

Bilibili (BILI US)

1Q26 review: solid user traffic growth and monetization improvement

Bilibili reported 1Q26 financial results: total revenue grew by 7% YoY to RMB7.47bn, in line with Bloomberg consensus estimate; adjusted net income was up by 63% YoY to RMB593mn, 11% ahead of consensus estimate thanks to investment income of RMB65mn. User community saw healthy growth, with DAU/average daily time spent up by 8%/10% YoY in 1Q26, supported by Bili's quality content, community-first strategy and AI empowerment. Looking into 2Q26E, we expect total revenue to grow by 8% YoY, primarily fuelled by the strong ad revenue growth. We raise our FY26-28E earnings forecast by 2-5%, as we expect continuous efficiency gains and operating leverage despite the stepped-up AI investment. We fine-tune our SOTP-derived target price to US\$30.0 (previous: US\$30.5), mainly due to the decline in sector valuation. Maintain BUY on Bili's healthy user community and monetization improvement.

- **Improving monetization on vibrant community.** In 1Q26, 1) VAS revenue grew by 4% YoY to RMB2.91bn (39% of total revenue), fuelled by stable performance of the live streaming business and the strong revenue growth of Fan Charging program (up by over 50% YoY). 2) Advertising revenue was up by 30% YoY to RMB2.59bn (35% of total revenue), driven by 19% YoY growth of total user time spent and AI-enhanced monetization efficiency. Ad budget from the AI tech sector surged by over 170% YoY in 1Q26. 3) Mobile games revenue declined by 12% YoY to RMB1.52bn (20% of total revenue), primarily due to the normalisation of revenue from *SanMou*. For 2Q26E, we forecast total revenue to rise by 8% YoY to RMB7.90bn, primarily supported by 2%/28% YoY growth in VAS/advertising revenue, but partially offset by 12% YoY decline in mobile games revenue.
- **AI accelerating business growth.** AI has empowered Bilibili on multiple fronts: 1) Content creation: the company provides creators with AIGC tools to enhance productivity and content quality, resulting in 19% YoY growth in daily video submissions in 1Q26. 2) Content discovery: the company developed models to better identify and promote high-quality content, driving the number of creators with over 1k followers up by over 30% YoY in 1Q26. 3) Ad monetization: performance-based advertising saw a 25% YoY increase in conversion rate, as Bili deepened AI integration into its ad algorithms. And the penetration of AI-powered automated ad campaigns reached c.85% in 1Q26, boosting ad placement efficiency.
- **Continuous margin expansion despite increased AI investment.** Adjusted OPM expanded by 2.1ppt YoY to 7.0% in 1Q26, primarily underpinned by the GPM expansion (+0.8ppt YoY) and operating leverage. Looking ahead, management expects AI-related investment to impact FY26E earnings by c.RMB500mn. That said, we still expect adj. OPM to improve by 1.4ppt YoY to 9.5% in FY26E, supported by operating leverage and enhanced efficiency.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	26,832	30,348	32,611	35,339	36,966
YoY growth (%)	19.1	13.1	7.5	8.4	4.6
Gross margin (%)	32.7	36.6	37.6	38.8	39.9
Adjusted net profit (RMB mn)	(22.1)	2,615.8	3,110.3	3,887.2	4,901.6
EPS (Adjusted) (RMB)	(0.05)	5.89	7.00	8.75	11.04
Consensus EPS (RMB)	(0.05)	5.76	7.03	9.14	11.76
P/S (x)	2.1	1.9	1.7	1.6	1.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$30.00
(Previous TP)	US\$30.50)
Up/Downside	50.0%
Current Price	US\$20.00

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Stock Data

Mkt Cap (US\$ mn)	8,378.3
Avg 3 mths t/o (US\$ mn)	31.0
52w High/Low (US\$)	35.92/18.00
Total Issued Shares (mn)	418.9

Source: FactSet

Shareholding Structure

Rui Chen	11.6%
Tencent	10.6%

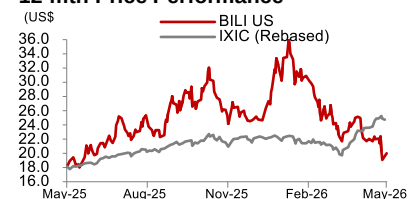
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-19.9%	-24.4%
3-mth	-34.0%	-41.6%
6-mth	-17.2%	-29.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Bili: forecast revision

RMB mn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	32,611	35,339	36,966	32,785	35,263	37,041	-0.5%	0.2%	-0.2%
Gross profit	12,261	13,707	14,757	12,240	13,475	14,554	0.2%	1.7%	1.4%
Adj. net profit	3,110	3,887	4,902	2,959	3,778	4,787	5.1%	2.9%	2.4%
Adj. EPS (RMB)	7.0	8.8	11.0	6.7	8.5	10.8	5.1%	2.9%	2.4%
Gross margin	37.6%	38.8%	39.9%	37.3%	38.2%	39.3%	0.3 ppt	0.6 ppt	0.6 ppt
Adjusted net margin	9.5%	11.0%	13.3%	9.0%	10.7%	12.9%	0.5 ppt	0.3 ppt	0.3 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	32,611	35,339	36,966	33,243	36,449	39,669	-1.9%	-3.0%	-6.8%
Gross profit	12,261	13,707	14,757	12,505	14,131	15,780	-2.0%	-3.0%	-6.5%
Adj. net profit	3,110	3,887	4,902	3,125	4,027	5,095	-0.5%	-3.5%	-3.8%
Adj. EPS (RMB)	7.0	8.8	11.0	7.0	9.1	11.8	-0.3%	-4.3%	-6.1%
Gross margin	37.6%	38.8%	39.9%	37.6%	38.8%	39.8%	0.0 ppt	0.0 ppt	0.1 ppt
Adjusted net margin	9.5%	11.0%	13.3%	9.4%	11.0%	12.8%	0.1 ppt	0.0 ppt	0.4 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Bili: quarterly financials

(RMB mn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	Cons.	Diff%
Mobile games	983	1,007	1,823	1,798	1,731	1,612	1,511	1,540	1,523	1,531	-0.5%
YoY%	-13.2%	13.1%	83.8%	78.5%	76.1%	60.1%	-17.1%	-14.3%	-12.0%	-11.6%	
VAS	2,529	2,566	2,821	3,083	2,807	2,837	3,023	3,262	2,912	2,961	-1.7%
YoY%	17.3%	11.5%	8.7%	7.9%	11.0%	10.6%	7.1%	5.8%	3.7%	5.5%	
Advertising	1,669	2,037	2,094	2,389	1,998	2,449	2,570	3,042	2,589	2,507	3.3%
YoY%	31.2%	29.5%	27.8%	23.8%	19.7%	20.2%	22.7%	27.4%	29.6%	25.5%	
IP derivatives and others	484	516	567	465	467	440	582	477	448	477	-6.1%
YoY%	-5.0%	-4.1%	-2.2%	-16.4%	-3.5%	-14.8%	2.6%	2.6%	-4.0%	2.1%	
Total revenue	5,665	6,127	7,306	7,734	7,003	7,338	7,685	8,321	7,472	7,462	0.1%
YoY%	11.7%	15.5%	25.8%	21.8%	23.6%	19.8%	5.2%	7.6%	6.7%	6.6%	
Gross profit margin	28.3%	29.9%	34.9%	36.1%	36.3%	36.5%	36.7%	37.0%	37.1%	37.2%	-0.1ppt
S&M ratio (%)	16.4%	16.9%	16.5%	16.0%	16.7%	14.3%	13.7%	13.6%	15.4%		
R&D ratio (%)	17.0%	14.6%	12.4%	11.9%	12.0%	11.8%	11.8%	11.1%	12.3%		
Adjusted net margin (%)	-7.8%	-4.4%	3.2%	5.9%	5.2%	7.7%	10.2%	10.5%	7.9%		
Adjusted net profit	(440)	(272)	236	453	363	562	787	878	593	535	10.8%

Source: Company data, CMBIGM, Bloomberg

SOTP Valuation

Based on the SOTP valuation, our target price for Bili is US\$30.0 per ADS, including:

- 1) US\$17.5 for the advertising business (59% of the total valuation), based on a 21x 2026E PE. The target PE multiple is at a premium to the industry average (19x 2026E PE), reflecting Bili's strong ad monetization potential and revenue growth outlook.
- 2) US\$5.7 for the VAS business (19% of the total valuation), based on a 1.4x 2026E PS. The target PS multiple is on par with the average PS of other video platforms.
- 3) US\$6.6 for mobile games (22% of the total valuation), based on a 17x 2026E PE. The target PE multiple is on par with the industry average.
- 4) US\$0.2 for IP derivatives and others (1% of the total valuation), based on a 0.3x 2026E PS. The target PS multiple is on par with the average PS of the other e-commerce platforms.

Figure 4: Bili: SOTP Valuation

(RMBmn)	2026E revenue	Net margin (%)	Target PS (x)	Target PE (x)	Target valuation	% of total valuation
VAS (Live streaming + Membership)	12,193		1.4		17,070	18.9%
Advertising	12,613	20%		21	52,977	58.5%
Mobile games	5,850	20%		17	19,890	22.0%
IP derivatives and others	1,955		0.3		586	0.6%
Total valuation (RMBmn)					90,523	
Number of ADS (mn)					444	
Valuation per ADS (US\$)					30.0	

Source: Company data, CMBIGM estimates

Note: CNY/USD = 6.8

Figure 5: Peer comparison: online games and advertising sector

		Price	EPS growth (YoY %)		PE (x)	
Companies	Ticker	(Local)	FY26E	FY27E	FY26E	FY27E
Online games						
NetEase	NTES US	113.6	4	11	12	11
Electronic Arts	EA US	201.1	31	4	23	22
Nexon	3659 JP	2,285.0	11	3	15	14
Bandai Namco	7832 JP	3,878.0	0	8	19	18
Perfect World	002624 CH	15.4	126	21	17	14
37 Interactive	002555 CH	20.7	2	10	14	13
Average PE					17	15
Online advertising						
Focus Media	002027 CH	5.8	37	4	13	13
Meta	Meta US	611.2	14	10	17	16
Google	GOOG US	393.1	32	6	27	26
Average PE					19	18

Source: Bloomberg, CMBIGM

Note: data as at 18 May market close

Figure 6: Peer comparison: online video and first-party e-commerce

Companies	Ticker	Price	EPS growth (YoY %)		PS (x)	
		(Local)	FY26E	FY27E	FY26E	FY27E
Online video						
iQiyi	IQ US	1.1	(2.6)	23.7	0.3	0.2
Mango Excellent Media	300413 CH	19.1	12.5	5.9	2.5	2.3
Average PS					1.4	1.3
First-party e-commerce						
JD	JD US	31.6	7.7	6.3	0.2	0.2
Vipshop	VIPS US	13.9	2.3	2.1	0.4	0.4
Average PS					0.3	0.3

Source: Bloomberg, CMBIGM

Note: data as at 18 May market close

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	22,528	26,832	30,348	32,611	35,339	36,966
Cost of goods sold	17,086	18,058	19,234	20,350	21,633	22,209
Gross profit	5,442	8,774	11,114	12,261	13,707	14,757
Operating expenses	10,506	10,118	9,990	10,566	10,937	10,936
Selling expense	3,916	4,402	4,394	4,435	4,523	4,495
Admin expense	2,122	2,031	2,062	2,120	2,173	2,182
R&D expense	4,467	3,685	3,533	4,011	4,241	4,259
Operating profit	(5,064)	(1,344)	1,124	1,695	2,769	3,821
Investment gain/loss	(436)	(470)	(242)	(121)	(255)	(253)
Other gains/(losses)	389	68	45	(79)	0	0
EBIT	(5,111)	(1,746)	927	1,496	2,514	3,568
Interest income	542	435	432	441	402	425
Interest expense	(165)	(89)	(151)	(147)	(136)	(129)
Pre-tax profit	(4,733)	(1,400)	1,208	1,790	2,780	3,864
Income tax	79	(37)	17	98	278	386
After tax profit	(4,812)	(1,364)	1,191	1,692	2,502	3,478
Minority interest	(11)	(17)	3	(18)	(50)	(70)
Others	0	0	0	0	0	0
Net profit	(4,822)	(1,381)	1,194	1,675	2,452	3,408
Adjusted net profit	(3,534)	(22)	2,616	3,110	3,887	4,902

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	18,727	19,756	27,550	27,029	31,866	37,305
Cash & equivalents	7,242	10,299	12,234	11,051	15,396	20,468
Account receivables	1,574	1,227	1,268	1,491	1,616	1,690
Prepayment	2,063	1,935	2,078	2,352	2,548	2,666
ST bank deposits	5,195	3,588	5,522	5,688	5,859	6,034
Other current assets	2,653	2,707	6,447	6,447	6,447	6,447
Non-current assets	14,432	12,942	13,618	13,960	14,061	14,016
PP&E	715	589	695	1,517	2,125	2,596
Investment in JVs & assos	4,367	3,912	4,762	4,641	4,386	4,133
Intangibles	3,628	3,201	3,110	2,793	2,520	2,291
Goodwill	2,725	2,725	2,818	2,818	2,818	2,818
Other non-current assets	2,998	2,515	2,233	2,191	2,212	2,177
Total assets	33,159	32,699	41,168	40,990	45,927	51,321
Current liabilities	18,104	14,763	20,327	20,491	21,647	22,267
Short-term borrowings	7,456	1,572	4,861	4,861	4,861	4,861
Account payables	4,334	4,801	5,497	5,575	5,927	6,085
Tax payable	7,456	1,572	4,861	4,861	4,861	4,861
Other current liabilities	(2,937)	4,259	1,917	2,084	2,628	2,936
Accrued expenses	1,796	2,559	3,191	3,110	3,370	3,525
Non-current liabilities	651	3,832	5,292	1,954	2,012	2,046
Long-term borrowings	1	3,264	4,776	1,264	1,264	1,264
Other non-current liabilities	650	568	516	690	748	782
Total liabilities	18,755	18,595	25,619	22,445	23,658	24,314
Share capital	0	0	0	0	0	0
Capital surplus	46,410	52,371	47,307	47,307	47,307	47,307
Retained earnings	(31,763)	(38,007)	(31,478)	(28,465)	(24,691)	(19,882)
Other reserves	(255)	(255)	(255)	(255)	(255)	(255)
Total shareholders equity	14,392	14,108	15,573	18,587	22,361	27,170
Minority interest	12	(4)	(25)	(42)	(92)	(162)
Total equity and liabilities	33,159	32,699	41,168	40,990	45,927	51,321

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(4,733)	(1,400)	1,208	1,790	2,780	3,864
Depreciation & amortization	727	554	481	639	926	1,139
Tax paid	79	(37)	17	98	278	386
Change in working capital	449	3,154	2,228	(332)	834	429
Others	3,745	3,744	3,213	3,100	2,751	2,548
Net cash from operations	267	6,015	7,147	5,294	7,569	8,367
Investing						
Capital expenditure	(1,330)	(1,755)	(1,827)	(2,916)	(3,033)	(3,155)
Acquisition of subsidiaries/ investments	(203)	(227)	(1,743)	0	0	0
Others	3,295	1,844	(5,770)	(124)	(192)	(140)
Net cash from investing	1,762	(138)	(9,341)	(3,040)	(3,225)	(3,295)
Financing						
Net borrowings	(82)	3,240	18	(3,512)	0	0
Proceeds from share issues	2,689	0	0	0	0	0
Others	(7,682)	(6,066)	4,069	0	0	0
Net cash from financing	(5,075)	(2,825)	4,087	(3,512)	0	0
Net change in cash						
Cash at the beginning of the year	10,187	7,242	10,299	12,234	11,051	15,396
Exchange difference	100	6	41	75	0	0
Cash at the end of the year	7,242	10,299	12,234	11,051	15,396	20,468
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	2.9%	19.1%	13.1%	7.5%	8.4%	4.6%
Gross profit	41.4%	61.2%	26.7%	10.3%	11.8%	7.7%
Operating profit	na	na	na	50.7%	63.4%	38.0%
EBIT	na	na	na	61.4%	68.1%	41.9%
Net profit	na	na	na	40.3%	46.4%	39.0%
Adj. net profit	na	na	na	18.9%	25.0%	26.1%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	24.2%	32.7%	36.6%	37.6%	38.8%	39.9%
Operating margin	(22.5%)	(5.0%)	3.7%	5.2%	7.8%	10.3%
Adj. net profit margin	(15.7%)	(0.1%)	8.6%	9.5%	11.0%	13.3%
Return on equity (ROE)	(32.6%)	(9.7%)	8.0%	9.8%	12.0%	13.8%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.0	(0.4)	(0.2)	(0.3)	(0.4)	(0.5)
Current ratio (x)	1.0	1.3	1.4	1.3	1.5	1.7
Receivable turnover days	25.5	16.7	15.3	16.7	16.7	16.7
Payable turnover days	92.6	97.1	104.3	100.0	100.0	100.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	47.8	34.0	23.2	16.7
P/E (diluted)	ns	ns	50.6	36.1	24.6	17.7
P/B	3.9	4.0	3.7	3.1	2.5	2.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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