

SINA Corporation(SINA)

\$40.80 (As of 02/04/20)

Price Target (6-12 Months): **\$43.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/03/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: D

Summary

SINA is expected to benefit from robust performance of Weibo. Higher revenues from Weibo's live broadcasting platform and the company's fin-tech businesses are expected to drive non-advertising revenues in the fourth quarter. Growing popularity of Weibo and a robust mobile user base in China are also likely to drive the top line. Meanwhile, estimates have been stable ahead of the company's fourth-quarter 2019 earnings release. The company has a mixed record of earnings surprises in the recent quarters. However, shares have underperformed the industry in the past year. The company is battling softness in the gaming sector due to macro challenges, stringent regulations and stiff competition. Additionally, ad budget cuts by small and medium enterprise customers and stiff competition in Chinese online advertising market are headwinds.

Data Overview

52 Week High-Low	\$70.83 - \$31.03
20 Day Average Volume (sh)	694,085
Market Cap	\$2.9 B
YTD Price Change	2.2%
Beta	1.36
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Content
Zacks Industry Rank	Bottom 34% (168 out of 255)

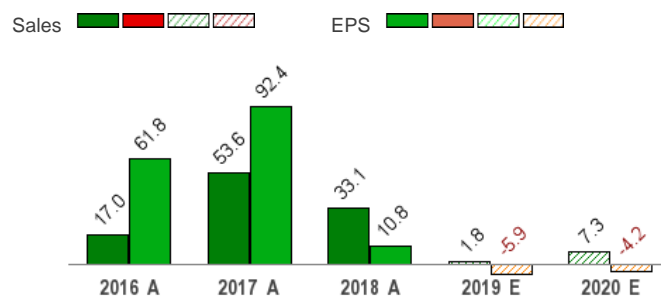
Last EPS Surprise	30.6%
Last Sales Surprise	-0.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	03/03/2020
Earnings ESP	0.0%

P/E TTM	14.1
P/E F1	14.7
PEG F1	NA
P/S TTM	1.4

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020					2,302 E
2019	475 A	533 A	561 A	576 E	2,146 E
2018	441 A	537 A	557 A	573 A	2,108 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020					\$2.77 E
2019	\$0.40 A	\$0.76 A	\$0.94 A	\$0.54 E	\$2.89 E
2018	\$0.47 A	\$0.89 A	\$0.93 A	\$0.80 A	\$3.07 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/04/2020. The reports text is as of 02/05/2020.

Overview

Headquartered in Shanghai, China, SINA Corporation is a leading provider of online media and value-added information services to global Chinese communities. With a branded network of localized websites targeting Greater China and the overseas Chinese market, the company provides services primarily through three major business lines — SINA.com (portal), SINA Mobile (mobile portal) and SINA Community (Weibo).

The company's portal network comprises websites that enable users to access an array of regionally-focused content through Interest-based and community-building channels. Services provided by the company include advertising, short messaging services (SMS), free and premium e-mail, game community, mobile value-added services (MVAS), search and directory, blog services, audio and video streaming, classified listings, fee-based services, e-commerce and enterprise e-solutions.

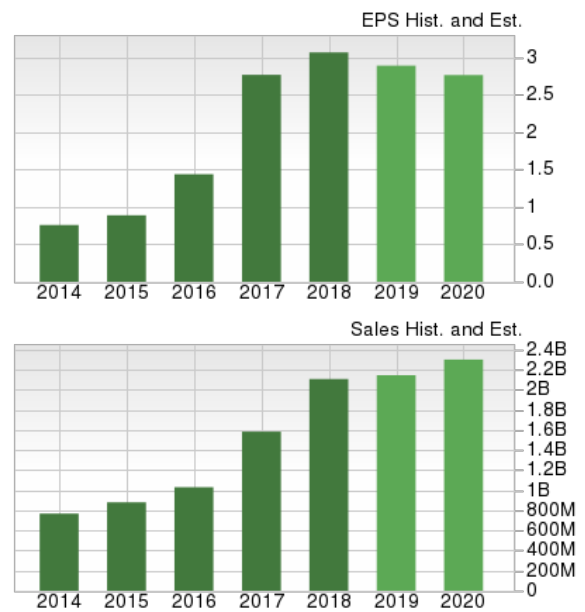
SINA provides MVAS and other services to users through third-party operators, service providers and content providers. The company has developed strategic relationships with large content, service, application and distribution partners such as CCTV, BTV, Xinhua News Agency, China News, AFP, Associated Press, Reuters, Getty Images, China Daily, Nanfang Daily Group, Xinhua Net and Beijing News.

The company generates the majority of its revenues from online advertising and MVAS offerings, and to a lesser extent from search and other fee-based services. Advertising revenues are derived primarily from online advertising and sponsorship arrangements. Non-advertising revenues include MVAS revenues and fee-based revenues.

SINA reported revenues of \$2.1 billion in 2018, which increased 33% from the year-ago period. The company has two reporting segments — Advertising and Non-advertising.

Contribution from Advertising was \$1.79 billion (or 85.2% of total revenue in 2018) while non-advertising contributed the rest.

SINA faces significant competition in most of its operational markets. The competitors include Tencent, Sohu, iFeng.com, Netease, Renren.com, Kaixin001.com, Youku, Tudou and Baidu.



Reasons To Buy:

- ▲ SINA has relationships with leading brands that help it tap the potential in the online advertising industry. We believe that given the company's strong user base, initiatives to strengthen revenues from advertisement can prove to be a key growth driver in the long run.
- ▲ The rapid adoption of smartphones and tablet devices, given the surge in 3G and 4G technology is expected to boost SINA's growth, going forward. We believe that SINA is well positioned to capitalize on the growing mobile market through its popular mobile portal and service offerings. Since the last few quarters, mobile traffic growth for Weibo has remained strong, especially for small and medium-sized enterprises that represent an important long-term growth opportunity for the company. SINA is also taking a number of initiatives to place itself as a leading video platform in the region. Going ahead, SINA remains focused on exploring third-party marketing channels in order to drive growth in its app-user base, thereby opening more avenues for monetization of the platform. Rise in user engagement on SINA news app is a positive. The company's recovering micro loan facilitation business is expected to drive the top line in the long haul.
- ▲ Weibo's massive popularity has been primarily attributed to SINA's continuous efforts to add consumer-centric features. This has transformed the micro-blog platform to a full-fledged social network website. As part of its monetization efforts, the company started offering display advertising services on Weibo and launched paid-membership services.
- ▲ SINA has been forging partnerships with companies such as Baidu and AutoNavi. The company also has a partnership deal with Baidu, under which it integrates Baidu search into its mobile site, while Baidu's cloud service has a pre-installed Weibo app. The company has a partnership with navigation services provider, AutoNavi, which allows Weibo users to directly access the mobile map application known as AMAP. The company has also formed a strategic live-streaming partnership with Yi Zhibo, which is already benefiting Weibo. The company has partnered with over 200 professional agencies in vertical space like ecommerce, video IP and live broadcasting. We believe that these partnerships will help SINA to expand its mobile and Weibo offerings.

SINA is expected to benefit from the growing popularity of Weibo and a robust mobile user base in China.

Reasons To Sell:

- ▼ China has been very sensitive regarding Internet use over the years. The Chinese government has imposed significant restrictions on online search and other social-networking activities by blocking popular websites such as Twitter, YouTube and Facebook. It also has a number of regulations related to direct advertising in China, which is the major revenue source for these companies. SINA's Weibo platform has faced significant scrutiny over allegations that micro-blogs are the epicentre of baseless rumors and false news, which are tarnishing the government's image. Recently, Chinese government ordered shutdown of audio and video streaming on Weibo's platform as these didn't meet the government's stringent regulations.
- ▼ SINA faces increasing government scrutiny due to its controversial corporate structure, involving Variable Interest Entities (VIEs). In China, VIEs are particularly popular in the Internet sector, where foreign investors are barred from commercial activities. The company operates through numerous VIEs, which are China-based companies owned principally or completely by its employees. These VIEs operate under contractual agreements. Hence, it has no equity control over these companies, which is a major impediment regarding future policy making, in our view. We believe that increasing regulations from the Chinese government regarding VIEs remain a concern.
- ▼ We believe that continuing investments in Weibo and other verticals like Internet finance, insurance, automobile and sports will hurt profitability, going forward. The company will further increase its spending to develop Weibo and portal product lines, which will put pressure on overall margins, in our view. Moreover, we believe that SINA's monetization efforts may see regulatory pressure due to restrictions imposed by the Chinese government, which may hurt subscriber growth. In regards to the verticals, SINA has already been investing in Internet finance and automobiles. The company is also seeing some headwinds in regards to obtaining the new media rights for sports in China. SINA also witnessed ad budget cuts from Small and Medium Enterprise (SME) customers as well as certain brand industries such as automobile in third-quarter 2019, which dampened growth.
- ▼ Competition within the online advertising business in China is fierce, with rapid technological changes and frequent new product and service rollouts. The industry is crowded with Internet portals in online brand advertising fields, such as Sohu and Tencent and popular Internet search companies such as Baidu and AirMedia Group that have attracted a lot of advertising clients. SINA is a relatively small company and encounters intense competition in the advertising market. Moreover, the cyclical nature of online advertising adds to the risk. In addition, the company faces some challenges in its display advertising business owing to the ongoing transition from brand advertising to performance-based advertising. Weibo also faces stiff competition from the likes of WeChat in China, which can prove to be a headwind. In such a scenario, we believe that Weibo's monetization ability will be a major driving factor for SINA.

SINA can face challenges from the weakness in its core business and stringent government regulations amid a competitive environment.

Last Earnings Report

SINA Q3 Earnings and Revenues Increase Y/Y

SINA Corporation reported third-quarter 2019 non-GAAP earnings of 94 cents per share, beating the Zacks Consensus Estimate by 30.6%. The figure also increased 1.1% from the year-ago quarter.

Non-GAAP net revenues inched up 1% year on year to \$558.8 million. At constant currency (cc), non-GAAP revenues increased 5% year over year. The Zacks Consensus Estimate for revenues was pegged at \$563 million.

Quarter Ending **09/2019**

Report Date	Nov 14, 2019
Sales Surprise	-0.20%
EPS Surprise	30.56%
Quarterly EPS	0.94
Annual EPS (TTM)	2.90

Quarter Details

Advertising revenues (82.1% of revenues) decreased 4.7% year over year to \$461.1 million due to a decline in portal advertising revenues.

Non-advertising revenues (17.9% of total revenues) climbed 36.7% year over year (up 43% at cc) to \$100.4 million. This upside was driven by robust performance in Weibo's live streaming business and higher revenues generated from the company's fin-tech businesses.

Revenues from the Weibo business grew 1.7% year over year to \$467.8 million, driven by solid user growth with monthly average users (MAU) reaching 497 million in September and the daily users (DAUs) reaching 216 million.

Weibo's advertising & marketing revenues were up 0.8% year over year (up 5% at cc) to \$412.5 million. Weibo's VAS revenues jumped 8.6% to \$55.3 million.

Revenues from the portal business edged down 0.8% year over year to \$100.5 million. Portal advertising revenues plunged 32.8% year over year to \$50.1 million due to lower ad spending by SME customers. Other revenues surged 88.5% to \$50.4 million.

Operating Details

SINA reported a third-quarter non-GAAP gross profit of \$444.9 million, up 0.9% year over year. Non-GAAP gross margin of 79.3% contracted 50 basis points (bps) on a year-over-year basis.

Non-GAAP advertising gross margin shrunk 100 bps to 83%. Non-GAAP non-advertising gross margin was 62%, down from year-ago quarter's 70%.

Sales and marketing expenses were \$169.4 million, down 8.7% year over year. Moreover, general and administrative expenses flared up 58.1% to \$44.9 million. However, product development expenses were \$91.2 million, reflecting a decrease of 0.4%.

Operating expenses (48.9% of revenues) on a non-GAAP basis came in at \$274.9 million, down 0.5% year over year.

Non-GAAP operating income was \$170 million, up 1.1% year over year. Non-GAAP operating margin was 30%, flat year over year.

Balance Sheet and Cash Flow

As of Sept 30, 2019, SINA's cash, cash equivalents and short-term investments were \$2.9 billion compared the \$2.15 billion reported in the previous quarter.

While net cash provided by operating activities was \$220.2 million in the third quarter, capital expenditures totaled \$6 million.

Recent News

On Dec 31, 2019, SINA announced that its board of directors has authorized a share repurchase program per which the company may repurchase up to \$500 million of its ordinary shares over the next 12 months.

Valuation

SINA shares are up 15.8% in the past six-month period but down 31.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer Technology sector are up 9.8% and 19.2% in the past six-month period, respectively. Over the past year, the Zacks sub-industry and sector are up 1.8% and 25%, respectively.

The S&P 500 index is up 13.3% in the past six-month period and 18.2% in the past year.

The stock is currently trading at 1.25X forward 12-month sales, which compares to 8.51X for the Zacks sub-industry, 3.69X for the Zacks sector and 3.5X for the S&P 500 index.

Over the past five years, the stock has traded as high as 4.99X and as low as 0.97X, with a 5-year median of 2.88X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$43 price target reflects 1.32X forward 12-month sales.

The table below shows summary valuation data for SINA

Valuation Multiples -SINA					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.25	8.51	3.69	3.5
	5-Year High	4.99	15.07	3.69	3.5
	5-Year Low	0.97	1.79	2.3	2.54
	5-Year Median	2.88	6.57	3.02	3
P/B TTM	Current	0.72	7.72	5.59	4.5
	5-Year High	2.6	21.25	5.61	4.54
	5-Year Low	0.56	4.7	3.13	2.85
	5-Year Median	1.27	9.82	4.23	3.62

As of 02/04/2020

Industry Analysis Zacks Industry Rank: Bottom 34% (168 out of 255)



Top Peers

NetEase, Inc. (NTES)	Outperform
YY Inc. (YY)	Outperform
Baidu, Inc. (BIDU)	Neutral
Global Eagle Entertainment Inc. (ENT)	Neutral
Momo Inc. (MOMO)	Neutral
Sohu.com Inc. (SOHU)	Neutral
Tencent Holding Ltd. (TCEHY)	Neutral
Yandex N.V. (YNDX)	Neutral

Industry Comparison Industry: Internet - Content				Industry Peers		
	SINA Neutral	X Industry	S&P 500	TCEHY Neutral	YNDX Neutral	YY Outperform
VGM Score	D	-	-	F	A	D
Market Cap	2.92 B	214.30 M	24.31 B	488.14 B	15.59 B	5.19 B
# of Analysts	3	2	13	3	4	3
Dividend Yield	0.00%	0.00%	1.78%	0.22%	0.00%	0.00%
Value Score	B	-	-	D	C	B
Cash/Price	1.08	0.23	0.04	0.06	0.09	0.72
EV/EBITDA	2.68	3.73	13.98	24.73	14.59	5.89
PEG Ratio	NA	1.18	2.01	1.36	0.69	2.32
Price/Book (P/B)	0.72	3.02	3.29	7.75	4.65	0.97
Price/Cash Flow (P/CF)	17.06	14.74	13.58	32.30	30.94	8.16
P/E (F1)	14.53	20.12	18.82	28.49	25.50	14.14
Price/Sales (P/S)	1.36	1.32	2.66	9.42	6.26	1.59
Earnings Yield	6.79%	4.08%	5.30%	3.50%	3.92%	7.07%
Debt/Equity	0.42	0.00	0.71	0.41	0.04	0.13
Cash Flow (\$/share)	2.39	0.42	6.92	1.58	1.55	7.87
Growth Score	F	-	-	F	A	F
Hist. EPS Growth (3-5 yrs)	66.25%	16.34%	10.80%	28.19%	8.59%	24.13%
Proj. EPS Growth (F1/F0)	-4.38%	17.09%	7.40%	26.58%	47.94%	23.01%
Curr. Cash Flow Growth	-10.25%	10.20%	10.22%	68.95%	6.23%	18.21%
Hist. Cash Flow Growth (3-5 yrs)	21.00%	10.64%	8.55%	37.35%	-0.83%	41.66%
Current Ratio	2.92	1.19	1.21	1.23	2.77	4.40
Debt/Capital	29.51%	7.52%	42.91%	29.30%	9.16%	12.78%
Net Margin	5.66%	5.65%	11.79%	24.18%	10.94%	17.76%
Return on Equity	3.08%	7.94%	17.24%	19.20%	12.22%	7.80%
Sales/Assets	0.33	0.75	0.55	0.44	0.61	0.54
Proj. Sales Growth (F1/F0)	7.24%	8.94%	4.10%	25.34%	30.46%	13.04%
Momentum Score	D	-	-	D	B	D
Daily Price Chg	2.95%	1.38%	1.49%	3.36%	4.37%	4.15%
1 Week Price Chg	-2.66%	-1.30%	-2.60%	-2.08%	-1.26%	2.09%
4 Week Price Chg	-3.16%	0.00%	0.51%	2.65%	11.22%	7.41%
12 Week Price Chg	-2.76%	0.00%	4.44%	21.09%	41.75%	-1.25%
52 Week Price Chg	-32.03%	-20.51%	14.65%	12.31%	39.48%	-7.25%
20 Day Average Volume	694,085	58,248	1,935,862	4,527,036	2,105,877	1,082,837
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	3.00%	0.94%	0.00%
(F1) EPS Est 12 week change	-31.16%	-1.94%	-0.10%	-0.32%	0.94%	-4.28%
(Q1) EPS Est Mthly Chg	NA%	0.00%	0.00%	2.86%	0.00%	0.00%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	F
Momentum Score	D
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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