

4Q24 EARNINGS UPDATE

PDD Holdings Inc.

Short-Term Pain, Long-Term Play

KEY POINTS

Relatively softer-than-expected performance for the second consecutive quarter. In 4Q24, revenue reached US\$15 Billion, 5% below Bloomberg consensus, representing a 24% YoY increase. By segment, revenue from online marketing services and transaction services came in at US\$7.8 Billion and US\$7.3 Billion, respectively, compared to consensus forecasts of US\$7.9 Billion and US\$8.1 Billion. Non-GAAP net profit attributable to the company was US\$4.0 Billion (vs. consensus of US\$3.9 Billion), up 17% YoY. However, profitability margins deteriorated YoY. Non-GAAP gross profit stood at US\$8.6 Billion (+17% YoY), implying a gross margin of 57.1%, down 3.5ppts from 60.6% in 4Q23. Non-GAAP operating profit reached US\$3.8 Billion (+14% YoY), with an operating margin of 25.3%, down 2.4ppts from 27.7% in 4Q23. The slightly weaker performance was driven by: (1) an increasing share of GMV from Temu's semi-entrusted model, which has a lower monetization rate than the fully-entrusted model; (2) Temu's continued support of merchant ecosystem development; and (3) the domestic platform's implementation of a "Quality Merchant Support Program" that waives merchant fees to prioritize seller profitability.

"National Subsidies" fully funded by PDD, driving higher domestic marketing spend. On the domestic platform, PDD covered the "National Subsidies" program out-of-pocket, leading to a YoY increase in sales and marketing expenses to US\$4.3 Billion (+18% YoY). This came despite market expectations for a moderation in Temu's overseas marketing spend in 4Q24. The rise in overall expenses was concentrated on the domestic platform, specifically due to the subsidy initiative.

Temu's semi-entrusted model proving effective in overseas transformation.

Overseas marketing expenses declined QoQ, contributing to a meaningful YoY narrowing of Temu's loss. The ramp-up of the semi-entrusted model improved operational efficiency and helped mitigate regulatory and tariff risks that affect the fully-entrusted model. Management expects the semi-entrusted model to exceed 30% of Temu's GMV in 2025. User engagement remains strong globally, supported by improving average order value, purchase frequency, and operational efficiency, pointing to a healthy long-term outlook.

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KEY DATA

Exchange: NASDAQ
Ticker: PDD
Current Price: \$130.92
52-Week Range: \$88.01 -\$164.69
Average Volume (3M): 8.59M
Shares Outstanding (MM): 1,389
Market Capitalization (\$MM): \$181,818
Fiscal Year-End: December

FINANCIALS

In US\$M	FY23A	FY24A	FY25E	FY26E
Revenue	33,924	53,952	64,387	75,604
Gross Profit	21,359	32,869	37,888	45,438
EBIT	8,041	14,853	15,291	18,432
Non GAAP	9,302	16,760	17,357	20,650
Net Income				

PRICE PERFORMANCE



Margins and GMV growth are key to watch in upcoming quarters. Focus will be on: (1) where margins will stabilize, as management remains committed to reinvesting in both merchants and consumers; and (2) the pace of GMV and revenue growth, especially amid headwinds such as tougher comps in 1H25, domestic demonetization, and U.S. tariff risk. The stock is currently trading at US\$130.92 per ADS, implying a market cap of US\$182 Billion. Consensus projects 2025/2026 revenue of US\$67 Billion/US\$80 Billion (+24%/+19% YoY), and EBITDA of US\$19 Billion/US\$23 Billion (+27%/+29% YoY). PDD trades at 7x/6x 2025/2026 EV/EBITDA, well below the peer average of 19x/16x.

FINANCIALS AND VALUATION UPDATES

Figure 1: PDD's Financials 2023 – 2026E.

Unit: Million USD	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25E	2Q25E	3Q25E	4Q25E	2025E	2026E
Revenues	33,924	11,892	13,296	13,611	15,152	53,952	14,297	15,624	16,178	18,289	64,387	75,604
Costs of revenues	-12,565	-4,479	-4,616	-5,440	-6,548	-21,083	-5,962	-6,406	-6,633	-7,498	-26,499	-30,166
Gross Profit	21,359	7,414	8,680	8,171	8,605	32,869	8,335	9,218	9,545	10,790	37,888	45,438
Sales and marketing expenses	-11,259	-3,207	-3,568	-4,176	-4,296	-15,247	-4,203	-5,000	-4,691	-5,249	-19,143	-22,606
General and administrative expenses	-558	-250	-252	-247	-286	-1,035	-443	-297	-291	-347	-1,379	-1,905
Research and development expenses	-1,500	-399	-399	-420	-517	-1,734	-536	-469	-485	-585	-2,075	-2,495
Total operating expenses	-13,318	-3,855	-4,219	-4,843	-5,099	-18,016	-5,183	-5,765	-5,468	-6,182	-22,597	-27,006
Operating profit	8,041	3,558	4,461	3,328	3,506	14,853	3,152	3,453	4,077	4,609	15,291	18,432
Interest and investment income, net	1,403	692	665	742	717	2,816	643	703	728	823	2,897	2,933
Interest expenses	-6	0	0	0	0	0	0	0	0	0	0	0
Foreign exchange (loss)/ gain	5	29	8	-75	118	81	0	0	0	-1	-2	-2
Change in the fair value of warrant liability												
Other income, net	404	258	68	3	100	427	57	31	16	238	342	537
Share of results of equity investees	-1	-7	-7	0	16	2	-1	-2	-2	-2	-6	-8
Income before income tax	9,846	4,530	5,195	3,998	4,456	18,179	3,851	4,185	4,819	5,667	18,522	21,893
Income tax expenses	-1,623	-694	-810	-576	-696	-2,776	-589	-670	-675	-907	-2,840	-3,284
Net income	8,223	3,835	4,385	3,422	3,760	15,402	3,262	3,515	4,144	4,760	15,682	18,609
Net income attributable to ordinary shareholders	8,223	3,835	4,385	3,422	3,760	15,402	3,262	3,515	4,144	4,760	15,682	18,609
Non-GAAP Adjustment Items	1,078	357	332	339	329	1,357	386	391	404	494	1,675	2,041
Non-GAAP net income attributable to ordinary shareholders	9,302	4,192	4,717	3,762	4,089	16,760	3,648	3,906	4,549	5,254	17,357	20,650

Source: GLH Research; Company filings.

Figure 2: Peer Valuation Analysis.

Company	Ticker	EV	EBITDA			EV/EBITDA			Category								
			2024A	2025E	2026E	2024A	2025E	2026E									
Amazon.com Inc	AMZN.O	2,126,479	120,468	168,566	195,191	18	13	11	U.S. E-Commerce Companies								
eBay Inc	EBAY.O	33,281	2,578	3,276	3,434	13	10	10	U.S. E-Commerce Companies								
Shopify Inc	SHOP.K	127,088	1,283	2,021	2,641	-	63	48	U.S. E-Commerce Companies								
Meta Platforms Inc	META.O	1,451,763	83,717	113,005	132,291	17	13	11	U.S. Internet Companies								
Alphabet Inc	GOOGL.O	1,943,437	129,497	172,903	197,450	15	11	10	U.S. Internet Companies								
Microsoft Corp	MSFT.O	2,914,401	129,433	151,571	172,766	23	19	17	U.S. Internet Companies								
Alibaba Group Holding Ltd	BABA.N	307,467	25,375	27,292	31,293	12	11	10	Asia E-Commerce Companies								
JD.Com Inc	JD.OQ	54,830	6,488	8,057	8,914	8	7	6	Asia E-Commerce Companies								
Sea Ltd	SE.N	68,048	1,052	2,753	3,821	65	25	18	Asia E-Commerce Companies								
				<table border="1"> <tr> <td>Median</td> <td>16x</td> <td>13x</td> <td>11x</td> </tr> <tr> <td>Mean</td> <td>21x</td> <td>19x</td> <td>16x</td> </tr> </table>		Median	16x	13x	11x	Mean	21x	19x	16x				
Median	16x	13x	11x														
Mean	21x	19x	16x														
PDD Holdings Inc	PDD.O	129,257	14,962	18,518	23,358	9x	7x	6x									

Notes:

1. Data as of 03/21/2025.
2. EV and EBITDA are in US\$ Million.
3. EV and EBITDA are in calendar year and estimates are provided by analyst consensus on Capital IQ.

Source: GLH Research; Company filings; Capital IQ.

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.

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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.

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