

BILIBILI 4Q AND FISCAL YEAR 2021 CONFERENCE CALL SCRIPT

Operator introduction

Good day and welcome to the Bilibili 2021 fourth quarter and fiscal year 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 fourth quarter results conference call. I'm pleased to deliver today's opening remarks on behalf of Mr. Chen.

Growth remained the keywords for Bilibili throughout the year of 2021. In the fourth quarter, our MAUs rose to 272 million and mobile MAUs rose to 252 million, each representing a 35% increase year-over-year, making us one of the fastest growth companies in China's internet space. At the same time, average daily time spent on our platform rose to 82 minutes with DAUs reaching 72 million in Q4, 34% more than the same period in 2020. In fact, we have more than doubled our MAUs in past three years, far outpacing the industry's growth rate. This is no small feat.

Importantly, our expanding user scale translated to top line expansion with consistent quarterly growth in 2021. For the fourth quarter, our total revenues reached another record high of RMB 5.8 billion, up 51% year-over-year and our full year revenues grew by 62% to RMB 19.4 billion. MPUs in Q4 grew to 24.5 million, up 37% year-over-year, and our paying ratio expanded to 9.0%. Above all, as we gain more users, more advertising dollars are being directed to our platform, and our full-year advertising revenue reached 4.5 billion, up 145% year-over-year, spearheading our top line growth.

We firmly believe the value of our community is tied closely with the scale of our users and their level of trust in our platform. There's no doubt that our Gen Z+ users are the most valuable group in the market. They are our society's backbone and the mainstream consumers in all kinds of economies. Our engaging community connects and tightly bonds those users to our platform, creating an invaluable relationship built on trust, which leads to multiple avenues for commercialization.

Looking at our plan for 2022 in more detail, quality growth will remain our top priority. We will continue to build our multi-category content ecosystem, meeting users' video demands across various consumption scenarios. We remain committed to achieving our user target of 400 million MAUs by end of 2023.

While we grow our user base, we will continue to improve our commercialization capabilities. Specifically, we plan to increase our revenue per MAU by developing more value added services to meet our users' evolving needs, as well as increasing our ad revenue by optimizing our ad products and improving ad efficiency. Our revenue per MAU in 2021 increased by 20% year-on-year and we expect this trend to continue.

More importantly, we plan to optimize our capital allocation and effectively control our spending across our business. In 2022, we'll strengthen our execution and commercialization capability, and aim to narrow our loss margins. Meanwhile, we hold RMB 30 billion in cash reserves as of the end of 2021. This gives us ample liquidity to support our long-term growth strategy and provides a strong cushion in the evolving industry landscape.

With that overview, I'd like to go through some details of our fourth quarter operations as they relate to our content, community and commercialization.

PUGVs continue to be our most prevalent feature, accounting for nearly 94% of our video views in the fourth quarter. As the bedrock of our ecosystem, we're actively expanding our PUGV content categories and scenarios to grow and tether our community together. Our top categories in the fourth quarter were lifestyle, games, entertainment, anime and knowledge.

Our active users inspire our creators and vice versa, creating a reciprocal community environment that fuels our virtuous cycle. In the fourth quarter, over 3 million monthly active creators submitted near 11 million video creations. That makes 58% more creators and 83% more submissions compared with the same period last year, outpacing our user growth. Content creators with more than 10 thousand followers increased by 41% in the fourth quarter, showing that our community connections were tighter than ever.

We have continued to refine our algorithm and create avenues to unlock content creators' commercial value, making sure they are seen, recognized and well-rewarded. In January, we honored 100 top content creators at the Fourth Annual Bilibili Power Up 2021 Award Ceremony. Notably, over 1.3 million content creators received monetary rewards through various channels on Bilibili in 2021, covering near 90% of content creators with over 10 thousand followers. Primary payment

channels include our cash incentive program, live broadcasting, the Sparkle ad platform and direct tipping from users. By the end of 2021, over 550 thousand creators had enrolled in our cash incentive program. On top of native ads on our Sparkle platform, we plan to launch more accessible and scalable ad tools and functions within or around the video play frame to help better monetize content creators' private domain traffic.

As part of our user growth strategy, we're upgrading our content ecosystem in a few different ways. The first is expanding our category outreach to appeal to different genders, occupations and age groups – each of these groups bring us more avenues for growing our user base. For example, we're advancing our positions in the student community, adding more female-oriented content, and expanding our pan-knowledge libraries' appeal to mature users.

Secondly, we are broadening our video formats to address users' needs in different access scenarios. Specifically, we are optimizing our short-form video 'story mode' to fit into users' fragmented time. The initial feedback from our community is encouraging. It's not only satisfied content needs for our users on-the-go and boosted engagement levels, but also helped users discover even more PUGVs and live broadcasting content across our video universe. Additionally, our Smart TV App that extends to living rooms is meeting our users' needs for immersive video experiences on a large screen. These initiatives are aptly in sync with our brand proposition, "all the videos you like, anywhere, anytime."

For our OGV department ...

Expanding our OGV categories is helping us attract new users, convert users to premium members and create valuable IP assets. Two main areas of focuses would be Chinese anime and documentary.

In November, we announced 51 new Chinese anime titles at our 4th Made by Bilibili Chinese Anime Press event. As an imaginative art form, we believe that Chinese anime can transcend barriers of gender, race and language. With our increasing global appeal, we also officially upgraded our Chinese anime proposition to "Made by Bilibili, Made for Global." We are delighted to see our Chinese anime being highlighted for its originality, long-tail IP asset value and our successful globalization initiatives. Over the past two years, we've established partnerships with Netflix and Sony, distributing

24 titles in overseas markets. In 2021, our top-rated anime titles were *The Daily Life of the Immortal King Season 2* and *Link Click*, which not only won the hearts of Chinese fans, but also reached over 100 countries' anime markets.

We also hosted our first Documentary Press event in December and announced plans to produce 21 new titles in the coming years. As our flagship content category, documentaries represent our “useful” content. In addition to commercial value, it also brings great cultural value and represents our commitment to social responsibility. Some of our docuseries have already turned into important IPs. In January, the return of our reading documentary *And Yet the Book* and police station reality show *The Guardians of Jiefangxi* were both met with great enthusiasm.

Turning to our community.

Community surrounds and grounds our ecosystem. Our users and content creators form tight bonds and interactions creating trust, a strong sense of belonging, inspiration and retention value. We actively cultivate a fun, informative and friendly environment where users can express themselves in a supportive community.

For the fourth quarter, we had remarkably high engagement and interaction levels, showing that both new and experienced members are finding connection and fun on Bilibili. As mentioned previously, in Q4, the average daily time spent on Bilibili reached 82 minutes, the highest fourth quarter usage number in our operating history. And daily video views soared to 2.2 billion, up 80% year-over-year. Monthly interactions in the fourth quarter more than doubled from the same period in 2020, jumping to 10.1 billion. We exited the year with 145 million official members, up 42% year-over-year and a strong 12-month retention rate of 84%.

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

In the fourth quarter, our total revenues reached RMB 5.8 billion, up 51% year-over-year, and our full year revenues grew by 62% to RMB 19.4 billion. Revenue per MAU was RMB 77.6 in 2021, up 20% year-over-year. Having gathered half of China's Gen Z+ population on our platform and understood their needs, we believe we can consistently improve our commercialization capabilities and continue to increase our revenue per MAU.

Beginning with our mobile games business ...

Under the current game industry environment, our goal for 2022 is clear: we'll enhance our current domestic game operations while we continue to focus on selectively developing games in-house, and overseas games distribution. As for our games pipeline, we currently have 5 titles approved for domestic release, and 13 titles slated for international release in the coming quarters.

For the fourth quarter, our mobile game revenues were RMB 1.3 billion, up 15% from the same period last year. We released 4 new titles domestically and 3 new titles in overseas markets during the quarter. Meanwhile, many of our older games were still showing long life cycles. Revenues were still on the rise for some of our exclusively licensed games, such as *Azur Lane*.

As a game operator, we continue to protect young players from game addiction and promote healthy game behavior following the anti-addiction measures we launched early on for teen players. In 2021, our revenues from players under 18 accounted for less 1% of our game revenues.

Looking at our VAS business ...

Our VAS business remains strong with revenues of RMB 1.9 billion in the fourth quarter, up 52% year-over-year. VAS revenue per MAU was RMB 27.8 in 2021, up 34% year-over-year. As we develop more product and services based on our users' entertainment needs, we believe VAS has great growth potentials beyond live broadcasting and premium memberships. We will actively explore innovative avenues within our community to increase VAS revenue per MAU.

Live broadcasting as an organic component of our video content ecosystem has formed multiple self-reinforcing circulations within our community. For example, we see great synergies between content creators and live broadcasting hosts, as well as their commercialization opportunities. In 2021, over 70% of our content creators with 1 million followers were live broadcasting hosts. Over 600,000 content creators generated income through live broadcasting during the year. In 2022, we'll continue to explore innovative ways to incorporate live broadcasting with our video community and enhance users' overall experience.

Turning to our premium membership business. By the end of the fourth quarter, the number of premium memberships reached an exciting milestone of 20 million, representing an increase of 39% year-over-year. Notably, near 80% of our premium members signed up for an annual or continuous monthly plan, demonstrating their love and trust in our platform.

As for advertising ...

Our advertising business is a great demonstration of how our value comes from our users and strong trust between them and the community. We hit another home run with our advertising services in the fourth quarter. Ad revenue in Q4 reached RMB 1.6 billion, up 120% year-over-year. Full year ad revenue came in at RMB 4.5 billion, up 145% year-over-year. Ad revenue per MAU in 2021 was RMB 18.1, up 83% year-over-year.

With nearly half of China's Gen Z+ users on our platform, Bilibili has become a must for advertisers looking to reach this golden consumer group. Video-based integrated marketing campaigns has emerged as the key solution. In 2021, more of our native ads went viral, alerting even more advertisers to our powerful content and its influence among users. In 2022, we plan to further integrate our Sparkle ad platform with more scalable ad products. This will enable native ads to gain more exposure while realizing more efficient and smooth sales conversions on Bilibili, achieving the effects of brand and performance ads in one shot. Additionally, we plan to enrich our ad display scenarios with story-mode and Smart TV, greatly increasing our ad inventory, and offering more places for advertisers to reach their desired customers.

We're glad to see our integrated marketing campaigns have been welcomed by more and more new industries. In 2021, we welcomed a well-known consumer brand and premier automotive group as our key sponsors of the New Year's Eve Gala. In the fourth quarter, our top five advertising verticals were mobile games, e-commerce, 3C & digital products, food & beverage, and automotive.

As we move through 2022, we expect videolization to continue paving the way for massive industry opportunities forward. We'll continue expanding our user base, and we believe we are still in the initial stages of ramping our commercialization efforts. In 2022, we will work to generate more revenue per MAU by introducing more value

added services to our users and valuable ad products to our partners. At the same time, we will focus on expense control and overall operating efficiency improvement.

This concludes Mr. Chen's remarks. I will now provide a brief overview of our financial results for the fourth quarter of 2021 and outlook for the first quarter of 2022.

Total net revenues for the fourth quarter were RMB 5.8 billion, up 51% 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 stream was approximately 22% mobile games, 33% VAS, 28% advertising, and 17% e-commerce & others business.

Cost of revenues increased by 62% year-over-year to RMB 4.7 billion. Revenue-sharing cost, a key component of cost of revenues, was RMB 2.4 billion, representing 91% increase from the same period in 2020.

Gross profit increased by 16% year-over-year to RMB 1.1 billion, and our gross margin was 19.0% in the fourth quarter.

Total operating expenses were RMB 3.1 billion, up 68% from the same period in 2020.

S&M expenses were RMB 1.8 billion, representing a 73% 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. Moving into 2022, we aim to actively manage and control our marketing spending and improve our overall operating efficiency.

G&A expenses were RMB 538.1 million, representing an 57% increase year-over-year. The increase was primarily due to increased headcount in G&A personnel, share-based compensation expenses, allowance for doubtful accounts, rental expenses and other G&A expenses.

R&D expenses were RMB 797.6 million, representing a 65% increase year-over-year. The increase was primarily due to increased headcount in research and development personnel and share-based compensation expenses.

Net loss was RMB 2.1 billion for the fourth quarter of 2021, compared with RMB 843.7 million in the same period of 2020.

Adjusted net loss, which is a non-GAAP measure that excludes share-based compensation expenses, amortization expense related to intangible assets acquired through business acquisitions, income tax related to intangible assets acquired through business acquisition and loss on fair value change in publicly traded companies, was RMB 1.7 billion, compared with RMB 0.7 billion in the same period of 2020. Basic and diluted net loss per share were each RMB 5.34.

Adjusted basic and diluted net loss per share were each RMB 4.22.

For the full year of 2021, our total net revenues increased by 62% to RMB 19.4 billion. Notably, non-game revenue of 2021 grew 99% year-on-year, accounting for 74% of total revenue.

Gross profit for the 2021 full year increased 42% to RMB 4.0 billion. Net loss for 2021 was RMB 6.8 billion compared to RMB 3.1 billion in 2020. Adjusted net loss for 2021 was RMB 5.5 billion compared to RMB 2.6 billion in 2020. Basic and diluted net loss per share for 2021 was RMB 17.87. This compares with RMB 8.71 in 2020. Adjusted basic and diluted net loss per share were RMB 14.42, compared with RMB 7.40 in 2020.

As of December 31, 2021, we had cash and cash equivalents, time deposits, and short-term investments of RMB 30.2 billion, compared with RMB 12.8 billion as of December 31, 2020.

Driving long-term value for all of our stakeholders remains our broader objective. We are pleased to announce an up to US\$500 million share repurchase program in next 24 months. In addition, our Chairman and CEO Mr. Rui Chen also expressed his intention to use his personal funds to purchase the Company's outstanding ADSs for up to US \$10 million in the next 24 months.

With that in mind, we are currently projecting net revenues for the first quarter of 2022 to be between RMB 5.3 billion and RMB 5.5 billion.

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.