1Q26 results review: Results slightly beat expectations, shareholder returns boost market confidence

JD HEALTH (6618.HK)

Key takeaway

In 1Q26, the company recorded revenue of RMB19.468bn, up 16.96% YoY, Non-IFRS operating profit of RMB1.936bn, up 48.0% YoY, and Non-IFRS net profit of RMB1.874bn, up 6.01% YoY. The company's performance in the first quarter slightly beat expectations, with revenue on track and profit exceeding expectations, while shareholder returns helped boost market confidence. Previously, the company remained relatively positive on its 2026 revenue guidance, and despite the impact of high bases across various segments, the slowdown this year was not significant. The resilience in revenue growth better reflects the high prosperity of the B2C pharmaceutical e-commerce sector, while profit growth and expectation changes are affected by multiple factors. Considering the company's solid leading position, ample cash reserves, AI optionality not weaker than competitors, and the long-term upward trend in B2C pharmaceutical e-commerce penetration and B2C medical insurance penetration, we continue to recommend JD HEALTH.

Event

On May 12, 2026, JD HEALTH released its results report for the first quarter of 2026. In 1Q26, the company recorded revenue of RMB19.468bn, up 16.96% YoY, Non-IFRS operating profit of RMB1.936bn, up 48.0% YoY, and Non-IFRS net profit of RMB1.874bn, up 6.01% YoY.

Brief analysis

In the first quarter, the company recorded revenue of RMB19.468bn, up 16.96% YoY, in line with market expectations. By category, growth in pharmaceuticals (25%) > healthcare products (15%) > medical devices (5%). On the profit side, in 1Q26, the company achieved adjusted operating profit of RMB1.936bn, up 48.0% YoY, and adjusted net profit of RMB1.874bn, up 6.01% YoY. Net profit slightly beat expectations, while operating profit significantly exceeded expectations, mainly driven by the gross margin. The gap between NP and OP narrowed and turned negative, mainly due to negative fair value

Maintain Buy

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Current Price: HKD 48.86
6-month TP: HKD 58.28

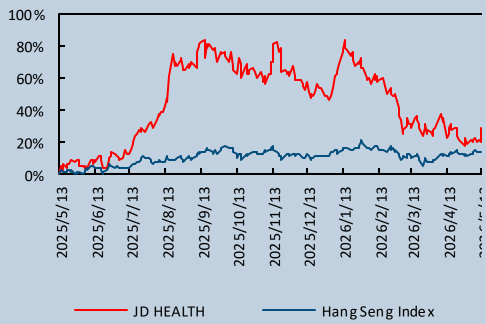
Main Data

Absolute/relative share performance (%)

1 month	3 months	12 months
-4.76/-4.76	-18.57/-14.35	28.75/18.79

12-month high/low (HKD)	69.65/38.00
Total share capital (10,000 shares)	321,077.51
Tradable H shares (10,000 shares)	321,077.51
Total market cap (HKD'00mn)	1,568.78
Tradable market cap (HKD'00mn)	1,568.78
3-month average daily trading volume (10,000 shares)	795.14
Main shareholders	
JD Jiankang Limited	66.97%

Share performance



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changes in wealth management products of around RMB400mn. Excluding the impact of fair value changes in wealth management products, adjusted net profit grew by around 30% YoY in 1Q26. In April, the company's revenue growth remained stable, with medical devices growth (5%) flat QoQ, pharmaceuticals growth accelerating further due to a clean base following last year's high influenza base (>25%), and healthcare products growth slowing due to industry regulation (<15%) while market share continued to increase. The company maintains its FY26 full- year guidance: revenue is expected to grow by 18–20% YoY, adjusted OPM to remain flat, and adjusted net profit to stay stable with a slight increase (guidance tone on net profit is more positive). The impact related to the decline in wealth management product income (interest and fair value changes) is about RMB1bn for the full year, mainly concentrated in 1H. We believe profit performance may show more positive momentum in 2H.

On May 12, JD HEALTH announced that the board has authorized and approved a share repurchase plan of up to USD1bn in the open market within 48 months from the approval date. This repurchase (and cancellation) plan does not conflict or overlap with the trust-based repurchase arrangement established to prevent ESOP dilution. At the beginning of this year, the company completed the change of its Hong Kong tax resident status. Dividends may still be an optional form of shareholder return in the future. The repurchase plan does not conflict with any potential future dividend plan, which will depend on the group's overall decision-making.

We believe the company's 1Q performance slightly exceeded expectations. Revenue is on track, profit exceeded expectations, and shareholder returns may help boost market confidence. Previously, the company maintained a relatively positive revenue outlook for 2026. Despite the impact of various high bases, the company's growth slowdown this year is not significant. The resilience of revenue growth better reflects the strong momentum in the B2C pharmaceutical e-commerce sector. Profit growth and expectation changes are affected by multiple factors, such as investment intensity and declining wealth management income. The company maintains a long-term and gradual approach to investments in instant retail and AI, and has not followed the trend blindly. Considering the company's solid leading position, ample cash reserves, AI optionality not weaker than competitors, and the long-term upward trend in B2C pharmaceutical e-commerce penetration and B2C medical insurance penetration, we continue to recommend JD HEALTH.

Earnings forecast and valuation: We estimate JD HEALTH will generate operating revenue of RMB86.335bn and RMB102.053bn in 2026 and 2027, representing YoY growth of 17.56% and 18.21%. Non-IFRS operating profit is projected at RMB5.505bn and RMB6.915bn, while Non-IFRS net profit is expected to reach RMB6.543bn and RMB7.993bn, corresponding to net profit margins of 7.58% and 7.83%, respectively. We continue to maintain a "buy" rating, with a target price of HKD58.28, corresponding to 25x PE for 2026.

Risks: Earnings delivery falling short of expectations; larger-than-expected decline in wealth management-related income; excessive investment in offline pharmacies and AI dragging down profit performance; a larger-than-expected decline in the share price of the parent company JD Group; underperformance of non-pharmaceutical product growth due to macroeconomic and consumption pressure; stronger-than-expected regulatory tightening in the healthcare supplement industry; slower-than-expected increase in online penetration of pharmaceuticals; lower-than-expected improvement in JD HEALTH's overall gross margin and weaker-than-expected cost reduction and efficiency improvement; other policy risks targeting internet healthcare; competition from near-field e-commerce models in the pharmaceutical e-commerce sector impacting far-field e-commerce models, including competition from Meituan Maoyao and Ele.me Maoyao; uncertainty in the development of China–US relations; larger-than-expected depreciation of the RMB exchange rate; and other overseas risk factors affecting the overall performance of Hong Kong-listed internet stocks.

Table1: JD HEALTH earnings forecast (unit: RMB mn)

Balance Sheet	2024	2025	2026E	2027E	Income statement	2024	2025	2026E	2027E
Total Current Assets	58,460	56,349	75,280	81,460	Revenue	58,160	73,441	86,335	102,053
Total Non-Current Assets	12,815	25,238	19,466	22,841	Cost of sales	-44,851	-55,242	-64,269	-75,886
Total Assets	71,275	81,587	94,746	104,302	Gross profit	13,309	18,199	22,066	26,167
Total Current Liabilities	15,521	20,741	21,576	25,119	Contract fulfillment expense	-6,032	-7,619	-8,957	-10,485
Total Non-Current Liabilities	513	772	643	707	Selling Expenses	-3,049	-3,843	-4,403	-5,103
Total Liabilities	16,034	21,513	22,219	25,826	R&D expenses	-1,330	-1,634	-1,921	-2,169
Ordinary Share Capital	0	0	0	0	Administrative Expenses	-1,419	-1,163	-1,367	-1,616
Reserves	55,292	60,106	72,562	78,510	Other Net Operating Income	1,767	770	173	510
Treasury Shares	61	35	35	35	Interest income	1,961	1,538	956	1,048
Other Comprehensive Income	0	0	0	0	Interest expense	-8	-11	-10	-10
Equity attributable to shareholders of the parent company	55,231	60,072	72,528	78,475	Gain/(loss) from changes in fair value of convertible redeemable preferred shares	0	0	0	0
Minority interests	10	1	0	0	Credit impairment loss	-316	0	0	0
Total Shareholders' Equity	55,241	60,073	72,528	78,475	Share of profit or loss of jointly controlled entities	-86	-64	-75	-69
Total Equity and Liabilities	71,275	81,587	94,746	104,302	EBT	4,797	6,030	6,463	8,274
					Income tax	-640	-663	-711	-993
					Net Profit (Including Minority Interests)	4,157	5,367	5,752	7,281
Cash Flow Statement					Minority interests income	-5	-8	0	0
Net Cash Generated from Operating Activities	4,332	10,174	8,204	10,826	Net Profit (Excluding Minority Interests)	4,162	5,375	5,752	7,281
Net Cash Provided by Investing	3,146	-591	-647	-2,324	Non-IFRS operating profit	2,599	4,389	5,505	6,915

Activities									
Net Cash Provided by Financing Activities	-46	-79	-62	-71	Non-IFRS net profit	4,792	6,533	6,543	7,993
Effect of Exchange Rate Changes	159	-348	0	0	Key Ratios				
Net Increase/Decrease in Cash and Cash Equivalents	7,433	9,504	7,494	8,431	Operating Revenue YOY	8.65%	26.28%	17.56%	18.21%
Cash and Cash Equivalents at Beginning of Period	15,037	22,629	31,785	39,279	Non-IFRS net profit YoY	15.88%	36.32%	0.15%	22.17%
Cash and Cash Equivalents at End of Period	22,629	31,785	39,279	47,710	Non-IFRS net margin	8.24%	8.90%	7.58%	7.83%

Source: Bloomberg, China Securities

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		Overweight	Increase by 5%-15% relative to the benchmark index
		Neutral	Increase by -5%-5% relative to the benchmark index
		Underweight	Decrease by 5%-15% relative to the benchmark index
		Sell	Decrease by more than 15% relative to the benchmark index
	Industry ratings	Outperform	Increase by more than 10% relative to the benchmark index
		Neutral	Increase by -10-10% relative to the benchmark index
		Underperform	Decrease by more than 10% relative to the benchmark index

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