



Model updated: 30 April 2015

Running the numbers

Asia

China

Software & Services

Baidu

Reuters: BIDU.OQ

Bloomberg: BIDU US

Buy

Price (15 May 15) USD 192.98

Target Price USD 239.00

52 Week range USD 154.77 - 250.34

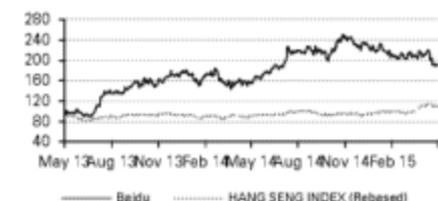
Market Cap (m) EURm 58,972

USDm 67,453

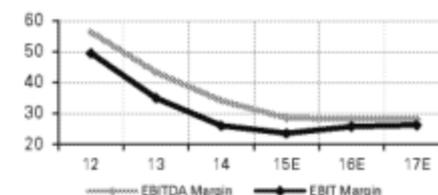
Company Profile

Baidu is a leading internet search engine operator in China. The company offers a variety of search services including algorithmic search, enterprise search; and music, news and image search. The company generates revenue from selling pay-for-performance key-word ads.

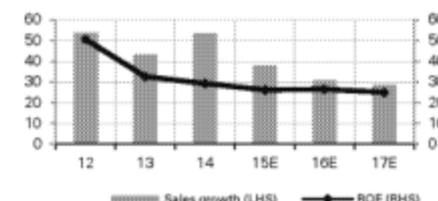
Price Performance



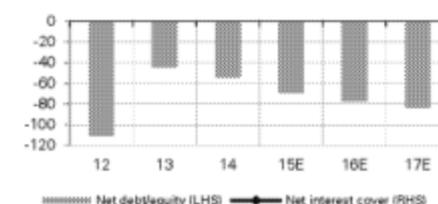
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (CNY)	30.50	31.49	40.24	49.54	66.84	83.23
Reported EPS (CNY)	29.89	30.02	37.60	45.26	61.80	77.06
DPS (CNY)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (CNY)	74.6	109.8	147.1	199.8	268.7	352.0
Weighted average shares (m)	349	350	350	351	351	352
Average market cap (CNYm)	264,914	258,733	417,178	418,557	418,557	418,557
Enterprise value (CNYm)	235,005	242,209	387,748	367,724	342,891	312,263

Valuation Metrics

	2012	2013	2014	2015E	2016E	2017E
P/E (DB) (x)	24.9	23.5	29.6	24.2	17.9	14.4
P/E (Reported) (x)	25.4	24.6	31.7	26.5	19.4	15.5
P/BV (x)	8.49	9.96	9.55	5.99	4.46	3.40
FCF Yield (%)	3.6	4.2	3.2	5.2	6.1	7.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	10.5	7.6	7.9	5.4	3.9	2.7
EV/EBITDA (x)	18.7	17.5	23.1	19.0	13.6	9.7
EV/EBIT (x)	21.3	21.6	30.3	23.0	15.0	10.4

Income Statement (CNYm)

	2012	2013	2014	2015E	2016E	2017E
Sales revenue	22,306	31,944	49,052	67,748	88,638	113,986
Gross profit	17,383	23,148	34,139	43,919	56,201	71,681
EBITDA	12,567	13,844	16,776	19,384	25,129	32,248
Depreciation	1,515	2,652	3,972	3,387	2,216	2,280
Amortisation	0	0	0	0	0	0
EBIT	11,051	11,192	12,804	15,996	22,913	29,968
Net interest income/(expense)	759	861	1,364	1,622	1,935	2,160
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	156	132	307	385	364	364
Profit before tax	11,965	12,185	14,475	17,983	25,211	32,492
Income tax expense	1,574	1,829	2,231	3,614	5,008	6,777
Minorities	-65	-163	-944	-1,524	-1,524	-1,524
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	10,456	10,519	13,187	15,893	21,727	27,238
DB adjustments (including dilution)	212	515	928	1,503	1,773	2,182
DB Net profit	10,668	11,034	14,115	17,397	23,500	29,420

Cash Flow (CNYm)

	2012	2013	2014	2015E	2016E	2017E
Cash flow from operations	11,908	13,657	18,091	24,741	29,334	36,873
Net Capex	-2,311	-2,757	-4,827	-2,710	-3,546	-4,559
Free cash flow	9,597	10,901	13,263	22,031	25,789	32,313
Equity raised/(bought back)	157	1,554	2,040	0	0	0
Dividends paid	0	0	-338	-400	-519	-709
Net inc/(dec) in borrowings	9,389	6,025	7,708	0	0	0
Other investing/financing cash flows	-11,478	-20,803	-16,269	-9	0	0
Net cash flow	7,665	-2,324	0	21,622	25,270	31,604
Change in working capital	696	1,119	3,300	3,928	3,867	5,631

Balance Sheet (CNYm)

	2012	2013	2014	2015E	2016E	2017E
Cash and other liquid assets	32,880	38,686	58,084	79,706	104,976	136,580
Tangible fixed assets	3,888	5,370	8,705	8,028	9,357	11,637
Goodwill/intangible assets	5,465	20,495	20,993	20,993	20,993	20,993
Associates/investments	803	635	2,879	2,871	2,871	2,871
Other assets	2,632	5,800	9,000	10,169	12,909	15,622
Total assets	45,669	70,986	99,661	121,767	151,107	187,703
Interest bearing debt	2,615	20,556	28,553	30,288	32,249	34,749
Other liabilities	15,838	9,764	16,603	19,965	24,611	30,654
Total liabilities	18,454	30,321	45,156	50,253	56,860	65,403
Shareholders' equity	26,055	38,425	51,526	70,058	94,315	123,892
Minorities	1,160	2,240	2,980	1,456	-68	-1,592
Total shareholders' equity	27,215	40,665	54,506	71,514	94,247	122,300
Net debt	-30,265	-18,130	-29,531	-49,418	-72,726	-101,831

Key Company Metrics

	2012	2013	2014	2015E	2016E	2017E
Sales growth (%)	53.8	43.2	53.6	38.1	30.8	28.6
DB EPS growth (%)	57.0	3.3	27.8	23.1	34.9	24.5
EBITDA Margin (%)	56.3	43.3	34.2	28.6	28.4	28.3
EBIT Margin (%)	49.5	35.0	26.1	23.6	25.9	26.3
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0
ROE (%)	50.6	32.6	29.3	26.1	26.4	25.0
Capex/sales (%)	10.4	8.6	9.8	4.0	4.0	4.0
Capex/depreciation (x)	1.5	1.0	1.2	0.8	1.6	2.0
Net debt/equity (%)	-111.2	-44.6	-54.2	-69.1	-77.2	-83.3
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates