

iQIYI (IQ US)

Inline 1Q25 results; stepped-up content & marketing investment impacts ST margin

iQiyi announced 1Q25 results: total revenue declined by 9% YoY but grew by 9% QoQ to RMB7.19bn, in line with Bloomberg consensus estimate; non-GAAP operating income was down by 58% YoY but recovered by 13% QoQ to RMB459mn, also in line with the consensus estimate. Looking ahead in 2Q25E, we model total revenue to be largely flat QoQ, but non-GAAP OPM to decline QoQ, as the company has stepped up investment in content ecosystem and micro-drama user acquisition. We expect investment in micro dramas to impact margins in the short term, but in the long term, it will complement iQiyi content ecosystem and generate incremental monetization opportunities. We lower FY25-27 non-GAAP earnings forecast to RMB0.7/1.5/1.8bn (previous: RMB1.4/1.6/1.8bn) on short-term margin pressure. We trim our target price to US\$2.45 based on 13x 3Q25-2Q26E non-GAAP EPS (previous: US\$2.60 based on 13x FY25E PE). The company currently trades at 8x FY26E PE, which still has a safety margin compared to peers in our view. Maintain BUY.

- **Total revenue recovered QoQ.** Membership services revenue decreased by 8% YoY but grew by 7% QoQ to RMB4.40bn in 1Q25, with sequential growth in subscriber base, mainly supported by the solid performance of several key titles such as *Drifting Away* and *Moonlight Mystique*. Online advertising revenue was down by 10% YoY and 7% QoQ to RMB1.33bn in 1Q25, primarily due to the macro uncertainty and seasonality. Content distribution revenue declined by 32% YoY to RMB629mn in 1Q25, mainly due to the decrease in content distribution revenue related to drama series. Looking ahead in 2Q25, several key titles already launched or lined up for launch shall support membership revenue growth, including *Demon Hunter's Romance*, *Breaking the Shadows* and *What a Wonderful World*. We expect total revenue to be largely flat QoQ at RMB7.18bn in 2Q25E.
- **Micro drama ecosystem made solid progress.** iQiyi's total number of micro drama titles surpassed 15,000 in 1Q25, half of which are free and the other half are exclusive to members. iQiyi focuses on driving user base expansion and time spent on micro dramas at the current stage, after which it will further enhance the monetization rate of micro dramas through advertising, membership and e-commerce, according to the company. Total number of users who spent over 80% of their watch time on micro dramas grew by over 300% from Dec 2024 to Apr 2025. The company has also launched trial operation of content-driven e-commerce, supported by the micro drama ecosystem, a diversified IP portfolio and abundant artist resources.
- **Content & marketing investment impacts short-term margin.** Non-GAAP OPM was down by 7.3ppt YoY to 6.4% in 1Q25, mainly due to increased investment in content and user acquisitions. SG&A expenses were up by 11% to RMB1.03bn driven by higher marketing spending in 1Q25. iQiyi will continue to invest in long-video content ecosystem and micro dramas. We expect non-GAAP OPM will drop to 0.6% in 2Q25E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	32,018	29,225	28,490	28,954	29,372
Gross margin (%)	27.8	24.9	23.1	25.8	26.1
Adjusted net profit (RMB mn)	2,984.1	1,512.2	733.8	1,547.9	1,776.6
EPS (Adjusted) (RMB)	3.13	1.57	0.76	1.61	1.83
Consensus EPS (RMB)	3.13	1.57	1.71	1.97	2.55
P/S (x)	0.4	0.4	0.4	0.4	0.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$2.45**
 (Previous TP) US\$2.60
Up/Downside **45.0%**
Current Price **US\$1.69**

China Internet

Saiyi HE, CFA
 (852) 3916 1739
 hesaiyi@cmbi.com.hk

Wentao LU, CFA
 luwentao@cmbi.com.hk

Ye TAO, CFA
 franktao@cmbi.com.hk

Joanna Ma
 (852) 3761 8838
 joannama@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	1,627.4
Avg 3 mths t/o (US\$ mn)	39.8
52w High/Low (US\$)	4.78/1.53
Total Issued Shares (mn)	963.0

Source: FactSet

Shareholding Structure

Baidu	45.1%
PAG	12.2%

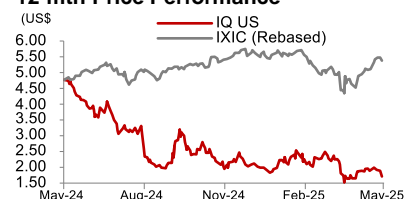
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-9.6%	-20.2%
3-mth	-25.1%	-22.7%
6-mth	-13.3%	-13.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: iQiyi: forecast revision

RMBbn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	28.5	29.0	29.4	28.5	29.0	29.4	-0.1%	-0.1%	-0.1%
Gross profit	6.6	7.5	7.7	7.1	7.3	7.6	-6.9%	1.9%	0.6%
Operating profit	0.9	1.8	2.1	1.7	1.9	2.2	-47.1%	-3.8%	-2.5%
Non-GAAP net profit	0.7	1.5	1.8	1.4	1.6	1.8	-48.4%	-4.0%	-2.6%
Non-GAAP EPS (RMB)	0.8	1.6	1.8	1.5	1.7	1.9	-48.4%	-4.0%	-2.6%
Gross margin	23.1%	25.8%	26.1%	24.8%	25.3%	26.0%	-1.7 ppt	0.5 ppt	0.2 ppt
Operating margin	3.1%	6.3%	7.3%	5.8%	6.6%	7.5%	-2.7 ppt	-0.2 ppt	-0.2 ppt
Non-GAAP net margin	2.6%	5.3%	6.0%	5.0%	5.6%	6.2%	-2.4 ppt	-0.2 ppt	-0.2 ppt

Source: CMBIGM estimates

Figure 2: iQiyi: CMBIGM estimates vs consensus

RMBbn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	28.5	29.0	29.4	29.2	30.3	31.6	-2.3%	-4.3%	-7.0%
Gross Profit	6.6	7.5	7.7	7.4	7.9	8.6	-10.6%	-5.1%	-10.8%
Operating Profit	0.9	1.8	2.1	2.0	2.3	2.8	-55.3%	-21.6%	-24.5%
Non-GAAP net profit	0.7	1.5	1.8	1.6	2.0	2.5	-55.2%	-21.3%	-28.5%
Non-GAAP EPS (RMB)	0.8	1.6	1.8	1.7	2.0	2.5	-55.9%	-19.1%	-28.2%
Gross Margin	23.1%	25.8%	26.1%	25.3%	26.0%	27.2%	-2.2 ppt	-0.2 ppt	-1.1 ppt
Operating Margin	3.1%	6.3%	7.3%	6.8%	7.7%	9.0%	-3.7 ppt	-1.4 ppt	-1.7 ppt
Non-GAAP net margin	2.6%	5.3%	6.0%	5.6%	6.5%	7.9%	-3.0 ppt	-1.2 ppt	-1.8 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

We value iQiyi at US\$2.45 per share based on 13x 3Q25-2Q26E non-GAAP EPS. Our target PE multiple is at a discount to the sector average (29x), due to the intense competition in China's video streaming sector.

Figure 3: iQiyi: target valuation

P/E valuation	
3Q25-2Q26E Non-GAAP EPADS	1.37
Target PE	13.0
Target Price (CNY)	17.79
Target Price (US\$)	2.45

Source: Company data, CMBIGM estimates

Figure 4: Global streaming platforms

Companies	Ticker	Price (LC)	PE (x)		PS (x)		EPS CAGR 24-26E
			2025E	2026E	2025E	2026E	
Netflix Inc	NFLX US	1194.6	46.7	38.3	11.4	10.2	37%
Disney	DIS US	110.5	19.3	17.8	2.1	2.0	19%
Spotify	SPOT US	643.0	NA	45.6	6.6	5.7	NA
TME	TME US	17.0	20.6	18.6	6.1	5.5	22%
Average			28.9	30.1	6.5	5.8	

Source: Bloomberg, CMBIGM

Note: data as of 21 May

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	28,998	32,018	29,225	28,490	28,954	29,372
Cost of goods sold	(22,319)	(23,102)	(21,954)	(21,897)	(21,485)	(21,697)
Gross profit	6,678	8,916	7,272	6,594	7,469	7,675
Operating expenses	(5,366)	(5,781)	(5,460)	(5,712)	(5,631)	(5,537)
SG&A expense	(3,467)	(4,014)	(3,682)	(3,979)	(3,927)	(3,867)
R&D expense	(1,899)	(1,767)	(1,778)	(1,734)	(1,704)	(1,670)
Operating profit	1,312	3,135	1,811	881	1,838	2,139
Share of (losses)/profits of associates/JV	(213)	(51)	18	18	18	18
EBIT	1,099	3,084	1,829	899	1,855	2,156
Interest income	70	257	272	299	299	299
Interest expense	(715)	(1,130)	(1,062)	(995)	(995)	(995)
Foreign exchange gain/loss	(168)	(105)	(97)	42	0	0
Other income/expense	(319)	73	(90)	0	0	0
Pre-tax profit	(34)	2,178	852	246	1,160	1,461
Income tax	(84)	(80)	(61)	(22)	(139)	(219)
After tax profit	(118)	2,098	791	223	1,021	1,242
Minority interest	18	27	27	0	0	0
Net profit	(136)	2,071	764	223	1,021	1,242
Adjusted net profit	1,284	2,984	1,512	734	1,548	1,777

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	13,786	12,635	9,527	10,981	12,699	14,332
Cash & equivalents	7,098	4,435	3,530	4,040	5,663	7,199
Restricted cash	14	6	0	0	0	0
Account receivables	2,403	2,169	2,191	2,047	2,001	1,950
Prepayment	2,603	2,794	2,193	2,138	2,173	2,204
Other current assets	1,668	3,231	1,613	2,755	2,862	2,979
Non-current assets	32,263	31,959	36,233	38,372	38,040	38,356
PP&E	1,105	864	878	1,389	1,420	1,453
Right-of-use assets	674	684	610	610	610	610
Deferred income tax	0	0	24	24	24	24
Investment in JVs & assos	2,454	2,261	2,108	2,108	2,108	2,108
Intangibles	437	310	290	1,153	1,297	1,444
Goodwill	3,826	3,821	3,821	3,276	3,276	3,276
Other non-current assets	23,768	24,020	28,503	29,812	29,304	29,442
Total assets	46,048	44,594	45,761	49,353	50,739	52,688
Current liabilities	28,130	22,342	21,477	20,578	20,422	20,601
Short-term borrowings	3,348	3,572	3,787	3,787	3,787	3,787
Account payables	5,993	5,671	6,482	6,061	5,947	6,006
Other current liabilities	16,059	10,129	8,053	7,934	7,943	8,037
Lease liabilities	104	101	97	97	97	97
Accrued expenses	2,626	2,869	3,058	2,700	2,649	2,675
Non-current liabilities	11,575	10,068	10,909	10,909	10,909	10,909
Long-term borrowings	0	98	1,037	1,037	1,037	1,037
Convertible bonds	9,568	8,144	8,351	8,351	8,351	8,351
Other non-current liabilities	2,007	1,826	1,522	1,522	1,522	1,522
Total liabilities	39,705	32,409	32,387	31,488	31,332	31,511
Share capital	0	0	0	0	0	0
Capital surplus	50,886	54,971	55,624	59,413	59,934	60,463
Retained earnings	(46,499)	(44,573)	(43,809)	(44,099)	(43,079)	(41,837)
Other reserves	1,863	1,688	1,551	2,543	2,543	2,543
Total shareholders equity	6,251	12,087	13,365	17,857	19,399	21,169
Minority interest	93	98	8	8	8	8
Total equity and liabilities	46,048	44,594	45,761	49,353	50,739	52,688

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(34)	2,178	852	246	1,160	1,461
Depreciation & amortization	13,655	14,091	13,625	18,062	17,013	16,160
Tax paid	(84)	(80)	(61)	(22)	(139)	(219)
Change in working capital	(14,493)	(13,358)	(12,359)	(14,667)	(12,685)	(12,103)
Others	885	666	53	1,043	521	529
Net cash from operations	(71)	3,497	2,110	4,662	5,870	5,828
Investing						
Capital expenditure	(270)	(105)	(173)	(430)	(437)	(444)
Others	536	(1,635)	(2,272)	(3,928)	(3,810)	(3,848)
Net cash from investing	266	(1,740)	(2,445)	(4,358)	(4,247)	(4,292)
Financing						
Net borrowings	7,726	9,049	4,953	0	0	0
Others	(3,257)	(13,334)	(6,323)	0	0	0
Net cash from financing	4,469	(4,285)	(1,370)	0	0	0
Net change in cash						
Cash at the beginning of the year	3,075	7,862	5,427	3,737	4,040	5,663
Exchange difference	122	92	15	0	0	0
Cash at the end of the year	7,862	5,427	3,737	4,040	5,663	7,199

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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