

# JD.com (JD US)

## Expecting solid 4Q24 results driven by home appliance trade-in program

For 4Q24E, we anticipate that JD.com (JD) has inked total revenue of RMB334.6bn, up 9.3% YoY, 3% better than Bloomberg consensus, driven by: 1) the nationwide implementation of home appliance trade-in program; 2) JD's greater than industry average GMV exposure in home appliance category; and 3) JD's strong supply chain capability of first-party (1P) business. We are also looking for 13.2% YoY growth in non-GAAP net profit for JD, 16% better than consensus, aided by likely better than market expected gross margin expansion and more optimized sales and marketing cost saving from the trade-in program and relatively stable industry competitive landscape. We maintain our view that JD is better-positioned than peers to benefit from the nationwide trade-in program in the short term, while quality and sustainable earnings growth of core business as well as enhancement of shareholder return remain key stock price drivers in the long term, in our view. Our DCF-based TP remains unchanged at US\$53.2, translating into 12x 25E PE (non-GAAP). Maintain BUY.

■ **Home appliance trade-in program boosted E&HA segment revenue growth.** For 4Q24E, we are looking for 9.4% YoY growth in net product revenue (3Q24: 5%; 4Q23: 4%), aided by 10% YoY revenue growth in Electronics and Home Appliance (E&HA) segment (3Q24: 3%; 4Q23: 6%), and 9% YoY growth in general merchandise revenue (3Q24: 8%). According to NBS data, household appliance retail sales GMV was up 33% YoY in 4Q24 (12% YoY in 2024) driven by the trade-in program. We look for better than industry GMV growth for JD's home appliance category in 4Q24, driven by its strong supply chain capability for 1P home appliance products, as well as strong consumer mind share. Looking into 2025, with home appliance sub-categories that can enjoy trade-in subsidy expanded to 12 (from 8 in 2024), and inclusion of more categories into the program (ie: smartphone, smart watch, smart wristband), we are positive on the reacceleration in YoY growth of retail sales, and we remain confident that JD is best positioned among e-commerce peers to benefit from the trend in the short term given its greater than peers GMV exposure in EH&A related categories. We forecast total revenue growth of 6.2% YoY for JD in 2025E.

■ **JD Retail: expecting solid revenue and earnings growth in 4Q.** We anticipate that JD has recorded 8.8% YoY growth in net services revenue in 4Q24E. For JD Retail (JDR), we are looking for segment revenue of RMB294.0bn in 4Q24E, up 9.8% YoY (4Q23: 3.4% YoY; 3Q24: 6.1% YoY), 3% better than Bloomberg consensus. We estimate JDR recorded operating profit of RMB8.9bn in 4Q, up 28% YoY, driven by solid revenue growth and less user subsidy spending along with trade-in program, translating into 3.0% OPM, up 0.4ppts YoY.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	1,046,236	1,084,662	1,146,420	1,218,018	1,278,044
YoY growth (%)	9.9	3.7	5.7	6.2	4.9
Net profit (RMB mn)	10,380.0	24,167.0	40,387.9	46,730.2	49,352.2
Adjusted net profit (RMB mn)	28,220.0	35,200.0	46,060.4	49,741.7	52,523.6
EPS (Adjusted) (RMB)	11.75	22.20	29.05	31.37	33.13
Consensus EPS (RMB)	na	na	28.20	31.12	34.45
P/E (x)	43.0	18.6	11.1	9.6	9.1

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** US\$53.20  
**Up/Downside** 36.4%  
**Current Price** US\$39.00

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### Stock Data

Mkt Cap (US\$ mn)	61,834.5
Avg 3 mths t/o (US\$ mn)	376.9
52w High/Low (US\$)	47.08/21.44
Total Issued Shares (mn)	1585.5
Source: FactSet	

### Shareholding Structure

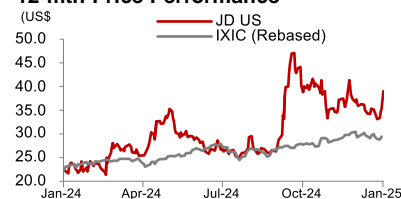
Richard Qiangdong Liu	13.8%
Max Smart Limited	13.3%
Source: HKEx	

### Share Performance

	Absolute	Relative
1-mth	4.6%	7.2%
3-mth	0.4%	-6.0%
6-mth	44.6%	32.5%

Source: FactSet

### 12-month Price Performance



Source: FactSet

## Revision in financial forecasts with target price unchanged

We lifted 2024-26E revenue forecast by 1-2% and non-GAAP net profit forecast by 2-8%, mainly driven by: 1) lift in forecast of E&HA segment revenue; 2) increase in GPM forecast and more optimized forecast in sales and marketing expense ratio, both driven by lower-than-expected spending in user spending aided by the positive impact brought up by trade-in program nationwide.

**Figure 1: JD: forecast revision**

RMB bn	Current			Previous			Change (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	1,146.4	1,218.0	1,278.0	1,135.8	1,202.5	1,258.5	0.9%	1.3%	1.6%
Gross profit	182.8	200.2	210.9	180.4	194.8	205.9	1.3%	2.8%	2.4%
Non-GAAP net profit	46.1	49.7	52.5	45.1	46.0	49.6	2.2%	8.1%	6.0%
Gross margin	15.9%	16.4%	16.5%	15.9%	16.2%	16.4%	0.1 ppt	0.2 ppt	0.1 ppt
Non-GAAP net margin	4.0%	4.1%	4.1%	4.0%	3.8%	3.9%	0.1 ppt	0.3 ppt	0.2 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	1,146.4	1,218.0	1,278.0	1,137.1	1,205.1	1,267.7	0.8%	1.1%	0.8%
Gross profit	182.8	200.2	210.9	179.0	192.9	204.6	2.1%	3.8%	3.0%
Non-GAAP net profit	46.1	49.7	52.5	44.5	47.5	51.1	3.5%	4.6%	2.7%
Gross margin	15.9%	16.4%	16.5%	15.7%	16.0%	16.1%	0.2 ppt	0.4 ppt	0.4 ppt
Non-GAAP net margin	4.0%	4.1%	4.1%	3.9%	3.9%	4.0%	0.1 ppt	0.1 ppt	0.1 ppt

Source: Bloomberg, CMBIGM estimates

## DCF-based target price of US\$53.2

Driven by the mixed impact of increase in both earnings forecast and capex estimate, our DCF-based target price remains unchanged at US\$53.2 (WACC of 11.8% and terminal growth of 1.5%; both unchanged). Our target price translates into 12x 2025E PE (non-GAAP).

**Figure 3: 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	1,218	1,278	1,325	1,363	1,392	1,415	1,434	1,448	1,459	1,468
NPV of FCF	282									
Discounted terminal value	188									
Total equity valuation	610									
No. of shares (diluted, mn)	1,586									
Valuation per share (US\$)	53.2									

Source: Bloomberg, CMBIGM estimates

## 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	1,146,420	1,218,018	1,278,044
Cost of goods sold	(822,525)	(899,163)	(924,958)	(963,614)	(1,017,861)	(1,067,162)
Gross profit	129,067	147,073	159,704	182,806	200,157	210,882
Operating expenses	(124,926)	(127,350)	(132,663)	(142,500)	(148,720)	(154,643)
Selling expense	(38,743)	(37,772)	(40,133)	(46,659)	(48,964)	(50,994)
Admin expense	(11,562)	(11,053)	(9,710)	(8,827)	(9,135)	(9,458)
R&D expense	(16,332)	(16,893)	(16,393)	(17,770)	(18,270)	(18,915)
Others	(58,288)	(61,632)	(66,427)	(69,244)	(72,350)	(75,277)
Operating profit	4,141	19,723	27,041	40,306	51,437	56,239
Other gains/(losses)	(590)	(1,555)	7,496	12,000	10,000	10,000
Share of (losses)/profits of associates/JV	(4,918)	(2,195)	1,010	0	0	0
EBIT	(1,367)	15,973	35,547	52,306	61,437	66,239
Interest income	(1,213)	(2,106)	(2,881)	(2,656)	(1,932)	(1,685)
Others	0	0	(1,016)	1,771	1,771	0
Pre-tax profit	(2,581)	13,867	31,650	51,420	61,276	64,554
Income tax	1,887	4,176	8,393	8,741	12,255	12,911
After tax profit	(4,467)	9,691	23,257	42,679	49,021	51,643
Minority interest	(924)	(697)	(910)	2,291	2,291	2,291
Discontinued operations	0	0	0	0	0	0
Others	(16)	(8)	0	0	0	0
Net profit	(3,560)	10,380	24,167	40,388	46,730	49,352
Adjusted net profit	17,207	28,220	35,200	46,060	49,742	52,524

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	299,672	351,074	307,810	354,675	406,198	462,575
Cash & equivalents	70,767	78,861	71,892	105,792	151,292	202,319
Restricted cash	5,926	6,254	7,506	7,506	7,506	7,506
Account receivables	11,900	20,576	20,302	25,127	26,696	28,012
Inventories	75,601	77,949	68,058	76,054	80,336	84,227
Prepayment	11,456	15,156	15,639	15,639	15,639	15,639
Other current assets	124,023	152,278	124,413	124,557	124,729	124,872
Non-current assets	196,835	244,176	321,148	333,797	348,916	362,821
PP&E	32,944	55,080	70,035	82,684	97,803	111,708
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	688,472	755,114	825,396
Current liabilities	221,636	266,561	265,650	273,828	285,531	296,003
Short-term borrowings	4,368	12,146	5,034	5,034	5,034	5,034
Account payables	140,484	160,607	166,167	170,215	179,798	188,506
Tax payable	2,568	5,926	7,313	7,313	7,313	7,313
Other current liabilities	33,083	37,624	35,848	39,978	42,099	43,862
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	78,731	80,599	82,632
Long-term borrowings	9,386	10,224	10,411	22,214	24,082	26,115
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	352,558	366,130	378,636
Share capital	0	0	0	0	0	0
Capital surplus	208,912	213,366	231,858	232,774	240,886	249,310
Retained earnings	0	0	0	38,617	83,576	132,928
Other reserves	1,212	590	614	614	614	614
Total shareholders equity	210,124	213,956	232,472	272,005	325,076	382,852
Minority interest	36,661	60,167	63,908	63,908	63,908	63,908
Total equity and liabilities	496,507	595,250	628,958	688,472	755,114	825,396

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(2,581)	13,867	31,650	51,420	61,276	64,554
Depreciation & amortization	6,232	7,236	8,292	10,118	11,676	12,934
Tax paid	(1,887)	(4,176)	(8,393)	(8,741)	(12,255)	(12,911)
Change in working capital	18,948	22,119	16,547	(4,788)	5,681	5,122
Others	21,588	18,773	11,425	3,545	4,050	6,133
<b>Net cash from operations</b>	<b>42,301</b>	<b>57,819</b>	<b>59,521</b>	<b>51,555</b>	<b>70,428</b>	<b>75,832</b>
<b>Investing</b>						
Capital expenditure	(19,057)	(38,165)	(15,050)	(26,368)	(26,796)	(26,839)
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
<b>Net cash from investing</b>	<b>(74,248)</b>	<b>(54,026)</b>	<b>(59,543)</b>	<b>(26,368)</b>	<b>(26,796)</b>	<b>(26,839)</b>
<b>Financing</b>						
Net borrowings	(2,975)	7,027	1,562	11,803	1,868	2,034
Proceeds from share issues	22,478	(5,847)	(7,370)	0	0	0
Others	0	0	0	0	0	0
<b>Net cash from financing</b>	<b>19,503</b>	<b>1,180</b>	<b>(5,808)</b>	<b>11,803</b>	<b>1,868</b>	<b>2,034</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	87,376	73,550	82,013	76,308	113,298	158,798
Exchange difference	(1,382)	3,490	125	0	0	0
<b>Cash at the end of the year</b>	<b>73,550</b>	<b>82,013</b>	<b>76,308</b>	<b>113,298</b>	<b>158,798</b>	<b>209,825</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	27.6%	9.9%	3.7%	5.7%	6.2%	4.9%
Gross profit	18.3%	14.0%	8.6%	14.5%	9.5%	5.4%
Operating profit	(55.0%)	376.3%	37.1%	49.1%	27.6%	9.3%
EBIT	na	na	122.5%	47.1%	17.5%	7.8%
Net profit	na	na	132.8%	67.1%	15.7%	5.6%
Adj. net profit	25.7%	64.0%	24.7%	30.9%	8.0%	5.6%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	13.6%	14.1%	14.7%	15.9%	16.4%	16.5%
Operating margin	0.4%	1.9%	2.5%	3.5%	4.2%	4.4%
Adj. net profit margin	1.8%	2.7%	3.2%	4.0%	4.1%	4.1%
Return on equity (ROE)	(1.7%)	4.9%	10.8%	16.0%	15.7%	13.9%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.3)	(0.3)	(0.2)	(0.3)	(0.4)	(0.4)
Current ratio (x)	1.4	1.3	1.2	1.3	1.4	1.6
Receivable turnover days	3.6	5.7	6.9	7.2	7.8	7.8
Inventory turnover days	(29.9)	(31.2)	(28.8)	(27.3)	(28.0)	(28.1)
Payable turnover days	(54.9)	(61.1)	(64.5)	(63.7)	(62.8)	(63.0)
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	ns	43.0	18.6	11.1	9.6	9.1
P/E (diluted)	ns	43.8	18.8	11.2	9.7	9.2
P/B	2.1	2.1	1.9	1.7	1.4	1.2

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

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