3Q26 EARNINGS UPDATE

PDD Holdings Inc.

Solid Beat on Bottom-Line Consensus; Domestic Resilience Offsets European Tariff Headwinds

KEY POINTS

Solid beat on consensus. PDD Holdings (PDD) reported 3Q26 results prior to market open. Total revenue remained flat YoY (vs. +8.1% YoY in 2Q26) at RMB108.3bn, missing Bloomberg consensus by 6%, primarily dragged down by an 18% miss in transaction services revenue as Temu absorbed the impact of European tariff changes. However, profitability significantly exceeded expectations: non-GAAP operating profit rose 20.5% YoY to RMB32.6bn (17% above consensus), while non-GAAP net profit reached RMB31.0bn (14% ahead of consensus). Sales & marketing expenses declined 17% YoY to Rmb25.3bn, potentially reflecting lower Temu customer acquisition /marketing intensity.

Accelerating online marketing revenue underscores domestic core resilience. 3Q26 online marketing services revenue grew 12.1% YoY, outperforming consensus (+6.2%) and accelerating notably from +3.5% YoY in 2Q26—marking two consecutive quarters of top-line beats in this segment. By our estimates, the domestic advertising take rate achieved its first YoY expansion since 1Q25. Higher user engagement frequency and depth among existing domestic shoppers, alongside enriched brand supply and improved fulfillment experiences, have solidified the platform's monetization capabilities. Management characterized domestic competition as still intense, but sees further growth from categories with room for online penetration/supply-side upgrades, particularly agricultural products (e.g. the Duoduo Harvest Season program across 300k agricultural merchants in 1,000+ regions). Given management's continued absence of forward guidance, we recommend monitoring performance over the next 1–2 quarters to confirm the sustainability of this trend.

Removal of EU de minimis exemption weighs on Temu; near-term pressure persists. 3Q26 transaction services revenue declined 11.7% YoY, falling 17.6% short of consensus. The removal of the EU small-parcel duty-free (de minimis) exemption was the primary drag, likely causing a substantial contraction in local GMV. According to Sensor Tower, Temu's European MAUs and monthly downloads fell 37% and 68% YoY in October, respectively, signaling pressure on both user activity and customer acquisition. While Temu's GMV declined, management scaled back European marketing spend accordingly, keeping the bottom-line impact relatively contained. Looking ahead, Temu is accelerating pre-stocking of best-selling full-custody (fully-managed) SKUs into local European warehouses, which should partially mitigate tariff friction and shorten delivery times. However, factoring in the EU's additional €2/item customs handling fee introduced in November, we expect European operations to remain under pressure in 4Q26.

November 20, 2026

Gelonghui Research
Chujie (Jack) Sun, CFA
Senior Research Analyst
sunchujie@guruhk.com

Yuecong (Marco) Zhang
Senior Research Analyst
zhangyuecong@guruhk.com

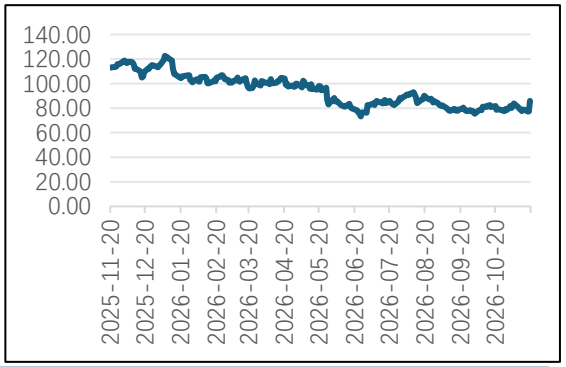
KEY DATA

Exchange: NASDAQ
Ticker: PDD
Current Price: $86.00
52-Week Range: $71.94 - $125.36
Average Volume (3M): 6.17M
Shares Outstanding (MM): 1,423
Market Capitalization ($MM): $122,412
Fiscal Year-End: December

FINANCIALS

In RMB Million	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	247,638	393,836	431,846	447,373	474,532
Gross Profit	155,914	239,936	243,044	252,056	261,467
EBIT	58,699	108,423	94,624	109,364	120,104
Non-GAAP Net Income	67,899	122,344	107,301	102,915	121,038

PRICE PERFORMANCE



Long-term moat, key overhangs, and valuation. It is a positive bright-spot among eCommerce results, with an acceleration to double-digit online marketing services growth and a solid profit beat, especially under a weak macro/consumption backdrop and cross-border de-minimis cost headwinds over the quarter. We believe PDD's ongoing investments in supply chain capabilities, logistics infrastructure, and globalization initiatives will strengthen its long-term competitive positioning and moats to outgrow peers over time. We also note continued progress in platform governance (30+ targeted measures in 3Q; 180+ YTD) and resilient domestic monetization despite intense competition.

Key Risks: Major shareholder Tencent still holds an approximately 14% stake in PDD and explicitly stated in its recent earnings release that it plans to divest investment assets to fund its AI capital expenditure, creating a potential stock overhang.

Valuation: PDD currently trades at 8.0x / 6.9x FY26E / FY27E consensus P/E, representing a steep discount to the peer-group median of 19x / 17x and mean of 24x / 23x, respectively.

FINANCIALS AND VALUATION UPDATES

Figure 1: PDD's Financials 2023 – 2027E.

Unit: Million RMB	2023	2024	2025	2026E	2027E
Revenues	247,638	393,836	431,846	447,373	474,532
Online marketing services and others	153,540	197,934	217,783	231,603	250,131
YoY	49%	29%	10%	6%	8%
Transaction services	94,098	195,902	214,063	215,770	224,401
YoY	241%	108%	9%	1%	4%
Costs of revenues	-91,724	-153,900	-188,802	-195,317	-213,065
Gross Profit	155,914	239,936	243,044	252,056	261,467
Sales and marketing expenses	-82,189	-111,301	-125,288	-117,041	-115,548
General and administrative expenses	-4,076	-7,553	-6,636	-7,090	-7,213
Research and development expenses	-10,952	-12,659	-16,496	-18,561	-18,602
Total operating expenses	-97,217	-131,513	-148,420	-142,692	-141,363
Operating profit	58,699	108,423	94,624	109,364	120,104
Interest and investment income, net	10,238	20,553	25,584	22,718	24,676
Foreign exchange (loss)/ gain	36	588	-1,967	-1,761	-1,519
Other income, net	2,953	3,120	2,727	-10,343	-9,016
Profit before income tax and share of results of equity investees	71,881	132,684	120,968	119,978	134,245
Share of results of equity investees	-5	17	129	-110	-95
Income tax expenses	-11,850	-20,267	-21,733	-22,949	-20,942
Net income	60,027	112,435	99,364	96,919	113,208
Net income attributable to ordinary shareholders	60,027	112,435	99,364	96,919	113,208
Non-GAAP Adjustment Items	7,873	9,909	7,937	5,996	7,830
Non-GAAP net income attributable to ordinary shareholders	67,899	122,344	107,301	102,915	121,038

Source: GLH Research; Company filings.

Figure 2: Peer Valuation Analysis.

				Diluted EPS			P/E			
Company	Ticker	Market Cap	Share Price	2025	2026E	2027E	2025	2026E	2027E	Category
Amazon.com Inc	AMZN.O	2,780,000	257.37	7.17	12.80	10.66	35.9x	20.1x	24.1x	U.S. E-Commerce Companies
eBay Inc	EBAY.O	51,460	117.22	4.26	6.27	6.88	27.5x	18.7x	17.0x	U.S. E-Commerce Companies
Shopify Inc	SHOP.K	169,782	131.97	0.94	1.91	2.46	-	69.1x	53.6x	U.S. E-Commerce Companies
Meta Platforms Inc	META.O	1,520,000	596.22	23.49	29.36	35.68	25.4x	20.3x	16.7x	U.S. Internet Companies
Alphabet Inc	GOOGL.O	3,350,000	272.66	10.80	19.56	14.91	25.2x	13.9x	18.3x	U.S. Internet Companies
Microsoft Corp	MSFT.O	3,700,000	498.30	17.95	20.01	24.20	27.8x	24.9x	20.6x	U.S. Internet Companies
Alibaba Group Holding Ltd	BABA.N	207,254	83.31	6.38	6.44	9.10	13.1x	12.9x	9.2x	Asia E-Commerce Companies
JD.Com Inc	JD.O	34,499	25.64	1.84	3.09	4.21	13.9	8.3	6.1	Asia E-Commerce Companies
Sea Ltd	SE.N	40,387	65.94	2.52	3.66	4.77	26.2x	18.0x	13.8x	Asia E-Commerce Companies
					Median		26x	19x	17x	
					Mean		14x	24x	23x	
PDD Holdings Inc	PDD.O	122,412	86.00	9.44	10.79	12.5	9.1	8.0	6.9	

Notes:
1. Data as of 11/20/2026.
2. Market cap, share price and EPS are in US$ Million.
3. Diluted EPS are estimates provided by analyst consensus on Capital IQ.

Source: GLH Research; Company filings; Capital IQ.

ABOUT THE ANALYSTS

Chujie (Jack) Sun, CFA

Senior Research Analyst

Chujie (Jack) Sun is a Senior Research Analyst at Gelonghui Research. Since 2017, Jack has served as the Investment Analyst in China Alpha Fund Management (Hong Kong) Limited, TMT Analyst in First Shanghai Group, and TMT Analyst at Gelonghui Research. Focusing on TMT sector, Chinese companies listed in the US, Hong Kong, and etc., and he specializes in both buy-side and sell-side equity research. Jack holds a B.A. in Economics from Ohio State University (Columbus) and an M.S. in Finance from City University of Hong Kong.

Yuecong (Marco) Zhang

Senior Research Analyst

Yuecong (Marco) Zhang is a Senior Research Analyst at Gelonghui Research. Marco previously held the position of Senior Research Analyst at Watertower Research, Executive Director at Valuable Capital Group's Investment Banking Department, Vice President at Guosen Securities (HK), and Senior Associate at Roth Capital Partners, where he completed more than 35 transactions, including IPOs, follow-on offerings, and M&A, with a total transaction value of more than US$3.5 Billion+ for mid-cap companies from China and the US. During his time at Roth, he led six NASDAQ and NYSE IPOs for Chinese clients, with a total transaction value of more than US$260 Million. Marco holds a B.S. in Financial Management from North China Electric Power University and an M.S. in Applied Finance from Pepperdine University.

DISCLOSURES

Gelonghui Research ("GLH") is a professional publisher of investment research reports on public companies and, to a lesser extent, private firms ("the Companies"). GLH provides investor-focused content and digital distribution strategies designed to help companies communicate with investors.

GLH is not a FINRA registered broker/dealer or investment adviser and does not provide investment banking services. This report is not disseminated in connection with any distribution of securities and is not an offer to sell or the solicitation of an offer to buy any security. GLH operates as an exempt investment adviser under the so called "publishers' exemption" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940. GLH does not provide investment ratings/recommendations or price targets on the companies it reports on. Readers are advised that the research reports are published and provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities or the rendering of investment advice. The information provided in this report should not be construed in any manner whatsoever as personalized advice. All users and readers of GLH's reports are cautioned to consult their own independent financial, tax and legal advisors prior to purchasing or selling securities.

Statements included in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be “forward looking statements”. Such statements are based on expectations, estimates and projections at the time the statements are made and involve many risks and uncertainties such as competitive factors, technological development, market demand and the company’s ability to obtain new contracts and accurately estimate net revenues due to variability in size, scope and duration of projects, and internal issues, which could cause actual results or events to differ materially from those presently anticipated.

The analyst who is principally responsible for the content of this report has represented that neither he/she nor members of his/her household have personal or business-related relationships to the subject company other than providing digital content and any ancillary services that GLH may offer. Unless otherwise indicated, GLH intends to provide continuing coverage of the covered companies. GLH will notify its readers through website postings or other appropriate means if GLH determines to terminate coverage of any of the companies covered.

GLH is being compensated for its research by the company which is the subject of this report. GLH may receive up to US$200,000 in total within a year for research and potentially other services from a given client and is required to have at least a 1-year commitment. None of the earned fees are contingent on, and GLH's client agreements are not cancellable for the content of its reports. GLH does not accept any compensation in the form of warrants or stock options or other equity instruments that could increase in value based on positive coverage in its reports. GLH or an affiliate may seek to receive compensation for non-research services to covered companies, such as charges for presenting at sponsored investor conferences, distributing press releases, advising on investor relations and broader corporate communications and public relations strategies as well as performing certain other related services ("Ancillary Services"). The companies that GLH covers in our research are not required to purchase or use Ancillary Services that GLH or an affiliate might offer to clients.

The manner of GLH's potential research compensation and Ancillary Services to covered companies raise actual and perceived conflicts of interest. GLH is committed to manage those conflicts to protect its reputation and the objectivity of employees/analysts by adhering to strictly-written compliance guidelines. The views and analyses included in our research reports are based on current public information that we consider to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our analysts, directors, officers, employees, representatives, independent contractors, agents or affiliate shall be liable for any omissions, errors or inaccuracies, regardless of cause, foreseeability or the lack of timeliness of, or any delay or interruptions in the transmission of our reports to content users. This lack of liability extends to direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, losses, lost income, lost profit or opportunity costs. All investment information contained herein should be independently verified by the reader or user of this report. For additional information, all readers of this report are encouraged to visit GLH's website https://www.gelonghui.com.