

# Baidu (BIDU US)

## OP likely hit trough; AI-related new initiatives have more visibility

Baidu announced (18 Nov) better-than-feared 3Q25 results: Baidu Core revenue was RMB24.7bn, down 7.0% YoY, inline with our forecast but was 1.5% better than Bloomberg consensus estimates; non-GAAP OP of Baidu Core reached RMB2.2bn, down 67% YoY, but was 6% ahead of both our forecast and consensus. Management noted that c.70% of mobile search result pages contained AI-generated content by end-Oct 2025, and believes this represents an optimal and sustainable level. At the same time, management shared more updates regarding AI-powered business development: 1) AI-native marketing services revenue grew 262% YoY and accounted for 18% of Baidu Core online marketing revenue; and 2) AI-cloud infrastructure revenue totalled RMB4.2bn in 3Q25 and inked YoY growth of 33%. With management guidance to drive operating efficiency improvement, Baidu Core's OP should bottom out in 3Q25 and gradually rebound from then onward, in our view. Baidu's move to further enhance shareholder return should provide additional support for valuation, and incremental disclosures and transparency on AI-powered business could serve as a catalyst for stock price, in our view. We fine-tune our SOTP-based target price to US\$150.7 (was US\$148.4). BUY.

- **Cloud revenue again delivered solid growth with AI-related revenue growing at a faster pace.** Baidu's AI Cloud revenue reached RMB6.2bn in 3Q25, up 21% YoY. Within AI Cloud, revenue from AI Cloud Infra, which refers to AI infrastructure and platform services serving enterprises and the public sector, reached RMB4.2bn, up 33% YoY. Meanwhile, subscription-based revenue from AI accelerator infrastructure within AI Cloud Infra saw revenue growth of 128% YoY, accelerating from 50% YoY in 2Q25.
- **Apollo Go saw acceleration in order volume growth.** Apollo Go provided 3.1mn fully driverless rides in 3Q25, up 212% YoY (2Q25: 148%; 3Q24: 20%), driven by the expansion in vehicle fleets. As of Oct 2025, Apollo Go's global footprint has covered 22 cities. To date, Apollo Go fleets have accumulated 240mn autonomous kilometers, including 140mn fully driverless autonomous kilometers.
- **AI-native marketing services revenue growth an emerging area of focus.** In 3Q25, Baidu Core's online ads revenue was RMB15.3bn, down 18% YoY, but was 5% better than consensus, which in our view can be attributed to the rapid ramp-up in AI-native marketing services revenue, which primarily consists of revenue generated from Digital Humans and Agents. AI-native marketing services revenue totalled RMB2.8bn in 3Q25. Management noted that the 70% of mobile search result pages containing AI-generated content by end-Oct 2025 has reached an optimal level, which in our view indicates that the YoY decline in online ads revenue of Baidu Core could narrow starting from 4Q25E with the increase in monetization from AI-native marketing services.
- **OPM should bottom out from 3Q25 onwards.** Non-GAAP OPM for Baidu Core was 9.0% in 3Q25, down 16.1ppts YoY but was 0.4ppts better than consensus. We expect OPM to bottom out driven by recovery in ads revenue and the initiatives to drive operating efficiency improvement. We estimate 4Q25E non-GAAP OP of RMB2.5bn (4Q24: RMB4.6bn) for Baidu Core, translating into OPM of 9.5%.

**BUY (Maintain)**

**Target Price** US\$150.70  
 (Previous TP) US\$148.40  
**Up/Downside** 28.6%  
**Current Price** US\$117.14

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### Stock Data

Mkt Cap (US\$ mn)	39,966.7
Avg 3 mths t/o (US\$ mn)	259.6
52w High/Low (US\$)	144.91/76.86
Total Issued Shares (mn)	341.2

Source: FactSet

### Shareholding Structure

Handsome Reward Limited	16.1%
BlackRock, Inc.	4.6%

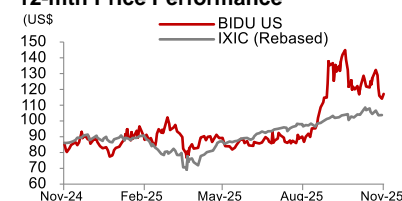
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-2.4%	-2.5%
3-mth	31.5%	23.4%
6-mth	31.2%	11.1%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

**Earnings Summary**

<b>(YE 31 Dec)</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
<b>Revenue (RMB mn)</b>	134,598	133,125	129,091	136,876	143,955
<b>YoY growth (%)</b>	8.8	(1.1)	(3.0)	6.0	5.2
<b>Adjusted net profit (RMB mn)</b>	28,747.0	27,002.0	18,653.1	19,230.6	22,961.3
<b>YoY growth (%)</b>	39.0	(6.1)	(30.9)	3.1	19.4
<b>EPS (Adjusted) (RMB)</b>	81.06	77.20	54.67	57.78	70.72
<b>Consensus EPS (RMB)</b>	na	76.85	51.58	58.02	68.64
<b>P/E (x)</b>	14.4	12.2	44.3	17.9	13.9
<b>ROE (%)</b>	8.4	9.0	2.3	5.2	6.0

Source: Company data, Bloomberg, CMBIGM estimates

## Quarterly results and estimates

Figure 1: Baidu: quarterly financial results

(RMBbn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	3Q25 Consensus	Diff%
<b>Baidu Group</b>									
Online marketing	18.5	20.6	20.1	19.3	17.3	17.5	16.6	15.7	5.2%
YoY growth (%)	2.9%	-2.2%	-5.8%	-7.0%	-6.4%	-15.2%	-17.6%		
Other services	13.0	13.3	13.4	14.8	15.1	15.2	14.6	15.1	-3.5%
YoY growth (%)	-1.1%	2.6%	2.7%	4.5%	16.3%	14.4%	8.6%		
<b>Total revenue</b>	<b>31.5</b>	<b>33.9</b>	<b>33.6</b>	<b>34.1</b>	<b>32.5</b>	<b>32.7</b>	<b>31.2</b>	<b>30.9</b>	<b>0.9%</b>
YoY growth (%)	1.2%	-0.4%	-2.6%	-2.4%	3.0%	-3.6%	-7.1%		
Gross profit	16.2	17.5	17.2	16.1	15.0	14.4	12.9	12.5	3.0%
Operating profit	5.5	5.9	5.9	3.9	4.5	3.3	-15.1	2.2	-788.1%
<b>Non-GAAP net profit</b>	<b>7.0</b>	<b>7.4</b>	<b>5.9</b>	<b>6.7</b>	<b>6.5</b>	<b>4.8</b>	<b>3.8</b>	<b>2.7</b>	<b>39.3%</b>
YoY growth (%)	22%	-8%	-19%	-13%	-8%	-35%	-36%		
GPM (%)	51.5%	51.7%	51.1%	47.2%	46.1%	43.9%	41.2%	40.4%	0.8 ppt
OPM (%)	17.4%	17.5%	17.7%	11.5%	13.9%	10.0%	-48.4%	7.1%	-55.5 ppt
Non-GAAP NPM (%)	22.2%	21.8%	17.5%	19.7%	19.9%	14.7%	12.1%	8.8%	3.3 ppt
<b>Baidu Core</b>									
Revenue	23.8	26.7	26.5	27.7	25.5	26.3	24.7	24.3	1.5%
YoY growth (%)	3.5%	1.1%	-0.2%	0.8%	7.0%	-1.6%	-7.0%		
Baidu Core - online marketing	17.0	19.2	18.8	17.9	16.0	16.2	15.3	14.6	4.9%
YoY growth (%)	2.7%	-2.2%	-4.6%	-6.5%	-6.1%	-15.4%	-18.4%		
Baidu Core - Others	6.8	7.5	7.8	9.8	9.5	10.0	9.3	9.7	-3.7%
YoY growth (%)	5.7%	10.3%	12.4%	17.5%	39.6%	33.4%	20.4%		
Non-GAAP OP	5.6	7.0	6.7	4.6	4.9	4.4	2.2	2.1	5.9%
YoY growth (%)	4.1%	7.5%	-0.3%	-25.0%	-12.8%	-37.4%	-66.6%		
Non-GAAP NP	6.6	7.3	5.7	6.7	6.3	4.8	3.8	2.7	41.8%
YoY growth (%)	25.8%	-5.3%	-18.4%	-10.1%	-4.5%	-34.3%	-32.4%		
Non-GAAP OPM (%)	23.5%	26.2%	25.1%	16.8%	19.1%	16.7%	9.0%	8.6%	0.4 ppt
Non-GAAP NPM (%)	27.8%	27.3%	21.4%	24.3%	24.9%	18.3%	15.6%	11.1%	4.4 ppt

Source: Company data, Bloomberg, CMBIGM

## Changes in forecast and valuation

Figure 2: Baidu forecast revision

RMB bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	129.1	136.9	144.0	129.7	137.0	143.4	-0.4%	-0.1%	0.4%
Gross profit	55.5	59.2	64.9	56.9	63.7	67.5	-2.5%	-7.0%	-4.0%
Non-GAAP net profit	18.7	19.2	23.0	16.4	21.5	23.9	13.4%	-10.5%	-3.8%
Gross margin	43.0%	43.3%	45.1%	43.9%	46.5%	47.1%	-0.9 ppt	-3.2 ppt	-2.0 ppt
Non-GAAP net margin	14.4%	14.0%	16.0%	12.7%	15.7%	16.6%	1.8 ppt	-1.6 ppt	-0.7 ppt

Source: CMBIGM estimates

Figure 3: Baidu: CMBI forecast vs Bloomberg consensus

RMB bn	CMBIGM			Consensus			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	129.1	136.9	144.0	129.2	135.9	144.7	-0.1%	0.7%	-0.5%
Gross Profit	55.5	59.2	64.9	55.8	60.2	65.8	-0.6%	-1.6%	-1.4%
Non-GAAP net profit	18.7	19.2	23.0	18.3	19.8	23.3	1.7%	-2.9%	-1.4%
Gross Margin	43.0%	43.3%	45.1%	43.2%	44.3%	45.5%	-0.2 ppt	-1.0 ppt	-0.4 ppt
Non-GAAP net margin	14.4%	14.0%	16.0%	14.2%	14.6%	16.1%	0.3 ppt	-0.5 ppt	-0.1 ppt

Source: Bloomberg, CMBIGM estimates

## SOTP valuation of US\$150.7 per ADS

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

- 1) US\$37.8 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\$33.2 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\$61.8 for Baidu Cloud, based on 5.5x 2025E PS (was US\$60.3 based on 5.5x 2025E PS);
- 4) US\$50.8 for net cash, iQIYI and other investments (was US\$54.6), with a 30% holding discount applied to the valuation of US\$72.5 per ADS.

Figure 4: 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 (%)
<b>Core business</b>								
1) Baidu core (ex-Apollo and Cloud)	2,580	5.0	92,868	12,898	100.0	12,898	37.8	25.1
2) Apollo ASD			714	99	100.0	99	0.3	0.2
3) Baidu Cloud (ex-ASD)		5.5	151,847	21,090	100.0	21,090	61.8	41.0
<b>Valuation of core business</b>						<b>34,087</b>	<b>99.9</b>	<b>66.3</b>
<b>iQIYI, strategic investment, and net cash</b>								
1) iQIYI		Market value	14,213	1,974	45.4	896	2.6	
2) Trip.com group		Market value	373,055	51,813	7.0	3,627	10.6	
3) Uxin		Market value	4,201	583	9.1	53	0.2	
4) HAND Enterprise Solutions		Market value	12,271	2,498	5.3	131	0.4	
5) Kuaishou		Market value	258,863	35,953	3.1	1,117	3.3	
6) Yusys Technologies		Market value	15,260	2,119	3.6	77	0.2	
7) Net cash		CMBI estimates	135,731	18,852	100.0	18,852	55.3	
<b>Valuation of iQIYI, investments, and net cash</b>						<b>24,753</b>	<b>72.5</b>	
<b>Valuation of iQIYI, investment, and net cash (with 30% holding discount)</b>						<b>17,327</b>	<b>50.8</b>	<b>33.7</b>
<b>Total Baidu valuation (US\$mn)</b>						<b>51,414</b>		

Number of ADS outstanding (mn)	341
Valuation per ADS (US\$)	150.7

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

## 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	129,091	136,876	143,955
Cost of goods sold	(63,935)	(65,031)	(66,102)	(73,606)	(77,646)	(79,093)
Gross profit	59,740	69,567	67,023	55,485	59,231	64,862
Operating expenses	(43,829)	(47,711)	(45,753)	(61,046)	(46,201)	(46,587)
SG&A expense	(20,514)	(23,519)	(23,620)	(24,527)	(25,596)	(25,984)
R&D expense	(23,315)	(24,192)	(22,133)	(20,329)	(20,605)	(20,604)
Others	0	0	0	(16,190)	0	0
Operating profit	15,911	21,856	21,270	(5,561)	13,030	18,275
Share of (losses)/profits of associates/JV	(1,910)	(3,799)	(691)	2,490	1,842	1,761
Adjusted EBITDA	29,663	35,824	33,077	23,205	26,047	31,600
Net Interest income/(expense)	3,332	4,761	5,138	5,655	4,263	4,144
Foreign exchange gain/loss	(1,484)	595	1,076	(1,188)	(950)	(760)
Other income/expense	(5,737)	1,785	1,829	6,063	2,283	2,306
Pre-tax profit	10,112	25,198	28,622	7,459	20,468	25,725
Income tax	(2,578)	(3,649)	(4,447)	(1,107)	(4,655)	(5,924)
After tax profit	7,534	21,549	24,175	6,352	15,812	19,801
Minority interest	(25)	1,234	415	(47)	321	436
Net profit	7,559	20,315	23,760	6,399	15,492	19,365
Adjusted net profit	20,680	28,747	27,002	18,653	19,231	22,961
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	212,850	230,255	168,849	156,173	161,257	168,958
Cash & equivalents	53,156	25,231	24,832	19,940	23,476	29,716
Restricted cash	11,330	11,503	11,697	11,697	11,697	11,697
Account receivables	11,733	10,848	10,104	9,549	10,125	10,649
Other current assets	136,631	182,673	122,216	114,986	115,959	116,896
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	430,264	446,788	466,135
Current liabilities	79,630	76,451	80,953	72,981	72,548	71,499
Short-term borrowings	5,343	10,257	10,669	10,669	10,669	10,669
Account payables	38,014	37,717	41,443	35,014	33,750	31,946
Other current liabilities	36,273	28,477	28,841	27,299	28,129	28,884
Non-current liabilities	73,538	67,700	63,215	58,556	55,097	51,192
Long-term borrowings	13,722	14,223	15,596	0	0	0
Bond payables	49,461	43,134	36,347	47,284	43,825	39,920
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	131,537	127,645	122,691
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	191,542	211,910	236,165
Other reserves	8,393	9,465	9,870	9,870	9,870	9,870
Total shareholders equity	231,871	253,091	273,490	288,605	309,020	333,322
Minority interest	5,934	9,517	10,122	10,122	10,122	10,122
Total equity and liabilities	390,973	406,759	427,780	430,264	446,788	466,135

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>10,112</b>	<b>25,198</b>	<b>28,622</b>	<b>7,459</b>	<b>20,468</b>	<b>25,725</b>
Depreciation & amortization	14,725	14,908	14,628	4,877	4,914	4,709
Tax paid	(2,578)	(3,649)	(4,447)	(1,107)	(4,655)	(5,924)
Change in working capital	(16,758)	(13,067)	(27,512)	(187)	(1,982)	(2,510)
Others	20,669	13,225	9,943	4,458	4,515	4,413
<b>Net cash from operations</b>	<b>26,170</b>	<b>36,615</b>	<b>21,234</b>	<b>15,501</b>	<b>23,259</b>	<b>26,413</b>
<b>Investing</b>						
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)
<b>Net cash from investing</b>	<b>(3,944)</b>	<b>(50,397)</b>	<b>(8,555)</b>	<b>(15,881)</b>	<b>(16,353)</b>	<b>(16,355)</b>
<b>Financing</b>						
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)	11,025	(3,371)	(3,817)
<b>Net cash from financing</b>	<b>(6,390)</b>	<b>(14,162)</b>	<b>(13,759)</b>	<b>(4,571)</b>	<b>(3,371)</b>	<b>(3,817)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	47,671	65,236	37,574	36,589	31,637	35,173
Exchange difference	1,729	282	95	0	0	0
<b>Cash at the end of the year</b>	<b>65,236</b>	<b>37,574</b>	<b>36,589</b>	<b>31,637</b>	<b>35,173</b>	<b>41,413</b>

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

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**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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