

Baidu.com Inc. (BIDU): First Take: 1Q26 OP above; Strong AI Cloud Infra from accelerated GPU Cloud revenue; Not Rated

Baidu Group 1Q26 results came in with **revenue largely in line** (-1% yoy, +2% vs. GSe and Visible Alpha Consensus) and non-GAAP EPADS in line (-35% yoy, -2%/+0% vs. GSe/Consensus) thanks to **strictly controlled OPEX** (esp. SG&A expenses -27% vs. GSe, -16% yoy) offsetting **lower gross margin of 39.2%** (-5.2ppts/-7.2ppts qoq/yoy). Baidu General Business (prior Baidu Core) revenue +2% yoy at RMB26bn, +3%/+4% vs. GSe/VA consensus.

Non-GAAP **operating profit** reached RMB3.8bn, up 28% QoQ, suggesting a solid sequential recovery.

Key highlights from result release

- **Baidu Core AI-powered businesses** revenue grew **+49% yoy/+21% qoq** to c. **Rmb13.6bn** in 1Q26, and now account for 52% of Baidu General Business (vs. 43% in 4Q25), mainly driven by the growth from AI Cloud Infra supplemented by AI-native Marketing Services.
 - **AI Cloud Infra** revenue reached Rmb8.8bn at **+79% yoy/+52% qoq** growth, well ahead of market expectations, and within which **GPU Cloud revenue** (previous subscription-based revenue from AI accelerator infrastructure) rose **+184% yoy** (further accelerated vs. 4Q25's 143% yoy).
 - **AI-native Marketing Services** revenue reached Rmb2.3bn at +36% yoy/-15% qoq decline.
 - **AI Applications** revenue reached Rmb2.5bn at flat yoy/-10% qoq decrease. In addition, Baidu launched DuMate (a general agent) in March 2026, and released Miaoda 3.0 (a vibe coding platform) and Famou Agent 2.0 (a self-evolving agent) at Baidu Create 2026 last week.
- **Apollo Go** provided **3.2mn** fully driverless operational rides in 1Q26 at **120%+** yoy (vs. 200%+ yoy in 4Q25). Apollo Go continuously expanded its global footprint across multiple markets. As of May 2026, Apollo Go's global footprint reached 27 cities.
- **Operating cash flow continued to be positive**, at Rmb2.7bn in 1Q26 (Rmb2.6bn in 4Q25). We note a **significant pick up in capex** to the RMB5.8bn level in 1Q, vs. RMB2.8bn a year ago and RMB2bn in 4Q25.
- Baidu returned **US\$172mn** to shareholders via buybacks in 1Q26 under its

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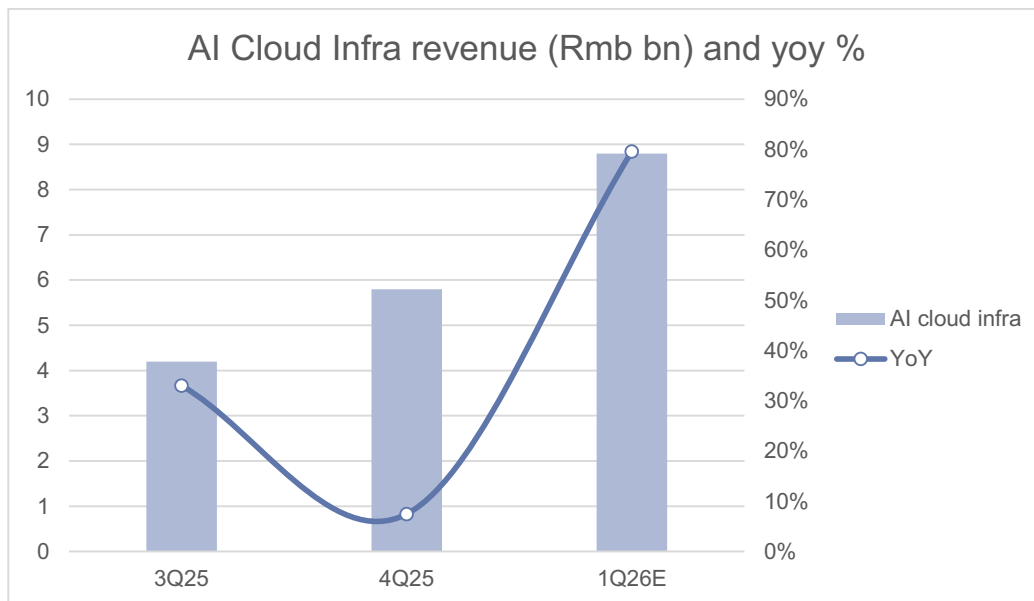
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current share **repurchase** program with up to US\$5bn of authorization effective through Dec 31, 2028.

We are Not Rated on BIDU/9888.HK.

Exhibit 1: AI cloud saw significant acceleration in 1Q26



Source: Company data

Exhibit 2: BIDU: 1Q26 earnings snapshot

Baidu	Act	GSe	% yoy	Cons.	Act vs. Est	Act vs. Cons
1Q26 Net revenue (Rmb mn)	32,075	31,426	-1%	31,369	2%	2%
Baidu General Business	26,001	25,337	2%	24,962	3%	4%
1Q26 non-GAAP EPADS (Rmb)	12.06	12.26	-35%	12.06	-2%	0%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data



Exhibit 3: BIDU: 1Q26 results summary

Rmb mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	1Q26E	Diff %	QoQ %	YoY %
Baidu General Business	23,803	26,687	26,524	27,698	25,463	26,251	24,659	26,112	26,001	25,337	3%	0%	2%
iQIYI	7,927	7,439	7,246	6,613	7,186	6,628	6,682	6,794	6,226	6,286	-1%	-8%	-13%
Online marketing revenue	18,490	20,625	20,108	19,340	17,306	17,485	16,566	16,382	13,775	14,020	-2%	-16%	-20%
Online marketing - Baidu Core	17,008	19,164	18,771	17,906	15,978	16,213	15,325	15,030	12,534	12,799	-2%	-17%	-22%
Other services (iQIYI subs, Cloud)	13,023	13,306	13,449	14,784	15,146	15,228	14,608	16,358	18,300	17,407	5%	12%	21%
Total net revenue	31,513	33,931	33,557	34,124	32,452	32,713	31,174	32,740	32,075	31,426	2%	-2%	-1%
Total cost of revenues	15,291	16,398	16,399	18,014	17,487	18,357	18,315	18,277	19,589	17,375	13%	7%	12%
Gross profit, non-GAAP	16,330	17,679	17,262	16,213	15,042	14,476	12,972	14,542	12,568	14,131	-11%	-14%	-16%
Selling, general, & admin expenses	4,958	5,315	5,539	6,381	5,600	5,684	6,241	7,137	4,722	6,471	-27%	-34%	-16%
Research & development expenses	4,745	4,908	4,754	4,830	4,183	4,434	4,588	5,193	4,090	4,658	-12%	-21%	-2%
Share-based compensation	1,143	1,512	1,044	1,085	751	1,081	1,044	729	563	932	-40%	-23%	-25%
Total operating costs, GAAP	10,846	11,735	11,337	12,296	10,534	11,199	11,873	13,059	9,375	12,062	-22%	-28%	-11%
Operating profit, GAAP	5,484	5,944	5,925	3,917	4,508	3,277	1,099	1,483	3,193	2,070	54%	115%	-29%
Operating profit, non-GAAP	6,673	7,501	7,014	5,047	5,333	4,445	2,205	2,967	3,807	3,072	24%	28%	-29%
Interest income, net	1,325	1,251	1,204	1,358	1,863	1,256	1,299	1,400	1,327	1,235	7%	-5%	-29%
Foreign exchange (loss) gain, net	401	93	(1,096)	1,678	(210)	(621)	(357)	(1,054)	(989)	0	6%	-37%	
Gain from equity method investments	(205)	(119)	32	(399)	574	694	735	1,193	536	769	-30%	-55%	-7%
Other income, net	(275)	(454)	2,535	23	2,260	3,534	269	(296)	(248)	0		16%	Nm
Pre-tax income	6,730	6,715	8,600	6,577	8,995	8,140	(13,145)	2,726	3,819	4,074	-6%	40%	-58%
Provision for income taxes	883	1,131	814	1,619	1,177	881	(1,828)	1,029	528	863	-39%	-49%	-55%
Minority interest	399	96	154	(234)	101	(63)	(85)	(85)	(154)	(75)	-104%	-81%	Nm
Net profit, GAAP	5,847	5,584	7,786	4,958	7,818	7,259	(11,317)	1,697	3,291	3,211	2%	94%	-58%
SBC	1,066	1,425	972	1,019	687	1,024	989	681	519	932	-44%	-24%	-24%
Net profit, non-GAAP	7,011	7,396	5,886	6,709	6,469	4,795	3,770	3,907	4,332	4,218	3%	11%	-33%
EPADS, GAAP (Rmb)	14.9	15.0	21.6	14.3	21.6	20.4	(33.9)	3.7	8.8	9.6	-8%	136%	-59%
EPADS, non-GAAP (Rmb)	19.9	21.0	16.6	19.2	18.5	13.6	11.1	10.6	12.1	12.3	-2%	14%	-35%

As a % of total net revenue	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	1Q26E	Diff (pp)	2oQ (pp)	YoY (pp)
Gross profit, non-GAAP	51.8%	52.1%	51.4%	47.5%	46.4%	44.3%	41.6%	44.4%	39.2%	45.0%	(5.8)	(5.2)	(7.2)
GAAP operating profit	17.4%	17.5%	17.7%	11.5%	13.9%	10.0%	3.5%	4.5%	10.0%	6.6%	3.4	5.4	(3.9)
Non-GAAP operating profit	21.2%	22.1%	20.9%	14.8%	16.4%	13.6%	7.1%	9.1%	11.9%	9.8%	2.1	2.8	(4.6)
Baidu Core	23.5%	26.2%	25.1%	16.8%	19.1%	16.7%	9.0%	10.9%	14.8%	12.3%	2.5	4.0	(4.3)
IQ Core	13.7%	6.7%	5.1%	6.1%	6.4%	0.9%	-0.3%	2.1%	-0.8%	-0.8%	(0.0)	(2.9)	(7.2)
GAAP net income	18.6%	16.5%	23.2%	14.5%	24.1%	22.2%	-36.3%	5.2%	10.3%	10.2%	0.0	5.1	(13.8)
Non-GAAP net income	22.2%	21.8%	17.5%	19.7%	19.9%	14.7%	12.1%	11.9%	13.5%	13.4%	0.1	1.6	(6.4)

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Baidu Inc.

We are Not Rated on BIDU/9888.HK.

BIDU	Price Target: --	Price: \$135.33	Upside: --
9888.HK	Price Target: --	Price: HK\$134.70	Upside: --

NR	GS Forecast	12/25	12/26E	12/27E	12/28E
		Market cap: \$47.4bn	Revenue (Rmb mn)	129,079.0	130,421.9
Enterprise value: \$43.2bn	EBITDA (Rmb mn)	24,215.7	26,696.3	32,330.0	38,060.5
3m ADTV: \$288.3mn	EPS (Rmb)	55.29	55.34	63.49	72.94
China	P/E (X)	13.0	16.6	14.5	12.6
China Games, Entertainment & Healthcare Tech	P/B (X)	0.9	1.0	0.9	0.9
Leases incl. in net debt & EV?: No	Dividend yield (%)	0.0	0.0	0.0	0.0
	N debt/EBITDA (ex lease,X)	(1.3)	(1.6)	(1.6)	(1.7)
	CROCI (%)	8.4	10.6	11.3	12.1
	FCF yield (%)	(4.7)	2.8	2.7	3.9
		12/25	3/26E	6/26E	9/26E
	EPS (Rmb)	11.33	12.26	12.91	13.29

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 15 May 2026 close.