

JD.com Inc

First take on 4Q23 results

Earnings Review

Decent growth in EBITDA with improved EBITDA margin

In 4Q23, JD's total net revenues increased by 4% YoY to RMB306.1bn. Its net product revenues grew by 4% YoY to RMB246.5bn (c.61% from sales of electronics and home appliances) and its net service revenues grew by 3% YoY to RMB59.6bn. Its gross margin improved by 0.2ppt YoY to 14.2%, sending its gross profit up 5% YoY to RMB43.5bn. Its EBITDA increased by 9% YoY to RMB9.7bn, with its EBITDA margin at 3.2% (+0.1ppt YoY). Its EBITDA interest coverage (based on LTM EBITDA/LTM interest expense) declined to 14.7x from 16.0x in 4Q22. The company also announced a share repurchase plan for up to US\$3bn till Mar'27.

Improved leverage & largely stable debt/cap

As of end-Dec'23, JD's cash and short-term investments declined by 13% YoY to RMB197.7bn and its total debt increased by 6% YoY to RMB61.3bn from RMB57.9bn a year ago. It had a RMB136.4bn net cash position (-19% YoY) and its total equity increased by 8% YoY to RMB295.8bn. Its gross leverage (debt/LTM EBITDA) dropped to 1.4x (vs end-4Q22: 1.7x) on increased EBITDA while its debt/cap remained largely stable YoY at 17.2% vs 17.5% as of end-4Q22.

We have a MW recommendation on JD '26 given its fair valuation. However, we have UW recommendations on JD '30/ '50 due to their expensive valuation. Despite their lower credit ratings (Moody's: Baa1/ S&P: A-), they trade largely in line with similarly maturing BIDU (A3/ Non-rated)/ TENCNT (A1/ A+) bonds.

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Global Emerging Markets | Corporate Credit
Asia | China
Technology

Sirius Chan
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 3100
sirius.chan@bofa.com

Jing Peng
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 3105
jing.peng2@bofa.com

Xiang Gao, CFA
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 6962
xiang.gao@bofa.com

Suyang Lu
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 5066
suyang.lu@bofa.com

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Exhibit 1: JD financial summary

Decent EBITDA growth and improved leverage in 4Q23

Income statement (RMB mn)	4Q22	1Q23	2Q23	3Q23	4Q23	FY22	FY23
Revenue	295,446	242,956	287,931	247,698	306,077	1,046,236	1,084,662
YoY changes	7%	1%	8%	2%	4%	10%	4%
QoQ changes	21%	-18%	19%	-14%	24%		
EBITDA	8,898	9,499	10,403	12,889	9,661	33,602	42,452
YoY changes	114%	57%	45%	12%	9%	80%	26%
EBITDA margin	3.0%	3.9%	3.6%	5.2%	3.2%	3.2%	3.9%
LTM EBITDA	33,602	37,035	40,263	41,689	42,452	33,602	42,452
Interest expense	-698	-590	-654	-710	-927	-2,106	-2,881
Net income	3,221	6,199	6,923	8,223	1,912	9,691	23,257
Net profit margin	1.1%	2.6%	2.4%	3.3%	0.6%	0.9%	2.1%
Balance sheet (RMB mn)							
Cash and cash equivalents	85,115	80,770	99,149	123,868	79,398	85,115	79,398
Short-term investments	141,095	122,440	144,101	126,382	118,254	141,095	118,254
Cash and short-term investments	226,210	203,210	243,250	250,250	197,652	226,210	197,652
Short-term debt	12,146	14,280	17,951	13,740	5,034	12,146	5,034
Long-term debt	45,801	44,421	47,640	48,624	56,256	45,801	56,256
Total debt	57,947	58,701	65,591	62,364	61,290	57,947	61,290
Net debt	-168,263	-144,509	-177,659	-187,886	-136,362	-168,263	-136,362
Total equity	273,533	273,413	286,695	295,681	295,766	273,533	295,766
Total capitalization	331,480	332,114	352,286	358,045	357,056	331,480	357,056
Total assets	595,250	551,036	603,924	617,393	628,958	595,250	628,958
Debt ratios							
Total debt/EBITDA	1.7x	1.6x	1.6x	1.5x	1.4x	1.7x	1.4x
Net debt/EBITDA	NM	NM	NM	NM	NM	NM	NM
EBITDA/interest	12.7x	16.1x	15.9x	18.2x	10.4x	16.0x	14.7x
LTM EBITDA/ LTM interest	16.0x	15.8x	16.0x	15.7x	14.7x	16.0x	14.7x
Total debt/capitalisation	17%	18%	19%	17%	17%	17%	17%
Net debt/capitalisation	NM	NM	NM	NM	NM	NM	NM
Cash/ST debt	18.6x	14.2x	13.6x	18.2x	39.3x	18.6x	39.3x
ST Debt/Total Debt	21%	24%	27%	22%	8%	21%	8%

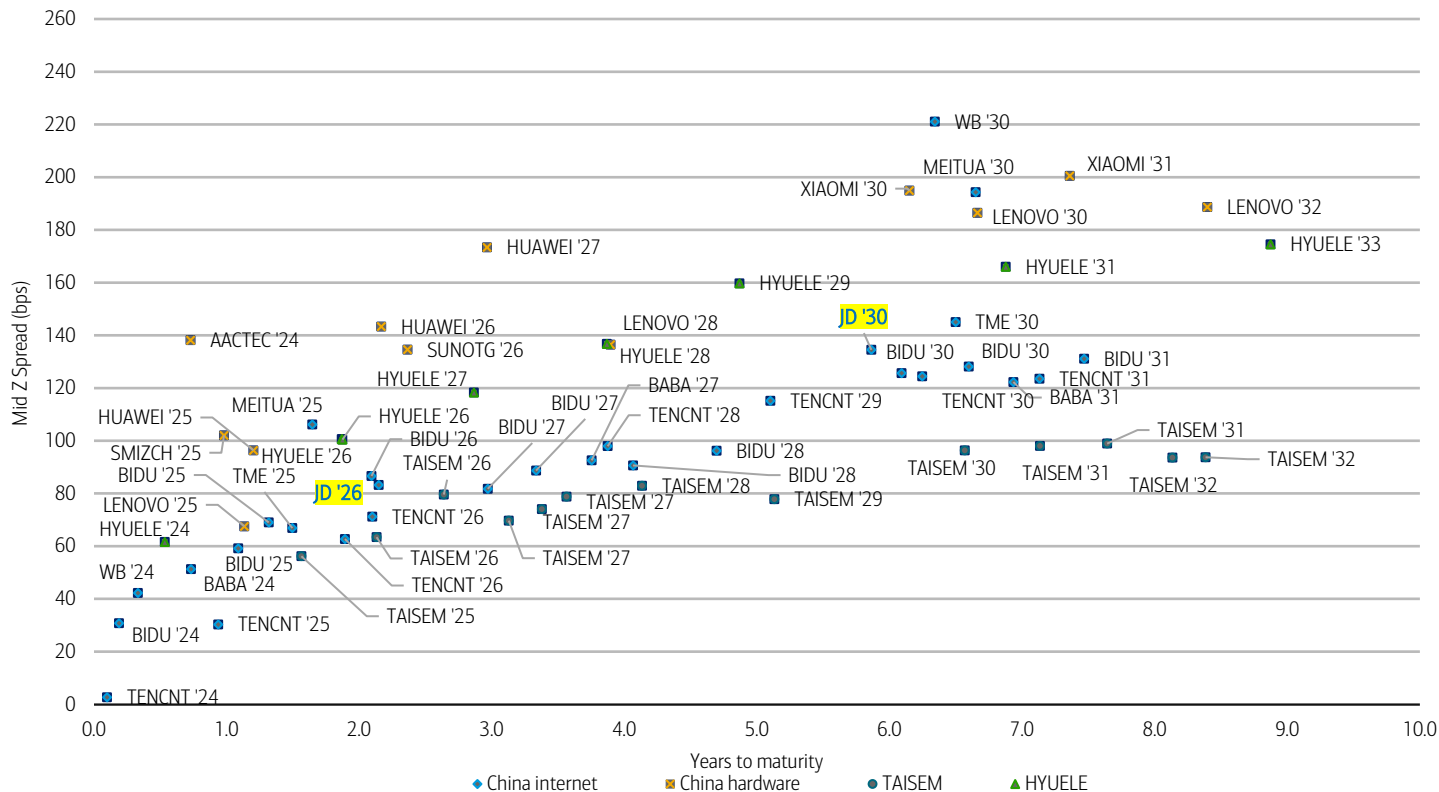
NM: not meaningful

Source: BofA Global Research, company report

BofA GLOBAL RESEARCH

Exhibit 2: Asian tech bonds (<10-year) - z-spread (y) vs years to maturity (x)

Despite their lower credit ratings (Moody's: Baa1/ S&P: A-), JD bonds trade largely in line with similarly maturing BIDU (A3/ Non-rated)/ TENCNT (A1/ A+) bonds.



Valuation & risk

JD.com (JD)

We think JD is unlikely to see a significant fundamentals improvement in the near term. Also, in our view, the Chinese government has shown signs of easing its scrutiny on the tech sector amid its efforts to support economic growth. But we believe compared to its peers, JD may benefit less from potentially looser regulations as it has seen fewer regulatory headwinds previously. With JD '30/ '50 trading in line with/ tighter than higher rated peers' bonds, we view its valuation as expensive, hence our UW recommendation. But we view JD '26's valuation as fair, hence our MW recommendation.

Downside risks are: 1) slower-than-expected improvement in fundamentals, 2) intense competition in online retail industry in China, 3) aggressive M&A activities which adversely affect its liquidity, and 4) adverse developments in the regulatory regime or VIE structures.

Upside risks are 1) stronger-than-expected fundamental improvement, 2) further strengthening market position and 3) less aggressive M&A strategy

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Security/Loan pricing

JD.com Inc / JD

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(Govt+bps)
3.875, Senior, USD, 2026:B	500	29-APR-2026	Baa1/A-/NR	97.32	06-Mar-2024	5.21	65
3.375, Senior, USD, 2030:B	700	14-Jan-2030	Baa1/A-/NR	90.87	06-Mar-2024	5.21	105
4.125, Senior, USD, 2050: B	300	14-Jan-2050	Baa1/A-/NR	79.40	06-Mar-2024	5.65	135

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Disclosures

Important Disclosures

Credit opinion history

JD.com Inc / JD

Security	Date ^{R1}	Action	Recommendation	Price
3.875, Senior, USD, 2026:B	28-Feb-2023		Marketweight	
3.375, Senior, USD, 2030:B	28-Feb-2023		Underweight	
4.125, Senior, USD, 2050: B	28-Feb-2023		Underweight	

Table reflects credit opinion history as of previous business day's close.^{R1} First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."

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Corporate Credit Issuer Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R2}	Count	Percent
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Hold	193	49.87%	Hold	163	84.46%
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