

JD.com (JD US)

Increasing investment in food delivery weighs on profit; synergy remains key to watch

For 2Q25E, we anticipate JD.com (JD) to ink total revenue of RMB337.4bn, up 15.8% YoY, 2% better than Bloomberg consensus. However, with the stepping up in investment of food delivery (FD) business to drive for user growth and shopping frequency improvement, which we have baked in c. RMB10bn impact on net profit, we are forecasting non-GAAP net profit of RMB4.6bn, representing a 68% YoY decline. JD has observed strong growth in daily active users for the main app, and an early-stage increase in cross-selling from FD users to some categories of JD Retail, such as daily necessities and home cleaning. We expect JD to further increase investment in food delivery business in 3Q25E while maintaining financial discipline. In view of this, we forecast an impact of RMB13bn on net profit. We are positive that JD is able to drive for unit economics improvement for the FD business, driven by increase in order volume and optimization in user subsidy, but we believe that the user retention and cross-selling ratio trend remain keys to monitor in the coming quarters. We maintain 2025-2027E revenue forecasts unchanged, while cutting non-GAAP NP forecasts by 0-48% to reflect more aggressive than our previously expected near-term investment on FD. We lower our DCF-based TP by 9% to US\$50.0, maintain BUY.

- **Robust revenue growth to sustain in 2Q25E.** For 2Q25E, we are looking for 16.2% YoY growth in net product revenue (1Q25: 16.2%), aided by 16.7% YoY revenue growth in Electronics and Home Appliance (E&HA) segment, and 15.2% YoY growth in general merchandise revenue.
- **Services revenue to sustain healthy growth.** We are anticipating 14.2% YoY growth (1Q25: 14.0%) in JD's net services revenue in 2Q25E, among which we project 16.1% YoY growth for marketplace and advertising revenue. Driven by solid GMV growth, we are expecting double-digit growth for both advertising revenue and commission revenue to sustain in 2Q25E.
- **Solid core JDR earnings growth to sustain; stepping up investment in FD.** For JD Retail (JDR), we are looking for 16% YoY growth in revenue and OPM of 3.9% in 2Q25E, flat YoY, mainly due to the high base impact in 2Q24. However, group level earnings are likely to be impacted by the incremental investment in FD business. We are estimating c.RMB10bn impact on non-GAAP net profit brought up by the incremental investment in FD business in 2Q25E. For 2025E, we are now forecasting non-GAAP NP of RMB24.4bn, down 49% YoY.

Earnings Summary

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (RMB mn) | 1,084,662 | 1,158,819 | 1,292,675 | 1,365,744 | 1,442,880 |
| YoY growth (%) | 3.7 | 6.8 | 11.6 | 5.7 | 5.6 |
| Net profit (RMB mn) | 24,167.0 | 41,359.0 | 19,859.6 | 36,124.5 | 54,615.8 |
| Adjusted net profit (RMB mn) | 35,200.0 | 47,827.0 | 24,354.0 | 39,812.6 | 58,516.0 |
| EPS (Adjusted) (RMB) | 22.17 | 31.07 | 15.83 | 25.89 | 38.05 |
| Consensus EPS (RMB) | na | 31.07 | 30.40 | 34.03 | 37.32 |
| P/E (x) | 14.8 | 8.2 | 17.1 | 9.4 | 6.2 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$50.00
 (Previous TP) US\$55.00)
Up/Downside 58.2%
Current Price US\$31.60

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (US\$ mn) | 48,600.8 |
| Avg 3 mths t/o (US\$ mn) | 138.2 |
| 52w High/Low (US\$) | 47.08/24.95 |
| Total Issued Shares (mn) | 1538.0 |

Source: FactSet

Shareholding Structure

| | |
|-------------------|------|
| Max Smart Limited | 9.6% |
| BlackRock | 4.7% |

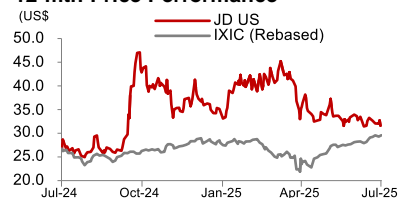
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -6.5% | -10.5% |
| 3-mth | -11.2% | -29.4% |
| 6-mth | -4.5% | -11.2% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Revision in financial forecast and valuation

Figure 1: JD: forecast revision

| RMB bn | Current | | | Previous | | | Change (%) | | |
|---------------------|---------|---------|---------|----------|---------|---------|------------|----------|----------|
| | 2025E | 2026E | 2027E | 2025E | 2026E | 2027E | 2025E | 2026E | 2027E |
| Revenue | 1,292.7 | 1,365.7 | 1,442.9 | 1,292.7 | 1,365.7 | 1,442.9 | 0.0% | 0.0% | 0.0% |
| Gross profit | 209.1 | 223.6 | 236.9 | 210.7 | 225.4 | 238.8 | -0.8% | -0.8% | -0.8% |
| Non-GAAP net profit | 24.4 | 39.8 | 58.5 | 46.7 | 55.7 | 58.6 | -47.9% | -28.5% | -0.1% |
| Gross margin | 16.2% | 16.4% | 16.4% | 16.3% | 16.5% | 16.6% | -0.1 ppt | -0.1 ppt | -0.1 ppt |
| Non-GAAP net margin | 1.9% | 2.9% | 4.1% | 3.6% | 4.1% | 4.1% | -1.7 ppt | -1.2 ppt | 0.0 ppt |

Source: CMBIGM estimates

DCF-based target price of US\$50.0

Our target price of US\$50.0 is derived from the DCF valuation methodology (WACC of 11.8% and terminal growth of 1.5%; both unchanged). Our target price translates into 14x 2026E PE (non-GAAP).

Figure 2: JD: DCF valuation (WACC of 11.8% and terminal growth of 1.5%)

| (RMBbn) | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total revenue | 1,293 | 1,366 | 1,443 | 1,504 | 1,552 | 1,590 | 1,620 | 1,644 | 1,663 | 1,679 |
| NPV of FCF | 255 | | | | | | | | | |
| Discounted terminal value | 172 | | | | | | | | | |
| Total equity valuation | 561 | | | | | | | | | |
| No. of shares (diluted, mn) | 1,538 | | | | | | | | | |
| TP per share (US\$) | 50.0 | | | | | | | | | |

Source: Bloomberg, CMBIGM estimates

Risks

1) Consumption recovery takes longer than we expect; 2) more intensified-than-expected business competition; 3) more aggressive-than-expected investment on FD business may weigh on earnings growth.

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--------------------------------------------|-----------|-----------|-----------|-------------|-------------|-------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 1,046,236 | 1,084,662 | 1,158,819 | 1,292,675 | 1,365,744 | 1,442,880 |
| Cost of goods sold | (899,163) | (924,958) | (974,951) | (1,083,569) | (1,142,136) | (1,205,962) |
| Gross profit | 147,073 | 159,704 | 183,868 | 209,106 | 223,608 | 236,918 |
| Operating expenses | (127,350) | (132,663) | (143,570) | (195,711) | (190,385) | (180,216) |
| Selling expense | (37,772) | (40,133) | (47,953) | (84,670) | (75,116) | (59,158) |
| Admin expense | (11,053) | (9,710) | (8,888) | (10,341) | (10,789) | (11,254) |
| R&D expense | (16,893) | (16,393) | (17,031) | (19,261) | (20,076) | (20,922) |
| Others | (61,632) | (66,427) | (69,698) | (81,438) | (84,403) | (88,881) |
| Operating profit | 19,723 | 27,041 | 40,298 | 13,395 | 33,223 | 56,703 |
| Other gains/(losses) | (1,555) | 7,496 | 13,371 | 11,197 | 11,197 | 11,197 |
| Share of (losses)/profits of associates/JV | (2,195) | 1,010 | 2,327 | 4,387 | 4,387 | 4,387 |
| EBIT | 15,973 | 35,547 | 55,996 | 28,979 | 48,807 | 72,287 |
| Interest income | (2,106) | (2,881) | (2,896) | (2,496) | (2,496) | (2,496) |
| Others | 0 | (1,016) | (1,562) | 0 | 0 | 0 |
| Pre-tax profit | 13,867 | 31,650 | 51,538 | 26,483 | 46,311 | 69,791 |
| Income tax | 4,176 | 8,393 | 6,878 | 3,522 | 7,086 | 12,074 |
| After tax profit | 9,691 | 23,257 | 44,660 | 22,961 | 39,225 | 57,717 |
| Minority interest | (697) | (910) | 3,301 | 3,101 | 3,101 | 3,101 |
| Discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | (8) | 0 | 0 | 0 | 0 | 0 |
| Net profit | 10,380 | 24,167 | 41,359 | 19,860 | 36,124 | 54,616 |
| Adjusted net profit | 28,220 | 35,200 | 47,827 | 24,354 | 39,813 | 58,516 |

| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 351,074 | 307,810 | 386,698 | 440,900 | 490,773 | 563,231 |
| Cash & equivalents | 78,861 | 71,892 | 108,350 | 160,830 | 203,975 | 269,083 |
| Restricted cash | 6,254 | 7,506 | 7,366 | 7,366 | 7,366 | 7,366 |
| Account receivables | 20,576 | 20,302 | 25,596 | 28,333 | 29,934 | 31,625 |
| Inventories | 77,949 | 68,058 | 89,326 | 87,459 | 92,186 | 97,338 |
| Prepayment | 15,156 | 15,639 | 15,951 | 15,951 | 15,951 | 15,951 |
| Other current assets | 152,278 | 124,413 | 140,109 | 140,962 | 141,361 | 141,869 |
| Non-current assets | 244,176 | 321,148 | 311,536 | 321,687 | 330,761 | 338,926 |
| PP&E | 55,080 | 70,035 | 82,737 | 92,888 | 101,962 | 110,127 |
| Right-of-use assets | 22,267 | 20,863 | 24,532 | 24,532 | 24,532 | 24,532 |
| Deferred income tax | 1,536 | 1,744 | 2,459 | 2,459 | 2,459 | 2,459 |
| Investment in JVs & assos | 57,641 | 56,746 | 56,850 | 56,850 | 56,850 | 56,850 |
| Intangibles | 9,139 | 6,935 | 7,793 | 7,793 | 7,793 | 7,793 |
| Goodwill | 23,123 | 19,980 | 25,709 | 25,709 | 25,709 | 25,709 |
| Other non-current assets | 75,390 | 144,845 | 111,456 | 111,456 | 111,456 | 111,456 |
| Total assets | 595,250 | 628,958 | 698,234 | 762,587 | 821,534 | 902,157 |
| Current liabilities | 266,561 | 265,650 | 299,521 | 313,979 | 326,658 | 340,824 |
| Short-term borrowings | 12,146 | 5,034 | 7,581 | 7,581 | 7,581 | 7,581 |
| Account payables | 160,607 | 166,167 | 192,860 | 199,513 | 210,297 | 222,049 |
| Tax payable | 5,926 | 7,313 | 9,487 | 9,487 | 9,487 | 9,487 |
| Other current liabilities | 37,624 | 35,848 | 36,002 | 43,807 | 45,703 | 48,116 |
| Lease liabilities | 7,688 | 7,755 | 7,606 | 7,606 | 7,606 | 7,606 |
| Accrued expenses | 42,570 | 43,533 | 45,985 | 45,985 | 45,985 | 45,985 |
| Non-current liabilities | 54,566 | 66,928 | 85,416 | 112,030 | 115,424 | 120,301 |
| Long-term borrowings | 10,224 | 10,411 | 24,770 | 51,384 | 54,778 | 59,655 |
| Deferred income | 1,107 | 964 | 502 | 502 | 502 | 502 |
| Other non-current liabilities | 43,235 | 55,553 | 60,144 | 60,144 | 60,144 | 60,144 |
| Total liabilities | 321,127 | 332,578 | 384,937 | 426,009 | 442,083 | 461,124 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital surplus | 213,366 | 231,858 | 239,347 | 245,640 | 252,388 | 259,353 |
| Retained earnings | 0 | 0 | 0 | 19,860 | 55,984 | 110,600 |
| Other reserves | 590 | 614 | 484 | (2,387) | (2,387) | (2,387) |
| Total shareholders equity | 213,956 | 232,472 | 239,831 | 263,112 | 305,985 | 367,566 |
| Minority interest | 60,167 | 63,908 | 73,466 | 73,466 | 73,466 | 73,466 |
| Total equity and liabilities | 595,250 | 628,958 | 698,234 | 762,587 | 821,534 | 902,157 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 13,867 | 31,650 | 51,538 | 26,483 | 46,311 | 69,791 |
| Depreciation & amortization | 7,236 | 8,292 | 8,904 | 9,980 | 10,829 | 11,419 |
| Tax paid | (4,176) | (8,393) | (6,878) | (3,522) | (7,086) | (12,074) |
| Change in working capital | 22,119 | 16,547 | 5,350 | 12,736 | 5,951 | 6,815 |
| Others | 18,773 | 11,425 | (819) | 3,411 | 3,647 | 3,864 |
| Net cash from operations | 57,819 | 59,521 | 58,095 | 49,087 | 59,653 | 79,815 |
| Investing | | | | | | |
| Capital expenditure | (38,165) | (15,050) | (16,950) | (20,130) | (19,903) | (19,584) |
| Acquisition of subsidiaries/ investments | (184,792) | (194,987) | (151,608) | 0 | 0 | 0 |
| Net proceeds from disposal of short-term investments | 171,853 | 225,889 | 168,481 | 0 | 0 | 0 |
| Others | (2,922) | (75,395) | (794) | 0 | 0 | 0 |
| Net cash from investing | (54,026) | (59,543) | (871) | (20,130) | (19,903) | (19,584) |
| Financing | | | | | | |
| Net borrowings | 7,027 | 1,562 | 13,113 | 26,614 | 3,395 | 4,876 |
| Proceeds from share issues | (5,847) | (7,370) | (34,117) | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash from financing | 1,180 | (5,808) | (21,004) | 26,614 | 3,395 | 4,876 |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 73,550 | 82,013 | 76,308 | 112,626 | 168,196 | 211,341 |
| Exchange difference | 3,490 | 125 | 98 | 0 | 0 | 0 |
| Cash at the end of the year | 82,013 | 76,308 | 112,626 | 168,196 | 211,341 | 276,449 |
| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Revenue | 9.9% | 3.7% | 6.8% | 11.6% | 5.7% | 5.6% |
| Gross profit | 14.0% | 8.6% | 15.1% | 13.7% | 6.9% | 6.0% |
| Operating profit | 376.3% | 37.1% | 49.0% | (66.8%) | 148.0% | 70.7% |
| EBIT | na | 122.5% | 57.5% | (48.2%) | 68.4% | 48.1% |
| Net profit | na | 132.8% | 71.1% | (52.0%) | 81.9% | 51.2% |
| Adj. net profit | 64.0% | 24.7% | 35.9% | (49.1%) | 63.5% | 47.0% |
| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 14.1% | 14.7% | 15.9% | 16.2% | 16.4% | 16.4% |
| Operating margin | 1.9% | 2.5% | 3.5% | 1.0% | 2.4% | 3.9% |
| Adj. net profit margin | 2.7% | 3.2% | 4.1% | 1.9% | 2.9% | 4.1% |
| Return on equity (ROE) | 4.9% | 10.8% | 17.5% | 7.9% | 12.7% | 16.2% |
| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | (0.3) | (0.2) | (0.3) | (0.4) | (0.5) | (0.5) |
| Current ratio (x) | 1.3 | 1.2 | 1.3 | 1.4 | 1.5 | 1.7 |
| Receivable turnover days | 5.7 | 6.9 | 7.2 | 7.6 | 7.8 | 7.8 |
| Inventory turnover days | (31.2) | (28.8) | (29.5) | (29.8) | (28.7) | (28.7) |
| Payable turnover days | (61.1) | (64.5) | (67.2) | (66.1) | (65.5) | (65.4) |
| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| P/E | 34.2 | 14.8 | 8.2 | 17.1 | 9.4 | 6.2 |
| P/E (diluted) | 34.8 | 14.9 | 8.4 | 17.6 | 9.7 | 6.4 |
| P/B | 1.7 | 1.5 | 1.4 | 1.3 | 1.1 | 0.9 |

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

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