



December 4, 2024

All sectors| All subsectors

Sector Report

Smart Trump, or dumb Trump?

- Amid a divided America, Trump lovers tend to exaggerate his abilities while Trump haters are eager to dismiss his chances of success. The real outcome of Trump 2.0 may well be in the middle;
- MAGA reflects the American consensus to address three key issues: the federal deficit, the trade deficit and the related immigration abuses. To do so Trump/MAGA must overhaul American economy across labour, trade and fiscal through overhauls in immigration, tariff, healthcare and energy. The daunting task may lead to a delayed/staged trade war, which in our view, might lead to China to have a policy overdose;
- Our portfolio of Macro Mauled Champions (MMC) can benefit from enhanced visibility of a delayed trade war between US and China. Despite Macro Champions (DMC) can withstand a continuingly challenging macro environment, including the trade war.

The scenario of a delayed trade war with China

The biggest argument against an immediate trade war with China, epitomed by an immediate tariff hike towards the 60%'s, is US inflation. This inflation threat is contributed more by the mass deportation of illegal aliens than a price hike by Chinese goods. The CPI headline number matters less than voters' opinion, which can change in a whim. So far, the market has placed the trust behind Trump.

It is disruption within more likely to push trade war to 2H25

Half of Americans who voted for Trump likely endorse his immigration policy, which means they must be ready to sacrifice some life qualities from losing cheap cost, more so if offset by a tax cut. We would expect the MAGA immigration to proceed, which is an enormous accomplishment the longevity of this issue, but still the burden of inflation will be falling unevenly to the low-income population living from mouth to hand. The question is for how long can public opinion tolerate a life quality downgrade, as well as media reports of protracted legal battles. A Democrat come back in 2026 Mid-Term election will weaken MAGA 2.0.

How does Trump overcome what he cannot do?

In our November 7th note, <What Trump can do and cannot do in his 2nd term>, we outlined challenges Trump faces in his second term to accomplish his MAGA goals.

Key financials of stocks mentioned

(RMB mn)	Revenue			Non-GAAP Operating profit			Non-GAAP Net income		
	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Meituan	276,745	338,060	395,618	16,384	41,954	54,516	23,253	47,175	59,401
Tencent	609,015	658,328	747,595	187,592	239,583	259,798	124,778	190,944	206,118
Xiaomi	270,970	363,340	484,839	17,370	26,139	39,370	15,431	24,692	33,744
CATL	400,917	382,692	519,011	45,379	51,033	84,476	46,709	56,044	86,666
Bilibili	22,528	27,015	31,972	(3,740)	(110)	2,760	(3,414)	21	3,192
JD.com	1,084,662	1,148,787	1,250,977	35,441	44,668	54,942	35,200	47,865	53,721

Source: Company data, Blue Lotus (as of December 4, 2024)

BUY

UR

SELL

DMC Portfolio (Not affected by macro and gain share)

Name	BBG Ticker	Rating	Target Price
Meituan	3690 HK	BUY	HK\$165
Tencent	700 HK	BUY	HK\$518
Xiaomi	1810 HK	BUY	HK\$33
CATL	300750 CH	BUY	RMB301
Bilibili	BILI US	BUY	US\$22
JD.com	JD US	BUY	US\$50

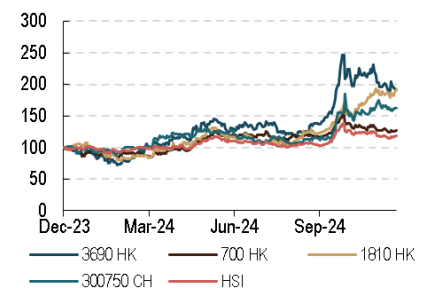
Source: Bloomberg, Blue Lotus (as of December 4, 2024)

MMC Portfolio (Affected by macro but gain share)

Name	BBG Ticker	Rating	Target Price
Beike	BEKE US	BUY	US\$25
Kanzhun	BZ US	BUY	US\$17
Kuaishou	1024 HK	BUY	HK\$75
Alibaba.com	BABA US	BUY	US\$120

Source: Bloomberg, Blue Lotus (as of December 4, 2024)

Price performance and volume data



Source: Bloomberg, Blue Lotus (as of December 4, 2024)

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See the last page of the report for important disclosures

Blue Lotus Capital Advisors Limited

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Bloomberg, Blue Lotus Capital Advisors Limited and subject companies. Consensus forward estimates are used in analysis. Past performance is not indicative of future results. Investors should consider this report as only a single factor in making their investment decision.

Meituan: Financial Summary

Fiscal year ends-31-Dec

Exhibit 1. Income statement

(RMB mn)	2023A	2024E	2025E
Revenues	276,745	338,060	395,618
Gross profit	97,191	129,840	154,953
Operating expenses	(83,776)	(91,086)	(108,705)
Selling and marketing expenses	(58,617)	(63,576)	(74,858)
Research and development	(21,201)	(21,593)	(24,787)
General and administrative	(9,372)	(10,727)	(12,660)
Fair value changes on inv.	234	28	(400)
Other (losses)/gains, net	5,180	4,781	4,000
Share base compensation	(8,383)	(8,479)	(11,869)
Amortization of intangibles	-	-	-
Operating profit, IFRS	13,415	38,753	46,248
Operating margin	4.8%	11.5%	11.7%
Operating profit, non-IFRS	16,384	41,954	54,516
Operating margin	5.9%	12.4%	13.8%
Pre-tax income	14,022	40,028	47,699
Profit for the period, IFRS	13,857	38,391	46,983
Profit for the period, non-IFRS	23,253	47,175	59,401
Net margin, non-IFRS	8.4%	14.0%	15.0%

Source: Meituan, Blue Lotus (as of December 4, 2024)

Exhibit 2. Balance sheet

(RMB mn)	2023A	2024E	2025E
Current assets	183,116	237,912	313,811
Inventory	1,305	1,513	1,749
Trade receivable	2,743	4,027	8,308
Prepayments, deposit	14,535	16,856	19,482
Short-term investments	111,821	111,821	111,821
Restricted cash	19,373	23,666	27,695
Cash and cash equivalents	33,340	80,030	144,757
Non-current assets	109,913	106,992	111,233
PPE	25,978	26,404	27,166
Intangible assets	30,398	33,727	32,983
Investments in equity method	18,289	18,389	18,489
Financial assets at FV through PL	18,481	21,481	24,481
Total assets	293,030	344,904	425,044
Current liabilities	100,874	117,868	136,688
Trade payable	22,981	26,649	30,802
Payables to merchants	23,798	27,598	31,898
Advance from transacting users	8,548	10,441	12,219
Other payables and accruals	17,942	20,807	24,049
Non-current liabilities	40,199	40,500	40,781
Total liabilities	141,073	158,368	177,469
Equity	151,956	186,535	247,575
Share premium	325,579	325,854	326,129
Accumulated losses	(175,617)	(149,792)	(100,897)
Total equities and liabilities	293,030	344,904	425,044

Source: Meituan, Blue Lotus (as of December 4, 2024)

Company Description

Meituan is one of the largest O2O local-living service platforms. Its businesses include food delivery, in-store, hotel, travel, among others. In 2023, Meituan processed 19.4bn (+21.9% YoY) food delivery transactions, totaling RMB 974bn (+19.7% YoY) in Gross Transaction Volume (GTV). We estimate that Meituan's food delivery business GTV had 70%~ share of the China food delivery market in 2024.

Industry View

We estimate the GTV of China's online local living service market was RMB 3.8tn~ in CY2023, and we expect it to grow at 2Yr CAGR of 17% to reach RMB 5.3tn in CY2025.

Exhibit 3. Cash flow statement

(RMB mn)	2023A	2024E	2025E
Profit/Loss before income tax	14,022	40,028	47,699
Adjustment For			
Depreciation and amortization	11,426	12,700	12,641
Share based compensation	8,383	8,479	11,869
Change in FV from investment	(234)	(28)	400
Change in working capitals	17,099	5,409	3,370
Net cash generated from operating activities	50,610	65,166	76,393
Cash flows from investing activities			
Purchases of PPE and intangibles	(14,077)	(14,660)	(15,475)
Proceeds from disposals of PPE	4,124	5,608	6,234
Payments for combination, net of cash acquired	(500)	(10,000)	(500)
Acquisition and disposal of investments	(3,408)	(3,000)	(3,000)
Increase in prepayment for investments	(892)	640	725
Net cash generated from investing activities	(35,589)	(17,573)	(10,777)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	(1,085)	(902)	(890)
Exercise of option and RSU vesting	-	-	-
Net cash generated from financing activities	(1,085)	(902)	(890)
Cash and cash equivalents, beg. of year	20,158	33,340	80,030
Cash and cash equivalents, end of year	33,340	80,030	144,757

Source: Meituan, Blue Lotus (as of December 4, 2024)

See the last page of the report for important disclosures

Tencent Holdings Limited: Financial Summary

Fiscal year ends-31-Dec

Exhibit 4. Income statement

RMB mn	2023A	2024E	2025E
Revenues	609,015	658,328	747,595
Cost of revenues	(315,906)	(305,405)	(354,833)
Gross profit	293,109	352,922	392,762
G&A cost	(103,525)	(111,718)	(126,867)
Marketing cost	(34,211)	(38,379)	(45,078)
Operating profit IFRS	160,714	210,991	229,799
Share based compensation	(22,604)	(22,983)	(26,099)
Operating profit non-IFRS	187,592	239,583	259,798
Finance cost/income	(12,268)	(13,012)	(16,881)
Other income/cost	19,149	24,256	21,812
Share of (losses)/profits of associates&JVs	5,800	22,792	23,931
Pre-tax profit, IFRS	168,054	236,860	249,679
Income tax	(43,276)	(45,916)	(43,561)
Net income, IFRS	124,778	190,944	206,118
Non-controlling interests	2,832	2,858	3,703
EPS, IFRS (RMB)	12.9	20.2	21.7
EPS, non-IFRS (RMB)	16.7	23.7	26.9
Gross margin	48.1%	53.6%	52.5%
Operating margin, non-IFRS	30.8%	36.4%	34.8%

Source: Tencent Holdings, Blue Lotus (as of December 4, 2024)

Company Description

Tencent is China's 2nd largest internet company by revenue and profits and the largest by traffic measures. Founded in 1998, Tencent dominates China's online game industry with more than 50% market share in 2023. Apart from online games, the company also has online advertising, fintech, and company services, and other revenue streams.

Industry View

China's entertainment market has continued to grow in recent years. The online game market remains one of the most promising subsectors in the entertainment market. By 2023, total China mobile game market reached RMB 226.9bn with players over 668mn. In 2024, the total China mobile game market is expected to reach RMB 250bn.

Exhibit 5. Balance sheet

RMB mn	2023A	2024E	2025E
Cash and cash equivalent	172,320	270,177	415,090
Restricted cash and ST investment	3,818	2,755	2,870
Term deposits over three months	185,983	97,994	108,211
Accounts receivable	46,606	55,427	57,037
Prepayments and others	88,411	49,743	110,770
Inventory	456	6,792	3,396
Total current asset	518,446	482,889	697,375
Property and equipment	53,232	68,293	65,419
Construction in progress	13,583	6,792	3,396
Investment in a jointly controlled entity	261,665	274,748	288,486
Intangibles, goodwill and others	177,727	142,642	156,974
Available-for-sale financial assets	425,096	467,606	514,366
Total non-current assets	1,058,800	1,096,534	1,175,533
Total assets	1,577,246	1,579,422	1,872,908
Account payables	100,948	60,832	127,131
Accrued expense and others	123,504	60,698	117,285
Deferred revenues	86,168	119,447	114,049
Short term debt	41,537	43,614	45,795
Total current liabilities	352,157	284,591	404,258
Long term debt	292,920	292,920	292,920
Other Long-term liability	42,884	42,884	42,884
Total non-current liability	351,408	350,026	349,936
Total equity	808,591	876,983	1,048,076
Total liabilities and equity	1,577,246	1,579,422	1,872,908

Source: Tencent Holdings, Blue Lotus (as of December 4, 2024)

Exhibit 6. Cash flow statement

RMB mn	2023A	2024E	2025E
Net income	124,778	190,944	206,118
Adjusted for:			
Depreciation & amortization	59,077	85,342	102,036
Taxation	43,276	24,149	28,138
Net Interest	(1,923)	8,560	8,174
Changes in			
Account receivable	(1,010)	(8,821)	(1,610)
Inventory	1,882	456	6,792
Account payables	8,044	(40,116)	66,299
Short term deposit	0	89,052	(10,332)
Other assets	0	0	0
Accrued liabilities and deferred revenues	4,848	(4,654)	51,188
Cash from operations	264,162	390,288	414,663
Capex, PPE	(21,008)	(27,886)	(26,989)
Capex, land and bldg.	(357)	(3,287)	(2,244)
Purchase of intangibles	(26,042)	(26,178)	(27,641)
(Increase) /decrease in term deposits	(80,706)	(38,859)	(42,831)
Cash paid for equity investment	(2,046)	(83,283)	(53,143)
Payment for business combinations	(7,633)	(14,227)	(14,227)
Cash from investing	(125,161)	(204,856)	(175,980)
Cash from financing	(82,573)	(45,189)	(45,086)
Change in cash	22,311	91,127	144,913
Cash at beginning	156,739	172,320	270,177
Cash at end	172,320	270,177	415,090

Source: Tencent Holdings, Blue Lotus (as of December 4, 2024)

See the last page of the report for important disclosures

Xiaomi Corp.: Financial Summary

Fiscal year ends-31-Dec

Exhibit 7. Income statement

(RMB mn)	2023A	2024E	2025E
Revenue	270,970	363,340	484,839
Cost of sales	(213,494)	(286,542)	(381,567)
Gross profit	57,476	76,799	103,273
Gross margin over net revenues	21.2%	21.1%	21.3%
Selling and marketing expenses	(19,227)	(25,627)	(31,858)
Administrative expenses	(5,127)	(5,669)	(7,038)
R&D expenses	(19,098)	(23,261)	(30,339)
Operating profit, IFRS	14,025	22,242	34,037
Operating margin	5.18%	6.12%	7.02%
Operating profit, non-IFRS	17,370	26,139	39,370
Operating margin, non IFRS	6.4%	7.2%	8.1%
Fair value changes on invest	3,501	(27)	3,000
Share of (losses)/gains of invest	46	330	200
Other income (Gov't and tax)	740	1,038	1,446
Finance income/(expenses)	2,002	4,141	3,589
Fair value changes of CB	-	-	-
Profit before income tax	22,011	28,104	42,072
Income tax expense	(4,537)	(6,482)	(10,518)
Effective tax rate	(20.6%)	(23.1%)	(25.0%)
Profit for the year, IFRS	17,474	21,622	31,554
Profit for the year, non-IFRS	15,431	24,692	33,744

Source: Xiaomi Corp., Blue Lotus (as of December 4, 2024)

Exhibit 8. Balance sheet

(RMB mn)	2023A	2024E	2025E
Cash and cash equivalents	33,631	64,032	106,218
Land use rights	-	-	-
Property and equipment	13,721	19,418	28,072
Investment using the equity	6,922	7,614	8,376
LT invest measured at fair value	60,200	60,502	63,702
CURRENT ASSETS	199,053	237,986	316,736
Trade receivables	12,151	13,025	17,344
Loan receivables	9,773	11,413	12,723
Prepayments and other receivables	20,079	26,049	34,688
TOTAL ASSETS	324,247	372,110	466,451
CURRENT LIABILITIES	115,588	145,021	191,238
Trade payables	62,099	75,406	100,412
Other payables and accruals	25,615	34,346	45,832
Advance from customers	13,615	18,256	24,360
NON-CURRENT LIABILITIES	44,398	48,573	53,527
Total liabilities	159,986	193,594	244,765
Total equity	164,262	178,517	221,686
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	324,247	372,110	466,451

Source: Xiaomi Corp., Blue Lotus (as of December 4, 2024)

Company Description

Xiaomi shipped 146mn smartphone units in 2023, capturing 12.8% of the global smartphone market and positioning it as the world's 3rd largest smartphone brand by unit volume. Xiaomi also sells EVs, smart TV's, laptops, and other smart home IoT products.

Industry View

We expect China smartphone market unit volume to increase 2% yoy to 277mn units in 2024. We expect smartphones shipments in the rest of the world to increase 1% to 868m in 2024.

Exhibit 9. Cash flow statement

(RMB mn)	2023A	2024E	2025E
Profit for the year, IFRS	17,474	21,622	31,554
Adjustment	-	-	-
Depreciation	2,402	3,747	5,272
Amortization	2,434	2,534	2,916
Impairment provision for inventory	2,887	3,980	5,088
Interest income & expense	(785)	(1,294)	(1,835)
Fair value gain of LT investment	(3,501)	27	(3,000)
Share based compensation	3,344	3,897	5,333
Working capital change	10,651	8,655	15,721
NET CASH FROM OPERATING	39,474	40,967	64,530
Capital expenditures	(14,058)	(10,947)	(16,835)
Change in investment	(1,010)	692	761
Change in LT investment	(4,220)	(302)	(3,200)
NET CASH FROM INVESTING	(35,169)	(10,586)	(19,304)
IPO proceeds	4,213	-	-
NET CASH FROM FINANCING	(505)	6,502	7,478
NET INCREASE IN CASH	5,626	30,401	42,185
Cash and equiv. at beginning of the year	27,607	33,631	64,032
Cash and equiv. at the end of the year	33,631	64,032	106,218

Source: Xiaomi Corp., Blue Lotus (as of December 4, 2024)

See the last page of the report for important disclosures

Contemporary Amperex Tech. Co., Ltd.: Financial Summary

Fiscal year ends-31-Dec

Exhibit 10. Income statement

(RMB mn)	2023A	2024E	2025E
Total sales/revenues	400,917	382,692	519,011
COGS	(309,070)	(284,030)	(371,173)
Gross profit	91,847	98,662	147,837
Gross margin	22.9%	25.8%	28.5%
Selling & marketing	(17,954)	(16,290)	(20,760)
General & administrative	(8,462)	(9,789)	(13,017)
R&D expenses	(18,356)	(19,389)	(27,248)
Other operating expense	(1,696)	(2,161)	(2,336)
EBIT (operating profit)	45,379	51,033	84,476
Operating margin	11.3%	13.3%	16%
Net financing expense	4,875	5,950	800
Asset impairment	17	11	12
Income from JV and associates	6,267	9,364	12,700
Other non-operating income, net	(2,677)	(555)	(611)
Pre-tax profit	53,862	65,803	97,378
Income taxes	(7,153)	(9,759)	(10,712)
Net profit / (Loss)	46,709	56,044	86,666
Net profit attri. to ord. shareholders	42,702	51,149	79,423
Net margin	10.7%	13.4%	15%
EPS, basic (Rmb)	9.39	10.89	16.39
EPS - fully diluted (Rmb)	9.36	10.86	16.34

Source: Contemporary Amperex Technology Co., Limited, Blue Lotus (as of December 4, 2024)

Exhibit 11. Balance sheet

(RMB mn)	2023A	2024E	2025E
Cash & cash equivalents	264,306	355,653	506,045
Trade receivables	1,752	11,760	21,140
Other account receivables	64,021	69,423	95,450
Inventory	76,669	84,520	111,379
Other current assets	70,929	36,176	48,221
Total current assets	481,134	572,828	795,211
Long-term equity investments	66,972	72,641	72,641
Plant, property, equipment	115,388	158,886	205,129
Intangible assets	15,766	20,302	27,141
Total non-current assets	292,483	377,349	447,544
Total assets	748,605	908,014	1,195,454
Short-term borrowings	15,181	104,095	137,701
Trade payables & Account payables	194,554	244,962	323,831
Deferred revenue	23,982	26,140	35,451
Salary payables	14,846	11,361	14,847
Tax payables	11,742	5,681	7,423
Total current liabilities	283,060	416,382	550,804
Long-term borrowings	102,686	57,444	78,244
Accrued liabilities	51,639	22,770	30,684
Deferred income	21,449	25,167	35,430
Total non-current liabilities	210,283	114,889	156,488
Total liabilities	493,343	531,270	707,292
Shareholders' equity	255,262	376,744	488,162
Total liabilities & shareholders' equity	748,605	908,014	1,195,454

Source: Contemporary Amperex Technology Co., Limited, Blue Lotus (as of December 4, 2024)

Company Description

Contemporary Amperex Technology Ltd. (CATL) is the world's largest lithium battery maker with a GWh market share of 36.8% in power battery in 2023 and we expect it to reach 39.0% in 2023 (Source: SNE). In 2023, CATL also derived 71% of revenues from power battery, 17% from energy storage and 10% from battery material and minerals.

Industry View

We expect global power battery installation to grow from 749GWh in 2023 to 2,982 GWh in 2030 with China's market share to decline from 55% to 50%. We expect global energy storage system (ESS) battery installation to rise from 145GWh in 2023 to 879 GWh in 2030.

Exhibit 12. Cash flow statement

(RMB mn)	2023A	2024E	2025E
Net income	46,709	56,044	86,666
Less			
Net finance income	(4,875)	(5,950)	(800)
Investment income	(3,189)	(4,077)	(4,485)
Other non-cash items	(418)	(4,743)	(7,616)
Depreciation	23,643	36,464	52,083
Amortization of intangible asset	522	832	1,128
Change in working capital	949	(21,529)	(38,814)
Net operating cashflow	185,794	158,856	249,078
Net finance income	4,875	5,950	800
Investment income	3,189	4,077	4,485
Other non-cash items	418	4,743	7,616
Purchasing PPE, intangibles & other long-term assets	(66,151)	(82,279)	(111,587)
Net investing cash flow	(57,668)	(67,509)	(98,686)
Cash received and redeemed from issuing LT bonds	-	-	-
Cash received and redeemed from issuing ST bonds	-	-	-
Net financing cash flow	-	-	-
Change of cash and cash equivalents	128,125	91,347	150,393
Cash at beginning of the year	191,043	264,306	355,653
Cash at the end of the year	264,306	355,653	506,045

Source: Contemporary Amperex Technology Co., Limited, Blue Lotus (as of December 4, 2024)

See the last page of the report for important disclosures

Bilibili Inc.: Financial Summary

Fiscal year ends-31-Dec

Exhibit 13. Income statement

RMB mn	2023A	2024E	2025E
Net revenues	22,528	27,015	31,972
Cost of revenues	(17,086)	(18,272)	(20,119)
Gross profit	5,442	8,743	11,853
S&M expenses	(3,916)	(4,200)	(3,779)
G&A expenses	(2,122)	(2,041)	(2,304)
R&D expenses	(4,467)	(3,835)	(4,311)
Operating profit (Loss), GAAP	(5,064)	(1,333)	1,458
Operating margin, GAAP	(22.5%)	(4.9%)	4.6%
Stock-based compensation	1,133	1,222	1,302
Operating profit (Loss), non-GAAP	(3,740)	(110)	2,760
Operating margin, non-GAAP	(16.6%)	(0.4%)	8.6%
Interest income	378	344	361
Income before income tax	(4,733)	(1,292)	1,498
Income tax	(79)	(47)	255
Net profit (Loss), GAAP	(4,812)	(1,339)	1,752
Net profit (Loss), non-GAAP	(3,414)	21	3,192

Source: Bilibili Inc, Blue Lotus (as of December 4, 2024)

Exhibit 14. Balance sheet

RMB mn	2023A	2024E	2025E
Cash and Equivalents	7,192	5,893	8,238
Time deposits	5,195	5,195	5,195
Accounts receivable, net	1,574	2,372	2,807
Receivables due from related parties	0	0	0
Prepayments and other current assets	2,063	3,313	3,267
Short-term investments	2,653	2,653	2,653
Property and equipment, net	715	2,092	2,526
Intangible assets, net & production cost	3,628	2,898	3,029
Goodwill	2,725	2,725	2,725
Long-term investments	4,367	4,367	4,367
Total Assets	33,159	34,510	37,808
Accounts payable	4,334	4,684	5,262
Salary and welfare payables	1,219	1,577	1,929
Taxes payable	345	112	-607
Deferred revenue	2,954	3,974	3,919
Total Liabilities	18,755	20,117	20,443
Retained Earnings	(26,299)	(26,310)	(23,338)
Total Shareholders' Equity	14,404	14,392	17,365
Total Liabilities, mezzanine and Equity	33,159	34,510	37,808

Source: Bilibili Inc, Blue Lotus (as of December 4, 2024)

Company Description

Bilibili is an online video platform that covers animation, comic, game (ACG), music remix, live streaming, life, technology content, etc. Bilibili had 100mn DAU at the end of 2023, and we estimate DAU could reach 104mn by the end of 2024.

Industry View

China online video industry grew at 20% CAGR from RMB 163 bn in 2019 to RMB 292.8 bn in 2023. We expect the size of the total online video industry will reach RMB 356 bn by 2025.

Exhibit 15. Cash flow statement

RMB mn	2023A	2024E	2025E
Net Profit (Loss)	(4,812)	(1,339)	1,752
Depreciation of property and equipment	727	935	1,170
Amortization of intangible assets	2,033	2,384	2,456
Share-based compensation expenses	1,133	1,222	1,302
Accounts receivable	(262)	(798)	(435)
Prepayments and other current assets	343	(1,250)	46
Accounts payable	(60)	350	579
Salary and welfare payables	(182)	358	352
Taxes payable	29	(233)	(719)
Deferred revenue	134	1,020	(55)
Accrued liabilities and other payables	341	(131)	168
Impairment of long-term investment	279	-	-
Total Cash Flows from Operations	267	2,517	6,616
Purchase of property and equipment	(182)	(1,356)	(1,604)
Purchase of intangible assets	(1,148)	(2,428)	(2,586)
Total Cash Flows from Investing	1,762	(3,783)	(4,190)
Total Cash Flows from Financing	(5,075)	(82)	(82)
Balance b/f	10,188	7,192	5,893
Balance c/f	7,192	5,893	8,238

Source: Bilibili Inc, Blue Lotus (as of December 4, 2024)

See the last page of the report for important disclosures

JD.com, Inc.: Financial Summary

Fiscal year ends-31-Dec

Exhibit 16. Income statement

(RMB mn)	CY2023A	CY2024E	CY2025E
Net revenues	1,084,662	1,148,787	1,250,977
Cost of revenues	(924,958)	(966,664)	(1,045,806)
Gross profit	159,704	182,124	205,171
Fulfillment	(64,558)	(69,005)	(72,985)
Marketing	(40,133)	(46,861)	(53,484)
Research and development	(16,393)	(17,264)	(18,348)
General and administrative	(9,710)	(8,898)	(10,181)
Operating profit, GAAP	28,910	40,095	50,173
Share based compensation	4,804	3,214	3,753
Operating profit, non-GAAP	35,441	44,668	54,942
Finance cost/income	(2,881)	(2,943)	(3,091)
Other income/cost	8,406	13,010	10,964
Pre-tax profit	31,650	52,680	62,603
Income tax	(8,393)	(9,317)	(15,651)
Net income, GAAP	23,257	43,363	46,952
Net income, non-GAAP	35,200	47,865	53,721
EPADS, GAAP (RMB)	14.69	28.78	32.10
EPADS, non-GAAP (RMB)	22.24	31.77	36.73
Number of ADS, diluted (mn)	1,583	1,507	1,463

Source: JD.com, Inc., Blue Lotus (as of December 4, 2024)

Exhibit 17. Balance sheet

(RMB mn)	CY2023A	CY2024E	CY2025E
Cash and cash equivalent	79,398	112,477	161,239
ST investment	118,254	118,254	118,254
Accounts receivable	20,302	24,688	26,301
Inventory, net	68,058	68,478	71,219
Prepayments and others	17,753	18,678	20,151
Total current asset	307,810	346,782	401,631
Property and equipment	70,035	80,900	90,814
Construction in progress	9,920	3,627	3,738
Land use rights	6,935	—	—
Intangibles, goodwill, and others	132,309	112,870	104,565
Total assets	628,958	647,627	704,195
Account payables	166,167	175,933	192,428
Advance from customers	31,625	33,495	36,474
Accrued expense and others	54,563	58,584	65,192
Short term debt	13,295	13,295	13,295
Total current liabilities	265,650	281,306	307,389
Long term debt	66,928	68,013	69,226
Additional paid in capital	182,578	182,579	182,581
Statutory reserves	(1,382)	(1,382)	(1,382)
Accumulated deficit	62,860	106,223	153,175
Accumulated other comprehensive loss	(7,877)	(55,562)	(102,514)
Total equity	236,179	231,859	231,861
Total liabilities and equity	628,958	647,627	704,195

Source: JD.com, Inc., Blue Lotus (as of December 4, 2024)

Company Description

JD.com is China's largest 1P e-commerce retailer by GMV, and third largest e-commerce platform. We estimate JD's GMV grew 5.1% yoy to RMB 3.66tn in 2023, with revenue from its e-commerce platform contributing 87% of revenue. JD also earns revenue from the sale of logistics services at JD Logistics and instant delivery services from Dada.

Industry View

China's online physical goods market grew 8.4% yoy to RMB 13.0tn in 2023, per NBS. We expect China's online physical goods market to grow 7.1% in 2024, and at CAGR 6%~ to reach a market size of RMB 17.1tn in 2027.

Exhibit 18. Cash flow statement

(RMB mn)	CY2023A	CY2024E	CY2025E
Net income	23,257	43,363	46,952
Adjusted for			
Depreciation & amortization	8,292	9,704	11,251
Share based compensation	4,804	3,214	3,753
Allowance for doubtful accounts	641	794	989
One-time write-offs	1,807	—	—
Changes in			
Account receivable	(310)	(4,386)	(1,613)
Inventory	9,891	(420)	(2,741)
Account payables	4,614	9,766	16,495
Advance to customers and to suppliers	(1,013)	1,707	2,720
Accrued liabilities and deferred revenues	3,109	3,096	5,134
Cash from operations	55,092	66,837	82,941
Capex, PPE	(15,031)	(22,532)	(23,201)
Capex, land, and bldg.	(4,981)	(500)	(200)
Purchase of intangibles	(3)	—	—
Purchase of short-term investments	31,897	—	—
Cash paid for equity investment	8,705	8,318	8,318
Purchase/issuance of company shares	9,195	1,091	1,092
Purchase/redemption of debt and others	(15,003)	(10,695)	(10,695)
Cash from financing	(5,808)	(9,604)	(9,603)
Change in cash	(5,705)	33,025	48,762
Cash at beginning	85,156	79,398	112,477
Cash at end	79,398	112,477	161,239

Source: JD.com, Inc., Blue Lotus (as of December 4, 2024)

See the last page of the report for important disclosures

MAGA ≠ Defeating China

- Delayed vs. step-wise trade war depends on outcome of mass deportation:** Since outlined the possibility of a delayed US-China trade war, market participants have proposed the new possibility of step-wise trade war. In our view, whether it is delayed or step-wise trade war, the essence is about wait-and-see. Pundits in Trump's team, consisting of more seasoned and reasonable operators, likely want to assess the impact of policy initiative baskets on inflation before escalate further. This is not a bad strategy, but it doesn't make the job easier. We believe the biggest wild card is immigration. Immigration forms the biggest piece of consensus behind people who voted for Trump. The issue has been big and existed for so long that there is little chance of backpedalling once it is out of the cage. The American Immigration Council outlined the challenges in deporting ~13.3mn undocumented aliens in the US, or ~5% of US population. The report pointed out that the entire US prison system only has a capacity of 1.9mn and deporting the entire illegal immigrant population would cost between US\$315-968bn on direct cost alone. The report estimated that percentage of undocumented workers in industries like construction, hospitality and agriculture ran as high as 17% (*Source: [here](#)*). Research by Center for Immigration Studies suggested immigration reduces US wages by up to 10% (*Source: [here](#)*), which means deporting aliens will increase US wages by a similar magnitude;
- A Grand Bargaining with China is unlikely to succeed:** Recently also some market participants proposed the possibility of a Grand Bargaining, in which US will invite Chinese EV companies to set up factory in the US to hire US workers. We doubt it will happen. While the Chinese economy is only recovering from the doldrums, a little appreciated fact is that over the past three years China has detonated its biggest economic bomb, the overvalued tradable property market, without igniting a full-blown financial crisis. We don't think China will throw away this half-finished but hard-earned victory to some temporary relief. China is unlikely to yield to US requests as it knows how much it is hated within the US political system. There is no downside for China to say no as it is already down at the floor. To see whether Grand Bargaining will work, one only need to see whether China will allow TikTok to sell itself to US companies. It won't happen;
- Why must Trump go alone without enlisting US allies to contain China like Biden did?** In our view, this is because containing China is not the goal of MAGA. It is only the consequence of MAGA. This is the key difference between Trump vs. Biden, and MAGA vs. Establishment. Biden/Establishment believe the US is just fine while Trump/MAGA believe the US is in deep trouble. MAGA Movement has far greater goals to accomplish, which is made-in-USA for USA. Along the way the US will solve its long-standing issues of trade deficit, fiscal deficit and labour force deficit (immigration);
- But this also makes containing China more difficult:** For MAGA, self-strengthening is the best way of dealing with the China challenge. We cannot say it is not a sound train of thought. But whether it is the right strategy to America depends also on what China does. We feel the Biden strategy makes more sense;

In our view, immigration forms the biggest piece of consensus behind people who voted for Trump so there is no backpedaling.

To see whether Grand Bargaining will work, one only need to see whether China will allow TikTok to sell itself to US companies.

Containing China is not the goal of MAGA. It is only the natural consequence of MAGA.

Relocating manufacturing out of China requires machinery and equipment from China, which only accelerated China's technology upgrade.

- **Six years after Trump's 1st tariff war, neither US trade deficit nor Chinese export have changed materially:** As Exhibit 7 shows, US imports from China did decline from 20%+ at the time of Trump's tariff war in June 2018 to ~15% in September 2024, but the sums of imports from China+ASEAN didn't change. A breakdown in China's export destinations revealed that export to developing countries have risen to compensate the export to developed countries (Exhibit 8). Whether this shift of export embodies relocation of Chinese capacity offshore is moot. There are evidence showing at least a significant portion of these Chinese exports ended in these developing countries;
- **Resilience of Chinese export may have deeper roots:** In the first nine months, Chinese exports grew 6.2% YoY, picking up from 2023's 0.6% (Rmb-based). In US dollar terms, Chinese exports grew 4.2% YoY, reversing from 2023's (4.6%). Several reasons might explain this phenomena: (1) Most of China's exports are white labels or intermediary components, which means they can be assembled and routed through almost any country before exporting to the US, (2) Demand pickups in developing countries from both sustained (ASEAN and Mid-East) and temporary (Russia) basis, (3) Capital investments by developed countries to developing countries to replace China leading to purchases from China;
- **Export to developed countries vs. export to developing countries:** Achieving prosperity through exporting to developing countries isn't without precedence. During colonialism times, most exports of the developed countries are destined to the developing countries. In these days, developed countries imported raw materials from and exported finished products to developing countries. Both benefited from this process economically albeit pricing wise it is to the developing countries' disadvantage;
- **Raising tariff on China alone only accelerates China's technology upgrade:** Capital investments by Hong Kong, Taiwan, Korea and to a lesser degree Germany and Japan benefited from relocation of manufacturing into China post WTO. Now this flow is repeating itself, benefiting Chinese capital goods in relocating manufacturing to ASEAN and elsewhere. A case in point is Northvolt's recent bankruptcy which was partially caused by its reliance on Chinese equipment makers and cathode suppliers (*Source: [here](#)*). Relocation only shifts the reliance on China to something else along the supply chain;
- **Most Trump 2.0 policies are very difficult to implement:** Since assuming office, Trump has appointed its cabinet in whirl wind speed, causing controversies across the board. We believe Trump is mindful of the challenges MAGA faces and thus momentum of reform is important. Some of his appointments are clearly momentum based. From where we see, there aren't any MAGA's policies that are easier than others. Therefore, Trump is likely to push all MAGA agendas evenly, announcing loudly in form but executing slowly in essence. This actually will help his and MAGA's chances in 2026 election;
- **Will a delayed/step-wise trade war lead to China's policy overdose?** The risk is low now because China is also experiencing a deflation spiral of its own resulted from trade decoupling and property correction. But we argue that if Chinese government has readied a large pile of stimulus measures and judge from the track record they will be released as planned. So, there is a risk of policy overdose towards the end of the economic cycle. Market leaders who gain market share in this period of stimulus-sustained economy can reap rewards after the period's end by

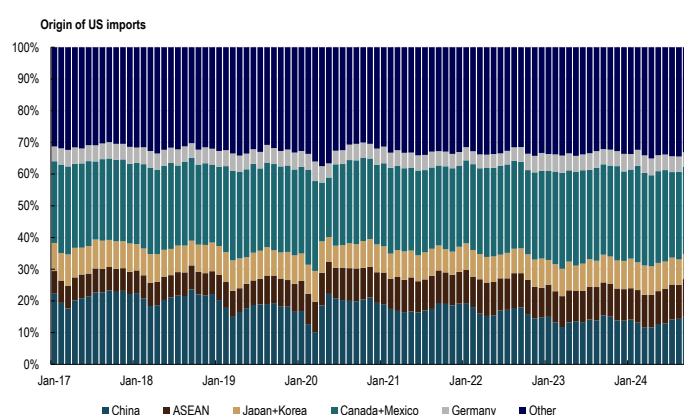
China's rising exports to developing countries aren't intermediary trade. Some supplies directly to the destination countries.

We believe the biggest wild card on US inflation is immigration and MAGA likely underestimated the difficulty.

We expect Trump to push forward his policy initiatives evenly, quickly in form but slowly in essence.

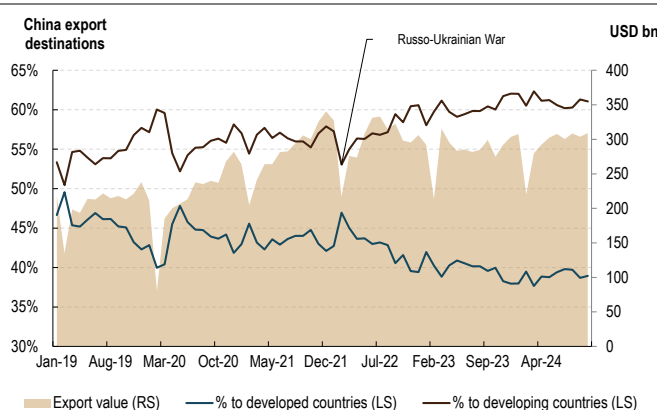
resuming their pricing power amid rebounding demand. We believe thus it is meaningful to look at companies that are (1) champion of their sector, (2) gaining market share at downturn, (3) heavily affected by macro whirlwinds in property, employment and consumption sectors. We believe these companies are **Beike, Alibaba, Kanzhun, Kuaishou**. In addition, companies (1) specifically benefit from government stimulus can ride out this period without suffering revenue slowdowns, (2) which are in a structural product cycle that defies macro headwinds, are good investments regardless of macro. These companies include **Meituan, JD.com, Xiaomi, Tencent, CATL and Bilibili**.

Exhibit 19. China+ASEAN's weight in US import hasn't changed



Source: US Census Bureau, Blue Lotus (as of December 4, 2024)

Exhibit 20. China export to developing countries has risen



Source: China Customs, Blue Lotus (as of December 4, 2024)

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