

1Q26 review: Traffic and advertising maintain high growth, margins stable, optimistic on incremental new games in 2H

Key takeaway

In 1Q26, total time spent increased 19% YoY, and average daily usage reached a record high of 119 minutes. The company's advertising revenue was RMB2.59bn, up 30% YoY, achieving double-digit growth for 13 consecutive quarters. Growth further accelerated from 27% in 4Q25. Mobile game revenue was RMB1.5bn, down 12% YoY, mainly due to the high base of "San Mou" in the same period last year and its current stable lifecycle. The company's gross margin was 37.1%, improving for 15 consecutive quarters.

Looking into 2H26, management is confident that advertising revenue will continue to grow faster than the industry. The launches of *San Guo Bai Jiang Pai*, *Romance of the Three Kingdoms: The World of Kings*, and *Lumi Master* are expected to bring incremental contribution.

Regarding AI strategy, management stated it will invest in AI in a prudent manner, prioritizing scenarios with clear ROI, while offsetting the impact of AI investment by reducing other operating expenses. In the future, the company will focus on three core directions: video understanding, video recommendation, and assisting creators in content production.

Event

Bilibili released its results for 1Q26. In 1Q26, the company recorded total revenue of RMB7.47bn, up 7% YoY. Adjusted net profit was RMB585mn, up 62% YoY. Adjusted net margin was 7.8%, up 2.6pcts YoY.

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2 June 2026

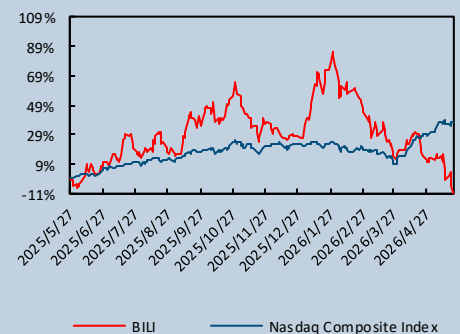
Current Price: USD17.57

Key Data

Absolute/Relative Share Performance (%)

1 month	3 months	12 months
-26.27/-34.86	-43.14/-58.24	-5.43/-45.02
12-month high/low (USD)		35.92/17.23
Total shares capital (in 10,000 shares)		41,662.86
Free float shares(10k shares)		41,662.86
Total market cap (USD100mn)		71.79
Free float market cap (USD100mn)		71.79
Average daily trading volume in the past 3 months (in 10,000 shares)		289.16
Major shareholders		
Rui Chen		12.50%

Share performance



Key financial indicators

	2024	2025	2026E	2027E	2028E
Revenue (RMB mn)	26,832	30,348	33,174	36,105	39,021
YoY (%)	19%	13%	9%	9%	8%
Adjusted net profit attributable to shareholders of the parent company (RMB mn)	-39	2,593	3,120	4,056	5,006
YoY (%)	99%	6748%	20%	30%	23%
Gross profit margin (%)	33%	37%	38%	39%	40%
Adjusted net profit attributable to shareholders of the parent company margin (%)	0%	9%	9%	11%	13%
EPS (adjusted, diluted/RMB)	-0.11	7.51	9.04	11.75	14.50
P/S (x)	1.9	1.7	1.5	1.4	1.3
P/E (x)	-	19.8	16.4	12.6	10.2

Source: iFinD, China Securities

1. User side: Total traffic continues high growth, average time per user approaches 2

hours

Core user metrics continued to improve in 1Q26, and total traffic maintained high growth. Average daily active users (DAU) reached 115.2mn this quarter, up 8% YoY; average monthly active users (MAU) reached 376mn, up 2.2% YoY. The DAU/MAU ratio was about 30.6%, up 1.6pct from 29.0% in 1Q25, indicating continued strengthening of user stickiness. Average daily usage time per active user reached 119 minutes, up 10% YoY, and the daily average usage time approaching 2 hours once again demonstrates Bilibili's leading advantage in mid- to long-form video. At the paying user level, the average monthly paying users (MPU) reached 34.4mn in 1Q26, up 7% YoY. As of the end of the quarter, the number of premium members reached 24.8mn, up 5% YoY, of which about 80% were annual subscribers or auto-renewal users, indicating high subscription stickiness. The 12-month retention rate of 291mn official members remained at 80%, reflecting a healthy user ecosystem. The average age of platform users is about 26.5 years old, a stage when personal consumption power and household decision-making power are rising rapidly, which implies high long-term value for advertisers.

We believe the core drivers behind the continued high growth in total time spent are: 1) Bilibili's algorithmic weighting strategy for high-quality mid- to long-form video content: Against the backdrop of mainstream domestic content platforms generally shifting toward short and fast content formats, Bilibili continues to support in-depth content, forming a unique differentiated positioning. This strategy has enabled the platform to build strong user stickiness in content categories that require a certain duration to deliver value, such as knowledge and science education, film and television commentary, and game reviews. From the perspective of the content ecosystem, ACG content, as the cultural core of the platform, continued to perform strongly in 1Q26, with viewing time of gaming and Chinese original animation content increasing 27%/20% YoY. Viewing time of knowledge-related content (including AI-related information) increased 20% YoY. **2) Bilibili's bullet screen interaction mechanism and community atmosphere further amplify this advantage:** Users are not only consumers of content but also participants in interaction, and the community currently generates more than 17bn real user interactions every month. Bullet screen culture not only creates an immersive viewing experience that other platforms struggle to replicate, but also serves as a high-quality data asset for understanding users' genuine preferences.

Spring Festival Gala collaboration expands reach and attracts new users. During this quarter, the company again became the bullet screen partner of the CCTV Spring Festival Gala. On Chinese New Year's Eve, the total number of bullet screen on Bilibili reached 133mn, with an average of 7,700 comments sent per second, helping drive a peak increase in DAU on the day of the gala. On the first day of the Lunar New Year, the company launched its self-produced gala program "Bilibili Lunar New Year Gala," which significantly exceeded expectations in terms of public reception and delivered broader new user reach and retention. It is worth noting that the capability to host nationwide-level content such as the Spring Festival Gala not only brings short-term user acquisition, but more importantly showcases the platform's community culture and interactive features to a broader audience. As Bilibili continues to assign greater algorithmic weight to high-quality mid- to long-form video content, whose scarcity within the short-form content ecosystem is becoming increasingly evident,

together with the platform's ability to host nationwide-level content, the company is expected to continuously reach a wider user base and drive DAU and MAU toward higher targets.

2. Revenue: Advertising growth accelerates to 30%, games affected by high base.

Total revenue in 1Q26 reached RMB7.47bn, up 7% YoY. By segment, advertising revenue was RMB2.589bn (YoY +29.6%), value-added services RMB2.913bn (YoY +3.7%), mobile games RMB1.523bn (YoY -12.0%), and IP derivatives and others RMB448mn (YoY -4.0%). Among them, the advertising business continued to serve as the core growth engine, with its revenue share increasing from 28.5% in 1Q25 to 35%.

(1) Advertising: Growth accelerates to 30%, with improvements in both product supply and efficiency. In 1Q26, the company's advertising revenue reached RMB2.59bn, up 30% YoY, marking 13 consecutive quarters of double-digit growth, with the growth rate further improving from 4Q25. In terms of industry distribution, the top five advertising verticals in 1Q26 were games, internet services, consumer electronics and home appliances, e-commerce, and automobiles. Regarding segment growth, advertising budgets from AI advertisers within the internet services sector increased by more than 170% YoY, advertising spending in the home decoration sector grew by more than 130% YoY, and advertising revenue from the consumer electronics and home appliances and automobile sectors both rose by more than 30% YoY. As an important advertising client group for Bilibili, the gaming industry has shown stronger advertising demand amid a strong pipeline of product releases in 2026, providing favorable external conditions for advertising revenue growth.

Rapid growth of the advertising industry is driven by AI-enabled efficiency gains and the expansion of scenarios and screen endpoints. 1) AI empowers advertising efficiency. In 1Q26, performance advertising CTCVR (click-to-conversion rate) increased 25% YoY, reflecting improved recommendation accuracy driven by AI's upgraded capability to understand user interests, purchase intent, and content. The penetration rate of automated ad placement reached about 85% (a significant increase from about 25% in mid-2024), and this penetration rate is expected to continue rising in the remaining quarters of 2026. In terms of AIGC advertising creatives, AI-generated ad creatives generally achieved double-digit improvements in click-through rates, and the usage rate continues to grow. From a financial verification perspective, advertising revenue growth of 30% in 1Q26 was significantly higher than total traffic growth of 19%, indicating that advertising monetization efficiency per unit of traffic (eCPM x ad load) is improving.

2) From the distribution of advertising scenarios and screen endpoints, multi-screen expansion has delivered significant results. Advertising revenue from PC and OTT increased more than 50% YoY; advertising revenue from new scenarios such as search and mini programs increased more than 1x YoY. The company is exploring new formats such as integrating advertisements within the player to expand advertising inventory coverage. Screen endpoints already cover most scenarios including mobile apps, PC, iPad, OTT, and in-car systems, while advertising scenarios span multiple touchpoints such as information feeds, search, comments, playback pages, and mini programs.

(2) Mobile games: Revenue declined 12% YoY on a high base, with a clear game pipeline 1Q26 mobile game revenue was RMB1.52bn, down 12% YoY. The decline in performance was mainly due to the strong

performance of “Three Kingdoms: Strategy for the World” during its initial launch in the same period last year, which created a high base. The game has now entered a stable and mature stage, and the natural revenue decline reflects a normal product lifecycle.

Regarding the operation of existing games, the latest season performance of “Three Kingdoms: Strategy for the World” remained stable QoQ. The company focuses on long lifecycle operations, maintaining experience balance and IP advantages. Long-running products “FGO” and “Azur Lane” maintained stable performance, continuing to provide a solid revenue base. In 1Q26, “Three Kingdoms: Strategic” launched in Hong Kong, Macau, Taiwan, and Singapore-Malaysia. On the first day of launch it entered the top 10 of the iOS top-grossing chart in Hong Kong, Macau, and Taiwan, and after the new season launched in March it entered the top 3 of the iOS top-grossing chart in Hong Kong, Macau, and Taiwan. More international versions will be launched subsequently, which is expected to open up incremental growth space overseas.

Regarding new game reserves and launch plans, the company disclosed a rich follow-up product pipeline: 1) *San Guo Bai Jiang Pai*: A lightweight casual card game. It began soft launch in April 2026. The core gameplay has received positive feedback. The team is iterating the product and optimizing user acquisition. The official launch is planned for July 2026. 2) *Romance of the Three Kingdoms: The World of Kings*: A new SLG title. The first round of testing started in late March 2026. It is built on the native Three Kingdoms IP and upgrades to 3D visual effects. The game targets differentiated SLG user groups and complements *Three Kingdoms: Strategy for the World*. Early user feedback has been positive. Launch is planned for 2H26. 3) *Lumi Master*: A self-developed simulation management game. Paid testing began in May 2026. Its healing-style art design and easy-to-learn gameplay have received positive reviews. Global launch is planned for 4Q26. The three new titles cover different categories including casual card, SLG, and simulation management. They target differentiated user groups and are expected to bring considerable incremental game revenue in 2H26. In addition, the mobile version of *Escape from Duckov* is under development and may launch in the future.

(3) Value-added services: Strong growth in the Charging Program, improved live streaming gross margin.

Value-added service revenue reached RMB2.91bn in 1Q26, up 4% YoY. By segment, live streaming operations continued to improve and delivered stable performance, with gross margin increasing. Premium membership reached 24.8mn, up 5% YoY. Around 80% are annual or auto-renewing subscriptions, indicating strong renewal stickiness. Notably, revenue from the Charging Program increased by more than 50% YoY. This reflects deeper relationships between creators and users and a clear rise in users’ willingness to directly pay for content they like.

3. Profitability: Gross margin continues to improve, AI investment expands prudently

Gross margin continues to rise, revenue structure further optimized. Gross margin reached 37.1% in 1Q26, up 0.8 pct YoY (36.3% in 1Q25), marking the 15th consecutive quarter of improvement. The core driver of gross margin improvement lies in revenue structure optimization. This is mainly due to the rising contribution of the high-margin advertising business (advertising accounted for about 35% of total revenue in 1Q26, up about 6.5 pcts YoY) and improved fixed cost allocation efficiency under the platform’s scale effect. From the quarterly gross margin trend, the five quarters from 1Q25 to 1Q26 were 36.3%, 36.2%, 36.7%, 37.0%, and 37.1%, showing a

steady upward trend.

Expense side: Marketing efficiency improves, AI investment has a clear ROI orientation. In 1Q26, the company's total operating expenses were RMB2.61bn, up 3% YoY. By item: 1) Selling expense was RMB1.15bn, down 1% YoY, with the selling expense ratio declining to 15.4%. Selling expense declined while DAU still maintained 8% growth, indicating that unit customer acquisition cost continued to improve and marketing efficiency improved significantly. 2) R&D expense was RMB920mn, up 9% YoY. The increase was mainly driven by higher AI-related investment, but part of the increase was offset by efficient expense control. Notably, the company stated that AI-related investment will be carried out prudently, prioritizing scenarios with clear ROI, while offsetting the impact of AI investment by reducing other operating expenditures. The company expects AI-related capital expenditure to increase by about RMB1bn in full-year 2026, with an impact of about RMB500mn on the income statement. The company will reduce certain other operating expenditures to offset part of the impact from AI investment. 3) General and administrative expense was RMB530mn, up 3% YoY, with the administrative expense ratio at 7.1%, remaining basically stable.

Profit: Solid performance, operating leverage continues to emerge. In 1Q26, the company's adjusted net profit was RMB585mn, up 62% YoY, with an adjusted net margin of 7.8%, up 2.6pcts YoY. The adjusted net profit this quarter included incremental contribution from higher investment income. After excluding this factor, operating-level profitability was broadly in line with expectations. In 1Q26, the company achieved total revenue of RMB7.47bn, up 7% YoY. The improvement in profitability significantly exceeded revenue growth, and the operating leverage effect continued to emerge.

4. AI strategy: Focus on three core directions and fully empower monetization business

lines

At present, AI empowerment has already demonstrated tangible results across multiple segments. On the content supply side, AI tools lower the threshold for creation, improve production efficiency, and enhance content quality. On the operations side, AI is improving the company's overall operating efficiency and directly supporting gross margin expansion. On the performance side, the impact of AI investment has already begun to show in 1Q26 through DAU growth, total time spent growth, and advertising revenue growth, and higher value will continue to be released in the future.

The current management has clearly defined three core directions for AI investment: video understanding, video distribution, and assisting creator production.

1) Video understanding and translation: The company currently possesses massive Chinese video content and rich bullet screen interaction data. These corpora have significant scarcity value in the AI era. The company is advancing AI video understanding technology to improve search and recommendation effectiveness, while gradually launching AI translation tools (covering subtitles, voice, and lip-sync), aiming to bring Chinese content to overseas user groups. The improvement of translation tools not only facilitates the global distribution of existing content, but also provides a new pathway for future MAU growth.

2) Video distribution:For creators, AI models trained on more than 17bn real interaction data points per month can identify high-quality content earlier and accelerate creator growth. In 1Q26, the number of creators with 1k followers increased by more than 30% YoY, while the numbers of creators with 10k, 100k, and 1mn followers all increased by more than 20% YoY. For users, the video recommendation system no longer relies only on tag and title matching. Instead, it uses multimodal understanding of video visuals, audio, and bullet comment sentiment to precisely match user interests, improving recommendation accuracy.

3) Content creation tools:The core value of AI creation tools lies in lowering the threshold for content production and increasing the update frequency of UP creators, thereby driving growth in the platform's PUGC content supply. In 1Q26, creators' average income increased by 24% YoY. The AI creation competition produced nearly 150 works with over 1mn views, forming a positive ecosystem cycle. Management also further emphasized that AI will not change Bilibili's underlying growth logic of "high-quality content + community experience". Instead, it will further strengthen this existing advantage.

5. Investment recommendations

First, on the user side, total time spent in 1Q26 increased by 19% YoY and average daily usage time approached two hours. This performance verifies Bilibili's strong user stickiness under its differentiated positioning in mid- to long-form video. The Spring Festival Gala collaboration further expanded user reach and acquisition. Indicators such as paid users +7% and an official membership retention rate of 80% show that the user ecosystem remains healthy. Second, on the commercialization side: advertising revenue in 1Q26 accelerated to +30%, marking the 13th consecutive quarter of double-digit growth and demonstrating strong sustainability. AI empowerment is moving from concept to actual financial contribution. The gaming business faces short-term pressure, but three new game launches in 2H are expected to bring meaningful upside. The high growth of the charging plan also opens a new growth driver for value-added services. Third, profitability: The margin improvement trend is clear. Management proposed a prudent AI investment framework and offset it by cutting other operating expenses, ensuring the continuity of margin improvement.

We expect the company's revenue in 2026–2028 to reach RMB33.17bn, RMB36.11bn, and RMB39.02bn, with YoY growth of about +9%, +9%, and +8%, respectively. We expect adjusted net profit in 2026–2028 to reach RMB3.12bn, RMB4.06bn, and RMB5.01bn, with YoY growth of about +20%, +30%, and +23%, respectively. The current share price implies PE of about 16.4x, 12.6x, and 10.2x for adjusted net profit in 2026–2028, respectively. Overall, user traffic continues to grow rapidly, advertising monetization is accelerating, AI empowerment is improving efficiency, and games are entering a product cycle. We continue to strongly recommend the company.

Risks:

Risks: AI investment delivering lower-than-expected medium- to long-term ROI; deterioration in the industry competitive landscape; risks related to game license approvals and delays in new game launches; risks that long-term game operations and in-house development ROI fall short of expectations; AI advertising placement growth below expectations; slowdown in user growth and total usage time; decline in advertising market sentiment and reductions in advertiser budgets; AI investment exceeding expectations and delaying margin improvement; macroeconomic and consumption recovery falling short of expectations; tightening content regulation policies and deterioration of community atmosphere; overseas expansion progressing slower than expected; intensified competition leading to user churn and declines in advertising unit prices.

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		Overweight	Increase by 5% - 15% relative to the benchmark index
		Neutral	Increase by - 5% - 5% relative to the benchmark index
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