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RESEARCH & ANALYSIS

Analysis: Bilibili's Loss Widens as Costs Spiral

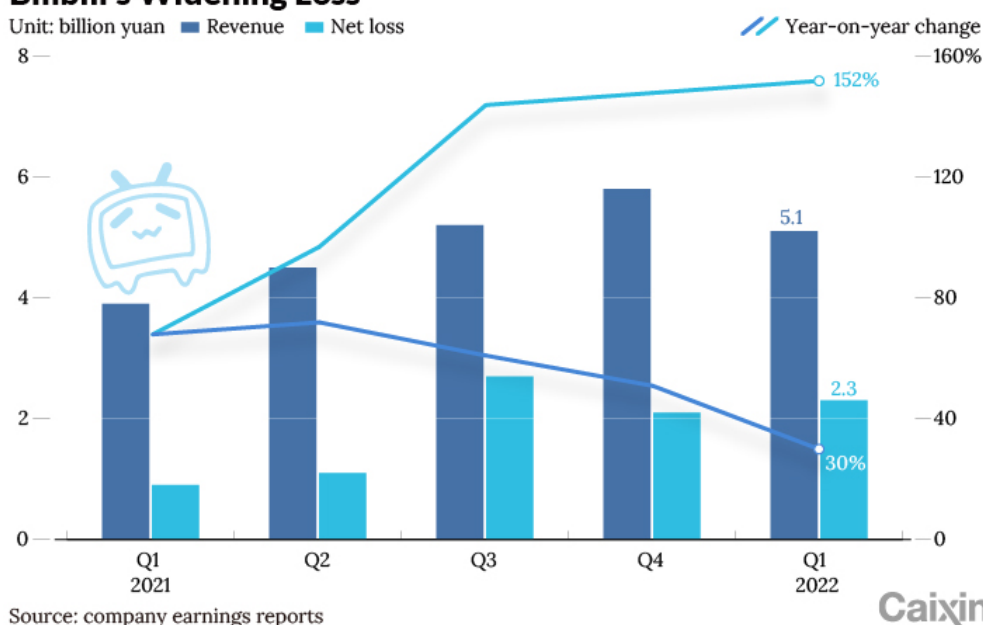
By Li Tao and Mou Yafei

Nasdaq-listed **Bilibili Inc.** saw a widening loss in the first quarter this year, as the Chinese video-streaming and mobile gaming giant spent big to lure users in an ultra-competitive market depressed by the Covid-19 pandemic.

The company reported a 2.3 billion yuan (\$343 million) net loss in the first quarter, widening 152% year-on-year, more than double the increase in the same period last year, according to its latest earnings report. Revenues grew 30% to 5.1 billion yuan, much slower than 68% in the same period in 2021.

Bilibili's Widening Loss

Unit: billion yuan ■ Revenue ■ Net loss



Losses widened mainly due to increased costs and operating expenses, the report released earlier this month showed. Bilibili's cost of revenue increased 43% year-on-year to 4.2 billion yuan, while its operating expenses – mainly on sales and marketing, as well as research and development – grew 42% to 2.8 billion yuan.

The company's gross profit margin fell to 16% in the first quarter, marking the fifth consecutive quarter of decline.

"As we move through the year, cost control and expense reduction will be paramount to helping us weather the macro headwinds," Chen Rui, chairman and CEO, said in the report.

Bilibili started a round of job cuts in mid-May, Caixin [recently reported](#), mainly focusing on gaming, livestreaming and commercialization – which includes growing its advertising business and the number of paying users. The layoffs highlighted the company's urgency in reaching its goal of breaking even in 2024, which was announced by Chief Financial Officer Fan Xin on a March earnings call.

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[Chinese Video Platform Bilibili Cuts Jobs in Three Segments](#)

In terms of major businesses, Covid has impacted the Shanghai-based company's performance in advertising

Bilibili's advertising revenues grew 46% year-on-year to just over 1 billion yuan in the first quarter, a huge slowdown from 234% growth in the same period last year, as some clients chose to reduce or delay their advertising spending with the company. Meanwhile, its e-commerce business was impacted by Covid lockdowns and logistics restrictions.

The Covid fallout is expected to be more evident in the second quarter, as Shanghai was under lockdown in April and May while the omicron variant raged across the country.

The contribution of mobile gaming, another major business, declined amid Beijing's tightening restrictions on the online gaming industry, including **a months-long freeze** on new game approvals. In the first quarter, mobile games accounted for 30% of the company's revenues, down from 50% a year earlier.

Multiple observers have lowered their forecasts for Bilibili's annual financial performance. In a June 10 research note, Soochow Securities Co. Ltd. analysts slashed their 2022 revenue forecast for the company, citing Covid impact. On the same day, Everbright Securities Co. Ltd. said in a note that it expected the company will report net losses of 7.5 billion yuan for the year, down from a previous prediction of 7.4 billion yuan.

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Analysis: New Oriental's Livestreaming a Hit, but Hurdles Remain to Long-Term Success

By Zizan Wang

Chinese tutoring giant New Oriental's pivot to livestreaming e-commerce took off in the first half of June thanks to auspicious social media attention, but whether the struggling company can sustain this success will hinge on product selection and quality, as well as supply chain management.

Once China's largest private sector education company, **New Oriental Education and Technology Group Inc.** has been scrambling to transform itself since Beijing embarked last summer on a draconian clampdown on for-
