

JD.com (JD US)

Expecting inline 3Q revenue growth with upside coming from bottom line

We expect JD to deliver inline-with-Bloomberg consensus revenue growth and a better-than-expected non-GAAP net profit for 3Q24, aided by efficient cost control, and a YoY increase in revenue contribution from services revenue. Amid improving consumption sentiment since September, and benefiting from the implementation of home appliance trade-in program nationwide, JD is marginally shifting its emphasis from ROI and cost control to more on GMV and revenue growth. Post the recent market rally, quality and sustainable earnings growth of core business as well as enhancement of shareholder return remain key to driving further upside in JD's stock price, in our view. Our DCF-based target price is lifted by 3% to US\$53.5 (was US\$51.9). Maintain BUY.

■ **JD Retail: expecting a sequential recovery in YoY revenue growth.** We estimate JD Retail (JDR) inked revenue of RMB223.6bn in 3Q24, up 5% YoY (3Q23: 0% YoY; 2Q24: 1.5% YoY), in line with Bloomberg consensus, driven by a sequential recovery in YoY revenue growth of Electronics and Home Appliance (EH&A) segment due to the dissipation of high-base effect in 2Q, the implementation of home appliance trade-in program nationwide since late-August, as well as solid revenue growth of general merchandise revenue. We estimate JDR recorded non-GAAP operating profit of RMB11.4bn in 3Q, up 3% YoY, driven by revenue growth and efficient cost control, which was 4% better than Bloomberg consensus.

■ **3Q24 results preview: expecting inline-with-consensus revenue growth with upside in earnings.** For 3Q24E, we estimate JD logged revenue of RMB260.0bn, up 5% YoY, in line with consensus estimates, among which we estimate 4% YoY growth for net product revenue and 8% YoY growth for net services revenue. Within net services revenue, we estimate 8% YoY growth for marketplace and advertising revenue (2Q24: 4% YoY), aided by further sequential improvement in YoY growth of ads revenue, and positive YoY revenue growth of commission. JD still focused on efficient cost control in July and August, although it has marginally shifted its focus to GMV and revenue growth in September amid improving consumption sentiment. We estimate JD has logged non-GAAP NP of RMB11.4bn for 3Q24, up 7% YoY, which was 1% better than consensus.

■ **Revision in revenue and earnings forecast.** We maintain our 24E revenue forecast largely unchanged, but lift non-GAAP NP forecast by 1.4% to factor in likely better-than-expected impact from cost control. Our DCF-based target price is revised up by 3% to US\$53.5 after taking into account our latest forecast of RMB:USD exchange rate, and translates into 14x 2024E PE. JD has unveiled (27 Aug) a new share repurchase program effective Sep 2024, which allows it to repurchase up to US\$5bn worth of its shares through the end of Aug 2027, implying 2.6% of current market cap per annum, which in our view should provide support for valuation.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	1,046,236	1,084,662	1,138,855	1,204,812	1,260,111
YoY growth (%)	9.9	3.7	5.0	5.8	4.6
Net profit (RMB mn)	10,380.0	24,167.0	37,283.5	40,816.3	44,470.3
Adjusted net profit (RMB mn)	28,220.0	35,200.0	42,267.9	43,841.0	47,646.5
EPS (Adjusted) (RMB)	11.75	22.20	26.66	27.65	30.05
Consensus EPS (RMB)	na	na	26.20	28.05	30.61
P/E (x)	46.6	20.1	13.1	11.9	10.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$53.50
(Previous TP)	US\$51.90)
Up/Downside	22.1%
Current Price	US\$43.83

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Stock Data

Mkt Cap (US\$ mn)	69,492.5
Avg 3 mths t/o (US\$ mn)	129.7
52w High/Low (US\$)	47.08/21.44
Total Issued Shares (mn)	1585.5
Source: FactSet	

Shareholding Structure

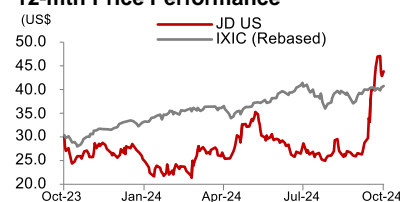
Richard Qiangdong Liu	13.8%
Max Smart Limited	13.3%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	65.0%	56.5%
3-mth	53.1%	52.6%
6-mth	62.4%	45.6%

Source: FactSet

12-month Price Performance



Source: FactSet

Revision in financial forecast and target price

Figure 1: JD: forecast revision

RMB bn	Current			Previous			Change (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	1,138.9	1,204.8	1,260.1	1,140.2	1,197.4	1,244.9	-0.1%	0.6%	1.2%
Gross profit	174.3	186.7	196.1	173.7	185.4	194.5	0.3%	0.7%	0.8%
Non-GAAP net profit	42.3	43.8	47.6	41.7	43.4	47.7	1.4%	1.0%	-0.2%
Gross margin	15.3%	15.5%	15.6%	15.2%	15.5%	15.6%	0.1 ppt	0.0 ppt	-0.1 ppt
Non-GAAP net margin	3.7%	3.6%	3.8%	3.7%	3.6%	3.8%	0.1 ppt	0.0 ppt	-0.1 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB bn	Current			Consensus			Diff (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	1,138.9	1,204.8	1,260.1	1,135.2	1,202.1	1,270.1	0.3%	0.2%	-0.8%
Gross profit	174.3	186.7	196.1	175.7	189.0	202.0	-0.8%	-1.2%	-2.9%
Non-GAAP net profit	42.3	43.8	47.6	42.1	44.5	48.6	0.4%	-1.4%	-1.9%
Gross margin	15.3%	15.5%	15.6%	15.5%	15.7%	15.9%	-0.2 ppt	-0.2 ppt	-0.3 ppt
Non-GAAP net margin	3.7%	3.6%	3.8%	3.7%	3.7%	3.8%	0.0 ppt	-0.1 ppt	0.0 ppt

Source: Bloomberg, CMBIGM estimates

DCF-based target price of US\$53.5

Our target price is US\$53.5, based on DCF valuation methodology (WACC of 11.8% and terminal growth of 1.5%; both unchanged). Our target price translates into 14x 2024E PE (non-GAAP).

We have fine-tuned our RMB: USD exchange rate assumption to 7.025:1 (was 7.23) according to our macro research team's latest forecast.

Figure 3: JD: DCF valuation (WACC of 11.8% and terminal growth of 1.5%)

(RMBbn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total revenue	1,139	1,205	1,260	1,304	1,339	1,366	1,388
NPV of FCF	212	213					
Discounted terminal value	263	294					
Total equity valuation	576	653					
No. of shares (diluted, mn)	1,586	1,586					
Valuation per share (USD)	51.7	58.7					
TP per share (USD)	53.5						

Source: Bloomberg, CMBIGM estimates

Note: Our target price is based on the weighted average of 9-month target price in 2024E and 3-month target price in 2025E

Risks

1) Intensified competition weighs on margin; and 2) slower-than-expected revenue growth.

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	951,592	1,046,236	1,084,662	1,138,855	1,204,812	1,260,111
Cost of goods sold	(822,525)	(899,163)	(924,958)	(964,562)	(1,018,066)	(1,064,016)
Gross profit	129,067	147,073	159,704	174,293	186,746	196,095
Operating expenses	(124,926)	(127,350)	(132,663)	(135,638)	(141,083)	(146,173)
Selling expense	(38,743)	(37,772)	(40,133)	(42,707)	(44,819)	(46,498)
Admin expense	(11,562)	(11,053)	(9,710)	(8,541)	(8,795)	(9,073)
R&D expense	(16,332)	(16,893)	(16,393)	(16,058)	(16,385)	(16,885)
Others	(58,288)	(61,632)	(66,427)	(68,331)	(71,084)	(73,716)
Operating profit	4,141	19,723	27,041	38,656	45,662	49,922
Other gains/(losses)	(590)	(1,555)	7,496	12,000	9,200	9,200
Share of (losses)/profits of associates/JV	(4,918)	(2,195)	1,010	0	0	0
EBIT	(1,367)	15,973	35,547	50,656	54,862	59,122
Interest income	(1,213)	(2,106)	(2,881)	(2,463)	(1,842)	(1,535)
Others	0	0	(1,016)	412	0	0
Pre-tax profit	(2,581)	13,867	31,650	48,604	53,020	57,588
Income tax	1,887	4,176	8,393	9,721	10,604	11,518
After tax profit	(4,467)	9,691	23,257	38,883	42,416	46,070
Minority interest	(924)	(697)	(910)	1,600	1,600	1,600
Discontinued operations	0	0	0	0	0	0
Others	(16)	(8)	0	0	0	0
Net profit	(3,560)	10,380	24,167	37,283	40,816	44,470
Adjusted net profit	17,207	28,220	35,200	42,268	43,841	47,646

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	299,672	351,074	307,810	358,722	411,703	468,101
Cash & equivalents	70,767	78,861	71,892	109,962	157,117	208,546
Restricted cash	5,926	6,254	7,506	7,506	7,506	7,506
Account receivables	11,900	20,576	20,302	24,961	26,407	27,619
Inventories	75,601	77,949	68,058	76,129	80,352	83,979
Prepayment	11,456	15,156	15,639	15,639	15,639	15,639
Other current assets	124,023	152,278	124,413	124,524	124,682	124,813
Non-current assets	196,835	244,176	321,148	326,737	334,679	341,609
PP&E	32,944	55,080	70,035	75,624	83,566	90,496
Right-of-use assets	19,987	22,267	20,863	20,863	20,863	20,863
Deferred income tax	1,111	1,536	1,744	1,744	1,744	1,744
Investment in JVs & assos	63,222	57,641	56,746	56,746	56,746	56,746
Intangibles	5,837	9,139	6,935	6,935	6,935	6,935
Goodwill	12,433	23,123	19,979	19,979	19,979	19,979
Other non-current assets	61,300	75,390	144,846	144,846	144,846	144,846
Total assets	496,507	595,250	628,958	685,459	746,382	809,710
Current liabilities	221,636	266,561	265,650	273,594	284,985	294,718
Short-term borrowings	4,368	12,146	5,034	5,034	5,034	5,034
Account payables	140,484	160,607	166,167	170,383	179,834	187,951
Tax payable	2,568	5,926	7,313	7,313	7,313	7,313
Other current liabilities	33,083	37,624	35,848	39,576	41,517	43,133
Lease liabilities	6,665	7,688	7,755	7,755	7,755	7,755
Accrued expenses	34,469	42,570	43,533	43,533	43,533	43,533
Non-current liabilities	28,087	54,566	66,928	78,636	80,320	82,143
Long-term borrowings	9,386	10,224	10,411	22,119	23,803	25,626
Deferred income	1,297	1,107	964	964	964	964
Other non-current liabilities	17,404	43,235	55,553	55,553	55,553	55,553
Total liabilities	249,723	321,127	332,578	352,230	365,306	376,861
Share capital	0	0	0	0	0	0
Capital surplus	208,912	213,366	231,858	231,836	238,866	246,169
Retained earnings	0	0	0	36,871	77,688	122,158
Other reserves	1,212	590	614	614	614	614
Total shareholders equity	210,124	213,956	232,472	269,321	317,168	368,941
Minority interest	36,661	60,167	63,908	63,908	63,908	63,908
Total equity and liabilities	496,507	595,250	628,958	685,459	746,382	809,710

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,581)	13,867	31,650	48,604	53,020	57,588
Depreciation & amortization	6,232	7,236	8,292	6,754	7,117	7,562
Tax paid	(1,887)	(4,176)	(8,393)	(9,721)	(10,604)	(11,518)
Change in working capital	18,948	22,119	16,547	(4,898)	5,566	4,763
Others	21,588	18,773	11,425	4,657	5,431	5,703
Net cash from operations	42,301	57,819	59,521	45,396	60,530	64,098
Investing						
Capital expenditure	(19,057)	(38,165)	(15,050)	(15,944)	(15,060)	(14,491)
Acquisition of subsidiaries/ investments	(181,916)	(184,792)	(194,987)	0	0	0
Net proceeds from disposal of short-term investments	126,934	171,853	225,889	0	0	0
Others	(209)	(2,922)	(75,395)	0	0	0
Net cash from investing	(74,248)	(54,026)	(59,543)	(15,944)	(15,060)	(14,491)
Financing						
Net borrowings	(2,975)	7,027	1,562	11,708	1,684	1,822
Proceeds from share issues	22,478	(5,847)	(7,370)	0	0	0
Others	0	0	0	0	0	0
Net cash from financing	19,503	1,180	(5,808)	11,708	1,684	1,822
Net change in cash						
Cash at the beginning of the year	87,376	73,550	82,013	76,308	117,468	164,623
Exchange difference	(1,382)	3,490	125	0	0	0
Cash at the end of the year	73,550	82,013	76,308	117,468	164,623	216,052
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	27.6%	9.9%	3.7%	5.0%	5.8%	4.6%
Gross profit	18.3%	14.0%	8.6%	9.1%	7.1%	5.0%
Operating profit	(55.0%)	376.3%	37.1%	43.0%	18.1%	9.3%
EBIT	na	na	122.5%	42.5%	8.3%	7.8%
Net profit	na	na	132.8%	54.3%	9.5%	9.0%
Adj. net profit	25.7%	64.0%	24.7%	20.1%	3.7%	8.7%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	13.6%	14.1%	14.7%	15.3%	15.5%	15.6%
Operating margin	0.4%	1.9%	2.5%	3.4%	3.8%	4.0%
Adj. net profit margin	1.8%	2.7%	3.2%	3.7%	3.6%	3.8%
Return on equity (ROE)	(1.7%)	4.9%	10.8%	14.9%	13.9%	13.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.3)	(0.2)	(0.3)	(0.4)	(0.5)
Current ratio (x)	1.4	1.3	1.2	1.3	1.4	1.6
Receivable turnover days	3.6	5.7	6.9	7.3	7.8	7.8
Inventory turnover days	(29.9)	(31.2)	(28.8)	(27.3)	(28.1)	(28.2)
Payable turnover days	(54.9)	(61.1)	(64.5)	(63.7)	(62.8)	(63.1)
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	46.6	20.1	13.1	11.9	10.9
P/E (diluted)	ns	47.5	20.3	13.2	12.0	11.0
P/B	2.3	2.3	2.1	1.8	1.5	1.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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