

2Q25 EARNINGS UPDATE

PDD Holdings Inc.

Navigating the Storm: PDD Prioritizes Long-Term Growth Over Short-Term Gains

KEY POINTS

Results Largely In Line with Expectations, with Strong Bottom-Line Beat.

PDD reported total revenue of RMB103 billion in 2Q25, up 7% YoY and in line with consensus. Online marketing and other services revenue rose 13% YoY to RMB55.7 billion (vs. consensus: +11.8%), while transaction services revenue edged up 0.7% YoY to RMB48.3 billion (vs. consensus: +0.6%). Gross profit came in at RMB58.1 billion, slightly below expectations (consensus: RMB61.6 billion), with a gross margin of 56% (vs. consensus: 59.3%). GAAP sales and marketing expenses were notably lower at RMB27.2 billion (vs. consensus: RMB35.2 billion). Strong cost control contributed to a non-GAAP operating profit of RMB27.7 billion (vs. consensus: RMB23.3 billion) and non-GAAP net profit of RMB32.7 billion (vs. consensus: RMB22.4 billion), largely driven by higher investment and interest income.

Domestic E-Commerce Platform: Competitive Yet Disciplined. Despite recent subsidy-driven price wars in China's e-commerce landscape, PDD refrained from aggressive participation, particularly in the on-demand and food delivery segments. Initially disadvantaged by limited exposure to national subsidies, PDD appears focused on mitigating short-term drag from the RMB100 billion merchant support program. Management emphasized that the industry is undergoing structural transformation, and PDD remains committed to long-term value creation through sustained investment in user experience, ecosystem development, and social impact. Notably, sales and marketing efficiency was a bright spot—spending rose only 4% YoY and came in RMB8 billion below market expectations.

Temu Adjusts Rapidly to Tariff Headwinds. Temu's international momentum faced headwinds from the removal of the U.S. de minimis exemption and elevated tariffs on low-cost imports. As a result, PDD shifted from a fully-entrusted model (recognizing total sales as revenue) to a semi-entrusted model (recognizing commission-based revenue), impacting reported transaction services revenue growth. Despite these challenges, the segment remained resilient at RMB48.3 billion, up 0.7% YoY, reflecting the company's agile pivot to new geographies such as Europe and the Middle East and its ability to scale the semi-entrusted model effectively.

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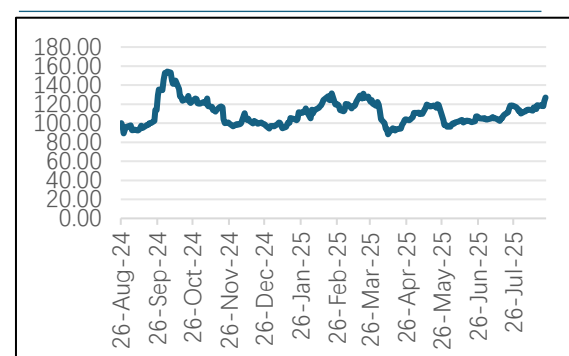
KEY DATA

Exchange: NASDAQ
Ticker: PDD
Current Price: \$128.21
52-Week Range: \$87.11 - \$155.67
Average Volume (3M): 8.59M
Shares Outstanding (MM): 1,420
Market Capitalization (\$MM): \$182,013
Fiscal Year-End: December

FINANCIALS

In US\$M	FY23A	FY24A	FY25E	FY26E
Revenue	34,568	54,976	62,991	73,735
Gross Profit	21,764	33,493	36,474	44,315
EBIT	8,194	15,135	14,696	17,977
Non GAAP				
Net Income	9,478	17,078	16,916	20,140

PRICE PERFORMANCE



Management Cautious, but Valuation Appears Undemanding.

Management warned that the current profit level is not sustainable and future earnings may remain volatile. However, we believe earnings from the domestic business likely bottomed, and see limited downside in coming quarters. The stock is trading at US\$128.21 per ADS, with a market cap of US\$182 billion. Consensus expects 2025/26 revenue of US\$60 billion/US\$70 billion (+9%/+17% YoY) and EBITDA of US\$13 billion/US\$18 billion (+22%/+25% YoY), implying 10x/7x 2025/26 EV/EBITDA—well below the sector average of 25x/20x.

FINANCIALS AND VALUATION UPDATES

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

Unit: Million USD	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25E	4Q25E	2025E	2026E
Revenues	34,568	12,118	13,549	13,869	15,440	54,976	13,355	14,515	16,485	18,636	62,991	73,735
Costs of revenues	-12,804	-4,564	-4,704	-5,543	-6,672	-21,483	-5,716	-6,401	-6,759	-7,641	-26,517	-29,420
Gross Profit	21,764	7,554	8,845	8,326	8,768	33,493	7,639	8,114	9,726	10,995	36,474	44,315
Sales and marketing expenses	-11,473	-3,268	-3,636	-4,255	-4,377	-15,536	-4,663	-3,798	-4,781	-5,348	-18,590	-22,047
General and administrative expenses	-569	-255	-257	-252	-291	-1,054	-232	-214	-297	-354	-1,096	-1,858
Research and development expenses	-1,529	-406	-406	-428	-527	-1,767	-499	-501	-495	-596	-2,092	-2,433
Total operating expenses	-13,571	-3,929	-4,299	-4,935	-5,195	-18,358	-5,394	-4,513	-5,572	-6,299	-21,778	-26,338
Operating profit	8,194	3,626	4,546	3,391	3,572	15,135	2,245	3,600	4,154	4,696	14,696	17,977
Interest and investment income, net	1,429	705	678	756	731	2,869	31	1,455	742	839	3,066	2,861
Interest expenses	-6	0	0	0	0	0	0	0	0	0	0	0
Foreign exchange (loss)/ gain	5	30	8	-76	120	82	-34	-112	0	-1	-146	-2
Change in the fair value of warrant liability												
Other income, net	412	263	69	3	101	435	455	17	16	242	731	524
Share of results of equity investees	-1	-7	-7	0	16	2	-15	5	-2	-2	-13	-7
Income before income tax	10,033	4,616	5,294	4,074	4,541	18,524	2,683	4,966	4,910	5,775	18,334	21,352
Income tax expenses	-1,654	-707	-826	-587	-710	-2,829	-625	-673	-687	-924	-2,910	-3,203
Net income	8,379	3,908	4,468	3,487	3,831	15,695	2,058	4,293	4,223	4,851	15,424	18,149
Net income attributable to ordinary shareholders	8,379	3,908	4,468	3,487	3,831	15,695	2,058	4,293	4,223	4,851	15,424	18,149
Non-GAAP Adjustment Items	1,099	363	338	346	336	1,383	303	273	412	503	1,492	1,991
Non-GAAP net income attributable to ordinary shareholders	9,478	4,272	4,806	3,833	4,167	17,078	2,361	4,566	4,635	5,354	16,916	20,140

Source: GLH Research; Company filings.

Figure 2: Peer Valuation Analysis.

		EBITDA				EV/EBITDA			Category
Company	Ticker	EV	2024A	2025E	2026E	2024A	2025E	2026E	
Amazon.com Inc	AMZN.O	2,506,949	120,468	166,270	198,761	21	15	13	U.S. E-Commerce Companies
eBay Inc	EBAY.O	48,756	2,578	3,362	3,590	19	15	14	U.S. E-Commerce Companies
Shopify Inc	SHOP.K	179,183	1,283	1,903	2,559	-	94	70	U.S. E-Commerce Companies
Meta Platforms Inc	META.O	1,898,628	83,717	119,792	137,843	23	16	14	U.S. Internet Companies
Alphabet Inc	GOOGL.O	2,442,393	129,497	176,347	203,384	19	14	12	U.S. Internet Companies
Microsoft Corp	MSFT.O	3,787,944	129,433	188,798	219,440	29	20	17	U.S. Internet Companies
Alibaba Group Holding Ltd	BABA.N	257,290	23,407	26,119	28,954	11	10	9	Asia E-Commerce Companies
JD.Com Inc	JD.OQ	30,656	6,641	3,483	6,243	5	9	5	Asia E-Commerce Companies
Sea Ltd	SE.N	104,726	1,052	3,516	4,565	100	30	23	Asia E-Commerce Companies
						Median	20x	15x	14x
						Mean	28x	25x	20x
PDD Holdings Inc	PDD.O	127,987	14,951	13,426	17,722	9x	10x	7x	

Notes:

1. Data as of 08/26/2025.

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.

ABOUT THE ANALYSTS

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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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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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