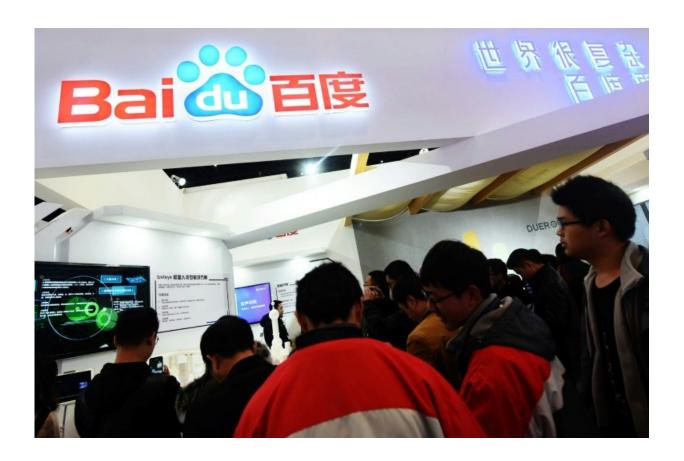


US IPO for Baidu video unit as Q4 net income flattens

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Chinese search engine giant Baidu will spin off its Netflix-like video arm iQiyi and list it in the US market, the company said in a statement



that revealed its net profit grew only one percent during the fourth quarter.

The <u>company</u> said it has submitted a draft registration to the US securities regulator, the SEC, for a proposed <u>initial public offering</u> of iQiyi, without giving further details.

The news sent Baidu's shares up more than seven percent in afterhours trading on NASDAQ.

Baidu "expects to remain iQiyi's controlling shareholder" after the offering, the statement said.

Bloomberg News reported on Wednesday that the online video streaming unit is valued at \$15 billion.

iQiyi is the leading mobile video provider in China with 463 million monthly active mobile users, closely followed by Tencent's video site and Alibaba's Youku Tudou, according to QuestMobile, a Beijing-based data research firm.

Last year iQiyi reached a content licensing agreement with Netflix, whose shows include "Black Mirror" and "Stranger Things".

New Street Research analyst Kirk Boodry told Bloomberg that the IPO will be able to fund Baidu's content costs for the video unit.

"The iQiyi IPO confirmation is positive and we think that <u>video</u> will be a top story in 2018," he said.

Baidu's earnings suffered in 2016 as the company clamped down on dubious ads, but it has gradually recovered in 2017.



Net income in the final three months of last year came to \$639 million (4.2 billion RMB), up just one percent from the same period last year, according to Baidu's earnings report.

Revenue growth in the fourth quarter remained strong, up 29 percent year-on-year to \$3.62 billion. Mobile revenue continues to grow, accounting for 76 percent of the total revenue.

Net income jumped in the second and third quarter year-on-year as the company disposed of non-core businesses such as food delivery.

"In 2017, Baidu sharpened its strategic focus. We strengthened our management team and built strong momentum by adopting AI-first in our mobile businesses and investing in new AI businesses," said Robin Li, the company's Chairman and CEO.

Baidu also made headway in autonomous driving, where it is cooperating with several Chinese auto companies including BAIC Group.

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