

Internet Software & Services |
Company Research
22 November 2022

3Q22 profitability beat expectations

Buy
Unchanged

Market Data: 21 November 2022

Closing price (US\$)	52.50
IXIC	11024.51
52-week high/Low (US\$)	90.41/33.17
Market Cap (US\$bn)	82.0
Shares outstanding (bn)	3.12
Exchange Rate (Rmb-US\$)	7.16

Price Performance Chart:



Source: wind

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JD.COM INC (JD:US)

JD reported FY3Q22 revenue of Rmb243.5bn (+11.4% YoY), of which service revenue was Rmb46.5bn (+42.2% YoY). Non-GAAP net income attributable to ordinary shareholders was Rmb10.0bn, compared to Rmb5.0bn for the same period last year, well above our expectations.

JD's one-hour delivery service grew rapidly. With more premium brands included, JD retail overall profitability surged, with FY3Q22 revenue of Rmb211.9bn (+7% YoY) and operating income of Rmb10.93bn (+38% YoY), indicating an operating margin of 5.2% (+1.2ppts YoY). Specifically, the income from home appliances grew 7.6% YoY, and daily necessities rose 3.5% YoY. JD's one-hour delivery achieved a growth of 160% YoY in GMV. "One-hour delivery" and "to home" services cooperated with over 200k physical stores to serve consumers in over 1,800 counties and cities through both online and offline channels. JD Ehome, the first authorized Apple offline store operated by JD.com, was officially launched in Beijing and the largest JD Mall store in China opened in Shenyang. The number of third-party merchants in the open-retail-ecology has grown by more than 20% YoY for seven consecutive quarters. In 3Q, luxury brand FENDI opened a flagship store on JD.com, rendering JD.com the first of its kind with a full partnership with the nine top fashion brands under LVMH.

Improved profitability & expense control of JD Logistics. In 3Q22 JD achieved a gross margin of 14.9% (+0.64ppt YoY), with a fulfillment gross margin of 9% (+1.3pct YoY). 3Q22 JD Logistics booked revenue of Rmb35.77bn (+38.9% YoY), and operating profit of Rmb253m, a big jump QoQ. The firm's new business recorded 3Q22 operating profit of Rmb276m, turning losses into profits QoQ. The marketing and management expense ratios were 3.12% (-0.45ppt YoY) and 1.07% (-0.35ppt YoY), when the fulfillment expense ratio dropped 0.62 ppt from 5.91% in 3Q21, and the R&D expense ratio stood at 1.68% (-0.15ppt YoY).

Active user expansion & integrated supply chains. As of 3Q22, JD's annual active customer (AAC) swelled 6.5% YoY to 588m, mainly thanks to a net increase of c.10m users in the core retail business, while daily active users (DAU) maintained a solid double-digit growth YoY. JD Logistics kept intensive cooperation with many major customers in fast-moving consumer goods (FMCG), home appliances, furniture and apparel, 3C automotive, fresh food and other industries, while proceeding to offer integrated supply chain solutions for upstream and downstream clients. JD Logistics' revenue in 3Q22 hit Rmb35.8bn (+38% YoY), when external revenue of integrated supply chains and the user base maintained double-digit growth, with external revenue accounting for c.70% of the total. JD Logistics Aviation officially came into operation in 3Q22, promising to strengthen JD Logistics' integrated supply chain logistics, cut costs and enhance efficiency across the chain. As of end-August 2022, the "Benfu Plan" helped rural areas to deliver Rmb620bn of output, while the intelligent supply chains bolstered efficiency and quality for industrial manufacturing.

Maintain BUY. We are optimistic about the spillover benefits of the supply chain, especially with the expansion of premium users and high-end brands, and improved profitability of the core retail business, hence we see a high probability of the new business turning losses into profits. Considering the cost reduction and efficiency improvement, we raise our adjusted net income forecasts from Rmb23.3bn to Rmb25.9bn in 22E, from 27.8bn to Rmb31.1bn in 23E and from 33.2bn to Rmb36.5bn in 24E. The stock is trading at 23x 22E PE, 19x 23E PE and 16x 24E PE. We maintain our BUY rating.

Risks. Slower-than-expected progress of new businesses; slower-than-expected growth of retail sales volume; intensified competition.

Financial summary and valuation

	FY20	FY21	FY22E	FY23E	FY24E
Revenue (Rmbm)	745,802	951,592	1,044,313	1,195,161	1,353,216
Growth (YoY %)	29.3	27.6	9.7	14.4	13.2
Net profit (Rmbm)	16,828	17,206	25,893	31,137	36,471
Growth (YoY %)	56.5	2.2	50.5	20.3	17.1
EPS (Rmb)	10.8	10.8	16.3	19.6	22.9
ROE (%)	6.2	4.3	6.0	6.6	6.9
Dividend yield (%)	-	-	-	-	-
PE (x)	35	35	23	19	16
PB (x)	6.2	5.7	5.3	4.8	4.3

Note: EPS refers to Non-GAAP diluted earnings per ADS.

利润增速超预期，供应链赋能实体经济

京东 22Q3 营收 2435 亿元人民币（同比增长 11.4%），其中服务收入为 465 亿元，同比增长 42.2%，Non-GAAP 归属于普通股股东的净利润为 100 亿元，去年同期为 50 亿元，超市场预期。

京东小时购增速显著，零售生态高端品牌加码，盈利能力显著增强。22Q3 京东零售实现收入 2119 亿元，同比增长 7%；实现经营利润 109.3 亿元，同比增长 38%；经营利润率为 5.2%，较 21Q3 提升 1.2pct。其中电子家电品类收入增长 7.6%，日用百货类收入同比增长 3.5%。三季度京东小时购 GMV 实现同比增长超 160%，京东到家和小时购联合超 20 万家实体门店，线上线下全渠道为 1800 多县区市的消费者带来即时零售体验。全国首家线下京东自营 Apple 授权店 JD Ehome 在北京开业，全国面积最大的京东 MALL 门店在沈阳开业。零售开放生态的第三方商家数量连续七个季度取得 20%以上同比增速，三季度 FENDI 芬迪入驻京东，京东成为首家与 LVHM 旗下九大顶级时尚品牌全面合作的企业。

京东物流盈利能力增强，费用控制能力提升。22Q3 公司实现毛利率 14.9%，同比提升 0.64pct；实现履约毛利率 9%，同比提升 1.3pct。京东物流 22Q3 实现收入 357.7 亿元，同比增长 38.9%，经营利润实现 2.53 亿元，环比大幅提升；京东新业务 22Q3 经营利润达 2.76 亿元，环比转亏为盈。营销费用率与管理费用率分别为 3.12%和 1.07%，同比下降 0.45pct 和 0.35pct，履约费用率同比 21Q3 的 5.91%下降 0.62pct，研发费用率为 1.68%，同比下降 0.15pct。

活跃用户保持稳健增长，一体化供应链推动实体经济高质量发展。截止 22Q3，京东 AAC 同比增长 6.5%至 5.88 亿，主要由核心零售业务用户环比净增超 1000 万左右拉动，DAU 保持同比双位数的稳健增长。京东物流持续与快消品、家电、家具服装、3C 汽车、生鲜等行业众多头部客户深度合作，持续为上下游企业提供一体化供应链解决方案。京东物流三季度收入为 358 亿元，同比增长 38%，外部一体化供应链收入和客户数持续保持双位数增长，外部收入占比接近七成。京东物流航空在三季度正式投入运营，将加强京东物流一体化供应链物流服务能力并持续推动全链条降本增效。截止 22 年 8 月底，“奔富计划”22 年带动农村实现 6200 亿元产值，智能供应链为工业制造降本增效提质。

维持“买入”。我们看好公司供应链势能外溢能力叠加优质用户及高端品牌的积累，核心零售业务盈利能力提升，新业务扭亏为盈增长空间广阔。考虑到公司降本增效成果显著，各业务条线盈利能力增强，我们上调 22-24 调整后归母净利润为 259、311、365 亿元（前值 233、278、332 亿元），对应 PE 为 23/19/16 倍，维持“买入”评级。

风险提示：新业务发展不及预期，零售交易额不及预期，行业竞争加剧。

Company financials

Consolidated Income Statement

Rmbm	2020	2021	2022E	2023E	2024E
Revenue	745,802	951,592	1,044,313	1,195,161	1,353,216
Cost of Sales	-636,694	-822,525	-902,942	-1,041,611	-1,171,052
Gross Profit	109,108	129,067	141,372	153,550	182,164
Other Income	32,556	-590	-1,504	1,018	495
Fullfillment expenses	-48,700	-59,055	-63,524	-70,148	-81,008
SG&A expenses	-98,414	-125,693	-126,679	-134,594	-159,134
adj. EBITDA	20,681	18,710	30,760	35,660	41,684
adj. EBIT	14,613	12,230	22,111	27,420	35,058
Finance Costs	-1,125	-1,213	-1,877	-2,041	-2,034
Profit before tax	50,819	-2,582	10,032	16,821	20,548
Income tax expense	-1,482	-1,887	-3,581	-3,364	-4,110
Minority interests	-75	-924	-1,181	-822	-826
mezzanine classified non-controlling interests shareholders	7	16	11	7	7
Net income/loss attributable to ordinary shareholders	49,405	-3,561	7,621	14,272	17,257
adj. Net income attributable to ordinary shareholders	16,828	17,206	25,893	31,137	36,471

Source: SYWG Research & Consulting Company

Consolidated Cash Flow Statement

million RMB	2020	2021	2022E	2023E	2024E
Profit before taxation	50,819	-2,582	10,032	16,821	20,548
Plus: Depr. and amortisation	6,068	6,480	8,648	8,240	6,625
Finance cost	1,125	1,213	1,877	2,041	2,034
Losses from investments	-211	0	0	0	0
Changes in assets and liabilities	18,678	7,021	4,752	14,493	15,125
Others	-33,934	5,193	2,325	4,445	5,003
CF from operating activities	42,544	17,326	27,634	46,040	49,336
CAPEX	5,000	5,000	5,000	5,000	5,001
Other CF from investing activities	-62,811	-87,539	-7,000	-7,000	-7,001
CF from investing activities	-57,811	-82,539	-2,000	-2,000	-2,000
Equity financing	31,342	31,342	0	0	0
Net change in liabilities	4,792	-1,816	0	0	0
Dividend and interest paid	0	0	0	0	0
Other CF from financing activities	34,938	14,142	0	0	0
CF from financing activities	71,072	43,668	0	0	0
Net cash flow	50,723	-21,545	25,634	44,040	47,336

Source: SYWG Research & Consulting Company

Consolidated Balance Sheet

million RMB	2020	2021	2022E	2023E	2024E
Current Assets	234,801	299,672	329,964	390,628	453,644
Bank balances and cash	86,085	70,767	96,400	140,440	187,776
Trade and other receivables	7,112	11,900	9,959	11,397	12,904
Inventories	58,933	75,601	90,294	104,161	117,105
Other current assets	82,672	141,404	133,311	134,629	135,859
Long-term investment	84,505	71,654	66,836	67,836	68,836
PP&E	22,597	32,944	31,415	24,409	18,966
Intangible and other assets	80,385	92,237	91,936	91,702	91,519
Total Assets	422,288	496,507	520,151	574,575	632,966
Current Liabilities	174,017	221,636	231,046	262,163	292,969
Borrowings	0	4,368	4,368	4,368	4,368
Trade and other payables	130,846	172,158	176,668	202,885	228,791
Other current liabilities	43,171	45,110	50,010	54,910	59,810
Long-term liabilities	26,652	28,087	28,087	28,087	28,087
Total Liabilities	200,669	249,723	259,133	290,250	321,056
Minority Interests	16,943	36,661	35,479	34,658	33,831
Convertible and redeemable non-controlling interest	17,133	1,212	1,223	1,230	1,237
Shareholder Equity	187,543	208,912	224,316	248,437	276,841
Share Capital	0	0	0	0	0
Reserves	1,533	1,533	1,533	1,533	1,533
Equity attributable	186,010	207,378	222,782	246,903	275,307
Total Liabilities and equity	422,288	496,507	520,151	574,575	632,966

Source: SYWG Research & Consulting Company

Key Financial Ratios

	2020	2021	2022E	2023E	2024E
Ratios per share (RMB)					
adj.Earnings per share	10.8	10.8	16.3	19.6	22.9
Diluted earnings per share	10.8	10.8	16.3	19.6	22.9
Operating CF per share	13.7	5.5	8.7	14.5	15.5
Dividend per share	0.0	0.0	0.0	0.0	0.0
Net assets per share	60.3	65.8	70.9	78.1	87.0
Key Operating Ratios(%)					
ROIC	9.10	8.89	5.34	7.69	9.03
ROE	6.25	4.34	5.98	6.59	6.94
Gross profit margin	14.63	13.56	13.54	12.85	13.46
EBITDA Margin	2.77	1.97	2.95	2.98	3.08
EBIT Margin	1.96	1.29	2.12	2.29	2.59
Growth rate of Revenue(YoY)	29.28	27.59	9.74	14.44	13.22
Growth rate of Profit(YoY)	56.54	2.25	50.49	20.25	17.13
Debt-to-asset ratio	51.58	50.54	50.05	50.73	50.92
Turnover rate of net assets	515.87	422.88	413.29	440.30	455.81
Turnover rate of total assets	218.71	207.14	205.44	218.35	224.13
Effective tax rate (%)	(2.92)	73.07	(35.70)	(20.00)	(20.00)
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Valuation Ratios (X)					
P/E	34.9	34.7	23.0	19.2	16.4
P/B	6.2	5.7	5.3	4.8	4.3
EV/Sale	1.4	1.2	1.0	0.9	0.7
EV/EBITDA	51.4	59.4	35.5	29.4	24.1

Source: SYWG Research & Consulting Company

Information Disclosure:

Undertakings of the Analyst

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Hold: Share price performance is expected to generate between 10% downside to 10% upside.

Underperform: Share price performance is expected to generate between 10-20% downside.

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Neutral: Industry performs about the same as that of the whole market;

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