CMB International Securities | Equity Research | Sector Update

China Internet Sector

Eyes on "11.11": livestreaming & logistics

OUTPERFORM (Maintain)

China Internet Sector

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2020 "11.11" Shopping Festival delivered another record with higher-than-expected GMV growth. Alibaba GMV **+ 26% YoY** (from 11.1-11.11), while JD GMV accelerated to **+33% YoY** (vs. 26%/28% YoY in 2018/2019). As usual, PDD did not release its GMV. We believe market focus of this event lies in: 1) livestreaming to stimulate engagement; 2) prepayment features and festival extension (two periods); 3) lower-tier cities penetration; 4) subsidies; and 5) enhanced logistics. Despite intensified competition, we view the "11.11" performance as solid achievement and higher than market expectations. We reiterate our confidence on ecommerce/lifestyle giants' secular growth, and suggest to buy on dips after recent pull back on antitrust guideline and Pfizer's vaccine progress.

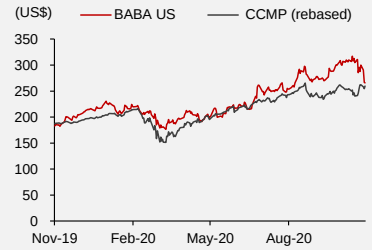
- **Alibaba (BABA US, BUY):** At its 12th "11.11" Shopping Festival, Alibaba once again achieved another GMV record at RMB498.2bn (from 11.1-11.11), **+26% YoY** (vs. +26% in 11 Nov 2019 – Single day). We view this growth as solid performance, especially under more intensified competition from JD and PDD. Compared to past years, BABA's 11.11 in 2020 extended into two periods (11.1-11.3, 11.11), and emphasized more on livestreaming initiatives and enhanced logistics. On top of that, over 31K international brands participated in this year's festival, and over 450 brands surpassed RMB100m in GMV. We believe BABA will strengthen its advantage on brands & channels, meanwhile, to benefit from user acquisition from low-tier cities. Valuation at 20x FY22E P/E is attractive in our view, and we suggest to move into its solid 4Q20E and upcoming cloud quarterly breakeven.
- **Pinduoduo (PDD US, BUY):** Similar to 2019, PDD did not disclose its GMV number in 2020 "11.11". Based on our crosscheck, we believe PDD will continue to gain share in user time spent, backed by its Duo Duo Mai Cai initiatives and strategic subsidies. Looking ahead, we keep positive on its ARPU upside, ROI-driven S&M strategy, and user expansion momentum.
- **JD (JD US):** JD GMV reached 271.5bn, accelerated to **+33% YoY** (vs. +26%/28% YoY in 2018/2019), beating market expectation, mainly due to : 1) warming up from 10.21; 2) C2M momentums and integration of online to offline; and 3) faster growth in low-tier cities backed by Jingxi. E.g., presale order numbers +126% YoY in rural areas (vs. +117% in urban areas). We expect this strong GMV to support its 4Q20E trend, coupled with continuous margin expansion.

Valuation Table

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS		
							FY0	FY1	FY2	FY0	FY1	FY2
China Ecommerce												
Pinduoduo	**PDD US**	**133,487**	**USD**	**111.5**	**BUY**	**Under Review**	**NA**	**360.8**	**74.7**	**18.1**	**11.7**	**8.7**
Alibaba	**BABA US**	**718,752**	**USD**	**265.7**	**BUY**	**358.6**	**27.5**	**22.3**	**22.3**	**6.9**	**5.3**	**4.4**
JD.com	**JD US**	**129,636**	**USD**	**82.8**	**NA**	**NA**	**52.3**	**35.3**	**25.8**	**1.2**	**1.0**	**0.8**
Vipshop	VIPS US	14,128	USD	20.9	NA	NA	16.8	14.1	12.5	1.0	0.8	0.8
Suning.com	002024 CH	12,962	CNY	9.2	NA	NA	69.4	37.4	24.1	0.3	0.3	0.2
Baozun	BZUN US	3,061	USD	39.4	NA	NA	30.8	21.9	16.8	2.3	1.8	1.5
Meituan	3690 HK	216,694	HKD	285.6	BUY	Under Review	274.8	87.2	52.1	12.9	8.7	6.5
Average							78.6	82.7	32.6	6.1	4.2	3.3

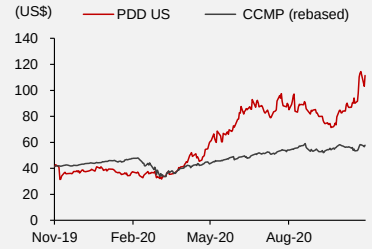
Source: Company data, Bloomberg, CMBIS estimates

BABA: 12-mth Price Performance



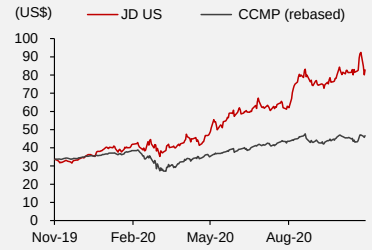
Source: Bloomberg

PDD: 12-mth Price Performance



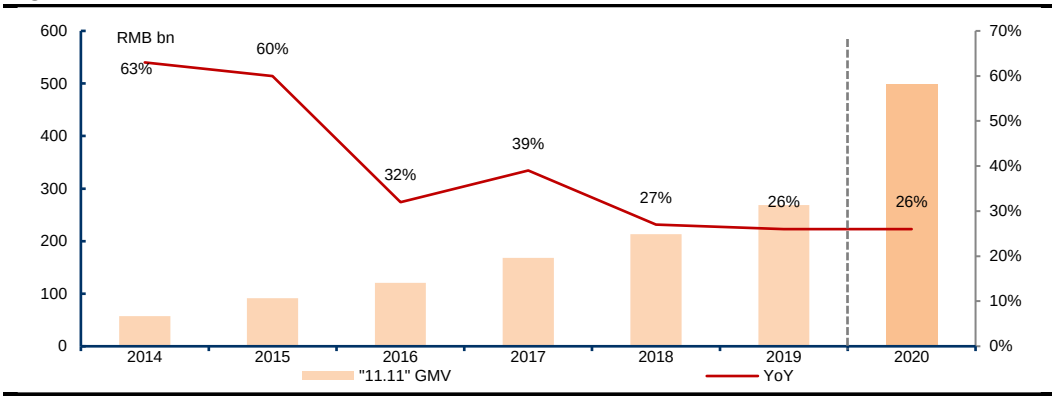
Source: Bloomberg

JD: 12-mth Price Performance



Source: Bloomberg

Figure 1: BABA's "11.11" GMV



Source: Company data
Note: BABA's GMV in 2020 refers to data from 11.1-11.11, vs. GMV in 11.11 in past years

Figure 2: A glance of top 3 platforms' "11.11" performance

	BABA	PDD	JD
GMV (RMB bn)	498.2	NA	271.5
YoY Growth	26%	NA	33%

Source: Company data
Note: GMV based on data from 11.1-11.11.

Figure 3: Peers valuation

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			EV/EBITDA			FY0-2 EPS
							FY0	FY1	FY2	FY0	FY1	FY2	FY0	FY1	FY2	
China Ecommerce																
Pinduoduo	**PDD US**	**133,487**	**USD**	**111.5**	**BUY**	**Under Review**	**NA**	**360.8**	**74.7**	**18.1**	**11.7**	**8.7**	**NA**	**958.4**	**82.6**	**NA**
Alibaba	**BABA US**	**718,752**	**USD**	**265.7**	**BUY**	**358.6**	**27.5**	**22.3**	**22.3**	**6.9**	**5.3**	**4.4**	**21.5**	**16.8**	**13.7**	**24%**
JD.com	**JD US**	**129,636**	**USD**	**82.8**	**NA**	**NA**	**52.3**	**35.3**	**25.8**	**1.2**	**1.0**	**0.8**	**36.3**	**24.3**	**18.1**	**43%**
Vipshop	VIPS US	14,128	USD	20.9	NA	NA	16.8	14.1	12.5	1.0	0.8	0.8	11.8	9.5	7.8	16%
Suning.com	002024 CH	12,962	CNY	9.2	NA	NA	69.4	37.4	24.1	0.3	0.3	0.2	23.7	18.6	16.6	70%
Baozun	BZUN US	3,061	USD	39.4	NA	NA	30.8	21.9	16.8	2.3	1.8	1.5	27.2	19.0	14.6	35%
Meituan	3690 HK	216,694	HKD	285.6	BUY	Under Review	274.8	87.2	52.1	12.9	8.7	6.5	207.0	65.0	40.8	130%
Average							78.6	82.7	32.6	6.1	4.2	3.3	54.6	158.8	27.8	53%
Global Ecommerce																
Amazon	AMZN US	1,574,189	USD	3,137.4	NA	NA	66.4	53.8	40.6	4.2	3.5	3.0	29.2	23.0	18.3	28%
eBay	EBAY US	32,888	USD	47.7	NA	NA	14.0	13.1	11.6	3.2	3.0	2.8	9.6	9.3	8.5	10%
Groupon	GRPN US	709	USD	24.6	NA	NA	NA	31.0	11.3	0.5	0.7	0.8	86.7	3.7	3.3	NA
Average							40.2	32.6	21.2	2.6	2.4	2.2	41.8	12.0	10.0	19%
Total Average							**69.0**	**67.7**	**29.2**	**5.0**	**3.7**	**2.9**	**50.3**	**114.8**	**22.4**	**44%**
Social platform																
Tencent	700 HK	713,239	HKD	577.0	BUY	624	38.7	30.9	26.1	9.8	8.0	6.7	27.0	22.4	18.6	22%
Weibo	WB US	10,483	USD	46.3	NA	NA	22.8	18.4	16.4	6.4	5.7	5.2	20.0	15.7	13.7	18%
Momo	MOMO US	3,304	USD	15.8	HOLD	19.3	9.1	7.0	6.0	1.4	1.3	1.1	4.9	4.3	3.6	23%
Facebook	FB US	787,496	USD	276.5	NA	NA	28.6	24.6	20.6	9.4	7.6	6.3	17.2	14.4	11.8	18%
Average							24.8	20.2	17.3	6.8	5.6	4.8	17.3	14.2	11.9	20%
Total Average							**54.3**	**54.1**	**25.8**	**5.5**	**4.2**	**3.5**	**40.2**	**86.0**	**19.4**	**36%**

Source: Bloomberg
Note: Data updated by 12 Nov 2020

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