

# Weibo (WB US)

## Gradual revenue and margin recovery in FY23

Weibo reported 4Q22 financial results on 1 Mar. 4Q22 total revenue declined by 27% YoY (-20% YoY on a constant currency basis) to US\$448mn, in line with our and consensus estimate. FY22 total revenue was down by 19% YoY to US\$1.8bn, mainly due to macro headwind and COVID-19 impact. 4Q22 non-GAAP net income dropped by 9% YoY to US\$179mn, beating the consensus estimate of US\$122mn, primarily due to effective expense control and reversal of US\$58.8mn compensation expenses. FY22 non-GAAP net income dropped by 25% YoY to US\$540mn. Management are positive on FY23 ad demand recovery (especially in automobile, luxury, games and travel industries), driven by the macro and policy tailwind. We expect YoY ad revenue growth to turn positive from 2Q23E onwards, and total ad revenue to grow 9% YoY in FY23. We revised up FY23/FY24 non-GAAP net income by 4%/5% on better ad demand recovery and operating efficiency gain. We slightly raise our TP by 4% to US\$28.9 on 12x 2023E PE. Maintain BUY.

- **Expect ad business pressure to last into 1Q23.** Ad revenue declined by 29% YoY to US\$393mn in 4Q22 (3Q22/2Q22: -27%/-23% YoY), primarily due to soft ad demand in cosmetic & e-commerce industries, as well as heightened difficulties in sales execution in 4Q22. Nonetheless, several verticals delivered resilient ad revenue growth in 4Q22: 1) food & beverage ad revenue delivered YoY growth thanks to the World Cup event; 2) automobile ad revenue booked YoY growth due to several successful new car launches on Weibo; 3) handset ad revenue saw a double-digit YoY growth despite weak sales of overall handset market. VAS revenue dropped by 12% YoY to US\$57mn in 4Q22. To expand monetization methods, Weibo tapped into the aesthetic medicine e-commerce market through its live streaming e-commerce capabilities. Weibo's total aesthetic medicine e-commerce GMV doubled YoY in 2022.
- **Improving video content and ad ecosystem.** Weibo's MAUs grew 2% YoY to 586mn in Dec 2022. On the video front, the number of video accounts that generated videos and the effective video views grew by double digit YoY in December 2022. The effective views in the video feeds also grew by 50% YoY in December. The developing video content ecosystem supported the increase in revenue contribution from video ads in 2022.
- **Expect operating efficiency recovers to FY19/20 level.** GPM declined by 3ppt YoY to 76.3% in 4Q22, mainly due to content investment in the World Cup event and social e-commerce business. S&M/R&D expenses dropped by 20%/13% YoY, as Weibo continued to optimize operating efficiency. Non-GAAP OPM dropped by 2ppt YoY to 33.9% in 4Q22 and by 4ppt YoY to 32.7% in FY22 due to the decelerating top-line growth. Looking into FY23, Weibo will continue to optimize its operating efficiency, and the management expect the efficiency will recover to the FY19/FY20 level (FY19/FY20 non-GAAP OPM: 37%/34%).

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	2,257	1,836	1,989	2,100	2,165
YoY growth (%)	33.6	(18.6)	8.3	5.6	3.1
Gross margin (%)	82.1	78.2	79.0	79.0	79.0
Adjusted net profit (US\$ mn)	718.5	540.1	568.6	611.9	643.7
YoY growth (%)	31.2	(24.8)	5.3	7.6	5.2
EPS (Adjusted) (US\$)	3.14	2.30	2.42	2.60	2.74
Consensus EPS (US\$)	3.14	2.30	2.26	2.40	2.80
P/E (x)	26.0	52.9	11.5	10.1	9.4

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

**Target Price** US\$28.90  
 (Previous TP US\$27.80)  
**Up/Downside** 39.7%  
**Current Price** US\$20.68

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### Stock Data

Mkt Cap (US\$ mn)	4,863.2
Avg 3 mths t/o (US\$ mn)	20.5
52w High/Low (US\$)	27.42/10.71
Total Issued Shares (mn)	235.2

Source: FactSet

### Shareholding Structure

Sina	40.1%
Alibaba	28.7%

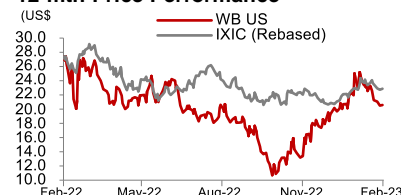
Source: Company data

### Share Performance

	Absolute	Relative
1-mth	-9.1%	-8.1%
3-mth	29.7%	29.9%
6-mth	0.0%	3.1%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

Figure 1: Weibo: forecast revision

US\$mn	Current			Previous			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	1,989	2,100	2,165	1,920	2,017	-	3.6%	4.1%	-
Gross Profit	1,571	1,659	1,711	1,517	1,593	-	3.6%	4.1%	-
Adjusted net profit	569	612	644	547	584	-	3.9%	4.7%	-
Adjusted EPS (RMB)	2.4	2.6	2.7	2.3	2.5	-	3.9%	4.7%	-
Gross Margin	79.0%	79.0%	79.0%	79.0%	79.0%	-	0.0 ppt	0.0 ppt	-
Adjusted net margin	28.6%	29.1%	29.7%	28.5%	29.0%	-	0.1 ppt	0.2 ppt	-

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	1,989	2,100	2,165	1,882	2,050	-	5.7%	2.5%	-
Gross Profit	1,571	1,659	1,711	1,479	1,618	-	6.2%	2.5%	-
Adjusted net profit	569	612	644	534	568	-	6.5%	7.7%	-
Adjusted EPS (RMB)	2.4	2.6	2.7	2.3	2.4	-	6.5%	7.7%	-
Gross Margin	79.0%	79.0%	79.0%	78.6%	78.9%	-	0.4 ppt	0.1 ppt	-
Adjusted net margin	28.6%	29.1%	29.7%	28.4%	27.7%	-	0.2 ppt	1.4 ppt	-

Source: Bloomberg, CMBIGM estimates

Figure 3: Weibo: quarterly financial

(US\$mn)	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Cons.	Diff%	CMBI	Diff%
Advertising revenue	502	538	551	427	386	393	391			392	-0.4%
YoY%	47.5%	29.0%	21.5%	9.5%	-23.2%	-26.8%	-29.1%				
VAS revenue	72	70	65	58	65	60	57			53	9.2%
YoY%	54.1%	42.3%	9.2%	-16.5%	-10.4%	-13.9%	-12.2%				
<b>Total revenue</b>	<b>574</b>	<b>607</b>	<b>616</b>	<b>485</b>	<b>450</b>	<b>454</b>	<b>448</b>	<b>446</b>	0.4%	<b>445</b>	0.7%
YoY%	48.3%	30.4%	20.0%	5.6%	-21.6%	-25.3%	-27.3%				
Gross profit margin (%)	83.9%	83.0%	79.1%	78.4%	78.8%	79.2%	76.3%				
S&M %	26.9%	23.2%	24.7%	25.9%	25.7%	25.1%	27.4%				
R&D %	17.7%	19.6%	18.5%	23.2%	23.6%	21.4%	22.2%				
Non-GAAP net margin	31.8%	34.5%	31.7%	27.4%	24.4%	26.2%	39.8%				
<b>Non-GAAP net profit</b>	<b>183</b>	<b>210</b>	<b>196</b>	<b>133</b>	<b>110</b>	<b>119</b>	<b>179</b>	<b>122</b>	45.8%	<b>122</b>	45.8%
YoY%	59.7%	37.1%	-8.1%	1.7%	-40.0%	-43.2%	-8.7%				

Source: Company data, CMBIGM estimates

Figure 4: Weibo: peer valuation comparison

Companies	Ticker	Price (LC)	Adj. EPS growth (YoY%)			PE (x)			EPS CAGR (%)
			2022E	2023E	2024E	2022E	2023E	2024E	2021-2024E
Focus Media	002027 CH	6.6	(37.6)	36.2	20.6	30.4	19.0	15.5	4.1
Baidu	BIDU US	137.7	(6.4)	22.1	15.6	17.7	14.5	12.6	9.7
Meta	META US	174.9	(8.6)	23.3	19.6	20.4	15.0	12.4	0.8
Google	GOOGL US	90.1	(42.4)	59.7	22.6	19.8	16.0	13.4	10.5
Average						22.1	16.1	13.5	

Source: Bloomberg, CMBIGM

Note: data are as of 28 Feb 2023

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
<b>Revenue</b>	<b>1,690</b>	<b>2,257</b>	<b>1,836</b>	<b>1,989</b>	<b>2,100</b>	<b>2,165</b>
Cost of goods sold	(302)	(404)	(401)	(418)	(441)	(455)
<b>Gross profit</b>	<b>1,388</b>	<b>1,853</b>	<b>1,436</b>	<b>1,571</b>	<b>1,659</b>	<b>1,711</b>
<b>Operating expenses</b>	<b>(881)</b>	<b>(1,156)</b>	<b>(945)</b>	<b>(1,054)</b>	<b>(1,090)</b>	<b>(1,110)</b>
Selling expense	(456)	(592)	(477)	(497)	(515)	(520)
Admin expense	(101)	(133)	(53)	(119)	(123)	(125)
R&D expense	(324)	(431)	(415)	(438)	(452)	(466)
<b>Operating profit</b>	<b>507</b>	<b>697</b>	<b>491</b>	<b>517</b>	<b>570</b>	<b>600</b>
Other gains/(losses)	(175)	(176)	(313)	0	0	0
Interest income	44	30	(39)	(9)	10	21
<b>Pre-tax profit</b>	<b>376</b>	<b>551</b>	<b>138</b>	<b>508</b>	<b>580</b>	<b>621</b>
Income tax	(61)	(139)	(30)	(102)	(116)	(124)
<b>After tax profit</b>	<b>315</b>	<b>412</b>	<b>108</b>	<b>407</b>	<b>464</b>	<b>497</b>
Minority interest	1	(16)	12	(16)	(19)	(20)
<b>Net profit</b>	<b>313</b>	<b>428</b>	<b>96</b>	<b>423</b>	<b>483</b>	<b>517</b>
<b>Adjusted net profit</b>	<b>547</b>	<b>719</b>	<b>540</b>	<b>569</b>	<b>612</b>	<b>644</b>

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
<b>Current assets</b>	<b>4,835</b>	<b>4,803</b>	<b>4,552</b>	<b>4,449</b>	<b>5,440</b>	<b>6,226</b>
Cash & equivalents	1,815	2,424	2,691	2,463	3,347	4,033
Account receivables	492	723	502	544	575	592
Prepayment	297	451	392	416	430	444
Other current assets	2,231	1,205	968	1,025	1,088	1,156
<b>Non-current assets</b>	<b>1,501</b>	<b>2,717</b>	<b>2,577</b>	<b>2,445</b>	<b>2,355</b>	<b>2,292</b>
PP&E	61	68	250	258	265	270
Investment in JVs & assos	1,179	1,208	994	853	756	687
Goodwill	209	297	245	245	245	245
Other non-current assets	52	1,143	1,089	1,089	1,089	1,089
<b>Total assets</b>	<b>6,335</b>	<b>7,520</b>	<b>7,129</b>	<b>6,893</b>	<b>7,795</b>	<b>8,518</b>
<b>Current liabilities</b>	<b>958</b>	<b>2,159</b>	<b>1,220</b>	<b>1,225</b>	<b>1,249</b>	<b>1,246</b>
Account payables	150	198	161	174	184	190
Tax payable	103	145	55	55	55	55
Other current liabilities	144	988	80	87	91	94
Accrued expenses	562	829	924	909	918	907
<b>Non-current liabilities</b>	<b>2,490</b>	<b>1,672</b>	<b>2,519</b>	<b>1,838</b>	<b>2,216</b>	<b>2,404</b>
Long-term borrowings	2,490	1,672	2,519	1,838	2,216	2,404
<b>Total liabilities</b>	<b>3,449</b>	<b>3,832</b>	<b>3,739</b>	<b>3,064</b>	<b>3,465</b>	<b>3,650</b>
Share capital	1,326	1,679	1,330	1,330	1,330	1,330
Retained earnings	1,487	1,915	2,001	2,424	2,906	3,423
<b>Total shareholders equity</b>	<b>2,812</b>	<b>3,594</b>	<b>3,330</b>	<b>3,753</b>	<b>4,236</b>	<b>4,752</b>
Minority interest	74	94	60	77	95	115
<b>Total equity and liabilities</b>	<b>6,335</b>	<b>7,520</b>	<b>7,129</b>	<b>6,893</b>	<b>7,795</b>	<b>8,518</b>

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (US\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	376	551	138	508	580	621
Depreciation & amortization	41	55	47	48	51	53
Tax paid	(61)	(139)	(30)	(102)	(116)	(124)
Change in working capital	49	42	334	(70)	(32)	(44)
Others	(1)	305	320	16	19	20
<b>Net cash from operations</b>	<b>403</b>	<b>814</b>	<b>809</b>	<b>400</b>	<b>502</b>	<b>526</b>
<b>Investing</b>						
Capital expenditure	(50)	(35)	(53)	(56)	(58)	(58)
Net proceeds from disposal of short-term investments	(731)	871	231	(48)	(53)	(58)
Others	62	(1,259)	(1,639)	141	97	69
<b>Net cash from investing</b>	<b>(719)</b>	<b>(424)</b>	<b>(1,461)</b>	<b>37</b>	<b>(14)</b>	<b>(48)</b>
<b>Financing</b>						
Net borrowings	602	1	953	(681)	377	189
Proceeds from share issues	0	188	0	0	0	0
Others	75	0	(34)	16	19	20
<b>Net cash from financing</b>	<b>678</b>	<b>189</b>	<b>919</b>	<b>(664)</b>	<b>396</b>	<b>208</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,453	1,815	2,424	2,691	2,463	3,347
Exchange difference	0	29	0	0	0	0
<b>Cash at the end of the year</b>	<b>1,815</b>	<b>2,424</b>	<b>2,691</b>	<b>2,463</b>	<b>3,347</b>	<b>4,033</b>
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Revenue	(4.4%)	33.6%	(18.6%)	8.3%	5.6%	3.1%
Gross profit	(3.5%)	33.5%	(22.5%)	9.4%	5.6%	3.1%
Operating profit	(15.2%)	37.6%	(29.6%)	5.4%	10.1%	5.4%
Net profit	(36.7%)	36.7%	(77.6%)	341.7%	14.1%	7.1%
Adj. net profit	(14.1%)	31.2%	(24.8%)	5.3%	7.6%	5.2%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Gross profit margin	82.1%	82.1%	78.2%	79.0%	79.0%	79.0%
Operating margin	30.0%	30.9%	26.7%	26.0%	27.1%	27.7%
Adj. net profit margin	32.4%	31.8%	29.4%	28.6%	29.1%	29.7%
Return on equity (ROE)	12.3%	13.4%	2.8%	11.9%	12.1%	11.5%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Current ratio (x)	5.0	2.2	3.7	3.6	4.4	5.0
Receivable turnover days	106.3	116.9	99.9	99.9	99.9	99.9
Payable turnover days	(180.6)	(178.6)	(146.7)	(152.4)	(152.4)	(152.4)
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
P/E	27.9	26.0	52.9	11.5	10.1	9.4
P/E (diluted)	28.0	26.3	53.2	11.6	10.1	9.5
P/B	3.1	3.1	1.5	1.3	1.1	1.0

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

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