



Company Report: JD-SW (09618 HK)

公司报告: 京东集团-SW (09618 HK)

Danny Law 罗沛达

(852) 2509 7768

danny.law@gjtj.com.hk

20 November 2020

Solid 3Q2020 Results, "Buy"

稳健的2020年第三季度业绩, “买入”

- Continuous strong demand for online shopping in October.** According to data published by the National Bureau of Statistics of China, China e-commerce GMV in 1M2020-10M2020 increased by 10.9% yoy to RMB9,127.5 bn, the growth rate increased by 1.2 ppts compared with that in 1M2020-9M2020. The penetration rate of online purchasing in 1M2020-10M2020 was 24.2%.
- Key points: 1) JD-SW's ("JD" or the "Company") 3Q2020 results beat expectations.** The Company's user acquisition is still on track, and robust growth of the bottom line proved that the Company's business model has benefitted from the growing scale. **2) As we expected, general merchandise products and service revenues continue to fuel revenue growth of the Company, increasing their revenue contribution. 3) Thanks to surprising profitability during 1Q-3Q2020, the Company will reinvest extra profit in 4Q2020, according to the management.** Our non-GAAP net profit forecasts for 2020 to 2022 are RMB16,731 mn/ RMB24,499 mn/ RMB30,785 mn, respectively, with non-GAAP net margin estimates of 2.3%/ 2.7%/ 2.9%, respectively, expecting to achieve margin expansion.
- We set target price at HK\$370.00 with investment rating as "Buy".** We think that the online services market is still a blue ocean particularly as some new demand has been created in the post COVID-19 period. In order to drive top-line growth, the Company will continue to reinvest in gaining market share and cementing its market position. Our TP represents 58.8x 2020F non-GAAP PE or 1.3x 2020F PS.
- 10月份在线购物需求持续强劲。**根据中国国家统计局公布的数据,2020年1-10月中国电商交易额同比增长10.9%至人民币91,275亿元,较2020年1-9月的增长率增加1.2个百分点。2020年1-10月的在线购物渗透率为24.2%。
- 要点: 1)京东-SW ("公司")的2020年第三季度业绩超出预期。**公司的用户获取仍在按计划进行,盈利的强劲增长证明了公司的业务模式已从规模的增长中受益。**2)正如我们预期的那样,普通商品和服务收入继续推动公司的收入增长,从而增加其收入贡献。3)管理层表示,由于在2020年第一季度至第三季度的令人意外的盈利能力,公司会在2020年第四季度将额外的利润进行再投资。**2020年至2022年的非GAAP净利润预测分别为人民币16,731百万元/人民币24,499百万元/人民币30,785百万元,非GAAP净利润率预测分别为2.3%/2.7%/2.9%,有望实现利润率扩张。
- 我们将目标价定为370.00港元,投资评级为“买入”。**我们认为在线服务市场仍然是一片蓝海,特别是在新冠疫情后时期已经产生了一些新需求。为了推动营收增长,公司将继续进行再投资以抢占市场份额并巩固其市场地位。我们的目标价相当于58.8倍2020年预测非GAAP市盈率或1.3倍2020年预测市销率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6.18m TP 目标价:

HK\$370.00

Revised from 原目标价:

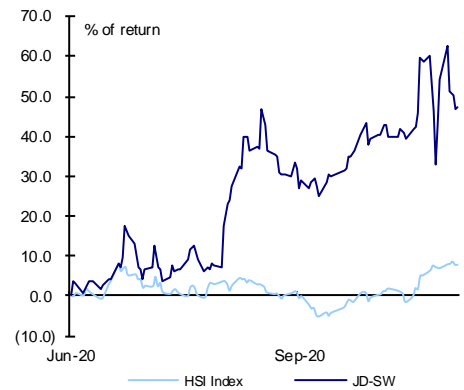
HK\$330.00

Share price 股价:

HK\$332.200

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	4.7	18.8	n.a
Rel. % to HS Index 相对恒指变动 %	(2.6)	12.5	n.a
Avg. share price (HK\$) 平均股价 (港元)	331.3	312.3	n.a

Source: Bloomberg, Guotai Junan International.

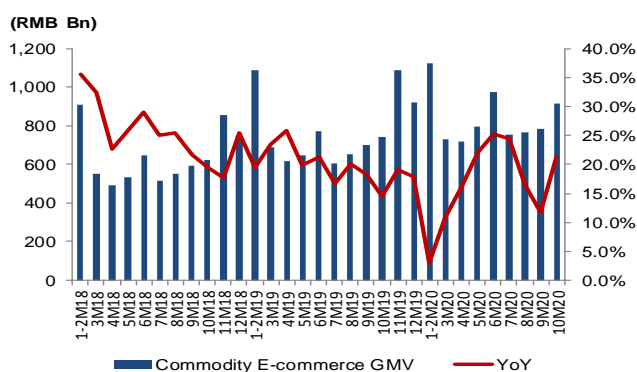
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	462,020	(2,492)	(0.866)	(1.062.2)	(336.9)	21.150	13.8	0.000	0.0	(3.9)
2019A	576,888	12,184	4.183	n.a.	71.0	29.066	10.2	0.000	0.0	14.0
2020F	743,022	28,218	9.097	117.5	31.4	46.406	6.2	0.000	0.0	22.0
2021F	909,551	26,060	8.302	(8.7)	34.4	54.164	5.3	0.000	0.0	15.2
2022F	1,057,064	34,202	10.766	29.7	26.5	64.305	4.4	0.000	0.0	16.9
Shares in issue (m) 总股数 (m)				3,090.4	Major shareholder 大股东					Richard Liu 15.1%
Market cap. (HK\$ m) 市值 (HK\$ m)				1,026,630.9	Free float (%) 自由流通比率 (%)					84.9%
3 month average vol. 3个月平均成交股数 ('000)				5,587.4	FY20 Net gearing (%) FY20 净负债/股东资金 (%)					Net Cash
52 Weeks high/low (HK\$) 52周高/低 (HK\$)				368.200 / 226.000	FY20 non-GAAP PE FY20 非GAAP 市盈率					52.8

Source: the Company, Guotai Junan International.

Continuous strong demand for online shopping in October. According to data published by the National Bureau of Statistics of China, China e-commerce GMV in 1M2020-10M2020 increased by 10.9% yoy to RMB9,127.5 bn, the growth rate increased by 1.2 pts compared with that in 1M2020-9M2020. Total retail sales of consumer goods was RMB31.2 trillion in 1M2020-10M2020, indicating a decrease of 5.9% yoy. The penetration rate of online purchasing in 1M2020-10M2020 was 24.2%. By monthly performance, China commodity e-commerce GMV reached RMB914.2 bn in 10M2020, up 21.4% yoy, whereas China service e-commerce GMV was RMB206.8 bn, up 15.8% yoy; both maintained growth momentum particularly as the third quarter of each year is usually a low season for China e-commerce industry. In addition, on the back of strong demand for online shopping, China's express delivery volume in 10M2020 recorded 42.0% yoy growth to 8.2 bn, growing at a fast pace.

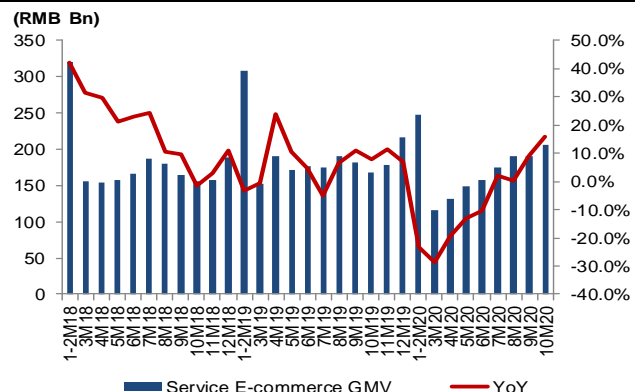
20 November 2020

Figure-1: China Commodity E-commerce GMV



Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-2: China Service E-commerce GMV



Source: National Bureau of Statistics of China, Guotai Junan International.

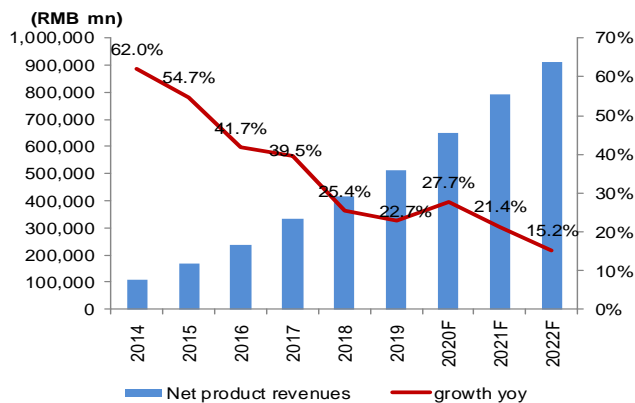
JD-SW's ("JD" or the "Company") 3Q2020 results beat expectations. Net revenue increased by 29.2% yoy to RMB174,214 mn, beating our expectations by 2.7%. Gross margin was 15.4%, up 0.5 pts yoy, 0.2 pts above our estimations. Non-GAAP net income attributable to ordinary shareholders reached RMB5,588 mn, up 80.1% yoy, while non-GAAP net margin attributable to ordinary shareholders was 3.2%, improving 0.9 ppt yoy. Annual active buyers reached 441.6 mn, up 32.1% yoy, over 80% of new customers were from lower-tier cities. Thanks to increasing user scale, the Company has continued to improve operating efficiency and scale effect, thus delivered profitability improvement. Overall, we think that the Company's results remained resilient. The Company's user acquisition is still on track, and robust growth of the bottom line proved that the Company's business model benefitted from the growing scale.

As we expected, general merchandise products and service revenues continued to fuel revenue growth of the Company, increasing their revenue contribution. In 3Q2020, the Company's net product revenues grew by 27.4% yoy to RMB151,399 mn, accounting for 86.9% of total revenues, while net service revenues reached RMB22,815 mn, up 42.7% yoy and accounting for 13.1% of total revenues. More specifically, electronic and home appliance products made the largest revenue contribution, general merchandise and others came second, followed by marketplace and advertising revenues, the last was logistics and other service revenues, accounting for 53.6%/ 33.3%/ 7.1%/ 6.0% of total revenue in 3Q2020, respectively, representing yoy growth of 23.2%/ 34.8%/ 24.3%/ 73.3%, respectively. Besides electronic and home appliance products, other businesses revenue contribution recorded mom improvement, indicating optimization on revenue mix. As per our last Company Report, we expect that general merchandise products and service offerings will continue to increase their revenue contribution, fueling revenue growth of the Company going forward; we maintain our view on this. In addition, these strategic changes could help to improve user loyalty as well as engagement on the back of the Company offering local services regularly with better user experience. Therefore, we believe that there is potential for the Company to enlarge its user scale substantially; so far the Company's annual active buyers was 441.6 mn as at 3Q2020, in which JD paid membership exceeded 20 mn in October 2020. According to research by Aurora Mobile, daily active user (DAU) of the JD app reached third in September among all vertical e-commerce in China, which amounted to 47.9 mn, up 12.0% yoy. Research from Aurora Mobile also showed that there has a huge gap between JD and the two leading companies (Alibaba-SW (09988 HK) and Pinduoduo Inc. (PDD US) in terms of DAU in September. During the earnings call, the Company also mentioned that supermarket business grew rapidly to fuel growth of general merchandise products, which was a key growth area and the Company will continue to invest in order to strengthen its customer share. In fact, most leading e-commerce enterprises also ramped up efforts on incubating high-frequency purchased items in markets such as FMCG, fresh produce and essentials. These markets include daily essentials, but lower ticket prices; opening up of these markets could serve as a portal for access to new customers, also a way to increase user loyalty of existing customers. Through consistently offering better service quality, this will help to gain

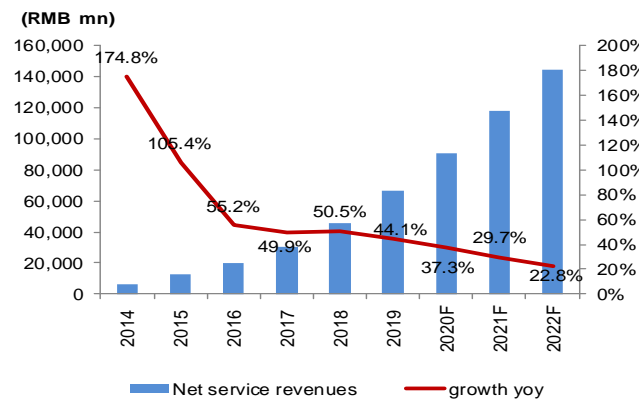
JD-SW 京东集团-SW (09618 HK)

Company Report

customer satisfaction to build up reputation of JD's services, providing more business opportunities. Likewise, the management always emphasized that they would position themselves as a service provider, especially of supply chain management, to continue to output their services going forward. Overall, we are still positive on growth of general merchandise products and service revenues. So far, these two segments are still growing at a fast pace in 3Q2020. Due to basically in-line 3Q2020 results, we have slightly adjusted our revenue forecasts for 2020 to 2022 by 1.0%/ 1.6%/ 3.8% to RMB743,022 mn/ RMB909,551 mn/ RMB1,057,064 mn, respectively, with yoy growth of 28.8%/ 22.4%/ 16.2%, respectively. We also expect that the net services revenue contribution will continue to rise in the next three years, which will account for 12.2%/ 12.9%/ 13.7% of total revenues, respectively.

Figure-3: JD's Net Product Revenues Estimates


Source: the Company, Guotai Junan International.

Figure-4: JD's Net Service Revenues Estimates


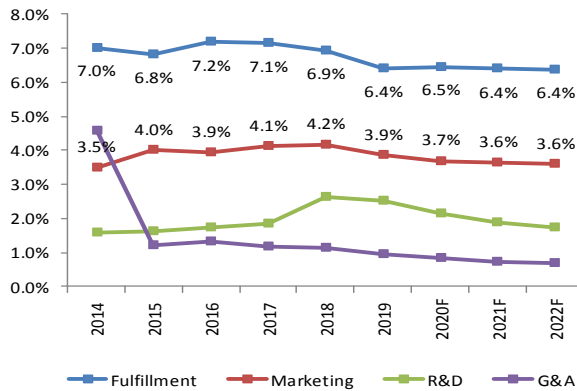
Source: the Company, Guotai Junan International.

Thanks to surprising profitability during 1Q-3Q2020, the Company will reinvest extra profit in 4Q2020, according to the management. The COVID-19 pandemic brought unexpected advantages to China's e-commerce industry, leading to more efficiency on enlarging its user base, and cultivating online shopping behavior. During the earnings call, the management said that they also experienced strong demand for online services in the post COVID-19 period, therefore they would continue to invest in gaining more opportunities at this moment. The surprising profitability during 1Q-3Q2020 allows JD to have room to reinvest in 4Q2020; as a result, the margin in 4Q2020 is expected to be similar to the same quarter of last year. Due to better-than-expected gross margin, we have raised our gross margin estimates for 2020 to 2022 by 0.2 ppts/ 0.2 ppts/ 0.3 ppts to 14.8%/ 15.0%/ 15.2%, respectively. At the same time, we have lifted our operating expenses ratio forecasts for 2020 to 2022, reflecting higher expected investment from the Company. The Company is expected to invest in i)penetration into lower-tier cities, ii)user engagement enhancement, iii)user experience improvement, iv)logistics infrastructure, and iv)category expansion, especially for high frequently purchased items. Our operating expenses ratio forecasts for 2020 to 2022 have been revised up by 0.2 ppts/ 0.2 ppts/ 0.2 ppts to 13.1%/ 12.6%/ 12.4%, respectively, sustaining a downward trend. After all adjustments, our GAAP profit forecasts for 2020 to 2022 have been raised by 24.6%/ 9.9%/ 14.3% to RMB28,189 mn/ RMB26,079 mn/ RMB34,259 mn, respectively, representing GAAP net margin estimates of 3.8%/ 2.9%/ 3.2%. Our non-GAAP net profit forecasts for 2020 to 2022 have been adjusted by -0.9%/ 9.3%/ 13.4% to RMB16,731 mn/ RMB24,499 mn/ RMB30,785 mn, respectively, with non-GAAP net margin estimates of 2.3%/ 2.7%/ 2.9%, respectively, expecting to achieve margin expansion.

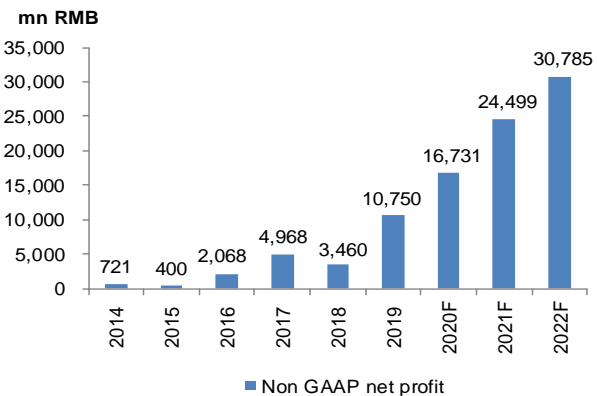
Table-1: JD Core Indicator Matrix and Quarterly Projection

Quarterly Results		3Q19	4Q19	1Q20	2Q20	3Q20	3Q20 Growth		
							yoy	4Q20F	1Q21F
Net revenues	mn RMB	134,843	170,684	146,205	201,054	174,214	29.2%	221,548	184,779
Net product revenues	mn RMB	118,854	149,712	130,093	178,187	151,399	27.4%	192,530	163,375
Net service revenues	mn RMB	15,988	20,972	16,112	22,867	22,815	42.7%	29,018	21,404
Cost of revenues	mn RMB	(114,729)	(146,686)	(123,670)	(172,419)	(147,419)	28.5%	(189,867)	(155,873)
Profit from operations	mn RMB	4,973	530	2,320	5,044	4,383	-11.9%	1,577	5,289
Net Income	mn RMB	551	3,554	1,057	16,413	7,585	1,277.4%	3,133	6,737
Non Controlling Interests	mn RMB	(62)	(80)	(16)	(34)	25	n.a	(5)	(1)
Net Income to JD	mn RMB	612	3,634	1,073	16,447	7,560	1,134.8%	3,138	6,739
Non GAAP gross profit	mn RMB	19,935	23,812	22,347	28,585	26,795	34.4%	31,441	28,646
Non GAAP operating profit	mn RMB	2,975	704	3,256	5,594	5,274	77.3%	2,121	6,123
Non GAAP EBITDA	mn RMB	4,214	1,966	4,514	6,900	6,602	56.6%	2,649	6,267
Non GAAP Net Income	mn RMB	3,086	811	2,972	5,911	5,558	80.1%	2,289	5,907

Source: the Company, Guotai Junan International.

Figure-5: JD's Operating Expense Ratio Estimates


Source: the Company, Guotai Junan International.

Figure-6: JD's Non GAAP Net Profit Forecasts


Source: the Company, Guotai Junan International.

We set target price at HK\$370.00 with investment rating as "Buy". The Company's 3Q2020 results seem solid, on the back of strong profitability and effective user acquisition in lower-tier cities. The COVID-19 pandemic has changed business models and user behavior in China, leading to huge demand for online services. We think that the online services market is still a blue ocean, particularly as new demand has been created in the post COVID-19 period. In order to drive top-line growth, the Company will continue to reinvest in gaining market share and cementing its market position. It may sacrifice profit margin, but we still think that it is very likely to achieve margin improvement in the long term. Therefore, our investment rating for the Company is "Buy", our TP represents 58.8x 2020F non-GAAP PE or 1.3x 2020F PS. Risk factors: failure in long-term margin expansion, lower-than-expected revenue growth, sharp RMB depreciation, lower spending power of consumers and merchants, further waves of COVID-19, and annual active buyer retreat.

Table-2: Peers Comparison

Company	Stock Code	Currency	Last price	Market Cap mn HKD	Adjusted PE			Price/Sales			EV/EBITDA			PEG
					FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	
E-commerce														
Alibaba Group Holding-SW**	9988 HK	HKD	245.20	5,307,376.8	26.2	21.3	17.0	6.5	5.0	4.1	21.5	16.5	13.0	1.1
Ebay Inc	EBAY US	USD	49.78	266,056.6	14.7	13.7	12.2	3.4	3.1	2.9	10.1	8.9	7.6	1.5
Amazon.Com Inc	AMZN US	USD	3117.02	12,125,917.1	65.9	53.5	40.3	4.1	3.5	3.0	30.1	24.3	19.9	2.4
Z Holdings Corp**	4689 JT	JPY	618.9	222,890.6	35.7	31.4	24.4	2.5	2.2	2.0	12.1	10.8	8.9	1.7
Rakuten Inc	4755 JT	JPY	1108	118,670.5	n.a.	n.a.	44.5	1.1	1.0	0.9	26.9	13.1	7.5	n.a.
Jd -SW	9618 HK	HKD	332.2	1,039,717.5	43.2	30.3	21.2	1.2	1.0	0.8	42.8	28.2	20.0	1.0
Vipshop Holdings Ltd - Adr	VIPS US	USD	23.32	122,464.8	18.1	14.8	12.8	1.0	0.9	0.8	13.2	10.2	7.8	1.0
Meituan Dianping-Class B	3690 HK	HKD	294	1,729,643.5	276.1	89.5	52.9	13.1	8.8	6.6	214.9	67.1	40.8	2.1
Pinduoduo Inc-Adr	PDD US	USD	137.66	1,308,881.7	n.a.	346.8	85.3	21.7	14.0	10.3	n.a.	529.9	71.5	n.a.
Trip.Com Group Ltd-Adr	TCOM US	USD	33.68	154,869.0	n.a.	27.4	20.6	7.2	4.4	3.5	1,072.8	25.8	17.6	n.a.
Simple Average					68.5	69.8	33.1	6.2	4.4	3.5	160.5	73.5	21.5	1.5
Weighted Average					65.8	63.3	36.8	6.2	4.7	3.8	47.8	55.0	22.5	1.8
Internet Conglomerate														
Tencent Holdings Ltd	700 HK	HKD	573	5,492,048.8	37.5	30.4	25.1	9.7	7.8	6.6	26.0	21.1	17.2	1.7
Baidu Inc - Spon Adr	BIDU US	USD	136.48	360,916.1	15.9	14.8	11.9	2.9	2.5	2.3	8.5	6.8	5.7	1.0
Alphabet Inc-CI C	GOOG US	USD	1763.92	9,237,518.8	31.6	25.6	21.6	8.0	6.6	5.7	17.4	14.0	11.7	1.5
Microsoft Corp	MSFT US	USD	212.42	12,451,804.4	37.5	31.6	28.6	11.3	10.2	9.2	23.6	20.9	18.7	2.5
Facebook Inc-Class A	FB US	USD	272.94	6,027,516.4	28.3	24.6	20.5	9.3	7.4	6.2	16.7	13.6	10.7	1.6
Softbank Group Corp**	9984 JT	JPY	6698	1,045,040.1	8.0	15.3	13.2	2.2	2.2	2.2	12.6	13.2	15.4	(0.4)
Simple Average					26.5	23.7	20.2	7.2	6.1	5.3	17.5	14.9	13.2	1.3
Weighted Average					33.2	27.9	24.1	9.5	8.1	7.0	20.6	17.4	15.0	1.8
Simple Average					49.1	51.4	28.3	6.6	5.0	4.2	103.3	51.5	18.4	1.4
Weighted Average					46.0	41.8	29.1	8.2	6.7	5.8	31.3	32.2	17.9	1.8

Source: Bloomberg, Guotai Junan International.

Note: * All figures based on fiscal year, ** these companies' year end as at March of each year, its figures are representing FY21/ FY22/ FY23.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Total Revenue	462,020	576,888	743,022	909,551	1,057,064
Online direct sales	416,109	510,734	652,209	791,810	912,431
Services and others	45,911	66,155	90,813	117,741	144,633
Cost of revenues	(396,066)	(492,467)	(633,374)	(773,096)	(896,443)
Gross profit	65,954	84,421	109,647	136,455	160,621
Fulfillment	(32,010)	(36,968)	(47,992)	(58,124)	(67,497)
Marketing	(19,237)	(22,234)	(27,367)	(33,177)	(37,913)
Technology and content	(12,144)	(14,619)	(15,966)	(17,025)	(18,420)
General and administrative	(5,160)	(5,490)	(6,204)	(6,692)	(7,129)
Gain on disposals of long-lived assets	0	3,885	1,206	1,268	1,340
Impairment of goodwill and intangible assets	(22)	0	0	0	0
Operating Profit	(2,619)	8,995	13,325	22,705	31,002
Share of results of equity investees	(1,113)	(1,738)	4,475	353	1,262
Net interest income and other, net	1,359	6,436	14,662	7,148	7,648
Profit Before Tax	(2,374)	13,693	32,462	30,206	39,912
Income Tax	(427)	(1,802)	(4,273)	(4,127)	(5,653)
Profit After Tax	(2,801)	11,890	28,189	26,079	34,259
Non-controlling Interest	309	294	29	(18)	(58)
Shareholders' Profit / Loss	(2,492)	12,184	28,218	26,060	34,202
Basic EPS	(0.866)	4.183	9.097	8.302	10.766
Diluted EPS	(0.866)	4.106	8.929	8.101	10.443
Weighted average outstanding					
Basic mn	2,878	2,913	3,102	3,139	3,177
Diluted mn	2,878	2,967	3,160	3,217	3,275
Non GAAP gross profit	65,069	85,325	109,713	136,455	160,621
Non GAAP operating profit	1,913	8,868	16,245	25,917	34,036
Non GAAP EBITDA	6,601	18,518	20,665	26,575	34,758
Non GAAP net income	3,460	10,750	16,731	24,499	30,785

Cash Flow Statement

Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Operating activities					
Net loss	(2,801)	11,890	28,189	26,079	34,259
DD&A	5,560	5,828	4,329	5,019	5,859
Share-based compensation	3,660	3,695	3,733	3,870	3,756
Other non cash gains or loss	2,106	(2,877)	(3,020)	(2,869)	(2,726)
Changes in operating assets and liabilities:	12,356	6,245	17,532	4,933	22,588
Cash from Operating Activities	20,881	24,781	50,762	37,031	63,736
Investing activities					
Capital expenditure	(21,369)	(9,000)	(10,981)	(11,583)	(12,635)
Investment	(26,306)	(37,981)	(65,461)	(47,846)	(39,833)
Disposals of investments and PPE	1,924	12,521	13,773	17,216	21,520
Others	19,673	9,111	5,740	3,329	1,931
Cash from Investing Activities	(26,079)	(25,349)	(56,930)	(38,884)	(29,017)
Financing activities					
Proceeds from issuance of shares	3,326	(19)	31,053	3,139	3,114
Net borrowing	(9,388)	(4,368)	22,274	17,125	(24,101)
Others	17,282	6,959	(7,537)	(7,784)	(8,446)
Cash from Financing Activities	11,220	2,572	45,789	12,479	(29,433)
Effect of exchange rate changes on cash	1,681	406	650	1,048	1,419
Net Changes in Cash	6,022	2,004	39,622	10,627	5,286
Cash at Beg of Year	29,799	37,502	39,912	80,184	91,859
Cash at End of Year	37,502	39,912	80,184	91,859	98,564

Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Equity investments	31,357	35,576	54,431	65,317	75,115
Property, equipment and software, net	21,083	20,654	22,775	24,937	27,033
Construction in progress	6,554	5,806	8,129	9,755	11,706
Intangible assets, net	5,012	4,110	6,987	10,830	15,162
Land use rights, net	10,476	10,892	11,870	12,451	12,496
Goodwill	6,644	6,644	11,294	11,294	11,294
Other non-current assets	23,185	36,948	61,026	69,242	73,303
Total Non-current Assets	104,309	120,629	176,513	203,826	226,108
Cash & Cash Equivalents	37,502	39,912	80,184	91,859	98,564
Short-term investments	2,036	24,603	49,206	63,967	73,562
Accounts receivable, net	11,110	6,191	10,095	7,349	10,028
Advance to suppliers	477	593	5,514	1,962	6,726
Inventories, net	44,030	57,932	60,137	64,459	62,968
Prepayments and other current assets	6,565	5,630	8,620	7,827	9,550
Amount due from related party	3,136	4,234	7,872	6,097	6,675
Asset held for sale	0	0	401	421	442
Total Current Assets	104,856	139,095	222,029	243,940	268,515
Total Assets	209,165	259,724	398,541	447,766	494,623
Short-term bank loans	4,545	0	9,698	14,835	7,605
Accounts payable	79,985	90,428	116,849	113,101	131,880
Advance from customers	13,018	16,079	23,233	20,154	24,842
Deferred revenues	1,980	3,327	5,250	4,729	7,271
Taxes payable	826	2,016	6,289	10,416	16,069
Amount due to related party	216	318	477	501	526
Accrued expenses and other current liabilities	20,293	24,656	30,022	35,058	37,436
Liabilities held for sale	0	0	513	529	545
Operating lease liabilities	0	3,193	6,729	8,075	8,721
Total Current Liabilities	120,862	140,017	199,060	207,398	234,895
Deferred revenues	463	1,943	2,169	2,047	2,152
Long term borrowings	9,875	10,052	22,628	34,615	17,745
Deferred tax liabilities	828	1,339	2,477	2,725	2,997
Other non-current liabilities	308	226	248	273	301
Operating lease liabilities	0	5,523	10,766	12,920	13,953
Total Non-current Liabilities	11,475	19,082	38,289	52,580	37,148
Total Liabilities	132,337	159,099	237,349	259,978	272,043
Redeemable non-controlling interests	15,961	15,964	17,242	17,759	18,292
Total Shareholders' Equity	75,732	97,820	158,418	184,995	219,729
Minority Interest	1,096	2,804	2,775	2,793	2,851
Total Equity	76,828	100,624	161,192	187,788	222,580

Financial Ratios

	2018A	2019A	2020F	2021F	2022F
Non GAAP Gross margin	14.1%	14.8%	14.8%	15.0%	15.2%
Non GAAP Operating margin	0.4%	1.5%	2.2%	2.8%	3.2%
Non GAAP EBITDA margin	1.4%	3.2%	2.8%	2.9%	3.3%
Non GAAP Net margin	0.7%	1.9%	2.3%	2.7%	2.9%

Source: the Company, Guotai Junan International.

Note: Restated income statement after taking JD Finance deconsolidation and JD Logistics cost reclassification.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for GUOTAI JUNAN I (01788 HK), JXR (01951 HK), JINSHANG BANK (02558 HK), HAITIAN ANTENNA (08227 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are making, or will make a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2020 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk