

iQIYI (IQ US)

1Q26E preview: Earnings face ST pressure; intact core business outlook

For 1Q26E, we forecast total revenue to drop by 14% YoY and 9% QoQ to RMB6.2bn, and expect non-GAAP net loss of RMB249mn (down from net income of RMB308mn in 1Q25). We expect greater 1Q26E net loss compared to Bloomberg consensus (RMB152mn) mainly due to the decline in revenue from content distribution and others businesses, while the core membership business should remain relatively resilient in 1Q26E. Nonetheless, we expect healthier cash flow generation and OCF of c.RMB150mn in 1Q26E, primarily due to fewer new projects in production and more efficient content review cycle. Overall, we lower our FY26-28E total revenue forecast by 2-3% to reflect the relatively soft content distribution and others businesses. We trim our target price to US\$1.80 based on 0.5x FY26E PS (previous: US\$2.00 based on 18x FY26E non-GAAP PE). Maintain BUY on resilient membership business and new growth opportunities such as AI and overseas markets.

- **Intact membership business outlook; content distribution business faces ST pressure.** Looking into 1Q26E: 1) we forecast membership revenue to decline by 5% YoY but recover by 2% QoQ to RMB4.2bn. The QoQ recovery was mainly due to the solid performance of several hit titles such as *Pursuit of Jade* and *How Dare You*; 2) we expect online advertising revenue to drop by 8% YoY and 10% QoQ to RMB1.2bn amid a relatively low season; 3) we expect content distribution revenue to go down by 44% YoY and 55% QoQ to RMB352mn, as iQiyi adjusted its content distribution strategy with less content distributed to other channels; 4) we forecast others revenue to decline by 48% YoY and 21% QoQ to RMB431mn.
- **Positive AI progress.** iQiyi officially launched its AI agent platform, NaDou Pro, in Mar 2026. Leveraging the large model, iQiyi's content production expertise and digital assets, NaDou Pro developed over 70 agents which cover the full cycle of film & TV content creation (i.e., screenwriting, directing, art design and editing etc.). iQiyi's AI Theatre has applied NaDou Pro to produce 16 titles spanning films, TV series and anime. Looking ahead, content creators can use NaDou Pro to generate content and distribute it on iQiyi, which will share revenue with the content creators.
- **Improving cash generation.** We expect non-GAAP OPM to contract by 9ppt YoY to -2% in 1Q26E, mainly due to the decline in revenue from high-margin non-core business (i.e. content distribution and others businesses). That said, we expect improving cash flow generation capability and positive OCF of c.RMB150mn in 1Q26E. This is primarily due to the fewer projects in production in 1Q26, supported by iQiyi's strong content pipeline ready for release and a more efficient content review cycle.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	29,225	27,291	26,248	27,233	28,296
YoY growth (%)	(8.7)	(6.6)	(3.8)	3.8	3.9
Gross margin (%)	24.9	21.1	20.1	22.2	23.1
Adjusted net profit (RMB mn)	1,512.2	280.6	220.9	851.9	1,243.8
EPS (Adjusted) (RMB)	1.57	0.29	0.23	0.88	1.29
Consensus EPS (RMB)	1.57	0.29	0.48	0.93	1.71
P/S (x)	0.3	0.3	0.3	0.3	0.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$1.80
(Previous TP)	US\$2.00
Up/Downside	44.0%
Current Price	US\$1.25

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Stock Data

Mkt Cap (US\$ mn)	1,205.9
Avg 3 mths t/o (US\$ mn)	10.2
52w High/Low (US\$)	2.79/1.20
Total Issued Shares (mn)	964.8

Source: FactSet

Shareholding Structure

Baidu	45.1%
PAG	12.2%

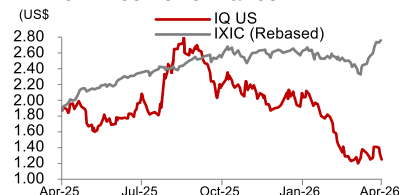
Source: Company data

Share Performance

	Absolute	Relative
1-mth	0.0%	-11.0%
3-mth	-38.7%	-41.6%
6-mth	-43.2%	-47.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: iQiyi: forecast revision

RMBbn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	26.2	27.2	28.3	26.9	27.9	29.0	-2.5%	-2.5%	-2.4%
Gross profit	5.3	6.0	6.5	5.9	6.7	7.2	-11.4%	-10.4%	-9.9%
Operating profit	0.3	1.0	1.4	0.8	1.5	1.9	-59.9%	-33.1%	-26.1%
Non-GAAP net profit	0.2	0.9	1.2	0.8	1.3	1.7	-70.6%	-36.0%	-28.5%
Non-GAAP EPS (RMB)	0.2	0.9	1.3	0.8	1.4	1.8	-70.6%	-36.0%	-28.5%
Gross margin	20.1%	22.2%	23.1%	22.1%	24.1%	25.0%	-2.0 ppt	-2.0 ppt	-1.9 ppt
Operating margin	1.2%	3.6%	5.0%	2.9%	5.3%	6.6%	-1.7 ppt	-1.7 ppt	-1.6 ppt
Non-GAAP net margin	0.8%	3.1%	4.4%	2.8%	4.8%	6.0%	-1.9 ppt	-1.6 ppt	-1.6 ppt

Source: CMBIGM estimates

Figure 2: iQiyi: CMBIGM estimates vs consensus

RMBbn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	26.2	27.2	28.3	26.6	27.5	28.4	-1.3%	-1.1%	-0.4%
Gross profit	5.3	6.0	6.5	5.7	6.3	6.9	-7.5%	-3.6%	-5.1%
Operating profit	0.3	1.0	1.4	0.4	1.0	1.6	-27.6%	2.8%	-9.0%
Non-GAAP net profit	0.2	0.9	1.2	0.5	0.9	1.6	-52.7%	-9.7%	-23.8%
Non-GAAP EPS (RMB)	0.2	0.9	1.3	0.5	0.9	1.7	-52.7%	-4.8%	-24.3%
Gross margin	20.1%	22.2%	23.1%	21.4%	22.7%	24.2%	-1.4 ppt	-0.6 ppt	-1.1 ppt
Operating margin	1.2%	3.6%	5.0%	1.6%	3.5%	5.5%	-0.4 ppt	0.1 ppt	-0.5 ppt
Non-GAAP net margin	0.8%	3.1%	4.4%	1.8%	3.4%	5.7%	-0.9 ppt	-0.3 ppt	-1.3 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

We value iQiyi at US\$1.80 per share, which translates into 0.5x FY26E PS. We change our valuation multiple basis from PE to PS, as iQiyi's investment in content, AI and overseas business distorts its FY26E earnings. Our target PS multiple is at a discount to the sector average (4x), due to the intense competition in China's video streaming sector.

Figure 3: iQiyi: target valuation

P/S valuation	
2026E sales per ADS (CNY)	27.2
Target 2026E PS (x)	0.45
Target Price (CNY)	12.3
Target Price (US\$)	1.80

Source: Company data, CMBIGM estimates

Note: CNY/USD = 6.8

Figure 4: Global streaming platforms

Companies	Ticker	Price (LC)	PE(x)		PS (x)		EPS CAGR 25-27E
			2026E	2027E	2026E	2027E	
Netflix Inc	NFLX US	92.6	26.1	23.9	7.6	6.8	23%
Disney	DIS US	104.3	15.8	14.3	1.8	1.8	11%
Spotify	SPOT US	522.4	33.5	27.3	4.7	4.1	50%
TME	TME US	9.6	10.1	8.8	2.9	2.6	8%
Average			21.4	18.6	4.2	3.8	

Source: Bloomberg, CMBIGM

Note: data as of 21 Apr, 2026

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	32,018	29,225	27,291	26,248	27,233	28,296
Cost of goods sold	(23,102)	(21,954)	(21,542)	(20,983)	(21,201)	(21,765)
Gross profit	8,916	7,272	5,749	5,265	6,032	6,531
Operating expenses	(5,781)	(5,460)	(5,520)	(4,948)	(5,052)	(5,107)
SG&A expense	(4,014)	(3,682)	(3,857)	(3,455)	(3,531)	(3,584)
R&D expense	(1,767)	(1,778)	(1,663)	(1,492)	(1,521)	(1,524)
Operating profit	3,135	1,811	229	317	980	1,424
Share of (losses)/profits of associates/JV	(51)	18	(4)	(4)	(4)	(4)
EBIT	3,084	1,829	225	313	976	1,420
Interest income	257	272	334	334	334	334
Interest expense	(1,130)	(1,062)	(910)	(793)	(764)	(764)
Foreign exchange gain/loss	(105)	(97)	246	0	0	0
Other income/expense	73	(90)	45	0	0	0
Pre-tax profit	2,178	852	(60)	(146)	547	990
Income tax	(80)	(61)	(145)	(7)	(82)	(149)
After tax profit	2,098	791	(204)	(153)	465	842
Minority interest	27	27	2	0	0	0
Net profit	2,071	764	(206)	(153)	465	842
Adjusted net profit	2,984	1,512	281	221	852	1,244

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	12,635	9,527	10,290	11,625	12,616	13,861
Cash & equivalents	4,435	3,530	4,354	4,924	5,709	6,734
Restricted cash	6	0	23	23	23	23
Account receivables	2,169	2,191	2,523	2,195	2,203	2,211
Prepayment	2,794	2,193	2,406	2,314	2,401	2,495
Other current assets	3,231	1,613	984	2,168	2,280	2,398
Non-current assets	31,959	36,233	36,391	39,833	39,968	40,461
PP&E	864	878	903	1,395	1,418	1,454
Right-of-use assets	684	610	490	490	490	490
Deferred income tax	0	24	21	21	21	21
Investment in JVs & assos	2,261	2,108	1,773	1,773	1,773	1,773
Intangibles	310	290	217	1,270	1,403	1,542
Goodwill	3,821	3,821	3,821	3,276	3,276	3,276
Other non-current assets	24,020	28,503	29,166	31,608	31,587	31,905
Total assets	44,594	45,761	46,682	51,458	52,584	54,323
Current liabilities	22,342	21,477	22,067	21,381	21,662	22,162
Short-term borrowings	3,572	3,787	2,493	2,493	2,493	2,493
Account payables	5,671	6,482	6,652	6,397	6,463	6,635
Other current liabilities	10,129	8,053	10,075	9,820	10,007	10,267
Lease liabilities	101	97	84	84	84	84
Accrued expenses	2,869	3,058	2,762	2,587	2,614	2,683
Non-current liabilities	10,068	10,909	11,306	11,306	11,306	11,306
Long-term borrowings	98	1,037	3,369	3,369	3,369	3,369
Convertible bonds	8,144	8,351	6,712	6,712	6,712	6,712
Other non-current liabilities	1,826	1,522	1,225	1,225	1,225	1,225
Total liabilities	32,409	32,387	33,373	32,687	32,967	33,468
Share capital	0	0	0	0	0	0
Capital surplus	54,971	55,624	56,026	60,913	61,294	61,690
Retained earnings	(44,573)	(43,809)	(44,016)	(44,677)	(44,212)	(43,371)
Other reserves	1,688	1,551	1,306	2,543	2,543	2,543
Total shareholders equity	12,087	13,365	13,316	18,779	19,624	20,862
Minority interest	98	8	(8)	(8)	(8)	(8)
Total equity and liabilities	44,594	45,761	46,682	51,458	52,584	54,323

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,178	852	(60)	(146)	547	990
Depreciation & amortization	14,091	13,625	13,264	17,446	16,601	16,119
Tax paid	(80)	(61)	(145)	(7)	(82)	(149)
Change in working capital	(13,358)	(12,359)	(13,053)	(13,488)	(12,499)	(12,078)
Others	666	53	99	912	381	396
Net cash from operations	3,497	2,110	106	4,718	4,948	5,279
Investing						
Capital expenditure	(105)	(173)	(125)	(396)	(411)	(427)
Others	(1,635)	(2,272)	(203)	(3,752)	(3,752)	(3,827)
Net cash from investing	(1,740)	(2,445)	(327)	(4,148)	(4,163)	(4,254)
Financing						
Net borrowings	9,049	4,953	5,077	0	0	0
Others	(13,334)	(6,323)	(4,013)	0	0	0
Net cash from financing	(4,285)	(1,370)	1,064	0	0	0
Net change in cash						
Cash at the beginning of the year	7,098	4,435	3,530	4,354	4,924	5,709
Exchange difference	92	15	(55)	0	0	0
Others	(228)	785	0	0	0	0
Cash at the end of the year	4,435	3,530	4,354	4,924	5,709	6,734
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	10.4%	(8.7%)	(6.6%)	(3.8%)	3.8%	3.9%
Gross profit	33.5%	(18.4%)	(20.9%)	(8.4%)	14.6%	8.3%
Operating profit	138.9%	(42.2%)	(87.3%)	38.3%	209.2%	45.2%
EBIT	180.6%	(40.7%)	(87.7%)	39.0%	212.2%	45.4%
Net profit	na	(63.1%)	na	na	na	81.2%
Adj. net profit	132.4%	(49.3%)	(81.4%)	(21.3%)	285.6%	46.0%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	27.8%	24.9%	21.1%	20.1%	22.2%	23.1%
Operating margin	9.8%	6.2%	0.8%	1.2%	3.6%	5.0%
Adj. net profit margin	9.3%	5.2%	1.0%	0.8%	3.1%	4.4%
Return on equity (ROE)	22.6%	6.0%	(1.5%)	(1.0%)	2.4%	4.2%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.1)	0.1	0.1	0.0	0.0	(0.0)
Current ratio (x)	0.6	0.4	0.5	0.5	0.6	0.6
Receivable turnover days	24.7	27.4	33.7	30.5	29.5	28.5
Payable turnover days	89.6	107.8	112.7	111.3	111.3	111.3
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	3.9	10.7	ns	ns	17.7	9.8
P/E (diluted)	4.0	10.8	ns	ns	17.7	9.8
P/B	0.7	0.6	0.6	0.4	0.4	0.4

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

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