

Baidu.com

Update of 4Q estimates and AI developments

Reiterate Rating: BUY | PO: 168.00 USD | Price: 104.50 USD

4Qe update: ad affected by macro, AI revenue kicks in

We lower 4Qe Baidu Core revenue growth to 7% YoY from 9%. We expect 4Qe Baidu Core ad to grow 6.5% YoY (previous 8%), as weak macro and ecommerce seasonality impacted ad spend. We maintain 4Qe cloud at 12% YoY. Despite a bit lower ad revenue, we maintain 4Qe Baidu Core non-GAAP OP at RMB6bn (up 10% YoY and non-GAAP OPM of 22%), as we expect company to control spending. We model generative AI to contribute RMB0.6bn (2% revenue mix), including RMB0.4bn ad revenue and RMB0.2bn cloud revenue in 4Qe. Our DCF based PO is lowered to USD168/HKD165 from USD200/HKD196 because we increase discount rate to 12% from 10%. The discount rate is higher mainly because we update beta from 1 to 1.25, based on Bloomberg's data – reflecting higher stock volatility. We expect macro to remain the key factor affecting Baidu's revenues, but company can become more defensive and competitive as AI ramps up. We expect generative AI to become a meaningful contributor to Baidu's revenue, and more importantly, revenue growth in 2024. While there may be near-term volatilities from AI and chip news headlines, we reiterate BUY rating on the long-term AI upside.

4Q AI update: model, user milestone, product, cloud

1) Model: ERNIE 4.0 has improved performance with 32% increase in overall effectiveness over the past two months, over 4k applications were developed based on ERNIE. 2) User: ERNIE Bot's user base has surpassed 100m. On daily basis, >300mn times of search is satisfied by Generative Search. 3) Ad: Baidu is testing AI Merchant Bot and Brand Bot, which can act as sales bot to help advertisers communicate with potential customers and boost traffic conversion. We believe Merchant Bot and Brand Bot are the key AI solutions to increase advertiser wallet share for Baidu. 4) New AI product testing: Baidu is testing Web Copilot. Baidu started testing of ERNIE AI Agent, which has 5 capabilities including sense, memory, plan, action, and personality. 5) Cloud: PaddlePaddle has 10.7mn developers (vs. 8mn in August), now serving 235k companies and created 860k models. Comate SaaS has 8k enterprise customers. See Baidu's AI initiatives summary in Exhibit 1 in page 3.

Estimates (Dec) (CNY)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - mn)	18,830	20,680	28,296	30,530	33,825
EPS	29.66	21.74	63.92	70.68	79.95
EPS Change (YoY)	-54.5%	-26.7%	194.0%	10.6%	13.1%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(2.43)	47.87	71.42	84.31	117.35
Common EPS (CNY)	3.71	2.72	7.99	8.83	9.99
Common Dividend / Share (CNY)	0	0	0	0	0
Valuation (Dec)					
P/E	22.45x	33.41x	11.60x	10.62x	9.39x
EV / EBITDA*	18.91x	13.96x	10.81x	9.25x	8.25x
Free Cash Flow Yield*	-0.322%	6.40%	9.65%	11.42%	15.90%

* For full definitions of *IQmethod*SM measures, see page 6.

17 January 2024

Equity

Key Changes

(USD)	Previous	Current
Price Obj.	US\$200.00	US\$168.00

Miranda Zhuang, CFA >>
 Research Analyst
 Merrill Lynch (Hong Kong)
 +852 3508 2879
miranda.zhuang@bofa.com

Stock Data

Price (ADR / Common)	104.50 USD / 96.80 HKD
Price Objective	168.00 USD / 165.00 HKD
Date Established	17-Jan-2024 / 17-Jan-2024
Investment Opinion	C-1-9 / C-1-9
52-Week Range	102.76 USD-160.88 USD
Market Value (mn)	36,144 USD
Shares Outstanding (mn)	345.9 / 2,767.0
Average Daily Value (mn)	286.99 USD
Free Float	100.0%
BofA Ticker / Exchange	BIDU / NAS
BofA Ticker / Exchange	BAIDF / HKG
Bloomberg / Reuters	BIDU US / BIDU.OQ
ROE (2023E)	10.9%
Net Dbt to Eqty (Dec-2022A)	12.9%

>> Employed by a non-US affiliate of BofAS and is not registered/qualified as a research analyst under the FINRA rules.

Refer to "Other Important Disclosures" for information on certain BofA Securities entities that take responsibility for the information herein in particular jurisdictions.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 7 to 10. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

12647246

Timestamp: 17 January 2024 12:24PM EST

iQprofileSM Baidu.com

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(CNY Millions)					
Sales	124,493	123,675	134,997	148,230	160,082
Gross Profit	60,179	59,740	70,232	77,264	83,637
Sell General & Admin Expense	(24,723)	(20,514)	(23,950)	(24,710)	(25,667)
Operating Profit	10,518	15,911	21,969	26,189	29,871
Net Interest & Other Income	468	(5,799)	6,542	4,859	4,865
Associates	NA	NA	NA	NA	NA
Pretax Income	10,986	10,112	28,512	31,048	34,736
Tax (expense) / Benefit	(3,187)	(2,578)	(4,727)	(5,032)	(5,629)
Net Income (Adjusted)	18,830	20,680	28,296	30,530	33,825
Average Fully Diluted Shares Outstanding	352	348	355	356	356

Key Cash Flow Statement Data					
Net Income	10,434	7,559	22,696	25,143	28,443
Depreciation & Amortization	6,355	6,944	7,560	8,301	8,805
Change in Working Capital	(18,691)	(16,758)	(2,053)	(1,088)	8,728
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	11,961	27,166	8,699	13,140	13,140
Cash Flow from Operations	10,059	24,911	36,902	45,495	59,115
Capital Expenditure	(10,896)	(8,286)	(11,838)	(15,838)	(17,838)
(Acquisition) / Disposal of Investments	(20,028)	4,954	5,053	13,352	2,083
Other Cash Inflow / (Outflow)	(520)	(612)	(422)	(770)	10,422
Cash Flow from Investing	(31,444)	(3,944)	(7,207)	(3,256)	(5,333)
Shares Issue / (Repurchase)	16,987	(498)	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Cash Flow from Financing	23,396	(6,390)	(10,276)	0	0
Free Cash Flow	(837)	16,625	25,064	29,657	41,277
Net Debt	46,226	30,579	(8,216)	(60,726)	(124,772)
Change in Net Debt	5,450	(26,568)	(28,519)	(42,234)	(53,770)

Key Balance Sheet Data					
Property, Plant & Equipment	23,027	23,973	32,377	44,895	59,211
Other Non-Current Assets	143,692	154,150	151,498	148,916	141,128
Trade Receivables	9,981	11,733	14,055	16,244	17,543
Cash & Equivalents	36,850	53,156	71,399	113,633	167,403
Other Current Assets	166,484	147,961	150,260	144,260	134,260
Total Assets	380,034	390,973	419,589	467,947	519,545
Long-Term Debt	68,401	63,183	52,907	42,631	32,355
Other Non-Current Liabilities	13,193	10,355	10,355	10,355	10,355
Short-Term Debt	14,675	20,552	10,276	10,276	10,276
Other Current Liabilities	59,813	59,078	64,046	69,918	75,509
Total Liabilities	156,082	153,168	137,584	133,180	128,495
Total Equity	223,952	237,805	282,004	334,767	391,050
Total Equity & Liabilities	380,034	390,973	419,589	467,947	519,545

iQmethod SM - Bus Performance*					
Return On Capital Employed	3.8%	5.1%	7.3%	7.7%	7.6%
Return On Equity	9.1%	9.0%	10.9%	9.9%	9.3%
Operating Margin	8.4%	12.9%	16.3%	17.7%	18.7%
EBITDA Margin	13.6%	18.5%	21.9%	23.3%	24.2%

iQmethod SM - Quality of Earnings*					
Cash Realization Ratio	0.5x	1.2x	1.3x	1.5x	1.7x
Asset Replacement Ratio	1.7x	1.2x	1.6x	1.9x	2.0x
Tax Rate (Reported)	29.0%	25.5%	16.6%	16.2%	16.2%
Net Debt-to-Equity Ratio	20.6%	12.9%	-2.9%	-18.1%	-31.9%
Interest Cover	3.1x	5.5x	6.6x	7.5x	8.6x

Key Metrics

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Internet/e-Commerce

Company Description

Baidu is a leading search engine and information feed application in China, providing 40+ products and services. It distributes products and services via a direct sales force, distributors and affiliate networks. In addition, Baidu also runs mobile app stores and short video apps and is developing autonomous driving and enterprise Cloud, AI and IT incl. micro-processor solutions. It has established a JV with Geely to explore new vehicle opportunities.

Investment Rationale

We expect Baidu to benefit from core ad business' recovery and intact search market leadership, cloud business' margin improvement after breakeven in 1Q23, and AI's long term upside.

Stock Data

Shares / Common	0.13
Price to Book Value	0.9x

Key Changes

(CNY)	Previous	Current
Price Obj.	HK\$196.00	HK\$165.00

Exhibit 1: Initiatives of Baidu in generative AI

A comprehensive portfolio of generative AI capabilities, applications, and monetization solutions

Category	Initiative	Description
Model	ERNIE 4.0 Foundation Model	Baidu announced full upgrade of ERNIE 4.0 in October, with improved performance in understanding, generation, reasoning, and memory. In Dec 2023, ERNIE 4.0 has improved performance with 32% increase in overall effectiveness over the past two months. Over 4k applications were developed based on ERNIE. Cloud + on-device model: ERNIE partners with Huawei Magic OS
AI assistant	ERNIE Bot	ERNIE Bot has received regulatory approval on Aug 31. ERNIE Bot has got > 100mn users as of December 2023. ERNIE launched subscription model with a monthly rate of RMB59.9.
AI consumer service	Generative AI re-built applications	Baidu has rebuilt most of its popular applications around generative AI including: the New Baidu Search, Baidu Wenku, Baidu Drive, and Baidu Map. Baidu Wenku's AI function has >30mn cumulative users for its new AI function.
	AI search	Baidu Generative Search could aggregate and summarize information and present a consolidated answer, suggest more content and searches that are relevant to previous requests, and enable multi-round interaction for more complex searches. On daily basis, >300mn times of search is satisfied by Generative Search.
	AI Agent	Baidu started testing of ERNIE AI Agent, which has 5 capabilities including sense, memory, plan, action, and personality.
	Super Assistant Web Copilot	The Web Copilot would be powerful assistant for users in: 1) quick prompt; 2) customized instruction; 3) enhanced search; 4) PDF immersed reading; 5) full-text cross-translation; and 6) photo OCR recognition.
Ad	AI native marketing platform	Qingge Platform. Advertisers could interact with the new ad system in multiple rounds of natural language conversation to create campaign strategies that deliver high ROI in an efficient manner. Qingge has million level interaction times in Nov 2023.
	AIGC	AI ad creatives function: Qingduo. Advertisers could use it to generate creative advertising materials, which have proved to deliver higher conversion rates than materials created by human.
	Back-end AI ad engine	Yangji - enhance ad targeting and auction system
	AI marketing decision-making platform	Guanxingpan that supports advertisers with data insights
	AI Bot/Agent products	Brand Agent, Merchant Bot - for better sales and customer services, so that it could boost traffic to leads and to transaction conversion, leading to higher wallet share in advertisers. Businesses could create and fine-tune exclusive model and Agent with their own business data & corporate knowledge, generate business' customized digital person to better engage with customers.
	Industry solution	eCommerce + AI: AI shopping guide, virtual hosts in live streaming ecommerce
Application platform	ERNIE Agent Platform	Allowing developers and enterprises to build AI plugins and AI Agents with low-threshold access and productivity tools covering variety of sectors. The platform had >30k developers' applications and launched >2k Agents.
Cloud	Qianfan Model Service Platform	Qianfan is the one stop LLM service platform to facilitate model training, inference and services. Qianfan has >40 foundation models including ERNIE and mainstream third part LLMs, covering 500+ use scenarios. Over 10,000 enterprises are actively using ERNIE through API on a monthly basis. ModelBuilder has cumulatively fine-tuned 10k models. AppBuilder service and AI native App Store
	PaddlePaddle AI developer community	PaddlePaddle platform has gathered 10.7mn developers as of December (vs. 8mn in August and 1.5mn in 2019), now serving 235k enterprises and created 860k models.
	SaaS	Comate SaaS has 8k enterprise customers and overall code generation adoption rate exceeds 40%, and the newly released Comate Auto Work could systematically handle complex R&D tasks. Baidu Inflow, the enterprise communication and collaboration platform
Biz service	Baidu GBI	Baidu GBI i could quickly execute data inquiries, output business analytics, and summarize information in easy-to-understand formats.

Source: Company data, BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Baidu.com (BIDU / BAIDF)

Our PO is US\$168 (HK\$165): 1) US\$158 from a DCF valuation of the existing operation which also absorbs the costs of loss-making businesses, based on a discount rate of 12%, FCF CAGR of 18% in 23-29E, and a terminal growth rate of 5%, current net cash per share of USD47, 2) US\$11 from its investments, primarily comprised of Trip.com and iQIYI.

Downside risks are: 1) Major operating or regulation events, 2) Government intervention in business or ownership, 3) Macroeconomic, 4) Competition from new online media, 5) Margin and capex risk on spending for AI, 6) geopolitical risks impacting access to tech equipment and microprocessors and investment by foreign investors, 7) AI technology usage risk, may impact stock listing or investors ability to own, 8) more stringent regulation on AI, 9) more intensified competition on AI.

Upside risks are: 1) better than expected macro recovery, 2) better development progress in AI, 3) application of AI in company's businesses to lift competitiveness and monetization, 4) monetization of AI in its cloud business.

Analyst Certification

I, Miranda Zhuang, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agora	API	API US	Daley Li, CFA
	AiHuiShou	RERE	RERE US	Joyce Ju
	Alibaba Group	BABA	BABA US	Joyce Ju
	Alibaba Group	BABAF	9988 HK	Joyce Ju
	Alibaba Health	ALBHF	241 HK	Miranda Zhuang, CFA
	Baidu.com	BIDU	BIDU US	Miranda Zhuang, CFA
	Baidu.com	BAIDF	9888 HK	Miranda Zhuang, CFA
	Bilibili	BILI	BILI US	Lei Zhang
	Bilibili	BLBLF	9626 HK	Lei Zhang
	CAR Group	CRSLF	CAR AU	Sriharsh Singh
	Chinasoft International	CFTLF	354 HK	Daley Li, CFA
	Cloud Music	XWJF	9899 HK	Lei Zhang
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
	Delhivery	XDVLF	DELHIVER IN	Sachin Salgaonkar
	Dingdong	DDL	DDL US	Joyce Ju
	East Money	XEQTF	300059 CH	Michael Li
	Grab Holdings	GRAB	GRAB US	Sachin Salgaonkar
	Hello Group	MOMO	MOMO US	Lei Zhang
	Hundsun Technologies	XYTGF	600570 CH	Daley Li, CFA
	HYBE	XBGOF	352820 KS	Susie Lee
	iQIYI	IQ	IQ US	Lei Zhang
	JD Health	JDHIF	6618 HK	Miranda Zhuang, CFA
	JD.com	JD	JD US	Joyce Ju
	JD.com	JDCMF	9618 HK	Joyce Ju
	JYP Entertainment	ALNNF	035900 KS	Susie Lee
	Kingdee International Software	KGDEF	268 HK	Daley Li, CFA
	Kingsoft Corporation	KSFTF	3888 HK	Daley Li, CFA
	Kuaishou	KUASF	1024 HK	Lei Zhang
	Makemytrip Limited	MMYT	MMYT US	Sachin Salgaonkar
	Meituan	MPNGF	3690 HK	Lei Zhang

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Naver Corporation	NHNCF	035420 KS	Susie Lee
	NetEase	NETTF	9999 HK	Lei Zhang
	NetEase, Inc	NTES	NTES US	Lei Zhang
	Nine Entertainment Company	NNMTF	NEC AU	Alice Lei, CFA
	Paytm	XUXBF	PAYTM IN	Sachin Salgaonkar
	Pinduoduo Inc.	PDD	PDD US	Joyce Ju
	Plan B Media PCL	XMKTF	PLANB TB	Thititthep Nophaket
	PT Bukalapak.com	BKLPF	BUKA IJ	Sachin Salgaonkar
	PVR-Inox Ltd	PVRLF	PVRINOX IN	Sachin Salgaonkar
	REA Group	RPGRF	REA AU	Sriharsh Singh
	Tencent Holdings	TCTZF	700 HK	Miranda Zhuang, CFA
	Tencent Music	TME	TME US	Lei Zhang
	Tencent Music	XWFWF	1698 HK	Lei Zhang
	Tongcheng Travel	TNGCF	780 HK	Janet Yang
	Trip.com Group	TCOM	TCOM US	Joyce Ju
	Trip.com Group	TRPCF	9961 HK	Joyce Ju
	TUHU Car	XTCRF	9690 HK	Miranda Zhuang, CFA
	Venustech	XVCGF	002439 CH	Daley Li, CFA
	Vipshop Holdings	VIPS	VIPS US	Joyce Ju
	Xero Limited	XROLF	XRO AU	Sriharsh Singh
	YG Entertainment	XYEIF	122870 KS	Susie Lee
	Yonyou Network	XYNIF	600588 CH	Daley Li, CFA
	YY	YY	YY US	Lei Zhang
	Zee Entertainment Enterprises	XZETF	Z IN	Sachin Salgaonkar
	Zomato Limited	XMWRF	ZOMATO IN	Sachin Salgaonkar

NEUTRAL

	AfreecaTV	WNTHF	067160 KS	Susie Lee
	Autohome	ATHM	ATHM US	Miranda Zhuang, CFA
	Autohome	XXYZF	2518 HK	Miranda Zhuang, CFA
	Baozun	BZUN	BZUN US	Joyce Ju
	Coupang	CPNG	CPNG US	Susie Lee
	Glodon Company	XGCOF	002410 CH	Daley Li, CFA
	GoTo Group	GTOFF	GOTO IJ	Sachin Salgaonkar
	Huya	HUYA	HUYA US	Lei Zhang
	Kakao Corp.	DAUCF	035720 KS	Susie Lee
	KE Holdings	BEKE	BEKE US	Miranda Zhuang, CFA
	KE Holdings	XSQRF	2423 HK	Miranda Zhuang, CFA
	Kingsoft Cloud	KC	KC US	Daley Li, CFA
	Kingsoft Cloud	KCLHF	3896 HK	Daley Li, CFA
	Krafton	XKINF	259960 KS	Susie Lee
	NCSOFT	NCSCF	036570 KS	Susie Lee
	Nykaa	XQQGF	NYKAA IN	Sachin Salgaonkar
	PB Fintech	XPFXF	POLICYBZ IN	Sachin Salgaonkar
	PropertyGuru	PGRU	PGRU US	Sachin Salgaonkar
	Sea Limited	SE	SE US	Sachin Salgaonkar
	Seek Limited	SKLTF	SEK AU	Sriharsh Singh
	Seven West Media	WANHF	SWM AU	Alice Lei, CFA
	The ONE Enterprise	XUFCF	ONEE TB	Thititthep Nophaket
	VGI Public Company Limited	XZQHF	VGI TB	Thititthep Nophaket
	Weimob	WEMXF	2013 HK	Daley Li, CFA
	WiseTech Global Limited	WTCHF	WTC AU	Ware Kuo
	XD Inc.	XDNCF	2400 HK	Lei Zhang

UNDERPERFORM

	Altium Limited	ALMFF	ALU AU	Ware Kuo
	Appen Ltd	APPEF	APX AU	Ware Kuo
	BEC World	XBJHF	BEC TB	Thititthep Nophaket
	CJ ENM	CHOF	035760 KS	Susie Lee
	Douyu	DOYU	DOYU US	Lei Zhang
	Indiamart InterMesh Limited	XEITF	INMART IN	Sachin Salgaonkar
	Info Edge	IFOEF	INFOE IN	Sachin Salgaonkar
	Kakao Games	XKKGF	293490 KS	Susie Lee
	Kingsoft Office	XBKOF	688111 CH	Daley Li, CFA
	Ming Yuan Cloud	XWTAF	909 HK	Daley Li, CFA
	NavInfo	XWLHF	002405 CH	Daley Li, CFA



APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Netmarble	XLGHF	251270 KS	Susie Lee
	PearlAbyss Corp	XEPAF	263750 KS	Susie Lee
	Ping An Healthcare and Technology	PANHF	1833 HK	Miranda Zhuang, CFA
	Qi An Xin	XQTFD	688561 CH	Daley Li, CFA
	Technology One Limited	THNOF	TNE AU	Ware Kuo
	ThunderSoft	XSTS F	300496 CH	Daley Li, CFA
	Weibo Corporation	WB	WB US	Miranda Zhuang, CFA
	Weibo Corporation	WEIBF	9898 HK	Miranda Zhuang, CFA
	Zip Co Limited	ZIZTF	ZIP AU	Ware Kuo
RVW				
	Dada Nexus	DADA	DADA US	Lei Zhang

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

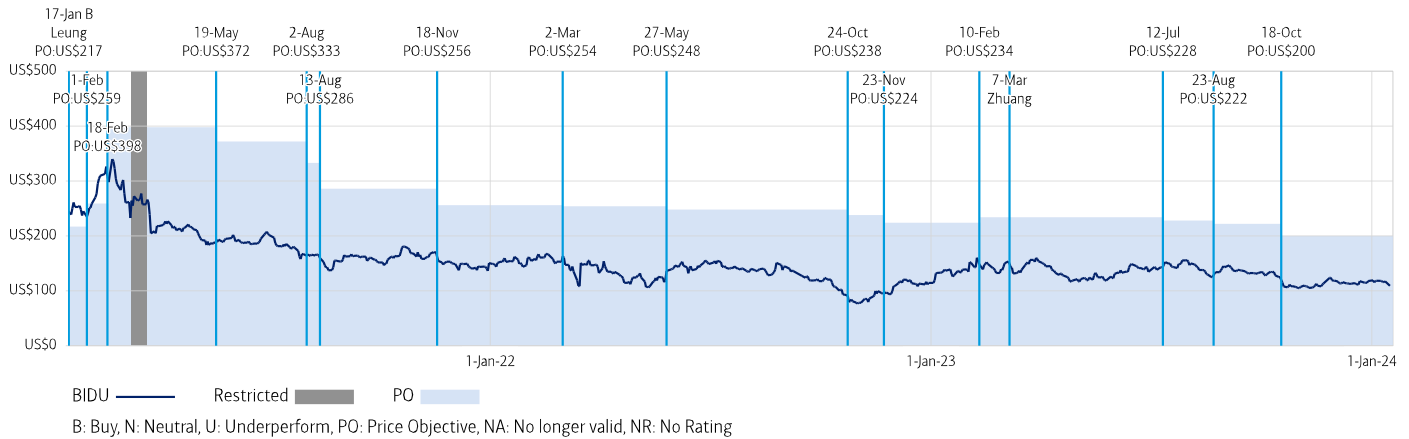
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofileSM, iQmethodSM are service marks of Bank of America Corporation. iQdatabase[®] is a registered service mark of Bank of America Corporation.

Disclosures

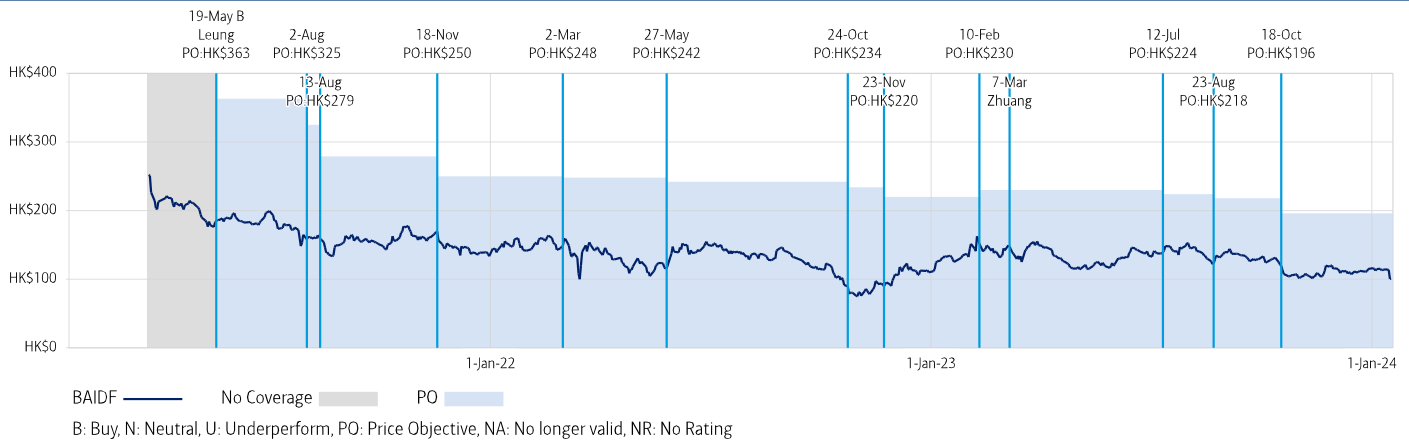
Important Disclosures

Baidu.com-ADR (BIDU) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Baidu.com (BAIDF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Baidu.com-ADR.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Baidu.com.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Baidu.com.

The issuer is or was, within the last 12 months, a non-securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Baidu.com.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Baidu.com.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Baidu.com.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Baidu.com-ADR.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Baidu.com.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

'BofA Securities' includes BofA Securities, Inc. ('BofAS') and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BofA Securities' is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEDisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS

India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information. In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQdatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website.



Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.