

COMPANY RESULTS

JD.com (9618 HK)

4Q23: Earnings Beat; US\$3b Buyback Plan; Vague Visibility On 2024 Outlook And 3P Monetisation

JD's 4Q23 revenue edged up 3.6% yoy to Rmb306b, slightly better than our and consensus estimates. Gross margin improved 15bp yoy to 14.2% in 4Q23. Non-GAAP operating profit rose 7% yoy to Rmb7.8b, translating to non-GAAP operating margin of 2.5%. Non-GAAP net profit came in at Rmb8.4b, 16% above consensus estimate, as a result of streamlining of operations. Adjusted net margin was 2.7%, better than the street's expectation. Maintain BUY with a lower target price of HK\$116.00 (US\$31.00).

4Q23 RESULTS

Year to 31 Dec (Rmbm)	4Q22	3Q23	4Q23	qoq	yoy	UOBKH	Var	Cons	Var
Total Net revenue	295,446	247,698	306,077	24%	4%	301,027	1.7%	299,902	2.1%
Online direct sales	237,599	195,304	246,501	26%	4%	235,301	4.8%		
Services and Others	57,847	52,394	59,576	14%	3%	65,727	-9.4%		
Gross profits	41,537	38,751	43,502	12%	5%	46,235	-5.9%	43,306	0.5%
GPM	14.1%	15.6%	14.2%	(143 bps)	15 bps	15.4%	(115 bps)	14.4%	(22.7 bps)
Non-GAAP OP	7,252	11,120	7,793	-30%	7%	11,412	-31.7%		
Non-GAAP OPM	2.45%	4.49%	2.55%	(194 bps)	9 bps	3.79%	(125 bps)		
GAAP net income	3,032	7,936	3,389	-57%	12%	7,777	-56.4%		
Non-GAAP net income	7,659	10,637	8,415	-21%	10%	8,055	4.5%	7,239	16.2%
Non-GAAP Net Margin	2.6%	4.3%	2.7%	(155 bps)	16 bps	2.7%	7 bps	2.4%	33.5 bps

Source: JD.com, UOB Kay Hian

RESULTS

- 4Q23 top-line growth remained lacklustre.** JD.com's (JD) 4Q23 revenue growth remained intact at 3.6% yoy vs 1.7% yoy in 3Q23, better than management's previous guidance. Electronics and home appliances delivered revenue growth of 6% yoy vs flattish yoy growth in 3Q23 on seasonality. General merchandise revenue declined 2% yoy (2Q23: -9%) due to seasonal impact of the Spring Festival, partially offset by a double-digit yoy growth in home goods, sports and apparel. JD believes this segment has bottomed out and the growth trend will strengthen in 2024, driven by increasing order volume and shopping frequency. Marketplace and ad revenue dropped 4% yoy (3Q23: +3%), due to a decline in commission revenue resulting from supporting initiatives including commission-free offerings for new merchants. JD Retail revenue grew 3.4% yoy in 4Q23 (vs Alibaba's flattish yoy CMR growth) while EBIT declined 12% yoy, with EBIT margin of 2.6%, shrinking sequentially from 5.2% in 3Q23 as a result of strategic refocus.
- Margin overview.** Gross margin expanded 15bp in 4Q23 despite its investment in low-price strategy and user experience (such as extended free shipping service). Non-GAAP operating margin inched up 9bp yoy to 2.6%, 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 +2.6%/+2.8%/-12%, vs +3%/+2.1%/-24.2% respectively in 4Q22. The operating loss of its new business was primarily attributed to a scaling back of JD's international business.

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)	9.1	7.0	7.0	6.0	5.8
P/B (x)	1.2	1.1	1.0	0.9	0.8
EV/EBITDA (x)	409.7	16.2	4.7	4.1	3.7
Dividend yield (%)	0.3	2.4	3.1	3.4	3.7
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	-	-	33,746	35,466	40,020
UOBKH/Consensus (x)	-	-	1.09	1.21	1.11

Source: Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$89.20
Target Price	HK\$116.00
Upside	+30.0%
(Previous TP)	HK\$135.00

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):	2,756.6
Market cap (HK\$m):	280,357.1
Market cap (US\$m):	35,834.3
3-mth avg daily t'over (US\$m):	132.9

Price Performance (%)

52-week high/low HK\$179.30/HK\$82.50

1mth	3mth	6mth	1yr	YTD
(3.8)	(13.7)	(32.7)	(52.4)	(20.7)

Major Shareholders

	%
Walmart Inc	10.5
BlackRock Inc	5.4
Vanguard Group Inc	3.5
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

- Annual dividend and share repurchase plan.** JD's board of directors has approved an annual cash dividend for the year ended 31 Dec 23 of US\$0.38 per ordinary share, or US\$0.76 per ADS on 5 Apr 24. The aggregate amount of dividend is US\$1.2b, exceeding the US\$1b in 2023. The board of directors has also approved a new share repurchase plan, which will come into effect upon the expiration of the existing share repurchase plan and allow for the repurchase of shares worth up to US\$3b (c. 9% of its market cap) within the next 36 months ending in Mar 27.
- 2024 targets underpinned by supermarket category.** JD's normalised gross merchandise value (GMV) is guided to grow by high single digits yoy in 2024, surpassing industry (China retail) growth, with JD Retail expected to grow at a similar rate. Given the elimination of the adverse impact from reorganisation in 2024, JD is confident of achieving high single-digit or even double-digit growth in 2024 revenue. We forecast revenue and non-GAAP net profit to grow 8% yoy and drop 2% yoy to Rmb1.2t and Rmb36.6b respectively, which will translate to a net margin of 3.2%. JD continues to refine its product categories mix, enhance the sales channel structure and bolster operational capabilities. Upon restructuring, JD's supermarket category is poised to experience normalised healthy GMV growth and remain as a key driver for expansion in the long term. 3P GMV yoy growth has continued to outpace 1P GMV yoy growth, and will remain as the key focus throughout 2024. However, JD will prioritise enhancing its merchant base instead of 3P monetisation in the near term, by targeting small and medium-sized enterprises to diversify product range.
- Seeking new growth engine through Currys acquisition.** Currys, a leading UK retailer specialising in electronic products, operates 301 stores in the UK and holds a 24% market share. Currys reported FY23 revenue of £9.5b or Rmb87b (28% of JD's total revenue) and loss after tax of -£481m. Based on the previous offer from Elliott Advisors of £0.62 per share, their valuation of Currys is £700m or Rmb6.4b, which accounts for 17%/10% of JD's 2024 non-GAAP net profit/net cash, respectively. JD made a preliminary acquisition offer of £0.62 per share. On 19 February, JD stated that the evaluation of the acquisition of Currys is still in a "very preliminary stage", and the deadline for the offer is 18 March. JD did not rule out a cash acquisition offer for Currys' issued share capital. With JD's 2024 net cash per share of HK\$23.00, we opine the investment will lead to further margin erosion.

EARNINGS REVISION/RISK

- We leave our 1Q24/2024 revenue forecasts largely unchanged, in view of the lacklustre revenue growth in 4Q23.** We lower our 1Q24/2024 non-GAAP net profit by 5%/5%, respectively. For 1Q24/2024, we forecast a 5%/6% yoy revenue growth. We expect 1Q24/2024 adjusted net profit to edge up 2% and inch down 2% yoy respectively, translating to net margin of 3%/3.2% (vs 2023: 3.5%).
- Risks:** Intensified competition from PDD in the fresh produce and the fast-moving consumer goods segment, and slowing GMV growth and weaker consumption sentiment.

VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of HK\$116.00 (US\$31.00)** as we roll our valuation base forward to the next 12 months. Our target price implies 9x 2024F PE. JD is trading at 7x 2024F PE.

SHARE PRICE CATALYST

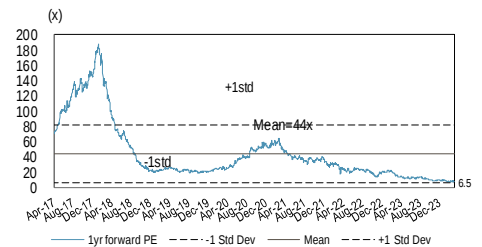
- a) Strong new user growth, b) continued margin expansion with improved operating efficiency, and c) further extension of logistics services to internal and external customers.**

VALUATION

2023-24F	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	5	188,596	Majority	169,736	53	46
JD Logistics (mkt cap)				49,363	81	31,987	10	9
JD Digital/Industrial/Real estate				70,470	37	20,859	8	7
JD Health (mkt cap)			3x (PS)	88,962	67	47,684	15	13
Key Investments						28,188	9	8
Net cash				63,683		63,683	20	18
SOTP value				461,074		362,137	116	

Source: JD.com, UOB Kay Hian

JD'S 12-MONTH FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

JD'S 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	1,151,620	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	251,114	251,115
Cash/ST investment	71,892	104,346	143,784	184,868
Other current assets	235,918	241,234	250,523	256,484
Total assets	628,958	666,493	716,233	764,775
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	965	966
Shareholders' equity	232,472	261,805	296,714	334,885
Minority interest	63,908	63,908	63,908	63,908
Total liabilities & equity	628,958	666,493	716,233	764,775

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
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
Growth				
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
Leverage				
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