

BILIBILI 2020 4Q AND FISCAL YEAR CONFERENCE CALL SCRIPT

Operator introduction

Good day and welcome to the Bilibili 2020 fourth quarter and full year earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Juliet Yang, senior director of investor relations. Please go ahead.

Juliet Yang

Thank you, operator. Please note the discussion today will contain forward-looking statements, relating to the Company's future performance, and are intended to qualify for the Safe Harbor from liability, as established by the US Private Securities Litigation Reform Act. Such statements are not guarantees of future performance and are subject to certain risks and uncertainties, assumptions and other factors. Some of these risks are beyond the Company's control and could cause actual results to differ materially from those mentioned in today's press release and this discussion.

A general discussion of the risk factors that could affect Bilibili's business and financial results is included in certain filings of the Company with the Securities and Exchange Commission. The Company does not undertake any obligation to update this forward-looking information, except as required by law.

During today's call, management will also discuss certain non-GAAP financial measures, for comparison purposes only. For a definition of non-GAAP financial measures, and a reconciliation of GAAP to non-GAAP financial results, please see the 2020 fourth quarter and full year financial results news release issued earlier today.

As a reminder, this conference is being recorded. In addition, an investor presentation and a webcast replay of this conference call will be available on the Bilibili investor relations website, at ir.bilibili.com.

Joining us today on the call from Bilibili's senior management are Mr. Rui Chen, Chairman of the Board and Chief Executive Officer, Ms. Carly Lee, Vice Chairwoman of the Board and Chief Operating Officer, and Mr. Sam Fan, Chief Financial Officer. And I'll now turn the call over to Mr. Fan, who will read prepared remarks on behalf of Mr. Chen.

Sam Fan

Thank you, Juliet. And thank you everyone for participating in our 2020 fourth quarter and fiscal year end conference call. I'm pleased to deliver today's opening remarks on behalf of Mr. Chen.

We had an exceptional year in 2020. Through a challenging macro environment, we remained focused on our growth strategies and achieved record results. In the fourth quarter, our MAUs reached 202 million, up 55% year-over-year, marking a new starting point for our growth journey. In addition, mobile MAUs were up 61% year-over-year to 187 million. On the user engagement front, we had 54 million DAUs, up 42% year-over-year. Our users remained highly engaged and spent an average 75 minutes on our platform daily in the fourth quarter, reflecting the strong appeal of Bilibili's content offerings and the stickiness of our growing community.

The high quality and rapid growth of our user base laid a solid foundation for our commercialization efforts. In the fourth quarter, our premium content and services continued to drive paying user conversion. MPUs reached 18 million, up 103% year-over-year. Our overall paying ratio increased to 8.9%, compared with 6.8% in the same period last year. At the same time, more business partners are turning to Bilibili to reach and engage our massive audience base of young generations. Our advertising business grew by 149% in the fourth quarter year-over-year, marking the seventh consecutive quarter of accelerated growth on a year-over-year basis. On the back of this momentum, our total revenues reached another record high of RMB3.8 billion in the fourth quarter, and RMB12 billion for the full year. This represents impressive year-over-year growth of 91% and 77%, respectively.

We attribute our success to our broad content library, engaging community experiences and rising brand awareness. In 2020, we made some key moves that resulted in a significant boost to our brand. We kicked-off 2020 with a blockbuster New Year's Eve Gala, followed by our "*Hou Lang*," "*Ru Hai*," "*Xi Xiang Feng*" marketing trilogy, and introduced our brand proposition '*All the Videos You Like*.' We carried these efforts into the fourth quarter and closed the year with our second New Year's Eve Gala, *The Most Beautiful Night of 2020*. During the live broadcast night, the popularity index more than tripled compared with our 2019 event, achieving 120 million playbacks within 48 hours. These successful marketing initiatives have allowed us to connect and resonate with more users and reach a more diverse audience, and we believe we can continue with the strong momentum in 2021.

Building on the success of our 2020 user growth, one thing is clear – Our appeal is much broader and reaches beyond Gen Z. We’re now widely recognized by a larger audience that now includes those born between 1985-2009, popularly referred to as the “Gen Z+” demographic. This group of users shares similar attributes, and we have established unparalleled mindshare among this vibrant Gen Z+ community. According to iResearch’s latest report, over 86% of our MAUs were below the age of 35 in 2020. This group is the driving force for all kinds of consumption in China, especially the video-based consumption market. In 2019, Gen Z+ contributed 65% of video-based market dollars.

Video continues to be integrated with more and more aspect of daily lives. It is becoming the primary means to communicate, entertain and exchange information. This videolization trend is creating massive market opportunities in China. The video-based market is expected to reach RMB1.8 trillion in revenues, generated by nearly 1.2 billion video users by 2025, according to iResearch. As a full spectrum video community platform, and the go-to platform for the Gen Z+ demographic, we are at the forefront of this exciting videolization opportunity.

With that, I’ll walk you through some of our activities during the fourth quarter, beginning with our content.

Our content creators are extremely important to us. Their creations represent their vision of the world around them, which reflects and influences Gen Z+’s preferences. For the fourth quarter, we had approximately 1.9 million content creators uploading 5.9 million videos per month, representing increases of 88% and 109%, respectively, both year-over-year. We continue to provide our content creators with support on multiple levels. These include video editing tools and tutorials that help facilitate new creations, as well as monetary rewards and our advertising platform. Most importantly, we continue to improve our algorithm to make sure the right content is distributed to the right audiences while promoting high quality, original content. These attributes are what make Bilibili the most sought after platform for content creators to showcase their talents, share their passions and make a living doing what they love.

We continue to enhance our content offerings both in depth and in breadth. In the fourth quarter, our most popular content verticals, in terms of video views, were Lifestyle, Games, Entertainment, Anime and Tech & Knowledge. Among those leading verticals, Knowledge was one of the fastest growing verticals, attracting numerous intellects to our platform to share their knowledge and insights. In the fourth quarter, our Tech & Knowledge vertical attracted a wide audience, and had contributed a

significant 10% of our total video views. Meanwhile, we continue to invest in areas where we see high potential to build out new strongholds. For 2021, as we grow with our existing users and attract new ones, we've identified several areas with large and growing demand such as automotive, home furnishing, relationships and parenting.

In January 2021, we launched Story Mode, our new PUGV content format that allows users to enjoy short videos in vertical formats. With Story Mode, we hope to satisfy users' diverse needs by providing them with seamless access to our high quality content, ranging from seconds for their fragmented time, to minutes and hours for more immersive experiences. We are encouraged by the initial results brought by the new model.

Turning to our OGV content ...

Our years of investment in Chinese anime bore fruit in 2020. Chinese anime MAUs have surpassed Japanese anime MAUs and has become our No.1 category within OGV. Over 160 million users watched Chinese anime on our platform in 2020. During the year, we released a number of popular Chinese Anime titles and hit new records for attracting new users and converting them to paying members. These include *Carp Reborn* 元龙, *Daily life of Immortal King* 仙王的日常生活, *Ling Cage* 灵笼, and the more recently launched *Heaven Official's Blessing* 天官赐福, forming valuable IP assets. In November, we held our third annual Chinese anime press conference "MADE BY BILIBILI." Here, we introduced 33 new titles that we plan to release over the next two years. In addition to market developments in China, we are excited to be a pioneer in promoting Chinese anime worldwide. Some of our international endeavors include our cooperation with Sony's Funimation and Netflix to stream Bilibili-produced Chinese anime series around the world.

Our documentary, variety shows and TV series continued to enrich our content library as well. In particular, we've been very successful with our recent endeavors in self-produced TV drama *Run for Young* 风犬少年的天空 and music reality show *Rap for Youth* 说唱新世代. Not only have we attracted new users, generated sizable memberships and advertising revenue with these additions, but we have also opened the gateway to new content verticals and formats.

Turning to our community ...

As our user base continues to grow, particularly among the Gen Z+ audience, we are further nurturing bonds and strengthening our community ties. In the fourth quarter, our daily video views reached 1.2 billion, up 70% year-over-year. Monthly

interactions were also up by 94% year-over-year, with users generating 4.7 billion bullet chats, comments, likes and Bilibili moment posts.

Our official member numbers reached new heights as well. At the end of the fourth quarter, we surpassed the milestone of our first 100 million official members, with 103 million official members, up 51% year-over-year. Our 12-month retention also remains strong, well above 80%. These consistent metrics are a strong testimony to the success of our platform and growth strategies.

Turning to our commercialization progress ...

We diversified our game offerings even further in 2020. Led by existing popular games such as *Princess Connect 公主连结*, *FGO* and *Azure Lane*, our mobile games revenue grew to RMB1.1 billion in the fourth quarter, up 30% year-over-year. Old and new fans alike continue to find great joy in these games, driving their steady performances. *Genshin Impact 原神* continued to win fans with massive success, and Bilibili is the game's primary Android partner in China.

As for our games pipeline, we have 14 titles that have obtained approvals and are scheduled for launch. We're very excited about our new, exclusively licensed games. In the upcoming quarters, we plan to bring players *Sword Art Online: Integral Factor 刀剑神域黑衣剑士:王牌*, an exciting MMORPG, *Artery Gear 机动战姬: 聚变*, and *Guardian Tales 坎特伯雷公主与骑士唤醒冠军之剑的奇幻冒险*, two thrilling ACG titles. As for our jointly-operated games, we continue to be a partner of choice for leading game developers. In 2021, we'll continue to work with top developers to bring more premium games to Chinese users, such as NetEase's *Harry Potter: Magic Awakened 哈利波特: 魔法觉醒* and *Diablo Immortal 暗黑破坏神: 不朽*, as well as Tencent's *League of Legends 英雄联盟* mobile game.

Turning to our VAS business ...

Driven by our premium memberships and live broadcasting business, revenues from VAS increased by 118% year-over-year, reaching RMB1.2 billion in the fourth quarter.

Premium memberships are on the rise gaining viewers exclusive or advance access to our OGV content. At the end of the fourth quarter, we had engaged 14.5 million premium members, up 91% year-over-year. The majority of our members paid for annual memberships, or our automatic renewal programs.

As a natural extension of our video platform, we continue to build our live broadcasting content ecosystem. While more hosts are attracted to Bilibili, more content creators are leveraging our live broadcasting platform to connect with fans and showcase their talents. Having secured 3 years of exclusive live broadcasting rights to the *League of Legends* World Championship in China, we further enhanced our e-sports content offerings with the recent S10 event hitting record high viewership.

Last but not least, let's review our advertising business ...

Thanks to our strong user growth and enhanced brand name, advertisers are even more aware of our users' value and coming to Bilibili for increased visibility. At the same time, our ad efficiency and effectiveness further improve as our algorithm improves. Revenues from our advertising segment reached RMB722 million, up 149% year-over-year in the fourth quarter. **Games, Food & Beverage, E-commerce, Skincare & Cosmetics, and 3C products** were the leading verticals in the fourth quarter. Our New Year's Eve Gala proved to be a great draw for advertisers as well. This year we welcomed new consumer brand *Yuan Qi Sen Lin* and traditional appliance giant *Midea Group* as our key sponsors of the gala.

Our results speak for themselves and our business continues to gain momentum. Bilibili is decidedly the go-to platform capturing the hearts and minds of Gen Z+, and our audience of young users keeps growing. We have entered a new era where video is becoming the dominant vehicle for people to get connected, informed and entertained. The trend of videolization is only getting started. At the same time, China's overall economy is on the rise, and is expected to continue with vigorous growth. We are not only helping to shape the new videolization paradigm, but also gaining market share in this huge and growing video market. In 2021, we will continue to invest in our content and our brand to expand our reach and further capitalize on this tremendous opportunity.

This concludes Mr. Chen's remarks. I will now provide a brief overview of our financial results for the fourth quarter and full year of 2020.

Total net revenues for the fourth quarter were RMB3.8 billion, up 91% from the same period of 2019. In the fourth quarter, we continued to see a more balanced and diversified revenue mix. Our total net revenues breakdown by revenue stream was approximately 29% games, 33% VAS, 19% advertising, and 19% e-commerce & others business.

Cost of revenues increased by 80% year-over-year to RMB2.9 billion. Revenue-sharing cost, a key component of cost of revenues, was RMB1.3 billion, also an 80% increase from the same period in 2019.

Gross profit increased by 137% year-over year to RMB944.1 million. Our gross margin improved to 24.6% in the fourth quarter, compared with 19.8% from the same period last year.

Total operating expenses were RMB1.8 billion, up 126% from the same period in 2019.

S&M expenses were RMB1.0 billion, representing a 147% increase year-over-year. The increase was primarily attributable to the increased channel and marketing expenses associated with our app and brand, such as our 2020 branding campaigns, as well as expenses for our mobile games and sales and marketing personnel. By allocating resources to build our brand and appeal among a broader audience we achieved substantial growth in 2020. We believe the effects will be even farther reaching, with positive impact to the market over the long term. We can already see the benefits of this strategy through our broadening user base demographics, content and overall industry leadership. We plan to continue building on this momentum in 2021, to further strengthen and expand our virtuous growth cycle.

G&A expenses were RMB343 million, representing a 115% increase year-over-year. The increase was primarily due to increased headcount in general and administrative personnel, increased share-based compensation expenses, increased allowance for doubtful accounts and higher rental expenses.

R&D expenses were RMB484 million, representing a 97% increase year-over-year. The increase was primarily due to increased headcount in research and development personnel and increased share-based compensation expenses.

Net loss was RMB844 million for the fourth quarter of 2020, compared to RMB387 million in the same period of 2019.

Adjusted net loss, which is a non-GAAP measure that excludes share-based compensation expenses and amortization expense related to intangible assets acquired through business acquisitions and income tax related to intangible assets acquired through business acquisition, was RMB682 million, compared to RMB337 million in the same period of 2019.

Basic and diluted net loss per share were RMB2.34.

Adjusted basic and diluted net loss per share were RMB1.88.

For the full year of 2020, our total net revenues increased by 77% to RMB12.0 billion. Notably, we saw a shift in our revenue streams with 60% of our total net revenues in 2020 coming from our non-game business, and games accounting for 40%.

Gross profit for the 2020 full year increased 139% to RMB2.8 billion. Net loss for 2020 was RMB3.1 billion compared to RMB1.3 billion in 2019. Adjusted net loss for 2020 was RMB2.6 billion compared to RMB1.1 billion in 2019. Basic and diluted net loss per share for 2020 was RMB8.71. This compares with RMB3.99 in 2019. Adjusted basic and diluted net loss per share were RMB7.46, compared with RMB3.30 in 2019.

As of December 31, 2020, we had cash and cash equivalents, time deposits, as well as short-term investments of RMB12.8 billion, compared to RMB8.1 billion as of December 31, 2019.

With that in mind, we are currently projecting net revenues for the first quarter of 2021 to be between RMB3.70 billion and RMB3.80 billion.

Juliet Yang

Thank you once again for joining us today. If you have any further questions, please contact myself, Juliet Yang, Bilibili's Senior IR Director or TPG Investor Relations. Our contact information for IR in both China and the U.S. can be found on today's press release. Have a great day.