

JD.com (JD US)

FUNDAMENTAL VIEW ¹

As of 07 Jan 2025

- We maintain our Market perform recommendation on JD post its 3Q24 results; the company's topline growth and margin improved but FOCF turned negative due to higher inventory investment; net cash shrunk while gross debt metrics were flat compared to 2Q24. We expect JD's credit profile to marginally improve in FY25, which we view as largely priced in. The better debt metrics may be driven by its Home Appliance Trade-In Alliance program which supports topline growth and a continued expansion of the higher-margin 3P sales may result in better EBITDA margin; we expect JD to cover its increased shareholder rewards with FOCF. JD's \$ bonds trade inside A- rated Asian corporates, which we view as fair given its large scale and net cash position. We continue to prefer BABA and TENCNT.

RISKS & CATALYSTS

As of 07 Jan 2025

- 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 margin 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.

CREDIT QUALITY SCORE (CQS) ²

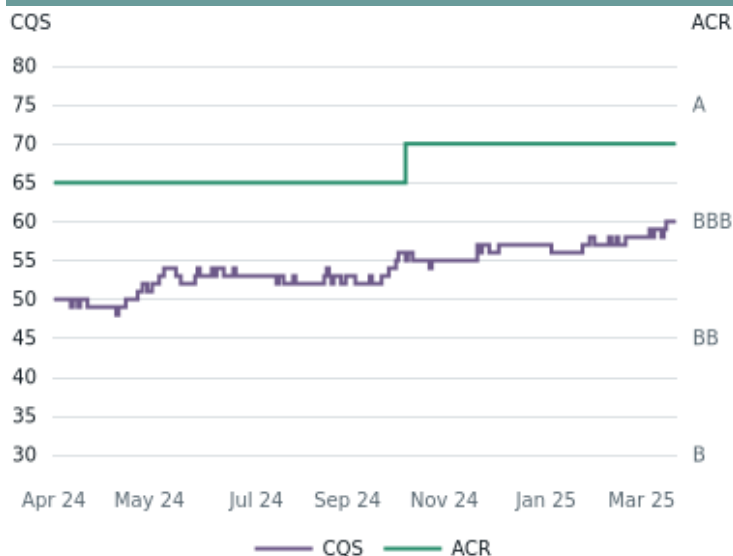
As of 12 Mar 2025

CURRENT CQS

CQS OUTLOOK ³



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



KEY METRICS

As of 07 Jan 2025

RMB MN	FY20	FY21	FY22	FY23	LTM 3Q24
Debt to Book Cap	12.5%	12.2%	19.2%	18.8%	22.9%
Debt/Total Equity	14.2%	13.8%	23.7%	23.1%	29.7%
Debt/Total Assets	7.5%	6.9%	10.9%	10.9%	13.7%
Gross Leverage	1.4x	1.8x	1.9x	1.5x	1.7x
Interest Coverage	20.1x	16.1x	16.3x	15.5x	17.8x
EBITDA Margin	3.0%	2.0%	3.3%	4.1%	4.6%

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 07 Jan 2025

- 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 operated by the company, and 2,000 cloud warehouses operated by third-party warehouse owner-operators under JD Logistics Open Warehouse Platform. Its warehouse network had an aggregate gross floor area of approximately over 32 mn square meters, as of 31 December 2023.
- JD has 3 operating segments, namely (1) JD Retail (86% of 3Q24 revenues), which includes JD Health and JD Industrials, and the segment mainly engages in online retail, online marketplace and marketing services in China; (2) JD Logistics (17%) which includes both internal and external logistic businesses; and (3) New businesses (2%) which consist of Dada, JD Property, Jingxi and overseas businesses.
- JD had a market capitalization of RMB 484.0 bn as of 10 December 2024.

GLOSSARY

- 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.
 - 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.
 - 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.
 - 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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