Equity Research Report · Hong Kong Stock Quick Take | Internet E-commerce

2Q26 performance preview: Profit inflection point to emerge in 2Q, with revenue expected to return to positive growth in 3Q

JD-SW (9618.HK)

Key takeaway

We expect the 2Q26 revenue and profit of JD Group to be largely in line with market consensus, and the inflection point of profitability to materialize. The group's overall revenue is expected to decline by 4% to RMB342.2bn, and the revenue growth rate is higher than retail sales by 2 pcts; April and May were weak, dragged down by the high base of national subsidies last year, while June saw significant MoM improvement. On the profit side, the Group's net profit growth is expected to turn positive YoY in 2Q, with Non-GAAP net profit reaching RMB7.68bn, implying a NPM of 2.24%, versus 2.07% in the same period last year. Profit inflection point is expected to emerge in 2Q26, while 3Q revenue growth is set to recover on easier comps, marking a revenue-side turnaround. Three key variables to track are Apple new device sell-through, consumer demand rebound, and weather impacts on home appliance sales.

Quick Take

2Q26 preview: Revenue and profit basically in line with market consensus, and the core profit inflection point to materialize. The group's overall revenue is expected to decline by 4% to RMB342.2bn, with revenue growth outpacing retail by 2 pcts; April and May were weak, dragged down by last year's high base on national subsidies, while June saw significant MoM improvement. By category, 1) electronics (3C / home appliances) are expected to see a YoY 14% decline, with pressure from the high base on national subsidies + rising memory prices pushing up mobile phone and computer costs, and all Apple products experiencing June month-end price increases of 20%-30%, but the performance is better than pessimistic market expectations; 2) general merchandise revenue growth is expected to slow to single digits (around 4%); among them, essential supermarket categories may show steady performance, maintaining near double-digit growth, faster than the overall general merchandise

Maintain Buy

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Current Price: HKD 113.80
6-month TP: HKD 157.49

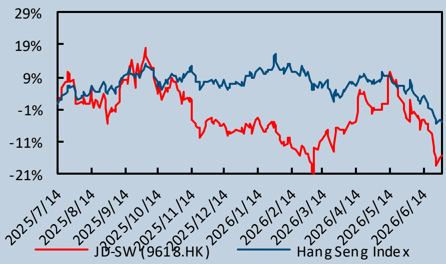
Key Data

Absolute/relative share performance (%)

1 month	3 months	12 months
1.07/1.07	1.34/5.01	-7.70/-10.10

The highest/lowest price in recent 12 months (HKD)	142.80/96.00
Total share capital (10,000 shares)	281,829.50
Tradable H shares (10,000 shares)	249,651.90
24 04 26	3,207.22
Tradable market cap (HKD'00mn)	2,841.04
3-month average daily trading volume (10,000 shares)	1142.98
Major shareholders	
Max Smart Limited	10.31%

Share performance



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category; 3) commission and advertising revenue is expected to grow at high single digits, with the growth rate continuing to outpace product GMV, continuously optimizing the profit structure.

2Q net profit turned positive YoY, retail profit margin remained flat YoY, and GPM increased YoY. The expense increase was mainly due to the surge in AI computing power demand, driving continuous increases in R&D investment; new businesses as a whole (including food delivery, Jingxi, and international business) significantly narrowed losses YoY and remained basically flat QoQ. Specifically, food delivery loss is expected to halve YoY (RMB13-14bn in 2Q25 vs RMB6-7bn in 2Q26), and while order volume grew further, total investment and total loss continued to narrow QoQ, UE continued to improve; Jingxi + international losses slightly increased QoQ, which is overall controllable. For the core business, it is expected that this quarter's JDR adjusted operating profit will be about RMB13.1bn, implying a profit margin of about 4.5% (flat YoY). At the group level, we project JD.com's Non-GAAP net profit for the quarter to reach RMB7.68bn, implying a NPM of 2.24%.

A profit-side inflection point is expected in 2Q26, while 3Q revenue growth is set to recover on easier comps, marking a revenue-side turnaround. Three key variables to track are Apple new device sell-through, consumer demand rebound, and weather impacts on appliance sales. Over the medium to long term, we believe the core retail business will maintain a solid supply chain moat, while the high-margin advertising service will continue to optimize the earnings mix. The synergy between food delivery and on-demand retail will increase its growth headroom, the international business will steadily pave the way for long-term incremental gains, and AI will continuously empower full-chain cost reduction and efficiency enhancement. With ample room for long-term loss narrowing in new businesses, earnings resilience is expected to sustainably unfold.

Earnings forecast and valuation: We expect the company's revenue in 2026 and 2027 to be RMB1.3455tn and RMB1.4746tn, respectively, up 2.78% and 9.59% YoY, and non-GAAP net profit to be RMB31bn and RMB43.3bn, respectively, up 14.62% and 39.80% YoY. We maintain a "Buy" rating on the company with a target price of HKD157.49, implying a 12x PE ratio for the group in 2026.

Risks: Expenditure for new business such as overseas expansion may significantly exceed expectations, and loss reduction in the food delivery business could fall short of projections, weighing on the company's profitability; the core business growth rate may weaken again in 2Q, the trade-in policy may have front-loaded future demand, leading to weaker-than-expected organic demand recovery going forward; macroeconomic and total retail sales growth may remain tepid; market share may decline more than expected; profit margins in the core e-commerce business could face pressure, with limited scope for future cost reduction and efficiency enhancement; intensified industry competition poses a risk of user churn; Internet/e-commerce sector regulatory risks exist; the pace of Fed rate cuts may fall below expectations; The RMB may depreciate more than expected; uncertainties in Sino-US relations and the risk of delisting of US-listed Chinese stocks exists; other overseas risk factors that could affect the overall performance of Chinese internet stocks.

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Investment rating standard		Ratings	Description
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