

Weibo (WB US)

Advertiser sentiment remains mixed; stepping up AI investment in FY25

Weibo reported 4Q24 results on 13 Mar: net revenue was US\$457mn, largely flat YoY on a constant currency basis and in line with Bloomberg consensus estimate; non-GAAP net income grew by 40% YoY to US\$107mn, 9% ahead of consensus estimate, mainly attributable to effective opex control. FY24 net revenue was US\$1.75bn, up 1% YoY on a constant currency basis. For FY25E, the overall advertiser sentiment remains mixed. Supported by the national subsidy program, certain verticals such as 3C and e-commerce have increased their ad budget, while other verticals such as cosmetics, personal care and games remain cautious on ad spending. We forecast Weibo's total revenue to grow by 2% YoY on a constant currency basis in FY25. We lower FY25-26E earnings forecast by 3-5% due to the soft revenue outlook and AI investment. We trim our TP to US\$14.5 on 8x FY25E PE (previous: US\$15.0 on 8x FY25E PE). Maintain BUY.

- **Overall ad demand remained under pressure.** Advertising and marketing revenue declined by 3% YoY to US\$386mn on a constant currency basis in 4Q24. By verticals: 1) ad revenue from automobile and handset verticals delivered a solid YoY growth. Weibo became the go-to platform for new product launch. Ad revenue from new product launch marketing grew by double-digit YoY in 4Q24; 2) ad revenue from the games vertical declined YoY mainly due to the high-base effect; 3) ad revenue from cosmetics, personal care and luxury verticals dropped YoY, primarily attributable to soft consumption sentiment. VAS revenue was up by 18% YoY to US\$71mn in 4Q24, mainly driven by growth of membership and game-related revenue. MAUs declined by 1% YoY to 590mn in Dec 2024, but DAU/MAU ratio improved to 44.1% (Dec 2023: 43.0%).
- **Expect mild revenue recovery in FY25E.** For FY25E, we expect total revenue to grow by 2% YoY on a constant currency basis, mainly driven by ad revenue growth in 3C and e-commerce verticals which benefit from the national subsidy policy. However, advertisers in other verticals, such as cosmetics and personal care which do not benefit from the favourable policy, remain cautious on ad spending, as per management. Management also expected uncertainty on ad revenue from the games vertical due to the relatively muted game pipeline in FY25. On the AI front, LLM has improved Weibo's search capabilities and ad ROI. After integrating DeepSeek into its Intelligent Search product in Feb 2025, the Intelligent Search MAUs grew by 40% and management expected to roll out the Intelligent Search product to all users in 1Q25.
- **Adopting an annual dividend policy.** Non-GAAP NPM rose by 6.9ppt YoY to 23.3% in 4Q24, mainly due to effective opex control and decline in accrual of withholding tax. For FY25E, we expect non-GAAP OPM will decline to 31% (FY24: 33%), mainly due to the stepped-up investment in AI. Weibo announced an annual dividend policy and an annual payout of US\$200mn for FY24, which translates into a c.8% dividend yield.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	1,760	1,755	1,770	1,826	1,882
Adjusted net profit (US\$ mn)	450.6	478.6	480.6	505.4	528.0
EPS (Adjusted) (US\$)	1.88	1.82	1.81	1.91	1.99
Consensus EPS (US\$)	1.88	1.82	1.79	1.87	1.99
P/S (x)	1.4	1.4	1.4	1.3	1.3
P/E (x)	7.2	8.2	7.1	6.2	5.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$14.50
 (Previous TP) US\$15.00
Up/Downside 39.2%
Current Price US\$10.42

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Stock Data

Mkt Cap (US\$ mn)	2,450.4
Avg 3 mths t/o (US\$ mn)	13.4
52w High/Low (US\$)	11.71/7.13
Total Issued Shares (mn)	235.2

Source: FactSet

Shareholding Structure

Sina	37.3%
Alibaba	28.9%

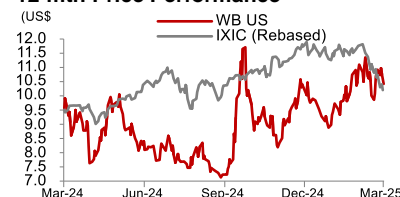
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-6.1%	8.7%
3-mth	0.6%	15.8%
6-mth	43.1%	46.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Weibo: forecast revision

US\$mn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,770	1,826	1,882	1,828	1,887	NA	-3.2%	-3.3%	NA
Gross profit	1,398	1,442	1,487	1,454	1,500	NA	-3.8%	-3.9%	NA
Adjusted net profit	481	505	528	498	529	NA	-3.6%	-4.5%	NA
Adjusted EPS (RMB)	1.8	1.9	2.0	1.9	2.0	NA	-3.6%	-4.6%	NA
Gross margin	79.0%	79.0%	79.0%	79.5%	79.5%	NA	-0.5 ppt	-0.5 ppt	NA
Adjusted net margin	27.2%	27.7%	28.1%	27.3%	28.0%	NA	-0.1 ppt	-0.4 ppt	NA

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,770	1,826	1,882	1,798	1,855	NA	-1.6%	-1.6%	NA
Gross profit	1,398	1,442	1,487	1,420	1,465	NA	-1.6%	-1.6%	NA
Adjusted net profit	481	505	528	474	495	NA	1.4%	2.0%	NA
Adjusted EPS (RMB)	1.8	1.9	2.0	1.8	1.9	NA	1.4%	2.0%	NA
Gross margin	79.0%	79.0%	79.0%	79.0%	79.0%	NA	0.0 ppt	0.0 ppt	NA
Adjusted net margin	27.2%	27.7%	28.1%	26.4%	26.7%	NA	0.8 ppt	1.0 ppt	NA

Source: Bloomberg, CMBIGM estimates

Figure 3: Weibo: quarterly financials

(US\$mn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	Cons.	Diff%
Advertising revenue	355	386	389	404	339	375	399	386		
YoY%	-16.8%	0.0%	-1.0%	3.4%	-4.6%	-2.7%	2.4%	-4.4%		
VAS revenue	58	55	53	60	57	63	66	71		
YoY%	1.7%	-15.5%	-12.1%	4.3%	-3.3%	14.7%	24.6%	18.4%		
Total revenue	414	440	442	464	395	438	464	457	453	0.9%
YoY%	-14.6%	-2.2%	-2.5%	3.5%	-4.4%	-0.5%	5.1%	-1.5%		
GPM	79.3%	78.6%	78.7%	78.4%	78.0%	79.5%	80.1%	78.0%		
S&M %	25.7%	23.9%	24.8%	30.1%	26.2%	26.1%	26.5%	30.6%		
R&D %	21.9%	21.1%	18.7%	14.5%	20.4%	16.4%	17.3%	16.6%		
Non-GAAP NPM	26.9%	28.7%	30.9%	16.5%	27.0%	28.8%	30.0%	23.3%		
Non-GAAP net profit	111	126	137	76	107	126	139	107	98	8.6%

Source: Company data, CMBIGM estimates

Figure 4: Weibo: peer valuation comparison

Company	Ticker	Price (LC)	Adj. EPS growth (YoY%)		PE (x)	
			2025E	2026E	2025E	2026E
Focus Media	002027 CH	6.8	9	8	17	16
Baidu	BIDU US	92.4	3	7	9	8
Meta	META US	619.6	10	15	24	21
Google	GOOGL US	169.0	11	15	18	16
Average					17	15

Source: Bloomberg, CMBIGM

Note: data are as of 12 Mar

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	1,836	1,760	1,755	1,770	1,826	1,882
Cost of goods sold	(401)	(374)	(370)	(372)	(383)	(395)
Gross profit	1,436	1,386	1,385	1,398	1,442	1,487
Operating expenses	(945)	(913)	(891)	(924)	(932)	(939)
Selling expense	(477)	(461)	(481)	(481)	(487)	(492)
Admin expense	(53)	(118)	(101)	(106)	(107)	(108)
R&D expense	(415)	(334)	(309)	(336)	(338)	(339)
Operating profit	491	473	494	474	511	548
Other gains/(losses)	(313)	19	(75)	0	0	0
Interest income	(39)	11	1	(10)	17	27
Pre-tax profit	138	503	421	465	528	575
Income tax	(30)	(145)	(111)	(104)	(118)	(128)
After tax profit	108	357	310	361	410	446
Minority interest	12	15	9	11	12	13
Net profit	96	343	301	350	398	433
Adjusted net profit	540	451	479	481	505	528

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	4,552	4,513	3,492	4,623	5,134	5,892
Cash & equivalents	2,691	2,585	1,891	2,961	3,391	4,061
Account receivables	502	441	340	343	353	364
Prepayment	392	360	349	352	363	374
Other current assets	968	1,127	913	968	1,027	1,093
Non-current assets	2,577	2,768	3,013	2,234	2,181	2,137
PP&E	250	221	215	212	210	203
Investment in JVs & assos	994	1,320	1,389	687	638	601
Goodwill	245	301	272	245	245	245
Other non-current assets	1,089	926	1,136	1,089	1,089	1,089
Total assets	7,129	7,280	6,504	6,857	7,316	8,029
Current liabilities	1,220	1,797	968	952	957	962
Account payables	161	161	158	160	165	170
Tax payable	55	95	85	85	85	85
Other current liabilities	80	875	73	73	76	78
Accrued expenses	924	667	652	634	632	629
Non-current liabilities	2,519	1,965	1,957	1,986	2,055	2,344
Long-term borrowings	2,519	1,965	1,957	1,986	2,055	2,344
Total liabilities	3,739	3,763	2,926	2,939	3,012	3,306
Share capital	1,330	1,055	839	839	839	839
Retained earnings	2,001	2,343	2,644	2,994	3,392	3,825
Total shareholders equity	3,330	3,399	3,483	3,833	4,230	4,663
Minority interest	60	119	96	85	73	60
Total equity and liabilities	7,129	7,280	6,504	6,857	7,316	8,029

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	138	503	421	465	528	575
Depreciation & amortization	47	47	49	51	51	56
Tax paid	(30)	(145)	(111)	(104)	(118)	(128)
Change in working capital	334	(167)	126	(31)	(26)	(26)
Others	320	(8)	99	(11)	(12)	(13)
Net cash from operations	809	229	584	370	422	462
Investing						
Capital expenditure	(53)	(49)	(48)	(48)	(48)	(49)
Net proceeds from disposal of short-term investments	231	(161)	181	(46)	(51)	(56)
Others	(1,639)	262	(1,198)	702	50	37
Net cash from investing	(1,461)	52	(1,065)	608	(49)	(67)
Financing						
Net borrowings	953	(446)	(190)	103	69	289
Proceeds from share issues	0	0	0	0	0	0
Others	(34)	59	(23)	(11)	(12)	(13)
Net cash from financing	919	(388)	(213)	93	57	275
Net change in cash						
Cash at the beginning of the year	2,424	2,691	2,585	1,891	2,961	3,391
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	2,691	2,585	1,891	2,961	3,391	4,061
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(18.6%)	(4.2%)	(0.3%)	0.9%	3.2%	3.1%
Gross profit	(22.5%)	(3.5%)	(0.0%)	0.9%	3.2%	3.1%
Operating profit	(29.6%)	(3.6%)	4.5%	(4.0%)	7.6%	7.3%
Net profit	(77.6%)	257.9%	(12.2%)	16.4%	13.6%	8.9%
Adj. net profit	(24.8%)	(16.6%)	6.2%	0.4%	5.2%	4.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	78.2%	78.7%	78.9%	79.0%	79.0%	79.0%
Operating margin	26.7%	26.9%	28.2%	26.8%	28.0%	29.1%
Adj. net profit margin	29.4%	25.6%	27.3%	27.2%	27.7%	28.1%
Return on equity (ROE)	2.8%	10.2%	8.7%	9.6%	9.9%	9.7%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	3.7	2.5	3.6	4.9	5.4	6.1
Receivable turnover days	99.9	91.4	70.7	70.7	70.7	70.7
Payable turnover days	146.7	157.5	156.5	156.9	156.9	156.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	25.6	7.2	8.2	7.1	6.2	5.7
P/E (diluted)	25.7	7.3	9.1	7.9	7.0	6.4
P/B	0.7	0.7	0.7	0.6	0.6	0.5

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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