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JD Logistics, Inc.
京东物流股份有限公司

(A company incorporated in the Cayman Islands with limited liability)

(Stock Code: 2618)

FINANCIAL INFORMATION AND BUSINESS HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

The board (the “**Board**”) of directors (the “**Directors**”) of JD Logistics, Inc. (the “**Company**” or “**JD Logistics**”) is pleased to announce the unaudited financial information and business highlights of the Company, its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”) for the three months ended September 30, 2023. The following financial information has been reviewed by the audit committee of the Company.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group. In addition, “**JD Group**” refers to JD.com, Inc. (NASDAQ: JD; HKEX: 9618 (HKD counter) and 89618 (RMB counter)) and its subsidiaries, including JD Health International Inc. (HKEX: 6618 (HKD counter) and 86618 (RMB counter)), and its consolidated affiliated entities, excluding the Group.

FINANCIAL HIGHLIGHTS

	Unaudited		Year-over-year change
	Three months ended September 30, 2023	2022	
	<i>(RMB in thousands, except for percentages)</i>		
Revenue	41,662,646	35,770,506	16.5%
Gross profit	3,300,429	2,649,007	24.6%
Profit/(loss) before income tax	591,655	(111,937)	N/A
Profit/(loss) for the period	454,300	(148,687)	N/A
Non-IFRS profit for the period	843,078	446,765	88.7%
<i>Non-IFRS profit margin for the period</i>	2.0%	1.2%	0.8%
Non-IFRS EBITDA for the period	3,834,399	3,092,908	24.0%
<i>Non-IFRS EBITDA margin for the period</i>	9.2%	8.6%	0.6%

BUSINESS HIGHLIGHTS

- In August 2023, we established the first integrated forward-and-reverse logistics warehouse for Panasonic Corporation of China (“**Panasonic China**”) in Wuxi, China, where returned products can be recycled and inspected, enabling immediate re-dispatch of qualified products after inspection for re-sale. Such customized integrated solutions of forward-and-reverse logistics effectively shorten the processing time of relevant returned products of Panasonic China and reduce the logistics costs with reduced frequency of products shipped, thus achieving cost reduction and efficiency enhancement.
- We provide integrated supply chain services for an overseas e-commerce platform, primarily specializing in women’s apparel, with overseas warehousing capabilities as the core. We help the platform effectively respond to the fluctuating order volumes resulting from seasonality and promotions, as well as customized packaging requests from end consumers, and significantly improve the satisfaction of its end consumers. Our partnership with the e-commerce platform has expanded to multiple countries across North America, Australia, and Europe.
- In September 2023, JD Airlines introduced its first international all-cargo route connecting Shenzhen, China and Ho Chi Minh City, Vietnam since the official commencement of its operation, enhancing the efficiency of logistics fulfillment for cross-border e-commerce merchants.
- As of September 30, 2023, our warehouse network covered nearly all counties and districts in China, consisting of over 1,600 self-operated warehouses and over 2,000 third-party warehouse-owner operated cloud warehouses under our Open Warehouse Platform. Our warehouse network has an aggregate gross floor area of more than 32 million square meters, including warehouse space managed through the Open Warehouse Platform.
- Driven by our unwavering commitment and unremitting efforts to creating more jobs and making contribution to the society, the Group’s total expenditure for human resources, including both its own employees and external personnel who work for the Group, amounted to RMB20.3 billion and RMB59.3 billion for the three months and nine months ended September 30, 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022

The following table sets forth the comparative figures for the three months ended September 30, 2023 and 2022, respectively:

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Revenue	41,662,646	35,770,506
Cost of revenue	(38,362,217)	(33,121,499)
Gross profit	3,300,429	2,649,007
Selling and marketing expenses	(1,354,666)	(981,442)
Research and development expenses	(866,511)	(792,481)
General and administrative expenses	(809,086)	(884,538)
Others, net ⁽¹⁾	321,489	(102,483)
Profit/(loss) before income tax	591,655	(111,937)
Income tax expense	(137,355)	(36,750)
Profit/(loss) for the period	454,300	(148,687)
Profit/(loss) for the period attributable to:		
Owners of the Company	214,306	(287,347)
Non-controlling interests	239,994	138,660
	454,300	(148,687)
Non-IFRS measures:		
Non-IFRS profit for the period	843,078	446,765
Non-IFRS EBITDA for the period	3,834,399	3,092,908

(1) Including “other income, gains/(losses), net”, “finance income”, “finance costs”, “impairment losses under expected credit loss model, net of reversal”, and “share of results of associates and joint ventures”.

Revenue

Given the central role of inventory management in the Group's integrated supply chain solutions and logistics services, customers of the Group are categorized based on whether such customers have utilized the Group's warehouse or inventory management related services. Customers are reviewed by the Group on a regular basis, and customers who have utilized the Group's warehouse or inventory management related services in the recent past are classified as the Group's integrated supply chain customers. The following table sets forth a breakdown of our revenue by integrated supply chain customers and other customers, both in absolute amount and as a percentage of our total revenue for the periods presented.

	Unaudited			
	Three months ended September 30,		2022	
	RMB'000	%	RMB'000	%
Revenue:				
Integrated supply chain customers	19,605,425	47.1	18,229,883	51.0
Other customers	22,057,221	52.9	17,540,623	49.0
Total	<u>41,662,646</u>	<u>100.0</u>	<u>35,770,506</u>	<u>100.0</u>

Revenue increased by 16.5% to RMB41.7 billion for the three months ended September 30, 2023, from RMB35.8 billion for the same period of 2022. The increase in our total revenue was driven by the increase in revenue from integrated supply chain customers and the increase in revenue from other customers.

Revenue from integrated supply chain customers increased by 7.5% to RMB19.6 billion for the three months ended September 30, 2023, from RMB18.2 billion for the same period of 2022. The increase in revenue from integrated supply chain customers was primarily attributable to (i) an increase in revenue from JD Group, and (ii) the increase of revenue from external integrated supply chain customers, with a year-over-year increase in the average revenue per customer ("ARPC"). Our ARPC increased to RMB143,497 for the three months ended September 30, 2023, from RMB116,961 for the same period of 2022, representing a year-over-year increase of 22.7%. Our ARPC improvement reflected customer endorsement for our integrated supply chain solutions and logistics services along with deepening collaborations and growing customer stickiness. The number of our external integrated supply chain customers, who have contributed to our revenue for the periods presented, was 54,212 for the three months ended September 30, 2023, compared to 62,629 for the same period of 2022.

Revenue from other customers increased by 25.7% to RMB22.1 billion for the three months ended September 30, 2023, from RMB17.5 billion for the same period of 2022, partially driven by the increase in business volume of our express delivery and freight delivery services. In addition, the increase was also attributable to the consolidation of Deppon Logistics Co., Ltd. ("Deppon Logistics") for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

The following table sets forth a breakdown of our revenue by (i) JD Group and (ii) others, both in absolute amount and as a percentage of our total revenue for the periods presented.

	Unaudited			
	Three months ended September 30,		2022	
	RMB'000	%	RMB'000	%
Revenue:				
From JD Group	11,826,170	28.4	10,904,733	30.5
From others	29,836,476	71.6	24,865,773	69.5
Total	<u>41,662,646</u>	<u>100.0</u>	<u>35,770,506</u>	<u>100.0</u>

Cost of revenue

Cost of revenue increased by 15.8% to RMB38.4 billion for the three months ended September 30, 2023, from RMB33.1 billion for the same period of 2022, which was in line with the rapid growth of our revenue during the corresponding period.

Employee benefit expenses for employees involved in warehouse management, sorting, picking, packaging, shipping, delivery and customer services increased by 23.9% to RMB13.9 billion for the three months ended September 30, 2023, from RMB11.2 billion for the same period of 2022, partially driven by the increase in the number of operational employees, which was in line with the continued growth of our business. In addition, the increase was also attributable to the consolidation of Deppon Logistics for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

Outsourcing cost, including costs charged by third-party transportation companies, express delivery companies and other service providers for sorting, shipping, delivery and labor outsourcing services, increased by 9.4% to RMB14.6 billion for the three months ended September 30, 2023, from RMB13.4 billion for the same period of 2022, partially driven by the growth of our business which required higher outsourcing capacity. In addition, the increase was also attributable to the consolidation of Deppon Logistics for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

Rental cost increased by 8.8% to RMB3.1 billion for the three months ended September 30, 2023, from RMB2.9 billion for the same period of 2022, partially driven by the expansion of leased warehouses areas, sorting centers and delivery stations in support of the growth of our integrated supply chain solutions and logistics services. In addition, the increase was also attributable to the consolidation of Deppon Logistics for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

Depreciation of property and equipment and amortization of other intangible assets increased by 19.9% to RMB1.0 billion for the three months ended September 30, 2023, from RMB0.8 billion for the same period of 2022, partially driven by the increase in the depreciation expenses of logistics equipment and vehicles. In addition, the increase was also attributable to the consolidation of Deppon Logistics for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

Other cost of revenue increased by 18.5% to RMB5.7 billion for the three months ended September 30, 2023, from RMB4.8 billion for the same period of 2022, partially driven by the increase in fuel cost, cost of packaging and other consumable materials, and office expenses. In addition, the increase was also attributable to the consolidation of Deppon Logistics for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit and gross profit margin for the three months ended September 30, 2023 was RMB3.3 billion and 7.9%, respectively, compared to gross profit and gross profit margin of RMB2.6 billion and 7.4% for the same period of 2022, respectively. The increase in the gross profit margin was primarily due to (i) optimized business structure and customer mix, and (ii) economies of scale with business expansion, driving efficiency gains in most of our cost components.

Selling and marketing expenses

Selling and marketing expenses increased by 38.0% to RMB1,354.7 million for the three months ended September 30, 2023, from RMB981.4 million for the same period of 2022, partially driven by the increase in headcount of sales and marketing personnel to promote our service offerings. In addition, the increase was also attributable to the consolidation of Deppon Logistics for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

Research and development expenses

Research and development expenses increased by 9.3% to RMB866.5 million for the three months ended September 30, 2023, from RMB792.5 million for the same period of 2022. The increase was primarily attributable to the consolidation of Deppon Logistics for the entire three months ended September 30, 2023, while we only consolidated Deppon Logistics since July 26, 2022 for the three months ended September 30, 2022.

General and administrative expenses

General and administrative expenses decreased by 8.5% to RMB809.1 million for the three months ended September 30, 2023, from RMB884.5 million for the same period of 2022, primarily driven by the decrease in share-based payments expenses.

Profit/(loss) for the period

As a result of the foregoing, we recorded a net profit of RMB454.3 million for the three months ended September 30, 2023, compared to a net loss of RMB148.7 million for the same period of 2022.

Non-IFRS Measures

To supplement our consolidated results, which are presented in accordance with the International Financial Reporting Standards (“IFRS”), we also use non-IFRS profit/(loss) and non-IFRS EBITDA as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe these non-IFRS measures facilitate comparisons of core operating performance from period to period and from company to company by eliminating potential impacts of items which our management considers not-indicative of our core operating performance.

We believe these non-IFRS measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

The following table reconciles the most directly comparable financial measures, which are profit/(loss) calculated and presented in accordance with IFRS, to the non-IFRS profit for the periods presented:

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Reconciliation of profit/(loss) to non-IFRS profit:		
Profit/(loss) for the period	454,300	(148,687)
<i>Adjusted for:</i>		
Share-based payments	192,390	363,085
Amortization of intangible assets resulting from acquisitions ⁽¹⁾	141,829	127,224
Fair value changes of financial assets at fair value through profit or loss ⁽²⁾	54,559	105,143
	<u>843,078</u>	<u>446,765</u>
Non-IFRS profit for the period	<u>843,078</u>	<u>446,765</u>
Non-IFRS profit for the period attributable to:		
Owners of the Company	554,420	254,658
Non-controlling interests	288,658	192,107
	<u>843,078</u>	<u>446,765</u>
Non-IFRS profit margin for the period⁽³⁾	2.0%	1.2%

- (1) Represents the amortization expenses of other intangible assets acquired in business combinations with finite useful lives, which is recognized on a straight-line basis over the estimated useful lives.
- (2) Represents gains or losses from fair value changes on equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments.
- (3) Represents non-IFRS profit divided by revenue for the periods presented.

The following table reconciles the most directly comparable financial measures, which are profit/(loss) calculated and presented in accordance with IFRS, to the non-IFRS EBITDA for the periods presented:

	Unaudited	
	Three months ended	
	September 30,	
	2023	2022
	RMB'000	RMB'000
Reconciliation of profit/(loss) to non-IFRS EBITDA:		
Profit/(loss) for the period	454,300	(148,687)
<i>Adjusted for:</i>		
Share-based payments	192,390	363,085
Fair value changes of financial assets at fair value through profit or loss ⁽¹⁾	54,559	105,143
Depreciation and amortization ⁽²⁾	3,106,087	2,647,063
Finance income	(364,818)	(145,588)
Finance costs	254,526	235,142
Income tax expense	137,355	36,750
	<hr/>	<hr/>
Non-IFRS EBITDA for the period	<u>3,834,399</u>	<u>3,092,908</u>
Non-IFRS EBITDA margin for the period⁽³⁾	9.2%	8.6%

- (1) Represents gains or losses from fair value changes on equity investments measured at fair value. Multiple valuation techniques and key inputs are used to determine the fair values of these investments.
- (2) Includes depreciation of right-of-use assets, depreciation of property and equipment, depreciation of investment properties and amortization of other intangible assets.
- (3) Represents non-IFRS EBITDA divided by revenue for the periods presented.

Liquidity and Free Cash Flow

Our cash resources include cash and cash equivalents, term deposits, wealth management products classified as financial assets at fair value through profit or loss, wealth management products classified as financial assets at amortized cost included in “prepayments, other receivables and other assets”, and restricted cash. As of September 30, 2023, the aggregate amount of cash resources of the Group was RMB36.9 billion.

For the three months ended September 30, 2023, the Group had free cash inflow of RMB2.1 billion, compared to a free cash inflow of RMB0.2 billion for the same period of 2022. This was a result of net cash generated from operating activities of RMB5.7 billion, less payments for capital expenditures of RMB1.5 billion and payments relating to leases of RMB2.2 billion.

APPRECIATION

On behalf of the Board, I would like to say thank you to all our employees, customers and business partners. At the same time, I would like to express my sincere gratitude to our shareholders and stakeholders for their long-time support and trust.

By order of the Board
JD Logistics, Inc.
Mr. Wei Hu
Executive Director

Hong Kong, November 15, 2023

As of the date of this announcement, the Board comprises Mr. Wei Hu as executive Director, Mr. Richard Qiangdong Liu as non-executive Director, and Ms. Nora Gu Yi Wu, Ms. Jennifer Ngar-Wing Yu, Mr. Liming Wang, Dr. Xiande Zhao and Mr. Yang Zhang as independent non-executive Directors.