

Baozun (BZUN US)

Eye on GAP revitalization & livestreaming ecommerce expansion

Baozun delivered better-than-feared 3Q23 results with in-line revenue (+5% YoY) and better bottom line. Looking into 4Q23E, we expect revenue +10% YoY in 4Q23E, supported by Gap's expansion in Shanghai to offset BEC's slower recovery (on soft consumption sentiment). We are positive on the narrowing loss of GAP (forecasting -RMB45mn in 4Q23E), backed by brand revitalization, new stores opening and scaling back of discounts. The acquisition of Location will strengthen capability in livestreaming EC, to further boost GMV from Douyin. We trimmed its earnings by 5%-15% in FY24-25E to reflect soft BEC and livestreaming ecommerce investment, with TP of US\$6.9 (implying 11x FY24 EV/EBIT).

- **Better-than-feared 3Q23.** 3Q23 revenue +4.7% YoY, in line with consensus, while bottom line exceeded consensus (-RMB98mn) with -RMB76mn. By segment, product sales +42% YoY thanks to incremental contribution from BBM. BEC faced challenges (-17% YoY, vs. our estimates of -15%) due to declining appliances (-15% YoY) and electronics (-49% YoY), as well as optimization of product distribution model. Services revenue -10% YoY. Non-GAAP OP loss was RMB90.4mn (vs. our estimates of -RMB100mn), in which loss from BBM narrowed to RMB50.1mn from RMB60.1mn in 2Q23, while BEC incurred a loss of RMB40.3mn on livestreaming ecommerce expansion.
- **GAP margin improvement to continue, while BEC at slower recovery.** We expect revenue +10% YoY in 4Q23E, primarily driven by GAP's brand revitalization, new stores opening and improved same-store sales. GAP may generate revenue of RMB510mn and non-GAAP OP of -RMB45mn in 4Q23E, backed by higher-ASP products in winter. We are positive on GAP's margin enhancement with target of achieving breakeven in FY25E. However, BEC may see a single-digit YoY decline, due to soft consumption sentiment during the Double 11 festival, along with higher return/cancellation rate. It would take some time for BEC to recover. We forecast non-GAAP OP of BEC at RMB120mn in 4Q23E.
- **Acquisition of Location to strengthen capability in livestreaming EC.** Location, as a top-tier Douyin partner specializing in Apparel and Accessories, has healthy margin and talented teams. After the acquisition of 51% stake in Location (expect the deal to be closed in 1Q24E), Baozun will strengthen capabilities in livestreaming EC (e.g. creative content), to further boost GMV for brands.
- **Maintain BUY.** We trimmed its earnings by 5%-15% in FY24-25E to reflect slower BEC recovery and livestreaming ecommerce investment, with TP of US\$6.9 (implying 11x FY24 EV/EBIT of BEC, or 21x FY24E P/E).

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	9,396	8,401	8,851	9,572	10,051
YoY growth (%)	6.2	(10.6)	5.4	8.2	5.0
Adjusted net profit (RMB mn)	199.6	132.2	(77.0)	143.3	339.8
Diluted EPS (RMB)	0.91	0.71	(0.40)	0.74	1.74
YoY growth (%)	(67.6)	(21.6)	NA	NA	163.5
Consensus EPS (RMB)	NA	NA	(1.0)	2.9	5.8
P/S (x)	0.1	0.1	0.1	0.1	0.1
P/E (x)	7.7	9.9	NA	8.8	3.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$6.9

(Previous TP) US\$7.6

Up/Downside 135%

Current Price US\$2.93

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Stock Data

Mkt Cap (US\$ mn)	176.0
Avg 3 mths t/o (US\$ mn)	0.6
52w High/Low (US\$)	8.34/2.73
Total Issued Shares (mn)	55.0

Source: FactSet

Shareholding Structure

Schroders	5.6%
TIAA	4.5%

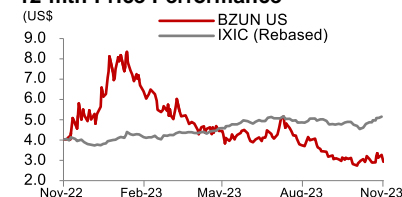
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	19.4%	9.2%
3-mth	-11.9%	-16.2%
6-mth	-26.7%	-34.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: 3Q23 financial review

RMB mn	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	QoQ	YoY	Consensus	Diff %
Revenue	3,173	1,984	2,122	1,741	2,553	1,888	2,320	1,824	-21%	5%	1,822	0.1%
Operating profit	4	(41)	(23)	(26)	18	(41)	(36)	(136)	NA	NA	(101)	NA
Net profit	(8)	(122)	(78)	(157)	(284)	(84)	(20)	(130)	NA	NA	(125)	NA
Adj. net profit	76	1	1	(13)	138	(13)	(4)	(76)	NA	NA	(98)	NA
EPS (RMB)	1.11	0.02	0.02	(0.22)	2.32	(0.22)	(0.07)	(1.28)	NA	NA	(1.55)	NA
Margin (%)												
Gross margin	67.1%	70.0%	71.6%	76.2%	74.8%	73.2%	70.9%	73.1%			72.4%	
Operating margin	0.1%	-2.1%	-1.1%	-1.5%	0.7%	-2.2%	-1.6%	-7.4%			-5.6%	
Adj. net margin	2.4%	0.1%	0.1%	-0.8%	5.4%	-0.7%	-0.2%	-4.2%			-5.4%	
Growth (%)												
Revenue (YoY)	-5.2%	-1.8%	-7.9%	-8.3%	-19.5%	-4.9%	9.3%	4.7%				
Revenue (QoQ)	67.1%	-37.5%	6.9%	-17.9%	46.6%	-26.1%	22.9%	-21.4%				
Operating profit	-98.7%	-177.8%	NA	NA	2.2%	-2.9%	0.6%	-5.9%				
Adj. net profit	-72.1%	-98.1%	-99.2%	NA	6.2%	-6.1%	0.5%	-4.0%				

Source: Company data, Bloomberg

Figure 2: 3Q23 revenue breakdown

Figure 2: Q423 revenue breakdown

	4Q21	1Q22	2Q22	3Q22	1Q23	2Q23	3Q23	QoQ	YoY
Revenue (RMB mn)	3,173	1,984	2,122	1,741	1,888	2,320	1,824	-21.4%	4.7%
Product sales	1,230	681	694	497	666	930	708	-23.9%	42.4%
Services	1,943	1,303	1,428	1,244	1,222	1,390	1,116	-19.7%	-10.3%

	1Q22	2Q22	3Q22	1Q23	2Q23	3Q23	QoQ	YoY
Revenue (RMB mn)	1,984	2,122	1,741	1,888	2,320	1,824	-21.4%	4.7%
Product Sales	681	694	497	673	930	708	-24%	42%
E-Commerce (BEC)	681	694	497	477	606	412	-32%	-17%
Appliances	351	363	212	225	276	180	-35%	-15%
Electronics	132	89	51	44	50	26	-49%	-49%
Beauty and cosmetics	63	80	76	67	104	76	-27%	0%
Others	134	162	158	142	175	130	-26%	-18%
Brand Management (BBM)	0	0	0	196	324	296	-9%	NA
Services revenue	1,303	1,428	1,244	1,215	1,390	1,116	-20%	-10%
Online store operations	392	370	348	357	379	330	-13%	-5%
Apparel and accessories	265	244	232	256	258	248	-4%	7%
Sportswear	88	84	80	89	98	101	3%	26%
Other apparel	89	67	59	68	65	61	-7%	4%
Luxury	89	93	93	99	98	86	-12%	-7%
Others	127	126	116	109	130	92	-29%	-20%
Inter-segment eliminations	0	0	0	-9	-11	-11	NA	NA
Warehouse and fulfillment	525	611	492	487	571	432	-24%	-12%
Digital marketing and IT solutions	386	447	404	377	446	363	-19%	-10%
Inter-segment eliminations	0	0	0	-7	-6	-19	NA	NA

Source: Company data

Figure 3: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	8,851	9,572	10,051	9,257	9,961	10,551	-4.4%	-3.9%	-4.7%
Gross profit	6,310	6,873	7,277	6,712	7,320	7,825	-6.0%	-6.1%	-7.0%
Non-GAAP OP	4	272	518	(61)	182	366	-106.9%	49.8%	41.6%
Adj. net profit	(77)	143	340	(22)	194	375	NA	-26.2%	-9.3%
EPS (RMB)	(1.20)	2.22	5.23	(1.05)	2.90	5.83	NA	-23.4%	-10.2%
Gross margin	71.3%	71.8%	72.4%	72.5%	73.5%	74.2%	-1.2ppts	-1.7ppts	-1.8ppts
Operating margin	0.0%	2.8%	5.2%	-0.7%	1.8%	3.5%	+0.7ppts	+1.0ppts	+1.7ppts
Net margin	-0.9%	1.5%	3.4%	-0.2%	1.9%	3.6%	-0.6ppts	-0.5ppts	-0.2ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	8,851	9,572	10,051	9,149	9,753	10,241	-3.3%	-1.9%	-1.9%
Gross profit	6,310	6,873	7,277	6,523	7,003	7,415	-3.3%	-1.9%	-1.9%
Non GAAP OP	4	272	518	11	281	593	-62.1%	-3.1%	-12.6%
Adj. net profit	(77)	143	340	(78)	151	400	NA	-5.1%	-15.0%
EPS (RMB)	(1.20)	2.22	5.23	(1.22)	2.34	6.16	NA	-5.1%	-15.0%
Gross margin	71.3%	71.8%	72.4%	71.3%	71.8%	72.4%	0.0ppts	0.0ppts	0.0ppts
Operating margin	0.0%	2.8%	5.2%	0.1%	2.9%	5.8%	-0.1ppts	-0.0ppts	-0.6ppts
Net margin	-0.9%	1.5%	3.4%	-0.9%	1.5%	3.9%	-0.0ppts	-0.1ppts	-0.5ppts

Source: Company data, CMBIGM estimates

Figure 5: Valuation comps

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY23-25 EPS CAGR
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
Baozun	BZUN US	176	USD	2.9	BUY	6.9	NA	8.8	3.7	0.1	0.1	0.1	NA
EC Service Provider													
Lily & Beauty	605136 CH	597	CNY	11	NA	NA	23.1	18.7	15.1	1.3	1.2	1.1	22%
Ruoyuchen	003010 CH	362	CNY	21	NA	NA	55.0	44.4	36.9	1.9	1.8	1.6	22%
Onechance	300792 CH	821	CNY	25	NA	NA	25.7	21.2	18.6	3.4	2.9	2.6	18%
Transcosmos	9715 JP	1,019	JPY	3,110	NA	NA	12.0	11.0	10.7	0.4	0.4	0.4	9%
Average							20.3	17.0	14.8	1.2	1.1	1.0	18%
China Ecommerce													
Pinduoduo	PDD US	145,594	USD	115	BUY	132	19.9	15.4	11.8	5.1	4.0	3.2	26%
Alibaba	BABA US	197,370	USD	78	BUY	155	8.6	8.0	7.1	1.5	1.4	1.2	11%
JD.com	JD US	43,389	USD	28	BUY	57	9.5	8.5	7.3	0.3	0.3	0.2	11%
Vipshop	VIPS US	8,408	USD	16	NA	NA	6.9	6.6	6.3	0.5	0.5	0.5	5%
Suning.com	002024 CH	2,452	CNY	2	NA	NA	NA	NA	NA	NA	NA	NA	NA
Meituan	3690 HK	87,331	HKD	109	BUY	178	28.6	19.0	12.7	2.3	1.9	1.6	50%
Yatsen	YSG US	477	USD	1	NA	NA	NA	13.6	8.4	0.9	0.8	0.7	NA
Average							11.2	11.8	8.9	1.1	1.0	0.9	13%
Global Ecommerce													
Amazon	AMZN US	1,500,295	USD	145	NA	NA	40.7	31.7	24.0	2.6	2.4	2.1	26%
eBay	EBAY US	20,833	USD	40	NA	NA	9.3	9.4	8.8	2.1	2.0	1.9	7%
Groupon	GRPN US	304	USD	10	NA	NA	NA	20.0	8.7	0.6	0.6	0.6	NA
Average							9.3	14.7	8.8	1.8	1.7	1.5	16%
SaaS													
Youzan	8083 HK	281	HKD	0	NA	NA	NA	NA	NA	1.4	1.3	1.3	NA
Weimob	2013 HK	1,302	HKD	4	NA	NA	NA	NA	26.9	3.8	3.1	2.7	NA
Average							NA	NA	26.9	2.6	2.2	2.0	NA
Average							15.9	13.8	12.8	1.4	1.3	1.1	16%

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	8,852	9,396	8,401	8,851	9,572	10,051
Cost of goods sold	(3,326)	(3,277)	(2,256)	(2,540)	(2,699)	(2,774)
Gross profit	5,525	6,120	6,145	6,310	6,873	7,277
Operating expenses	(2,765)	(3,524)	(3,474)	(3,832)	(4,011)	(4,121)
Selling expense	(2,131)	(2,550)	(2,674)	(2,567)	(2,719)	(2,814)
Admin expense	(224)	(526)	(371)	(797)	(814)	(824)
R&D expense	(410)	(448)	(428)	(469)	(479)	(482)
Operating profit	559	7	33	(169)	93	335
Other income	41	63	46	66	51	51
Other expense	(66)	(57)	(57)	(67)	(77)	(77)
Gain/loss on financial assets at FVTPL	26	46	(32)	0	0	0
Investment gain/loss	(11)	(3)	(108)	(8)	(7)	(7)
Pre-tax profit	549	(154)	(580)	(238)	30	271
Income tax	(128)	(55)	(26)	48	(6)	(54)
Net profit	427	(206)	(610)	(191)	24	217
Adjusted net profit	535	200	132	(77)	143	340

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	9,159	9,204	7,397	7,223	7,574	8,015
Cash & equivalents	3,580	4,607	2,144	2,741	2,939	3,142
Restricted cash	151	93	102	0	0	0
Account receivables	2,189	2,261	2,293	2,161	2,068	2,373
Inventories	1,026	1,074	943	717	931	850
Prepayment	438	573	554	398	416	424
ST bank deposits	1,449	0	895	895	895	895
Non-current assets	1,316	3,115	2,725	2,331	2,317	2,289
PP&E	430	653	694	527	551	569
Investment in JVs & assos	42	41	39	39	39	39
Intangibles	146	395	311	84	46	0
Goodwill	14	398	336	336	336	336
Other non-current assets	684	1,628	1,344	1,344	1,344	1,344
Total assets	10,475	12,319	10,122	9,555	9,891	10,305
Current liabilities	2,196	4,777	3,682	3,839	3,971	3,985
Short-term borrowings	0	2,288	1,016	1,016	1,016	1,016
Account payables	422	494	475	936	1,013	990
Tax payable	573	658	535	535	535	535
Other current liabilities	210	352	631	266	266	266
Accrued expenses	991	985	1,026	1,086	1,142	1,178
Non-current liabilities	2,136	1,061	764	702	702	702
Long-term borrowings	1,763	0	0	0	0	0
Total liabilities	4,332	5,838	4,446	4,541	4,673	4,687
Capital surplus	5,208	4,960	5,129	5,302	5,482	5,482
Retained earnings	952	425	(228)	(419)	(395)	(178)
Total shareholders equity	6,143	6,481	5,676	6,492	6,695	6,912
Minority interest	23	163	154	154	154	154
Total equity and liabilities	10,475	12,319	10,122	11,032	11,368	11,600

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	549	(154)	(580)	(238)	30	271
Depreciation & amortization	152	207	197	179	200	222
Tax paid	(54)	(54)	(54)	(54)	(54)	(54)
Others	(336)	(95)	821	786	208	(42)
Net cash from operations	310	(96)	383	672	384	398
Investing						
Capital expenditure	(111)	(286)	(207)	(128)	(136)	(144)
Net proceeds from disposal of short-term investments	(436)	1,433	(898)	0	0	0
Net cash from investing	(616)	376	(1,307)	(177)	(186)	(194)
Financing						
Net borrowings	(428)	548	468	0	0	0
Proceeds from share issues	3,127	0	0	0	0	0
Others	(32)	201	(2,118)	0	0	0
Net cash from financing	2,667	750	(1,650)	0	0	0
Net change in cash						
Cash at the beginning of the year	1,527	3,731	4,700	2,246	2,741	2,939
Exchange difference	(156)	(61)	120	0	0	0
Cash at the end of the year	3,731	4,700	2,246	2,741	2,939	3,142
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	21.6%	6.2%	(10.6%)	5.4%	8.2%	5.0%
Gross profit	22.7%	10.8%	0.4%	2.7%	8.9%	5.9%
Operating profit	45.6%	(98.7%)	374.1%	na	na	261.0%
Net profit	51.3%	na	na	na	na	803.5%
Adj. net profit	49.8%	(62.7%)	(33.8%)	na	na	165.0%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	62.4%	65.1%	73.1%	71.3%	71.8%	72.4%
Operating margin	6.3%	0.1%	0.4%	(1.9%)	1.0%	3.3%
Adj. net profit margin	6.0%	2.1%	1.6%	(0.9%)	1.5%	3.4%
Return on equity (ROE)	9.8%	(3.3%)	(10.0%)	(3.1%)	0.4%	3.2%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.4)	(0.2)	(0.3)	(0.3)	(0.3)
Current ratio (x)	4.2	1.9	2.0	1.9	1.9	2.0
Receivable turnover days	82.3	86.4	98.9	91.8	80.6	80.6
Inventory turnover days	105.5	116.9	163.1	119.3	111.4	117.2
Payable turnover days	71.3	51.0	78.4	101.4	131.8	131.8
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	28.0	69.0	25.5	na	9.5	3.6
P/E (diluted)	28.5	70.1	25.9	na	10.0	3.8
P/B	7.4	6.5	1.8	0.7	0.7	0.7

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

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NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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