25 Aug 2026

CMB International Global Markets | Equity Research | Company Update

招银国际 CMB INTERNATIONAL
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PDD Holdings (PDD US)

Focus on more visible growth opportunities amid a challenging environment

PDD Holdings (PDD) reported (24 Aug) 2Q26 results: revenue grew 8.1% YoY (1Q26: +11.0% YoY) to RMB112.4bn, 3% below Bloomberg consensus, mainly due to a 6% miss in transaction services revenue, which we attribute to more prudent revenue growth strategy in the TEMU business, partly offset by a 2% beat in online marketing services and others revenue. Operating profit (OP) increased 7.6% YoY to RMB27.8bn, 2% above consensus, driven by a 1.8ppt GPM beat and better-than-expected sales and marketing expense control. Although non-GAAP net profit of RMB28.5bn was only 2% ahead of consensus, we view the RMB7.4bn drag from Other losses as largely one-off. In our view, PDD is focusing on more visible growth opportunities amid a challenging environment, with a greater focus on growth in consumer staples categories in the domestic market and more disciplined investment in the TEMU business amid overseas regulatory uncertainties. We lower our 2026E revenue and non-GAAP net profit forecasts by 3%, respectively, reflecting slower-than-expected TEMU revenue growth and the impact of one-off regulatory-related fines included in Other losses. Our SOTP-based TP is cut by 4% to US$148.4, implying 14.6x 2026E PE. With shares trading at ~8x 2026E PE and the company holding c.RMB456.4bn in cash, restricted cash and short-term investments (representing >50% of current market capitalization), we view the current valuation as undemanding. We see potential catalysts from a return to positive earnings growth in 4Q26E. BUY.

- **2Q26 revenue below consensus due to TEMU business adjustment.** Online marketing services and others revenue increased 3.5% YoY to RMB57.6bn (2Q25: +13.4% YoY; 1Q26: +2.5% YoY), 2% above consensus. Transaction services revenue grew 13.3% YoY to RMB54.7bn (2Q25: +0.7% YoY; 1Q26: +19.9% YoY), 6% below consensus, driven, in our view, by proactive business adjustments in the TEMU business amid increasing regulatory uncertainties.
- **GPM beat translated into OPM beat.** Gross profit margin (GPM) was 57.3% in 2Q26 (2Q25: 55.9%), expanding 1.4ppt QoQ and 1.8ppts above consensus, which we attribute to improved operating efficiency in the TEMU business. Sales and marketing expenses reached RMB29.7bn, up 9.0% YoY (2Q25: +4.5% YoY; 1Q26: +1.1% YoY), accounting for 26.4% of total revenue (2Q25: 26.2%), 0.3ppt lower than consensus. OP of RMB27.8bn was 2% above consensus, supported by the GPM beat, with OPM of 24.7% coming in 1.0ppt ahead of consensus.
- **SOTP-based TP of US$148.4.** Our TP comprises, per ADS: 1) US$89.0 for the main app business, based on an unchanged 10x 2026E target PE (previously US$89.7); 2) US$3.5 for Duoduo Grocery, based on an unchanged 1.0x 2026E PS (valuation lifted due to higher revenue forecasts); 3) US$17.6 for TEMU, based on an unchanged 1.0x 2026E PS (valuation reduced due to lower revenue forecasts following business adjustments); and 4) US$38.2 for net cash (previously US$38.0).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	393,836	431,846	467,457	510,684	544,483
Net profit (RMB mn)	112,434.5	99,364.5	98,793.3	125,138.7	139,793.1
Adjusted net profit (RMB mn)	122,343.6	107,301.4	104,870.2	131,266.9	146,326.9
YoY growth (%)	80.2	(12.3)	(2.3)	25.2	11.5
EPS (Adjusted) (RMB)	82.71	72.38	71.17	88.51	98.04
Consensus EPS (RMB)	82.71	72.38	68.31	82.78	95.75
P/E (x)	7.2	8.2	8.3	6.6	6.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$148.40**
(Previous TP	US$154.80)
Up/Downside	**70.4%**
Current Price	**US$87.07**

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Stock Data

Mkt Cap (US$ mn)	128,297.6
Avg 3 mths t/o (US$ mn)	266.6
52w High/Low (US$)	138.13/73.30
Total Issued Shares (mn)	1473.5

Source: FactSet

Shareholding Structure

Entities affiliated with Zheng Huang	24.8%
Entities affiliated with Tencent	13.8%

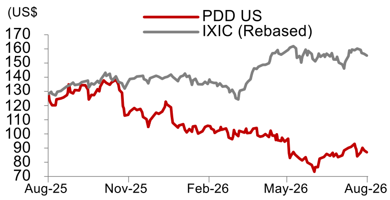
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	5.3%	1.3%
3-mth	-7.9%	-6.6%
6-mth	-18.6%	-27.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: PDD: quarterly financial results

(RMBmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2Q26E Consensus	Diff (%)
Online marketing services and others	48,722	55,703	53,348	60,010	49,936	57,637	56,720	1.6%
YoY growth (%)	*14.8%*	*13.4%*	*8.1%*	*5.3%*	*2.5%*	*3.5%*		
Transaction services	46,950	48,282	54,929	63,902	56,293	54,721	58,363	-6.2%
YoY growth (%)	*5.8%*	*0.7%*	*9.9%*	*19.2%*	*19.9%*	*13.3%*		
Total revenue	**95,672**	**103,985**	**108,277**	**123,912**	**106,229**	**112,358**	**115,196**	-2.5%
YoY growth (%)	*10.2%*	*7.1%*	*9.0%*	*12.0%*	*11.0%*	*8.1%*		
Gross profit	**54,725**	**58,126**	**61,436**	**68,757**	**59,336**	**64,341**	**63,916**	**0.7%**
S&M	33,403	27,210	30,323	34,352	33,773	29,668	30,745	-3.5%
G&A	1,659	1,532	1,755	1,690	1,579	2,342	1,680	39.4%
R&D	3,578	3,591	4,332	4,995	4,418	4,567	4,444	2.8%
Operating profit	**16,086**	**25,793**	**25,026**	**27,720**	**19,566**	**27,764**	**27,304**	**1.7%**
YoY growth (%)	*-38.1%*	*-20.8%*	*3.0%*	*8.3%*	*21.6%*	*7.6%*		
Net profit	**14,742**	**30,753**	**29,328**	**24,541**	**12,547**	**27,182**	**26,008**	4.5%
Non-GAAP net profit	**16,916**	**32,708**	**31,382**	**26,295**	**14,071**	**28,489**	**28,023**	1.7%
YoY growth (%)	*-44.7%*	*-5.0%*	*14.3%*	*-11.9%*	*-16.8%*	*-12.9%*		
GPM (%)	57.2%	55.9%	56.7%	55.5%	55.9%	57.3%	55.5%	1.8 ppt
S&M expense ratio	34.9%	26.2%	28.0%	27.7%	31.8%	26.4%	26.7%	-0.3 ppt
G&A expense ratio	1.7%	1.5%	1.6%	1.4%	1.5%	2.1%	1.5%	0.6 ppt
R&D expense ratio	3.7%	3.5%	4.0%	4.0%	4.2%	4.1%	3.9%	0.2 ppt
OPM (%)	16.8%	24.8%	23.1%	22.4%	18.4%	24.7%	23.7%	1.0 ppt
Non-GAAP NPM (%)	17.7%	31.5%	29.0%	21.2%	13.2%	25.4%	24.3%	1.0 ppt

Source: Company data, Bloomberg, CMBIGM

Figure 2: PDD: forecast revision

	Current			Previous			Change (%)		
RMB bn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	467.5	510.7	544.5	483.8	546.7	581.9	-3.4%	-6.6%	-6.4%
Gross Profit	268.2	294.5	313.8	267.4	305.2	325.5	0.3%	-3.5%	-3.6%
Operating Profit	109.0	130.9	145.8	109.1	137.3	157.7	0.0%	-4.7%	-7.6%
Non-GAAP net profit	104.9	131.3	146.3	107.9	135.2	149.5	-2.8%	-2.9%	-2.1%
Gross Margin	57.4%	57.7%	57.6%	55.3%	55.8%	55.9%	2.1 ppt	1.8 ppt	1.7 ppt
Operating Margin	23.3%	25.6%	26.8%	22.5%	25.1%	27.1%	0.8 ppt	0.5 ppt	-0.3 ppt
Non-GAAP net margin	22.4%	25.7%	26.9%	22.3%	25.2%	26.1%	0.1 ppt	0.5 ppt	0.8 ppt

Source: CMBIGM estimates

Figure 3: PDD: CMBI forecast vs consensus

	Current			Consensus			Diff (%)		
RMB bn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	467.5	510.7	544.5	481.0	540.1	593.2	-2.8%	-5.5%	-8.2%
Gross Profit	268.2	294.5	313.8	269.1	304.3	341.1	-0.4%	-3.2%	-8.0%
Operating Profit	109.0	130.9	145.8	105.4	129.2	152.7	3.5%	1.3%	-4.5%
Non-GAAP net profit	104.9	131.3	146.3	103.6	125.8	148.9	1.2%	4.3%	-1.7%
Gross Margin	57.4%	57.7%	57.6%	55.9%	56.3%	57.5%	1.4 ppt	1.3 ppt	0.1 ppt
Operating Margin	23.3%	25.6%	26.8%	21.9%	23.9%	25.7%	1.4 ppt	1.7 ppt	1.1 ppt
Non-GAAP net margin	22.4%	25.7%	26.9%	21.5%	23.3%	25.1%	0.9 ppt	2.4 ppt	1.8 ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: PDD: SOTP valuation

#	Segment	Rev (RMBmn)	OP (RMBmn)	NOPAT (RMBmn)	2026E P/E (x)	2026E P/S (x)	Val. Rmb mn	Val. US$m	$/share	Value split	Comment
1	PDD main app	284,764	114,760	91,808	10.0		918,079	131,154	89.0	60.0%	10x 2026E PE; tax rate @20%
2	Duoduo Grocery	36,501				1.0	36,501	5,214	3.5	2.4%	1.0x 2026E PS
3	Temu (2026E)	181,304				1.0	181,304	25,901	17.6	11.8%	1.0x 2026E PS
4	Net cash						394,371	56,339	38.2	25.8%	2026E net cash
	Total						**1,530,255**	**218,608**	**148.4**		

Source: CMBIGM estimates

Risks

1) Slower-than-expected global business expansion; 2) geopolitical issues impacting business development; and 3) slower-than-expected margin expansion.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**247,639**	**393,836**	**431,846**	**467,457**	**510,684**	**544,483**
Cost of goods sold	(91,724)	(153,900)	(188,802)	(199,290)	(216,173)	(230,724)
Gross profit	**155,916**	**239,936**	**243,044**	**268,168**	**294,511**	**313,759**
Operating expenses	**(97,217)**	**(131,513)**	**(148,420)**	**(159,134)**	**(163,636)**	**(167,932)**
Selling expense	(82,189)	(111,301)	(125,288)	(130,249)	(132,591)	(134,832)
Admin expense	(4,076)	(7,553)	(6,636)	(9,791)	(10,696)	(11,404)
R&D expense	(10,952)	(12,659)	(16,496)	(19,094)	(20,349)	(21,696)
Others	0	0	0	0	0	0
Operating profit	**58,699**	**108,423**	**94,624**	**109,033**	**130,875**	**145,827**
Interest income	10,238	20,553	25,584	26,605	27,005	29,336
Interest expense	(44)	0	0	0	0	0
Foreign exchange gain/loss	36	588	(1,967)	(1,967)	0	0
Others	2,953	3,120	2,727	(9,430)	0	2,727
Pre-tax profit	**71,881**	**132,684**	**120,968**	**124,242**	**157,880**	**177,889**
Income tax	(11,850)	(20,267)	(21,733)	(25,509)	(32,802)	(38,156)
Others	(5)	17	129	60	60	60
After tax profit	**60,027**	**112,435**	**99,364**	**98,793**	**125,139**	**139,793**
Minority interest	0	0	0	0	0	0
Net profit	**60,027**	**112,435**	**99,364**	**98,793**	**125,139**	**139,793**
Adjusted net profit	**67,899**	**122,344**	**107,301**	**104,870**	**131,267**	**146,327**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**294,750**	**415,648**	**518,980**	**623,996**	**758,542**	**917,693**
Cash & equivalents	59,794	57,768	108,901	286,705	419,986	578,149
Restricted cash	61,985	68,426	73,831	0	0	0
Account receivables	3,914	3,679	5,109	5,530	6,042	6,442
Prepayment	4,213	4,413	7,527	8,147	8,901	9,490
Other current assets	164,843	281,361	323,613	323,613	323,613	323,613
Non-current assets	**53,328**	**89,386**	**111,064**	**111,187**	**111,295**	**111,393**
PP&E	980	879	1,306	1,428	1,536	1,634
Right-of-use assets	4,105	5,064	4,863	4,863	4,863	4,863
Intangibles	21	19	15	15	15	15
Other non-current assets	48,222	83,423	104,880	104,880	104,880	104,880
Total assets	**348,078**	**505,034**	**630,044**	**735,182**	**869,836**	**1,029,086**
Current liabilities	**152,901**	**188,423**	**213,737**	**214,005**	**217,392**	**230,315**
Short-term borrowings	649	5,310	0	0	0	0
Account payables	74,997	91,656	107,407	111,747	121,460	128,498
Other current liabilities	20,262	20,210	22,174	25,392	27,509	29,031
Lease liabilities	1,642	2,106	2,499	2,499	2,499	2,499
Accrued expenses	55,351	69,142	81,658	74,368	65,924	70,287
Non-current liabilities	**7,936**	**3,298**	**2,922**	**2,922**	**2,922**	**2,922**
Convertible bonds	5,232	0	0	0	0	0
Other non-current liabilities	2,704	3,298	2,922	2,922	2,922	2,922
Total liabilities	**160,837**	**191,721**	**216,659**	**216,927**	**220,314**	**233,237**
Share capital	0	0	0	0	0	0
Capital surplus	107,399	118,067	127,106	127,106	127,106	127,106
Retained earnings	75,119	187,421	284,163	389,034	520,300	666,627
Other reserves	4,724	7,825	2,116	2,116	2,116	2,116
Total shareholders equity	**187,242**	**313,313**	**413,385**	**518,255**	**649,522**	**795,849**
Total equity and liabilities	**348,078**	**505,034**	**630,044**	**735,182**	**869,836**	**1,029,086**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**71,881**	**132,684**	**120,968**	**124,242**	**157,880**	**177,889**
Depreciation & amortization	786	709	601	1,117	1,246	1,346
Tax paid	(11,850)	(20,267)	(21,733)	(25,509)	(32,802)	(38,156)
Change in working capital	40,313	28,020	22,038	(774)	2,122	11,934
Others	(6,968)	(19,217)	(14,936)	6,137	6,188	6,594
Net cash from operations	**94,163**	**121,929**	**106,939**	**105,213**	**134,635**	**159,607**
Investing						
Capital expenditure	(583)	(967)	(1,145)	(1,240)	(1,354)	(1,444)
Acquisition of subsidiaries/ investments	(172,183)	(254,120)	(252,015)	0	0	0
Net proceeds from disposal of short-term investments	130,317	147,288	230,909	0	0	0
Others	(12,982)	(10,557)	(21,172)	0	0	0
Net cash from investing	**(55,431)**	**(118,356)**	**(43,423)**	**(1,240)**	**(1,354)**	**(1,444)**
Financing						
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	0	0	9,039	(0)	0	0
Share repurchases	0	0	0	0	0	0
Others	(8,961)	1	(14,266)	0	0	0
Net cash from financing	**(8,961)**	**1**	**(5,227)**	**(0)**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	92,300	121,780	126,194	182,731	286,705	419,986
Exchange difference	(291)	840	(1,751)	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	**121,780**	**126,194**	**182,731**	**286,705**	**419,986**	**578,149**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	89.7%	59.0%	9.7%	8.2%	9.2%	6.6%
Gross profit	57.3%	53.9%	1.3%	10.3%	9.8%	6.5%
Operating profit	93.1%	84.7%	(12.7%)	15.2%	20.0%	11.4%
Net profit	90.3%	87.3%	(11.6%)	(0.6%)	26.7%	11.7%
Adj. net profit	71.8%	80.2%	(12.3%)	(2.3%)	25.2%	11.5%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	63.0%	60.9%	56.3%	57.4%	57.7%	57.6%
Operating margin	23.7%	27.5%	21.9%	23.3%	25.6%	26.8%
Adj. net profit margin	27.4%	31.1%	24.8%	22.4%	25.7%	26.9%
Return on equity (ROE)	39.4%	44.9%	27.3%	21.2%	21.4%	19.3%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Current ratio (x)	1.9	2.2	2.4	2.9	3.5	4.0
Receivable turnover days	3.3	3.5	3.7	4.2	4.1	4.2
Payable turnover days	(275.2)	(197.6)	(192.4)	(200.7)	(196.9)	(197.7)
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	13.2	7.2	8.2	8.3	6.6	6.0
P/E (diluted)	12.6	7.1	8.1	8.2	6.6	6.0
P/B	4.2	2.6	2.0	1.6	1.3	1.0

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

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HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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