



Company Report: Weibo Corporation (WB US)

公司报告: 微博 (WB US)

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Expected Slowdown of Advertising, but Cost Spend Optimized

预计广告放缓，但成本支出优化

- **4Q18 results were in line with our expectations but better than market expectations by 4.5%**, mainly due to revenue growth in value-added services (VAS). Weibo also posted 1Q19 revenue growth guidance ranging between US\$395 million to US\$405 million, representing yoy growth of 20.5% to 23.5%.
- **We have revised down Weibo's FY19-20 advertising & marketing revenue by 10.0%/ 16.2%, respectively.** 4Q18 advertising and marketing revenue grew 25.5% yoy, driven by KA customers. Weibo MAU reached 462 million in Dec. 2018, up 17.9% yoy. We expect that Weibo's retention rate could be stable due to expected increasing range of vertical industry feeds and further development in content ecosystem.
- **We revise up FY19-FY20 Non-GAAP operating margin by 0.2 ppts/ 1.3 ppts, respectively, due to the expected efficient cost control on S&M spending.** Non-GAAP operating margin decreased by 3.0 ppts to 38.7% yoy in 4Q18 due to lower gross margin. We forecast non-GAAP operating margin in FY19-FY21 to be 38.7%/ 38.8%/ 38.8%, respectively.
- **We maintain the Company's investment rating as "Accumulate" and revise up the TP to US\$71.00.** We expect that growth of KA revenue could partially offset the deceleration of SME business, which has been affected by the macroeconomic headwinds. Gross margin is expected to be under pressure according to the new acquired live broadcasting business. But due to the expected efficient cost control and our adjusted number of shares, we have revised up of non-GAAP EPS. The new TP represents 23.3x/ 19.0x/ 15.6x non-GAAP PER of FY19-FY21, respectively.
- **2018 财年第 4 季度业绩符合我们的预期但是好于市场的预期 4.5%**，主要由于增值业务收入增长的推动。微博还公布了 2019 年第 1 季度收入增长指引，收入范围在 3.95 亿美元至 4.05 亿美元之间，代表 20.5%至 23.5%的同比增长。
- **我们分别下调微博 2019 财年至 2020 财年广告和营销收入 10.0%/ 16.2%**。受到大客户的推动，2018 年第 4 季度广告和营销收入同比增长 25.5%。2018 年 12 月微博月活跃用户数达 4.62 亿，同比增长 17.9%。我们预期随着垂直领域的不断增加与内容生态的进一步发展，微博留存率将保持稳定。
- **由于我们预计微博在市场营销费用上的成本控制良好，我们分别上调 2019-2020 财年的非 GAAP 经营利润率 0.2 个百分点/ 1.3 个百分点。** 2018 年第 4 季度非 GAAP 经营利润率同比下跌 3.0 个百分点至 38.7%，是由于更低的毛利率所致。我们预计 2019-2021 财年非 GAAP 运营利润率为 38.7%/ 38.8%/ 38.8%。
- **我们维持公司的投资评级为“收集”，并上调目标价至 71.00 美元。** 我们预计大客户收入的增长会部分弥补受宏观经济影响导致增速放缓的中小企业业务。毛利率将因新获取的直播业务承压。但由于良好的成本控制和调整后总股数，我们轻微上调非 GAAP 每股净利。新的目标价分别相当于 23.3 倍/19.0 倍/15.6 倍 2019-2021 财年非 GAAP 市盈率。

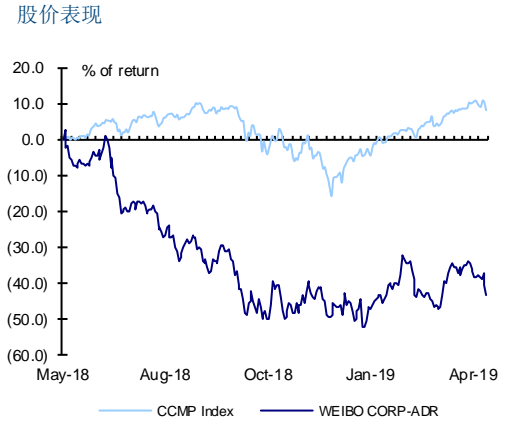
Rating: **Accumulate**
Maintained

评级: **收集 (维持)**

6-18m TP 目标价: **US\$71.00**
Revised from 原目标价: US\$65.00

Share price 股价: **US\$61.790**

Stock performance



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(12.5)	1.5	(43.6)
Rel. % to NASDAQ Index 相对纳指变动 %	(12.9)	(7.3)	(51.8)
Avg. Share price(US\$) 平均股价 (美元)	68.8	66.6	72.7

Source: Bloomberg, Guotai Junan International.

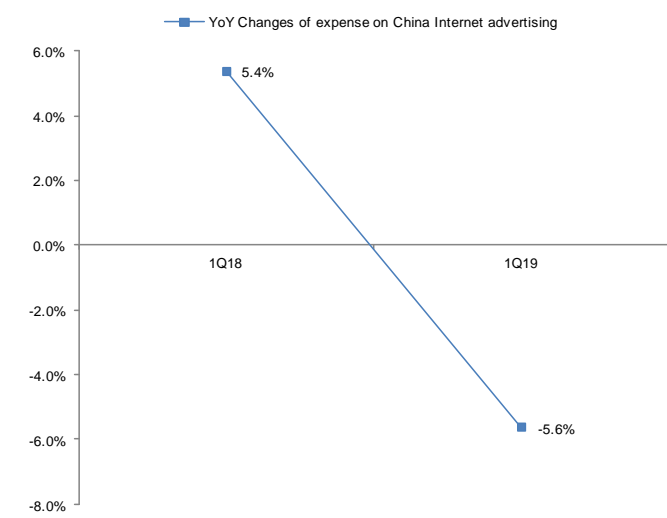
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(US\$ m)	(US\$ m)	(US\$)	(Δ %)	(x)	(US\$)	(x)	(US\$)	(%)	(%)
2017A	1,150	353	1.599	217.9	38.6	5.417	11.4	0.000	0.0	29.6
2018A	1,719	572	2.556	59.8	24.2	7.813	7.9	0.000	0.0	38.9
2019F	2,013	652	2.809	9.9	22.0	10.646	5.8	0.000	0.0	30.9
2020F	2,451	811	3.444	22.6	17.9	14.269	4.3	0.000	0.0	27.8
2021F	2,938	985	4.181	21.4	14.8	18.804	3.3	0.000	0.0	25.3
Shares in issue (m) 总股数 (m)				223.8	Major shareholder 大股东					Sina Corporation 45.7%
Market cap. (US\$ m) 市值 (US\$ m)				13,828.6	Free float (%) 自由流通比率 (%)					54.3
3 month average vol. 3 个月平均成交股数 ('000)				117.9	FY19 Net gearing (%) FY19 净负债/股东资金 (%)					10.0
52 Weeks high/low (US\$) 52 周高/低 (US\$)				142.120 / 53.110	FY18-21 PEG					1.2

Source: the Company, Guotai Junan International.

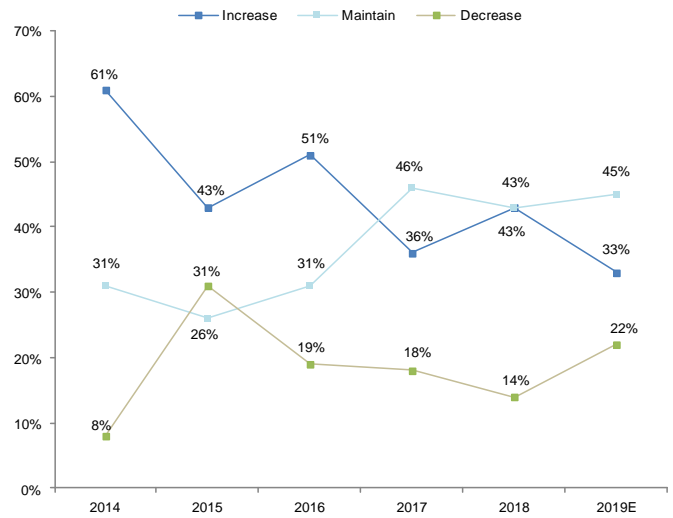
1Q19 Internet Industry Review

The internet advertising market suffered yoy decline in 1Q19 due to macro headwinds. On the demand side, yoy growth of expense on China internet advertising dropped from 5.4% in 1Q18 to -5.6% in 1Q19. In addition, according to a survey by CTR, advertiser confidence in advertising expense in 2019 declined compared to last year. Advertising budget expense is expected to be more cautious, with the percentage of advertisers who expect to increase advertising budget declining to 33%, which is the lowest level over the past 5 years. On the other hand, mobile internet advertising recorded sustainable growth. CTR expects the percentage of mobile internet advertising budget expense in total advertising budget expense to reach 30% in 2019. In accordance with the slowdown in economic growth, we expect that the internet advertising market will continue to decelerate in 2019, especially for big ticket advertising. However, on the supply side, we believe that advertisers will focus on measurable return, such as the return on investment (ROI). In this case, we believe the top advertising platform with amplified data analysis system would be favorable by advertisers.

Figure-1: Expense on China internet advertising yoy Growth **Figure-2: Expectation on advertising budgeted expense**



Source: CTR, Guotai Junan International.



Source: CTR, Guotai Junan International.

4Q18 Results Review

Weibo Corporation's ("Weibo" or the "Company") 4Q18 results were in line with our expectations but better than market expectations by 4.5%, mainly driven by revenue growth in value-added services (VAS). VAS revenue increased by 43.7% yoy in 4Q18, mainly attributable to revenue from the newly acquired live broadcasting business. However, yoy growth of advertising and marketing revenue slowed to 25.5%, 51.4 pts less than that of last year in the same period. Revenue from key account has maintained its momentum with 62.0% yoy growth, reaching US\$205.9 million in 4Q18. Revenue contributed by SMEs recorded a slow growth rate of 8.0% yoy to US\$179.6 million. Gross margin was under stress with 2.0 ppt decrease qoq, due to the incremental costs of revenue share incurred by the live broadcasting business. Non-GAAP net profit grew by 25.8% yoy in 4Q18, a 63.9 ppt decrease compared with that in 4Q17. With further content ecosystem development, Weibo will keep its user acquisition momentum; the growth rate of monthly active users was in line with our expectation with 17.9% yoy increase, reaching 462 million in December 2018. Meanwhile, daily active users grew 16.3% yoy to 200 million. Retention rate (DAU/MAU) remained stable at 43.3%. Weibo announced 1Q19 revenue guidance to be between US\$395 million to US\$405 million, representing yoy growth of 20.5% to 23.5%.

Table-1: Weibo's Income Statement Analysis

USD (Million)	4Q18	4Q17	YoY	2018	2017	YoY	Comments
Net revenue	481.9	377.4	27.7%	1,718.5	1,150.0	49.4%	
-Advertising & marketing revenue	417.0	332.3	25.5%	1,499.2	996.7	50.4%	Driven by continuing robust growth of Weibo's KA business. But affected by the slow growth of SME advertising revenue.
-Weibo VAS revenue	64.9	45.1	43.7%	219.3	153.3	43.1%	Mainly attributable to the incremental revenues from the newly acquired lived broadcasting business
Cost of revenue	(82.9)	(72.0)	15.2%	(277.6)	(231.3)	20.1%	
Gross profit	398.9	305.4	30.6%	1,440.9	918.8	56.8%	Primarily due to incremental costs of revenue share incurred by newly acquired live broadcasting business as well as the increase in personal related costs and expenses
S&M expenses	(140.5)	(92.7)	51.6%	(527.4)	(275.5)	91.4%	
Product development	(62.5)	(57.9)	8.0%	(249.9)	(193.4)	29.2%	
G&A expenses	(12.9)	(9.6)	34.1%	(43.8)	(42.3)	3.4%	
Operating profit	183.0	145.3	26.0%	609.3	407.6	49.5%	
Non-GAAP operating profit	186.4	157.5	18.3%	662.2	456.2	45.1%	
Non-operating income	(1.9)	1.7	n.a.	59.6	9.6	520.8%	Mainly resulted from the impairment on investments
Income tax expenses	(14.9)	(17.0)	(12.6%)	(96.2)	(66.7)	44.2%	
Shareholder's net income	166.5	131.0	27.1%	571.8	352.6	62.2%	
Non-GAAP Shareholder's net income	183.6	146.0	25.8%	624.2	405.7	53.9%	
Basic EPS (USD)	0.74	0.59	25.4%	2.56	1.60	60.0%	
Gross profit margin	82.8%	80.9%	1.9ppt	83.8%	79.9%	3.9ppt	

Source: the Company, Guotai Junan International.

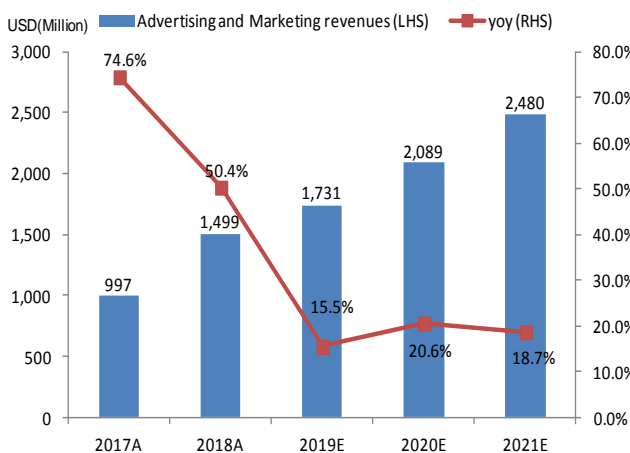
We have revised down Weibo's FY19-FY20 advertising and marketing revenue by 10.0%/ 16.2%, respectively, due to expected further slowdown in SME revenue growth under macroeconomic headwinds and regulation uncertainties in some specific industries. 4Q18 advertising and marketing revenue grew 25.5% yoy, driven by continuing robust revenue growth of its key accounts. With continuous user base expansion and improving content ecosystem, Weibo has been further increasing its competitive advantage and differentiated itself as a unique social marketing platform. KA revenue surged 62.0% yoy in 4Q18, driven by 1) increasing marketing spend by advertisers on Weibo's platform; 2) improved data analytics empowered products, such as uni-marketing program, which can help advertisers monitor sales conversion rate of advertisements and build a close connection between advertisers and potential customers. On the other hand, yoy growth of advertising revenue from SME customers slowed to 8.0% yoy in 4Q18. The slowdown in SME growth was mainly due to the following reasons: 1) on the demand side: certain industries suffered policy headwinds in 2018, such as the game industry, which potentially impacts advertisers' budgets; 2) on the supply side, inventory of the news feed advertising market was oversupplied in 2018. Hence, with the decrease in advertising budget and increase in advertising inventory, the price of feed advertising has been under pressure. Faced with increasing challenges on SME business, Weibo is expected to make a strategic adjustment by restructuring SME customers and devoting more resources into unexplored industries. Excluding revenue from KAs and SMEs, revenue from Alibaba (BABA.US) dropped by 17.7% yoy, mainly due to high base in 4Q17. We revise down Alibaba's (BABA.US) revenue contribution by 0.6 pts/ 0.5pts in 2019F-2020F. We expect KA revenue to keep its momentum according to expected user base expansion and the effectiveness of its advertising products. SMEs are expected to slightly rebound in 2019, due to 1) expected recovery in certain industries such as the game industry, and 2) Weibo is expected to adjust SME customer structure and tap into more industries to access more SMEs. However, we expect that the rebound cannot fully support the growth rate of advertising and marketing revenue.

Table-2: Advertising Contributions from Alibaba and SME & KA Customers to Weibo

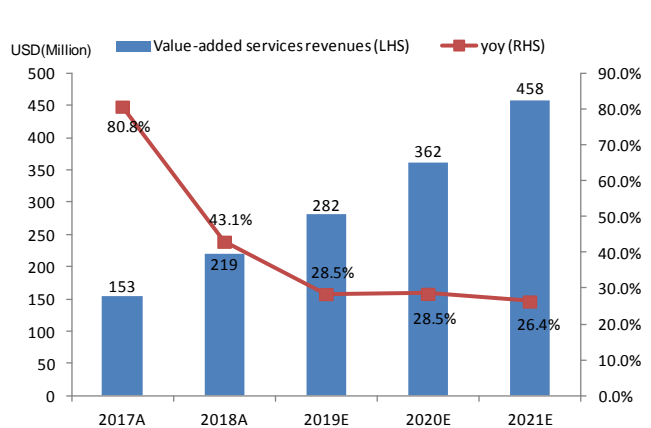
US\$ (Million)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Alibaba advertising revenue	7.8	13.2	25.3	38.4	26.3	31.3	28.5	31.6
YoY	(29.7)	3.1%	173.8%	55.4%	238.0%	137.0%	12.5%	(17.7%)
SME & KA advertising revenue	161.5	205.1	251.5	294.0	276.6	338.7	380.7	385.5
YoY	83.3%	79.4%	70.6%	80.1%	71.3%	65.1%	51.4%	31.1%

Source: the Company, Guotai Junan International.

Figure-3: Weibo's Annual Advertising and Marketing Revenue and YoY Growth **Figure-4: Weibo's VAS Revenue and YoY Growth**



Source: the Company, Guotai Junan International.

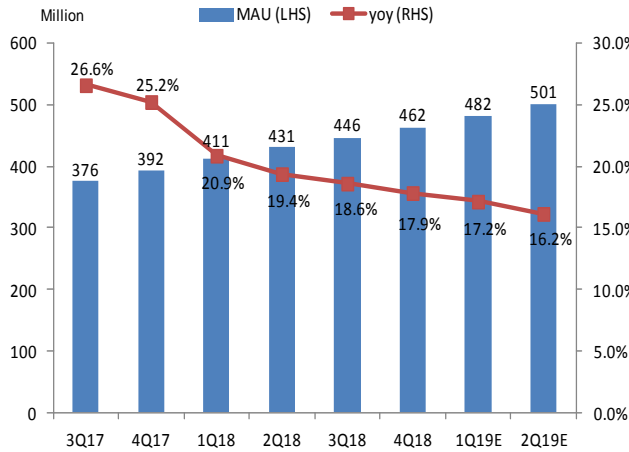


Source: the Company, Guotai Junan International.

With further expected increase in content from vertical industries and ecosystem development, Weibo's user retention rate is expected to be stable. With the further development of content ecosystems, Weibo has maintained its user acquisition momentum; the growth of monthly active users was in line with our expectation at 17.9% yoy increase, reaching 462 million in December 2018. Meanwhile, daily active user grew 16.3% yoy to 200 million. Retention rate (DAU/MAU) remained stable at 43.3%. In addition, 93.0% of MAU was from the mobile side. Weibo is expected to optimize user acquisition channels via spending on pre-installed applications with handset manufacturers, TV manufacturers and top apps. Moreover, heading into 2019, Weibo is expected to invest in the following three areas to further strengthen its content ecosystem and user engagement:

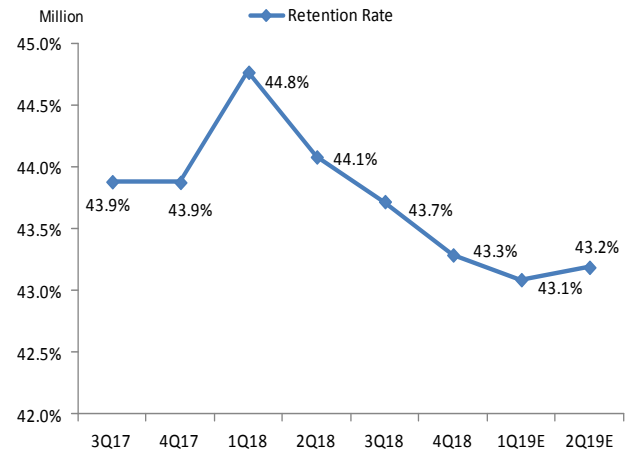
1) building up their social network with content from vertical industries; 2) further expansion of its vertical industry content to include a broader range of content and improving content generation and consumption; and 3) continuing to empower top content creators with monetisation opportunities. With expected increasing content from vertical industries and further amplification of content ecosystem, we expect Weibo's user retention rate to be stable.

Figure-5: Weibo's User MAU and YoY Growth



Source: the Company, Guotai Junan International.

Figure-6: Weibo's Retention Rate



Source: the Company, Guotai Junan International.

We have revised down gross margin in FY19-FY20 by 1.0 ppt and 0.9ppts, respectively, due to the 1) expected slowdown of SME business growth and 2) the low margin live broadcasting business. Gross margin decreased by 2.0 ppts qoq to 82.8% in 4Q18, mainly due to the newly acquired relatively low margin live broadcasting business. Non-GAAP operating margin decreased by 3.0 ppts yoy to 38.7% in 4Q18, mainly due to lower gross margin. S&M expenses as a percentage of revenue was 29.2% in 4Q18, down 1.5 ppts qoq, attributable to effectiveness of cost control in marketing expense. Moreover, the percentage of sales and marketing to revenue is expected to decline in FY19-FY21 due to expected optimizing channel investment. Hence, even when faced with lower gross profit margin, we have still revised up non-GAAP operating margin in FY19-FY20 by 0.2ppts/ 1.3ppts to 38.7%/ 38.8% due to expected efficient cost control in the S&M segment.

Profit Revision

We have revised up FY19-20 non-GAAP EPS by 3.0%/ 1.1%, respectively, based on expected slow SME revenue growth but better cost control. In addition, we have slightly revised down our forecasted number of shares due to our expected adjusted share incentive plan. We believe our adjustment in expected number of shares has lead to non-GAAP EPS to slightly increase. Our earnings forecasts for FY19-21 non-GAAP EPS are US\$3.04/ US\$3.73/ US\$4.56, respectively.

Risks

We believe that the key risks for Weibo are: 1) macroeconomic headwinds impact on SME advertising business; 2) rising cost of per user acquisition; 3) the slowing down of MAU growth rate because of high user base and the bottle neck effect from growth of the Chinese internet population; and 4) fierce competition, especially in the short video market.

Table-3: Financial Estimations Revisions

USD (Million)	OLD			NEW			CHANGE		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Total revenue	2,180	2,843	n.a.	2,013	2,451	2,938	(7.7%)	(13.8%)	n.a.
- Advertising & Marketing revenue	1,924	2,493	n.a.	1,732	2,089	2,480	(10.0%)	(16.2%)	n.a.
- VAS revenues	257	350	n.a.	282	362	458	9.7%	3.4%	n.a.
Non-GAAP Net profit	762	967	n.a.	707	879	1,073	(7.2%)	(9.1%)	n.a.
Non-GAAP EPS (USD)	3.0	3.7	n.a.	3.0	3.7	4.6	3.0%	1.1%	n.a.

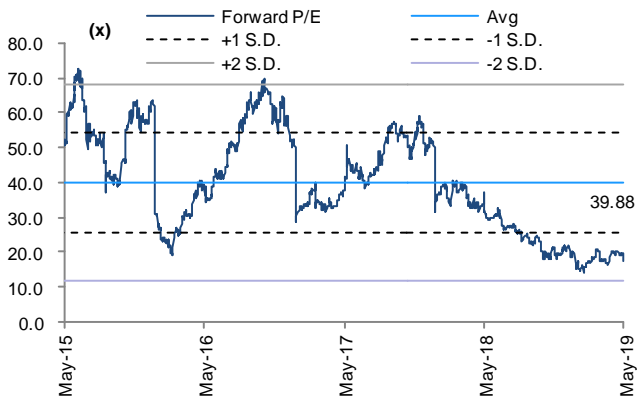
Source: Guotai Junan International.

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Valuation

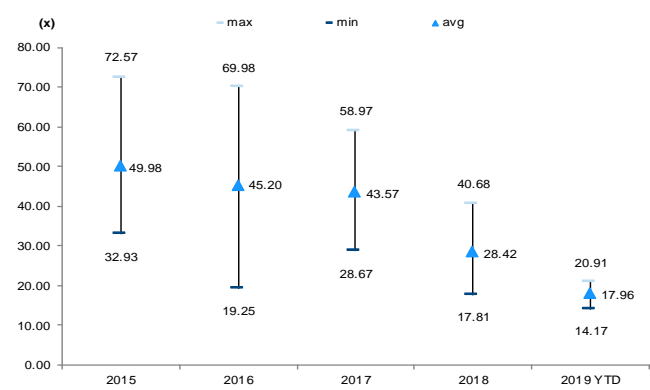
We maintain the investment rating as "Accumulate" and revise up our TP to US\$71.00. With the expected slowdown of SME revenue due to economic headwinds, we expect that KA accounts could partially offset this influence. Under the new acquired live broadcasting business, gross margin is expected to be under pressure, but we believe that the effect should be controllable thanks to efficient cost control in sales and marketing expense. In addition, due to our adjusted number of shares, the non-GAAP EPS has been slightly revised up. The new TP represents 23.3x FY19 non-GAAP PER, 19.0x FY20 non-GAAP PER and 15.6x FY21 non-GAAP PER.

Figure-7: Weibo's PE Graph



Source: Bloomberg.

Figure-8: Weibo's PER Range



Source: Bloomberg.

Table-4: Peers Comparison

Company	Ticker	Currency	Price	PER (x)			PBR (x)			P/S	PEG	Market Cap Local currency (million)
				19F	20F	21F	19F	20F	21F			
US Online Game Companies												
Changyou	CYOU US	USD	19.730	9.4	10.2	10.0	1.7	1.5	1.2	2.2	(3.3)	1,051
Electronic Arts Inc	EA US	USD	93.320	27.8	20.5	18.3	5.2	4.6	4.0	6.2	1.5	27,958
Activision Blizzard Inc	ATVI US	USD	46.640	21.5	18.2	16.1	2.9	2.6	2.4	5.6	1.4	35,727
Netease	NTES US	USD	261.670	25.7	20.9	18.9	4.1	3.6	3.2	2.8	1.6	33,483
Simple Average				21.1	17.4	15.8	3.5	3.1	2.7	4.2	0.3	
Weighted Average				24.6	19.7	17.6	4.0	3.5	3.1	4.8	1.4	
HK Online Game Companies												
Kingsoft Corp Ltd	3888 HK	HKD	18.160	23.5	18.5	15.0	1.6	1.5	1.3	2.6	0.9	24,929
Forgame Holdings Ltd	484 HK	HKD	6.320	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	867
Linekong Interactive Group C	8267 HK	HKD	0.720	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	265
Idreamsky Technology Holding	1119 HK	HKD	6.000	8.2	6.8	n.a.	2.0	1.5	n.a.	1.7	n.a.	7,618
Tencent	700 HK	HKD	382.000	34.4	27.1	22.0	7.3	5.8	4.8	7.8	1.4	3,636,854
Boyya Interactive Int.	434 HK	HKD	1.960	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,420
Fingertango Inc	6860 HK	HKD	1.510	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,984
Leyou Technologies Holdings	1089 HK	HKD	2.190	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6,682
Fire Rock Holdings Ltd	8345 HK	HKD	5.900	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,888
Digital Hollywood Interactiv	2022 HK	HKD	0.300	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	600
Ourgame International Holdin	6899 HK	HKD	0.750	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	820
Baioo Family Interactive Ltd	2100 HK	HKD	0.490	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,374
Feiyu Technology Internation	1022 HK	HKD	0.260	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	402
IGG	799 HK	HKD	9.390	7.9	7.1	6.4	3.7	2.7	2.2	1.9	0.7	12,029
Zengame Technology Holding	2660 HK	HKD	1.210	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,210
Netdragon	777 HK	HKD	21.900	14.5	12.0	11.5	1.9	1.7	1.6	1.7	1.2	11,618
Simple Average				17.7	14.3	13.7	3.3	2.6	2.5	3.2	1.1	
Weighted Average				34.1	26.9	21.9	7.3	5.8	4.7	7.8	1.4	
Advertising Companies												
Momo Inc-Spon Adr	MOMO US	USD	32.290	11.5	9.6	8.7	3.5	2.5	1.9	2.8	0.8	6,695
Bilibili Inc-Sponsored Adr	BILI US	USD	17.140	n.a.	5,713.3	48.8	5.3	5.2	4.4	5.9	n.a.	5,590
Sohu.Com Inc	SOHU US	USD	18.930	n.a.	n.a.	n.a.	1.9	3.6	6.6	0.4	n.a.	743
Weibo	WB US	USD	61.790	20.4	16.8	13.8	5.3	4.0	3.3	6.8	0.9	13,905
Bitauto	BITA US	USD	11.340	10.8	7.6	5.4	0.3	0.3	0.4	0.5	0.3	796
Cheetah Mobile	CMCM US	USD	5.840	47.9	83.4	n.a.	0.9	0.9	0.7	1.2	n.a.	837
58.com	WUBA US	USD	65.400	22.6	17.5	15.1	2.8	2.5	2.2	4.3	1.0	9,717
Soufun	SFUN US	USD	1.320	7.5	6.8	n.a.	0.8	0.8	n.a.	1.7	n.a.	590
Phoenix New Media	FENG US	USD	4.000	n.a.	n.a.	33.6	0.4	0.4	0.4	1.2	n.a.	291
Sina	SINA US	USD	57.000	17.1	13.6	10.4	1.1	1.0	0.8	1.6	0.6	3,954
Facebook	FB US	USD	188.650	21.8	18.2	15.0	5.3	4.2	3.3	7.8	1.1	538,539
Simple Average				20.0	654.1	18.8	2.5	2.3	2.4	3.1	0.8	
Weighted Average				21.7	72.9	15.2	5.2	4.1	3.3	7.6	1.1	
E-commerce Companies												
Pinduoduo Inc-Adr	PDD US	USD	23.130	n.a.	28.5	17.9	11.3	8.3	5.2	6.6	n.a.	26,885
Alibaba*	BABA US	USD	179.040	33.4	26.9	20.6	6.5	5.6	4.6	8.4	1.2	462,912
VIPSHOP	VIPS US	USD	8.580	13.1	11.0	9.1	1.9	1.6	1.4	0.4	0.7	5,710
EBay	EBAY US	USD	37.620	14.0	12.2	10.7	10.8	8.0	6.7	3.0	1.0	32,787
JD.com	JD US	USD	27.510	48.9	28.6	18.2	4.4	4.1	3.6	0.5	0.7	39,999
AMAZON	MZN US	USD	1899.870	51.8	38.6	29.0	14.2	10.4	7.4	3.4	1.6	935,366
Simple Average				32.2	24.3	17.6	8.2	6.3	4.8	3.7	1.0	
Weighted Average				45.0	33.9	25.4	11.4	8.6	6.4	4.9	1.4	
Search Engine Companies												
Sogou Inc-Adr	SOGO US	USD	5.500	22.3	16.5	15.3	2.0	1.8	1.6	1.7	1.1	2,184
Alphabet Inc-CIA	GOOGL US	USD	1167.970	20.9	18.1	15.9	3.9	3.3	2.7	6.2	1.4	808,779
Baidu Inc - Spon Adr	BIDU US	USD	158.700	19.9	14.5	11.5	2.2	1.9	1.7	3.2	0.6	55,444
Simple Average				21.0	16.4	14.2	2.7	2.3	2.0	3.7	1.0	
Weighted Average				20.8	17.9	15.6	3.8	3.2	2.6	6.0	1.4	
Overall Average				22.3	145.2	16.0	4.0	3.3	2.9	3.6	0.8	
Overall Weighted Average				29.1	34.2	19.1	6.3	5.0	4.0	6.2	1.3	

Source: Bloomberg.
 Notes: * represents figures of FY19/FY20/FY21

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (USD m)	2017A	2018A	2019F	2020F	2021F
Total revenue	1,150	1,719	2,013	2,451	2,938
Cost of revenue	(231)	(278)	(349)	(431)	(531)
Gross profit	919	1,441	1,665	2,020	2,407
Sales and marketing	(276)	(527)	(605)	(720)	(843)
Product development	(193)	(250)	(276)	(327)	(386)
General and administrative	(42)	(44)	(50)	(68)	(90)
Goodwill and intangibles impairment	0	(11)	0	0	0
Operating profit	408	609	733	904	1,089
Impairment on investments, net	(5)	16	(3)	5	3
Interest and other income (expenses), net	13	44	47	57	69
Profit before tax	417	669	778	967	1,160
Income tax	(67)	(96)	(124)	(155)	(174)
Profit after tax	350	573	653	813	986
Non-controlling interest	2	(1)	(1)	(1)	(2)
Shareholders' profit / loss	353	572	652	811	985
Basic EPS (USD)	1.599	2.556	2.809	3.444	4.181
Non-GAAP shareholders' Profit	406	624	707	880	1,073
Non-GAAP EPS (USD)	1.839	2.790	3.044	3.735	4.556

Cash Flow Statement					
Year end 31 Dec (USD m)	2017A	2018A	2019F	2020F	2021F
Profit after tax	350	573	653	813	986
Depreciation and amortization	15	20	15	13	11
Stock-based compensation	48	41	45	46	50
Other non cash gain and losses	9	10	11	7	12
Working capital change	117	(156)	107	(57)	33
Cash from operating activities	539	488	832	822	1,092
Investing activities					
CAPEX	(20)	(28)	28	(11)	(12)
Change of short term investments	(743)	197	120	(147)	58
Change of long term investment	(52)	(334)	(35)	(36)	(38)
Others	1	(88)	3	3	3
Cash from investing activities	(815)	(254)	116	(192)	10
Financing activities					
Proceeds from convertible notes	879	0	0	0	0
Others	4	(1)	5	5	5
Cash from financing activities	884	(1)	5	5	5
Net changes in cash	607	233	952	635	1,107
Cash at beg of year	365	1,001	1,235	2,178	2,813
FX change	29	1	(9)	1	1
Cash at end of year	1,001	1,235	2,178	2,813	3,921

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (USD m)	2017A	2018A	2019F	2020F	2021F
Property and equipment, net	34	46	43	49	56
Intangible assets and goodwill, net	14	50	25	30	35
Long-term investments	452	695	729	766	804
Other assets	13	15	11	13	13
Total non-current assets	513	806	809	858	908
Short-term investments	792	591	471	618	560
Accounts receivable, net	170	369	365	485	557
Prepaid expenses and other current assets	69	212	164	210	255
Amount due from SINA	16	62	54	48	42
Cash & cash equivalents	1,001	1,235	2,178	2,813	3,921
Total current assets	2,048	2,469	3,232	4,175	5,335
Total assets	2,562	3,275	4,041	5,033	6,244
Accounts payable	135	212	198	281	326
Accrued liabilities	269	317	358	356	425
Deferred revenues	81	100	117	143	171
Total current liabilities	485	630	673	779	922
Convertible debt	880	884	884	884	884
Other long-term liabilities	2	13	11	10	9
Total non-current liabilities	882	897	895	894	893
Total liabilities	1,367	1,527	1,568	1,673	1,815
Total shareholders' equity	1,193	1,745	2,469	3,355	4,422
Minority interest	2	3	4	5	7
Total equity	1,195	1,748	2,473	3,360	4,428

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Non GAAP gross margin	79.9%	83.8%	82.7%	82.4%	81.9%
Non GAAP operating margin	39.7%	38.5%	38.7%	38.8%	38.8%
Non GAAP net margin	35.3%	36.3%	35.1%	35.9%	36.5%

Company Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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