22 May 2025

CMB International Global Markets | Equity Research | Company Update

Weibo (WB US)

Flattish 1Q25 topline; leverage AI to capture new opportunities

Weibo reported 1Q25 results: net revenue was flattish YoY at US$397mn, in line with Bloomberg consensus estimate; non-GAAP net income increased by 12% YoY to US$120mn, 26% ahead of consensus estimate, mainly attributable to the decline in S&M/R&D expenses (-8%/-6% YoY). Despite policy support, management noted that advertisers in certain sectors like beauty & personal care remained cautious on ad spending amid macro uncertainty. Looking into 2Q25E, we forecast total revenue to remain largely flattish YoY at US$439mn. Weibo has leveraged AI to improve its social and search experience, which we expect to drive user engagement and create monetization opportunities in the long term. We maintain our FY25-27E earnings forecast, and our unchanged TP of US$14.5 is based on 8x FY25E non-GAAP PE. Maintain BUY.

- **Steady advertising business performance.** Advertising and marketing revenue was flat YoY at US$339mn in 1Q25. By verticals in 1Q25: 1) ad revenue from automobile vertical maintained solid YoY growth, thanks to the increased ad budget on NEV promotion; 2) ad revenue from e-commerce and food & beverage verticals both delivered strong YoY growth, mainly supported by the consumption stimulus policies; 3) ad revenue from handset vertical declined YoY, mainly attributable to a lack of new product launch and seasonality; 4) ad revenue from online games vertical fell sharply YoY, primarily due to high-base effect and the lack of new game titles; 4) ad revenue from beauty & personal care verticals recovered QoQ, with narrowing decline rate YoY. VAS revenue grew by 2% YoY to US$58mn in 1Q25, mainly driven by the growth of membership revenue.
- **AI empowered social and search experience.** AI improved Weibo's user engagement, search capabilities and ad conversion. MAUs of Weibo Intelligent Search, powered by DeepSeek, surpassed 30mn in Mar 2025. And management expects its MAUs to further grow as it was rolled out to all users in Apr. On advertising front, AI has enhanced both click-through rate and eCPM of performance ads. For 2Q25E, we expect total revenue to be flattish YoY at US$439mn, driven by growth of ad revenue from e-commerce, automobile and handset verticals, but offset by the continuous pressure on the games and beauty & personal care verticals.
- **Steady margin outlook despite AI investment.** Non-GAAP OPM improved by 1ppt YoY to 33% in 1Q25, mainly due to the control in S&M/R&D expenses (-8%/-6% YoY). We expect OPM to remain stable QoQ in 2Q25E, as the control in S&M expenses is offset by the AI investment. Weibo currently trades at 5x FY25E non-GAAP PE, which offers ample safety margin versus peers' average (17x). Its stable earnings performance and net cash level (c.45% of mkt cap) also support decent shareholder return (US$200mn annual dividend per year, which translates into c.9% dividend yield). Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	1,760	1,755	1,768	1,828	1,888
YoY growth (%)	(4.2)	(0.3)	0.8	3.4	3.3
Adjusted net profit (US$ mn)	450.6	478.6	481.7	504.5	529.4
EPS (Adjusted) (US$)	1.88	1.82	1.82	1.90	2.00
Consensus EPS (US$)	1.88	1.82	1.69	1.77	2.00
P/S (x)	1.1	1.1	1.1	1.1	1.1
P/E (x)	5.8	6.6	4.8	4.6	4.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$14.50**
Up/Downside	**72.2%**
Current Price	**US$8.42**

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Stock Data

Mkt Cap (US$ mn)	1,998.3
Avg 3 mths t/o (US$ mn)	9.0
52w High/Low (US$)	11.71/7.13
Total Issued Shares (mn)	237.3

Source: FactSet

Shareholding Structure

Sina	35.9%
Alibaba	27.7%

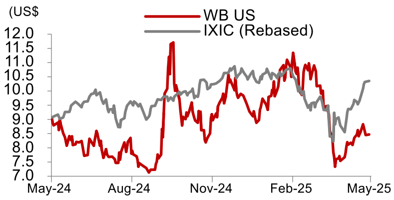
Source: Company data

Share Performance

	Absolute	Relative
1-mth	9.8%	-9.0%
3-mth	-25.7%	-24.3%
6-mth	-6.1%	-7.0%

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	1,768	1,828	1,888	1,770	1,826	1,882	-0.1%	0.2%	0.3%
Gross profit	1,397	1,444	1,491	1,398	1,442	1,487	-0.1%	0.2%	0.3%
Adjusted net profit	482	504	529	481	505	528	0.2%	-0.2%	0.3%
Adjusted EPS (RMB)	1.8	1.9	2.0	1.8	1.9	2.0	0.2%	-0.2%	0.3%
Gross margin	79.0%	79.0%	79.0%	79.0%	79.0%	79.0%	0.0 ppt	0.0 ppt	0.0 ppt
Adjusted net margin	27.2%	27.6%	28.0%	27.2%	27.7%	28.1%	0.1 ppt	-0.1 ppt	0.0 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	1,768	1,828	1,888	1,771	1,823	1,882	-0.2%	0.3%	0.3%
Gross profit	1,397	1,444	1,491	1,397	1,437	1,483	0.0%	0.5%	0.6%
Adjusted net profit	482	504	529	448	469	497	7.4%	7.5%	6.4%
Adjusted EPS (RMB)	1.8	1.9	2.0	1.7	1.8	1.9	7.4%	7.5%	6.4%
Gross margin	79.0%	79.0%	79.0%	78.9%	78.8%	78.8%	0.1 ppt	0.2 ppt	0.2 ppt
Adjusted net margin	27.2%	27.6%	28.0%	25.3%	25.8%	26.4%	1.9 ppt	1.8 ppt	1.6 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Weibo: quarterly financials

(US$mn)	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	Cons.	Diff%
Advertising revenue	386	389	404	339	375	399	386	339		
YoY%	0.0%	-1.0%	3.4%	-4.6%	-2.7%	2.4%	-4.4%	0.0%		
VAS revenue	55	53	60	57	63	66	71	58		
YoY%	-15.5%	-12.1%	4.3%	-3.3%	14.7%	24.6%	18.4%	2.1%		
Total revenue	**440**	**442**	**464**	**395**	**438**	**464**	**457**	**397**	**394**	0.8%
YoY%	-2.2%	-2.5%	3.5%	-4.4%	-0.5%	5.1%	-1.5%	0.3%		
GPM	78.6%	78.7%	78.4%	78.0%	79.5%	80.1%	78.0%	77.6%		
S&M %	23.9%	24.8%	30.1%	26.2%	26.1%	26.5%	30.6%	24.1%		
R&D %	21.1%	18.7%	14.5%	20.4%	16.4%	17.3%	16.6%	19.2%		
Non-GAAP NPM	28.7%	30.9%	16.5%	27.0%	28.8%	30.0%	23.3%	30.1%		
Non-GAAP net profit	**126**	**137**	**76**	**107**	**126**	**139**	**107**	**120**	**95**	26.4%

Source: Company data, CMBIGM estimates

Figure 4: Weibo: forecast revision

Companies	Ticker	Price (LC)	Adj. EPS growth (YoY%) FY25E	FY26E	PE (x) FY25E	FY26E	EPS CAGR (%) 2024-2026E
Focus Media	002027 CH	7.4	5	9	19	18	7.1
Baidu	BIDU US	89.3	3	7	9	8	5.1
Meta	META US	637.1	11	13	24	21	11.9
Google	GOOGL US	165.3	20	7	17	16	13.5
Average					**17**	**16**	

Source: Bloomberg, CMBIGM
Note: data as of 20 May

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**1,836**	**1,760**	**1,755**	**1,768**	**1,828**	**1,888**
Cost of goods sold	(401)	(374)	(370)	(371)	(384)	(396)
Gross profit	**1,436**	**1,386**	**1,385**	**1,397**	**1,444**	**1,491**
Operating expenses	**(945)**	**(913)**	**(891)**	**(884)**	**(893)**	**(913)**
Selling expense	(477)	(461)	(481)	(460)	(466)	(474)
Admin expense	(53)	(118)	(101)	(106)	(108)	(109)
R&D expense	(415)	(334)	(309)	(318)	(320)	(330)
Operating profit	**491**	**473**	**494**	**513**	**551**	**578**
Other gains/(losses)	(313)	19	(75)	8	0	0
Interest income	(39)	11	1	14	18	29
Pre-tax profit	**138**	**503**	**421**	**535**	**569**	**607**
Income tax	(30)	(145)	(111)	(113)	(127)	(136)
After tax profit	**108**	**357**	**310**	**422**	**442**	**472**
Minority interest	12	15	9	5	5	5
Net profit	**96**	**343**	**301**	**417**	**438**	**467**
Adjusted net profit	**540**	**451**	**479**	**482**	**504**	**529**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**4,552**	**4,513**	**3,492**	**4,752**	**5,340**	**6,168**
Cash & equivalents	2,691	2,585	1,891	3,090	3,595	4,335
Account receivables	502	441	340	342	354	366
Prepayment	392	360	349	351	363	375
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**	**2,138**
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**	**6,985**	**7,521**	**8,306**
Current liabilities	**1,220**	**1,797**	**968**	**951**	**958**	**965**
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	633	631
Non-current liabilities	**2,519**	**1,965**	**1,957**	**2,042**	**2,139**	**2,455**
Long-term borrowings	2,519	1,965	1,957	2,042	2,139	2,455
Total liabilities	**3,739**	**3,763**	**2,926**	**2,994**	**3,097**	**3,420**
Share capital	1,330	1,055	839	839	839	839
Retained earnings	2,001	2,343	2,644	3,061	3,499	3,966
Total shareholders equity	**3,330**	**3,399**	**3,483**	**3,900**	**4,338**	**4,804**
Minority interest	60	119	96	91	87	81
Total equity and liabilities	**7,129**	**7,280**	**6,504**	**6,985**	**7,521**	**8,306**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**138**	**503**	**421**	**535**	**569**	**607**
Depreciation & amortization	47	47	49	51	51	56
Tax paid	(30)	(145)	(111)	(113)	(127)	(136)
Change in working capital	334	(167)	126	(31)	(26)	(26)
Others	75	435	155	(5)	(5)	(5)
Net cash from operations	**564**	**673**	**640**	**437**	**462**	**496**
Investing						
Capital expenditure	(53)	(49)	(48)	(48)	(48)	(49)
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)**	**608**	**(49)**	**(68)**
Financing						
Net borrowings	953	(446)	(190)	159	96	316
Proceeds from share issues	0	0	0	0	0	0
Others	(1,044)	468	(840)	(5)	(5)	(5)
Net cash from financing	**(91)**	**22**	**(1,029)**	**155**	**91**	**311**
Net change in cash						
Cash at the beginning of the year	2,424	2,691	2,585	1,891	3,090	3,595
Exchange difference	(173)	(64)	(58)	0	0	0
Cash at the end of the year	**2,691**	**2,585**	**1,891**	**3,090**	**3,595**	**4,335**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(18.6%)	(4.2%)	(0.3%)	0.8%	3.4%	3.3%
Gross profit	(22.5%)	(3.5%)	(0.0%)	0.8%	3.4%	3.3%
Operating profit	(29.6%)	(3.6%)	4.5%	3.7%	7.5%	5.0%
Net profit	(77.6%)	257.9%	(12.2%)	38.7%	4.8%	6.6%
Adj. net profit	(24.8%)	(16.6%)	6.2%	0.6%	4.7%	4.9%

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%	29.0%	30.1%	30.6%
Adj. net profit margin	29.4%	25.6%	27.3%	27.2%	27.6%	28.0%
Return on equity (ROE)	2.8%	10.2%	8.7%	11.3%	10.6%	10.2%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	3.7	2.5	3.6	5.0	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	156.9	156.9	156.9

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	20.7	5.8	6.6	4.8	4.6	4.3
P/E (diluted)	20.8	5.9	7.4	5.4	5.1	4.8
P/B	0.6	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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