

3Q25 EARNINGS UPDATE

PDD Holdings Inc.

Investing to Strengthen the Ecosystem and Sustain Long-term Competitiveness

KEY POINTS

In-line with market expectations. PDD reported total revenue of RMB108bn in 3Q25, up 9% YoY and broadly in line with market expectations of RMB107.7bn. Online Marketing Services and Others (OMS) revenue came in at RMB53bn (vs. consensus: RMB56bn), reflecting softness relative to expectations. Transaction Services revenue reached RMB55bn, rising 10% YoY and beating consensus by 6%. Non-GAAP net profit margin landed at 29%, supported by RMB8.6bn of interest and investment income. OMS performance suggests either a moderation in GMV growth or a meaningful decline in domestic main-app take rate amid merchant support initiatives. This indicates that PDD's domestic core app has yet to fully regain its growth edge after China's nationwide subsidy program tapered.

PDD main app focused on high-quality development and intensified merchant support. On the earnings call, management emphasized continued large-scale investments to strengthen the platform ecosystem, including RMB100bn in fee reductions and extensive merchant-support initiatives. Management also highlighted that revenue and profit may show fluctuations in upcoming quarters, reflecting the company's willingness to reinvest aggressively to fortify long-term competitiveness.

Temu GMV growth showed recovery. Following the disruption from de minimis exemption changes in 2Q25, Temu's GMV growth in 3Q25 rebounded and nearly matched 1Q25 levels, delivering close to 40% YoY quarterly growth. Temu also expanded its overseas advertising footprint and continued diversifying its operating model post de minimis rule adjustments. The semi-entrusted model generated US\$5.5bn in GMV—about 29% of Temu's total—marking a record high and demonstrating improved access to local supply. Geographically, Temu is scaling rapidly: third-party research indicates Europe now contributes the largest GMV share (around 40%), followed by the U.S. at just over 30%, with the remainder coming from fast-growing markets in South America, the Middle East, Southeast Asia, and others.

November 19, 2025

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

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

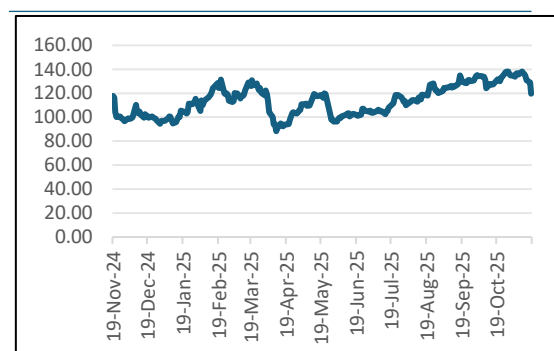
KEY DATA

Exchange: NASDAQ
Ticker: PDD
Current Price: \$119.58
52-Week Range: \$87.11 - \$139.41
Average Volume (3M): 8.74M
Shares Outstanding (MM): 1,420
Market Capitalization (\$MM): \$169,761
Fiscal Year-End: December

FINANCIALS

In RMB Million	FY23A	FY24A	FY25E	FY26E
Revenue	247,639	393,836	434,041	503,528
Gross Profit	155,916	239,936	243,268	290,032
EBIT	58,699	108,423	93,261	110,172
Non GAAP	67,899	122,344	112,680	126,831
Net Income				

PRICE PERFORMANCE



Selling & Marketing stabilized as domestic trade-in program was temporarily suspended. Selling & Marketing expenses were RMB30bn in 3Q25, roughly flat YoY and below consensus (RMB33bn). PDD had been at a relative disadvantage during China's trade-in program, as the company prioritized supporting small merchants by reducing pricing intensity. With the temporary suspension of the trade-in initiative during 3Q25, S&M expenses for the main app improved meaningfully. Conversely, R&D spending exceeded expectations due to higher personnel costs as well as increased bandwidth and server expenses. Management reiterated its long-term commitment to merchant-support programs and ecosystem investments to drive sales efficiency and lower operating costs for SME merchants.

Management cautious, but valuation appears undemanding. The company continues to adopt a long-term competitive mindset, increasing ecosystem investments that may weigh on near-term profitability while reinforcing structural growth prospects. We expect PDD's domestic e-commerce market share to remain stable over the next 2–3 years. The stock is trading at US\$119.58 per ADS, implying a market cap of US\$170bn. Consensus forecasts 2025/26 revenue of US\$60bn/US\$70bn (+10%/+14% YoY) and EBITDA of US\$14bn/US\$17bn (+24%/+24% YoY), which translates to 9x/7x 2025/26 EV/EBITDA—well below the sector average of 24x/20x.

FINANCIALS AND VALUATION UPDATES

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

Unit: Million RMB	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25	4Q25E	2025E	2026E
Revenues	247,639	86,812	97,060	99,354	110,610	393,836	95,672	103,985	108,277	126,107	434,041	503,528
Costs of revenues	-91,724	-32,695	-33,698	-39,709	-47,798	-153,900	-40,947	-45,859	-46,840	-57,127	-190,773	-213,496
Gross Profit	155,916	54,117	63,362	59,645	62,812	239,936	54,725	58,126	61,436	68,981	243,268	290,032
Sales and marketing expenses	-82,189	-23,411	-26,049	-30,484	-31,357	-111,301	-33,403	-27,210	-30,323	-36,193	-127,128	-150,555
General and administrative expenses	-4,076	-1,823	-1,839	-1,806	-2,085	-7,553	-1,659	-1,532	-1,755	-2,396	-7,342	-12,689
Research and development expenses	-10,952	-2,910	-2,909	-3,063	-3,777	-12,659	-3,578	-3,591	-4,332	-4,035	-15,537	-16,616
Total operating expenses	-97,217	-28,144	-30,797	-35,353	-37,220	-131,513	-38,640	-32,333	-36,410	-42,624	-150,007	-179,860
Operating profit	58,699	25,974	32,565	24,292	25,592	108,423	16,086	25,793	25,026	26,356	93,261	110,172
Interest and investment income, net	10,238	5,049	4,856	5,416	5,233	20,553	223	10,423	8,565	5,675	24,886	19,537
Interest expenses	-44	0	0	0	0	0	0	0	0	0	0	0
Foreign exchange (loss)/ gain	36	215	60	-547	861	588	-242	-799	-265	-4	-1,310	-15
Change in the fair value of warrant liability												
Other income, net	2,953	1,881	493	19	727	3,120	3,261	119	-48	1,639	4,971	3,575
Share of results of equity investees	-5	-52	-50	3	117	17	-105	37	37	-13	-43	-50
Income before income tax	71,876	33,066	37,924	29,182	32,529	132,701	19,223	35,572	33,315	33,654	121,764	133,219
Income tax expenses	-11,850	-5,068	-5,915	-4,202	-5,083	-20,267	-4,481	-4,819	-3,987	-5,385	-18,671	-19,983
Net income	60,027	27,998	32,009	24,981	27,447	112,435	14,742	30,753	29,328	28,270	103,093	113,236
Net income attributable to ordinary shareholders	60,027	27,998	32,009	24,981	27,447	112,435	14,742	30,753	29,328	28,270	103,093	113,236
Non-GAAP Adjustment Items	7,873	2,604	2,423	2,478	2,404	9,909	2,174	1,955	2,054	3,405	9,587	13,595
Non-GAAP net income attributable to ordinary shareholders	67,899	30,602	34,432	27,459	29,851	122,344	16,916	32,708	31,382	31,674	112,680	126,831

Source: GLH Research; Company filings.

Figure 2: Peer Valuation Analysis.

EBITDA										EV/EBITDA		
Company	Ticker	EV	2024A	2025E	2026E	2024A	2025E	2026E	Category			
Amazon.com Inc	AMZN.O	2,555,672	120,468	168,325	206,364	21	15	12	U.S. E-Commerce Companies			
eBay Inc	EBAY.O	40,891	2,578	3,412	3,591	16	12	11	U.S. E-Commerce Companies			
Shopify Inc	SHOP.K	176,257	1,283	1,952	2,618	-	90	67	U.S. E-Commerce Companies			
Meta Platforms Inc	META.O	1,523,995	83,717	121,538	138,850	18	13	11	U.S. Internet Companies			
Alphabet Inc	GOOGL.O	3,388,171	129,497	177,219	211,887	26	19	16	U.S. Internet Companies			
Microsoft Corp	MSFT.O	3,790,220	129,433	156,528	199,854	29	24	19	U.S. Internet Companies			
Alibaba Group Holding Ltd	BABA.N	337,952	25,375	26,755	21,866	13	13	15	Asia E-Commerce Companies			
JD.Com Inc	JD.OQ	30,005	6,641	3,022	5,446	5	10	6	Asia E-Commerce Companies			
Sea Ltd	SE.N	80,737	1,052	3,486	4,438	77	23	18	Asia E-Commerce Companies			
						Median	20x	15x	15x			
						Mean	26x	24x	20x			
PDD Holdings Inc	PDD.O	124,865	14,951	14,370	16,992	8x	9x	7x				

Notes:

1. Data as of 11/19/2025.

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

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>.