

iQIYI (IQ US)

4Q25E preview: expect both revenue and earnings to recover in 4Q25

We expect iQiyi total revenue to regain growth momentum in 4Q25. We forecast 4Q25E total revenue to grow by 2% YoY and 1% QoQ to RMB6.77bn, mainly driven by the recovery of membership and content distribution businesses. We expect iQiyi to record non-GAAP net income of RMB93mn in 4Q25E, up from non-GAAP net loss of RMB59/148mn in 4Q24/3Q25, thanks to operating leverage and enhanced efficiency. Besides, iQiyi's innovative businesses such as overseas business, micro drama and IP derivatives continued to make positive progress. Overall, we lift FY25-27E non-GAAP net income forecasts to RMB0.3/1.0/1.3bn (RMB0.1/1.0/1.2bn previously), in view of the revenue recovery trend and operating leverage. We fine-tune our target price to US\$2.75 based on 18x 2026E non-GAAP EPS (previous: US\$2.65 on 18x 2026E non-GAAP EPS). Maintain BUY.

■ **Expect total revenue to recover by 2%/1% YoY/QoQ in 4Q25E.** For 4Q25E: 1) after declining YoY for seven consecutive quarters since 1Q24, we estimate membership revenue to be largely flattish YoY at RMB4.1bn, primarily driven by the solid performance of several popular TV series titles; 2) we forecast online advertising revenue to decline by 6% YoY but grow by 8% QoQ to RMB1.34bn. The QoQ increase was mainly due to the ad budget growth during e-commerce shopping festivals, and popular variety shows; 3) we forecast content distribution revenue to increase by 90% YoY and 20% QoQ, mainly attributable to the increased revenue contribution from content distribution to TV and other channels.

■ **Positive progress in overseas market, micro drama and IP derivatives.** iQiyi continued to make progress on its new initiatives. 1) Overseas business: total video views of iQiyi overseas app grew by 114.5% YoY in 2025, mainly driven by the strong performance of domestically-produced TV series and movies. 2) Micro drama: total number of micro drama titles exceeded 20,000, with over half available for free. The company will further expand its micro drama content library and improve content quality, to drive user time spend and monetization. 3) IP derivatives: iQiyi plans to open its first iQiyi Land in Yangzhou on Feb 8, which will bring iQiyi's various IPs offline.

■ **Expect margin improvement in 4Q25E/FY26E.** We expect non-GAAP OPM to improve by 2ppt QoQ to 1.8% in 4Q25E, primarily attributable to revenue recovery and enhanced efficiency. We forecast GPM to improve by 2ppt QoQ to 20.2% in 4Q25E, supported by prudent cost control and operating leverage. With topline recovery, we expect non-GAAP OPM to bottom out and improve to 6%/7% in FY26/27E, versus 2% in FY25E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	32,018	29,225	27,263	27,938	28,404
YoY growth (%)	10.4	(8.7)	(6.7)	2.5	1.7
Gross margin (%)	27.8	24.9	20.9	23.3	24.2
Adjusted net profit (RMB mn)	2,984.1	1,512.2	264.1	1,030.8	1,255.1
EPS (Adjusted) (RMB)	3.13	1.57	0.27	1.07	1.30
Consensus EPS (RMB cents)	312.92	157.29	7.39	79.96	157.28
P/S (x)	0.4	0.5	0.5	0.5	0.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$2.75
(Previous TP)	US\$2.65)
Up/Downside	36.8%
Current Price	US\$2.01

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Stock Data

Mkt Cap (US\$ mn)	1,936.4
Avg 3 mths t/o (US\$ mn)	21.1
52w High/Low (US\$)	2.79/1.53
Total Issued Shares (mn)	963.4

Source: FactSet

Shareholding Structure

Baidu	45.1%
PAG	12.2%

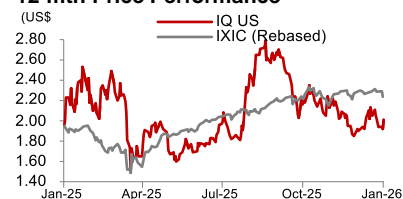
Source: Company data

Share Performance

	Absolute	Relative
1-mth	5.8%	8.0%
3-mth	-7.4%	-8.2%
6-mth	1.0%	-8.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: iQiyi: forecast revision

RMBbn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	27.3	27.9	28.4	27.3	27.9	28.4	0.0%	0.1%	0.1%
Gross profit	5.7	6.5	6.9	5.7	6.6	7.0	-0.7%	-1.5%	-1.4%
Operating profit	0.2	1.2	1.4	0.1	1.2	1.4	53.9%	0.9%	1.0%
Non-GAAP net profit	0.3	1.0	1.3	0.1	1.0	1.2	323.6%	0.9%	1.0%
Non-GAAP EPS (RMB)	0.3	1.1	1.3	0.1	1.1	1.3	323.6%	0.9%	1.0%
Gross margin	20.9%	23.3%	24.2%	21.1%	23.7%	24.6%	-0.2 ppt	-0.4 ppt	-0.4 ppt
Operating margin	0.7%	4.2%	5.1%	0.5%	4.1%	5.0%	0.2 ppt	0.0 ppt	0.0 ppt
Non-GAAP net margin	1.0%	3.7%	4.4%	0.2%	3.7%	4.4%	0.8 ppt	0.0 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 2: iQiyi: CMBIGM estimates vs consensus

RMBbn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	27.3	27.9	28.4	27.3	28.0	29.1	0.0%	-0.4%	-2.2%
Gross profit	5.7	6.5	6.9	5.7	6.3	7.1	-0.7%	2.8%	-3.0%
Operating profit	0.2	1.2	1.4	0.1	0.9	1.6	44.8%	28.3%	-9.9%
Non-GAAP net profit	0.3	1.0	1.3	0.1	0.8	1.5	189.8%	28.4%	-15.0%
Non-GAAP EPS (RMB)	0.3	1.1	1.3	0.1	0.8	1.6	275.9%	33.6%	-17.3%
Gross margin	20.9%	23.3%	24.2%	21.0%	22.6%	24.4%	-0.1 ppt	0.7 ppt	-0.2 ppt
Operating margin	0.7%	4.2%	5.1%	0.5%	3.2%	5.5%	0.2 ppt	0.9 ppt	-0.4 ppt
Non-GAAP net margin	1.0%	3.7%	4.4%	0.3%	2.9%	5.1%	0.6 ppt	0.8 ppt	-0.7 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

We value iQiyi at US\$2.75 per ADS based on 18x 2026E non-GAAP EPS. Our target PE multiple is at a discount to the sector average (24x), due to the intense competition in China's video streaming sector.

Figure 3: iQiyi: target valuation

P/E valuation	
2026E Non-GAAP EPADS (RMB)	1.07
Target 2026E PE (x)	18.0
Target Price (RMB)	19.26
Target Price (US\$)	2.75

Source: Company data, CMBIGM estimates; CNY/USD = 7.0

Figure 4: Valuation of global streaming platforms

Companies	Ticker	Price (LC)	PE (x)		PS (x)		EPS CAGR 24-26E
			2025E	2026E	2025E	2026E	
Netflix Inc	NFLX US	87.3	34.2	27.2	8.8	7.8	38%
Disney	DIS US	110.3	18.8	16.7	2.1	2.0	22%
Spotify	SPOT US	511.3	NA	36.1	5.3	4.7	NA
TME	TME US	16.2	17.7	16.7	5.3	4.7	24%
Average			23.6	24.2	5.4	4.8	

Source: Bloomberg, CMBIGM

Note: data as of 20 Jan, 2026

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	28,998	32,018	29,225	27,263	27,938	28,404
Cost of goods sold	(22,319)	(23,102)	(21,954)	(21,566)	(21,425)	(21,523)
Gross profit	6,678	8,916	7,272	5,697	6,513	6,880
Operating expenses	(5,366)	(5,781)	(5,460)	(5,507)	(5,350)	(5,439)
SG&A expense	(3,467)	(4,014)	(3,682)	(3,794)	(3,678)	(3,682)
R&D expense	(1,899)	(1,767)	(1,778)	(1,713)	(1,672)	(1,757)
Operating profit	1,312	3,135	1,811	190	1,163	1,441
Share of (losses)/profits of associates/JV	(213)	(51)	18	18	18	18
EBIT	1,099	3,084	1,829	208	1,181	1,459
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)	100	0	0
Pre-tax profit	(34)	2,178	852	(97)	656	935
Income tax	(84)	(80)	(61)	(111)	(79)	(140)
After tax profit	(118)	2,098	791	(208)	578	795
Minority interest	18	27	27	4	0	0
Net profit	(136)	2,071	764	(212)	578	795
Adjusted net profit	1,284	2,984	1,512	264	1,031	1,255

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	13,786	12,635	9,527	10,081	11,255	12,440
Cash & equivalents	7,098	4,435	3,530	3,323	4,363	5,444
Restricted cash	14	6	0	0	0	0
Account receivables	2,403	2,169	2,191	1,959	1,931	1,885
Prepayment	2,603	2,794	2,193	2,046	2,096	2,131
Other current assets	1,668	3,231	1,613	2,754	2,864	2,979
Non-current assets	32,263	31,959	36,233	38,253	38,128	38,316
PP&E	1,105	864	878	1,381	1,406	1,436
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	29,710	29,422	29,441
Total assets	46,048	44,594	45,761	48,334	49,383	50,756
Current liabilities	28,130	22,342	21,477	20,212	20,236	20,360
Short-term borrowings	3,348	3,572	3,787	3,787	3,787	3,787
Account payables	5,993	5,671	6,482	5,969	5,930	5,958
Other current liabilities	16,059	10,129	8,053	7,700	7,781	7,866
Lease liabilities	104	101	97	97	97	97
Accrued expenses	2,626	2,869	3,058	2,659	2,641	2,654
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	31,121	31,146	31,270
Share capital	0	0	0	0	0	0
Capital surplus	50,886	54,971	55,624	59,188	59,635	60,089
Retained earnings	(46,499)	(44,573)	(43,809)	(44,526)	(43,949)	(43,154)
Other reserves	1,863	1,688	1,551	2,543	2,543	2,543
Total shareholders equity	6,251	12,087	13,365	17,204	18,229	19,478
Minority interest	93	98	8	8	8	8
Total equity and liabilities	46,048	44,594	45,761	48,334	49,383	50,756

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(34)	2,178	852	(97)	656	935
Depreciation & amortization	13,655	14,091	13,625	18,006	17,022	16,219
Tax paid	(84)	(80)	(61)	(111)	(79)	(140)
Change in working capital	(14,493)	(13,358)	(12,359)	(14,714)	(12,739)	(12,112)
Others	885	666	53	965	447	454
Net cash from operations	(71)	3,497	2,110	4,048	5,308	5,356
Investing						
Capital expenditure	(270)	(105)	(173)	(412)	(422)	(429)
Others	536	(1,635)	(2,272)	(3,908)	(3,846)	(3,846)
Net cash from investing	266	(1,740)	(2,445)	(4,320)	(4,268)	(4,275)
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	3,323	4,363
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	3,323	4,363	5,444
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(5.1%)	10.4%	(8.7%)	(6.7%)	2.5%	1.7%
Gross profit	119.6%	33.5%	(18.4%)	(21.7%)	14.3%	5.6%
Operating profit	na	138.9%	(42.2%)	(89.5%)	512.7%	23.9%
EBIT	na	180.6%	(40.7%)	(88.7%)	468.8%	23.6%
Net profit	na	na	(63.1%)	na	na	37.5%
Adj. net profit	na	132.4%	(49.3%)	(82.5%)	290.3%	21.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	23.0%	27.8%	24.9%	20.9%	23.3%	24.2%
Operating margin	4.5%	9.8%	6.2%	0.7%	4.2%	5.1%
Adj. net profit margin	4.4%	9.3%	5.2%	1.0%	3.7%	4.4%
Return on equity (ROE)	(2.3%)	22.6%	6.0%	(1.4%)	3.3%	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	0.6	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	6.4	17.6	ns	23.4	17.0
P/E (diluted)	ns	6.6	17.8	ns	23.4	17.0
P/B	1.9	1.1	1.0	0.8	0.7	0.7

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

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