

Baidu.com Inc. (BIDU): Chairman meeting and AI conference takeaways: AI agents, search evolving and Robotaxi expansion; Buy

We attended in-person presentation with Baidu chairman Robin Li on Apr 25 in Wuhan, where Baidu hosted its annual Create AI conference to showcase the latest LLM model and AI applications/agents. Key highlights:

1. AI opportunity: Baidu sees the launch of the new Ernie 4.5 turbo/X1 model offering a competitive model with lower costs and lower hallucination rates vs. peers. The bigger opportunity sets lie in developing AI agents, where the company showcases the applications in digital human assistant, coding, and multi-model tasking use cases. The chip ban/constraints is less a concern for Baidu at the moment, given domestic alternatives.

2. Search/chatbot evolution: mgmt believes the landscape is quickly changing and chatbot will not be the ultimate format for user interaction/information search. Baidu has been actively integrating more multi-model formats into search experience and tries to cater to all kinds of users by offering multi formats beyond text based results.

3. Robotaxi: Baidu has already run a unit economics breakeven business model in Wuhan now with the lower cost version of Robotaxi. Key growth drivers in 2025 will be both domestic and overseas market, as well as exploring asset light business model. Separately, as Wuhan is a leading Robotaxi penetration city (commercial operation almost across full city), we have real-life experience of Baidu's latest version RT6 in downtown areas. Feedback and details within.

For upcoming 1Q25 result, we expect the key focus is on search revamp/outlook into rest of 2025, the cloud acceleration/AI related revenue upside as well as the profit margin trajectory. Our SOTP-based target prices for BIDU/9888.HK are at **US\$102/HK\$99**. Stay **Buy**.

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Key takeaways from Baidu Chairman Meeting

We attended the in-person presentation with Baidu Chairman Mr. Robin Li on Apr 25 in Wuhan, where he shared thoughts on **AI chatbot/agent competition, future direction of Robotaxi and bottleneck on computing power**. Particularly:

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- Baidu is preparing to open-source its latest and most-advanced large model Ernie 4.5 on Jun 30 and is the first China hyperscaler that has embraced the MCP (Model Context Protocol) and integrated into various Baidu applications.
- Management believes **Chatbot is not the ultimate format** of AI products, since it still has barriers for the general public to use given the majority of output is based on lengthy text. In addition, chatbots' DAU to MAU ratio is low and per session timespent is much lower vs. video based platforms. Therefore, Baidu AI search revamp is trying to put **multi-media** content at the top of AIGC answers, which is easily accessible and readable for user.
- Management holds the view that bottleneck on computing power is not a significant concern now because valuable **AI applications are the most important, which can be achievable with alternative chips**. For instance, less advanced chips are also capable of supporting Hyper-realistic Digital Human.
- Robotaxi has seen technology progression in the past few years and management **doesn't view technology as the major obstacle** for future development, as Baidu has been operating Robotaxi for many years smoothly and safely. Management aims to expand Robotaxi business to **various countries and cities wherever possible and regulation allows**.
 - **Unit Economics**. Management notes Robotaxi pricing in Wuhan is more affordable than that in Beijing, and believes UE breakeven in Wuhan will indicate the similar case in many other cities given the low pricing.
 - There was a total investment of **Rmb1bn+** in designing and manufacturing RT6, and Baidu is **quite flexible on Robotaxi business model** - either asset light model (selling Robotaxi to third-party operating companies) or operating by Baidu itself is acceptable for Baidu.

Robotaxi - RT6 experience in Wuhan downtown

On April 24-25, we also attended the test drive of Baidu's latest version RT6 and have real experience of Robotaxi operations intra-city in Wuhan downtown areas.

Wuhan Robotaxi latest status: so far there are at least 500+ car fleets operating in Wuhan, in fully driverless commercial operation, across almost all region (except for a few busy districts in downtown). Company commented already a validated business model under the lower cost RT6 version now (UE breakeven), and current **Robotaxi ASP per km is roughly RMB1.5/km**, already similar to normal ride-hailing operations, suggesting narrowing discounts vs. 2024.

Positive feedback: The taxi calling experience is rather smooth, via either Baidu map, Robotaxi app or Wechat mini-program, though waiting time can be longer than ride-hailing given its relatively small size of car fleet. The upgraded RT6 car offers a comfortable seating experience with long leg room, a massage back seat and some in-car entertainment services. During the operations, our personal view is the Robotaxi can now fit well in the busy areas such as CBDs in rush hours without too much time

delay.

Areas of improvement: the operation routes are rather fixed pick-up/drop-off sites. Given the safety focus and possibly conservative approach, in some cases Baidu Robotaxi still experiences sudden brakes or stops when facing heavy car traffic.

Growth outlook: we expect a steady rise of car fleets expansion in both domestic and overseas market. The bottlenecks in domestic markets are regulation/licenses approvals and potential negative publicity, while Baidu will also put more focus on overseas market where regulation allows for large scale fleet expansion, such as Middle East.

Exhibit 1: Baidu: showcase of Robotaxi



Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: Baidu: Robotaxi route in Wuhan



Note: White background areas are Robotaxi operation region.

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Key takeaways from Create AI Conference 2025

We attended Baidu Create AI Conference 2025 on Apr 25 in Wuhan, where the company released its latest models **Ernie 4.5 Turbo** and **X1 Turbo** with enhanced reasoning ability and lower cost, alongside next-generation AI applications including **Hyper-realistic Digital Human**, AI Agent app Xinxiang (心响), etc. Specifically:

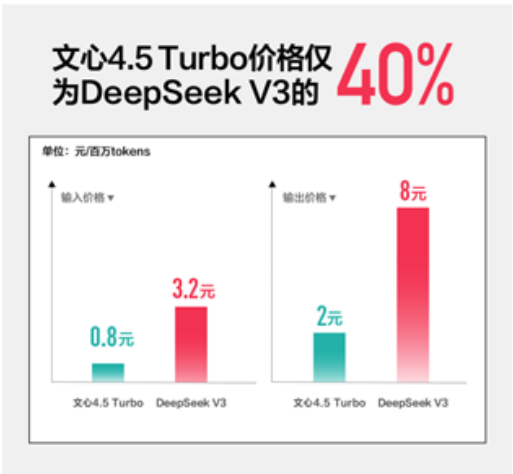
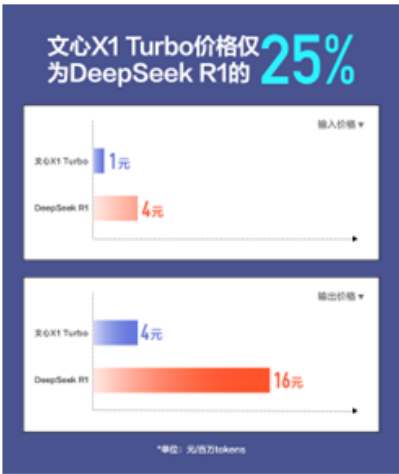
- **Ernie 4.5 Turbo** is priced at **Rmb0.8/Rmb3.2** per mn tokens for input/output, and it has higher reasoning speed than Ernie 4.5 with its cost declining by **80%**, which is now c. 40% of DeepSeek-V3 model. In addition, **X1 Turbo** is a deep-thinking model based on Ernie 4.5 Turbo and performs well in literary creation and logical reasoning, etc., pricing at **Rmb1/Rmb4** per mn tokens for input/output, which is lowered by **50%** vs. X1 and now only c. 25% of DeepSeek-R1.
- **Hyper-realistic Digital Human**. Backed by the technologies of intelligent scripts creation, integration of multiple models, independent thinking and decision-making, coupled with multi-agent cooperation, digital humans are able to clone the human livestreamers' voice and image and adjust their reaction in real time, which helps merchants to improve conversion rate and save livestreaming cost.
- **Xinxiang App** (心响) is a **general AI Agent** product featuring its AI task-completion engine which helps users disassemble complex tasks, execute accordingly and deliver visualized outcome through natural language interaction. Xinxiang is currently available for Android users and is set to launch iOS version soon.
- **Baidu Comate 3.5** is an AI coding assistant which is accessible to public and has served 7.6mn developers in total. Company notes that code generated by Comate has occupied c. **40%+** of Baidu's daily incremental new code.
- **Baidu Qianfan** (千帆) platform has launched online reasoning services powered by Baidu Baige (百舸) GPU platform, which increases reasoning speed by **50%** and has served 400k clients.

Exhibit 3: Baidu: showcase of Hyper-realistic Digital Human livestreaming



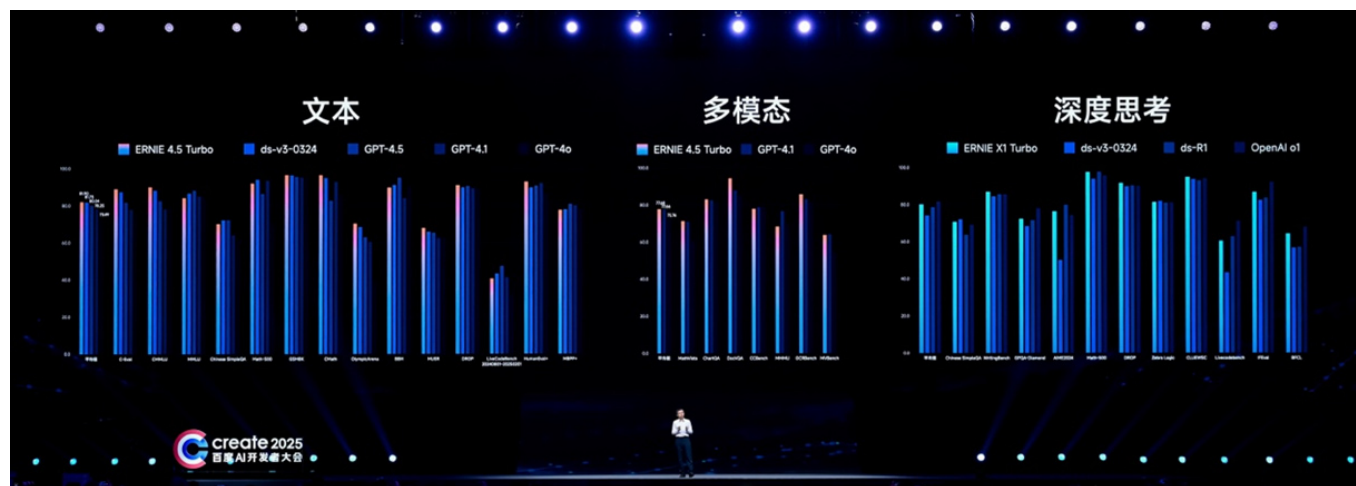
Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 4: Baidu: price comparison of Ernie 4.5 Turbo/X1 Turbo vs. DeepSeek V3/R1



Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 5: Baidu: performance comparison of Ernie 4.5 Turbo/X1 Turbo vs. DeepSeek and OpenAI models



Source: Company data, Data compiled by Goldman Sachs Global Investment Research

1Q preview: expect fast cloud growth to offset ads weakness

For upcoming 1Q result reporting on May 21, we expect a largely in-line quarter: 1% revenue and -20% core OP decline yoy. Cloud service revenue is likely still at 25% level, following 4Q24's strength. Key debates are capex and chip availability post H20 ban, the growing inference demand and AI related revenue/profit margin for 2025.

For Ads, we look for 6% decline for 1Q25, and expect continued pressure into next 2-3 quarters. The competition in search timespent and user behavior change are headwinds to Baidu, and key focus is the revamp of search and potential monetization of AI search starting from 2Q25.

We tweak our 2025-27E EPS estimates by -1%/-2%/-6% and our 12-month TP is now at **US\$102/HK\$99** (was US\$101/HK\$99). Stay **Buy**.

Exhibit 6: Baidu: Summary of annual and quarterly estimates

Baidu (Rmb mn)	2020	2021	2022	2023	2024	2025E	2026E	2027E	1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E
Total net revenue	107,074	124,493	123,675	134,598	133,125	135,709	142,924	150,610	31,513	33,931	33,557	34,124	30,913	34,038	34,727	36,031
% yoy	0%	16%	-1%	9%	-1%	2%	5%	5%	1%	0%	-3%	-2%	-2%	0%	3%	6%
Baidu core	78,685	95,163	95,431	103,465	104,712	107,279	113,240	119,264	23,803	26,687	26,524	27,698	24,041	26,848	27,126	29,264
% yoy	-1%	21%	0%	8%	1%	2%	6%	5%	3%	1%	0%	1%	1%	1%	2%	6%
% qoq									-13%	12%	-1%	4%	-13%	12%	1%	8%
Core search (incl. feed)	66,018	73,628	69,379	74,979	72,849	70,354	70,354	70,354	17,008	19,164	18,771	17,906	16,025	18,231	18,179	17,918
% yoy	-5%	12%	-6%	8%	-3%	-3%	0%	0%	3%	-2%	-5%	-7%	-6%	-5%	-3%	0%
% qoq									-11%	13%	-2%	-5%	-11%	14%	0%	-1%
AI Cloud	9,076	14,568	17,749	18,748	21,836	26,421	31,177	35,853	4,657	5,123	4,922	7,133	5,821	6,148	6,005	8,446
% yoy	42%	61%	22%	6%	16%	21%	18%	15%	12%	14%	11%	26%	25%	20%	22%	18%
% qoq									-18%	10%	-4%	45%	-18%	6%	-2%	41%
Others (Xiaodu, Apollo)	3,590	6,966	8,303	9,738	10,027	10,504	11,709	13,056	2,138	2,400	2,831	2,659	2,194	2,469	2,942	2,899
% yoy	3%	94%	19%	17%	3%	5%	11%	12%	-6%	3%	15%	-1%	3%	3%	4%	9%
% qoq									-20%	12%	18%	-6%	-17%	13%	19%	-1%
iQIYI	29,707	30,554	28,998	31,873	29,225	29,258	30,556	32,265	7,927	7,439	7,246	6,613	7,089	7,385	7,814	6,970
% yoy	2%	3%	-5%	10%	-8%	0%	4%	6%	-5%	-5%	-10%	-14%	-11%	-1%	8%	5%
Video core (member + ads)	23,313	23,780	23,043	26,538	23,477	23,574	24,800	26,325	6,281	5,957	5,703	5,537	5,750	5,903	6,213	5,709
% yoy	3%	2%	-3%	15%	-12%	0%	5%	6%	-10%	-8%	-15%	-14%	-8%	-1%	9%	3%
% qoq									-3%	-5%	-4%	-3%	4%	3%	5%	-8%
Baidu total OP, non-GAAP	21,733	19,030	23,186	28,430	26,233	24,149	25,820	27,814	6,673	7,501	7,014	5,047	4,874	6,518	6,652	6,104
% yoy	70%	-12%	22%	23%	-8%	-8%	7%	8%	4%	2%	-8%	-29%	-27%	-13%	-5%	21%
% OP margin, non-GAAP	20.3%	15.3%	18.7%	21.1%	19.7%	17.8%	18.1%	18.5%	21.2%	22.1%	20.9%	14.8%	15.8%	19.1%	19.2%	16.9%
Baidu core OP, non-GAAP	26,367	22,201	20,947	24,748	23,890	21,980	23,277	24,764	5,586	7,005	6,653	4,647	4,451	5,939	6,001	5,589
% yoy	30%	-16%	-6%	18%	-3%	-8%	6%	6%	4%	8%	0%	-25%	-20%	-15%	-10%	20%
Core search (incl. feed)	28,126	28,747	27,521	29,992	27,221	22,771	21,716	20,661	6,718	7,282	7,133	6,088	5,128	6,016	5,999	5,628
Cloud	(1,815)	(2,914)	(2,662)	422	1,383	2,199	3,196	4,571	256	307	320	499	437	492	510	760
Autonomous driving & Others	56	(3,632)	(3,911)	(5,666)	(4,714)	(2,991)	(1,635)	(468)	(1,389)	(584)	(800)	(1,941)	(1,114)	(569)	(509)	(799)
% OP margin, non-GAAP	33.5%	23.3%	21.9%	23.9%	22.8%	20.5%	20.6%	20.8%	23.5%	26.2%	25.1%	16.8%	18.5%	22.1%	22.1%	19.1%
Core search (incl. feed)	42.6%	39.0%	39.7%	40.0%	37.4%	32.4%	30.9%	29.4%	39.5%	38.0%	38.0%	34.0%	32.0%	33.0%	33.0%	31.4%
Cloud	-20.0%	-20.0%	-15.0%	2.3%	6.3%	8.3%	10.3%	12.8%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%
Autonomous driving & Others	1.5%	-52.1%	-47.1%	-58.2%	-47.0%	-28.5%	-14.0%	-3.6%	-65.0%	-24.4%	-28.3%	-73.0%	-50.8%	-23.1%	-17.3%	-27.6%
iQIYI core OP, non-GAAP	(4,477)	(3,027)	2,173	3,641	2,362	2,190	2,565	3,073	1,086	501	369	406	423	579	652	536
% OP margin, non-GAAP	-15.1%	-9.9%	7.5%	11.4%	8.1%	7.5%	8.4%	9.5%	13.7%	6.7%	5.1%	6.1%	6.0%	7.8%	8.3%	7.7%
Baidu total NP, non-GAAP	22,020	18,830	20,680	28,747	27,002	25,630	26,973	29,271	7,011	7,396	5,886	6,709	5,680	6,799	7,025	6,126
% yoy	21%	-14%	10%	39%	-6%	-5%	5%	9%	22%	-8%	-19%	-13%	-19%	-8%	19%	-9%
% NP margin, non-GAAP	20.6%	15.1%	16.7%	21.4%	20.3%	18.9%	18.9%	19.4%	22.2%	21.8%	17.5%	19.7%	18.4%	20.0%	20.2%	17.0%
Baidu core NP, non-GAAP	25,194	21,292	19,935	27,418	26,335	24,823	25,845	27,694	6,628	7,290	5,676	6,741	5,611	6,568	6,727	5,917
% yoy	10%	-15%	-6%	38%	-4%	-6%	4%	7%	26%	-5%	-18%	-10%	-15%	-10%	19%	-12%
% NP margin, non-GAAP	32.0%	22.4%	20.9%	26.5%	25.1%	23.1%	22.8%	23.2%	27.8%	27.3%	21.4%	24.3%	23.3%	24.5%	24.8%	20.2%
iQIYI core NP, non-GAAP	(5,444)	(4,488)	1,284	2,838	1,512	1,726	2,095	2,600	844	247	480	(59)	298	461	528	438
% NP margin, non-GAAP	-18.3%	-14.7%	4.4%	8.9%	5.2%	5.9%	6.9%	8.1%	10.7%	3.3%	6.6%	-0.9%	4.2%	6.2%	6.8%	6.3%

Source: Company data, Goldman Sachs Global Investment Research

Key risks: 1) more intense competition in AI search/chatbot; 2) Cloud slower than expected ramp up; 3) delay of the AI monetization progress.

Price Target Risks and Methodology - Baidu Inc.

We are Buy-rated on Baidu with 12-month SOTP-based target prices for BIDU/9888.HK of **US\$102/HK\$99**. We use target 6X P/E for core search and 3X EV/Sales for cloud business. Key risks include 1) slower recovery in macro and advertising spending, 2) higher-than-expected competition in the advertising/search industry, 3) delay of AI cloud expansion.

BIDU	12m Price Target: \$102.00	Price: \$90.74	Upside: 12.4%
9888.HK	12m Price Target: HK\$99.00	Price: HK\$87.60	Upside: 13.0%

Buy		GS Forecast			
Market cap: \$31.8bn Enterprise value: \$20.2bn 3m ADTV: \$538.6mn China China Games, Entertainment & Healthcare Tech M&A Rank: 3 Leases incl. in net debt & EV?: No	Revenue (Rmb mn) New	12/24	12/25E	12/26E	12/27E
	Revenue (Rmb mn) Old	133,125.0	135,709.0	142,924.4	150,609.7
	EBITDA (Rmb mn)	34,907.5	34,253.9	37,153.1	40,429.5
	EPS (Rmb) New	77.20	74.04	78.74	86.34
	EPS (Rmb) Old	77.20	74.80	80.62	91.49
	P/E (X)	9.0	8.9	8.4	7.7
	P/B (X)	0.9	0.8	0.7	0.6
	Dividend yield (%)	0.0	0.0	0.0	0.0
	CROCI (%)	16.1	14.5	14.2	14.4
	EPS (Rmb)	12/24	3/25E	6/25E	9/25E
		19.29	16.36	19.62	20.32

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 25 Apr 2025 close.

Disclosure Appendix

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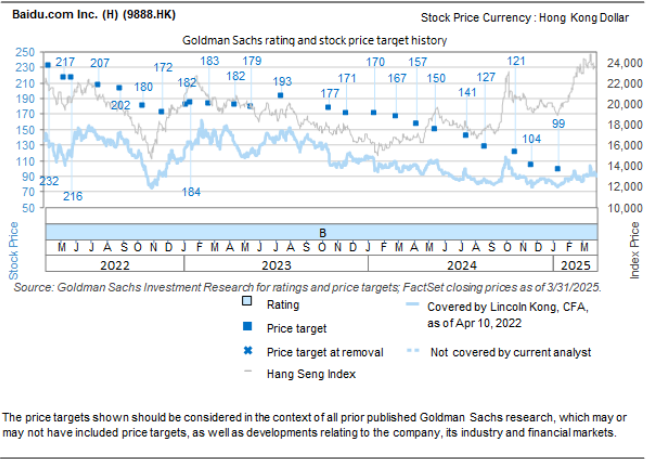
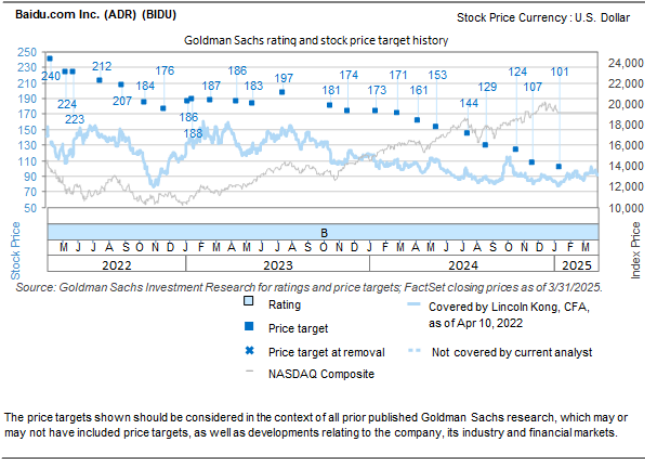
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Price target and rating history chart(s)



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