

Sina Corporation (Sina US)

29 September, 2009

新浪 (Sina US)

Expiration of Focus Media deal, MBO, both positive

分众交易结束，管理层收购，均较正面

- Sina and Focus Media jointly announced that they will not extend the deadline for merger with Focus Media's digital out-of-home business. The deal is over.
- Sina also announced that it is to launch MBO. New-Wave, controlled by Sina's management, will receive 5.6 million newly issued shares in Sina, and Sina will receive gross proceeds of USD 180 million. After placement, New-Wave will be the largest shareholder and hold 9.4% equity stake of Sina. The placement price of USD 32.1 represents to 11% discount to the closing price as at 28 Sep, 09.
- We are positive about both deals. Looking forward, we expect Sina to speed up product development. Maintain net profit estimates, but revise down EPS to reflect the dilution effect. Upgrade TP to USD 38.0 to reflect users growth and hence long-term earnings growth. Valuation of TP represents to 26.0X FY10 PE. Maintain Accumulate rating.
- 新浪与分众共同宣布不再延长收购分众户外资产的截止时间，交易失败。
- 新浪同时宣布，将启动管理层收购。新浪将向管理层控制的新浪投资控股公司增发 560 万股股份，代价为 1.8 亿美元。发售后，新浪投资控股公司将成为新浪的第一大股东，持股 9.4%。配股价较 28 日收盘价折让约 11%。
- 我们对两项交易看法均较正面。前瞻性地看，期待新浪可加速产品发展。维持原利润预测，但下调每股收益以反映此次管理层收购事件的摊薄效应。上调目标价至 38.0 美元，以反映用户增长及带来的长期利润增长。目标价相当于 26.0 倍 10 年预测市盈率。维持收集评级。

Rating: Accumulate

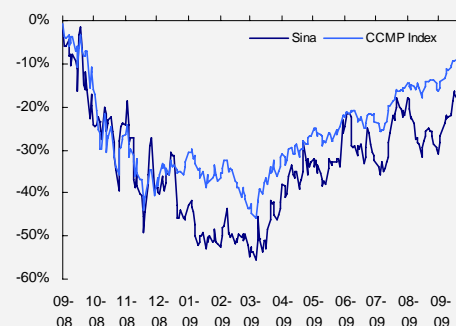
评级: 收集

6-18M TP 目标价: US\$38.0

Share price 股价: US\$36.07

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	18.89	19.00	9.70
Rel. % to Nasdaq Composite 相对纳指变动 %	14.57	5.85	(7.55)
Avg share price(US\$) 平均股价 (美元)	33.16	31.80	27.73

Source: Bloomberg, Guotai Junan (HK)

Year End 年结 12/31	Turnover 收入 (USD m)	Net Profit 股东净利 (USD m)	EPS 每股净利 (USD)	EPS 每股净利变动 (Δ%)	PER 市盈率 (x)	DPS 每股股息 (USD)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2007A	246	58	1.049	41.7	34.4	0.000	0.0	13.1
2008A	370	81	1.445	37.7	25.0	0.000	0.0	14.5
2009F	358	60	1.083	(25.0)	33.3	0.000	0.0	9.6
2010F	454	88	1.459	34.7	24.7	0.000	0.0	12.9
2011F	587	118	1.950	33.6	18.5	0.000	0.0	15.1

Shares in issue (m) 总股数 (m)	56.1	Major shareholder 大股东	*New-Wave 9.4%
Market cap. (US\$ m) 市值 (US\$ m)	2,024.3	Free float (%) 自由流通比率 (%)	*90.6
FY09 P/B (x) 市净率 (x)	3.1	FY09 NBV per share (US\$) 每股净资产	11.5
52 Weeks high/low (US\$) 52 周高/低	37.700/17.890	08-11 PEG (x)	3.2

Source: the Company, Guotai Junan (HK)

* Based on completion of MBO.

Focus Media deal is over. The Company and Focus Media jointly announced yesterday that they will not extend the deadline for merger with Focus Media's digital out-of-home business. According to the announcement, Sina still believe the acquisition can provide synergistic effect, but as the delayed consummation of the transaction has negatively impacted the business operation of both sides, they have to allow the agreement deadline to expire. Although we are positive about the acquisition of Focus Media's out-of-home business in a longer perspective, the expiration of the deal is still a positive factor in the short term, as short pressure is eliminated. Meanwhile, Sina may focus on online business going forward, the earnings uncertainty is lowered.

Sina to launch MBO. The Company announced yesterday that it has entered into a definitive agreement for a private equity placement of its ordinary shares with New-Wave Investment Holding Company (New-Wave), which is controlled by Charles Chao, Sina's CEO, and other members of Sina's management. Under this agreement, Sina will receive gross proceeds of USD 180 million, and New-Wave will receive approximately 5.6 million newly issued ordinary shares in Sina. After placement, New-Wave will be the largest shareholder and hold 9.4% equity stake of Sina. The shares issued to New-Wave will be subject to a six month lock-up. This deal has been approved by Sina's board of directors and there is no further approval needed.

The proceeds of USD 180 million represents to a placement price of USD 32.1 per share, and the placement price corresponds to 11% discount to the closing price as at 28 September 2009. The proceeds of USD 180 million will be used in M&A and as working capital. Taking into account of the cash and short-term investments, after the placement, Sina's cash on hand will reach USD 800 million in FY09.

Revise down EPS due to dilution, upgrade TP to USD 38.0. Although 9.4% equity stake is just 0.1 ppts higher than the second largest shareholder, Price Associates Incorporation, we believe Sina's management could lead its decision making process and focus on long-term development. Looking forward, we estimate Sina has great potential to speed up product development, which is very important for internet player. We maintain our net profit estimates, but revise down EPS forecasts to reflect the dilution effect. Upgrade TP to USD 38.0 to reflect the Company's users growth and hence long-term earnings growth, driven by vertical operation, community business, and potential M&A. The valuation of TP represents to 26.0X FY10 PE. Maintain Accumulate rating.

Table: Peers comparison

Company	PE (X)		P/CPS (X)		EV/EBITDA		FY08-11 EPS	FY08-11	ROE (%)		Market cap (USD m)	
	FY09E	FY10E	FY09E	FY10E	FY09E	FY10E	CAGR (%)	PEG (X)	FY09E	FY10E		
CHINA INTERNET												
SINA CORP	33.3	24.7	22.6	31.6	26.0	19.3	10.6	3.1	9.6	12.9	2,024	
SOHU.COM INC	16.6	15.2	15.1	12.9	8.9	7.6	6.4	2.6	34.3	24.9	2,576	
NETEASE.COM-ADR	20.6	15.5	18.1	13.5	14.2	10.7	20.9	1.0	29.2	29.1	5,706	
BAIDU INC-SP ADR	63.1	42.6	47.1	32.5	37.3	24.7	42.3	1.5	38.9	39.1	13,709	
TENCENT HOLDINGS	40.0	29.0	34.7	24.6	31.4	22.9	46.5	0.9	53.6	46.6	28,654	
ALIBABA.COM LTD	72.7	48.7	43.5	35.4	59.3	38.8	23.0	3.2	19.3	23.1	11,105	
CTRIIP.COM-ADR	43.2	33.0	39.4	29.8	36.5	26.6	31.0	1.4	25.3	26.3	3,952	
Mkt Cap Wght Avg	47.5	33.4	36.4	27.1	35.0	24.4	36.1	1.5	39.2	36.7		
ONLINE GAMING												
GIANT INTERA-ADR	13.5	12.2	11.9	8.5	7.2	6.2	n.a.	n.a.	15.3	15.9	1,753	
SHANDA INTER-ADR	13.4	11.4	12.7	10.9	8.2	6.8	22.7	0.6	34.3	32.6	3,346	
PERFECT WORL-ADR	15.9	13.3	12.2	9.9	83.6	65.4	n.a.	n.a.	53.6	46.5	2,203	
Mkt Cap Wght Avg	14.2	12.2	12.4	10.0	30.7	24.3	22.7	0.6	35.6	32.8		
CHINA MEDIA												
FOCUS MEDIA-ADR	27.2	14.1	43.5	9.6	21.7	9.6	n.a.	n.a.	(1.8)	7.0	1,435	
CLEAR MEDIA LTD	11.2	7.0	5.5	3.3	4.0	2.9	12.4	0.9	4.2	6.6	196	
AIRMEDIA-ADR	n.a.	28.6	n.a.	n.a.	n.a.	9.8	20.4	n.a.	(6.9)	9.2	497	
CHINA DIGITA-ADR	15.0	12.5	n.a.	n.a.	11.9	9.0	n.a.	n.a.	12.2	12.6	424	
SINOMEDIA HLDG	8.5	6.7	n.a.	n.a.	1.2	0.8	n.a.	n.a.	11.9	13.8	106	
Mkt Cap Wght Avg	22.4	15.8	23.9	8.8	17.2	8.7	18.1	0.9	0.5	8.6		
US INTERNET												
GOOGLE INC-CL A	22.9	20.0	19.5	17.1	13.2	11.5	28.4	0.8	20.6	18.9	157,820	
AMAZON.COM INC	42.3	35.0	31.6	23.2	21.6	17.7	34.1	1.2	20.1	22.7	39,817	
EBAY INC	15.8	14.7	11.4	11.0	9.5	8.8	10.3	1.5	15.8	14.0	30,866	
YAHOO! INC	33.2	29.7	22.7	19.1	12.7	11.7	39.5	0.8	7.1	3.2	24,517	
Mkt Cap Wght Avg	26.1	22.7	20.7	17.5	14.0	12.2	28.1	1.0	18.7	17.4		

Source: Bloomberg, Guotai Junan (HK) estimates

Notes: Based on closing price as at Sep 29, 2009.

Appendix: Financial statements and ratios (Annual)

INCOME STATEMENT					BALANCE SHEET				
USD m	FY08A	FY09F	FY10F	FY11F	USD m	FY08A	FY09F	FY10F	FY11F
Net revenues:	370	358	454	587	Assets				
Advertising	258	231	312	430	Cash and cash equivalents	383	407	460	605
Non-advertising	111	127	142	157	Short-term investments	221	221	221	221
MVAS	103	121	135	148	A/R	79	56	108	108
Others	8	7	7	8	Prepaid expenses and other curr	9	9	9	9
Costs of revenue:	150	159	190	240	Total current assets	692	693	798	943
Advertising	100	99	120	162	PPE, net	34	46	58	70
Non-advertising	50	61	70	78	Intangible assets, net	0	11	10	9
Gross profit	219	199	264	347	Goodwill	95	83	83	83
Operating expenses:	0	0	0	0	Other assets	1	1	1	1
Sales and marketing	80	76	95	120	Total non-current assets	130	141	152	163
Product development	30	32	41	52	Accounts payable	1	3	2	4
G&A	33	30	37	49	Accrued liabilities	80	79	100	129
Amortization of intangible assets	1	1	1	1	Income taxes payable	17	16	20	26
Total operating expenses	145	138	174	222	Convertible debt	99	99	99	99
Income from operations	75	61	89	125	Total current liabilities	198	197	222	259
Income before income taxes	95	70	103	140	Other liabilities	4	4	5	6
Income tax expenses	(14)	(10)	(15)	(22)	Total long-term liabilities	4	4	5	6
Non-GAAP net income	94	75	103	134	Ordinary shares	7	7	8	8
Net income	81	60	88	118	Additional paid-in capital	372	322	322	322
Non-GAAP FD EPS	1.56	1.26	1.66	2.16	Retained earnings	204	264	352	470
GAAP EPS (USD)	1.44	1.08	1.46	1.95	Total shareholders' equity	621	635	725	843
GAAP FD EPS (USD)	1.33	1.01	1.41	1.91	Net debt (incl CB)	(284)	(308)	(361)	(506)

CASH FLOW					FINANCIAL RATIOS				
USD m	FY08A	FY09F	FY10F	FY11F		FY08A	FY09F	FY10F	FY11F
Net income	81	60	88	118	Profitability				
Adjustments					Gross margin (%)	59	56	58	59
Depreciation	2	3	3	4	Operating margin (%)	20	17	20	21
Stock-based compensation expens	14	14	14	15	Net margin (%)	22	17	19	20
Provision for losses on receivables	6	5	9	9	ROE (%)	14	10	13	15
Changes in assets and liabilities (n	8	7	(46)	14	ROA (%)	11	7	10	12
Accounts receivable	(22)	23	(51)	(0)	ROCE (%)	24	18	25	34
Accounts payable	0	1	(0)	2	Asset management				
Accrued liabilities	23	(1)	21	29	A/C receivable days	67	69	66	67
Income taxes payable	8	(1)	4	6	A/C payable days	1	2	2	2
Net cash provided by operating ac	124	89	68	160	Debt management				
Purchases of PPE	(10)	(15)	(15)	(15)	Net gearing (%)	Net cash	Net cash	Net cash	Net cash
Purchase of intangible assets	(6)	(0)	(0)	(0)	Debt/equity ratio	0	0	0	0
Net cash used in investing activiti	(13)	(65)	(15)	(15)	Market				
Proceeds from issuance of ordinary	0	0	0	0	EV (USD m)	1,729	1,691	1,802	1,682
Proceeds from issuance of CB, net	0	0	0	0	PE (x)	25.0	33.3	24.7	18.5
Repayments of notes receivable fror	0	0	0	0	EV/Turnover (x)	4.7	4.7	4.0	2.9
Repayments of convertible notes	0	0	0	0	EV/EBITDA (x)	22.2	26.0	19.3	13.0
Net cash provided by financing ac	0	0	0	0	P/OCF (x)	16.2	22.6	31.6	13.6
Cash at the end of year	383	407	460	605	P/B (x)	3.2	3.1	3.0	2.6
Operating CF per share (USD)	2.22	1.60	1.14	2.65	Div yield (%)	0	0	0	0

Source: The Company, Guotai Junan (HK) estimates

Appendix: Financial statements and ratios (quarterly)

USD m	2Q09A	3Q09F	4Q09F	1Q10F
Net revenues:	90.3	93.6	100.8	93.9
Advertising	57.8	62.0	68.3	58.6
Non-advertising	32.5	31.6	32.6	35.3
MVAS	30.9	29.9	30.7	33.8
Others	1.6	1.7	1.8	1.5
Costs of revenue:	40.0	41.2	42.8	40.7
Advertising(*)	24.2	25.8	26.9	23.2
Non-advertising	15.8	15.5	15.9	17.5
Gross profit	50.3	52.4	58.0	53.3
Total operating expenses	36.7	35.0	36.7	36.4
Income from operations	13.6	17.4	21.3	16.9
Interest and other income, net	1.7	2.3	2.0	3.3
Income before income taxes	15.3	19.7	23.3	20.2
Income tax expenses	(2.0)	(2.8)	(3.4)	(2.7)
Non-GAAP net income	17.1	20.6	23.1	21.2
Net income	13.3	16.9	19.9	17.5
Non-GAAP FD EPS (USD)	0.29	0.35	0.37	0.34
GAAP basic EPS (USD)	0.25	0.31	0.33	0.29
GAAP diluted EPS (USD)	0.23	0.29	0.32	0.28

Source: The Company, Guotai Junan (HK) estimates

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index
 Time Horizon: 6 to 18 months

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

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index
 Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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