

Baozun (BZUN US)

Quality revenue growth on track

Baozun released 1Q25 results: total revenue was RMB2.1bn, up 4% YoY, 2% better than Bloomberg consensus, mainly driven by the beat in Baozun Brand Management (BBM) revenue; non-GAAP net loss attributable to ordinary shareholders of Baozun came in at RMB57mn, better than consensus of loss of RMB65mn. Baozun E-commerce (BEC) inked revenue growth of 1.4% YoY, and BBM booked 23% YoY growth (4Q24: 17% YoY), driven by strong performance of both Gap and Hunter brands. Baozun is prioritizing operating efficiency gains over business expansion for BEC business, and is on track to deliver non-GAAP OP growth of over 20% YoY in 2025E, in our view. Meanwhile, the company continues to drive solid revenue growth and loss reduction of BBM business, which should achieve non-GAAP OP breakeven in 4Q25 on our estimates. Our 2025E non-GAAP OP forecast for Baozun remains unchanged at RMB119mn. Our SOTP based TP was fine tuned to US\$3.55 (was US\$3.53). Maintain BUY.

■ **Solid BEC revenue growth in 1Q25.** By segment, product sales revenue was up 14.4% YoY (4Q24: 5.0% YoY) to RMB809mn, and services revenue was down 1.4% YoY (4Q24: 9.3% YoY) to RMB1.3bn. In 1Q25, revenue generated from BEC grew by 1.4% YoY to RMB1.7bn, primarily driven by stronger sales in its distribution business model, and revenue generated from BBM increased by 23% 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 12/-4/-6% YoY growth. Group-level non-GAAP operating loss came in at RMB66.9mn (1Q24: RMB17.5mn), driven by loss reduction of BBM, while offset by widened loss in BEC due to incremental investment in emerging e-commerce channels to drive for long-term growth.

■ **2Q25E outlook: expecting solid BEC operating profit growth and continuous loss reduction of BBM.** For 2Q25E, we estimate total revenue growth of 0%/27% YoY for BEC/BBM business. We expect BEC to continuously focus on improving operating efficiency, with non-GAAP OP to grow 33% YoY in 2Q25E, and non-GAAP OPM to improve to 3.8% (2Q24: 2.8%). 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. 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 RMB40mn in 2Q25E (2Q24: loss of RMB50mn).

■ **Maintain BUY with SOTP-based target price adjusted to US\$3.55.** Our SOTP-based valuation consists of: 1) RMB1.1bn for BEC, based on 5.0x 2025E EV/EBIT (unchanged); 2) RMB170mn for BBM, based on 0.1x 2025E EV/sales (unchanged); and 3) RMB2.6bn in net cash. We have applied a 60% holding discount to group-level valuation.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	8,401	8,812	9,422	9,662	9,847
YoY growth (%)	(10.6)	4.9	6.9	2.5	1.9
Adjusted net profit (RMB mn)	132.2	(65.1)	(40.4)	88.5	164.6
Diluted EPS (RMB cents)	71.13	(36.45)	(22.47)	48.95	90.50
YoY growth (%)	(21.6)	na	na	na	84.9
P/S (x)	0.2	0.2	0.1	0.1	0.1
P/E (x)	30.8	ns	ns	45.3	24.5
ROE (%)	(10.0)	(3.9)	(2.4)	0.4	1.8
Net gearing (%)	(20.0)	(21.1)	(14.5)	(28.3)	(25.7)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$3.55
(Previous TP)	US\$3.53
Up/Downside	15.3%
Current Price	US\$3.08

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Stock Data

Mkt Cap (US\$ mn)	184.5
Avg 3 mths t/o (US\$ mn)	0.6
52w High/Low (US\$)	4.22/2.20
Total Issued Shares (mn)	59.9

Source: FactSet

Shareholding Structure

Schroders	5.6%
TIAA	4.5%

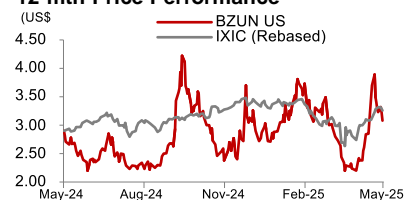
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	35.1%	16.7%
3-mth	-17.4%	-14.6%
6-mth	30.0%	30.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Quarterly results and results comparison

(RMBmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	1Q25E consensus	Diff%
Total revenue	1,888	2,320	1,824	2,780	1,980	2,391	2,057	2,994	2,064	2,031	1.7%
YoY growth (%)	-4.9%	9.3%	4.7%	8.9%	4.9%	3.1%	12.8%	7.7%	4.3%		
Breakdown by business type											
1. Product sales	666	930	708	1,053	708	870	783	1,106	809		
YoY growth (%)	-2.2%	34.1%	42.4%	36.3%	6.2%	-6.4%	10.6%	5.0%	14.4%		
2. Services	1,222	1,390	1,116	1,727	1,272	1,521	1,274	1,888	1,255		
YoY growth (%)	-6.3%	-2.7%	-10.3%	-3.0%	4.1%	9.4%	14.2%	9.3%	-1.4%		
Breakdown by business segments											
1. Baozun e-Commerce (BEC)	1,706	2,011	1,543	2,361	1,684	2,131	1,757	2,502	1,709		
YoY growth (%)	-14.0%	-5.2%	-11.4%	-7.5%	-1.3%	6.0%	13.9%	6.0%	1.4%		
2. Baozun Brand Management (BBM)	189	324	300	458	314	294	331	535	387		
YoY growth (%)					66.0%	-9.3%	10.3%	16.9%	23.4%		
3. Intersegment eliminations	(7)	(15)	(19)	(39)	(18)	(34)	(31)	(43)	(32)		
Gross profit	1,383	1,645	1,332	2,043	1,493	1,741	1,494	2,221	1,517	1,490	1.8%
Operating profit	(41)	(36)	(136)	6	(55)	(19)	(114)	73	(84)	(71)	
Adj. operating profit	(10)	1	(90)	76	(18)	10	(85)	103	(67)		
BEC	25	61	(40)	118	12	60	(30)	137	(46)		
BBM	(35)	(60)	(50)	(43)	(29)	(50)	(55)	(34)	(21)		
Adj. net profit	(13)	(4)	(76)	29	(15)	(4)	(67)	46	(57)	(65)	
Margin (%)											
GPM	73.2%	70.9%	73.1%	73.5%	75.4%	72.8%	72.6%	74.2%	73.5%	73.4%	0.1 ppt
OPM	-2.2%	-1.6%	-7.4%	0.2%	-2.8%	-0.8%	-5.6%	2.4%	-4.1%	-3.5%	-0.6 ppt
Adj. OPM	-0.5%	0.0%	-5.0%	2.7%	-0.9%	0.4%	-4.1%	3.5%	-3.2%		
BEC	1.5%	3.0%	-2.6%	5.0%	0.7%	2.8%	-1.7%	5.5%	-2.7%		
BBM	-18.5%	-18.5%	-16.7%	-9.3%	-9.3%	-17.0%	-16.7%	-6.4%	-5.4%		
Adj. NPM	-0.7%	-0.2%	-4.2%	1.0%	-0.8%	-0.2%	-3.2%	1.5%	-2.8%	-3.2%	0.4 ppt

Source: Bloomberg, CMBIGM estimates

Figure 2: Baozun: SOTP valuation

(RMBmn)	Metrics	Valuation methodology	Target multiple	Shareholding	Valuation
BEC	2025E Non-GAAP EBIT	219EV/EBIT	5.0	100%	1,097
BBM	2025E Revenue	1,696 EV/sales	0.1	100%	170
Total					1,266
Net cash					2,583
Holding discount					60%
Equity Value (US\$mn)					214
No. of ADS outstanding (mn)					60
Target price (US\$)					3.55

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	9,396	8,401	8,812	9,422	9,662	9,847
Cost of goods sold	(3,277)	(2,256)	(2,409)	(2,474)	(2,525)	(2,573)
Gross profit	6,120	6,145	6,403	6,948	7,137	7,274
Operating expenses	(3,524)	(3,474)	(4,190)	(4,650)	(4,670)	(4,631)
Selling expense	(2,550)	(2,674)	(2,829)	(3,381)	(3,426)	(3,433)
Admin expense	(526)	(371)	(856)	(719)	(699)	(663)
R&D expense	(448)	(428)	(505)	(550)	(545)	(536)
Operating profit	7	33	(206)	(115)	2	130
Other income	63	46	82	69	69	69
Other expense	(57)	(57)	(41)	(39)	(40)	(40)
Gain/loss on financial assets at FVTPL	46	(32)	(9)	(39)	0	0
Investment gain/loss	(3)	(8)	0	(3)	0	0
Pre-tax profit	(154)	(580)	(217)	(93)	31	129
Income tax	(55)	(26)	(12)	(21)	(6)	(26)
Net profit	(206)	(610)	(223)	(138)	25	103
Adjusted net profit	200	132	(65)	(40)	88	165

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	9,204	7,397	7,291	6,785	7,064	7,032
Cash & equivalents	4,607	2,150	2,352	1,947	2,683	2,584
Restricted cash	93	102	203	353	353	353
Account receivables	2,261	2,293	2,185	1,714	1,930	1,986
Inventories	1,074	943	1,045	1,084	698	699
Prepayment	573	554	590	689	396	402
ST bank deposits	0	895	721	647	647	647
Non-current assets	3,115	2,725	3,184	3,044	2,893	2,860
PP&E	653	694	851	821	804	802
Investment in JVs & assos	41	39	38	38	38	38
Intangibles	395	311	306	297	163	132
Goodwill	398	336	312	312	312	312
Other non-current assets	1,628	1,344	1,675	1,575	1,575	1,575
Total assets	12,319	10,122	10,474	9,829	9,956	9,891
Current liabilities	4,777	3,682	3,758	3,233	3,628	3,381
Short-term borrowings	2,288	1,016	1,116	1,100	1,100	1,100
Account payables	494	475	564	455	709	448
Tax payable	658	535	525	386	386	386
Other current liabilities	352	631	365	306	306	306
Accrued expenses	985	1,026	1,188	987	1,127	1,141
Non-current liabilities	1,061	764	865	772	732	732
Long-term borrowings	0	0	0	0	0	0
Total liabilities	5,838	4,446	4,623	4,005	4,360	4,113
Capital surplus	4,960	5,129	4,571	4,597	4,345	4,423
Retained earnings	425	(228)	(507)	(573)	(586)	(520)
Total shareholders equity	6,481	5,676	5,852	5,824	5,596	5,778
Minority interest	163	154	170	165	169	173
Total equity and liabilities	12,319	10,122	10,474	9,829	9,956	9,891

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(154)	(580)	(217)	(93)	31	129
Depreciation & amortization	207	197	252	245	164	179
Tax paid	(54)	(54)	(54)	(54)	(54)	(54)
Others	(95)	821	468	4	923	(207)
Net cash from operations	(96)	383	448	101	1,064	47
Investing						
Capital expenditure	(286)	(207)	(165)	(132)	(167)	(167)
Net proceeds from disposal of short-term investments	1,433	(898)	190	(542)	0	0
Net cash from investing	376	(1,307)	(340)	(818)	(146)	(146)
Financing						
Net borrowings	548	468	26	105	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	201	(2,118)	(34)	(4)	0	0
Net cash from financing	750	(1,650)	(8)	101	0	0
Net change in cash						
Cash at the beginning of the year	3,731	4,700	2,246	2,352	1,765	2,683
Exchange difference	(61)	120	7	28	0	0
Cash at the end of the year	4,700	2,246	2,352	1,765	2,683	2,584
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	6.2%	(10.6%)	4.9%	6.9%	2.5%	1.9%
Gross profit	10.8%	0.4%	4.2%	8.5%	2.7%	1.9%
Operating profit	(98.7%)	374.1%	na	na	na	5,245.9%
Net profit	na	na	na	na	na	314.4%
Adj. net profit	(62.7%)	(33.8%)	na	na	na	86.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	65.1%	73.1%	72.7%	73.7%	73.9%	73.9%
Operating margin	0.1%	0.4%	(2.3%)	(1.2%)	0.0%	1.3%
Adj. net profit margin	2.1%	1.6%	(0.7%)	(0.4%)	0.9%	1.7%
Return on equity (ROE)	(3.3%)	(10.0%)	(3.9%)	(2.4%)	0.4%	1.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.2)	(0.2)	(0.1)	(0.3)	(0.3)
Current ratio (x)	1.9	2.0	1.9	2.1	1.9	2.1
Receivable turnover days	86.4	98.9	92.7	75.5	68.8	72.6
Inventory turnover days	116.9	163.1	150.6	157.1	128.8	99.0
Payable turnover days	51.0	78.4	78.7	75.1	84.2	82.1
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	24.1	30.8	ns	ns	45.3	24.5
P/E (diluted)	24.4	31.2	ns	ns	45.3	24.5
P/B	0.8	0.7	0.7	0.7	0.7	0.7

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

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