20 Nov 2026

CMB International Global Markets | Equity Research | Company Update

PDD Holdings (PDD US)

Earnings beat on better margins

BUY (Maintain)

Target Price	**US$152.00**
(Previous TP	US$148.40)
Up/Downside	**96.3%**
Current Price	**US$77.45**

PDD Holdings (PDD) reported (19 Nov) 3Q26 results. Revenue was flat YoY (2Q26: +8.1% YoY) at RMB108.3bn, 6% below Bloomberg consensus, as an 18% miss in transaction services revenue was partly offset by a 6% beat in online marketing services and others revenue. Operating profit (OP) grew 24.5% YoY to RMB31.2bn, 16% above consensus, on a 1.9ppt GPM beat and a 4.2ppt lower-than-expected S&M expense ratio, while non-GAAP net profit of RMB31.0bn was 14% ahead of consensus. Management reiterated that PDD remains in the investment phase of its RMB100bn support program and will step up investment in supply chain and local fulfilment for the global business. We cut our 2026E revenue forecast by 4%, but raise 2026E OP by 1% on better margins. Our SOTP-based TP is raised by 2% to US$152.0, implying 14.8x 2026E PE. Trading at ~7x 2026E P/E with c.RMB455.4bn in cash, cash equivalents and short-term investments (c.56% of market cap), we view the valuation as undemanding. Maintain BUY.

- **OMS beat offset by miss in transaction services.** Online marketing services and others (OMS) revenue grew 12.1% YoY to RMB59.8bn in 3Q26 (2Q26: +3.5%), 6% above consensus, while transaction services (TS) revenue fell 11.7% YoY to RMB48.5bn (2Q26: +13.3%), 18% below consensus. Management did not explain the divergence, but we infer this was partly due to: 1) TEMU's shift to the semi-managed/local warehouse model in Europe, which lowers TS revenue but brings incremental advertising revenue; and 2) a relatively low OMS base in 3Q25, owing to an accounting adjustment that recorded part of the marketing investment as a reduction of revenue.
- **GPM and S&M beats drove an earnings beat.** GPM was 58.2% in 3Q26 (3Q25: 56.7%), 1.9ppts above consensus. S&M expenses fell 16.6% YoY to RMB25.3bn, or 23.3% of revenue (3Q25: 28.0%), 4.2ppts below consensus. OPM of 28.8% was 5.5ppts above consensus. Non-GAAP net profit lagged OP growth on lower interest and investment income (RMB5.4bn vs. RMB8.6bn in 3Q25) and higher income tax.
- **SOTP-based TP raised to US$152.0,** mainly on a higher 2026E earnings forecast for the main app business, alongside an updated USD/RMB assumption of 6.85 (previously 7.0). Per ADS: 1) US$92.2 for the main app (unchanged 10x 2026E PE; previously US$89.0), with 2026E main app OP raised by 1% to RMB116.3bn; 2) US$3.6 for Duoduo Grocery (1.0x 2026E PS); 3) US$17.6 for TEMU (1.0x 2026E PS); and 4) US$38.6 for net cash (previously US$38.2).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	393,836	431,846	448,544	465,711	504,127
Net profit (RMB mn)	112,434.5	99,364.5	97,901.8	123,517.7	140,770.6
Adjusted net profit (RMB mn)	122,343.6	107,301.4	103,732.9	129,571.9	147,324.3
YoY growth (%)	80.2	(12.3)	(3.3)	24.9	13.7
EPS (Adjusted) (RMB)	82.71	72.38	70.40	87.37	98.70
Consensus EPS (RMB)	82.71	72.38	68.31	82.78	95.75
P/E (x)	6.4	7.3	7.4	5.9	5.2

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (US$ mn)	114,122.6
Avg 3 mths t/o (US$ mn)	237.5
52w High/Low (US$)	122.66/73.30
Total Issued Shares (mn)	1473.5

Source: FactSet

Shareholding Structure

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

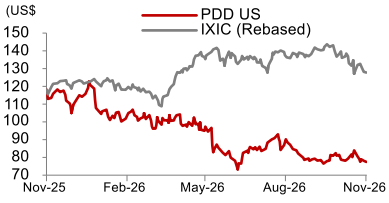
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	-4.8%	3.0%
3-mth	-14.1%	-7.5%
6-mth	-20.4%	-15.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: PDD: quarterly financial results

(RMBmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	3Q26E Consensus	Diff (%)
Online marketing services and others	48,722	55,703	53,348	60,010	49,936	57,637	59,819	56,326	6.2%
YoY growth (%)	*14.8%*	*13.4%*	*8.1%*	*5.3%*	*2.5%*	*3.5%*	*12.1%*		
Transaction services	46,950	48,282	54,929	63,902	56,293	54,721	48,522	58,861	-17.6%
YoY growth (%)	*5.8%*	*0.7%*	*9.9%*	*19.2%*	*19.9%*	*13.3%*	*-11.7%*		
Total revenue	**95,672**	**103,985**	**108,277**	**123,912**	**106,229**	**112,358**	**108,341**	**115,209**	-6.0%
YoY growth (%)	*10.2%*	*7.1%*	*9.0%*	*12.0%*	*11.0%*	*8.1%*	*0.1%*		
Gross profit	**54,725**	**58,126**	**61,436**	**68,757**	**59,336**	**64,341**	**63,098**	**64,932**	**-2.8%**
S&M	33,403	27,210	30,323	34,352	33,773	29,668	25,296	31,713	-20.2%
G&A	1,659	1,532	1,755	1,690	1,579	2,342	1,579	1,935	-18.4%
R&D	3,578	3,591	4,332	4,995	4,418	4,567	5,059	4,791	5.6%
Operating profit	**16,086**	**25,793**	**25,026**	**27,720**	**19,566**	**27,764**	**31,164**	**26,783**	**16.4%**
YoY growth (%)	*-38.1%*	*-20.8%*	*3.0%*	*8.3%*	*21.6%*	*7.6%*	*24.5%*		
Net profit	**14,742**	**30,753**	**29,328**	**24,541**	**12,547**	**27,182**	**29,541**	**25,916**	14.0%
Non-GAAP net profit	**16,916**	**32,708**	**31,382**	**26,295**	**14,071**	**28,489**	**31,020**	**27,287**	13.7%
YoY growth (%)	*-44.7%*	*-5.0%*	*14.3%*	*-11.9%*	*-16.8%*	*-12.9%*	*-1.2%*		
GPM (%)	57.2%	55.9%	56.7%	55.5%	55.9%	57.3%	58.2%	56.4%	1.9 ppt
S&M expense ratio	34.9%	26.2%	28.0%	27.7%	31.8%	26.4%	23.3%	27.5%	-4.2 ppt
G&A expense ratio	1.7%	1.5%	1.6%	1.4%	1.5%	2.1%	1.5%	1.7%	-0.2 ppt
R&D expense ratio	3.7%	3.5%	4.0%	4.0%	4.2%	4.1%	4.7%	4.2%	0.5 ppt
OPM (%)	16.8%	24.8%	23.1%	22.4%	18.4%	24.7%	28.8%	23.2%	5.5 ppt
Non-GAAP NPM (%)	17.7%	31.5%	29.0%	21.2%	13.2%	25.4%	28.6%	23.7%	4.9 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	448.5	465.7	504.1	467.5	510.7	544.5	-4.0%	-8.8%	-7.4%
Gross profit	255.9	271.1	295.2	268.2	294.5	313.8	-4.6%	-8.0%	-5.9%
Operating profit	109.9	129.2	147.7	109.0	130.9	145.8	0.8%	-1.3%	1.3%
Non-GAAP net profit	103.7	129.6	147.3	104.9	131.3	146.3	-1.1%	-1.3%	0.7%
Gross margin	57.0%	58.2%	58.6%	57.4%	57.7%	57.6%	-0.3 ppt	0.5 ppt	0.9 ppt
Operating margin	24.5%	27.7%	29.3%	23.3%	25.6%	26.8%	1.2 ppt	2.1 ppt	2.5 ppt
Non-GAAP net margin	23.1%	27.8%	29.2%	22.4%	25.7%	26.9%	0.7 ppt	2.1 ppt	2.3 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	448.5	465.7	504.1	481.0	540.1	593.2	-6.8%	-13.8%	-15.0%
Gross profit	255.9	271.1	295.2	269.1	304.3	341.1	-4.9%	-10.9%	-13.4%
Operating profit	109.9	129.2	147.7	105.4	129.2	152.7	4.3%	0.0%	-3.3%
Non-GAAP net profit	103.7	129.6	147.3	103.6	125.8	148.9	0.1%	3.0%	-1.1%
Gross margin	57.0%	58.2%	58.6%	55.9%	56.3%	57.5%	1.1 ppt	1.9 ppt	1.1 ppt
Operating margin	24.5%	27.7%	29.3%	21.9%	23.9%	25.7%	2.6 ppt	3.8 ppt	3.6 ppt
Non-GAAP net margin	23.1%	27.8%	29.2%	21.5%	23.3%	25.1%	1.6 ppt	4.5 ppt	4.1 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	288,620	116,314	93,051	10.0		930,512	135,841	92.2	60.6%	10x 2026E PE; tax rate @20%
2	Duoduo Grocery	36,501				1.0	36,501	5,329	3.6	2.4%	1.0x 2026E PS
3	Temu (2026E)	177,419				1.0	177,419	25,901	17.6	11.6%	1.0x 2026E PS
4	Net cash						389,861	56,914	38.6	25.4%	2026E net cash
	Total						**1,534,293**	**223,984**	**152.0**		

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**	**448,544**	**465,711**	**504,127**
Cost of goods sold	(91,724)	(153,900)	(188,802)	(192,664)	(194,641)	(208,900)
Gross profit	**155,916**	**239,936**	**243,044**	**255,880**	**271,070**	**295,227**
Operating expenses	**(97,217)**	**(131,513)**	**(148,420)**	**(145,989)**	**(141,890)**	**(147,545)**
Selling expense	(82,189)	(111,301)	(125,288)	(118,939)	(112,780)	(116,033)
Admin expense	(4,076)	(7,553)	(6,636)	(7,189)	(7,464)	(8,079)
R&D expense	(10,952)	(12,659)	(16,496)	(19,862)	(21,647)	(23,432)
Others	0	0	0	0	0	0
Operating profit	**58,699**	**108,423**	**94,624**	**109,890**	**129,180**	**147,682**
Interest income	10,238	20,553	25,584	23,649	26,656	28,723
Interest expense	(44)	0	0	0	0	0
Foreign exchange gain/loss	36	588	(1,967)	(1,111)	0	0
Others	2,953	3,120	2,727	(9,500)	0	2,727
Pre-tax profit	**71,881**	**132,684**	**120,968**	**122,929**	**155,836**	**179,132**
Income tax	(11,850)	(20,267)	(21,733)	(25,087)	(32,378)	(38,421)
Others	(5)	17	129	60	60	60
After tax profit	**60,027**	**112,435**	**99,364**	**97,902**	**123,518**	**140,771**
Minority interest	0	0	0	0	0	0
Net profit	**60,027**	**112,435**	**99,364**	**97,902**	**123,518**	**140,771**
Adjusted net profit	**67,899**	**122,344**	**107,301**	**103,733**	**129,572**	**147,324**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**294,750**	**415,648**	**518,980**	**615,684**	**741,901**	**902,048**
Cash & equivalents	59,794	57,768	108,901	278,947	404,661	563,684
Restricted cash	61,985	68,426	73,831	0	0	0
Account receivables	3,914	3,679	5,109	5,307	5,510	5,964
Prepayment	4,213	4,413	7,527	7,818	8,117	8,786
Other current assets	164,843	281,361	323,613	323,613	323,613	323,613
Non-current assets	**53,328**	**89,386**	**111,064**	**115,145**	**117,338**	**117,840**
PP&E	980	879	1,306	5,386	7,580	8,081
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**	**730,829**	**859,239**	**1,019,888**
Current liabilities	**152,901**	**188,423**	**213,737**	**210,789**	**209,627**	**222,951**
Short-term borrowings	649	5,310	0	0	0	0
Account payables	74,997	91,656	107,407	111,543	119,607	126,238
Other current liabilities	20,262	20,210	22,174	25,388	27,403	29,136
Lease liabilities	1,642	2,106	2,499	2,499	2,499	2,499
Accrued expenses	55,351	69,142	81,658	71,359	60,119	65,078
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**	**213,711**	**212,549**	**225,873**
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	387,896	517,468	664,792
Other reserves	4,724	7,825	2,116	2,116	2,116	2,116
Total shareholders equity	**187,242**	**313,313**	**413,385**	**517,118**	**646,690**	**794,014**
Total equity and liabilities	**348,078**	**505,034**	**630,044**	**730,829**	**859,239**	**1,019,888**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**71,881**	**132,684**	**120,968**	**122,929**	**155,836**	**179,132**
Depreciation & amortization	786	709	601	3,096	5,258	7,565
Tax paid	(11,850)	(20,267)	(21,733)	(25,087)	(32,378)	(38,421)
Change in working capital	40,313	28,020	22,038	(3,437)	(1,664)	12,200
Others	(6,968)	(19,217)	(14,936)	5,891	6,114	6,614
Net cash from operations	**94,163**	**121,929**	**106,939**	**103,392**	**133,166**	**167,089**
Investing						
Capital expenditure	(583)	(967)	(1,145)	(7,177)	(7,451)	(8,066)
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)**	**(7,177)**	**(7,451)**	**(8,066)**
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	278,947	404,661
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**	**278,947**	**404,661**	**563,684**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	89.7%	59.0%	9.7%	3.9%	3.8%	8.2%
Gross profit	57.3%	53.9%	1.3%	5.3%	5.9%	8.9%
Operating profit	93.1%	84.7%	(12.7%)	16.1%	17.6%	14.3%
Net profit	90.3%	87.3%	(11.6%)	(1.5%)	26.2%	14.0%
Adj. net profit	71.8%	80.2%	(12.3%)	(3.3%)	24.9%	13.7%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	63.0%	60.9%	56.3%	57.0%	58.2%	58.6%
Operating margin	23.7%	27.5%	21.9%	24.5%	27.7%	29.3%
Adj. net profit margin	27.4%	31.1%	24.8%	23.1%	27.8%	29.2%
Return on equity (ROE)	39.4%	44.9%	27.3%	21.0%	21.2%	19.5%

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	4.2	4.2
Payable turnover days	(275.2)	(197.6)	(192.4)	(207.4)	(216.7)	(214.8)

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	11.6	6.4	7.3	7.4	5.9	5.2
P/E (diluted)	11.1	6.2	7.1	7.3	5.9	5.2
P/B	3.7	2.3	1.7	1.4	1.1	0.9

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

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