JD.com (9618 HK)

2Q26: Resilient Earnings on Margin Improvement and FD Loss Reduction; Revenue Outlook Turns Softer

Highlights

- **JD's 2Q26 earnings were above expectations.** Revenue declined 2.9% yoy to Rmb346.4b, 1.7% ahead of our estimate, despite a high comparison base for electronics and home appliances. Non-GAAP operating profit increased to Rmb5.5b from Rmb0.9b in 2Q25, while non-GAAP net profit rose 20.8% yoy to Rmb8.9b, beating our and consensus estimates by 14-15%, supported by solid JD Retail profitability and continued narrowing of losses at JD Food Delivery.
- Maintain BUY with a lower target price of HK$148.00 (US$38.00).

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	QoQ	YoY	UOBKH	Var	Cons	Var
Total Net revenue	356,660	315,694	346,401	10%	-3%	340,766	1.7%	342,096	1.3%
Online direct sales	282,414	244,819	267,115	9%	-5%	259,666	2.9%		
Services and Others	74,246	70,875	79,286	12%	7%	81,100	-2.2%		
Gross profits	56,640	53,027	59,307	12%	5%	54,996	7.8%	55,474	6.9%
GPM	15.9%	16.8%	17.1%	32 bps	124 bps	16.1%	98 bps	16.2%	90.5 bps
Non-GAAP OP	896	4,993	5,483	10%	512%	7,375	-25.7%		
Non-GAAP OPM	0.25%	1.58%	1.58%	0 bps	133 bps	2.16%	(58 bps)		
Non-GAAP net income	7,394	6,880	8,930	30%	21%	7,791	14.6%	7,869	13.5%
Non-GAAP EPS (RMB)	4.97	4.80	6.29	31%	27%	5.46	15.2%	5.40	16.5%
Non-GAAP Net Margin	2.1%	2.2%	2.6%	40 bps	50 bps	2.3%	29 bps	2.3%	27.8 bps

Source: JD.com, UOB Kay Hian

Analysis

- **Revenue under pressure, but core retail profitability remained resilient.** JD.com's 2Q26 revenue declined 2.9% yoy to Rmb346.4b, vs +4.9% in 1Q26, but came in 1.6% above our forecast. Electronics and home appliances revenue fell 12% yoy (1Q26: -8%), mainly due to the high trade-in comparison base and upstream price pressures, while general merchandise revenue grew 6% yoy (1Q26: +15%). Marketplace and marketing revenue rose 8% yoy (1Q26: +19%), while logistics and other service revenue growth moderated to 6% yoy (1Q26: +22%). JD Retail revenue declined 5% yoy (1Q26: +2%), with EBIT margin deteriorating 1ppt yoy to 4.6%, despite remaining at a record level for a peak promotional quarter.
- **Gross margin expanded, with new business losses narrowing.** Gross margin expanded 1.2ppt yoy and 0.3ppt qoq to 17.1% in 2Q26, supported by improving supply-chain efficiency and a more favourable revenue mix. Non-GAAP operating margin rose 1.3ppt yoy to 1.6%, but edged down 0.2ppt qoq. JD Retail/JD Logistics/New Businesses operating margins came in at 4.6%/3.5%/-135.7%, vs 5.6%/1.7%/-164.9% in 1Q26, with the improvement in new businesses mainly reflecting continued loss reduction at JD Food Delivery, whose losses narrowed by over 50% yoy.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	1,158,819	1,309,085	1,353,374	1,447,616	1,525,274
EBITDA	33,865	8,363	16,746	64,959	74,352
Operating profit	38,736	2,774	18,260	33,755	43,322
Net profit (rep./act.)	41,359	19,631	25,619	35,695	43,499
Net profit (adj.)	47,827	27,032	32,866	42,282	49,234
EPS	1,572.7	919.8	1,175.5	1,512.2	1,743.4
PE	6.7	11.5	9.0	7.0	6.1
P/B	1.3	1.3	1.3	1.1	1.0
EV/EBITDA	10.5	42.4	21.2	5.5	4.8
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin	3.6	1.5	1.9	2.5	2.9
Net debt/(cash) to equity	(12.8)	(18.7)	1.3	(29.0)	(41.7)
ROE	17.5	8.4	11.5	15.1	15.7
Consensus net profit	-	-	31,342.0	41,966.5	49,802.4
UOBKH/Consensus (x)	-	-	1.05	1.01	0.99

Source: JD.com, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	HK$123.00
Target Price	HK$148.00
Upside	20.3%
Previous TP	HK$156.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	9618 HK
Shares issued (m)	2,409.9
Market cap (HK$m)	335,991.9
Market cap (US$m)	42,815.2
3-mth avg daily t'over (US$m)	157.5

Price Performance (%)

52-week high/low				HK$143.8/HK$95.8
1mth	3mth	6mth	1yr	YTD
8.7	(4.1)	11.8	0.2	10.2

Major Shareholders (%)

Blackrock Inc	5.1

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	81.70
FY26 Net Debt/Share (Rmb$)	1.03

Price Chart

Source: Bloomberg

Company Description

JD.com is the leading online direct sales player in China.

- **Food delivery loss reduction supports earnings recovery.** JD Food Delivery losses narrowed significantly yoy in 2Q26 on improving efficiency and monetisation. Further loss reduction should reduce the drag on group earnings while supporting user engagement and cross-selling.
- **AI and overseas expansion provide medium-term optionality.** JD continued to deepen AI deployment across retail, logistics and industrials, with JoyInside connecting nearly 200 brands, JD Logistics deploying thousands of autonomous vehicles, and JD Industrials rolling out more than 70 AI agents in 1H26. Meanwhile, Joybuy continued to expand in Europe, highlighting potential upside from JD's overseas retail and supply-chain capabilities.
- **International outlook:** International operations remain in an early investment phase, with quarterly losses of about Rmb1b-2b. Management plans to expand cautiously, prioritising execution in existing European markets before entering additional cities and countries, while keeping overall investment disciplined and controllable.
- **Food delivery outlook:** Food delivery losses have narrowed materially from about Rmb13b in 3Q25, with losses at around Rmb7b in 1Q26 and around Rmb6b in 2Q26. Management expects 3Q26 losses to more than halve yoy, implying losses of around Rmb6b or below. Unit economics have also improved significantly, with loss per order narrowing to below Rmb5 from around Rmb10 at the early stage of the business, supporting further loss reduction.
- **Cash generation remained solid.** 2Q26 operating cash flow rose to Rmb37.7b, while free cash flow increased 44.6% yoy to Rmb31.8b. JD also repurchased US$1.0b of shares in 1H26, equivalent to about 2.5% of shares outstanding, reinforcing its commitment to shareholder returns.
- **3Q26 outlook: Retail growth turns positive with accelerating earnings momentum.** Retail revenue is expected to return to positive growth of 3-3.3% yoy, with two-year CAGR remaining in the mid- to high single-digits as the high subsidy base in electronics normalises. General merchandise should continue to outgrow electronics, while advertising growth is expected to accelerate. Retail margin should remain broadly stable yoy despite further GM improvement, partly offset by higher AI/R&D investment. At the group level, 3Q26 revenue growth should turn positive and slightly outpace retail, while net profit growth should accelerate from +21% yoy in 2Q26, with further net-margin improvement.

Valuation/Recommendation

- **Maintain BUY, and cut target price to HK$148.00 (US$38.00) from HK$156.00 previously,** which implies 12x 2026F PE. JD is trading at 9x 2026F PE, against a 20% EPS CAGR. Our target price implies a 20% upside potential, supported by: a) attractive valuation, b) resilient JD Retail fundamentals, and c) about 5% shareholder return from ongoing share buyback execution.

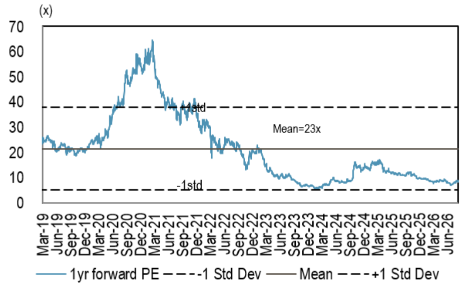
Earnings Revision/Risk

- We leave 2026F revenue estimates largely unchanged and raise earnings by 4%, reflecting easing high-base effects and continued narrowing of food delivery losses.
- **Risks**: Continued losses from the food delivery business; slowing gross merchandise value (GMV) growth; weak macroeconomic and consumption conditions; and rising product prices potentially weighing on demand.

Share Price Catalyst

- a) Easing high-base effects, b) continued margin expansion driven by improved operating efficiency, and c) further narrowing of food delivery losses.

12-Month Forward PE Band



Source: Bloomberg, UOB Kay Hian

SOTP-Based Valuation

2027F	Revenue (Rmbm)	EBITDA (Rmbm)	EV/EBITDA (x)	EV/Sales (x)	To JD (HK$)	JD stake	To JD(20% discount)	HK$/share	of TP value
JD Retail	1,199,186	56,362	4		225,447	Majority	180,357	60	40%
JD Logistics (mkt cap)					80,677	63%	56,474	19	13%
New Business and others	38,054			1	38,054	37%	30,443	5	3%
JD Health (mkt cap)					108,348	67%	75,844	25	17%
JD industrial					28,826	71%	20,178	7	4%
Net cash					101,656		81,325	34	23%
SOTP value					583,008		444,621	148	

Source: JD.com, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	1,309,085.0	1,353,374.2	1,447,616.5	1,525,273.7
EBITDA	8,363.0	16,745.8	64,959.4	74,351.9
Deprec. & amort.	5,589.0	(1,514.0)	31,204.6	31,029.8
EBIT	2,774.0	18,259.8	33,754.8	43,322.1
Total other non-operating income	8,025.0	4,187.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	14,524.0	11,718.0	10,983.2	11,740.2
Pre-tax profit	25,323.0	34,164.8	44,738.0	55,062.3
Tax	(2,181.0)	(6,259.6)	(9,043.3)	(11,563.1)
Minorities	(3,511.0)	(2,286.0)	0.0	0.0
Net profit	19,631.0	25,619.2	35,694.7	43,499.2
Net profit (adj.)	27,032.0	32,865.7	42,282.1	49,234.0

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	91,349.0	95,866.0	93,613.7	93,089.4
Other LT assets	229,431.0	224,938.0	224,939.0	224,939.0
Cash/ST investment	137,488.0	89,068.0	162,541.7	209,812.7
Other current assets	236,933.0	315,534.0	296,154.8	306,400.2
Total assets	695,201.0	725,406.0	777,249.2	834,241.3
ST debt	0.0	3,534.0	3,534.0	3,534.0
Other current liabilities	306,072.0	351,202.0	332,355.3	349,048.1
LT debt	95,346.0	88,295.0	85,095.0	81,895.0
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	225,040.0	219,118.0	254,813.7	298,313.0
Minority interest	68,743.0	63,257.0	63,257.0	63,257.0
Total liabilities & equity	695,201.0	725,406.0	739,055.0	796,047.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	18,991.0	51,029.2	54,035.8	80,976.4
Profit fo the year	25,323.0	34,164.8	44,738.0	55,062.3
Tax	(2,181.0)	(6,259.6)	(9,043.3)	(11,563.1)
Deprec. & amort.	5,589.0	(1,514.0)	31,204.6	31,029.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	2,836.0	24,638.0	(12,863.5)	6,447.4
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(12,576.0)	0.0	0.0	0.0
Investing	41,832.0	7,552.0	(28,952.3)	(30,505.5)
Capex (growth)	(14,201.0)	(3,003.0)	(28,952.3)	(30,505.5)
Investment	51,978.0	58,040.0	58,040.0	58,040.0
Others	4,052.0	(47,489.0)	(58,045.0)	(58,045.0)
Financing	(26,728.0)	(67,548.0)	(3,200.0)	(3,200.0)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	9,930.0	(3,517.0)	(3,200.0)	(3,200.0)
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(36,658.0)	(64,031.0)	0.0	0.0
Net cash inflow (outflow)	34,095.0	(8,966.8)	21,883.5	47,270.9
Beginning cash & cash equivalent	115,716.0	149,625.0	140,658.2	162,541.7
Changes due to forex impact	(174.0)	0.0	0.0	0.0
Ending cash & cash equivalent	149,637.0	140,658.2	162,541.7	209,812.7

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	0.6	1.2	4.5	4.9
Pre-tax margin	1.9	2.5	3.1	3.6
Net margin	1.5	1.9	2.5	2.9
ROA	2.8	3.6	4.8	5.4
ROE	8.4	11.5	15.1	15.7
Growth				
Turnover	13.0	3.4	7.0	5.4
EBITDA	(75.3)	100.2	287.9	14.5
Pre-tax profit	(50.9)	34.9	30.9	23.1
Net profit	(52.5)	30.5	39.3	21.9
Net profit (adj.)	(43.5)	21.6	28.7	16.4
EPS	(41.5)	27.8	28.7	15.3
Leverage				
Debt to total capital	24.5	24.5	21.8	19.1
Debt to equity	42.4	41.9	34.8	28.6
Net debt/(cash) to equity	(18.7)	1.3	(29.0)	(41.7)