

JD.com, Inc.

Financial and Operational Highlights

August 2019



JD.COM



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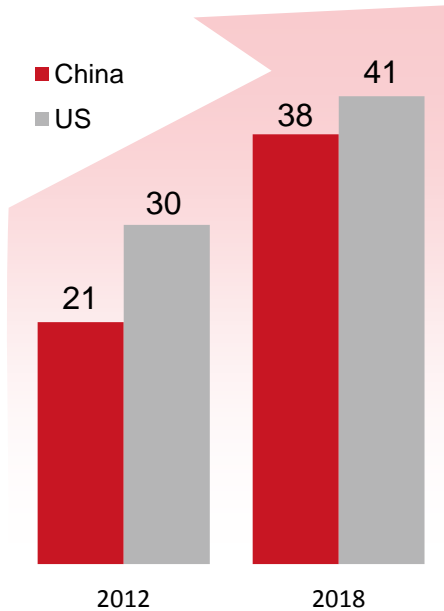
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Fragmented Retail Market & Rapid Shift to Online

Robust Growth in China Retail ...

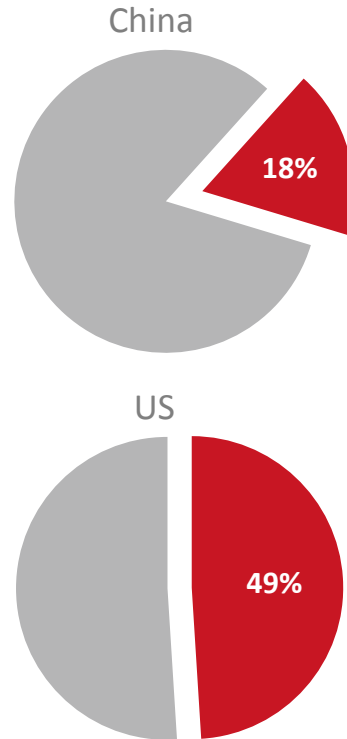
China Total Retail Market Size ⁽¹⁾
(RMB Trillions)

10.1%
2012 –18 CAGR



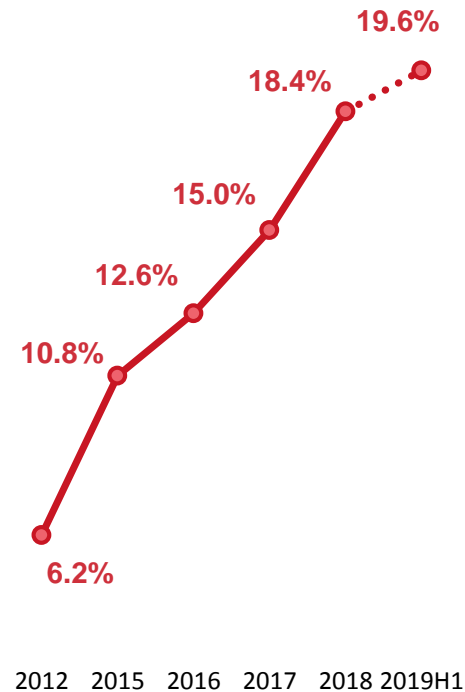
... Yet Highly Fragmented ...

Top 20 Retailers' Market Concentration in 2018 ⁽²⁾



... With Increasing Online Penetration ...

China Online Retail Penetration ⁽³⁾

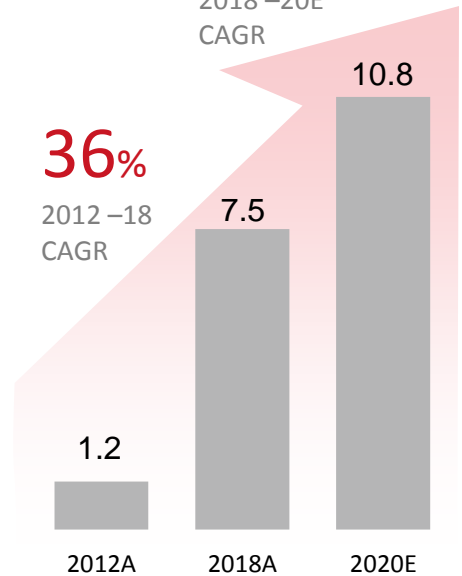


... Leading to Significant Online Growth

China Online Retail Market Size ⁽⁴⁾
(RMB Trillions)

20%
2018 –20E CAGR

36%
2012 –18 CAGR



(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.

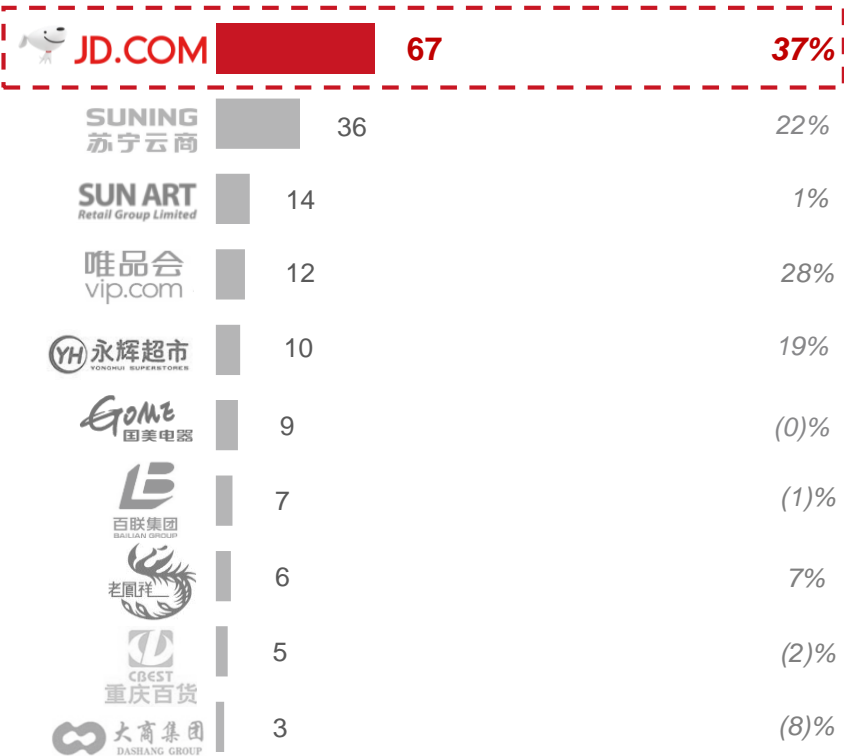
Larger Growth Potential and Smaller Competitors (vs. US Market)

Top 10 Listed Retailers in China ⁽¹⁾



(Net Revenue in US\$ bn)

CAGR
2015-2018

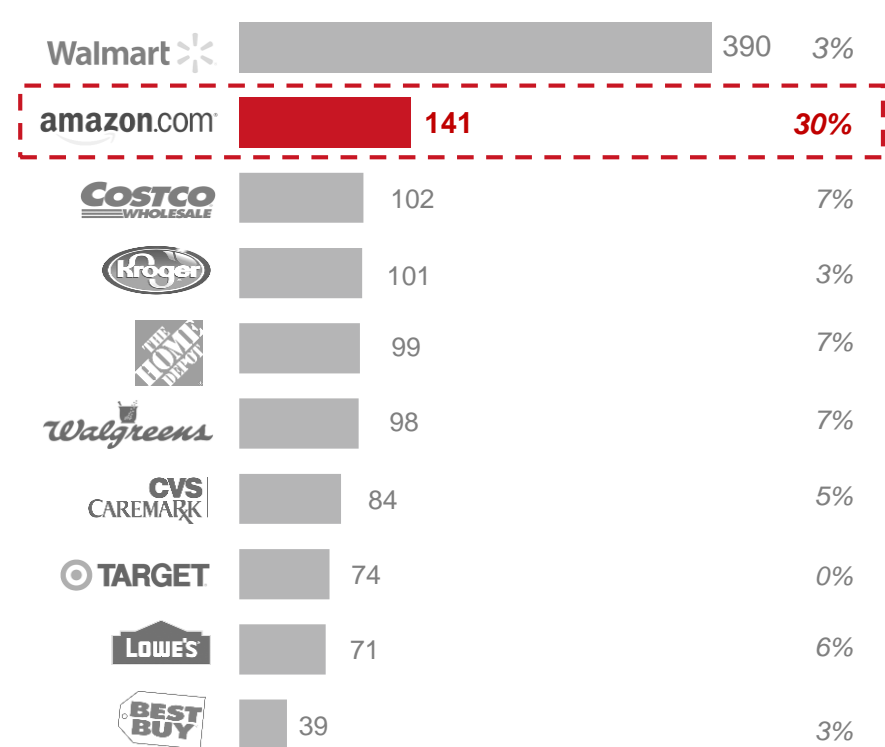


Top 10 Listed Retailers in US ⁽²⁾



(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.



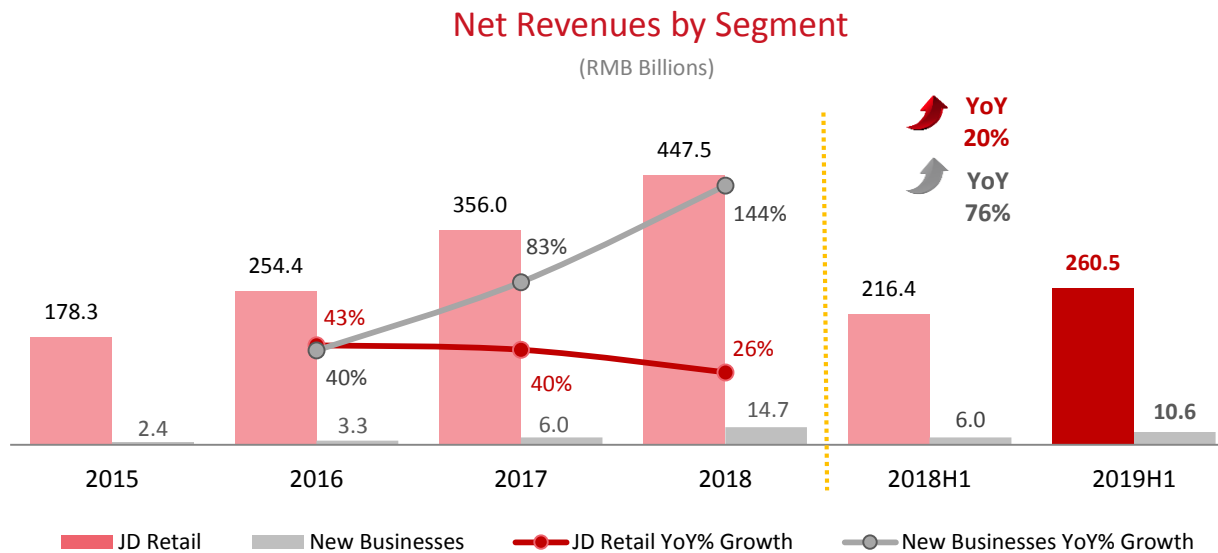
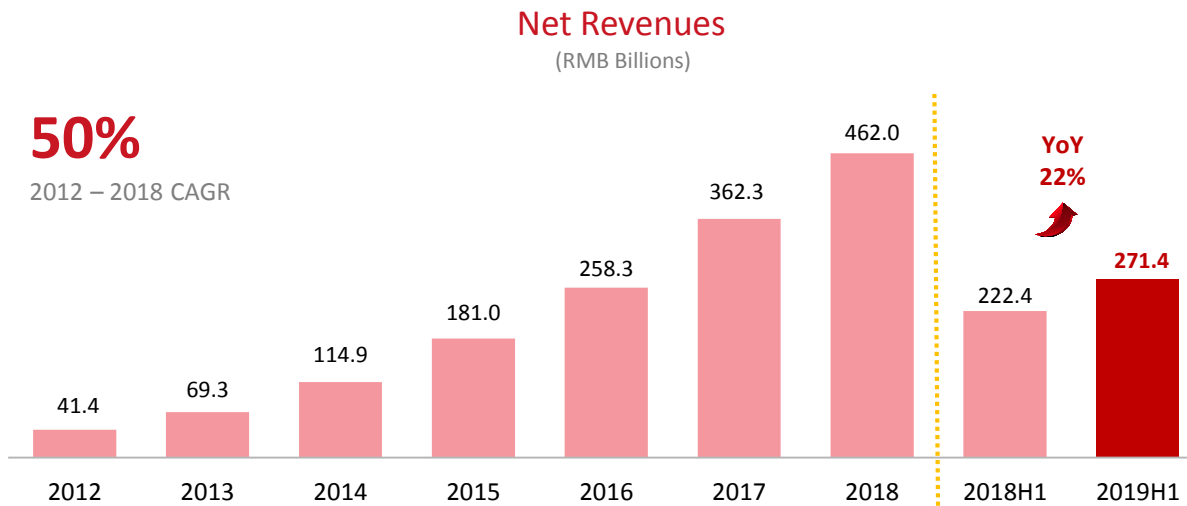
Financial and Operational Highlights



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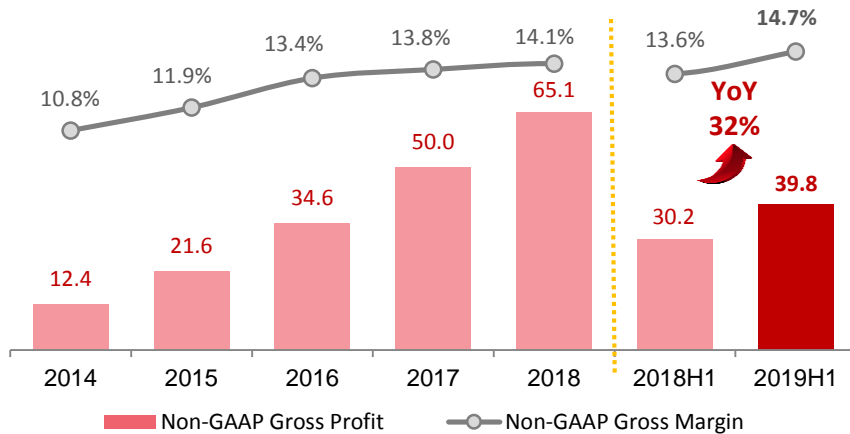
Strong Growth Momentum



Profitability Improving With Scale

Non-GAAP Gross Profit

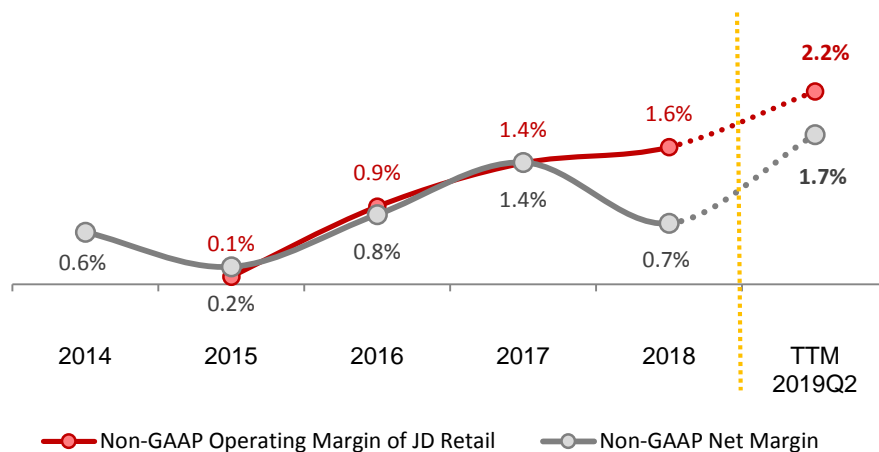
(RMB Billions)



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

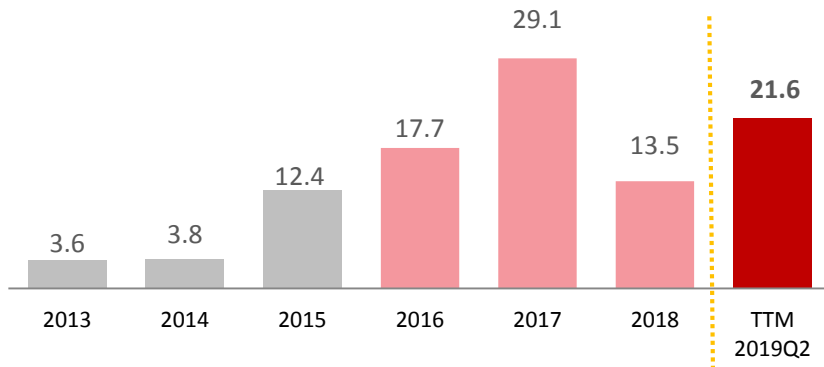


Drivers of Margins

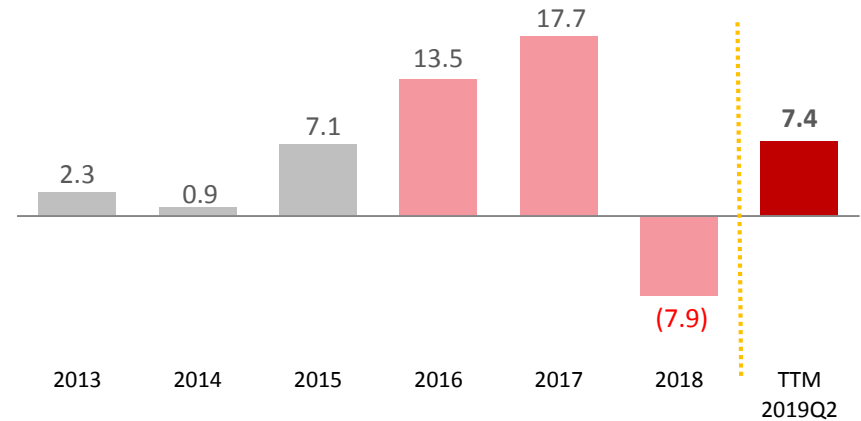
- + Increasing JD Retail operating leverage
- + Reduced losses of third-party logistics service
- Investments in technologies

Robust Cash Flow Generation

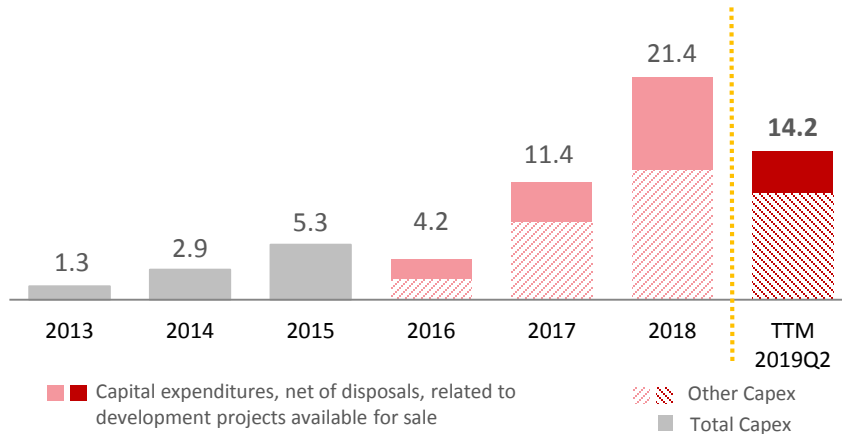
Adjusted Operating Cash Flow ⁽¹⁾
(RMB Billions)



Free Cash Flow ⁽¹⁾
(RMB Billions)



Capital Expenditures ⁽¹⁾
(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. In addition, Free cash flow for 2018 has been negatively impacted by a one-off decrease, see footnote (2)

(1) Refer to quarterly earnings for more details.

(2) The company has been conducting a complex settlement process change since the second half of 2017 to settle the marketplace transactions directly through third party payment companies, as required by the regulators. As a result, there was a negative impact to Adjusted Operating Cash Flow and Free Cash Flow, due to the decrease in advance from customers for their marketplace purchases and payable to merchants.

Unaudited Selected Financial Data

Unaudited Selected Financial Data of Continuing Operations ⁽¹⁾ (in RMB Thousands)	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
Net revenues	122,291,030	104,768,279	134,832,549	121,081,059	150,280,602
Non-GAAP Operating expenses					
Cost of revenues	(105,762,539)	(88,638,716)	(115,636,710)	(102,884,323)	(128,134,540)
Fulfillment	(8,059,949)	(7,591,198)	(8,723,823)	(7,963,907)	(8,990,548)
Marketing	(4,903,330)	(3,768,095)	(5,989,822)	(3,600,734)	(5,493,940)
Technology and content	(2,465,212)	(3,076,877)	(3,128,442)	(3,464,650)	(3,335,533)
General and administrative	(746,023)	(814,011)	(803,122)	(963,407)	(838,947)
Non-GAAP Income/(Loss) from operations ⁽²⁾	113,248	638,251	312,979	1,971,932	3,217,457
Non-GAAP net income attributable to ordinary shareholders ⁽²⁾	478,137	1,184,318	749,902	3,294,365	3,558,935
Non-GAAP operating margin ⁽²⁾	0.1%	0.6%	0.2%	1.6%	2.1%
GAAP operating margin	(0.8)%	(0.6)%	(0.7)%	1.0%	1.5%
Non-GAAP net margin ⁽²⁾	0.4%	1.1%	0.6%	2.7%	2.4%
GAAP net margin	(1.8)%	2.9%	(3.6)%	6.0%	0.4%

(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	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
Annual active customer accounts (in millions)	313.8	305.2	305.3	310.5	321.3
Inventory turnover days ⁽¹⁾ – TTM	39.1	39.1	38.7	36.5	36.3
Accounts payable turnover days ⁽¹⁾ – TTM	62.7	61.7	60.2	57.4	59.4
Accounts receivable turnover days ⁽¹⁾ – TTM	1.9	2.3	2.7	3.0	3.3
Free Cash Flow ⁽²⁾ (RMB billions)	13.1	(8.2)	(4.0)	1.3	18.3

(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.

Superior Services through Nationwide Logistics Network



Nationwide Warehouse Network & Last-mile Reach

Rapid Expansion & Best-in-Class Fulfillment Capabilities



- ★ Cities with fulfillment centers (7)
- Cities with front distribution centers (28)
- ▲ Cities with bulky item warehouses (70)
- ⊠ Cities with new front distribution centers built after IPO (22)

Fulfillment Centers	7 cities
Front Distribution Centers	28 cities
Warehouses	~ 600 warehouses
GFA ⁽²⁾	~ 15.0 million sq.m.
Self-built Mega Warehouses	21 projects in 14 cities
Geographic Coverage	Almost all counties & districts in China

Provide best-in-class customer experience

(1) Map and data as of Jun 30, 2019.
 (2) Including floor area managed under JDL Open Warehouse Platform.

