CMB International Global Markets | Equity Research | Company Update

Baozun (BZUN US)

Operating efficiency gains drive higher medium-term earnings guidance

Baozun reported its 2Q26 results, with revenue reaching RMB2.7bn, up 7.5% YoY (1Q26: +15.3% YoY) and in line with Bloomberg consensus. Non-GAAP operating profit (OP) came in at RMB74mn (2Q25: RMB6mn), ahead of consensus of RMB44mn, supported by improved operating profitability across both Baozun E-commerce (BEC) and Baozun Brand Management (BBM). We expect healthy revenue growth momentum to continue into 3Q26E and forecast 6% YoY total revenue growth. Driven by operating efficiency improvements and cost savings enabled by AI, management now expects stronger-than-previously-anticipated margin expansion for the BEC business and raised its 2028E total non-GAAP OP target to over RMB700mn (from RMB550mn). We are now looking for a 2025-2028E revenue CAGR of 9% (previously 6%), driven by an improved revenue growth outlook for both businesses: BEC should benefit from the ramp-up of its distribution business in non-standardized categories, while BBM should be supported by stronger same-store sales growth at Gap and increasing revenue contributions from new brands such as Hunter and Sweaty Betty. We raise our non-GAAP OP forecasts to RMB276mn/RMB517mn/RMB701mn for 2026E-2028E (from RMB231mn/RMB413mn/RMB560mn), respectively, reflecting our higher revenue growth forecasts and incremental operating efficiency gains. We also lift our SOTP-based TP to US$4.23 (from US$3.98). Maintain BUY.

- **2Q26 revenue in line; OP ahead of consensus.** In 2Q26, BEC recorded revenue of RMB2.3bn, up 4.7% YoY (2Q25: +3.3%; 1Q26: +10.4%), while non-GAAP operating profit improved to RMB107.1mn from RMB41.1mn in 2Q25 and came in 5% ahead of our forecast. Meanwhile, BBM delivered revenue of RMB486mn in 2Q26, up 21.9% YoY, while its non-GAAP operating loss narrowed to RMB33mn from RMB35mn in 2Q25, with both revenue and operating profit broadly in line with our forecasts. Management noted that the reduction in losses at Gap was better than expected, although the benefit was partly offset by incremental investments in new brands.
- **3Q26E outlook: healthy revenue growth momentum to continue.** For 3Q26E, we forecast YoY revenue growth of 2.5%/22.5% for BEC/BBM, respectively. We expect BEC to record a non-GAAP operating loss of RMB13mn in 3Q26E, mainly reflecting normal seasonality during the off-peak quarter. For BBM, we forecast a non-GAAP operating loss of RMB35mn, narrowing from RMB39mn in 3Q25, driven by continued operating efficiency improvements at Gap, partly offset by incremental investments to support the growth of Hunter and Sweaty Betty.
- **Maintain BUY; lift SOTP-based TP to US$4.23.** We expect Baozun's increasing adoption of AI to help optimize fulfillment processes and day-to-day operations, thereby supporting further profitability improvements. We lift our SOTP-based target price to US$4.23, based on an equity valuation of RMB1.7bn/US$246mn, comprising: 1) RMB1.6bn for BEC (from RMB1.3bn), based on an unchanged 5.0x 2026E EV/EBIT; 2) RMB791mn for BBM (from RMB769mn), based on an unchanged 0.4x 2026E EV/sales; and 3) RMB1.8bn in net cash. We apply a 60% holding-company discount to the group-level valuation, consistent with our previous framework.

BUY (Maintain)

Target Price	**US$4.23**
(Previous TP	US$3.98)
Up/Downside	**40.1%**
Current Price	**US$3.02**

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Stock Data

Mkt Cap (US$ mn)	175.7
Avg 3 mths t/o (US$ mn)	0.2
52w High/Low (US$)	4.77/2.10
Total Issued Shares (mn)	58.2

Source: FactSet

Shareholding Structure

Jun Wang	16.4%
Schroders	7.4%

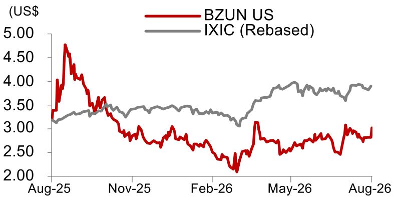
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.5%	-2.1%
3-mth	18.0%	19.6%
6-mth	20.3%	2.8%

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	10,743	11,786	12,848
YoY growth (%)	6.9	5.6	8.0	9.7	9.0
Operating profit (RMB mn)	(114.8)	56.6	224.0	463.8	646.9
Adjusted net profit (RMB mn)	(40.4)	44.2	195.4	365.3	481.0
P/E (x)	na	na	7.7	3.6	2.7
ROE (%)	(3.3)	(5.2)	4.0	8.0	9.8
Net gearing (%)	(1.2)	8.1	1.1	3.6	(6.4)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results

(RMBmn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2Q26E consensus	Diff%
Total revenue	**2,064**	**2,553**	**2,156**	**3,172**	**2,381**	**2,743**	**2,753**	**-0.4%**
YoY growth (%)	*4.3%*	*6.8%*	*4.8%*	*5.9%*	*15.3%*	*7.5%*		
Breakdown by business type								
1. Product sales	**809**	**994**	**808**	**1,238**	**1,045**	**1,026**		
YoY growth (%)	*14.4%*	*14.2%*	*3.2%*	*11.9%*	*29.1%*	*3.2%*		
2. Services	**1,255**	**1,559**	**1,348**	**1,934**	**1,336**	**1,717**		
YoY growth (%)	*-1.4%*	*2.5%*	*5.8%*	*2.4%*	*6.5%*	*10.2%*		
Breakdown by business segments								
1. Baozun e-Commerce (BEC)	**1,709**	**2,200**	**1,799**	**2,564**	**1,886**	**2,303**		
YoY growth (%)	*1.4%*	*3.3%*	*2.4%*	*2.5%*	*10.4%*	*4.7%*		
2. Baozun Brand Management (BBM)	**387**	**398**	**396**	**664**	**538**	**486**		
YoY growth (%)	*23.4%*	*35.4%*	*19.8%*	*24.0%*	*38.8%*	*21.9%*		
3. Intersegment eliminations	**(32)**	**(46)**	**(38)**	**(55)**	**(43)**	**(45)**		
Gross profit	**1,517**	**1,841**	**1,625**	**2,386**	**1,686**	**2,060**	**1,989**	**3.6%**
Operating profit	**(84)**	**(9)**	**(26)**	**176**	**0**	**63**	**44**	
Adj. operating profit	**(67)**	**6**	**(11)**	**198**	**8**	**74**	**44**	**67.5%**
BEC	(46)	41.1	28.1	195.9	13.0	107.1		
BBM	(21)	(35.0)	(38.7)	1.8	(4.9)	(33.0)		
Adj. net profit	**(57)**	**(18)**	**(40)**	**160**	**1**	**25**	**53**	
Margin (%)								
GPM	**73.5%**	**72.1%**	**75.4%**	**75.2%**	**70.8%**	**75.1%**	**72.2%**	**2.9 ppt**
OPM	**-4.1%**	**-0.4%**	**-1.2%**	**5.5%**	**0.0%**	**2.3%**	**1.6%**	**0.7 ppt**
Adj. OPM	**-3.2%**	**0.2%**	**-0.5%**	**6.2%**	**0.3%**	**2.7%**		
BEC	-2.7%	1.9%	1.6%	7.6%	0.7%	4.6%		
BBM	-5.4%	-8.8%	-9.8%	0.3%	-0.9%	-6.8%		
Adj. NPM	**-2.8%**	**-0.7%**	**-1.9%**	**5.0%**	**0.1%**	**0.9%**	**1.9%**	**-1.0 ppt**

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Changes in forecast

	Current			Previous forecast			Change (%)		
RMB mn	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**	**2026E**	**2027E**	**2028E**
Revenue	10,743	11,786	12,848	10,644	11,285	11,807	0.9%	4.4%	8.8%
Gross profit	7,917	8,698	9,482	7,770	8,283	8,690	1.9%	5.0%	9.1%
Operating profit	224	464	647	180	361	508	24.6%	28.4%	27.3%
Non-GAAP net profit	195	365	481	174	310	410	12.5%	17.8%	17.2%
GPM	73.7%	73.8%	73.8%	73.0%	73.4%	73.6%	0.7 ppt	0.4 ppt	0.2 ppt
OPM	2.1%	3.9%	5.0%	1.7%	3.2%	4.3%	0.4 ppt	0.7 ppt	0.7 ppt
Non-GAAP NPM	1.8%	3.1%	3.7%	1.6%	2.7%	3.5%	0.2 ppt	0.4 ppt	0.3 ppt

Source: CMBIGM estimates

Figure 3: CMBI forecast vs consensus

	Current			Consensus			Diff (%)		
RMB mn	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	10,743	11,786	12,848	10,592	11,170	11,801	1.4%	5.5%	8.9%
Gross profit	7,917	8,698	9,482	7,810	8,248	8,633	1.4%	5.5%	9.8%
Operating profit	224	464	647	197	290	365	13.5%	60.1%	77.2%
Non-GAAP net profit	195	365	481	185	285	370	5.8%	28.2%	29.9%
GPM	73.7%	73.8%	73.8%	73.7%	73.8%	73.2%	0.0 ppt	0.0 ppt	0.6 ppt
OPM	2.1%	3.9%	5.0%	1.9%	2.6%	3.1%	0.2 ppt	1.3 ppt	1.9 ppt
Non-GAAP NPM	1.8%	3.1%	3.7%	1.7%	2.5%	3.1%	0.1 ppt	0.5 ppt	0.6 ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: Baozun: SOTP valuation

(RMBmn)	Metrics	EBIT/Revenue	Valuation methodology	Target multiple	Shareholding	Valuation
BEC	2026E Non-GAAP EBIT	315	EV/EBIT	5.0	100%	1,576
BBM	2026E Revenue	2,261	EV/sales	0.4	100%	791
Total						**2,367**
Net cash						1,846
Holding discount						60%
Equity Value						**1,685**
Equity Value (US$mn)						**246**
No. of ADS outstanding (mn)						58
Target price (US$)						**4.23**

Source: CMBIGM estimates; USD:RMB = 1:6.85 (was 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**	**10,743**	**11,786**	**12,848**
Cost of goods sold	(2,409)	(2,474)	(2,576)	(2,825)	(3,088)	(3,366)
Gross profit	**6,403**	**6,948**	**7,369**	**7,917**	**8,698**	**9,482**
Operating expenses	**(4,190)**	**(4,650)**	**(5,062)**	**(5,384)**	**(5,736)**	**(6,137)**
Selling expense	(2,829)	(3,381)	(3,847)	(4,147)	(4,426)	(4,760)
Admin expense	(856)	(719)	(752)	(758)	(808)	(855)
R&D expense	(505)	(550)	(463)	(479)	(502)	(521)
Others	na	(2,413)	(2,251)	(2,310)	(2,499)	(2,698)
Operating profit	**(206)**	**(115)**	**57**	**224**	**464**	**647**
Other income	82	69	59	59	59	59
Other expense	(41)	(39)	(45)	(36)	(36)	(36)
Gain/loss on financial assets at FVTPL	(9)	(39)	(4)	3	0	0
Investment gain/loss	0	(3)	(213)	0	0	0
Others	na	34	(55)	(11)	(30)	(30)
Pre-tax profit	**(217)**	**(93)**	**(201)**	**238**	**457**	**640**
Income tax	(12)	(21)	(10)	(48)	(91)	(160)
Others	(49)	(71)	(31)	(37)	(39)	(39)
Net profit	**(278)**	**(185)**	**(242)**	**154**	**327**	**441**
Adjusted net profit	**(65)**	**(40)**	**44**	**195**	**365**	**481**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**7,291**	**7,214**	**6,803**	**7,329**	**7,646**	**8,501**
Cash & equivalents	2,150	1,289	907	1,166	1,055	1,512
Restricted cash	203	355	141	141	141	141
Account receivables	2,185	2,034	2,173	2,347	2,575	2,807
Inventories	1,045	1,117	879	881	985	1,049
Prepayment	590	724	576	632	690	753
ST bank deposits	721	1,272	1,747	1,747	1,747	1,747
Other current assets	398	423	379	415	452	492
Non-current assets	**3,184**	**2,993**	**2,888**	**2,901**	**2,915**	**2,928**
PP&E	851	822	759	778	798	818
Investment in JVs & assos	38	37	36	36	36	36
Intangibles	306	357	323	317	310	304
Goodwill	312	362	274	274	274	274
Other non-current assets	1,675	1,413	1,496	1,496	1,496	1,496
Total assets	**10,474**	**10,207**	**9,691**	**10,230**	**10,561**	**11,429**
Current liabilities	**3,758**	**3,748**	**3,645**	**3,971**	**3,915**	**4,280**
Short-term borrowings	1,116	1,221	1,208	1,208	1,208	1,208
Account payables	564	621	466	727	577	844
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	1,425	1,518	1,616
Non-current liabilities	**865**	**679**	**554**	**554**	**554**	**554**
Long-term borrowings	0	0	0	0	0	0
Total liabilities	**4,623**	**4,426**	**4,200**	**4,526**	**4,469**	**4,835**
Capital surplus	4,571	4,647	4,640	4,660	4,682	4,705
Retained earnings	(507)	(692)	(934)	(780)	(454)	(12)
Other reserves	1,617	1,630	(5)	10	25	41
Total shareholders equity	**5,682**	**5,584**	**3,700**	**3,890**	**4,253**	**4,733**
Minority interest	170	196	1,791	1,815	1,838	1,861
Total equity and liabilities	**10,474**	**10,207**	**9,691**	**10,230**	**10,561**	**11,429**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(217)**	**(93)**	**(201)**	**238**	**457**	**640**
Depreciation & amortization	252	245	222	75	75	74
Tax paid	(54)	(54)	(54)	(54)	(54)	(54)
Others	468	4	454	83	(500)	(115)
Net cash from operations	**448**	**101**	**420**	**342**	**(22)**	**545**
Investing						
Capital expenditure	(165)	(132)	(107)	(84)	(84)	(84)
Net proceeds from disposal of short-term investments	190	(542)	(719)	0	0	0
Others	(365)	(144)	(73)	(3)	(4)	(4)
Net cash from investing	**(340)**	**(818)**	**(899)**	**(86)**	**(88)**	**(88)**
Financing						
Net borrowings	26	105	(20)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(34)	(125)	(88)	0	0	0
Net cash from financing	**(8)**	**(20)**	**(107)**	**0**	**0**	**0**
Net change in cash						
Cash at the beginning of the year	2,246	2,352	1,644	1,048	1,307	1,196
Exchange difference	7	28	(10)	3	0	0
Cash at the end of the year	**2,352**	**1,644**	**1,048**	**1,307**	**1,196**	**1,653**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	4.9%	6.9%	5.6%	8.0%	9.7%	9.0%
Gross profit	4.2%	8.5%	6.1%	7.4%	9.9%	9.0%
Operating profit	na	na	na	296.1%	107.1%	39.5%
Net profit	na	na	na	na	112.7%	35.0%
Adj. net profit	na	na	na	341.9%	86.9%	31.7%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	72.7%	73.7%	74.1%	73.7%	73.8%	73.8%
Operating margin	(2.3%)	(1.2%)	0.6%	2.1%	3.9%	5.0%
Adj. net profit margin	(0.7%)	(0.4%)	0.4%	1.8%	3.1%	3.7%
Return on equity (ROE)	(5.0%)	(3.3%)	(5.2%)	4.0%	8.0%	9.8%
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	0.0	(0.1)
Current ratio (x)	1.9	1.9	1.9	1.8	2.0	2.0
Receivable turnover days	92.7	81.7	77.2	76.8	76.2	76.5
Inventory turnover days	150.6	159.5	141.5	113.7	110.3	110.3
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	7.7	3.6	2.7
P/E (diluted)	ns	ns	26.5	6.0	3.2	2.5
P/B	0.2	0.2	0.3	0.3	0.3	0.2

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

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