

# China Internet Sector

## Ecommerce sector: Decent recovery ahead

2022 May online retail sales rebounded +7% YoY, above mkt expectation, mainly on the warming up of “6.18” promotion and rising demand after lockdown relaxation. Based on our channel check and expert color, key platforms’ GMV in “6.18” would beat expectation, and we expect Jun’s online sales growth to improve ahead. By platform, BABA GMV was estimated -9% YoY in Jun quarter. JD 618 growth might beat guidance and mkt expectation (high-teens to 20% YoY growth in “6.18”, vs. buyside expectation of 10%), based on strong pre-sale data. We expect PDD to continuously outperform with above-peers GMV growth and solid margin in 2Q22E. Ecommerce would bottom out in 2Q22E, and would see sector margin improvement in FY23E. Ecommerce sector is trading at 15x FY23E P/E, in line with historical average of 15x. Suggest to buy the dips. Our pecking order: PDD > Kuaishou > BABA > Baozun.

- What is new.** NBS published 2022 May online retail sales, with **online retail sales of goods +7% YoY in May** (vs. -5% YoY in Apr), slightly above market expectation. By category, food /consumables /apparel online sales +16.0%/+6.3%/-1.6% YoY in 5M22 (vs. +12.9%/+6.3%/-1.7% YoY in 4M22). In May, cosmetics/home appliances/communication devices sales -11%/-10.6%/-7.7% (vs. -22%/-8%/-22% YoY in Apr). Parcel delivery in May was 9.5bn (back to 2021 level, vs. 9.2bn in Apr), according to SPB.
- Our comments:** We view May recovery as better-than-expected, backed by the warming up of “6.18” promotion and rising demand after lockdown relaxation. Based on our channel check and expert color, major platforms (BABA, JD, PDD) GMV in “6.18” periods would beat market expectation, and we expect Jun online sales growth to improve ahead.
- By platform, BABA was estimated to see high-single-digit decline in Jun quarter (-9% YoY). According to third party channel check, FMCG sales performed well, cosmetics and apparel saw solid recovery for BABA. JD 618 growth might beat guidance and mkt expectation (high-teens to 20% YoY growth in 618, vs. buyside expectation of 10%), based on strong pre-sale data per expert. PDD showed resilient momentum in Apr and May, and we expect PDD to continuously outperform with above-peers GMV growth and solid margin in 2Q22E. Looking ahead, we expect China ecommerce GMV +12% YoY in FY22E (including Bytedance & Kuaishou). Additionally, we see high visibility for ecommerce sector to deliver slight margin improvement in FY23E, backed by operating leverage & narrowing loss of new biz. Our Pecking Order: PDD > Kuaishou > BABA > Baozun.

### Valuation Table

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS		
							FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
<b>E-commerce</b>												
Alibaba	BABA US	297,767	USD	110	BUY	151	14.9	12.6	10.3	2.1	1.9	1.7
JD	JD US	96,063	USD	62	NA	NA	36.1	23.8	17.9	0.6	0.5	0.4
Pinduoduo	PDD US	75,800	USD	60	BUY	70	28.6	20.4	15.1	4.6	3.7	3.2
Meituan	3690 HK	148,257	HKD	188	BUY	263	NA	NA	43.6	4.6	3.5	2.8
Vipshop	VIPS US	6,928	USD	11	NA	NA	8.6	7.7	7.0	0.4	0.4	0.4
Yatsen	YSG US	424	USD	1	NA	NA	NA	NA	NA	0.6	0.6	0.5
Baozun	BZUN US	696	USD	10	BUY	12	19.0	9.6	7.0	0.5	0.4	0.4
<b>Average</b>							<b>21.4</b>	<b>14.8</b>	<b>11.5</b>	<b>1.9</b>	<b>1.6</b>	<b>1.3</b>

Source: Company data, CMBIGM estimates

**OUTPERFORM**  
(Maintain)

### China Internet Sector

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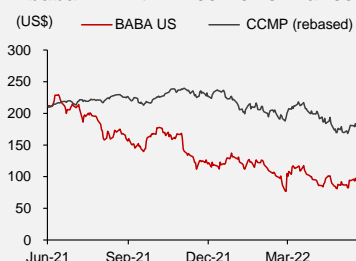
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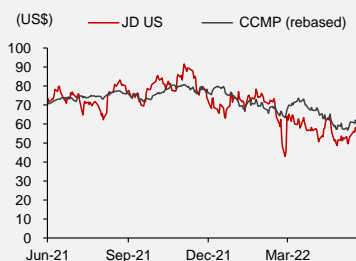
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### Alibaba: 12-mth Price Performance



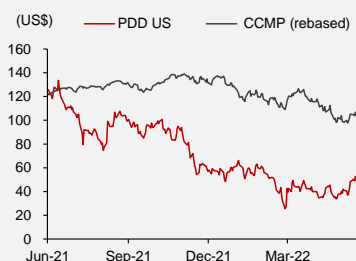
Source: Bloomberg

### JD.com: 12-mth Price Performance



Source: Bloomberg

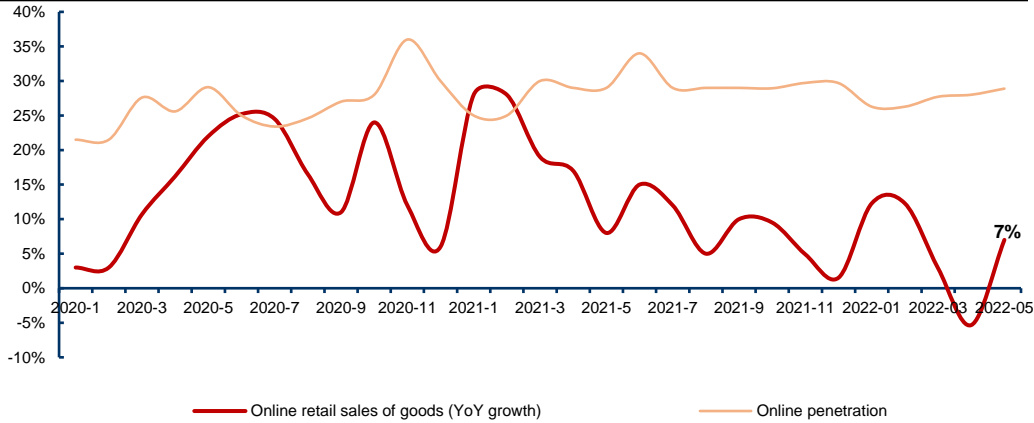
### Pinduoduo: 12-mth Price Performance



Source: Bloomberg

### Related Reports

- Comments on resumption of new games approval – 12 Apr 2022
- 分析师路演反馈：行百里者半九十 – 31 Jan 2022

**Figure 1: Online retail sales growth rebounded +7% YoY in May 2022**

Source: NBS

**Figure 2: Peers valuation**

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			EV/EBIT			FY22-24 EPS CAGR
							FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	
<b>China Internet Giants</b>																
Tencent	700 HK	461,629	HKD	377	BUY	480	25.6	20.9	17.4	5.2	4.6	4.0	20.1	17.1	14.8	20%
Alibaba	BABA US	297,767	USD	110	BUY	151	14.9	12.6	10.3	2.1	1.9	1.7	16.7	13.3	11.2	18%
Baidu	BIDU US	49,369	USD	143	BUY	203	20.3	15.9	12.4	2.6	2.2	2.0	19.2	13.7	10.2	26%
JD	JD US	96,063	USD	62	NA	NA	36.1	23.8	17.9	0.6	0.5	0.4	52.2	28.2	19.0	39%
Meituan	3690 HK	148,257	HKD	188	BUY	263	NA	NA	43.6	4.6	3.5	2.8	NA	NA	46.4	NA
Pinduoduo	PDD US	75,800	USD	60	BUY	70	28.6	20.4	15.1	4.6	3.7	3.2	29.0	18.7	13.2	40%
NetEase	NTES US	69,391	USD	106	BUY	132	22.9	19.8	17.4	4.7	4.1	3.8	19.3	16.6	14.5	20%
Kuaishou	1024 HK	47,077	HKD	87	BUY	120	NA	NA	35.1	3.3	2.7	2.3	NA	NA	NA	NA
<b>Average</b>							<b>24.7</b>	<b>18.9</b>	<b>15.1</b>	<b>3.5</b>	<b>2.9</b>	<b>2.5</b>	<b>26.1</b>	<b>17.9</b>	<b>18.5</b>	<b>27%</b>
<b>E-commerce</b>																
Alibaba	BABA US	297,767	USD	110	BUY	151	14.9	12.6	10.3	2.1	1.9	1.7	16.7	13.3	11.2	18%
JD	JD US	96,063	USD	62	NA	NA	36.1	23.8	17.9	0.6	0.5	0.4	52.2	28.2	19.0	39%
Pinduoduo	PDD US	75,800	USD	60	BUY	70	28.6	20.4	15.1	4.6	3.7	3.2	29.0	18.7	13.2	40%
Meituan	3690 HK	148,257	HKD	188	BUY	263	NA	NA	43.6	4.6	3.5	2.8	NA	NA	46.4	NA
Vipshop	VIPS US	6,928	USD	11	NA	NA	8.6	7.7	7.0	0.4	0.4	0.4	5.8	5.2	4.7	10%
Yatsen	YSG US	424	USD	1	NA	NA	NA	NA	NA	0.6	0.6	0.5	NA	NA	NA	NA
Baozun	BZUN US	696	USD	10	BUY	12	19.0	9.6	7.0	0.5	0.4	0.4	35.4	12.8	8.3	63%
<b>Average</b>							<b>21.4</b>	<b>14.8</b>	<b>11.5</b>	<b>1.9</b>	<b>1.6</b>	<b>1.3</b>	<b>27.8</b>	<b>15.6</b>	<b>17.1</b>	<b>34%</b>
<b>OTA</b>																
Trip.com	TCOM US	14,395	USD	22	BUY	48	75.5	18.0	13.0	4.8	3.1	2.5	NA	25.1	15.9	155%
Tongcheng	780 HK	4,318	HKD	15	BUY	18	30.4	18.1	14.9	4.2	3.0	2.5	41.7	17.5	13.4	48%
<b>Average</b>							<b>53.0</b>	<b>18.1</b>	<b>13.9</b>	<b>4.5</b>	<b>3.1</b>	<b>2.5</b>	<b>41.7</b>	<b>21.3</b>	<b>14.6</b>	<b>101%</b>

Source: Bloomberg

Note: Data updated as of 15 Jun 2022

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