Baidu Q2 revenue beats expectations but profit drops

August 20 2019

Baidu shares soared 10 percent in after-hours trading on New York's Nasdaq following the release of the results

Chinese internet giant Baidu regained momentum during the second quarter, posting better-than-expected revenue on Tuesday thanks to strong traffic growth, though it also announced a huge drop in net profit.

The Beijing-based search leader said its total revenues rose 1.4 percent to 26.3 billion yuan ($3.8 billion), beating the average prediction of 25.8 billion yuan forecast in a Bloomberg poll of analysts.

The upbeat result was announced after US markets closed on Monday, sending the Nasdaq-listed company's shares soaring as much as 10 percent in after-hours trading.

However, it warned revenue in the third quarter could decline as much as five percent.

Baidu also said net profit fell 62 percent in the three months ending June 30 owing to consolidation costs while facing the challenge of rivals such as ByteDance Inc.

"Faced with severe external challenges and a weak macro environment, the company initiated a series of transformative changes, including organisational structure, personnel, and business consolidation," Baidu CEO Robin Li said in a letter to employees after the results.

"These changes have brought temporary pain, but the positive impact will be far-reaching, enabling a more solid and long-lasting future for Baidu."

Baidu in May posted its first quarterly revenue loss since its IPO in 2005 as the company struggled to grow sales and the head of its core search business resigned.

Baidu daily active users grew 27 percent in June year-on-year 2019 to reach 188 million.

With recent investments in Quora-like knowledge platform Zhihu and scientific Q&A site Guokr.com, Baidu's management said it would focus on improving content.

Beijing closely monitors social media networks in China for sensitive content, and Baidu said it had "filtered over one billion misleading, low-quality ad materials and tens of billions of offensive, inappropriate images, texts, videos and web links" in the first half of 2019, without elaborating.

Considered China's answer to Google, Baidu has traditionally relied on advertising for much of its revenue, a sector that is particularly vulnerable to economic slowdowns like the one China is currently experiencing.

But the company is trying to shift toward technologies like AI and driverless cars, which China's government wants the country to become a leader in.

The results contrasted with those of Alibaba and Tencent—with whom Baidu comprises the "BAT" troika of Chinese internet giants—who last week posted solid profit rises for the second quarter.

Citation: Baidu Q2 revenue beats expectations but profit drops (2019, August 20) retrieved 25 April 2024 from https://techxplore.com/news/2019-08-baidu-q2-revenue-profit.html