

Baozun (BZUN US)

Driving quality growth

Baozun released 4Q24 results: total revenue was RMB3.0bn, and was 3.3% better than Bloomberg consensus; non-GAAP net profit attributable to ordinary shareholders of Baozun came in at RMB46mn, up from RMB29mn in 4Q23, but missed consensus of RMB74mn. Baozun E-commerce (BEC) inked revenue growth of 6% YoY, driven by higher demand from digital marketing and IT solutions, and Baozun Brand Management (BBM) booked 17% YoY growth (3Q24: 10% YoY) driven by higher sales from Gap brand as Baozun continues to optimize Gap's merchandising plans, and also aided by new store openings. Looking ahead into 2025, we expect management to prioritize operating efficiency gains over business expansion for BEC; and to continue driving solid revenue growth and loss reduction of BBM business, which should achieve non-GAAP OP breakeven in 4Q25 on our estimates. We roll over our valuation base to 2025E with a new SOTP-based TP of US\$3.53 (was US\$3.1). Maintain BUY.

- **Solid revenue growth in 4Q24.** By segment, product sales revenue was up 5.0% YoY (3Q24: 10.6% YoY) to RMB1.1bn, and services revenue was up 9.3% YoY (3Q24: 14.2% YoY) to RMB1.9bn. In 4Q24, revenue generated from BEC grew by 6.0% YoY to RMB2.5bn driven by higher demand from digital marketing and IT solutions, and revenue generated from BBM increased by 16.9% YoY due to sales increase from the Gap brand. Within services revenue, online store operations/warehousing and fulfilment/digital marketing and IT solutions achieved 16/0/15% YoY growth. Within online store operations services revenue, apparel and accessories on combined basis achieved 27% YoY growth, while partly offset by a 12% YoY decline in Others. Group-level non-GAAP operating income came in at RMB103.3mn (4Q23: RMB75.7mn), driven by both improvement in profitability of BEC business and loss reduction of BBM.
- **2025 outlook: expecting solid BEC operating profit growth and quality growth for BBM.** For 2025E, we estimate total revenue growth of 0%/15% YoY for BEC/BBM business. We expect BEC to focus on driving operating efficiency improvement in the near term, with non-GAAP OP to grow 22% YoY in 2025E, and non-GAAP OPM to improve to 2.7% (2024: 2.2%). For BBM, we see support for revenue growth to come from both new store openings and same-store sales growth driven by optimized merchandising plans for Gap. Driven by solid revenue growth, as well as business operation with partners to achieve rental expense optimization, we anticipate BBM business's loss to narrow to RMB100mn in 2025E (2024: loss of RMB169mn).
- **Maintain BUY with SOTP-based target price adjusted to US\$3.53.** Our SOTP-based valuation consists of: 1) RMB1.1bn for BEC, based on 5.0x 2025E EV/EBIT (was 3.0x 2024E EV/EBIT, the lift in valuation multiple was due to more positive earnings growth outlook); 2) RMB170mn for BBM, based on 0.1x 2025E EV/sales (was 0.1x 2024E EV/sales); and 3) RMB2.6bn in net cash. We have applied a 60% holding discount to group-level valuation, but expect the enhancement of shareholder returns to unlock net cash value held on balance sheet.

BUY (Maintain)

Target Price **US\$3.53**
(Previous TP US\$3.10)
Up/Downside **17.7%**
Current Price **US\$3.00**

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Stock Data

Mkt Cap (US\$ mn)	179.7
Avg 3 mths t/o (US\$ mn)	1.4
52w High/Low (US\$)	4.22/2.20
Total Issued Shares (mn)	59.9

Source: FactSet

Shareholding Structure

Schroders	5.6%
TIAA	4.5%

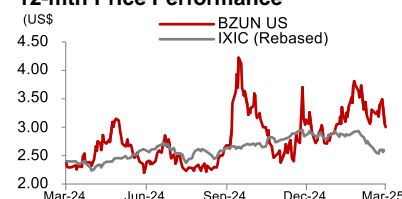
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-19.6%	-11.7%
3-mth	-4.2%	5.5%
6-mth	11.9%	13.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	8,401	8,812	9,422	9,643	9,835
YoY growth (%)	(10.6)	4.9	6.9	2.3	2.0
Adjusted net profit (RMB mn)	132.2	(65.1)	(40.4)	55.4	155.5
Diluted EPS (RMB cents)	71.13	(36.45)	(22.47)	30.62	85.51
YoY growth (%)	(21.6)	na	na	na	179.2
P/S (x)	0.2	0.1	0.1	0.1	0.1
P/E (x)	30.2	ns	ns	71.0	25.4
ROE (%)	(10.0)	(3.9)	(2.4)	0.0	1.9
Net gearing (%)	(20.0)	(20.4)	(14.5)	(29.5)	(25.4)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results and results comparison

(RMBmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	4Q24E consensus	Diff%
Total revenue	1,888	2,320	1,824	2,780	1,980	2,391	2,057	2,994	2,900	3.3%
YoY growth (%)	-4.9%	9.3%	4.7%	8.9%	4.9%	3.1%	12.8%	7.7%		
Breakdown by business type										
1. Product sales	666	930	708	1,053	708	870	783	1,106		
YoY growth (%)	-2.2%	34.1%	42.4%	36.3%	6.2%	-6.4%	10.6%	5.0%		
2. Services	1,222	1,390	1,116	1,727	1,272	1,521	1,274	1,888		
YoY growth (%)	-6.3%	-2.7%	-10.3%	-3.0%	4.1%	9.4%	14.2%	9.3%		
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		
YoY growth (%)	-14.0%	-5.2%	-11.4%	-7.5%	-1.3%	6.0%	13.9%	6.0%		
2. Baozun Brand Management (BBM)	189	324	300	458	314	294	331	535		
YoY growth (%)					66.0%	-9.3%	10.3%	16.9%		
3. Intersegment eliminations	(7)	(15)	(19)	(39)	(18)	(34)	(31)	(43)		
Gross profit	1,383	1,645	1,332	2,043	1,493	1,741	1,494	2,221	2,164	2.6%
Operating profit	(41)	(36)	(136)	6	(55)	(19)	(114)	73	80	
Adj. operating profit	(10)	1	(90)	76	(18)	10	(85)	103		
BEC	25	61	(40)	118	12	60	(30)	137		
BBM	(35)	(60)	(50)	(43)	(29)	(50)	(55)	(34)		
Adj. net profit	(13)	(4)	(76)	29	(15)	(4)	(67)	45.7	74	
Margin (%)										
GPM	73.2%	70.9%	73.1%	73.5%	75.4%	72.8%	72.6%	74.2%	74.6%	-0.5 ppt
OPM	-2.2%	-1.6%	-7.4%	0.2%	-2.8%	-0.8%	-5.6%	2.4%	2.8%	-0.3 ppt
Adj. OPM	-0.5%	0.0%	-5.0%	2.7%	-0.9%	0.4%	-4.1%	3.5%		
BEC	1.5%	3.0%	-2.6%	5.0%	0.7%	2.8%	-1.7%	5.5%		
BBM	-18.5%	-18.5%	-16.7%	-9.3%	-9.3%	-17.0%	-16.7%	-6.4%		
Adj. NPM	-0.7%	-0.2%	-4.2%	1.0%	-0.8%	-0.2%	-3.2%	1.5%	2.5%	-1.0 ppt

Source: Bloomberg, CMBIGM estimates

Figure 2: Baozun: SOTP valuation

(RMBmn)	Metrics	Valuation methodology	Target multiple	Shareholding	Valuation
	2025E Non-GAAP EBIT	EV/EBIT	5.0	100%	1,097
BEC	2025E Revenue	EV/sales	0.1	100%	170
BBM					
Total					1,267
Net cash					2,566
Holding discount					60%
Equity Value (US\$m)					213
No. of ADS outstanding (mn)					60
Target price (US\$)					3.53

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	9,643	9,835
Cost of goods sold	(3,277)	(2,256)	(2,409)	(2,474)	(2,512)	(2,563)
Gross profit	6,120	6,145	6,403	6,948	7,131	7,272
Operating expenses	(3,524)	(3,474)	(4,190)	(4,650)	(4,661)	(4,626)
Selling expense	(2,550)	(2,674)	(2,829)	(3,381)	(3,419)	(3,429)
Admin expense	(526)	(371)	(856)	(719)	(697)	(662)
R&D expense	(448)	(428)	(505)	(550)	(544)	(535)
Operating profit	7	33	(206)	(115)	3	131
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)	1	130
Income tax	(55)	(26)	(12)	(21)	(0)	(26)
Net profit	(206)	(610)	(223)	(138)	1	104
Adjusted net profit	200	132	(65)	(40)	55	155

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	9,204	7,397	7,291	6,785	7,033	6,941
Cash & equivalents	4,607	2,150	2,308	1,947	2,665	2,492
Restricted cash	93	102	203	353	353	353
Account receivables	2,261	2,293	2,185	1,714	1,922	1,989
Inventories	1,074	943	1,045	1,084	695	700
Prepayment	573	554	590	689	395	401
ST bank deposits	0	895	721	647	647	647
Non-current assets	3,115	2,725	3,184	3,044	2,626	2,660
PP&E	653	694	851	821	569	581
Investment in JVs & assos	41	39	38	38	38	38
Intangibles	395	311	306	297	132	153
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	9,659	9,602
Current liabilities	4,777	3,682	3,758	3,233	3,620	3,381
Short-term borrowings	2,288	1,016	1,116	1,100	1,100	1,100
Account payables	494	475	564	455	704	449
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	1,125	1,140
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	4,352	4,112
Capital surplus	4,960	5,129	4,571	4,597	4,080	4,158
Retained earnings	425	(228)	(507)	(573)	(619)	(562)
Total shareholders equity	6,481	5,676	5,852	5,824	5,307	5,489
Minority interest	163	154	170	165	179	192
Total equity and liabilities	12,319	10,122	10,474	9,829	9,659	9,602

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(154)	(580)	(217)	(93)	1	130
Depreciation & amortization	207	197	179	137	153	170
Tax paid	(54)	(54)	(54)	(54)	(54)	(54)
Others	(95)	821	148	(292)	934	(215)
Net cash from operations	(96)	383	55	(302)	1,034	30
Investing						
Capital expenditure	(286)	(207)	(128)	(136)	(144)	(152)
Net proceeds from disposal of short-term investments	1,433	(898)	175	73	0	0
Net cash from investing	376	(1,307)	(85)	(125)	(194)	(203)
Financing						
Net borrowings	548	468	100	(16)	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	201	(2,118)	0	0	0	0
Net cash from financing	750	(1,650)	100	(16)	0	0
Net change in cash						
Cash at the beginning of the year	3,731	4,700	2,246	2,308	1,826	2,665
Exchange difference	(61)	120	(9)	(39)	0	0
Cash at the end of the year	4,700	2,246	2,308	1,826	2,665	2,492
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	6.2%	(10.6%)	4.9%	6.9%	2.3%	2.0%
Gross profit	10.8%	0.4%	4.2%	8.5%	2.6%	2.0%
Operating profit	(98.7%)	374.1%	na	na	na	4,678.7%
Net profit	na	na	na	na	na	8,600.6%
Adj. net profit	(62.7%)	(33.8%)	na	na	na	180.9%
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%)	0.6%	1.6%
Return on equity (ROE)	(3.3%)	(10.0%)	(3.9%)	(2.4%)	0.0%	1.9%
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	129.3	99.3
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	23.6	30.2	ns	ns	71.0	25.4
P/E (diluted)	24.0	30.6	ns	ns	71.0	25.4
P/B	0.7	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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