

# 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 Al. 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 microdrama titles with over a half available for free. The company also introduced micro animations, which further complement its content library. On the Al front, the company continues to leverage Al to improve content production efficiency and user experience. iQiyi introduced an Al-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**

| Lamingo Gammary                 |             |          |        |         |         |
|---------------------------------|-------------|----------|--------|---------|---------|
| (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 | g, CMBIGM e | stimates |        |         |         |

# **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

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|-----------------------------------|-------|
| 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    | PE (x) |       | i (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   |



|                                   |           |          |          |          | A Wholly Owned 5 | absidiary Of China Merchania Bank |
|-----------------------------------|-----------|----------|----------|----------|------------------|-----------------------------------|
| 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                         |           | 7.4      | 40.5     |          | 00.0             | 40.4                              |
| P/E                               | ns        | 7.1      | 19.5     | ns       | 26.3             | 19.1                              |
| P/E (diluted)                     | ns<br>2.1 | 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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: Stock with potential return of over 15% over next 12 months BUY HOLD Stock with potential return of +15% to -10% over next 12 months SELL NOT RATED : Stock with potential loss of over 10% over next 12 months

: Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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