

SINA Corporation(SINA)

\$27.83 (As of 03/18/20)

Price Target (6-12 Months): **\$24.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 03/03/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: F

Summary

SINA's fourth-quarter 2019 results benefited from strong non-advertising revenues and robust performance of its portal business. Growth in non-advertising was driven by higher revenues generated from SINA's FinTech businesses. Notably, increasing popularity of Weibo, as indicated by its expanding user base, is a key catalyst. However, shares have underperformed the industry in a year's time. SINA is battling softness in the gaming sector due to macro challenges, stringent regulations and stiff competition. Decline in portal ad advertising revenues and a negative currency-translation impact hurt advertising revenues. Additionally, ad budget cuts by small and medium enterprise customers and stiff competition in the online advertising market in China are headwinds.

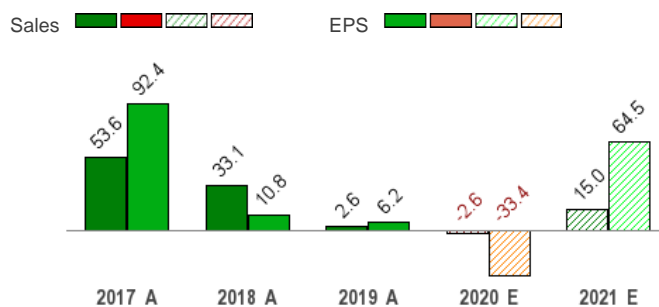
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$66.66 - \$26.04
20 Day Average Volume (sh)	1,011,084
Market Cap	\$2.0 B
YTD Price Change	-30.3%
Beta	1.44
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Content
Zacks Industry Rank	Bottom 32% (172 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	185.4%
Last Sales Surprise	5.8%
EPS F1 Est- 4 week change	-89.1%
Expected Report Date	05/28/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					2,422 E
2020	375 E	447 E	586 E	652 E	2,107 E
2019	475 A	533 A	561 A	593 A	2,163 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$3.57 E
2020	\$0.22 E	\$0.56 E	\$0.67 E	\$0.84 E	\$2.17 E
2019	\$0.40 A	\$0.76 A	\$0.94 A	\$1.17 A	\$3.26 A

*Quarterly figures may not add up to annual.

P/E TTM	8.5
P/E F1	12.8
PEG F1	NA
P/S TTM	0.9

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/18/2020. The reports text is as of 03/19/2020.

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.

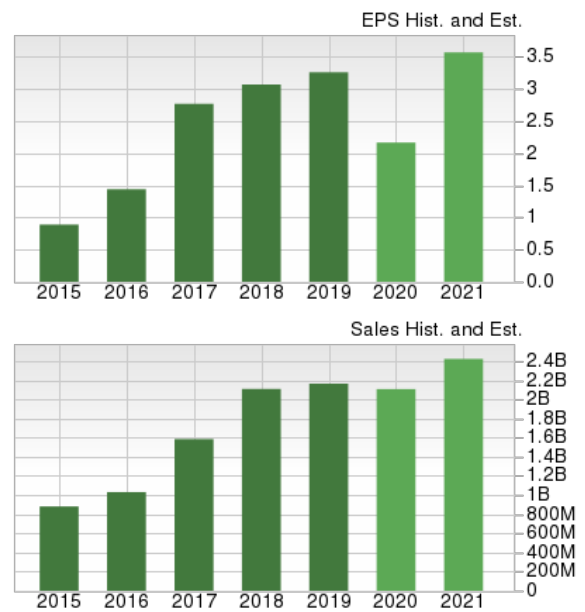
SINA provides MVAS and other services to users through third-party operators, service providers and content providers. The company has developed strategic relationships with large content, service, application and distribution partners such as CCTV, BTV, Xinhua News Agency, China News, AFP, Associated 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 \$2.16 billion in 2019, which increased 3% from the year-ago period. The company has two reporting segments – Advertising and Non-advertising.

Contribution from Advertising was \$1.74 billion (or 80.5% of total revenues in 2019) 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 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 fourth-quarter 2019, which dampened growth. SINA also witnessed ad budget cuts from Small and Medium Enterprise (SME) customers as well as certain brand industries such as automobile in fourth-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.

Risks

- 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 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.
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Last Earnings Report

SINA Q4 Earnings and Revenues Increase Y/Y

SINA Corporation reported fourth-quarter 2019 non-GAAP earnings of \$1.17 per share, beating the Zacks Consensus Estimate by 185.4%. The figure also increased 46.3% from the year-ago quarter.

Non-GAAP net revenues increased 4% year over year to \$590.7 million. At constant currency (cc), non-GAAP revenues increased 5% year over year. The Zacks Consensus Estimate for revenues was pegged at \$561 million.

Quarter Ending **12/2019**

Report Date	Feb 26, 2020
Sales Surprise	5.82%
EPS Surprise	185.37%
Quarterly EPS	1.17
Annual EPS (TTM)	3.27

Quarter Details

Advertising revenues (77.7% of revenues) decreased 4.8% year over year to \$460.8 million due to decline in Weibo and portal advertising revenues.

Non-advertising revenues (22.3% of total revenues) climbed 49.3% year over year (up 51% at cc) to \$129.8 million. This upside was driven by higher revenues generated from the company's fin-tech businesses.

Revenues from the Weibo business decreased 2.9% year over year to \$468.2 million. Notably, Weibo's user community base surpassed 500 million with EMEA reaching 560 million in December 2019, adding around 54 million users on a year-over-year basis. Average daily active users (DAUs) reached 222 million in December 2019.

Weibo's advertising & marketing revenues were down 2.7% year over year (down 1% at cc) to \$405.9 million. Weibo's VAS revenues declined 4% to \$62.2 million.

Weibo's key accounts business decreased 7% (down 6% at cc) due to reduction of handset shipments, which negatively impacted key accounts growth in the reported quarter.

Revenues from the portal business increased 41.7% year over year to \$134.2 million. Portal advertising revenues decreased 16.2% year over year to \$56.5 million due to lower ad spending by SME customer as well as certain brand industries such as automobile and Internet services.

Other revenues increased to \$77.7 million from \$27.3 million reported in the year-ago quarter.

Operating Details

SINA reported fourth-quarter non-GAAP gross profit of \$457.7 million, up 2.1% year over year. Non-GAAP gross margin of 77.2% contracted 109 basis points (bps) on a year-over-year basis.

Non-GAAP advertising gross margin shrunk 100 bps to 82%. Non-GAAP non-advertising gross margin was 63%, up from the year-ago quarter's 56%, benefiting from better gross margin profile of SINA's fintech business.

Sales and marketing expenses were \$165.4 million, down 13.5% year over year. However, general and administrative expenses increased to \$177.4 million from \$30.63 million reported in the year-ago quarter. Moreover, product development expenses were \$95.6 million, reflecting an increase of 12%.

Operating expenses (47.7% of revenues) on a non-GAAP basis came in at \$282.8 million, down 2% year over year.

Non-GAAP operating income was \$174.9 million, up 9.5% year over year. Non-GAAP operating margin of 29.4% expanded 160 bps year over year.

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

Balance Sheet and Cash Flow

As of Dec 31, 2019, SINA's cash, cash equivalents and short-term investments were \$2.9 billion, which remained flat on a sequential basis.

While net cash provided by operating activities was \$301.7 million in the fourth quarter, capital expenditures totaled \$8.5 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 down 34.6% in the past six-month period and 52.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer Technology sector are down 26.7% and 14.2% in the past six-month period, respectively. Over the past year, the Zacks sub-industry and sector are down 32.1% and 11.8%, respectively.

The S&P 500 index is down 19.4% in the past six-month period and 15.9% in the past year.

The stock is currently trading at 0.92X forward 12-month sales, which compares to 5.72X for the Zacks sub-industry, 2.72X for the Zacks sector and 2.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 4.99X and as low as 0.91X, with a 5-year median of 2.88X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$24 price target reflects 0.79X 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	0.92	5.72	2.72	2.58
	5-Year High	4.99	15.07	3.58	3.43
	5-Year Low	0.91	1.79	2.3	2.54
	5-Year Median	2.88	6.59	3.02	3
P/B TTM	Current	0.51	7.75	3.93	3.23
	5-Year High	2.6	21.25	5.53	4.55
	5-Year Low	0.51	4.7	3.13	2.85
	5-Year Median	1.27	10.51	4.27	3.63

As of 03/18/2020

Industry Analysis Zacks Industry Rank: Bottom 32% (172 out of 253)



Top Peers

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

Industry Comparison Industry: Internet - Content				Industry Peers		
	SINA Underperform	X Industry	S&P 500	TCEHY Neutral	YNDX Neutral	YY Neutral
VGM Score	F	-	-	F	D	D
Market Cap	1.99 B	115.50 M	16.02 B	403.88 B	9.39 B	3.44 B
# of Analysts	3	2	13	3	3	3
Dividend Yield	0.00%	0.00%	2.66%	0.27%	0.00%	0.00%
Value Score	C	-	-	D	D	B
Cash/Price	1.37	0.26	0.06	0.07	0.13	0.86
EV/EBITDA	1.03	2.28	10.21	20.43	10.74	1.60
PEG Ratio	NA	0.85	1.46	1.14	0.41	2.41
Price/Book (P/B)	0.51	1.85	2.18	6.42	2.70	0.62
Price/Cash Flow (P/CF)	11.64	9.01	8.79	26.73	12.23	5.41
P/E (F1)	13.09	14.18	12.92	23.84	17.52	11.99
Price/Sales (P/S)	0.92	1.13	1.74	7.40	3.39	0.94
Earnings Yield	7.80%	6.10%	7.70%	4.19%	5.71%	8.33%
Debt/Equity	0.44	0.00	0.70	0.41	0.05	0.13
Cash Flow (\$/share)	2.39	0.64	7.01	1.58	2.36	7.87
Growth Score	F	-	-	F	D	F
Hist. EPS Growth (3-5 yrs)	67.57%	13.84%	10.85%	28.19%	13.84%	24.13%
Proj. EPS Growth (F1/F0)	-33.54%	2.76%	5.12%	27.58%	44.74%	-8.66%
Curr. Cash Flow Growth	-10.25%	17.61%	6.03%	68.95%	52.31%	18.21%
Hist. Cash Flow Growth (3-5 yrs)	21.00%	13.57%	8.55%	37.35%	13.34%	41.66%
Current Ratio	2.68	1.29	1.23	1.23	2.58	3.77
Debt/Capital	30.59%	5.34%	42.57%	29.30%	10.44%	12.80%
Net Margin	-3.26%	4.75%	11.57%	24.82%	7.26%	13.64%
Return on Equity	-1.77%	8.34%	16.74%	19.66%	11.32%	6.24%
Sales/Assets	0.31	0.73	0.54	0.46	0.63	0.53
Proj. Sales Growth (F1/F0)	-2.60%	1.69%	3.22%	23.29%	24.79%	25.81%
Momentum Score	F	-	-	D	D	C
Daily Price Chg	-1.73%	-4.76%	-6.77%	-5.07%	-8.69%	-13.85%
1 Week Price Chg	-1.75%	-6.50%	-11.01%	-7.69%	-14.10%	-7.17%
4 Week Price Chg	-26.99%	-22.68%	-34.65%	-20.53%	-37.36%	-30.84%
12 Week Price Chg	-27.86%	-25.80%	-32.08%	-12.54%	-33.80%	-23.23%
52 Week Price Chg	-52.38%	-34.50%	-23.52%	-10.04%	-19.16%	-48.76%
20 Day Average Volume	1,011,084	109,884	3,834,688	6,691,565	5,031,837	1,255,463
(F1) EPS Est 1 week change	0.00%	0.00%	-0.06%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-89.07%	-4.47%	-0.74%	0.00%	-12.35%	-21.79%
(F1) EPS Est 12 week change	-90.45%	-11.01%	-1.38%	3.00%	-11.53%	-21.79%
(Q1) EPS Est Mthly Chg	NA%	0.00%	-0.85%	0.00%	NA	-26.92%

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	C
Growth Score	F
Momentum Score	F
VGM Score	F

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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