JD.com health arm rockets 75% on Hong Kong debut

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JD Health International's share sale is the biggest IPO in Hong Kong this year

The medical arm of Chinese e-commerce giant JD.com soared 75 percent on its debut in Hong Kongon Tuesday, valuing the company at $50 billion, as investors bank on the pandemic boom in digital health services.

While the coronavirus has left national health services stretched, demand for digital healthcare providers like JD Health grew on the back of the virus.

The company's chief executive Xin Lijun said it has "changed the entire (health) industry" and pushed the company to accelerate its listing in Hong Kong, the biggest initial public offering in the financial hub this year.

The company, China's largest online healthcare platform and retail pharmacy, raised HK$26.5 billion ($3.41 billion) in the sale and with demand for the firm outpacing supply its share price spiked at HK$123.90—compared with its offer price of HK$70.58—briefly giving it a valuation of $50 billion.

However, it later eased slightly to end up 56 percent at HK$110.00.

Xin described the telemedicine company's listing as a "new starting point" in healthcare, adding that the firm aims to provide "convenient and accessible" medical services after a challenging year in the health sector.

As China's coronavirus outbreak peaked in early 2020, the subsidiary of JD.com offered free online consultations, attracting tens of thousands of patients a day and helping stem the wave of people who may have sought to attend a hospital.

Finance 'shifting east'

The share sale comes after the company's parent raised around $4 billion in the city in June.

The listing of the Beijing-based subsidiary could also raise that much if banks execute an option for additional stock.

JD's June sale came around the same time as another tech firm, NetEase, raised $2.7 billion and followed Beijing-Shanghai High Speed Railway's $4.3 billion listing in January.

However, the share market was dealt a blow last month when Ant Group, the financial arm of Alibaba, was forced to pull its world-record $35 billion listing under pressure from Chinese authorities.

But Tuesday's debut performance by JD Health, the first big tech offering since Ant's IPO was shelved, showed Hong Kong remains an attractive location for listings.

"It's a sign of how the centre of finance is shifting to the East in a big way," Brian Tycango, analyst at Stansberry Research, wrote on Twitter of the market capital added to the Hong Kong Exchange.

Chinese tech companies are increasingly looking to move into digital healthcare after months of lockdowns caused by the coronavirus pandemic, which emerged in central China late last year.

The health arm of JD.com's rival Alibaba has more than doubled in valuation in Hong Kong while personalised health company Ping An Good Doctor has surged in value by more than 50 percent during the pandemic.

Online health services can help plug holes in China's health system, where smaller cities and rural areas are not very well covered by the country's best medical professionals.

Because of China's widespread internet coverage, Xin said an online consultation platform like JD Health's could "become China's largest tiered diagnosis and treatment platform".

The company already hosts more than 100,000 people a day even after the worst of China's outbreak, when it attracted up to 150,000 daily visitors, he said.

The company's platforms now boast 65,000 doctors and more than 72 million patients.

JD Health's total revenue rose to 8.8 billion yuan ($1.34 billion) in the first half of 2020 from 5 billion yuan in the same period last year, it said in its prospectus.

The chief executive said the pandemic had forced Beijing to reassess the standards of China's online healthcare and it had made changes that had boosted JD Health's success, such as permitting online insurance care claims.

The IPO is another boon in a positive financial year for the Hong Kong market, despite the pandemic and pro-democracy protests that had swept across the financial hub before Beijing imposed a controversial security law in July.

The listing has moved Hong Kong IPOs past $25 billion for the year, putting it on course for its best since 2010, according to financial tracker Refinitiv.

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