

Weibo (WB US)

2Q25 results beat, but 2H25 outlook remains uncertain

Weibo announced 2Q25 results: net revenue increased by 2% YoY to US\$444.8mn, 2% ahead of Bloomberg consensus estimate; non-GAAP operating income grew by 3% YoY to US\$161.8mn, 11% higher than consensus estimate, thanks to the enhanced operating efficiency and collection of bad debts recognized in the past period. The outlook of the advertising business remains challenging in 2H25, due to tough comparison and uncertainty in certain verticals. We expect total revenue to decline by 2% YoY in 3Q25E. That said, Weibo's AI progress in 2Q25 was encouraging, which may help drive the user traffic and ad revenue growth in the long term. We trim our FY25-27E total revenue forecast by 1-2% in view of the ad business uncertainty, but maintain our target price of US\$14.5 based on 8x FY25E non-GAAP PE. Maintain BUY on Weibo's decent shareholder return (7% dividend yield).

- **3Q25E ad business outlook remains challenging.** Advertising and marketing revenue was down by 2% YoY to US\$383mn in 2Q25, mainly driven by the solid growth of revenue from e-commerce and automobile verticals. FMCG, online games, luxury and entertainment verticals saw YoY decline in ad budget. Looking into 3Q25E, we expect advertising and marketing revenue to decline by 2% YoY. By verticals in 3Q25E, we expect: 1) e-commerce and automobile verticals to maintain healthy YoY growth; 2) FMCG to face pressure as Olympics in 3Q24 led to tough comps; 3) online games verticals to decline YoY due to a lack of blockbuster games; 4) handset verticals to face uncertainty due to the decline in national subsidy. VAS revenue declined by 2% YoY to US\$61mn in 2Q25.
- **Positive AI progress.** AI drove Weibo's business growth on several fronts: 1) AI-empowered Intelligent Search: through integrating with third-party LLM like Alibaba's Qwen, Intelligent Search MAUs surpassed 50mn in Jun, up by over 60% QoQ in Jun 2025. And total queries grew by over 150% QoQ in Jun 2025. The company plans for a potential pilot for ad monetization on Intelligent Search in 4Q25; 2) AI ad creative platform: Weibo launched an AI ad creative platform LinChuang in 2Q25. AI-generated ads already accounted for over 10% of performance-based ads in 2Q25. Overall, we expect AI to drive Weibo user engagement and create incremental monetization opportunities.
- **Increasing AI investment.** Overall non-GAAP OPM improved by 0.4ppts YoY to 36.4% in 2Q25, primarily due to the decline in G&A expenses (-70% YoY). The decline in G&A was mainly attributable to the collection of certain bad debts recognized in the past period. But due to the increase in AI development, we expect non-GAAP OPM to decline by c.3ppts YoY to 30% in 2H25E. Weibo currently trades at 6x FY25E non-GAAP PE, which offers ample safety margin versus peers' average (19x). Its stable earnings performance also supports a decent level of shareholder return (US\$200mn annual dividend per year, which translates into c.7% dividend yield).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	1,760	1,755	1,748	1,796	1,843
Adjusted net profit (US\$ mn)	450.6	478.6	481.9	496.4	510.4
EPS (Adjusted) (US\$)	1.88	1.82	1.82	1.87	1.92
Consensus EPS (US\$)	1.88	1.82	1.73	1.77	1.92
P/S (x)	1.5	1.5	1.5	1.5	1.5
P/E (x)	7.9	9.0	6.5	6.4	6.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$14.50**
 Up/Downside **26.7%**
 Current Price **US\$11.44**

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Stock Data

Mkt Cap (US\$ mn)	2,690.3
Avg 3 mths t/o (US\$ mn)	3.8
52w High/Low (US\$)	11.71/7.13
Total Issued Shares (mn)	235.2

Source: FactSet

Shareholding Structure

Sina	37.3%
Alibaba	28.9%

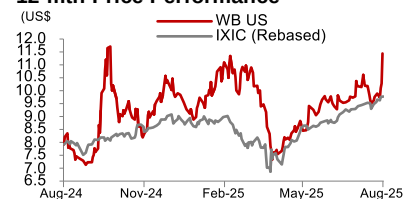
Source: Company data

Share Performance

	Absolute	Relative
1-mth	10.3%	5.1%
3-mth	35.4%	19.2%
6-mth	3.1%	-4.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Weibo: forecast revision

US\$m	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,748	1,796	1,843	1,768	1,828	1,888	-1.1%	-1.8%	-2.4%
Gross profit	1,346	1,383	1,419	1,397	1,444	1,491	-3.6%	-4.3%	-4.9%
Adjusted net profit	482	496	510	482	504	529	0.0%	-1.6%	-3.6%
Adjusted EPS (RMB)	1.8	1.9	1.9	1.8	1.9	2.0	0.0%	-1.6%	-3.6%
Gross margin	77.0%	77.0%	77.0%	79.0%	79.0%	79.0%	-2.0 ppt	-2.0 ppt	-2.0 ppt
Adjusted net margin	27.6%	27.6%	27.7%	27.2%	27.6%	28.0%	0.3 ppt	0.0 ppt	-0.3 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$m	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,748	1,796	1,843	1,761	1,805	1,864	-0.7%	-0.5%	-1.1%
Gross profit	1,346	1,383	1,419	1,386	1,422	1,466	-2.9%	-2.8%	-3.2%
Adjusted net profit	482	496	510	458	470	489	5.3%	5.7%	4.3%
Adjusted EPS (RMB)	1.8	1.9	1.9	1.7	1.8	1.8	5.3%	5.7%	4.3%
Gross margin	77.0%	77.0%	77.0%	78.7%	78.8%	78.7%	-1.7 ppt	-1.8 ppt	-1.7 ppt
Adjusted net margin	27.6%	27.6%	27.7%	26.0%	26.0%	26.3%	1.6 ppt	1.6 ppt	1.4 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Online advertising: peers valuation

Companies	Ticker	Price (LC)	Adj. EPS growth (YoY%)		PE (x)		EPS CAGR (%) 2024-2026E
			FY25E	FY26E	FY25E	FY26E	
Focus Media	002027 CH	8.0	4	9	21	19	6.2
Baidu	BIDU US	88.7	(13)	12	10	9	(1.5)
Meta	META US	782.1	38	6	24	22	21.0
Google	GOOGL US	203.8	27	8	19	18	17.2
Average					19	17	

Source: Bloomberg, CMBIGM

Note: data are as of 14 Aug

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	1,836	1,760	1,755	1,748	1,796	1,843
Cost of goods sold	(401)	(374)	(370)	(402)	(413)	(424)
Gross profit	1,436	1,386	1,385	1,346	1,383	1,419
Operating expenses	(945)	(913)	(891)	(853)	(865)	(870)
Selling expense	(477)	(461)	(481)	(455)	(458)	(463)
Admin expense	(53)	(118)	(101)	(84)	(93)	(94)
R&D expense	(415)	(334)	(309)	(315)	(314)	(313)
Operating profit	491	473	494	493	518	549
Other gains/(losses)	(313)	19	(75)	5	0	0
Interest income	(39)	11	1	30	36	29
Pre-tax profit	138	503	421	528	554	578
Income tax	(30)	(145)	(111)	(108)	(124)	(129)
After tax profit	108	357	310	420	430	449
Minority interest	12	15	9	4	4	4
Net profit	96	343	301	416	426	444
Adjusted net profit	540	451	479	482	496	510

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	4,552	4,513	3,492	4,750	5,320	6,112
Cash & equivalents	2,691	2,585	1,891	3,096	3,588	4,297
Account receivables	502	441	340	338	348	357
Prepayment	392	360	349	347	357	366
Other current assets	968	1,127	913	968	1,027	1,093
Non-current assets	2,577	2,768	3,013	2,233	2,180	2,135
PP&E	250	221	215	212	208	201
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	6,983	7,500	8,248
Current liabilities	1,220	1,797	968	942	943	944
Account payables	161	161	158	158	162	166
Tax payable	55	95	85	85	85	85
Other current liabilities	80	875	73	72	74	76
Accrued expenses	924	667	652	627	621	616
Non-current liabilities	2,519	1,965	1,957	2,051	2,146	2,452
Long-term borrowings	2,519	1,965	1,957	2,051	2,146	2,452
Total liabilities	3,739	3,763	2,926	2,993	3,088	3,396
Share capital	1,330	1,055	839	839	839	839
Retained earnings	2,001	2,343	2,644	3,060	3,486	3,930
Total shareholders equity	3,330	3,399	3,483	3,898	4,324	4,768
Minority interest	60	119	96	92	88	83
Total equity and liabilities	7,129	7,280	6,504	6,983	7,500	8,248

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	138	503	421	528	554	578
Depreciation & amortization	47	47	49	51	51	55
Tax paid	(30)	(145)	(111)	(108)	(124)	(129)
Change in working capital	334	(167)	126	(33)	(27)	(27)
Others	75	435	155	(4)	(4)	(4)
Net cash from operations	564	673	640	433	450	473
Investing						
Capital expenditure	(53)	(49)	(48)	(47)	(48)	(48)
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)	168	95	307
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	90	302
Net change in cash						
Cash at the beginning of the year	2,424	2,691	2,585	1,891	3,096	3,588
Exchange difference	(173)	(64)	(58)	0	0	0
Cash at the end of the year	2,691	2,585	1,891	3,096	3,588	4,297
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(18.6%)	(4.2%)	(0.3%)	(0.4%)	2.7%	2.6%
Gross profit	(22.5%)	(3.5%)	(0.0%)	(2.8%)	2.7%	2.6%
Operating profit	(29.6%)	(3.6%)	4.5%	(0.3%)	5.0%	6.1%
Net profit	(77.6%)	257.9%	(12.2%)	38.2%	2.5%	4.3%
Adj. net profit	(24.8%)	(16.6%)	6.2%	0.7%	3.0%	2.8%
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%	28.2%	28.8%	29.8%
Adj. net profit margin	29.4%	25.6%	27.3%	27.6%	27.6%	27.7%
Return on equity (ROE)	2.8%	10.2%	8.7%	11.3%	10.4%	9.8%
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	6.5
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	28.1	7.9	9.0	6.5	6.4	6.1
P/E (diluted)	28.3	8.0	10.0	7.3	7.1	6.8
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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