

JD.com, Inc.

Financial and Operational Highlights

August 2018



JD.COM



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This document also contains non-GAAP financial measures, the presentation of which is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America. In addition, the Company's calculation of these non-GAAP financial measures may be different from the calculation used by other companies, and therefore comparability may be limited. The reconciliation of those measures to the most comparable GAAP measures is contained within this document or available at our website <http://ir.jd.com>.

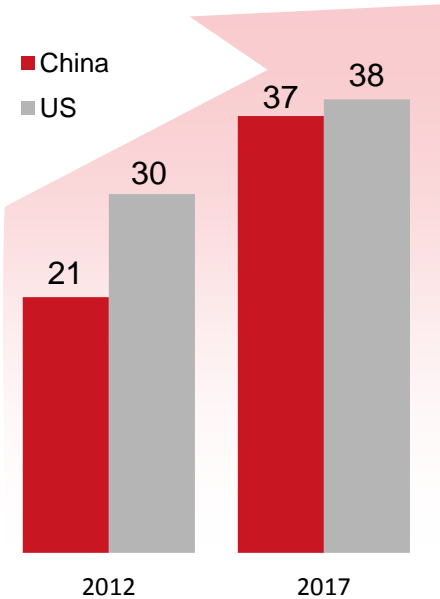
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Fragmented Retail Market & Rapid Shift to Online

Robust Growth in China Retail ...

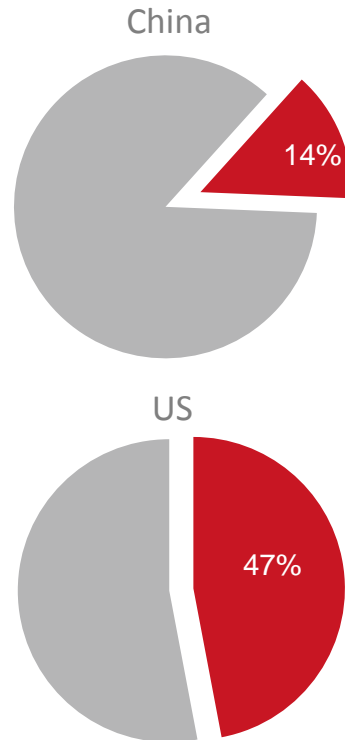
China Total Retail
Market Size ⁽¹⁾
(RMB Trillions)

11.3%
2012 –17 CAGR



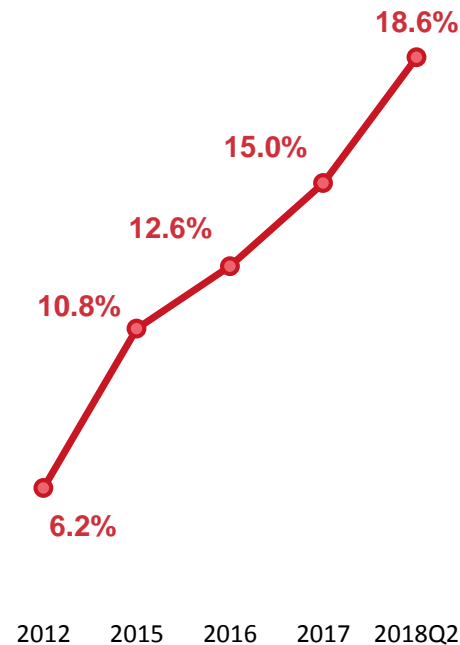
... Yet Highly Fragmented ...

Top 20 Retailers'
Market Concentration in 2017 ⁽²⁾



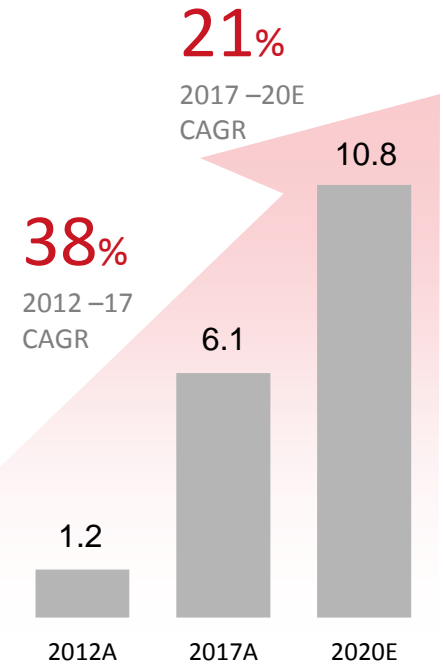
... With Increasing Online Penetration ...

China Online Retail
Penetration ⁽³⁾



... Leading to Significant Online Growth

China Online Retail
Market Size ⁽⁴⁾
(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 6.5063 for 2017, respectively.

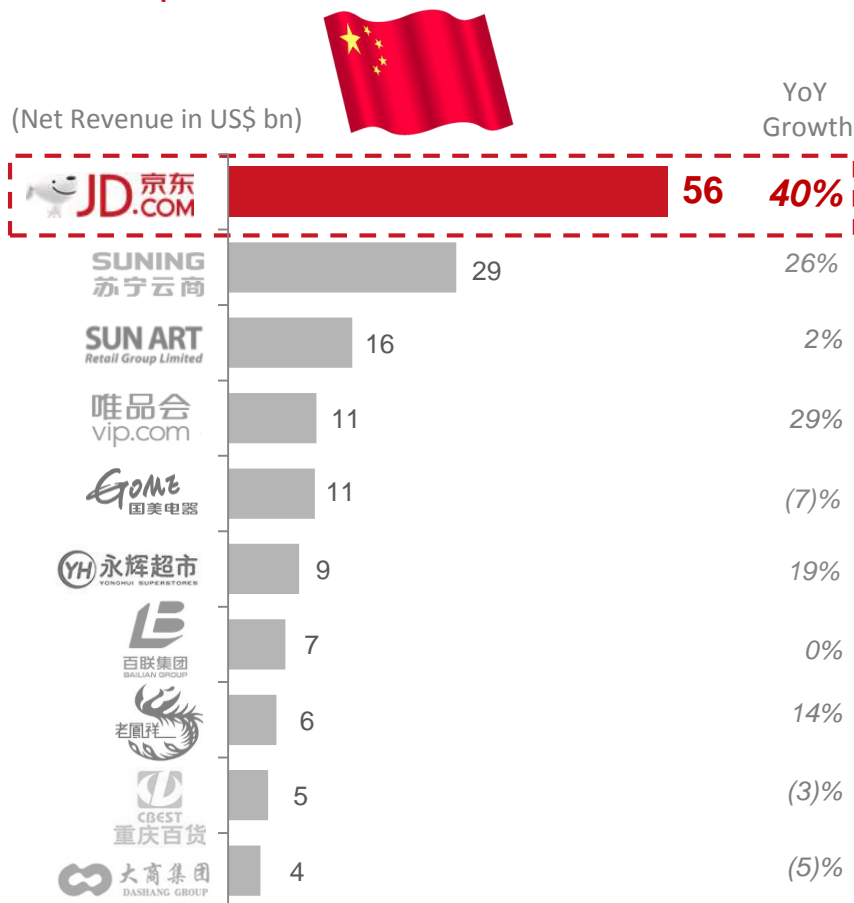
(2) Source: Euromonitor 2017. Concentration for China retail market excludes pure platform operators.

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

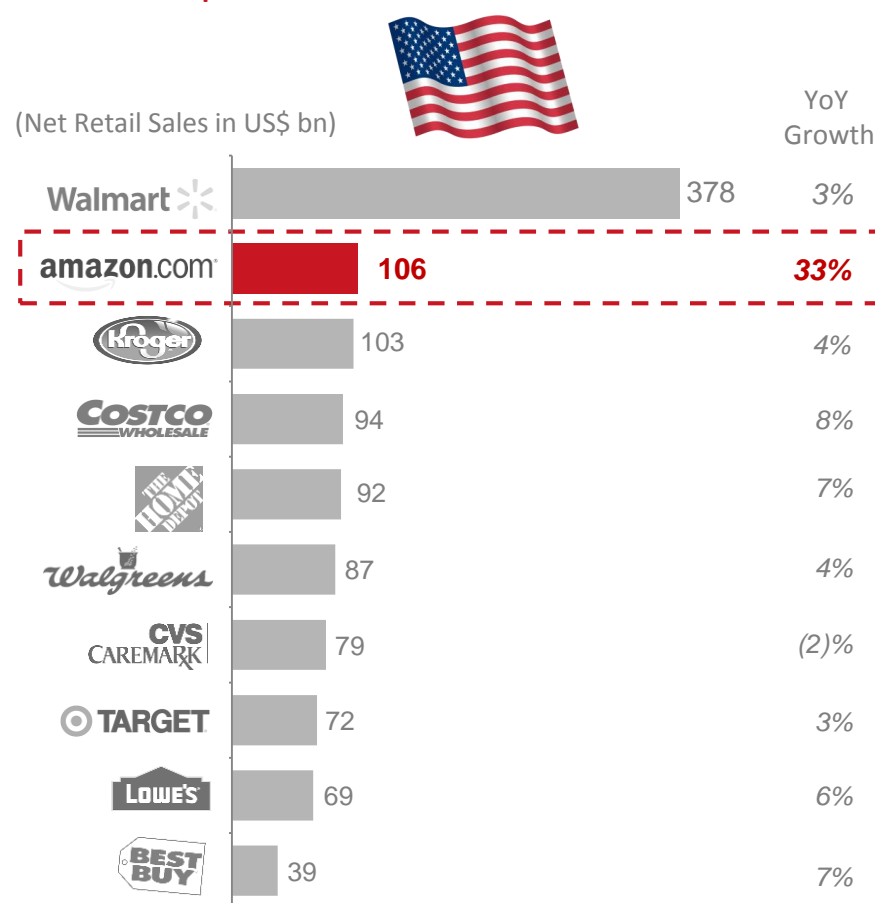
(4) Source: iResearch, 2017. Market size in terms of GMV.

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

Top 10 Listed Retailers in China ⁽¹⁾



Top 10 Listed Retailers in US ⁽²⁾



Market leadership and operating efficiency allow everyday low price and margin expansion potential, driven by economies of scale and cost advantage.

(1) Source: company filings. Based on total net revenues for top 10 listed Chinese retailers in FY2017. The conversion of RMB into US\$ is based on the year-end exchange rate in 2017, which was 6.5063. The year-over-year revenue 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, 2018 for Walmart, Dec 31, 2017 for Amazon & CVS Caremark, Sept 3, 2017 for Costco, Aug 31, 2017 for Walgreens, Feb 2, 2018 for Low's, Feb 3, 2018 for Kroger, best buy and Target, and Jan 28, 2018 for Home Depot.

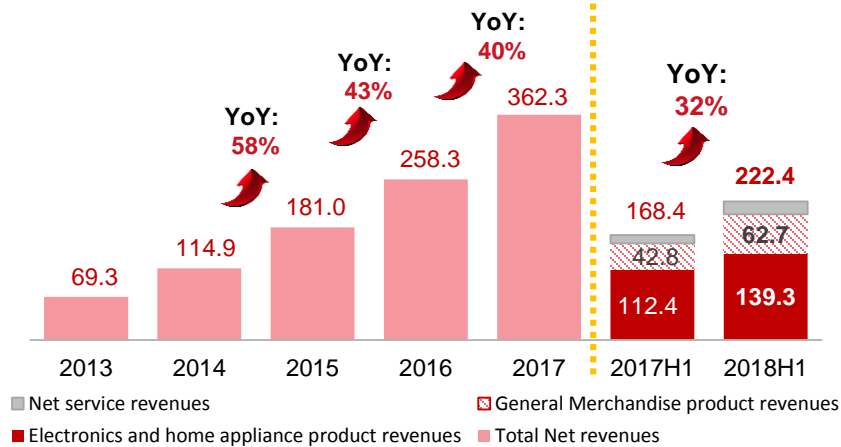
Financial and Operational Highlights



Strong Growth Momentum and Margin Expansion

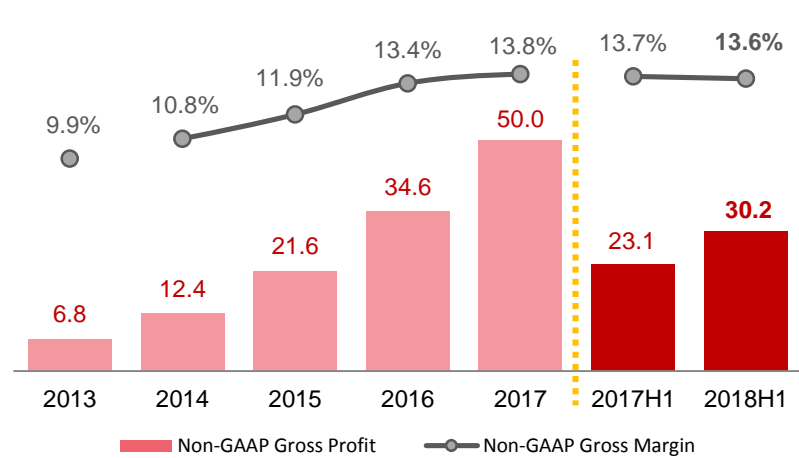
Net Revenues

(RMB Billions)



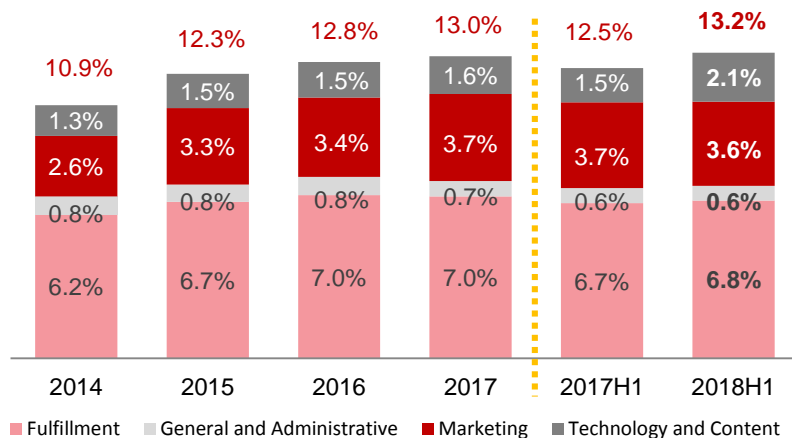
Non-GAAP Gross Profit

(RMB Billions)



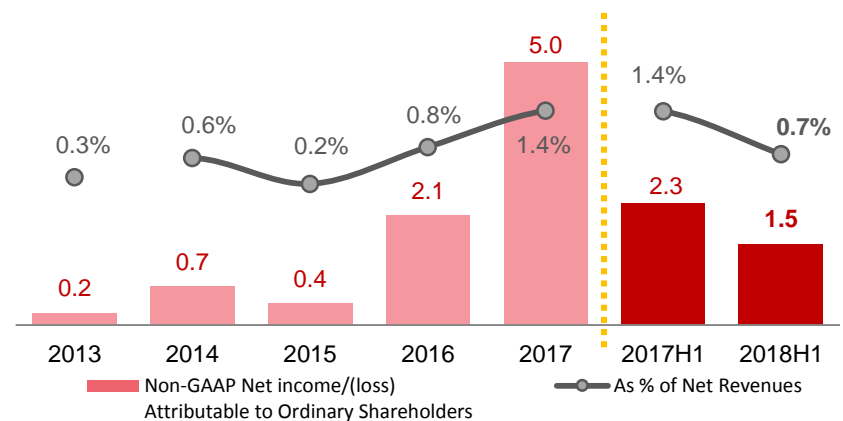
Non-GAAP Operating Expenses

(RMB Billions)



Non-GAAP Net Income/(Loss) Attributable to Ordinary Shareholders

(RMB Billions)

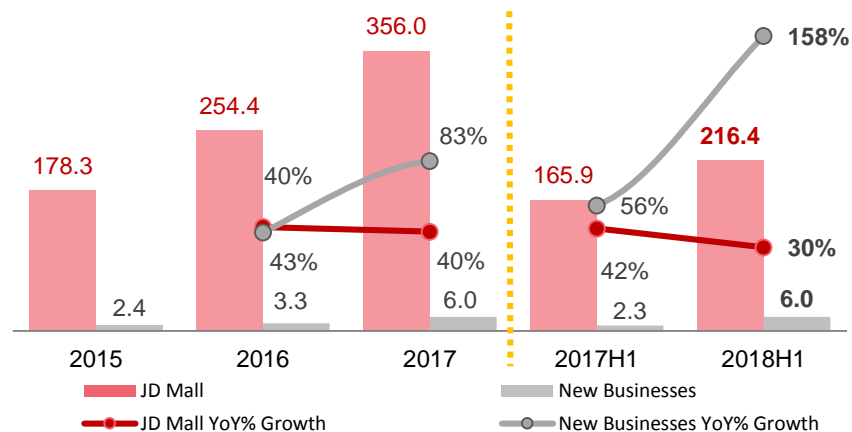


(1) Non-GAAP adjustment items include revenue from business cooperation arrangements with equity investees, share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, impairment of goodwill and intangible assets, fair value changes of long-term investments, gain on disposals/revaluation of investments 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.

Core E-commerce Business Margin Continues to Expand

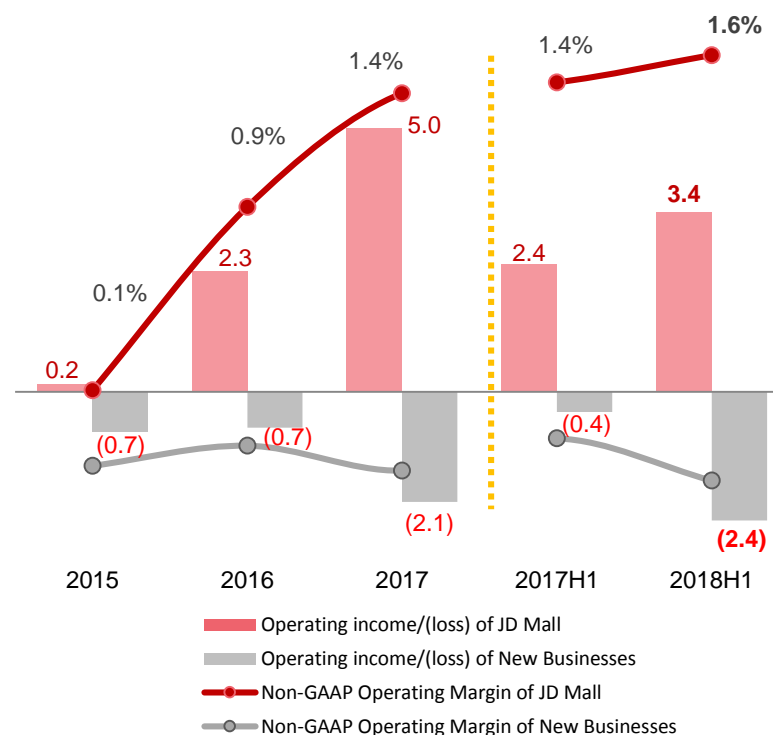
Net Revenues Breakdown

(RMB Billions)



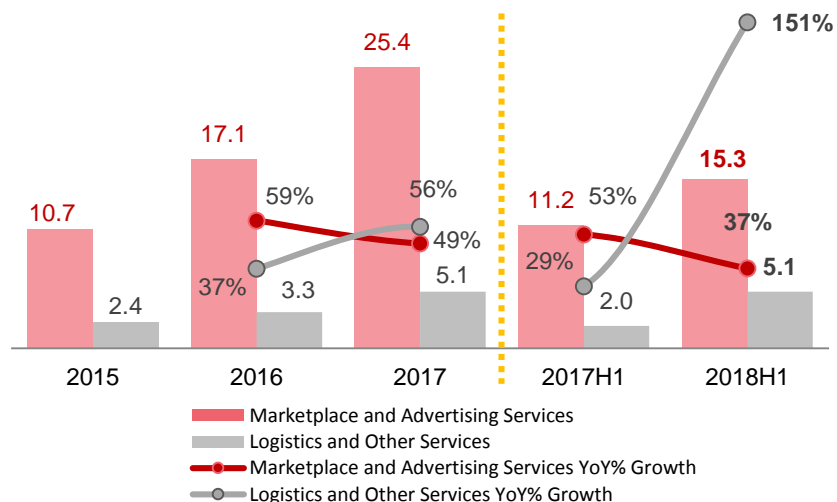
Non-GAAP Operating Profit of JD Mall and New Businesses⁽²⁾

(RMB Billions)



Net Service Revenues Breakdown

(RMB Billions)



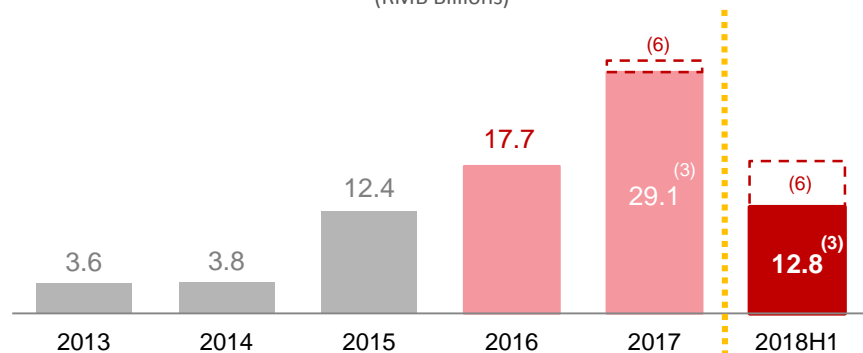
(1) Refer to 20F and quarterly earnings for details of Segment Reporting.

(2) New businesses of the company include logistics services provided to third parties, technology initiatives, and overseas business.

Robust Cash Flow Generation

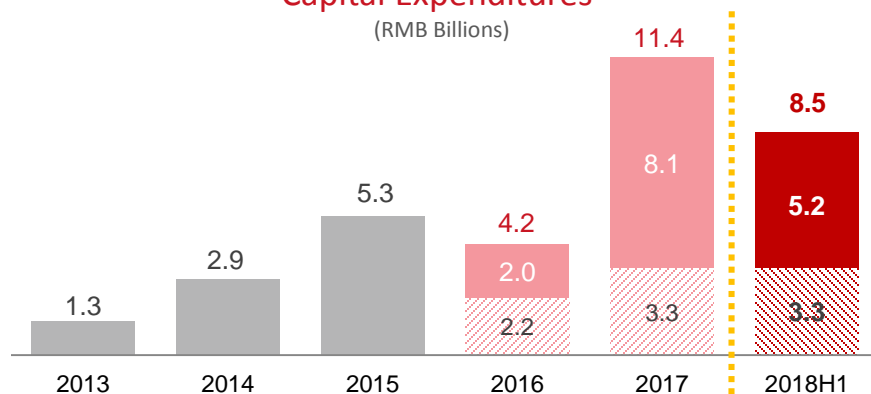
Adjusted Operating Cash Flow ⁽¹⁾

(RMB Billions)



Capital Expenditures ⁽⁴⁾

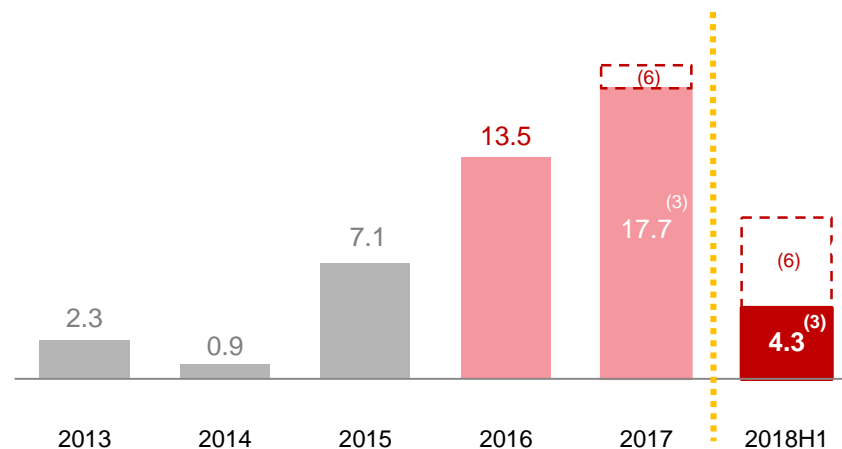
(RMB Billions)



■ Purchases of Land use rights and construction in progress ■ Other Capex
■ Total Capex

Free Cash Flow ⁽⁵⁾

(RMB Billions)



- (1) Adjusted operating cash flow is defined as net cash provided by operating activities, adding back or subtracting the impact from JD Finance related credit products included in the operating cash flow.
- (2) Data for 2016, 2017 and 2018H1 are from continuing operations.
- (3) As required by the new accounting guidance 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.
- (4) Capital expenditures include purchase of property, equipment and software, cash paid for construction in progress, purchase of intangible assets and land use rights.
- (5) Free cash flow is defined as adjusted operating cash flow less capital expenditures.
- (6) 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 of Continuing Operations

Unaudited Selected Financial Data of Continuing Operations ⁽¹⁾ (in RMB Thousands)	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018
Net revenues	75,218,187	93,201,975	83,746,258	110,165,334	100,127,901	122,291,030
Non-GAAP Operating expenses						
Cost of revenues	(64,389,968)	(80,548,598)	(70,756,273)	(95,794,479)	(85,956,178)	(105,762,539)
Fulfillment	(5,032,069)	(6,220,418)	(6,217,479)	(7,805,477)	(7,048,220)	(8,059,949)
Marketing	(2,477,657)	(3,732,024)	(2,954,269)	(4,396,456)	(3,153,105)	(4,903,330)
Technology and content	(1,152,016)	(1,349,385)	(1,550,251)	(1,846,266)	(2,212,871)	(2,465,212)
General and administrative	(529,334)	(564,722)	(584,944)	(707,534)	(672,703)	(746,023)
Non-GAAP Income/(Loss) from operations ⁽²⁾	1,427,512	581,860	1,472,072	(595,848)	848,087	113,248
Non-GAAP net income attributable to ordinary shareholders ⁽²⁾	1,321,935	976,545	2,220,602	449,298	1,047,415	478,137
Non-GAAP operating margin ⁽²⁾	1.9%	0.6%	1.8%	(0.5)%	0.8%	0.1%
Non-GAAP net margin ⁽²⁾	1.8%	1.0%	2.7%	0.4%	1.0%	0.4%
GAAP net margin	0.4%	(0.3)%	1.2%	(0.8)%	1.5%	(1.8)%

(1) All periods are presented to reflect the results of continuing operations after 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 and intangible assets, fair value changes of long-term investments, gain on disposals/revaluation of investments 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	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018
Annual active customer accounts (in millions)	236.5	258.3	266.3	292.5	301.8	313.8
Inventory turnover days ⁽¹⁾ – TTM	36.7	36.3	36.9	38.1	37.2	37.9
Accounts payable turnover days ⁽¹⁾ – TTM	52.3	56.2	58.4	59.1	58.2	60.9
Accounts receivable turnover days ⁽¹⁾ – TTM	1.2	1.2	1.3	1.4	1.6	1.9
Free Cash Flow ⁽²⁾ (RMB billions)	5.6	22.2	(8.4)	(1.7)	(8.8)	13.1

(1) Turnover days on a trailing twelve months basis are the quotient of average inventory, accounts payable, and accounts receivable over five consecutive quarter ends to total cost of revenues (and total net revenues for AR turnover days) for the last twelve months, and then multiplied by 360 days; AP turnover days are for online direct sales business; AR turnover days exclude the impact from JD Baitiao.

(2) Free cash flow is defined as operating cash flow adding back or subtracting the impact from JD Finance related credit products included in the operating cash flow, and less capital expenditures. 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.

Recently Adopted Accounting Standards ⁽¹⁾

■ ***New Financial Instruments Accounting Standard***

- ✓ After the adoption of this new accounting standard, the company will measure its long-term investments other than equity method investments at fair value with gains or losses recorded through the income statements, which could vary significantly from quarter to quarter.
- ✓ The company adopted the new standard using the modified retrospective transition method, and approximately RMB1.2 billion of accumulated other comprehensive income for the available-for-sale equity securities that existed as of December 31, 2017 was reclassified into retained earnings upon the initial adoption. The impact for the three months ended June 30, 2018 was a decrease of approximately RMB2.7 billion in Others, net.

■ ***New Cash Flow Accounting Standard***

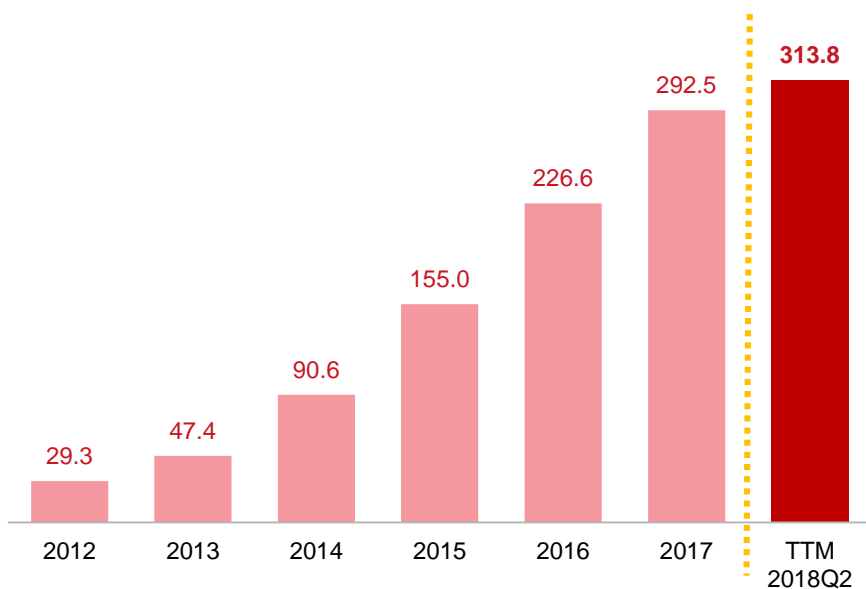
- ✓ After the adoption of this new accounting standard, the consolidated statements of cash flows were retrospectively adjusted to include restricted cash in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

■ ***New Revenue Accounting Standard***

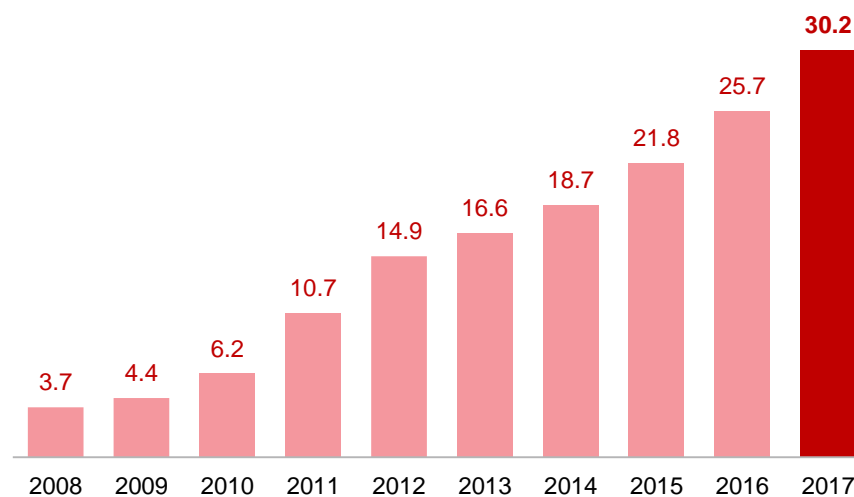
- ✓ Primarily related to unredeemed portion of prepaid cards, from which the company began to recognize revenue from estimated unredeemed prepaid cards over the expected customer redemption period, rather than waiting until prepaid cards expire or when the likelihood of redemption becomes remote.
- ✓ The company adopted the new standard using the modified retrospective transition method with an increase to retained earnings by approximately RMB0.3 billion.

Key Operating Metrics

Active Customer Accounts ⁽¹⁾
(Millions)



Average Number of Purchases by
Active Customer Accounts



Nationwide Logistics Network



Nationwide Warehouse Network & Last-mile Reach

Rapid Expansion & Best-in-Class Fulfillment Capabilities



Fulfillment Centers

7 cities

Front Distribution Centers

27 cities

Warehouses

521 warehouses

GFA

~ 11.6 million sq.m.

Self-built Mega Warehouses

14 projects in **9** cities

Geographic Coverage

Almost all counties & districts in China

Provides best-in-class customer experience.

AI and Data Driven Advertising

Technology

Deep Learning
Recommendation
Search Ads

Reinforcement
Learning Media Buy

Publisher Data
Integration

Deep Learning Smart
Targeting

AI Powered Fully-
Automated Advertising

AI Powered Ad
Creative Generation

AI Powered Ad
Creative Auditing

AI Powered Smart
Bidding

Data Input (JDX)



Tencent 腾讯



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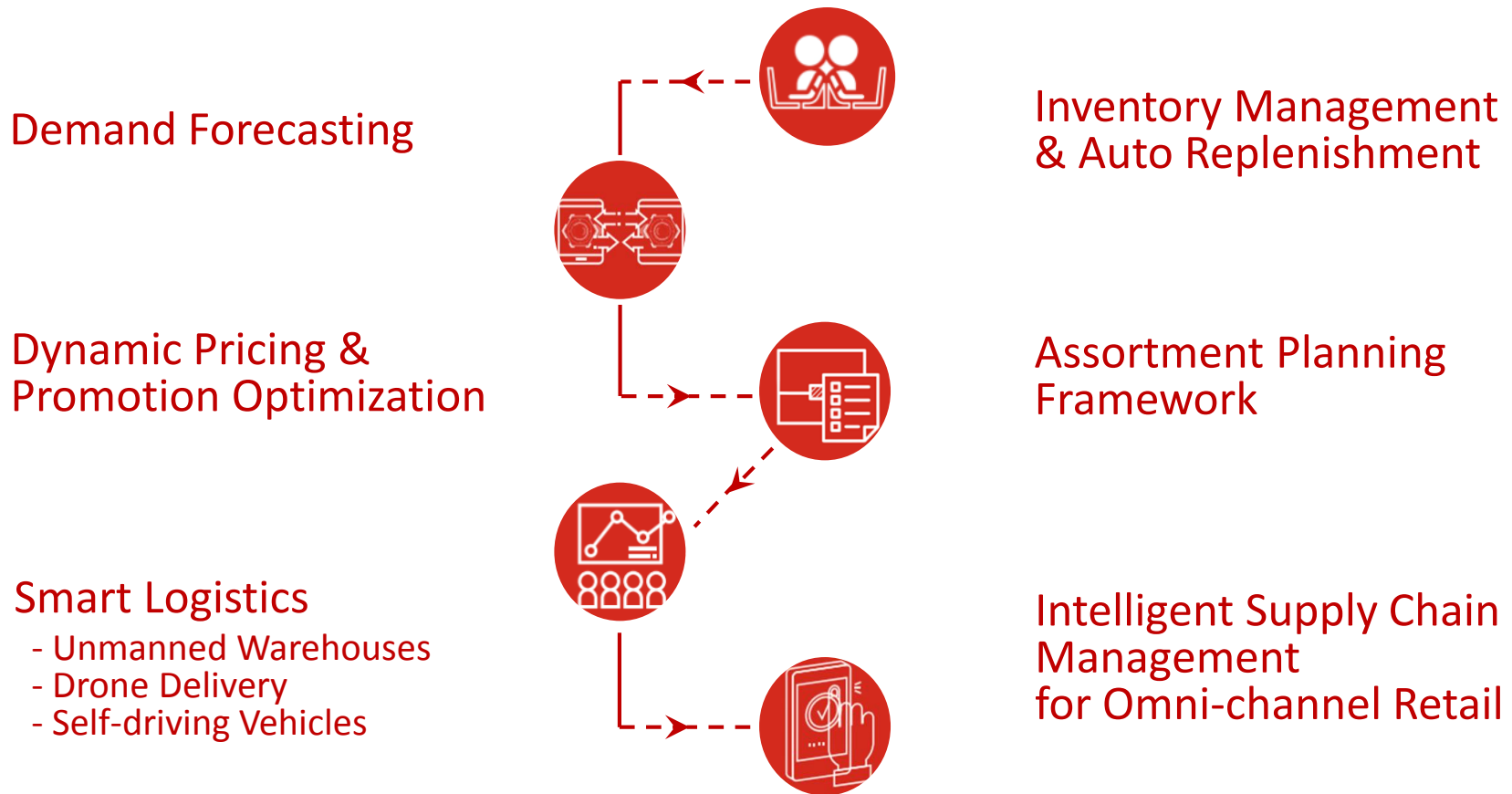
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Product Lines

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Intelligent Supply Chain Management



Powered by

Big Data

Blockchain

IoT

Natural Language
Processing
& Understanding

Image & Vision
Recognition

Machine Learning
Deep Learning

Robotics



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