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VF Invest

JD.com: In our view, a good opportunity for a repurchase!

Before we dive into the current situation with JD.com and Chinese stocks, you should make a personal decision: Am I fundamentally willing to accept the risk that inevitably comes with buying Chinese stocks?

The Risk Is Known:

Geopolitical crises are not fully predictable in their extent, and we do not want to give the impression of understanding the world better than others. The biggest risk with these stocks is not the economic fluctuations; these create opportunities for the long-term investor. Instead, it is the potential non-tradability due to reaching escalation levels, which we believe are far away. Any escalating aggression between China, the USA, and Europe, in any configuration, has NO winner, at least not now. Even within a progressing deglobalization, currently slowing down again, we are at least ten years (probably more) away from a complete disentanglement of economic relations.

JD.com Valued Favorably:

JD is valued at four times the 2023 EBITDA of $5.75 billion and 3.5 times the 2024 EBITDA consensus of $6.79 billion. EBITDA is a measure of operating profit. On a P/E basis, it is traded at ten times the estimated earnings per share. Based on the consensus forecast for 2024, it is even traded at an 8.5 P/E. Revenue is expected to grow by almost five percent in 2023 and ten percent in 2024. Based on growth, JD.com can be roughly compared to Alphabet or Microsoft, and in terms of business, most closely to Amazon.com (although JD has the logistics that Amazon would like to have and is currently expanding). However, their valuations are incomparable. Amazon is granted about six to ten times higher multiples, and Alphabet or Microsoft about four to six times higher. And please don't think we are talking about different weight classes: Microsoft generated a revenue of $198 billion in 2022, Amazon $514 billion, JD.com $152 billion.

Why We're Repurchasing:

For example, Microsoft's cash flow is currently ten times higher than JD.com's, justifying a higher valuation. But compared to Microsoft, JD.com is a dwarf; we are talking about a 62 times higher enterprise valuation for Microsoft. From our perspective, JD.com is currently undervalued, and the negative factors are being excessively priced in. Unless you fundamentally object to buying Chinese stocks, as a long-term investor, you should take advantage of this situation. The China exposure in the LTP has significantly decreased. We don't want to increase it to avoid raising the risk excessively, but we want to keep it roughly constant. So, we are happy to repurchase JD.com at this level.

Long-Term Portfolio: JD.com

JD.com In Our Stock Check:

Profit Growth:	Dynamics fit, but challenges exist	+ -
Debt:	Adequate	+
P/E Ratio Evaluation:	P/E ratio of about 10, the stock is no longer expensive	+
Industry Outlook:	Intense competition, high potential	+ -
Technical Analysis:	Negative, at multi-year lows	-
Market Leader:	Only in certain areas	+ -
Management Quality:	Setting the right course	+
Dividend Yield:	Fluctuating, normal for a growth stock	+ -
Business Model:	Very good, convinces us	+
Insider Buys/Sells:	No abnormalities	+

JD in USD (40 months)

JD.com [JD.com https://ir.jd.com/](https://ir.jd.com/)

ISIN	KYG8208B1014
Current Price	$24.92
Market Capitalization	$39.53 billion
Profit Growth 2020 to 2024e	+233.3%
Dividend 2023e	$0.00
Dividend Yield 2023e	0.0%
Earnings Per Share 2023e	$1.25
P/E Ratio 2023e	10.1

Buy-Order

ISIN	KYG8208B1014
Transaction	Buy
Exchange	NYSE
Quantity	40
Current Price	$24.92
Buy-Limit	$25.50

Our conclusion: For Chinese stocks in general and JD.com in particular, times are currently challenging. However, as long-term investors, we see this positively because the price weakness presents good opportunities for a repurchase – especially as the company, besides an attractive valuation, continues to offer good growth prospects.