

Investment idea: Buy iQIYI (NASDAQ:IQ.O)
Price \$21.80

18 February 2019



Dear Investor,

iQIYI(NASDAQ:IQ) is a high-growth Chinese company engaged in online entertainment services. The company provides video content such as movies, television dramas, variety shows and anime through its application platform and is dubbed the “Netflix of China”. The company listed on the NASDAQ in March 2018 and is one of the largest internet companies and is the largest video streaming service in China.



The company generates revenue mainly from:

- ❖ **Subscription revenue** – The Company believes that subscribers will grow to 150 – 200 million viewers. Subscribers jumped to 80.7 million in the fourth quarter. Comparatively Netflix has 130 million viewers.
- ❖ **Advertising revenue** – Through its platform, the company raises revenue through advertising. Currently, many small businesses utilise this platform as it is affordable and has a lot of traffic. There has also been a switch from competitors to IQ for advertising as increased usage is increasing the attractiveness of using the platform.
- ❖ The company had recently entered into an agreement with China Mobile where it subsidized the cost of data of users which increased user activity and is good for the advertising business while it also encouraged users to sign up with the platform.
- ❖ Implementation of the 5G network in the near term will allow users to browse videos without the use of WiFi and the company expects growth in medium term.
- ❖ Like Netflix, IQ develops a lot of original content to grow subscribers
- ❖ The Company is loss-making as it scales up to critical mass

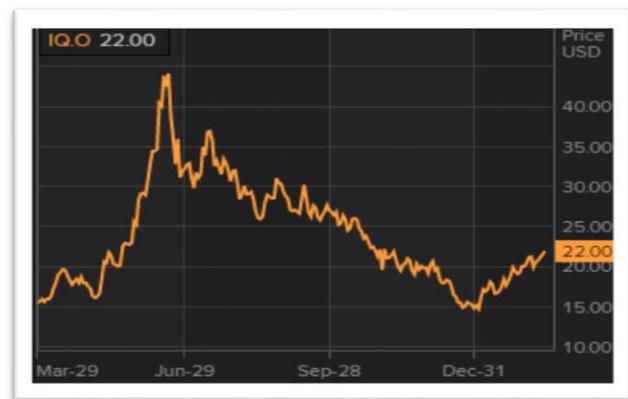


Figure 1- IQ price history since IPO

Please contact your Afrifocus Portfolio Manager.

Regards
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