JD.com (9618 HK)

3Q26: Operating Beat On Margin Expansion And FD Loss Reduction; Retail Returns To Growth

Highlights

- JD's 3Q26 results were mixed. Revenue grew 3.5% yoy to Rmb309.6b, in line with our and consensus estimates. Non-GAAP operating profit rose to Rmb7.3b, above our estimate, supported by higher gross margin and lower losses from new initiatives. Non-GAAP net profit rose 43.7% yoy to Rmb8.3b, 2.9% below our estimate but ahead of consensus. Management guides for flat retail revenue yoy and double-digit group growth in 4Q26, aided by CECONOMY consolidation.
- Maintain BUY with a lower target price of HK$138.00 (US$35.00).

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	QoQ	YoY	UOBKH	Var	Cons	Var
Total net revenue	299,059	346,401	309,593	-11%	3.5%	309,610	0.0%	309,138	0.1%
Online direct sales	226,092	267,115	233,175	-13%	3%	229,090	1.8%		
Services and others	72,967	79,286	76,418	-4%	5%	80,521	-5.1%		
Gross profits	50,474	59,307	55,961	-6%	11%	54,575	2.5%	54,187	3.3%
GPM	16.9%	17.1%	18.1%	95 bps	120 bps	17.6%	45 bps	17.5%	54.7 bps
Non-GAAP OP	211	5,483	7,347	34%	3382%	5,595	31.3%		
Non-GAAP OPM	0.07%	1.58%	2.37%	79 bps	230 bps	1.81%	57 bps		
Non-GAAP net income	5,796	8,930	8,327	-7%	44%	8,573	-2.9%	8,063	3.3%
Non-GAAP EPS (RMB)	3.73	6.29	5.88	-7%	58%	6.05	-2.8%	5.88	0.1%
Non-GAAP net margin	1.9%	2.6%	2.7%	11 bps	75 bps	2.8%	(8 bps)	2.6%	8.1 bps

Source: JD.com, UOB Kay Hian

Analysis

- **Revenue returned to growth, in line with our estimate.** JD.com's 3Q26 revenue grew 3.5% yoy to Rmb309.6b (2Q26: -2.9%), in line with our estimate. Electronics and home appliances revenue declined 0.7% yoy (2Q26: -12%) to Rmb127.7b as the high trade-in base eased, while general merchandise revenue grew 8.1% yoy (2Q26: +6%) to Rmb105.5b, led by supermarkets, healthcare and industrial products. Marketplace and marketing revenue rose 9.6% yoy (2Q26: +8%) to Rmb28.1b led by double-digit advertising growth, while logistics and other service revenue growth slowed to 2.1% yoy (2Q26: +6%). JD Retail revenue grew 2.9% yoy (2Q26: -5%) to Rmb258.0b, with operating margin edging down 0.1ppt yoy to 5.8%.
- **Gross margin expanded, with marketing spending cut sharply.** Gross margin expanded 1.2ppt yoy to 18.1% in 3Q26. Marketing expenses fell 26.2% yoy to Rmb15.5b due to more efficient promotional spending on new initiatives, while fulfilment expenses rose 7.4% yoy to Rmb23.6b and R&D rose 36.9% yoy to Rmb7.7b. Non-GAAP operating margin rose 2.3ppt yoy to 2.4%. JD Retail/JD Logistics/New Businesses operating margins came in at 5.8%/3.0%/-123.1%, vs 4.6%/3.5%/-135.7% in 2Q26. Non-GAAP net profit rose 43.7% yoy to Rmb8.3b, 2.9% below our estimate.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	1,158,819	1,309,085	1,369,141	1,507,130	1,576,244
EBITDA	33,865	8,363	15,051	69,943	80,494
Operating profit	38,736	2,774	16,559	37,811	48,514
Net profit (rep./act.)	41,359	19,631	21,818	35,742	44,252
Net profit (adj.)	47,827	27,032	29,813	42,795	50,433
EPS	1,572.7	919.8	1,062.5	1,525.1	1,779.5
PE	5.7	9.7	8.4	5.9	5.0
P/B	1.1	1.1	1.1	0.9	0.8
EV/EBITDA	9.5	38.6	21.4	4.6	4.0
Dividend yield	0.0	0.0	0.0	0.1	0.1
Net margin	3.6	1.5	1.6	2.4	2.8
Net debt/(cash) to equity	(12.8)	(18.7)	6.2	(36.2)	(47.9)
ROE	17.5	8.4	9.7	14.7	15.7
Consensus net profit	-	-	30,365.5	39,275.3	46,788.3
UOBKH/Consensus (x)	-	-	0.98	1.09	1.08

Source: JD.com, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$105.20
Target Price	HK$138.00
Upside	31.2%
Previous TP	HK$148.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	9618 HK
Shares issued (m)	2,409.9
Market cap (US$m)	287,368.7
Market cap (US$m)	36,626.6
3-mth avg daily t'over (US$m)	99.7

Price Performance (%)

52-week high/low				HK$132.5/HK$95.8
1mth	3mth	6mth	1yr	YTD
(0.8)	(6.9)	(17.7)	(10.0)	(5.7)

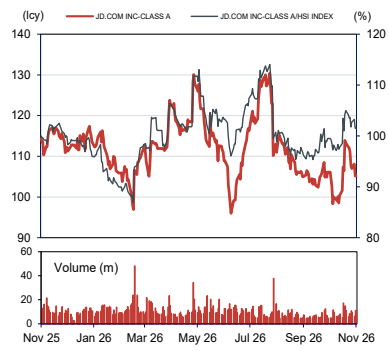
Major Shareholders (%)

Blackrock Inc	5.1

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	83.55
FY26 Net Debt/Share (Rmb$)	5.18

Price Chart



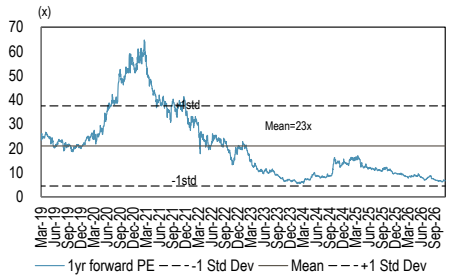
Source: Bloomberg

Company Description

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

- **New businesses losses narrowed further.** Operating losses fell 38.7% yoy to Rmb9.6b in 3Q26, driven by JD Food Delivery and Jingxi. Food delivery losses narrowed more than 50% yoy and 7% qoq on lower subsidies per order, better delivery efficiency and higher commission and ad revenue. Jingxi doubled revenue yoy, reduced losses and contributed over one-third of JD's new users. Segment revenue declined mainly due to the reclassification of on-demand delivery revenue to JD Logistics.
- **CECONOMY to contribute from 4Q26.** JD completed its €1.335b acquisition of a 59.8% stake in CECONOMY, the parent of MediaMarktSaturn, and began consolidating it on 12 November. The deal expands JD's European retail footprint and could complement Joybuy's online operations and fulfilment network. The near-term focus is CECONOMY's contribution to group revenue and margins, as well as the pace of integration.
- **Strong cash.** Trailing 12-month free cash flow increased 48.8% yoy to Rmb18.8b, helped by trade-in receivable collections. Cash, restricted cash and short-term investments totalled Rmb214.7b at quarter-end.
- **Outlook.** Management expects JD Retail revenue to be broadly flat yoy in 4Q26, with sales improving month by month. Appliance demand remains weak, while handset sales depend on new launches and supply availability. The scope and timing of any 2027 trade-in subsidies remain uncertain, and management noted that the incremental benefit of the programme is fading.
- **Retail margins and AI.** Management expects continued gross margin expansion but a modest yoy decline in 4Q26 retail operating margin due to higher R&D spending. It expects R&D expense growth to slow materially in 2027 and is tracking AI-driven efficiency gains in marketing, procurement and customer service. The long-term high single-digit operating margin target remains in place.
- **Food delivery and overseas.** JD expects food delivery losses to narrow by around 50% yoy in 4Q26 and targets a further around 50% reduction in 2027. Joybuy investment may rise as order volumes grow, while combined International and Jingxi investment is expected to remain broadly flat yoy in 2027.
- **JD expects to utilise remaining US$1b buyback quota.** Management expects to use the remaining US$1b under its US$5b share repurchase programme before it expires in Aug 27. JD also expects to announce its 2026 dividend in Mar 27.

12-Month Forward PE Band



Source: Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$138.00 (US$35.00),** implying 7.4x 2027F PE. The lower target price reflects weaker-than-expected 4Q26 profitability guidance, as higher R&D spending weighs on JD Retail's operating margin. JD.com trades at 5.7x 2027F PE, 1 SD below its historical mean of 24x.

Earnings Revision/Risk

- We raise our 2026 revenue forecast by 1.7% to Rmb1,369.1b, up 4.6% yoy, but cut our earnings forecast by 3.2% to Rmb29.8b, up 10% yoy, reflecting higher AI-related R&D and fulfilment expenses and continued macroeconomic headwinds.
- Risks: a) Continued losses from the food delivery business, b) slowing gross merchandise value (GMV) growth, c) weak macroeconomic and consumption conditions, and d) weaker-than-expected synergy from CECONOMY.

Share Price Catalyst

- a) Further narrowing of food delivery losses, b) continued margin expansion driven by improved operating efficiency, and c) synergies between Joybuy and CECONOMY in Europe.

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	1,199,051	55,156	4		193,047	Majority	154,438	51	37%
JD Logistics (mkt cap)					80,677	63%	56,474	19	14%
New Business and others	27,874			1	27,874	37%	22,299	3	2%
JD Health (mkt cap)					108,348	67%	75,844	25	18%
JD industrial					28,826	71%	20,178	7	5%
Net cash					99,338		79,470	33	24%
SOTP value					538,110		408,703	138.0	

Source: JD.com, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	1,309,085.0	1,369,140.7	1,507,130.5	1,576,243.9
EBITDA	8,363.0	15,051.2	69,943.5	80,494.4
Deprec. & amort.	5,589.0	(1,508.0)	32,132.7	31,980.7
EBIT	2,774.0	16,559.2	37,810.8	48,513.7
Total other non-operating income	8,025.0	6,359.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	14,524.0	7,613.8	6,963.9	7,501.5
Pre-tax profit	25,323.0	30,532.0	44,774.7	56,015.2
Tax	(2,181.0)	(5,602.2)	(9,032.9)	(11,763.2)
Minorities	(3,511.0)	(3,112.0)	0.0	0.0
Net profit	19,631.0	21,817.8	35,741.8	44,252.0
Net profit (adj.)	27,032.0	29,812.6	42,795.1	50,432.6

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	91,349.0	98,388.0	96,398.0	95,942.1
Other LT assets	229,431.0	227,086.0	227,087.0	227,087.0
Cash/ST investment	137,488.0	82,637.0	187,766.4	236,139.2
Other current assets	236,933.0	306,501.0	292,561.7	301,310.9
Total assets	695,201.0	714,612.0	803,813.1	860,479.3
ST debt	0.0	7,226.0	7,226.0	7,226.0
Other current liabilities	306,072.0	328,748.0	346,166.5	361,780.7
LT debt	95,346.0	89,347.0	86,147.0	82,947.0
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	225,040.0	224,843.0	260,585.8	304,837.8
Minority interest	68,743.0	64,448.0	64,448.0	64,448.0
Total liabilities & equity	695,201.0	714,612.0	764,573.3	821,239.5

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	18,991.0	20,674.8	89,066.2	83,097.7
Profit fo the year	25,323.0	30,532.0	44,774.7	56,015.2
Tax	(2,181.0)	(5,602.2)	(9,032.9)	(11,763.2)
Deprec. & amort.	5,589.0	(1,508.0)	32,132.7	31,980.7
Associates	0.0	0.0	0.0	0.0
Working capital changes	2,836.0	(2,747.0)	21,191.8	6,865.0
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	4,858.0	(30,142.6)	(31,524.9)
Capex (growth)	(14,201.0)	(5,531.0)	(30,142.6)	(31,524.9)
Investment	51,978.0	60,022.0	60,022.0	60,022.0
Others	4,052.0	(49,637.0)	(60,027.0)	(60,027.0)
Financing	(26,728.0)	(43,115.0)	(3,200.0)	(3,200.0)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	9,930.0	1,227.0	(3,200.0)	(3,200.0)
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(36,658.0)	(44,342.0)	0.0	0.0
Net cash inflow (outflow)	34,095.0	(17,582.2)	55,723.6	48,372.9
Beginning cash & cash equivalent	115,716.0	149,625.0	132,042.8	187,766.4
Changes due to forex impact	(174.0)	0.0	0.0	0.0
Ending cash & cash equivalent	149,637.0	132,042.8	187,766.4	236,139.2

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	0.6	1.1	4.6	5.1
Pre-tax margin	1.9	2.2	3.0	3.6
Net margin	1.5	1.6	2.4	2.8
ROA	2.8	3.1	4.7	5.3
ROE	8.4	9.7	14.7	15.7
Growth				
Turnover	13.0	4.6	10.1	4.6
EBITDA	(75.3)	80.0	364.7	15.1
Pre-tax profit	(50.9)	20.6	46.6	25.1
Net profit	(52.5)	11.1	63.8	23.8
Net profit (adj.)	(43.5)	10.3	43.5	17.8
EPS	(41.5)	15.5	43.5	16.7
Leverage				
Debt to total capital	24.5	25.0	22.3	19.6
Debt to equity	42.4	43.0	35.8	29.6
Net debt/(cash) to equity	(18.7)	6.2	(36.2)	(47.9)

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