

Weibo (WB US)

3Q24 results beat on Olympic event; 4Q24 outlook remains under pressure

Weibo announced 3Q24 results on 19 Nov: net revenue was up by 5% YoY (+3% YoY on a constant currency basis) to US\$465mn, 7% ahead of Bloomberg consensus estimates thanks to the stabilization of advertising revenue and better-than-expected growth of VAS revenue; non-GAAP net income grew by 2% YoY to US\$139mn, beating consensus by 16% mainly due to top-line outperformance and enhanced operating efficiency. Looking ahead, management is cautiously optimistic about the policy stimulus on the macro economy, but expects it will take time for the policy to show effects. For 4Q24E, we forecast ad revenue to decline by 4% YoY on a constant currency basis, primarily due to the high-base effect and soft ad demand from certain consumption-related verticals. We maintain our FY24-26E earnings forecast largely unchanged, and fine-tune our TP to US\$15.0 on 8x FY25E PE (previous: US\$15.5 on 9x FY24E PE), which is at a discount to peers given the cautious business outlook. Maintain BUY.

■ **Ad demand recovered thanks to the Paris Olympics.** Advertising revenue increased by 2% YoY to US\$399mn in 3Q24 (flat YoY on a constant currency basis), mainly attributable to solid growth of ad revenues from certain key sectors: 1) ad revenue from food & beverage vertical delivered a robust YoY growth driven by the Paris Olympic event, and became the major contributor of ad revenue growth in 3Q24; 2) automobile vertical saw a solid YoY rise in ad revenue thanks to new car model launches. However, certain verticals such as cosmetics and handsets remain under pressure due to soft consumption sentiment. VAS revenue grew by 25% YoY in 3Q24 (+23% YoY on a constant currency basis), supported by the upgrade of membership services. On the user front, MAUs declined by 3% YoY to 587mn in Sep 2024, but the DAU/MAU ratio improved to 43.8% (Sep 2023: 43.4%). Weibo continues to see improvement in user engagement, with total interactions on the front page increased by a double-digit % QoQ.

■ **Ad business recovery still takes time.** Looking ahead in 4Q24E, management expects it will still take time for the policy stimulus on consumption and the macro economy to show effects. Certain verticals like cosmetics, luxury and real estate have yet to see improvement on ad demand QTD. Ad revenue from the games vertical may also decline YoY in 4Q24E due to the high-base effect. That said, management expects ad revenue from the consumer electronics vertical to deliver double-digit YoY growth in 4Q24E, benefiting from the home appliance trade-in program. Overall, we forecast ad revenue to decline by 4% YoY in 4Q24E on a constant currency basis.

■ **Steady margin trend.** Non-GAAP OPM dropped by 1.6ppt YoY to 35.4% in 3Q24, primarily due to stepped-up investment in sales and marketing. S&M expenses increased by 12% YoY to US\$123mn, equivalent to 26.5% of total revenue in 3Q24 (3Q23: 24.8%). For 4Q24E, we expect non-GAAP OPM will be largely flattish YoY. Weibo is trading at 5x FY25E non-GAAP PE, which offers decent safety margin. We expect the company to benefit from the policy stimulus and gradual consumption recovery. Maintain BUY.

BUY (Maintain)

Target Price **US\$15.00**
 (Previous TP) US\$15.50
Up/Downside **76.3%**
Current Price **US\$8.51**

China Internet

Saiyi HE, CFA
 (852) 3916 1739
 hesaiyi@cmbi.com.hk

Wentao LU, CFA
 luwentao@cmbi.com.hk

Ye TAO, CFA
 franktao@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	2,001.2
Avg 3 mths t/o (US\$ mn)	6.6
52w High/Low (US\$)	12.24/7.13
Total Issued Shares (mn)	235.2

Source: FactSet

Shareholding Structure

Sina	37.3%
Alibaba	28.9%

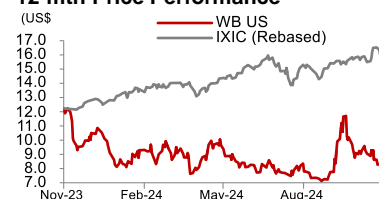
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-6.4%	-7.9%
3-mth	1.9%	-3.0%
6-mth	-11.9%	-21.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	1,836	1,760	1,755	1,828	1,887
Adjusted net profit (US\$ mn)	540.1	450.6	466.9	498.4	529.3
EPS (Adjusted) (US\$)	2.30	1.91	1.97	2.10	2.23
Consensus EPS (US\$)	2.30	1.91	1.71	1.77	1.86
P/S (x)	1.1	1.1	1.1	1.1	1.1
P/E (x)	20.9	5.9	5.4	4.8	4.4

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Weibo: forecast revision

US\$m	Current			Previous			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,755	1,828	1,887	1,713	1,786	1,844	2.5%	2.4%	2.4%
Gross profit	1,392	1,454	1,500	1,350	1,407	1,453	3.1%	3.3%	3.3%
Adjusted net profit	467	498	529	456	499	529	2.5%	-0.2%	0.1%
Adjusted EPS (RMB)	1.8	1.9	2.0	1.7	1.9	2.0	2.3%	-0.3%	-0.1%
Gross margin	79.3%	79.5%	79.5%	78.8%	78.8%	78.8%	0.5 ppt	0.7 ppt	0.7 ppt
Adjusted net margin	26.6%	27.3%	28.0%	26.6%	28.0%	28.7%	0.0 ppt	-0.7 ppt	-0.6 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$m	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,755	1,828	1,887	1,718	1,770	1,823	2.2%	3.3%	3.5%
Gross profit	1,392	1,454	1,500	1,350	1,388	1,427	3.1%	4.7%	5.1%
Adjusted net profit	467	498	529	455	470	493	2.7%	6.0%	7.3%
Adjusted EPS (RMB)	1.8	1.9	2.0	1.7	1.8	1.9	2.7%	6.0%	7.3%
Gross margin	79.3%	79.5%	79.5%	78.6%	78.4%	78.3%	0.7 ppt	1.1 ppt	1.2 ppt
Adjusted net margin	26.6%	27.3%	28.0%	26.5%	26.6%	27.1%	0.1 ppt	0.7 ppt	1.0 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Weibo: quarterly financials

(US\$m)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	Cons.	Diff%
Advertising revenue	427	386	393	391	355	386	389	404	339	375	399		
YoY%	9.5%	-23.2%	-26.8%	-29.1%	-16.8%	0.0%	-1.0%	3.4%	-4.6%	-2.7%	2.4%		
VAS revenue	58	65	60	57	58	55	53	60	57	63	66		
YoY%	-16.5%	-10.4%	-13.9%	-12.2%	1.7%	-15.5%	-12.1%	4.3%	-3.3%	14.7%	24.6%		
Total revenue	485	450	454	448	414	440	442	464	395	438	464	436	6.5%
YoY%	5.6%	-21.6%	-25.3%	-27.3%	-14.6%	-2.2%	-2.5%	3.5%	-4.4%	-0.5%	5.1%		
GPM	78.4%	78.8%	79.2%	76.3%	79.3%	78.6%	78.7%	78.4%	78.0%	79.5%	80.1%		
S&M %	25.9%	25.7%	25.1%	27.4%	25.7%	23.9%	24.8%	30.1%	26.2%	26.1%	26.5%		
R&D %	23.2%	23.6%	21.4%	22.2%	21.9%	21.1%	18.7%	14.5%	20.4%	16.4%	17.3%		
Non-GAAP NPM	27.4%	24.4%	26.2%	39.8%	26.9%	28.7%	30.9%	16.5%	27.0%	28.8%	30.0%		
Non-GAAP net profit	133	110	119	179	111	126	137	76	107	126	139	120	16.5%

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	2026E	2024E	2025E	2026E	2024-2026E	
Focus Media	002027 CH	7.2	9	9	9	19	18	16		8.9
Baidu	BIDU US	85.4	0	2	10	8	8	7		3.9
Meta	META US	554.4	55	12	13	24	21	19		25.6
Google	GOOGL US	176.8	36	12	17	22	19	17		21.0
Average						18	17	15		

Source: Bloomberg, CMBIGM

Note: data are as of 18 Nov

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	2,257	1,836	1,760	1,755	1,828	1,887
Cost of goods sold	(404)	(401)	(374)	(363)	(375)	(387)
Gross profit	1,853	1,436	1,386	1,392	1,454	1,500
Operating expenses	(1,156)	(945)	(913)	(904)	(931)	(942)
Selling expense	(592)	(477)	(461)	(483)	(496)	(501)
Admin expense	(133)	(53)	(118)	(105)	(110)	(111)
R&D expense	(431)	(415)	(334)	(316)	(325)	(330)
Operating profit	697	491	473	488	523	558
Other gains/(losses)	(176)	(313)	19	12	0	0
Interest income	30	(39)	11	5	38	48
Pre-tax profit	551	138	503	505	561	606
Income tax	(139)	(30)	(145)	(116)	(123)	(133)
After tax profit	412	108	357	389	438	473
Minority interest	(16)	12	15	13	15	16
Net profit	428	96	343	376	423	457
Adjusted net profit	719	540	451	467	498	529

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	4,803	4,552	4,513	4,676	5,266	5,853
Cash & equivalents	2,424	2,691	2,585	2,683	3,160	3,633
Account receivables	723	502	441	440	458	473
Prepayment	451	392	360	352	367	378
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	218	217
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	6,985	7,506	8,042
Current liabilities	2,159	1,220	1,797	1,771	1,784	1,790
Account payables	198	161	161	161	168	173
Tax payable	145	55	95	95	95	95
Other current liabilities	988	80	875	874	877	880
Accrued expenses	829	924	667	641	644	642
Non-current liabilities	1,672	2,519	1,965	1,334	1,433	1,522
Long-term borrowings	1,672	2,519	1,965	1,334	1,433	1,522
Total liabilities	3,832	3,739	3,763	3,105	3,217	3,311
Share capital	1,679	1,330	1,055	1,055	1,055	1,055
Retained earnings	1,915	2,001	2,343	2,719	3,142	3,599
Total shareholders equity	3,594	3,330	3,399	3,775	4,198	4,655
Minority interest	94	60	119	106	91	76
Total equity and liabilities	7,520	7,129	7,280	6,985	7,506	8,042

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	551	138	503	505	561	606
Depreciation & amortization	55	47	47	49	51	51
Tax paid	(139)	(30)	(145)	(116)	(123)	(133)
Change in working capital	42	334	(167)	(27)	(30)	(31)
Others	305	320	(15)	(13)	(15)	(16)
Net cash from operations	814	809	223	398	444	477
Investing						
Capital expenditure	(35)	(53)	(49)	(48)	(49)	(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	(51)	(78)
Financing						
Net borrowings	1	953	(446)	(739)	99	88
Proceeds from share issues	188	0	567	0	0	0
Others	0	(34)	59	(13)	(15)	(16)
Net cash from financing	189	919	179	(752)	85	73
Net change in cash						
Cash at the beginning of the year	1,815	2,424	2,691	2,585	2,683	3,160
Exchange difference	29	0	0	0	0	0
Cash at the end of the year	2,424	2,691	2,556	2,683	3,160	3,633
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.6%	(18.6%)	(4.2%)	(0.3%)	4.2%	3.2%
Gross profit	33.5%	(22.5%)	(3.5%)	0.5%	4.4%	3.2%
Operating profit	37.6%	(29.6%)	(3.6%)	3.2%	7.2%	6.7%
Net profit	36.7%	(77.6%)	257.9%	9.8%	12.5%	8.0%
Adj. net profit	31.2%	(24.8%)	(16.6%)	3.6%	6.8%	6.2%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	82.1%	78.2%	78.7%	79.3%	79.5%	79.5%
Operating margin	30.9%	26.7%	26.9%	27.8%	28.6%	29.6%
Adj. net profit margin	31.8%	29.4%	25.6%	26.6%	27.3%	28.0%
Return on equity (ROE)	13.4%	2.8%	10.2%	10.5%	10.6%	10.3%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.2	3.7	2.5	2.6	3.0	3.3
Receivable turnover days	116.9	99.9	91.4	91.4	91.4	91.4
Payable turnover days	(178.6)	(146.7)	(157.5)	(161.8)	(163.4)	(163.4)
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	4.5	20.9	5.9	5.4	4.8	4.4
P/E (diluted)	4.6	21.0	6.0	6.0	5.3	4.9
P/B	0.5	0.6	0.6	0.5	0.5	0.4

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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