable turnover days	22.1	25.5	16.7	39.5	39.5	39.5
Payable turnover days	86.8	92.6	97.1	125.0	125.0	125.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	182.0	50.9	28.3
P/E (diluted)	ns	ns	ns	184.8	51.6	28.7
P/B	4.1	4.6	4.7	4.3	3.7	3.1

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

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