

China Internet Sector

Ecommerce growth stabilization in line

2021 Oct online retail sales stabilized at +9.5% YoY, largely in line. By category, home appliances/ communication devices performed well, accelerating to +10%/+35% YoY (vs. +7%/+23% YoY in Sep), while food and apparel sales are still under pressure. Based on recent "11.11" performance in our previous report, we expect Nov online sales growth to keep stable ahead. By platform, JD strong momentum would continue into 4Q21E, backed by solid 3C & appliances and eye-catching "11.11" growth. BABA CMR was estimated to see high-single-digit growth in 4Q21E, given mild food and apparel sales. We expect ecommerce to bottom out in 3Q21E, and FY22E would see sector margin to slightly improve.

- What's new?** NBS published 2021 Oct online retail sales yesterday, with online retail sales of goods +9.5% YoY in Oct (vs. +10.1% YoY in Sep). Online physical goods sales grew 10.3% YoY in Oct (vs. 10.1% in Sep). Parcel delivery in Oct accelerated to +20.8% YoY (vs. 16.8% in Sep), according to SPB. By category, food /consumables /apparel online sales +19%/+14.3%/+14.1% YoY in 10M21 (vs. +20%/+14%/+15.6% YoY in Sep), while home appliances/ communication devices accelerated to +10%/+35% YoY (vs. +7%/+23% YoY in Sep).
- Oct growth largely in-line.** We view Oct ecommerce growth stabilization as largely in line, backed by the warming up of "11.11" promotion and resilient consumables, 3C & appliances. Based on recent "11.11" data in our previous report, we expect Nov online sales growth to keep stable ahead.
- JD strong momentum to continue, while BABA moderate on CMR.** By platform, BABA was estimated to see high-single-digit growth in 4Q21E, given food and apparel sales still under pressure. JD would outperform given strong 3C & appliances momentum (e.g. iPhone 13 sales) and eye-catching "11.11" growth (+29% YoY). Looking ahead, we expect China ecommerce GMV +16% YoY in FY22E, in which PDD, JD and STV continue to gain share. Additionally, we see high visibility for ecommerce sector to deliver slight margin improvement in FY22E, backed by operating leverage & narrowing loss of new biz to offset continuous social responsibility cost.

Valuation Table

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS		
							FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
China Internet Giants												
Tencent	700 HK	579,888	HKD	470	BUY	640	27.7	22.9	19.0	6.4	5.4	4.6
Alibaba	BABA US	446,731	USD	165	BUY	255	18.1	15.2	12.4	3.1	2.6	2.2
Baidu	BIDU US	56,587	USD	163	BUY	248	18.9	15.6	12.2	2.9	2.5	2.2
JD	JD US	125,187	USD	80	NA	NA	58.2	38.4	24.4	0.8	0.7	0.6
Meituan	3690 HK	221,138	HKD	281	BUY	383	NA	NA	81.8	7.8	5.6	4.3
Pinduoduo	PDD US	108,623	USD	87	BUY	175	NA	74.5	32.2	6.4	4.5	3.4
NetEase	NTES US	67,957	USD	101	BUY	120	24.2	20.8	17.8	5.0	4.3	3.8
Didi	DIDI US	39,744	USD	8	NA	NA	75.9	NA	52.7	1.3	1.1	0.9
Kuaishou	1024 HK	51,516	HKD	96	BUY	110	NA	NA	NA	4.1	3.0	2.3
Average							29.4	22.6	19.7	4.2	3.3	2.7
E-commerce												
Alibaba	BABA US	446,731	USD	165	BUY	255	18.1	15.2	12.4	3.1	2.6	2.2
JD	JD US	125,187	USD	80	NA	NA	58.2	38.4	24.4	0.8	0.7	0.6
Pinduoduo	PDD US	108,623	USD	87	BUY	175	NA	74.5	32.2	6.4	4.5	3.4
Meituan	3690 HK	221,138	HKD	281	BUY	383	NA	NA	81.8	7.8	5.6	4.3
Vipshop	VIPS US	7,607	USD	11	NA	NA	7.6	6.8	5.8	0.4	0.4	0.3
Yatsen	YSG US	1,800	USD	3	NA	NA	NA	NA	NA	1.6	1.2	0.8
Baozun	BZUN US	1,340	USD	17	BUY	28	19.4	13.5	9.7	0.9	0.7	0.6
Average							25.8	18.5	16.9	3.0	2.2	1.8

Source: Company data, CMBIS estimates

OUTPERFORM
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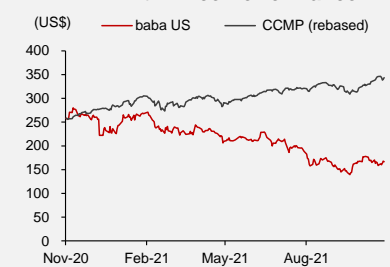
China Internet Sector

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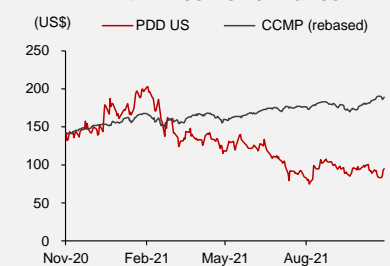
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BABA: 12-mth Price Performance



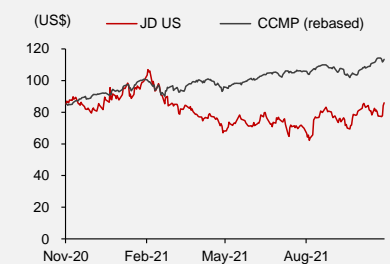
Source: Bloomberg

PDD: 12-mth Price Performance



Source: Bloomberg

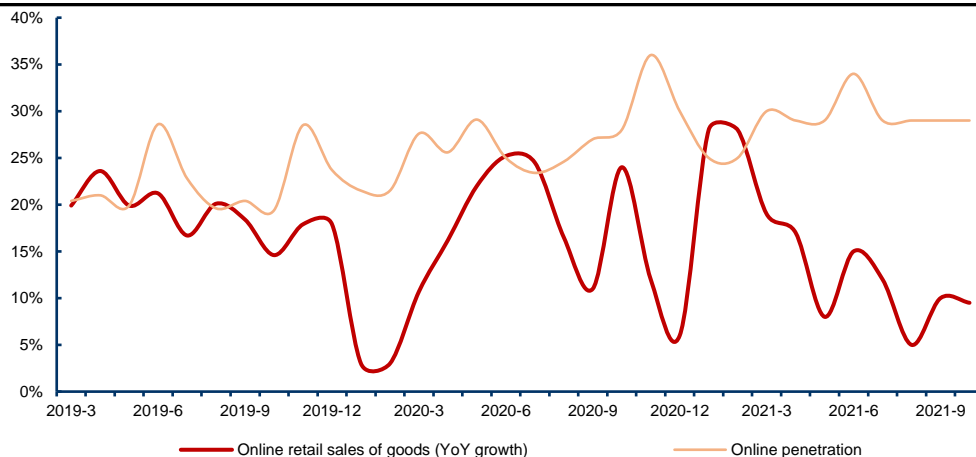
JD: 12-mth Price Performance



Source: Bloomberg

Related Reports

- China Internet: 2021 "11.11": Heading into high-quality growth – 15 Nov 2021
- China Internet: Embracing a new normal of regulation – 8 Nov 2021
- Alibaba 2QFY22E Preview: Prudent on CMR momentum – 5 Oct 2021

Figure 1: Online retail sales growth stable at +10% YoY in Oct 2021


Source: NBS

Figure 2: Peers valuation

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			EV/EBIT			FY21-23 EPS CAGR
							FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	
E-commerce																
Pinduoduo	PDD US	108,623	USD	87	BUY	175	NA	74.5	32.2	6.4	4.5	3.4	NA	NA	48.7	844%
Alibaba	BABA US	446,731	USD	165	BUY	255	18.1	15.2	12.4	3.1	2.6	2.2	21.9	16.4	12.5	19%
JD.com	JD US	125,187	USD	80	NA	NA	58.2	38.4	24.4	0.8	0.7	0.6	NA	54.4	25.4	52%
Vipshop	VIPS US	7,607	USD	11	NA	NA	7.6	6.8	5.8	0.4	0.4	0.3	5.5	4.8	4.1	14%
Suning.com	002024 CH	6,545	CNY	5	NA	NA	NA	NA	23.0	0.2	0.2	0.1	NA	NA	23.8	NA
Baozun	BZUN US	1,340	USD	17	BUY	28	19.4	13.5	9.7	0.9	0.7	0.6	19.6	11.3	7.7	38%
Meituan	3690 HK	221,138	HKD	281	BUY	383	NA	NA	81.8	7.8	5.6	4.3	NA	NA	NA	NA
Average							25.8	18.5	26.2	2.2	1.7	1.4	15.7	21.7	14.7	31%
Global Ecommerce																
Amazon	AMZN US	1,763,352	USD	3,477	NA	NA	54.2	42.9	31.2	3.7	3.2	2.7	72.6	53.5	35.8	29%
SEA	SE US	197,092	USD	357	NA	NA	NA	NA	NA	20.9	13.8	10.4	NA	NA	NA	NA
eBay	EBAY US	47,752	USD	76	NA	NA	18.1	17.9	16.0	4.6	4.4	4.1	15.5	15.1	14.0	14%
Groupon	GRPN US	677	USD	23	NA	NA	23.0	7.6	5.6	0.7	0.7	0.6	NA	11.2	9.0	82%
Average							31.8	22.8	17.6	7.5	5.5	4.5	44.0	26.6	19.6	42%
Social platform																
Tencent	700 HK	579,888	HKD	470	BUY	640	27.7	22.9	19.0	6.4	5.4	4.6	20.9	19.5	16.5	21%
Weibo	WB US	9,918	USD	44	NA	NA	14.4	13.0	11.4	4.5	4.0	3.6	13.1	11.8	10.1	13%
Kuaishou	1024 HK	51,516	HKD	96	BUY	110	NA	NA	NA	4.1	3.0	2.3	NA	NA	NA	NA
Bilibili	BILI US	29,012	USD	75	BUY	110	NA	NA	NA	9.6	6.7	4.9	NA	NA	NA	NA
Snap	SNAP US	84,128	USD	52	NA	NA	NA	90.9	39.7	20.9	15.0	10.4	NA	NA	57.1	81%
Facebook	FB US	934,254	USD	336	NA	NA	22.0	21.7	19.2	7.9	6.7	5.6	18.8	18.5	15.4	9%
Average							21.4	37.1	22.3	8.9	6.8	5.3	17.6	16.6	24.8	31%
Average							26.3	20.0	16.2	6.0	4.6	3.6	23.5	21.6	19.3	34%

Source: Bloomberg

Note: Data updated by 12 Nov 2021

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