Goldman Sachs Research

Equity Research

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PDD Holdings (PDD)

2Q26 review: Mixed results; Temu 1P+supply chain investments to build long-term moats; Buy

PDD	12m Price Target: **$134.00**	Price: **$88.38**	Upside: **51.6%**

BUY

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PDD's 2Q26 results came in mixed (our first take), with (+) online marketing revenues ahead at +3% yoy (outpaced Taobao-Tmall of +1% yoy on a like-for-like basis/CMR -7% yoy under new Alibaba rebate accounting), implying resilient domestic GMV performance, yet (-) softer-than-expected transaction services revenue growth at +13% yoy (below GSe/V.A. consensus at +21%/+22%) as Temu navigates evolving global tariff/regulatory policies, with pressure to persist following the EU's removal of de-minimis and adoption of flat-rate custom duty per item from July (Europe accounts for c.1/3 of Temu GMV, GSe). That said, we view the company's long-term commitment to 1P (Xinpinmu, with its first 1P brand Bemuvo launched in select markets in June) and continued investments into local supply chain, warehousing and fulfillment infrastructure as positive developments for Temu, to enhance business resilience and compliance capabilities while expanding its global addressable market.

Adj. net profit came in below GSe but above V.A. Consensus (at -12% yoy), reflecting a combination of higher G&A expenses from the launch of its new Xiongan subsidiary, stronger-than-expected interest/investment income, and widened other losses of Rmb7.4bn (which we believe were mainly due to domestic and Temu-related regulatory fines). Factoring in 2Q results, we fine-tune our FY26E-FY28E revenue by -3%~-6% assuming slower Temu GMV growth (due to Europe GMV declines), and lower adj. net profit by -2%~-9% accordingly given our expectations that near-term earnings will remain under pressure due to overseas regulatory changes and continued reinvestment. We now forecast group adj. net profit of Rmb96bn/Rmb123bn for FY26E/FY27E, or -10%/+29% yoy growth.

Our 12-m SOTP target price moves to US$134 (down from US$145), mainly reflecting our lowered domestic platform valuation multiple (on muted profit growth) and as we lower Temu GMV

Key Data

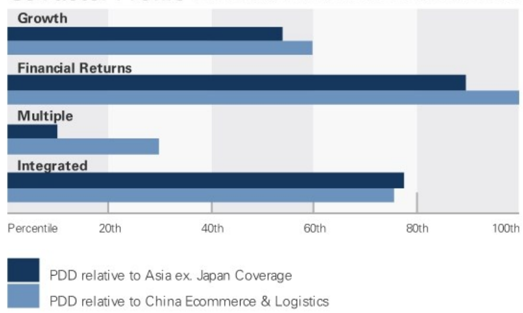
Market cap: $130.6bn
Enterprise value: $60.2bn
3m ADTV: $731.5mn
China
China Ecommerce & Logistics
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**431,845.7**	**458,058.0**	**494,876.2**	**551,288.3**
Revenue (Rmb mn) Old	431,845.7	477,400.0	524,103.6	570,674.1
EBITDA (Rmb mn)	101,641.9	103,115.2	118,711.3	136,771.2
EPS (Rmb) New	**71.23**	**64.64**	**82.31**	**93.79**
EPS (Rmb) Old	71.23	70.97	84.25	95.30
P/E (X)	11.7	9.2	7.2	6.3
P/B (X)	3.0	1.8	1.4	1.2
Dividend yield (%)	0.0	0.0	0.0	0.0
CROCI (%)	65.7	57.9	77.6	94.4

	3/26	6/26	9/26E	12/26E
EPS (Rmb)	9.51	19.33	16.82	18.91

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates. See disclosures for details.

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BUY

PDD Holdings (PDD)

Rating since May 24, 2024

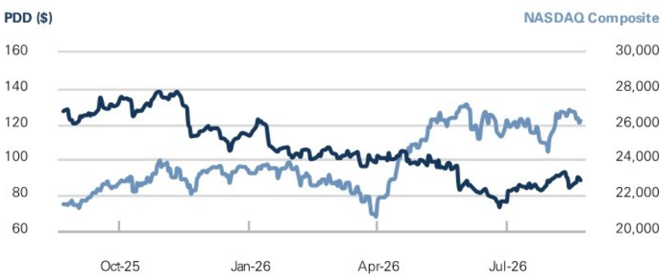
Ratios & Valuation

	12/25	12/26E	12/27E	12/28E
P/E (X)	11.7	9.2	7.2	6.3
P/B (X)	3.0	1.8	1.4	1.2
FCF yield (%)	9.0	11.0	14.8	17.1
EV/EBITDAR (X)	7.5	3.7	2.2	0.9
EV/EBITDA (excl. leases) (X)	7.5	3.7	2.2	0.9
CROCI (%)	65.7	57.9	77.6	94.4
ROE (%)	29.1	20.7	21.5	20.1
Net debt/equity (%)	(102.2)	(92.9)	(94.7)	(96.5)
Net debt/equity (excl. leases) (%)	(102.2)	(92.9)	(94.7)	(96.5)
Interest cover (X)	–	–	–	–
Days inventory outst, sales	–	–	–	–
Receivable days	3.7	2.9	1.6	1.6
Days payable outstanding	194.5	199.1	183.3	160.7
DuPont ROE (%)	25.6	18.8	19.4	18.3
Turnover (X)	0.7	0.6	0.6	0.6
Leverage (X)	1.5	1.4	1.3	1.3
Gross cash invested (ex cash) (Rmb)	131,194.3	133,840.4	130,008.2	125,061.7
Average capital employed (Rmb)	208,886.2	231,523.3	229,931.5	223,911.9
BVPS (Rmb)	277.05	337.68	415.02	502.85

Growth & Margins (%)

	12/25	12/26E	12/27E	12/28E
Total revenue growth	9.7	6.1	8.0	11.4
EBITDA growth	(14.7)	1.4	15.1	15.2
EPS growth	(17.2)	(9.2)	27.3	13.9
DPS growth	NM	NM	NM	NM
EBIT margin	23.4	22.3	23.8	24.6
EBITDA margin	23.5	22.5	24.0	24.8
Net income margin	24.5	20.8	24.8	25.6

Price Performance



	3m	6m	12m
Absolute	(9.6)%	(15.8)%	(28.1)%
Rel. to the NASDAQ Composite	(9.2)%	(26.4)%	(42.1)%

Source: FactSet. Price as of 21 Aug 2026 close.

Income Statement (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Total revenue	431,845.7	458,058.0	494,876.2	551,288.3
Cost of goods sold	(188,553.5)	(207,828.4)	(237,814.6)	(275,110.5)
SG&A	(128,014.0)	(129,985.1)	(120,917.0)	(120,093.5)
R&D	(14,239.1)	(18,034.9)	(18,523.9)	(20,635.5)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**101,641.9**	**103,115.2**	**118,711.3**	**136,771.2**
Depreciation & amortization	(602.8)	(905.6)	(1,090.7)	(1,322.4)
EBIT	**101,039.1**	**102,209.6**	**117,620.6**	**135,448.8**
Net interest inc./(exp.)	25,583.8	24,442.5	26,832.3	30,884.8
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**127,512.3**	**116,519.1**	**144,452.9**	**166,333.6**
Provision for taxes	(21,732.8)	(21,017.2)	(21,643.6)	(24,994.9)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**105,779.5**	**95,501.9**	**122,809.3**	**141,338.7**
Post-tax exceptionals	(7,937.0)	(6,183.6)	(9,402.6)	(10,474.5)
Net inc. (post-exceptionals)	**97,842.5**	**89,318.3**	**113,406.6**	**130,864.2**
EPS (basic, pre-except) (Rmb)	**75.68**	**67.82**	**86.35**	**98.39**
EPS (diluted, pre-except) (Rmb)	**71.23**	**64.64**	**82.31**	**93.79**
EPS (basic, post-except) (Rmb)	**70.00**	**63.43**	**79.74**	**91.10**
EPS (diluted, post-except) (Rmb)	**65.89**	**60.46**	**76.00**	**86.84**
DPS (Rmb)	–	–	–	–
Div. payout ratio (%)	0.0	0.0	0.0	0.0

Balance Sheet (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Cash & cash equivalents	182,731.4	276,494.2	404,226.3	552,681.3
Accounts receivable	5,109.1	2,061.9	2,227.7	2,481.6
Inventory	–	–	–	–
Other current assets	331,139.4	332,774.2	333,505.8	334,435.6
Total current assets	**518,979.9**	**611,330.3**	**739,959.7**	**889,598.5**
Net PP&E	1,306.0	1,615.8	2,010.0	2,608.1
Net intangibles	15.4	13.8	13.5	13.3
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	109,743.0	109,743.0	109,743.0	109,743.0
Total assets	**630,044.3**	**722,702.8**	**851,726.3**	**1,001,962.9**
Accounts payable	108,493.7	118,283.3	120,545.8	121,712.2
Short-term debt	–	–	–	–
Short-term lease liabilities	–	–	–	–
Other current liabilities	105,243.5	92,610.5	96,562.1	103,446.3
Total current liabilities	**213,737.2**	**210,893.8**	**217,107.9**	**225,158.5**
Long-term debt	–	–	–	–
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	2,922.0	2,922.0	2,922.0	2,922.0
Total long-term liabilities	**2,922.0**	**2,922.0**	**2,922.0**	**2,922.0**
Total liabilities	**216,659.2**	**213,815.8**	**220,029.9**	**228,080.5**
Preferred shares	–	–	–	–
Total common equity	413,385.2	508,887.1	631,696.4	773,035.1
Minority interest	**--**	**--**	**--**	**--**
Total liabilities & equity	**630,044.3**	**722,702.8**	**851,726.3**	**1,001,115.6**
Net debt, adjusted	(182,731.4)	(276,494.2)	(404,226.3)	(552,681.3)

Cash Flow (Rmb mn)

	12/25	12/26E	12/27E	12/28E
Net income	97,842.5	89,318.3	113,406.6	130,864.2
D&A add-back	602.8	905.6	1,090.7	1,322.4
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	7,367.1	(1,431.1)	5,316.8	5,319.9
Other operating cash flow	1,126.2	6,183.6	9,402.6	12,868.8
Cash flow from operations	**106,938.7**	**94,976.5**	**129,216.8**	**150,375.3**
Capital expenditures	(1,145.1)	(1,215.1)	(1,484.6)	(1,920.3)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	(42,278.2)	–	–	–
Cash flow from investing	**(43,423.2)**	**(1,215.1)**	**(1,484.6)**	**(1,920.3)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	–	–	–	–
Inc/(dec) in debt	–	–	–	–
Other financing cash flows	(6,978.5)	1.5	0.0	0.0
Cash flow from financing	**(6,978.5)**	**1.5**	**0.0**	**0.0**
Total cash flow	**56,537.0**	**93,762.9**	**127,732.1**	**148,455.0**
Free cash flow	105,793.6	93,761.4	127,732.1	148,455.0

Source: Company data, Goldman Sachs Research estimates.

growth forecasts to +15%/+25% in FY26/27E (from +33%/25%) on tariff policy impact in Europe into 2H. We address key investor focus areas and our thoughts on 1) Continued investment step-up with execution of “Xin Pin Mu”, 2) Domestic GMV resilience & OMS Outlook, 3) Transaction services revenue outlook into FY26, with Temu’s localization strategy given evolving tariff/regulatory environments within. At 9X 2026E P/E (or 4X ex-cash P/E), we maintain Buy as we believe PDD’s ongoing investments into 1P+supply chain capabilities, merchant ecosystem development and globalization initiatives will strengthen its long-term competitive positioning and moats to outgrow its peers into the long-term. We also note the company’s improvement in organizational compliance and internal management, domestic growth stabilization and strength in its Duo Duo Grocery business.

We address key investor focus areas and our thoughts by topic:

- **Continued investment step-up with execution of “Xin Pin Mu”:** Gross profit growth in 2Q26 came in ahead of GSe at +11% yoy, with operating profit up +5% yoy (in-line with GSe), demonstrating resilient profitability despite continued investments into platform governance, Rmb100bn merchant ecosystem support and supply chain development amid a more challenging global regulatory environment. Management reiterated that deepening supply chain capabilities remains the core long-term strategic priority, with “Xin Pin Mu” serving as an extension of this effort through selective incorporation of first-party brands in categories where PDD possesses differentiated supply chain/global channel advantages. While management acknowledged the initial rollout of “Xin Pin Mu” (with first brand “Bemuvo” launched in June) has taken longer than originally expected, the company remained committed and continued to view broader supply chain inputs as a meaningful growth driver, despite potential near-term drags. ***GS view***: We now expect 3Q26E/FY26E group EBIT to be Rmb22bn/Rmb102bn (from Rmb25bn/Rmb106bn) on the company’s commitment to reinvesting into its ecosystem and supply chain.
- **Domestic GMV resilience & OMS Outlook**: PDD online marketing revenue growth remained healthy at +3%, ahead of Taobao-Tmall of +1% yoy on a like-for-like basis (-7% yoy under new merchant rebate terms) and Kuaishou e-Commerce ad at +1%, suggesting relatively resilient GMV and merchant advertising demand despite tighter merchant tax/intensifying competition/soft overall consumption (where we estimate Pinduoduo GMV growth of 5% in 2Q26, ahead of industry at 2%). Looking ahead, management expects future growth to increasingly come from addressing supply chain bottlenecks (across product development/manufacturing/fulfillment), while unlocking consumption potential in lower-tier cities/rural areas through continued investments in logistics infrastructure. The company remained committed to its core eCommerce business and supply chain buildout, rather than expansion into on-demand retail, where management saw limited synergies given distinction in business models/supply chain requirements. ***GS view***: We estimate domestic GMV growth of 5%/5% yoy for 3Q26E/FY26E (unchanged), and online marketing services revenue growth of 2%/3% yoy for 3Q26E/FY26E (prior: 2%/1%).
- **Transaction services revenue outlook into 2H26, with Temu’s localization strategy given evolving tariff/regulatory environments:** Transaction services

revenue came in below GSe/V.A. consensus at +13% yoy, moderating from +20% in 1Q26, which we believe might reflect Temu's proactive adjustment to evolving tariff/regulatory policies (notably in Europe, where we note media report of a sharp GMV decline in 2Q). Management acknowledged that recent changes have resulted in lower fulfillment efficiency and pressure on near-term growth in selected regions. Through onboarding more local merchants to broaden product mix, expanding local warehousing and fulfillment capabilities, and increasing local sourcing/local fulfillment penetration, the company aims to improve business resilience and regulatory compliance while further expanding its global addressable market. ***GS view***: Factoring in 2Q results, we now estimate transaction commission revenue growth of +6%/+10% yoy for 3Q26E/FY26E (from +21%/+20% yoy). We believe pressure from European regulatory changes (implementation of the €3 per item customs handling fees since July) is likely to persist into 2H26, although partially offset by continued recovery of the U.S. business under a more favorable tariff backdrop (see BBG US panel sales recovery Exhibit 7). We expect Temu EBIT of -Rmb11.8bn/-Rmb2.8bn in FY26E/FY27E (prior: -Rmb9.4bn/Rmb2.7bn) on a more gradual earnings ramp as Temu continues to invest in localization while transitioning toward favorable semi-trusted/local-to-local business models.

Downside risk: 1) lower-than-expected online marketing revenues on increased eCommerce ROI/sales-based ad inventory and narrower GMV growth gap at Alibaba vs. industry, **2)** wider-than-expected geopolitical headwinds into Europe and other developed markets with high spending power, **3)** higher-than-expected competition if Alibaba's new low-price adtech initiatives gain traction/faster-than-expected Douyin shelf-based expansion in low ticket size items at lower take rates (Douyin has been offering commission free initiatives) vs. eCommerce platforms, **4)** reinvestments to sustain growth that may pose downside risks to core profit margins, and **5)** lack of segmental disclosures of business performance, which could lead to difficulty in analyzing/estimating domestic and int'l (Temu) performance and profitability.

Exhibit 1: PDD - Historical share price movement on the day of earnings release

	1Q24	2Q24	3Q24	4Q24
Quarterly results vs. VA consensus	Group Rev: +14% Group EBIT: +92%	Group Rev: -2% Group EBIT: +28%	Group Rev: -2% Group EBIT: -10%	Group Rev: -6% Group EBIT: -6%
Share price reaction on the results day	1%	-29%	-11%	4%

	1Q25	2Q25	3Q25	4Q25
Quarterly results vs. VA consensus	Group Rev: -8% Group EBIT: -33%	Group Rev: +1% Group EBIT: +19%	Group Rev: +1% Group EBIT: +11%	Group Rev: 0% Group EBIT: -1%
Share price reaction on the results day	-16%	-3%	-7%	5%

	1Q26	2Q26
Quarterly results vs. VA consensus	Group Rev: -2% Group EBIT: -6%	Group Rev: -3% Group EBIT: 0%
Share price reaction on the results day	-10%	-1%

2Q26 share price reaction as of writing.

Source: Datastream, Visible Alpha Consensus Data, Company data, Goldman Sachs Global Investment Research

Exhibit 2: Our estimates (annual & quarterly)

Rmb millions	2023	2024	2025	2026E	2027E	2028E	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E
GMV (domestic)	4,500,000	5,400,000	6,002,016	6,315,076	6,630,829	6,309,992	1,295,922	1,446,532	1,514,520	1,745,042	1,373,678	1,518,858	1,590,246	1,832,294
YoY		*20%*	*11%*	*5%*	*5%*	*4%*	*13%*	*15%*	*11%*	*7%*	*6%*	*5%*	*5%*	*5%*
GMV (Temu, US$mn)	18,000	60,000	90,000	103,840	130,000	160,000	16,000	18,000	26,000	30,000	22,400	21,000	28,340	32,100
YoY		*233%*	*50%*	*15%*	*25%*	*23%*	*78%*	*50%*	*44%*	*43%*	*40%*	*17%*	*9%*	*7%*
Transaction services	94,099	195,902	214,063	234,676	267,889	318,867	46,950	48,282	54,929	63,902	56,293	54,721	58,001	65,660
YoY	*241%*	*108%*	*9%*	*10%*	*14%*	*19%*	*6%*	*1%*	*10%*	*19%*	*20%*	*13%*	*6%*	*3%*
Marketing services	153,540	197,934	217,783	223,382	226,987	232,421	48,722	55,703	53,348	60,010	49,936	57,637	54,454	61,356
YoY	*49%*	*29%*	*10%*	*3%*	*2%*	*2%*	*15%*	*13%*	*8%*	*5%*	*2%*	*3%*	*2%*	*2%*
Total revenue	247,639	393,836	431,846	458,058	494,876	551,288	95,672	103,985	108,277	123,912	106,229	112,358	112,455	127,016
YoY	*90%*	*59%*	*10%*	*6%*	*8%*	*11%*	*10%*	*7%*	*9%*	*12%*	*11%*	*8%*	*4%*	*3%*
Cost of revenues	91,724	153,900	188,802	208,020	238,107	275,436	40,947	45,859	46,840	55,156	46,893	48,017	52,481	60,629
Gross profit	155,915	239,936	243,044	250,038	256,770	275,853	54,725	58,126	61,436	68,757	59,336	64,341	59,974	66,387
Product development expenses	(10,952)	(12,659)	(16,496)	(19,522)	(20,785)	(23,154)	(3,578)	(3,591)	(4,332)	(4,995)	(4,418)	(4,567)	(4,948)	(5,589)
% of total revenue	4.4%	3.2%	3.8%	4.3%	4.2%	4.2%	3.7%	3.5%	4.0%	4.0%	4.2%	4.1%	4.4%	4.4%
Sales & marketing expenses	(82,189)	(111,301)	(125,288)	(126,019)	(118,615)	(117,529)	(33,403)	(27,210)	(30,323)	(34,352)	(33,773)	(29,668)	(32,900)	(29,678)
% of total revenue	33.2%	28.3%	29.0%	27.5%	24.0%	21.3%	34.9%	26.2%	28.0%	27.7%	31.8%	26.4%	29.3%	23.4%
General and admn. expenses	(4,076)	(7,553)	(8,158)	(8,471)	(9,152)	(10,195)	(1,659)	(1,532)	(1,755)	(1,690)	(1,579)	(2,342)	(2,137)	(2,413)
% of total revenue	1.6%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.5%	1.6%	1.4%	1.5%	2.1%	1.9%	1.9%
Operating profit, GAAP	58,699	108,423	93,102	96,026	108,218	124,974	16,086	25,793	25,026	27,720	19,566	27,764	19,989	28,707
Group operating profit, non-GAAP	65,777	118,306	101,039	102,210	117,621	135,449	18,260	27,748	27,079	29,474	21,090	29,071	21,564	30,485
OPM, non-GAAP	26.6%	30.0%	23.4%	22.3%	23.8%	24.6%	19.1%	26.7%	25.0%	23.8%	19.9%	25.9%	19.2%	24.0%
YoY	*73%*	*80%*	*-15%*	*1%*	*15%*	*15%*	*-36%*	*-21%*	*1%*	*5%*	*16%*	*5%*	*-20%*	*3%*
Domestic operating profit	71,764	123,512	114,989	107,780	111,006	112,390	28,980	30,381	21,302	34,326	26,022	29,671	20,190	31,898
Main platform OPM	37%	51%	41%	36%	36%	35%	48%	44%	31%	43%	39%	40%	28%	38%
% yoy		72%	-7%	-6%	3%	1%	-11%	-18%	-6%	10%	-10%	-2%	-5%	-7%
Temu operating profit	(13,065)	(15,089)	(20,365)	(11,754)	(2,789)	12,584	(12,895)	(4,588)	3,724	(6,606)	(6,456)	(1,907)	(201)	(3,191)
Temu OPM	-24%	-10%	-13%	-7%	-2%	5%	-37%	-13%	10%	-15%	-17%	-5%	-1%	-7%
Interest income (expense)	10,238	20,553	25,584	24,443	26,832	30,885	223	10,423	8,565	6,373	(632)	13,505	6,111	5,459
Pre-tax profit (GAAP)	71,881	132,684	119,446	110,336	135,050	155,859	19,328	35,535	33,278	32,828	16,758	33,312	26,100	34,166
Income taxes	(11,850)	(20,267)	(21,733)	(21,017)	(21,644)	(24,995)	(4,481)	(4,819)	(3,987)	(8,446)	(4,115)	(6,092)	(2,837)	(7,973)
Net income, GAAP	60,026	112,435	97,843	89,318	113,407	130,864	14,742	30,753	29,328	24,541	12,547	27,182	23,262	26,193
Net income, non-GAAP	67,899	122,344	105,780	95,502	122,809	141,339	16,916	32,708	31,382	26,295	14,071	28,489	24,837	27,971
YoY	*72%*	*80%*	*-14%*	*-10%*	*29%*	*15%*	*-45%*	*-5%*	*14%*	*-12%*	*-17%*	*-13%*	*-21%*	*6%*
Diluted EPADS, GAAP (Rmb)	40.99	76.01	65.89	60.46	76.00	86.84	9.94	20.75	19.70	16.51	8.48	18.45	15.76	17.71
Diluted EPADS, non-GAAP (Rmb)	46.36	82.71	71.23	64.64	82.31	93.79	11.41	22.07	21.08	17.69	9.51	19.33	16.82	18.91
YoY	*69%*	*78%*	*-14%*	*-9%*	*27%*	*low*	*-45%*	*-5%*	*13%*	*-12%*	*-17%*	*-12%*	*-20%*	*7%*
GPM	63.0%	60.9%	56.3%	54.6%	51.9%	65.5%	57.2%	55.9%	56.7%	55.5%	55.9%	57.3%	53.3%	52.3%
OPM, ng	26.6%	30.0%	23.4%	22.3%	23.8%	24.6%	19.1%	26.7%	25.0%	23.8%	19.9%	25.9%	19.2%	24.0%
NPM, ng	27.4%	31.1%	24.5%	20.8%	24.8%	25.6%	17.7%	31.5%	29.0%	21.2%	13.2%	25.4%	22.1%	22.0%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Key changes to our estimates

Rmb mn	2026E	Old	% Chg	2027E	Old	% chg	2028E	Old	% chg
GMV (domestic)	6,315,076	6,286,145	0%	6,630,829	6,600,452	0%	6,896,063	6,864,470	0%
YoY	*5%*	*5%*		*5%*	*5%*		*4%*	*4%*	
Revenue									
Transaction services	234,676	257,608	-9%	267,889	297,645	-10%	318,867	337,267	-5%
YoY	*10%*	*20%*		*14%*	*16%*		*19%*	*13%*	
Marketing services	223,382	219,792	2%	226,987	226,459	0%	232,421	233,407	0%
YoY	*3%*	*1%*		*2%*	*3%*		*2%*	*3%*	
Total revenue	458,058	477,400	-4%	494,876	524,104	-6%	551,288	570,674	-3%
YoY	*6%*	*11%*		*8%*	*10%*		*11%*	*9%*	
Cost of revenues	208,020	224,210	-7%	238,107	258,670	-8%	275,436	288,876	-5%
Gross profit, non-GAAP	250,038	253,190	-1%	256,770	265,434	-3%	275,853	281,798	-2%
Product development expenses	(19,522)	(20,186)	-3%	(20,785)	(22,012)	-6%	(23,154)	(23,968)	-3%
Sales & marketing expenses	(126,019)	(129,109)	-2%	(118,615)	(124,051)	-4%	(117,529)	(121,335)	-3%
General and admn. expenses	(8,471)	(6,762)	25%	(9,152)	(7,162)	28%	(10,195)	(7,513)	36%
Operating profit, GAAP	96,026	97,133	-1%	108,218	112,208	-4%	124,974	128,982	-3%
Operating profit, non-GAAP	102,210	105,709	-3%	117,621	122,166	-4%	135,449	139,825	-3%
Domestic operating profit	107,780	106,484	1%	111,006	109,527	1%	112,390	109,677	2%
International operating profit	(11,754)	(9,351)	-26%	(2,789)	2,681	-204%	12,584	19,305	-35%
Interest income (expense)	24,443	20,981	16%	26,832	24,403	10%	30,885	28,087	10%
Pre-tax profit (GAAP)	110,336	115,938	-5%	135,050	136,611	-1%	155,859	157,069	-1%
Income taxes	(21,017)	(19,167)	-10%	(21,644)	(20,251)	-7%	(24,995)	(23,603)	-6%
Net income, GAAP	89,318	96,771	-8%	113,407	116,360	-3%	130,864	133,466	-2%
Net income, non-GAAP	95,502	105,348	-9%	122,809	126,318	-3%	141,339	144,309	-2%
Diluted EPADS, GAAP (Rmb)	60.46	65.19	-7%	76.00	77.61	-2%	86.84	88.14	-1%
Diluted EPADS, non-GAAP (Rmb)	64.64	70.97	-9%	82.31	84.25	-2%	93.79	95.30	-2%
GPM	54.6%	53.0%	1.6	51.9%	50.6%	1.2	50.0%	49.4%	0.7
OPM, ng	22.3%	22.1%	0.2	23.8%	23.3%	0.5	24.6%	24.5%	0.1
NPM, ng	20.8%	22.1%	(1.2)	24.8%	24.1%	0.7	25.6%	25.3%	0.4

Source: Goldman Sachs Global Investment Research

Exhibit 4: We lower our PDD SOTP valuation with a new 12m TP at US$134 (from US$145)

SOTP Valuation	2026E Rev. (US$mn)	2026E NOPAT (US$mn)	Implied EV/Rev.	P/E	Valuation to PDD (US$mn)	2026E Val. Per share (US$)	Value split	Comment
1. Domestic main platform	42,578	13,165	3.5x	9x	114,532	78	49%	2026E NOPAT (36% EBIT margin); applying 9X P/E (from 10X) on slower OMS growth
	2027E Rev. (US$mn)	2027E NOPAT (US$mn)	Implied EV/Rev.	P/E	Valuation to PDD (US$mn)	2027E Val. Per share (US$)	Value split	Comment
2. Temu (ex. US full-entrusted)	22,395	1,963	1.9x	25x	42,778	29	18%	Assuming US$112bn GMV in 2027E and 2% GMV margin in the long-term, 15% tax rate, 25X P/E, discounted back at 12%
3. Net cash					76,241	52	33%	Net cash
NAV					233,551	158	100%	
Less: holdco discount			15%		35,967	24		
					197,584	134		

Source: Company data, Goldman Sachs Global Investment Research

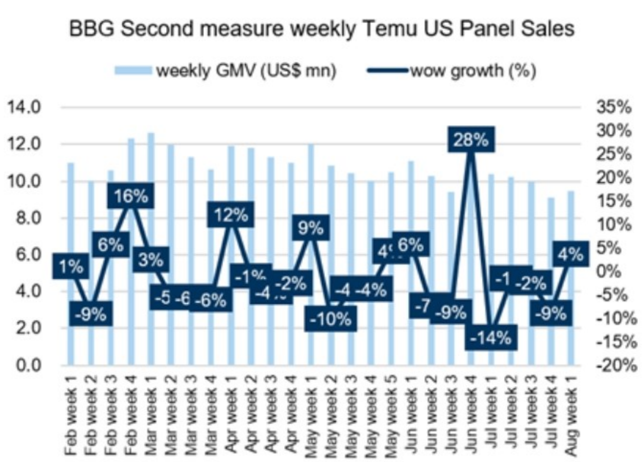
Exhibit 5: PDD 2Q26 earnings result summary

Rmb mn	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26A	2Q26E	Act. vs. GSe	% QoQ	% YoY
Revenue												
Transaction commissions	50,003	53,599	46,950	48,282	54,929	63,902	56,293	54,721	58,497	-6%	-3%	13%
Marketing services	49,351	57,011	48,722	55,703	53,348	60,010	49,936	57,637	54,182	6%	15%	3%
Total revenue	**99,354**	**110,610**	**95,672**	**103,985**	**108,277**	**123,912**	**106,229**	**112,358**	**112,679**	**0%**	**6%**	**8%**
Gross profit, non-GAAP	**59,690**	**63,125**	**54,782**	**58,191**	**61,518**	**68,802**	**59,364**	**64,387**	**61,397**	**5%**	**8%**	**11%**
Product development expenses	(3,063)	(3,777)	(3,578)	(3,591)	(4,332)	(4,995)	(4,418)	(4,567)	(4,394)	4%	3%	27%
Sales & marketing expenses	(30,484)	(31,357)	(33,403)	(27,210)	(30,323)	(34,352)	(33,773)	(29,668)	(30,800)	-4%	-12%	9%
% of total revenue	30.7%	28.3%	34.9%	26.2%	28.0%	27.7%	31.8%	26.4%	27.3%			
General and admn. expenses	(1,806)	(2,085)	(1,659)	(1,532)	(1,755)	(1,690)	(1,579)	(2,342)	(1,578)	48%	48%	53%
Operating profit, non-GAAP	**26,770**	**27,996**	**18,260**	**27,748**	**27,079**	**29,474**	**21,090**	**29,071**	**26,726**	**9%**	**38%**	**5%**
Interest income (expense)	5,416	5,233	223	10,423	8,565	6,373	(632)	13,505	6,994	93%	2237%	30%
Pre-tax profit (GAAP)	**29,180**	**32,413**	**19,328**	**35,535**	**33,278**	**32,828**	**16,758**	**33,312**	**31,579**	**5%**	**99%**	**-6%**
Income taxes	(4,202)	(5,083)	(4,481)	(4,819)	(3,987)	(8,446)	(4,115)	(6,092)	(4,139)	-47%	-48%	-26%
Net income, GAAP	24,981	27,447	14,742	30,753	29,328	24,541	12,547	27,182	27,440	-1%	117%	-12%
Net income, non-GAAP	**27,459**	**29,851**	**16,916**	**32,708**	**31,382**	**26,295**	**14,071**	**28,489**	**29,581**	**-4%**	**102%**	**-13%**
Diluted EPADS, GAAP (Rmb)	16.91	18.53	9.94	20.75	19.70	16.51	8.48	18.45	18.50	0%	118%	-11%
Diluted EPADS, non-GAAP (Rmb)	**18.59**	**20.15**	**11.41**	**22.07**	**21.08**	**17.69**	**9.51**	**19.33**	**19.95**	**-3%**	**103%**	**-12%**
GPM	60.1%	57.1%	57.3%	56.0%	56.8%	55.5%	55.9%	57.3%	54.5%	2.8	1.4	1.3
GPM, non-GAAP (ex merchandise sls)	60.1%	57.1%	57.3%	56.0%	56.8%	55.5%	55.9%	57.3%	54.5%	2.8	1.4	1.3
OPM, ng	26.9%	25.3%	19.1%	26.7%	25.0%	23.8%	19.9%	25.9%	23.7%	2.2	6.0	(0.8)
NPM, ng	27.6%	27.0%	17.7%	31.5%	29.0%	21.2%	13.2%	25.4%	26.3%	(0.9)	12.1	(6.1)

Source: Company data, Goldman Sachs Global Investment Research

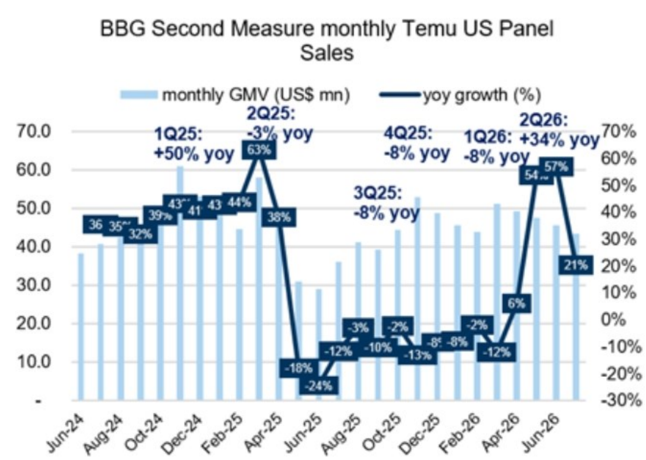
Temu GMV & engagement

Exhibit 6: Bloomberg Second measure weekly Temu US Panel Sale



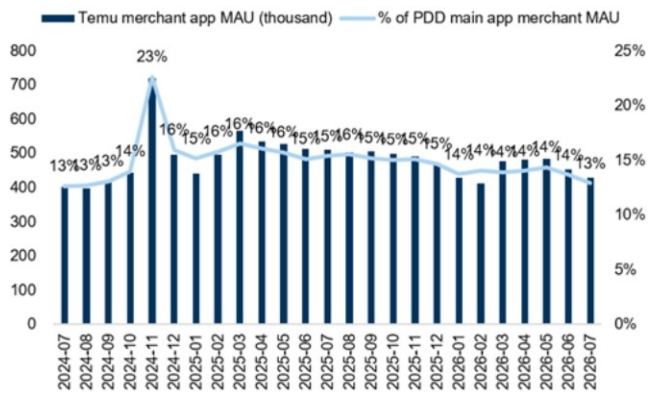
Source: Bloomberg

Exhibit 7: Bloomberg Second Measure monthly Temu US Panel Sales



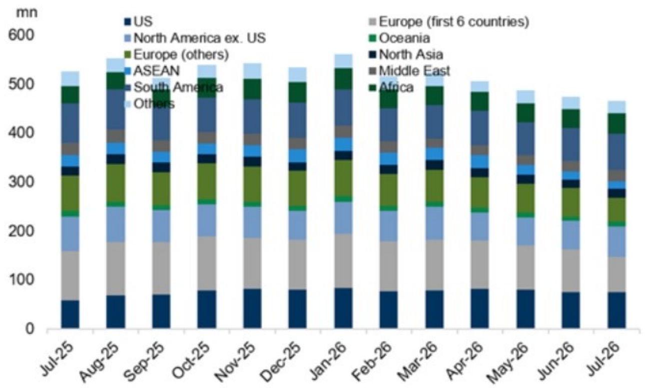
Source: Bloomberg

Exhibit 8: Temu merchants decreased -5% mom in July



Source: QuestMobile

Exhibit 9: Temu global MAU down to 467mn in July 2026 (-1% mom)
mn



The first 6 European countries include France, Germany, Italy, the Netherlands, Spain, and the UK (launched in April 2023)

Source: SensorTower

Exhibit 10: Temu engagement data vs. peers

Global Temu app MAU												
mom% growth	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Temu	5%	-7%	5%	0%	-1%	5%	-8%	1%	-4%	-4%	-3%	-1%
Amazon	-2%	0%	3%	1%	0%	-1%	-3%	2%	-3%	3%	0%	0%
AliExpress	4%	-6%	3%	10%	-7%	1%	-7%	5%	-7%	4%	3%	-5%
Temu as % of others	**Aug-25**	**Sep-25**	**Oct-25**	**Nov-25**	**Dec-25**	**Jan-26**	**Feb-26**	**Mar-26**	**Apr-26**	**May-26**	**Jun-26**	**Jul-26**
Amazon	86%	79%	81%	81%	79%	84%	80%	80%	79%	74%	72%	71%
AliExpress	274%	270%	275%	250%	265%	275%	272%	263%	274%	254%	239%	249%

We note that consumers outside China would access and purchase products from eCommerce platforms through both websites and apps, unlike Chinese consumers who typically only purchase on eCommerce apps, thus we leverage SensorTower to track Temu/Amazon/AliExpress app engagement data, and use Similarweb to track their website monthly visits, as a proxy of their website traffic.

Source: SensorTower, Similarweb

Exhibit 11: Temu app MAU by region

Temu app by region												
mom% growth	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
US	18%	3%	10%	4%	-2%	5%	-8%	3%	4%	-4%	-6%	-1%
Europe (first 6 countries)	8%	-3%	4%	-5%	-3%	8%	-8%	1%	-5%	-6%	-5%	-17%
North America ex. US	1%	-9%	1%	-6%	-6%	13%	-6%	9%	-15%	-2%	5%	7%
Oceania	3%	-6%	4%	1%	4%	-1%	-7%	1%	4%	-9%	-5%	6%
Europe (others)	6%	-11%	6%	0%	0%	4%	-11%	-1%	-6%	-3%	-4%	-17%
North Asia	6%	1%	-2%	1%	-18%	17%	-3%	1%	-1%	-1%	-6%	4%
ASEAN	3%	-11%	1%	10%	13%	-2%	-7%	2%	4%	-30%	-16%	2%
Middle East	2%	-12%	2%	3%	1%	2%	-5%	-20%	13%	-4%	10%	7%
South America	3%	-17%	3%	-1%	1%	4%	-8%	1%	1%	-2%	-1%	11%
as % of total MAU	**Aug-25**	**Sep-25**	**Oct-25**	**Nov-25**	**Dec-25**	**Jan-26**	**Feb-26**	**Mar-26**	**Apr-26**	**May-26**	**Jun-26**	**Jul-26**
US	13%	14%	15%	15%	15%	15%	15%	15%	16%	17%	16%	16%
Europe (first 6 countries)	20%	21%	21%	20%	20%	20%	20%	20%	19%	19%	19%	16%
North America ex. US	13%	13%	12%	12%	11%	12%	12%	13%	11%	12%	12%	14%
Oceania	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Europe (others)	14%	13%	14%	14%	14%	13%	13%	13%	12%	13%	12%	11%
North Asia	4%	4%	4%	4%	3%	3%	4%	4%	4%	4%	4%	4%
ASEAN	4%	4%	4%	5%	5%	5%	5%	5%	5%	4%	3%	3%
Middle East	5%	4%	4%	4%	5%	4%	5%	4%	4%	4%	5%	5%
South America	15%	14%	13%	13%	14%	13%	13%	13%	14%	14%	14%	16%
Africa	6%	7%	7%	8%	8%	8%	8%	7%	8%	8%	8%	9%
South Asia	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Central Asia	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

Source: SensorTower

Price Target Risks and Methodology - PDD Holdings

Valuation methodology: Our 12-m SOTP-based TP is US$134, based on a 9X 2026E P/E for the domestic main platform and 25X P/E on Temu (ex. US full-entrusted), respectively less a 15% holdco discount.

Downside risk: 1) lower-than-expected online marketing revenues on increased eCommerce ROI/sales-based ad inventory and narrower GMV growth gap at Alibaba vs. industry, **2)** wider-than-expected geopolitical headwinds into Europe and other developed markets with high spending power, **3)** higher-than-expected competition if Alibaba's new low-price adtech initiatives gain traction/faster-than-expected Douyin shelf-based expansion in low ticket size items at lower take rates (Douyin has been offering commission free initiatives) vs. eCommerce platforms, **4)** reinvestments to sustain growth that may pose downside risks to core profit margins, and **5)** lack of segmental disclosures of business performance, which could lead to difficulty in analyzing/estimating domestic and int'l (Temu) performance and profitability.

Disclosure Appendix

Reg AC

We, Ronald Keung, CFA, Steve Qiu, Damian Xie and Iris Xiao, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

The rating(s) for PDD Holdings is/are relative to the other companies in its/their coverage universe: Alibaba Group (ADR), Alibaba Group (H), DiDi Global Inc., Full Truck Alliance Co., J&T Global Express Ltd., JD Logistics, JD.com Inc. (ADR), JD.com Inc. (H), Jingdong Industrials Inc., KLN Logistics Group, Meituan, MiniMax Group, PDD Holdings, S.F. Holding (A), S.F. Holding (H), STO Express, Sinotrans Ltd. (A), Sinotrans Ltd. (H), Tencent Holdings, Vipshop Holdings, YTO Express Group, Yunda Holding, Z.AI Co., ZTO Express (Cayman) Inc. (ADR), ZTO Express (Cayman) Inc. (H)

Company-specific regulatory disclosures

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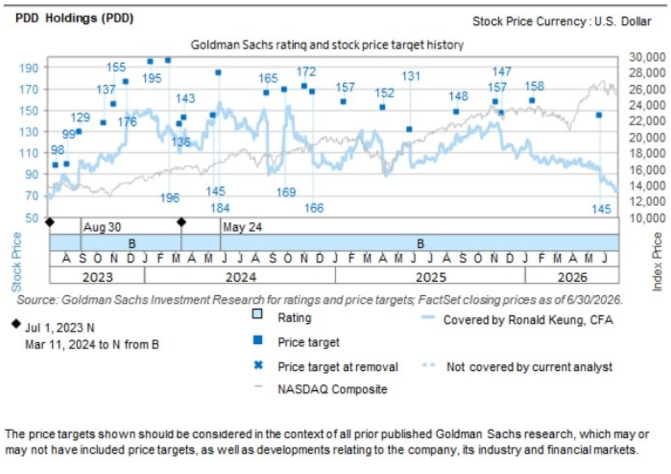
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	50%	34%	16%	65%	59%	43%

As of July 1, 2026, Goldman Sachs Global Investment Research had investment ratings on 3,104 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by the FINRA Rules. See 'Ratings, Coverage universe and related definitions' below. The Investment Banking Relationships chart reflects the percentage of subject companies within each rating category for whom Goldman Sachs has provided investment banking services within the previous twelve months.

Price target and rating history chart(s)



Target price history table(s)
PDD Holdings (PDD)

Date of report	Target price ($)	Closing price ($)
24-Aug-26	134.00	87.07
27-May-26	145.00	86.61
18-Jan-26	158.00	106.76
18-Nov-25	147.00	119.58
09-Nov-25	157.00	135.78
25-Aug-25	148.00	128.21
27-May-25	131.00	102.98
06-Apr-25	152.00	104.21
20-Jan-25	157.00	105.57
21-Nov-24	166.00	104.09
07-Nov-24	172.00	125.87
29-Sep-24	169.00	135.38
26-Aug-24	165.00	100.00
24-May-24	184.00	157.57
16-May-24	145.00	143.38
20-Mar-24	143.00	132.17
11-Mar-24	136.00	111.89
18-Feb-24	196.00	135.26
15-Jan-24	195.00	148.63
28-Nov-23	176.00	139.00
06-Nov-23	155.00	107.13
18-Oct-23	137.00	105.33
30-Aug-23	129.00	98.14

Price targets shown in table(s) are unadjusted for corporate actions.

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