

Baozun (BZUN US)

Profitability improvement trend sustained

Baozun released 3Q25 results: total revenue reached RMB2.2bn, up 5% YoY, 2%/1% better than our estimates/BBG consensus; non-GAAP net loss attributable to ordinary shareholders was RMB40.2mn, narrowed from RMB66.8mn in 3Q24, mainly driven by gross margin expansion and cost optimization. Among segments, Baozun E-commerce (BEC) recorded revenue of RMB1.8bn, up 2.4% YoY, with non-GAAP operating profit of RMB28.1mn (turning around from loss of RMB29.8mn in 3Q24); Baozun Brand Management (BBM) achieved revenue of RMB396mn, up 20% YoY, primarily driven by the strong performance of GAP and Hunter's store expansion. We expect 2025E non-GAAP operating profit for BEC to grow at 22% YoY driven by operating efficiency improvement. For BBM, which benefits from GAP's marketing campaign and same-store sales growth, we have raised 2025E revenue growth forecast to 25% (from 21%) while narrowing the full-year non-GAAP operating loss forecast to RMB94mn (was RMB100mn). We roll forward our valuation window to 2026E, and our SOTP-based target price is lifted to US\$3.81 (from US\$3.52). Maintain BUY.

■ **Strategic transformation continued to deliver results.** BEC achieved off-season profitability and BBM sustained high growth with narrower losses in 3Q25. For BEC, it recorded non-GAAP operating profit of RMB28.1mn, supported by a 300bps gross margin expansion to 13.1% via a diversified product mix; its services revenue grew 6% YoY, with online store operations up 16% and digital marketing & IT solutions rising 6%, while product sales fell 8.9% YoY due to adjustments in appliances and health nutrition categories (partially offset by healthy growth in beauty, alcohol and apparel). Operational efficiency improved notably, with nearly 20% better inventory turnover days and a 4.5% YoY drop in fulfilment cost. For BBM, revenue surged 20% YoY to RMB396mn. GAP drove growth with 7% same-store sales gains fueled by celebrity endorsement and themed campaigns. Management stated that these efforts also drove a 25% increase in young customers and strengthened GAP's position as an authentic and aspirational brand for China's younger generation. Hunter expanded to 8 offline stores. The gross margin of BBM expanded 3.7ppts to 56.5%, reflecting better merchandising and marketing initiatives of BBM, and non-GAAP operating loss narrowed 30% YoY to RMB38.7mn.

■ **4Q25 outlook: profitability improvement on track to sustain.** For 4Q25E, we estimate total revenue growth of -2%/+23% YoY for BEC/BBM business amid continued business structure adjustments for BEC during the peak e-commerce season. We expect BEC to continuously focus on improving operating efficiency, with non-GAAP OP to reach RMB196mn in 4Q25E (4Q24: RMB137mn). We project that BBM will consolidate the growth momentum of existing brands while cautiously expanding new brands, with non-GAAP operating profit to reach quarterly breakeven in 4Q25E.

■ **Maintain BUY and lift SOTP-based target price to US\$3.81.** We roll forward our valuation window to 2026E, and our SOTP-based target price of US\$3.81 consists of: 1) RMB1.35bn for BEC, based on 5.0x 2026E EV/EBIT; 2) RMB739mn for BBM, based on 0.4x 2026E EV/sales; and 3) RMB1.9bn in net cash. We have applied a 60% holding discount to group-level valuation, consistent with our prior framework.

BUY (Maintain)

Target Price	US\$3.81
(Previous TP)	US\$3.52)
Up/Downside	31.8%
Current Price	US\$2.89

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Stock Data

Mkt Cap (US\$ mn)	167.0
Avg 3 mths t/o (US\$ mn)	0.5
52w High/Low (US\$)	4.77/2.20
Total Issued Shares (mn)	57.8

Source: FactSet

Shareholding Structure

Schroders	5.6%
TIAA	4.5%

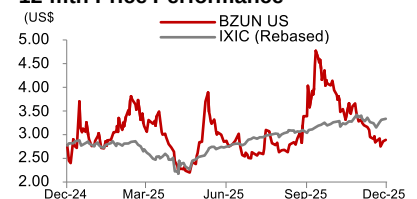
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.9%	-10.5%
3-mth	-14.7%	-22.4%
6-mth	0.7%	-17.1%

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	9,871	10,207	10,471
YoY growth (%)	4.9	6.9	4.8	3.4	2.6
Adjusted net profit (RMB mn)	(65.1)	(40.4)	98.0	175.4	218.4
Diluted EPS (RMB cents)	(36.45)	(22.47)	56.53	101.18	0.00
YoY growth (%)	na	na	na	79.0	na
P/S (x)	0.1	0.1	0.1	0.1	0.1
P/E (x)	ns	ns	36.2	20.2	16.2
ROE (%)	(3.9)	(2.4)	0.6	2.6	3.2
Net gearing (%)	(21.1)	(14.5)	(12.4)	(14.6)	(15.2)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results and results comparison

(RMBmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	3Q25E consensus	Diff%
Total revenue	1,980	2,391	2,057	2,994	2,064	2,553	2,156	2,137	0.9%
YoY growth (%)	4.9%	3.1%	12.8%	7.7%	4.3%	6.8%	4.8%		
Breakdown by business type									
1. Product sales	708	870	783	1,106	809	994	808		
YoY growth (%)	6.2%	-6.4%	10.6%	5.0%	14.4%	14.2%	3.2%		
2. Services	1,272	1,521	1,274	1,888	1,255	1,559	1,348		
YoY growth (%)	4.1%	9.4%	14.2%	9.3%	-1.4%	2.5%	5.8%		
Breakdown by business segment									
1. Baozun e-Commerce (BEC)	1,684	2,131	1,757	2,502	1,709	2,200	1,799		
YoY growth (%)	-1.3%	6.0%	13.9%	6.0%	1.4%	3.3%	2.4%		
2. Baozun Brand Management (BBM)	314	294	331	535	387	398	396		
YoY growth (%)	66.0%	-9.3%	10.3%	16.9%	23.4%	35.4%	19.8%		
3. Intersegment eliminations	(18)	(34)	(31)	(43)	(32)	(46)	(38)		
Gross profit	1,493	1,741	1,494	2,221	1,517	1,841	1,625	1,555	4.5%
Operating profit	(55)	(19)	(114)	73	(84)	(9)	(26)	(32)	
Adj. operating profit	(18)	10	(85)	103	(67)	6	(11)		
BEC	12	60.2	(30)	137	(46)	41.1	28.1		
BBM	(29)	(50.0)	(55)	(34)	(21)	(35.0)	(38.7)		
Adj. net profit	(15)	(4)	(67)	46	(57)	(18)	(40)	(24)	
Margin (%)									
GPM	75.4%	72.8%	72.6%	74.2%	73.5%	72.1%	75.4%	72.8%	2.6 ppt
OPM	-2.8%	-0.8%	-5.6%	2.4%	-4.1%	-0.4%	-1.2%	-1.5%	0.3 ppt
Adj. OPM	-0.9%	0.4%	-4.1%	3.5%	-3.2%	0.2%	-0.5%		
BEC	0.7%	2.8%	-1.7%	5.5%	-2.7%	1.9%	1.6%		
BBM	-9.3%	-17.0%	-16.7%	-6.4%	-5.4%	-8.8%	-9.8%		
Adj. NPM	-0.8%	-0.2%	-3.2%	1.5%	-2.8%	-0.7%	-1.9%	-1.1%	-0.7 ppt

Source: Company data, Bloomberg, CMBIGM

Key changes in forecast and target valuation

We have lifted 2025-2027E revenue forecast by 1-3% to factor in the beat in BBM business aided by stronger-than-we previously expected revenue growth in GAP brand; we lift 2025E non-GAAP net profit forecast by 5% to factor in better-than-expected operating efficiency improvement, while lowering 2026-2027E forecast by 3-12% to factor in the change in non-operating items.

Figure 2: Changes in forecast

RMB mn	Current			Previous			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	9,871	10,207	10,471	9,800	9,992	10,154	0.7%	2.1%	3.1%
Gross profit	7,235	7,482	7,675	7,184	7,304	7,361	0.7%	2.4%	4.3%
Operating profit	64	193	244	6	171	208	891.7%	12.9%	17.3%
Non-GAAP net profit	98	175	218	93	199	226	5.1%	-11.8%	-3.2%
Gross margin	73.3%	73.3%	73.3%	73.3%	73.1%	72.5%	0.0 ppt	0.2 ppt	0.8 ppt
Operating profit margin	0.6%	1.9%	2.3%	0.1%	1.7%	2.0%	0.6 ppt	0.2 ppt	0.3 ppt
Non-GAAP net margin	1.0%	1.7%	2.1%	1.0%	2.0%	2.2%	0.0 ppt	-0.3 ppt	-0.1 ppt

Source: CMBIGM estimates

Figure 3: CMBI forecast vs consensus

RMB mn	Current			Consensus			Diff (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	9,871	10,207	10,471	9,803	10,237	10,685	0.7%	-0.3%	-2.0%
Gross profit	7,235	7,482	7,675	7,171	7,469	7,775	0.9%	0.2%	-1.3%
Operating profit	64	193	244	98	223	304	-35.1%	-13.4%	-19.7%
Non-GAAP net profit	98	175	218	87	192	268	12.9%	-8.8%	-18.6%
Gross Margin	73.3%	73.3%	73.3%	73.1%	73.0%	72.8%	0.2 ppt	0.3 ppt	0.5 ppt
Operating profit margin	0.6%	1.9%	2.3%	1.0%	2.2%	2.8%	-0.4 ppt	-0.3 ppt	-0.5 ppt
Non-GAAP net margin	1.0%	1.7%	2.1%	0.9%	1.9%	2.5%	0.1 ppt	-0.2 ppt	-0.4 ppt

Source: Bloomberg, CMBIGM estimates

We roll forward our valuation window to 2026E, and our SOTP-based target price is lifted to US\$3.81 (from US\$3.52), consisting of:

- 1) RMB1.35bn for BEC, based on 5.0x 2026E EV/EBIT (was RMB1.12bn, based on 5.0x 2025E EV/EBIT);
- 2) RMB739mn for BBM, based on 0.4x 2026E EV/sales (was RMB178mn, based on 0.1x 2025E EV/sales. The lift in target multiple is driven by better outlook in business development as the business is reaching an inflection point on profitability);
- 3) RMB1.9bn 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
	2026E Non-GAAP EBIT	271	EV/EBIT	5.0	100%	1,353
	2026E Revenue	2,111	EV/sales	0.4	100%	739
Total						2,092
Net cash						1,876
Holding discount						60%
Equity Value (US\$m)						220
No. of ADS outstanding (mn)						58
Target price (US\$)						3.81

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	9,871	10,207	10,471
Cost of goods sold	(2,256)	(2,409)	(2,474)	(2,635)	(2,725)	(2,796)
Gross profit	6,145	6,403	6,948	7,235	7,482	7,675
Operating expenses	(3,474)	(4,190)	(4,650)	(4,880)	(4,950)	(5,057)
Selling expense	(2,674)	(2,829)	(3,381)	(3,649)	(3,748)	(3,845)
Admin expense	(371)	(856)	(719)	(714)	(687)	(684)
R&D expense	(428)	(505)	(550)	(517)	(514)	(528)
Operating profit	33	(206)	(115)	64	193	244
Other income	46	82	69	54	54	54
Other expense	(57)	(41)	(39)	(45)	(40)	(40)
Gain/loss on financial assets at FVTPL	(32)	(9)	(39)	(0)	0	0
Investment gain/loss	(8)	0	(3)	1	0	0
Pre-tax profit	(580)	(217)	(93)	18	177	228
Income tax	(26)	(12)	(21)	18	(27)	(34)
Net profit	(610)	(223)	(138)	35	151	193
Adjusted net profit	132	(65)	(40)	98	175	218

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	7,397	7,291	6,785	6,879	7,140	7,274
Cash & equivalents	2,150	2,352	1,947	1,819	1,976	2,048
Restricted cash	102	203	353	353	353	353
Account receivables	2,293	2,185	1,714	1,796	1,857	1,905
Inventories	943	1,045	1,084	1,092	1,102	1,090
Prepayment	554	590	689	804	827	846
ST bank deposits	895	721	647	647	647	647
Non-current assets	2,725	3,184	3,044	3,142	3,176	3,207
PP&E	694	851	821	791	757	721
Investment in JVs & assos	39	38	38	38	38	38
Intangibles	311	306	297	426	494	560
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	10,021	10,316	10,480
Current liabilities	3,682	3,758	3,233	3,480	3,589	3,525
Short-term borrowings	1,016	1,116	1,100	1,100	1,100	1,100
Account payables	475	564	455	572	655	572
Tax payable	535	525	386	386	386	386
Other current liabilities	631	365	306	306	306	306
Accrued expenses	1,026	1,188	987	1,117	1,143	1,161
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	4,212	4,321	4,257
Capital surplus	5,129	4,571	4,597	4,553	4,588	4,623
Retained earnings	(228)	(507)	(573)	(576)	(452)	(285)
Total shareholders equity	5,676	5,852	5,824	5,810	5,995	6,223
Minority interest	154	170	165	164	164	164
Total equity and liabilities	10,122	10,474	9,829	10,021	10,316	10,480

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(580)	(217)	(93)	18	177	228
Depreciation & amortization	197	252	245	127	130	134
Tax paid	(54)	(54)	(54)	(54)	(54)	(54)
Others	821	468	4	128	67	(71)
Net cash from operations	383	448	101	218	321	236
Investing						
Capital expenditure	(207)	(165)	(132)	(84)	(84)	(84)
Net proceeds from disposal of short-term investments	(898)	190	(542)	0	0	0
Net cash from investing	(1,307)	(340)	(818)	(164)	(164)	(164)
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	1,819	1,976
Exchange difference	120	7	28	(0)	0	0
Cash at the end of the year	2,246	2,352	1,765	1,819	1,976	2,048

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

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