

Corporation Financial, Investment History and the Resulting Changes——Bilibili Inc.,

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Abstract: Online entertainment in China has over the years grown to immense size, with platform such as Huya, Douyin, etc. rising to the stage in just a span of a decade, in addition to a surge in userbase retention and average time spent due mainly to the COVID-19 pandemic. Bilibili, entered this seeding industry in its early years, was able to achieve success despite its early unprofitability thanks to its dedicated and rising community of Millennials and Gen-Z, becoming China's largest online video sharing platform. This paper will go in depth of Bilibili's overall development throughout the years and its financial history in various stages.

Introduction

The People's Republic of China, with a population of approximately 1.4 billion, is a lucrative and vast market for businesses around the world, especially with its growing new generation of Gen-Z and Gen Alpha. These factors, combined with the emergence of online entertainment over the last decade, allowed many Chinese corporation to rise to prominence, becoming players in the global economic market, with the likes of Huya and iQiyi. Bilibili, an online video sharing website established in 2009 by its founder Xu Yi, is the largest video platform in China. Bilibili had entered the online entertainment industry in its early development, starting out as a fandom community for the virtual idol Hatsune Miku under the guise of Mikufans.cn. As the platform grew, Bilibili attracted more communities, from gamers to dancers, all flocked to Bilibili for its young audience and community-driven contents; there were no other website truly like Bilibili. Its unique real-time captioning system called *danmu* allows users to broadcast their comments in real-time to other viewers watching, even in different time, creating a live chat room experience that makes users feel as if they are watching a video together with other people. Combined with its community centered platform, Bilibili's MAU and user retention rate increased drastically over the past 10 years, allowing them to become China's top three online video platform, along with Youku and Douyin.

1. Series A Funding

In its initial Series A and A+ investment round on November and December 2014, respectively, Bilibili received an approximate \$4.5 million and \$12.4 million worth of capital injection, issuing 25,000,000 Series A shares and approximately 15,000,000 Series A+ shares, with its primary investor being IDG Capital, an established venture capital firm that was the first VC to bring foreign venture capital into China, specializing in Technology, Media, and Telecommunication. With this newly established capital, Bilibili upscaled their operations and began expanding their business. This early

seeding stage investment gave IDG Capital a substantial share in Bilibili early on, allowing Chen Tong, a principal at IDG Capital, to become one of the board of directors. A rough approximation of Bilibili's valuation placed it at around \$69.9 million, according to its shareholder distribution in its 'Finance Plan' leaked in October, 2014, placing IDG Capital as its 2nd biggest shareholder at 24.18%.

2. Series B Funding

After the steady start of development, Bilibili had attained unthinkable achievements. On January 14, 2015, Bilibili issued an aggregate of 22,794,876 Series B preferred shares to Qiming Venture Partners IV, L.P., Qiming Managing Directors Fund IV, L.P., CMC Bullet Holdings Limited, IDG-Accel China Growth Fund III L.P., IDG-Accel China III Investors L.P., IDG China Media Fund II L.P., Huaxing Capital Partners, L.P. and FingerFun (HK) Limited for an aggregate consideration of \$44.2 million. This mid-stage investment led by Qiming Venture Partners gave them the opportunity to nominate a member of their managing partners into the board of directors, allowing JP Gan to become a director at Bilibili.

It was in this year Bilibili began building traction amongst the mainstream media and investment firms, with its unique community culture and *danmu* feature that distinguished itself from other online video sharing platforms in China. Big players in Chinese online entertainment, Tencent, Alibaba, etc. would begin their preparation to cooperate with this rapidly growing website.

3. Series C Funding

With the funds necessary for a general expansion of operation, Bilibili began upscaling their operations to establish themselves as the go-to website for online content sharing. Heading into its late-stage capital funding, on July 15th, 2015, Bilibili received an injection of \$161.4 Million led by Tiger Global Management, Qiming Venture Partners, and Tencent Holdings, issuing an estimated 39,000,000 Series C shares. With this newly available liquid capital, Bilibili purchased exclusive broadcasting rights for Japanese anime and foreign films and television shows, branching themselves into direct competition with some of China's top video sharing platform with the likes of iQiyi and Youku, both backed by tech giants Baidu and Alibaba, respectively. After this initial wave of Series C investors, Bilibili's market valuation stood at around \$478 million, based upon the shareholder data provided by the prospectus

Proceeding into 2016, on May 1st, Bilibili secured an injection worth \$199.3 Million, issuing an aggregate amount of 41,000,000 Series C1 shares and 954,605 Series C2 shares, led by Loyal Valley Capital, a research driven private equity firm, with Loyal Valley Capital itself contributing approximately \$100 million worth of capital injection. At the end of the Series C investment rounds, Bilibili's valuation came to an approximate \$1.1 billion. At around the same time, Bilibili and its three major investors, IDG Capital, Legend Capital, and Loyal Valley Capital entered into shareholders' agreement, with the respective investment firms nominating one of their own to the board of directors.

4. Series D + Pre-IPO Equity

Witnessing the rapid growth of Bilibili into becoming the top online video sharing platform, CMC Capital Group, a public equity, and venture capital firm focusing on Media, Technology, and Consumer, took a keen interest in their operations and demographics. Along with Tencent Mobility Limited and Legend Capital Management provided \$107.2 Million for Bilibili's Series D funding round on May 2nd, 2017, with Bilibili issuing an aggregate of 1,150,000 Series D1 shares and 13,700,000 Series D2 shares to the investors. This late-stage investment allowed CMC Capital Group to nominate Ruigang Li as a member of Bilibili's board of directors, solidifying their say and position in Bilibili's future operations.

In its Pre-IPO and Post-Series D stage of the company, Bilibili's market valuation stood at an approximated \$1.2 billion; when compared to its market valuation in Q1 2016, it only saw a measly growth of 9%, as during this period, Bilibili's activity saw no particular increase and growth.

As Series D is the last funding round prior to its IPO, share ownership and principal shareholders were mostly agreed upon. The majority of the shares went to the Directors and Executive Officers of Bilibili upper management, with an estimated 64.9% of company beneficiary ownership, 21.5% of which is held by CEO Rui Chen and 13.1% by Founder Yi Xu, as indicated by the shell company, Kami Sama Limited. The remaining ownership was divided and held by long term investment agencies and other smaller investors, with Series B and C investors, IDG Capital and Loyal Valley Capital holding a respective 9.0% and 7.6% of beneficiary ownership. In addition, Series D investors, CMC Holdings, Legend Capital and Tencent entities holding 12.8%, 5.9% and 5.2% of the beneficiary ownership, respectively.

Securities/Purchaser	Date of Sale or Issuance	Number of Securities	Consideration
Class A ordinary shares			
Saber Lily Limited	July 15, 2015	2,500,000	Past and future services to us (500,000 shares were repurchased by us on May 10, 2016)
Saber Lily Limited	May 10, 2016	2,500,000	Past and future services to us
Vanship Limited	December 29, 2016	12,796,395	Past and future services to us
Series B preferred shares			
Qiming Venture Partners IV, L.P.	January 14, 2015	10,592,518	US\$20,528,301
Qiming Managing Directors Fund IV, L.P.	January 14, 2015	334,453	US\$648,169
CMC Bullet Holdings Limited	January 14, 2015	6,191,950	US\$12,000,000
IDG-Accel China Growth Fund III L.P.	January 14, 2015	2,023,715	US\$3,921,960
IDG-Accel China III Investors, L.P.	January 14, 2015	145,467	US\$273,940
IDG China Media Fund II L.P.	January 14, 2015	928,793	US\$1,800,000
Huaxing Capital Partners, L.P.	January 14, 2015	1,547,988	US\$3,000,000
FingerFun (HK) Limited	January 14, 2015	1,031,992	US\$2,000,000
Series C preferred shares			
OPH B Limited	July 15, 2015	10,854,357	US\$45,000,000
Internet Fund III Pte. Ltd.	July 15, 2015	17,040,111	US\$70,000,000
H Capital II, L.P.	July 15, 2015	6,083,754	US\$25,000,000
Qiming Venture Partners IV, L.P.	July 15, 2015	530,953	US\$2,181,132
Qiming Managing Directors Fund IV, L.P.	July 15, 2015	16,765	US\$68,868
CMC Bullet Holdings Limited	July 15, 2015	730,291	US\$3,000,002
Windforce Limited	July 15, 2015	3,817,427	US\$15,481,816
Lighthouse Venture International, Inc.	July 15, 2015	121,715	US\$500,000
Series C1 preferred shares			
Starry Concept Group Limited	May 10, 2016	10,676,762	US\$50,000,000
Sunrise View Investments Limited	May 10, 2016	10,676,762	US\$50,000,000
Chesterford Limited	May 10, 2016	4,313,307	US\$20,199,510
Blissful Day Limited	May 10, 2016	7,351,830	US\$34,429,120
Hai Tong Xu Yu International Limited	May 10, 2016	2,135,352	US\$10,000,000
GP TMF Holdings Limited	May 10, 2016	2,135,352	US\$10,000,000
Golden Puijang River International (BVI) Limited	May 10, 2016	2,113,999	US\$9,900,000
Green Bridge Group Limited	May 10, 2016	1,067,676	US\$5,000,000
Lighthouse Capital International Inc.	May 10, 2016	21,354	US\$100,000
Ying Tai International Limited	May 10, 2016	988,375	US\$4,628,630
Series C2 preferred shares			
Green Bridge Group Limited	May 10, 2016	954,605	US\$5,000,000
Series D1 preferred shares			
Chesterford Limited	May 2, 2017	1,154,643	US\$7,151,904
Series D2 preferred shares			
CMC Beacon Holdings Limited	May 2, 2017	11,915,947	US\$86,601,196
Tencent Mobility Limited	May 2, 2017	650,950	US\$4,585,538
Chesterford Limited	May 2, 2017	1,212,667	US\$8,813,266
Options			
Certain directors, officers and employees	July 28, 2014 to December 10, 2017		Options to purchase 19,369,209 Class Z ordinary shares
Ming Hsien Chan	February 26, 2016		Options to purchase 1,000,000 Class Z ordinary shares
			Past and future services to us
			Equity interests in a business acquired

*Bilibili Prospectus Pg. II 2

	Ordinary Shares Beneficially Owned Prior to This Offering		Ordinary Shares Beneficially Owned After This Offering				
	Number	%	Class Y Ordinary Shares	Class Z Ordinary Shares	Total Ordinary Shares on an as-converted Basis	% of Beneficial Ownership	% of Aggregate Voting Power†
Directors and Executive Officers**:							
Rui Chen ⁽¹⁾	50,828,431	21.5%	47,299,006	3,529,425	50,828,431	18.3%	45.5%
Yi Xu ⁽²⁾	30,865,808	13.1%	30,865,808	—	30,865,808	11.1%	29.5%
Ni Li ⁽³⁾	9,000,000	3.8%	7,200,000	1,800,000	9,000,000	3.2%	7.0%
Ruiguang Li ⁽⁴⁾	30,183,974	12.8%	—	30,183,974	30,183,974	10.8%	2.9%
Lijun Lin ⁽⁵⁾	21,353,524	9.0%	—	21,353,524	21,353,524	7.7%	2.0%
Chen Tong ⁽⁶⁾	—	—	—	—	—	—	—
Wenji Jin ⁽⁷⁾	—	—	—	—	—	—	—
JP Gan ⁽⁸⁾	11,474,689	4.9%	—	11,474,689	11,474,689	4.1%	1.1%
Eric He	—	—	—	—	—	—	—
Xin Fan	*	*	—	*	*	*	*
Feng Zhang	*	*	—	*	*	*	*
Yang Liu	—	—	—	—	—	—	—
Kai Qu	*	*	—	*	*	*	*
Yao Liu	—	—	—	—	—	—	—
Ming Hsien Chan	*	*	—	*	*	*	*
All Directors and Executive Officers as a Group	156,231,426	64.9%	85,364,814	70,866,612	156,231,426	55.2%	88.0%
Principal Shareholders:							
Entities affiliated with Rui Chen ⁽⁹⁾	50,828,431	21.5%	47,299,006	3,529,425	50,828,431	18.3%	45.5%
Kami Sama Limited ⁽¹⁰⁾	30,865,808	13.1%	30,865,808	—	30,865,808	11.1%	29.5%
CMC Bullet Holdings Limited and CMC Beacon Holdings Limited ⁽¹¹⁾	30,183,974	12.8%	—	30,183,974	30,183,974	10.8%	2.9%
Loyal Valley Capital ⁽¹²⁾	21,353,524	9.0%	—	21,353,524	21,353,524	7.7%	2.0%
IDG-Accel China Funds ⁽¹³⁾	17,996,974	7.6%	—	17,996,974	17,996,974	6.5%	1.7%
Legend Capital ⁽¹⁴⁾	14,032,447	5.9%	—	14,032,447	14,032,447	5.0%	1.3%
Tencent entities ⁽¹⁵⁾	12,186,067	5.2%	—	12,186,067	12,186,067	4.4%	1.2%

*Bilibili Prospectus Pg. 156

5. Post-IPO Equity

Bilibili rang its opening bells to the Nasdaq market on March 28th, 2018, launching its initial public offering, raising \$483 Million and a valuation of \$3.2 Billion. After its successful launch, Bilibili received Post-IPO Equity from both Tencent Holdings and Alibaba Group, an unprecedented cooperation between the two mega-corporations, with both hoping to exploit the massive core audience of young Chinese Generation-Z Bilibili hold to its platform. Thus, on October 5th, 2018, Tencent Holdings contributed \$317.6 Million in return for 7.9% of Bilibili's total issued shares, bumping its total ownership to 12.3%. Compared to IPO market valuation of the company, which approximated at \$3.2 billion, after the Tencent investment on October 5th the market capitalization of Bilibili increased to an approximate \$4 billion.

In addition, Bilibili's cooperation with Alibaba's online e-commerce platform Taobao has opened a new avenue of income for both its content creators and the company itself. The deal was finalized on February 15th, 2019. By using Taobao's MAU of 700 million, Bilibili can leverage Taobao's vast operating capabilities to its advantage, giving Taobao in return access to China's growing Generation-Z and approximately 8% stake of the company's beneficiary ownership. Alibaba's assistance with Bilibili e-commerce and advertisement, resulted in a 241% increase in e-commerce and other sales from Q4 2018 to Q4 2019, according to Bilibili's official quarterly report.

Proceeding forward into last year, on April 9th, 2020, media conglomerate Sony announced a \$400 million investment in Bilibili, an approximate 17 million newly issued Class-Z ordinary shares, through Sony Corp America. After closing, SCA will hold 4.98% of the beneficiary ownership of Bilibili, adding unto the number of big investors with the likes of Alibaba and Tencent. Furthermore, Bilibili and Sony will open new avenues of collaboration, mainly focusing on the ACG market in China, including further development on the mobile game FGO, owned by Aniplex, a Sony Music Entertainment subsidiary, which is Bilibili's most profitable game, by targeting Bilibili's Gen-Z audience. In comparison to the late 2018 market capitalization of \$4 billion shortly after the Tencent investment, Bilibili's market valuation increased twice fold, amounting to an approximate \$8 billion.

Much of the investment capital were used in Bilibili sales and marketing expenses, as during 2020 Bilibili received an influx of celebrities participating in Bilibili hosted events, with the most notable being the 2020 Bilibili New Year's Gala in collaboration with Yangshipin, a government sponsored 5G media platform.

As of currently, Bilibili is in preparation for a secondary listing at the Hong Kong Stock Exchange, with an estimation of raising approximately \$2 billion according to CNBC. Following in the footsteps of other U.S. listed Chinese companies, like Alibaba and NetEase, Bilibili's decision in this secondary listed is possibly a result of former president Donald Trump and other U.S. lawmakers' threats of delisting companies non-compliant with U.S. audits and regulations. This listing at Hong Kong could act as a 'backdoor' for Bilibili to stabilize themselves upon should further geopolitical tension arise between China and the United States under the new Biden administration. Lastly, as of writing on February 4th, 2021, Bilibili's market capitalization stands at a near \$48 billion, seeing a near six times growth compared to Q1 of 2020.

Unaudited Condensed Consolidated Statements of Operations

(All amounts in thousands, except for share and per share data)

	For the Three Months Ended			For the Year Ended	
	December	September	December	December	December
	31, 2018	30, 2019	31, 2019	31, 2018	31, 2019
	RMB	RMB	RMB	RMB	RMB
Net revenues:					
Mobile games	712,842	933,133	871,365	2,936,331	3,597,809
Live broadcasting and VAS	201,824	452,518	570,860	585,643	1,641,043
Advertising	159,917	247,186	289,595	463,490	817,016
E-commerce and others	80,962	226,126	275,949	143,467	722,054
Total net revenues	1,155,545	1,858,963	2,007,769	4,128,931	6,777,922
Cost of revenues	(958,501)	(1,507,684)	(1,609,854)	(3,273,493)	(5,587,673)
Gross profit	197,044	351,279	397,915	855,438	1,190,249

*Q4 2019 Financial Report of Bilibili Pg. 9

6. Chart Analysis

	For the Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(in thousands, except for share and per share data)			
Summary Consolidated Statements of Comprehensive Loss Data:				
Net revenues	130,996	523,310	2,468,449	379,394
Cost of revenues ⁽¹⁾	(303,568)	(772,812)	(1,919,241)	(294,982)
Gross (loss)/profit	(172,572)	(249,502)	549,208	84,412
Operating expenses:				
Selling and marketing expenses ⁽¹⁾	(17,689)	(102,659)	(232,489)	(35,733)
General and administrative expenses ⁽¹⁾	(153,707)	(451,334)	(260,898)	(40,099)
Research and development expenses ⁽¹⁾	(24,915)	(91,222)	(280,093)	(43,050)
Total operating expenses	(196,311)	(645,215)	(773,480)	(118,882)
Loss from operations	(368,883)	(894,717)	(224,272)	(34,470)
Loss before tax	(371,063)	(908,355)	(174,869)	(26,877)
Income tax	(2,425)	(3,141)	(8,881)	(1,365)
Net loss	(373,488)	(911,496)	(183,750)	(28,242)
Accretions to preferred shares redemption value	(57,942)	(161,933)	(258,554)	(39,739)
Deemed dividend in connection with repurchase of preferred shares	(139,522)	(113,151)	(129,244)	(19,864)
Net loss attributable to noncontrolling interests	1,912	1,430	—	—
Net loss attributable to the Bilibili Inc.'s shareholders	(569,040)	(1,185,150)	(571,548)	(87,845)

*Bilibili Prospectus Pg. 10

	For the Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US\$
	(in thousands, except for share and per share data)			
Net loss	(373,488)	(911,496)	(183,750)	(28,242)
Other comprehensive income/(loss)				
Foreign currency translation adjustments	47,729	58,048	(75,695)	(11,634)
Total other comprehensive income/(loss)	47,729	58,048	(75,695)	(11,634)
Total comprehensive loss	(325,759)	(853,448)	(259,445)	(39,876)
Accretions to preferred shares redemption value	(57,942)	(161,933)	(258,554)	(39,739)
Deemed dividend in connection with repurchase of preferred shares	(139,522)	(113,151)	(129,244)	(19,864)
Net loss attributable to noncontrolling interests	1,912	1,430	—	—
Comprehensive loss attributable to the Bilibili Inc.'s shareholders	(521,311)	(1,127,102)	(647,243)	(99,479)
Net loss per share, basic	(9.72)	(20.42)	(8.17)	(1.26)
Net loss per share, diluted	(9.72)	(20.42)	(8.17)	(1.26)
Weighted average number of ordinary shares, basic	58,548,310	58,038,570	69,938,570	69,938,570
Weighted average number of ordinary shares, diluted	58,548,310	58,038,570	69,938,570	69,938,570

*Bilibili Prospectus Pg. 11

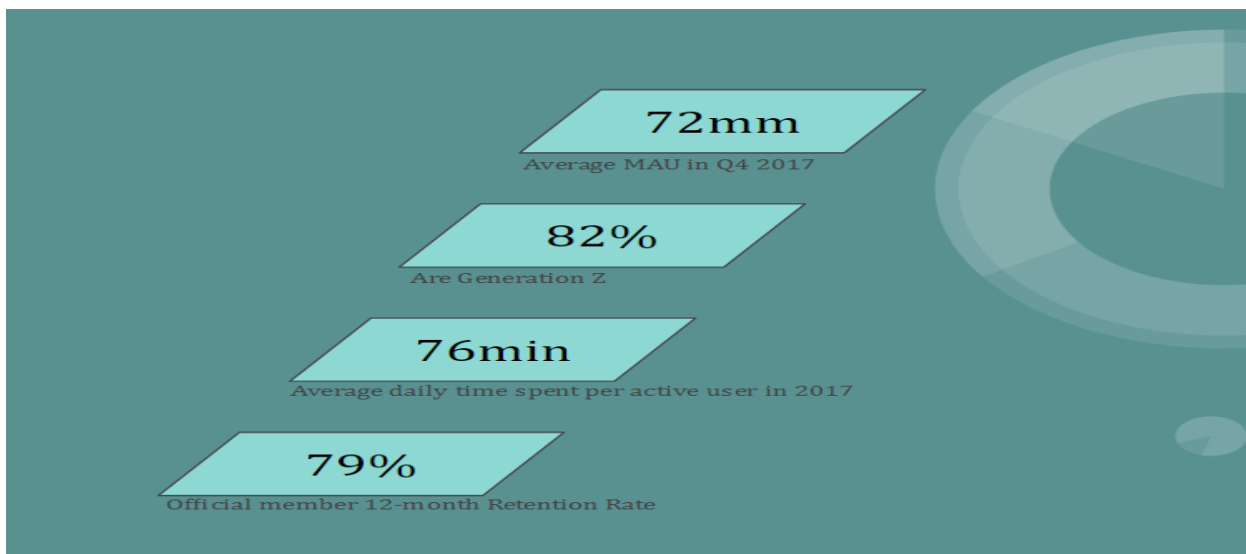
By looking at the chart we can see that Bilibili has lost substantial amount of capital during 2015-2017, and the loss is alarming for many potential investors and Bilibili upper management. Bilibili has also made mention of this situation in their own 2018 prospectus, “We have incurred significant losses and we may continue to experience losses in the future.” Bilibili itself confessed that it would continue to lose money in the future. In addition, Bilibili's profit model is also bizarre. It is an online entertainment company that mainly incur profits from mobile games. Bilibili derived 65.7%, 65.4% and 83.4% of their revenues from mobile games in 2015, 2016 and 2017, respectively, and they derive a significant portion of mobile game revenues from a limited number of games. In 2017, two mobile games, Fate Grand Order and Azur Lane, accounted for more than 10% of Bilibili’s total mobile game revenues, one for 71.8% and the other for 12.7%. From these aspects, Bilibili as a company is riddled with issues, from serious losses to single profit means.

Net revenues

The following table sets forth the components of our net revenues by amounts and percentages of our total net revenues for the periods presented:

	For the Year Ended December 31,					
	2015		2016		2017	
	RMB	%	RMB	%	RMB	US\$
	(in thousands, except for percentages)					
Net revenues:						
Mobile games	86,123	65.7%	342,382	65.4%	2,058,226	316,344
Live broadcasting and VAS	6,201	4.7%	79,656	15.2%	176,443	27,119
Advertising	18,926	14.5%	60,727	11.6%	159,160	24,462
Others	19,746	15.1%	40,545	7.8%	74,620	11,469
Total net revenues	130,996	100.0%	523,310	100.0%	2,468,449	379,394

*Bilibili Prospectus Pg. 75



*Source: Bilibili Prospectus

But through the analysis of this group of data, we can find that Bilibili as an online video sharing website with great potential. Bilibili main userbase are comprised of mostly young people apart of the Generation-Z of China, who are generally better educated. Many of these people spend an average of 72 minutes a day on Bilibili, which shows the high viscosity of company. Bilibili also has a very high user retention rate, at around 79%, which means the company itself has a solid long-term survivability and stability. Along with its significant growth in net revenue, the backing of industry giants like Tencent, Alibaba, Sony, and a second listing at the Hong Kong Stock Exchange; all these factors indicate the userbase of Bilibili will continue to increase as time goes on and with the exponential growth of the online entertainment sector in China, the future of the company is more positive than one might expect.

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