



(JD) 4Q16 Results: Revenue Beats Consensus on Strong GMV Growth; JD Finance Spins-Off

	4Q16	4Q15	YoY Change
Revenues (RMB Bil.)	¥80.25	¥54.61	47.0%
Gross Margin	15.3%	14.3%	104 bps
SG&A/Sales	6.3%	6.8%	(44) bps
Operating Margin	(0.6%)	(7.8%)	723 bps
Diluted Net Loss per ADS (RMB)	¥(1.26)	¥(5.57)	431 bps

Source: Company reports/Fung Global Retail & Technology

- **JD.com reported 4Q16 revenues of ¥80.25 billion, up 47% year over year, and beating the consensus estimate of ¥76.70 billion. Net loss per ADS was ¥1.26, compared to a net loss of ¥5.57 for 4Q15.**
- **Total GMV reached ¥206.2 billion in 4Q16, an increase of 50.5% year over year. General merchandise contributed 52% of total GMV, up from 49% in the year-ago period.**
- **JD.com will dispose of and no longer hold legal ownership of JD Finance. JD.com will receive approximately ¥14.3 billion in cash and profit-sharing rights for 40% of JD Finance's pretax income.**

4Q16 Results Summary

JD.com reported 4Q16 revenues of ¥80.25 billion (US\$11.6 billion), a 47.0% year-over-year increase, driven largely by strong GMV growth. Net loss per ADS was ¥1.26, compared to ¥5.57 for 4Q15. Non-GAAP diluted net income per ADS was ¥0.40, compared to non-GAAP net loss per ADS of ¥0.48 in 4Q15.

Business Performance

JD.com's 4Q16 revenue grew 47.0% year over year, in tandem with total GMV growth of 50.5% over the same period.

- **Online direct sales business:** GMV from the online direct sales business was ¥114.7 billion in 4Q16, up 46% from 4Q15.
- **Online marketplace business:** GMV from the online marketplace business excluding virtual items totaled ¥91.4 billion in 4Q16, an increase of 57% from 4Q15.
- **Electronics and home appliance products:** GMV from electronics and home appliance products was ¥99.9 billion in 4Q16, an increase of 42% from 4Q15.
- **General merchandise:** GMV from general merchandise and others excluding virtual items was ¥106.3 billion in 4Q16, an increase of 59% from 4Q15. General merchandise accounted for 52% of total GMV excluding virtual items, up from 49% in 4Q15.
- **Annual active customer accounts** increased by 46% year over year to 226.6 million in the 12 months ended December 31, 2016.

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- **Fulfilled orders** excluding virtual items was 505.7 million in 4Q16, representing a 43% increase from 353.1 million orders in 4Q15. Fulfilled orders placed through mobile comprised approximately 80% of total orders fulfilled.

Disposal of JD Finance

JD.com will dispose of its entire 68.6% equity stake in JD Finance, and will no longer hold legal ownership or effective control of JD Finance. JD.com will receive approximately ¥14.3 billion in cash and profit-sharing rights for 40% of the future pretax profit of JD Finance once JD Finance records a positive pretax income on a cumulative basis. The profit-sharing rights will be convertible into 40% of JD Finance's equity interest, subject to applicable regulatory approvals.

Guidance

Management guided for net revenues of ¥72.3–¥74.3 billion for 1Q17, representing a growth rate of 34%–38% compared with 1Q16. The consensus estimate for FY17 revenue is ¥342.9 billion, implying an increase of 31.8% year over year.



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Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Charlie Poon

Research Assistant

Hong Kong:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com