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CMB International Global Markets | Equity Research | Company Update

Weibo (WB US)

3Q25 preview: ad business under pressure amid headwinds in certain verticals

We forecast Weibo's 3Q25 total revenue to decline by 5% YoY to US$442mn, slightly below our previous expectation, primarily due to weaker-than-expected ad demand in certain verticals such as FMCG, handsets and online games. We estimate non-GAAP net income to drop by 20% YoY to US$111mn in 3Q25E (largely in line with consensus estimate), mainly due to the revenue decline and stepped-up AI investment. Given the pressure in certain verticals, we lower FY25-27E total revenue forecast by 1-2%. We roll forward our valuation window to FY26E and fine-tune our target price to US$14.0 based on 8x FY26E non-GAAP PE (previous: US$14.5 on 8x FY25E non-GAAP PE). Maintain BUY, with focus on the potential revenue recovery and AI monetization in FY26E.

- **Ad business faces headwinds in certain verticals.** We forecast advertising and marketing revenue to decline by 6% YoY to US$377mn in 3Q25E: 1) ad revenue from FMCG vertical faced high-base effect due to the Olympic event in 3Q24; 2) ad revenue from handset sector also declined YoY as handset manufacturers tightened their ad budgets amid sales volume declines; 3) ad revenue from online games vertical fell YoY due to the decline in ad budgets of certain key accounts. That said, ad revenue from certain verticals such as e-commerce and automobile maintained resilient YoY growth in 3Q25, which should partially offset declines in other verticals.
- **Eyes on AI development.** We remain positive on Weibo's AI development: 1) Compared to other AI Search applications, Weibo's Intelligent Search has relatively high adoption rate (12% of total users) and usage frequency (36.6 times per user per month) according to QuestMobile, supported by its quality search results. Intelligent Search MAUs surpassed 50mn in Jun 2025, and we expect the MAUs to have further grown by Sep 2025; 2) AI will continue to improve ROI of Weibo's ad solution, through enhancing ad conversion and ad placement efficiency.
- **Margin faces short-term pressure.** We forecast non-GAAP OPM to decline to 29% in 3Q25E, from 35% in 3Q24, mainly due to the revenue decline and stepped-up AI investment. We now forecast FY25E non-GAAP net income to decline by 3% YoY to US$462mn. Weibo currently trades at 7x FY26E non-GAAP PE, which offers ample safety margin compared to peers' average (19x). Although it still takes time for the ad business to recover, its relatively stable earnings and net cash level should support decent shareholder return (c.US$200mn dividends per year, which translates into c.7% dividend yield), in our view.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	1,760	1,755	1,723	1,770	1,816
YoY growth (%)	(4.2)	(0.3)	(1.8)	2.7	2.6
Adjusted net profit (US$ mn)	450.6	478.6	462.4	467.2	481.7
YoY growth (%)	(16.6)	6.2	(3.4)	1.0	3.1
EPS (Adjusted) (US$)	1.88	1.82	1.73	1.74	1.80
Consensus EPS (US$)	1.88	1.82	1.76	1.76	1.80
P/S (x)	1.5	1.5	1.6	1.5	1.5
P/E (x)	7.8	8.9	6.8	6.7	6.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$14.00**
(Previous TP	US$14.50)
Up/Downside	**23.7%**
Current Price	**US$11.32**

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Stock Data

Mkt Cap (US$ mn)	2,700.3
Avg 3 mths t/o (US$ mn)	4.3
52w High/Low (US$)	12.83/7.34
Total Issued Shares (mn)	238.5

Source: FactSet

Shareholding Structure

Sina	35.9%
Alibaba	27.7%

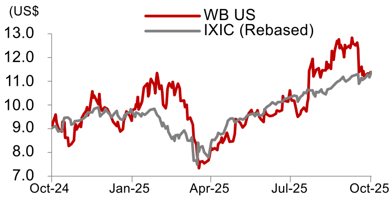
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-9.6%	-12.3%
3-mth	9.7%	-0.5%
6-mth	38.0%	2.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Weibo: forecast revision

	Current			Previous			Change (%)		
US$mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,723	1,770	1,816	1,748	1,796	1,843	-1.4%	-1.4%	-1.5%
Gross profit	1,327	1,363	1,398	1,346	1,383	1,419	-1.4%	-1.4%	-1.5%
Adjusted net profit	462	467	482	482	496	510	-4.0%	-5.9%	-5.6%
Adjusted EPS (US$)	1.7	1.7	1.8	1.8	1.9	1.9	-5.0%	-6.8%	-6.6%
Gross margin	77.0%	77.0%	77.0%	77.0%	77.0%	77.0%	0.0 ppt	0.0 ppt	0.0 ppt
Adjusted net margin	26.8%	26.4%	26.5%	27.6%	27.6%	27.7%	-0.7 ppt	-1.2 ppt	-1.2 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,723	1,770	1,816	1,744	1,787	1,841	-1.2%	-1.0%	-1.4%
Gross profit	1,327	1,363	1,398	1,355	1,394	1,439	-2.1%	-2.2%	-2.8%
Adjusted net profit	462	467	482	473	472	493	-2.2%	-1.1%	-2.4%
Adjusted EPS (US$)	1.7	1.7	1.8	1.8	1.8	1.8	-2.2%	-1.1%	-2.4%
Gross margin	77.0%	77.0%	77.0%	77.7%	78.0%	78.1%	-0.7 ppt	-1.0 ppt	-1.1 ppt
Adjusted net margin	26.8%	26.4%	26.5%	27.1%	26.4%	26.8%	-0.3 ppt	0.0 ppt	-0.3 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Peer valuation

Companies	Ticker	Price	Adj. EPS growth (YoY%)		PE (x)		EPS CAGR (%)
		(LC)	FY25E	FY26E	FY25E	FY26E	2024-2026E
Focus Media	002027 CH	7.5	4	9	20	18	7.1
Baidu	BIDU US	122.8	(31)	9	17	15	(13.8)
Meta	META US	738.4	38	6	22	21	11.9
Google	GOOGL US	260.5	27	8	25	23	13.5
Average					**21**	**19**	

Source: Bloomberg, CMBIGM
Note: data as of 24 Oct, 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**1,836**	**1,760**	**1,755**	**1,723**	**1,770**	**1,816**
Cost of goods sold	(401)	(374)	(370)	(396)	(407)	(418)
Gross profit	**1,436**	**1,386**	**1,385**	**1,327**	**1,363**	**1,398**
Operating expenses	**(945)**	**(913)**	**(891)**	**(875)**	**(878)**	**(881)**
Selling expense	(477)	(461)	(481)	(463)	(465)	(467)
Admin expense	(53)	(118)	(101)	(88)	(88)	(89)
R&D expense	(415)	(334)	(309)	(324)	(324)	(325)
Operating profit	**491**	**473**	**494**	**451**	**485**	**518**
Other gains/(losses)	(313)	19	(75)	(1)	0	0
Interest income	(39)	11	1	57	36	28
Pre-tax profit	**138**	**503**	**421**	**507**	**521**	**545**
Income tax	(30)	(145)	(111)	(104)	(116)	(122)
After tax profit	**108**	**357**	**310**	**404**	**404**	**423**
Minority interest	12	15	9	4	4	4
Net profit	**96**	**343**	**301**	**400**	**400**	**419**
Adjusted net profit	**540**	**451**	**479**	**462**	**467**	**482**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**4,552**	**4,513**	**3,492**	**4,722**	**5,251**	**6,001**
Cash & equivalents	2,691	2,585	1,891	3,079	3,529	4,196
Account receivables	502	441	340	334	343	352
Prepayment	392	360	349	342	352	361
Other current assets	968	1,127	913	968	1,027	1,093
Non-current assets	**2,577**	**2,768**	**3,013**	**2,232**	**2,179**	**2,134**
PP&E	250	221	215	211	207	199
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**	**6,955**	**7,429**	**8,134**
Current liabilities	**1,220**	**1,797**	**968**	**929**	**930**	**931**
Account payables	161	161	158	156	160	164
Tax payable	55	95	85	85	85	85
Other current liabilities	80	875	73	71	73	75
Accrued expenses	924	667	652	618	612	607
Non-current liabilities	**2,519**	**1,965**	**1,957**	**2,052**	**2,129**	**2,418**
Long-term borrowings	2,519	1,965	1,957	2,052	2,129	2,418
Total liabilities	**3,739**	**3,763**	**2,926**	**2,981**	**3,059**	**3,349**
Share capital	1,330	1,055	839	839	839	839
Retained earnings	2,001	2,343	2,644	3,044	3,444	3,863
Total shareholders equity	**3,330**	**3,399**	**3,483**	**3,882**	**4,283**	**4,702**
Minority interest	60	119	96	92	88	83
Total equity and liabilities	**7,129**	**7,280**	**6,504**	**6,955**	**7,429**	**8,134**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**138**	**503**	**421**	**507**	**521**	**545**
Depreciation & amortization	47	47	49	51	51	55
Tax paid	(30)	(145)	(111)	(104)	(116)	(122)
Change in working capital	334	(167)	126	(36)	(27)	(26)
Others	75	435	155	(4)	(4)	(4)
Net cash from operations	**564**	**673**	**640**	**414**	**424**	**448**
Investing						
Capital expenditure	(53)	(49)	(48)	(47)	(47)	(47)
Net proceeds from disposal of short-term investments	231	(161)	181	(46)	(51)	(56)
Others	(211)	(527)	(380)	702	50	37
Net cash from investing	**(33)**	**(737)**	**(247)**	**609**	**(48)**	**(66)**
Financing						
Net borrowings	953	(446)	(190)	169	77	289
Proceeds from share issues	0	0	0	0	0	0
Others	(1,044)	468	(840)	(4)	(4)	(4)
Net cash from financing	**(91)**	**22**	**(1,029)**	**164**	**73**	**285**
Net change in cash						
Cash at the beginning of the year	2,424	2,691	2,585	1,891	3,079	3,529
Exchange difference	(173)	(64)	(58)	0	0	0
Cash at the end of the year	**2,691**	**2,585**	**1,891**	**3,079**	**3,529**	**4,196**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(18.6%)	(4.2%)	(0.3%)	(1.8%)	2.7%	2.6%
Gross profit	(22.5%)	(3.5%)	(0.0%)	(4.2%)	2.7%	2.6%
Operating profit	(29.6%)	(3.6%)	4.5%	(8.7%)	7.4%	6.7%
Net profit	(77.6%)	257.9%	(12.2%)	32.8%	0.2%	4.7%
Adj. net profit	(24.8%)	(16.6%)	6.2%	(3.4%)	1.0%	3.1%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	78.2%	78.7%	78.9%	77.0%	77.0%	77.0%
Operating margin	26.7%	26.9%	28.2%	26.2%	27.4%	28.5%
Adj. net profit margin	29.4%	25.6%	27.3%	26.8%	26.4%	26.5%
Return on equity (ROE)	2.8%	10.2%	8.7%	10.8%	9.8%	9.3%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	3.7	2.5	3.6	5.1	5.6	6.4
Receivable turnover days	99.9	91.4	70.7	70.7	70.7	70.7
Payable turnover days	146.7	157.5	156.5	143.3	143.3	143.3

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	27.8	7.8	8.9	6.8	6.7	6.4
P/E (diluted)	28.0	7.9	9.9	7.6	7.6	7.2
P/B	0.8	0.8	0.8	0.7	0.6	0.6

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

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