

COMPANY RESULTS

JD.com (9618 HK)

1Q24: Solid Earnings Beat; High Single-digit Revenue Growth On Track

JD's 1Q24 revenue grew 7% yoy to Rmb260b, slightly better than our and consensus estimates. Gross profit margin improved 47bp yoy to 15.3% in 1Q24. Non-GAAP operating profit rose 11% yoy to Rmb9b, translating to non-GAAP operating profit margin of 3.5%. Non-GAAP net profit came in at Rmb8.9b, beating our and consensus expectations, as a result of streamlining of operations. Adjusted net margin was 3.4%. Maintain BUY with a higher target price of HK\$151.00 (US\$40.00).

1Q24 RESULTS

Year to 31 Dec (Rmbm)	1Q23	4Q23	1Q24	qoq	yoy	UOBKH	Var	Cons	Var
Total Net revenue	242,956	306,077	260,049	-15%	7%	257,772	0.9%	258,346	0.7%
Online direct sales	195,564	246,501	208,508	-15%	7%	202,998	2.7%		
Services and Others	47,392	59,576	51,541	-13%	9%	54,774	-5.9%		
Gross profits	36,018	43,502	39,770	-9%	10%	38,584	3.1%	38,504	3.3%
GPM	14.8%	14.2%	15.3%	108 bps	47 bps	15.0%	32 bps	14.9%	38.9 bps
Non-GAAP OP	8,072	7,793	8,996	15%	11%	8,969	0.3%		
Non-GAAP OPM	3.32%	2.55%	3.46%	91 bps	14 bps	3.48%	(2 bps)		
GAAP net income	6,261	3,389	7,130	110%	14%	6,250	14.1%		
Non-GAAP net income	7,591	8,415	8,899	6%	17%	7,799	14.1%	7,412	20.1%
Non-GAAP Net Margin	3.1%	2.7%	3.4%	67 bps	30 bps	3.0%	40 bps	2.9%	55.3 bps

Source: JD.com, UOB Kay Hian

RESULTS

- 1Q24: Well on track for high single-digit growth target.** JD.com's (JD) 1Q24 revenue growth accelerated to 7% yoy, reaching Rmb260b vs 3.6% yoy in 4Q23. Electronics and home appliances delivered revenue growth of 5% yoy, remaining stable from a 6% yoy growth in 4Q23. General merchandise revenue growth rebounded to 9% yoy (4Q23: flattish yoy), thanks to a strong recovery in the supermarket category, with fashion and home goods maintaining solid momentum. The supermarket category registered a double-digit gross merchandises value (GMV) and revenue growth in 1Q24, with heightening order volumes and shopping frequency. Marketplace and ad revenue recovered to positive growth of 1% yoy (4Q23: -4%), thanks to resilient growth in advertising revenue, while partially dampened by subdued commission revenue growth resulting from strategic prioritisation in ecosystem development over monetisation. JD Retail's revenue grew 7% yoy in 1Q24 (vs Alibaba's 3% yoy customer management revenue growth), with double-digit GMV growth, while EBIT declined 5% yoy, with EBIT margin of 4.1%, expanding sequentially from 2.6% in 4Q23 as a result of a strategic refocus.
- Margin overview.** Gross margin expanded 47bp in 1Q24, mainly contributed by higher 1P product sales gross margin across most of the categories, leveraging on strong supply chain capabilities. Non-GAAP operating margin inched up 1ppt yoy to 21%, mainly attributable to its investment in user experience and user base expansion. EBIT margins of the JD Retail/JD Logistics/other business segments came in at +4.1%/+0.5%/-1.6%, vs +4.6%/-3.1%/-10.8% respectively in 1Q23. In 1Q24, JD repurchased an aggregate of US\$1.3b (2.5% of market shares).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Net turnover	1,046,236.0	1,084,662.0	1,160,572.3	1,238,409.0	1,301,218.9
EBITDA	684.2	17,294.0	59,415.7	67,210.1	75,385.3
Operating profit	18,344.0	26,213.0	36,104.0	43,534.4	51,122.4
Net profit (rep./act.)	9,009.0	24,355.0	30,365.0	33,354.8	38,234.6
Net profit (adj.)	28,570.0	37,433.0	38,310.8	41,192.9	44,626.7
EPS (Fen)	899.0	1,178.2	1,228.5	1,320.9	1,416.9
PE (x)	13.6	10.4	10.0	9.3	8.6
P/B (x)	1.8	1.7	1.4	1.3	1.1
EV/EBITDA (x)	577.5	22.8	6.6	5.9	5.2
Dividend yield (%)	0.3	2.4	3.1	3.4	3.7
Net margin (%)	0.9	2.2	2.6	2.7	2.9
Net debt/(cash) to equity (%)	(11.9)	(2.5)	(16.6)	(28.5)	(38.5)
Interest cover (x)	0.3	n.a.	n.a.	42.6	35.8
ROE (%)	4.2	10.9	12.3	11.9	12.1
Consensus net profit	-	-	36,225	39,797	44,379
UOBKH/Consensus (x)	-	-	1.06	1.04	1.01

Source: JD.com, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$132.40
Target Price	HK\$151.00
Upside	+14.0%
(Previous TP)	HK\$127.00

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):	2,737.3
Market cap (HK\$m):	405,205.7
Market cap (US\$m):	51,914.2
3-mth avg daily t'over (US\$m):	158.8

Price Performance (%)

52-week high/low	HK\$159.80/HK\$82.50
1mth	33.9
3mth	38.3
6mth	22.6
1yr	(9.8)
YTD	17.7

Major Shareholders

Walmart Inc	10.5
BlackRock Inc	5.4
Vanguard Group Inc	3.5
FY24 NAV/Share (RMB)	85.01
FY24 Net Cash/Share (RMB)	14.07

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Overview of 2Q24 seasonality; on track to achieve 2024 full-year target.** By category, JD expects a moderated momentum from electronic and home appliances, mainly impacted by the high base last year. Meanwhile, general merchandise revenue is projected to deliver strong momentum in 2Q24, primarily benefitting from the robust supermarket category. JD's 2024 full-year target of outperforming the overall retail market remains unchanged. This entails JD's normalised GMV growth in 2024 reaching high single-digit yoy, surpassing the industry's (China retail) growth of 6% yoy as projected by Bloomberg, while JD Retail should grow at a similar rate. 2024 non-GAAP net profit is guided to be flattish yoy in dollar amount, with JD Retail margin remaining stable yoy.
- Pivoting focus to expand platform ecosystem** by attracting and supporting merchants. In 1Q24, the number of effective merchants on JD's platform exceeded 1m, with the number of active merchants experiencing accelerated growth for four consecutive quarters. In 1Q24, JD achieved accelerated growth in both 3P transaction users and 3P order volume, with net promoter score (NPS) for 3P continuing to improve. Since 2H23, JD has collaborated with merchants to pioneer service innovations, leading to the implementation of services like late delivery compensation, refund-only policies, and free doorstep pickup for returns.
- Cultivating a virtuous cycle between 1P and 3P.** In 1Q24, both JD and JD Retail's quarterly active number experienced double-digit yoy growth, sustaining the high growth trajectory from 4Q23. In 1Q24, JD's NPS saw meaningful improvement on both 1P and 3P site on a yoy basis and a sequential basis. With heightening user base and shopping frequency, JD's order volume continued to rise at a double digits yoy in 1Q24, which sustained for three consecutive quarters.
- 618 promotion riding on quality and affordability theme** to adopt a streamlined approach and foster user experience. The event will kick off at 8 pm on 31 May, with products available for immediate purchase. While maintaining a low-price strategy, JD's focus for 618 festival this year is to highlight its ability to offer differentiated, high-quality products at affordable prices with excellent service. In addition, JD will increase efforts to support SME merchants, aiming to more than double the number of merchants achieving over 1m in sales. We believe that JD will continue to balance the GMV growth and profitability during the campaign this year.

EARNINGS REVISION/RISK

- We leave our 2Q24/2024 revenue forecasts largely unchanged, and are confident on the revenue growth in 2Q24/2024. We raised our 2024 non-GAAP net profit by 2% in view of improving operational efficiency. For 2Q24/2024, we forecast a 6%/7% yoy revenue growth. We expect 2Q24/2024 adjusted net profit to edge up 2%/2% yoy respectively, translating to net margin of 3%/3.3% (vs 2023: 3.5%).
- Risks: Intensified competition from PDD in the fresh produce and the fast-moving consumer goods segment, as well as slowing GMV growth and weaker consumption sentiment.

VALUATION/RECOMMENDATION

- Maintain BUY with a higher target price of HK\$151.00 (US\$40.00). Our target price implies 11x 2024F PE. JD is trading at 10x 2024F PE. We remain optimistic on JD's recovery from a low base due to restructuring last year while JD is confident about achieving a high single-digit or even double-digit growth in 2024 revenue.

SHARE PRICE CATALYST

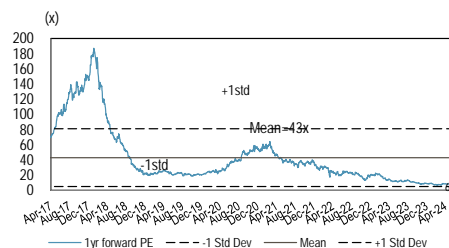
- a) Strong new user growth, b) continued margin expansion with improved operating efficiency, and c) further extension of logistics services to internal and external customers.

SOTP 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	1,009,152	44,403	7	310,819	Majority	279,737	88	58%
JD Logistics (mkt cap)				49,363	81%	31,987	10	7%
JD Digital/Industrial/Real estate				70,470	37%	20,859	8	5%
JD Health (mkt cap)				88,962	67%	47,684	15	10%
Key Investments						28,188	9	6%
Net cash				64,058		64,058	21	14%
SOTP value				583,672		472,513	151	

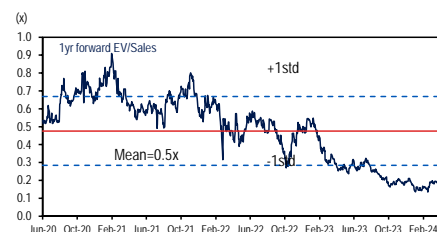
Source: UOB Kay Hian

12-MONTH FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

12-MONTH FORWARD EV/SALES BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Net turnover	1,084,662	1,160,572	1,238,409	1,301,219
EBITDA	17,294	59,416	67,210	75,385
Deprec. & amort.	(8,919)	23,312	23,676	24,263
EBIT	26,213	36,104	43,534	51,122
Total other non-operating income	1,010	(730)	0	0
Net interest income/(expense)	4,615	2,972	(1,577)	(2,104)
Pre-tax profit	31,838	38,346	41,958	49,019
Tax	(8,393)	(7,746)	(8,603)	(10,784)
Minorities	910	(235)	0	0
Net profit	24,355	30,365	33,355	38,235
Net profit (adj.)	37,433	38,311	41,193	44,627

CASH FLOW

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Operating	59,521	53,328	65,677	70,361
Pre-tax profit	31,838	38,346	41,958	49,019
Tax	(8,393)	(7,746)	(8,603)	(10,784)
Deprec. & amort.	(8,919)	23,312	23,676	24,263
Associates	3	4	5	6
Working capital changes	13,795	(583)	8,646	7,864
Other operating cashflows	31,197	(4)	(5)	(6)
Investing	(59,543)	(23,211)	(24,768)	(26,024)
Capex (growth)	(6,036)	(23,211)	(24,768)	(26,024)
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)	26,917	37,708	41,137
Beginning cash & cash equivalent	78,861	71,892	106,315	144,023
Changes due to forex impact	125	0	0	0
Ending cash & cash equivalent	71,892	106,315	144,023	185,160

BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Fixed assets	70,035	69,935	71,027	72,789
Other LT assets	251,113	251,113	251,113	251,113
Cash/ST investment	71,892	106,315	144,023	185,160
Other current assets	235,918	242,309	251,593	259,186
Total assets	628,958	669,672	717,757	768,248
ST debt	0	0	0	0
Other current liabilities	265,650	278,964	296,894	312,351
LT debt	65,964	62,764	59,564	56,364
Other LT liabilities	964	964	964	964
Shareholders' equity	232,472	263,072	296,427	334,661
Minority interest	63,908	63,908	63,908	63,908
Total liabilities & equity	628,958	669,672	717,757	768,248

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	1.6	5.1	5.4	5.8
Pre-tax margin	2.9	3.3	3.4	3.8
Net margin	2.2	2.6	2.7	2.9
ROA	4.0	4.7	4.8	5.1
ROE	10.9	12.3	11.9	12.1
Growth				
Turnover	3.7	7.0	6.7	5.1
EBITDA	2,427.8	243.6	13.1	12.2
Pre-tax profit	154.9	20.4	9.4	16.8
Net profit	170.3	24.7	9.8	14.6
Net profit (adj.)	31.0	2.3	7.5	8.3
EPS	31.1	4.3	7.5	7.3
Leverage				
Debt to total capital	18.2	16.1	14.2	12.4
Debt to equity	28.4	23.9	20.1	16.8
Net debt/(cash) to equity	(2.5)	(16.6)	(28.5)	(38.5)
Interest cover (x)	n.a.	n.a.	42.6	35.8

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