Fixed Income Department
China Media and Entertainment Industry Research

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Section 1: Introduction

The Media and Entertainment Industry or E&M in short, comprises of multiple segments including video, music, advertising, gaming etc., totaling US$2.1tn in terms of global revenue with an expected compounded annual growth rate (CAGR) of 5.0% in the long run. Companies within the E&M industry seek to facilitate the production and distribution of information and content among the public.

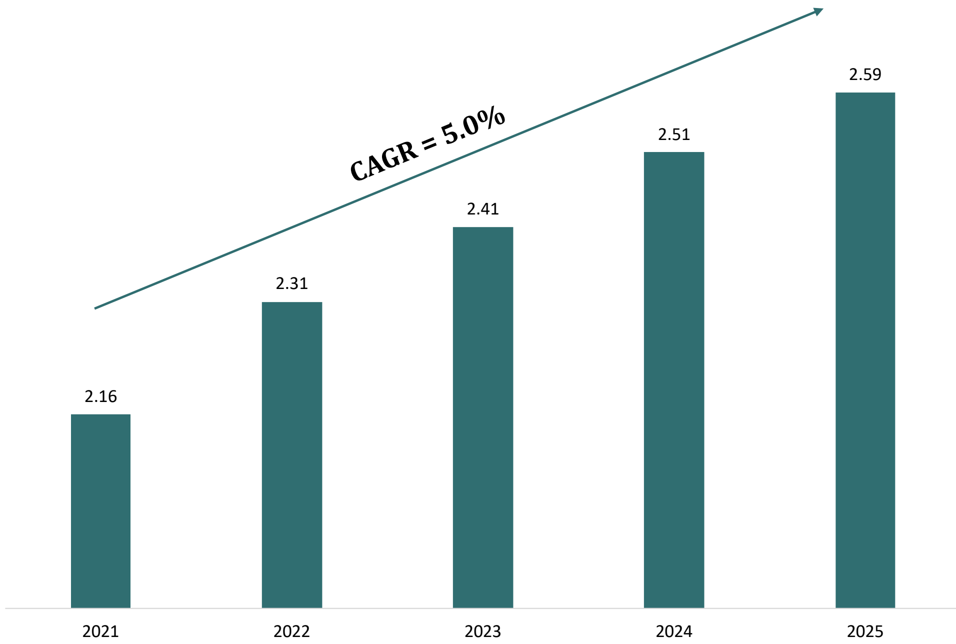

Figure 1: E&M Market Global Revenue in US$ tn

Despite the enormous market size as a result of the increasing digital penetration and viewership, competition within the industry remains steep especially with the rising wave of globalization. This means that E&M companies would have to compete with not only local, but overseas competitors for a common pool of customers.

With E&M companies' revenue driven highly by content monetization, it becomes critical for those companies to track changing customer preferences and cater to their needs through constant innovation and coming up with creative content. At the same time, high initial expenditure on content acquisition has been a common obstacle for players across the industry. Cost mitigation, as such, has become a key lever to success especially for new entrants into the markets

Section 2: China Industry Overview

With a massive population size and media users, China has seen robust growth in its media and entertainment industry over the years with the number of internet users almost tripling from close to 400 million users starting in 2010 to over a billion users in 2021. In light of such trends, major media and entertainment companies continue to break into the Chinese market despite regulatory obstacles, reaping a total revenue of US$ 358.6bn and expected revenue of US$436.8bn, taking up close to 20% of E&M's global revenue share. Leading players in the industry include traditional powerhouses such as Tencent and Baidu with US$ 3.41tn and US$277bn market capitalization respectively and rising unicorns such as ByteDance which was last reportedly valued in the private markets at a US$ 354bn market capitalization.

Section 3: Key Players

a. Bilibili

Company Overview
Based in Shanghai China, Bilibili, or B site, is a video sharing platform with a distinct strategic focus on animation, comics, and games. Targeting mainly millennials and Generation Z, Bilibili aims to build its unique branding with a clear value proposition on "creating a leading video community with mission to enrich the everyday life of the young generations in China." Since its inception in 2009, Bilibili has expanded rapidly and filed for listing on both New York Stock Exchange (NYSE) and Hongkong Stock Exchange (HKEX) in 2018 and 2021 respectively, with a stock price of US$ 21.08 and HK$ 163.80 (25/04/2022), and market capitalization of US$61bn.

Business Model
In terms of its business model, Bilibili differs from its main competitors such as Tencent Video and Iqiyi through riding on user generated content and implementing interactive features. Instead of circulating professionally produced movies and dramas, Bilibili highly encourages its dedicated users or "up zhu" in Chinese to post self-curated content not just limited to animation, comics and games but anything that is mind-blowing. As of 2020, there were 1.9 million content creators, contributing 5.9 million videos with topics ranging from entertaining memes, game commentaries to thought-provoking career sharing and educational pieces. In addition, to enhance the interactivity of the platform,"Dan Mu" or bullet chat that displays real time commentary, for instance, was first pioneered by Bilibili and soon became a hyped feature in China's media industry. It creates a stronger sense of belonging and community that significantly strengthens customer loyalty, leading to high conversion rate to sustained viewership. From 2018 to 2021, Bilibili's monthly active users (MAUs) increased fourfold from 77.45 million to 271.7 million, at a CAGR of close to 40%.

Despite being commonly known as a video sharing platform, Bilibili does have a diverse revenue profile, including games, value-added services, advertising, e-commerce, and others. Among which, mobile games have made up majority of Bilibili's revenue at 71.1% in 2018. Across the years however, it is promising to see that with revenue tripling from RMB 4mn in 2018 to RMB 12mn in 2020, the proportion of revenue as a result of gaming declines to mainly 26% in 2021. Instead, we see greater contribution to revenue by value-added services (VAS), rising from 14% in 2018 to 36 % in 2021. VAS revenue came from mainly subscription fees of Bilibili's premium membership and sales of in-channel virtual items through live-broadcasting. This indicates an increasing number of active users in Bilibili, reinforcing its brand value of creating a community for the younger generations.

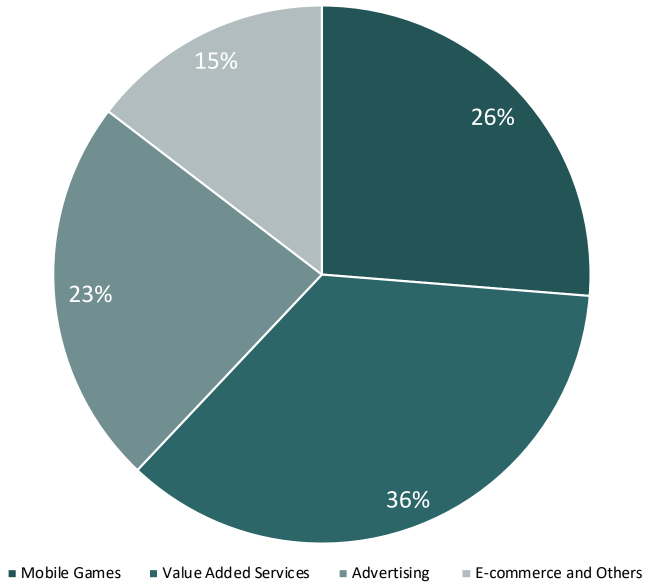

Figure 2: Bilibili revenue breakdown by 2021

Despite the promising revenue increase, cost incurred by Bilibili is even more significant, resulting in overall losses across the years. Main cost drivers include revenue sharing with game developers, distribution channels and payment channels, content cost and sale and marketing expenses, with a glaring surge in sales and marketing expense to grow Bilibili's brand loyalty. Such a growth at all cost business model may result in significant financial implications that affect Bilibili's market power as it paves way to become the "YouTube" of China.

Recent Development

Business diversification is what Bilibili has been pivoting towards to during the unpredictable pandemic years. Despite emerging as China's third largest long video site as of year 2021, Bilibili's revenue growth has been slowing down. For 2022, analysts have projected a 30.7% revenue growth, down from over 50% in 2021. To pave a better outlook for Bilibili, we see management seeking to quickly diversify its revenue streams, tapping on potential markets so as to leverage its expanding user base, comprising of primarily Gen Z. Examples of such new businesses include live broadcasting, and most notably short form videos. Introducing short-form videos marks bilibili's official penetration to the short-form video market. Comparing to Bilibili's competitor, Douyin and Kuaishou, Bilibili is still significantly lagging in terms of daily active users (Bilibili: 60.1million, Douyin 580 million and Kuaishou 295 million). As a matter of fact, introducing short form video may attract more active users, especially with Bilibili's young and talented user community capable of creating high quality content. As of late 2021, Bilibili launched short form video mode on mobile app seeking to satisfy users' consumption needs on the go. Such a move is perhaps, an indication of Bilibili's transition from a more specialized video platform to a more versatile power in China's E&M market

Financial and Credit Analysis

	2021A	2020A	2019A	2018A	2017A
Profitability Ratios					
Gross Profit Margin (%)	22.3	20.7	17.6	23.7	20.9
Net Profit Margin (%)	-35.0	-25.1	-19.0	-14.9	-23.2
ROA (Underlying profit)	-10.6	-10.0	-7.2	-6.5	-5.0
ROE (Underlying profit)	-14.0	-14.3	-10.2	-9.8	-7.8
Revenue Growth (%)	66.0	88.8	62.1	58.2	N/A
MAUs (in million)	271.7	202.0	130.3	92.8	72.0
Liquidity ratios					
Quick ratio	2.6	1.9	2.1	1.7	1.2
Current ratio	3.0	2.1	2.4	2.0	1.5
OCF ratio	N/A	0.1	0.1	0.2	0.3
Solvency ratios					
Debt / Assets	58.3	67.4	50.8	31.5	40.3
Debt / Equity	89.7	110.4	46.0	N/A	N/A
Long-term debt / Equity	83.0	107.2	44.7	N/A	N/A
Efficiency					
Total Asset Turnover	0.5	0.6	0.5	0.6	0.9
Receivables Turnover	15.9	13.3	12.7	11.5	9.8

Figure 3: Bilibili's Financial Ratios

Looking into the historical financials, despite impressive revenue growth across the years, it comes at the expense of even higher cost spent. All profitability ratios have declined across the years, especially during the Covid period. This is primarily the result of surging R&D and SG&A expenses due to Covid-spurred shortage of manpower and unfavourable political landscape as we witness tighter scrutiny by Beijing on imported anime. Nevertheless, some analysts still hold an optimistic view on Bilibili and believe that all such losses are part of the "growth-at-all-cost strategy." They believe that having a loyal and wide customer base, is more crucial than generating profits to a video-sharing platform company in the short run.

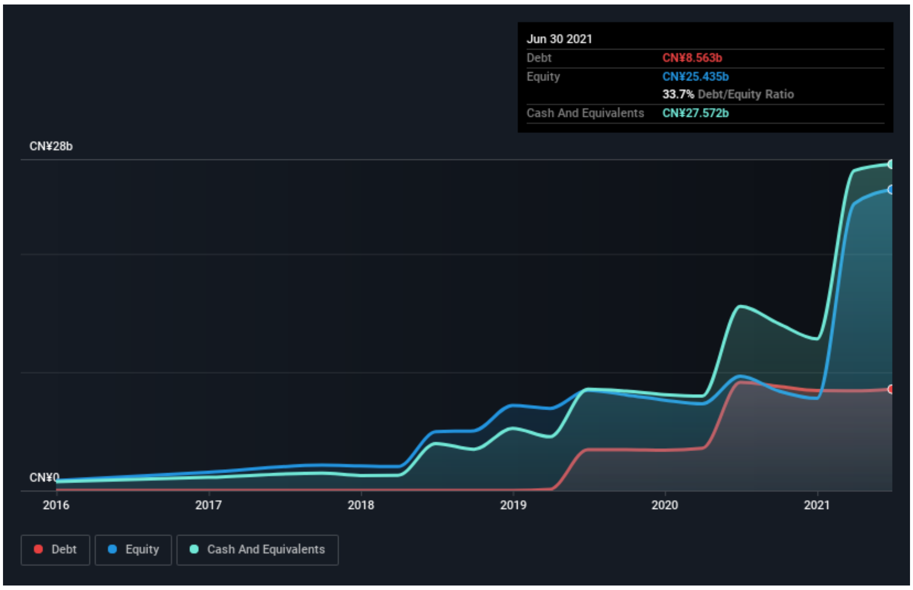

Figure 4: Bilibili's Financials on Debt, Equity and Cash

In terms of liquidity ratios and solvency ratios, we see improving performance during 2020 to 2021 despite taking on more debt as aligned with Bilibili's growth at all cost strategy. This is because Bilibili's book value of equity and asset increased more than debt as a result of Bilibili's impressive revenue performance and hence, higher retained earnings and cash flow. This indicates a positive sign to investors regarding Bilibili's balance sheet health, that it has sufficient net cash to shield itself from uncertainties and possibilities of default. Therefore, despite generating negative profit and hence naturally more risky than profitable companies, Bilibili could eliminate debt at ease given stable cash flow, indicating healthy credit quality

Bilibili's promising credit quality could be further reinforced by its stable asset turnover and notably, improving receivable turnover. This suggests increased efficiency in processing and converting credit into cash as Bilibili's effort in constructing a loyal customer base paying off. In addition, we also see Bilibili venturing into more cash-generating businesses such as live streaming and gaming recently, highlighting its strategic move to eventually boost revenue generated per users and decrease cash conversion cycle. Whether Bilibili is able to convert existing loyal customers into paying customers, is therefore, the key lever for Bilibili to turnaround its profitability and further strengthen its credit quality profile.

b. Tencent

Company Overview
Based in Shenzhen China, Tencent was founded in 1998 as a social media company but has now evolved into one of China's leading technology conglomerates known for its operations and investments in gaming, media, social networks, payments, software, and other businesses. Tencent is the largest gaming company in the world by revenue, with renowned IP such as League of Legends and Clash of Clans. Meanwhile, their flagship social network, WeChat, is China's largest social platform with over 1.2B MAU, and is used for messaging, entertainment, payments, and much more. Its payments platform, Weixin Pay, is the number one payments platform in China by DAU. Tencent is publicly traded on the HKEX under 0700 and has a market capitalization of about US$ 420bn as of 05/06/22.

Business Model
For Tencent's media segment in particular, the company features a number of media businesses, including Tencent Video, Tencent Music, Tencent Sports, and more. Within its media businesses, it main video business is Tencent Video, which had an estimated 400M MAU in 2021, the platform features both professional content and user-generated content. Since Tencent's 1.2B WeChat users can access Tencent Video through the app, this lower customer acquisition costs in addition to streamlining the user onboarding process. The company charges a subscription fee for its premium content, although many users still use the platform for its ad supported free content. As of 2021, Tencent reported 126M video subscriptions across its media business segment. Together with its music subscriptions, Tencent reported 236M subscriptions in 2021, more than doubling from 110M in 2016. As for its competition, Tencent Video's top competitor is Baidu-backed iQiYi, which is another one of China's leading Subscription Video on Demand (SVOD) platforms.

Recent Developments
Meanwhile, Weixin Video Accounts is Tencent's short-form video platform that Tencent has been pushing in order to compete with ByteDance's Douyin which has taken a significant market share of China's media industry in terms of user time spent and profits. Having only been founded in 2021, ByteDance now represents a roughly 21% share of the online advertising market while its revenues increased 70% Year on Year ("YoY") from 2020 to 2021. While Tencent has provided relatively limited data regarding financials and detailed growth trajectory of the business, management did note that time per user spent and video views doubled YoY from 2020 to 2021 while monetization would begin rolling out in 2022 via advertising and ecommerce. Video Accounts are key for Tencent's media business with management explicitly

positioning the business as a strategic priority for the company given the implications on user time spent and future potential monetization opportunities.

Financial and Credit Analysis

	2021A	2020A	2019A	2018A	2017A
Profitability Ratios					
Gross Profit Margin (%)	43.0	45.1	43.9	44.7	49.2
Net Profit Margin (%)	40.1	33.2	24.7	25.2	30.1
ROA (Underlying profit)	15.3	13.6	11.2	12.5	14.9
ROE (Underlying profit)	29.8	27.2	24.8	27.6	32.8
MAU (WeChat in milliion)	1268.2	1225.0	1146.8	1097.6	989.0
Liquidity ratios					
Quick ratio	1.2	1.2	1.1	1.1	1.2
Current ratio	1.2	1.2	1.1	1.1	1.2
OCF ratio	0.5	0.7	0.7	0.6	0.8
Solvency ratios					
Debt / Assets	20.1	19.7	24.4	25.0	23.8
Debt / Equity	7.3	4.6	9.9	3.4	-4.9
Long-term debt / Equity	37.1	34.7	45.3	43.3	43.5
Debt service coverage	-50.7	-44.9	4.1	-14.0	12.7
Efficiency					
Total Asset Turnover	0.4	0.4	0.5	0.5	0.5
Receivables Turnover	7.4	7.9	8.6	10.4	12.1

Figure 5: Tencent's Financial Ratios

Regarding financials, the majority of Tencent's media revenues stem from video subscriptions over advertising. Tencent's video subscription revenue is consolidated under its social networks segment, in which the company reported a sales increase of 8% year-on-year from RMB108.1B to 117.3B from 2020 to 2021. As for Tencent's media advertising revenue, the company generated RMB14.3B in 2020 which decreased 7% to 13.3B in 2021, that time period.

As for profitability, while Tencent does not break out the individual media business margin profile, Tencent has noted that it plans to focus on cost optimization to reduce financial losses for long-form video, implying unprofitability. However, despite being unprofitable, the business helps maintain user time spent within the WeChat ecosystem which allows Tencent to monetize other adjacent business segments through advertising or in-app transactions.

When it comes to Tencent's liquidity ratios and solvency ratios for the overall company, the company has seen improvement from 2017 through 2021. More recently, in 2021 and 2022, Tencent has been increasing the number of investment divestures in its public portfolio in order to raise additional cash and book its investment gains. Many of its investments, such as JD.com, Sea Limited, among others, benefitted tremendously throughout 2020 and 2021 as they were in covid-beneficiaries in areas including e-commerce, gaming, and payments. However, these were only paper gains as Tencent did not actively divest its stakes post investment. Given a waning market environment for high growth and unprofitable companies, valuations have fallen, and Tencent is aiming to cash out on its investment book while it is still favourable. In the first quarter of 2022, Tencent's profits fell 51% as its revenue growth remained stagnant. As a result, raising additional cash from investment divestures should leave Tencent in a strong credit position given the headwinds in its main operational businesses.

c. Kuaishou

Company Overview

Founded in 2011 and based in Beijing, Kuaishou is one of China’s leading short-form video platforms. The company is second only to Douyin, which currently holds the market leading position within short-form video in terms of user time spent. Relative to Douyin, Kuaishou was reported to have a higher representation in lower-tier cities driven by a first-mover advantage in addition to a strong focus on authenticity on its platform. What is also notable is that Tencent is one of Kuaishou’s largest equity shareholders with a 21.5% stake at IPO. The company went public in 2021 on the HKEX under the ticker 1024 with a market capitalization of US$32.6 bn as of 07/05/22.

Business Model

Kuaishou generates the majority of its revenue, 52.6% in 2021, from online marketing services in which Kuaishou charges advertisers to place adverts across the videos on its platform. An additional 38.2% of revenue is attributed towards Kuaishou’s live streaming business, in which Kuaishou takes a cut of gift transactions on the live stream. Meanwhile, the remaining 9.2% of revenue consists primarily of e-commerce. The company has also experienced strong user growth, with average Daily Active Users (DAUs) increasing from 264.3M in 2020 to 308.2M in 2021. Moreover, average daily time spent per DAU also saw an increase from 87.3 minutes to 111.5 minutes in the same time frame.

Recent Development

A major focus for Kuaishou has been the company’s e-commerce segment which has experienced tremendous growth since 2020. Total e-commerce GMV on Kuaishou’s platform increased by 78.4% YoY from 2020 to 2021, reaching RMB 680B. In terms of revenue mix, e-commerce has experienced an increasing contribution to total revenues from 6.3% in 2020 to 9.2% in 2021. Moreover, the company has also experienced normalization in its live-streaming business following the COVID-19 pandemic as people spent additional time on online entertainment than prior year given the activity restrictions. As the country reopens and people revert back to normal routine, this will lead to less time spent on live-streaming entertainment. That said, with recent lockdowns increasing significantly across China due to zero-covid policy measures, this could contribute towards a reacceleration of the business’ live streaming segment as people have excess time to spend on online entertainment.

Financial and Credit Analysis

	2021A	2020A	2019A	2018A	2017A
Profitability Ratios					
Gross Profit Margin (%)	41.7	40.3	35.9	28.4	31.2
Net Profit Margin (%)	-8.3	-2.2	-3.1	-1.0	1.1
ROA (Underlying profit)	-107.5	-107.5	-267.1	-80.9	-105.0
ROE (Underlying profit)	N/A	N/A	N/A	N/A	N/A
MAU (in million)	544.2	481.1	330.4	240.7	136.3
Liquidity ratios					
Quick ratio	1.4	1.4	1.1	2.7	2.2
Current ratio	1.4	1.4	1.1	2.7	2.2
OCF ratio	-0.4	0.0	0.1	0.0	0.1
Solvency ratios					
Debt / Assets	14.7	366.2	228.4	294.9	357.7
Debt / Equity	-70.2	-102.6	-107.5	-108.3	-99.7
Long-term debt / Equity	22.4	-118.1	-130.5	-134.7	-123.3
Debt service coverage	-5.1	-0.7	-1.8	0.8	7.1
Efficiency					
Total Asset Turnover	1.1	1.3	1.6	1.7	N/A
Receivables Turnover	23.5	32.1	64.0	154.5	N/A

Figure 6: Kuaihou's Financial Ratios

In 2020, revenues increased 37.9% YoY from RMB 58.8B to 81.1B. Meanwhile, gross margins have seen slight expansion from 40.5% in 2020 to 42% in 2021. That said, operating losses remained negative, with operating losses of RMB 27.7B in 2021 compared to 10.3B in 2020 due to the company's heavy S&M and R&D spend, which both increased in 2021 as a % of revenues from 45.3% to 54.5% and 11.1% to 18.4% respectively.

Meanwhile, liquidity ratios and solvency ratios trends have been mixed, with some ratios such as the company's quick ratio weakening from 2017. This is driven by the company's heavy reinvestment into its video platforms as the company's focus is on growth. As Kuaishou only went public in 2021, much of the company's financing was dependent on external investors, with Tencent being a key backer while it was in the private markets. As a result, Kuaishou's funding in the private markets was able to support its loss-making operations as it ramped up investments to compete with ByteDance. That said, since going public, Kuaishou's improving gross margin profile and scale will help the company achieve sustained profitability levels, which is key given the company's now public status.

Section 4: Key Industry Trends

Short Form Video as an emerging trend in China's E&M market

Short-form videos are increasingly becoming the go-to medium for advertisers trying to reach out to a large or targeted audience in China. Short form video first emerged in 2013 when Vine was launched where videos on the app were restricted to just 6 seconds in length which managed to capture the attention of many users. Fast forward a few years, other apps like Tiktok and Douyin came into the scene and soon after influencers and celebrities were on it connecting with users. The industry in China has been gaining momentum especially as consumers' attention spans have been growing shorter and people have become more time poor. Research done by Microsoft reported that people have an attention span of 8 seconds, a decrease from 12 seconds back in 2000. These shortening attention spans are blurring the lines of conventional buying funnel and forcing companies to change their content marketing strategies. In the second half of 2020, 49.2 million people became new internet users in China and that more than 20% of them said that they had connected in order to watch short form video content. The interest is further facilitated with upgrades done to local communication networks. Brands are becoming fully aware of the value of short-form videos and are using them to launch promotional campaigns, conduct market research and to promote products of their brand. A marketing survey conducted by HubSpot found that 51% of marketers who use short-form videos plan to increase their investment in 2022 and that short-form videos has the highest Return on Investment ("ROI") of any social media marketing strategy. Another way how companies are utilizing short-form videos is by coming up with brand challenges where they issue a task for users to do in a video and they will have to post it on their social media account to enter the competition. In essence, companies should diversify their marketing strategy into short-form videos seeing how consumers' attention span are decreasing and the huge growth in the number of users consuming short-form videos.

E-Commerce integration into video-sharing platforms

Livestreaming shopping has been growing in recent years globally and in China specifically. It was first started in 2016 by e-commerce giant Alibaba Group's Taobao marketplace when they introduced Taobao Live where they link up an online livestream broadcast with an e-commerce store to allow viewers to watch and shop at the same time. Brands will engage influencers to speak to online shoppers, answering their questions about size, colour and fit in real time – engaging them in a chatty, informal approach and encouraging quick purchases with discounts only available for a limited time. This helps encourage impulse buying and customers often end up purchasing something they didn't think they would due to the fear of missing out on discounts. Currently, the live commerce market in China already accounts for more than 10% of the entire e-commerce market. In less than five years, China has already developed this innovative sales channel, hitting US$ 171bn in 2020, growing at a CAGR of more than 280% between 2017 and 2018. The industry is projected to rake in a massive US$480bn in China in 2022.

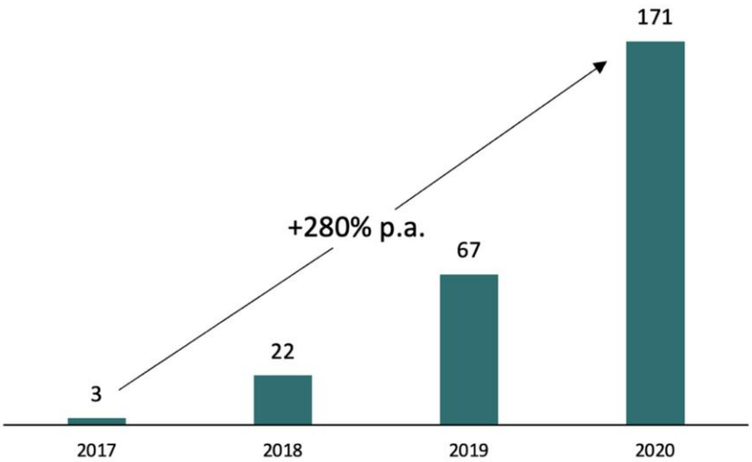

Figure 7: China's Live Commerce Industry ($ bn)

In terms of user demographic, Generation Z and millennials dominate, although live commerce is starting to attract middle-aged and more senior consumers. A survey conducted in 2020 reports that two-thirds of Chinese consumers said they had bought product via livestream in the past year. This was further fuelled by the pandemic where people were all cooped up at home, thus driving the live commerce industry even more. Many e-commerce platforms like Kuaishou, JD.com and Pinduoduo now offers their users the opportunity to shop via livestream, further driving this trend. China is currently the top in the world for live streaming sales with its sales ten times than that of US'.

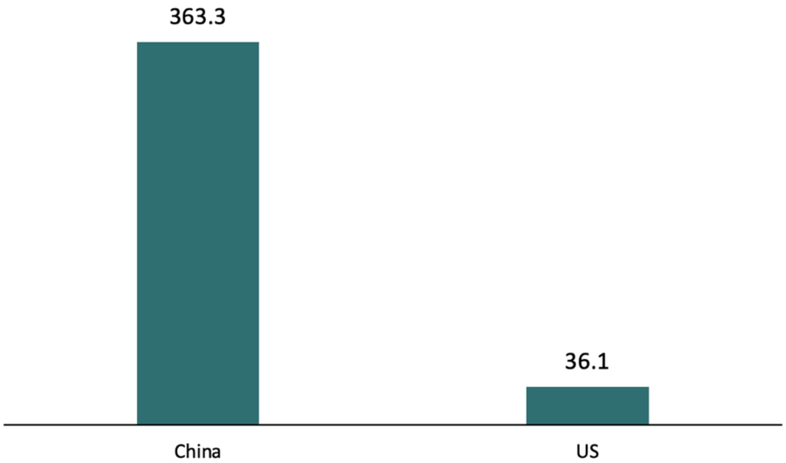

Figure 8: Live Commerce Sales in China vs. US, 2021

For companies in the industry like Kuaishou stands to benefit from this trend as its main revenue driver comes from live streaming where users buy virtual items to gift to their favourite streamers. This trend will help increase its sales revenue leading to a higher net profit which will improve their credit quality.

Increasing prevalence of user generated content

User generated content ("UGC") in short refers to any form of content produced by users on an online platform. It was first popularized when social media took over the internet a decade ago. In comparison to branded content, UGC receives much stronger recognition as we see 92% of the consumers trust UGC more than any marketing content. Riding on such value proposition, we see soaring number of people creating and consuming UGC across social media platforms.

Recently, with the rise of video sharing platform or short-form video, we see user generated video content or UGVC in short, becoming a huge fed across the globe. In the case of YouTube for example, UGVC receives 10 times more view than any content created or uploaded by a brand. This is especially significant in our key country, China, where we see the origination of the boom in UGVC. According to the China User Generated Content Report issued by iResearch, professionals has highlighted the "enormous scope of UGC" where consumers spend an average of 5.4 hours a day on user generated content. Riding on such an opportunity, we see video sharing platforms burgeoning, with unprecedented freedom and monetary incentives for users to create their own content and share across the platform. Notable examples include Bilibili and KuaiShou as illustrated in our key company section. Such a trend is further accelerated with the outbreak of Covid 19 as people are restricted from outdoor activities and forced to consume more online feeds. Tiktok's UGVC for instance, had an exploding 75% user growth in 2020. This drives producer market where we see 58% of people generating more video content.

Among the massive user base for UGVC, we see considerable proportion from millennials who spend an average of 18 hours a day with media, contributing to over 70% of all UGC. To them, UGVC holds special value proposition. For instance, UGVC is seen as inspiring, uplifting and directly relatable. Companies such as Bilibili, for instance, leverages exactly on such community-building impact to attract a large influx of millennials and Gen Z that find a strong sense of belonging to Bilibili. From a more practical point of view, UGVC is more easily interactive and shareable. 92% of users share videos they like with each other. As such, UGVC also functions as a social tool, bridging the youngsters that share common interests. This is well aligned with millennials' needs for socialization.

Given such unique value proposition that is hard to replace by any form of videos. UGVC or UGC in general is expected to grow at an astounding 26.6% CAGR into the future, becoming one of the most distinct and dominant forms of expression in the future. As such, companies should capitalize on such growth, with special attention dedicated to the cross application of UGC, on streaming, e-commerce, and gaming markets as well.

Rise of video games

In China, video games have been growing rapidly in recent years and is set to grow at a CAGR of 14% from 2021 to 2026. With the modernization of cable networks in recent years, it has offered consumers higher speeds, reduced latency and increase bandwidth. This helps improve users' experience when gaming. Cross-platform gaming gives players a seamless multiplayer gaming experience regardless of the device they hold thus allowing them to play the game wherever they are. With smartphone penetration steadily increasing in China, it is estimated to hit 61% in 2023.

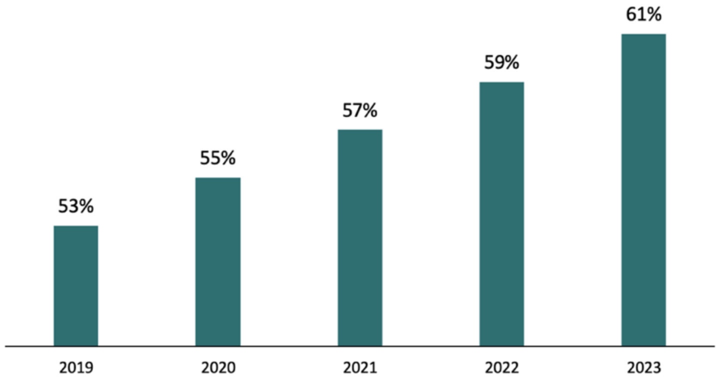

Figure 9: Smartphone Penetration rate in China 2019-2023

This increase has led to the rise of mini games. What makes these games so popular is that they are low-skill, easy to play, and are readily accessible as they can be played in-app without the need to switch apps. The leading game provider in this area is WeChat who had hit 854 million monthly active users as of December 2021 – this is more than half the population of China. The pandemic has also further strengthened the gaming industry as traditional sports event were being postponed during the epidemic while esports events were still being streamed online and on TV. The Chinese government has also recognized the title 'esports professional' as official careers in 2019 and have categorized the profession in five levels. This shows how much the industry has to grow in the years ahead. In August 2021, the Chinese government has implemented a new rule that people under 18 will only be allowed to play video games one hour a day between 8p.m. and 9p.m. weekends and legal holidays. The agency has cited this as a way to safeguard children's physical and mental health. Despite this, we believe this will not deter the gaming companies from growing as Tencent has revealed that only 2.6% of its gross game receipts were from players under 16 years old. For companies in the gaming industry like Tencent and Bilibili, gaming brings in approximately 32% and 40% of its total revenue respectively. We expect to gaming revenue to still grow YoY increasing its credit quality of the companies in the industry.

Section 5: Conclusion

Moving forward, competition is expected to remain fierce among China's media industry. With less liquidity in the private and public markets available, scaled public companies Bilibili, Tencent, Kuaishou and privates such as ByteDance are strongly positioned in the market environment, while less capitalized players with smaller scale are at higher risk. Moreover, given the liquidity dry up in China's capital markets, internal financing capabilities is a key focus moving forward for China's media platforms. Throughout 2021 and 2022, Chinese media companies cut costs through staff layoffs and shutdowns of certain loss-making media properties, as seen with Tencent's Penguin E-sports platform in 2022. Companies unable to self-finance may be acquired, taken private, or potentially could face shutdowns over the coming years. That said, China's media platforms remain at the forefront of innovation and growth within the media industry and will be an important area for investors to focus on moving forward.
