

Baidu (BIDU US)

In progress to provide greater visibility on AI-powered business growth and enhance shareholder return

Baidu announced 4Q25 results: Baidu General Business revenue was RMB26.1bn, down 5.7% YoY, inline with Bloomberg consensus; non-GAAP OP of Baidu General Business reached RMB2.8bn, down 39% YoY, but was 12% ahead of consensus. Regarding AI-powered business development in 4Q25: 1) AI-native marketing services revenue grew 110% YoY to RMB2.7bn; 2) AI-cloud infrastructure revenue totalled RMB5.8bn, with subscription-based revenue from AI accelerator infrastructure grew 143% YoY; and 3) AI applications revenue reached RMB10.2bn in 2025, up 5% YoY. Key stock price drivers for Baidu include: 1) reacceleration in overall ads revenue growth; 2) robust cloud revenue growth; and 3) enhancement of shareholder return. More details regarding the spin-off and separate listing of the chip business arm should serve as an additional catalyst. We roll over our valuation window to 2026E, and our SOTP-based target price is adjusted to US\$161.7 (was US\$150.7). Maintain BUY.

- AI-empowered business has more visibility.** Baidu has redefined Baidu Core as Baidu General Business in 4Q25, which includes Baidu Core AI-powered Business, Legacy Business (mainly consisting of traditional advertising services across search, feed, and other properties), and Others. Revenue from Baidu Core AI-powered Business, Legacy Business, and Others was RMB11.3bn, RMB12.3bn, and RMB2.5bn, respectively, in 4Q25. The combined revenue decline for AI-native marketing services and Legacy Business was c.16% YoY in 4Q25 (3Q25: 18% YoY decline), due to the ongoing business adjustment, in our view. On standalone basis, AI-native marketing services revenue grew 110% YoY to RMB2.7bn, which demonstrated solid growth momentum. The recovery in ads revenue growth to positive trajectory as well as strong growth in AI-native marketing services should serve as one of the key drivers for Baidu's stock price, in our view.
- Solid cloud revenue growth in 2025.** In 4Q25, revenue from AI Cloud Infra, which refers to AI infrastructure and platform services serving enterprises and the public sector, reached RMB5.8bn. Meanwhile, subscription-based revenue from AI accelerator infrastructure within AI Cloud Infra saw revenue growth of 143% YoY, accelerating from 128% YoY in 3Q25. For 2025, AI Cloud Infra revenue (which includes revenue generated from chip business arm) reached RMB19.8bn, up 34% YoY.
- Order volume growth of Apollo Go remained strong.** Apollo Go provided 3.4mn fully driverless rides in 4Q25, up 202% YoY (3Q25: 212%; 4Q24: 36%), driven by the expansion in vehicle fleets. As of Feb 2026, Apollo Go's global footprint has covered 26 cities (Oct 2025: 22 cities). To date, Apollo Go fleets have accumulated 300mn autonomous kilometers, including 190mn fully driverless autonomous kilometers.
- OPM is recovering from trough.** Non-GAAP OPM for Baidu Core was 10.9% in 4Q25, down 5.9ppts YoY but 1.1ppts better than consensus, demonstrating a recovery from 9.0% in 3Q25. We expect the recovery in ads revenue, as well as Baidu's initiatives to drive operating efficiency improvement to drive a sequential margin improvement in 1Q26E.

BUY (Maintain)

Target Price **US\$161.70**
 (Previous TP US\$150.70)
Up/Downside **29.9%**
Current Price **US\$124.44**

China Internet

Saiyi HE, CFA

(852) 3916 1739

hesaiyi@cmbi.com.hk

Ye TAO, CFA

(852) 3850 5226

franktao@cmbi.com.hk

Wentao LU, CFA

luwentao@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	42,208.1
Avg 3 mths t/o (US\$ mn)	391.0
52w High/Low (US\$)	162.52/76.86
Total Issued Shares (mn)	339.2

Source: FactSet

Shareholding Structure

Yanhong Li	22.9%
Primecap Management	3.9%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-21.1%	-17.8%
3-mth	7.0%	8.5%
6-mth	38.5%	30.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	133,125	129,079	134,955	141,972	148,456
YoY growth (%)	(1.1)	(3.0)	4.6	5.2	4.6
Adjusted net profit (RMB mn)	27,002.0	18,941.0	17,370.5	22,758.0	26,822.5
YoY growth (%)	(6.1)	(29.9)	(8.3)	31.0	17.9
EPS (Adjusted) (RMB)	77.20	55.22	51.21	68.78	83.10
Consensus EPS (RMB)	76.85	53.41	57.56	67.38	86.30
P/E (x)	12.5	52.0	20.7	14.4	11.5
ROE (%)	9.0	2.0	4.3	5.3	6.0

Source: Company data, Bloomberg, CMBIGM estimates

Quarterly results and estimates

Figure 1: Baidu: quarterly financial results

(RMBbn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	4Q25 Consensus	Diff%
Total revenue	31.5	33.9	33.6	34.1	32.5	32.7	31.2	32.7	32.7	0.3%
YoY growth (%)	1.2%	-0.4%	-2.6%	-2.4%	3.0%	-3.6%	-7.1%	-4.1%		
Gross profit	16.2	17.5	17.2	16.1	15.0	14.4	12.9	14.5	13.4	8.2%
Operating profit	5.5	5.9	5.9	3.9	4.5	3.3	-15.1	1.5	1.6	-7.1%
Non-GAAP net profit	7.0	7.4	5.9	6.7	6.5	4.8	3.8	3.9	3.5	12.9%
YoY growth (%)	22%	-8%	-19%	-13%	-8%	-35%	-36%	-42%		
GPM (%)	51.5%	51.7%	51.1%	47.2%	46.1%	43.9%	41.2%	44.2%	40.9%	3.2 ppt
OPM (%)	17.4%	17.5%	17.7%	11.5%	13.9%	10.0%	-48.4%	4.5%	4.9%	-0.4 ppt
Non-GAAP NPM (%)	22.2%	21.8%	17.5%	19.7%	19.9%	14.7%	12.1%	11.9%	10.6%	1.3 ppt
Baidu General Business										
Revenue	23.8	26.7	26.5	27.7	25.5	26.3	24.7	26.1	26.1	0.1%
YoY growth (%)	3.5%	1.1%	-0.2%	0.8%	7.0%	-1.6%	-7.0%	-5.7%		
Non-GAAP OP	5.6	7.0	6.7	4.6	4.9	4.4	2.2	2.8	2.5	11.7%
YoY growth (%)	4.1%	7.5%	-0.3%	-25.0%	-12.8%	-37.4%	-66.6%	-39.0%		
Non-GAAP NP	6.6	7.3	5.7	6.7	6.3	4.8	3.8	3.9	3.2	20.6%
YoY growth (%)	25.8%	-5.3%	-18.4%	-10.1%	-4.5%	-34.3%	-32.4%	-42.6%		
Non-GAAP OPM (%)	23.5%	26.2%	25.1%	16.8%	19.1%	16.7%	9.0%	10.9%	9.7%	1.1 ppt
Non-GAAP NPM (%)	27.8%	27.3%	21.4%	24.3%	24.9%	18.3%	15.6%	14.8%	12.3%	2.5 ppt

Source: Company data, Bloomberg, CMBIGM

Changes in forecast and valuation

We lower our 2026/2027E revenue forecast by 1.4/1.4% to account for the cut in revenue forecast of iQIYI and Baidu's non-core business. We cut 2026/2027E non-GAAP net profit forecast by 9.5/1.1% to account for the increase in estimates for SG&A expenses and R&D expenses due to the increase in investment to support the market promotion of AI-native apps.

Figure 2: Baidu forecast revision

RMB bn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	135.0	142.0	148.5	136.9	144.0	-	-1.4%	-1.4%	-
Gross Profit	59.0	64.6	69.3	59.2	64.9	-	-0.4%	-0.4%	-
Non-GAAP net profit	17.4	22.8	26.8	19.2	23.0	-	-9.5%	-1.1%	-
Gross Margin	43.7%	45.5%	46.7%	43.3%	45.1%	-	0.4 ppt	0.5 ppt	-
Non-GAAP net margin	12.9%	16.0%	18.1%	14.0%	16.0%	-	-1.2 ppt	0.1 ppt	-

Source: CMBIGM estimates

Figure 3: Baidu: CMBI forecast vs Bloomberg consensus

RMB bn	Current			Consensus			Diff (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	135.0	142.0	148.5	134.0	142.9	153.3	0.7%	-0.7%	-3.2%
Gross Profit	59.0	64.6	69.3	58.3	64.2	70.7	1.1%	0.6%	-2.0%
Non-GAAP net profit	17.4	22.8	26.8	19.7	22.8	28.6	-12.0%	-0.4%	-6.1%
Gross Margin	43.7%	45.5%	46.7%	43.6%	44.9%	46.1%	0.2 ppt	0.6 ppt	0.5 ppt
Non-GAAP net margin	12.9%	16.0%	18.1%	14.7%	16.0%	18.6%	-1.9 ppt	0.0 ppt	-0.6 ppt

Source: Bloomberg, CMBIGM estimates

SOTP valuation of US\$161.7 per ADS

We roll over our valuation window to 2026E, and combined with the adjustment in exchange rate assumption (from USD:RMB=1:7.2 to 1:7.0), our new SOTP-based target price rises to US\$161.7 per ADS (was US\$150.7), which comprises:

- 1) US\$35.7 for Baidu General Business (mainly including the ads business, excluding Apollo and Baidu Cloud), based on 5.0x 2026E non-GAAP PE (was US\$37.8 based on 5.0x 2025E non-GAAP PE);
- 2) US\$0.3 for Apollo ASD (unchanged), based on 2.0x 2030E revenue, and discounted back to 2026E using a 13.0% WACC;
- 3) US\$62.9 for Baidu Cloud, based on 4.6x 2026E PS (was US\$61.8 based on 5.5x 2025E PS, which implied 4.6x 2026E PS based on previous forecast);
- 4) US\$62.8 for net cash (was US\$50.8), iQIYI and other investments, with a 30% holding discount applied to the valuation of US\$89.7 per ADS. The increase in valuation was mainly due to roll-over of valuation window to 2026E;

Our target price translates into 22x/16x 2026/2027E non-GAAP PE, or 12/9x 2026/2027E non-GAAP PE ex-cash.

Baidu's Board of Directors has authorized a new share repurchase program in Feb 2026, under which Baidu may repurchase up to US\$5bn of its shares, effective through Dec 31, 2028. The Board has also approved, for the first time, the adoption of a dividend policy for the Baidu's ordinary shares, which may include regular and/or special distributions of dividends. The enhancement of shareholder return should help drive a rerating of Baidu's valuation in the future, in our view.

Figure 4: Baidu: SOTP valuation

Segment	NOPAT (USDmn)	Valuation method/multiple	Valuation (RMBmn)	Valuation (USDmn)	Baidu's stake	Valuation of Baidu's stake (USDmn)	USD/ADS	Valuation as % of total (%)
Core business and cash								
1) Baidu core (ex-Apollo and Cloud)	2,421	5.0	84,724	12,103	100.0	12,103	35.7	22.1
2) Apollo ASD			807	115	100.0	115	0.3	0.2
3) Baidu Cloud (ex-ASD)		4.6	149,371	21,339	100.0	21,339	62.9	38.9
Valuation of core business						33,557	98.9	61.2
iQIYI, strategic investment, and net cash								
1) iQIYI		Market value	10,785	1,541	45.4	699	2.1	
2) Trip.com group		Market value	262,643	37,520	7.0	2,626	7.7	
3) Uxin		Market value	5,094	728	9.1	66	0.2	
4) HAND Enterprise Solutions		Market value	12,271	3,738	5.3	196	0.6	
5) Kuaishou		Market value	244,744	34,963	3.1	1,086	3.2	
6) Yusys Technologies		Market value	15,260	2,180	3.6	79	0.2	
7) Net cash		CMBI estimates	179,622	25,660	100.0	25,660	75.7	
Valuation of iQIYI, investments, and net cash						30,414	89.7	
Valuation of iQIYI, investment, and net cash (with 30% holding discount)						21,290	62.8	38.8

Total Baidu valuation (US\$mn)	54,847
Number of ADS outstanding (mn)	339
Valuation per ADS (US\$)	161.7

Source: Company data, CMBIGM estimates

Note: American depositary share (ADS); iQIYI (IQ US); Trip.com Group (TCOM US); Uxin (UXIN US); HAND Enterprise Solution (300170 CH); Kuaishou (1024 HK); Yusys Technologies (300674 CH)

Risks

- 1) Slower-than-expected ramp-up in revenue generation from Gen-AI related business.
- 2) Slower-than-expected margin expansion.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	134,598	133,125	129,079	134,955	141,972	148,456
Cost of goods sold	(65,031)	(66,102)	(72,436)	(75,970)	(77,343)	(79,150)
Gross profit	69,567	67,023	56,643	58,985	64,629	69,306
Operating expenses	(47,711)	(45,753)	(62,466)	(46,421)	(46,868)	(47,767)
SG&A expense	(23,519)	(23,620)	(25,843)	(25,489)	(25,891)	(26,331)
R&D expense	(24,192)	(22,133)	(20,433)	(20,932)	(20,977)	(21,436)
Others	0	0	(16,190)	0	0	0
Operating profit	21,856	21,270	(5,823)	12,564	17,761	21,539
Share of (losses)/profits of associates/JV	(3,799)	(691)	3,196	2,478	2,333	2,737
Adjusted EBITDA	35,824	33,078	22,857	24,351	29,398	32,976
Net Interest income/(expense)	4,761	5,138	5,818	2,577	4,690	4,599
Foreign exchange gain/loss	595	1,076	(2,242)	(1,794)	(1,435)	0
Other income/expense	1,785	1,829	5,767	2,283	2,306	2,329
Pre-tax profit	25,198	28,622	6,716	18,109	25,654	31,203
Income tax	(3,649)	(4,447)	(1,259)	(4,178)	(5,877)	(6,947)
After tax profit	21,549	24,175	5,457	13,931	19,778	24,257
Minority interest	1,234	415	(132)	171	479	693
Net profit	20,315	23,760	5,589	13,760	19,299	23,564
Adjusted net profit	28,747	27,002	18,941	17,370	22,758	26,822
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	230,255	168,849	151,970	183,925	190,442	199,647
Cash & equivalents	25,231	24,832	24,606	69,911	74,981	82,801
Restricted cash	11,503	11,697	225	225	225	225
Account receivables	10,848	10,104	12,972	9,983	10,502	10,982
Other current assets	182,673	122,216	114,167	103,807	104,734	105,639
Non-current assets	176,504	258,931	297,187	325,456	337,102	349,208
PP&E	27,960	30,102	26,281	62,323	73,715	85,564
Intangibles	7,848	7,702	9,854	2,081	2,335	2,592
Goodwill	22,586	22,586	36,783	36,783	36,783	36,783
Other non-current assets	118,110	198,541	224,269	224,269	224,269	224,269
Total assets	406,759	427,780	449,157	509,381	527,544	548,855
Current liabilities	76,451	80,953	86,328	81,522	80,500	78,970
Short-term borrowings	10,257	10,669	7,626	7,626	7,626	7,626
Account payables	37,717	41,443	38,891	33,277	31,506	29,284
Other current liabilities	28,477	28,841	39,811	40,620	41,368	42,059
Non-current liabilities	67,700	63,215	73,103	62,382	57,437	51,834
Long-term borrowings	14,223	15,596	3,369	0	0	0
Bond payables	43,134	36,347	57,733	50,381	45,436	39,833
Obligations under finance leases	5,040	4,973	4,108	4,108	4,108	4,108
Deferred income	200	231	198	198	198	198
Other non-current liabilities	5,103	6,068	7,695	7,695	7,695	7,695
Total liabilities	144,151	144,168	159,431	143,904	137,937	130,804
Share capital	0	0	0	0	0	0
Capital surplus	87,099	87,146	87,193	87,240	87,287	87,334
Retained earnings	156,527	176,474	179,137	254,841	278,924	307,321
Other reserves	9,465	9,870	13,166	13,166	13,166	13,166
Total shareholders equity	253,091	273,490	279,496	355,247	379,377	407,821
Minority interest	9,517	10,122	10,230	10,230	10,230	10,230
Total equity and liabilities	406,759	427,780	449,157	509,381	527,544	548,855

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	25,198	28,622	6,716	18,109	25,654	31,203
Depreciation & amortization	14,908	14,628	4,877	4,914	4,709	4,252
Tax paid	(3,649)	(4,447)	(1,259)	(4,178)	(5,877)	(6,947)
Change in working capital	(13,067)	(27,512)	697	8,544	(2,469)	(2,915)
Others	13,225	9,943	4,337	4,376	4,264	4,100
Net cash from operations	36,615	21,234	15,368	31,764	26,282	29,694
Investing						
Capital expenditure	(11,190)	(8,134)	(15,632)	(16,101)	(16,101)	(16,101)
Acquisition of subsidiaries/ investments	(115)	0	0	0	0	0
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	(39,092)	(421)	11,698	(251)	(254)	(256)
Net cash from investing	(50,397)	(8,555)	(3,934)	(16,353)	(16,355)	(16,358)
Financing						
Net borrowings	(13,093)	(2,914)	(4,139)	(3,369)	0	0
Share repurchases	(4,764)	(6,324)	0	0	0	0
Others	3,695	(4,521)	21,474	(7,264)	(4,857)	(5,515)
Net cash from financing	(14,162)	(13,759)	17,335	(10,633)	(4,857)	(5,515)
Net change in cash						
Cash at the beginning of the year	65,236	37,574	36,589	65,357	70,136	75,206
Exchange difference	282	95	0	0	0	0
Cash at the end of the year	37,574	36,589	65,357	70,136	75,206	83,026
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	8.8%	(1.1%)	(3.0%)	4.6%	5.2%	4.6%
Gross profit	16.4%	(3.7%)	(15.5%)	4.1%	9.6%	7.2%
Operating profit	37.4%	(2.7%)	na	na	41.4%	21.3%
Net profit	168.8%	17.0%	(76.5%)	146.2%	40.3%	22.1%
Adj. net profit	39.0%	(6.1%)	(29.9%)	(8.3%)	31.0%	17.9%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	51.7%	50.3%	43.9%	43.7%	45.5%	46.7%
Operating margin	16.2%	16.0%	(4.5%)	9.3%	12.5%	14.5%
Adj. net profit margin	21.4%	20.3%	14.7%	12.9%	16.0%	18.1%
Return on equity (ROE)	8.4%	9.0%	2.0%	4.3%	5.3%	6.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(0.6)	(0.4)	(0.5)	(0.5)	(0.5)
Current ratio (x)	3.0	2.1	1.8	2.3	2.4	2.5
Receivable turnover days	29.0	26.8	27.0	26.1	26.0	26.0
Payable turnover days	220.6	220.7	184.9	161.8	150.8	138.2
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	14.7	12.5	52.0	20.7	14.4	11.5
P/E (diluted)	14.9	12.6	52.4	21.0	14.6	11.7
P/B	1.2	1.1	1.0	0.8	0.7	0.7
P/CFPS	11.9	22.8	ns	18.5	27.7	20.3

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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