

# JD.com, Inc.

## *Financial and Operational Highlights*

May 2018



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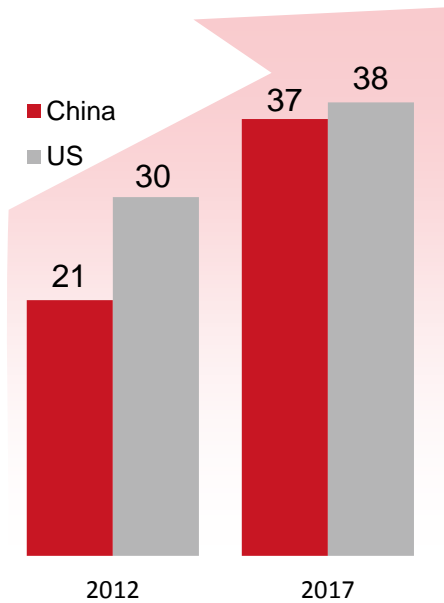
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# Fragmented Retail Market & Rapid Shift to Online

Robust Growth  
in China Retail ...

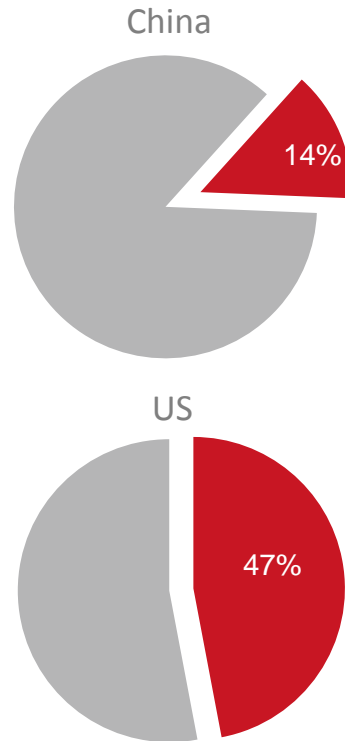
China Total Retail  
Market Size <sup>(1)</sup>  
(RMB Trillions)

**11.3%**  
2012 –17 CAGR



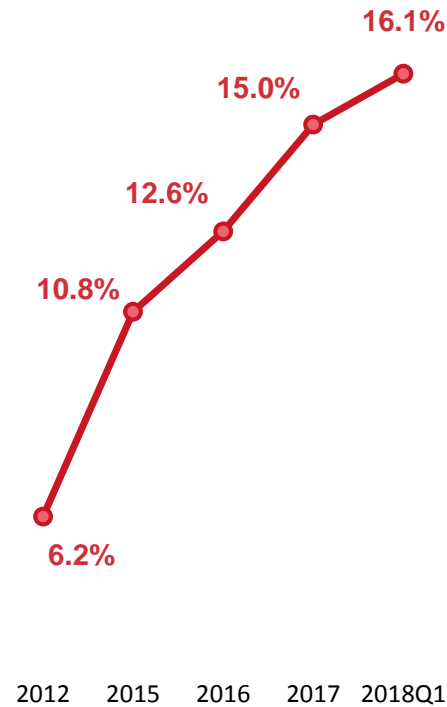
... Yet Highly  
Fragmented ...

Top 20 Retailers'  
Market Concentration in 2017 <sup>(2)</sup>



... With Increasing  
Online Penetration ...

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

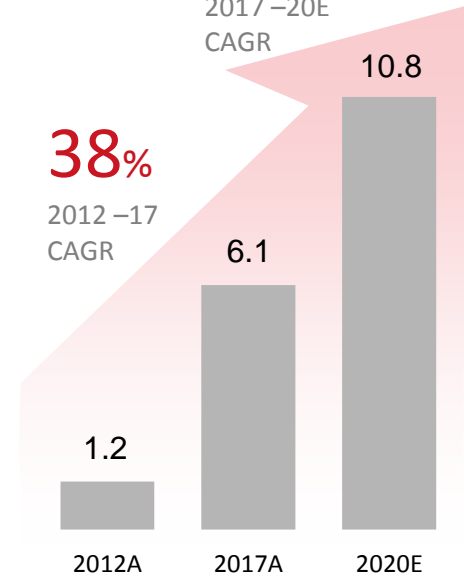


... Leading to Significant  
Online Growth

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

**21%**  
2017 –20E  
CAGR

**38%**  
2012 –17  
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 6.5063 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.

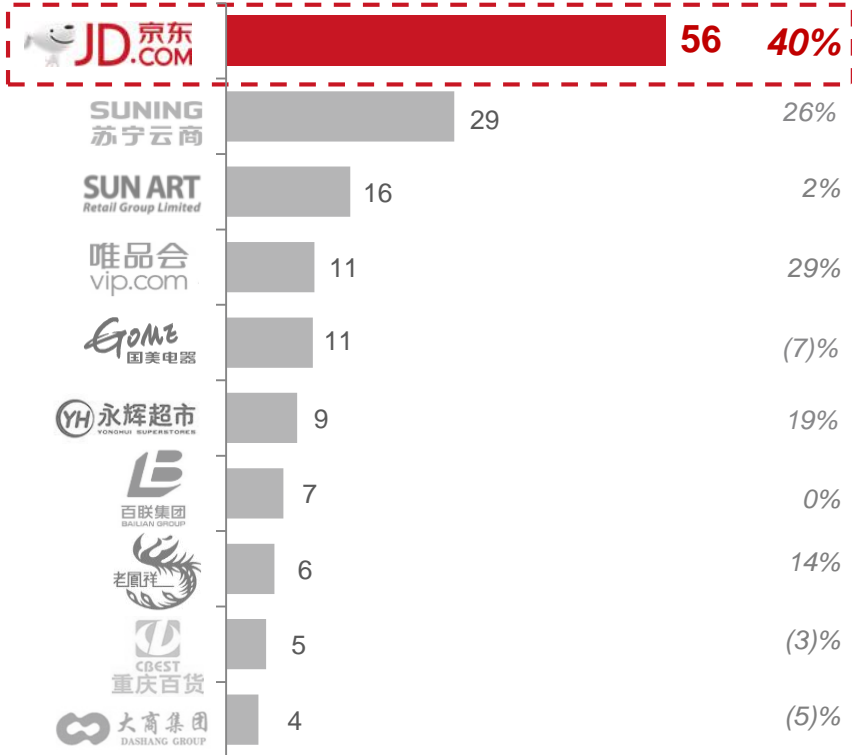
# Larger Growth Potential and Smaller Competitors (vs. US Market)

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



(Net Revenue in US\$ bn)

YoY Growth

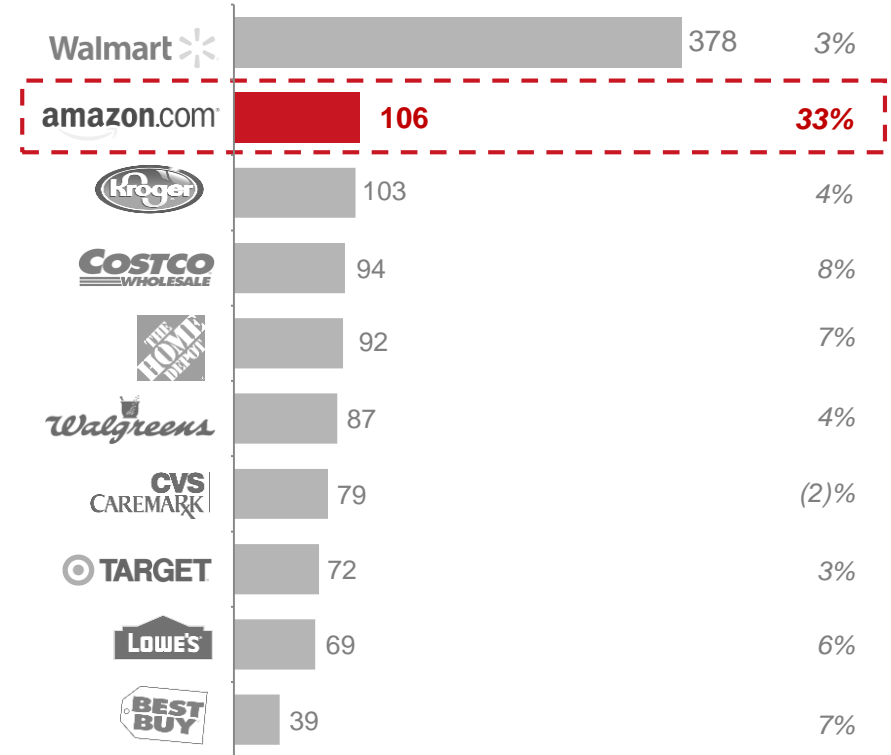


## Top 10 Listed Retailers in US <sup>(2)</sup>



(Net Retail Sales in US\$ bn)

YoY Growth



**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 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.

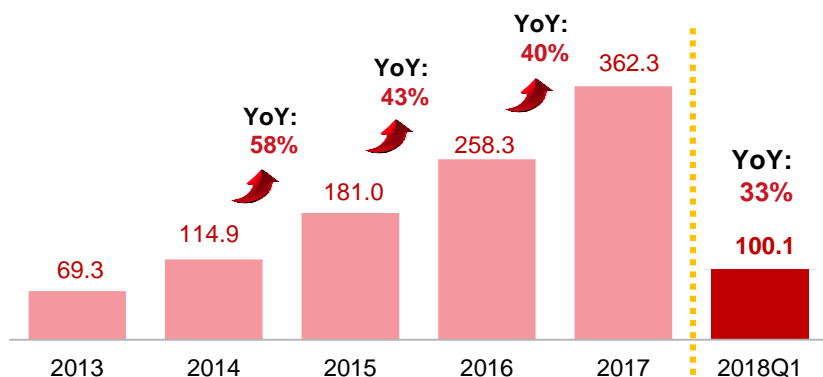
# Financial and Operational Highlights



# Growth Momentum and Margin Expansion

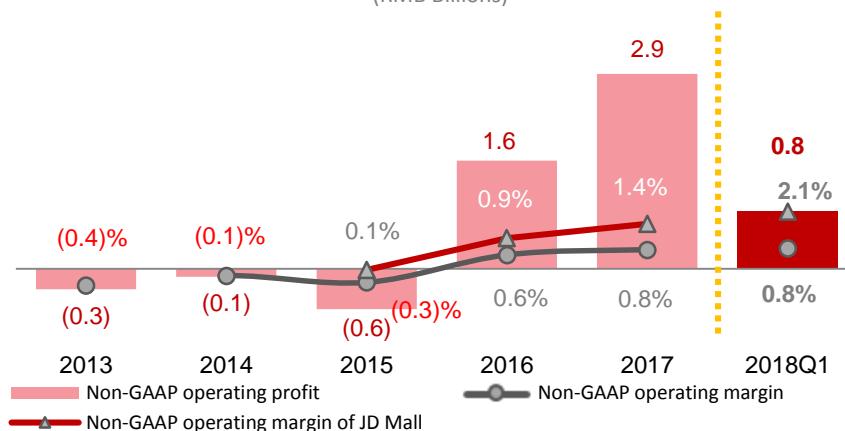
## Net Revenues

(RMB Billions)



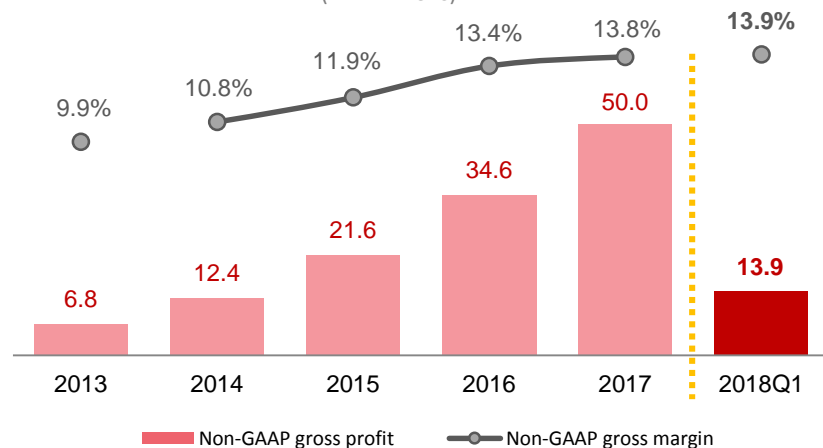
## Non-GAAP Income/(Loss) from Operations <sup>(1)</sup>

(RMB Billions)



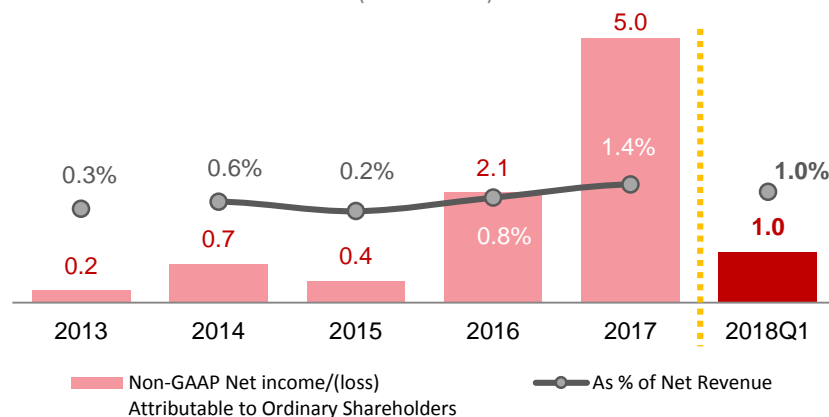
## Non-GAAP Gross Profit <sup>(1)</sup>

(RMB Billions)



## Non-GAAP Net Income/(Loss) Attributable to Ordinary Shareholders <sup>(1)</sup>

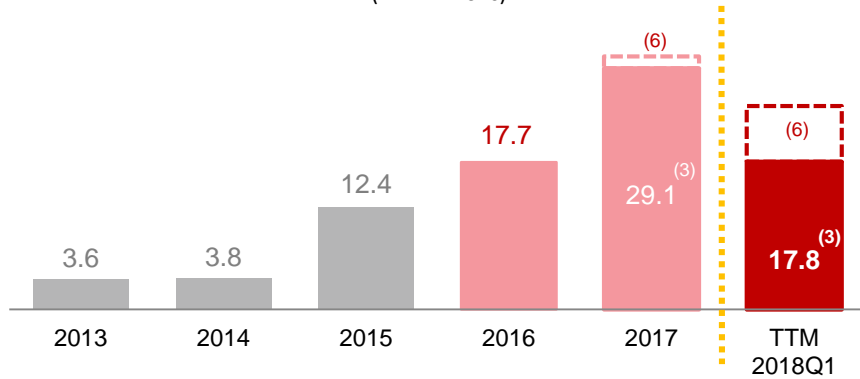
(RMB Billions)



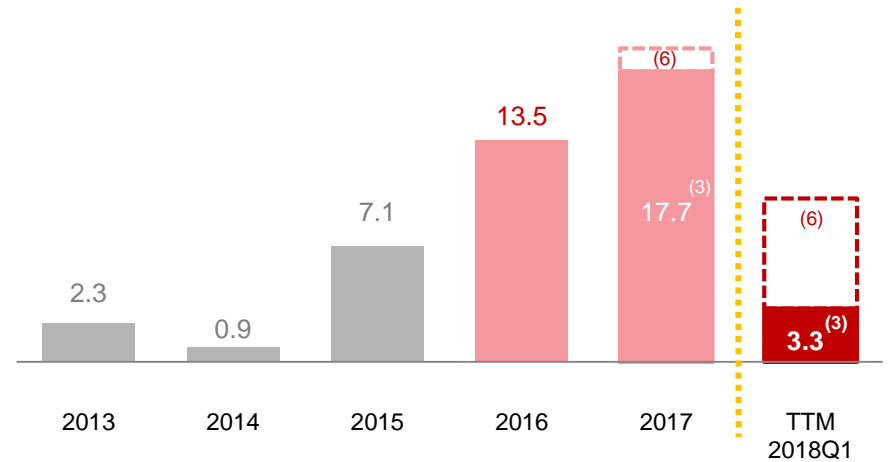
(1) Non-GAAP adjustment items include revenue from business cooperation arrangements with equity investees, share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, impairment of goodwill and intangible assets, fair value changes of long-term investments,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

# Cash Flow Generation

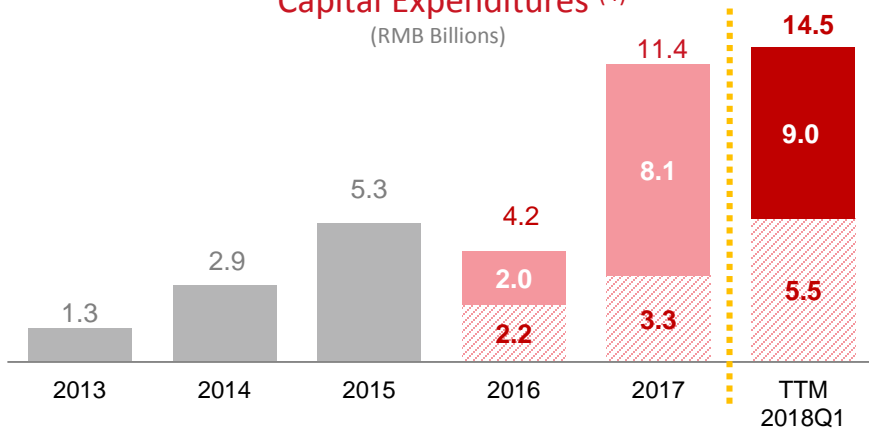
Adjusted Operating Cash Flow <sup>(1)</sup>  
(RMB Billions)



Free Cash Flow <sup>(5)</sup>  
(RMB Billions)



Capital Expenditures <sup>(4)</sup>  
(RMB Billions)



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

(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 TTM2018Q1 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 <sup>(1)</sup> (in RMB Thousands)	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018
<b>Net revenues</b>	<b>75,218,187</b>	<b>93,201,975</b>	<b>83,746,258</b>	<b>110,165,334</b>	<b>100,127,901</b>
<b>Non-GAAP Operating expenses</b>					
Cost of revenues	(64,389,968)	(80,548,598)	(70,756,273)	(95,794,479)	(85,956,178)
Fulfillment	(5,032,069)	(6,220,418)	(6,217,479)	(7,805,477)	(7,048,220)
Marketing	(2,477,657)	(3,732,024)	(2,954,269)	(4,396,456)	(3,153,105)
Technology and content	(1,152,016)	(1,349,385)	(1,550,251)	(1,846,266)	(2,212,871)
General and administrative	(529,334)	(564,722)	(584,944)	(707,534)	(672,703)
<b>Non-GAAP Income/(Loss) from operations <sup>(2)</sup></b>	<b>1,427,512</b>	<b>581,860</b>	<b>1,472,072</b>	<b>(595,848)</b>	<b>848,087</b>
<b>Non-GAAP net income attributable to ordinary shareholders <sup>(2)</sup></b>	<b>1,321,935</b>	<b>976,545</b>	<b>2,220,602</b>	<b>449,298</b>	<b>1,047,415</b>
<b>Non-GAAP operating margin <sup>(2)</sup></b>	<b>1.9%</b>	<b>0.6%</b>	<b>1.8%</b>	<b>(0.5)%</b>	<b>0.8%</b>
<b>Non-GAAP net margin <sup>(2)</sup></b>	<b>1.8%</b>	<b>1.0%</b>	<b>2.7%</b>	<b>0.4%</b>	<b>1.0%</b>
<b>GAAP net margin</b>	<b>0.4%</b>	<b>(0.3)%</b>	<b>1.2%</b>	<b>(0.8)%</b>	<b>1.5%</b>

(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, 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
Annual active customer accounts (in millions)	236.5	258.3	266.3	292.5	301.8
Inventory turnover days <sup>(1)</sup> – TTM	36.7	36.3	36.9	38.1	37.2
Accounts payable turnover days <sup>(1)</sup> – TTM	52.3	56.2	58.4	59.1	58.2
Accounts receivable turnover days <sup>(1)</sup> – TTM	1.2	1.2	1.3	1.4	1.6
Free Cash Flow <sup>(2)</sup> – TTM (in RMB billions)	17.8	31.0	17.1	17.7	3.3

(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. The impact of the retrospective reclassification on free cash flows for TTM Q1 2017, TTM Q2 2017, TTM Q3 2017, TTM Q4 2017 and TTM Q1 2018 was an increase of RMB0.5 billion, RMB2.1 billion, RMB2.5 billion, RMB2.0 billion and RMB0.4 billion, respectively.

# Recently Adopted Accounting Standards <sup>(1)</sup>

## ■ ***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 March 31, 2018 was an increase of approximately RMB1.6 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.
- ✓ The impact of the retrospective reclassification on cash flows of operating activities and investing activities for the three months ended March 31, 2017 was an increase of RMB83 million and RMB1,104 million, respectively. The impact on free cash flows for TTM Q1 2017, TTM Q2 2017, TTM Q3 2017, TTM Q4 2017 and TTM Q1 2018 was an increase of RMB0.5 billion, RMB2.1 billion, RMB2.5 billion, RMB2.0 billion and RMB0.4 billion, respectively.
- ✓ The impact on cash flows of operating activities and investing activities for the three months ended March 31, 2018 was a decrease of RMB1,538 million and an increase of RMB161 million, respectively.

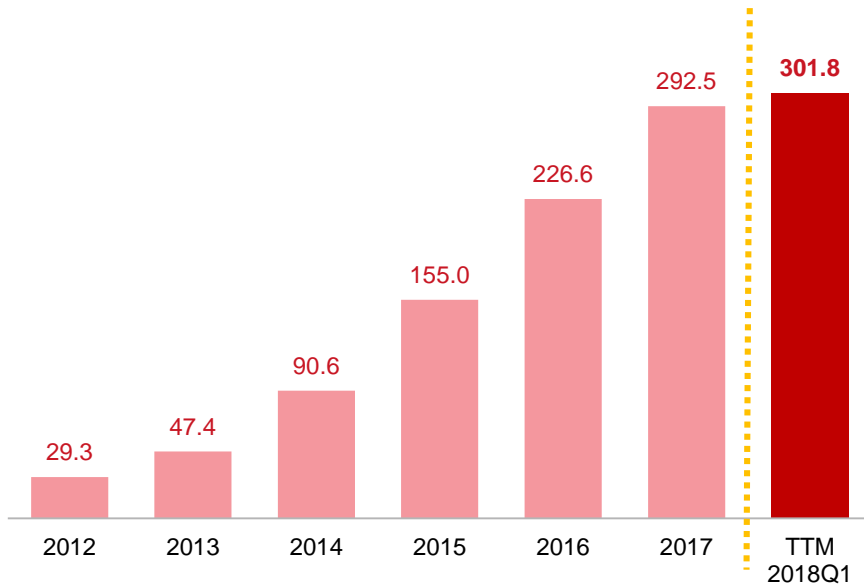
## ■ ***New Revenue Accounting Standard***

- ✓ 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. The impact for the three months ended March 31, 2018 was an increase in net product revenues of approximately RMB32 million.

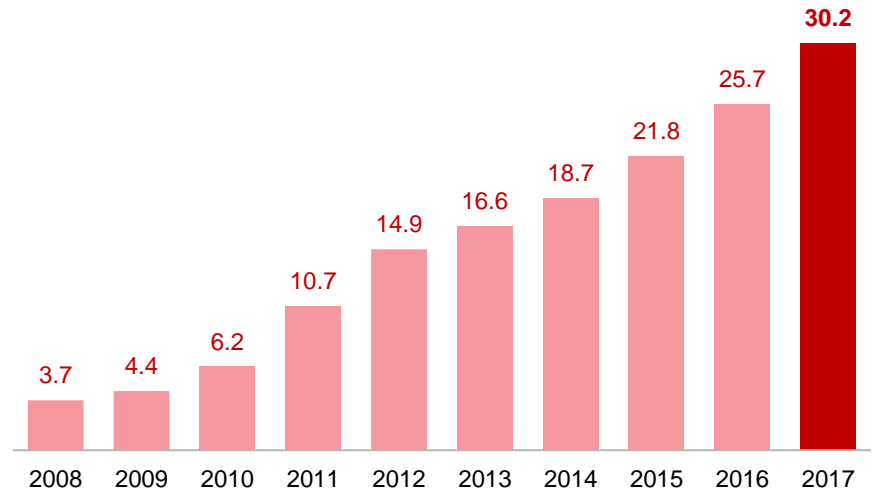
# Key Operating Metrics

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

(Millions)



## Average Number of Purchases by Active Customer Accounts in 2008





# 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



京东快车



品牌聚效



品牌展位

京挑客

京东直投

京东无线通

## Advertisers

### JD.com

- Brands
- Suppliers
- Merchants

### External Clients

- Finance
- Travel
- Education
- Automotive

## Media

- JD.com
- JDX Strategic Partnership Publishers
- External Publishers Video, News, etc.

Infrastructure

Product Lines

Advertisement

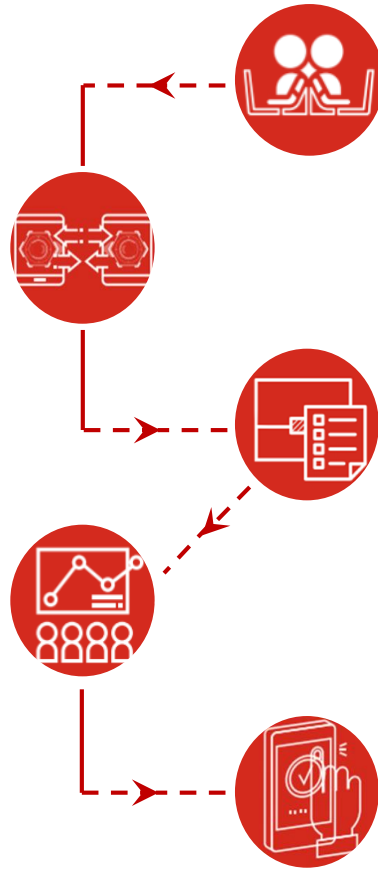
# Intelligent Supply Chain Management

Demand Forecasting

Dynamic Pricing & Promotion Optimization

Smart Logistics

- Unmanned Warehouses
- Drone Delivery
- Self-driving Vehicles



Inventory Management & Auto Replenishment

Assortment Planning Framework

Intelligent Supply Chain Management for Omni-channel Retail

**Powered by**

Big Data

Blockchain

IoT

Natural Language Processing & Understanding

Image & Vision Recognition

Machine Learning Deep Learning

Robotics



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