

JD.com (JD US)

FUNDAMENTAL VIEW¹

As of 08 Dec 2022

- We expect JD's credit profile to be stable over the next 6-12 months. We expect JD's topline growth to be supported by continued recovery in China's e-commerce sector over the coming quarters.
- We expect JD to continue to protect its (albeit still thin) margins with cost control measures and enhanced operating efficiency.
- We expect China's consumer spending on discretionary items to gradually improve as COVID restrictions ease, though they may not fully recover until the country completely exits from the zero-COVID policy (likely in 2H23, according to our China macro team).

RISKS & CATALYSTS

As of 20 Sep 2022

- Chinese tech companies have been facing increasing scrutiny by the Chinese government. Any regulatory clampdowns may adversely affect the business of JD (e.g. antitrust rules, data security & personal data protection laws).
- A prolonged economic slowdown in China would weigh on consumption and JD's business outlook.
- 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 may be subject to lawsuits for items listed on its marketplaces, which may be pirated, counterfeit or illegal. JD cooperates with 3rd party logistics cos to help deliver products to buyers. Failure to provide reliable delivery services may materially affect the business.

CREDIT QUALITY SCORE (CQS)²

As of 27 Feb 2023

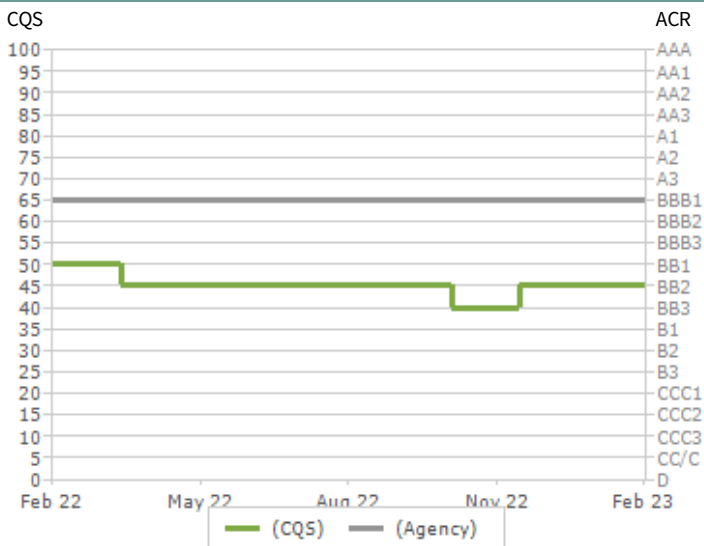
CURRENT CQS

45

CQS OUTLOOK³

NEGATIVE STABLE POSITIVE

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



KEY METRICS

As of 08 Dec 2022

RMB MN	LTM 3Q22	FY21	FY20	FY19	FY18
Debt to Book Cap	20.3%	12.2%	12.5%	15.7%	15.8%
Debt/Total Equity	25.5%	13.8%	14.2%	18.7%	18.8%
Debt/Total Assets	11.9%	6.9%	7.5%	7.2%	6.9%
Gross Leverage	3.5x	4.0x	1.7x	1.7x	7.2x
Interest Coverage	10.5x	7.0x	16.2x	15.1x	2.3x
EBITDA Margin	1.9%	0.9%	2.4%	1.9%	0.4%

JD.com has historically held a net cash position since FY17.

BUSINESS DESCRIPTION

As of 08 Dec 2022

- JD is one of China's leading e-commerce and retail infrastructure service providers.
- JD has a large fulfillment infrastructure which includes over 1,500 warehouses with an aggregate gross floor area of approximately over 30 mn square meters, as of 30 September 2022.
- 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.

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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