

JD.com (JD US)

FUNDAMENTAL VIEW ¹

As of 15 Dec 2023

- We maintain our Market perform recommendation on JD (Baa1/A-/NR) post its 3Q23 results; revenues were slightly ahead of consensus; margins were flat YoY; but debt metrics and cash flow improved. Management remains optimistic on JD's outlook in FY24 on continued consumption recovery and market share expansion.
- Within the A-rated China tech sector, we continue to prefer Alibaba (O/P) and Tencent (O/P) over JD. JD trades only ~9-11 bp wider than the comparable bonds of Tencent and Alibaba, despite being rated 2-3 notches lower. JD also provides a spread pick up of 63 bp against US A-rated tech.

RISKS & CATALYSTS

As of 15 Dec 2023

- While Chinese regulators have adopted a friendlier stance towards tech companies, any regulatory clampdowns may still adversely affect the business of JD (e.g. antitrust rules, data security & personal data protection laws).
- Intensifying competition amongst Chinese eCommerce platforms with the entrance of new live-streaming/short-form video platforms and group buying discount platforms may result in slower topline growth and weaker EBITDA margins for JD as its increase its user/merchant incentives and promotional activities to defend its market share.
- There are regulatory risks involving the use of variable interest entities (VIEs) to circumvent China's restrictions on foreign ownership of Internet Content Providers (ICPs). Specifically, VIE transactions involving "change in control" will be subject to antitrust regulatory processes.
- JD cooperates with 3rd party logistics cos to help deliver products to buyers. Failure to provide reliable delivery services or unexpected logistics bottleneck may materially affect the business.

CREDIT QUALITY SCORE (CQS) ²

As of 15 Apr 2024

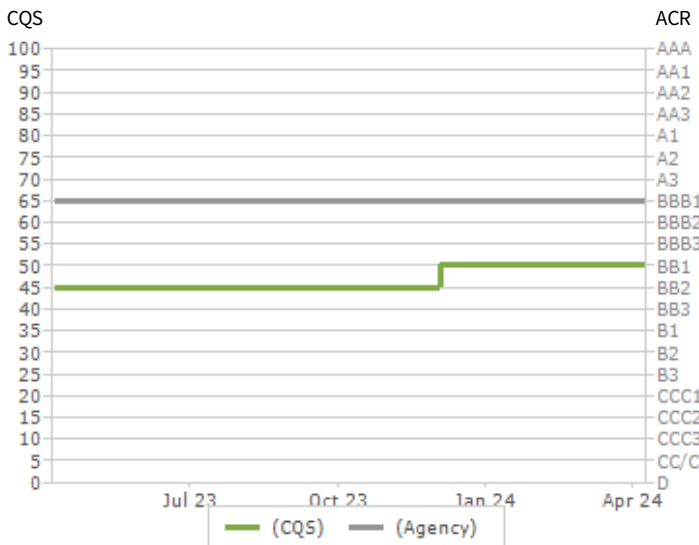
CURRENT CQS

50

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) ⁴ VS CQS



KEY METRICS

As of 15 Dec 2023

RMB MN	FY19	FY20	FY21	FY22	LTM 3Q23
Debt to Book Cap	15.7%	12.5%	12.2%	19.2%	19.1%
Debt/Total Equity	18.7%	14.2%	13.8%	23.7%	23.6%
Debt/Total Assets	7.2%	7.5%	6.9%	10.9%	11.3%
Gross Leverage	1.2x	1.4x	1.8x	1.9x	1.7x
Interest Coverage	21.3x	20.1x	16.1x	16.3x	15.6x
EBITDA Margin	2.7%	3.0%	2.0%	3.3%	3.9%

Note: Difference between reported EBITDA and adjusted EBITDA mainly due to operating lease costs. JD held a net cash position since FY17.

BUSINESS DESCRIPTION

As of 15 Dec 2023

- JD is one of China's leading e-commerce and retail infrastructure service providers.
- JD has a large fulfillment infrastructure which includes over 1,600 warehouses with an aggregate gross floor area of approximately over 32 mn square meters, as of 30 September 2023.
- JD has 4 operating segments, namely JD Retail, JD Logistics, Dada and New businesses. Dada began reporting as a standalone segment with effect from 28 February 2022.
- New businesses mainly include JD Property, Jingxi business group, CNLP, overseas businesses and technology initiatives.
- JD had a market capitalization of RMB 283.6 bn as of 14 December 2023.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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