

JD.com, Inc.

Financial and Operational Highlights

November 2018



JD.COM



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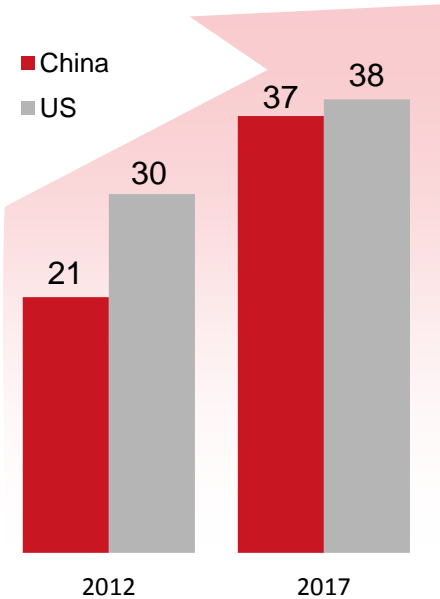
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Fragmented Retail Market & Rapid Shift to Online

Robust Growth in China Retail ...

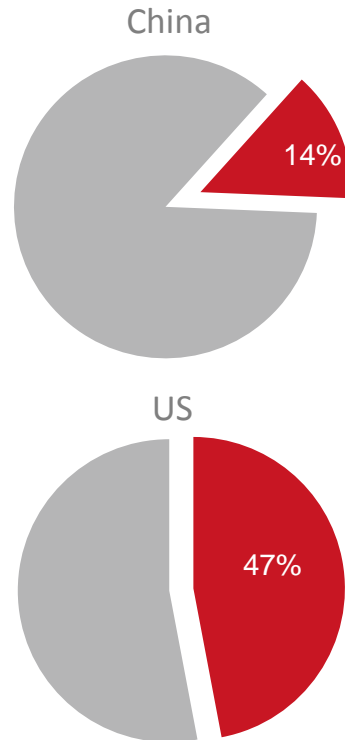
China Total Retail
Market Size ⁽¹⁾
(RMB Trillions)

11.3%
2012 –17 CAGR



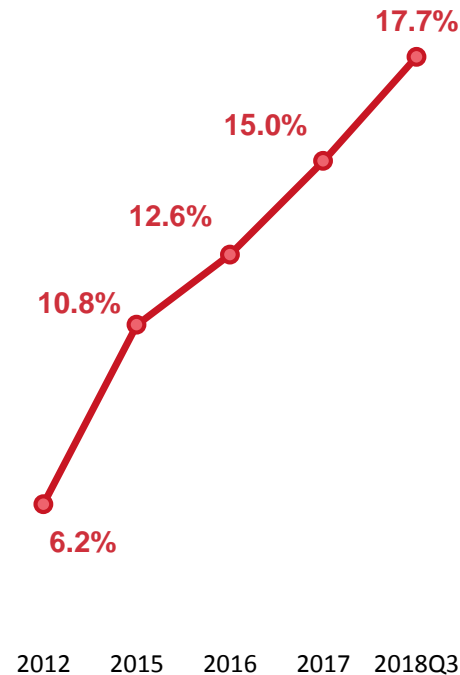
... Yet Highly Fragmented ...

Top 20 Retailers'
Market Concentration in 2017 ⁽²⁾



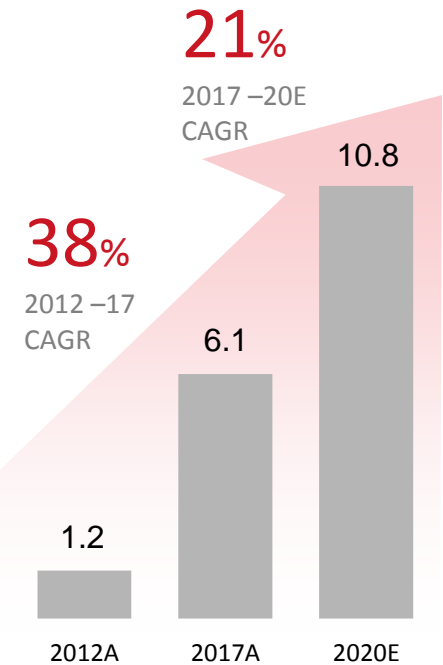
... With Increasing Online Penetration ...

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.

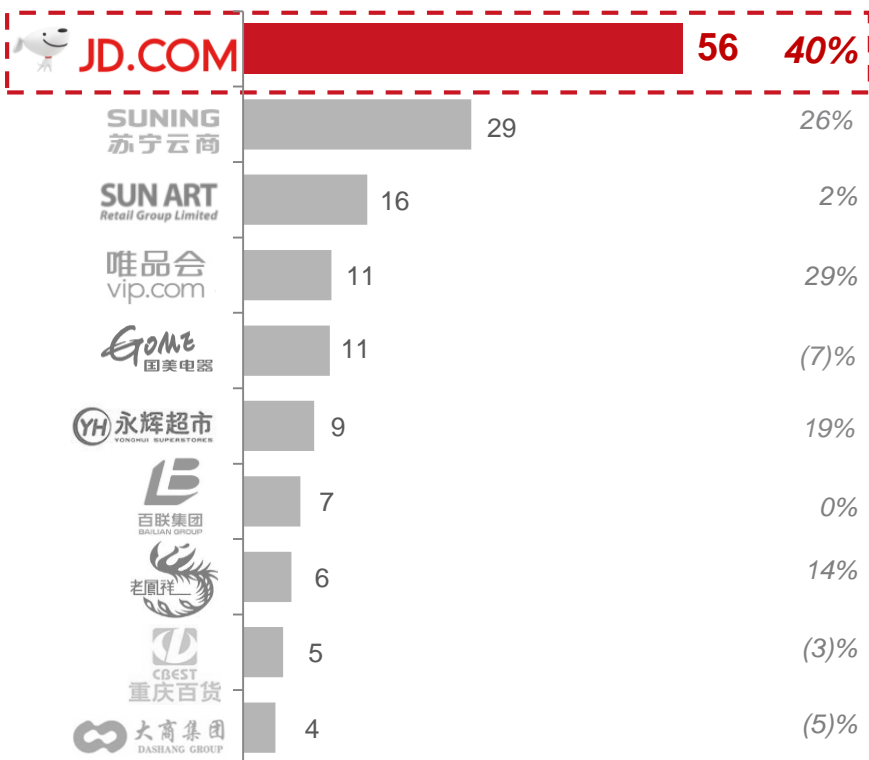
Larger Growth Potential and Smaller Competitors (vs. US Market)

Top 10 Listed Retailers in China ⁽¹⁾



(Net Revenue in US\$ bn)

YoY
Growth

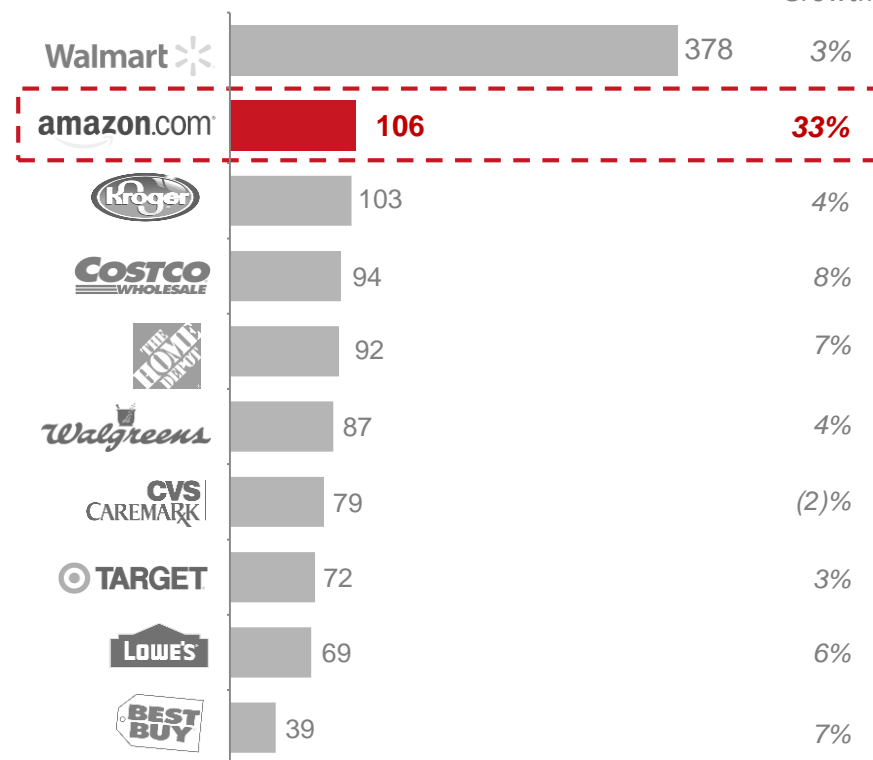


Top 10 Listed Retailers in US ⁽²⁾



(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 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.

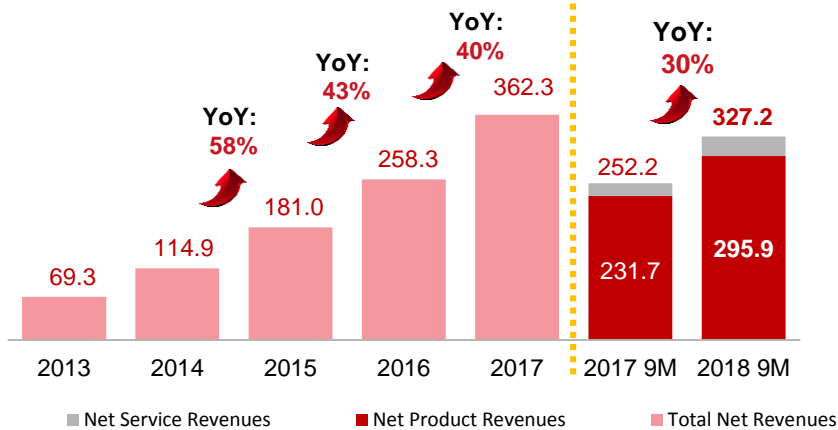
Financial and Operational Highlights



Strong Growth Momentum and Margin Expansion

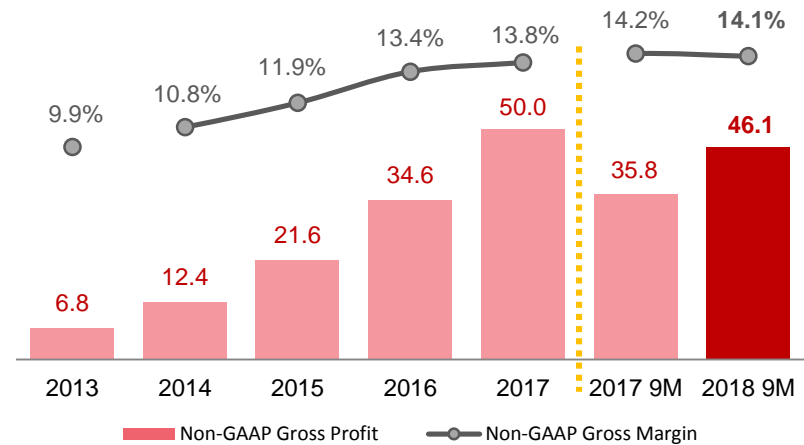
Net Revenues

(RMB Billions)

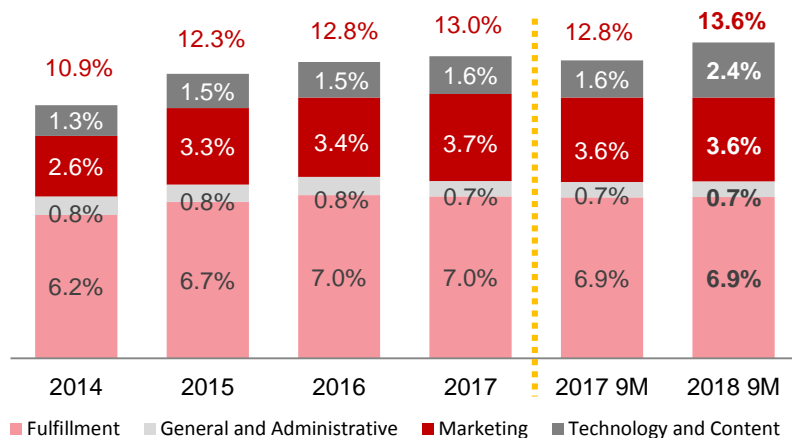


Non-GAAP Gross Profit

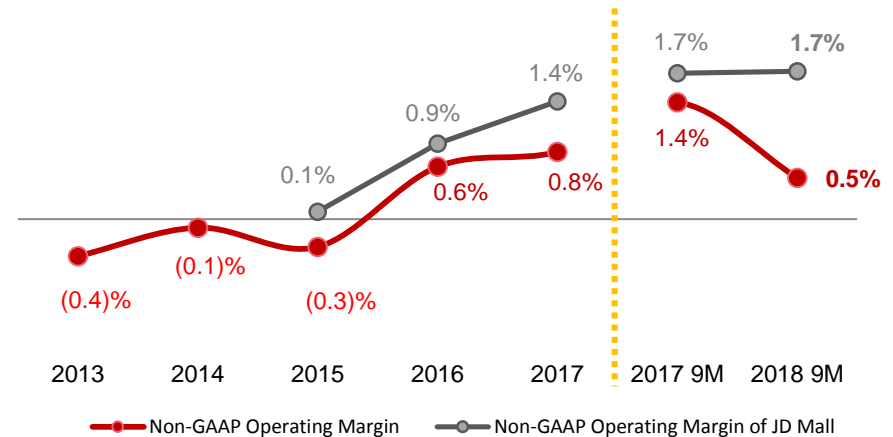
(RMB Billions)



Non-GAAP Operating Expenses



Non-GAAP Operating Margin

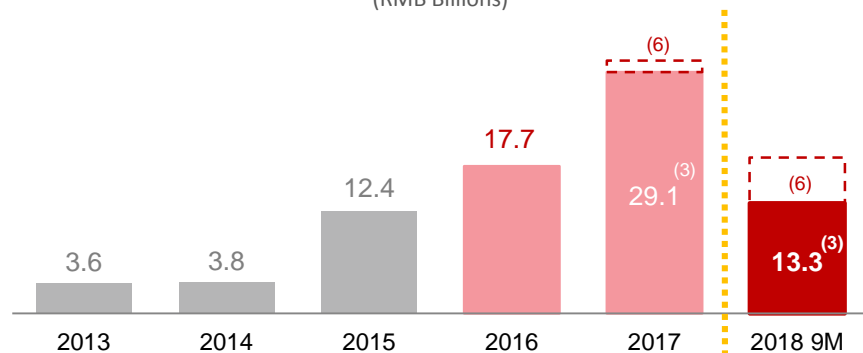


(1) Non-GAAP adjustment items include revenue from business cooperation arrangements with equity investees, share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, impairment of goodwill and intangible assets, fair value changes of long-term investments,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

Robust Cash Flow Generation

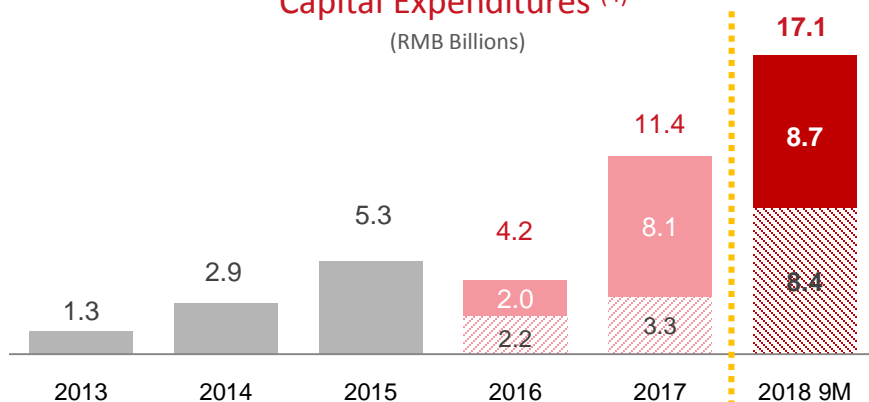
Adjusted Operating Cash Flow ⁽¹⁾

(RMB Billions)



Capital Expenditures ⁽⁴⁾

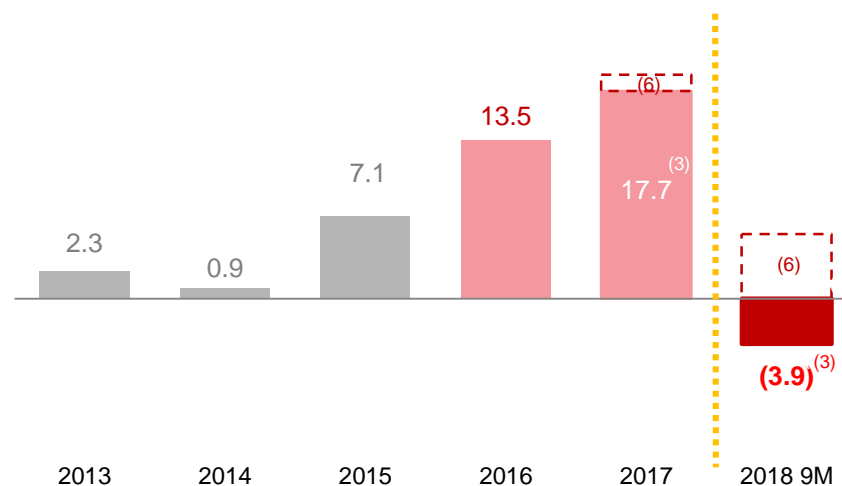
(RMB Billions)



■ 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 2018 9M 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.



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Unaudited Selected Financial Data of Continuing Operations

Unaudited Selected Financial Data of Continuing Operations ⁽¹⁾ (in RMB Thousands)	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018	3Q2018
Net revenues	75,218,187	93,201,975	83,746,258	110,165,334	100,127,901	122,291,030	104,768,279
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)	(88,638,716)
Fulfillment	(5,032,069)	(6,220,418)	(6,217,479)	(7,805,477)	(7,048,220)	(8,059,949)	(7,591,198)
Marketing	(2,477,657)	(3,732,024)	(2,954,269)	(4,396,456)	(3,153,105)	(4,903,330)	(3,768,095)
Technology and content	(1,152,016)	(1,349,385)	(1,550,251)	(1,846,266)	(2,212,871)	(2,465,212)	(3,076,877)
General and administrative	(529,334)	(564,722)	(584,944)	(707,534)	(672,703)	(746,023)	(814,011)
Non-GAAP Income/(Loss) from operations ⁽²⁾	1,427,512	581,860	1,472,072	(595,848)	848,087	113,248	638,251
Non-GAAP net income attributable to ordinary shareholders ⁽²⁾	1,321,935	976,545	2,220,602	449,298	1,047,415	478,137	1,184,318
Non-GAAP operating margin ⁽²⁾	1.9%	0.6%	1.8%	(0.5)%	0.8%	0.1%	0.6%
Non-GAAP net margin ⁽²⁾	1.8%	1.0%	2.7%	0.4%	1.0%	0.4%	1.1%
GAAP net margin	0.4%	(0.3)%	1.2%	(0.8)%	1.5%	(1.8)%	2.9%

(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

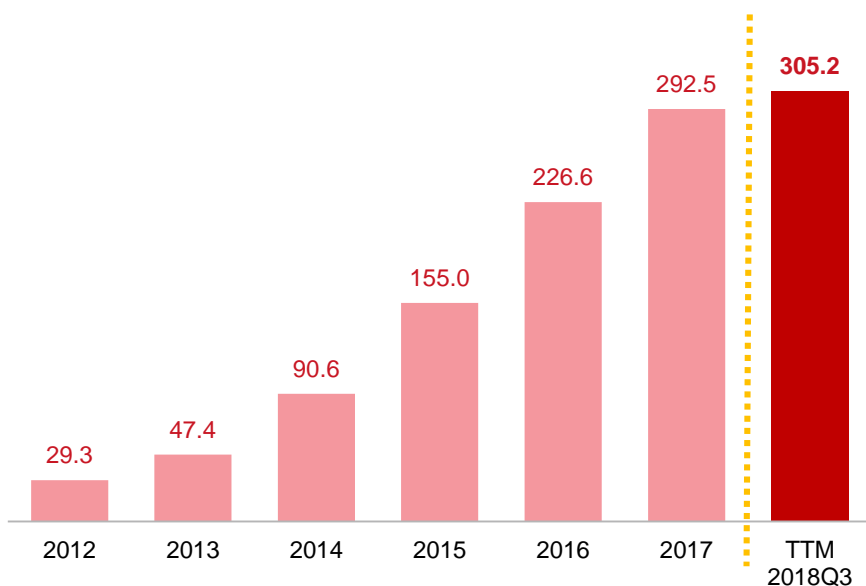
Supplemental Information	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018	3Q2018
Annual active customer accounts (in millions)	236.5	258.3	266.3	292.5	301.8	313.8	305.2
Inventory turnover days ⁽¹⁾ – TTM	36.7	36.3	36.9	38.1	37.2	37.9	37.8
Accounts payable turnover days ⁽¹⁾ – TTM	52.3	56.2	58.4	59.1	58.2	60.9	59.7
Accounts receivable turnover days ⁽¹⁾ – TTM	1.2	1.2	1.3	1.4	1.6	1.9	2.3
Free Cash Flow ⁽²⁾ (RMB billions)	5.6	22.2	(8.4)	(1.7)	(8.8)	13.1	(8.2)

(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.

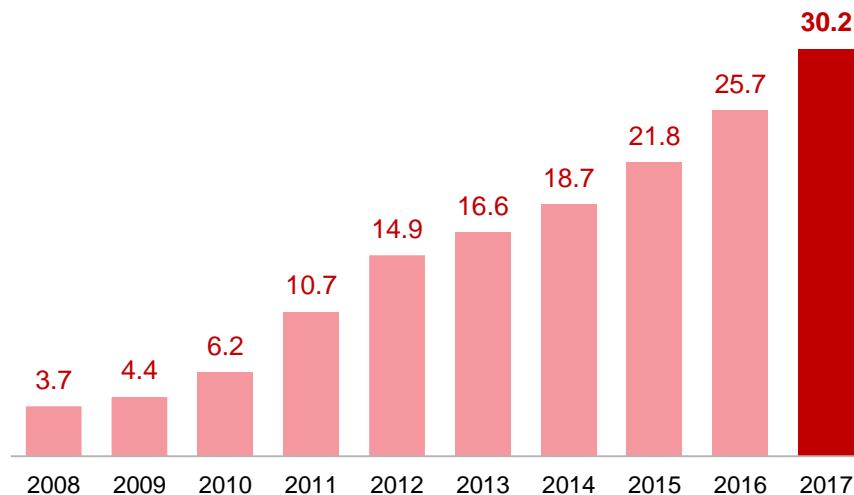
(2) Free cash flow is defined as operating cash flow adding back or subtracting the impact from JD Finance related credit products included in the operating cash flow, and less capital expenditures. As required by the new accounting standard adopted on January 1, 2018, the consolidated statements of 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.

Key Operating Metrics

Active Customer Accounts ⁽¹⁾
(Millions)



Average Number of Purchases by Same Group of
Active Customer Accounts in 2008



Superior Services through Nationwide Logistics Network



Nationwide Warehouse Network & Last-mile Reach

Rapid Expansion & Best-in-Class Fulfillment Capabilities



Fulfillment Centers

7 cities

Front Distribution Centers

28 cities

Warehouses

550+ warehouses

GFA

~ 11.9 million sq.m.

Self-built Mega Warehouses

15 projects in **10** cities

Geographic Coverage

Almost all counties & districts in China

Provide 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)

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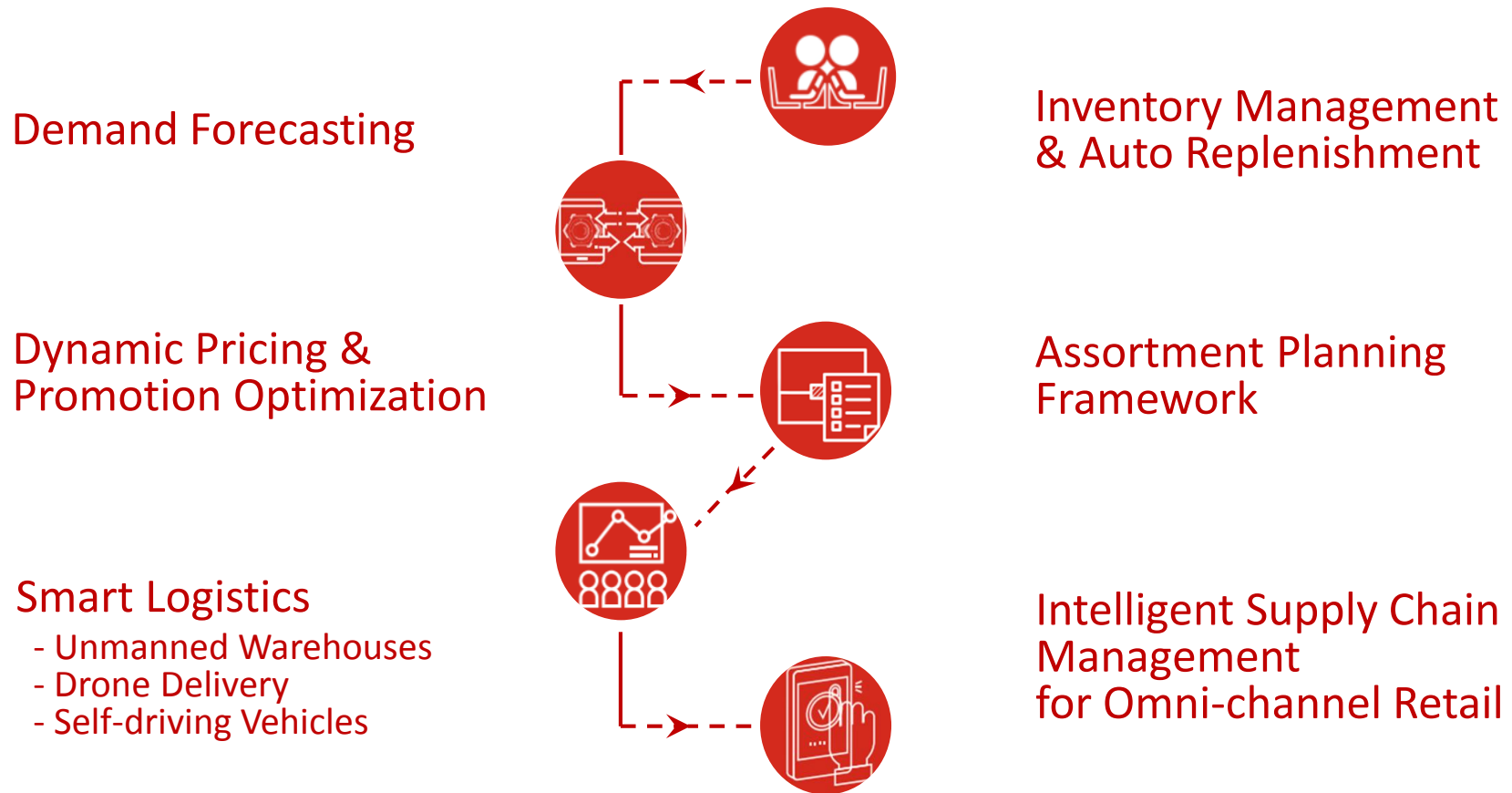
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