17 Oct 2025

CMB International Global Markets | Equity Research | Company Update

iQIYI (IQ US)

3Q25 preview: increasing investment in quality content

We forecast iQiyi's total revenue to be flattish QoQ but retreat by 8% YoY to RMB6.64bn in 3Q25E, with a resilient membership business (+3% QoQ) supported by the quality content pipeline. We estimate non-GAAP operating loss of RMB23mn in 3Q25E, vs operating income of RMB369/59mn in 3Q24/2Q25, mainly due to the adjustment to certain non-core businesses and step-up of content investment during summer peak season. Overall, we maintain FY25-27E revenue forecast largely unchanged, but lower non-GAAP operating income forecast by 0.4-2% to factor in the increase in content investment. We maintain our target price of US$2.70 based on 18x 2026E non-GAAP PE. Maintain BUY, as we expect NRTA's supportive policy and micro-drama investment will gradually bear fruit in 2026.

- **Membership business to recover QoQ; advertising business remains under pressure.** By segment: 1) we estimate membership revenue to decline by 3% YoY, but grow by 3% QoQ to RMB4.2bn in 3Q25E, mainly attributable to the better content performance in 3Q25 vs. 2Q25. Several quality dramas were launched in 3Q25, including *ZhaoXueLu, This Thriving Land* and *Calming Wave;* 2) we forecast online advertising revenue to decrease by 8%/3% YoY/QoQ to RMB1.2bn in 3Q25E, with decline in both brand and performance-based ads, primarily due to the lack of variety shows and major marketing events; 3) we forecast content distribution revenue to grow by 47% QoQ to RMB640mn in 3Q25E, mainly thanks to the increase in distribution revenue from cable TV and the revenue sharing from movie *The Shadow's Edge.*
- **Focus on investing in quality content; AI update.** The company released over 400 content pieces covering long & micro dramas, variety shows and movies on the 2025 iJOY conference, including highly anticipated dramas like *Strange Tales of Tang Dynasty 3, Born to be Alive, Family Property* and variety shows like *The Blooming Journey 2 and The Rap of China 2026.* In terms of content strategy, iQiyi will continue to invest in quality long-form and short-form content to satisfy various user demand. The company also leverages AI to improve content production efficiency and introduced iQiyi AI Theatre, which will recruit AI movie talents with a plan to launch the first AIGC movie in 1Q26.
- **Stepping up content investment.** iQiyi stepped up content investment in summer to capture greater market share, while maintaining disciplined opex control. We expect GPM/non-GAAP OPM to decline by 1.6ppts/1.2ppts to 18.5%/-0.3% in 3Q25E, mainly due to the higher content investment and adjustment of certain business lines.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	32,018	29,225	27,171	27,826	28,285
YoY growth (%)	10.4	(8.7)	(7.0)	2.4	1.6
Gross margin (%)	27.8	24.9	21.1	23.7	24.6
Adjusted net profit (RMB mn)	2,984.1	1,512.2	181.6	1,038.7	1,257.8
EPS (Adjusted) (RMB)	3.13	1.57	0.19	1.08	1.29
Consensus EPS (RMB)	3.13	1.57	0.30	1.05	1.69
P/S (x)	0.5	0.5	0.5	0.5	0.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$2.70**
Up/Downside	**26.2%**
Current Price	**US$2.14**

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)	2,061.6
Avg 3 mths t/o (US$ mn)	13.1
52w High/Low (US$)	2.80/1.53
Total Issued Shares (mn)	963.4

Source: FactSet

Shareholding Structure

Baidu	45.1%
PAG	12.2%

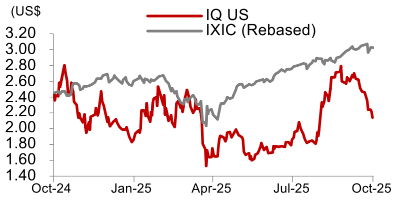
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-19.2%	-20.4%
3-mth	15.1%	5.2%
6-mth	26.6%	-8.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: iQiyi: forecast revision

	Current			Previous			Change (%)		
RMBbn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	27.2	27.8	28.3	27.2	27.8	28.3	-0.1%	-0.1%	-0.1%
Gross profit	5.7	6.6	7.0	5.8	6.6	7.0	-0.7%	-0.6%	-0.6%
Operating profit	0.2	1.2	1.4	0.2	1.2	1.5	-4.5%	-0.7%	-0.6%
Non-GAAP OP	0.7	1.6	1.9	0.7	1.6	1.9	-1.6%	-0.5%	-0.4%
Non-GAAP EPS (RMB)	0.2	1.1	1.3	0.1	1.1	1.3	30.3%	0.4%	0.4%
Gross margin	21.1%	23.7%	24.6%	21.3%	23.8%	24.7%	-0.1 ppt	-0.1 ppt	-0.1 ppt
Operating margin	0.8%	4.2%	5.1%	0.9%	4.2%	5.1%	0.0 ppt	0.0 ppt	0.0 ppt
Non-GAAP OPM	2.5%	5.8%	6.7%	2.5%	5.9%	6.8%	0.0 ppt	0.0 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 2: iQiyi: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMBbn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	27.2	27.8	28.3	27.2	28.2	29.3	-0.1%	-1.2%	-3.5%
Gross profit	5.7	6.6	7.0	5.9	6.6	7.3	-3.5%	0.2%	-5.0%
Operating profit	0.2	1.2	1.4	0.4	1.2	1.9	-49.0%	-0.7%	-23.2%
Non-GAAP EPS (RMB)	0.2	1.1	1.3	0.3	1.0	1.7	-37.4%	2.0%	-23.5%
Gross margin	21.1%	23.7%	24.6%	21.9%	23.4%	25.0%	-0.8 ppt	0.4 ppt	-0.4 ppt
Operating margin	0.8%	4.2%	5.1%	1.6%	4.2%	6.4%	-0.8 ppt	0.0 ppt	-1.3 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

We value iQiyi at US$2.70 per share based on 18x 2026E non-GAAP EPS. Our target PE multiple is at a discount to the sector average (30x), due to the intense competition in China's video streaming sector.

Figure 3: iQiyi: target valuation

P/E valuation	
2026E Non-GAAP EPADS	1.08
Target PE	18.0
Target Price (CNY)	19.45
Target Price (US$)	2.70

Source: Company data, CMBIGM estimates

Figure 4: Global streaming platforms

Companies	Ticker	Price	PE(x)		PS (x)		EPS CAGR
		(LC)	2025E	2026E	2025E	2026E	24-26E
Netflix Inc	NFLX US	1203.3	44.7	36.8	11.4	10.1	39%
Disney	DIS US	111.7	19.0	17.2	2.1	2.0	21%
Spotify	SPOT US	671.3	NA	NA	7.0	6.1	NA
TME	TME US	22.9	25.6	23.4	7.8	6.9	25%
Average			**29.7**	**25.8**	**7.1**	**6.3**	

Source: Bloomberg, CMBIGM
Note: data as of 15 Oct

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**28,998**	**32,018**	**29,225**	**27,171**	**27,826**	**28,285**
Cost of goods sold	(22,319)	(23,102)	(21,954)	(21,434)	(21,226)	(21,323)
Gross profit	**6,678**	**8,916**	**7,272**	**5,737**	**6,600**	**6,962**
Operating expenses	**(5,366)**	**(5,781)**	**(5,460)**	**(5,516)**	**(5,426)**	**(5,515)**
SG&A expense	(3,467)	(4,014)	(3,682)	(3,862)	(3,788)	(3,794)
R&D expense	(1,899)	(1,767)	(1,778)	(1,653)	(1,638)	(1,721)
Operating profit	**1,312**	**3,135**	**1,811**	**221**	**1,174**	**1,447**
Share of (losses)/profits of associates/JV	(213)	(51)	18	18	18	18
EBIT	**1,099**	**3,084**	**1,829**	**239**	**1,192**	**1,464**
Interest income	70	257	272	326	326	326
Interest expense	(715)	(1,130)	(1,062)	(951)	(850)	(850)
Foreign exchange gain/loss	(168)	(105)	(97)	180	0	0
Other income/expense	(319)	73	(90)	0	0	0
Pre-tax profit	**(34)**	**2,178**	**852**	**(206)**	**667**	**940**
Income tax	(84)	(80)	(61)	(109)	(80)	(141)
After tax profit	**(118)**	**2,098**	**791**	**(315)**	**587**	**799**
Minority interest	18	27	27	2	0	0
Net profit	**(136)**	**2,071**	**764**	**(317)**	**587**	**799**
Adjusted net profit	**1,284**	**2,984**	**1,512**	**182**	**1,039**	**1,258**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**13,786**	**12,635**	**9,527**	**9,997**	**11,200**	**12,387**
Cash & equivalents	7,098	4,435	3,530	3,254	4,328	5,412
Restricted cash	14	6	0	0	0	0
Account receivables	2,403	2,169	2,191	1,952	1,923	1,877
Prepayment	2,603	2,794	2,193	2,039	2,088	2,122
Other current assets	1,668	3,231	1,613	2,752	2,861	2,974
Non-current assets	**32,263**	**31,959**	**36,233**	**38,166**	**37,980**	**38,167**
PP&E	1,105	864	878	1,380	1,405	1,434
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	1,144	1,280	1,420
Goodwill	3,826	3,821	3,821	3,276	3,276	3,276
Other non-current assets	23,768	24,020	28,503	29,624	29,277	29,295
Total assets	**46,048**	**44,594**	**45,761**	**48,163**	**49,180**	**50,554**
Current liabilities	**28,130**	**22,342**	**21,477**	**20,126**	**20,111**	**20,233**
Short-term borrowings	3,348	3,572	3,787	3,787	3,787	3,787
Account payables	5,993	5,671	6,482	5,933	5,875	5,902
Other current liabilities	16,059	10,129	8,053	7,667	7,735	7,818
Lease liabilities	104	101	97	97	97	97
Accrued expenses	2,626	2,869	3,058	2,643	2,617	2,629
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**	**31,035**	**31,020**	**31,142**
Share capital	0	0	0	0	0	0
Capital surplus	50,886	54,971	55,624	59,211	59,656	60,109
Retained earnings	(46,499)	(44,573)	(43,809)	(44,635)	(44,048)	(43,249)
Other reserves	1,863	1,688	1,551	2,543	2,543	2,543
Total shareholders equity	**6,251**	**12,087**	**13,365**	**17,119**	**18,151**	**19,403**
Minority interest	93	98	8	8	8	8
Total equity and liabilities	**46,048**	**44,594**	**45,761**	**48,163**	**49,180**	**50,554**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(34)**	**2,178**	**852**	**(206)**	**667**	**940**
Depreciation & amortization	13,655	14,091	13,625	17,960	16,899	16,069
Tax paid	(84)	(80)	(61)	(109)	(80)	(141)
Change in working capital	(14,493)	(13,358)	(12,359)	(14,673)	(12,627)	(11,998)
Others	885	666	53	988	445	453
Net cash from operations	**(71)**	**3,497**	**2,110**	**3,960**	**5,305**	**5,323**
Investing						
Capital expenditure	(270)	(105)	(173)	(410)	(420)	(427)
Others	536	(1,635)	(2,272)	(3,888)	(3,811)	(3,811)
Net cash from investing	**266**	**(1,740)**	**(2,445)**	**(4,299)**	**(4,231)**	**(4,238)**
Financing						
Net borrowings	7,726	9,049	4,953	0	0	0
Others	(3,257)	(13,334)	(6,323)	2	0	0
Net cash from financing	**4,469**	**(4,285)**	**(1,370)**	**2**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	2,997	7,098	4,435	3,590	3,254	4,328
Exchange difference	122	92	15	0	0	0
Others	(686)	(228)	785	0	0	0
Cash at the end of the year	**7,098**	**4,435**	**3,530**	**3,254**	**4,328**	**5,412**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(5.1%)	10.4%	(8.7%)	(7.0%)	2.4%	1.6%
Gross profit	119.6%	33.5%	(18.4%)	(21.1%)	15.0%	5.5%
Operating profit	na	138.9%	(42.2%)	(87.8%)	430.0%	23.2%
EBIT	na	180.6%	(40.7%)	(86.9%)	398.0%	22.9%
Net profit	na	na	(63.1%)	na	na	36.1%
Adj. net profit	na	132.4%	(49.3%)	(88.0%)	471.9%	21.1%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	23.0%	27.8%	24.9%	21.1%	23.7%	24.6%
Operating margin	4.5%	9.8%	6.2%	0.8%	4.2%	5.1%
Adj. net profit margin	4.4%	9.3%	5.2%	0.7%	3.7%	4.4%
Return on equity (ROE)	(2.3%)	22.6%	6.0%	(2.1%)	3.3%	4.3%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.1)	0.1	0.1	0.0	(0.0)
Current ratio (x)	0.5	0.6	0.4	0.5	0.6	0.6
Receivable turnover days	30.2	24.7	27.4	26.2	25.2	24.2
Payable turnover days	98.0	89.6	107.8	101.0	101.0	101.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	7.0	19.2	ns	25.0	18.5
P/E (diluted)	ns	7.2	19.4	ns	25.2	18.5
P/B	2.1	1.2	1.1	0.9	0.8	0.8

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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