

COMPANY UPDATE

**JD.com (9618 HK)**

1Q24 Results Preview: Focusing On Three Core Strategies To Revitalise User Growth

**JD's top-line growth is expected to be 6% yoy for 1Q24, while GMV growth is projected to exceed China's 1Q24 retail growth of 4.7% yoy. In 2024, JD will have a clean base after reorganisation and targets to achieve high single-digit normalised GMV growth. Meanwhile, margin is expected to remain stable yoy due to ramped up investment in three major strategies including content ecosystem, open ecosystem and on-demand services. Maintain BUY. Target price: HK\$127.00 (US\$34.00).**

WHAT'S NEW

- Gradual top-line growth recovery in 1Q24.** JD.com's (JD) revenue growth is forecasted at 6% yoy in 1Q24 to Rmb257.8b, with 5% yoy growth from JD Retail (vs Alibaba's customer management revenue (CMR) growth of 3% and gross merchandise value (GMV) growth of about 6% yoy). Amid strong seasonality stemming from the Spring Festival, the solid top-line growth is primarily bolstered by: a) clean base from organisational overhaul in 2023, b) strong GMV growth as spurred by Spring Festival Gala, and c) marketplace and ad revenue growth turning positive in 1Q24 vs negative growth in 4Q23, primarily boosted by strong ad recovery despite the continuous double-digit yoy decline in 3P commission revenue. By month, GMV growth was strong in Jan-Feb 24 and softened in Mar 24. In terms of product categories, 1Q24 top-line growth was mainly bolstered by solid communication equipment and home appliances sales. The supermarket category underwent a gradual recovery in 1Q24 after bottoming out in 4Q23. We expect JD's 1Q24 gross margin to hold up well at 15% (vs 14.8% in 1Q23), attributable to a strategic focus on contribution from the 3P business. Meanwhile, JD estimates quarterly active customers (QAC) to deliver an accelerated growth in 1Q24, facilitating the solid growth in average revenue per paying user (ARPPU).
- JD targets to outperform the overall retail market in 2024,** and to enhance user experience and user growth. JD's normalised GMV growth in 2024 is guided to be high single-digit yoy, surpassing industry's (China retail) growth of 6% yoy as projected by Bloomberg, and JD Retail should grow at a similar rate. As JD enters a clean base in 2024, we forecast revenue to grow at 7% yoy to Rmb1.16trn and non-GAAP net profit to be flattish yoy at Rmb37.5b, translating to a net margin growth of 3.2%, while JD Retail margin remains largely stable yoy. Upon restructuring, JD's supermarket category will normalise to a healthy GMV growth and remain as a key driver for expansion in the long term. The full-year 2024 JD Logistics revenue is guided to grow by high single digit yoy while net profit margin is guided to range between 1.7% and 2%.
- Stable margin for 1Q24 and 2024.** With JD's ongoing efforts to streamline investments of new initiatives, we expect 1Q24/2024 non-GAAP operating profit to come in at Rmb9b/Rmb43.4b with operating margin of 3.5%/3.7% respectively. We estimate JD's 1Q24 adjusted net profit to be flattish yoy, with net margin remaining stable yoy at 3% mainly due to elevated sales & marketing (S&M) spending on Spring Festival Gala sponsorship. In 1Q24, we estimate JD Retail's operating margin to remain under pressure at 3.7% mainly attributed to heightened investment in three core strategies.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	1,046,236.0	1,084,662.0	1,151,619.6	1,230,808.4	1,279,932.4
EBITDA	684.2	17,294.0	60,145.9	69,205.5	75,242.7
Operating profit	18,344.0	26,213.0	36,879.1	45,601.3	51,139.9
Net profit (rep./act.)	9,009.0	24,355.0	29,332.6	34,909.2	38,171.3
Net profit (adj.)	28,570.0	37,433.0	36,629.7	42,825.8	44,563.6
EPS (Fen)	899.0	1,178.2	1,176.4	1,375.4	1,417.0
PE (x)	10.2	7.8	7.8	6.6	6.4
P/B (x)	1.3	1.2	1.1	1.0	0.9
EV/EBITDA (x)	452.6	17.9	5.1	4.5	4.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	0.9	2.2	2.5	2.8	3.0
Net debt/(cash) to equity (%)	(11.9)	(2.5)	(15.9)	(28.4)	(38.4)
Interest cover (x)	0.3	n.a.	n.a.	41.4	34.2
ROE (%)	4.2	10.9	11.9	12.5	12.1
Consensus net profit	-	-	35,935	39,897	44,694
UOBKH/Consensus (x)	-	-	1.02	1.07	1.00

Source: JD.com, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$98.85
Target Price	HK\$127.00
Upside	+28.5%

COMPANY DESCRIPTION

JD.com is the leading online direct sales player in China.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	9618 HK
Shares issued (m):	2,821.0
Market cap (HK\$m):	310,807.7
Market cap (US\$m):	39,694.5
3-mth avg daily t'over (US\$m):	143.8

Price Performance (%)

52-week high/low	HK\$159.80/HK\$82.50			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(5.4)	5.8	(4.7)	(33.1)	(12.1)

Major Shareholders

	%
Walmart Inc	10.5
Vanguard Group Inc	3.4
BlackRock Inc	3.2
FY24 NAV/Share (RMB)	84.88
FY24 Net Cash/Share (RMB)	13.48

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Julia Pan Meng Yao**  
 +8621 5404 7225 ext 808  
 juliapan@uobkayhian.com

**Soong Ming San**  
 +603 21471912  
 mingsan@uobkayhian.com

### STOCK IMPACT

- Overview of macro backdrop in 1Q24.** Based on NBS data, online physical retail goods GMV grew 11.6% yoy in 1Q24, accelerating from 6.6% yoy in 4Q23, anchored by strong seasonality stemming from the Spring Festival. Communication equipment maintained strong growth of 16.2%/7.2% yoy in Jan-Feb/Mar 24 mainly driven by resilient home electronics and smartphone sales, with fast-moving consumer goods (FMCG) and property remaining soft yoy. We forecast the GMV of online retail to grow 7.3% in 2024 vs 8.8% for 2023, on the back of our total retail growth assumption of 5.5% yoy.
- Steps up efforts to build content ecosystem.** On 16 April, leveraging on Yanxi LLM, an AI digital persona based on Liu Qiangdong, made its debut in the JD procurement live broadcast room. This live broadcast was supported by JD Cloud's self-developed AI-driven grand gesture digital persona technology called Yanxi. Within one minute of the broadcast, over 3.682m people flooded into the Procurement Brother Dong live broadcast room.
- JD Retail unveiled three major strategies for 2024: Content ecosystem, open platform, on-demand services.** a) The content ecosystem mainly focuses on live streaming, short videos, and graphic and text sections on the platform. JD's commitment can be seen from the investment of Rmb1b in cash in an attempt to incentivise short video creators and content agencies, aiming to increase user stickiness; b) the open ecosystem strategy aims to attract more 3P merchants in order to enrich JD's product categories and price ranges to meet the diverse needs of consumers; and c) on-demand services strategy. On 1 April, JD lowered its free-delivery minimum order for one-hour delivery services to Rmb29 (\$4.01) covering nearly 90% of the full range of goods in nearly 90% of stores.
- JD announced the further upgrade of its Spring Dawn Plan on 11 March,** unveiling 20 support measures. Key initiatives include providing free access to AI tools for all-category merchants, offering services such as storefront setup, graphic design, video creation, customer service, and live streaming. These measures aim to help merchants save 50% of their operational costs. Moreover, JD will continue implementing rebate policies and marketing support for 80% of its categories to boost user growth and order volume for 3P merchants.
- Shareholder return.** JD's new share repurchase plan is worth up to US\$3b (12% of its market cap), with estimated repurchase of US\$2.2b per year (2.3% of market cap) until Mar 27. The forecasted shareholder return of 2.3% is backed by its 2024 net cash per share of HK\$20.

### EARNINGS REVISION/RISK

- We keep our 1Q24/2024 revenue estimates largely unchanged, representing revenue growths of 6%/7% yoy respectively. We raised our non-GAAP net profit forecasts for 1Q24/2024 by 5.7%/4.3%, underpinned by narrowed losses in new businesses. We expect JD's adjusted net margin for 1Q24/2024 to be 3.0%/3.2% respectively.
- Risks:** a) Consumption and logistics disruption from the pandemic in the coming quarters, b) intensified competition in the fresh produce and FMCG segments from peers, and c) consumption downgrade.

### VALUATION/RECOMMENDATION

- Maintain BUY on JD with a target price of HK\$127.00 (US\$34.00),** based on our SOTP valuation to 2024. Our target price implies 10x 2024F PE, 1.1x PEG. We expect margin erosion by investment of user experience and three strategic movements. JD is currently trading at 7.5x 2024F PE, against 8% EPS CAGR over the next three years.

### SHARE PRICE CATALYST

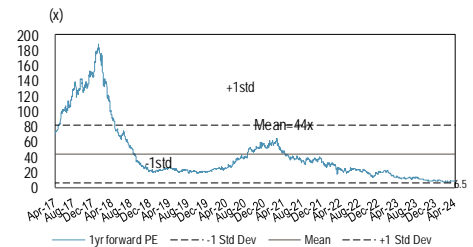
- Strong growth, continued new user margin expansion with improved operating efficiency and further extension of logistics services to internal and external customers.

### VALUATION

2024F	Revenue (Rmbm)	EBITDA (Rmbm)	EV/EBITDA (x)	To JD (HK\$)	JD stake	To JD (20% discount)	HK\$/share	% of TP value
JD Retail	992,610	37,719	6	226,315	Majority	203,684	64	51%
JD Logistics (mkt cap)				49,363	81%	31,987	10	8%
JD Digital/Industrial/Real estate				70,470	37%	20,859	8	6%
JD Health (mkt cap)				88,962	67%	47,684	15	12%
Key Investments						28,188	9	7%
Net cash				63,161		63,161	20	16%
SOTP value				498,271		395,562	127	

Source: JD.com, UOB Kay Hian

### 12-MONTH FORWARD PE BAND



Source: JD.com, UOB Kay Hian

### 12-MONTH FORWARD EV/SALES BAND



Source: JD.com, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Net turnover	1,084,662	1,151,620	1,230,808	1,279,932
EBITDA	17,294	60,146	69,205	75,243
Deprec. & amort.	(8,919)	23,267	23,604	24,103
EBIT	26,213	36,879	45,601	51,140
Total other non-operating income	1,010	0	0	0
Net interest income/(expense)	4,615	4	(1,672)	(2,202)
Pre-tax profit	31,838	36,883	43,930	48,938
Tax	(8,393)	(7,550)	(9,020)	(10,766)
Minorities	910	0	0	0
Net profit	24,355	29,333	34,909	38,171
Net profit (adj.)	37,433	36,630	42,826	44,564

### CASH FLOW

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Operating	59,521	51,180	67,255	69,882
Pre-tax profit	31,838	36,883	43,930	48,938
Tax	(8,393)	(7,550)	(9,020)	(10,766)
Deprec. & amort.	(8,919)	23,267	23,604	24,103
Associates	3	4	5	6
Working capital changes	13,795	(1,420)	8,741	7,608
Other operating cashflows	31,197	(4)	(5)	(6)
Investing	(59,543)	(23,032)	(24,616)	(25,599)
Capex (growth)	(6,036)	(23,032)	(24,616)	(25,599)
Capex (maintenance)	1	2	3	4
Investments	(65,116)	0	0	0
Proceeds from sale of assets	1	2	3	4
Others	11,607	(4)	(6)	(8)
Financing	(5,808)	(3,200)	(3,200)	(3,200)
Dividend payments	1	2	3	4
Issue of shares	18,492	0	0	0
Proceeds from borrowings	12,362	(3,200)	(3,200)	(3,200)
Loan repayment	1	2	3	4
Others/interest paid	(36,664)	(4)	(6)	(8)
Net cash inflow (outflow)	(5,830)	24,948	39,438	41,084
Beginning cash & cash equivalent	78,861	71,892	104,346	143,784
Changes due to forex impact	125	0	0	0
Ending cash & cash equivalent	71,892	104,346	143,784	184,868

### BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	70,035	69,801	70,813	72,308
Other LT assets	251,113	251,113	251,113	251,113
Cash/ST investment	71,892	104,346	143,784	184,868
Other current assets	235,918	241,234	250,523	256,484
<b>Total assets</b>	<b>628,958</b>	<b>666,493</b>	<b>716,232</b>	<b>764,773</b>
ST debt	0	0	0	0
Other current liabilities	265,650	277,053	295,082	308,652
LT debt	65,964	62,764	59,564	56,364
Other LT liabilities	964	964	964	964
Shareholders' equity	232,472	261,805	296,714	334,885
Minority interest	63,908	63,908	63,908	63,908
<b>Total liabilities &amp; equity</b>	<b>628,958</b>	<b>666,493</b>	<b>716,232</b>	<b>764,773</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	1.6	5.2	5.6	5.9
Pre-tax margin	2.9	3.2	3.6	3.8
Net margin	2.2	2.5	2.8	3.0
ROA	4.0	4.5	5.0	5.2
ROE	10.9	11.9	12.5	12.1
<b>Growth</b>				
Turnover	3.7	6.2	6.9	4.0
EBITDA	2,427.8	247.8	15.1	8.7
Pre-tax profit	154.9	15.8	19.1	11.4
Net profit	170.3	20.4	19.0	9.3
Net profit (adj.)	31.0	(2.1)	16.9	4.1
EPS	31.1	(0.2)	16.9	3.0
<b>Leverage</b>				
Debt to total capital	18.2	16.2	14.2	12.4
Debt to equity	28.4	24.0	20.1	16.8
Net debt/(cash) to equity	(2.5)	(15.9)	(28.4)	(38.4)
Interest cover (x)	n.a.	n.a.	41.4	34.2

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W