

## ARETE CAPITAL VIEW

- JD.com is one of the China largest e-commerce company and part of the core portfolio for higher risk appetites. It is a solid play on the rising affluence of the Chinese consumer.
- While shares have come up significantly in the past 12 months, large growth opportunities lay ahead, and the transition from bottom line losses to profitability marks an important turning point in their build out.

## OPPORTUNITIES

- Focus JD.com on mid to high-end market goods, including international luxury brands
  - The growth of the mid and upper middle class in China will send strong support to JD's focus on quality
  - Women are a particularly important part of their growth strategy
- Revenues Improvement
  - Relatively small revenues generated from overseas for now; so not likely to be affected by geopolitics or trade disputes
  - Strong quarterly results with strong stable leadership and good revenue growth
  - The company is still in growth mode, Forward P/E estimates are still high (50s), and this is to be expected
- Resourceful in establishing joint ventures
  - Wal-Mart is a 12% owner of JD and important strategic collaboration
  - JD has also been active in tie ups with Tencent, Qhoo, Baidu
- Focused global push into SE Asia's 650m consumers (Indonesia car hailing, Thailand Central Retailing) and other markets for future revenue streams
- Comparing with competitors in stocks market
  - JD.com shares have lagged vs. BABA lately, and compared to AMZN over the long term have a long way to go before catching up
  - JD stock is trading 45% above its 200 day moving average

## CHALLENGES

- Expansion in geographical coverage takes time and cost
- A slow down in the current rosy environment of online shopping
- Regulation and tax policies
- Inputs are both manual and automated. Manual always has labor issues

## INCOME STATEMENT Billion (USD)

	2012	2013	2014	2015	2016
Revenue	41,380,521,000	69,339,812,000	115,002,317,000	181,275,425,000	260,121,645,000
Total Operating Expense	43,331,619,000	69,918,639,000	120,804,754,000	187,746,411,000	262,266,542,000
Operating Income	-1,951,098,000	-578,827,000	-5,802,437,000	-6,470,986,000	-2,144,897,000
Net Income Before Taxes	-1,723,346,000	-49,939,000	-4,977,034,000	-9,131,768,000	-3,234,224,000
Net Income After Taxes	-1,729,473,000	-49,899,000	-4,996,358,000	-9,117,506,000	-3,413,724,000
Net Income Before Extra. Items	-1,729,473,000	-49,899,000	-4,996,358,000	-9,107,940,000	-3,413,724,000

## PROFITABILITY ANALYSIS

	2012	2013	2014	2015	2016	Latest
ROE Tot Equity, %	-28.04	-0.64	-21.38	-26.76	-10.59	-5.24 *
ROA Tot Assets, %	-12.15	-0.23	-10.80	-12.04	-2.78	-1.50 *
Income Aft Tax Margin, %	-4.18	-0.07	-4.34	-5.03	-1.31	-0.76 *
Revenue/Tot Assets	2.91	3.16	2.49	2.39	2.12	1.96 *
Long Term Debt/Equity, %	0.00	0.00	0.00	9.00	32.19	34.82 **
Total Debt/Equity, %	13.55	10.10	5.04	20.84	84.48	59.01 **

## BUSINESS SUMMARY

JD.com Inc. is an online direct sales company. It engages in the sale of electronics and home appliance products and general merchandise products (including audio, video products and books) sourced from manufacturers, distributors and publishers in China on the Internet through its Website, www.jd.com. It also offers an online marketplace that enables third-party sellers to sell their products to customers on the Company's Website.

## FINANCIAL SUMMARY

For the six months ended 30 June 2017, JD.Com Inc. revenues increased 43% to RMB169.43B. Net income before extraordinary items totaled RMB68.7M vs. loss of RMB739.7M. Revenues reflect Online direct sales increase of 41% to RMB144.14B, Services and others increase of 56% to RMB14.29B. Net Income reflects Share of results of equity investees decrease of 28% to RMB893.3M (expense).

## 5 YEAR CHART



## RATIOS

Dividend Yield	--
P/E Forward Est.	56x
Annual free cash flow	5.6 billion RMB