



Bilibili Inc.

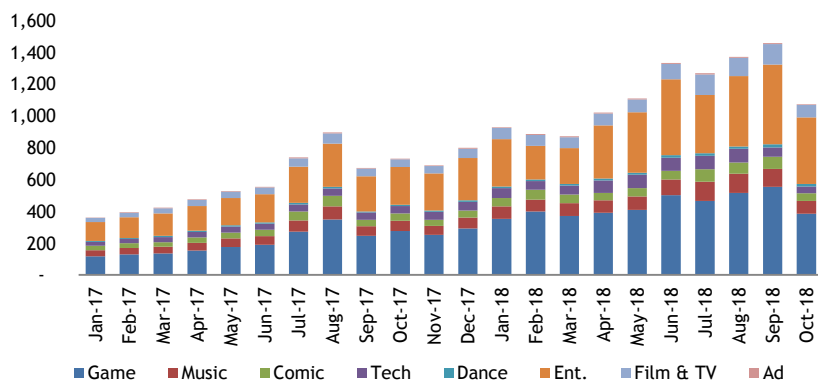
November 19, 2018

Better Growth in Live Broadcasting and Advertising Drive 3Q18 Topline; The Ban of Game Reviews Can Be Negative For Near Term Revenue Growth

BILI will report 3Q18 results on November 20th after the markets close followed by an 8pm EST conference call. Based on our data and model, we believe the company's revenue is likely to be better than consensus at RMB1,019.4M, and towards the higher-end of its guidance range of RMB1,000M – RMB1,040M driven by advertising and live broadcastings. As the company's main source of revenue is game, the suspension of game reviews from the government is likely to be negative to the company's revenue growth in the near term.

- The growth of videos and video views in 3Q18** – Videos is directly related to BILI's advertising revenue. Newly added videos increased 77.6% Y/Y to 4.1M in 3Q18 and increased 46.7% Y/Y to 1.1M in October 2018 (Figure 1). The video views, however, didn't grow as fast as the number of videos, which is a sign that the platform has more participations but fewer interactions. Newly added video views increased 22.3% Y/Y to 17.8B in 3Q18 and 13.2% Y/Y to 4.9B in October 2018 (Figure 2). Among newly added video views, game video views increased 25.1% Y/Y to 1.5B in October 2018. Newly added video comments increased 22.9% Y/Y to 102.2M in 3Q18 and 23.1% Y/Y to 27.7M in October 2018 (Figure 3).
- Game download and gross ranking** - Download ranking of *Fate/Grand Order* increased to 559 in October 2018 from 720 in 3Q18, and *Azur Lane* increased slightly to 902 in October 2018 from 968 in 3Q18 (Figure 4). For gross ranking, *Fate/Grand Order* went up to 19 in October 2018 from 49 in 3Q18, and *Azur Lane* was slightly down to 125 in October 2018 from 100 in 3Q18 (Figure 5).
- Live broadcasting and APP usage** - Live broadcasting mainly consists of painting, entertainment, mobile games and PC games. There were about 582K hosts and 39.7M average daily online users in October 2018 (Figure 6).

Figure 1: Newly Added Videos, 1/2017 – 10/2018



Source: T.H. DATA (www.thdata.com)

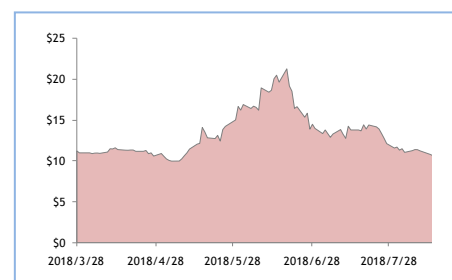
Bilibili Inc.
BILI: Not Rated
Price: \$14.50
Target Price: N/A

52 Week Range:	\$9.09 - \$22.70
Market Cap:	\$3.92B
Avg. Daily Vol. (100 day):	4,704,620

FY (Dec)	2017A	2018E	2019E
Q1	424.1A	868.0A	1,360.8E
Q2	582.9A	1,026.5A	1,602.6E
Q3	727.7A	1,019.4E	1,705.5E
Q4	<u>733.7A</u>	<u>1,058.7E</u>	<u>1,870.7E</u>
Revenue	2,468.4A	3,972.6E	6,539.0E
Q1	N/A	(0.94)A	0.08E
Q2	N/A	(0.07)A	0.03E
Q3	N/A	(0.51)E	0.01E
Q4	<u>N/A</u>	<u>(0.40)E</u>	<u>0.10E</u>
EPS*	N/A	(1.93)E	0.22E
P/E	N/A	N/A	419.0x

*Non-GAAP EPS

All figures in RMB millions unless otherwise noted



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Figure 2: Newly Added Video Views, 1/2017 – 10/2018

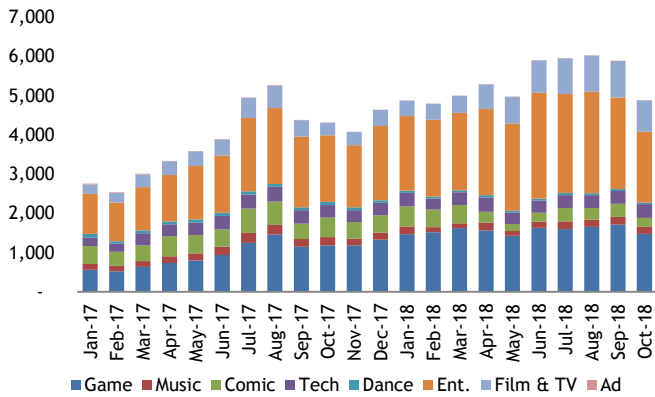
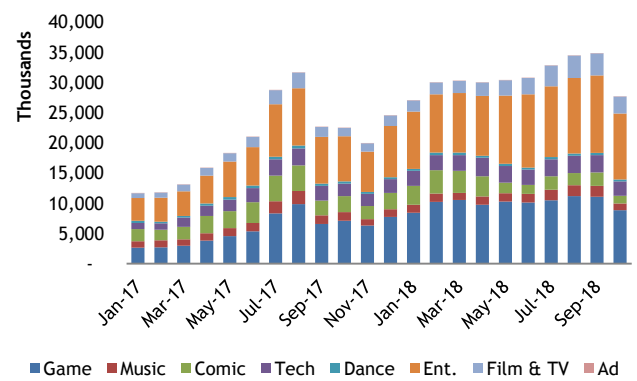


Figure 3: Newly Added Comments, 1/2017 – 10/2018



Source: T.H. DATA (www.thdata.com)

Figure 4: Game Download Ranking, 1/2017 – 10/2018

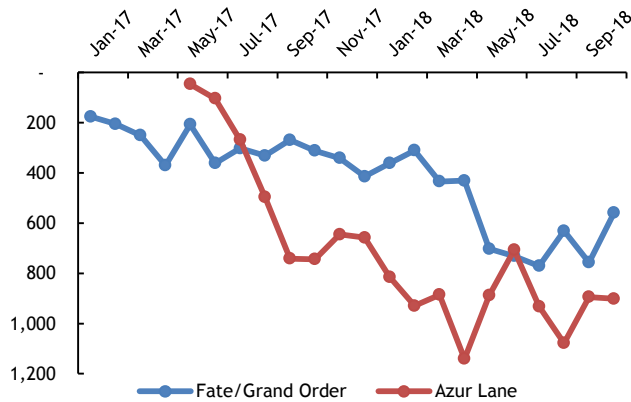
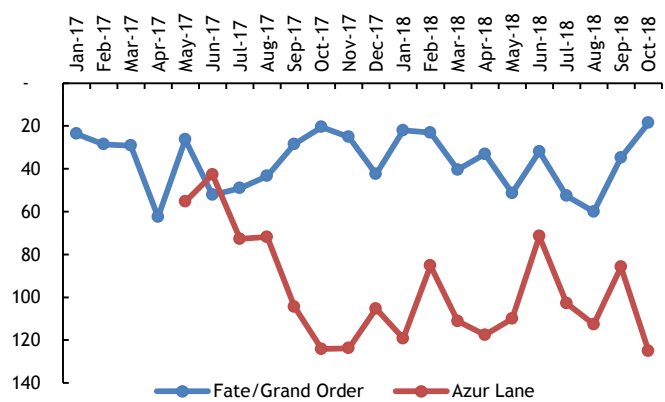
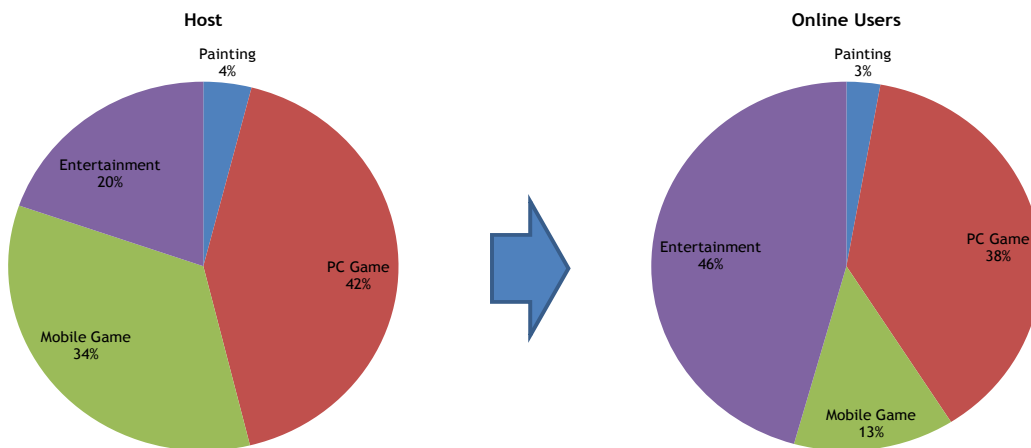


Figure 5: Game Gross Ranking, 1/2017 – 10/2018



Source: T.H. DATA (www.thdata.com)

Figure 6: Live Broadcasting Hosts (Left) and Online Users (Right), October 2018



Source: T.H. DATA (www.thdata.com)

Figure 7: Earnings Model (in RMB, 000s)

Income Statement (RMB, thousand)	FY17A	1Q18A	2Q18A	3Q18E	4Q18E	FY18E	1Q19E	2Q19E	3Q19E	4Q19E	FY19E	FY20E
	12/31/2017	3/31/18	6/30/18	9/30/18	12/31/18	12/31/2018	3/31/19	6/30/19	9/30/19	12/31/19	12/31/2019	12/31/2020
Mobile games	2,058,226	688,496	791,013	722,195	694,751	2,896,455	1,087,824	1,249,801	1,207,510	1,236,658	4,781,792	6,511,321
Live broadcasting and VAS	176,443	95,764	118,614	148,268	182,369	545,015	153,222	196,899	275,778	344,677	970,577	1,451,149
Advertising	159,160	70,444	95,863	123,663	155,816	445,786	105,666	134,208	195,388	261,770	697,033	971,339
Others	74,620	13,304	21,052	25,262	25,768	85,386	13,570	21,684	26,778	27,571	89,603	90,172
Net revenue	2,468,449	868,008	1,026,542	1,019,388	1,058,704	3,972,642	1,360,282	1,602,592	1,705,453	1,870,677	6,539,004	9,023,982
Cost of revenues	1,919,241	654,927	775,858	807,355	833,200	3,071,340	1,006,609	1,169,892	1,262,036	1,373,077	4,811,613	6,492,865
Gross profit(loss)	549,208	213,081	250,684	212,033	225,504	901,302	353,673	432,700	443,418	497,600	1,727,391	2,531,116
Sales and marketing expenses	232,489	78,894	127,764	166,160	145,042	517,861	122,425	177,888	184,189	187,068	671,570	900,185
General and administrative expenses	260,898	102,557	97,940	116,210	133,397	450,104	149,631	155,451	160,313	177,714	643,109	864,004
Research and development expenses	280,093	105,906	131,898	144,753	134,455	517,012	153,712	184,298	187,600	198,292	723,902	990,825
Total operating expenses	773,480	287,357	357,602	427,124	412,895	1,484,977	425,768	517,637	532,101	563,074	2,038,581	2,755,013
Operating profit(loss)	(224,272)	(74,276)	(106,918)	(215,091)	(187,391)	(583,675)	(72,095)	(84,937)	(88,684)	(65,474)	(311,190)	(223,897)
Investment income, net	22,957	25,460	818	838	858	27,974	808	833	858	883	3,382	3,482
Interest income	1,483	842	19,833	17,833	17,833	56,341	17,828	17,828	17,828	17,828	71,312	71,292
Exchange (losses)/gains	6,445	(9,967)	10,669	10,694	10,644	22,040	10,694	10,744	10,794	10,844	43,076	43,876
Other, net	18,518	3,312	7,697	7,722	7,522	26,253	7,547	7,572	7,597	7,622	30,338	30,738
Income(loss) before income taxes	(174,869)	(54,629)	(67,901)	(178,004)	(150,534)	(451,067)	(35,218)	(47,960)	(51,607)	(28,297)	(163,082)	(74,509)
Income tax	8,881	3,174	2,405	9,790	8,279	23,649	1,937	2,638	2,838	1,556	8,969	4,098
Net income(loss)	(183,750)	(57,803)	(70,306)	(187,794)	(158,813)	(474,716)	(37,155)	(50,598)	(54,445)	(29,853)	(172,051)	(78,607)
Accretions to preferred shares redemption value	(258,554)	(63,197)	(1,408)	(1,408)	(1,408)	(67,421)	-	-	-	-	-	-
Net loss attributable to noncontrolling interests	-	950	350	-	-	1,300	-	-	-	-	-	-
Net loss attributable to Bilibili's shareholders	(571,548)	(120,050)	(71,364)	(189,202)	(160,221)	(540,837)	(37,155)	(50,598)	(54,445)	(29,853)	(172,051)	(78,607)
Income tax	8,881	3,174	2,405	9,790	8,279	23,649	1,937	2,638	2,838	1,556	8,969	4,098
Less: Interest income	1,483	842	19,833	17,833	17,833	56,341	17,828	17,828	17,828	17,828	71,312	71,292
Share-based compensation expenses	79,954	53,619	49,814	49,000	50,000	202,433	57,000	57,125	57,250	57,375	228,750	228,250
Amortization of intangible assets acquired through business a	2,536	1,022	1,022	1,027	1,032	4,103	1,037	1,042	1,047	1,052	4,178	4,258
Adjusted EBITDA	(50,182)	9,727	(26,326)	(135,228)	(106,743)	(258,569)	15,608	3,021	(471)	22,994	41,152	129,725
Adjusted net income(loss) attributable to Bilibili's shareh	(101,260)	(65,409)	(20,528)	(139,175)	(109,189)	(334,301)	20,882	7,569	3,852	28,574	60,877	153,901
GAAP EPS	(8.17)	(1.73)	(0.26)	(0.69)	(0.58)	(3.27)	(0.14)	(0.18)	(0.20)	(0.11)	(0.63)	(0.29)
Non-GAAP EPS	(6.87)	(0.94)	(0.07)	(0.51)	(0.40)	(1.93)	0.08	0.03	0.01	0.10	0.22	0.56
Diluted shares	69,939	69,337	273,886	273,906	273,926	222,764	273,946	273,966	273,986	274,006	273,976	274,056

	FY17A	1Q18A	2Q18A	3Q18E	4Q18E	FY18E	1Q19E	2Q19E	3Q19E	4Q19E	FY19E	FY20E
Margins												
Cost of sales	77.8%	75.5%	75.6%	79.2%	78.7%	-77.3%	74.0%	73.0%	74.0%	73.4%	-73.6%	-72.0%
Gross profit	22.2%	24.5%	24.4%	20.8%	21.3%	22.7%	26.0%	27.0%	26.0%	26.6%	26.4%	28.0%
Sales and marketing expenses	9.4%	9.1%	12.4%	16.3%	13.7%	-13.0%	9.0%	11.1%	10.8%	10.0%	-10.3%	-10.0%
General and administrative expenses	10.6%	11.8%	9.5%	11.4%	12.6%	-11.3%	11.0%	9.7%	9.4%	9.5%	-9.8%	-9.6%
Research and development expenses	11.3%	12.2%	12.8%	14.2%	12.7%	-13.0%	11.3%	11.5%	11.0%	10.6%	-11.1%	-11.0%
Total operating expenses	31.3%	33.1%	34.8%	41.9%	39.0%	-37.4%	31.3%	32.3%	31.2%	30.1%	-31.2%	-30.5%
Operating profit	-9.1%	-8.6%	-10.4%	-17.5%	-14.2%	-11.4%	-2.6%	-3.0%	-3.0%	-1.5%	-2.5%	-0.8%
Income(loss) before income taxes	-7.1%	-6.3%	-6.6%	-17.5%	-14.2%	-11.4%	-2.6%	-3.0%	-3.0%	-1.5%	-2.5%	-0.8%
Income tax expense	5.1%	5.8%	3.5%	5.5%	5.5%	5.2%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Net (loss)/income	-23.2%	-13.8%	-6.8%	-18.4%	-15.0%	-13.6%	-2.7%	-3.2%	-3.2%	-1.6%	-2.6%	-0.9%
Adjusted net income	-4.1%	-7.5%	-2.0%	-13.7%	-10.3%	-8.4%	1.5%	0.5%	0.2%	1.5%	0.9%	1.7%
Adjusted EBITDA	-2.0%	1.1%	-2.6%	-13.3%	-10.1%	-6.5%	1.1%	0.2%	0.0%	1.2%	0.6%	1.4%

	FY17A	1Q18A	2Q18A	3Q18E	4Q18E	FY18E	1Q19E	2Q19E	3Q19E	4Q19E	FY19E	FY20E
Y/Y Growth												
Mobile games	501.1%	97.3%	60.9%	20.3%	12.5%	40.7%	58.0%	58.0%	67.2%	78.0%	65.1%	36.2%
Live broadcasting and VAS	121.5%	151.0%	186.3%	242.9%	240.1%	208.9%	60.0%	66.0%	86.0%	89.0%	78.1%	49.5%
Advertising	162.1%	143.9%	131.7%	151.6%	292.0%	180.1%	50.0%	40.0%	58.0%	68.0%	56.4%	39.4%
Others	84.0%	65.0%	148.2%	-28.2%	12.7%	14.4%	2.0%	3.0%	6.0%	7.0%	4.9%	0.6%
Net revenues	371.7%	104.7%	76.1%	40.1%	44.3%	60.9%	56.7%	56.1%	67.3%	76.7%	64.6%	38.0%
Cost of sales	148.3%	80.4%	74.3%	46.0%	49.3%	60.0%	53.7%	50.8%	56.3%	64.8%	56.7%	34.9%
Gross profit	320.1%	248.6%	82.1%	21.4%	28.3%	64.1%	66.0%	72.6%	109.1%	120.7%	91.7%	46.5%
Sales and marketing expenses	126.5%	92.8%	146.4%	121.8%	123.8%	122.7%	55.2%	39.2%	10.9%	29.0%	29.7%	34.0%
General and administrative expenses	-42.2%	140.3%	30.4%	103.1%	55.3%	72.5%	45.9%	58.7%	38.0%	33.2%	42.9%	34.3%
Research and development expenses	207.0%	91.8%	108.1%	94.3%	54.6%	84.6%	45.1%	39.7%	29.6%	47.5%	40.0%	36.9%
Total operating expenses	19.9%	107.0%	87.9%	106.7%	73.7%	92.0%	48.2%	44.8%	24.6%	36.4%	37.3%	35.1%
Operating profit	74.9%	4.4%	-103.0%	-574.4%	-202.1%	-160.3%	2.9%	20.6%	58.8%	65.1%	46.7%	28.1%
Income(loss) before income taxes	80.7%	16.7%	-41.2%	-1351.8%	-207.8%	-157.9%	35.5%	29.4%	71.0%	81.2%	63.8%	54.3%
Income tax expense	182.7%	74.8%	3.5%	321.3%	242.4%	166.3%	-39.0%	9.7%	-71.0%	-81.2%	-62.1%	-54.3%
Net (loss)/income	79.8%	14.3%	-39.5%	-1187.6%	-209.4%	-158.3%	35.7%	28.0%	71.0%	81.2%	63.8%	54.3%
Adjusted net income	81.4%	41.9%	90.3%	-95.2%	-17.2%	-230.1%	131.9%	136.9%	102.8%	126.2%	118.2%	152.8%
Adjusted EBITDA	90.4%	120.8%	-77529.4%	-1512.2%	-713.2%	-415.3%	60.5%	111.5%	99.7%	121.5%	115.9%	215.2%

	FY17A	1Q18A	2Q18A	3Q18E	4Q18E	FY18E	1Q19E	2Q19E	3Q19E	4Q19E	FY19E	FY20E
Q/Q Growth												
Mobile games		11.5%	14.9%	-8.7%	-3.8%		56.6%	14.9%	-3.4%	2.4%		
Live broadcasting and VAS		78.6%	23.9%	25.0%	23.0%		-16.0%	28.5%	40.1%	25.0%		
Advertising		77.2%	36.1%	29.0%	26.0%		-32.2%	27.0%	45.6%	34.0%		
Others		-41.8%	58.2%	20.0%	2.0%		-47.3%	59.8%	23.5%	3.0%		
Net revenues		18.3%	18.3%	-0.7%	3.9%		28.5%	17.8%	6.4%	9.7%		
Gross profit		21.3%	17.6%	-15.4%	6.4%		56.8%	22.3%	2.5%	12.2%		
Sales and marketing expenses		21.7%	61.9%	30.1%	-12.7%		-15.6%	45.3%	3.5%	1.6%		
General and administrative expenses		19.4%	-4.5%	18.7%	14.8%		12.2%	3.9%	3.1%	10.9%		
Research and development expenses		21.8%	24.5%	9								

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