BILI Earnings Call Transcript

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Quarter: 3

Operator: Good day, and welcome to Bilibili's Third Quarter 2025 Financial Results and Business Update Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Juliet Yang, Executive Director of Investor Relations. Please go ahead.

Juliet Yang: Thank you, operator. During this call, we will discuss our business outlook and make forward-looking statements. These comments are based on our predictions and expectations as of today. Actual events or results could differ materially from those mentioned in today's news release and in this discussion due to a number of risks and uncertainties, including those mentioned in our most recent filing with the SEC and Hong Kong Stock Exchange. The non-GAAP financial measures we provide are for comparison purposes only. The definition of these measures and the reconciliation table are available in the news release we 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 IR website at ir.bilibili.com. Joining us today from Bilibili senior management are Mr. Rui Chen, Chairman of the Board and Chief Executive Officer, Ms. Carly Li, Vice Chairwoman of the Board, Chief Operating Officer, and Mr. Sam Fan, Chief Financial Officer. I will now turn the call to Mr. Chen.

Rui Chen: Thank you, Juliet. And thank you to everyone for joining us today to discuss our 2025 third quarter results. Our 2025 momentum carried through the third quarter as we delivered solid growth, improved profitability, and attracted an even larger, more engaged community. As an influential hub of diverse interests, our high-quality content offerings and unique community experience continue to fascinate the hearts and minds of the young generation. We are increasingly seeing this in our key user metrics, which have resumed an accelerated growth trajectory since the beginning of the year. In the third quarter, our DAUs rose 9% year over year to 117 million, MAUs grew 8% to 376 million, and average daily time spent per user increased to 112 minutes, up six minutes from the same period last year. Each hit an all-time high. We are very proud of these numbers, as they show users' rising demand for quality content and the welcoming community spirit that makes Bilibili unique. We will keep building on the strong user momentum and reinforcing our leading user mindshare as the best PUGV community in China. This solid community growth is translating into increasing commercial value, with even greater opportunities ahead. While enjoying engaging content, users are demonstrating a stronger willingness to spend on our platform, both directly and indirectly. Monthly paying users hit a record high of 35 million in the third quarter, up 17% year over year, with more users converting through our various games and VAS offerings. We are also seeing deeper engagement around consumption, as users increasingly turn to Bilibili for advice and inspiration, with real purchasing intent. Our advertising business also accelerated, and revenue grew 23% year over year in the third quarter. With an average user age of 26, a maturing cohort with stronger purchasing power and expanding consumption needs, we are capturing more commercial potential across the platform and realizing greater value from our users' evolving needs. Building on these strong fundamentals, we delivered solid financial results in the third quarter. Total net revenues grew 5% year over year to RMB 7.7 billion. As our revenue mix shifts toward high-margin business, gross profit increased 11% year over year, with gross margin expanding to 36.7%, marking the thirteenth consecutive quarter of growth. Supported by disciplined cost management and higher operating leverage, our non-GAAP operating and net profit

surged 153% and 233%, respectively, year over year. Our non-GAAP operating and net margins reached 9% and 10.2%, respectively, showing meaningful improvements from the same period last year. These metrics underscore the sustainability of our growth model, reflected in our continued profitability expansion. Notably, we welcomed another blockbuster game, Escape from Duckhoff, Haori Yakufu, in October. This self-developed single-player extraction shooter game became an instant hit after its debut, selling over 3 million copies globally and earning great user reviews. The success illustrates our sharp genre insight, in-house development capabilities, and solid execution in reinventing games for new generations of gamers. There is still a lot of unmet demand in the market, and we are ready to tap into it with our upcoming pipeline and robust game content ecosystem. As we continue to strengthen our business fundamentals, AI is becoming a key enabler of our future growth. Later this year, we plan to launch several AI-powered applications, including multilingual video accessibility features such as AI-enabled dubbing, subtitles, and lip-syncing. We are also developing a new video generation tool tailored to video podcast production, where compelling storytelling defines high-quality output. Beyond these initiatives, AI is consistently enhancing our operational efficiency, and there is so much more to explore. Looking ahead, our focus remains on empowering our unique PUGV community, strengthening our commercialization capabilities, and sustaining profitability. We will continue to scale our core businesses while exploring opportunities such as innovative games and AI-empowered solutions to enhance user experience and capture additional monetization potential. With that overview, let's take a closer look at our core pillars of content, community, and commercialization. Beginning with content and community, our ecosystems continue to grow stronger as quality content and community connections reinforce each other. This growing synergy is reflected in record engagement and increased commercialization, demonstrating Bilibili's ability to turn cultural relevance into sustainable growth. Average daily time spent hit a new record high of 112 minutes in the third quarter. This is a six-minute increase over the same period of last year. Mid to long-form videos remain our hallmark. Users continue to show high engagement with our more substantial informative content, and watch time for videos over five minutes increased by 20% year over year in the third quarter. Our official members grew to 278 million with ongoing steady twelve-month retention of around 80%, reflecting strong user loyalty. ACG remains the legacy category of our cultural ecosystem. Chinese anime content watch time more than doubled this quarter, led by popular series made by Bilibili, such as A Record of Mortal's Journey to Immortality, The Tales of Hurting Gods, and Link Cage. The success of these Chinese anime drove premium memberships to a record high of 25.4 million. In addition, game content grew solidly with watch time up 22% year over year. This momentum further reinforced games as our largest ad vertical, with Bilibili continuing to provide the ideal community for developers to engage players and strengthen their IP influence. Meanwhile, AI-related content remains one of our fastest-growing categories. Watch time was up nearly 50% year over year, and revenues from AI advertisers rose around 90% in the third quarter, highlighting Bilibili's position at the intersection of tech innovation, user interest, and commercialization. Lifestyle and consumption-related content also grew as our audience matures and their interests diversify. Our mid to long-form creator-led storytelling content is keeping viewers engaged and drawing more interest from advertisers. For example, automobiles stood out in the third quarter, with watch time up nearly 20% and ad spending rising 35%, demonstrating how our community continues to evolve with our users while expanding opportunities for brands. Our creator ecosystem is the key force behind our progress, and creators sit at the center of Bilibili. As a platform, our most important job is to help talented creators build their followers faster and earn more. In the first nine months of 2025, the number of creators with 1,000, 10,000, 100,000, and 1 million followers each grew by over 20% year over year. Over the same period, nearly 2.5 million creators earned income on Bilibili through various advertising and VAS products, and average income per creator increased by 22% year over year. These trends show how creator success and user engagement reinforce each other, strengthening the foundation of Bilibili's content ecosystem. Now let's talk about our commercial businesses and their progress. Our commercial momentum continued in the third quarter as we tapped into more of the value behind our highly engaged and growing user base. Advertisers are increasingly recognizing the strength of Bilibili's influence, and total advertising revenues grew 23% year over year to RMB 2.6 billion. In Q3, we continued advancing our ad infrastructure on multiple fronts. By leveraging our multimodal LLM, we gained a deeper understanding

of video content, community interaction, and their interconnection with user intent, improving our ad targeting and recommendation efficiency. Meanwhile, our upgraded smart app placement system automates campaign routing and delivery, maximizing scale, speed, and performance. This drove a 16% year over year increase in the number of advertisers seeking incremental value on Bilibili. Beyond ad algorithms and placement, our AIGC creative tools add another layer of ad efficiency. Advertisers can automatically generate compelling titles and thumbnails, saving production time and cost while improving conversion rates. In the third quarter, over 50% of the performance ads material had the help from our AIGC tools, assisting advertisers in reaching users more effectively with content that resonates with their intended audiences. These infrastructure advancements go beyond efficiency; they are reshaping how advertisers connect with our community. By combining intelligent algorithms with authentic engagement, we are turning creativity into conversion and positioning Bilibili's ad business to capture higher value as we continue to scale. This quarter, our top five advertising verticals were games, Internet services, digital products, home appliances, e-commerce, and automobiles. As our mid to long-form PUGVs deliver more informative content and more real usage scenarios for users, we have become an ideal platform for digital product and home appliance brands to reach and convert young users. Ad revenues from digital products, home appliances, and home decoration both grew by over 60%. As more and more online merchants recognize the commercial value of our unique young user base, they are allocating larger advertising budgets to our platform. In addition to our anchor verticals, we continue to see incremental ad revenue from emerging verticals. In Q3, ad budgets from AI and education both increased meaningfully. Turning to our games business, in the third quarter, game revenues came in at RMB 1.5 billion, down 17% year over year, mainly due to the high base from the same period last year when THEMMO was initially launched. We continue to focus on building a diversified game portfolio, laying a stronger foundation for long-term growth in our gaming business. In the third quarter, Semo maintained its popularity. We further enhanced the user experience by streamlining gameplay and character progression to create a more balanced and enduring title. Building on our success in the domestic market, we plan to launch the traditional Chinese version of SEMMO in Q1 2026 for Hong Kong, Macau, and Taiwan, with additional international versions planned for later next year, opening it up to strategy players worldwide. Besides SEMMO, our legacy titles, SGO and Azure Lane, continue to be welcomed by ACG lovers, maintaining loyal fan communities and consistent engagement. On October 16, we launched Escape from Duckoff, our first single-player extraction shooter game. Developed in-house by a five-man team, the indie game won over millions of users with innovative gameplay and its cute graphics. Over 3 million copies have been sold globally across various platforms, making Escape from Duckoff the number one popular indie game in China this year. This was an encouraging debut for us and a prime example of our expanding game development capabilities across genres and platforms. Leveraging our leading game content platform and influential game creators, we are confident we can expand the IP and bring more franchise titles to players next year. Looking at our pipeline, we are preparing to roll out End Card Sanguo by Jiangpai in early 2026, an asymmetric PVP card game inspired by the Three Kingdoms culture, designed for a broad audience of lightweight players. The game features fast-paced matches that last around three minutes per round, making it well-suited to casual, on-the-go play. As our first step into the casual gaming genre, the title is backed by Bilibili's vibrant gaming community, which provides a strong foundation for player acquisition and long-term engagement. Results from the beta test have been encouraging, and we will continue refining the game to deliver a creative, unique casual card game experience. And finally, let's look at our VAS business. Revenues increased 7% year over year to RMB 3 billion. This quarter, more users joined our live broadcasting universe as we continued expanding content aligned with their interests. Our focus remains on refining operations to ensure steady, sustainable growth while further improving margins. Driven by our popular Chinese anime titles, premium memberships also maintained solid growth, reaching a record high of 25.4 million by the end of the quarter. Around 80% of members are on annual or auto-renewal plans, underscoring their loyalty and deep connection to our community. Other VAS products continue to grow rapidly in the third quarter, led by our fan charging program, which saw its revenue nearly double year over year. This momentum reflects users' willingness to directly support the creators and high-quality content they value most. Beyond the numbers, we remain deeply committed to shaping a healthy culture and

community for China's young generation. ESG principles are central to that mission. This year, MSCI ESG reaffirmed Bilibili's A rating, recognizing our ongoing progress in using technology and culture to create meaningful impact. In conclusion, everything we have achieved today comes from more than a decade of staying focused on one thing: building great content and a vibrant community. This long-term focus has created a self-reinforcing cycle where high-quality content attracts younger users, and an engaged community adds ongoing value and monetization follows organically. As we become more profitable, this flywheel will become even more effective. We will stay firmly on this path and continue to create lasting value for all of our stakeholders. With that, I will turn the call over to Sam to share more financial details. Sam, please go ahead.

Sam Fan: Thank you, Mr. Chen. Hello, everyone. This is Sam. In the interest of time, on today's call, I will review our third-quarter highlights. We encourage you to refer to our press release issued earlier today for a closer look at our results. In the third quarter, we continued to grow revenues and expand our margins and profitability, driven by growth across our commercial businesses, particularly in our high-margin advertising businesses. Total net revenues for the third quarter were RMB 7.7 billion, up 5% year over year. Approximately 39% from VAS, 33% from advertising, 20% from games, and 8% from our IP derivatives and other businesses. Our cost of revenues increased by 2% year over year to RMB 4.9 billion in the third quarter, while our gross profit rose 11% year over year to RMB 2.8 billion. Our gross profit margin reached 36.7% in Q3, compared with 34.9% in the same period last year. Our expanding gross profit and margin show that our model is built to scale. Our total operating expenses were RMB 2.5 billion, down 6% year over year. Sales and marketing expenses decreased 13% year over year to RMB 1.1 billion, mainly due to decreased marketing expenses for our games. G&A; and R&D; expenses were RMB 509 million and RMB 905 million, respectively, both flat year over year. These efforts allowed us to maintain positive operating results. Our operating profit was RMB 354 million, compared with a loss in Q3 2024. Our adjusted operating profit was RMB 688 million, and our adjusted operating profit margin reached 9% in the third quarter, versus 3.7% in the same period a year ago. Net profit was RMB 469 million, versus a loss in Q3 2024. Our adjusted net profit was RMB 786 million, and our adjusted net profit margin in the third quarter was 10.2%, compared with 3.2% in the same period a year ago. Cash flow-wise, we generated about RMB 2 billion in operating cash flow in the third quarter. As of September 30, 2025, we had cash and cash equivalents, time deposits, and short-term investments of RMB 23.5 billion or USD 3.3 billion. Under our 200 million US dollar share repurchase program, approved by the board in November 2024, we have repurchased a total of 6.4 million shares so far, at a total cost of 116.4 million US dollars, leaving about 83.6 million US dollars available for future buybacks as of September 30, 2025. Thank you for your attention. We would now like to open the call to your questions. Operator, please go ahead.

Operator: We will now begin the question and answer session. If you would like to ask a question, please press 1-1 on the telephone and wait for your name to be announced. For the benefit of all participants on today's call, if you wish to ask your questions to management in Chinese, please immediately repeat your question in English. The company will provide consecutive interpretations for management statements during the Q&A; session. Please note that English interpretation is for convenience purposes only. In the case of any discrepancy, management statements in their original language will prevail. One moment for the first question. Our first question comes from Alex Liu of Bank of America. Please go ahead.

Alex Liu: Thanks, management. I think it's a great quarter. We see DAU, MAU, and time spent are basically all at their highs, and it's growing, accelerating. So I was just wondering if management can share more about what's really driving this and in terms of user engagement, is there any medium-term target? And also for monthly paying users, it's also accelerating in terms of growth. What are the drivers behind this, and how should we think about the future trends in user payments for content? Thank you.

Rui Chen: The fundamental reason for our continuous user growth lies within our focus on high-quality content. High-quality content is always a strong and sustainable growth driver. Actually, we think there has been a fundamental change in video content supply. Currently, the video content supply is very much sufficient and in some ways even oversupplied. Every year, there are tens of billions of new videos being created. Riding on the rapid adoption of AI tools, there are going to be tens of thousands, billions, trillions of new videos being made every year. However, we think that the quantity of video and

the quality of the video are two different things. High-quality content is still in short supply. Once someone starts to enjoy or start watching high-quality content, it's very hard for them to go back. They become pickier. They wouldn't go back to the low-quality, time-killing type of videos. That's why Bilibili has a long runway for growth because the demand for high-quality content will continue to rise. The population that will be interested in Bilibili content will grow. Apart from our focus on high-quality content, our unique community aspect of our business also helps further strengthen our advantage. This is because our community can help discover high-quality content and also help our talented content creators to continuously focus on their content creation. Content needs to be discovered with the eye of beauty. We have many users who have a passion for high-quality content and the taste to select and promote those high-quality content. Good content creators need a good audience, and Bilibili is where those two parties meet and resonate with each other, especially for content creators before they become popular and earn a good reputation. There's a relatively long fair wait for them to grow in Bilibili's community, and the users' encouragement will accompany them through that process. That's why you see those content creators on Bilibili. They have been creating content on our platform for five years, even ten years long. Let's look at the MPU trend. This quarter, our MPU reached a new high of 35 million, growing by 17% year over year. For the third quarter, the premium membership business was the primary driver of that. On a long-term horizon, we think the 2C business, the user paying for content type of business model, will be a very big growth driver. I'll talk about three reasons that will drive the content consumption-related paying activity. First of all, it's our users. The average age of our user is now 26 years old, a cohort with increasing income and expanding consumption scenarios. They are generating on both the 2B advertising front as well as the 2C, the paying for content or paying for services aspect. The second point is high-quality content. We believe creators who consistently produce over a long period of time can foster their personal IP and drive sustainable monetization. There's a very large group of content creators that have been producing content on Bilibili for a very long time. Through that period, they create their own personal brand and reputation. People will follow their new creations. That's why the fan charging program, whenever they sell their own premium courses or even their personal IP derivatives, their followers, their fans, will pay for that content or services. That is also driving the overall MPUs growth. The last point is that what we have discovered is for the younger generation, consumption is mainly driven by self-gratification. People will pay for things that make them happy. They will pay for people that they love. This trend has become even more clear nowadays with our initiatives on the fan charging program, helping our content creators to monetize their own personal IP. This will be another very important growth factor behind the continuous growth of our MPU. That concludes the answer for this question. Operator, next question, please.

Operator: Thank you for the questions. One moment for the next question. Our next question comes from the line of Thomas Chong of Jefferies. Please go ahead.

Thomas Chong: Good evening. Thanks, management, for taking my question. My question is about the gaming business. We saw Escape from Duckoff received remarkable results. Can management share about its future business plan? Do we have any plans for developing a mobile game? On the other hand, can management comment about SunBoard and card? With regard to its monetization testing in October, when should we expect it to be released? On the other hand, what are the things in the pipeline to anticipate? For SunMo, did the performance in Q3 meet expectations? How should we think about the performance in the next year? Thank you.

Rui Chen: I'll talk about Escape from Duckoff. Truly, this game has been the dark horse of the year in the games market. In less than one month after its debut, it has already sold over 3 million copies across various platforms globally, and the peak concurrent user reached over 300,000. Based on the current momentum, it is safe to say Escape from Duckoff has the potential to become the number two best-selling console game in the history of China. This has been very encouraging. On top of that, besides the sales volume, players have been giving the game extremely high ratings on the Steam platform. There have been tens of thousands of comments, and 96% of them are overwhelmingly positive. Why has it been so successful? I think there are two main reasons as a player myself. First of all, this game is fun to play. There are a lot of games launched every year, but not every one of them is fun to play. We found this game is very carefully designed with different stages and graphics. People

will find it's a truly fun game to play. People will enjoy themselves. Secondly, the game has a very light mood. When you play it, you don't feel the stress of PVP. It's just the simple pleasure of collecting and looting. Also, this game doesn't pressure people to spend a lot of time or money. It's just very easy and breezy. At this time of the year, it's very entertaining and fun to play. Those two elements, fun to play and relaxing, are the two main reasons for this game's success. The reason behind that is when we were thinking about setting up a project like this back in 2023, it was just a simple few young developers gathered together who were true fans of Escape from Tarkov-type games, the extraction game fans. They wanted to create something for the young generation, easy to play, relaxing, and with cute graphics. This is a very good example of how we are thinking about our game strategy, reinventing games for the new generation of gamers. It is also an example of how we have been picking niche genres in the game market and making them the best. We think that's the perfect example of how we are executing our game strategy. This is one of many examples of our pipeline, how we are designing it. On the IP expansion question, because the game is currently only on PC, we have already kicked off the console project and the mobile adaptation for Escape from Duckoff. Because on console and mobile projects, there are going to be differences with the gameplay, we will be spending a lot of time fine-tuning the project. While doing so, we will also continue to listen closely to our gamer community, and we will share updates when the time is appropriate. As for the end card game, currently, the closed beta testing has been going very smoothly. We will be focusing on fine-tuning and polishing the game to make it the best and introduce it to the market. It's currently expected to be released in Q1 next year. The end card game is designed to cater to the need of a casual card game user. It will be a very short, on-the-go play for three minutes per round. This is another attempt to cater to the new generation of gamers. There is a lot of innovation within the gameplay. Hopefully, leveraging our very unique and best-of-the-state gamer community, as well as our talented content creators, leveraging our PUGV community as well as the live broadcasting community, we can bring this innovative game to all of the Bilibili users. Because the game has a lot of aspects with great innovation, we are putting a lot of effort into making it the best quality. We will be spending time fine-tuning the game. When the game is launched, the number one goal for this game is DAU growth. Hopefully, this game will become Bilibili's next great evergreen title. As for SunMo, it is one of the most important titles in our portfolio. Overall, the performance in the third quarter is in line with our expectations. We will be focusing on fostering a very balanced and pro-user character progression, and we will be focusing on user satisfaction. The goal for this title, the most important goal, is longevity. We are hoping to make this game operate for at least five years. In the first quarter of next year, we plan to launch the traditional Chinese version of SunMo in Hong Kong, Macau, and Taiwan. In the second half of next year, we will be rolling out additional international versions. Thank you. That concludes this question's answer. Operator, next question, please.

Operator: One moment for the next question. The next question comes from Felix Liu of UBS. Please go ahead.

Felix Liu: Thank you, management, for taking my question, and congratulations on the very strong results, especially on the advertisement part. How does management see the growth potential in your ad business from here? Can management share more color on the potential improvements in recommendation algorithms and AI on your ad business from here? More on the near term, how does management see the advertisement demand for the recently concluded Double Eleven shopping festival as well as the overall Q4? Thank you.

Rui Chen: In Q3, our advertising revenue reached RMB 2.7 billion, up 23% year over year, with our market share continuing to rise. On top of the steady growth for our performance-based ads, we are seeing both brand and sparkle ads grow much faster than the overall market. Based on our complete industry data, the brand ads and sparkle ads growth rate are among the fastest-growing players in the industry. How should we think about the ad revenue growth going forward? I would like to firstly talk about the underlying growth. The underlying logic of Bilibili's ads. As time goes by, more clients are recognizing and tapping into the value of the Bilibili ecosystem and its users. Thanks to the uniqueness of our community, our ad's key advantage is that we can deeply shape and make a big impact on users' purchasing decisions. To put it more simply, Bilibili's advertising business can bring to our advertisers: Number one, it will not be a one-off value hit. Secondly, we are more effective at bringing new users,

new customers. Thirdly, we are more likely to drive a sharp increase in repeat purchases from both new and existing users. In other words, we will help our clients achieve both short-term conversion goals and long-term brand-building goals. Yet, anything we haven't fully realized is pure upside for the future. From a client perspective, our top five advertiser verticals in Q3 were gaming, Internet services, consumer electronics and home appliances, e-commerce, and automotive. To better serve our advertising clients, there are three main points. One is to enhance our strategy or service for our super key accounts (SKAs). We will be serving our largest clients with a dedicated service team and a year-round integrated Bilibili marketing solution. Our goal for this team is to achieve over a 90% repurchase rate and keep increasing our share of their spending on Bilibili. Secondly, we hope to replicate our successful model into multiple new verticals. We are using an always-on performance model to better serve our other verticals, especially for those with big spending budgets, such as big FMCG categories like food and beverage, pet and baby, beauty, and apparel. We expect a new wave of clients and budgets to come onto our platform. As the competitive landscape becomes more diversified in the second half of this year and even next year, we are still very confident that by 2026, there is still sub-growth potential in gaming platforms, e-commerce, and content consumption-related advertisers. The third point is we are planning to expand our ad penetration across different community scenarios. This will be another growth driver because Bilibili by itself has many consumption scenarios within our products. Unlike other platforms where most consumption happens in a single video feed, our users are spending a lot of time on more videos within the players, within the commentary section, and also in the bullet chat. They also watch live streams and engage with the live stream content. They do searches, browse trendy topics, and hot searches on our platform, and also consume content across multiple devices, including mobile, PC, OTT, etc. In Q3, ad revenue from these different scenarios all grew by more than 50% year over year. The current penetration is still very behind where we think it can be, which means there's still a lot of room to grow. The fourth point is about your question on AI. We have been intensively discussing internally that AI as a topic can easily make people overly optimistic about the short-term boost to advertising revenue while overlooking its potential to fundamentally reshape the industry over the long term. However, there are still a lot of positive changes we are seeing. First of all, it's on the AIGC creative. Now it accounts for 55% of the total creative volume in the performance-based ads, and it's continuing to rise. We are providing video generation tools to our clients in the Internet service sector. For online novels, we support text-to-video generation, and for short drama advertisers, we support AI highlighting and editing. In this sector, AI-generated video creators already account for over 60% of the creative consumption. This upgrade has freed up a lot of productivity. The second application for our AI is on the smart delivery system. Currently, the automated buying smart delivery advertisement system is already accounting for 45% of the overall performance-based ad spend. Most clients have been seeing their spend scale up through this model. Thirdly, it's on the recommendation efficiency. By combining the multimodal content understanding with the generative recommendation algorithms, we have been lifting our distribution efficiency by more than 10% in total. All of the above are the tangible results and benefits that AI has brought to us this quarter. However, we do think that AI, with a long-term mindset, the real significance lies with the new opportunities and the structural change that will unlock over time. We will be trying a lot of innovation with a long-term mindset, not just the short-term bump in a few metrics and revenue lines. Lastly, on our Double Eleven results, first of all, looking at our users, especially the Gen Z consumers, their spending power is two to three times that of the previous generations. They are used to online consumption as their default shopping mode avenue. They buy when it makes them happy. They buy when they like something or truly need something. They no longer chase the rock-bottom prices in a single promotion time window in a mechanical way. All of this observation is pointing to the huge commercial potential embedded in the Bilibili user profile and our ecosystem. Given that, our Double Eleven report card this year still exceeded our expectations. During this year's Double Eleven, Bilibili's ad revenue grew 30% year over year, and the number of advertisers more than doubled. Over the Double Eleven campaign period, Bilibili delivered an average new customer rate of 55% for all industries, and in categories such as watches and jewelry, household daily goods, food and beverage, and beauty, the new customer rate even exceeded 60%. Lastly, on the outlook for Q4 and next year, we remain upbeat about the advertising business. More importantly, we are hoping to deliver

something more meaningful and new breakthroughs and changes within our business. Thank you. Operator, next question, please.

Operator: The next question comes from the line of Xueqing Zhang from CICC. Please go ahead.

Xueqing Zhang: Management, congratulations on the strong result. My question is regarding your financial outlook. The company's profitability has continued to strengthen. Looking ahead to Q4 and into 2026, how do you expect the gross margin and net margin trend as we maintain a strong cash position? How do you plan to allocate cash in the future? Thank you.

Sam Fan: Thank you, this is Sam. I will take your question. Yes, we continue to see strong operational leverage in our business. In Q3, our top line grew by 5%, and our gross profit grew by 11% year over year. Our gross profit margin has improved for thirteen consecutive quarters. We expect this trend to continue this year. We keep our mid-term gross profit margin target of reaching 37% in Q4. That's 40% to 45% unchanged. Additionally, our adjusted operating profit, that's a profit before other income, jumped over 150% year over year, with adjusted operating margin expanding from 3.7% to 9% year over year. We expect that number to further improve to around 10% in Q4 this year, keeping us on a steady path to our mid-term target of up to 15% adjusted operating margin. We already saw the resilience of Bilibili's business model and our strategy of focusing on healthy revenue growth and leveraging scale for sustainable profit expansion. We are confident in reaching our mid to long-term margin targets. Regarding cash usage, we will allocate our resources carefully. Currently, we already turn over one billion free cash flow every quarter. First, we will support our high-quality revenue growth engine like the advertising business. Secondly, we will invest in some new opportunities. For example, to expand our business boundaries, like reinventing some games for new generations, just like Escape from Duckoff. We already announced a plan to explore opportunities in the console game and the mobile game. Last but not least, we will also capture some major industry opportunities. For example, we are also seeking new talent for new areas like AI. Regarding shareholder return, we have repurchased over 100 million US dollars worth of shares this year already, and we have a two-year share buyback plan as approved by our board. We still have around 83 million US dollars left. We expect to fully utilize that amount in the remaining period of the plan. Thank you. That's all for my question. Operator, next question, please. Thank you.

Operator: One moment for the next question. Our next question comes from the line of Yuan Zhang from China Renaissance. Please go ahead.

Yuan Zhang: Thanks for taking my question. I have a question regarding AI application. You asked to discuss a few AI functions or products you have just launched. What is your thinking and expectation of future AI application on Bilibili? Also, what kind of impact do you think your products like Sora will bring to video production and consumption? Thank you.

Rui Chen: Bilibili has the highest AI density among both our content creators and our users. Many of China's best AI-themed content creators and users who are most interested in AI talent are all active and gathered on Bilibili. In the third quarter, nearly 100,000 creators were active on Bilibili every month working on AI-related content. Some of them are doing the latest learning explanations, some of them are breaking down and teaching new AI applications or using AI for video creations. The average daily number of AI-related video uploads in the third quarter increased over 80% year over year. There is a lot of potential for us to further discover because we have gathered over two-thirds of the young generation in China on Bilibili. That is the exact cohort eager to learn about AI or leverage AI technology to create things. When you asked me about Sora, whether Sora will change how people create or consume content, we think personally, I think Sora is a new gamble on both content video creation and user interface. As I said earlier, there is already an oversupply of short video content. The adoption of AI tools will only increase that video supply and will not change how people consume the content. However, on the high-quality video aspect, there is still a scarcity in terms of high-quality content supply. The adoption of these tools will help us increase the supply and improve the talented content creators' efficiency in producing such content. We've seen this in many content categories where AI is becoming the new paradigm. For example, in the AutoTune remix sector, in the music sector, or even the animation sector, there are a lot of very good quality videos made with the help of AI tools. To summarize, we do think that AI will be a fundamental efficiency booster for high-quality video creation, and Bilibili will benefit most from that technology innovation. Based on that observation, we

will be very focused on the video pack of AI applications. We want to make AI effective tools to help our content creators produce higher quality videos. You probably already saw some of the functions we have launched lately. For example, there will be multilingual video accessibility features, including dubbing, subtitles, and even lip-syncing. We are also planning to launch AI-enabled text-to-video tools tailored for video podcast-type content. We believe this product will help bring more high-quality content to Bilibili and our users. That concludes the question and answer session. Operator, back to you.

Operator: Thank you once again for joining Bilibili's third quarter 2025 financial results and business update conference call today. If you have any further questions, please contact Juliet Yang, Bilibili's Executive IR Director, or Pierre Santiv Financial Communications. Contact information for IR in both China and the US can be found on today's press release. Thank you, and have a great day.