19 Nov 2025

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iQIYI (IQ US)

Inline 3Q25 results; expect revenue and margin recovery in 4Q25E

iQiyi reported 3Q25 results: total revenue declined by 8% YoY to RMB6.68bn, in line with consensus/our estimate; non-GAAP net loss was RMB148mn, down from net income of RMB480mn in 3Q24 due to content investment and operating deleverage, also in line with consensus/our estimate. For 4Q25E, we expect total revenue to recover by 2% YoY and 1% QoQ, mainly driven by the recovery of membership business on a better content pipeline and policy support. Innovative businesses such as micro dramas and overseas businesses also started to bear fruit. We lower our FY25-27E non-GAAP operating profit forecast to RMB0.55/1.61/1.89bn (previous: RMB0.67/1.63/1.91bn), mainly reflecting iQiyi's investment in content ecosystem. We fine-tune our target price to US$2.65 based on 18x 2026E non-GAAP EPS (previous: US$2.70 on 18x 2026E non-GAAP EPS). Maintain BUY.

- **Expect membership business to recover YoY in 4Q25E.** Membership services revenue declined by 4% YoY but grew by 3% QoQ to RMB4.21bn in 3Q25. The QoQ recovery was mainly due to the solid performance of certain popular drama titles such as *The Thriving Land,* which topped 2025 Enlightent data chart for peak daily market share. Online advertising revenue was down by 7% YoY and 3% QoQ to RMB1.24bn in 3Q25, primarily attributable to decrease in performance-based ad revenue. Content distribution revenue declined by 21% YoY RMB645mn in 3Q25, within which the solid growth of distribution revenue related to movies was offset by the decline in distribution revenue related to drama series. For 4Q25E, we forecast total revenue to grow by 2% YoY and 1% QoQ to RMB6.75bn. We expect membership revenue to recover by 3% YoY in 4Q25E, supported by several hit titles such as *Silent Honor* and *Strange Tales of Tang Dynasty 3.*
- **Positive progress in overseas market, micro dramas and AI.** The company made solid progress in the overseas market. Overseas membership revenue grew by over 40% YoY in 3Q25, with membership revenue from markets like Brazil, Mexico and Indonesia more than doubled YoY. On the micro drama front, the company now has over 20,000 micro-drama titles with over a half available for free. The company also introduced micro animations, which further complement its content library. On the AI front, the company continues to leverage AI to improve content production efficiency and user experience. iQiyi introduced an AI-empowered personal assistant to help users with video search and recommendation.
- **Expect margin to bottom out.** Non-GAAP OPM decreased by 5ppt YoY to -0.3% in 3Q25, mainly due to content investment and operating deleverage. We expect OPM to recover in 4Q25 and 2026E, driven by the recovery of membership business. Management noted that the National Radio and Telecommunications Administration's supportive policy has started to benefit the video sector, enhancing efficiency of content review and supporting innovations in content formats.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	32,018	29,225	27,251	27,921	28,384
Gross margin (%)	27.8	24.9	21.1	23.7	24.6
Adjusted net profit (RMB mn)	2,984.1	1,512.2	59.3	1,021.9	1,243.2
EPS (Adjusted) (RMB)	3.13	1.57	0.06	1.06	1.29
Consensus EPS (RMB)	3.13	1.57	0.20	0.96	1.61
P/S (x)	0.5	0.5	0.5	0.5	0.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$2.65**
(Previous TP	US$2.70)
Up/Downside	**21.6%**
Current Price	**US$2.18**

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Stock Data

Mkt Cap (US$ mn)	2,101.4
Avg 3 mths t/o (US$ mn)	13.5
52w High/Low (US$)	2.79/1.53
Total Issued Shares (mn)	963.9

Source: FactSet

Shareholding Structure

Baidu	45.1%
PAG	12.2%

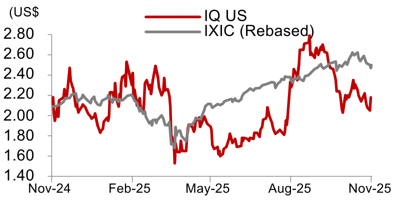
Source: Company data

Share Performance

	Absolute	Relative
1-mth	7.4%	7.3%
3-mth	-4.4%	-10.3%
6-mth	15.3%	-2.4%

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	27.3	27.9	28.4	27.2	27.8	28.3	0.3%	0.3%	0.3%
Gross profit	5.7	6.6	7.0	5.7	6.6	7.0	0.0%	0.2%	0.2%
Operating profit	0.1	1.2	1.4	0.2	1.2	1.4	-44.3%	-1.8%	-1.3%
Non-GAAP operating profit	0.5	1.6	1.9	0.7	1.6	1.9	-18.1%	-1.2%	-0.9%
Non-GAAP EPS (RMB)	0.1	1.1	1.3	0.2	1.1	1.3	-65.6%	-1.8%	-0.5%
Gross margin	21.1%	23.7%	24.6%	21.1%	23.7%	24.6%	-0.1 ppt	0.0 ppt	0.0 ppt
Operating margin	0.5%	4.1%	5.0%	0.8%	4.2%	5.1%	-0.4 ppt	-0.1 ppt	-0.1 ppt
Non-GAAP operating margin	2.0%	5.8%	6.7%	2.5%	5.8%	6.7%	-0.5 ppt	-0.1 ppt	-0.1 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	27.3	27.9	28.4	27.2	28.1	29.2	0.2%	-0.5%	-2.7%
Gross Profit	5.7	6.6	7.0	5.8	6.5	7.2	-1.7%	1.8%	-2.9%
Operating Profit	0.1	1.2	1.4	0.3	1.0	1.7	-60.0%	11.6%	-16.4%
Non-GAAP EPS (RMB)	0.1	1.1	1.3	0.2	1.0	1.6	-66.9%	10.9%	-20.2%
Gross margin	21.1%	23.7%	24.6%	21.5%	23.2%	24.6%	-0.4 ppt	0.5 ppt	0.0 ppt
Operating margin	0.5%	4.1%	5.0%	1.1%	3.7%	5.9%	-0.7 ppt	0.4 ppt	-0.8 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

We value iQiyi at US$2.65 per ADS based on 18x 2026E 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	
2026E Non-GAAP EPADS	1.06
Target 2026E PE (x)	18.0
Target Price (CNY)	19.09
Target Price (US$)	2.65

Source: Company data, CMBIGM estimates
Note: USD: CNY = 7.2

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	114.1	46.1	36.2	10.7	9.5	37%
Disney	DIS US	106.3	18.1	16.3	2.0	1.9	21%
Spotify	SPOT US	636.5	NA	45.3	6.7	5.8	NA
TME	TME US	18.7	20.7	19.4	6.3	5.6	24%
Average			**28.3**	**29.3**	**6.4**	**5.7**	

Source: Bloomberg, CMBIGM
Note: data as of 18 Nov, 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**28,998**	**32,018**	**29,225**	**27,251**	**27,921**	**28,384**
Cost of goods sold	(22,319)	(23,102)	(21,954)	(21,514)	(21,310)	(21,407)
Gross profit	**6,678**	**8,916**	**7,272**	**5,737**	**6,612**	**6,976**
Operating expenses	**(5,366)**	**(5,781)**	**(5,460)**	**(5,614)**	**(5,459)**	**(5,549)**
SG&A expense	(3,467)	(4,014)	(3,682)	(3,901)	(3,787)	(3,793)
R&D expense	(1,899)	(1,767)	(1,778)	(1,713)	(1,671)	(1,756)
Operating profit	**1,312**	**3,135**	**1,811**	**123**	**1,153**	**1,427**
Share of (losses)/profits of associates/JV	(213)	(51)	18	18	18	18
EBIT	**1,099**	**3,084**	**1,829**	**141**	**1,171**	**1,445**
Interest income	70	257	272	326	326	326
Interest expense	(715)	(1,130)	(1,062)	(911)	(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**	**(264)**	**647**	**921**
Income tax	(84)	(80)	(61)	(149)	(78)	(138)
After tax profit	**(118)**	**2,098**	**791**	**(412)**	**569**	**783**
Minority interest	18	27	27	4	0	0
Net profit	**(136)**	**2,071**	**764**	**(416)**	**569**	**783**
Adjusted net profit	**1,284**	**2,984**	**1,512**	**59**	**1,022**	**1,243**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**13,786**	**12,635**	**9,527**	**9,900**	**11,091**	**12,265**
Cash & equivalents	7,098	4,435	3,530	3,146	4,206	5,277
Restricted cash	14	6	0	0	0	0
Account receivables	2,403	2,169	2,191	1,958	1,930	1,884
Prepayment	2,603	2,794	2,193	2,045	2,095	2,130
Other current assets	1,668	3,231	1,613	2,752	2,861	2,974
Non-current assets	**32,263**	**31,959**	**36,233**	**38,199**	**38,013**	**38,199**
PP&E	1,105	864	878	1,381	1,406	1,435
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	1,282	1,422
Goodwill	3,826	3,821	3,821	3,276	3,276	3,276
Other non-current assets	23,768	24,020	28,503	29,656	29,307	29,324
Total assets	**46,048**	**44,594**	**45,761**	**48,099**	**49,104**	**50,464**
Current liabilities	**28,130**	**22,342**	**21,477**	**20,182**	**20,171**	**20,294**
Short-term borrowings	3,348	3,572	3,787	3,787	3,787	3,787
Account payables	5,993	5,671	6,482	5,955	5,898	5,925
Other current liabilities	16,059	10,129	8,053	7,691	7,762	7,846
Lease liabilities	104	101	97	97	97	97
Accrued expenses	2,626	2,869	3,058	2,652	2,627	2,639
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**	**31,091**	**31,080**	**31,203**
Share capital	0	0	0	0	0	0
Capital surplus	50,886	54,971	55,624	59,188	59,634	60,089
Retained earnings	(46,499)	(44,573)	(43,809)	(44,731)	(44,162)	(43,379)
Other reserves	1,863	1,688	1,551	2,543	2,543	2,543
Total shareholders equity	**6,251**	**12,087**	**13,365**	**17,000**	**18,015**	**19,252**
Minority interest	93	98	8	8	8	8
Total equity and liabilities	**46,048**	**44,594**	**45,761**	**48,099**	**49,104**	**50,464**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(34)**	**2,178**	**852**	**(264)**	**647**	**921**
Depreciation & amortization	13,655	14,091	13,625	17,976	16,931	16,099
Tax paid	(84)	(80)	(61)	(149)	(78)	(138)
Change in working capital	(14,493)	(13,358)	(12,359)	(14,677)	(12,654)	(12,025)
Others	885	666	53	964	447	454
Net cash from operations	**(71)**	**3,497**	**2,110**	**3,851**	**5,293**	**5,311**
Investing						
Capital expenditure	(270)	(105)	(173)	(412)	(422)	(429)
Others	536	(1,635)	(2,272)	(3,888)	(3,811)	(3,811)
Net cash from investing	**266**	**(1,740)**	**(2,445)**	**(4,300)**	**(4,232)**	**(4,239)**
Financing						
Net borrowings	7,726	9,049	4,953	0	0	0
Others	(3,257)	(13,334)	(6,323)	4	0	0
Net cash from financing	**4,469**	**(4,285)**	**(1,370)**	**4**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	2,997	7,098	4,435	3,590	3,146	4,206
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**	**3,146**	**4,206**	**5,277**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(5.1%)	10.4%	(8.7%)	(6.8%)	2.5%	1.7%
Gross profit	119.6%	33.5%	(18.4%)	(21.1%)	15.2%	5.5%
Operating profit	na	138.9%	(42.2%)	(93.2%)	834.9%	23.8%
EBIT	na	180.6%	(40.7%)	(92.3%)	729.7%	23.4%
Net profit	na	na	(63.1%)	na	na	37.6%
Adj. net profit	na	132.4%	(49.3%)	(96.1%)	1,622.8%	21.7%

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%	0.5%	4.1%	5.0%
Adj. net profit margin	4.4%	9.3%	5.2%	0.2%	3.7%	4.4%
Return on equity (ROE)	(2.3%)	22.6%	6.0%	(2.7%)	3.2%	4.2%

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	0.5	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	7.1	19.5	ns	26.3	19.1
P/E (diluted)	ns	7.3	19.7	ns	26.3	19.1
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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