Bilibili (BILI US)

Inline 2Q26 results; solid earnings growth on healthy community and monetization

BiliBili announced 2Q26 results: total revenue was up by 8% YoY to RMB7.94bn, and adjusted net income increased by 26% YoY to RMB708mn, both in line with Visible Alpha (VA) consensus estimates. Looking ahead, we expect total revenue to increase by 8% YoY in 3Q26E, and the revenue growth to further accelerate in 4Q26E as the company is entering a new game launch cycle. Overall user community and monetization continue to see healthy development, supported by the AI empowerment. Overall, we maintain FY26-28E adjusted net profit forecasts largely unchanged. We fine-tune our SOTP-derived target price to US$28.0 (previous: US$30.0), mainly reflecting the decline in sector valuation. Maintain BUY on resilient earnings growth outlook.

- **Inline revenue growth across business lines.** By segment in 2Q26: 1) advertising revenue grew by 28% YoY to RMB3.13bn (39% of total revenue), primarily attributable to the solid user traffic growth and enhanced ad infrastructure. AI continued to improve ad relevancy and conversion, driving CTCVR up by 19% YoY in 2Q26. The company also extended ad monetization into more scenarios like search, revenue of which doubled YoY in 2Q26. 2) VAS revenue rose by 5% YoY to RMB2.97bn (37% of total revenue), mainly driven by steady performance of the live streaming business. Fan Charging program maintained strong momentum, with revenue up by nearly 50% YoY. 3) Mobile games revenue was down by 14% YoY to RMB1.39bn (18% of total revenue), as the strong performance of *SanMou* in 2Q25 led to high-base effect. Two highly-anticipated titles *Lumi Master* and *SanWang,* are lined up for launch in 2H26. Looking into 3Q26E, we estimate total revenue to increase by 8% YoY to RMB8.33bn, primarily driven by 5%/23% YoY growth in VAS/ad revenue, but partially offset by 8% YoY decline in mobile games revenue.
- **Healthy development of user community.** User community continued to see healthy development. Average DAUs grew by 7% YoY to 116.5mn, and total user time spent increased by 14% YoY in 2Q26. Management expects several major tailwinds from AI: 1) AI helps creators produce quality content at a faster pace, and improve accuracy & efficiency of content recommendation; daily video submissions increased by 28% YoY in 2Q26. 2) the flood of AI-generated content made the genuine interaction on BiliBili more valuable and attractive; 3) AI-powered automated ad campaigns improved ad placement efficiency, driving double-digit % YoY growth in the advertiser base in 2Q26.
- **Continuous margin expansion.** Supported by the operating leverage, adjusted OPM improved by 1ppt YoY to 8.8% in 2Q26 despite the increase in AI-related investment (R&D expenses +16% YoY). For 3Q26E, we expect adjusted OPM to further improve by 1ppt QoQ to 10%. The company actively returns value through share repurchase program, with 5.8mn shares repurchased for US$118mn YTD (c.2% of current market cap).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	26,832	30,348	32,826	35,393	36,905
Adjusted net profit (RMB mn)	(22.1)	2,615.8	3,092.9	3,896.1	4,899.2
YoY growth (%)	na	na	18.2	26.0	25.7
EPS (Adjusted) (RMB)	(0.05)	5.89	6.80	8.56	10.77
Consensus EPS (RMB)	(0.05)	5.76	7.03	9.14	11.76
P/S (x)	1.8	1.6	1.4	1.3	1.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$28.00**
(Previous TP	US$30.00)
Up/Downside	**67.0%**
Current Price	**US$16.77**

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Stock Data

Mkt Cap (US$ mn)	7,019.7
Avg 3 mths t/o (US$ mn)	12.1
52w High/Low (US$)	35.92/15.96
Total Issued Shares (mn)	418.7

Source: FactSet

Shareholding Structure

Rui Chen	11.6%
Tencent	10.6%

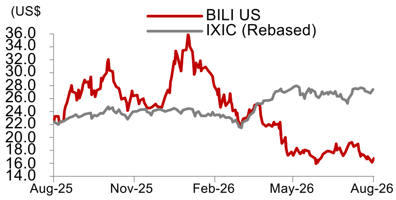
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-7.2%	-13.0%
3-mth	-2.6%	-1.3%
6-mth	-39.9%	-48.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Bili: forecast revision

	Current			Previous			Change (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	32,826	35,393	36,905	32,611	35,339	36,966	0.7%	0.2%	-0.2%
Gross profit	12,255	13,650	14,661	12,261	13,707	14,757	0.0%	-0.4%	-0.7%
Adj. net profit	3,093	3,896	4,899	3,110	3,887	4,902	-0.6%	0.2%	0.0%
Adj. EPS (RMB)	6.8	8.6	10.8	7.0	8.8	11.0	-3.0%	-2.2%	-2.5%
Gross margin	37.3%	38.6%	39.7%	37.6%	38.8%	39.9%	-0.3 ppt	-0.2 ppt	-0.2 ppt
Adjusted net margin	9.4%	11.0%	13.3%	9.5%	11.0%	13.3%	-0.1 ppt	0.0 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	32,826	35,393	36,905	33,016	36,630	39,851	-0.6%	-3.4%	-7.4%
Gross profit	12,255	13,650	14,661	12,447	14,232	15,973	-1.5%	-4.1%	-8.2%
Adj. net profit	3,093	3,896	4,899	3,140	4,079	5,146	-1.5%	-4.5%	-4.8%
Adj. EPS (RMB)	6.8	8.6	10.8	7.0	9.0	11.5	-2.4%	-4.5%	-6.1%
Gross margin	37.3%	38.6%	39.7%	37.6%	38.8%	39.8%	-0.3 ppt	-0.2 ppt	-0.1 ppt
Adjusted net margin	9.4%	11.0%	13.3%	9.4%	11.0%	12.8%	0.0 ppt	0.0 ppt	0.4 ppt

Source: Visible Alpha, CMBIGM estimates

Figure 3: Bili: quarterly financial

(RMB mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	Cons.	Diff%
Mobile games	1,731	1,612	1,511	1,540	1,523	1,392	1,419	**-1.9%**
YoY%	*76.1%*	*60.1%*	*-17.1%*	*-14.3%*	*-12.0%*	*-13.7%*	*-12.0%*	
VAS	2,807	2,837	3,023	3,262	2,912	2,967	2,935	**1.1%**
YoY%	*11.0%*	*10.6%*	*7.1%*	*5.8%*	*3.7%*	*4.6%*	*3.5%*	
Advertising	1,998	2,449	2,570	3,042	2,589	3,131	3,113	**0.6%**
YoY%	*19.7%*	*20.2%*	*22.7%*	*27.4%*	*29.6%*	*27.8%*	*27.1%*	
IP derivatives and others	467	440	582	477	448	450	445	**1.1%**
YoY%	*-3.5%*	*-14.8%*	*2.6%*	*2.6%*	*-4.0%*	*2.3%*	*1.1%*	
Total revenue	**7,003**	**7,338**	**7,685**	**8,321**	**7,472**	**7,940**	**7,912**	**0.4%**
YoY%	*23.6%*	*19.8%*	*5.2%*	*7.6%*	*6.7%*	*8.2%*	*7.8%*	
Gross profit margin	**36.3%**	**36.5%**	**36.7%**	**37.0%**	**37.1%**	**37.2%**	**37.6%**	**-0.3ppt**
S&M ratio (%)	*16.7%*	*14.3%*	*13.7%*	*13.6%*	*15.4%*	*13.4%*		
R&D ratio (%)	*12.0%*	*11.8%*	*11.8%*	*11.1%*	*12.3%*	*12.7%*		
Adjusted net margin (%)	*5.2%*	*7.7%*	*10.2%*	*10.5%*	*7.9%*	*8.9%*		
Adjusted net profit	**363**	**562**	**787**	**878**	**593**	**708**	**712**	**-0.5%**

Source: Company data, CMBIGM, Visible Alpha

SOTP Valuation

Based on the SOTP valuation, our target price for Bili is US$28.0 per ADS, including:

1) US$16.9 for the advertising business (60% of the total valuation), based on a 21x 2026E PE. The target PE multiple is at a premium to the industry average (15x 2026E PE), reflecting Bili's strong ad monetization potential and revenue growth outlook.

2) US$4.1 for the VAS business (15% of the total valuation), based on a 1.0x 2026E PS. The target PS multiple is on par with the average PS of other video platforms.

3) US$6.9 for mobile games (25% of the total valuation), based on an 18x 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	As of total valuation
VAS (Live streaming + Membership)	12,551		1.0		12,551	14.5%
Advertising	12,424	20%		21	52,183	60.3%
Mobile games	5,878	20%		18	21,160	24.5%
IP derivatives and others	1,973		0.3		592	0.7%
Total valuation (RMBmn)					**86,485**	
Number of ADS (mn)					455	
Valuation per ADS (US$)					**28.0**	

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	(LC)	FY26E	FY27E	FY26E	FY27E
Online games						
NetEase	NTES US	123.4	5	15	13	12
Nexon	3659 JP	3,137.0	1	(2)	22	23
Bandai Namco	7832 JP	5,629.0	0	14	28	24
Perfect World	002624 CH	10.9	97	36	14	10
37 Interactive	002555 CH	18.2	0	8	13	12
Average PE					**18**	**16**
Online advertising						
Focus Media	002027 CH	4.9	105	2	12	12
Meta	Meta US	576.1	15	9	16	15
Google	GOOG US	339.1	74	(13)	18	21
Average PE					**15**	**16**

Source: Bloomberg, CMBIGM
Note: data as of market close on 26 Aug

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

		Price	Sales growth (YoY %)		PS (x)	
Companies	**Ticker**	**(LC)**	**FY26E**	**FY27E**	**FY26E**	**FY27E**
Online video						
iQiyi	IQ US	1.0	(5.1)	1.8	0.3	0.2
Mango Excellent Media	300413 CH	14.1	11.7	5.0	1.8	1.8
Average PS					**1.0**	**1.0**
First-party e-commerce						
JD	JD US	28.8	6.5	6.2	0.2	0.2
Vipshop	VIPS US	14.1	0.4	1.4	0.4	0.4
Average PS					**0.3**	**0.3**

Source: Bloomberg, CMBIGM
Note: data as of market close on 26 Aug

Risks

Macro uncertainty impacts ad budget; decline in games revenue growth; tightening regulations.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**22,528**	**26,832**	**30,348**	**32,826**	**35,393**	**36,905**
Cost of goods sold	17,086	18,058	19,234	20,571	21,743	22,244
Gross profit	**5,442**	**8,774**	**11,114**	**12,255**	**13,650**	**14,661**
Operating expenses	**10,506**	**10,118**	**9,990**	**10,603**	**10,954**	**10,918**
Selling expense	3,916	4,402	4,394	4,464	4,530	4,488
Admin expense	2,122	2,031	2,062	2,101	2,177	2,179
R&D expense	4,467	3,685	3,533	4,038	4,247	4,251
Operating profit	**(5,064)**	**(1,344)**	**1,124**	**1,652**	**2,696**	**3,743**
Investment gain/loss	(436)	(470)	(242)	(133)	(177)	(175)
Other gains/(losses)	389	68	45	(69)	0	0
EBIT	**(5,111)**	**(1,746)**	**927**	**1,450**	**2,519**	**3,568**
Interest income	542	435	432	431	405	425
Interest expense	(165)	(89)	(151)	(148)	(136)	(129)
Pre-tax profit	**(4,733)**	**(1,400)**	**1,208**	**1,732**	**2,788**	**3,864**
Income tax	79	(37)	17	109	279	386
After tax profit	**(4,812)**	**(1,364)**	**1,191**	**1,624**	**2,509**	**3,477**
Minority interest	(11)	(17)	3	(4)	(50)	(70)
Others	0	0	0	0	0	0
Net profit	**(4,822)**	**(1,381)**	**1,194**	**1,619**	**2,459**	**3,408**
Adjusted net profit	**(3,534)**	**(22)**	**2,616**	**3,093**	**3,896**	**4,899**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**18,727**	**19,756**	**27,550**	**27,195**	**31,888**	**37,194**
Cash & equivalents	7,242	10,299	12,234	11,192	15,411	20,363
Account receivables	1,574	1,227	1,268	1,501	1,618	1,687
Prepayment	2,063	1,935	2,078	2,367	2,552	2,661
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**	**13,965**	**14,134**	**14,161**
PP&E	715	589	695	1,517	2,125	2,596
Investment in JVs & assos	4,367	3,912	4,762	4,629	4,452	4,276
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	2,208	2,220	2,179
Total assets	**33,159**	**32,699**	**41,168**	**41,160**	**46,022**	**51,355**
Current liabilities	**18,104**	**14,763**	**20,327**	**20,626**	**21,700**	**22,265**
Short-term borrowings	7,456	1,572	4,861	4,861	4,861	4,861
Account payables	4,334	4,801	5,497	5,636	5,957	6,094
Tax payable	7,456	1,572	4,861	4,861	4,861	4,861
Other current liabilities	(2,937)	4,259	1,917	2,138	2,646	2,929
Accrued expenses	1,796	2,559	3,191	3,131	3,375	3,519
Non-current liabilities	**651**	**3,832**	**5,292**	**1,959**	**2,013**	**2,045**
Long-term borrowings	1	3,264	4,776	1,264	1,264	1,264
Other non-current liabilities	650	568	516	694	749	781
Total liabilities	**18,755**	**18,595**	**25,619**	**22,584**	**23,713**	**24,310**
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)	(28,447)	(24,664)	(19,858)
Other reserves	(255)	(255)	(255)	(255)	(255)	(255)
Total shareholders equity	**14,392**	**14,108**	**15,573**	**18,605**	**22,388**	**27,194**
Minority interest	12	(4)	(25)	(29)	(79)	(149)
Total equity and liabilities	**33,159**	**32,699**	**41,168**	**41,160**	**46,022**	**51,355**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(4,733)**	**(1,400)**	**1,208**	**1,732**	**2,788**	**3,864**
Depreciation & amortization	727	554	481	639	926	1,139
Tax paid	79	(37)	17	109	279	386
Change in working capital	449	3,154	2,228	(223)	772	386
Others	3,745	3,744	3,213	3,105	2,670	2,466
Net cash from operations	**267**	**6,015**	**7,147**	**5,362**	**7,435**	**8,241**
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)	(140)	(183)	(135)
Net cash from investing	**1,762**	**(138)**	**(9,341)**	**(3,057)**	**(3,216)**	**(3,289)**
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	11,192	15,411
Exchange difference	100	6	41	164	0	0
Cash at the end of the year	**7,242**	**10,299**	**12,234**	**11,192**	**15,411**	**20,363**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	2.9%	19.1%	13.1%	8.2%	7.8%	4.3%
Gross profit	41.4%	61.2%	26.7%	10.3%	11.4%	7.4%
Operating profit	na	na	na	46.9%	63.2%	38.8%
EBIT	na	na	na	56.5%	73.7%	41.6%
Net profit	na	na	na	35.7%	51.9%	38.6%
Adj. net profit	na	na	na	18.2%	26.0%	25.7%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	24.2%	32.7%	36.6%	37.3%	38.6%	39.7%
Operating margin	(22.5%)	(5.0%)	3.7%	5.0%	7.6%	10.1%
Adj. net profit margin	(15.7%)	(0.1%)	8.6%	9.4%	11.0%	13.3%
Return on equity (ROE)	(32.6%)	(9.7%)	8.0%	9.5%	12.0%	13.7%

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	39.5	29.1	19.2	13.8
P/E (diluted)	ns	ns	41.9	31.7	20.8	15.0
P/B	3.2	3.3	3.0	2.5	2.1	1.7

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

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