

China search giant Baidu sees lift from travel deal

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Chinese search giant Baidu said Thursday it expects a new travel services partnership to help drive future revenue as the country's middle class grows, after it reported better-than-expected third quarter earnings.

Nasdaq-listed Baidu, often portrayed as the equivalent of Google, dominates search in China and is looking to move into online-to-offline services, such as food delivery and movie ticket booking.

Net profit slumped 26.7 percent year-on-year to \$447 million (2.8 billion yuan) for the quarter ending in September, according to a statement.

But adjusted earnings per share came in at \$1.43, beating the median forecast of \$1.28 in a poll of analysts by Bloomberg News.

In the third quarter, Baidu's revenue increased by 36 percent to \$2.9 billion, in line with market expectations, helped by its core search advertising business.

The results drove Baidu shares up around seven percent in after-hours trade.

As part of the drive to build a new Baidu, the company this week announced a deal which saw it take a 25 percent voting interest in Chinese travel website Ctrip, in exchange for a 45 percent stake in its own Qunar unit, which also offers plane ticket and hotel bookings.

"We see tremendous potential ahead for the industry and remain very committed to the online travel space," Baidu chief executive Robin Li said on a conference call.

"This opens up a lot more travel products and services to Baidu users."

Steady, though now slowing, economic growth in China has created a travel boom as a growing [middle class](#) seeks to spend new-found income.

Analysts said the Ctrip deal would also lessen the impact from money-losing Qunar and reduce Baidu's investment costs as the two travel players coordinate marketing.

"The equity swap allows Baidu to own equity stakes in Ctrip and Qunar, the two largest online [travel](#) service platforms in China," Moody's Investors Service vice president Lina Choi said in a statement on Wednesday.

Baidu chief financial officer Jennifer Li played down the impact of slowing Chinese growth.

"Search serves a very diversified customer base and I think we are quite resilient in good times and bad," she told analysts on the conference call.

China logged its worst economic performance since the [global financial crisis](#) in the third quarter, with [gross domestic product](#) rising just 6.9 percent—its lowest level in six years.

Baidu forecasts fourth quarter revenue to be between \$2.86 billion and \$2.95 billion.

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