

Baozun (BZUN US)

Heading towards strong medium-term profitability target with solid execution

Baozun reported its 4Q25 results: revenue reached RMB3.2bn, up 5.9% YoY (3Q25: +4.8% YoY); non-GAAP NP attributable to ordinary shareholders was RMB159.6mn (vs. RMB45.7mn in 4Q24) driven by a solid improvement in operating profitability across both Baozun E-commerce (BEC) and Baozun Brand Management (BBM). In 4Q25, BEC recorded revenue of RMB2.6bn, up 2.5% YoY, with non-GAAP operating profit (OP) increasing 43% YoY to RMB196mn. Meanwhile, BBM delivered revenue of RMB664mn, up 24% YoY, with non-GAAP OP of RMB1.8mn, vs. a loss of RMB34.2mn in 4Q24. For 2025, Baozun demonstrated a solid improvement in operating profitability. BEC OP grew 22% YoY, driven by cost optimization and improved operating efficiency, while BBM loss narrowed to RMB93mn (2024: loss of RMB169mn). Baozun also unveiled its 2028 non-GAAP OP target of at least RMB550mn, implying a 2025–2028E CAGR of over 64%, supported by margin expansion in BEC, scaling and operating leverage in BBM, and deeper strategic synergies between the two segments. Baozun reported net cash of c. US\$227mn as of end-2025, compared with its current market capitalization of US\$127mn. In our view, continued solid execution toward its 2028 profitability target, alongside improved capital allocation, should drive a valuation re-rating. We raise our SOTP-based TP to US\$3.98 (from US\$3.81). BUY.

■ The three-year transformation concluded in 2025 with tangible results.

BEC has evolved into a stable cash-generating engine with stronger alignment to BBM, while BBM has reached a profitability inflection point. For BEC, non-GAAP OPM expanded to 7.6% in 4Q25 (4Q24: 5.5%), supported by a 760bps GPM expansion to 18.4%. This improvement was driven by continued category mix optimization and a greater focus on higher-margin categories such as health & nutrition. For BBM, revenue increased 24% YoY to RMB663.7mn in 4Q25, supported by double-digit same-store sales growth and store network expansion. GAP opened 7/29 new stores in 4Q25/2025, with new-concept stores delivering higher sales productivity. Supported by a 170bps YoY improvement in GPM to 52.1%, thanks to effective merchandising and marketing initiatives, along with improved operating efficiency, BBM achieved a non-GAAP OP of RMB1.8mn in 4Q25 (4Q24: RMB34mn in loss).

■ 2026E outlook: continued profitability improvement despite investments in new growth opportunities.

For 2026E, we forecast revenue growth of +2.5%/+17.5% YoY for BEC/BBM. We expect BEC to continue focusing on operating efficiency, while BBM should pursue scalable expansion in an effective manner. Leveraging BBM's operating capabilities, the strategy of introducing more brands into BEC under a franchise model should further unlock synergies between the two segments, in our view. For 2026, we forecast BEC non-GAAP OP to grow 23% YoY to RMB269mn, and BBM loss to narrow to RMB37mn, despite factoring in incremental investments to support the development of niche brands such as Hunter and Sweaty Betty.

■ Maintain BUY and lift SOTP-based TP to US\$3.98.

Our updated SOTP-based target price is US\$3.98, on a valuation of RMB1.63bn (US\$233mn) consisting of: 1) RMB1.35bn for BEC, based on 5.0x 2026E EV/EBIT (unchanged); 2) RMB759mn for BBM (was RMB739mn), based on unchanged 0.4x 2026E EV/sales; and 3) RMB2.0bn in net cash, with a 60% holding discount applied to group-level valuation, consistent with our prior framework.

BUY (Maintain)

| | |
|----------------------|-----------------|
| Target Price | US\$3.98 |
| (Previous TP) | US\$3.81) |
| Up/Downside | 82.6% |
| Current Price | US\$2.18 |

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Stock Data

| | |
|--------------------------|-----------|
| Mkt Cap (US\$ mn) | 127.3 |
| Avg 3 mths t/o (US\$ mn) | 0.7 |
| 52w High/Low (US\$) | 4.77/2.13 |
| Total Issued Shares (mn) | 58.4 |

Source: FactSet

Shareholding Structure

| | |
|-----------|-------|
| Jun Wang | 16.5% |
| Schroders | 7.4% |

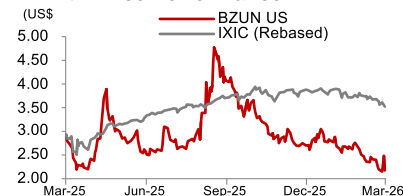
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -13.1% | -8.0% |
| 3-mth | -19.3% | -11.0% |
| 6-mth | -46.3% | -43.6% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------------|---------|-------|--------|--------|--------|
| Revenue (RMB mn) | 9,422 | 9,945 | 10,475 | 11,003 | 11,433 |
| YoY growth (%) | 6.9 | 5.6 | 5.3 | 5.0 | 3.9 |
| Operating profit (RMB mn) | (114.8) | 56.6 | 181.0 | 356.6 | 502.2 |
| Adjusted net profit (RMB mn) | (40.4) | 44.2 | 148.4 | 298.1 | 397.9 |
| P/E (x) | ns | ns | 7.9 | 3.4 | 2.4 |
| ROE (%) | (3.3) | (5.2) | 2.8 | 6.0 | 7.6 |
| Net gearing (%) | (1.2) | 8.1 | (1.9) | (7.5) | (10.2) |

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results

| (RMBmn) | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 |
|---|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Total revenue | 1,980 | 2,391 | 2,057 | 2,994 | 2,064 | 2,553 | 2,156 | 3,172 |
| YoY growth (%) | 4.9% | 3.1% | 12.8% | 7.7% | 4.3% | 6.8% | 4.8% | 5.9% |
| Breakdown by business type | | | | | | | | |
| 1. Product sales | 708 | 870 | 783 | 1,106 | 809 | 994 | 808 | 1,238 |
| YoY growth (%) | 6.2% | -6.4% | 10.6% | 5.0% | 14.4% | 14.2% | 3.2% | 11.9% |
| 2. Services | 1,272 | 1,521 | 1,274 | 1,888 | 1,255 | 1,559 | 1,348 | 1,934 |
| YoY growth (%) | 4.1% | 9.4% | 14.2% | 9.3% | -1.4% | 2.5% | 5.8% | 2.4% |
| Breakdown by business segments | | | | | | | | |
| 1. Baozun e-Commerce (BEC) | 1,684 | 2,131 | 1,757 | 2,502 | 1,709 | 2,200 | 1,799 | 2,564 |
| YoY growth (%) | -1.3% | 6.0% | 13.9% | 6.0% | 1.4% | 3.3% | 2.4% | 2.5% |
| 2. Baozun Brand Management (BBM) | 314 | 294 | 331 | 535 | 387 | 398 | 396 | 664 |
| YoY growth (%) | 66.0% | -9.3% | 10.3% | 16.9% | 23.4% | 35.4% | 19.8% | 24.0% |
| 3. Intersegment eliminations | (18) | (34) | (31) | (43) | (32) | (46) | (38) | (55) |
| Gross profit | 1,493 | 1,741 | 1,494 | 2,221 | 1,517 | 1,841 | 1,625 | 2,386 |
| Operating profit | (55) | (19) | (114) | 73 | (84) | (9) | (26) | 176 |
| Adj. operating profit | (18) | 10 | (85) | 103 | (67) | 6 | (11) | 198 |
| BEC | 12 | 60.2 | (30) | 137 | (46) | 41.1 | 28.1 | 195.9 |
| BBM | (29) | (50.0) | (55) | (34) | (21) | (35.0) | (38.7) | 1.8 |
| Adj. net profit | (15) | (4) | (66.8) | 46 | (57) | (18) | (40) | 160 |
| Margin (%) | | | | | | | | |
| GPM | 75.4% | 72.8% | 72.6% | 74.2% | 73.5% | 72.1% | 75.4% | 75.2% |
| OPM | -2.8% | -0.8% | -5.6% | 2.4% | -4.1% | -0.4% | -1.2% | 5.5% |
| Adj. OPM | -0.9% | 0.4% | -4.1% | 3.5% | -3.2% | 0.2% | -0.5% | 6.2% |
| BEC | 0.7% | 2.8% | -1.7% | 5.5% | -2.7% | 1.9% | 1.6% | 7.6% |
| BBM | -9.3% | -17.0% | -16.7% | -6.4% | -5.4% | -8.8% | -9.8% | 0.3% |
| Adj. NPM | -0.8% | -0.2% | -3.2% | 1.5% | -2.8% | -0.7% | -1.9% | 5.0% |

Source: Company data, CMBIGM

Key changes in forecast and target valuation

We have lifted 2026E/2027E revenue forecast by 3%/5% to factor in better-than-expected growth outlook for BBM business. For 2026E, we cut OP/non-GAAP NP forecast by 6%/15% to account for additional investment to support the development of niche brands within portfolio such as Hunter and Sweaty Betty. However, we have lifted 2027E OP/non-GAAP NP forecast by 46/37%, to account for management's guidance of boosting profitability, and introduced 2028E forecast.

Figure 2: Changes in forecast

| RMB mn | Current | | | Previous | | | Change (%) | | |
|---------------------|---------|--------|--------|----------|--------|-------|------------|---------|-------|
| | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E |
| Revenue | 10,475 | 11,003 | 11,433 | 10,207 | 10,471 | - | 2.6% | 5.1% | - |
| Gross profit | 7,793 | 8,230 | 8,592 | 7,482 | 7,675 | - | 4.2% | 7.2% | - |
| Operating profit | 181 | 357 | 502 | 193 | 244 | - | -6.4% | 46.2% | - |
| Non-GAAP net profit | 148 | 298 | 398 | 175 | 218 | - | -15.4% | 36.5% | - |
| GPM | 74.4% | 74.8% | 75.1% | 73.3% | 73.3% | - | 1.1 ppt | 1.5 ppt | - |
| OPM | 1.7% | 3.2% | 4.4% | 1.9% | 2.3% | - | -0.2 ppt | 0.9 ppt | - |
| Non-GAAP NPM | 1.4% | 2.7% | 3.5% | 1.7% | 2.1% | - | -0.3 ppt | 0.6 ppt | - |

Source: CMBIGM estimates

Figure 3: CMBI forecast vs consensus

| RMB mn | Current | | | Consensus | | | Diff (%) | | |
|---------------------|---------|--------|--------|-----------|--------|-------|----------|---------|-------|
| | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E |
| Revenue | 10,475 | 11,003 | 11,433 | 10,256 | 10,732 | - | 2.1% | 2.5% | - |
| Gross profit | 7,793 | 8,230 | 8,592 | 7,579 | 7,957 | - | 2.8% | 3.4% | - |
| Operating profit | 181 | 357 | 502 | 205 | 284 | - | -11.5% | 25.6% | - |
| Non-GAAP net profit | 148 | 298 | 398 | 166 | 243 | - | -10.5% | 22.8% | - |
| GPM | 74.4% | 74.8% | 75.1% | 73.9% | 74.1% | - | 0.5 ppt | 0.7 ppt | - |
| OPM | 1.7% | 3.2% | 4.4% | 2.0% | 2.6% | - | -0.3 ppt | 0.6 ppt | - |
| Non-GAAP NPM | 1.4% | 2.7% | 3.5% | 1.6% | 2.3% | - | -0.2 ppt | 0.4 ppt | - |

Source: Bloomberg, CMBIGM estimates

Our SOTP-based target price is lifted to US\$3.98 (from US\$3.81), on a valuation of RMB1.63bn (US\$233mn) consisting of:

- 1) RMB1.35bn for BEC, based on 5.0x 2026E EV/EBIT (unchanged);
- 2) RMB759mn for BBM, based on 0.4x 2026E EV/sales (was RMB739mn based on 0.4x 2026E EV/sales. The lift in valuation is driven by better revenue growth outlook);
- 3) RMB2.0bn in net cash.

We have applied a 60% holding discount to group-level valuation, consistent with our prior framework.

Figure 4: Baozun: SOTP valuation

| (RMBmn) | Metrics | EBIT/Revenue | Valuation methodology | Target multiple | Shareholding | Valuation |
|------------------------------|---------------------|--------------|-----------------------|-----------------|--------------|----------------|
| BEC | 2026E Non-GAAP EBIT | 269 | EV/EBIT | 5.0 | 100% | 1,345 |
| BBM | 2026E Revenue | 2,168 | EV/sales | 0.4 | 100% | 759 |
| Total | | | | | | 2,104 |
| Net cash | | | | | | 1,967 |
| Holding discount | | | | | | 60% |
| Equity Value (RMBmn) | | | | | | 1,628.3 |
| Equity Value (US\$mn) | | | | | | 233 |
| No. of ADS outstanding (mn) | | | | | | 58 |
| Target price (US\$) | | | | | | 3.98 |

Source: CMBIGM estimates; USD:RMB = 1:7.0

Financial Summary

| INCOME STATEMENT | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 8,812 | 9,422 | 9,945 | 10,475 | 11,003 | 11,433 |
| Cost of goods sold | (2,409) | (2,474) | (2,576) | (2,682) | (2,773) | (2,841) |
| Gross profit | 6,403 | 6,948 | 7,369 | 7,793 | 8,230 | 8,592 |
| Operating expenses | (4,190) | (4,650) | (5,062) | (5,232) | (5,419) | (5,550) |
| Selling expense | (2,829) | (3,381) | (3,847) | (4,026) | (4,196) | (4,325) |
| Admin expense | (856) | (719) | (752) | (739) | (755) | (761) |
| R&D expense | (505) | (550) | (463) | (467) | (468) | (464) |
| Operating profit | (206) | (115) | 57 | 181 | 357 | 502 |
| Other income | 82 | 69 | 59 | 59 | 59 | 59 |
| Other expense | (41) | (39) | (45) | (45) | (45) | (45) |
| Gain/loss on financial assets at FVTPL | (9) | (39) | (4) | 0 | 0 | 0 |
| Investment gain/loss | 0 | (3) | (213) | 0 | 0 | 0 |
| Pre-tax profit | (217) | (93) | (201) | 165 | 341 | 486 |
| Income tax | (12) | (21) | (10) | (25) | (51) | (97) |
| Others | (49) | (71) | (31) | (29) | (29) | (29) |
| Net profit | (278) | (185) | (242) | 112 | 261 | 360 |
| Adjusted net profit | (65) | (40) | 44 | 148 | 298 | 398 |

| BALANCE SHEET | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|-------------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 7,291 | 7,214 | 6,803 | 7,623 | 7,786 | 8,396 |
| Cash & equivalents | 2,352 | 1,289 | 907 | 1,287 | 1,545 | 1,711 |
| Restricted cash | 203 | 355 | 141 | 141 | 141 | 141 |
| Account receivables | 2,185 | 2,034 | 2,173 | 2,289 | 2,404 | 2,498 |
| Inventories | 1,045 | 1,117 | 879 | 1,166 | 921 | 1,247 |
| Prepayment | 590 | 724 | 576 | 600 | 620 | 635 |
| ST bank deposits | 721 | 1,272 | 1,747 | 1,747 | 1,747 | 1,747 |
| Other current assets | 195 | 423 | 379 | 394 | 407 | 417 |
| Non-current assets | 3,184 | 2,993 | 2,888 | 2,824 | 2,855 | 2,883 |
| PP&E | 851 | 822 | 759 | 757 | 721 | 683 |
| Investment in JVs & assos | 38 | 37 | 36 | 36 | 36 | 36 |
| Intangibles | 306 | 357 | 323 | 494 | 560 | 625 |
| Goodwill | 312 | 362 | 274 | 274 | 274 | 274 |
| Other non-current assets | 1,675 | 1,413 | 1,496 | 1,263 | 1,263 | 1,263 |
| Total assets | 10,474 | 10,207 | 9,691 | 10,447 | 10,641 | 11,279 |
| Current liabilities | 3,758 | 3,748 | 3,645 | 3,907 | 3,791 | 4,019 |
| Short-term borrowings | 1,116 | 1,221 | 1,208 | 1,208 | 1,208 | 1,208 |
| Account payables | 564 | 621 | 466 | 666 | 505 | 695 |
| Tax payable | 525 | 488 | 371 | 371 | 371 | 371 |
| Other current liabilities | 365 | 249 | 241 | 241 | 241 | 241 |
| Accrued expenses | 1,188 | 1,170 | 1,359 | 1,421 | 1,467 | 1,504 |
| Non-current liabilities | 865 | 679 | 554 | 513 | 513 | 513 |
| Long-term borrowings | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 4,623 | 4,426 | 4,200 | 4,420 | 4,303 | 4,532 |
| Capital surplus | 4,571 | 4,647 | 4,640 | 4,945 | 4,965 | 4,983 |
| Retained earnings | (507) | (692) | (934) | (822) | (561) | (201) |
| Other reserves | 1,617 | 1,630 | (5) | 101 | 116 | 131 |
| Total shareholders equity | 5,682 | 5,584 | 3,700 | 4,223 | 4,520 | 4,914 |
| Minority interest | 170 | 196 | 1,791 | 1,805 | 1,818 | 1,834 |
| Total equity and liabilities | 10,474 | 10,207 | 9,691 | 10,447 | 10,641 | 11,279 |

| CASH FLOW | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | (217) | (93) | (201) | 165 | 341 | 486 |
| Depreciation & amortization | 252 | 245 | 127 | 130 | 134 | 136 |
| Tax paid | (54) | (54) | (54) | (54) | (54) | (54) |
| Others | 468 | 4 | 261 | (129) | 2 | (239) |
| Net cash from operations | 448 | 101 | 133 | 112 | 422 | 330 |
| Investing | | | | | | |
| Capital expenditure | (165) | (132) | (84) | (84) | (84) | (84) |
| Net proceeds from disposal of short-term investments | 190 | (542) | (475) | 0 | 0 | 0 |
| Others | (365) | (144) | 17 | (80) | (80) | (80) |
| Net cash from investing | (340) | (818) | (542) | (164) | (164) | (164) |
| Financing | | | | | | |
| Net borrowings | 26 | 105 | (13) | 0 | 0 | 0 |
| Proceeds from share issues | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | (34) | (4) | 0 | 0 | 0 | 0 |
| Net cash from financing | (8) | 101 | (13) | 0 | 0 | 0 |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 2,246 | 2,352 | 1,765 | 1,338 | 1,287 | 1,545 |
| Exchange difference | 7 | 28 | (4) | 0 | 0 | 0 |
| Cash at the end of the year | 2,352 | 1,765 | 1,338 | 1,287 | 1,545 | 1,711 |
| GROWTH | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | | |
| Revenue | 4.9% | 6.9% | 5.6% | 5.3% | 5.0% | 3.9% |
| Gross profit | 4.2% | 8.5% | 6.1% | 5.7% | 5.6% | 4.4% |
| Operating profit | na | na | na | 220.1% | 97.0% | 40.9% |
| Net profit | na | na | na | na | 133.6% | 38.1% |
| Adj. net profit | na | na | na | 235.6% | 100.9% | 33.5% |
| PROFITABILITY | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 72.7% | 73.7% | 74.1% | 74.4% | 74.8% | 75.1% |
| Operating margin | (2.3%) | (1.2%) | 0.6% | 1.7% | 3.2% | 4.4% |
| Adj. net profit margin | (0.7%) | (0.4%) | 0.4% | 1.4% | 2.7% | 3.5% |
| Return on equity (ROE) | (5.0%) | (3.3%) | (5.2%) | 2.8% | 6.0% | 7.6% |
| GEARING/LIQUIDITY/ACTIVITIES | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | (0.2) | (0.0) | 0.1 | (0.0) | (0.1) | (0.1) |
| Current ratio (x) | 1.9 | 1.9 | 1.9 | 2.0 | 2.1 | 2.1 |
| Receivable turnover days | 92.7 | 81.7 | 77.2 | 77.7 | 77.8 | 78.3 |
| Inventory turnover days | 150.6 | 159.5 | 141.5 | 139.2 | 137.4 | 139.3 |
| Payable turnover days | 78.7 | 87.4 | 77.0 | 77.1 | 77.1 | 77.1 |
| VALUATION | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | | |
| P/E | ns | ns | ns | 7.9 | 3.4 | 2.4 |
| P/E (diluted) | ns | ns | 19.7 | 5.9 | 2.9 | 2.2 |
| P/B | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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