

iQIYI (IQ US)

4Q25 review: total revenue recovered on improving content performance

iQiyi announced 4Q25 results: total revenue grew by 3% YoY to RMB6.79bn, in line with Bloomberg consensus estimate; non-GAAP net income was RMB110mn, up from RMB59mn net loss in 4Q24 and ahead of consensus estimate of RMB68mn, thanks to the operating leverage. Looking ahead, we forecast total revenue to decline by 13% YoY and 8% QoQ to RMB6.28bn in 1Q26E, as the company has been adjusting content strategy and reducing content distributed to other channels, which could lead to a decline in content distribution revenue. Thus, we lower our FY26 total revenue forecast by 4%, and cut our non-GAAP net profit forecast to RMB0.8bn (previous: RMB1.0bn) due to operating deleverage. We lower our target price to US\$2.00 based on 18x 2026E non-GAAP EPS (previous: US\$2.75 based on 18x 2026E non-GAAP EPS). Maintain BUY.

- Total revenue recovered in 4Q25, but 1Q26E remains challenging.** Membership services revenue was RMB4.1bn in 4Q25, flattish YoY after declining for 7 consecutive quarters, thanks to the improving content performance. iQiyi ranked the first in viewership market share on 2025 Enlightent Data TV series annual ranking, supported by 5 titles that exceeded 10,000 iQiyi popularity score. Online advertising revenue dropped by 6% YoY to RMB1.4bn in 4Q25, mainly due to the decline in ad budget of certain advertisers amid macro headwinds. Content distribution revenue increased by 94% YoY to RMB788mn in 4Q25, primarily thanks to the increase in cash transactions with TV and other channels. Others revenue declined by 18% YoY to RMB548mn in 4Q25. Looking ahead, we expect total revenue to decline by 13% YoY and 8% QoQ to RMB6.28bn in 1Q26E, with membership/online advertising/content distribution revenue down by 5%/8%/38% YoY respectively.
- Emerging businesses made solid progress.** New initiatives started to bear fruit: 1) overseas membership revenue grew by over 40% YoY in 2H25, with subscriber base reaching record highs; 2) IP experience business achieved new milestones and opened its first iQiyi Land in Feb 2026, receiving positive early feedback; 3) the company now has over 20,000 micro-drama titles with over 70% available for free. On the AI front, the company launched NaDou AI agent platform, which integrates large model capabilities and iQiyi's expertise in content creation, to streamline content production pipeline from script evaluation to content generation.
- Margin to remain under pressure.** iQiyi gross margin improved by 2.7ppts QoQ to 20.9% in 4Q25, thanks to the recovery of membership businesses. Non-GAAP operating margin rose by 2.4ppts YoY to 2.1% in 4Q25. For 1Q26E, we expect iQiyi's non-GAAP OPM to decline by 2.9ppts QoQ to -0.8%, as the declines in online advertising and content distribution revenue lead to operating deleverage.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	29,225	27,291	26,917	27,921	29,005
YoY growth (%)	(8.7)	(6.6)	(1.4)	3.7	3.9
Gross margin (%)	24.9	21.1	22.1	24.1	25.0
Adjusted net profit (RMB mn)	1,512.2	280.6	750.7	1,330.1	1,739.0
EPS (Adjusted) (RMB)	1.57	0.29	0.78	1.38	1.80
Consensus EPS (RMB)	1.57	0.29	0.82	1.65	2.97
P/S (x)	0.4	0.4	0.4	0.4	0.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$2.00
(Previous TP)	US\$2.75)
Up/Downside	17.0%
Current Price	US\$1.71

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Stock Data

Mkt Cap (US\$ mn)	1,648.0
Avg 3 mths t/o (US\$ mn)	19.6
52w High/Low (US\$)	2.79/1.53
Total Issued Shares (mn)	963.8

Source: FactSet

Shareholding Structure

Baidu	45.1%
PAG	12.2%

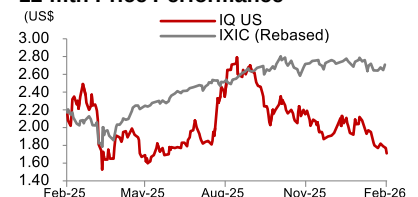
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-19.3%	-17.0%
3-mth	-20.5%	-20.3%
6-mth	-27.5%	-32.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: iQiyi: forecast revision

RMBbn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	26.9	27.9	29.0	27.9	28.4	NA	-3.7%	-1.7%	NA
Gross Profit	5.9	6.7	7.2	6.5	6.9	NA	-8.7%	-2.2%	NA
Operating Profit	0.8	1.5	1.9	1.2	1.4	NA	-32.0%	1.7%	NA
Non-GAAP net profit	0.8	1.3	1.7	1.0	1.3	NA	-27.2%	6.0%	NA
Non-GAAP EPS (RMB)	0.8	1.4	1.8	1.1	1.3	NA	-27.2%	6.1%	NA
Gross Margin	22.1%	24.1%	25.0%	23.3%	24.2%	NA	-1.2 ppt	-0.1 ppt	NA
Operating Margin	2.9%	5.3%	6.6%	4.2%	5.1%	NA	-1.2 ppt	0.2 ppt	NA
Non-GAAP net margin	2.8%	4.8%	6.0%	3.7%	4.4%	NA	-0.9 ppt	0.3 ppt	NA

Source: CMBIGM estimates

Figure 2: iQiyi: CMBIGM estimates vs consensus

RMBbn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	26.9	27.9	29.0	28.0	29.0	28.7	-3.7%	-3.9%	1.1%
Gross Profit	5.9	6.7	7.2	6.3	7.1	7.1	-5.7%	-4.9%	2.7%
Operating Profit	0.8	1.5	1.9	0.9	1.6	2.1	-13.2%	-9.0%	-6.3%
Non-GAAP net profit	0.8	1.3	1.7	0.8	1.6	2.9	-5.6%	-16.3%	-39.3%
Non-GAAP EPS (RMB)	0.8	1.4	1.8	0.8	1.6	3.0	-5.6%	-16.3%	-39.3%
Gross Margin	22.1%	24.1%	25.0%	22.5%	24.4%	24.6%	-0.5 ppt	-0.3 ppt	0.4 ppt
Operating Margin	2.9%	5.3%	6.6%	3.3%	5.5%	7.2%	-0.3 ppt	-0.3 ppt	-0.5 ppt
Non-GAAP net margin	2.8%	4.8%	6.0%	2.8%	5.5%	10.0%	-0.1 ppt	-0.7 ppt	-4.0 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

We value iQiyi at US\$2.00 per ADS based on 18x 2026E non-GAAP EPS. Our target PE multiple is at a discount to the sector average (22x), due to the intense competition in China's video streaming sector.

Figure 3: iQiyi: target valuation

P/E valuation	
2026E Non-GAAP EPADS	0.78
Target 2026E PE (x)	18.0
Target Price (CNY)	14.02
Target Price (US\$)	2.00

Note: CNY/USD = 7.0

Source: Company data, CMBIGM estimates

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	82.7	26.4	21.7	6.8	6.1	22%
Disney	DIS US	105.1	15.9	14.4	1.8	1.8	12%
Spotify	SPOT US	463.3	31.1	24.5	4.1	3.7	50%
TME	TME US	14.7	14.6	12.5	4.3	3.8	13%
Average			22.0	18.3	4.3	3.8	

Note: data as of 25 Feb

Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	32,018	29,225	27,291	26,917	27,921	29,005
Cost of goods sold	(23,102)	(21,954)	(21,542)	(20,971)	(21,192)	(21,756)
Gross profit	8,916	7,272	5,749	5,945	6,729	7,249
Operating expenses	(5,781)	(5,460)	(5,520)	(5,154)	(5,263)	(5,322)
SG&A expense	(4,014)	(3,682)	(3,857)	(3,543)	(3,620)	(3,673)
R&D expense	(1,767)	(1,778)	(1,663)	(1,611)	(1,643)	(1,649)
Operating profit	3,135	1,811	229	791	1,466	1,927
Share of (losses)/profits of associates/JV	(51)	18	(4)	(4)	(4)	(4)
EBIT	3,084	1,829	225	786	1,462	1,922
Interest income	257	272	334	334	334	334
Interest expense	(1,130)	(1,062)	(910)	(764)	(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)	357	1,032	1,493
Income tax	(80)	(61)	(145)	(43)	(155)	(224)
After tax profit	2,098	791	(204)	314	877	1,269
Minority interest	27	27	2	0	0	0
Net profit	2,071	764	(206)	314	877	1,269
Adjusted net profit	2,984	1,512	281	751	1,330	1,739

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	12,635	9,527	10,290	12,402	13,867	15,607
Cash & equivalents	4,435	3,530	4,354	5,590	6,849	8,367
Restricted cash	6	0	23	23	23	23
Account receivables	2,169	2,191	2,523	2,251	2,258	2,267
Prepayment	2,794	2,193	2,406	2,373	2,462	2,557
Other current assets	3,231	1,613	984	2,164	2,275	2,392
Non-current assets	31,959	36,233	36,391	39,680	39,824	40,322
PP&E	864	878	903	1,400	1,427	1,466
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	1,275	1,412	1,556
Goodwill	3,821	3,821	3,821	3,276	3,276	3,276
Other non-current assets	24,020	28,503	29,166	31,446	31,426	31,740
Total assets	44,594	45,761	46,682	52,082	53,692	55,929
Current liabilities	22,342	21,477	22,067	21,476	21,761	22,265
Short-term borrowings	3,572	3,787	2,493	2,493	2,493	2,493
Account payables	5,671	6,482	6,652	6,393	6,461	6,632
Other current liabilities	10,129	8,053	10,075	9,920	10,111	10,373
Lease liabilities	101	97	84	84	84	84
Accrued expenses	2,869	3,058	2,762	2,586	2,613	2,682
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	32,781	33,067	33,571
Share capital	0	0	0	0	0	0
Capital surplus	54,971	55,624	56,026	60,976	61,423	61,887
Retained earnings	(44,573)	(43,809)	(44,016)	(44,210)	(43,333)	(42,064)
Other reserves	1,688	1,551	1,306	2,543	2,543	2,543
Total shareholders equity	12,087	13,365	13,316	19,308	20,632	22,365
Minority interest	98	8	(8)	(8)	(8)	(8)
Total equity and liabilities	44,594	45,761	46,682	52,082	53,692	55,929

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,178	852	(60)	357	1,032	1,493
Depreciation & amortization	14,091	13,625	18,234	17,361	16,434	15,957
Tax paid	(80)	(61)	(145)	(43)	(155)	(224)
Change in working capital	(13,358)	(12,359)	(18,328)	(13,295)	(12,364)	(11,947)
Others	666	53	403	975	447	464
Net cash from operations	3,497	2,110	106	5,355	5,393	5,743
Investing						
Capital expenditure	(105)	(173)	(412)	(407)	(422)	(438)
Others	(1,635)	(2,272)	85	(3,713)	(3,713)	(3,787)
Net cash from investing	(1,740)	(2,445)	(327)	(4,119)	(4,134)	(4,225)
Financing						
Net borrowings	9,049	4,953	(2,932)	0	0	0
Others	(13,334)	(6,323)	3,997	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	5,590	6,849
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	5,590	6,849	8,367
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	10.4%	(8.7%)	(6.6%)	(1.4%)	3.7%	3.9%
Gross profit	33.5%	(18.4%)	(20.9%)	3.4%	13.2%	7.7%
Operating profit	138.9%	(42.2%)	(87.3%)	244.8%	85.4%	31.4%
EBIT	180.6%	(40.7%)	(87.7%)	249.6%	85.9%	31.5%
Net profit	na	(63.1%)	na	na	179.5%	44.6%
Adj. net profit	132.4%	(49.3%)	(81.4%)	167.6%	77.2%	30.7%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	27.8%	24.9%	21.1%	22.1%	24.1%	25.0%
Operating margin	9.8%	6.2%	0.8%	2.9%	5.3%	6.6%
Adj. net profit margin	9.3%	5.2%	1.0%	2.8%	4.8%	6.0%
Return on equity (ROE)	22.6%	6.0%	(1.5%)	1.9%	4.4%	5.9%
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)	(0.1)
Current ratio (x)	0.6	0.4	0.5	0.6	0.6	0.7
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	5.4	14.7	ns	35.9	12.8	8.9
P/E (diluted)	5.5	14.9	ns	35.9	12.8	8.9
P/B	0.9	0.8	0.8	0.6	0.5	0.5

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

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