

China Internet

eCommerce 3Q Preview: Soft growth on Covid impact;
Expect upside for margins

Navigating China Internet

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With the upcoming 3Q results season, we present our preview for **eCommerce** companies where we expect general softness in 3Q top line growth & 4Q revenue guidance on weak macro/consumption, yet with margin upside across the board on rational marketing spending and cost controls. Key bright spots could include our expectations of **Alibaba's** return to positive earnings growth for both China commerce & group EBITA for the Sep quarter (after 4 quarters of earnings declines), potential record high **JD Retail** 3Q operating margin (GS: 4.9% from 4.0% last year, showcasing JD's long-term margin target of mid-to-high single digit for JD Retail is within reach) and we expect healthy >20% GMV growth at market share gainers **PDD** (given leadership in Duo Duo Grocery and focus on lower ticket size/value-for-money products) and **Kuaishou** (via. live-streaming shopping and official launch of all-purpose shopping for upcoming Singles' Day). As shared in our recent *key investor feedback & debates from global marketing trip takeaways*, we continue to prefer local services & eCommerce verticals with staples/supermarket outperforming discretionary categories in the current macro set-up with brand advertising to lag the pace of consumption recovery. Within the note, we revise our forecasts on eCommerce names based on retail sales data, parcel volume trackers, and National Day Holiday observations, present latest 11.11 rules and differences in this year, and summarize updates of PDD's cross-border eCommerce initiative Temu.

- **Softness in 3Q top line growth**, along with soft growth in national online retail goods sales (+6.5%/6.3% yoy in August/July vs. 6.2% in May-June) as Covid restrictions amid the Omicron variant led to frequent local lockdowns. Our macro team estimates that a **reopening will probably be delayed until at least Q2 2023** ([link](#)). We now expect 3Q22E GMV growth: Kuaishou (+28%) > PDD (+24%) > JD (+8%) > BABA (-4%) > VIPS (-9%), and group revenue growth of PDD (+36%) > JD (+10%) > BABA (+4%) > VIPS (-10%) respectively, expecting Kuaishou, PDD and JD to continue to take share (6% industry 3Q growth in our

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estimate, see details in [Exhibit 2](#)).

- **4Q top line guidance may potentially come in weaker-than-expected** due to macro/lockdowns, as we highlighted in our recent report [key investor feedback & debates from the latest global marketing trip](#), and we lowered our prior estimates, expecting 4Q22 growth remains close to 3Q level. The grand promotion Singles' Day could be more intense than usual, as we see more aggressive promotions across both traditional big three eCommerce platforms and short-form video platforms Douyin and Kuaishou (more details in [Exhibit 14](#)), while we expect margins to remain resilient despite increased promotions, as the coupons are issued by merchants and platforms together. **National Day Holiday updates: Nationwide tourist volume** was soft as expected (see our Asia Pacific Conglomerates & Gaming analyst Simon Cheung's [Golden Week data analysis](#)), -39% vs. 2019 level or -18% yoy. Tourism revenue was 44% of 2019 level or -26% yoy, weaker than Mid-autumn Festival in Sept (61%) and Dragon Boat Festival in June (66%). **On eCommerce**, the State Post Bureau [reported](#) parcel volume growth of 7.2%/2.6% for collection and delivery respectively, slightly improving from Sept's 2.6% yoy.
- Despite headwinds on top lines, we see **upside for margins for Alibaba & JD** from cost controls, while some **downside risks for PDD** on continued investment into Duo Duo Grocery and step up in developing its international business Temu.
 - **For Alibaba (GSe: CMR -4%, group EBITA +11% yoy)**, we expect a turnaround in BABA's China commerce and group EBITA growth in 3Q (2QFY23) on its disciplined spending on Taobao Deals, Tao Cai Cai, Freshippo and local services. We also view the conversion to a dual-primary listing which the company expects to be effective before the end of 2022 as a potential near-term catalyst for the share performance. We believe upon HKEx's approval, the conversion should help bring potential Southbound connect inclusion and inflows to Alibaba (see our published [comments here](#)).
 - **For JD (GSe: group revenue +10%, JD Retail margin 4.9%)**, we expect significant margin expansions in 3Q for JD group (we model group adjusted net margin to improve by 80bps) and JD Retail (90bps in our estimate) on scale down of Jingxi Pin Pin, margin improvement in JD Logistics and optimized S&M spending. **JD** research institute [released](#) National Day Holiday consumption observations, where sales of smart phones and FMCG remained healthy.
 - **For PDD (GSe: group revenue +36%, marketing services +27%, adjusted EBIT Rmb4.9bn)**, we see some downside risk in 3Q group adjusted operating profit compared with street consensus of Rmb7.3bn, as we do not expect a large take rate increase in 3Q due to limited sales festival, and expect a step-up in investments and model group adjusted operating profit of Rmb4.9bn, +50% yoy, with its core domestic marketplace business to sustain a 30%+ adjusted EBIT margin (see more details on TEMU's management, product offerings, supply chains, user acquisition strategies and investment scale, as well as our hypothetical UE analysis within). These being said, we still like PDD on **(1)** its proven strong profitability of its domestic main PDD

platform, **(2)** strength and large exposure to the fresh & agriculture category, which is still at its early stage of online penetration, **(3)** recent onboarding of new brands/merchants in PDD's 6.18 festival (some for the first time), which will support PDD's online marketing take rate expansion in upcoming 4Q Singles' Day festivals in our view, and **(4)** users favoring more lower ticket size and value-for-money products under the current macro environment.

- **2023 outlook:** Investors, especially overseas investors, are tracking closely any updates to **China's Zero-Covid policy and reopening plan**. Our macro team recently lowered its 2023 China GDP forecast (see [link](#)) to 4.5% yoy (prior: 5.3%), assuming reopening in 2Q23 and lowered 2Q23 sequential growth at the initial stage of reopening, and they expect **the biggest growth boost would likely occur from mid-2023 to mid-2024**. In-line with our house view, we have also lowered our 2023 online goods sales growth to 10% yoy (prior 12%) (see [Exhibit 5](#)). Therefore, we trim FY23 revenues by -4% to 0% across the eCommerce names (see [Exhibit 5](#)).

We are **Buy-rated** on **PDD** (TP: US\$95, unchanged), **Kuaishou** (TP: HK\$112, unchanged), **JD** (TP: US\$83.0/HK\$325.0, prior: US\$87.0/HK\$338.0), **Alibaba** (US\$137/HK\$134, prior: US\$149/HK\$146), and Neutral-rated on Vipshop (TP: US\$10.1, prior: US\$11).

Also see relevant reports by the team:

- [China Internet: Key investor questions & feedback from global marketing trip, Oct 6, 2022](#)
- [Navigating China Internet: eCommerce tracker: Services, mobility, apparel bright spots in Aug on re-opening; softer Sep thus far, Sep 16, 2022](#)
- [Navigating China Internet: Top 400 app tracker: Engagement trends reversing since early Sep vs. Aug on renewed Covid containment, Sep 16, 2022](#)
- [China Internet: Short-form video-rization: Assessing the potential ceiling and lessons from China, Sep 4, 2022](#)
- [Navigating China Internet: 2H Outlook: An easier set up; prefer local services & eCommerce; advertising to inflect in 4Q, Jul 12, 2022](#)

Exhibit 1: Despite 3Q22 setup not as favorable due to soft consumption recovery and Covid resurgence, we see potential upside to JD, BABA, VIPS margins relative to the street consensus

Group revenues (yoy)	GSe								V.A. Consensus		GSe vs. consensus		Comments
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E	3Q22E	4Q22E	3Q22E	4Q22E	
Pinduoduo	239%	89%	51%	3%	7%	36%	36%	33%	43%	39%	-7.5ppt	-5.5ppt	We see 3Q top line setup not as favorable across eCommerce coverage, with soft recovery in July/Aug and further deterioration in Sep due to Covid resurgence
JD	32%	28%	25%	23%	18%	9%	10%	10%	11%	14%	-1.2ppt	-4.4ppt	
Alibaba	64%	34%	29%	10%	9%	0%	4%	4%	5%	6%	-1.4ppt	-4.0ppt	
Vipshop	51%	23%	8%	-5%	-11%	-17%	-10%	-3%	-12%	-5%	1.7ppt	1.7ppt	
Adj. group margin (%)													
Pinduoduo	8.5%	17.9%	14.6%	31.0%	17.7%	18.3%	18.1%	21.4%	22.7%	25.3%	-4.5ppt	-3.9ppt	We see downward risk to PDD margin, on investments into Temu
Alibaba	14.0%	21.1%	14.2%	18.4%	9.7%	14.7%	16.3%	19.0%	14.9%	18.5%	1.4ppt	0.5ppt	We see upside to BABA margin on cost controls and narrower losses from new businesses, including Tao Cai Cai and Taobao Deals
Vipshop	6.1%	5.3%	4.0%	5.8%	5.4%	6.8%	5.6%	5.4%	5.2%	5.7%	0.4ppt	-0.4ppt	We see upside to VIPS margin on improved GPM and disciplined investments into sales and marketing
JD	2.0%	1.8%	2.3%	1.3%	1.8%	2.5%	3.2%	1.9%	2.8%	1.9%	0.4ppt	0.1ppt	We see upside to JD margin on cost controls, disciplined investments into new businesses, and narrower losses from JD.L & DADA

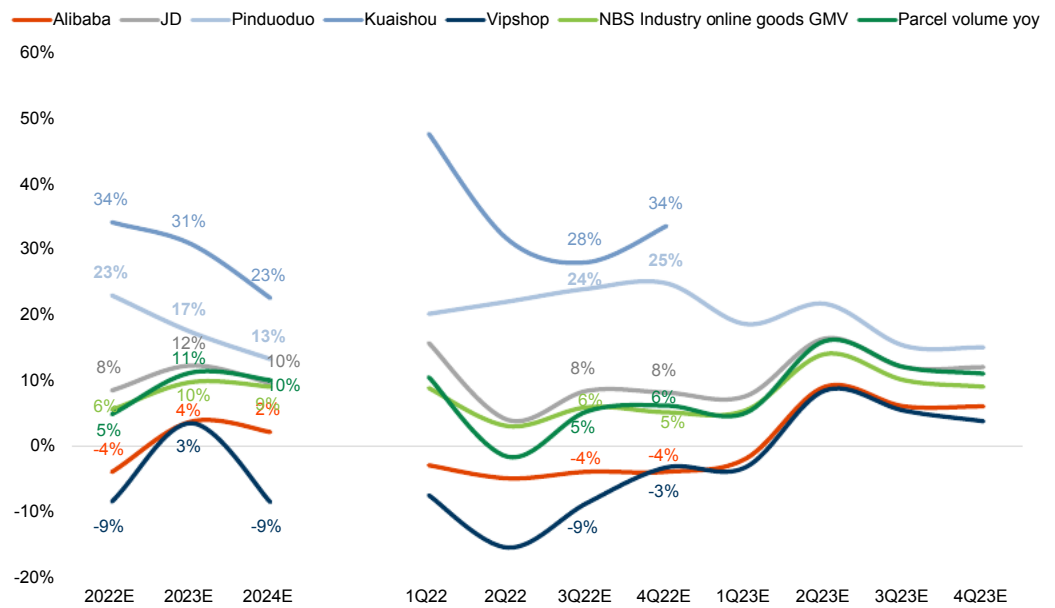
Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 2: GMV growth comparison across key players

GMV growth %	2020	2021	2022E	2023E	2024E	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Alibaba	10%	8%	-4%	-4%	2%	17%	13%	6%	0%	-3%	-5%	-4%	-4%	-2%	9%	6%	6%
Gap vs. industry (pts)	-4%	-4%	-10%	-6%	-7%	-9%	0%	-2%	-5%	-12%	-5%	-10%	-9%	-7%	-5%	-4%	-3%
JD	25%	26%	8%	12%	10%	34%	25%	26%	23%	16%	4%	8%	8%	8%	16%	12%	12%
Gap vs. industry (pts)	10%	14%	3%	3%	1%	8%	12%	17%	18%	7%	1%	3%	3%	2%	2%	2%	3%
Pinduoduo	66%	46%	23%	17%	13%	66%	67%	52%	20%	20%	22%	24%	25%	19%	22%	15%	15%
Gap vs. industry (pts)	51%	34%	17%	8%	4%	40%	54%	44%	14%	11%	19%	16%	20%	13%	8%	5%	8%
Kuaishou	53%	78%	34%	31%	23%	220%	100%	86%	36%	48%	31%	28%	34%				
Gap vs. industry (pts)	524%	66%	29%	21%	14%	194%	87%	78%	30%	39%	29%	22%	28%				
Vipshop	11%	16%	-9%	-3%	-9%	60%	25%	5%	-4%	-8%	-16%	-9%	-3%	-3%	8%	5%	4%
NBS Industry online goods GMV	15%	12%	6%	10%	9%	26%	13%	8%	5%	9%	3%	6%	5%	5%	14%	10%	9%
Parcel volume yoy	31%	30%	5%	11%	10%	75%	20%	23%	16%	10%	-2%	5%	6%	6%	16%	12%	11%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: GMV growth comparison across key players at a glance



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Our macro team recently lowered its 2023 China GDP forecast, now assuming reopening in 2023

		New YoY%	Previous YoY%	New QoQ%, SAAR	Previous QoQ%, SAAR
2020		2.2	2.2		
2021		8.1	8.1		
2022		3.0	3.0		
2023		4.5	5.3		
2024		4.6	4.6		
2020	Q1	-6.9	-6.9	-35.3	-35.3
	Q2	3.1	3.1	55.1	55.1
	Q3	4.8	4.8	14.3	14.3
	Q4	6.4	6.4	10.4	10.4
2021	Q1	18.3	18.3	2.4	2.4
	Q2	7.9	7.9	6.1	6.1
	Q3	4.9	4.9	1.6	1.6
	Q4	4.0	4.0	5.7	5.7
2022	Q1	4.8	4.8	5.7	5.7
	Q2	0.4	0.4	-10.0	-10.0
	Q3	3.5	3.5	14.0	14.0
	Q4	3.3	3.3	5.0	5.0
2023	Q1	2.9	3.0	4.0	4.5
	Q2	6.2	7.4	2.0	6.5
	Q3	4.5	5.4	7.0	5.5
	Q4	4.5	5.2	5.0	4.5

Source: NBS, Goldman Sachs Global Investment Research

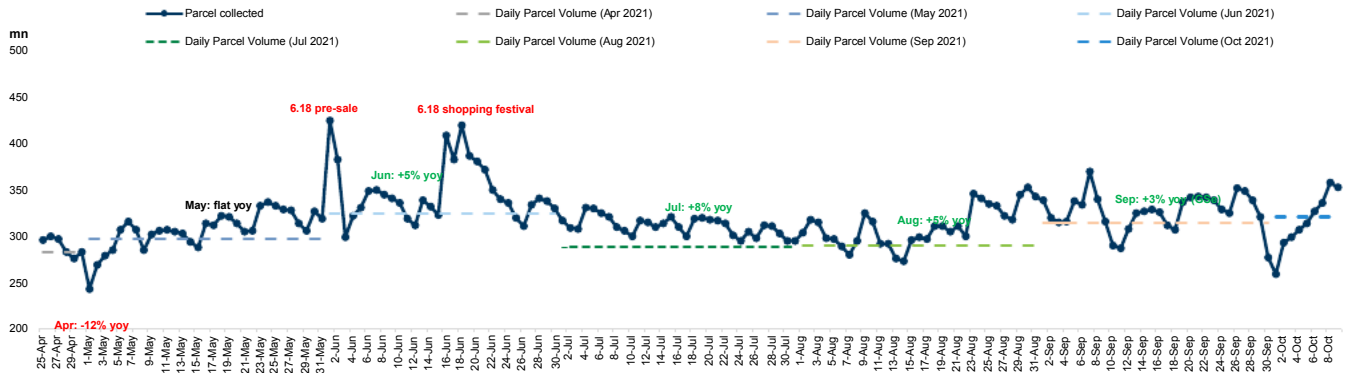
Exhibit 5: Our estimate changes at a glance

GMV yoy %	2022E	2023E	2024E	Revenues yoy %	2022E	2023E	2024E	Adj. net profit (Rmb bn)	2022E	2023E	2024E
BABA	-4%	4%	2%	BABA	4%	11%	10%	BABA	143	164	185
JD	8%	12%	10%	JD	10%	14%	10%	JD	24	36	45
PDD	23%	17%	13%	PDD	29%	19%	21%	PDD	28	26	37
Vipshop	-9%	3%	-9%	Vipshop	-10%	2%	-8%	Vipshop	6	6	6
GMV est. chg. %	2022E	2023E	2024E	Revenues est. chg. %	2022E	2023E	2024E	Adj. net profit est. chg. %	2022E	2023E	2024E
BABA	-3%	-6%	-2%	BABA	-2%	-4%	-4%	BABA	3%	2%	3%
JD	-2%	-1%	-1%	JD	-1%	-3%	-5%	JD	4%	3%	5%
PDD	0%	0%	0%	PDD	0%	0%	0%	PDD	0%	-2%	0%
Vipshop	-2%	-4%	-3%	Vipshop	-2%	-2%	-3%	Vipshop	0%	-3%	-3%
GMV est. vs. consensus	2022E	2023E	2024E	Revenues est. vs. consensus	2022E	2023E	2024E	Adj. net profit est. vs. consensus	2022E	2023E	2024E
BABA	-6%	-7%	-10%	BABA	-1%	-3%	-4%	BABA	-1%	2%	3%
JD	-2%	-7%	-11%	JD	-1%	-4%	-8%	JD	6%	12%	6%
PDD	-1%	-3%	-5%	PDD	-2%	-6%	-5%	PDD	-10%	-29%	-21%
Vipshop	0%	-3%	-15%	Vipshop	1%	-3%	-15%	Vipshop	0%	-9%	-17%

BABA's data is calendarized to compare with other companies

Source: Goldman Sachs Global Investment Research

Exhibit 6: National Day Holiday (10.1-10.7) parcel volume growth of 7.2%/2.6% for collection and delivery respectively, slightly improving from Sep's 2.6% yoy
Daily parcel volume tracker



Source: State Post Bureau, Ministry of Transportation

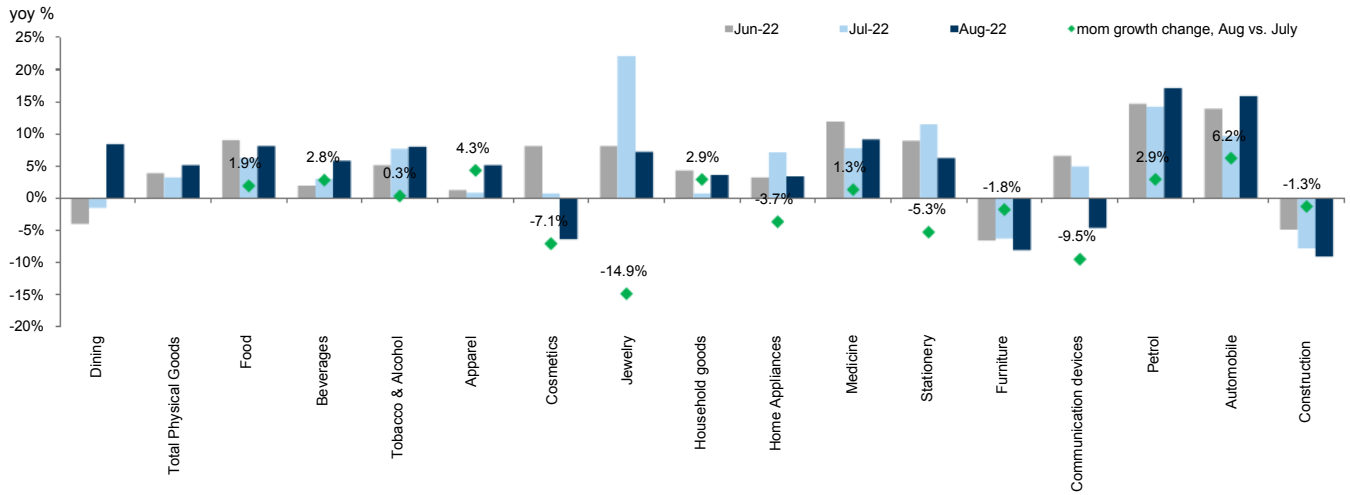
Exhibit 7: Timespent on eCommerce has normalized further in the last three weeks of Sep
Timespent % yoy

Ecomm	Timespent % yoy	2022 Jun				2022 July				2022 Aug				2022 Sep				Week on Week %yoy chg
		Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	
Taobao	淘宝	0%	2%	0%	11%	8%	0%	7%	0%	13%	4%	4%	3%	4%	5%	-2%	4%	8%
Pinduoduo	拼多多	18%	23%	20%	24%	26%	21%	27%	28%	30%	27%	24%	23%	23%	22%	15%	18%	14%
JD	京东	18%	17%	15%	22%	18%	15%	11%	12%	18%	13%	-3%	10%	9%	12%	19%	2%	0%
Xianyu	闲鱼	0%	4%	4%	4%	8%	9%	9%	18%	22%	13%	14%	13%	13%	15%	13%	19%	17%
Taobao Deals	淘特	27%	24%	16%	6%	8%	-5%	-9%	1%	-3%	3%	-3%	-7%	-14%	-5%	-8%	-2%	-6%
Diantao	点淘	42%	35%	25%	35%	25%	23%	21%	20%	20%	12%	11%	5%	10%	16%	11%	12%	20%
VIP	唯品会	3%	-2%	-3%	2%	4%	-1%	2%	0%	15%	12%	1%	12%	10%	12%	5%	14%	15%
De Wu (Du)	得物(毒)	-24%	-22%	-22%	-18%	-16%	-17%	-21%	-12%	2%	-16%	-32%	-20%	-12%	-7%	-11%	-12%	-13%
Tmall	手机天猫	-12%	-8%	-13%	-1%	-8%	-7%	-7%	-8%	0%	-5%	-2%	-1%	1%	6%	2%	3%	9%
Freshippo	盒马	7%	0%	3%	0%	5%	8%	3%	37%	37%	24%	32%	51%	46%	9%	108%	50%	27%
Total		7%	11%	8%	16%	15%	12%	14%	15%	19%	13%	11%	11%	11%	12%	7%	10%	10%

Ecomm	Timespent % share	2022 Jun				2022 July				2022 Aug				2022 Sep				Week on Week %share chg
		Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	
Taobao	淘宝	44%	41%	43%	40%	39%	39%	39%	39%	39%	39%	38%	39%	40%	40%	39%	41%	17%
Pinduoduo	拼多多	34%	37%	35%	40%	42%	42%	41%	42%	41%	41%	41%	41%	40%	39%	40%	39%	-1.2%
JD	京东	10%	9%	11%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	8%	7%	7%	-0.2%
Xianyu	闲鱼	5%	5%	5%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	0%
Taobao Deals	淘特	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	1%	1%	1%	1%	2%	1%	-0.1%
Diantao	点淘	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0.1%
VIP	唯品会	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%
De Wu (Du)	得物(毒)	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0.0%
Tmall	手机天猫	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Freshippo	盒马	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-0.1%

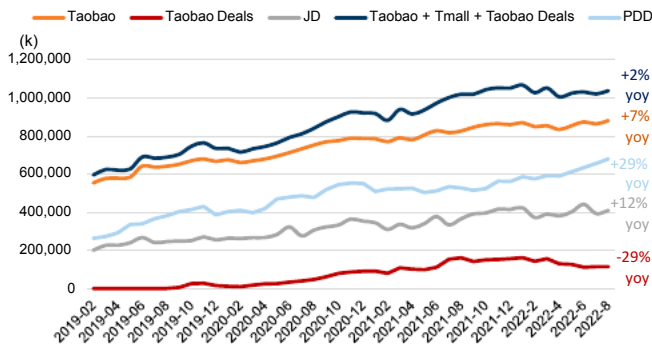
Source: QuestMobile, Data compiled by Goldman Sachs Global Investment Research

Exhibit 8: Most discretionary spending categories remain weak in the past few months



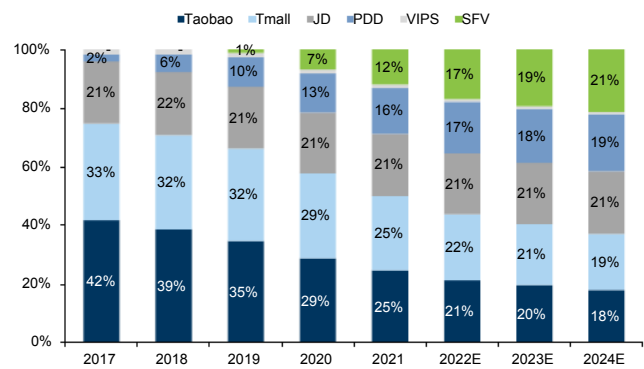
Source: NBS

Exhibit 9: PDD continues to outperform in MAU growth in Aug, +29% yoy, compared with 12%/2% for JD/Alibaba
MAU trend across key eCommerce platforms



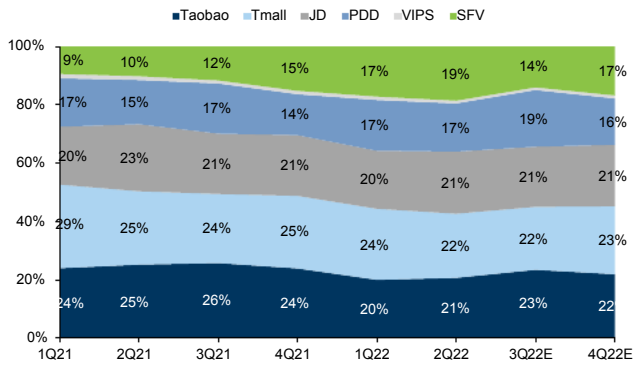
Source: QuestMobile

Exhibit 10: China eCommerce: Gross GMV share % by platform (yearly)



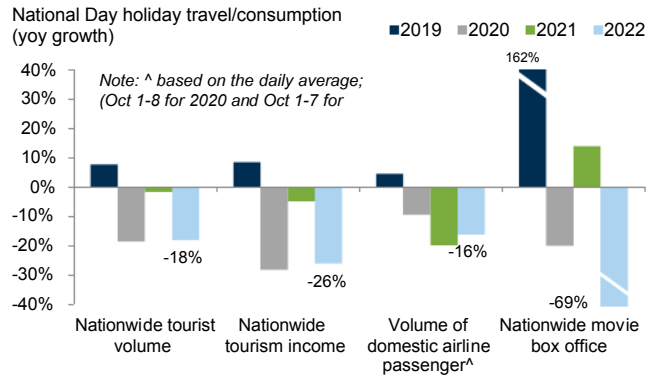
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: China eCommerce: Gross GMV share % by platform (quarterly)



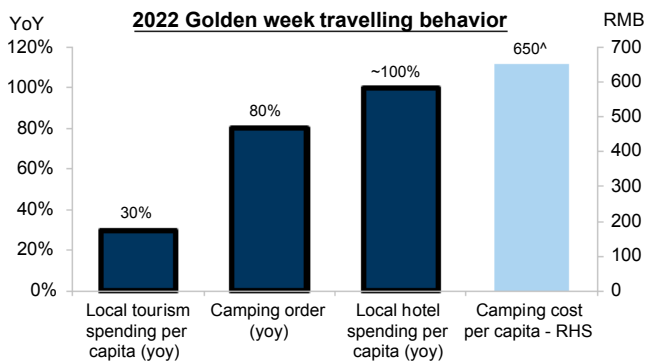
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 12: During the 7-day National Day holidays, the tourist volume declined further from a low base last year



Source: Yicai.com, East Money, Ministry of Transportation, Goldman Sachs Global Investment Research

Exhibit 13: Considering the Covid control measures, people prefer short trips around their cities over long journeys



[^]Note: Compared with the Mid-Autumn Festival, it is increased by ~30%.

Source: Ctrip, Yicai.com, Data compiled by Goldman Sachs Global Investment Research

The authors would like to thank David Ma and Weiting Tang in our Internet team for their contribution to this report.

11.11 Shopping Festival

11.11 shopping festival remains a key event for investors to watch out for to gauge a sense of the recovery pace. We believe traditional eCommerce players continue to face pressures from **Douyin/Kuaishou**, who are more actively participating in this year's 11.11, despite having a 4Q21 low base (to a less extent for JD and PDD). Similar to this year's 6.18, the festival will kick off 4 hours earlier than usual (at 8:00 pm), to provide consumers convenience and better engagement, with discount levels higher than previous years. For SFV players, we observe Douyin focus more on low-price products/top-hit SKUs/merchandise itself vs. traffic allocation in the past. Kuaishou is also planning to officially launch its shelf-base eCommerce in this year's 11.11 Shopping festival period, which was beta-tested in August. Traditional eCommerce players increasingly focus on content creation through livestreaming & short-form video formats. For example, JD introduced various livestreaming events, including "JD Flash Streaming" ("京东闪播" in Chinese), which takes place between 8pm to midnight every day during the festival and focuses on top-selling items. We also note that Jiaqi Li returned to Taobao Live on Sep 20, 2022, after a pause of livestreaming for 109 days, and in the 2021 11.11 shopping festival pre-sale (Oct 20, 2021), Jiaqi Li's single day GMV exceeded Rmb11.5bn (see [link](#)). We estimate Jiaqi Li's GMV contribution to Taobao Live during the 11.11 whole period was around c.20-30%.

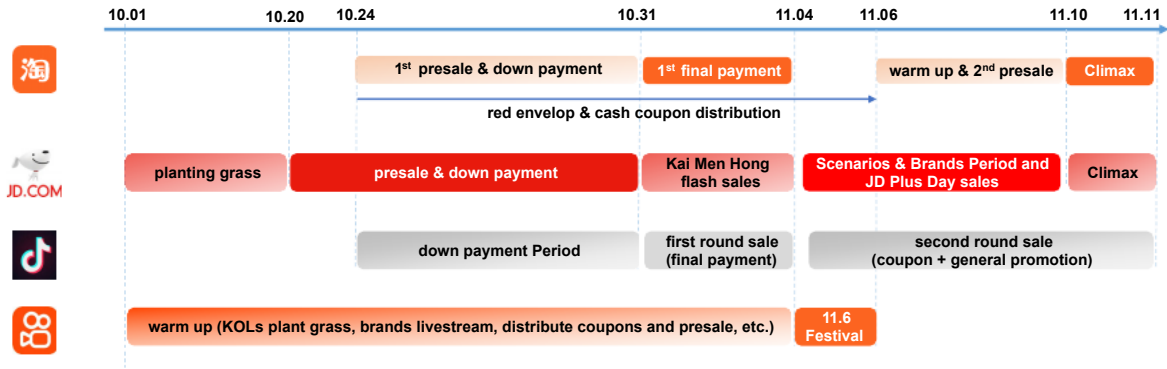
Douyin eCommerce

- Douyin has revamped its eCommerce subsidy plan to focus more on product sales itself instead of product marketing exposure, as competition from other platforms intensifies and Douyin's timespent is reaching closer to the ceiling. Douyin is also increasing its contribution to product promotion/discount to boost sales and win market share, despite intensified competition.
- As highlighted in our latest [Short-form Video-rization report](#), we expect Douyin to reach Rmb2tn (+67% yoy) in GMV in year 2022, representing 9% market share in eCommerce and further improving to 10%/14%/24% market share in 2025E respectively in our bear/base/bull case. We compare Douyin's 2021 and 2022 11.11 shopping festival strategy below.

Kuaishou eCommerce

- Kuaishou is planning to officially launch its shelf-base eCommerce in this year's 11.11 Shopping festival period, which was beta-tested in August.

Exhibit 14: 11.11 shopping festival timeline across platforms



Source: ebrun.com, 163.com, Data compiled by Goldman Sachs Global Investment Research

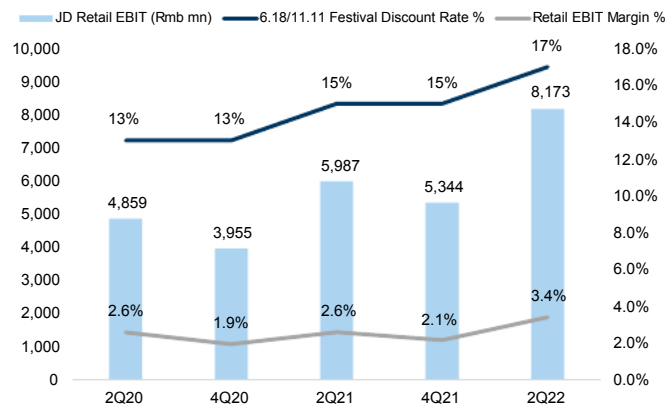
Exhibit 15: We observe similar level of promotion/discounts vs. 6.18, but higher vs. prior years

6.18 Festival	Tmall		JD.com	
	General promotion (Rmb) “满减”	Discount rate	General promotion (Rmb) “满减”	Discount rate
2020	Rmb40 off every Rmb300 purchase	13%	Rmb40 off every Rmb300 purchase	13%
2021	Rmb30 off every Rmb200 purchase	15%	Rmb30 off every Rmb200 purchase	15%
2022	Rmb50 off every Rmb300 purchase	17%	Rmb50 off every Rmb299 purchase	17%

11.11 Festival	Tmall		JD.com	
	General promotion (Rmb) “满减”	Discount rate	General promotion (Rmb) “满减”	Discount rate
2020	Rmb40 off every Rmb300 purchase	13%	Rmb40 off every Rmb300 purchase	13%
2021	Rmb30 off every Rmb200 purchase	15%	Rmb30 off every Rmb200 purchase	15%
2022	Rmb50 off every Rmb300 purchase	17%	Rmb50 off every Rmb299 purchase	17%

Source: ebrun.com, Data compiled by Goldman Sachs Global Investment Research

Exhibit 16: JD Retail margin was not negatively impacted, despite higher 6.18 discounts this year



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 17: Major eCommerce players offer sizable discount to customers and varied support for merchants

Promotional activities across major eCommerce platforms

2022 11.11 Festival	Alibaba	JD.com	Douyin	Kuaishou
Promotion Activities	-50 off every 300 purchase discount -No-threshold red packet cash coupon distribution -Low price flash sales -Play games to win large coupons	-50 off every 299 purchase discount -30 off every 200 purchase Super Jingtie coupon -Interest free installment via JD Baitiao	-Price-break discount (amount/threshold TBA) -Low price product flash sales -Random discount on purchase using Douyin Pay -Interest free installment via Douyin Monthly Pay	-Price-break discount "66 Shopping Cash" (amount/threshold TBA) -Targeted coupon for high purchasing power customer -"10 thousand people team purchase" pre-sale event
Merchant Support	-Increased traffic exposure in search/front page/discover etc. -Free 11.11 festival decor	-Increased traffic exposure in search/front page/discover etc. -Free access to online marketing tools -Free 11.11 festival decor	-Increased traffic exposure for Planting-Grass livestream and SFV -Public domain traffic support for merchant livestream heads-up PK.	-Twice as much traffic exposure for merchants with quality Planting-Grass content -Increased traffic exposure for new/best-selling products

Source: ebrun.com, 163.com, Company data, Goldman Sachs Global Investment Research

Exhibit 18: Douyin 11.11 shopping festival promotion strategy comparison

11.11 Douyin Festival	Year 2021	Year 2022	GS Take
Core Promotion Event	-Increased traffic exposure and traffic purchase discount coupon for KOL/merchant promoting products through livestreaming/SFV	-Price-break discount across stores -Low price flash sales in Douyin Store -Increased traffic exposure for high value-for-money products in Douyin Store	-2022 promotion center directly upon <u>product sales and low price</u> while 2021 promotion center upon traffic exposure for KOL/merchants, echoing Douyin's upgrade in strategy from interest eCommerce to <u>universal interest eCommerce with strong emphasis on shelf eCommerce</u>
Platform Contribution	-Mainly traffic exposure support and discount coupon for purchasing additional marketing resources on Douyin	-Traffic exposure support for merchants and high value-for-money products - <u>Platform funded</u> purchase discount/payment/installment/return insurance subsidies	-Douyin ramped up subsidy contribution in 2022 compared to 2021, with more out-of-pocket subsidy plan for customers
Content Strategy	-Various content events to promote KOL/merchant engagement, including Good Product Livestreaming, SFV Topic Challenge and 5 ranking/task competitions	-Only reserved Good Product Livestreaming, SFV Topic Challenge	-Douyin simplified content strategy for KOL/merchant in 2022 and focus more on product sales than product marketing

Source: Company data, Goldman Sachs Global Investment Research

PDD: addressing key questions on margins; TEMU updates; Buy**3Q Preview**

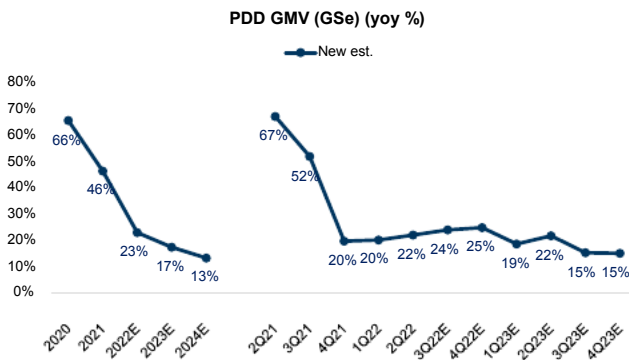
- We estimate 3Q revenue growth of 36% yoy (unchanged), on the back of +24% GMV growth (unchanged), with 3Q adj. net margin of 18.1% or adj. net profit of Rmb5.3bn (unchanged).
- We see some downside risk in group adjusted operating profit compared with Street consensus of Rmb7.3bn, as we expect a step-up in investments and model group adjusted operating profit of Rmb4.9bn, +50% yoy, with its core domestic marketplace business to sustain a 30%+ adjusted EBIT margin. These being said, we still like PDD on **(1)** proven strong profitability of its domestic main PDD platform, **(2)** its strength and large exposure to the fresh & agriculture category, which is still at its early stage of online penetration, **(3)** recent onboarding of new

brands/merchants in PDD's 6.18 festival (some for the first time), which will support PDD's online marketing take rate expansion in upcoming 4Q Singles' Day festivals in our view, and (4) users increasingly favoring lower ticket size and value-for-money products in the current macro environment.

Estimate changes and valuation

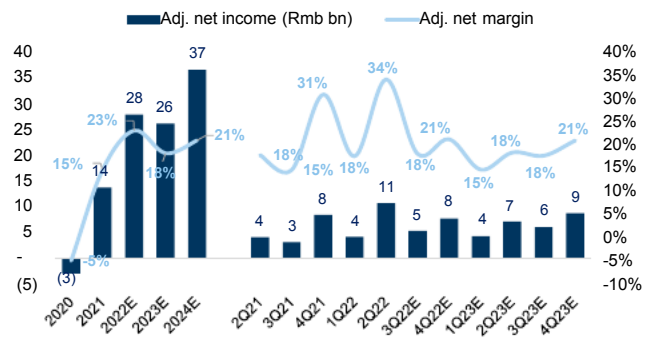
- Our estimates over 2022-24E are broadly unchanged. Maintain **Buy** and our 12-m DCF-based TP of US\$95.0 (unchanged), factoring in FX changes: USD/CNY 7.0 (prior: 6.6), offset by disciplined spending on sales & marketing and improved margins.
- Our numbers have already factored in our analysis on TEMU, see more details below.

Exhibit 19: PDD GMV growth forecast



Source: Goldman Sachs Global Investment Research

Exhibit 20: PDD profitability forecast



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 21: Our estimate on PDD's profit breakdowns

Assumptions	2021	2022E	2023E	2024E	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Main platform EBIT	31,200	41,836	43,294	53,278	2,813	8,662	7,594	12,341	6,830	13,514	8,868	11,887	7,598	12,225	9,932	13,190
margin	36%	40%	37%	36%	43%	40%	38%	50%	34%	50%	35%	38%	34%	38%	36%	35%
Drop/benefit from COP & international as % of main platform EBIT	(19,529)	(14,259)	(15,232)	(13,143)	(5,786)	(5,477)	(4,323)	(3,941)	(3,153)	(2,973)	(3,987)	(4,147)	(3,613)	(4,501)	(3,537)	(3,580)
Group adj. EBIT	11,671	26,838	28,152	40,135	(3,174)	3,185	3,271	8,400	3,677	10,542	4,879	7,740	4,384	7,724	6,446	9,610
margin	12%	22%	20%	23%	-14%	14%	15%	31%	15%	34%	17%	21%	15%	20%	19%	23%

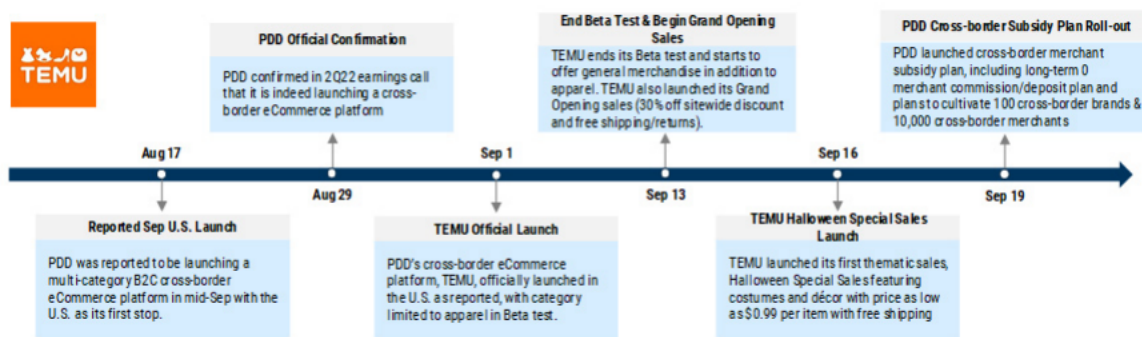
Source: Company data, Goldman Sachs Global Investment Research

TEMU

- On the 2Q22 earnings call, **CEO Mr. Lei Chen** mentioned the cross-border eCommerce project for the first time. He commented that the company has a young team and continues to explore new opportunities, and overseas is one of them. The company will not simply repeat what precedents have done and strive to create unique values for users, and management recognize there will be challenges and it takes time to accumulate experience.
- On Sept 1, PDD officially launched its multi-category B2C cross-border eCommerce platform TEMU (slogan: "team up, price down") in the US as its first stop. Alongside its app, Temu also has a website (us.temu.com) tailored to US users' shopping behaviors. It inherits PDD's **high value-for-money strategy featuring white-labeled merchandises** that are priced as low as US\$0.14 with free shipping. TEMU reportedly ([link](#)) requires merchants to price items on TEMU platform lower than their wholesale prices.

- TEMU reportedly (link) operates a **quasi-1P model**, where merchants deliver products to TEMU’s centralized warehouse and TEMU is responsible for subsequent product pricing, marketing and shipping. It now offers no onboard charges and 0 commissions to encourage merchants to participate.
- Temu has gained strong momentum since launch, totaling over 540,000 downloads and ranking No.16 in the US Apple App Store’s Shopping Category with top-selling merchandise sold over 17k pieces since launch (as of Oct. 5, 2022). According to Similarweb, TEMU has reached c.60% of Wish (launched in 2011 and was called US version of PDD, with MAU of 27mn in 2022, down from 108mn as of end-2020 due to product quality) in number of daily unique visitors, which averaged c.400k since the end of TEMU’s beta test on Sep. 13.

Exhibit 22: TEMU development timeline



Source: Company Information, Latepost, Sina.com, Data compiled by Goldman Sachs Global Investment Research

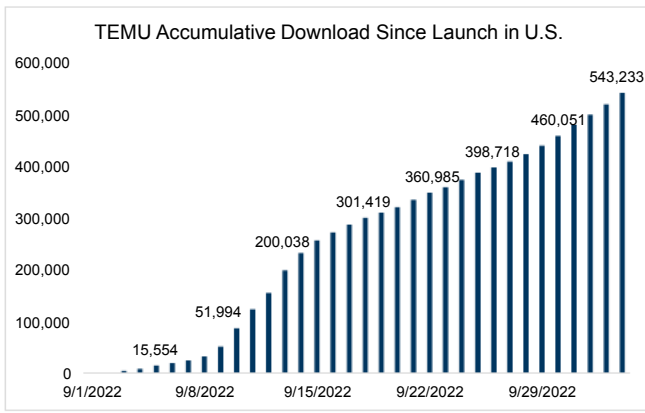
Exhibit 23: Current best-seller on TEMU platform price and shipment comparison across major US eCommerce platforms

	TEMU	wish	amazon	Aliexpress	Sample from a Chinese cross-border eCommerce platform
Product ASP	US\$3.89	US\$4.75	US\$23.99	US\$5.51	US\$8.00
Shipment Fee	Free*	US\$2.25	US\$15.68	US\$1.48	US\$3.99
Time for Shipment	10 days	18 days	6 days	35 days	13 days
Free Shipment Threshold	US\$49 +*	no free shipping	US\$25 +	vary by product	US\$29 +

*TEMU is in grand opening sales and is offering free shipping on all products. after the sales ends, free shipment threshold will rise to US\$49. Time for shipment is calculated using the midpoint of each platform’s estimated time of arrival

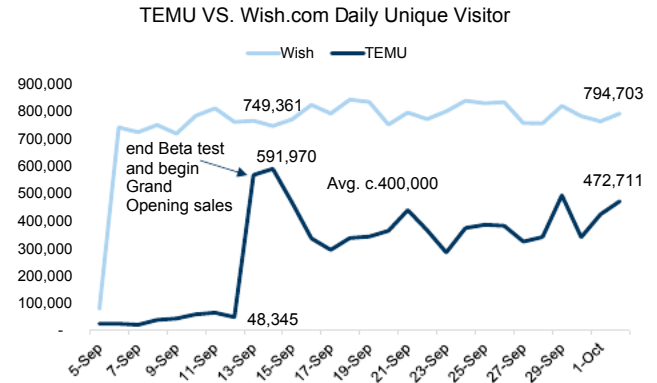
Source: Company data, compiled by Goldman Sachs Global Investment Research

Exhibit 24: TEMU has totaled over 540,000 downloads since Sep launch in early October



Source: Sensortower, Data compiled by Goldman Sachs Global Investment Research

Exhibit 25: TEMU's traffic has grown significantly since 13-Sep, and has reached 60% of Wish.com as of 2-Oct, just 1 month since the launch



Source: Similarweb, Data compiled by Goldman Sachs Global Investment Research




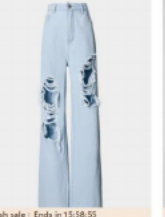
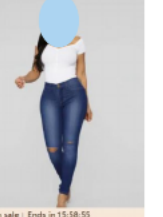


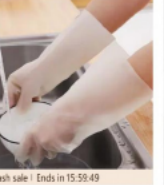





Management

- The cross-border eCommerce project is reportedly led by a number of PDD experienced management and Duo Duo Grocery managers, including PDD COO Pingping Gu, Duo Duo Grocery multi-provincial primary manager Jiazhen Zhao, who are in charge of merchant acquisition, and Gui Wu/Xinqi Liu, who are in charge of advertising/supply chain respectively.
- PDD encourages Duo Duo Grocery provincial/regional managers to participate in the cross-border eCommerce project. Each province/regional manager can bring 5 DDG employees with 1+ years of experience.

Product offerings

- **Full-category:** home & gardening, pet, women/men/children apparel, shoes & bags, electronics, beauty, sports and others.
- **User interface:** emphasizes high-quality images to display products and the website/app layout is more concise vs. PDD. It also has been hiring merchants with design and photo shooting ability, to better satisfy US shoppers that typically have a high standard for quality goods.
- **Competitive pricing:** Temu has pricing advantages compared to similar eCommerce platforms in the US. For example, most summer women's clothes items are below US\$20, and accessories/FMCG are less than US\$10.

Exhibit 26: Product offering by category on TEMU

<p>Women's Fashion</p> <p>TEMU features white-label women's fashion priced lower than US\$20</p>	 <p>Flash sale Ends in 15:58:55</p> <p>Raw Hem Flap Pocket Crop Denim Jac... \$12.99 \$23.49 871 sold ★★★★ (194)</p>	 <p>Flash sale Ends in 15:58:55</p> <p>Cargo Print Flap Pocket Boyfriend Jeans \$13.99 \$28.3 749 sold ★★★★ (56)</p>	 <p>Flash sale Ends in 15:58:55</p> <p>Women's High Waist Skinny Jeans Me... \$5.49 \$23.99 695 sold ★★★★ (194)</p>	 <p>Flash sale Ends in 15:58:55</p> <p>Ripped Washed Straight Leg Jeans W... \$3.39 \$26 564 sold ★★★★ (37)</p>	 <p>Flash sale Ends in 15:58:55</p> <p>Women's Slim High-waisted Stretchy ... \$6.99 \$29.99 389 sold ★★★★ (194)</p>
<p>General Merchandise</p> <p>TEMU currently emphasize high value-for-money quality for general merchandise category that consumers can purchase and use with ease</p>	 <p>Double-layer Multi-purpose Drain Ba... \$0.99 433 sold ★★★★ (83)</p>	 <p>5pcs 25x25cm/9.5"x9.5"inch, Dish Towe... \$0.99 3639 4,481 sold ★★★★ (20)</p>	 <p>Flash sale Ends in 15:59:49</p> <p>PVC Cleaning Gloves Dishwashing Cle... \$0.89 \$9.42 2,531 sold ★★★★ (100)</p>	 <p>1 Pk Kitchen Bathroom Floor Drain Sl... \$0.69 \$4.44 1,982 sold ★★★★ (13)</p>	 <p>Flash sale Ends in 15:59:49</p> <p>1pc Collapsible Funnel, Food Funnel, ... \$0.39 \$3.5 1,786 sold ★★★★ (83)</p>
<p>Other Categories</p> <p>TEMU is also promoting various categories that also features high value-for-money quality</p>	 <p>KIDS' PRODUCTS Under \$10</p>		 <p>PET SUPPLIES From \$0.99</p>		 <p>WOMEN'S BAGS From \$0.99</p>

Source: Company data, Goldman Sachs Global Investment Research

Supply chain

- **Operation & pricing:** similar to DDG, merchants only provide a floor price and the platform decides the listed price. The supply price is typically lower compared to domestic platforms. If peer platforms offer the same SKU, the platform requires a lower price. Temu is responsible for subsequent product pricing, marketing, warehousing, logistics, etc.
- **Supply:** sellers/merchants are required to prepare 5-7 days of avg daily sales volumes in PDD's Guangzhou warehouses in advance. Payment collection time is "N+1", meaning one day post users' confirmed recipient of the items.
- **# of SKUs:** TEMU already has 3k+ SKUs and 70+ suppliers for home goods category and 3k+ SKUs and 50+ suppliers for women's clothing.
- **Logistics:**
 - Majority of the items are shipped from warehouses in Guangzhou and shipping time are relatively unstable, vs. other cross-border platform that plans to build overseas warehouses, aiming to shorten the shipping date within 3-4 days.
 - J&T, an express delivery company and logistics partner with PDD's domestic business, recently launched its cross-border product named "极兔旺宝" in Chinese (see [link](#)), that is advertised to provide attractive and stable

cross-border delivery service from China to the US/Europe.

User acquisition strategy and subsidies

- **Target customer:** mid-end consumers who prefer value-for-money products.
- **Subsidies:** users can earn up to US\$50 commission by sending friends invitations to join the platform. It currently has no plans of making the “price chop” functionality available, in consideration of overseas regulations such as unfair competition.
- **Investment scale:** TEMU reportedly ([link](#)) have Rmb1bn of advertising budget in Sep. 2022 distributed across Facebook (30%), Google (35%) and content channels such as TikTok (25%) with primary advertising target being increasing new registered users, more important than increasing GMV.

Exhibit 27: Hypothetical Unit Economics for Temu

Hypothetical long-term UE		Hypothetical early stage UE		Notes
Revenues		Revenues		
Average order size (US\$)	75	Average order size (US\$)	20	
# of items in a basket	7.6	# of items in a basket	3.0	
Average price of goods (US\$)	10	Average price of goods (US\$)	7	
Cost and expenses		Cost and expenses		
Procurement COGS (US\$)	26	Procurement COGS (US\$)	18	
Gross margin %	65%	Gross margin %	10%	
Fulfillment (US\$)	15	Fulfillment (US\$)	18	
as % of GMV	20%	as % of GMV	90%	
Marketing expenses (US\$)	6	Marketing expenses (US\$)	30	<i>promotion of 30% off, capped at US\$30; invite friends to join Temu can earn up to US\$50 (from user feedback, US\$20 paid for 4 new invitations)</i>
as % of GMV	8%	as % of GMV	150%	
Other COGS & expenses	23	Other COGS & expenses	23	
as % of GMV	31%	as % of GMV	116%	
Net profit per order (US\$)	4.5	Net profit per order (US\$)	-69	
Net margin %	6%	Net margin %	-346%	

Source: Sina, Goldman Sachs Global Investment Research

Exhibit 28: Our valuation scenario analysis for PDD

Pinduoduo Scenarios for valuation	Base case	Bear case
Valuation methodology	2023E-30E DCF	2022E-S OTP
Valuation breakdown	<p>Growth</p> <p>GMV 25-30E CAGR of 8%, with slight improvement in take rate, revenue 25-30E CAGR 8%</p> <p>Margin</p> <p>Operating margin stabilizes at c.30% level</p>	<p>Core platform eCommerce business</p> <p>15X P/E multiple on core business 2022E NOPAT (30% EBIT margin), in line with our bear case for JD</p> <p>US\$54</p> <p>No valuation for Duoduo Grocery and cash</p>
Valuation per share (US\$)	95	54
Implied 2023E P/E	35x	18x

Source: Goldman Sachs Global Investment Research

Exhibit 29: Estimate changes at a glance

	New 2022E	Chg	New 2023E	Chg	New 2024E	Chg
Total revenues (Rmb mn)	120,793	0%	143,694	0%	173,808	0%
Non-GAAP net margin	23.2%	Opp	18.3%	-0.4pp	21.1%	Opp

Source: Goldman Sachs Global Investment Research

Exhibit 30: Our annual & quarterly forecast

Rmb millions	2020	2021	2022E	2023E	2024E	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Active buyers LTM (in mn)	786	869	894	910	920	824	850	867	869	882	886	890	894	898	902	906	910
GMV	1,667,600	2,441,000	3,001,614	3,522,807	3,988,966	501,826	577,918	665,996	695,260	602,917	705,167	825,730	867,780	714,923	858,089	951,802	997,994
YoY	66%	46%	23%	17%	13%	66%	67%	52%	20%	22%	24%	24%	25%	19%	22%	15%	15%
Transaction commissions	5,787	14,140	25,695	37,087	50,381	2,931	3,008	3,477	4,724	5,591	6,216	6,423	7,464	8,054	8,830	9,578	10,524
YoY	74%	144%	62%	44%	30%	100%	163%	161%	100%	91%	107%	65%	30%	41%	42%	49%	42%
Marketing services	47,954	72,553	94,916	106,432	123,251	14,111	18,080	17,946	22,425	18,158	25,173	22,803	28,782	20,992	28,830	24,566	31,044
YoY	73%	51%	31%	12%	16%	157%	64%	44%	19%	29%	29%	27%	28%	16%	16%	8%	8%
Merchandise sales	5,751	7,246	183	176	176	5,124	1,958	82	82	44	51	44	44	44	44	44	44
YoY	97%	58%	23%	19%	21%	239%	69%	51%	3%	7%	36%	36%	33%	22%	23%	17%	10%
Marketing take rate	2.89%	2.98%	3.16%	3.02%	3.09%	2.84%	3.14%	2.70%	3.23%	3.01%	3.57%	2.76%	3.22%	2.94%	3.48%	2.58%	3.11%
Cost of revenues	19,279	31,718	32,109	39,241	47,011	10,745	7,898	6,559	6,516	7,150	7,962	7,708	9,280	8,472	9,709	9,970	11,092
Gross profit, non-GAAP	40,246	62,258	88,722	104,491	126,836	11,425	15,156	14,956	20,721	16,843	23,485	21,569	27,025	20,628	29,008	24,227	30,628
Product development expenses	(5,892)	(8,933)	(12,314)	(15,288)	(21,075)	(2,219)	(2,329)	(2,422)	(2,023)	(2,569)	(2,511)	(3,474)	(3,560)	(3,354)	(3,950)	(3,756)	(4,174)
Sales & marketing expenses	(41,195)	(44,802)	(53,527)	(65,238)	(70,170)	(12,997)	(10,398)	(10,051)	(11,366)	(11,219)	(11,343)	(14,174)	(16,791)	(13,757)	(18,532)	(15,012)	(17,325)
General and admin. expenses	(1,507)	(1,541)	(2,761)	(2,514)	(2,543)	(352)	(434)	(335)	(420)	(502)	(528)	(585)	(788)	(568)	(715)	(671)	(650)
Operating profit, GAAP	(9,380)	6,897	20,083	21,315	33,009	(4,147)	1,997	2,139	6,907	2,154	8,697	3,328	5,903	2,929	5,789	4,736	7,862
Operating profit, non-GAAP	(5,767)	11,671	26,838	28,162	40,135	(3,174)	3,185	3,261	8,400	3,677	10,542	4,879	7,740	4,384	7,724	6,445	9,610
YoY		302%	130%	5%	43%	12%	339%	1060%	854%	216%	231%	50%	19%	27%	32%	24%	21%
Interest income (expense)	1,698	1,831	3,192	2,785	3,037	635	251	333	612	784	744	827	638	651	701	701	721
Pre-tax profit (GAAP)	(7,263)	9,455	25,882	24,089	36,047	(3,052)	2,416	2,410	7,682	3,198	10,508	4,595	7,281	3,590	6,470	5,437	8,582
Income taxes		(1,934)	(4,428)	(4,839)	(6,478)			(855)	(1,079)	(565)	(1,558)	(937)	(1,368)	(757)	(1,201)	(1,072)	(1,550)
Net income, GAAP	(7,180)	7,769	21,168	19,441	29,571	(2,905)	2,416	1,640	6,620	2,590	8,896	3,758	5,914	2,834	5,200	4,365	7,033
Net income, non-GAAP	(2,965)	13,830	28,037	26,288	36,696	(1,890)	4,125	3,150	8,444	4,200	10,776	5,309	7,750	4,288	7,144	6,074	8,781
Diluted EPADS, GAAP (Rmb)	(5.78)	5.01	14.76	13.24	19.07	(2.33)	1.00	1.15	4.61	1.83	6.22	2.01	4.09	1.95	3.50	2.90	4.75
Diluted EPADS, non-GAAP (Rmb)	(2.39)	9.99	19.55	17.90	24.41	(1.52)	2.89	2.21	5.88	2.95	7.54	3.69	5.36	2.95	4.88	4.12	5.93
GPI	67.6%	66.3%	73.4%	72.7%	73.0%	51.5%	95.9%	69.5%	76.1%	69.9%	74.7%	74.5%	70.9%	74.9%	74.9%	70.9%	73.4%
GPI, non-GAAP (ex merchandise s/s)	74.9%	71.8%	73.6%	72.8%	73.0%	67.0%	71.9%	69.8%	76.3%	70.1%	74.8%	73.8%	74.6%	71.0%	75.0%	71.0%	73.5%
OPM, ng	-9.7%	12.4%	22.2%	19.6%	23.1%	-14.3%	13.8%	15.2%	30.8%	15.5%	33.5%	16.7%	21.3%	15.1%	20.0%	18.9%	23.0%
Main platform OPM, ng (group-DOG, GSE)		38.9%	39.5%	37.1%	39.4%	12.5%	39.9%	39.0%	50.3%	33.9%	49.7%	35.1%	37.9%	34.3%	37.8%	36.5%	39.8%
NPM, ng	-5.0%	14.7%	23.2%	18.3%	21.1%	-8.5%	17.9%	14.6%	31.0%	17.7%	34.3%	18.1%	21.4%	14.7%	18.5%	17.8%	21.1%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 31: Our 12-m DCF-based TP of US\$95.0 (unchanged)

DCF (Rmb mn)	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Active buyers LTM (in mn)	869	894	910	920	925	930	935	940	945	950
GMV / Buyer (Rmb)	2,810	3,358	3,872	4,336	4,727	5,176	5,643	6,126	6,625	7,138
GMV (Rmb bn)	2,441	3,002	3,523	3,989	4,372	4,813	5,275	5,758	6,260	6,780
% yoy	46.4%	23.0%	17.4%	13.2%	9.6%	10.1%	9.6%	9.2%	8.7%	8.3%
Revenue	93,950	120,793	143,694	173,808	200,619	226,205	249,718	274,272	298,309	322,180
% yoy	57.9%	28.6%	19.0%	21.0%	15.4%	12.8%	10.4%	9.8%	8.8%	8.0%
Gross profit	62,232	88,684	104,453	126,797	150,306	170,911	189,365	206,535	224,481	242,655
Gross margin	66.2%	73.4%	72.7%	73.0%	74.9%	75.6%	75.8%	75.3%	75.3%	75.3%
Sales & Marketing, non-GAAP	43,190	51,163	62,842	67,676	77,430	83,753	90,190	98,993	107,924	117,195
% of revenue	46.0%	42.4%	43.7%	38.9%	38.6%	37.0%	36.1%	36.1%	36.2%	36.4%
EBIT, non-GAAP	11,671	26,838	28,162	40,135	56,069	67,878	77,346	83,230	89,701	95,990
% EBIT margin	12.4%	22.2%	19.6%	23.1%	27.9%	30.0%	31.0%	30.3%	30.1%	29.8%
EBIT, non-GAAP post tax	9,738	22,410	23,523	33,659	47,114	57,045	64,962	69,812	75,139	80,288
Add: D&A	1,495	1,464	1,554	1,694	1,469	1,239	1,386	1,505	1,602	1,694
Less: Capex	(3,287)	(302)	(474)	(713)	(823)	(927)	(1,024)	(1,113)	(1,199)	(1,282)
% of revenue	3.5%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
(Increase) in Working Capital	13,562	16,639	13,391	10,593	5,112	7,474	8,728	9,576	10,893	10,862
FCF	21,508	40,211	37,994	45,233	52,873	64,831	74,053	79,780	86,435	91,561
% yoy	-17%	87%	-6%	19%	17%	23%	14%	8%	8%	6%
Terminal value										1,047,858
TOTAL FCF	21,508	40,211	37,994	45,233	52,873	64,831	74,053	79,780	86,435	1,139,420

DCF summary (10-Year)	
Risk-free rate	3.5%
Equity market premium	7.0%
Beta	1.2
WACC	12%
WACC	12.0%
Terminal growth rate	3%
Terminal multiple	11.1

US\$ mn	End 2023E
Enterprise value	110,688
2023-30E FCF value	46,566
Terminal value	64,123
Net cash (2022E)	26,773
Equity value	137,462
Per ADS (US\$)	95.0

Source: Goldman Sachs Global Investment Research

Alibaba: Group & China Commerce EBITA growth turnaround; Buy

2QFY23 Preview

- We now forecast BABA group revenue growth of +4% yoy, of which CMR growth of -4%, on the back of -4% GMV growth (vs. -5% in 1QFY23). We estimate cloud revenue growth of +6%, qoq decelerated from +10% a quarter ago, on a combination of weak internet revenues (47% revenue contribution in 1QFY23) and overall challenging macro.
- We expect group adj.EBITA of Rb31bn, delivering positive yoy growth of +11% (vs. -18%/-30%/-27%/-32% in the past 4 quarters). In particular, we estimate China Commerce adj. EBITA of Rmb41.6bn, +1% yoy (vs. -14%/-19%/-20%/-19% in the past quarters), on disciplined investments into new businesses, specifically Taocaicai and Taobao Deals.

Estimate changes and valuation

- We revise FY23-25E revenues by -4% to -3%, on slower-than-expected GMV recovery in 2H22 and accordingly reflecting our lowered estimates for the broader eCommerce industry. We raise FY23-25E adj. net profit by +1% to +4%, factoring in disciplined S&M spending and investment into new businesses, as the company shifts focus from user growth to quality/profitable growth.
- Maintain **Buy** and our 12-month SOTP-based target prices for BABA/9988.HK of US\$137/HK\$134 per ADS/sh (prior: US\$149/HK\$146), factoring in FX changes: USDCNY 7.0 (prior: 6.6) and CNYHKD 1.12 (prior: 1.18) and lowered top lines, partially offset by better margins.

Exhibit 33: Estimate changes at a glance

	FY23E New	Chg.	FY24E New	Chg.	FY25E New	Chg.
Revenues	882,153	-3%	988,909	-4%	1,081,729	-4%
Adj. net profit	145,634	4%	169,901	1%	190,120	3%

Source: Goldman Sachs Global Investment Research

Exhibit 34: Our base and bear valuation scenarios for BABA

Alibaba Scenarios for valuation	FY2023E - based	Bear case, FY2023E-based, only valuing core core, cloud, net cash
Core core Customer Management (Ads + commission)	10X P/E multiple on FY2023E NOPAT	8X P/E multiple on FY2023E NOPAT, referencing VIPS in ex-growth period
Valuation per share (US\$)	72	57
Cloud	Implied 3X EV/sales multiple on FY2023E cloud revenues; value AliCloud using DCF, WACC/terminal growth 14%/3%, long term 2030E EBIT margin of 20%	3X EV/sales multiple on FY2023E cloud revenues, multiple discount in bear case
Valuation per share (US\$)	14	16
Others in Core	Direct sales and others (0.8X EV/sales) Wholesale (10X P/E) Cainiao (last transaction) Local services/ele.me (3.5X EV/sales) International (implied 5X EV/sales) Youku (DCF)	No valuation
Valuation per share (US\$)	40	
Associates /investments	Covers financials, entertainment, transportation, logistics, eCommerce, etc.	No valuation
Valuation per share (US\$)	30	
Net cash	End-FY2024E	End-FY2024E
Valuation per share (US\$)	26	26
Applying holdco discount (25%)		
Valuation per share (US\$)	137	74
Valuation per share (HK\$)	134	73

Source: Goldman Sachs Global Investment Research

JD: Record high JD Retail margins in sight; Buy

3Q Preview

- We estimate 3Q revenue of +10% yoy (prior: +11%), with JD Retail revenue/GMV of +6%/+8% (prior: +7%/+10%), on weaker-than-expected Sep.
- We raise adj. group net margin to 3.2% (prior: 2.7%), with JD Retail margin of +4.9% (prior: +4.1%), on improved margins across categories and disciplined spending on sales & marketing.

Estimate changes and valuation

JD

- We revise FY22-24 revenues by -5% to -1%, on soft recovery of consumption and accordingly reflecting our lowered eCommerce industry growth estimates, and lift adj. group net margin to 2.3%/2.9%/3.4% (prior: 2.2%/2.7%/3.0%), on better JD Retail margins of 3.6%/3.8%/4.2% (prior: 3.3%/3.4%/3.5%).
- Maintain **Buy** and our 12-m SOTP-based TP of US\$83.0/HK\$325.0 (prior: US\$87.0/HK\$338.0), factoring in FX changes: USDCNY 7.0 (prior: 6.6) and CNYHKD 1.12 (prior: 1.18), partially offset by improved margins.

JD Logistics

- We finetune FY22-24E revenues by -2% to -1%, on weak macro and supply chain disruptions resulted by Covid resurgence, and keep margin profiles broadly unchanged at breakeven/1.4%/1.4% (Rmb70mn/Rmb2.6bn/Rmb.3.2bn) over FY22-24E.
- Maintain **Buy** and our 12-m EV/EBITDA-based TP of HK\$35 (prior: HK\$37.0), factoring in FX changes: CNYHKD 1.12 (prior: 1.18) and minor earnings revisions.

DADA

- We finetune FY22-24E revenues by -2% to 0% and keep net profit broadly unchanged.
- Maintain Buy and our 12-m SOTP-based TP of US\$19.2 (prior: US\$21.1), factoring in FX changes: USDCNY 7.0 (prior: 6.6) and minor earnings revisions.

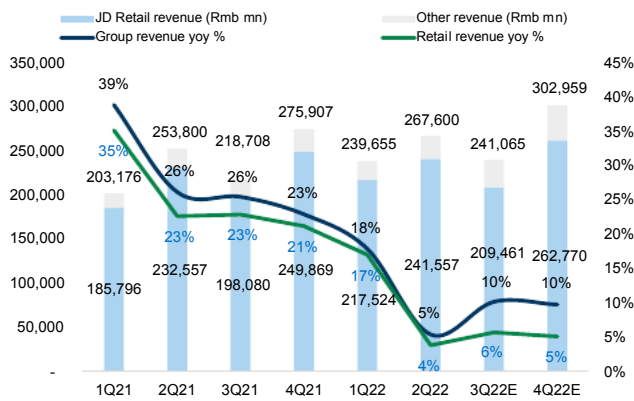
JD Supermarkets

- JD Supermarkets (see [link](#)), along with "Shop Now," have covered **87k+** supermarket offline stores, **29k+** FMCG brands, providing on-demand services for consumers in **400+ cities**.
- JD Supermarkets launched "**BOOST**" strategy in early Sep (see [link](#)), with "B" stands for broaden user base, "O" for omni-channel, "O" for opening the ecosystem, "S" for supply chain, and "T" for tier 3-6 cities penetration.
- Within JD Supermarkets, the number of brands that exceed Rmb1bn/Rmb100mn

FY21 GMV exceeded 50/500, +30%/+35% yoy respectively.

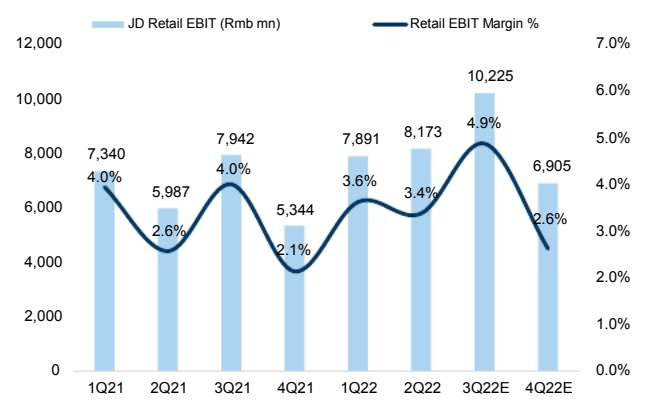
- In the first 8 months of 2022, GMV of “Shop Now” reached **6x yoy**, with number of transacting users up **300%+**.
- Number of SKUs at JD Supermarkets was +80% in the last 12 months, and the 3-yr CAGR of new brands exceeded 20%.
- In 1H22, number of active users at JD Supermarkets improved by nearly 30% yoy.

Exhibit 36: JD Group revenue and growth trajectory (quarterly)



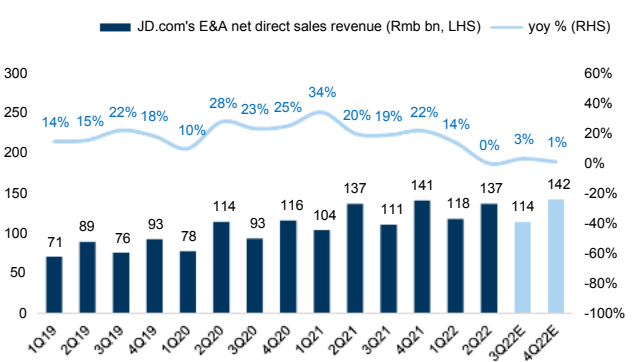
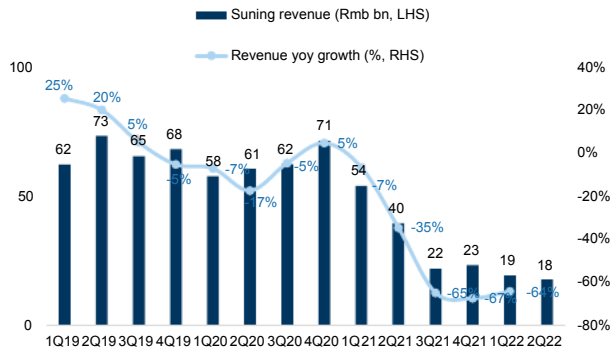
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 37: JD Retail EBIT and margin trajectory (quarterly)



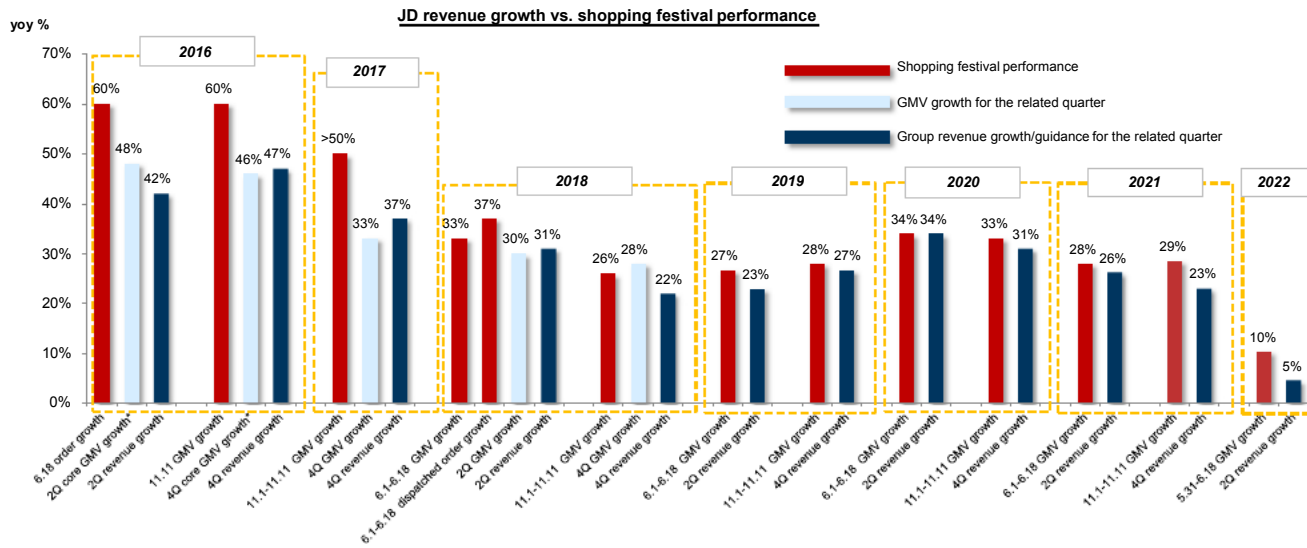
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 38: We expect JD E&A revenues to normalize in 2H22E on a combination of weak macro and lapsing the impact of Suning's share loss



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 39: We note that the shopping festival performance has been a good proxy for GMV growth/revenue growth of the related quarter, especially in recent quarters



2016 core GMV definition: The company's calculation of GMV includes shipping charges paid by buyers to sellers and excludes any transactions in the company's B2C business with order value exceeding Rmb2,000 that are not ultimately sold or delivered. From 2017, the GMV is based on industry standard GMV.

Source: Company data, Syntun, Visible Alpha Consensus Data

Exhibit 40: Our scenario analysis for JD valuation

Scenarios for valuation	2023E - based	2022E - based	Bear case, 2022E-based, not valuing New Businesses, Cash, nor equity investments
JD Retail	20X 2023E NOPAT, with by-segment 2023E-based PE multiple: # Electronics & Appliance (10X) # JD Supermarket (19X) # General Merchandise & others (19X) # JD Health: apply GSe TP	20X 2022E NOPAT	15X 2022E NOPAT
JD Retail implied valuation per share (US\$)	53	54	41
JD Logistics	11X 2023E normalized EBITDA (12%)	11X 2023E normalized EBITDA (12%), discounted back at 12%	11X 2023E normalized EBITDA (12%), discounted back at 12%
JD Logistics implied valuation per share (US\$)	13	11	11
Dada Nexus	6X on 2023E GP for JDDJ, 20X on 2023E normalized NOPAT for Dada Now	6X on 2023E GP for JDDJ, 20X on 2023E normalized NOPAT for Dada Now, discounted back at 12%	6X on 2023E GP for JDDJ, 20X on 2023E normalized NOPAT for Dada Now, discounted back at 12%
Dada Nexus implied valuation per share (US\$)	1.5	1.3	1.3
New Businesses & others	2023E valuation; 20X 2023E normalized NOPAT	2022E valuation; 20X 2022E normalized NOPAT	No valuation
New Businesses and others implied valuation per share (US\$)	6	5	
Net cash, equity investments	End-2022E	End-2022E	No valuation
Net cash/investments implied valuation per share (US\$)	19	19	
Applying holdco discount (10%)			
Implied valuation per share (US\$)	84	83	48
Implied valuation per share (HK\$)	328	321	186

Source: Goldman Sachs Global Investment Research

Exhibit 41: Estimate changes by segment

By segment	2022E New	2022E Old	Chg (%)	YoY (%)	2023E New	2023E Old	Chg (%)	YoY (%)	2024E New	2024E Old	Chg (%)	YoY (%)
Revenue												
JD Retail	931,312	939,603	-1%	8%	1,028,097	1,054,138	-2%	10%	1,124,405	1,183,541	-5%	9%
JD Logistics	139,759	140,686	-1%	33%	189,561	194,418	-2%	36%	222,381	227,016	-2%	17%
New business	23,524	22,768	3%	-10%	27,376	29,649	-8%	16%	32,809	36,761	-11%	20%
Dada	8,163	8,165	0%	19%	14,479	14,779	-2%	77%	20,571	20,999	-2%	42%
Total	1,051,279	1,060,589	-1%	10%	1,203,470	1,238,514	-3%	14%	1,328,356	1,394,933	-5%	10%
Adj. operating profit												
JD Retail	33,193	31,334	6%	25%	38,919	35,615	9%	17%	47,057	40,980	15%	21%
JD Logistics	(167)	(108)	-55%	91%	1,851	1,786	4%	N.M	2,462	2,415	2%	N.M
New business	(7,138)	(7,390)	3%	33%	(4,047)	(3,856)	-5%	43%	(2,516)	(2,652)	5%	38%
Dada	(1,191)	(1,204)	1%	46%	900	899	0%	176%	2,351	2,317	1%	161%
Total	23,627	23,012	3%	76%	34,321	34,961	-2%	45%	44,988	42,538	6%	31%
By segment	2022E New	2022E Old	Chg (bp)	YoY (bp)	2023E New	2023E Old	Chg (bp)	YoY (bp)	2024E New	2024E Old	Chg (bp)	YoY (bp)
Adj. operating margin												
JD Retail	3.6%	3.3%	23	49	3.8%	3.4%	41	22	4.2%	3.5%	72	40
JD Logistics	-0.1%	-0.1%	(4)	163	1.0%	0.9%	6	110	1.1%	1.1%	4	13
New business	-30.3%	-32.5%	211	1,032	-14.8%	-13.0%	(178)	1,556	-7.7%	-7.2%	(45)	712
Dada	-14.6%	-14.7%	15	1,743	6.2%	6.1%	13	2,081	11.4%	11.0%	40	521
Group adj. operating margin	2.2%	2.2%	8	84	2.9%	2.8%	3	60	3.4%	3.0%	34	53
Group adj. net margin	2.3%	2.2%	11	43	2.9%	2.7%	18	65	3.4%	3.0%	30	43

Source: Goldman Sachs Global Investment Research

Exhibit 42: Our estimate changes of JD.com at a glance

Rmb mn	2022E New	2022E Old	Chg (%)	YoY (%)	2023E New	2023E Old	Chg (%)	YoY (%)	2024E New	2024E Old	Chg (%)	YoY (%)
Total net revenues	1,051,279	1,060,569	-1%	10%	1,203,470	1,238,514	-3%	14%	1,328,356	1,394,933	-5%	10%
Consolidated Gross profit	151,486	152,649	-1%	17%	188,904	191,648	-1%	25%	221,925	217,790	2%	17%
Operating profit, non-GAAP	23,627	23,012	3%	76%	34,321	34,961	-2%	45%	44,988	42,538	6%	31%
Net profit, non-GAAP	24,345	23,458	4%	41%	35,607	34,430	3%	46%	44,512	42,503	5%	25%
Margins												
Operating margin, non-GAAP	2.2%	2.2%	8	84	2.9%	2.8%	3	60	3.4%	3.0%	34	53
Net margin, non-GAAP	2.3%	2.2%	11	43	2.9%	2.7%	18	65	3.4%	3.0%	30	43

Source: Goldman Sachs Global Investment Research

Exhibit 43: Our annual & quarterly forecast for JD

JD.com	2020	2021	2022E	2023E	2024E	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Rmb mn																	
Online direct sales	651,879	815,555	874,871	962,465	1,034,470	175,282	219,690	186,008	234,675	204,416	226,020	197,783	246,652	214,781	252,811	220,189	274,684
yoY%	26%	29%	7%	10%	7%	35%	29%	23%	22%	17%	3%	0%	5%	5%	12%	11%	11%
Electronics and home appliances prod	400,327	492,592	511,535	536,966	562,765	104,006	136,774	110,881	140,332	118,368	136,618	114,267	142,341	121,327	147,547	117,634	149,450
yoY%	22%	23%	4%	5%	5%	34%	29%	19%	22%	14%	0%	3%	1%	2%	8%	3%	9%
General merchandise and others retail	250,952	323,063	363,336	426,499	471,705	71,276	82,916	75,127	93,743	86,048	89,402	83,576	104,311	93,454	105,263	102,555	125,225
yoY%	38%	29%	12%	17%	11%	36%	29%	29%	23%	21%	8%	11%	11%	9%	18%	23%	20%
Services and others	93,923	135,937	176,408	241,005	293,886	27,894	34,111	32,700	41,232	35,239	41,580	43,282	56,308	48,246	62,485	57,908	72,366
yoY%	42%	45%	30%	37%	22%	73%	49%	43%	28%	26%	22%	32%	37%	37%	50%	34%	29%
Total revenue	745,002	951,592	1,051,279	1,203,470	1,328,356	203,176	253,000	218,708	275,907	239,655	267,600	241,065	302,959	263,027	315,296	278,097	347,051
yoY%	29%	29%	10%	14%	10%	39%	26%	26%	23%	16%	5%	10%	10%	10%	18%	15%	15%
JD Retail																	
JD Logistics																	
Dada																	
New Business																	
COGS	(636,694)	(822,525)	(899,793)	(1,014,568)	(1,108,431)	(174,054)	(222,071)	(187,616)	(238,785)	(208,209)	(231,706)	(204,122)	(257,756)	(222,660)	(268,219)	(232,531)	(291,158)
Gross profit	109,108	129,067	151,486	188,904	221,925	29,122	31,730	31,093	37,122	33,446	35,894	36,942	45,204	40,367	47,076	45,566	55,895
Fulfillment, non-GAAP	(47,861)	(57,594)	(65,460)	(74,768)	(86,842)	(13,580)	(14,423)	(13,954)	(15,996)	(15,186)	(16,001)	(15,187)	(19,086)	(17,097)	(18,267)	(17,520)	(21,864)
Marketing, non-GAAP	(26,117)	(37,303)	(39,518)	(51,540)	(47,821)	(6,570)	(10,272)	(7,389)	(12,973)	(8,339)	(9,109)	(8,437)	(13,633)	(10,521)	(12,612)	(11,402)	(17,005)
Technology and content, non-GAAP	(4,436)	(4,471)	(6,323)	(7,702)	(8,561)	(1,176)	(1,173)	(1,663)	(1,557)	(1,370)	(1,417)	(1,687)	(1,848)	(1,683)	(2,018)	(1,780)	(2,221)
General & administrative, non-GAAP	(4,156)	(9,134)	(9,367)	(11,313)	(12,354)	(1,589)	(2,077)	(2,343)	(3,015)	(1,851)	(1,577)	(2,411)	(4,149)	(2,472)	(2,564)	(2,514)	(3,262)
SEB	(96,166)	(124,925)	(139,060)	(166,732)	(191,158)	(27,462)	(31,429)	(28,520)	(37,514)	(31,037)	(32,136)	(31,683)	(44,204)	(35,518)	(40,533)	(38,166)	(51,175)
Total operating expenses	15,337	13,419	23,627	34,321	44,908	3,592	2,522	4,563	2,831	4,652	5,753	7,881	5,341	6,457	9,304	10,226	8,284
Operating profit, non-GAAP	26,813	33,193	38,919	47,057	54,783	7,340	9,987	7,942	5,344	7,891	8,173	10,225	6,905	8,231	10,511	11,561	8,615
JD Retail	(1,827)	(1,671)	(1,851)	(2,462)	(1,474)	(1,474)	(367)	(727)	730	(661)	36	20	438	166	630	236	819
JD Logistics																	
Dada																	
New Business	(10,599)	(7,138)	(4,047)	(2,516)	(2,281)	(3,020)	(2,073)	(3,224)	(2,386)	(2,032)	(1,430)	(1,280)	(1,173)	(1,104)	(854)	(517)	
Pre-tax profit, non-GAAP	51,786	7,144	25,099	45,112	54,283	5,533	3,107	(26)	(1,499)	(283)	7,819	9,753	7,810	9,230	12,000	12,733	11,069
Income tax	(1,482)	(1,887)	(4,610)	(7,218)	(9,771)	(479)	(570)	(652)	(1,85)	(603)	(1,227)	(1,530)	(1,250)	(1,477)	(1,933)	(2,037)	(1,771)
Net income, GAAP	49,337	(4,467)	8,001	24,883	30,290	3,642	478	(3,269)	(5,319)	(3,518)	4,029	5,434	2,056	4,905	6,808	7,706	5,465
Net income, non-GAAP	16,828	17,207	24,345	35,607	44,512	3,968	4,627	5,048	3,965	4,226	6,579	7,748	5,792	7,248	9,562	10,175	8,621
Gross margin	14.5%	13.6%	14.4%	15.7%	16.1%	14.3%	12.5%	14.2%	13.5%	14.0%	13.4%	16.3%	14.9%	15.3%	14.9%	16.4%	16.1%
Fulfilled gross margin	8.2%	7.5%	8.2%	9.5%	9.4%	7.6%	6.8%	7.8%	7.7%	7.6%	7.4%	9.0%	8.6%	8.8%	9.1%	10.1%	9.8%
Operating margin, non-GAAP	2.1%	1.4%	2.2%	2.9%	3.4%	1.7%	1.0%	2.1%	1.0%	1.9%	2.1%	3.3%	1.8%	2.5%	3.0%	3.7%	2.4%
JD Retail Operating margin, non-GAAP	3.0%	3.1%	3.6%	3.8%	4.2%	4.0%	2.6%	4.0%	2.1%	3.6%	3.4%	4.9%	2.6%	3.6%	3.9%	4.9%	2.9%
Net margin, non-GAAP	2.3%	1.8%	2.3%	3.0%	3.4%	2.0%	1.8%	2.3%	1.3%	1.8%	2.5%	3.2%	1.9%	2.8%	3.0%	3.7%	2.5%
Industry standard GMV (Rmb mn)	2,612,900	3,296,975	3,574,943	4,012,823	4,394,707	598,521	875,642	796,398	1,026,414	892,379	909,931	863,141	1,109,492	744,745	1,058,971	966,449	1,242,698
yoY%	25%	26%	8%	12%	10%	34%	25%	26%	23%	16%	4%	8%	8%	8%	16%	12%	12%
Annual active customer accounts (mn)	471.9	569.7	598.8	638.3	660.6	499.8	531.9	552.2	569.7	580.5	580.8	590.9	598.8	600.9	604.6	621.6	638.3
yoY%	30%	21%	5%	7%	3%	29%	27%	25%	21%	16%	9%	7%	5%	3%	4%	5%	7%
qoq%						6%	6%	4%	3%	2%	0%	2%	6%	6%	1%	3%	3%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 44: Our SOTP-based 12-m TP of JD: US\$83.0/HK\$325.0 (prior: US\$87.0/HK\$338.0)

2023E	2023E Revenue	2023E Non-GAAP EBIT	OPM	Val. (US\$m)	JD stake	Val To JD	US\$/share	Value split	Comment	
1	JD Retail	1,028,097	38,919	3.8%	96,939	Majority	86,377	53.1	58%	Implied 18X 2023E JD Retail NOPAT and assume 15% tax rate
By JD Retail segments:										
	JD Electronics & Appliances	548,905	26,473	4.8%	33,721	100%	33,721	20.7	23%	Applying 10X 2023E NOPAT on resilient growth with market share gains despite already relatively high industry online penetration (30-50%)
	JD Supermarket	345,884	8,566	2.5%	25,818	100%	25,818	16.9	17%	Applying 20X 2023E normalized NOPAT (applied with 2023E revenue and normalized EBIT margin of 3%, and Sun Art/Yonghui: 4%/2%), referencing 2021E target price based P/E for large internet giants (Alibaba, Meituan, etc.), increased O2O adoption for loss-making heavy FMCG categories lifts long-term margins
	JD Health (6618 HK)	56,796	1,908	3.4%	32,490	67%	21,927	13.5	15%	At GS 12-month target price of HK\$80 (covered by Justin Kwok)
	JD General Merchandise & Others	76,511	1,974	2.6%	4,911	100%	4,911	3.0	3%	Applying 20X 2023E NOPAT, given faster 3P growth than 1P, referencing 2021E target price based P/E for China internet coverage
2	JD Logistics (2618 HK)	189,561	2,807	1.5%	30,540	63%	19,381	11.9	13%	11X 2023E normalized EBITDA (9%), based on GS 12-month target price
3	Dada Nexus (DADA)	14,479	900	6%	4,669	52%	2,428	1.5	2%	2X on 2023E GP for JDJ, 43X on 2023E normalized NOPAT for Dada Now, based on GS 12-month target price
4	New Business and others				22,438		9,929	6.1	7%	
5	Key Investments						5,353	3.3	4%	
	AT Renew				2,780	33%	929	0.6	1%	At GS 12-month target price of US\$12.4
	Vipshop				7,515	7%	549	0.3	0%	At GS 12-month target price of US\$10.1
	Farfetch				8,184	3%	237	0.1	0%	At GS 12-month target price of US\$20.0
	China Unicorn				25,368	2%	609	0.4	0%	At GS 12-month target price of HK\$6.5
	Others						3,031	1.9	2%	At market cap
6	Net cash						26,365	16.2	18%	2022E net cash
	NAV						149,833	92.1		
	Less: SOTP discount					10%	14,983	9.2		Capital allocation
	Per share valuation (ADR)						134,850	83.0		in US\$
	Per share valuation (HK share)						1,057,223	325.0		in HK\$

Source: Goldman Sachs Global Investment Research

Exhibit 45: Estimate changes of JD Logistics at a glance

JD Logistics Income Statement (Rmb mn unless stated otherwise)	2022E	2022E Old	Chg (%)	YoY (%)	2023E	2023E Old	Chg (%)	YoY (%)	2024E	2024E Old	Chg (%)	YoY (%)
Revenue from integrated supply chain customers	81,492	82,613	-2%	15%	97,934	99,093	-1%	20%	113,821	114,642	-1%	16%
Internal (JD 1P)	50,884	50,061	2%	12%	56,665	54,882	3%	11%	61,687	61,559	0%	9%
External	30,608	32,752	-7%	20%	41,269	44,211	-7%	35%	52,134	53,083	-2%	26%
Revenue from other customers (Express, LTL, others)	58,267	57,872	1%	73%	91,628	95,325	-4%	57%	108,560	112,374	-3%	18%
Total revenues	139,759	140,686	-1%	33%	189,561	194,418	-2%	36%	222,381	227,016	-2%	17%
Gross profit	10,683	10,655	0%	85%	17,295	17,044	1%	62%	20,137	19,892	1%	16%
Research and development expenses	(3,577)	(3,550)	1%	27%	(4,464)	(4,478)	0%	25%	(5,135)	(5,249)	-2%	15%
Sales and marketing expenses	(3,948)	(4,080)	-3%	28%	(5,232)	(5,149)	2%	33%	(6,079)	(5,873)	4%	16%
General and administrative expenses	(4,258)	(3,940)	8%	49%	(6,328)	(6,408)	-1%	49%	(7,024)	(6,991)	0%	11%
Operating profit, non-IFRS	158	221	n.m.	n.m.	2,807	2,799	0%	n.m.	3,521	3,537	0%	25%
Net income, non-IFRS	70	52	n.m.	n.m.	2,622	2,591	1%	n.m.	3,208	3,173	1%	22%

Source: Goldman Sachs Global Investment Research

Exhibit 46: Our 12-m TP of JD Logistics: HK\$35 (prior: HK\$37)

JD Logistics 2023E EV/EBITDA-based valuation		
2023E normalized EBITDA (US\$ mn)	2,527	Normalized 2026-30E average 9% EBITDA margin (unchanged) (referencing Kerry Logistics integrated logistics margins in various regions), applied on 2023E revenues
Forward EV/EBITDA multiple	11X	Applying US, Europe and Japan peers historical average EV/EBITDA (since 2000), with +1.5 s.d. premium (11X), given unique positioning of JDL's integrated supply chain service, vs. our valuation for S.F. Holding/ZTO at +3 s.d. (13X), on their clearer leadership in time definite parcels / express delivery, respectively, vs. JDL's market share of 2.7% as of 2020
Implied 2023E EV (US\$ mn)	27,799	
<i>Discount back to 2022E, at discount rate of 12% p.a.</i>		
Add: 2022E Associates/Investments affiliates	231	Referencing last reported valuation
Add: Net cash (US\$ mn)	2,216	2022E net cash
Implied 2022E Forward valuation (US\$ mn)	27,268	At HKD/USD 7.8
12-month target price (HK\$)	35.0	
Fully diluted shares outstanding (mn)	6,189	

Source: Goldman Sachs Global Investment Research

Exhibit 47: Estimate changes of DADA at a glance

	New 2022E	Old 2022E	Chg (%)	YoY %	New 2023E	Old 2023E	Chg (%)	YoY %	New 2024E	Old 2024E	Chg (%)	YoY %
Rmb mn, unless otherwise stated												
Group revenue	9,500	9,500	0%	38%	14,479	14,721	-2%	52%	20,571	21,038	-2%	42%
Costs & expenses (GAAP)	(11,442)	(11,357)	1%	19%	(13,956)	(14,244)	-2%	22%	(18,664)	(19,162)	-3%	34%
Operations & support	(5,748)	(6,278)	-8%	12%	(8,299)	(8,477)	-2%	44%	(11,882)	(12,105)	-2%	43%
Selling & Marketing	(4,499)	(3,948)	14%	31%	(4,418)	(4,502)	-2%	-2%	(5,419)	(5,663)	-4%	23%
General & Administration	(417)	(353)	18%	4%	(374)	(399)	-6%	-10%	(397)	(425)	-7%	6%
Research & Development	(656)	(656)	0%	14%	(715)	(715)	0%	9%	(780)	(780)	0%	9%
Other operating expenses	(122)	(122)			(149)	(150)			(186)	(189)		
Share-based compensation expense	(228)	(152)			(188)	(191)			(206)	(210)		
Intangible assets amortization	(169)	(169)			(169)	(169)			(169)	(169)		
Other operating income	43	43			20	60			70	70		
Group adjusted EBIT, non-GAAP	(1,502)	(1,493)	-1%	n.m.	900	897	0%	n.m.	2,351	2,325	1%	161%
Net interest income	76	76			97	97			117	117		
Profit (loss) before income tax, non-GAAP	(1,420)	(1,411)	-1%	n.m.	997	994	0%	n.m.	2,468	2,442	1%	148%
Income tax expense/credits	4	4			(150)	(149)			(370)	(366)		
Net income attributable to the company, non-GAAP	(1,420)	(1,411)	-1%	n.m.	997	994	0%	n.m.	2,468	2,442	1%	148%
Dada Now												
Total number of orders (mn)*	1,862	1,862	0%	35%	2,338	2,294	2%	26%	2,857	2,812	2%	22%
Daily average (mn)	5.1	5.1	0%	35%	6.4	6.3	2%	26%	7.8	7.7	2%	22%
Revenue (Rmb mn)	3,214	3,214	0%	14%	4,498	4,487	0%	40%	5,913	5,903	0%	31%
*Including that for JD Daojia												
JD Daojia												
JD Daojia total marketplace Gross GMV (Rmb mn)	64,391	64,391	0%	49%	98,962	101,418	-2%	54%	141,318	145,860	-3%	43%
Monetization rate (%)	9.8%	9.8%	0.0pp	0.4pp	10.1%	10.1%	0.0pp	0.3pp	10.4%	10.4%	0.0pp	0.3pp
Revenue (Rmb mn)	6,286	6,286	0%	55%	9,981	10,234	-2%	59%	14,659	15,135	-3%	47%
Average order value (Rmb), as of placed orders	219	219	0%	15%	238	238	0%	9%	243	243	0%	2%
Gross margin % (GS defined)^	52%	50%	1.7pp	7.3pp	55%	54%	0.1pp	3.0pp	52%	52%	0.0pp	-2.6pp
% of total revenues												
Operations & support	-60.5%	-66.1%	-5.6pp	-14.3pp	-57.3%	-57.6%	-0.3pp	-3.2pp	-57.8%	-57.5%	0.2pp	0.4pp
Selling & Marketing	-47.4%	-41.6%	5.8pp	-2.6pp	-30.5%	-30.6%	-0.1pp	-16.8pp	-26.3%	-26.9%	-0.6pp	-4.2pp
General & Administration	-4.4%	-3.7%	0.7pp	-1.4pp	-2.6%	-2.7%	-0.1pp	-1.8pp	-1.9%	-2.0%	-0.1pp	-0.7pp
Research & Development	-6.9%	-6.9%	0.0pp	-1.4pp	-4.9%	-4.9%	0.1pp	-2.0pp	-3.8%	-3.7%	0.1pp	-1.2pp
Other operating expenses	-1.3%	-1.3%	0.0pp	0.4pp	-1.0%	-1.0%	0.0pp	-0.3pp	-0.9%	-0.9%	0.0pp	-0.1pp
Share-based compensation expense	-2.4%	-1.6%	0.8pp	-0.6pp	-1.3%	-1.3%	0.0pp	-1.1pp	-1.0%	-1.0%	0.0pp	-0.3pp
Intangible assets amortization	-1.8%	-1.8%	0.0pp	-0.7pp	-1.2%	-1.1%	0.0pp	-0.6pp	-0.8%	-0.8%	0.0pp	-0.3pp
EBIT margin, non-GAAP	-15.8%	-15.7%	-0.1pp	16.2pp	6.2%	6.1%	0.1pp	22.0pp	11.4%	11.1%	0.4pp	5.2pp
Net income margin (attribute to company), non-GAAP	-14.9%	-14.8%	-0.1pp	15.7pp	6.9%	6.8%	0.1pp	21.8pp	12.0%	11.6%	0.4pp	5.1pp
^Gross profit: revenue - costs of sales (fulfillment cost) - operations and support costs												

Source: Goldman Sachs Global Investment Research

Exhibit 48: Our SOTP based 12-m TP of Dada Nexus: US\$19.2 (prior: US\$21.1)

SOTP valuation	Methodology	2023E gross profit* (Rmb mn)	Target multiple (X)	2023E valuation (Rmb mn)	US\$m	Value %	Comment
JD Daojia	P/GP	4,991	6X	27,448	3,921	76%	6X to JD Daojia's 2023E GP, 50% normalized 23-25E average gross margin. At 1.0mn daily orders by 2023E, valuation implies 19X 2023E P/E applied on normalized EBIT per order of (in line with our valuation for Meituan Instashopping) Rmb4.5 (or 47X 2023E P/E on our actual 2023E estimate of Rmb1.8 per order)
Dada Now	P/E	5.4	20X	8,870	1,267	24%	At 2023E daily order of 5.4mn (prior: 4.9mn) and assuming normalized Rmb0.23 net profit per order (prior 0.25, we forecast Rmb0.27 EBIT per order and Rmb0.23 NOPAT per order on 2025E) for our valuation, applied on 20X P/E benchmarked with China express delivery top 3 players.
Valuation (US\$m)					4,669		
Valuation (US\$, per ADS)					19.2		
Implied:							
2022E P/Sales					3.4X		
2023E P/Sales					2.3X		
2023E P/E					42.7X		

*GP: revenue - costs of sales (fulfillment costs) - operations and support costs

**Excludes orders fulfilled for JD Daojia; US\$/Rmb assumption: 7.0

Source: Goldman Sachs Global Investment Research

Vipshop: Headwinds in discretionary categories & SFV competition;

Neutral

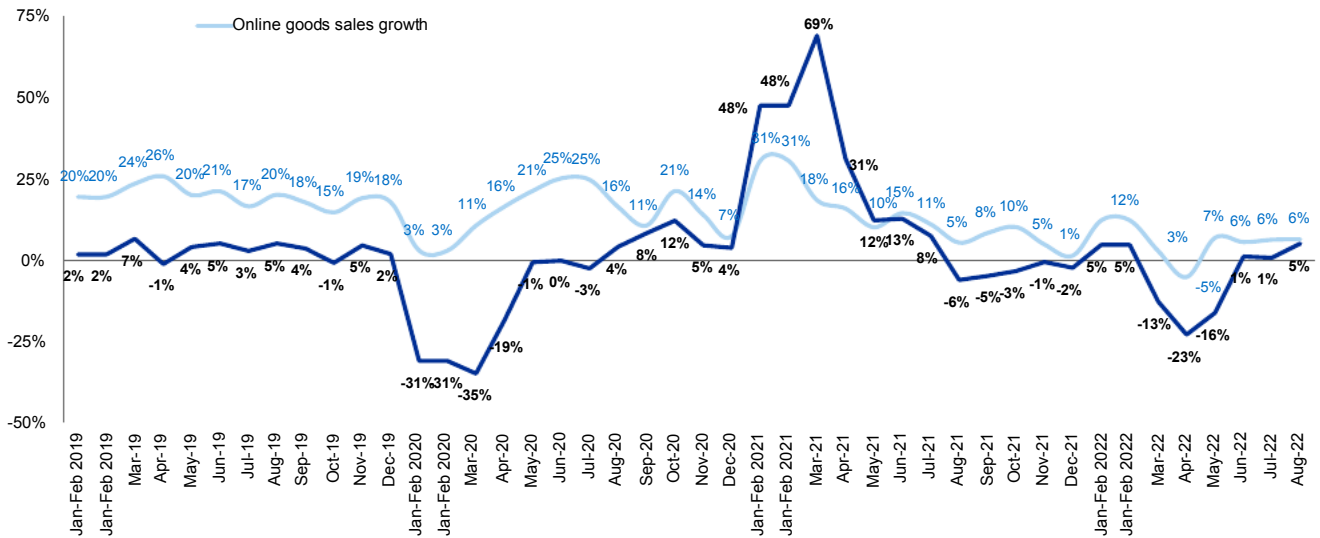
3Q Preview

- We estimate 3Q revenue decline of -10% yoy (prior: -8%), on -9% GMV decline (prior: -7%), on softer-than-expected consumption, particularly for discretionary categories.
- We raise adj. net margin to 5.6% (prior: 5.2%), on disciplined investments into S&M and quality growth, as management reiterated the target of 20%+ GPM and 5%+ NPM.

Estimate changes and valuation

- We revise FY22-24E revenues by -2% to -3%, on soft recovery of discretionary and accordingly reflecting our lowered eCommerce industry growth estimates. We keep margins broadly unchanged at 5.7%/5.3%/5.6% over 2022E-24E, on healthy gross margins and disciplined spending on OPEX.
- Maintain **Neutral** and our 12-m PE-based TP of US\$10.1 (prior: US\$11), factoring in FX changes: USDCNY 7.0 (prior: 6.6) and lowered GMV/top line growth.

Exhibit 49: Discretionaries, such as apparel, still lags overall online goods sales



Note NBS only reports Jan-Feb as a whole

Source: NBS

Weaker-than-expected execution in key strategic investments; (4) Cloud revenue growth deceleration.

JD.com (JD/9618.HK): we are Buy-rated on the company with a 12-m SOTP-based TP of US\$83.0/HK\$325.0 (prior: US\$87.0/HK\$338.0). **Key risks:** Fluctuation in group net margin, online GMV slowdown and FMCG/JD supermarket execution, tougher-than-expected competition, capital allocation.

Pinduoduo (PDD): we are Buy-rated on the company with a 12-m DCF-based TP of US\$95 (unchanged). **Key risks:** (1) Slower-than-expected ramp up in SKUs, leading to lower average user spending on the platform and hence slower growth in GMV/Revenue; (2) More intense-than-expected competition in the online retail industry, resulting in higher user acquisition/retention cost and lower long-term profitability levels; and (3) Higher investment in new initiatives, coupled with less optimal execution.

Kuaishou (1024.HK): we are Buy-rated on the company with a PE-based TP of HK\$112 (unchanged). **Key risks:** Weaker-than-expected monetization, slower growth of its aggregate user engagement base (DAU x time spent per DAU), lower-than-expected profitability and content control risks.

Vipshop (VIPS): we are Neutral-rated on a sector-relative basis, with a 12-m TP of US\$10.1 (prior: US\$11), based on an unchanged 9X non-GAAP P/E multiples on our 2023E earnings. **Key risks:** Stronger/weaker-than-expected competition or new entrants (both online/offline), GMV slowdown, higher/lower-than-expected fulfillment costs/capex and inventory write-down risks.

JD Logistics (2618.HK): we are Buy-rated on the company with a 12-month EV/EBITDA-based TP of HK\$35 (prior: HK\$37). **Key risks:** Significant revenue contribution from JD Group; Concentration in a few industries/sectors; Further investment in both customer acquisition and infrastructure; Potential competition from the time-definite air freight model.

DADA Nexus (DADA): we are Buy-rated on the company with our 2023E-based SOTP-based 12-month TP of US\$19.2 (prior: US\$21.1). **Key risks:** Tougher-than-expected competition with Meituan Shangou/Ele.me/community group purchase platforms, revenue concentration risk, labor costs inflation/employment regulations, cost of customer retention, merchant decentralization risk.

Disclosure Appendix

Reg AC

We, Ronald Keung, CFA and Lynn Li, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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Disclosures

Pricing information

Alibaba Group (ADR) (\$81.24), Alibaba Group (H) (HK\$81.35), Dada Nexus Ltd. (\$5.06), JD Logistics (HK\$14.08), JD.com Inc. (ADR) (\$49.91), JD.com Inc. (H) (HK\$199.40), Pinduoduo Inc. (\$63.56) and Vipshop Holdings (\$8.50)

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Company-specific regulatory disclosures

Compendium report: please see disclosures at <https://www.gs.com/research/hedge.html>. Disclosures applicable to the companies included in this compendium can be found in the latest relevant published research

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Price target and rating history chart(s)

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