

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

BILI.OQ - Q1 2019 Bilibili Inc Earnings Call

EVENT DATE/TIME: MAY 14, 2019 / 1:00AM GMT



## CORPORATE PARTICIPANTS

**Juliet Yang** *Bilibili Inc. - Senior Director of IR*

**Ni Li** *Bilibili Inc. - Vice Chairman of the Board of Directors & COO*

**Rui Chen** *Bilibili Inc. - Chairman of the Board & CEO*

**Xin Fan** *Bilibili Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Eddie Leung** *BofA Merrill Lynch, Research Division - MD in Equity Research and Analyst*

**Hillman Chan** *Citigroup Inc, Research Division - Research Analyst*

**K.C. Fong** *Crédit Suisse AG, Research Division - Regional Head of Gaming & Lodging Research and Director*

**Yue Wu** *China International Capital Corporation Limited, Research Division - Analyst*

## PRESENTATION

### Operator

Good day, and welcome to the Bilibili 2019 First Quarter Earnings 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** - *Bilibili Inc. - Senior Director of IR*

Thank you, operator. Please note the discussion today will contain forward-looking statements relating to the company's future performances and are intended to qualify for the safe harbor from liability, as established by the U.S. Private Securities Litigation Reform Act. Such statements are not guarantees of future performances and are subject to certain risks and uncertainties, assumptions and other factors. Some of these risks are beyond the company's control and could cause actual results to differ materially from those mentioned in today's press release and this discussion.

A general discussion of the risk factors that could affect Bilibili's business and financial results is included in certain filings of the company with the Securities and Exchange Commission. The company does not undertake any obligation to update this forward-looking information, except as required by law.

During today's call, management will also discuss certain non-GAAP financial measures for comparison purpose only. For a definition of non-GAAP financial measures and a reconciliation of GAAP to non-GAAP financial results, please see the 2019 first quarter financial results news release 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's Investor Relations website at [ir.bilibili.com](http://ir.bilibili.com).

Joining us today on the call from Bilibili's senior management are Mr. Rui Chen, Chairman of the Board and Chief Executive Officer; Ms. Carly Li, Vice Chairwoman of the Board and Chief Operating Officer; and Mr. Sam Fan, Chief Financial Officer. And I will now turn the call over to Mr. Fan, who will read prepared remarks on behalf of Mr. Chen.

---

**Xin Fan** - *Bilibili Inc. - CFO*

Thank you, Juliet, and thank you, everyone, for participating in today's earnings call. I'm pleased to deliver today's opening remarks on behalf of Mr. Chen.



We have started the year off with strong first quarter results. Our total revenues reached RMB 1.37 billion, representing a year-over-year growth of 58% and beating the high-end of our guidance of RMB 1.29 billion. We have also achieved 2 exciting milestones on the user front. Our total MAUs grew 31% year-over-year and surpassed 100 million for the first time, reaching 101.3 million. Our mobile MAUs accelerated even more, increasing by 39% year-over-year, reaching 88.6 million, including a total of 3.2 million mobile MAUs from our Bilibili Comic App and Maoer App, an audio drama platform, which we acquired in December 2018. Our DAUs also reached a milestone of 30 million in the first quarter, demonstrating the heightened stickiness of our growing community.

Based on our high-quality content and unique community experience, Bilibili is becoming a must have among our primary audience of Gen Z users. This generation readily pays for premium content, more so than any other generation. With this in mind, we are actively exploring ways to satisfy their diverse entertainment needs and expand our paying user group.

Our initiative with our high-quality PUGV and OGV content, exciting mobile game portfolio, Comic App and audio and e-sports lines are continuously attracting and converting our massive community of users to new paying users. In the first quarter, our average monthly paying users grew 132% year-over-year to 5.7 million, laying a solid foundation for further monetization opportunities.

I will now review our Q1 results through the lens of our 3 key metrics: content, community and commercialization. Content remains the cornerstone of our business model, and our ever-growing PUGV ecosystem continues to be our leading source of content creation, accounting for 89% of our total video views. In the first quarter, we had an average of 732,000 active content creators, uploading 2.1 million videos monthly, representing increase of 150% and 130% year-over-year, respectively.

Engaging and incentivizing these content creators remain one of our key tasks. We continue to introduce new functions and improve our product design to make content creation more streamlined and user-friendly. For example, the mobile content submission function is playing a large role in attracting new creators by enabling easy uploads with just a few finger strokes, anytime, anywhere. We have also launched a number of programs to reward ingenuity and inspire creative content through monetary rewards and healthy competition.

In January of this year, we held BILIBILI POWER UP 100, an award ceremony to celebrate and give wider recognition to these important contributors in a number of categories. In tandem with PUGVs, we continue to invest in high-quality OGV content to broaden our user base and attract more premium members. We do this with 2 key strategic approaches. First, we license premium content from leading content producers. For example, in March this year, we announced the partnership with Funimation, a subsidiary of Sony Pictures Television, to acquire premium Japanese anime IP for global distribution. Second and most importantly, is to jointly or self produce original content in anime, documentaries and variety shows, where we benefit from a relatively low content cost and own the IP.

On the anime side, we continue to strengthen our leadership by producing dozens of high-quality domestic animation projects, including Ling Long, a highly Sci-Fi anime series, which will be released in June.

On the documentary front, besides a number of well-received documentaries in handcraft, food and history, we are welcoming Season 2 of our self-produced hit food documentary, The Story of Chuaner, this summer. In addition to select TV and movies, we introduced our first self-produced pet reality show, Animal Hospital, earlier this month. This new series is already resonating well with many pet lovers on Bilibili.

Our partnerships with market titans, such as Tencent and Alibaba, are also well underway. With Tencent, we have already exchanged a number of domestic animation copyrights and are jointly working on new anime-related projects. We have also launched a number of Tencent games on our platform, and have gained considerable traction, including with our exclusive license of Unheard in collaboration with Tencent's NEXT Studio. This story-driven audio drama game with exciting puzzle elements is resonating well with fans, selling more than [150,000] (corrected by company after the call) copies in just 1 week.

Our partnership with Taobao is also progressing. In the first quarter, the first batch of Bilibili's top creators began producing content and attracting followers on Taobao's e-commerce platforms, in preparation for the next stage of the commercialization process. We believe our content creators have great commercial value particularly in e-commerce. Our partnership with Taobao will help those content creators to realize and improve their commercial value on both platforms. There remains tremendous opportunity for growth in the ACG market.



As the industry leader, we continue to invest in and develop premium content in a number of ACG areas to expand and diversify our reach. In late 2018, we acquired a majority interest in Maoer Inc., a platform that offers audio drama. We also launched our second mobile application, Bilibili Comic, to better address our core user group's interest for premium comic content. Both our new comic and audio platforms are already contributing to our top line.

Virtual idols and VTuber-related live broadcasting is another engaging business gaining more popularity among young generations. With a number of investment and business initiatives underway, we are pioneering these relatively uncharted areas of entertainment. In February of this year, we held a concert for our virtual idol Luo Tianyi, featuring top pianist, Lang Lang, in Shanghai. This sensational event combining 2 distinct entertainment genres of classic music with modern virtual idols, marked the first gathering of its kind.

I'd now like to look at our second pillar, community. As we welcomed more users to our platform, our community engagement levels were higher than ever, once again showing the quality of our growth. In Q1, users spent a daily average of 81 minutes on our platform, up by 5 minutes compared to the same period a year ago. This measure excludes the time users spend on our mobile games, audio and comic products.

Our core user group, official members who have passed our community entrance exam is also on the rise, increasing by 39% year-over-year to 49.3 million by end of Q1. These users not only tend to be the most active and engaged with our content and each other, but are also more like to purchase premium content. Their 12-month retention rate remains at about 80%.

On the engagement front, during the first quarter, our users generated 514 million daily views and 1.4 billion monthly interactions through bullet-chats, comments, likes and Bilibili Moment post, up 93% and over 360% year-over-year, respectively. Active interfaces among our community further engage our content creators to produce more content. Over 40% of our MAUs now visit our Bilibili Moment functions, all of which promotes our growing community and help to raise Bilibili's profile among our core demographic of Gen Z users.

With that overview of our content and community, I'd now like to review the progress we have been making with our commercialization strategy.

In the first quarter of 2019, revenues from our mobile games grew 27% year-over-year to RMB 873 million, led primarily by Fate/Grand Order or FGO. FGO's popularity hit new heights in the first quarter, with a major content upgrade, Chapter 2.0, revealed in early February.

Earlier this month, we also jointly launched 2 highly anticipated ACG-themed mobile games, Arknights and RWBY, both of which are gaining good traction. Our pipeline of games for the year is also strong with a number of new games in our release line-up. We currently have regulatory approval for our exclusively licensed game, BanG Dream, a highly rated Japanese music RPG and Final Gear, an exciting domestic RPG, which will be released in May and July, respectively. On the jointly operated games front, we are looking forward to bringing ACG-themed mobile game, The Legend of Heroes: Trails of Star, and the mobile game, The Legend of Heroes: Akatsuki no Kiseki to our users in coming quarters. As we roll out more premium game titles, we are confident that we can satisfy more users' pent-up and diversified demand.

Our live broadcasting and VAS revenues increased by 205% year-over-year to RMB 292 million in the first quarter of 2019, with contribution from both our live broadcasting business and premium memberships. The initiatives we began in 2018 to diversify our live broadcasting content is helping us to expand into new genres and grow our paying user base. We continue to enlarge our game-related offerings in PC, mobile, console and e-sports content. These include top matches in League of Legend and Overwatch League Championships. Notably, our e-sport team, Hangzhou Spark, won over millions of fans globally for their brilliant performances in 2019 Overwatch Championship. So far, they have already made to top 4 position in the Stage 2 Playoffs, which was the best performance Chinese teams have ever achieved.

Meanwhile, we are also curating unique content and perfectly fit Bilibili users' entertainment preference: VTuber, audio and ACG-related talent shows are top categories gaining traffic and converting paying users. In the first quarter, we had 11.4 million valid MAUs who visited live broadcasting room pages for over 5 minutes. 1.2 million users paid for live broadcasting services at least once during this period, which is up 139% year-over-year. Our premium membership program gives paying users access to advanced or exclusive content and continues to bring in new subscriptions. By the end of March, we had recorded [4.8 million] (corrected by company after the call) valid premium members, up 95% year-over-year.

Turning to our advertising business. Revenues from advertising increased 60% year-over-year to RMB 112.5 million in the first quarter of 2019. Our unique platforms offers considerable traffic advantages and our performance-based advertising continues to grow. The top 3 industrial verticals for brand advertising in the first quarter were digital products, games and skincare and cosmetics. And the top three verticals for performance-based advertising were games, education and Internet services.

And finally, our e-commerce and other revenue stream also continued to grow, reaching RMB 96 million in the first quarter, an increase of 621% from the same period in 2018, largely due to our expanding e-commerce platform product sales.

We are highly focused on strategic growth through leading content creation that brings our community together as well as continued monetization with a solid game pipeline, strong user growth and excellent traction with our live broadcasting and VAS business as well as positive momentum with our newer comic and audio offerings. We are confident in our ability to attract even more users to our robust online entertainment ecosystem and further grow our business in 2019.

This concludes Mr. Chen's remarks. I will now provide a brief overview of our financial results for the first quarter of 2019.

Our total net revenues increased by 58% year-over-year to RMB 1.4 billion. Our nongame revenues accounted for 36% of total revenues in the first quarter, up from 21% in the first quarter of 2018. We are pleased with the progress of our commercialization strategy and the average number of monthly paying users more than doubled year-over-year in the first quarter of 2019, reaching 5.7 million. Cost of revenues increased by 81% to RMB 1.2 billion compared to RMB 655 million in the same period of 2018. Revenue sharing cost, a key component of cost of revenues, was RMB 552 million, representing an increase of 65% from the same period in 2018.

Gross profit was RMB 189 million compared to RMB 213 million in the same period of 2018. Our gross profit margin was 13.8% primarily due to increases in content costs, staff costs and bandwidth costs, which were primarily reflecting continued user expansion as well as lower revenue contribution mix from our higher-margin game business.

Total operating expenses increased to RMB 496 million, representing an increase of 73% from the same period of 2018. S&M expenses were RMB 182 million, representing a 130% increase year-over-year. The increase was mainly primarily attributable to the increased channel and marketing expenses associated with Bilibili's app and brand as well as promotional expenses for the company's mobile games and an increase in headcount in selling and marketing personnel.

R&D expenses was up RMB 186 million, representing a 76% increase year-over-year. The increase was primarily due to increased headcount in R&D personnel and other increased R&D expenses for online games, apps development and virtual idol business.

G&A expenses were [RMB 128 million], (corrected by company after the call) representing a 25% increase year-over-year. The increase was primarily due to increased G&A personnel-related expenses and increased amortization expense related to intangible assets acquired through business acquisition, partially offset by the decreased IPO-related onetime share-based compensation cost. Loss from operations was RMB 307 million compared to RMB 74 million in the same period on 2018.

Investment income was RMB 82 million, representing an increase of 222% from the same period of 2018. The increase was primarily due to the gain arising from the disposal of an equity investment during the first quarter of 2019. Net loss was RMB 196 million for the first quarter of 2019 compared to RMB 58 million in the same period of 2018.

Adjusted net loss, which is a non-GAAP measure that excludes share-based compensation cost and amortization expense related to intangible assets, was RMB 145 million compared to RMB 3 million in the same period of 2018.

Basic and diluted net loss per share were RMB 0.6. Adjusted basic and diluted net loss per share was RMB 0.44. As of March 31, 2019, we had cash and cash equivalents as well as time deposits of RMB 3.5 billion compared to RMB 4.3 billion as of December 2018.

In April, the company completed the offering of USD 500 million in aggregate principal amount of convertible senior notes and a concurrent offering of [14.2 million] (corrected by company after the call) ADS at USD 18 per ADS. The company received a total of approximately USD 734 million of net proceeds from the [two] (corrected by company after the call) offerings, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the company.

The company plans to use the new proceeds for enriching content offering, investing in research and development and other general corporate purposes. As we look ahead, our financial goals are to further grow our business and improve our operating efficiency. With that in mind, we are currently projecting net revenues for the second quarter of 2019 to be between RMB 1.45 billion and RMB 1.49 billion.

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

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from the line of Hillman Chan from Citigroup.

---

### Hillman Chan - Citigroup Inc, Research Division - Research Analyst

(foreign language) Thank you very much for taking my question. Congrats on a solid quarter of results. My first question is regarding the content strategy. Could you provide more color on the content cost for license and self-produced video content for anime as well as for the comic content? And how should we think about the gross margin in 2019 and 2020, please? And my second question is regarding the e-commerce and Taobao cooperation. Could you share more with us the operating metrics, some of the financial contributions right now? And how should we think about the growth strategy in coming few quarters on operations and monetization, please?

---

### Rui Chen - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

### Ni Li - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

### Juliet Yang - Bilibili Inc. - Senior Director of IR

[Interpreted] Okay. So Hillman, Carly will take the first question on the content expenditure. So first of all, we'll continue to execute our strategy in continuing with spending on the high quality OGV content. And all of the strategies are built on our ever-growing PUGV ecosystem while investing certain verticals that we are specializing and echo with our user groups.

---

### Ni Li - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)



**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as for the OGV expenditure, we will be mainly focused on the self-produced content categories. And the reason why we choose that path is, first of all, that will help us to increase our premium membership sales and more importantly, we'll gain more of a big value on the long-term IP value that bringing to us and all of our strategy will be focused on that.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So on the premier membership front, we noticed the end new package ratio or multi-automatic renewal ratio are extremely high and will also be focusing on trying out different initiatives to unlock the value of those IPs.

---

**Xin Fan** - Bilibili Inc. - CFO

Okay. On the financial side, we already guided that content cost will be in around about 50% of total revenues. And we still maintain those kind of outlook. And if you compare with the revenue from our membership and the percentage for the advertise content cost, it's around 60%. It's pretty much healthy for the company, thus we're keeping this kind of investment.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as regards your second question the collaboration with Taobao because the first batch of our content creator only have entered Taobao ecosystem for just over a month. So we currently don't have many detailed operation data to share.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as for helping our content creators to unlock their commercial value and the partnership with Taobao, we will definitely have some number to share by the end of this year.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---



**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So on the top line contribution front, we don't see any significant contribution with the Taobao partnership this year. Well, we value the partnership because it's creating a healthy circulation of merchandise and content creators on both platforms. That's very positive for both of our ecosystem.

---

**Hillman Chan** - Citigroup Inc, Research Division - Research Analyst

(foreign language)

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Operator**

Our next question comes from Natalie Wu from CICC.

---

**Yue Wu** - China International Capital Corporation Limited, Research Division - Analyst

Congratulations on a very solid quarter. My question is related with live broadcasting. Just wondering if management can give us some more color on the strategy of your live broadcasting initiative development this year. More specifically, it would be great if you can give us some update on your VTube initiatives, including revenue contribution, margin profile as well as the differences between this model and traditional live broadcasting model you have observed in your past operation. I would translate myself briefly, (foreign language)

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted], So we think for our company, live broadcasting was never just a business lineup contributing revenue, but it's more of ability, because live broadcasting of the content format plays an important role in our overall content ecosystem.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So there are 3 key characteristics with our live broadcasting business. First of all, our users that are watching all these recorded videos are the same set of audiences that potentially could be our live broadcasting users. And the categories also mirror on to 2 formats of content.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)





---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] We have also released the number of valid MAU for our live broadcasting this quarter, which is over 10 million.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] And we also think this number will continue to increase.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] And secondly, the majority of our live broadcasting posts are also content creators on Bilibili platform. In the first quarter, actually over 50% of the valid host have also been our content creators. That gives us a deep full of access to verify and high-quality potential live broadcasting post, and that is the most important thing for live broadcasting business to ensure that you have a big resource for high-quality content host.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] And thirdly, as our content creators have already formed a deep connection with their fans on Bilibili platforms. So for their followers, they have more stickiness and willingness to pay. And they will have a stronger sense of the volume and ownership of the community.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] We believe Bilibili platform will become the most influential content platform for Gen Z. And Bilibili live broadcasting will also be the most popular most influential live broadcasting platform for this generation.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] As for certain content categories, we believe we have a strong edge into, for example, games related, e-sports related, and VTubers, we should be able to achieve absolute leadership in those content categories.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] As for the VTuber, a subcategory, we have seen very good traction in the first quarter. We have over 6,000 VTubers coming from all across the globe, we have set up live broadcasting in the first quarter of Bilibili platform, and the viewership was over 6 million.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] Because we are in absolute monopoly in terms of ACG content, we also held absolute leadership in this industry with the success of VTuber business, we can see that our users have resonated extremely well with this format of content and their engagement, their paying ratio all of the metrics that are very high.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] We're confident to keep our leadership in the VTuber content categories. And we believe this very creative format of entertainment has great potential to grow.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Xin Fan** - Bilibili Inc. - CFO

Yes, actually as you know, the live broadcasting and VAS, all the revenue streams grew very strongly. And for Q1, the live broadcasting contributed about 40% of the total live broadcasting and VAS revenue streams.

---

**Yue Wu** - China International Capital Corporation Limited, Research Division - Analyst

Just a very quick follow-up. For the VTube-related live broadcasting, what's the revenue contribution in the first quarter?

---

**Xin Fan** - Bilibili Inc. - CFO

We don't disclosed that number yet. We just started this kind of business. As Rui mentioned, that has a great potential to grow in this year.

---

**Yue Wu** - China International Capital Corporation Limited, Research Division - Analyst

Got it. Understood.

---

**Xin Fan** - Bilibili Inc. - CFO

but we noticed the first time the MAU and the quarterly paying users, so just for your reference.

---

**Operator**

Our next question comes from the line of Kenneth Fong from Crédit Suisse.

---

**K.C. Fong** - Crédit Suisse AG, Research Division - Regional Head of Gaming & Lodging Research and Director

(foreign language) Let me translate in English. Congrats on a very strong quarterly results. I have 2 questions. The first question is related to the games market outlook, especially in the ACG market, given the very strong first quarter result. The second question is the advertising revenue was a bit weak in the first quarter. We understand that there is some seasonality as well as China macro elements in it. So I just wanted to see what is the management monetization strategy going forward, especially in the video platform?

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So we stay very positive towards ACG game market. There has been a research report forecasting that the overall ACG game market will reach RMB30 billion in 3 years. So from our perspective, this is quite a realistic forecast that we think we can achieve.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So there are 2 key areas we wanted to focus. One is definitely on the ACG-related games, that is very in line with our user profile and our strength in the operation field. And second of all, is to better address our existing users who have high demands and better understandings of specific games and for those games that requires or are in a more creative ways, we will introduce those games to our users.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)



---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So looking at our pipeline, we have 2 sets of pipeline that satisfy these 2 categories. First of all, the high-quality ACG games, we have BanG Dream!, 2 exclusively licensed games that will be released in the coming months, which is BanG Dream! and Final Gear. We believe those 2 types are high quality and should resonate well with our users. And second, to satisfy user with higher demand in creative content format, we also partnered with Tencent NEXT Studio launch audio drama with puzzle element at games called Unheard, and this game has received very high reviews from our users and once achieved top 2 in China's teen chart and the best review is over 94%, people gave a good review.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] In terms of games publishing, we think we are at a very advantageous position because we have acquired the core user growth for both ACG and games. And for those categories are the top 5 popular content categories on our video platform.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as those users are using Bilibili, we are in a very precise environment to collect the data to their behaviours on what types of content they are watching, what type of community behaviour they have exhibiting, so we can be more precisely recommend the right games to the right users.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] And also our team has very deep understanding of our users' preferences and how the market is shaping out. So we're quite confident to stand out very leading position in terms of ACG games as well as those new creative format of games.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So in our pipeline, we currently have over 30 exclusively licensed games and hundreds of jointly operated games that pretty much cover all the best quality games that's coming in the next 1 or 2 years. So we remain quite confident towards our gaming business.

---

**Xin Fan** - Bilibili Inc. - CFO

Okay. I just wanted to add one point on Mr. Chen's remarks that our GAAP game revenues in Q2 was a little bit flattish compared with Q1, mainly because of 2 reasons. One is that we deferred FGO's cash revenue over 7 month. The FGO's cash growth revenue in Q4 last year is quite strong, so they will help to pull up the FGO GAAP revenue in Q1. The second reason is that about the contribution from the new games. We may release our 2 new games, BanG Dream! in the end of May and Final Gear, a very excited domestic RPG in July. So that a well contributed that the game revenue build up in the second half of this year, not in Q2.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So in 2018, we actually reached ground breaking for our advertising business. We have built our performance-based from 0 to 1 and also achieved great growth for our brand advertising.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] For the first quarter, we still achieved [60%] (corrected by company after the call) year-on-year growth, while decreased in quarter-over-quarter.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So in the first quarter, it's a seasonality reason, the brand advertising for the traditional advertising format will be a relatively low quarter, plus the macro economy headwind, the brand advertising was a little below our expectation. However, our performance-based advertising has been performing relatively in line with our expectation. We are continuing to see the increase in the bill rate.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---



**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So on the performance-based advertising, we're executing a strategy that's focusing on building a better ecosystem. First of all, on the advertising agency system, we are more focused on the retention, the engagement of our advertising agency.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] Second of all, we are still continuing to increase our algorithm to improve the efficiency of our performance-based advertising, while lowering the conversion cost.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] Third is to improve the formatting of how we review our performance-based advertisement to our views.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as for the brand performance, we'll continue to increase our influence in the overall brand advertisement industry, and to attract more premium brand advertisers.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] We will also provide new and creative integrated marketing solutions that benefit our brand advertisers' needs to address Gen Z demographics.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---



**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] At the same time, we'll also continue to penetrate the customer base in our brand advertisement and also improve our ability to do better integrated marketing.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So we remain confident given our group of users that are highly engaged and highly active that will continue to convert more and more advertisers on Bilibili platform.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] In addition, we'll also try our new initiatives that benefits our community and content to provide value-added solutions to our advertisers.

---

**Ni Li** - Bilibili Inc. - Vice Chairman of the Board of Directors & COO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] For example, in e-commerce industry, we will also try our new ways to better connect the merchandise, merchants and content. That's all.

---

**Operator**

Our next question comes from the line of [Zang Li] from Bank of America Merrill Lynch.

---

**Eddie Leung** - BofA Merrill Lynch, Research Division - MD in Equity Research and Analyst

(foreign language) My first question is about regulation. Do you see more traction regulation on content on social community and impacts to our community? And when do we expect to launch the addiction prevention system to the teenagers? And second question about Bilibili Comics in the Maoer. Do we have any details you can share with us in terms of user overlap with Bilibili's community, user time spend and the paying user, the revenue contribution for this year?

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So first of all, not only just the China government but the authorities from all over the globe are implementing more standard control towards Internet content.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So we think this is an inevitable trend that for the Internet company should adopt and face it right on. Because right now, as Internet penetrated to almost everybody, the regulations on content that we're facing no matter if it's privacy control or teen anti-addiction control. This is the problem that all the country should be facing. So this is the new norm for our industry.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as for Bilibili, we have always given our active attitude towards the content control. We have strengthened our overall content audit team and also improved on the safety of the content as well as guidance towards more positive content on our platform.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as for the team's anti-addiction control, many of you probably have heard the news around the end of March. Bilibili has been actively spontaneously trying to improve more safety content environment for teams in China. We are developing new version of our products that better fits the teen's usage. No matter what's on the content, the quality of the content and the functionality, we are doing number of measurements to make it a safer environment for them.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So as our MAUs surpassed 100 million, we've analyzed our user' profiles. The overall average age of Bilibili users are over 21 years old. So a number of users that under 14 is less than 10%, even less than paying user proportion.





**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So all the measurements that we're providing a safer environment to teenagers, will not have a material impact on our time spent as well as our revenues.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So we are a true advocate for the teen anti-addiction control. And we think this is our social responsibility to provide a healthy positive Internet environment to our youngsters.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So Maoer and Comics are 2 new business in our group and both of them are in a relatively early stage. And for those 2 products, they have the same characters as they're more paying user oriented. They are both very professional platform that's providing high-quality content that require pay-to-view or pay-to-hear. So you won't see a massive ramp on the overall MAU, but should have a positive impacts on our overall teenagers.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] Also, as for the overall Bilibili ecosystem, these 2 platforms provide a very high quality professionally produced content, which will be the source of our IP. Thus we really value the high-quality content on both of the platforms.

---

**Rui Chen** - Bilibili Inc. - Chairman of the Board & CEO

(foreign language)

---

**Juliet Yang** - Bilibili Inc. - Senior Director of IR

[Interpreted] So we encourage you to focus more on the quality of the content, the revenue contribution of those 2 products and influential IP that's been generated on both platforms including comic and the high-quality audio drama.



**Operator**

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

**Juliet Yang - Bilibili Inc. - Senior Director of IR**

Thank you, once again, for joining us today. If you have any further questions, please contact myself, Juliet Yang, Bilibili's Senior Director, or TPG Investor Relations. Our contact information for both -- for IR in both China and the U.S. can be found in today's press release. Have a great day.

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019, Thomson Reuters. All Rights Reserved.