**JD.com, Inc. (JD) Q2 FY2025 earnings call transcript**

<https://finance.yahoo.com/quote/JD/earnings/JD-Q2-2025-earnings_call-345831.html>

Operator

0:00:00

Hello, and thank you for standing by for jd.com Second Quarter and Interim twenty twenty five Earnings Conference Call. At this time, all participants are in listen only mode. After management's prepared remarks, there will be a question and answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Operator

0:00:23

I would now like to turn the meeting over to your host for today's conference, Sean Zhang, Director of Investor Relations. Please go ahead.

Sean Zhang

Head - IR

0:00:32

Thank you, operator. Good day, everyone. Welcome to jd.com's second quarter and interim twenty twenty five earnings conference call. With us today are CEO of jd.com, Ms. Sandy Xu and our CFO, Ms. Yan Shan. Sandy will kick off the call with her opening remarks, and Yan will discuss the financial results. After that, we'll open the call to questions from analysts. Before turning the call over to Sandy, let me quickly cover the Safe Harbor. Please be reminded that during this call, our comments and responses to your questions reflect management's view as of today's only and will include forward looking statements.

Sean Zhang

Head - IR

0:01:11

Please refer to our latest Safe Harbor statement in the earnings press release on IR website, which apply to this call. We'll discuss certain non GAAP financial measures. Please also refer to the reconciliation of non GAAP measures to the comparable GAAP measures in the earnings press release. Please also note all figures mentioned today in this call are in RMB unless otherwise stated. With that, let me turn the call over to our CEO, Sandy.

Sandy Ran Xu

CEO & Executive Director

0:01:38

Thank you, Shawn. Hello, everyone. Thank you for joining our second quarter twenty twenty five earnings conference call. In the second quarter, we stay focused on providing the best user experience, lowering costs and improving efficiency to drive healthy sustainable growth. At the same time, we took some early exciting steps to further advance our long term development.

Sandy Ran Xu

CEO & Executive Director

0:02:06

Looking at the overall performance, we are pleased to report a solid top line growth of 22% year on year in the second quarter, with total revenues reaching RMB357 billion in the quarter. This strong momentum was driven by encouraging acceleration across most of our business lines, including electronics and home appliances, general merchandise categories as well as service revenues. Our non GAAP net income attributable to ordinary shareholders in the quarter was RMB 7,400,000,000.0 compared to RMB 14,500,000,000.0 in the same period last year as a result of the investment and rapid growth in our new businesses, including our food delivery business. That said, our core business JD Retail continued to see healthy profitability improvement. JD Retail's non GAAP operating profit increased by 38% year on year to RMB13.9 billion in the second quarter with an operating margin of 4.5%, up from 3.9% in the same period last year.

Sandy Ran Xu

CEO & Executive Director

0:03:33

Overall, we are confident in our core retail business, while our new businesses, including JD Food Delivery, are progressing well as planned, aligning seamlessly with our strategic road map to drive long term sustainable growth. Behind these results, I'm particularly encouraged by the high morale and collaborative spirit across all the business teams at JD. Their collective effort forms a solid foundation that will continue to propel our upward momentum and the effective execution of our strategic goals. I want to highlight three key progress we achieved that underpinned our strong performance in the quarter and will sustain our healthy growth going forward. First, user growth and engagement stand out as a key achievement for us in Q2 as we continue to center on users and spare no effort in delivering the best possible user experience.

Sandy Ran Xu

CEO & Executive Director

0:04:49

Growth of our quarterly active customers or the QAC accelerated notably to over 40% year on year in Q2, and total QAC base reached a new milestone. The strong user momentum in the quarter was driven by both the accelerated growth of JD Retail's organic user base as well as incremental contributions from JD Food Delivery and Jingxi business. In addition to user growth, we also see stronger user engagement. In particular, user shopping frequency on JD's platform rose by over 40% year on year in the second quarter, a notable improvement from previous quarters. For JD Plus members, their shopping frequency grew by an even faster pace of over 50% year on year in Q2.

Sandy Ran Xu

CEO & Executive Director

0:05:51

This is clear proof that our food delivery offerings resonate strongly with our highest quality user group. We also achieved record breaking results on the user front during the June 18 grand promotion this year, with the total number of purchasing users more than doubled year on year, and total order volume surpassed 2,200,000,000 orders. The positive momentum in user growth and shopping behavior stands as a powerful testament to the synergies between our new business initiatives and core retail business. We will continue to deepen the synergies and unlock the greater value, which we expect will strengthen overall user stickiness to our platform and drive higher lifetime value across the JD ecosystem. Secondly, our core business JD Retail continued to gain steady traction on the back of our further strengthened supply chain capabilities.

Sandy Ran Xu

CEO & Executive Director

0:07:05

In Q2, JD Retail achieved robust momentum on both top and bottom lines. By category, electronics and home appliances maintained a strong momentum in the quarter with revenues up 23% year on year. This reflects our ever evolving supply chain strength, which enables us to further enhance procurement capabilities and offer users extensive product selections, competitive price and superior services. These trends have positioned us as a leader in the industry, both during periods of trading programs and throughout the day to day development. Our general merchandise business also delivered strong performance in the second quarter with revenues up 16% year on year.

Sandy Ran Xu

CEO & Executive Director

0:08:03

In particular, driven by our supply chain strengths, our supermarket category further extended its track streak of double digit revenue growth to six consecutive quarters. Meanwhile, our fashion business continued to maintain double digit year on year growth in revenues in Q2. The strong top line growth of JD Retail was coupled with an even stronger operating profit growth and the margin expansion in the quarter, progressing well toward its long term target. The continued improvement in JD Retail's profitability is primarily driven by our stronger supply chain capabilities, which ultimately translate to better user experience, lower cost and greater operating efficiency. Thirdly, we are also encouraged by the healthy development of our new business initiatives.

Sandy Ran Xu

CEO & Executive Director

0:09:09

JD food delivery business has experienced rapid growth since its launch, with daily order volume increasingly exponentially in Q2 and several key milestones successfully achieved. We've made significant progress in onboarding high quality merchants and the number of full time delivery riders has increased rapidly. More importantly, JD Food Delivery has started to generate clear synergies with our core retail business. Beyond the user related insights I just shared, we are also proactively capitalizing on the cross selling opportunities brought by food delivery business. We are pleased to see the progress so far, particularly the increasing cross sale ratio of new users brought in by food delivery.

Sandy Ran Xu

CEO & Executive Director

0:10:14

Supermarket categories, lifestyle services and electronic accessories have benefited the most from this trend. Additionally, as our food delivery business scales, we believe it will further enrich our local supply of merchants and drive user traffic and engagement to our all of our 3P merchants, helping establish a more dynamic and comprehensive 3P ecosystem on our platform. For JD, the current priority for our food delivery business is to enhance core system capabilities from optimizing order dispatching algorithms to refining route planning technologies, all to strengthen JD Food Delivery's ability to better serve users and drive traffic and the user growth to merchants on our platform. Driven by these efforts, we are encouraged to see that despite industry dynamics, JD Food Delivery has maintained a healthy order volume growth, especially for new orders in Q3 quarter to date. I want to reiterate that we do not view our food delivery as a stand alone business as it's deeply integrated with JD's broader ecosystem.

Sandy Ran Xu

CEO & Executive Director

0:11:49

We aim to further unlock synergies, not only between JD Food Delivery and JD Retail, but also with JD Logistics and other businesses across our ecosystem. This is where our strategic focus lies. Going forward, we will stay focused on our strategic priorities and invest with high efficiency at appropriate pace amid the evolving dynamics in the food delivery market. In addition to our robust operations and rising market position in the domestic market, we've also been proactively looking at opportunities to grow globally and taking some early exciting steps. Going global is a long term vision and holds strategic value for JD as we aim to leverage JD's unique advantages of supply chain, know how and technology.

Sandy Ran Xu

CEO & Executive Director

0:12:56

In recent years, JD Retail, JD Logistics and JD Property all have taken steps to test and build out overseas retail formats, warehouse networks, transportation infrastructure and local operational capabilities, especially in Europe and The Middle East. We will share more color of our international development as we progress. To conclude, Q2 was a very productive quarter. We delivered both short term results and strengthened our long term strategic positioning. Our core retail business achieved accelerated top line growth alongside solid profit expansion, underscoring the resilience of our supply chain based retail business model.

Sandy Ran Xu

CEO & Executive Director

0:13:51

Q2 also marked an important milestone in our long term development as some of the key initiatives, both domestically and globally, steadily moved forward and started to show early tangible results. None of this happened overnight. These are the results of years of dedicated effort to strengthen our core supply chain capabilities, combined with extensive preparation to support our strategic expansion. We always have a clear vision. Everything we do is centered on supply chain with our commitment to putting users first and elevating user experience.

Sandy Ran Xu

CEO & Executive Director

0:14:40

This will continue to drive every step of our long term development and value creation for our users, business partners and shareholders today and tomorrow in China and across the globe. With that, now let me turn the call over to our CFO, Yan.

Ian Su Shan

CFO

0:15:03

Thank you, Sandy, and hello, everyone. In Q2, we delivered strong top line growth and robust margin improvement in core retail business. Our total revenues growth for the second quarter was 22%, further accelerating from last quarter and significantly outpacing the growth of China's total retail sales. We saw double digit growth across our major business lines, including electronics and home appliances, general merchandise and service revenues, all showing a solid momentum compared to previous quarters. Regarding profitability, our gross margin reached 15.9% in Q2, marking the thirteenth consecutive quarter of gross margin expansion on a year on year basis, primarily driven by our core retail business.

Ian Su Shan

CFO

0:16:06

Our non GAAP net profit margin was down to 2.1%, mainly due to our investments in food delivery. Although near term profitability is impacted by strategic investments, we remain confident that those efforts will position the company for sustained growth and long term value creation. Now, let's go through our financial results in Q2. Our top line growth maintained a strong momentum in the quarter. Total net revenues increased by 22% year on year to RMB $357,000,000,000 in Q2.

Ian Su Shan

CFO

0:16:46

Breaking down the mix, product revenues were up 21% with electronics and home appliances revenue up 23% year on year and general merchandise revenues increasing by 16% year on year in the second quarter, both showing further acceleration compared to previous quarters. For electronics and home appliances, with government's ongoing stimulus policy and the revitalization of domestic consumption, JD is well positioned to fulfill the demands of consumers and provide best in class user experience, As JD has core competitive advantages in those categories, including strong user mind share, robust product supply capabilities, as well as superior execution capabilities to effectively support local government's trading programs. For general merchandise, major categories such as supermarket, fashion, home goods and health all achieved double digit revenue growth in Q2. We continue to see substantial untapped potential in our supermarket categories, and we are confident in our ability to provide greater user experience with the best combination of product, price and service in this category, while maintaining healthy growth momentum. Service revenues saw a significant acceleration, rising 29% year on year in the second quarter.

Ian Su Shan

CFO

0:18:22

Notably, the growth rate of marketplace and the marketing revenues was 22%, which has accelerated for six consecutive quarters. Both commission and advertising revenues maintained double digit growth momentum in the second quarter. Key operating metrics of our platform ecosystem also showed meaningful progress in terms of both merchant base and user engagement. Logistics and other service revenues were up 34%. The growth rate of logistics and other service marked an eight quarter high in Q2, primarily driven by our expanding food delivery business, which generated additional delivery revenue.

Ian Su Shan

CFO

0:19:11

Now let's turn to our segment performance. JD Retail revenues were up 21% year on year in Q2, driven by solid performance across many of our key categories. In addition, JD Retail continued to achieve year on year gross margin expansion, a trend sustained for thirteen consecutive quarters. It also marks the highest level for any comparable quarter since inception. This strong track record has been primarily driven by the continued improvement of our supply chain capabilities.

Ian Su Shan

CFO

0:19:50

In terms of operating income, in the second quarter, JD Retail's non GAAP operating income was up 38% year on year to 13,900,000,000.0, and operating margin was up 56 bps to 4.5%, maintaining a steady upward trend. We remain confident to further consolidate our market leading position and drive steady profit improvement moving forward. Moving to JD Logistics. JD Logistics revenues were up 17% year on year for Q2, with both internal and external revenues sustaining double digit growth momentum. As JD Logistics continued to invest in user experience, its non GAAP operating income in the quarter declined by 10.3% to RMB2 billion.

Ian Su Shan

CFO

0:20:46

That said, JD Logistics is prioritizing capacity building initiatives in last mile pickup and delivery as well as route optimization. These targeted investments are expected to lay the foundation for efficiency gains and margin expansion in the long term. Turning to new business. In Q2, new business revenues tripled year on year. At the same time, its non GAAP operating loss widened to RMB14.8 billion, primarily driven by the rapid expansion of food delivery and Jingxi business.

Ian Su Shan

CFO

0:21:27

Despite near term financial impact, this food delivery business has driven meaningful traffic and user growth and significantly boost the user shopping frequency. We have also observed a visible uplift in conversion and cross selling with our core retail business. Moving forward, we will continue to focus on merchant supply, delivery efficiency and user experience for food delivery business. Additionally, our Jingxi business also saw significant growth in the second quarter as we further penetrated into lower tier markets with expanded offerings of value for money products. For our consolidated profit performance in the second quarter, our gross profit was up 23% year on year to RMB56.6 billion.

Ian Su Shan

CFO

0:22:25

We have delivered 13 straight quarters of gross margin expansion year on year, reaching 15.9% in the second quarter. It was primarily driven by improvement, highlighting the high quality development of our core business. Non GAAP net income attributable to ordinary shareholders was billion in Q2, down 49% year on year and non GAAP net margin declined to 2.1%. This near term margin headwind mainly reflects our strategic investment in food delivery. Our last twelve months free cash flow as of the end of the second quarter was RMB 10,000,000,000 compared to RMB 56,000,000,000 in the same period last year.

Ian Su Shan

CFO

0:23:18

This was primarily due to cash outflows associated with the trading program and the decline in operating income. By the end of Q2, our cash and cash equivalents, restricted cash and short term investments totaled billion. In summary, our second quarter performance was highlighted by robust top line growth and healthy margin expansion of our core retail segment, reflecting our strong execution capabilities and improving operational efficiency in a dynamic market environment. Looking ahead, we're excited about our new business initiatives and expected it will further accelerate growth in users and shopping frequency, while creating great potential for generating synergies. With the continued momentum in our core business and well executed new initiatives, we're confident in our long term healthy growth.

Ian Su Shan

CFO

0:24:27

With that, I will turn it back to Sean. Thank you.

Sean Zhang

Head - IR

0:24:32

Thank you, Ian. For the Q and A session, you're welcome to ask questions in Chinese or English, and you are and our management will answer your question in the language you ask. We'll provide English translation for convenience purpose only. In the case of any discrepancy, please refer to the management statement in the original language. Operator, we can open the call for Q and A session.

Operator

0:24:59

Thank you. The question and answer session of this conference call will start in a moment. In order to be fair to all callers who wish to ask questions, we will take two questions at a time from each caller. If you have more than two questions, please join the question queue again after your questions have been addressed. If you wish to ask a question, please press 1 on your telephone and wait for your name to be announced.

Operator

0:25:23

If you wish to cancel your request, please press 2. If you're on a speakerphone, please pick up the handset to ask your question. Your first question today comes from Ronald Kang with Goldman Sachs. Please go ahead.

Ronald Keung

Managing Director

0:25:38

Thank you, Sandy, Ian and Sean. Thank you, management, for taking my questions. First is on trading program that we've seen some temporary suspension of trading program during June 18. And given some uncertainty about the magnitude or kind of extension of the program next year and some increased competition with other platforms as well, Just want to hear what is our Electronics and Compliance strategy for the second half given the very strong first half growth and next year's strategy of growth and market share targets? Second is on Food Delivery.

Ronald Keung

Managing Director

0:27:43

This is an intense competition of three players or more. Always these contests is a contest between kind of persistent execution and differentiation. So how should we think about JD's long term commitment on this? And particularly competing with number one, which has a larger scale and number two with very deep pockets, being a third player at this point could mean some foreseeable loss for foreseeable period. So how do we assess the customer acquisition, cross sell and the eventual path to improve unit economics? Thank you.

Sean Zhang

Head - IR

0:29:36

Thank you for your question, Ronald. For your first question, during the implementation period of the treating program, JD has demonstrated a consistently solid performance and responsiveness. During this period, during the treating program period, the program itself has made significant progress in boosting consumption and driving industry upgrade this year. The government has also reiterated that the trading subsidy will will be continued and with central funding being distributed in batches. During this period, JD has consistently taken a proactive approach to the national policies actively supporting the treating program and contributing to the effective implementation.

Sean Zhang

Head - IR

0:30:30

Our capabilities that enable us to achieve this include one, number one, our robust supply chain capability, which ensure a stable supply of product along with reliable fulfillment and delivery services. Number two, our system and offline operational capabilities, which enable us to quickly coordinate with the local government and facilitate the rapid implementation of the trading initiative across regions. Meanwhile, we have observed robust consumer demand on JD platform in Q2. The revenue growth of our electronics and home appliance category surpassed 20% year on year. Secondly, want to highlight that the trading policy itself is opportunity, not a competitive advantage of JD.

Sean Zhang

Head - IR

0:32:50

But we have a clear strategy to strengthen our market share. We focus on product, price and service and leverage our supply chain capabilities, scale and omni channel expertise. We have sustained market share expansion throughout Q2 and Q3 to date. First, in terms of product structure optimization, leveraging the national subsidy, JD partners up with brands to accelerate product development, innovation, to launch new products such as smart home appliances and customized products. These efforts have helped better satisfy users' demand and quality replacement and advances industry upgrades.

Sean Zhang

Head - IR

0:33:41

In terms of price advantage, we continue to expand our price advantage by leveraging our expertise in bulk purchasing, product customization, and we always strive to reduce procurement costs and lower the price for our users. In terms of service capability enhancement, we continue to advance our integrated delivery and installation services, offering the industry best trading experience. So lastly, in the long term, JD will leverage its supply chain advantages in electronics and home appliances to actively drive industry upgrade and strengthen our user mind share. We are confident in sustaining growth that is outpacing the industry, thereby, solidifying and expanding our market share. On your second question regarding food delivery, which is a heated topic that attracted a lot of attention lately, and we have shared recently some of our thoughts.

Sean Zhang

Head - IR

0:35:56

Here, I just want to highlight share some of the highlights. So again, food delivery and on demand retail is a key long term strategic direction for JD with our commitment to improve on user experience cost efficiency. We continue to establish and enhance the operational and system capability related to the on demand retail business and optimize user experience. As shared before, we have identified unmet needs across the industry among merchants, riders and users, and we are effectively addressing these needs through our quality food delivery model. Looking at some of the specific progress we made in Q2, on the rider side, at the end of Q2, the number of full time food delivery riders on JD have exceeded 150,000.

Sean Zhang

Head - IR

0:38:13

JD full time employment system ensures that rider can work with dignity and security, which in turn also enhances our delivery experience. Both our order punctuality and service quality are steadily improving. On the supply side, we focus on quality food delivery, which is an important differentiation of JD Food Delivery. We onboarded over 1,500,000 high quality restaurant in the second quarter. Moreover, the proportion of orders from meals continued to rise.

Sean Zhang

Head - IR

0:38:53

And we are helping quality restaurant achieve higher sales. We are also constantly innovating at a source of supply chain, launching a new innovative business model called seven Fresh Kitchen Model to help consumer enjoy quality and affordable meals. In terms of system capabilities, our food delivery R and D and operation teams are rapidly reiterating to enhance system functionality, including order dispatching efficiency, algorithm improvement, subsidy efficiency, and the advertising system to improve to provide a better experience for user, merchants and writers. Okay. In terms of synergy, I want to emphasize that JD Food Delivery is deeply integrated into JD overall ecosystem.

Sean Zhang

Head - IR

0:41:14

After more than a quarter of operation, JD Food Delivery start to generate synergies value synergistic value with our core business. This is within our initial expectation. First, JD Food Delivery is driving notable traffic and user growth in Q2. DAU of JD app and QAC as well as user engagement all have improved significantly with as well as shopping frequency. The conversion rate of food delivery user purchasing B2C e commerce product is steadily increasing.

Sean Zhang

Head - IR

0:41:54

This include new food delivery user cross buying e commerce product and the improvement in shopping frequency among existing users. So we have observed strong cross selling that is taking place. We aim to enhance this synergy as we develop several capacity in Q2, which will be launched in the third quarter. Furthermore, there is also synergy potential between food delivery and the retail business in terms of marketing spending. Our team will evaluate the ROI across different marketing channels and boost overall marketing efficiency.

Sean Zhang

Head - IR

0:44:05

Regarding the long term unit economic improvement, we have noticed the competition start to intensify since July. But we are focusing we're currently focusing on improving the platform system and enhancing experience of user, merchants, and riders. The the UE of food delivery updated food delivery is gradually improving. Moving forward, we don't believe the low quality competition create any value to the industry. So we'll look we're focusing on more refined subsidy strategy tailored to different regions and user group and to improve the fulfillment efficiency fueled by economic scale, enhanced system capability collectively to improve the profitability of our food delivery business.

Sean Zhang

Head - IR

0:45:00

In the long term, we don't we view this business as a long term business initiative on JD. This is a five, ten, even twenty year initiative. This is not a one month one quarter or two quarter kind of business model. So the food delivery business gradually leverage economic scale to boost efficiency, and we will continue to unlock the huge synergistic potential between food delivery and core retail business to support the company's long term healthy growth. Thank you, Ronald. We can take the next question.

Operator

0:45:38

Thank you. Your next question comes from Kenneth Fong with UBS. Please go ahead.

Kenneth Fong

Managing Director

0:45:44

Hi. Thank you management for taking my question. My first question is about investment in new business. Management mentioned that we have a series of new business initiatives to invest in. Can management share about the direction and strategy for this new business investment?

Kenneth Fong

Managing Director

0:46:49

From a financial perspective, how would this affect the revenue growth and our profit target? And how should we think about the impact, if any, to the shareholder return policy, including dividend and then share repurchase? And my second question is about the strong growth behind the general merchandise categories. We noticed that these categories have shown a few consecutive quarters of very robust growth. Can management share the drivers behind and is sustainability going forward? Thank you.

Sean Zhang

Head - IR

0:50:02

Thank you for your question. Kenny, let me first address your question regarding the strategy JD strategy of for new business initiatives. So within JD, we look at new business in terms of innovation of business model, adoption of new technology. So as you have observed, JD continues to explore and innovate in new directions with synergetic potential with our current core business. So in terms of new business model, I can name JD Food Delivery, JD International International Business and Jinxi Business are the innovation of business model.

Sean Zhang

Head - IR

0:50:49

At the same time, we are boosting innovation by new technology increasing various business scenarios, such as, for example, the adoption of AI across various business scenarios. The example is end man logistic equipment and warehouse automation. We believe we are in the great era of technological development, so JD must fully embrace innovation. We have numerous internal innovation projects, and we are encourage we are encouraging every team of JD to embody a spirit of innovation. JD's internal innovation are also centered around supply chain, leveraging our unique supply chain advantage and capability to enhance user experience is always our core focus.

Sean Zhang

Head - IR

0:51:47

This exploration are a natural extension of JD's core business, both domestically and internationally. We are committed to deepen our presence in the retail market by continuously enhance our existing business capability while exploring on demand retail and expanding into low tier markets. At the same time, as China's largest retailer, international expansion has always been a key strategy for JD, and we aim to build a more efficient global retail network to provide an exceptional shopping experience for consumer worldwide and become a leading global retailer. This is a long term goal. We believe that this new business exploration and investment will further strengthen JD supply chain advantage and enhance user experience, driving continued growth in our user base and user engagement.

Sean Zhang

Head - IR

0:52:46

This give us the confidence in achieving a sustainable positive cycle of scale, growth, efficiency improvement and profit increase, steady progressing towards our long term profitability goals. TD Track record has repeatedly demonstrated that our commitment to invest in efficiency, to investment efficiencies, and this will remain unchanged. We always adopt a small step quick progress kind of approach to explore and drive development of innovative business.

Moderator

0:54:21

While we actively explore new business opportunities, we will continue to create value and return to our shareholders. First, in the first half of this year, our total share repurchase valued at about USD 1,500,000,000.0. Under our current 5,000,000,000 share repurchase program, the remaining amount was USD 3,500,000,000.0 as of the date of this announcement. Secondly, we have paid out cash dividends to our shareholders for four consecutive years. This April, we completed the payment of about USD 1,440,000,000.00 annual cash dividend for the year of 2024 and we will continue to do so going forward.

Moderator

0:55:09

We will return to our shareholders through growth, dividends and share buybacks going forward. Lastly, we will also strengthen our execution on core businesses and proactively take on new growth opportunities. We aim to build a success a business model for the long term, driving steady, sustainable growth in revenues and profits along the way and sharing our business success with our shareholders.

Sean Zhang

Head - IR

0:56:11

Regarding your second question about our general merchandise category, as you have noticed in Q2, the general merchandise revenue growth has recorded four consecutive quarter of steady acceleration. The major category is supermarket category, which is the largest contributor to the GM revenue, has maintained a double digit growth for sixth consecutive quarters. This is primarily due to our team's continuous effort to enhance operational capability over the past two years. We believe this will continue to drive the steady growth of our supermarket business. Moving forward, JD Supermarkets will continue to enhance in the following area.

Sean Zhang

Head - IR

0:58:59

The first one is the 1P model, which represents our unique business model and distinctive capability. We can further reduce procurement costs, improve supply chain efficiency and offer better product at lower price to our user. Second, we aim to improve user conversion. We have observed initial cross sell by food delivery user in supermarket category to embrace the massive traffic generated by food delivery. GD supermarket team will implement refined operational strategy, including optimized product recommendation and marketing campaign to better meet this user needs.

Sean Zhang

Head - IR

0:59:46

I also want to share some view in terms to address the on demand retail opportunity. We maintain strong confidence in JD supermarket operation strength and we will also aim to seize the opportunity of on demand retail. We recognize on demand retail serve as a complementary channel addressing specific urgent needs. It currently has limitation in product variety and cost effectiveness compared to the traditional B2C e commerce. In the broader retail market, instant retail remain a relatively small segment.

Sean Zhang

Head - IR

1:00:32

JD Supermarket will strategically expand into on demand retail to fulfill diverse consumption use case, particularly for the time sensitive categories, but we'll always focus on building the core e commerce operational capabilities. We remain confident in the sustained robust growth of our general merchandise category. This year, the growth of this category has been achieved without the impact of trading and subsidy and is primarily driven by the enhanced capability of our team, positioning this category as a key growth driver for our business going forward. Thank you. We can take the next question.

Operator

1:01:20

Thank you. Your next question comes from Joyce Ju with Bank of America. Please go ahead.

Joyce Ju

Vice President

1:02:18

Will translate my questions. My first question is on user and traffic trends. Company saw substantial user and traffic growth in the second quarter. Could management share more colors on user profiles, behaviors and retentions and also user growth strategies and targets down to the road? My second question is on bottom line outlook.

Joyce Ju

Vice President

1:02:38

How does management budget investment for growth opportunities? And how should we expect margin and profit for the next couple of years? And even like in the company's profitability trend over the longer term? Thank you very much.

Moderator

1:04:19

For your first question, in Q2, we saw strong user growth with quarterly active customers and user shopping frequency both up over 40% year on year. This marks the most robust user momentum we have seen in recent years. On one hand, our core retail business has seen improvements in user acquisition and retention, primarily driven by our low price strategy and the platform ecosystem development over the past two years. These efforts have enriched our product supplies and enhanced the user experience. Moreover, improvement in user conversion efficiency coupled with our efforts to create more engaging content and other operational refinements have further supported user attraction and retention on our platform.

Moderator

1:05:15

On the other hand, JD Food Delivery has achieved a rapid growth within less than six months of its launch, providing new growth momentum for user traffic, active users and user shopping frequency on JD's platform. Food delivery business has brought in an increasing number of young users and significantly boosted JD Plus members' shopping frequency by over 50% year on year in Q2. We will continue to accelerate cross selling from food delivery to on demand retail and B2C e commerce, including efforts to enhance engagement with existing users and convert new users to our e commerce offerings, thereby driving rapid growth in JD's overall user base and user shopping frequency. Looking at the long term, JD's goal is to serve the 1,000,000,000 e commerce users in China. As we continue to focus on enhancing user experience, lowering costs and driving greater efficiency, We see great potential for improvement in areas such as user scale, diversified service scenarios, a wider range of product and service offerings and our ability to offer higher quality services to our users.

Moderator

1:07:13

We have been making strategic investments in these areas to deliver long term sustainable growth in our user base and user value. For your question about profitability, JD's profit margin may fluctuate with industry dynamics and our investment pace in the short term. However, our long term goal to achieve high single digit profit margin remains unchanged, especially the profit margin of our core retail business has been on a very healthy trend. The drivers of our core retails profit expansion include first, increased supply chain efficiency, which has been reducing cost and improving efficiency for both upstream and downstream players along the supply chain and at the same time driving improvements in our own profits, including higher gross margin of our product sales as well as logistics cost reductions and efficiency gains. Second, better profitability across categories.

Moderator

1:09:29

For example, our supermarket category still has a lot of room to improve its margin performance and our well established categories such as electronics and home appliances also have a potential for margin improvement. Third, development of our 3P ecosystem. As the proportion of our 3P business goes up over time, marketplace and marketing revenue will also have rapid growth, which will benefit our margin performance. Regarding our thoughts on new business investment, we aim to unlock greater growth potentials with the new opportunities. We are confident this will drive long term growth in users, GMV and profits.

Moderator

1:10:59

The early stage investment will impact JD Group's margin in the short term, but in the long term, the new businesses will gradually evolve into new growth drivers, creating greater synergies with our core business and ultimately enhancing our profitability. In the process, we will also focus on our strategies, invest with discipline and focus on ROI. We will maintain flexibility to balance our efforts and inputs based on actual results.

Sean Zhang

Head - IR

1:11:33

Thank you, Joyce. Let's take the last question, please.

Operator

1:11:38

Thank you. Your last question comes from Thomas Chong with Jefferies. Please go ahead.

Thomas Chong

Managing Director

1:11:58

Thanks management for taking my question. My question is about our overseas expansion. Can management share about our thoughts about the next few years strategies as well as the recent deal with economy. What's the logic behind? Thank you.

Sean Zhang

Head - IR

1:14:02

Thank you, Thomas, for your question. Yes, I have as I have mentioned, as the largest retailer in China, international expansion has always been a key strategy for JD. But our international expansion strategy differ notably from other cross border e commerce model. Our international business focus on supply chain capability. So on one hand, we aim to seize the opportunity of Chinese premium brand going global, helping them efficiently expand into international market, while providing overseas consumers with cost effective products.

Sean Zhang

Head - IR

1:14:45

On the other hand, JD is also committed to localization, meaning developing local retail and e commerce business, establishing local teams and workforce, conduct local procurement and local fulfillment. So to build a long term mutual beneficial relationship with participant in local market. Moreover, JD will emphasize on selling branded high quality product. JD has been operating in Europe for three years, steadily building our retail e commerce property and logistic warehouse infrastructure while accumulating extensive experience. So since 2022, we have been piloting innovative retail model in Europe, and we plan to officially launch our retail e commerce platform called JoyBuy later this year, and we will share more updates later on.

Sean Zhang

Head - IR

1:15:54

Regarding the proposed acquisition of we believe the European market as well as the economy's brand strength, supply chain capabilities and market position in European market hold significant value for JD and both party can achieve synergistic results. And JD can on the other hand, JD can provide online operation expertise and technology know how. So the transaction is subject to regulatory approval currently, and we will provide further update as appropriate. Thank you. So that's the last question.

Operator

1:16:44

Thank you. We are now approaching the end of the conference call. I will now turn the call over to Sean Zhang for closing remarks.

Sean Zhang

Head - IR

1:16:52

Thank you. Thank you all for joining the call today. If you have further questions, please contact me and IR team. We appreciate your interest in jd.com and look forward to talking with you again next quarter. Thank you.

Operator

1:17:06

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.