

Weibo Corporation

Ad recovery still challenging; positive surprise in shareholder return

Reiterate Rating: UNDERPERFORM | PO: 8.60 USD | Price: 9.52 USD

Macro headwind remains; lower estimates and PO

In 2024, Weibo will focus on growing user community and engagement, revitalizing and supporting vertical contents, and enhancing operating efficiency. For 2024 revenue outlook, management is cautiously optimistic about ad recovery due to weak macro and uncertainties across several key verticals. Growth of smartphone ad and auto ad may decelerate in 2024 due to industry uncertainties and sales pressure. Beauty & personal care sector may remain challenging due to less new product launches and budget shift. On the positive front, management thinks online gaming ad may accelerate, and Olympic Games may drive food & beverage ad and sportswear ad. Due to Weibo's weak ad outlook, we reiterate our Underperform rating and lower 1Q24e/2024e topline to a 6% YoY decline/2% YoY growth and 1Q24e/2024e adjusted net profit to USD85mn/USD449mn (flat YoY). Our P/E-based PO is lowered to USD8.6/HKD67 from USD10/HKD79 due to lower profit estimate.

4Q profit miss due to tax; attractive 8+% dividend yield

Revenue grew 3% YoY (or +5% on a constant currency (CC) basis), largely in-line with consensus and our estimate. Ad revenue growth of 3% YoY (or +5% on CC basis), in line with our expectation, driven by ad growth in 3C, ecommerce, healthcare, auto and online game verticals, while fast-moving consumer goods (FMCG) ad remained as the drag. Non-GAAP net profit of USD76mn (NPM of 16%) missed consensus mainly due to withholding tax for dividend. Back in May 2023, Weibo had announced a special dividend of US\$0.85 per ADS. In 4Q results, Weibo announced another special cash dividend of US\$0.82 per ADS (cUS\$200m), which represents an attractive 8+% dividend yield. In terms of use of cash, management prioritizes investing for business growth, but also ensures shareholder return. Going forward, management expects to continue pay out dividend.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - mn)	718.53	540.08	450.57	449.16	446.83
EPS	3.05	2.27	1.88	1.72	1.71
EPS Change (YoY)	28.6%	-25.8%	-17.1%	-8.4%	-0.5%
Dividend / Share	0	0	0.820	0	0
Free Cash Flow / Share	3.40	2.22	0.704	1.38	1.41
Common EPS (US\$)	3.05	2.27	1.88	1.72	1.71
Common Dividend / Share (US\$)	0	0	0.820	0	0
Valuation (Dec)					
P/E	3.12x	4.20x	5.07x	5.53x	5.56x
Dividend Yield	0%	0%	8.61%	0%	0%
EV / EBITDA*	2.20x	3.03x	3.15x	3.39x	3.24x
Free Cash Flow Yield*	52.86%	35.35%	11.25%	22.21%	22.65%

* For full definitions of *IQmethod*SM measures, see page 6.

14 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	10.00	8.60
2023E EPS	2.15	1.88
2024E EPS	2.05	1.72
2025E EPS	2.15	1.71

Miranda Zhuang, CFA >>

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Stock Data

Price (ADR / Common)	9.52 USD / 77.10 HKD
Price Objective	8.60 USD / 67.00 HKD
Date Established	14-Mar-2024 / 14-Mar-2024
Investment Opinion	C-3-9 / C-3-9
52-Week Range	7.84 USD-20.29 USD
Market Value (mn)	1,474 USD
Shares Outstanding (mn)	154.8 / 154.8
Average Daily Value (mn)	22.07 USD
Free Float	0.6%
BofA Ticker / Exchange	WB / NAS
BofA Ticker / Exchange	WEIBF / HKG
Bloomberg / Reuters	WB US / WB.OQ
ROE (2023E)	13.0%
Net Dbt to Eqty (Dec-2022A)	-7.9%

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Refer to important disclosures on page 7 to 10. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 14 March 2024 02:25PM EDT

iQprofileSM Weibo Corporation

Key Income Statement Data (Dec)

(US\$ Millions)

	2021A	2022A	2023E	2024E	2025E
Sales	2,257	1,836	1,760	1,794	1,866
Gross Profit	1,853	1,436	1,386	1,401	1,476
Sell General & Admin Expense	(689)	(483)	(538)	(621)	(649)
Operating Profit	697	491	473	434	455
Net Interest & Other Income	(147)	(352)	30	0	0
Associates	NA	NA	NA	NA	NA
Pretax Income	551	138	503	434	455
Tax (expense) / Benefit	(139)	(30)	(145)	(75)	(98)
Net Income (Adjusted)	719	540	451	449	447
Average Fully Diluted Shares Outstanding	235	238	240	261	261

Key Cash Flow Statement Data

Net Income	428	96	343	342	339
Depreciation & Amortization	55	55	52	53	56
Change in Working Capital	42	(97)	(128)	(32)	(21)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	288	510	(53)	17	17
Cash Flow from Operations	814	564	214	380	392
Capital Expenditure	(35)	(43)	(48)	(53)	(58)
(Acquisition) / Disposal of Investments	(222)	177	0	0	0
Other Cash Inflow / (Outflow)	(167)	(167)	0	0	0
Cash Flow from Investing	(424)	(33)	(48)	(53)	(58)
Shares Issue / (Repurchase)	188	(8)	0	0	0
Cost of Dividends Paid	0	0	(200)	(200)	0
Cash Flow from Financing	189	(91)	(272)	(999)	0
Free Cash Flow	779	521	166	327	334
Net Debt	11	(269)	68	(60)	(393)
Change in Net Debt	(609)	(267)	19	(127)	(334)

Key Balance Sheet Data

Property, Plant & Equipment	68	250	221	220	223
Other Non-Current Assets	2,648	2,328	2,547	2,547	2,547
Trade Receivables	723	502	441	481	500
Cash & Equivalents	2,424	2,691	2,585	1,913	2,246
Other Current Assets	1,656	1,359	1,487	1,511	1,535
Total Assets	7,520	7,129	7,280	6,672	7,052
Long-Term Debt	1,538	2,422	1,853	1,853	1,853
Other Non-Current Liabilities	134	97	112	112	112
Short-Term Debt	897	0	799	0	0
Other Current Liabilities	1,262	1,220	998	1,006	1,005
Total Liabilities	3,832	3,739	3,763	2,971	2,970
Total Equity	3,688	3,391	3,518	3,701	4,082
Total Equity & Liabilities	7,520	7,129	7,280	6,672	7,052

iQmethodSM - Bus Performance*

Return On Capital Employed	9.7%	6.8%	6.2%	6.4%	6.4%
Return On Equity	21.9%	15.3%	13.0%	12.4%	11.5%
Operating Margin	30.9%	26.7%	26.9%	24.2%	24.4%
EBITDA Margin	33.3%	29.7%	29.9%	27.2%	27.3%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.1x	1.0x	0.5x	0.8x	0.9x
Asset Replacement Ratio	1.0x	1.2x	1.4x	1.6x	1.7x
Tax Rate (Reported)	25.2%	21.9%	28.9%	17.3%	21.5%
Net Debt-to-Equity Ratio	0.3%	-7.9%	1.9%	-1.6%	-9.6%
Interest Cover	NM	9.1x	24.3x	NA	NA

Key Metrics

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Internet/e-Commerce

Company Description

Launched in 2009, Weibo has become the leading open social media platform in China. In Weibo, users can express themselves, discover interesting content and trending news/topics, and socialize with others. In Weibo, content creators can distribute content in various formats and verticals and engage with their followers. Weibo predominantly monetizes through advertising.

Investment Rationale

We rate Weibo Underperform as we believe, compared with major ad platforms, Weibo may be more vulnerable to macro and competition. We expect Weibo's ad revenue to underperform social media peers and ad peers in China.

Stock Data

Shares / Common	1.00
Price to Book Value	0.4x

Key Changes

(US\$)	Previous	Current
Price Obj.	HK\$79.00	HK\$67.00
2023E EPS	2.15	1.88
2024E EPS	2.05	1.72
2025E EPS	2.15	1.71



Price objective basis & risk

Weibo Corporation (WB / WEIBF)

Our PO is USD8.6/HKD67, based on 5x 2024E P/E. We think 5x is reasonable because it is in-line with Weibo's profit growth of 5% YoY in 2025E.

Upside risks to our PO are: better ad budget on consumption recovery, AIGC.

Downside risks to our PO are macro weakness, intensified competition, content risk, potential share sell-down by major shareholders, disruption risk from AI.

Analyst Certification

I, Miranda Zhuang, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agora	API	API US	Daley Li, CFA
	AiHuiShou	RERE	RERE US	Joyce Ju
	Alibaba Group	BABA	BABA US	Joyce Ju
	Alibaba Group	BABAF	9988 HK	Joyce Ju
	Alibaba Health	ALBHF	241 HK	Miranda Zhuang, CFA
	Baidu.com	BIDU	BIDU US	Miranda Zhuang, CFA
	Baidu.com	BAIDF	9888 HK	Miranda Zhuang, CFA
	Bilibili	BILI	BILI US	Lei Zhang
	Bilibili	BLBLF	9626 HK	Lei Zhang
	CAR Group	CRSLF	CAR AU	Sriharsh Singh
	Chinasoft International	CFTLF	354 HK	Daley Li, CFA
	Cloud Music	XWJF	9899 HK	Lei Zhang
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
	Delhivery	XDVLf	DELHIVER IN	Sachin Salgaonkar
	Dingdong	DDL	DDL US	Joyce Ju
	East Money	XEQTF	300059 CH	Michael Li
	Grab Holdings	GRAB	GRAB US	Sachin Salgaonkar
	Hello Group	MOMO	MOMO US	Lei Zhang
	Hundsun Technologies	XYTGF	600570 CH	Daley Li, CFA
	iQIYI	IQ	IQ US	Lei Zhang
	JD Health	JDHIF	6618 HK	Miranda Zhuang, CFA
	JD.com	JD	JD US	Joyce Ju
	JD.com	JDCMF	9618 HK	Joyce Ju
	Kingdee International Software	KGDEF	268 HK	Daley Li, CFA
	Kingsoft Corporation	KSFTF	3888 HK	Daley Li, CFA
	Kuaishou	KUASF	1024 HK	Lei Zhang
	Makemytrip Limited	MMYT	MMYT US	Sachin Salgaonkar
	Meituan	MPNGF	3690 HK	Lei Zhang
	NetEase	NETTF	9999 HK	Lei Zhang
	NetEase, Inc	NTES	NTES US	Lei Zhang
	Nine Entertainment Company	NNMTF	NEC AU	Ware Kuo
	Pinduoduo Inc.	PDD	PDD US	Joyce Ju
	Plan B Media PCL	XMKTF	PLANB TB	Thititthep Nophaket
	PT Bukalapak.com	BKLPF	BUKA IJ	Sachin Salgaonkar
	PVR-Inox Ltd	PVRLF	PVRINOX IN	Sachin Salgaonkar
	REA Group	RPGRF	REA AU	Sriharsh Singh
	Tencent Holdings	TCTZF	700 HK	Miranda Zhuang, CFA
	Tencent Music	TME	TME US	Lei Zhang
	Tencent Music	XFWWF	1698 HK	Lei Zhang
	Tongcheng Travel	TNGCF	780 HK	Janet Yang

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Trip.com Group	TCOM	TCOM US	Joyce Ju
	Trip.com Group	TRPCF	9961 HK	Joyce Ju
	TUHU Car	XTCRF	9690 HK	Miranda Zhuang, CFA
	Venustech	XVCGF	002439 CH	Daley Li, CFA
	Vipshop Holdings	VIPS	VIPS US	Joyce Ju
	Xero Limited	XROLF	XRO AU	Sriharsh Singh
	YY	YY	YY US	Lei Zhang
	Zomato Limited	XMWRF	ZOMATO IN	Sachin Salgaonkar
NEUTRAL				
	Autohome	ATHM	ATHM US	Miranda Zhuang, CFA
	Autohome	XXYZF	2518 HK	Miranda Zhuang, CFA
	Baozun	BZUN	BZUN US	Joyce Ju
	Glodon Company	XGCOF	002410 CH	Daley Li, CFA
	GoTo Group	GTOFF	GOTO IJ	Sachin Salgaonkar
	Huya	HUYA	HUYA US	Lei Zhang
	KE Holdings	BEKE	BEKE US	Miranda Zhuang, CFA
	KE Holdings	XSQRF	2423 HK	Miranda Zhuang, CFA
	Kingsoft Cloud	KC	KC US	Daley Li, CFA
	Kingsoft Cloud	KCLHF	3896 HK	Daley Li, CFA
	Nykaa	XQQGF	NYKAA IN	Sachin Salgaonkar
	PB Fintech	XPFXF	POLICYBZ IN	Sachin Salgaonkar
	Sea Limited	SE	SE US	Sachin Salgaonkar
	Seek Limited	SKLTF	SEK AU	Sriharsh Singh
	Seven West Media	WANHF	SWM AU	Ware Kuo
	The ONE Enterprise	XUFCF	ONEE TB	Thititthep Nophaket
	VGI Public Company Limited	XZQHF	VGI TB	Thititthep Nophaket
	Weimob	WEMXF	2013 HK	Daley Li, CFA
	WiseTech Global Limited	WTCHF	WTC AU	Ware Kuo
	XD Inc.	XDNCF	2400 HK	Lei Zhang
	Yonyou Network	XYNIF	600588 CH	Daley Li, CFA
UNDERPERFORM				
	Appen Ltd	APPEF	APX AU	Ware Kuo
	BEC World	XBJHF	BEC TB	Thititthep Nophaket
	Douyu	DOYU	DOYU US	Lei Zhang
	Indiamart InterMesh Limited	XEITF	INMART IN	Sachin Salgaonkar
	Info Edge	IFOEF	INFOE IN	Sachin Salgaonkar
	Kingsoft Office	XBKOF	688111 CH	Daley Li, CFA
	Ming Yuan Cloud	XWTAF	909 HK	Daley Li, CFA
	NavInfo	XWLHF	002405 CH	Daley Li, CFA
	Ping An Healthcare and Technology	PANHF	1833 HK	Miranda Zhuang, CFA
	Qi An Xin	XQTFD	688561 CH	Daley Li, CFA
	Technology One Limited	THNOF	TNE AU	Ware Kuo
	ThunderSoft	XSTS F	300496 CH	Daley Li, CFA
	Weibo Corporation	WB	WB US	Miranda Zhuang, CFA
	Weibo Corporation	WEIBF	9898 HK	Miranda Zhuang, CFA
	Zee Entertainment Enterprises	XZETF	Z IN	Sachin Salgaonkar
	Zip Co Limited	ZIZTF	ZIP AU	Ware Kuo
RVW				
	AfreecaTV	WNTHF	067160 KS	Susie Lee
	CJ ENM	CJHOF	035760 KS	Susie Lee
	Coupang	CPNG	CPNG US	Susie Lee
	Dada Nexus	DADA	DADA US	Lei Zhang
	HYBE	XBGOF	352820 KS	Susie Lee
	JYP Entertainment	ALNNF	035900 KS	Susie Lee
	Kakao Corp.	DAUCF	035720 KS	Susie Lee
	Kakao Games	XKKG F	293490 KS	Susie Lee
	Krafton	XKINF	259960 KS	Susie Lee
	Naver Corporation	NHNC F	035420 KS	Susie Lee
	NCSOFT	NCSCF	036570 KS	Susie Lee
	Netmarble	XLGHF	251270 KS	Susie Lee
	Paytm	XUXBF	PAYTM IN	Sachin Salgaonkar
	Pearl Abyss Corp	XEPAF	263750 KS	Susie Lee
	YG Entertainment	XYEIF	122870 KS	Susie Lee



APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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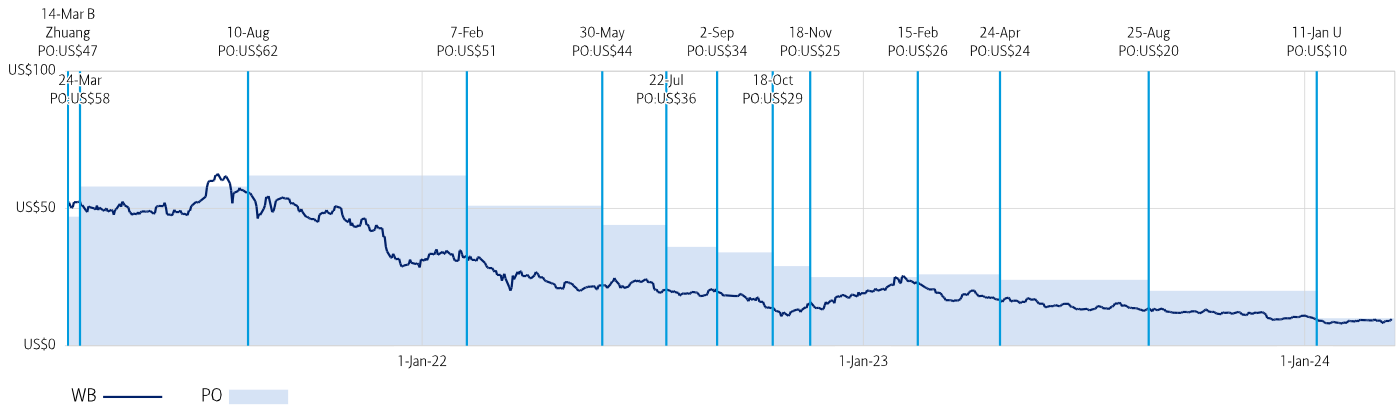
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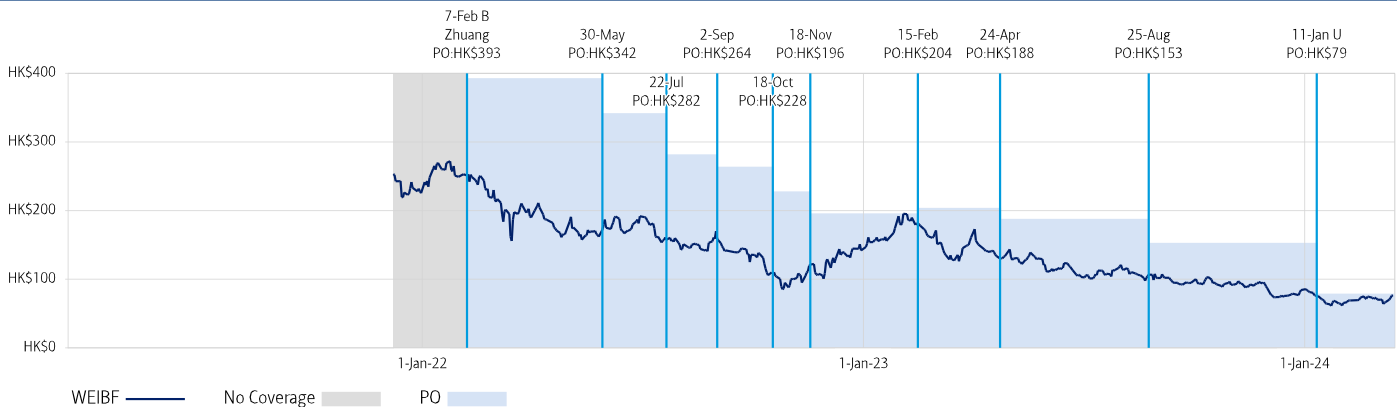
Weibo Corporation (WB) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Weibo Corporation (WEIBF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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