

# JD.com, Inc.

## *Financial and Operational Highlights*

May 2019



JD.COM



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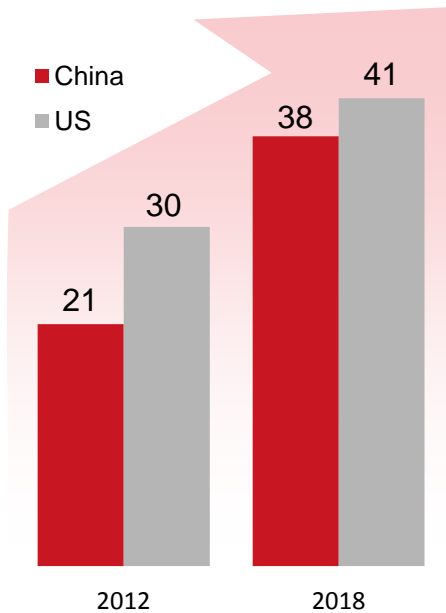
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# Fragmented Retail Market & Rapid Shift to Online

## Robust Growth in China Retail ...

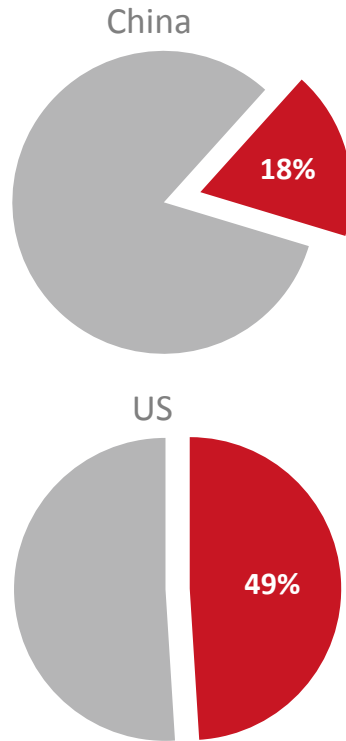
China Total Retail Market Size <sup>(1)</sup>  
(RMB Trillions)

**10.1%**  
2012 –18 CAGR



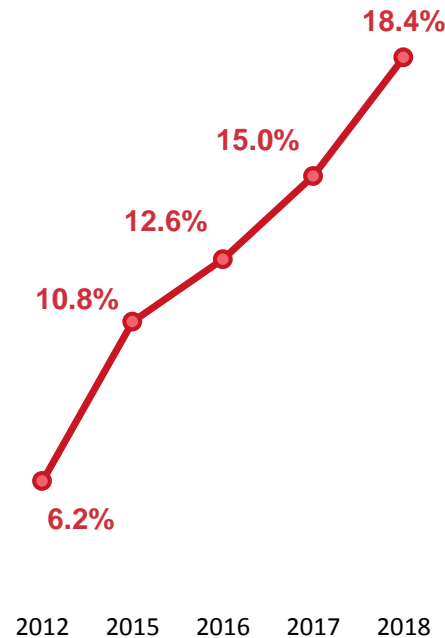
## ... Yet Highly Fragmented ...

Top 20 Retailers' Market Concentration in 2018 <sup>(2)</sup>



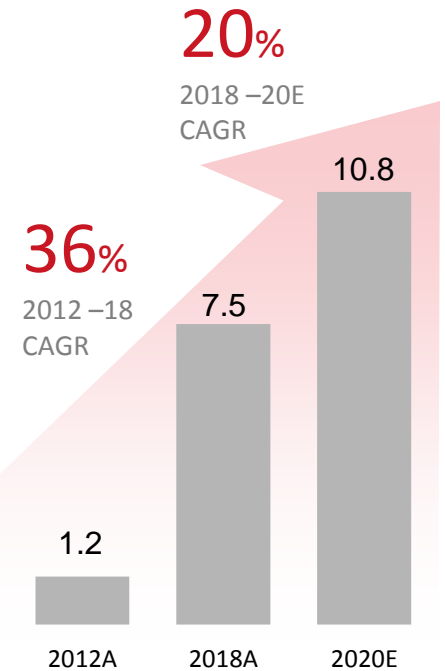
## ... With Increasing Online Penetration ...

China Online Retail Penetration <sup>(3)</sup>



## ... Leading to Significant Online Growth

China Online Retail Market Size <sup>(4)</sup>  
(RMB Trillions)



(1) Source: National Bureau of Statistics of China, and U.S. Census Bureau. Total retail consumption includes food services. US consumption is translated into RMB using the year-end foreign exchange rates, which were 6.2301 for 2012, and 6.8755 for 2018, respectively.

(2) Source: Euromonitor 2018. Concentration for China retail market excludes pure platform operators.

(3) Source: National Bureau of Statistics of China. Online retail penetration is calculated as online physical goods consumption divided by total retail consumption.

(4) Source: iResearch, 2018. Market size in terms of GMV.

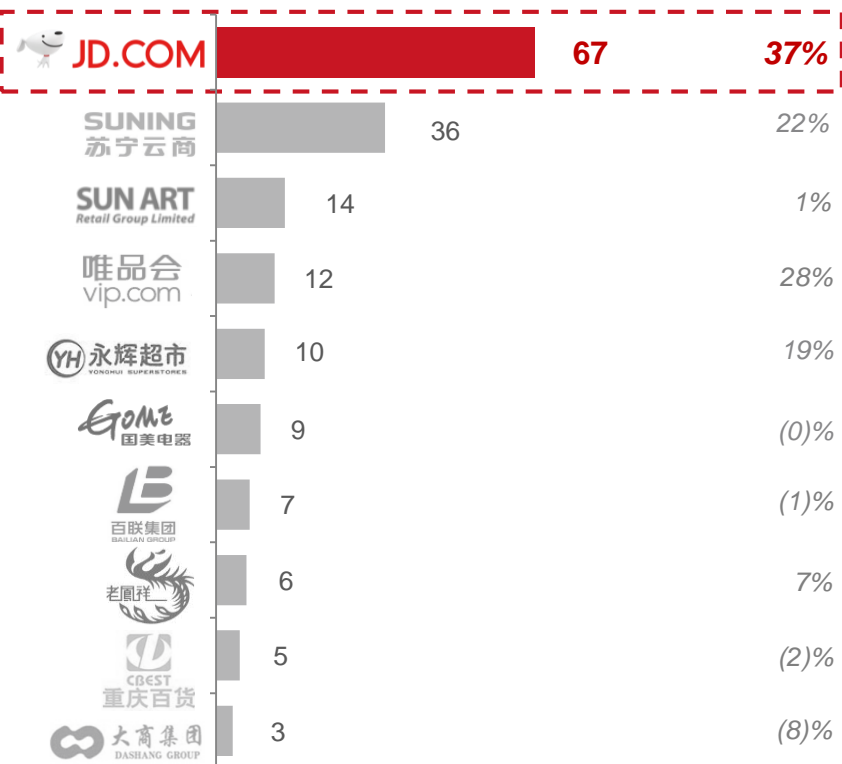
# Larger Growth Potential and Smaller Competitors (vs. US Market)

## Top 10 Listed Retailers in China <sup>(1)</sup>



(Net Revenue in US\$ bn)

CAGR  
2015-2018

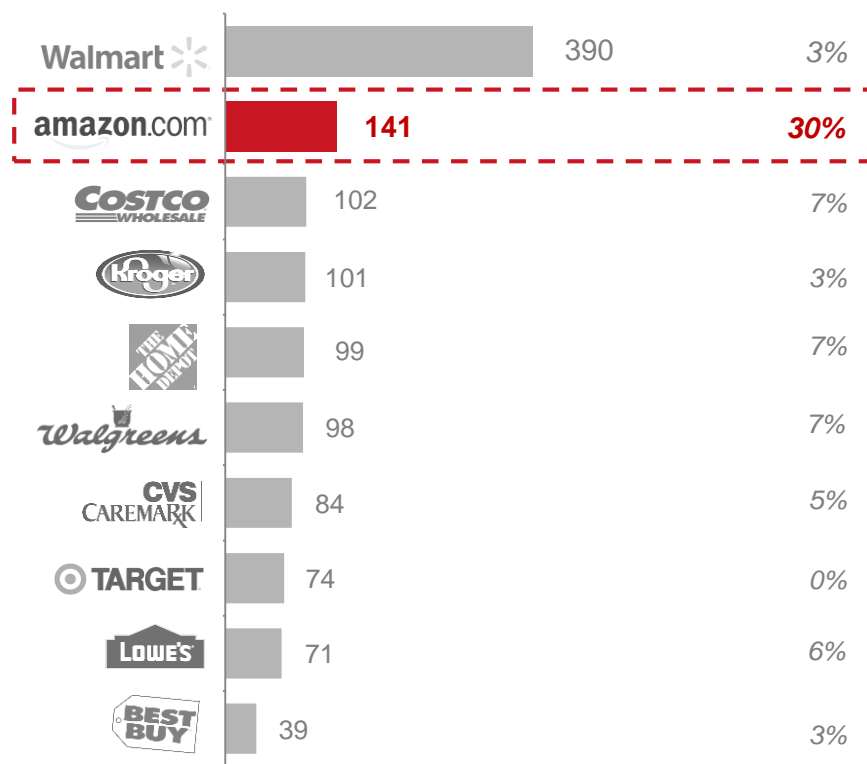


## Top 10 Listed Retailers in US <sup>(2)</sup>



(Net Retail Sales in US\$ bn)

CAGR  
2015-2018



**Market leadership and operating efficiency allow everyday low price and tremendous margin potential, driven by economies of scale in procurement and cost advantage as an online retailer.**

(1) Source: company filings. Based on total net revenues for top 10 listed Chinese retailers in FY2018. The conversion of RMB into US\$ is based on the year-end exchange rate which was 6.8755. The CAGR growth rates were calculated based on revenues in RMB.

(2) Source: company filings. Based on retail sales in the United States segments of top 10 listed US retailers, for fiscal year ended Jan 31, 2019 for Walmart, Dec 31, 2018 for Amazon & CVS Caremark, Sept 2, 2018 for Costco, Aug 31, 2018 for Walgreens, Feb 1, 2019 for Low's, Feb 2, 2019 for Kroger, best buy and Target, and Feb 3, 2019 for Home Depot.



# Financial and Operational Highlights



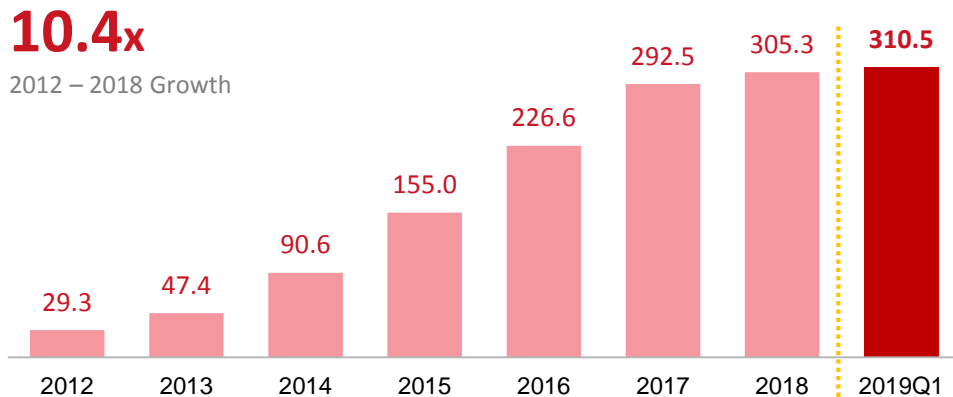
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# Strong Growth Momentum

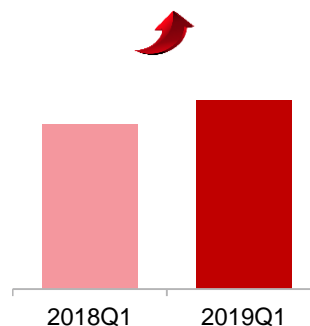
## Active Customer Accounts <sup>(1)</sup>

(Millions)



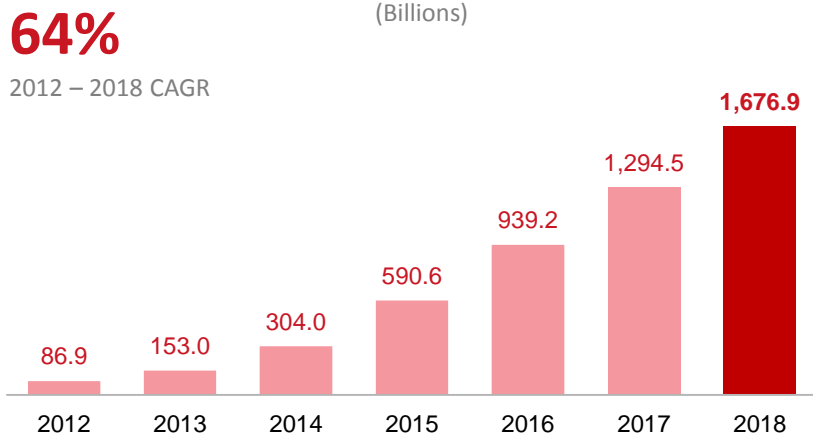
## Quarterly Active Customer Accounts <sup>(1)</sup>

YoY 15%



## Gross Merchandise Volume <sup>(2)</sup>

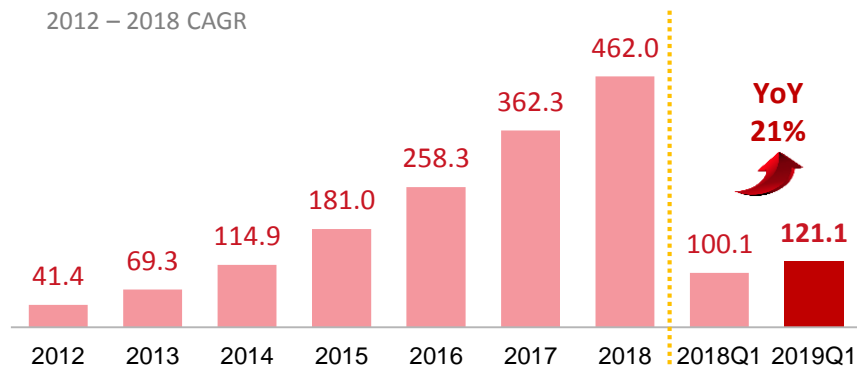
(Billions)



## Net Revenues

(Billions)

**50%**  
2012 – 2018 CAGR



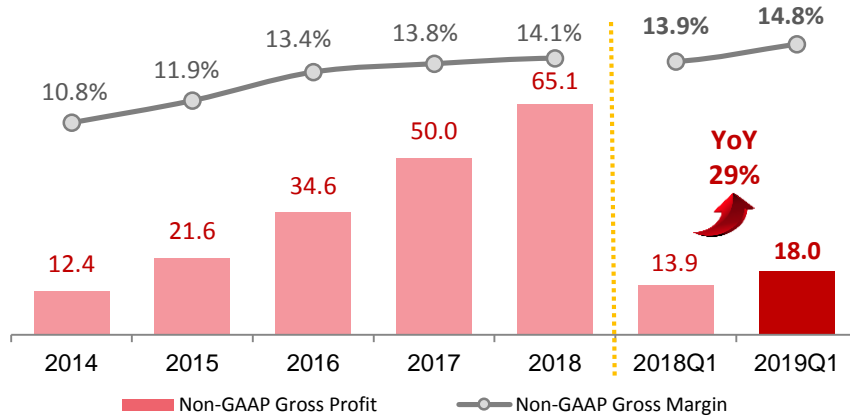
(1) Defined as customer accounts that made at least one purchase during the twelve months or indicated quarter ended on the respective periods, whether through online direct sales or online marketplaces.

(2) Refer Gross Merchandise Volume(GMV) definition to 20F.

# Profitability Improving With Scale

## Non-GAAP Gross Profit

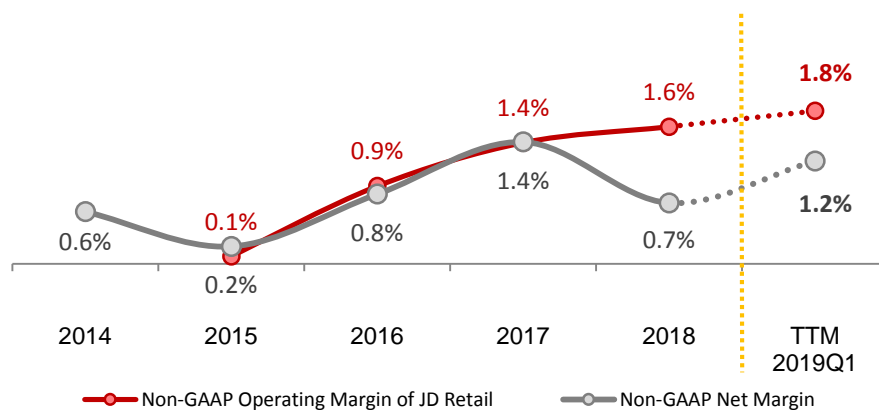
(RMB Billions)



### Drivers of Gross Margin

- + Increasing economies of scale from 1P business
- + Mix-Shift to higher gross margin 1P categories
- + Fast growth from advertising service business
- + Improved gross margin of third-party logistics service

## Non-GAAP Margins



### Drivers of Margins

- + Increasing JD Retail operating leverage
- + Reduced losses of third-party logistics service
- Investments in technologies

(1) Non-GAAP adjustment items include revenue from business cooperation arrangements with equity investees, share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, impairment of goodwill, intangible assets and investments, fair value changes of long-term investments, gain/(loss) on disposals/deemed disposals of investments, gain on disposals of long-lived assets and certain large non-cash gain or loss items from net income/(loss) attributable to ordinary shareholders. Details can be found in the "Unaudited Reconciliation of GAAP and Non-GAAP Results" of the company's quarterly results.

# Diversification of Revenue Streams

## Net Product Revenues Breakdown

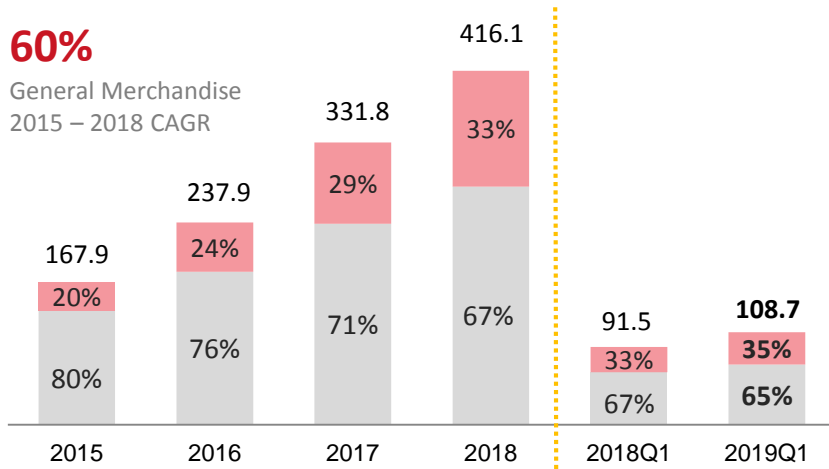
(RMB Billions)

**28%**

Electronics and Home Appliance  
2015 – 2018 CAGR

**60%**

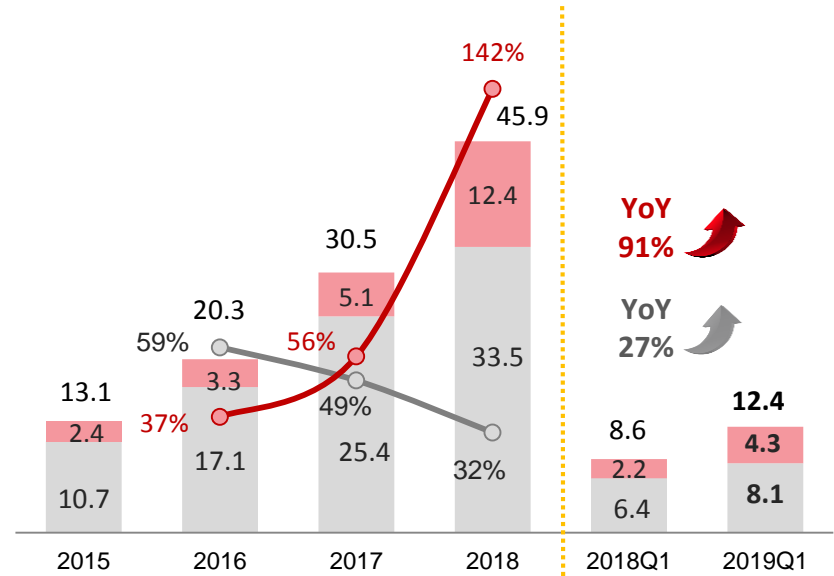
General Merchandise  
2015 – 2018 CAGR



- Electronics and Home Appliance Revenues
- General Merchandise Revenues

## Net Service Revenues Breakdown

(RMB Billions)

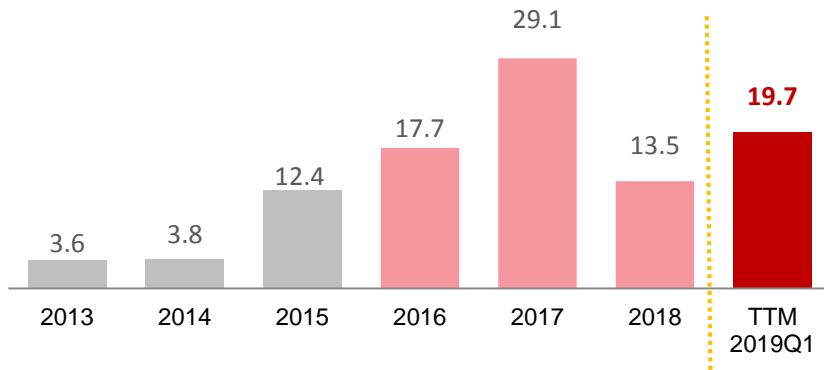


- Logistics and Other Services
- Marketplace and Advertising Services
- Marketplace and Advertising Services YoY% Growth
- Logistics and Other Services YoY% Growth

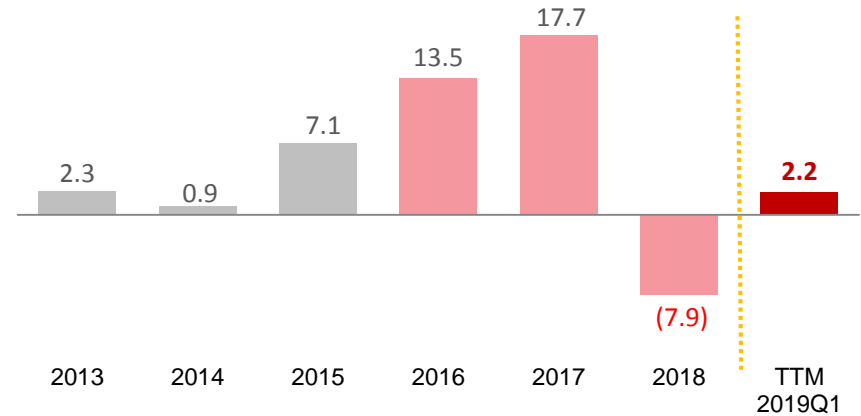


# Robust Cash Flow Generation

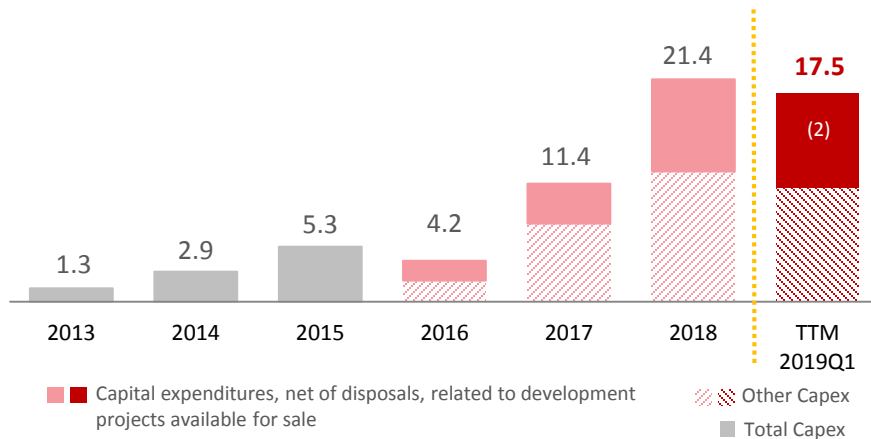
Adjusted Operating Cash Flow <sup>(1)</sup>  
(RMB Billions)



Free Cash Flow <sup>(1)</sup>  
(RMB Billions)



Capital Expenditures <sup>(1)</sup>  
(RMB Billions)



## Free Cash Flow Characteristics



Negative working capital results in operating cash flow greater than net profit



Free cash flow for 2018 has been negatively impacted by higher than usual Capex of RMB21.4bn, among which, nearly RMB8.9 bn is related to development projects available for sale

(1) Refer to quarterly earnings for more details.

(2) Cash consideration received for the disposals of development projects, which mainly included cash received from JD Logistics Properties Core Fund, L.P. in Mar, 2019.

# Unaudited Selected Financial Data of Continuing Operations

Unaudited Selected Financial Data of Continuing Operations <sup>(1)</sup> (in RMB Thousands)	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019
<b>Net revenues</b>	<b>100,127,901</b>	<b>122,291,030</b>	<b>104,768,279</b>	<b>134,832,549</b>	<b>121,081,059</b>
<b>Non-GAAP Operating expenses</b>					
Cost of revenues	(85,956,178)	(105,762,539)	(88,638,716)	(115,636,710)	(102,884,323)
Fulfillment	(7,048,220)	(8,059,949)	(7,591,198)	(8,723,823)	(7,963,907)
Marketing	(3,153,105)	(4,903,330)	(3,768,095)	(5,989,822)	(3,600,734)
Technology and content	(2,212,871)	(2,465,212)	(3,076,877)	(3,128,442)	(3,464,650)
General and administrative	(672,703)	(746,023)	(814,011)	(803,122)	(963,407)
<b>Non-GAAP Income/(Loss) from operations <sup>(2)</sup></b>	<b>848,087</b>	<b>113,248</b>	<b>638,251</b>	<b>312,979</b>	<b>1,971,932</b>
<b>Non-GAAP net income attributable to ordinary shareholders <sup>(2)</sup></b>	<b>1,047,415</b>	<b>478,137</b>	<b>1,184,318</b>	<b>749,902</b>	<b>3,294,365</b>
<b>Non-GAAP operating margin <sup>(2)</sup></b>	<b>0.8%</b>	<b>0.1%</b>	<b>0.6%</b>	<b>0.2%</b>	<b>1.6%</b>
<b>Non-GAAP net margin <sup>(2)</sup></b>	<b>1.0%</b>	<b>0.4%</b>	<b>1.1%</b>	<b>0.6%</b>	<b>2.7%</b>
<b>GAAP net margin</b>	<b>1.5%</b>	<b>(1.8%)</b>	<b>2.9%</b>	<b>(3.6)%</b>	<b>6.0%</b>

(1) All periods are presented to reflect the results of continuing operations after JD Digits (formerly known as JD Finance) deconsolidation and JD Logistics cost reclassification.

(2) Non-GAAP adjustment items include revenue from business cooperation arrangements with equity investees, share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, impairment of goodwill, intangible assets and investments, fair value changes of long-term investments, gain/(loss) on disposals/deemed disposals of investments, gain on disposals of long-lived assets and certain large non-cash gain or loss items from net income/(loss) attributable to ordinary shareholders. Details can be found in the "Unaudited Reconciliation of GAAP and Non-GAAP Results" of the company's quarterly results.

# Supplemental Financial Information and Business Metrics

Supplemental Information	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019
Annual active customer accounts (in millions)	301.8	313.8	305.2	305.3	310.5
Inventory turnover days <sup>(1)</sup> – TTM	38.1	39.1	39.1	38.7	36.5
Accounts payable turnover days <sup>(1)</sup> – TTM	59.6	62.7	61.7	60.2	57.4
Accounts receivable turnover days <sup>(1)</sup> – TTM	1.6	1.9	2.3	2.7	3.0
Free Cash Flow <sup>(2)</sup> (RMB billions)	(8.8)	13.1	(8.2)	(4.0)	1.3

(1) Refer to public disclosures for definitions of turnover days.

(2) Free cash flow is defined as operating cash flow adding back or subtracting the impact JD Digits related credit products included in the operating cash flow, and less capital expenditures, net of proceeds from disposals of long-lived assets. As required by the new accounting standard adopted on January 1, 2018, the consolidated statements of cash flows were retrospectively adjusted to include restricted cash in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

# Marketing 360 Platform: AI and Data Driven Advertising

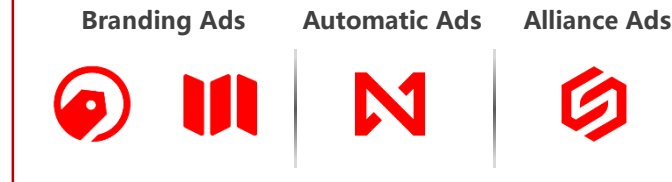
## Methodology



## Ads Product Lines



## Ads Product Packages



## Ads Tools



## Advertisers

- Brands
- Vendors
- Merchants
- Agencies & ISVs

## Media



Ads Platforms: JD Marketing Platform + Black Dragon

Marketing Analytics : JD Shufang/9N

Retail Analytics: JD Retail Analytics

## Technology

- |   |  |
|---|--|
| Real-time optimization                  | AI Powered Fully-Automated Advertising |
| Deep Learning Recommendation Search Ads | Fraud Detection                        |
| AI powered Smart Bidding                | Programmatic Decision making           |

# Superior Services through Nationwide Logistics Network



Nationwide Warehouse Network & Last-mile Reach



Rapid Expansion & Best-in-Class Fulfillment Capabilities



Fulfilment Centers	7 cities
Front Distribution Centers	28 cities
Warehouses	550+ warehouses
GFA	over 12.0 million sq.m.
Self-built Mega Warehouses	20 projects in 13 cities
Geographic Coverage	Almost all counties & districts in China

*Provide best-in-class customer experience*

