

Baozun (BZUN US)

Profitability improvement on track

Baozun released 2Q25 results: total revenue was RMB2.6bn, up 6.8% YoY, 3/4% better than our estimates/Bloomberg consensus; non-GAAP net loss attributable to ordinary shareholders of Baozun came in at RMB18mn. Adding back the one-off write-down of account receivable totaled RMB53.3mn, the non-GAAP NP was RMB35mn, inline with consensus. Baozun E-commerce (BEC) inked revenue growth of 3% YoY (1Q25: +1.4%), and Baozun Brand Management (BBM) booked 35% YoY growth (1Q25: 23% YoY), driven by strong performance of both Gap and Hunter brands. Following the results, we are more positive on the profitability improvement of BEC, and lifted non-GAAP OP growth forecast for the segment to 25% (was 22%) in 2025E, and we lifted group level OP forecast to RMB125mn (from RMB119mn) driven by better-than-expected operating efficiency improvement. For BBM business, we are now forecasting 21% YoY revenue growth for 2025E (was 15%) driven by better-than-expected performance of Gap brand, while maintained full-year OP loss forecast of RMB100mn unchanged. Our SOTP based TP was fine-tuned to US\$3.52 (was US\$3.55) on the change of cash assumptions. Maintain BUY.

■ **BEC revenue growth saw reacceleration in 2Q25.** By segment, product sales revenue was up 14.2% YoY (1Q25: 14.4% YoY) to RMB994mn, and services revenue was up 2.5% YoY (1Q25: -1.4% YoY) to RMB1.6bn. In 2Q25, revenue generated from BEC grew by 3.3% YoY (1Q25: 1.4%) to RMB2.2bn, driven by both sustainable growth in the product sales and service model, and revenue generated from BBM increased by 35.4% YoY due to strong performance of both Gap and Hunter brands. Within services revenue, online store operations/warehousing and fulfilment/digital marketing and IT solutions achieved 8/-8/12% YoY growth. Group-level non-GAAP operating profit came in at RMB6.1mn (2Q24: RMB10.0mn), and BEC/BBM recorded non-GAAP OP of RMB41.1mn/-35.0mn, compared to RMB60.2mn/-50.0mn in 2Q24. Adding back the one-off write-down of account receivable totaled RMB53.3mn, adj. OP of BEC would be RMB94.4mn, demonstrating on-track operating efficiency improvement.

■ **3Q25E outlook: expecting profitability improvement trend to sustain.** For 3Q25E, we estimate total revenue growth of -1.0%/+22.0% YoY for BEC/BBM business. We expect BEC to continuously focus on improving operating efficiency, with non-GAAP OP to turn around to RMB23mn in 3Q25E (3Q24: -RMB30mn), and non-GAAP OPM to improve to 1.3% (3Q24: -1.7%). For BBM, we see support for revenue growth from both new store opening and same-store sales growth, driven by optimized merchandising plans for Gap, as well as strong growth from Hunter. We expect BBM to invest more in marketing related activities to enhance brand awareness in 3Q25. However, driven by solid revenue growth as well as effort to drive for operating efficiency improvement, we anticipate the loss of BBM business to narrow to RMB44mn in 3Q25E (3Q24: RMB55mn loss).

■ **Maintain BUY with SOTP-based target price adjusted to US\$3.52.** Our SOTP-based valuation consists of: 1) RMB1.1bn for BEC, based on 5.0x 2025E EV/EBIT (largely unchanged); 2) RMB178mn for BBM, based on 0.1x 2025E EV/sales (largely unchanged); and 3) RMB2.5bn in net cash (was RMB2.6bn). We have applied a 60% holding discount to group-level valuation.

BUY (Maintain)

Target Price	US\$3.52
(Previous TP)	US\$3.55
Up/Downside	24.4%
Current Price	US\$2.83

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Stock Data

Mkt Cap (US\$ mn)	169.5
Avg 3 mths t/o (US\$ mn)	0.2
52w High/Low (US\$)	4.22/2.20
Total Issued Shares (mn)	59.9

Source: FactSet

Shareholding Structure

Schroders	5.6%
TIAA	4.5%

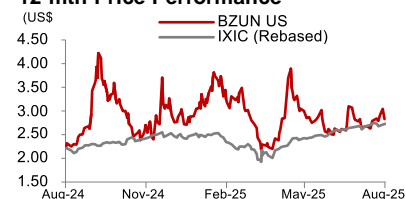
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.8%	-0.1%
3-mth	-4.1%	-15.1%
6-mth	-11.0%	-22.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	8,812	9,422	9,800	9,992	10,154
YoY growth (%)	4.9	6.9	4.0	2.0	1.6
Adjusted net profit (RMB mn)	(65.1)	(40.4)	93.3	198.8	225.5
Diluted EPS (RMB cents)	(36.45)	(22.47)	51.61	109.33	0.00
YoY growth (%)	na	na	na	111.8	na
P/S (x)	0.1	0.1	0.1	0.1	0.1
P/E (x)	na	na	39.3	18.5	16.3
ROE (%)	(3.9)	(2.4)	0.5	2.4	2.8
Net gearing (%)	(21.1)	(14.5)	(27.1)	(25.5)	(35.1)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results and results comparison

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25E consensus	Diff%
Total revenue	1,980	2,391	2,057	2,994	2,064	2,553	2,465	3.6%
YoY growth (%)	4.9%	3.1%	12.8%	7.7%	4.3%	6.8%		
Breakdown by business type								
1. Product sales	708	870	783	1,106	809	994		
YoY growth (%)	6.2%	-6.4%	10.6%	5.0%	14.4%	14.2%		
2. Services	1,272	1,521	1,274	1,888	1,255	1,559		
YoY growth (%)	4.1%	9.4%	14.2%	9.3%	-1.4%	2.5%		
Breakdown by business segments								
1. Baozun e-Commerce (BEC)	1,684	2,131	1,757	2,502	1,709	2,200		
YoY growth (%)	-1.3%	6.0%	13.9%	6.0%	1.4%	3.3%		
2. Baozun Brand Management (BBM)	314	294	331	535	387	398		
YoY growth (%)	66.0%	-9.3%	10.3%	16.9%	23.4%	35.4%		
3. Intersegment eliminations	(18)	(34)	(31)	(43)	(32)	(46)		
Gross profit	1,493	1,741	1,494	2,221	1,517	1,841	1,805	2.0%
Operating profit	(55)	(19)	(114)	73	(84)	(9)	36	
Adj. operating profit	(18)	10	(85)	103	(67)	6		
BEC	12	60.2	(30)	137	(46)	41.1		
BBM	(29)	(50.0)	(55)	(34)	(21)	(35.0)		
Adj. net profit	(15)	(4)	(67)	46	(57)	(18)	34	
Margin (%)								
GPM	75.4%	72.8%	72.6%	74.2%	73.5%	72.1%	73.2%	-1.1 ppt
OPM	-2.8%	-0.8%	-5.6%	2.4%	-4.1%	-0.4%	1.5%	-1.8 ppt
Adj. OPM	-0.9%	0.4%	-4.1%	3.5%	-3.2%	0.2%		
BEC	0.7%	2.8%	-1.7%	5.5%	-2.7%	1.9%		
BBM	-9.3%	-17.0%	-16.7%	-6.4%	-5.4%	-8.8%		
Adj. NPM	-0.8%	-0.2%	-3.2%	1.5%	-2.8%	-0.7%	1.4%	-2.1 ppt

Source: Bloomberg, CMBIGM estimates

Figure 2: Baozun: SOTP valuation

Figure 2: Baozun: DCF Valuation						
(RMBmn)	Metrics	Valuation methodology	Target multiple	Shareholding	Valuation	
BEC	2025E Non-GAAP EBIT	225 EV/EBIT		5.0	100%	1,124
BBM	2025E Revenue	1,784 EV/sales		0.1	100%	178
Total						1,302
Net cash						2,519
Holding discount						60%
Equity value (US\$mn)						212
No. of ADS outstanding (mn)						60
Target price (US\$)						3.52

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	8,401	8,812	9,422	9,800	9,992	10,154
Cost of goods sold	(2,256)	(2,409)	(2,474)	(2,617)	(2,688)	(2,792)
Gross profit	6,145	6,403	6,948	7,184	7,304	7,361
Operating expenses	(3,474)	(4,190)	(4,650)	(4,883)	(4,844)	(4,851)
Selling expense	(2,674)	(2,829)	(3,381)	(3,621)	(3,627)	(3,686)
Admin expense	(371)	(856)	(719)	(709)	(673)	(633)
R&D expense	(428)	(505)	(550)	(553)	(544)	(532)
Operating profit	33	(206)	(115)	6	171	208
Other income	46	82	69	69	69	69
Other expense	(57)	(41)	(39)	(40)	(40)	(40)
Gain/loss on financial assets at FVTPL	(32)	(9)	(39)	0	0	0
Investment gain/loss	(8)	0	(3)	0	0	0
Pre-tax profit	(580)	(217)	(93)	35	170	207
Income tax	(26)	(12)	(21)	(7)	(34)	(41)
Net profit	(610)	(223)	(138)	28	136	165
Adjusted net profit	132	(65)	(40)	93	199	226

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	7,397	7,291	6,785	7,097	7,056	7,665
Cash & equivalents	2,150	2,352	1,947	2,619	2,583	3,226
Restricted cash	102	203	353	353	353	353
Account receivables	2,293	2,185	1,714	1,987	1,987	1,939
Inventories	943	1,045	1,084	718	699	690
Prepayment	554	590	689	407	414	426
ST bank deposits	895	721	647	647	647	647
Non-current assets	2,725	3,184	3,044	2,893	2,860	2,812
PP&E	694	851	821	804	802	785
Investment in JVs & assos	39	38	38	38	38	38
Intangibles	311	306	297	163	132	101
Goodwill	336	312	312	312	312	312
Other non-current assets	1,344	1,675	1,575	1,575	1,575	1,575
Total assets	10,122	10,474	9,829	9,989	9,916	10,477
Current liabilities	3,682	3,758	3,233	3,656	3,367	3,685
Short-term borrowings	1,016	1,116	1,100	1,100	1,100	1,100
Account payables	475	564	455	752	458	768
Tax payable	535	525	386	386	386	386
Other current liabilities	631	365	306	306	306	306
Accrued expenses	1,026	1,188	987	1,113	1,118	1,126
Non-current liabilities	764	865	772	732	732	732
Long-term borrowings	0	0	0	0	0	0
Total liabilities	4,446	4,623	4,005	4,388	4,099	4,417
Capital surplus	5,129	4,571	4,597	4,346	4,426	4,503
Retained earnings	(228)	(507)	(573)	(583)	(484)	(356)
Total shareholders equity	5,676	5,852	5,824	5,601	5,817	6,060
Minority interest	154	170	165	169	173	177
Total equity and liabilities	10,122	10,474	9,829	9,989	9,916	10,477

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(580)	(217)	(93)	35	170	207
Depreciation & amortization	197	252	245	164	179	193
Tax paid	(54)	(54)	(54)	(54)	(54)	(54)
Others	821	468	4	855	(185)	443
Net cash from operations	383	448	101	1,000	109	789
Investing						
Capital expenditure	(207)	(165)	(132)	(167)	(167)	(167)
Net proceeds from disposal of short-term investments	(898)	190	(542)	0	0	0
Net cash from investing	(1,307)	(340)	(818)	(146)	(146)	(146)
Financing						
Net borrowings	468	26	105	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(2,118)	(34)	(4)	0	0	0
Net cash from financing	(1,650)	(8)	101	0	0	0
Net change in cash						
Cash at the beginning of the year	4,700	2,246	2,352	1,765	2,619	2,583
Exchange difference	120	7	28	0	0	0
Cash at the end of the year	2,246	2,352	1,765	2,619	2,583	3,226
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(10.6%)	4.9%	6.9%	4.0%	2.0%	1.6%
Gross profit	0.4%	4.2%	8.5%	3.4%	1.7%	0.8%
Operating profit	374.1%	na	na	na	2,567.8%	21.3%
Net profit	na	na	na	na	383.8%	21.4%
Adj. net profit	(33.8%)	na	na	na	113.1%	13.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	73.1%	72.7%	73.7%	73.3%	73.1%	72.5%
Operating margin	0.4%	(2.3%)	(1.2%)	0.1%	1.7%	2.0%
Adj. net profit margin	1.6%	(0.7%)	(0.4%)	1.0%	2.0%	2.2%
Return on equity (ROE)	(10.0%)	(3.9%)	(2.4%)	0.5%	2.4%	2.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.2)	(0.1)	(0.3)	(0.3)	(0.4)
Current ratio (x)	2.0	1.9	2.1	1.9	2.1	2.1
Receivable turnover days	98.9	92.7	75.5	68.9	72.6	70.6
Inventory turnover days	163.1	150.6	157.1	125.7	96.2	90.7
Payable turnover days	78.4	78.7	75.1	84.2	82.1	80.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	28.1	ns	ns	39.3	18.5	16.3
P/E (diluted)	28.5	ns	ns	39.3	18.5	ns
P/B	0.7	0.6	0.6	0.7	0.6	ns

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

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