

# China search engine Baidu's Q4 profit rise misses mark

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Chinese search provider Baidu on Wednesday reported that its fourth quarter profit climbed 16 percent to \$520.4 million, driven by a surge in smartphone users connecting with the Internet powerhouse.

But the quarterly net profit fell short of market expectations of 3.52 billion yuan (\$577 million), according to nine analysts surveyed by Bloomberg News.

The Beijing-based firm said revenue in the final three months of last year totalled \$2.26 billion in a 47.5 percent jump from the same period in 2013.

Revenue from people using mobile devices to connect with Baidu constituted 42 percent of the money taken during the quarter.

"About two years ago, we set out to fundamentally transform Baidu from a PC (personal computer) centric company to a mobile first company at the forefront of innovation in the mobile Internet," chief executive Robin Li said.

"Mobile search traffic exceeded PC search traffic during the second half of the year and continues to increase as a portion of overall search traffic," he told a conference call.

Baidu—described as the Chinese equivalent of Google because of its dominant position amongst search engines in China—has been

diversifying into other areas, including providing services through the Internet, and last year invested in the ride-sharing application Uber.

Baidu said profit for the rose 25.4 percent to \$2.13 billion year on year in 2014, while revenue totalled \$7.91 billion, up 53.6 percent.

But worries over revenue for the current quarter, which the company said would be affected by the traditionally quiet Chinese New Year period, put pressure on the share price.

Baidu's Nasdaq-listed shares fell 9.16 percent to \$195 in after-hours trading Wednesday, according to the exchange.

Baidu lays claim to being the leading Chinese language Internet search service. Competitors include Sogou in which Tencent—operator of the popular messaging app WeChat—holds a stake, and Qihoo 360 Technology, which also provides Internet security products.

Analysys International said Baidu had an 85.9 percent share of China's search engine market in terms of revenue as of the fourth quarter.

Baidu said it saw its marketing and administration costs in the period spike more than 89 percent to \$568 million, primarily due to increased spending to win people over to its mobile offerings.

The firm announced during the quarter that it also spent money on a stake in Uber for an undisclosed sum, as the US web-based taxi app seeks to expand into the already crowded Chinese market.

Baidu will link users of its mapping and search functions with Uber drivers, the two companies previously announced. The investment has previously been reported to be as much as \$600 million, according to state-run China National Radio.

Li said Baidu was still working to integrate with Uber, but that transactions were growing at a "very fast pace".

"We are optimistic about the future prospects of this cooperation," he said.

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