

BILIBILI 2Q 2021 CONFERENCE CALL SCRIPT

Operator introduction

Good day and welcome to the Bilibili 2021 second quarter financial results and business update conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Juliet Yang, executive director of investor relations. Please go ahead.

Juliet Yang

Thank you, operator.

During this call, we will discuss our business outlook and make forward-looking statements. These comments are based on our predictions and expectations as of today. Actual events or results could differ materially from those mentioned in today's news release and in this discussion, due to a number of risks and uncertainties, including those mentioned in our most recent filings with the SEC and Hong Kong Stock Exchange. The non-GAAP financial measures we provide are for comparison purposes only. Definitions of these measures and a reconciliation table are available in the news release we 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 IR website, at ir.bilibili.com.

Joining us today 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 2021 second quarter results conference call. I'm pleased to deliver today's opening remarks on behalf of Mr. Chen.

In August 2019, we announced our ambition to further grow our user base. Today, two years later, we find ourselves on the fast track to executing that strategy, achieving many great milestones along the way. In the second quarter, we added 14 million MAUs sequentially, bringing our total MAUs to 237 million, up 38% year-over-year. Mobile MAUs also up 44% year-over-year, reaching 220 million. And DAUs reached 63 million, marking a 24% increase year-over-year. Importantly, our users became even more engaged, spending an average of 81 minutes per day on our platform, marking the highest second quarter level in our operating history. As we move into the peak summer season, we are pleased with the growing momentum we've seen so far, which places us firmly on track to achieve our growth target.

Our high-quality user growth also translated to a robust topline growth. In the second quarter, our total revenues reached RMB4.5 billion, up 72% year-on-year, once again beating the high-end of our guidance. Driven by improved products and services, MPUs were up 62% year-over-year to 21 million, and our paying ratio improved to 8.8%, versus 7.5% in the same period last year. As the go-to destination for young Chinese, our platform has also gained wider recognition among advertisers across different industry verticals. In the second quarter, ad revenue grew by an impressive 201% year-over-year.

Celebrating our 12-year anniversary on June 26, we honored the many years we have grown with our users. Over the past 12 years, we have remained true to our original aspirations, to create an outstanding community for all of our users and content creators, and bring Chinese original content to users worldwide. With this mission in our hearts, we continue to uphold our public responsibility to our community. We insist on data authenticity, content positivity, and investment in "Made in China" original content. In July this year, we published our first ESG report where we outlined our ESG policies and actions, deepening our commitment to being a responsible public company, with a goal of bringing positive social and cultural impact to the world.

Looking ahead, the transformative effects of videolization is creating an era of massive opportunities for us. Graphics and text are being reinterpreted into video-format to deliver information in more lively, vivid and powerful ways. As we see it, video platforms will be the new gateway for people to connect to the internet and access the world, and Bilibili is well on its way to be one of them. The momentum from video trends, along with our solid strategic execution to expand our content, community and commercialization, give us great confidence in our future sustainable growth.

With that overview, I would now like provide more granularity on our second quarter operations. Beginning with content:

Our PUGV ecosystem continues to thrive, representing 93% of our total video views in the second quarter. Over the past 12 years, we have cultivated our platform as a destination for young people to showcase their talents and realize their career goals as professional content creators. We continue to improve our services to attract content creators, and launch more tools and modifications on our apps to make content creation easier. In the second quarter, Bilibili was home to 2.4 million content creators, up 25% year-over-year, and monthly video submissions grew to 8.4 million in the second quarter, up 41% year-over-year. All metrics are no small feat given last year's high-base.

We continue to improve our traffic distribution mechanism to let high-quality content creators quickly match with their fans. In the second quarter the number of content creators with more than 10,000 followers increased by 47% year-over-year. Our live broadcasting platform and *Sparkle* advertising platform provide means for our content creators to unlock their commercial value, while showcasing their talent. By the end of the second quarter, 409,000 content creators had also joined our ongoing cash incentive plan.

For the second quarter, our top five most populated verticals were the lifestyle, entertainment, game, technology & knowledge and ACG categories. We see many new verticals on the rise, such as relationships, home decorations, fitness, beauty and cosmetics. The emerging popularity of these categories reflects evolving content needs as we expand to wider demographics. Being a hub for young minds to discover and explore various interests, we firmly believe the content we provide should have a positive impact on people's lives. We actively promote content that is informative,

engaging, fulfilling and helps our users to become their better selves. It could be a small pleasure such as how to bake cookies, or engage users in deeper thinking through a glance into the cosmos. In the past 12 months, over 113 million users accessed pan-knowledge content across a variety of subjects on our platform, further solidifying the mindshare among users of “Learn on Bilibili.”

Turning to our OGV content ...

Augmenting our PUGVs and unlocking commercialization potential, our high quality OGV content continues to attract new users and converting paying members on our platform. In addition, many of our self-produced titles have become valuable IP assets that we can build on, as we leverage our network to further our IP’s influence.

Representing Chinese culture and a part of China’s soft power, Chinese animation has become increasingly popular domestically and internationally. And our investments in this category are paying off. A prime example of our evolving IP creation and self-production capabilities is *Link Click 时光代理人*. Produced by our own anime studio, this Bilibili original IP became an immediate hit following its release in April, accumulating over 160 million video views. Partnering with Sony’s Funimation, *Link Click* was released in multiple countries and regions where it continues to be highly rated. Other popular Chinese anime titles have also helped us to attract many new young users, and have been well received by overseas anime lovers. These titles further solidify our leading position in ACG space, including the final chapter of *Ling Cage 灵笼*, *Legend of Hei 罗小黑战记*, Season 2 of *Carp Reborn 元龙*, and *Heaven Official’s Blessing 天官赐福*.

Our self-produced match-making variety show *90 Hun Jie Suo 90 婚介所* was launched last week, and the music variety show *The Next Banger 我的音乐你听吗* will be released in August. With these new OGV offerings, we hope to attract more young minds with relevant interests and stimulate even more discussion within our community.

Turning to our community ...

Our community continues to be a vibrant one. Users are incredibly engaged and tightly bonded both to our content and with our platform. Over time, we have become

a part of many people's regular daily routines. For the second quarter, average daily video views were up by 48% year-over-year reaching 1.7 billion. Monthly interactions were also up by 39% year-over-year, with users generating 7.3 billion bullet chats, comments, likes, Bilibili moment posts and virtual gifting.

The number of official members on Bilibili are also increasing with high retention rates. By the end of the second quarter 121 million people were official Bilibili members, an increase of 35% from the end of the second quarter last year, and our 12-month retention rate remained around 80%. In fact, more than 50% of our registered users in 2011 remain active to this day, 10 years later.

Over the years, we continue to evolve our community management system to ensure a friendly and welcoming community environment, and inspiring positive social interactions. We strongly believe that a community is a place for people to reach consensus, not to create disputes. In addition to our official member mechanism, we continue to reinforce community member patrol and enhance our designated response team to protect the integrity of the community. With these efforts, we hope to create an enjoyable and loving place for all users and creators to share, learn and thrive.

Now let's look at our commercialization progress ...

We continue to provide more products and services. As we execute on our commercialization strategy, we are further realizing the deep value of our high-quality users.

Starting with our games:

In the second quarter, revenues from our mobile game business remained relatively flat year-over-year at RMB1.2 billion. Going into the second half of the year, our priorities are to expand our mobile game roster domestically and internationally. For our next stage of growth, we are committed to building our internal development capabilities. We currently have 6 game studios with over 1,000 members working on a dozen projects. Leveraging our game operating experience, rich PUGV and live broadcasting ecosystem, strong distribution power, and our deep understanding of users' preferences, we are confident we can bring exceptional internally developed games to our users.

We welcomed three new titles to our roster in the second quarter, as the exclusive distributor in China. Employing user-centric game promotion techniques such clever memes and PUGV content, players immediately embraced *Guardian Tales* 坎公骑冠剑, with the game ranking highly on China's iOS top grossing and top download charts for weeks following its release. Our exclusively licensed indie game *Dead Cells* 重生细胞 was another prime example of Bilibili's distribution power. By the end of July, over 2 million copies had been sold.

Overseas markets present us with another growth opportunity. In May, we successfully launched *RE: Final Gear* 重装战姬 in South Korea. Praised for its delicate art design and innovative game play, *RE: Final Gear* quickly won the hearts of like-minded ACG lovers. For three weeks after its release, *RE: Final Gear* continued to hover on Google Play's top 10 grossing chart in South Korea. This success story demonstrates our established capabilities in game selection and execution in overseas markets. We believe we can build on this success with other titles in other regions. As for our games pipeline, we currently have 11 titles approved for domestic release, and a number of ACG titles slated for international release in the coming quarters.

During our recent Bilibili Game Press Conference *Your Fantasy World*, we introduced 16 brand new titles including 10 exclusively licensed games and 6 self-developed projects. Catering to a new generation of gamers, these titles cover a wide array of genres including sandbox, multi-player puzzle-solving, real person interactive RPG, simulation and MOBA. Each title features unique graphic design and story settings, reflecting Bilibili's understanding of Gen Z+ gamers' tastes and preferences.

Looking at our VAS business ...

Our VAS business remains strong with revenues reaching RMB1.6 billion in the second quarter, up 98% year-over-year.

Being a natural extension of our video ecosystem, live broadcasting is a vivid way to bring high-quality video content to our users; and for our content creators, it is also an important channel to engage with their followers and realize commercial value

from their creations. For game lovers, we are a one-stop platform for game-related videos, e-sports tournaments and a place to engage with game KOLs. For ACG and entertainment enthusiasts, our content continues to expand with our huge anime library and our unique live-broadcasting entertainment, particularly virtual streamer or “VUP” content. Over 60% of top global VUPs have now joined our Bilibili live-broadcasting network, making us the largest VUP community in China.

Turning to our premium membership business. Our dominant Gen Z+ users continue to show growing propensity to pay for premium content. By the end of the second quarter, the number of premium memberships reached another record high of 17.4 million, an increase of 66% year-over-year.

As for our advertising services ...

We are pleased with another quarter of explosive growth for our ad business. Revenues grew by 201% year-over-year to RMB1.05 billion. More and more advertisers have recognized us as the must-invest platform to gain visibility from Gen Z+ demographics. For the second quarter, the top five advertising verticals were Mobile Games, Digital & 3C Products, Skincare & Cosmetics, E-commerce, and Food & Beverage. Along with increasing our brand awareness, we continue to improve the efficiency of our ad-matching algorithm and strengthen our ad products, giving us confidence in our ability to secure continuous ad revenue growth.

In summary, we are pleased with our business progress so far. We have set the bar high, and aim to reach higher. Building on our content ecosystem driven model, we will continue to grow our vibrant community and enhance our commercialization capabilities. At the same time, we place great importance on our social responsibility, with a goal of spreading positivity to the world around us. Whether it be through our Bilibili-sponsored schools, disaster relief efforts or pandemic support, it is essential for us to always lead with integrity and give back to society.

This concludes Mr. Chen’s remarks. I will now provide a brief overview of our financial results for the second quarter of 2021 and outlook for the third quarter.

Total net revenues for the second quarter were RMB4.5 billion, up 72% from the same period of 2020. We continue to see a more balanced revenue mix driven by our diversified commercialization channels. Our total net revenues breakdown by

revenue streams was approximately 27% mobile games, 36% VAS, 23% advertising, and 14% e-commerce & others business.

Cost of revenues increased by 74% year-over-year to RMB3.5 billion. Revenue-sharing cost, a key component of cost of revenues, was RMB1.7 billion, representing a 70% increase from the same period in 2020.

Gross profit increased by 64% year-over-year to RMB989 million, and our gross margin was 22% in the second quarter.

Total operating expenses were RMB2.5 billion, up 107% from the same period in 2020.

S&M expenses were RMB1.4 billion, representing a 107% increase year-over-year. The increase was primarily attributable to increased channel and marketing expenses to promote our app and brand, as well as promotional expenses for our mobile games and an increase in headcount in sales and marketing personnel.

G&A expenses were RMB436 million, representing a 109% increase year-over-year. The increase was primarily due to increased headcount in general and administrative personnel, increased share-based compensation expenses and higher rental expenses.

R&D expenses were RMB674 million, representing a 104% 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 RMB1.1 billion for the second quarter of 2021, compared with RMB571 million in the same period of 2020.

Adjusted net loss, which is a non-GAAP measure that excludes share-based compensation expenses, amortization expense and income tax related to intangible assets acquired through business acquisition, was RMB858 million, compared with RMB476 million in the same period of 2020.

Basic and diluted net loss per share was RMB2.91.

Adjusted basic and diluted net loss per share was RMB2.23.

As of June 30, 2021, we had cash and cash equivalents, time deposits, as well as short-term investments of RMB27.6 billion, compared with RMB12.8 billion as of December 31, 2020. Our sufficient cash reserve gives us great confidence in our ability to execute our growth strategy, which we believe will yield considerable return in the long run.

With that in mind, we are currently projecting net revenues for the third quarter of 2021 to be between RMB5.10 billion and RMB5.20 billion.

Thank you for your attention. We would like now to open the call to your questions. Operator, please go ahead.

[Operator provides instructions and hosts Q&A]

For the benefit of all participants on today's call, if you wish to ask your question to management in Chinese, please immediately repeat your question in English. Please limit your questions to one at a time, if you wish to have follow-up questions, please rejoin the queue.

After the Q&A ...

Operator

And that concludes the question-and-answer session. I would like to turn the conference back over to management, for any additional or closing comments.

Juliet Yang

Thank you once again for joining us today. If you have any further questions, please contact me, Juliet Yang, Bilibili's Executive 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.