

China's Baidu beats earnings estimates as chatbot awaits govt approval

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Search engine giant Baidu beat first-quarter revenue and profit estimates on Tuesday as businesses spent more on advertising amid China's post-Covid reopening, and said it was awaiting regulatory approval to launch its ChatGPT-like Ernie bot.

Business momentum in China is building after it dropped most of its strict Covid-19 curbs late last year, with consumers and companies reviving spending.

China's economy grew a faster-than-expected 4.5% year-on-year in the three months through March, according to the latest official data.

Baidu CEO Robin Li said on Tuesday that after the Lunar New Year in late January, there was a quick economic recovery that especially benefited the company's advertisers in offline sectors such as travel and healthcare.

"Some of these verticals have already rebounded to above pre-pandemic levels, indicating solid signs of recovery," Li said.

Baidu's revenue rose 10% to 31.14 billion yuan (\$4.54 billion) in the quarter to March 31, surpassing analysts' estimates of 29.97 billion yuan, according to Refinitiv data.

Revenue from Baidu Core, which includes search-based advertising sales, cloud offerings and its autonomous driving initiatives, grew 8% to 23 billion yuan.

Of this, revenue from Baidu's largest segment, online marketing, accounted for 16.6 billion yuan, up 6%.

Revenue at its streaming service iQIYI rose 15% to 8.3 billion yuan, driven by 28% growth in its subscriber base.

Baidu's U.S.-listed shares were up 3% intra-day on Tuesday.

It reported net income of 5.83 billion yuan, compared to net loss in the year-ago quarter. Excluding items, it earned 16.10 yuan per American Depositary Share, higher than Wall Street's estimate of 12.46 yuan.

Plans large scale roll-out of Ernie bot

The company's much-touted rival to ChatGPT, Ernie bot, has yet to be officially launched, despite having been partially unveiled to the public in mid-March.

Baidu CEO Li said in a press release on Tuesday that the company planned to "steadily incorporate" the generative AI-driven chatbot into all of the search engine giant's businesses, without giving a specific timeline.

Li later said on a call with analysts that the company had applied for government review and approval of Ernie bot, and would roll it out large scale once it gets the "green light" from regulators.

"During our testing of Ernie bot, we have engaged in close discussions with the regulators," Li said.

Li added that despite the entry of many new players in the Chinese generative AI and large-language model industry, there was a "very high barrier to entry" that meant Baidu expected a "highly concentrated market with probably 2-3 major players emerging in the end."

"To establish a significant presence in this market ... the requirements include substantial upfront investment, robust AI capability expertise and vast data for model training," Li said.

On concerns that U.S. curbs on China's access to certain chips could set back the development of its AI industry, the Baidu CEO said that the company had secured a

“substantial amount of computing power,” including “the most advanced GPUs,” in order to continue training and improving Ernie bot.

Tags: China's, Baidu, chatbot