JD.Com Inc (NASDAQ: JD, ADR): Long

April 24, 2018 | *2-year target price of $54.4 with 52% upside and up/down ratio 8:1* | Anji Lin

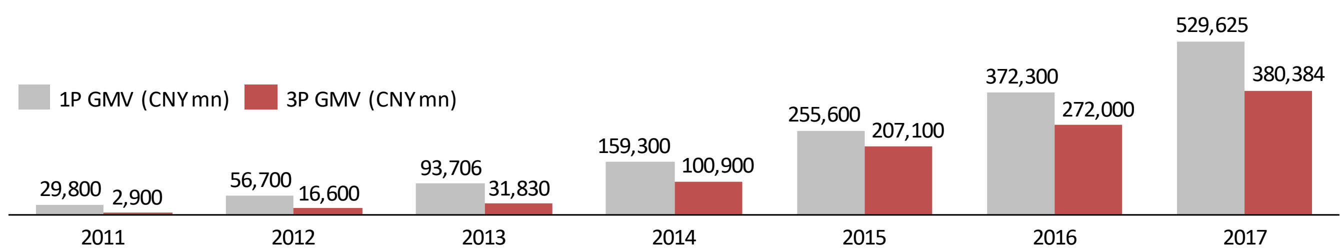
(CNY in millions except for per share data and numbers specified with $)

Share Price (April 24, 2018)	$35.87
Shares Outstanding	1,434.4
Market Capitalization	$51,452
Total Cash	$5,461
Total Debt	3,793
Enterprise Value	$49,784
52 Week Range	$34.57-$50.50
% of 52-Week High	71.0%
Avg Daily Value Traded (Last 3 months)	$616.0
as a % of Market Cap	1.2%
Net Debt / LTM EBITDA	2.0x
USD:CNY	6.31

FYE: December 31	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenue	114,942	181,042	258,290	362,332	479,151	581,349	695,446
y / y growth	--	*57.5%*	*42.7%*	*40.3%*	*32.2%*	*21.3%*	*19.6%*
EBIT	(5,444)	(5,365)	(1,252)	(835)	3,593	15,875	27,016
Margin	*(4.7%)*	*(3.0%)*	*(0.5%)*	*(0.2%)*	*0.7%*	*2.7%*	*3.9%*
y / y growth		*(1.4%)*	*(76.7%)*	*(33.3%)*	*(530.0%)*	*341.9%*	*70.2%*
Net Income	(12,563)	(7,739)	(3,807)	(152)	3,202	14,058	24,313
% Margin	*-10.9%*	*-4.3%*	*-1.5%*	*0.0%*	*0.7%*	*2.4%*	*3.5%*
EPS - Base Case	(10.38)	(5.66)	(2.71)	(0.10)	2.05	9.05	15.25
y / y growth		*-45.5%*	*-52.0%*	*-96.1%*	*(2,063.2%)*	*340.6%*	*68.6%*
Consensus EPS					1.84	3.79	7.47
Variance to Consensus					***11.6%***	***138.7%***	***104.2%***
FCF/Share	(0.26)	(6.53)	(0.05)	8.28	17.86	20.43	24.71
EV / FCF					11.8x	10.0x	8.0x
EV / EBIT					87.4x	19.8x	11.6x
P / E - Base Case					110.2x	25.0x	14.8x
P / E Consensus					123.0x	59.7x	30.3x

BUSINESS DESCRIPTION:

- **JD is one of the largest B2C e-commerce companies in China with Tencent as its largest shareholder (18%)**, offering a wide selection of authentic products at competitive prices through its own direct sales and online marketplace.
- **JD has spent 11 years on building its own nationwide fulfillment infrastructure and last-mile delivery network**, staffed by own employees, which supports both online direct sales ("1P") and online marketplace businesses ("3P").
- **JD.com generates revenue in two ways: (1) online direct sales** (58.2% of GMV in 2017, 91.6% of revenue, 46.5% of gross profit, and 7.5% gross margin) - selling electronics, home appliance products, and general merchandise products through its website ("1P"); and **(2) services and others** (41.8% of GMV in 2017, 8.4% of revenue, 53.5% of gross profit, and 85% gross margin) - commission fees charged to third-party sellers ("3P"), online marketing services to merchants and suppliers, and transaction fees from processing transactions for online payment.



Source: company filings

INVESTMENT THESIS

- Buy one of the largest Chinese e-commerce companies with long growth runway.
- Multiple margin expansion opportunities are ahead, including the mix of 1P and 3P improvement, product category mix improvement, and scalability.
- Self-owned fulfillment infrastructure serves as a high entry barrier and moat for competition (no other competitors own such well-covered nationwide infrastructure).

MISPERCEPTION:

- The Street thinks the penetration of e-commerce in China is already higher than the rest of the world and has doubt about the potential growth of China e-commerce.
- The Street fails to accurately understand the true drivers of JD in next five years and to evaluate their respective contribution, therefore the majority investors undervalue the growth potential of JD.
- The Street doesn't fully understand the value of JD's network and great customer experience, supported by the competitive advantages derived from its self-own fulfillment system.

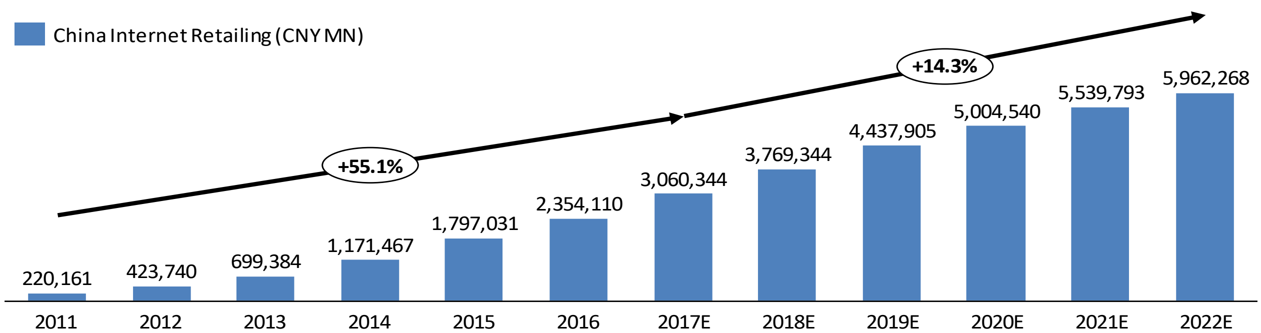
- The Street undervalues JD's potential of growing its 3P business, achieving potential higher gross margin.
- The Street has too many concerns on JD's overseas investments, which has insignificant impact on main business.

MOST COMPELLING VARs:

- Category PM of Tmall
- Former Finance Director, Alibaba Group
- Former Senior Strategist of Fintech Strategy and Investment, JD Finance
- Former Finance Manager 1, JD
- Former Finance Manager 2, JD
- Investment Director, JD
- Former Associate, Capital Today, the first VC investor of JD
- Investment Professional, Hillhouse Capital, an early investor of JD
- Equity Research Analyst, First Manhattan
- Ex-Consultant participated in several JD projects, McKinsey
- Fourth Generation, Central Group (Thailand), JD's partner in Thailand

KEY THESIS POINTS:

- **The e-commerce in China will continue to grow at double-digit rate, with an increasing penetration rate from 20.4% in 2017 to 30% in 2022E.**
  (1) **Late mover "advantage".** when e-commerce started in China, offline retail had low coverage, and was highly fragmented and inefficient (top 20 traditional retailers with 12% market share; 53% groceries sales by mom and pop stores vs. 18% in U.S). Compared with the US, offline retail in China was not mature enough to fully address consumer demands.
  (2) **Mobile internet penetration and the booming of mobile payment fuels and provides the infrastructure for further e-commerce growth.** Third party mobile payment value is $8,521 bn in China (vs. $112 bn in U.S.), while mobile commerce accounts 61% of total e-commerce (vs. 39% in U.S.).
  (3) **E-commerce is far more efficient than traditional multi-layer offline retail in China, fulfilling customers' various demand and catering to consumption upgrade.** GDP per Capita grows at a CAGR of 10% from 2010 to 2017 and is expected to grow at a CAGR of 9% for next four years. China Disposable Income per Capita grows at a CAGR of 11% from 2000 to 2017. E-commerce provides Chinese consumers more diverse choice and convenient shopping experience than traditional retailing.
  (4) **The national e-commerce sales grew 35% QoQ in 2018 Q1**, proving the momentum is still quite active.



Source: Euromonitor

- **<u>JD's national logistics network supports both high-quality fast service and potential network effect</u>.** JD logistics that integrates warehouse and delivery service covers 99.1% of counties and districts in China.

  (1) Why customers love JD's delivery service? A) Fast delivery: same-day and next-day service is normal in most of tier 1, 2, and 3 cities in China; B) Online real time tracking: provides details of every step and its operator, who is held accountable; C) Direct interaction with delivery personnel: the mobile number of delivery personnel is provided for further communication.

<u>JD's Moat: Self-owned logistics system</u>

Source: company filings

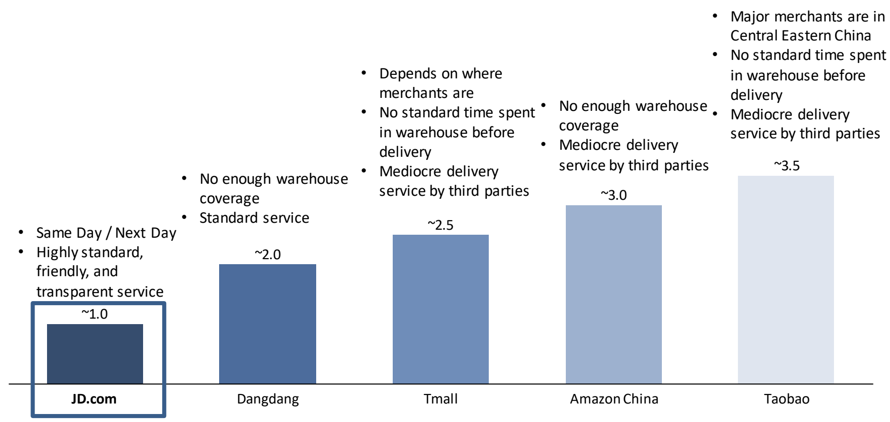
Best Fulfillment Facilities

- Covers 99% counties and districts of China
- 7 Fulfillment Centers
- 27 Front Distribution Centers
- 13 Self-built Mega Warehouses in 9 cities
- 486 Warehouses
- ~10 million sq. m. GFA

  (2) Why fast delivery service is important in China? A) In a developing country like China, the boundary between professional and personal life is vague: people have a much faster pace and it's quite normal to work overtime in both weekdays (people could receive products in the evening) and weekend in the whole society, which is quite recognized in both supply and demand sides; B) Direct and fierce competition: while there is only one Amazon in the U.S, there are so many competitors in the e-commerce filed, convenient and reliable service is highly preferred from the perspectives of consumers for standardized products.

  (3) JD's delivery service is way better than Alibaba's Tmall and Taobao ("BABA") and other competitors. According to a PM at Tmall, JD's self-owned logistics network guarantees high quality service of not only delivery but all other parts of shopping experience as well, attracting numerous customers to JD (from 37M in 2013 to 299M in 2017). Cainiao, BABA's integrated alliance-based logistics network, could not compete with JD entirely. Only Tmall Supermarket may provide close service level to customers in first and second tier cities, accounting for only low single digit of Tmall GMV. However, as BABA is basically a platform / traffic business, it has no desire to build its self-owned logistics network, which JD has spent 11 years on.

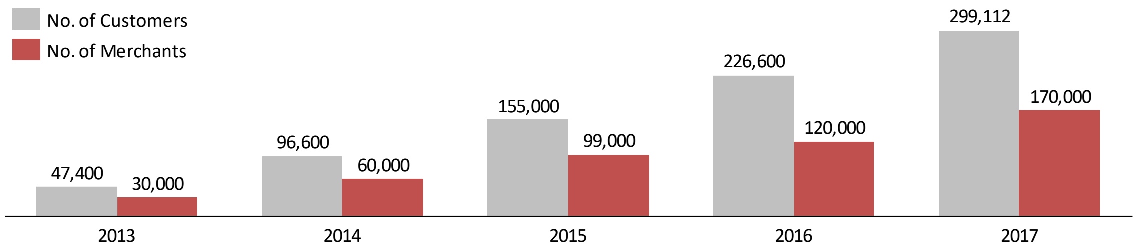
<u>Average Delivery Time in Beijing of JD's competitors in China (Number of days)</u>

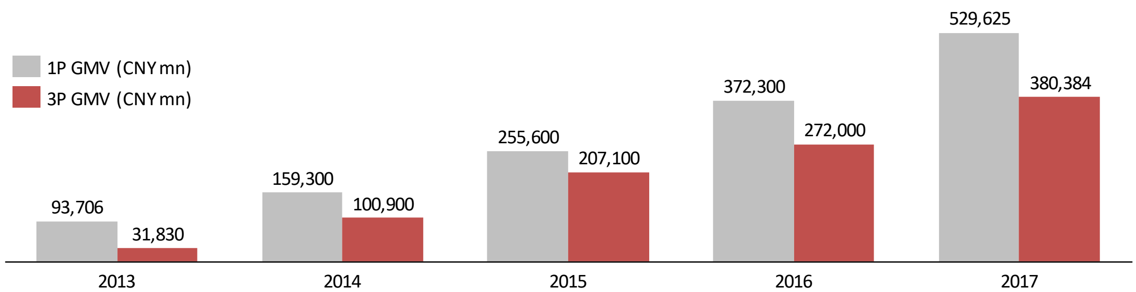


Source: VAR, customer interviews

(4) A virtuous circle ignites two-sided network effect. As more and more active customers have been acquired and retained on JD, more merchants join JD platform and use JD logistics service (from 30M in 2013 to 170M in 2017). Then the 3p business of JD has great potential to grow than the street expected.

A virtuous circle ignited two-sided network effect





Source: company filings

- **Active customer growth is still on its way, and the active customer base is expected to grow ~16% on average in next five years.**

(1) More Female customers: new categories, such as high-end fashion, apparel 3P business, FMCG, and groceries, attract more female buyers. Also the cooperation of Vipshop (with only ~30% overlap users with JD) could also help JD boost its popularity in female buyers. Per VAR call, the JD female customer percentage is only 33% (vs. 54% of Taobao).

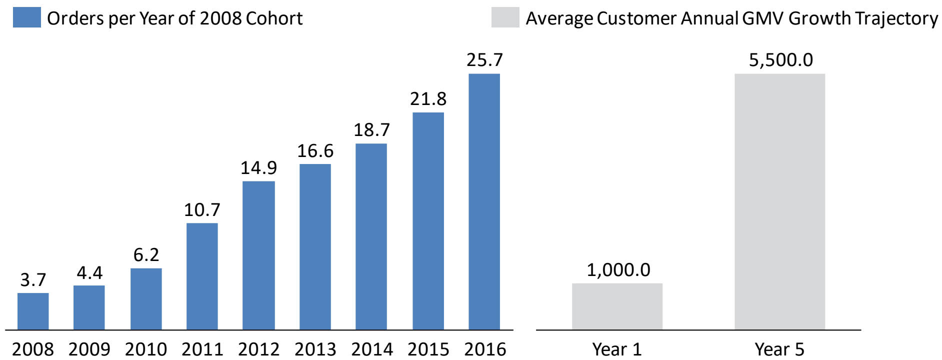
(2) More lower-tier city customers: the penetration in third-tier cities and below areas accounts only 25% of active customers, 20% of total orders, and 19% of total GMV, per VAR call. As the fulfillment service reaches these deeper areas, there will be further potential for JD in penetrating into the lower-tier and rural population, which in turn could improve economics of its nationwide logistics system. Also, JD's Xin Tong Lu will help attract more customers by shifting their shopping habits to online and omni-channel (online + offline).

- **GMV per Customer could grow at ~8-10% per year in next five years, although customer number growth drove the total GMV growth in its past history, while GMV per Customer grew only 2.5% on average in past six years with negative figures in two years.**

(1) The Street fails to accurately understand the GMV per Customer driver of JD in next five years, because they don't fully understand the growth trajectory of a cohort. Form my VAR call with investors and sell-side, they normally decompose GMV into Number of Active Customers and GMV per Customer, but they only use historical numbers as the base to predict future ones, which doesn't make sense for GMV per Customer of a super fast-growing retailer.

(2) JD has a super fast-growing customer base in past a few years, as a retained new customer normally spends two or three years to catch up with the average GMV spending per VAR call, new customers could contribute more GMV as they grow. How much will they contribute? Per VAR Call, the average customer annual GMV is ~CNY 1,000 in year 1 and this figure grows to CNY ~5,500 in year 5. This growth trajectory is supported by the orders per year of JD's 2008 Cohort, they on average had 3.7 orders in 2008, 16.6 orders in 2013, and 25.7 orders in 2016. If we take the consideration of the fact that there are more and more product categories available on JD from both direct sales and third party merchants, the GMV per Customer could increase further, which could beat the Street's expectation.

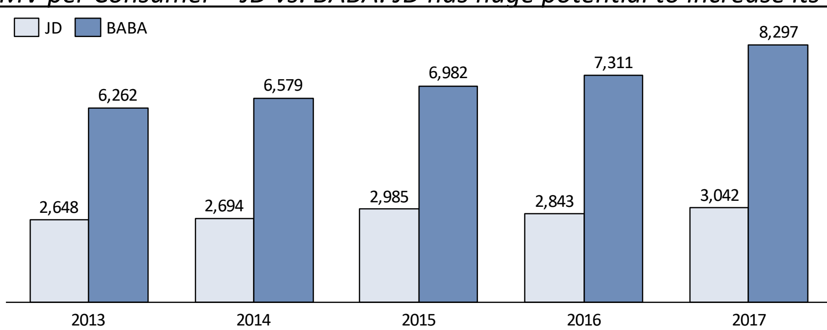
GMV per Customer has potential to grow as new acquired customers get mature



Source: VAR calls

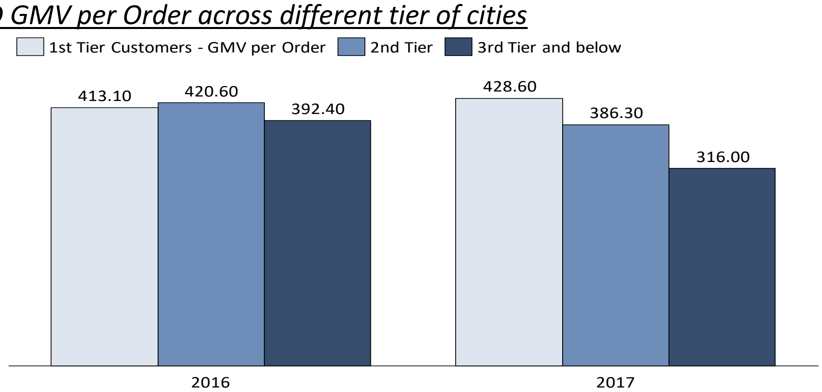
(3) Consumption upgrade (i.e. higher price in most cases) increases GMV per order significantly and this is the future trend of China retailing. Tmall achieves faster GMV per order growth because of its relative stable customer base and different focus of category focus per VAR call. As JD continue to execute its category expansion, especially apparel and related categories, it will have GMV per customer growth more easily. Also, per VAR call, there is clear trend that GMV per Order increases in first tier cities, where the customer base is relatively stable.

GMV per Consumer – JD vs. BABA: JD has huge potential to increase its GMV per Customer



Source: company filings

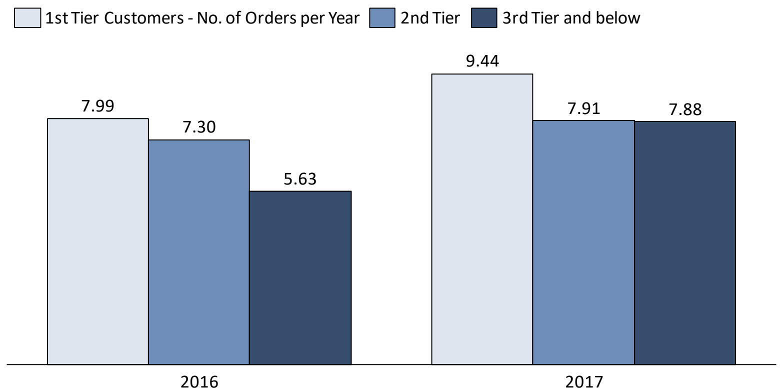
JD GMV per Order across different tier of cities



Source: VAR call

(4) **Order frequency in second, third and lower tier cities is expected to grow, as more and more customers become mature per VAR call** (7.88 orders per year in third and lower and 7.91 orders in second-tier cities vs. 9.44 orders in first-tier cities, showing the growth potential). Currently, lower tier cities have more new customers and lower order frequency, benchmarking first tier cities.

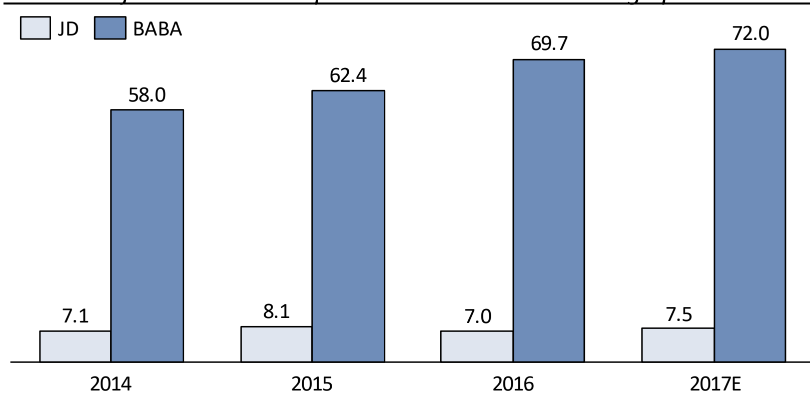
Potential of Order Frequency Increase



Source: VAR Call

(5) **As 3P business continues to grow and accounts for a larger part of total GMV, the order frequency will increase because of the nature of 3P merchant business.** The comparison between BABA customer order frequency and JD's reveals the potential, as all BABA business is 3P business.

Number of Annual Orders per Customers – JD has huge potential to increase order frequency



Source: company filings, Goldman Sachs, VAR Call; BABA 2017 figure is estimated.

- **3P business could continue to grow faster than the Street expects, with the 3P:1P GMV mix increasing from 41.8:58.2 in 2017 to 47:53 in 2022. This assumption is still conservative, as the mid-term strategic goal is half and half per VAR call.**

(1) **The two-sided network effect will help JD attract more merchants and then develop its 3P business through the virtuous cycle**, making the platform stronger and powerful.

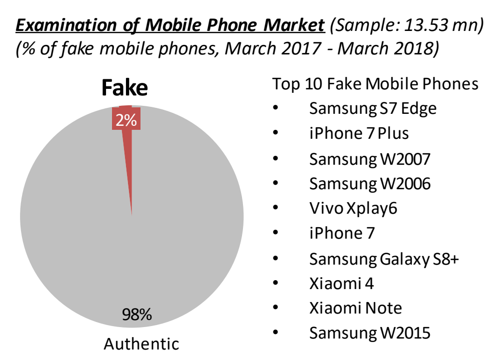
(2) **JD is actively changing its organizational structure and evolving into a platform business per VAR call**, although Tmall raises the competition with JD directly in terms of price and category, JD has many potentials to be released. Per VAR call, previous structure, culture, and gene let JD provide worse service to merchants and less attractive choices to customers, compared with Tmall. This is evident from JD's lower gender mix in female customers (JD 33% of female consumers vs. Taobao 54%). In February, JD made the whole company flatter and reorganized its business into three Business Groups: 3C and Home Appliance BG (focus on 1P), Fashion, Apparel and Related BG (focus on 3P), and General Consumer Products BG (with an emphasis on offline service). Each BG has own R&D

and supporting system, providing targeted service and tackle on respective competitors. These initiatives could significantly increase JD's 3P business capacity and boost its 3P business.

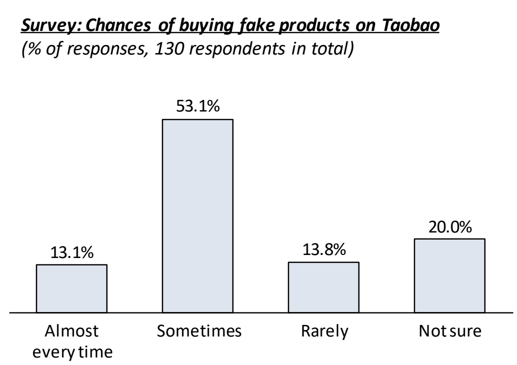
- **<u>Merchants could and will come and stay at JD, despite the competition from BABA</u>.**
  (1) JD's high-quality warehouse and logistics service improve the stickiness to merchants. 3P merchants could use JD's warehouse and logistics service, which provides better service than any other couriers and its own warehouse management system. This has great potentials to boost merchant stickiness per VAR call, and about 10% of merchants use JD's warehouse and logistics service now. There is a growing trend of usage of JD warehouse and logistics service.
  (2) JD platform is more economical than Tmall of BABA. Per VAR call, the take rate of BABA is 3%, after considering the advertisement fee, the overall cost of merchants is about 6-10%, while JD normally takes 5% straight fee on average, which is more economical. JD is more attractive when it has larger customer base that is getting used to buy stuff from 3P merchants on JD.
  (3) The unfair (or even illegal) competition from BABA is only temporary. Although BABA sometimes, especially during its promotion season "November 11", forces merchants to use its platform only, these merchants go back to JD right after the promotion by using various ways. In 2017, there were more merchants that didn't follow BABA's instructions by setting up new SPVs to deal with JD per VAR call.

- **<u>JD is trusted as a retailer of authentic products and convenient & wide choices, which differentiates itself from other competitors.</u>**
  (1) Authentic products matter in China. A) Trust is the critical factor with online shopping…especially in China. The more someone trusts a retailer will provide authentic goods, the more they'll return potentially; B) There are still fake products around: people could still buy fake products unexpectedly in China, although the market condition has been improving for several years; C) For electronics and home appliances, it is more important to buy authentic products, because the safety and after-sale service are vital. D) Taobao is still the main marketplace for fake products: merchants have various ways to go around the scrutiny process and sell fake products on Taobao.

2% of mobile phones in China are fake

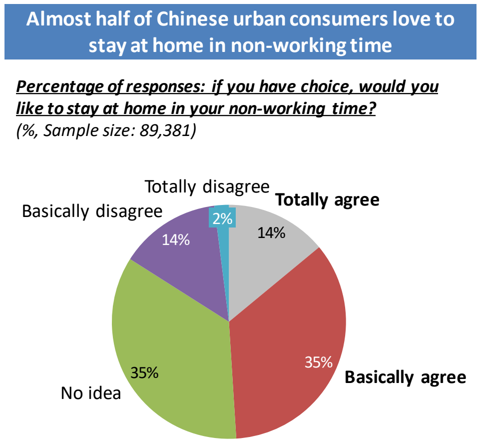


Buying fake products on Taobao is not rare



Source: desktop research, customer survey

  (2) Convenient and wide choice matter for JD. A) Network effects: The more convenient and wider the choice, the more customers will come and the more time they will spend. This will then attract more merchants (3P), thus attracting more customers, which is a virtuous cycle; B) People tend to spend more time at home: the online shopping and delivery service meet the increasing needs of people who want to stay at home during non-working time; C) One-stop shopping experience makes sense in the fast-pace society: people have longer working hours, so there is no enough time to go to several retailers for all kinds of products. The one-stop JD online shopping could substitute traditional retailers, and other multi-merchant platform to some degree; D) Under the trend of consumption upgrade, people have less brand loyalty and love more choices. The breadth of SKUs on JD effectively and efficiently fulfills the needs.



Source: desktop research

PATH TO PROFITABILITY:

- GMV grows faster than market expectation, especially the 3P GMV growth, with more than expected number of merchants on the platform.
- Continuous improvement of gross margin.

KEY RISKS:

- As JD is becoming a platform business, the competition from BABA may become fiercer than expected, then the unit economics may become worse and the improvement of category expansion may be worse than expected.
- The execution of category mix improvement may face difficulties, and gross margin would not be improved as expected.
- JD explicitly claims that it plans to expand into too many markets outside of China, including Southeast Asia. This could bring so many risks, such as execution risk, extra unexpected competition, and strategic mismatch.
- JD still bears the credit risk of JD Finance, although the latter has been spun off from JD that has zero equity interest now. Due to certain existing contractual arrangement, JD will remain as the legal owner of the existing consumer credit (known as JD Baitiao) receivables, but not for new consumer credit business. Per VAR call, the bad debt ratio of JD Baitiao is less than 1%, and as time goes by, the risk exposure will decrease to an insignificant level.

METRICS TO MONITOR:

- GMV: the most important metric in JD's current investment and growth stage.
- Number of Active Customers: the growth may be slower than past a few years, but it should continue to grow ~20% per year.
- GMV per Customers: this is the driver for the sustainable growth of JD in longer term.
- Gross margin: it is a great reflection of 3P business development, category mix improvement, and competition condition.

SIGNPOSTS OF OPPOSING THESIS:

- The e-commerce industry growth turns slow and below 10% per year.
- BABA starts to build its self-owned nationwide fulfilment system.

- GMV growth turns slower than the market's expectation, especially 3P GMV.
- Gross margin declines significantly.

VALUATION:

- I come up a 2-year target price of $54.4 (52% upside), based on 2020 EPS of CNY 15.25 and a normalized forward P/E multiple of 22.5x.
- Bull Case: $77.67 (117% upside), based on 2020 EPS of CNY 19.60 and a normalized forward P/E multiple of 25.0x.
- Bear Case: $33.69 (6% downside), based on 2020 EPS of CNY 10.63 and a normalized forward P/E multiple of 20.0x.

BUSINESS TAILWINDS:

- The TAM (i.e. e-commerce in China) is growing fast and taking share from traditional retailing, which is also growing at +5%.
- Both China Overall and China Urban experienced rapid growth of mobile internet penetration, which provide the best infrastructure for e-commerce growth.

BUSINESS HEADWINDS:

- No significant secular headwinds.

APPENDIX 1: VALUATION & KEY DRIVERS

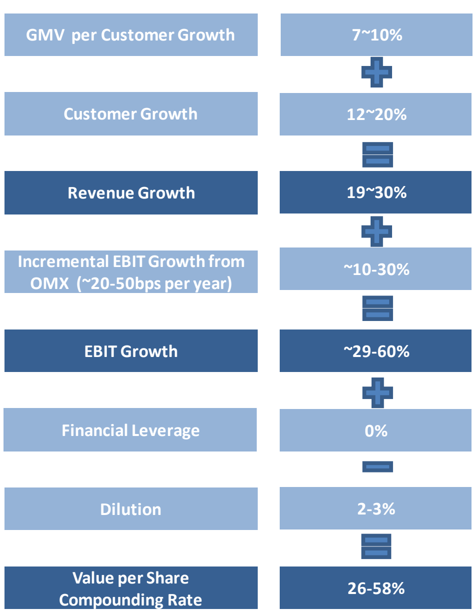
Exhibit 1: Multiple-based valuation

	Bear	Base	Bull
2020E EPS Base Case	10.63	15.25	19.60
Normalized Forward Multiple	20.0x	22.5x	25.0x
2019 EOY Value/Share	**$33.69**	**$54.38**	**$77.67**
Upside to Current Price	***(6.1%)***	***51.6%***	***116.5%***
IRR	***(4.1%)***	***32.0%***	***67.4%***

Exhibit 2: Key Driver Cases

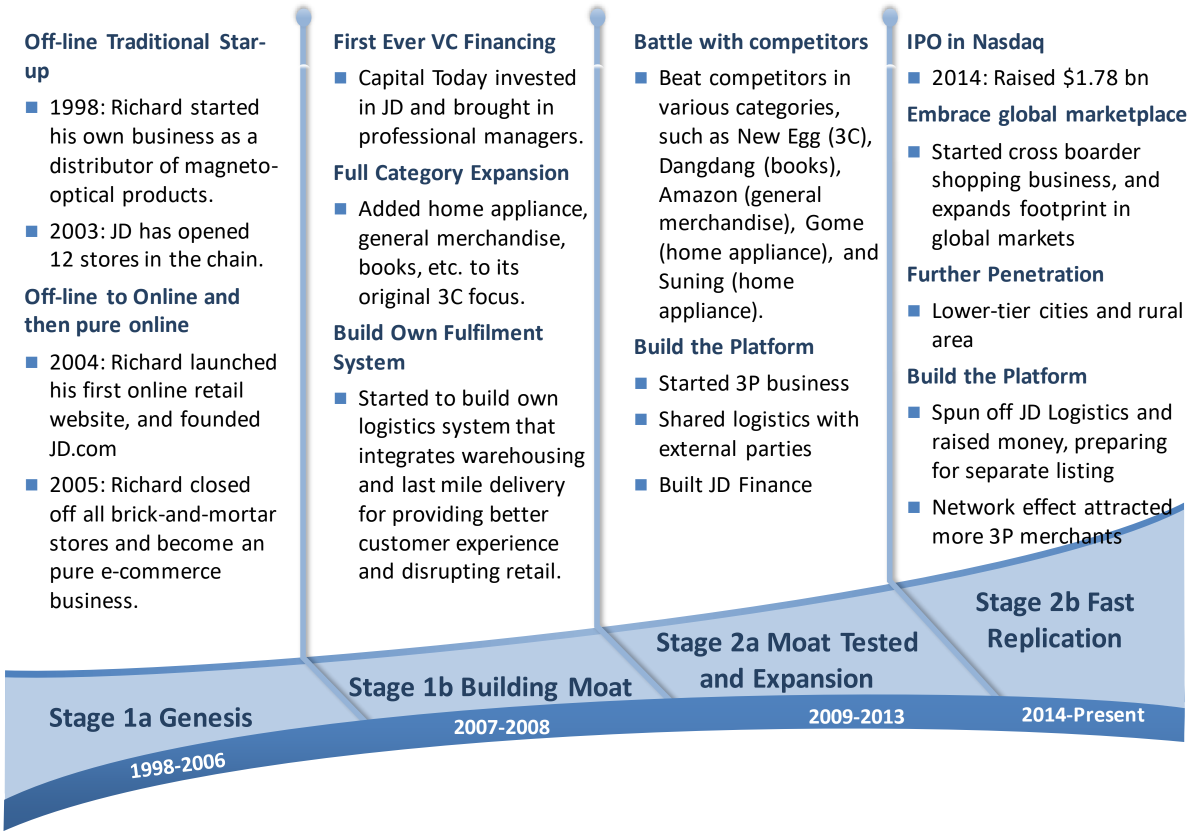
	2018E	2019E	2020E	Commentary
Active Customers % growth				
Bull	27%	23%	18%	- Bull: no. of customers grows from 299M in 2017 to 551M in 2020
Base	25%	20%	15%	- Base: no. of customers grows from 299M in 2017 to 516M in 2020
Bear	22%	18%	15%	- Bear: no. of customers grows from 299M in 2017 to 495M in 2020
GMV per Customer % growth				
Bull	7%	8%	10%	- Per VAR call, 7-10% is not difficult to achiece in next three years
Base	7%	8%	9%	
Bear	3%	3%	5%	
% GMV Mix - 3P Marketplace				
Bull	44.0%	45.0%	46.0%	- GMV mix is the most sensitive driver of all the four drivers
Base	43.0%	44.0%	45.0%	- Base case continues the trend of growing 3P modestly
Bear	43.0%	44.0%	45.0%	
Service and Others Gross Margin				
Bull	85.5%	86.5%	87.5%	-Bear case assums no margin expansion
Base	85.0%	86.0%	87.0%	
Bear	84.6%	84.6%	84.6%	
EPS				
Bull	3.09	11.31	19.60	
Base	2.05	9.05	15.25	
Bear	1.97	6.34	10.63	

Exhibit 3: Growth Algorithm



- The value per share compounding rate is 26-58% for JD. A few things are worth mentioning:
- (1) the incremental EBIT Growth is key to JD, as it currently has operating loss in history;
- (2) as the business commits its financial resources to grow or even raise new money / issue new shares due to incentive plans, I assume 0% buyback or dividend yield and 2-3% dilution per year.

APPENDIX 2: OVERVIEW OF DEVELOPMENT STAGES



APPENDIX 3: ANNOTATED STOCK CHART

Exhibit 1: May 2014 – March 2016

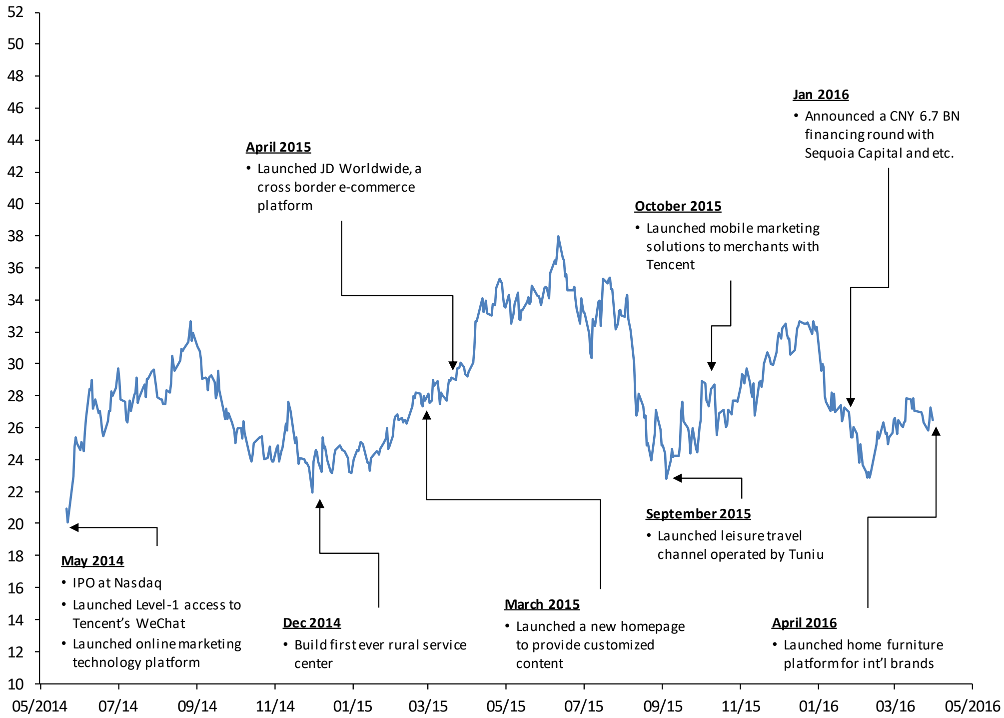
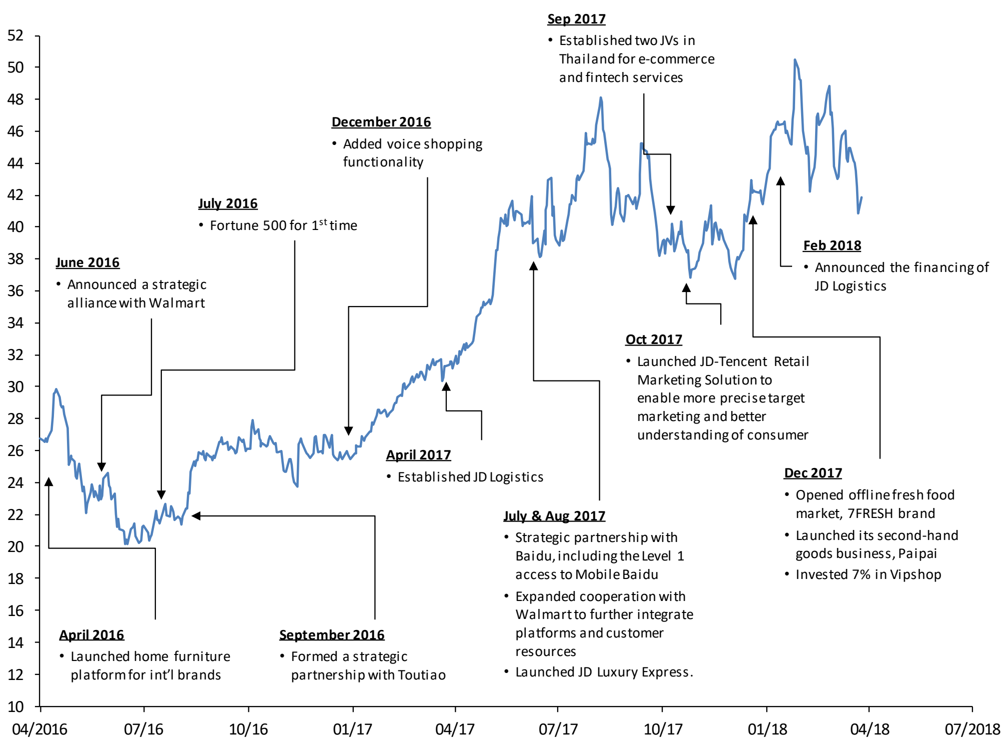


Exhibit 2: April 2016 – March 2018



APPENDIX 4: FINANCIALS AND UNIT ECONOMICS

Exhibit 1: Income Statement

Income Statement													
GMV													
1P - Direct Sales		29,800	56,700	93,706	159,300	255,600	372,300	529,625	693,768	883,350	1,087,506	1,315,447	1,561,699
3P - Marketplace		2,900	16,600	31,830	100,900	207,100	272,000	380,384	523,369	694,060	889,778	1,120,566	1,384,903
Total GMV - Old Definition		**32,700**	**73,300**	**125,536**	**260,200**	**462,700**	**644,300**	**910,009**	**1,217,137**	**1,577,410**	**1,977,284**	**2,436,013**	**2,946,602**
Total GMV - New Definitio	70%						939,100	1,294,400	**1,738,768**	**2,253,443**	**2,824,691**	**3,480,019**	**4,209,431**
Net Sales													
Online direct sales		20,888	40,335	67,018	108,562	167,936	237,944	331,824	434,664	518,884	614,476	684,421	726,547
Services and others		241	1,046	2,322	6,380	13,106	20,346	30,507	44,486	62,465	80,970	103,092	128,796
Total Net Sales		**21,129**	**41,381**	**69,340**	**114,942**	**181,042**	**258,290**	**362,332**	**479,151**	**581,349**	**695,446**	**787,513**	**855,343**
% Growth			*95.8%*	*67.6%*	*65.8%*	*57.5%*	*42.7%*	*40.3%*	*32.2%*	*21.3%*	*19.6%*	*13.2%*	*8.6%*
Gorss Income													
(-) Cost of Sales (ex-SBC)		(19,977)	(37,898)	(62,496)	(102,534)	(158,960)	(222,917)	(311,489)	(408,303)	(487,675)	(577,073)	(642,723)	(682,591)
Gross Income		**1,152**	**3,482**	**6,844**	**12,409**	**22,082**	**35,373**	**50,842**	**70,848**	**93,674**	**118,373**	**144,790**	**172,752**
% Margin		5.5%	8.4%	9.9%	10.8%	12.2%	13.7%	14.0%	14.8%	16.1%	17.0%	18.4%	20.2%
Operating Income													
(-) Fulfillment Expenses (ex-SBC and amortization)		(1,478)	(2,982)	(4,015)	(7,100)	(12,193)	(18,135)	(25,275)	(33,541)	(38,950)	(45,899)	(51,188)	(54,742)
(-) Marketing Expenses (ex-SBC and amortization)		(473)	(1,088)	(1,581)	(2,991)	(5,960)	(8,849)	(13,560)	(17,729)	(21,219)	(25,384)	(27,563)	(29,082)
(-) Technology & Content Expenses (ex-SBC and amortization)		(239)	(611)	(930)	(1,520)	(2,669)	(3,937)	(5,898)	(8,146)	(8,720)	(10,084)	(11,025)	(11,975)
(-) General & Administrative Expenses (ex-SBC and amortizatio		(296)	(526)	(622)	(918)	(1,360)	(2,034)	(2,387)	(2,875)	(3,197)	(3,477)	(3,938)	(4,277)
(-) Stock-Based Compensation (SBC)		(71)	(225)	(261)	(4,227)	(1,076)	(2,061)	(2,780)	(3,188)	(3,934)	(4,735)	(5,502)	(6,219)
(-) Amortization of Other Intangibles			(2)	(13)	(1,097)	(1,439)	(1,609)	(1,778)	(1,778)	(1,778)	(1,778)	(1,778)	(1,778)
(+/-) Other Operating Income / (Expense)													
(+/-) Non-Recurring Operating Items						(2,750)	-						
Operating Income		**(1,404)**	**(1,951)**	**(579)**	**(5,444)**	**(5,365)**	**(1,252)**	**(835)**	**3,593**	**15,875**	**27,016**	**43,797**	**64,680**
Pre-Tax Income													
(+) Interest Income, net		56	176	344	638	600	1,227	2,530	2,264	3,270	4,806	6,908	9,879
(-) Interest Expense		-	(8)	(8)	-	-	(619)	(964)	(854)	(572)	(431)	(286)	(176)
(+/-) Exchange Gain / Loss		41.31	13.76	92.76									
(+/-) Share of results of equity investees		-	-	-	-	(2,853)	(2,782)	(1,927)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
(+/-) Other Income / (Expense), Net		22.9	46.6	100.8	214	(146)	1,543	1,316	1,000	1,000	1,000	1,000	1,000
(+/-) Remeasurements & Other		0.0	0.0	0.0									
Pre-Tax Income		**(1,284)**	**(1,723)**	**(50)**	**(4,592)**	**(7,764)**	**(1,882)**	**121**	**4,003**	**17,573**	**30,391**	**49,419**	**73,384**
Net Profit													
(+/-) Income Tax Provision	20%	-	(6)	0	(14)	15	(166)	(140)	(801)	(3,515)	(6,078)	(9,884)	(14,677)
Net Income		**(1,284)**	**(1,729)**	**(50)**	**(4,605)**	**(7,749)**	**(2,048)**	**(19)**	**3,202**	**14,058**	**24,313**	**39,535**	**58,707**
Preferred shares redemption value accretion		(1,661)	(1,587)	(2,435)									
Net loss attributable to non-controlling interests		-	-	-		10	(1,758)	(134)	(134)	(134)	(134)	(134)	(134)
Deemed dividend		-	-	-	(7,958)								
Net Profit (loss) attributable to ordinary shareholders		**(2,944)**	**(3,317)**	**(2,485)**	**(12,563)**	**(7,739)**	**(3,807)**	**(152)**	**3,068**	**13,925**	**24,179**	**39,401**	**58,574**
Net Income % Margin		*-6.1%*	*-4.2%*	*-0.1%*	*-4.0%*	*-4.3%*	*-0.8%*	*0.0%*	*0.7%*	*2.4%*	*3.5%*	*5.0%*	*6.9%*
EPS													
Share Counts - # of ADS (mn)													
Basic: Wtgd Avg	3% New shares	1,322.8	1,523.6	1,694.5	1,209.8	1,367.5	1,402.4	1,422.4	1,465.1	1,509.0	1,554.3	1,600.9	1,649.0
Diluted: Wtgd Avg	2% Dilution ratio	1,322.8	1,523.6	1,694.5	1,209.8	1,367.5	1,402.4	1,455.7	1,494.4	1,539.2	1,585.4	1,633.0	1,681.9
Earnings Per ADS (Rmb) 2 Shares = 1 ADS													
Basic - GAAP ADS		(2.23)	(2.18)	(1.47)	(10.38)	(5.66)	(2.71)	(0.11)	2.09	9.23	15.56	24.61	35.52
Diluted - GAAP ADS		(2.23)	(2.18)	(1.47)	(10.38)	(5.66)	(2.71)	(0.10)	2.05	9.05	15.25	24.13	34.82
EBITDA		(1,404)	(1,765)	(286)	(3,793)	(2,746)	2,382	3,124	7,784	23,461	35,949	55,547	79,077
% Margin		*-6.6%*	*-4.3%*	*-0.4%*	*-3.3%*	*-1.5%*	*0.9%*	*0.9%*	*1.6%*	*4.0%*	*5.2%*	*7.1%*	*9.2%*

Exhibit 2: Balance Sheet

JD Balance Sheet (Rmb mn)	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Balance Sheet												
Assets:												
Cash & cash equivalents	6,289	7,177	10,812	16,915	17,864	15,567	25,688	39,464	65,933	100,927	149,993	219,779
Restricted deposits	290	1,920	1,887	3,038	2,115	2,294	4,110	4,110	4,110	4,110	4,110	4,110
Short-term investments	0	1,080	1,903	12,162	2,780	6,548	8,588	8,588	8,588	8,588	8,588	8,588
Accounts receivable	246	479	502	2,436	9,508	16,141	16,359	6,473	8,158	9,822	11,407	12,637
Loan receivables, net	0	0	0	123	2,384	0	0	0	0	0	0	0
Assets Held for Sale	0	0	0	0	0	22,154	0	0	0	0	0	0
Inventories	2,764	4,754	6,386	12,191	20,540	28,909	41,700	56,234	69,998	83,183	95,297	103,540
Other Current Assets	294	269	989	3,077	3,277	15,318	18,583	18,705	18,805	18,919	19,002	19,052
Advance to suppliers	168	110	770	930	927	257	395	517	617	731	814	864
Amounts due from related parties	2	0	0	412	864	9,074	10,797	10,797	10,797	10,797	10,797	10,797
Prepayments and other current assets	125	159	219	1,734	1,486	5,987	7,392	7,392	7,392	7,392	7,392	7,392
Total Current Assets	**9,882**	**15,680**	**22,480**	**49,942**	**58,468**	**106,932**	**115,029**	**133,574**	**175,593**	**225,548**	**288,397**	**367,706**
Property and equipment, net	320	639	1,024	2,408	6,233	7,023	12,574	22,757	26,799	35,252	43,189	50,176
Construction in progress	0	362	1,238	1,929	1,267	1,992	3,197	3,197	3,197	3,197	3,197	3,197
Intangible assets, net	2	230	216	6,878	5,264	8,311	6,693	6,693	6,693	6,693	6,693	6,693
Deferred tax assets	0	0	0	0	0	0	158	158	158	158	158	158
Land use rights, net	97	528	599	1,067	1,928	2,448	7,051	11,379	12,059	14,101	15,116	17,562
Other non-current assets	276	430	402	625	2,107	2,224	2,228	2,228	2,228	2,228	2,228	2,228
Investments	1	17	51	3,644	9,899	31,444	37,126	37,126	37,126	37,126	37,126	37,126
Equity investment	1	3	37	587	8,864	14,629	18,551	18,551	18,551	18,551	18,551	18,551
Other investment	0	0	0	434	1,006	2,956	11,924	11,924	11,924	11,924	11,924	11,924
Assets Held for Sale	0	0	0	0	0	7,332	0	0	0	0	0	0
Goodwill	0	15	15	2,622	29	6,527	6,651	6,651	6,651	6,651	6,651	6,651
Total Assets	**10,579**	**17,886**	**26,010**	**66,493**	**85,166**	**160,374**	**184,055**	**217,112**	**263,852**	**324,302**	**396,103**	**484,845**
Liabilities:												
Accounts payable	3,636	8,097	11,019	16,364	29,819	46,036	74,338	100,125	124,633	148,110	169,678	184,355
Advance from customers	286	897	2,056	4,667	7,174	11,466	13,605	18,197	23,583	29,562	36,420	44,054
Accrued expenses and other current liabilities	571	1,341	2,270	5,312	7,178	10,513	15,118	19,985	23,128	27,221	30,067	32,108
ST Debts	0	867	933	1,891	3,620	1,878	200	200	200	200	200	200
Other ST Liabilities	151	282	493	762	1,238	35,754	14,990	8,647	5,476	3,891	3,098	2,701
Amounts due to related parties	1	5	0	325	105	155	54	54	54	54	54	54
Deferred income	61	105	209	157	1,028	1,138	1,592	1,592	1,592	1,592	1,592	1,592
Taxes payable	89	165	278	236	103	565	658	658	658	658	658	658
Deferred tax liabilities and others	0	6	6	44	1	907	0	0	0	0	0	0
Liabilities held for sale	0	0	0	0	0	23,757	0	0	0	0	0	0
Nonrecourse securitization debt	0	0	0	0	0	9,231	12,685	6,342	3,171	1,586	793	396
Total Current Liabilities	**4,645**	**11,483**	**16,770**	**28,995**	**49,029**	**105,648**	**118,251**	**147,155**	**177,021**	**208,983**	**239,462**	**263,418**
Nonresourse securitization debt	0	0	0	0	2,754	2,318	4,475	2,238	1,119	559	280	140
Deferred Revenue	0	0	0	0	2,705	2,104	1,274	1,274	1,274	1,274	1,274	1,274
Other Long-Term Liabilities	0	0	0	0	0	9,083	7,667	7,667	7,667	7,667	4,232	4,232
Unsecured senior notes						6,831	6,447	6,447	6,447	6,447	3,012	3,012
Other non-current liabilities						441	1,220	1,220	1,220	1,220	1,220	1,220
Liabilities held for sale						1,812	0	0	0	0	0	0
Total Liabilities	**4,645**	**11,483**	**16,770**	**28,995**	**54,488**	**119,154**	**131,666**	**158,333**	**187,080**	**218,483**	**245,247**	**269,063**
Mezzanine Equity												
Series C convertible redeemable preferred shares	3,150	4,738	7,173	0	0	0	0	0	0	0	0	0
Shareholders' Equity:												
Total JD.com, Inc. shareholders' equity	2,783	1,665	2,067	37,498	30,541	33,893	52,041	58,431	76,424	105,471	150,508	215,434
Other shareholder's equity												
Non-controlling interest	0	0	0	0	138	270	348	348	348	348	348	348
Redeemable non-controlling interests held for sale	0	0	0	0	0	7,057	0	0	0	0	0	0
Total Shareholders' Equity	**2,783**	**1,665**	**2,067**	**37,498**	**30,678**	**41,220**	**52,389**	**58,779**	**76,771**	**105,819**	**150,856**	**215,782**
Total liabilities, mezzanine equity and shareholders' equity	**10,579**	**17,886**	**26,010**	**66,493**	**85,166**	**160,374**	**184,055**	**217,112**	**263,852**	**324,302**	**396,103**	**484,845**
Balance check	-	-	-	-	-	-	-	-	-	-	-	-

Exhibit 3: Cash Flow Statement

JD Cash Flow Statement (Rmb mn)	2018E	2019E	2020E	2021E	2022E
Cash Flow Statement					
Net Income	3,202	14,058	24,313	39,535	58,707
+ D&A	4,191	7,586	8,933	11,751	14,396
(Inc) dec in w orking capital	30,477	17,488	18,585	17,490	14,829
(Inc) dec in other current assets	0	0	0	0	0
Inc (dec) in other current liabilities	0	0	0	0	0
Total operating cash flow	**37,870**	**39,132**	**51,831**	**68,775**	**87,932**
(Capital expenditure)	(14,375)	(11,627)	(17,386)	(19,688)	(21,384)
(Inc) dec in other non-current assets	(4,328)	(681)	(2,041)	(1,015)	(2,446)
Inc (dec) in other liabilities	0	0	0	0	0
Total investing cash flow	**(18,702)**	**(12,308)**	**(19,428)**	**(20,703)**	**(23,829)**
Inc (dec) in debt	(8,580)	(4,290)	(2,145)	(4,508)	(536)
Share issuance / (repurchases)	3,188	3,934	4,735	5,502	6,219
(Dividends paid)	0	0	0	0	0
Total financing cash flow	**(5,392)**	**(356)**	**2,590**	**994**	**5,683**
Net Cash flow	**13,776**	**26,469**	**34,993**	**49,066**	**69,786**
Cash Flow Summary					
Beginning Cash	25,688	39,464	65,933	100,927	149,993
Net Cash Flow	13,776	26,469	34,993	49,066	69,786
Ending Cash	39,464	65,933	100,927	149,993	219,779
Net profit / (loss)	3,202	14,058	24,313	39,535	58,707
Depreciation and amortization	4,191	7,586	8,933	11,751	14,396
Share-based compensation expenses	3,188	3,934	4,735	5,502	6,219
Chg. In Working Capital	30,477	17,488	18,585	17,490	14,829
Operating Cash Flow	**41,059**	**43,067**	**56,566**	**74,277**	**94,151**
Capex	(14,375)	(11,627)	(17,386)	(19,688)	(21,384)
Free Cash Flow	**26,684**	**31,440**	**39,179**	**54,589**	**72,768**
FCF per Share	17.86	20.43	24.71	33.43	43.26

Exhibit 4: Unit Economics

1P Unit Economics		3P Unit Economics		Total
GMV per Customer (CNY)	3,000	**GMV per Customer (CNY)**	3,000	
- Direct Sales GMV	1,697	- Marketplace GMV	1,303	**3,000**
Revenue per Customer		**Revenue per Customer**		
- Direct Sales Revenue	1,083	- Marketplace Revenue	102	**1,186**
Gross Profit per Customer	81	**Gross Profit per Customer**	98	**179**
Gross Profit Margin	7.5%	Gross Profit Margin	95.8%	**15.1%**
Total Expense				**164**
Fulfillment (CNY 13 per order, 7 orders/year)				91
Marketing (25% fixed, 4% of revenue)				36
Tech & Content (25% fixed, 2% of revenue)				18
G&A (Fixed, CNY20 per Customer)				20
Operating Profit per Customer				**15**