

Weibo (WB US)

Weathering a challenging FY24

Weibo reported 4Q23 results on 14 Mar: total revenue grew by 3% YoY (or +5% YoY on a constant currency basis) to US\$464mn, vs consensus/our estimate of US\$454/458mn. Non-GAAP operating income declined by 4% YoY to US\$146mn in 4Q23, 7% ahead of consensus, mainly thanks to the stringent control in product development expenses. For FY23, total revenue declined by 4% YoY to US\$1.76bn, with non-GAAP OPM up by 1ppt YoY to 33.6% on enhanced operating efficiency. Looking ahead to 2024, Weibo will step up investment in content and user acquisition to resume top-line growth. We expect Weibo's total revenue to be flat YoY (+3% YoY on a constant currency basis) at US\$1.77bn in 2024, in view of the macro uncertainty and competitive pressure from short video platforms. We trim FY24/25 earnings forecast by 16-19% to US\$451/500mn. We lower our TP to US\$18.8 on 10x FY24E non-GAAP PE (previous: US\$23.5 on 10x FY24E PE), a discount to peers' avg of 18x. The company's business recovery still takes time and depends on the macro environment, but we see Weibo's current valuation of 5x FY24E PE offer enough safety margin to compensate the uncertainty. Maintain BUY.

- Ad demand recovery still takes time.** Ad revenue grew by 3% YoY to US\$404mn in 4Q23 (+5% YoY on a constant currency basis). By vertical, in 4Q23: 1) automobile and handset verticals sustained solid YoY ad revenue growth thanks to new product launches and Weibo's differentiated value proposition; 2) the online games vertical saw double-digit YoY ad revenue growth driven by the launch of highly-anticipated games and normalizing game license approval; 3) the e-commerce vertical delivered YoY and QoQ ad revenue growth due to solid ad demand during e-commerce festivals; 4) the beauty & personal care vertical remained under pressure due to intensive competition. For 1Q24E, we expect ad revenue to decline by 1% YoY on a constant currency basis, mainly due to soft performance of beauty & personal care category.
- Invest to support community development.** MAUs increased by 2% YoY to 598mn in Dec 2023. Weibo has stepped up investment in key content verticals (e.g. automobiles, online games, healthcare) to enhance user stickiness and monetization. Vertical traffic accounted for c.50% of total traffic in 2023, and Weibo expect this percentage will recover to the pre-pandemic level (c.58%) in 2-3 years. For user community strategy in 2024, Weibo will: 1) strengthen cooperation with strategic partners to acquire high-value users; 2) optimize social products and enhance recommendation efficiency; and 3) improve user experience of Hot Trend and Hot Search products.
- Enhancing shareholder return to support valuation.** Looking ahead, we expect non-GAAP OPM will decline by 1.5ppt YoY to 32.1% in 2024E, as Weibo increases investment in content and user acquisition. The company announced a special cash dividend of US\$0.82 per share, which translates into a c.8% dividend yield. We expect the enhanced shareholder return to support the gradual recovery of Weibo's valuation.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	1,836	1,760	1,765	1,842	1,891
Adjusted net profit (US\$ mn)	540.1	450.6	450.8	499.8	534.1
YoY growth (%)	(24.8)	(16.6)	0.1	10.9	6.9
EPS (Adjusted) (US\$)	2.30	1.91	1.91	2.12	2.27
Consensus EPS (US\$)	2.30	1.91	2.20	2.40	2.44
P/S (x)	1.2	1.3	1.3	1.2	1.2
P/E (x)	52.9	10.5	6.6	5.7	5.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$18.80
(Previous TP)	US\$23.50
Up/Downside	93.8%
Current Price	US\$9.70

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Stock Data

Mkt Cap (US\$ mn)	2,281.1
Avg 3 mths t/o (US\$ mn)	20.0
52w High/Low (US\$)	20.06/8.10
Total Issued Shares (mn)	235.2

Source: FactSet

Shareholding Structure

Sina	37.3%
Alibaba	28.9%

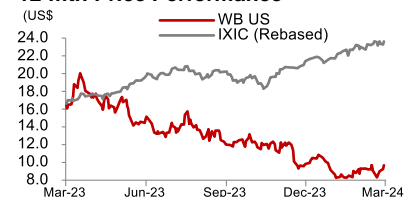
Source: Company data

Share Performance

	Absolute	Relative
1-mth	4.4%	2.4%
3-mth	-2.8%	-11.3%
6-mth	-19.4%	-30.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Weibo: forecast revision

US\$m	Current			Previous			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,765	1,842	1,891	1,894	1,998	NA	-6.8%	-7.8%	NA
Gross profit	1,390	1,450	1,489	1,490	1,573	NA	-6.7%	-7.8%	NA
Adjusted net profit	451	500	534	555	598	NA	-18.8%	-16.4%	NA
Adjusted EPS (RMB)	1.9	2.1	2.2	2.3	2.5	NA	-20.0%	-17.7%	NA
Gross margin	78.7%	78.7%	78.7%	78.7%	78.7%	NA	0.0 ppt	0.0 ppt	NA
Adjusted net margin	25.5%	27.1%	28.2%	29.3%	29.9%	NA	-3.8 ppt	-2.8 ppt	NA

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$m	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,765	1,842	1,891	1,853	1,956	1,991	-4.7%	-5.9%	-5.0%
Gross profit	1,390	1,450	1,489	1,456	1,543	1,563	-4.5%	-6.1%	-4.7%
Adjusted net profit	451	500	534	529	575	585	-14.7%	-13.1%	-8.7%
Adjusted EPS (RMB)	1.9	2.1	2.2	2.2	2.4	2.4	-14.7%	-13.1%	-8.7%
Gross margin	78.7%	78.7%	78.7%	78.6%	78.9%	78.5%	0.1 ppt	-0.2 ppt	0.2 ppt
Adjusted net margin	25.5%	27.1%	28.2%	28.5%	29.4%	29.4%	-3.0 ppt	-2.3 ppt	-1.1 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Weibo: quarterly financials

(US\$m)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	Cons.	Diff%	CMBI	Diff%
Advertising revenue	386	393	391	355	386	389	404				
YoY%	-23.2%	-26.8%	-29.1%	-16.8%	0.0%	-1.0%	3.4%				
VAS revenue	65	60	57	58	55	53	60				
YoY%	-10.4%	-13.9%	-12.2%	1.7%	-15.5%	-12.1%	4.3%				
Total revenue	450	454	448	414	440	442	464	454	2.1%	458	1.3%
YoY%	-21.6%	-25.3%	-27.3%	-14.6%	-2.2%	-2.5%	3.5%	1.4%		2.2%	
Gross profit margin (%)	78.8%	79.2%	76.3%	79.3%	78.6%	78.7%	78.4%				
S&M %	25.7%	25.1%	27.4%	25.7%	23.9%	24.8%	30.1%				
R&D %	23.6%	21.4%	22.2%	21.9%	21.1%	18.7%	14.5%				
Non-GAAP OPM	32.3%	35.7%	33.9%	31.1%	34.9%	37.1%	31.5%				
Non-GAAP OP	145	162	152	129	154	164	146	136	6.9%	144	1.3%

Source: Company data, CMBIGM estimates

Figure 4: Weibo: peer valuation comparison

Company	Ticker	Price (LC)	Adj. EPS growth (YoY%)		PE (x)		EPS CAGR (%)
			2024E	2025E	2024E	2025E	2023-2025E
Focus Media	002027 CH	6.4	667	19	14	16	16.6
Baidu	BIDU US	107.9	231	(1)	10	10	4.4
Meta	META US	495.6	na	37	16	24	25.7
Google	GOOGL US	140.8	na	17	15	20	15.7
Average					18	15	

Source: Bloomberg, CMBIGM

Note: data are as of 13 Mar 2024

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	2,257	1,836	1,760	1,765	1,842	1,891
Cost of goods sold	(404)	(401)	(374)	(375)	(392)	(402)
Gross profit	1,853	1,436	1,386	1,390	1,450	1,489
Operating expenses	(1,156)	(945)	(913)	(936)	(954)	(958)
Selling expense	(592)	(477)	(461)	(477)	(487)	(490)
Admin expense	(133)	(53)	(118)	(124)	(126)	(127)
R&D expense	(431)	(415)	(334)	(335)	(341)	(340)
Operating profit	697	491	473	454	496	531
Other gains/(losses)	(176)	(313)	19	0	0	0
Interest income	30	(39)	11	12	38	47
Pre-tax profit	551	138	503	466	533	578
Income tax	(139)	(30)	(145)	(103)	(117)	(127)
After tax profit	412	108	357	364	416	451
Minority interest	(16)	12	15	15	17	19
Net profit	428	96	343	348	399	432
Adjusted net profit	719	540	451	451	500	534
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	4,803	4,552	4,513	4,622	5,166	5,708
Cash & equivalents	2,424	2,691	2,585	2,624	3,054	3,486
Account receivables	723	502	441	442	461	474
Prepayment	451	392	360	354	369	379
Other current assets	1,205	968	1,127	1,201	1,282	1,369
Non-current assets	2,717	2,577	2,768	2,310	2,240	2,189
PP&E	68	250	221	220	219	218
Investment in JVs & assos	1,208	994	1,320	756	687	638
Goodwill	297	245	301	245	245	245
Other non-current assets	1,143	1,089	926	1,089	1,089	1,089
Total assets	7,520	7,129	7,280	6,932	7,406	7,898
Current liabilities	2,159	1,220	1,797	1,776	1,790	1,792
Account payables	198	161	161	162	169	174
Tax payable	145	55	95	95	95	95
Other current liabilities	988	80	875	875	878	880
Accrued expenses	829	924	667	645	649	643
Non-current liabilities	1,672	2,519	1,965	1,305	1,384	1,460
Long-term borrowings	1,672	2,519	1,965	1,305	1,384	1,460
Total liabilities	3,832	3,739	3,763	3,081	3,174	3,252
Share capital	1,679	1,330	1,055	1,055	1,055	1,055
Retained earnings	1,915	2,001	2,343	2,692	3,090	3,523
Total shareholders equity	3,594	3,330	3,399	3,747	4,146	4,578
Minority interest	94	60	119	104	86	68
Total equity and liabilities	7,520	7,129	7,280	6,932	7,406	7,898

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	551	138	503	466	533	578
Depreciation & amortization	55	47	47	49	51	51
Tax paid	(139)	(30)	(145)	(103)	(117)	(127)
Change in working capital	42	334	(167)	(27)	(30)	(31)
Others	305	320	(15)	(15)	(17)	(19)
Net cash from operations	814	809	223	371	419	452
Investing						
Capital expenditure	(35)	(53)	(49)	(49)	(50)	(50)
Net proceeds from disposal of short-term investments	871	231	(161)	(64)	(71)	(78)
Others	(1,259)	(1,639)	(327)	564	69	50
Net cash from investing	(424)	(1,461)	(537)	452	(52)	(78)
Financing						
Net borrowings	1	953	(446)	(768)	79	76
Proceeds from share issues	188	0	567	0	0	0
Others	0	(34)	59	(15)	(17)	(19)
Net cash from financing	189	919	179	(783)	62	58
Net change in cash						
Cash at the beginning of the year	1,815	2,424	2,691	2,585	2,624	3,054
Exchange difference	29	0	0	0	0	0
Cash at the end of the year	2,424	2,691	2,556	2,624	3,054	3,486
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.6%	(18.6%)	(4.2%)	0.3%	4.3%	2.7%
Gross profit	33.5%	(22.5%)	(3.5%)	0.3%	4.3%	2.7%
Operating profit	37.6%	(29.6%)	(3.6%)	(3.9%)	9.1%	7.1%
Net profit	36.7%	(77.6%)	257.9%	1.7%	14.4%	8.5%
Adj. net profit	31.2%	(24.8%)	(16.6%)	0.1%	10.9%	6.9%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	82.1%	78.2%	78.7%	78.7%	78.7%	78.7%
Operating margin	30.9%	26.7%	26.9%	25.7%	26.9%	28.1%
Adj. net profit margin	31.8%	29.4%	25.6%	25.5%	27.1%	28.2%
Return on equity (ROE)	13.4%	2.8%	10.2%	9.8%	10.1%	9.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.2	3.7	2.5	2.6	2.9	3.2
Receivable turnover days	116.9	99.9	91.4	91.4	91.4	91.4
Payable turnover days	(178.6)	(146.7)	(157.5)	(157.5)	(157.5)	(157.5)
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	26.0	52.9	10.5	6.6	5.7	5.3
P/E (diluted)	26.3	53.2	10.7	6.7	5.8	5.4
P/B	3.1	1.5	1.1	0.6	0.6	0.5

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

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