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CMB International Global Markets | Equity Research | Company Update

招银国际 CMB INTERNATIONAL
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PDD Holdings (PDD US)

3Q25 results beat; earnings swung to positive growth

BUY (Maintain)

Target Price	**US$154.30**
(Previous TP	US$146.30)
Up/Downside	**29.0%**
Current Price	**US$119.58**

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PDD Holdings (PDD) announced (18 Nov) 3Q25 results: revenue was up 9.0% YoY (2Q25: 7.1%) to RMB108.3bn, 1% better than Bloomberg consensus estimates. This was driven by a 7% beat in transaction services fees, but offset by the 4% miss in online marketing services and others that we attributed to the impact from RMB100bn support program to enhance platform ecosystem. During the period, operating profit/ non-GAAP NP increased by 3.0/14.3% YoY to RMB25.0bn/31.4bn and was 10/25% better than consensus, driven by more optimized than expected operating expense and RMB8.6bn interest and investment income. The timing of swinging to positive earnings growth was ahead of our previous expectation in 4Q25. Our 2025-2027E revenue forecast for PDD remains largely unchanged, while we lift 2025E-2027 non-GAAP NP forecast by 6-9% to factor in better-than-expected operating expense control. We lift SOTP-based TP by 6% to US$154.3 (was US$146.3). We are positive on PDD's ability in maintaining its core user base through its holistic approach in enhancing platform ecosystem and efficient operation, and are anticipating non-GAAP NP growth of 18% for 2026E aided by operating efficiency improvement. Maintain BUY.

- **Support policy dragged on marketing revenue growth but should benefit in long term.** In 3Q25, PDD's online marketing services and others revenue rose by 8.1% YoY (3Q24: 24.3% YoY; 2Q25: 13.4% YoY) to RMB53.3bn, 4% short of consensus. Transaction services revenue for 3Q25 grew by 9.9% YoY (3Q24: 71.5% YoY; 2Q25: 0.7% YoY) to RMB51.4bn, 7% ahead of consensus. PDD has launched the RMB100bn support program in April 2025 to enhance its platform ecosystem, which in our view should weigh on near-term expansion of monetization rate, but should help enhance its competitive position in e-commerce industry and benefit long-term growth.
- **Better-than-expected savings on S&M expenses again led to a beat on OPM.** PDD's GPM shrank to 56.7% in 3Q25 (3Q24: 60.0%), and was inline with consensus. However, the better-than-expected cost savings from sales and marketing expenses in 3Q25 drove a beat on OPM. Sales and marketing expenses reached RMB30.3bn, down 1% YoY (3Q24: +40.2% YoY; 2Q25: +4.5% YoY), which accounted for 28.0% of total revenue, and was 2.6ppts better than consensus. In our view, this signifies PDD's capability in driving business development in a holistic and efficient way.
- **Lift SOTP-based TP to US$154.3; maintain BUY.** Our new TP consists of, per ADS: 1) US$100.7 for the main app based on unchanged 12.5x 2025E PE (was US$94.0); 2) US$1.9 for Duoduo Grocery (unchanged); 3) US$20.7 for Temu based on unchanged 1.0x 2025E PS (was US$20.5); and 4) US$31.0 for net cash (was US$29.8).

Stock Data

Mkt Cap (US$ mn)	172,233.8
Avg 3 mths t/o (US$ mn)	457.7
52w High/Low (US$)	138.13/88.35
Total Issued Shares (mn)	1440.3

Source: FactSet

Shareholding Structure

Entities affiliated with Zheng Huang	24.8%
Entities affiliated with Tencent	13.8%

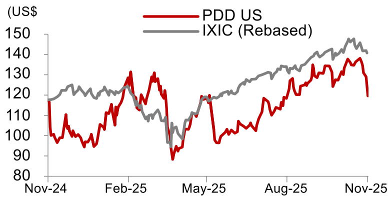
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	-6.9%	-7.0%
3-mth	0.4%	-5.7%
6-mth	1.0%	-14.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	247,639	393,836	429,301	494,456	545,552
Net profit (RMB mn)	60,026.5	112,434.5	105,311.6	125,666.2	143,932.1
Adjusted net profit (RMB mn)	67,899.4	122,343.6	113,554.2	134,418.0	153,042.9
YoY growth (%)	71.8	80.2	(7.2)	18.4	13.9
EPS (Adjusted) (RMB)	46.51	82.71	76.44	89.65	101.14
Consensus EPS (RMB)	na	82.71	69.24	84.55	101.07
P/E (x)	19.2	10.5	11.3	9.5	8.4

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: PDD: quarterly financial results

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	3Q25E Consensus	Diff (%)
Online marketing services and others	42,456	49,116	49,351	57,011	48,722	55,703	53,348	55,449	-3.8%
YoY growth (%)	*55.8%*	*29.5%*	*24.3%*	*17.1%*	*14.8%*	*13.4%*	*8.1%*		
Transaction services fees	44,356	47,944	50,003	53,599	46,950	48,282	54,929	51,367	6.9%
YoY growth (%)	*326.8%*	*234.2%*	*71.5%*	*33.3%*	*5.8%*	*0.7%*	*9.9%*		
Total revenue	**86,812**	**97,060**	**99,354**	**110,610**	**95,672**	**103,985**	**108,277**	**107,591**	0.6%
YoY growth (%)	*130.7%*	*85.7%*	*44.3%*	*24.4%*	*10.2%*	*7.1%*	*9.0%*		
Gross profit	**54,117**	**63,361**	**59,645**	**62,812**	**54,725**	**58,126**	**61,436**	**61,122**	**0.5%**
S&M	23,411	26,049	30,484	31,357	33,403	27,210	30,323	32,940	-7.9%
G&A	1,823	1,839	1,806	2,085	1,659	1,532	1,755	1,802	-2.6%
R&D	2,910	2,909	3,063	3,777	3,578	3,591	4,332	3,637	19.1%
Operating profit	**25,974**	**32,565**	**24,292**	**25,592**	**16,086**	**25,793**	**25,026**	**22,824**	**9.6%**
YoY growth (%)	*274.9%*	*156.0%*	*45.8%*	*14.3%*	*-38.1%*	*-20.8%*	*3.0%*		
Net profit	**27,998**	**32,009**	**24,981**	**27,447**	**14,742**	**30,753**	**29,328**	**22,796**	28.7%
Non-GAAP net profit	**30,602**	**34,432**	**27,459**	**29,851**	**16,916**	**32,708**	**31,382**	**25,117**	24.9%
YoY growth (%)	*202.2%*	*125.5%*	*61.3%*	*17.2%*	*-44.7%*	*-5.0%*	*14.3%*		
GPM (%)	62.3%	65.3%	60.0%	56.8%	57.2%	55.9%	56.7%	56.8%	-0.1 ppt
S&M expense ratio	27.0%	26.8%	30.7%	28.3%	34.9%	26.2%	28.0%	30.6%	-2.6 ppt
G&A expense ratio	2.1%	1.9%	1.8%	1.9%	1.7%	1.5%	1.6%	1.7%	-0.1 ppt
R&D expense ratio	3.4%	3.0%	3.1%	3.4%	3.7%	3.5%	4.0%	3.4%	0.6 ppt
OPM (%)	29.9%	33.6%	24.5%	23.1%	16.8%	24.8%	23.1%	21.2%	1.9 ppt
Non-GAAP NPM (%)	35.3%	35.5%	27.6%	27.0%	17.7%	31.5%	29.0%	23.3%	5.6 ppt

Source: Company data, Bloomberg, CMBIGM

Figure 2: PDD: forecast revision

	Current			Previous			Change (%)		
RMB bn	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	429.3	494.5	545.6	426.7	492.7	543.7	0.6%	0.3%	0.3%
Gross profit	243.1	281.8	317.9	239.8	280.0	315.9	1.4%	0.7%	0.6%
Operating profit	97.0	124.3	149.6	91.6	119.4	142.0	5.9%	4.1%	5.3%
Non-GAAP net profit	113.6	134.4	153.0	104.0	126.9	144.4	9.2%	5.9%	6.0%
Gross margin	56.6%	57.0%	58.3%	56.2%	56.8%	58.1%	0.4 ppt	0.2 ppt	0.2 ppt
Operating margin	22.6%	25.1%	27.4%	21.5%	24.2%	26.1%	1.1 ppt	0.9 ppt	1.3 ppt
Non-GAAP net margin	26.5%	27.2%	28.1%	24.4%	25.8%	26.6%	2.1 ppt	1.4 ppt	1.5 ppt

Source: CMBIGM estimates

Figure 3: PDD: CMBI forecast vs consensus

	Current			Consensus			Diff (%)		
RMB bn	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	429.3	494.5	545.6	429.6	495.9	563.8	-0.1%	-0.3%	-3.2%
Gross profit	243.1	281.8	317.9	244.7	289.1	333.9	-0.6%	-2.5%	-4.8%
Operating profit	97.0	124.3	149.6	90.3	120.1	147.4	7.4%	3.5%	1.4%
Non-GAAP net profit	113.6	134.4	153.0	103.0	127.0	153.9	10.3%	5.8%	-0.6%
Gross margin	56.6%	57.0%	58.3%	57.0%	58.3%	59.2%	-0.3 ppt	-1.3 ppt	-1.0 ppt
Operating margin	22.6%	25.1%	27.4%	21.0%	24.2%	26.2%	1.6 ppt	0.9 ppt	1.3 ppt
Non-GAAP net margin	26.5%	27.2%	28.1%	24.0%	25.6%	27.3%	2.5 ppt	1.6 ppt	0.8 ppt

Source: Company data, Bloomberg, CMBIGM

Figure 4: PDD: SOTP valuation

#	Segment	Rev (RMBmn)	OP (RMBmn)	NOPAT (RMBmn)	2025E P/E (x)	2025E P/S (x)	Val. Rmb mn	Val. US$m	$/share	Value split	Comment
1	PDD main app	267,343	107,739	86,192	12.5		1,077,394	149,638	100.7	65.3%	12.5x 2025E PE; tax rate @20%
2	Duoduo Grocery	20,692				1.0	20,692	2,874	1.9	1.3%	1.0x 2025E PS
3	Temu (2025E)	220,919				1.0	220,919	30,683	20.7	13.4%	1.0x 2025E PS
4	Net cash						331,378	46,025	31.0	20.1%	2025E net cash
	Total						**1,650,383**	**229,220**	**154.3**		

Source: CMBIGM estimates

Risks

1) Slower-than-expected global business expansion; 2) geopolitical issues impacting business development; and 3) slower-than-expected margin expansion.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**130,558**	**247,639**	**393,836**	**429,301**	**494,456**	**545,552**
Cost of goods sold	(31,462)	(91,724)	(153,900)	(186,166)	(212,666)	(227,698)
Gross profit	**99,095**	**155,916**	**239,936**	**243,136**	**281,790**	**317,854**
Operating expenses	**(68,693)**	**(97,217)**	**(131,513)**	**(146,132)**	**(157,484)**	**(168,303)**
Selling expense	(54,344)	(82,189)	(111,301)	(123,164)	(131,525)	(140,207)
Admin expense	(3,965)	(4,076)	(7,553)	(6,869)	(7,911)	(8,729)
R&D expense	(10,385)	(10,952)	(12,659)	(16,099)	(18,048)	(19,367)
Others	0	0	0	0	0	0
Operating profit	**30,402**	**58,699**	**108,423**	**97,003**	**124,306**	**149,551**
Interest income	3,997	10,238	20,553	23,209	23,461	24,550
Interest expense	(52)	(44)	0	0	0	0
Foreign exchange gain/loss	(150)	36	588	588	588	588
Others	2,221	2,953	3,120	3,120	3,120	3,120
Pre-tax profit	**36,419**	**71,881**	**132,684**	**123,920**	**151,475**	**177,809**
Income tax	(4,726)	(11,850)	(20,267)	(18,626)	(25,826)	(33,894)
Others	(155)	(5)	17	17	17	17
After tax profit	**31,538**	**60,027**	**112,435**	**105,312**	**125,666**	**143,932**
Minority interest	0	0	0	0	0	0
Net profit	**31,538**	**60,027**	**112,435**	**105,312**	**125,666**	**143,932**
Adjusted net profit	**39,530**	**67,899**	**122,344**	**113,554**	**134,418**	**153,043**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**216,618**	**294,750**	**415,648**	**554,038**	**699,915**	**854,344**
Cash & equivalents	34,326	59,794	57,768	145,313	289,850	443,229
Restricted cash	57,974	61,985	68,426	68,426	68,426	68,426
Account receivables	588	3,914	3,679	4,011	4,619	5,097
Prepayment	2,298	4,213	4,413	4,811	5,541	6,114
Other current assets	121,431	164,843	281,361	331,478	331,478	331,478
Non-current assets	**20,502**	**53,328**	**89,386**	**89,394**	**89,423**	**89,446**
PP&E	1,045	980	879	887	916	939
Right-of-use assets	1,416	4,105	5,064	5,064	5,064	5,064
Intangibles	134	21	19	19	19	19
Other non-current assets	17,907	48,222	83,423	83,423	83,423	83,423
Total assets	**237,120**	**348,078**	**505,034**	**643,432**	**789,338**	**943,790**
Current liabilities	**116,889**	**152,901**	**188,423**	**213,645**	**225,133**	**226,542**
Short-term borrowings	13,886	649	5,310	5,310	5,310	5,310
Account payables	63,317	74,997	91,656	102,071	113,630	121,593
Other current liabilities	18,124	20,262	20,210	24,497	27,170	29,034
Lease liabilities	602	1,642	2,106	2,106	2,106	2,106
Accrued expenses	20,961	55,351	69,142	79,661	76,918	68,499
Non-current liabilities	**2,460**	**7,936**	**3,298**	**3,298**	**3,298**	**3,298**
Convertible bonds	1,576	5,232	0	0	0	0
Other non-current liabilities	884	2,704	3,298	3,298	3,298	3,298
Total liabilities	**119,349**	**160,837**	**191,721**	**216,944**	**228,431**	**229,840**
Share capital	0	0	0	0	0	0
Capital surplus	99,255	107,399	118,067	118,067	118,067	118,067
Retained earnings	15,193	75,119	187,421	300,597	435,015	588,058
Other reserves	3,322	4,724	7,825	7,825	7,825	7,825
Total shareholders equity	**117,771**	**187,242**	**313,313**	**426,489**	**560,907**	**713,950**
Total equity and liabilities	**237,120**	**348,078**	**505,034**	**643,432**	**789,338**	**943,790**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**36,419**	**71,881**	**132,684**	**123,920**	**151,475**	**177,809**
Depreciation & amortization	2,224	786	709	0	416	468
Tax paid	(4,726)	(11,850)	(20,267)	(18,626)	(25,826)	(33,894)
Change in working capital	7,423	40,313	28,020	24,494	10,149	359
Others	7,167	(6,968)	(19,217)	8,260	8,769	9,128
Net cash from operations	**48,508**	**94,163**	**121,929**	**138,048**	**144,983**	**153,870**
Investing						
Capital expenditure	(636)	(583)	(967)	(386)	(445)	(491)
Acquisition of subsidiaries/ investments	(167,210)	(172,183)	(254,120)	(50,117)	0	0
Net proceeds from disposal of short-term investments	141,928	130,317	147,288	0	0	0
Others	3,556	(12,982)	(10,557)	0	0	0
Net cash from investing	**(22,362)**	**(55,431)**	**(118,356)**	**(50,503)**	**(445)**	**(491)**
Financing						
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	0	0	0	(0)	0	0
Share repurchases	0	0	0	0	0	0
Others	10	(8,961)	1	0	0	0
Net cash from financing	**10**	**(8,961)**	**1**	**(0)**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	66,044	92,300	121,780	57,768	145,313	289,850
Exchange difference	100	(291)	840	0	0	0
Others	0	0	68,426	0	0	0
Cash at the end of the year	**92,300**	**121,780**	**194,621**	**145,313**	**289,850**	**443,229**

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

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