招銀国际
CMB INTERNATIONAL
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Baidu (BIDU US)

3Q25 preview: expecting inline results and more updates from new businesses

For 3Q25E, we expect Baidu Core business revenue could reach RMB24.6bn, down 7% YoY, owing to ongoing transformation in ads business, while partly offset by solid cloud revenue growth, which we anticipate to be 20% YoY. We are looking for RMB2.1bn non-GAAP OP for Baidu Core in 3Q25E, inline with Bloomberg consensus. Recovery in core ads likely still takes time, in our view, while new ads growth drivers, such as agent-related ads and digital human, are in the making. Core ads business and cash in hand are key factors to support valuation, in our view, while further valuation rerating opportunities could arise from: 1) more visibility on operating metrics of cloud business; 2) more updates on Robotaxi and AI-related new businesses; 3) potential optimization in use of cash on hand to further enhance shareholder return. We lift our SOTP-based target price to US$148.4 (was US$132.0) to reflect a more positive development outlook of cloud business. Maintain BUY.

- **Public cloud to sustain solid growth momentum.** We are anticipating Baidu Cloud revenue growth of 20% YoY in 3Q25E (3Q24: 11%; 2Q25: 27%), driven by robust public cloud revenue growth boosted by the AI-related demand. We expect more visibility on operating metrics of both personal cloud (such as NetDisk and Wenku) and public cloud business to propel valuation rerating for cloud business in the coming quarters.
- **Recovery in core ads likely still takes time, while new growth drivers are in the making.** Within Baidu Core business, we are looking for a 22.5% YoY revenue decline for ads business in 3Q25E, owing to the ongoing business transformation, while expecting the decline to narrow to 16.5% YoY in 4Q25E due to the gradual kick-off of monetization for Gen-AI related search results and incremental ads revenue generated from new ads format such as agent-related ads and digital human. In 2Q25, revenue generated by agents for advertisers/ digital human-related ads grew 50/55% QoQ and contributed 13/3% of Baidu Core's online marketing revenue, and we expect the contribution to continue ramping up in the coming quarters. Weighed by business adjustments in the near term, we estimate Baidu Core has achieved non-GAAP OP of RMB2.1bn in 3Q25E (3Q24: RMB6.7bn), in line with consensus.
- **Potential optimization in use of cash to provide further valuation support.** As of end-2Q25, Baidu had cash, cash equivalents, restricted cash and short-term investment of RMB124.2bn, and the cash, cash equivalents, short-term investment, long-term deposits and held-to-maturity investment for Baidu Core was RMB229.7bn. The potential disposal of non-core assets, as well as optimization in use of cash in hand to enhance shareholder return should help provide further valuation support, in our view.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	134,598	133,125	129,692	136,985	143,464
YoY growth (%)	8.8	(1.1)	(2.6)	5.6	4.7
Adjusted net profit (RMB mn)	28,747.0	27,002.0	16,477.4	21,511.4	23,909.5
YoY growth (%)	39.0	(6.1)	(39.0)	30.6	11.1
EPS (Adjusted) (RMB)	81.06	77.20	48.07	64.04	72.63
Consensus EPS (RMB)	na	76.85	54.97	60.56	71.87
P/E (x)	14.8	12.6	16.3	16.5	14.2
ROE (%)	8.4	9.0	6.2	5.6	5.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$148.40**
(Previous TP	US$132.00)
Up/Downside	**23.7%**
Current Price	**US$119.94**

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Stock Data

Mkt Cap (US$ mn)	41,110.0
Avg 3 mths t/o (US$ mn)	171.4
52w High/Low (US$)	144.91/76.86
Total Issued Shares (mn)	342.8

Source: FactSet

Shareholding Structure

Handsome Reward Limited	16.1%
BlackRock, Inc.	4.6%

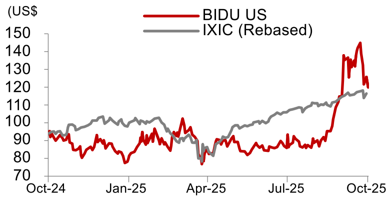
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.5%	3.7%
3-mth	28.6%	18.0%
6-mth	41.9%	6.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Changes in forecast

To account for the mixed impact from slightly lowered forecast for core ads business in the near term and raised forecast for cloud business over 2026-2027E, we nudge down total revenue forecast for Baidu by 1.0/0.3% for 2025E/2026E, but lift forecast by 0.4% in 2027E.

Along with the cut in revenue in the near term, and with the fine-tuned estimates for other non-operating items (such as forecast for foreign exchange gains or losses), we cut non-GAAP NP forecast by 2-8% for Baidu over 2025-2027E.

Figure 1: Baidu forecast revision

	Current			Previous			Change (%)		
RMB bn	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	129.7	137.0	143.5	131.0	137.4	142.9	-1.0%	-0.3%	0.4%
Gross profit	56.9	63.7	67.6	57.9	64.1	67.2	-1.7%	-0.5%	0.6%
Non-GAAP net profit	16.5	21.5	23.9	17.8	22.2	24.3	-7.6%	-3.3%	-1.5%
Gross margin	43.9%	46.5%	47.1%	44.2%	46.6%	47.0%	-0.3 ppt	-0.1 ppt	0.1 ppt
Non-GAAP net margin	12.7%	15.7%	16.7%	13.6%	16.2%	17.0%	-0.9 ppt	-0.5 ppt	-0.3 ppt

Source: CMBIGM estimates

Figure 2: Baidu: CMBI forecast vs Bloomberg consensus

	Current			Consensus			Diff (%)		
RMB bn	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	129.7	137.0	143.5	129.4	136.2	145.2	0.3%	0.6%	-1.2%
Gross profit	56.9	63.7	67.6	56.2	60.8	66.7	1.3%	4.9%	1.3%
Non-GAAP net profit	16.5	21.5	23.9	18.6	20.0	23.9	-11.3%	7.8%	-0.1%
Gross margin	43.9%	46.5%	47.1%	43.4%	44.6%	45.9%	0.5 ppt	1.9 ppt	1.2 ppt
Non-GAAP net margin	12.7%	15.7%	16.7%	14.4%	14.6%	16.5%	-1.7 ppt	1.1 ppt	0.2 ppt

Source: Bloomberg, CMBIGM estimates

SOTP valuation of US$148.4 per ADS

Our new SOTP-based target price comprises, per ADS:

1) US$33.2 for Baidu Core (mainly including the core ads business, excluding Apollo and Baidu Cloud), based on an unchanged 5.0x 2025E non-GAAP PE (was US$35.3 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 2025E using a 13.0% WACC.

3) US$60.3 for Baidu Cloud, based on 5.5x 2025E PS (was US$38.3 based on 3.4x 2025E PS). The lift in valuation was mainly due to more positive market sentiment on the back of solid cloud revenue growth outlook, which is inline with the valuation rerating trend with other cloud peers under our coverage;

4) US$54.6 for net cash, iQIYI and other investments (was US$58.2), with a 30% holding discount applied to the valuation of US$78.0 per ADS.

We expect more visibility on operating metrics of both personal cloud (such as NetDisk and Wenku) and public cloud business to propel valuation rerating for cloud business in the coming quarters. In addition, the potential disposal of non-core assets, as well as optimization in use of cash in hand to enhance shareholder return should help provide further valuation support, in our view.

Figure 3: 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)	2,278	5.0	81,994	11,388	100.0	11,388	33.2	22.4
2) Apollo ASD			714	99	100.0	99	0.3	0.2
3) Baidu Cloud (ex-ASD)		5.5	148,728	20,657	100.0	20,657	60.3	40.6
Valuation of core business						**32,144**	**93.8**	**63.2**
iQIYI, strategic investment, and net cash								
1) iQIYI		Market value	15,531	2,157	45.4	979	2.9	
2) Trip.com group		Market value	368,073	51,121	7.0	3,578	10.4	
3) Uxin		Market value	4,305	598	9.1	54	0.2	
4) HAND Enterprise Solutions		Market value	12,271	2,520	5.3	132	0.4	
5) Kuaishou		Market value	321,721	44,684	3.1	1,388	4.0	
6) Yusys Technologies		Market value	15,260	2,119	3.6	77	0.2	
7) Net cash		CMBI estimates	147,786	20,526	100.0	20,526	59.9	
Valuation of iQIYI, investments, and net cash						**26,735**	**78.0**	
Valuation of iQIYI, investment, and net cash (with 30% holding discount)						**18,715**	**54.6**	**36.8**
Total Baidu valuation (US$mn)						**50,859**		
Number of ADS outstanding (mn)						**343**		
Valuation per ADS (US$)						**148.4**		

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 SH); Kuaishou (1024 HK); Yusys Technologies (300674 SH)

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	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**123,675**	**134,598**	**133,125**	**129,692**	**136,985**	**143,464**
Cost of goods sold	(63,935)	(65,031)	(66,102)	(72,764)	(73,237)	(75,893)
Gross profit	**59,740**	**69,567**	**67,023**	**56,927**	**63,748**	**67,571**
Operating expenses	**(43,829)**	**(47,711)**	**(45,753)**	**(46,811)**	**(48,357)**	**(49,221)**
SG&A expense	(20,514)	(23,519)	(23,620)	(24,512)	(25,753)	(26,254)
R&D expense	(23,315)	(24,192)	(22,133)	(22,300)	(22,603)	(22,967)
Operating profit	**15,911**	**21,856**	**21,270**	**10,116**	**15,392**	**18,350**
Share of (losses)/profits of associates/JV	(1,910)	(3,799)	(691)	1,268	1,589	1,937
Adjusted EBITDA	**29,663**	**35,824**	**33,077**	**23,024**	**28,744**	**32,129**
Net Interest income/(expense)	**3,332**	**4,761**	**5,138**	**5,655**	**4,881**	**4,820**
Foreign exchange gain/loss	(1,484)	595	1,076	(1,500)	(1,200)	(960)
Other income/expense	(5,737)	1,785	1,829	5,794	2,283	2,306
Pre-tax profit	**10,112**	**25,198**	**28,622**	**21,334**	**22,945**	**26,453**
Income tax	(2,578)	(3,649)	(4,447)	(3,391)	(5,190)	(6,160)
After tax profit	**7,534**	**21,549**	**24,175**	**17,943**	**17,755**	**20,293**
Minority interest	(25)	1,234	415	38	318	434
Net profit	**7,559**	**20,315**	**23,760**	**17,905**	**17,437**	**19,860**
Adjusted net profit	**20,680**	**28,747**	**27,002**	**16,477**	**21,511**	**23,910**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**212,850**	**230,255**	**168,849**	**170,279**	**177,514**	**185,759**
Cash & equivalents	53,156	25,231	24,832	33,948	39,715	46,599
Restricted cash	11,330	11,503	11,697	11,697	11,697	11,697
Account receivables	11,733	10,848	10,104	9,594	10,133	10,612
Other current assets	136,631	182,673	122,216	115,040	115,969	116,850
Non-current assets	**178,123**	**176,504**	**258,931**	**274,092**	**285,531**	**297,177**
PP&E	23,973	27,960	30,102	51,135	62,323	73,715
Intangibles	8,095	7,848	7,702	1,830	2,081	2,335
Goodwill	22,477	22,586	22,586	22,586	22,586	22,586
Other non-current assets	123,578	118,110	198,541	198,541	198,541	198,541
Total assets	**390,973**	**406,759**	**427,780**	**444,371**	**463,045**	**482,935**
Current liabilities	**79,630**	**76,451**	**80,953**	**73,208**	**72,587**	**71,338**
Short-term borrowings	5,343	10,257	10,669	10,669	10,669	10,669
Account payables	38,014	37,717	41,443	35,177	33,777	31,837
Other current liabilities	36,273	28,477	28,841	27,363	28,140	28,831
Non-current liabilities	**73,538**	**67,700**	**63,215**	**60,510**	**57,112**	**53,007**
Long-term borrowings	13,722	14,223	15,596	0	0	0
Bond payables	49,461	43,134	36,347	49,238	45,840	41,735
Obligations under finance leases	4,810	5,040	4,973	4,973	4,973	4,973
Deferred income	159	200	231	231	231	231
Other non-current liabilities	5,386	5,103	6,068	6,068	6,068	6,068
Total liabilities	**153,168**	**144,151**	**144,168**	**133,718**	**129,698**	**124,344**
Share capital	0	0	0	0	0	0
Capital surplus	79,855	87,099	87,146	87,193	87,240	87,287
Retained earnings	143,623	156,527	176,474	203,468	226,115	251,312
Other reserves	8,393	9,465	9,870	9,870	9,870	9,870
Total shareholders equity	**231,871**	**253,091**	**273,490**	**300,531**	**323,225**	**348,469**
Minority interest	5,934	9,517	10,122	10,122	10,122	10,122
Total equity and liabilities	**390,973**	**406,759**	**427,780**	**444,371**	**463,045**	**482,935**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**10,112**	**25,198**	**28,622**	**21,334**	**22,945**	**26,453**
Depreciation & amortization	14,725	14,908	14,628	4,877	4,914	4,709
Tax paid	(2,578)	(3,649)	(4,447)	(3,391)	(5,190)	(6,160)
Change in working capital	(16,758)	(13,067)	(27,512)	(59)	(2,090)	(2,610)
Others	20,669	13,225	9,943	4,793	4,851	4,863
Net cash from operations	**26,170**	**36,615**	**21,234**	**27,555**	**25,430**	**27,256**
Investing						
Capital expenditure	(8,286)	(11,190)	(8,134)	(15,632)	(16,101)	(16,101)
Acquisition of subsidiaries/ investments	(14)	(115)	0	0	0	0
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	4,356	(39,092)	(421)	(249)	(251)	(254)
Net cash from investing	**(3,944)**	**(50,397)**	**(8,555)**	**(15,881)**	**(16,353)**	**(16,355)**
Financing						
Net borrowings	(6,813)	(13,093)	(2,914)	(15,596)	0	0
Share repurchases	(1,925)	(4,764)	(6,324)	0	0	0
Others	2,348	3,695	(4,521)	12,979	(3,310)	(4,017)
Net cash from financing	**(6,390)**	**(14,162)**	**(13,759)**	**(2,617)**	**(3,310)**	**(4,017)**
Net change in cash						
Cash at the beginning of the year	47,671	65,236	37,574	36,589	45,645	51,412
Exchange difference	1,729	282	95	0	0	0
Cash at the end of the year	**65,236**	**37,574**	**36,589**	**45,645**	**51,412**	**58,296**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(0.7%)	8.8%	(1.1%)	(2.6%)	5.6%	4.7%
Gross profit	(0.7%)	16.4%	(3.7%)	(15.1%)	12.0%	6.0%
Operating profit	51.3%	37.4%	(2.7%)	(52.4%)	52.1%	19.2%
Net profit	(26.1%)	168.8%	17.0%	(24.6%)	(2.6%)	13.9%
Adj. net profit	9.8%	39.0%	(6.1%)	(39.0%)	30.6%	11.1%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	48.3%	51.7%	50.3%	43.9%	46.5%	47.1%
Operating margin	12.9%	16.2%	16.0%	7.8%	11.2%	12.8%
Adj. net profit margin	16.7%	21.4%	20.3%	12.7%	15.7%	16.7%
Return on equity (ROE)	3.4%	8.4%	9.0%	6.2%	5.6%	5.9%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(0.8)	(0.5)	(0.5)	(0.5)	(0.5)
Current ratio (x)	2.7	3.0	2.1	2.3	2.4	2.6
Receivable turnover days	31.6	29.0	26.8	27.0	25.9	26.0
Payable turnover days	223.5	220.6	220.7	184.5	169.5	155.6

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	39.4	14.8	12.6	16.3	16.5	14.2
P/E (diluted)	39.8	15.0	12.6	16.4	16.5	14.2
P/B	1.3	1.2	1.1	1.0	0.9	0.8
P/CFPS	16.8	11.9	22.9	24.6	30.8	25.3

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

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