

BILIBILI 1Q 2021 CONFERENCE CALL SCRIPT

Operator introduction

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

2021 is off to an excellent start for Bilibili. On March 29, we successfully completed our secondary listing on Hong Kong Stock Exchange, 3 years after we listed on the Nasdaq. We would like to take this opportunity to thank our supporting shareholders, as well as our talented content creators, loyal users and dedicated colleagues that helped make this happen. With our secondary listing, we see an opportunity to broaden our investor base and attract more high-quality shareholders. We also gain more strength in the capital markets, laying a solid foundation to better execute our growth strategy and tap into the massive video-based market in China in the coming years.

After officially stepping into the 200 million MAUs club in 2020, we continued the momentum, further increasing our influence among China's Gen Z+ cohort and expanding our user base. In the first quarter of 2021, our MAUs were up 30% to 223 million, and our mobile MAUs grew by 33% to 209 million, both on a year-over-year basis. And our DAUs reached 60 million, up 18% year-on-year. This is particularly impressive given last year's remarkable high base. As a testament to our rich offerings and engaged community, our users spent an average of 82 minutes per day on our platform in the first quarter.

During this time, we rolled out more premium content and services, and strengthened our commercialization capabilities, while converting more traffic to paying users. Our MPUs grew to 21 million, increasing by 53% versus 1Q 2020. And our paying ratio hit a record high of 9.2%, compared with 7.8% from the same period last year. Advertisers are widely recognizing Bilibili as the destination to reach young generations. As a result, our ad revenues once again achieved accelerated growth, increasing by 234% year-over-year. On the back of this strong momentum, our total revenues reached RMB3.9 billion, up 68%, and our gross margin improved to 24% from 23%, both compared with the same period of last year.

Throughout the first quarter, we continued to enrich our content offerings and enhance our mindshare as the go-to video community for Gen Z+. Entering their 20s

and 30s, Gen Z+ is deeply influencing society and mainstream ideals, as well as driving all kinds of consumption in China. By offering diversified content in great breadth and depth, we aim to further increase our market share among this core Gen Z+ user base while expanding our appeal to all video users. We are confident we are on the right track to achieve our 3-year user target.

One of the primary drivers for our next wave of growth is anchored by the increasing trends in videolization, where video has become pervasive across many scenarios of daily life. As China's leading video community, we are the clear front runner in this transformative opportunity, and we are only at the beginning stages of this rapidly growing trend. According to iResearch, China's video-based market will comprise nearly 1.2 billion video users and more than RMB1.8 trillion in revenue by 2025. Over the next few years, we are committed to capturing this exciting market opportunity with videolization adding tailwinds to our growth trajectory.

With that overview, I would like to go through our operations for the period in a bit more detail, beginning with our content.

Our PUGV community remains the center of our content ecosystem, representing 91% of our total video views. For the first quarter, we had approximately 2.2 million content creators uploading 7.7 million videos per month, representing increases of 22% and 57%, respectively, both year-over-year.

We strive to create an ideal home for all video creators, where they can employ their ingenuity, build a fan base and monetize their talent. We continue to invest in algorithm improvements to ensure that our content creators can easily locate the audiences who most appreciate their work. In the first quarter, the number of content creators with over 10,000 followers increased 54% year-over-year. At the same time, our advertising platform Sparkle continues to connect more creators with advertisers, while cash incentive programs supported over 375,000 content creators in Q1. We also maintain an upbeat and encouraging community atmosphere that provides a supportive environment for life-long content creation.

As a full spectrum video community, we aim to offer a wider and deeper range of content to meet the growing demand of our users. In the first quarter, the most viewed content verticals on our platform were Lifestyle, Games, Entertainment, Anime and Tech & Knowledge. In recent quarters, we have seen increasing numbers

of both content submissions and video views about games, knowledge, and animal-related content. Moving forward, we plan to further expand our content offerings in Relationships, Fitness and Automotive. These categories reflect the interests of Gen Z+, while also expanding our appeal among a broader audience.

Turning to our OGV content ...

Supplementing our video content ecosystem, our OGVs provide an effective gateway that reinforces our leading verticals and explores new territories. For example, our investment in Chinese animation has been a huge boon for our ACG categories, successfully attracting old users and new ones. Advancing our Chinese anime production capabilities, in January, we acquired *Haoliners Animation League* 绘梦动画, one of China's top anime studios. Its highly popular production, *Heaven Official's Blessing* 天官赐福, launched in late 2020, continued to win over followers in the first quarter, reaching 370 million video views, over 6 million likes and collecting around 4.5 million bullet chats. We also released multiple new original Chinese anime titles in April, including *Final Chapter of Ling Cage* 灵笼 and *Link Click* 时光代理人, which were immediate hits, trending on social media for weeks.

Turning to our documentaries, variety shows and TV & Movies categories ... to satisfy users' diverse demands, we launched several hit productions in Q1 including our highly anticipated *New Year's Eve Gala: The Most Beautiful Night of 2020*, *Bilibili Chinese New Year's Gala*, our self-produced documentaries *Peculiar Foods* 奇食记 and *Little Giants* 小小少年, and a self-produced reality show *Shall We Eat at Your House* 去你家吃饭好吗, all of which were welcomed by our Gen Z+ users. In the second half of this year, we have plans to introduce two more self-produced music- and dating-themed variety shows. These shows are geared toward users with relevant interests, and supplement the newer music and relationship series in our content ecosystem.

Turning to our community ...

The bonds that were created with Bilibili and community members remain strong. Despite the spike in interaction and use that we saw in 2020 making the comparable base quite high, our first quarter community activities continued to be robust. Daily video views were up 47% to 1.6 billion and monthly interactions increased by 35% to 6.6 billion, both compared with 1Q 2020.

By the end of the first quarter, we had 112 million official members, up 38% year-over-year, and our 12-month retention rate remained around 80%. We are very proud of these metrics as they demonstrate the strength of our model, bonding our users and community closer.

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

Our diversified monetization strategy is working. Growing each of our commercial avenues in the first quarter, we now have a robust line of revenue streams born out of our solid mobile games business, thriving VAS business, as well as our rapidly growing advertising business.

Starting with our games -

Revenues from our mobile game business were RMB1.2 billion in the first quarter, an increase of 2% year-over-year. At the end of April, we successfully launched and are the exclusive distributor of the mobile game *Guardian Tales* 坎公骑冠剑. This thrilling ACG title has won over millions of new followers, topping the iOS game download and grossing charts for weeks after its release. Other existing games that we operate, including *Fate/Grand Order*, *Azure Lane* and *Princess Connect*, remained popular among their followers during Q1.

As for our jointly operated games, *Genshin Impact* 原神 had another solid run in the first quarter. Derived from classic anime IP, we also added *Yu-Gi-Oh! Duel Links* 游戏王: 决斗链接 to our jointly-operated game library in January. With China's mobile games market expected to reach over RMB500 billion in 2025, according to iResearch, we strategically invested in XD.com and CMGE Technology Group, further strengthening our position in the game industry.

Turning to our game pipeline ... 12 of the games we hold exclusive licenses for have acquired approvals for release. These include *Artery Gear* 机动战姬: 聚变 a thrilling ACG title, and *Sword Art Online: Integral Factor* 刀剑神域黑衣剑士: 王牌 an exciting MMORPG. Both are slated for launch in the second quarter. We continue to work with top developers to bring more jointly operated games to Bilibili users. These highly

anticipated titles include Tencent's *League of Legends* 英雄联盟 mobile game, as well as NetEase's *Harry Potter: Magic Awakened* 哈利波特：魔法觉醒.

Turning to our VAS business ...

Our VAS services soared in the first quarter. With our premium members reaching a record high and robust growth in live broadcasting, revenues from our VAS grew to RMB1.5 billion, an increase of 89% year-over-year.

At the end of the first quarter, we had 16.1 million premium members, representing a year-over-year growth of 48%. This is particularly impressive, again, given the high base in 2020 for comparison. It also shows that our core Gen Z+ demographic have spending power and a high willingness to pay for high-quality and premium content.

As part of our video content ecosystem, we continue to build our game and entertainment content addressing our users' diverse needs. We have won a number of high-quality e-sports content contracts, including live broadcasting rights of *League of Legends* World Championship, and more recently acquired *League of Legends Pro League* in China. Additionally, our V-tuber and other entertainment live-broadcasting continue to draw young users' attention. As we explore more ways to integrate live broadcasting content with our video platform, we see great potential to expand this business even further.

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

Beginning with the success of our 2020 New Year's Eve Gala, a wider variety of advertisers came to Bilibili to reach their desired audience of young generations. Revenues from our advertising services were RMB715 million, up 234% year-over-year, representing our 8th quarter of accelerated growth. For the first quarter, the top 5 leading advertising verticals were **Games, Digital & 3C products, Food & Beverage, E-commerce, and Skincare & Cosmetics**. Increasing improvements to our ad distribution algorithms also support our advertising business growth. As we continue to enhance our brand awareness, increase our influence among the Gen Z+ demographic, and improve our ad products, we are confident that advertising dollars are sure to follow.

Building on the momentum of last year, we are off to a great start in 2021. Our financial and operational accomplishments across our content, community and commercialization in Q1 place us on firm footing to achieve our next phase of growth. We have entered a new era where the transformation to videolization is taking shape as we speak. As a full spectrum video community, and the go-to platform for the Gen Z+ demographic, we have reached a new starting point from which to grow. Riding the videolization wave, we will continue to invest in our content ecosystem and enhance our brand among the rising and massive video market, where we are established leaders and continue to gain market share.

This concludes Mr. Chen's remarks. I will now provide a brief overview of our financial results for the first quarter of 2021 and outlook for Q2.

Total net revenues for the first quarter were RMB3.9 billion, up 68% from the same period of 2020. We continue to see a more balanced and diversified revenue mix. Our total net revenues breakdown by revenue stream was approximately 30% mobile games, 38% VAS, 18% advertising, and 14% e-commerce & others business.

Cost of revenues increased by 66% year-over-year to RMB3.0 billion. Revenue-sharing cost, a key component of cost of revenues, was RMB1.4 billion, also an 58% increase from the same period in 2020.

Gross profit increased by 77% year-over-year to RMB938 million. Our gross margin improved to 24% in the first quarter, compared with 23% from the same period last year.

Total operating expenses were RMB2.0 billion, up 83% from the same period in 2020.

S&M expenses were RMB1.0 billion, representing a 65% increase year-over-year. The increase was primarily attributable to the increased channel and marketing expenses associated with our app and brand, as well as an increase in 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. This is a continuation of the momentum we achieved in 2020 and 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 track in 2021, to further strengthen and expand our virtuous growth cycle.

G&A expenses were RMB389 million, representing a 127% increase year-over-year. The increase was primarily due to increased headcount in general and administrative personnel, increased share-based compensation expenses, higher rental expenses and other general and administrative expenses.

R&D expenses were RMB580 million, representing a 95% 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 RMB905 million for the first quarter of 2021, compared with RMB539 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 RMB666 million, compared to RMB475 million in the same period of 2020.

Basic and diluted net loss per share were RMB2.54.

Adjusted basic and diluted net loss per share were RMB1.87.

As of March 31, 2021, we had cash and cash equivalents, time deposits, as well as short-term investments of RMB27.0 billion, compared to RMB12.8 billion as of December 31, 2020.

With that in mind, we are currently projecting net revenues for the second quarter of 2021 to be between RMB4.25 billion and RMB4.35 billion.

Juliet Yang

Thank you once again for joining us today. If you have any further questions, please contact me, 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.