

BIDU 百度

Vs

QIHU 360

Comparative Analysis 投资比较分析



Author: Peng Yan, Financial Analyst,
Dragon Gate Investment Partners
作者：闫鹏 美国龙门资本金融分析师

Editor: Janice Ou, Market Research
Analyst, Dragon Gate Investment
Partners

编辑：区健 美国龙门资本市场分析师

The business conflict between Qihoo 360 Technology Co Ltd (360) and Baidu.com, Inc (Baidu) has existed for some time. As the war escalated, it has created concern among investors and the broader technology community. The purpose of this article is to analyze these two companies through their financials and stock market performance, predict their stock prices in the near future and provide reliable investment advice in regard to their stocks.

在中国互联网业界号称是"3B"大战的事件已经由来已久，随着战火不断升级，此事件引起了国内外的广泛关注。本文旨在通过奇虎 360 大战百度事件，分别对两家公司进行财务和股票市场分析，并对两家公司未来的股价作出预测，提出可行的投资策略。

360 and Baidu Event Review:

奇虎 360 大战百度事件回顾：

- On Aug 16, 2012, 360 launched its search engine under second-level domain, integrating the search result from Baidu and Google

2012年8月16日，奇虎360低调推出综合搜索; 奇虎360搜索采用二级域名，整合了百度搜索、谷歌搜索内容。

- On Aug 20, 2012, the search

flow of 360 increased dramatically after it was launched. 360's market share increased to 10%, becoming the second largest search engine in China.

2012年8月20日，在上线5天内，360搜索流量呈爆发式增长，在用户几乎无感知情况下迅速拿下国内接近10%搜索市场份额，超越搜狗，成国内第二大搜索引擎。

- On Aug 21, 2012, 360's stock closed at \$20.21, increasing by \$1.67 or 9.01%

2012年8月21日，360股价当日收盘于20.21美元，上涨1.67美元，涨幅高达9.01%。

- On Aug 28, 2012, after its stock had plummeted for a few days, Baidu took action against the 360 search engine, forcing 360 user's searching request to Baidu's page. This action dropped 360's stock price by 8%, while Baidu's stock increased.

2012年8月28日晚，经历数天市值大幅跳水后，百度终于打破沉默，大规模对360采取反制措施，将来自360搜索的用户请求跳转至百度首页。这一夜幕下的攻防战也引发股市强烈反应。昨日开盘

360 股价开盘大跌 8%，百度股价则摆脱持续数日的低迷，强势拉升。

- On Aug 30, 2012, the engineers from Baidu claimed that 360 breached basic protocol.

2012年8月30日，百度工程师指360搜索突破底线，违反基本协议。

- On Sep 5, 2012, the 360 browser blocked Baidu's search engine and recommended its own search engine.

2012年9月5日，360浏览器对百度搜索进行屏蔽，推荐自家搜索引擎。

- On Feb 25, 2013, Baidu filed an appeal to Beijing First Intermediate People's Court, asking for ¥ 100 million reimbursement, as it believed that 360's business involved unfair competition. The court accepted this appeal and placed it on file.

2013年2月25日，因认为奇虎360抓取复制自己网站的内容构成不正当竞争，百度公司将对方诉至北京市第一中级人民法院，索赔1亿元。双方昨日确认，法院已正式立案。

- On Mar 7, 2013, Baidu changed its "mobile application" to "cellphone assistant," extending its function from application downloads to cellphone optimization.

2013年3月7日, 百度移动应用产品“百度移动应用”正式更名为“百度手机助手”, 而功能也从单纯应用下载工具, 扩大至手机优化等方面, 与百度移动搜索形成互补。

Financial analysis of Baidu & 360 百度和奇虎 360 的财务分析

360, the Internet company that once successfully raised the business war in antivirus software and cellphone industry, began to launch its search engine on August 16, 2012 and replace Google's engine with its own search engine at its browser on the evening of August 20. A few days later, Baidu responded to this action by forcing 360's search users to visit Baidu's homepage.

Compared with the fierce attack from Baidu, 360 only reacted with an announcement that launching its search engine was intended to break the industrial monopoly and prohibit swindle websites and fake online advertisement.

曾成功掀起杀毒软件、手机等行业大战的奇虎360, 突然在2012年8月16日上线搜索页面, 并在20日晚间, 将全站的首选搜

索引引擎谷歌撤换为360综合搜索, 这意味着360正式向搜索市场进军。几天后, 百度做出回应, 用户通过360综合搜索访问百度新闻、MP3、地图、知道、百科、贴吧等服务时, 将会强行跳转至百度首页。与百度的大规模进攻相比, 奇虎360显得低调, 其仅仅指出, 进军搜索是为打破搜索行业垄断, 并杜绝钓鱼、欺诈网站, 让人们不再受虚假广告的骗。

When it comes to Baidu, this Internet magnet has been playing a leading role in the Chinese search engine market for many years and it is referred to as China's Google. In fiscal year 2012, Baidu captured \$3.58 billion in revenue, increasing by 24% over 2011. Its net income reached a new high of \$1.678 billion, increasing by 57.5%. During the financial crisis in 2012, Baidu generated significant profit growth, showing its powerful profitability and effective strategy. Stabilizing its core business, Baidu started to enter the mobile and cloud computing areas.

说到百度, 这家互联网巨头无疑是中国搜索引擎市场上多年的领头羊, 俗称“中国的谷歌”。2012财年, 百度轻松斩获35.4亿美元的总收入, 比2011年同期增长24%。净利润也达到了创公司记录的16.78亿美元, 同比增长57.5%。在2012年金融危机的阴霾下, 百度能在市场上取得如此丰厚的利润, 显示出其强大的盈利能力和高效的公司策略。在稳固住搜索业务的情况下,

百度开始在移动领域和云计算布局。

Baidu's Revenue (Million Dollar)
百度历年收入 (百万美元)

	1Q	2Q	3Q	4Q	Annual
2012	675.7	862.0	983.9	1,014	3,535
2011	370.1	525.2	650.4	703.8	2,244
2010	189.4	280.4	333.2	368.0	1,169
2009	118.6	160.6	187.1	184.6	650.9
2008	80.57	117.0	135.4	131.9	460.8

Baidu's Earnings Per ADS (Dollar)
百度历年每股收益 (美元)

	1Q	2Q	3Q	4Q	Annual
2012	0.85	1.24	1.39	1.28	4.79
2011	0.47	0.72	0.84	0.93	2.94
2010	0.20	0.35	0.44	0.50	1.49
2009	0.08	0.16	0.21	0.18	0.63
2008	0.06	0.11	0.15	0.12	0.44

Baidu revealed in its financial statements that its mobile search flow has grown by 110% since last year. The mobile market will probably be the key sector for Baidu to support its further revenue growth. In fiscal year 2012, online marketing revenues in 2012 were \$3.571 billion, representing a 53.5% increase from 2011. The growth was driven by increases in both the number of active online marketing customers and revenue per customer. Baidu had about 596,000 active online marketing customers in 2012, representing a 22.1% increase from 2011. Revenue per online marketing customer for 2012 was \$5,987, an

increase of 25.6% from 2011. 财报显示，百度移动搜索流量较2011年同期增长110%，移动领域市场有望成为百度利润进一步增长的重要部分。2012年财年，百度来自网络营销的收入为35.71亿美元，与去年同比增长53.5%，几乎占据了该公司总收入的90%以上。网络营销的增长，不仅得益于有效网络营销用户的增长，还得益于户均收入的增长。2012年财年，百度共为大约59.6万家客户提供服务，较去年同期增长22.1%，户均收入达到5987美元，与去年同期相比增长25.6%。

Figure 1 Data Comparison in 2012
(Million dollar)

图 1 2012 年各项资金对比
(百万美元)

	360 奇虎 360	Baidu 百度
Online Marketing Revenue 网络营销收入	221.5	3,571
Internet value-added service revenues 互联网增值服务	103.3	9.58
Free Cash Flow 现金流	117.8	2,020

Source: SEC
来源：美国证券交易委员会

Compared with Baidu, 360 is slightly smaller in business scale and model. Revenues were \$329.0 million, an increase of 96% from \$167.9 million in 2011. Net income attributable to 360 was \$46.8 million, 67.48% of its revenue and an increase of 200% from that in 2011. Online advertising revenues were \$221.5 million, representing an increase of 80% from that in 2011. When look at the amount, Baidu is more prevailing than 360. Meanwhile, Baidu has \$2 billion cash flow in hand, letting this company has better liquidity.

相比百度，奇虎360在商业模式和规模上稍显稚嫩，奇虎360在2012年财年的总收入由2011年的1.68亿美元上涨至3.29亿美元。净利润为4680万美元，比去年同期增长200%。网络营销收入为2.22亿美元，占公司总收入的67.48%，较去年增长了80%。从数据总量上看，百度具有规模上的优势。与此同时，百度手中持有20亿美元的现金流，具有更高的流动性。

Even though 360's business scale is smaller, it should not be ignored in the market. Within the Internet industry, 360 has been widely known as a company with the great courage to challenge industrial leaders. In 2008, when antivirus software leaders in China were earning massive amounts of money from their paid antivirus services, 360 launched a forever-free antivirus software in the market. With the feature of forever free, many computer users abandoned their

original antivirus software to 360's antivirus software.

360's Revenue (Million Dollar)
奇虎360历年收入（百万美元）

	1Q	2Q	3Q	4Q	Annual
2012	69.28	72.77	84.04	102.9	329.0
2011	22.93	35.11	47.49	62.32	167.9
2010	9.69	12.69	15.46	19.82	57.67

360's Earnings Per ADS (Dollar)
奇虎历年每股收益（美元）

	1Q	2Q	3Q	4Q	Annual
2012	0.12	0.06	0.11	0.11	0.38
2011	N/A	0.09	0.06	0.11	0.14

虽然规模不及百度，但奇虎360不可小觑。其在业内一直有着“初生牛犊不怕虎”的气势以及敢于挑战行业大佬的勇气。2008年，就在国内杀毒软件界的大佬们还做着收费软件的美梦时，360永久免费杀毒软件横空出世。凭借着360安全卫士庞大的用户基数，打着永久免费的旗号，360杀毒软件的装机量出现了疯狂的增长。

There is another star product for 360, 360 web browser. Browser is the entrance of Internet surfing and network flow. So far, 360 web browser has gained 28% market share and 30% network flow. It has a great reputation due to its friendly interface, practical functionality and ease use. Supported by 360' antivirus software, the 360 web browser is

resistant to virus attacks. Relying on the customer group from 360 web browser, 360 search engine currently ranks second in the search engine industry with market share of 10%.

奇虎360另一款明星产品就是它的360安全浏览器。浏览器是用户上网的入口，是网络流量的入口，它的重要是不言而喻的。360安全浏览器目前以获得了28%的浏览器市场份额和30%的网络流量入口。360浏览器界面友好，功能实用，操作方便，而且有强大的360杀毒软件做后盾，使得用户在浏览网页时感染病毒的几率大大减小。360搜索引擎也凭借着奇虎360一系列软件的客户群体，市场份额一度蹿升至10%以上，跻身搜索引擎榜单第二位。

The whole China search engine market 整个中国搜索引擎市场

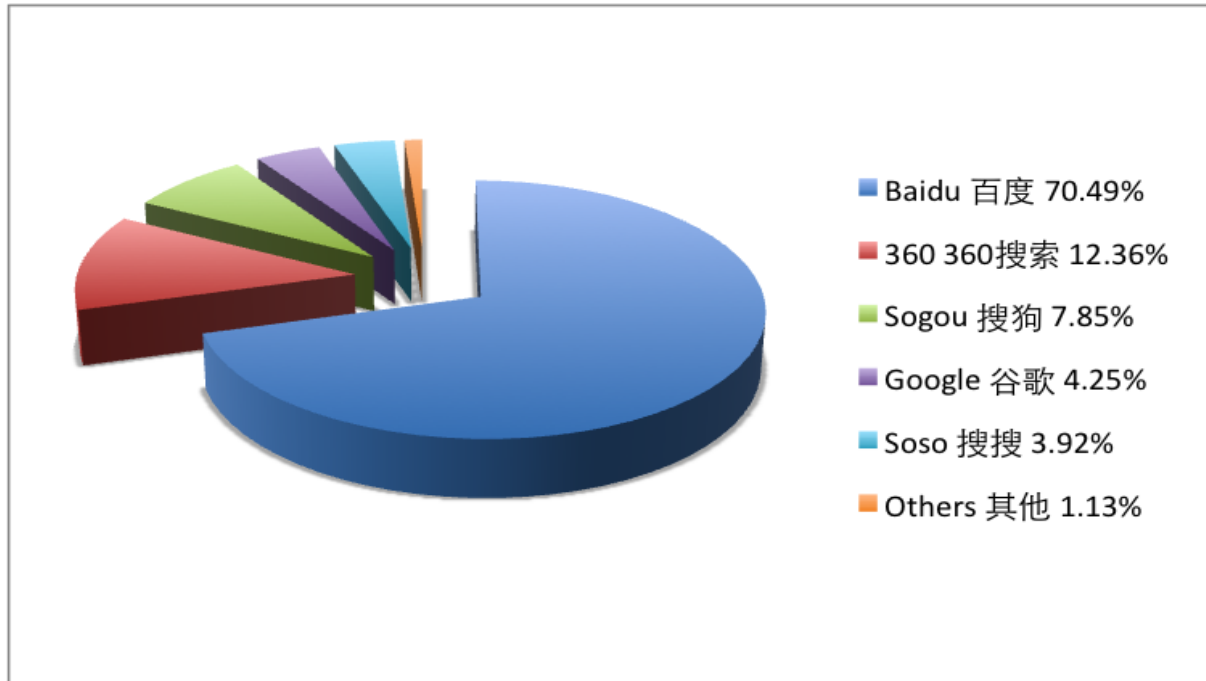
With the rapid growth of Internet technology, the competition in the search engine industry has been more and more intense. During recent years, every Internet service company has taken its own advantage and tried to gain more market share through amplifying product line. Even though Baidu is playing a leading role in the market with up to 70% market share, its competitors such as Soso, Sogou, 360, Youdao, Google, Jike, Yahoo and Zhongsou are taking steps to catch up.

随着互联网技术的日益发展，整个搜索引擎市场的竞争是非常激烈的。近几年，各互联网厂商不管是进攻还是为丰富产品线的防守，纷纷凭借自身优势去抢夺制高点。虽然百度以70%左右的市场份额独占鳌头，但是市场上SOSO, 搜狗, 360, 有道, 谷歌, 即刻, 雅虎, 中搜无不对其虎视眈眈，伺候时机，发动攻击。

While the business war in search engine market is ongoing, e-commercial companies have also joined in the war. They lead this market to more specialized and subdivided orientation with new business models. For example, Yitao focuses on shopping searches while Qunar is dedicated to traveling, hotel and airplane ticket searches. Sina provides unique Weibo searches for its 200 million users while Soku offers accurate video searching.

就在搜索引擎市场硝烟弥漫之时，电子商务领域以搜索技术为核心的商业模式也层出不穷，将行业向专业化引导，各种垂直细分搜索模式也开始吸引开发者和投资机构关注。一淘：意图在购物搜索领域大展拳脚；去哪儿：旅游、酒店、机票搜索的专业引擎；新浪：用户数量超2亿的新浪开通独立微博搜索，为微博用户提供专业搜索；搜库：优酷推出的专业的视频搜索网站。

China Search Engine February 2013
Market Share
2013年2月中国搜索引擎市场份额



来源: CNZZ搜索引擎使用情况分析报告

Source : CNZZ Search Engine Usage Analysis Report

Stock analysis for Baidu and 360 百度和奇虎360股市分析

Since 360 and Baidu began to publically fight in the market, Baidu has seen its market cap decline by \$17.5 billion in the last eight months, from \$46.847 billion to \$29.34 billion. At the time of this article (March 19, 2013), Baidu's stock price had dropped to its August 2010 price level. However, there was a steep rise in 360's stock price, from \$14.15 in last August to \$28.29 recently.

Regardless, we still believe Baidu's stock will rebound in the near future from current low levels and investors' confidence will return.

自从奇虎360和百度在市场上公开交火以来，百度的市值已从去年8月中旬的468.47亿美元下降到目前的293.4亿美元，8个月内市值蒸发了175亿美元。截至笔者发稿时（截止2013年3月19日），百度当前的股价已经跌至2010年8月初的水平。相比百度，奇虎360的股价则是一路高歌，股价由去年8月初的14.15美元，上涨到目前的28.29美元。但笔者认为百度的股价已经下降到一定低点，投资者信心将逐步回归，未来将有回弹趋势。

Figure 2 The stock correlation between Baidu's and 360's stock
图 2 百度和奇虎 360 股票走势相关度



Figure 2 shows the stock correlation between Baidu and 360 in last two years. Obviously, it can be told from this figure that Baidu was almost perfect positively correlated with 360 until the war began (August 2012), which means that they both have same systematic risk in China. After the war, the brand awareness of 360 search engine was consistently increased and 360's stock also followed with the same trend. In contrast, Baidu's stock dropped significantly due to the influence of the war. Correspondingly, their stock performance became almost negatively correlated and the spread became more and more sharp. So what will their stock performances be in the near future?

图2为近两年内，百度和奇虎360股价的相关度对比。从图中可看出，百度和奇虎360在2012年8月前走势相差无几，说明两家公司在中国市场上遇到的系统风险颇为一致。搜索引擎战争打响后，奇虎360名声大作，股价持续上升，而百度受攻击影响，股票持续下跌。两支股票相关度走势向相反方向发展，并且增长率差越来越大，那么究竟它们未来的市场走势会是怎样的呢？

Based on DCF valuation models and the assumption that these two companies will be mature in five years, we evaluated their target price respectively.

笔者根据DCF估价模型，并假设五年后两家公司会进入成熟期，分别对百度和奇虎360未来的目标价格做出了估值。

360 (Ticker: QIHU): At the end of second quarter of fiscal year 2013, 360's accumulated EPS and target price will be \$0.36 and \$24.82.

奇虎360 (QIHU) : 截至2013年上半财年，每股收益将达到0.36美元，股价会回落至\$24.82。

Baidu: At the end of the second quarter of fiscal year 2013, Baidu's accumulated EPS and target price will reach \$2.54 and \$98.35.

百度 (BIDU) : 截至2013年上半财年，每股收益上调至2.54美元，相应的，未来的目标股价将触及\$98.35这一高点。

Investment Strategy 投资策略

Figure 3 Important Financial Ratios (2012)

图3 重要金融比率对比 (2012年)

	360 奇虎360	Baidu 百度
Market Penetration 产品渗透率	96%	85%
Return of Asset 投资回报率	6.79%	23.15%

COGS to Revenue 销售成本率	9.97%	28.91%
Operating Margin 营业毛利率	14.80%	49.55%

Source: SEC

来源：美国证券交易委员会

Figure 4 Trading Ratio (2012)

图4 股票收益对比 (2012年)

	360 奇虎 360	Baidu 百度
Earning per ADS 每股收益	\$0.38	\$4.79
Price-Earnings 市盈率	73.1	17.7

Source: SEC

来源：美国证券交易委员会

In terms of financial ratios, Baidu's return on asset was 23.15% in 2012, however, 360's was only 6.79%. Baidu has the highest operating margin of the industry, 49.55% which is 34.75% higher than that of 360. Such a high return on assets and operating margin illustrate that Baidu's management is more efficient at using its assets to generate earnings, and its products have better bargaining power. Compared with Baidu's \$4.79 earnings per share last year, 360's earnings per share is only \$ 0.38. With a price-earning ratio of more than 70, 360 appears overvalued and its price bubble will probably burst in the upcoming months.

从金融比率上看，百度2012年的投资回报率高达23.15%，而奇虎360仅为6.79%。营业毛利率为49.55%，为行业最高值，高出奇虎34.75个百分点。如此高的投资回报率和营业毛利率说明百度管理层高效的投資能力，其产品也具有良好的议价能力。相比百度去年每股4.79美元的收益，奇虎360的每股收益仅有0.38美元。在市盈率这一指标上，奇虎360高达70以上的市盈率让笔者认为未来奇虎360具有价格泡沫风险，股票下行压力较大。

Baidu is now involving in search engine marketing, as well as emerging mobile search and cloud computing businesses. In China, Baidu has more than 90% user satisfaction. In the next few years, display marketing will likely become one of the most effective ways of corporate marketing, and the user demand for these new technologies (mobile search and cloud computing business) may bring significant returns for Baidu. Nowadays, 360 is mainly relying on its browsers, search engines and online games to generate cash flow. In terms of the bargaining power of products, Baidu is better than Qihoo 360. Baidu has an overwhelming advantage in the number of ads and network marketing users.

百度现专注于搜索引擎营销，以及新兴的移动搜索和云计算业务。在中国，百度有着90%以上的用户满意度，未来几年，搜索引擎营销将成为企业营销最为有效的手

段之一，还有这些新领域释放的用户需求将会为百度带来巨额回报。奇虎360主要依托浏览器，搜索引擎和在线游戏来获取现金流。从产品议价能力上看，百度要好于奇虎360。在广告数量和网络营销用户数上，百度都占有绝对优势。

My fundamental outlook for the Information Technology industry and Internet Services sub-industry for the next three months is positive, with Baidu's and 360's official forecast of their nearly 38.1% and 50.8% year-over-year revenue growth in 2013. China online advertising revenues rose 24% in 2009, 54.4% in 2010 and 57.6% in 2011, and 46.8% 2012 and I see increases of 40% for 2013. Chinese corporations are more and more willing to spend larger percentages of advertising budgets to the search engine segment as most Internet users typically pay a lot of attention on the first several search results in the first page. I strongly believe that this trend will be continued for a long time.

我对信息技术和网络服务产业在未来三个月的预测是乐观的，是因为百度和奇虎360官方预计他们今年的利润将分别增长38.1%和50.8%。中国网络营销的利润在2009，2010，2011，2012年分别增长了24%，54.4%，57.6%和46.8%。我预计2013年的增长率为40%。中国企业在不断地增加他们在网络营销上的花费，是因为绝大多数网络用户更多地注重搜索页面

的前几个结果。而我也坚信这一趋势将持续下去。

As the clear leader in the Chinese search segment, Baidu is now underestimated in terms of its stock price. If we look at the international search engine leader Google, its stock price has reached above \$800, significantly higher than that of Baidu. Even though Baidu lost some share to new entrant 360 last year, I still believe Baidu's market share has greatly stabilized around 70% and has massive potential to catch up with Google in each area such as display advertising and the number of active online marketing customers. Besides these factors, Baidu's segment leadership, recent solid strategy planning and execution, high bargain power and a strong and flexible balance sheet will continuously lead Baidu to a higher growth than 360 in the upcoming months. Thus, in the near future, the spread between these two stocks should gradually shrink.

作为中国互联网市场上规模最大的公司，笔者认为百度现在股价被低估。纵观国际搜索引擎的巨头谷歌，股价已经上扬到800美元大关，远远高于百度的股价。虽然百度让奇虎360抢走了一些市场份额，但是百度把份额稳定在了70%大关，并且有巨大的潜力去追上谷歌。对于百度来说，它在中国市场上的规模优势和品牌价值使得它的成长性优于奇虎360。从长远的市场行为来看，投资者也会慢慢修正百度和

奇虎360之间的分叉，最终走向一致的趋势。

The risk to my analysis and target price is mainly about the potential market policy or political change in China that I can't predict. However, under same circumstance, Baidu and 360 will face the same threats or benefits coming from the society. With an insane growth rate for recent few years, I believe 360 will receive much more resistance from Baidu as well as other competitors in this year. Therefore, there would be a lot of uncertainties for 360 in the upcoming months. Currently, there are total 41 companies following BIDU and 39 analysts have published recommendation. Actually, 84.6% of analysts suggest to buy or hold. In addition, when it comes to Wall St Consensus Estimate, it shows that Baidu's earnings per share will grow by 11% to \$5.35 for the fiscal year 2013 with positive prospect.

笔者的分析和估价存在的风险莫过于市场政策的改变和中国政治的改革。无论怎样，在中国这个大环境里，百度和奇虎360始终面临着同样的威胁或者好处。伴随着近几年疯狂的增长，360将会在今年遇到更多来自百度和其他竞争对手的阻力，市场前景存在很多的不确定。当前，有41家公司跟踪百度的走势，并有39位分析师且发表了评价。实际上，84.6%的分析师都建议买进或者继续持有。此外，华尔街的意见是百度在2013年的每股收益将上

涨11%至5.35美元，对百度未来的预期持乐观态度。

Analyst's Recommendation 分析师的推荐

	No. of Ratings	1 Month Prior	3 Month Prior
Buy	19	19	14
Buy/Hold	5	5	7
Hold	9	9	5
Weak Hold	2	2	1
Sell	4	4	3
Total	39	39	30

Source: Standard & Poor Capital IQ
来源：标准普尔 Capital IQ

Based on the analysis above, I suggest investors can put these two stocks in a portfolio and take different trading strategy for them. As both companies are under the same market and political condition, the potential political risk has been notably hedged when investing this portfolio. More importantly, I believe this portfolio will bring much benefits to investors and these two stocks will be positively correlated from negative correlated in the near future.

综合以上因素，投资者可以将这两支股票放在一个投资组合里，采取买进和卖空的策略。因为他们同处于一个领域和政治环境，对冲掉了部分政治风险，所以笔者看好这个投资组合的收益性。笔者认为未来三个月，百度和奇虎360的增长率差将减小，相关性由当前的负相关趋于正相关。



Dragon Gate Investment Partners

About Us

Headquartered in New York City's midtown Manhattan, Dragon Gate Investment Partners is a leading investor relations firm that improves the transparency and consistency of international-oriented Chinese companies. From annual reports to webcasting, Dragon Gate helps clients to deliver the right message to the right audience. By targeting the investors via market intelligence database, Dragon Gate improves the trading volume and share valuation for public companies.

The Dragon Gate team consists of investment bankers, Chartered Financial Analysts, media personnel, and IT experts. Our professionals have long standing relations with fund managers, investment bankers, and financial regulators. Our broad range of experience has led to a deep knowledge of US markets and regulations. As an integrated group, Dragon Gate has a deep understanding of the culture difference between the US and China.

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美国龙门资本总部设立在纽约曼哈顿中城，是一家全球领先的、以国际投资公关管理（IRM）见长、专门协助中国企业进入全球资本市场、并为已经在美国上市的中国公司构建最佳投资者关系的金融服务公司。龙门资本由众多有投资银行、传媒背景的专业人员所构成，他们中大多数都拥有注册金融分析师（CFA）以及工商管理硕士（MBA）。骨干团队成员在纽约华尔街工作多年，深谙美国市场体系及各类工商政策，并与市场监管机构、投资银行与对冲基金的高层人员保持紧密的商业往来。作为一个群体，龙门资本对中美文化和国内外企业现实情况有深刻的认知。