

China Internet Sector

All eyes on "11.11"

2019 "11.11" Shopping Festival delivered another record with higher-than-expected GMV growth. Alibaba GMV + 26% YoY (vs. market expectation of 20%~25%), while JD GMV accelerated to +28% YoY (vs. 26% YoY in 2018). PDD did not release its GMV, but shared more color on its orders trend. We believe market focus of this event lies in: 1) user engagement; 2) lower-tier cities penetration; and 3) subsidies. Despite intensified competition, we view the "11.11" performance as solid achievement and better than market expectation.

- Alibaba (BABA US, BUY):** At its 11th "11.11" Shopping Festival, Alibaba once again achieved another GMV record at RMB268.4bn, **+ 26% YoY** (vs. 27% in 2018), slightly higher than market expectation of 20%~25%. Compared with NBS growth, we believe Alibaba still continues to gain shares. We view this growth as solid performance, especially under more intensified competition from JD and PDD. Such strong momentum was mainly attributable to: 1) Live-streaming promotion; 2) better targeting and cross-selling; 3) deeper low-tier cities penetration; and 4) subsidies for instalment payment services (花呗分期补贴). We believe BABA will strengthen its advantage on brands, meanwhile, to benefit from user acquisition from low-tier cities. Moreover, we think BABA's subsidies focus on instalment payment (vs. traditional red envelope campaign in 2017&2018) could effectively boost users' purchase size and engagement. We view BABA as our top pick, backed by solid earnings growth and reasonable valuation. Further potential catalysts: 1) dual listing in HK; and 2) ecosystem synergies. Maintain BUY.
- Pinduoduo (PDD US, BUY):** Similar to 2018, PDD did not disclose its GMV number in 2019 "11.11". PDD shared more color on its delivery orders, agricultural products performance and category sales highlights. It took only 9.5 hrs to exceed the GMV number of the whole day in 2018 "11.11". Its delivery orders surged 300% YoY, in which agricultural goods orders surpassed 40mn. Looking ahead, we keep positive on its ARPU upside from top-tier cities user penetration, ROI-driven S&M strategy, and user expansion momentum.
- JD (JD US):** JD GMV reached 20.4bn, accelerated to **+28% YoY** (vs. 26% YoY in 2018), beat market expectation, mainly on: 1) the advantage as the first one to start warming up for "11.11"; 2) well performance of 3C products, especially with eye-catching sales of iPhone; and 3) user acquisition from Jingxi platform. We expect this strong GMV to support its 4Q19E trend, coupled with continuous margin expansion.

Valuation Table

Company	Ticker	Mkt cap (USD mn)	Currency	Price	PE			PS			EV/EBITDA			
					FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2	
China Ecommerce														
Pinduoduo	PDD US	34,522	USD	26.0	NA	66.8	26.8	8.6	5.2	3.7	NA	278.0	32.0	
Alibaba	BABA US	457,890	USD	177.2	26.0	20.6	16.3	6.3	4.9	4.0	20.0	15.6	12.2	
JD.com	JD US	45,029	USD	31.0	37.0	26.3	19.5	0.6	0.5	0.4	22.9	15.6	11.9	
Vipshop	VIPS US	5,612	USD	8.4	10.6	9.0	8.2	0.4	0.4	0.4	6.5	5.4	5.2	
Suning.com	002024 CH	14,051	CNY	10.7	9.5	28.8	23.2	0.3	0.3	0.2	20.7	14.4	11.6	
Baozun	BZUN US	2,722	USD	43.7	32.4	21.1	15.9	2.6	2.0	1.6	25.8	16.6	12.0	
Meituan	3690 HK	50,776	USD	68.8	NA	115.9	36.4	3.9	3.0	2.4	1430.3	34.2	16.9	
Average						23.1	41.2	20.9	3.3	2.3	1.8	254.4	54.3	14.5

Source: Company data, CMBIS estimates

OUTPERFORM
(Maintain)

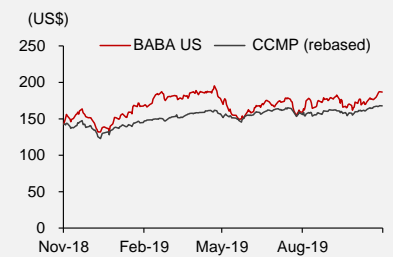
China Internet Sector

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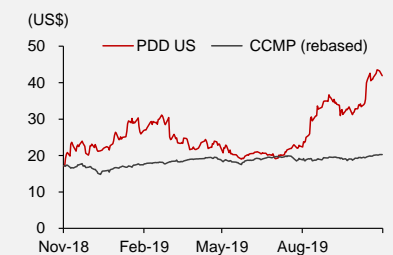
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BABA: 12-mth Price Performance



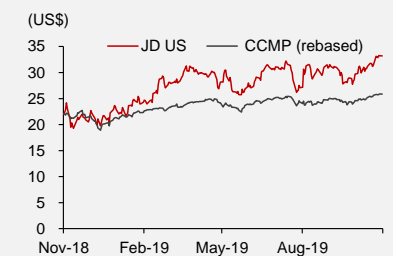
Source: Bloomberg

PDD: 12-mth Price Performance



Source: Bloomberg

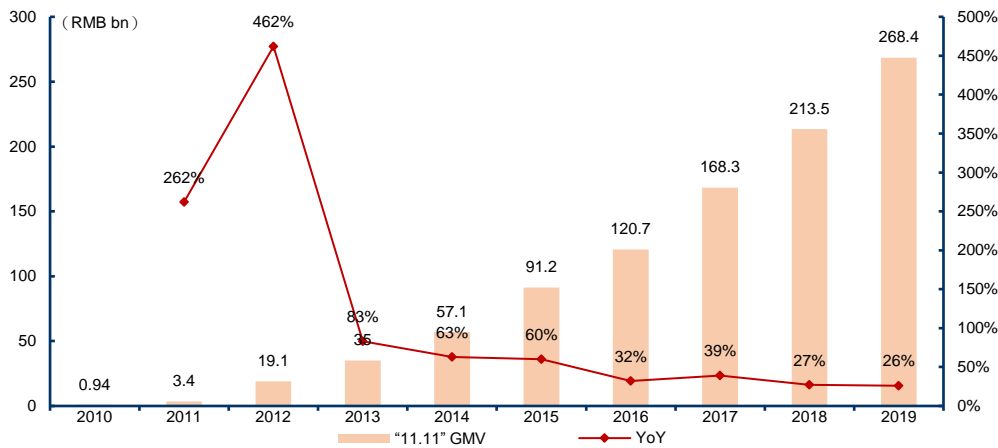
JD: 12-mth Price Performance



Source: Bloomberg

Related Reports

- Alibaba 2QFY20 beat again with strong core – 4 Nov 2019
- Alibaba 2QFY20E Preview: Solid results with strong core commerce – 18 Oct 2019
- Key takeaways from 2019 Alibaba Investor Day – 26 Sep 2019

Figure 1: BABA's "11.11" GMV

Source: Company data

Figure 2: A glance of Top 3 platforms' "11.11" performance

	BABA	PDD	JD
GMV (RMB bn)	268.4	NA	204.4
YoY Growth	26%	NA	28%
GMV share	67%	6%	17%

Source: Company data

Note: PDD GMV share estimate based on its GMV performance of 00:00-19:00.

Figure 3: Peers valuation

Company	Ticker	Mkt cap (USD mn)	Currency	Price	PE			PS			EV/EBITDA			FY0-2 EPS CAGR
					FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2	
China Ecommerce														
Pinduoduo	PDD US	34,522	USD	26.0	NA	66.8	26.8	8.6	5.2	3.7	NA	278.0	32.0	NA
Alibaba	BABA US	457,890	USD	177.2	26.0	20.6	16.3	6.3	4.9	4.0	20.0	15.6	12.2	26%
JD.com	JD US	45,029	USD	31.0	37.0	26.3	19.5	0.6	0.5	0.4	22.9	15.6	11.9	38%
Vipshop	VIPS US	5,612	USD	8.4	10.6	9.0	8.2	0.4	0.4	0.4	6.5	5.4	5.2	13%
Suning.com	002024 CH	14,051	CNY	10.7	9.5	28.8	23.2	0.3	0.3	0.2	20.7	14.4	11.6	-36%
Baozun	BZUN US	2,722	USD	43.7	32.4	21.1	15.9	2.6	2.0	1.6	25.8	16.6	12.0	43%
Meituan	3690 HK	50,776	USD	68.8	NA	115.9	36.4	3.9	3.0	2.4	1430.3	34.2	16.9	NA
Average					23.1	41.2	20.9	3.3	2.3	1.8	254.4	54.3	14.5	17%
Global Ecommerce														
Amazon	AMZN US	902,050	CNY	1,823.6	55.3	41.4	29.2	3.2	2.7	2.3	22.3	18.0	14.5	38%
eBay	EBAY US	33,869	CNY	40.4	14.7	13.0	11.6	3.1	3.0	2.0	10.2	9.5	8.8	13%
Groupon	GRPN US	1,430	CNY	2.5	12.5	11.0	9.8	0.6	0.6	0.6	4.4	4.0	3.8	13%
Average					27.5	21.8	16.9	2.3	2.1	1.6	12.3	10.5	9.0	21%
Total Average					24.7	35.4	19.7	3.0	2.3	1.8	173.7	41.1	12.9	18%
Social platform														
Tencent	700 HK	405,224	HKD	332.6	30.3	24.9	20.7	7.4	6.0	4.9	21.7	18.2	15.2	21%
Weibo	WB US	9,301	USD	41.3	15.4	13.4	11.5	5.1	4.5	4.0	12.8	11.2	9.7	15%
Momo	MOMO US	6,973	USD	33.0	13.0	11.1	9.7	3.0	2.6	2.3	10.6	7.8	6.6	16%
Facebook	FB US	527,796	USD	185.0	20.8	16.6	14.2	7.5	6.2	5.1	13.1	10.6	8.9	21%
Average					19.9	16.5	14.0	5.8	4.8	4.1	14.5	11.9	10.1	18%
Total Average					23.1	30.0	18.1	3.8	3.0	2.4	124.7	32.8	12.1	18%

Source: Bloomberg

Note: Data updated by 13 Nov 2019

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