PDD Holdings

Uncertainties persist

29 May 2026

Company Overview

Established in 2014 and listed in 2018, Pinduoduo (PDD) is the third largest e-commerce platform in China. The company focuses on agricultural products. Online marketplace services and transaction services accounted for 50% each of its FY24 revenue. Huang Zheng, its former chairman and CEO, is the company's largest shareholder, with Tencent the second largest.

Investment Overview

A leading e-commerce platform in China, with a 900mn+ user base. PDD Holdings focuses on lower tier cities and offers more affordable "low-price" products. While the company already has a competitive edge in agricultural and fresh products in China, it continues to expand into other categories and earn advertising revenue. PDD launched its overseas marketplace platform Temu in North America in Sep 2022 and, as per management, has already expanded into more than 70 regions.

Ongoing ecosystem investment weighs on near-term earnings outlook. The company will continue the rollout of the RMB100bn merchant support program which includes fee/commission cuts, logistics cost reductions aimed at strengthening product offerings. Meanwhile, in response to shifting consumer preferences and the e-commerce sector slowdown, PDD reiterated its commitment to prioritizing ecosystem development for long-term, high-quality growth. Key initiatives include supply-chain investments and supporting sellers in upgrading product quality. As such, we expect earnings volatility to remain over next few quarters.

Overseas profitability trajectory tempered by regulatory overhang. We estimate that Temu's gross merchandise value (GMV) only accounted for 9.5% of the company's total GMV in FY25, we forecast this will reach c.11% by FY27F. However, we believe Temu's profitability outlook will continue to be dragged as they carry on the strategic investments (i.e supply chain) amid a complex and volatile regulatory environment, which will also impact PDD's GMV growth outlook.

Maintain HOLD; lower TP to USD117.1 (prev: USD118.0). We cut FY26F/27F adj. earnings by 2%/3%, respectively, to factor in lower revenue growth due to competition, higher costs, as well as tax rate assumptions. Our new TP is based on an unchanged 10x P/E multiple on FY26F adj. earnings. We maintain HOLD due to earnings uncertainty and a lack of positive catalysts in the near term.

Risks

Downside risks: (1) Intensifying market competition in China e-commerce, and (2) higher-than-expected sales and marketing expense.

Upside risks: (1) Faster-than-expected GMV growth in China, and (2) slower-than-expected merchant support programme rollout.

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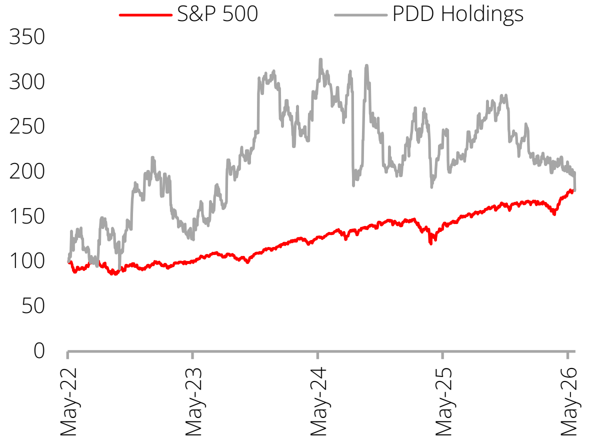
Key Financial Data

Bloomberg Ticker	PDD US
Sector	Consumer Discretionary Distribution
Share Price (USD)	86.61
DBS Rating	HOLD
12-mth Target Price (USD)	117.10
Market Cap (USD bn)	137.56
Volume (m shares)	9.20
Fwd. P/E (x)	8.11
P/Book (x)	2.25
ROE (%)	27.29

Closing Price as of 28 May 2026
Source: Twelve Data, DBS, Visible Alpha

Indexed Share price vs Composite Index Performance

(normalised)



Source: S&P

Financial Summary (CNYmn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Sales	247,639	393,836	431,846	488,110	550,891
% y/y	*89.7*	*59.0*	*9.7*	*13.0*	*12.9*
Gross Profit	155,916	239,936	243,044	274,222	311,696
% y/y	*57.3*	*53.9*	*1.3*	*12.8*	*13.7*
EBITDA	70,346	122,748	104,030	123,505	151,690
% y/y	*64.8*	*74.5*	*(15.2)*	*18.7*	*22.8*
Net Profit (Loss)	60,027	112,435	99,364	105,062	129,690
% y/y	*90.3*	*87.3*	*(11.6)*	*5.7*	*23.4*
FCF	93,579	120,962	61,847	129,218	155,475
% y/y	*95.5*	*29.3*	*(48.9)*	*108.9*	*20.3*
CAPEX	(583.9)	(967.1)	(967.1)	(967.1)	(967.1)
% y/y	*(8.2)*	*65.6*	*0.00*	*0.00*	*0.00*
EBITDA Margin (%)	28.4	31.2	24.1	25.3	27.5
Net Margin (%)	24.2	28.5	23.0	21.5	23.5
ROA (%)	20.5	26.4	17.5	14.9	15.0
ROE (%)	39.4	44.9	27.3	22.2	21.6
Tax Rate (%)	16.5	15.3	18.0	18.0	17.0

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
PE (x)	15.3	8.3	9.5	9.0	7.3
P/B (x)	5.0	3.0	2.3	1.8	1.4
Dividend Yield (%)	nm	nm	nm	nm	nm
EV/EBITDA (x)	9.4	4.4	4.2	2.4	0.8
FCF Yield (%)	14.2	22.3	14.1	43.7	124.5
Net DPS (USD)	0.00	0.00	0.00	0.00	0.00
BV Per Share (USD)	19.2	31.0	42.9	55.5	70.2

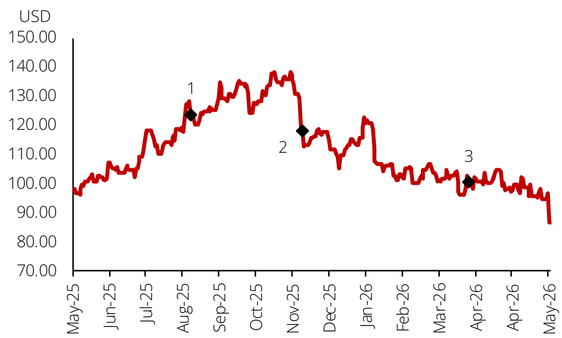
Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Debt / Equity (x)	0.0	0.0	nm	nm	nm
Net Debt / Equity (x)	cash	cash	cash	cash	cash
Debt / Assets (x)	0.0	0.0	0.00	0.00	0.00
EBITDA / Int Exp (x)	nm	nm	nm	nm	nm
Debt / EBITDA (x)	0.1	0.0	0.00	0.00	0.00
Receivables Days	nm	nm	nm	nm	nm
Days Payable	277.6	198.5	193.1	199.7	209.2
Inventory Days	nm	nm	nm	nm	nm

Source: Visible Alpha

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1	26-Aug-25	123.91	120.00	HOLD
2	19-Nov-25	118.02	118.00	HOLD
3	26-Mar-26	100.62	117.10	HOLD

Note: Share price and Target price are adjusted for corporate actions

Source: DBS

Analysts: Ben WONG
Andy YU

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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