

Baozun (BZUN US)

Mild recovery ahead

Baozun delivered better-than-feared 1Q23 results on in-line topline and upbeat margin. Looking into 2Q23E, we forecast rev at double digit YoY growth, with mild EBC recovery (from rev decline trend to stable YoY) and sequential growth for BBM. By category, sports, luxury and apparels would deliver solid momentum, to offset soft electronics. We forecast Baozun 618 GMV at single digit YoY growth, in which brands and platforms are well prepared and launched diverse initiatives in 618 promotions, while customer confidence remains to be seen for macro uncertainty. Baozun would see more synergies from GAP transformation and M&A opportunities. We keep FY23-25E financials forecast unchanged, with TP at US\$8.4 (implying 11x FY23 EV/EBIT of BEC, or 13x FY24E P/E).

- 1Q23 beat on margin.** 1Q23 rev -5% YoY, in line with consensus, in which product sales/services -2%/-6% YoY. By segment, BEC product sales declined 30% YoY, in which resilient FMCG and Beauty & cosmetics grew +25%/6% YoY while Appliances and Electronics dragged rev growth with -36%/-67% YoY (for soft consumption sentiment). BBM product sales reached RMB189mn. Non-GAAP OP was RMB9.7mn, 9% above our estimates. Adj. net loss of RMB13mn beat consensus (at -RMB34mn) on higher GPM.
- Expecting double digit rev growth in 2Q23E with mild BEC recovery.** We expect group rev to achieve double digit growth in 2Q23E, in which BEC might keep stable YoY or resume growth (with strong sports & luxury and apparels recovery to offset soft electronics). Brands and platforms are well prepared and launched diverse initiatives in 618 promotions, while customer confidence remains to be seen for macro uncertainty. We forecast Baozun 618 GMV at single digit YoY growth, with incremental growth from JD and video accounts. Bzun would continuously explore content/livestreaming ecommerce opportunities, with enhanced operation and infrastructure. BEC margin would be stable YoY in 2Q23E, in our view.
- GAP transformation to boost topline with improving margin.** We expect GAP rev to see sequential growth in 2Q23E, with 618 promotions and better brand mgmt & omni-channel marketing. GAP got customer acceptance from discount reduction strategy (especially for offline stores), positive to GPM. GAP will launch integrated online and offline inventory management system in the end of the year, and we expect more synergies from BZUN to come. We keep GAP financials unchanged, with rev of RMB1.5bn in FY23E and OP of -RMB252mn.
- Maintain BUY.** We keep FY23-25E financials forecast unchanged, with TP at US\$8.4 (implying 11x FY23 EV/EBIT of BEC, or 13x FY24E P/E).

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	9,396	8,401	10,472	11,483	12,351
YoY growth (%)	6.2	(11)	24.7	9.7	7.6
Adj. net income (RMB mn)	200	132	(82)	276	617
Adj. EPS (RMB)	2.7	2.1	(1.3)	4.3	9.5
YoY growth (%)	(68)	(22)	NA	NA	121.9
Consensus EPS (RMB)	NA	NA	1.5	5.0	7.5
P/E (x)	9.8	12.5	NA	6.2	2.8
P/S (x)	0.6	0.6	0.5	0.4	0.4
ROE (%)	3.3	2.4	(1.5)	4.7	9.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$8.4
(Previous TP)	US\$8.4)
Up/Downside	+121%
Current Price	US\$3.8

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	259
Avg 3 mths t/o (US\$ mn)	2.49
52w High/Low (US\$)	12.09/3.41
Total Issued Shares (mn)	55

Source: Bloomberg

Shareholding Structure

Morgan Stanley	4.93%
TIAA	4.75%
Schroders	3.63%

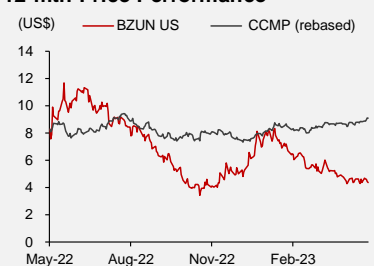
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-8.4%	-12.6%
3-mth	-31.7%	-38.0%
6-mth	6.8%	-6.9%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Figure 1: 1Q23 financial review

RMB mn	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY	Consensus	Diff %
Revenue	2,304	1,899	3,173	1,984	2,122	1,741	2,553	1,888	-26%	-5%	1,891	-0.2%
Operating profit	107	(157)	4	(41)	(23)	(26)	18	(41)	NA	NA	(30)	NA
Net profit	80	(293)	(8)	(122)	(78)	(157)	(284)	(84)	NA	NA	(64)	NA
Adj. net profit	151	(88)	76	1	1	(13)	138	(13)	NA	NA	(34)	NA
EPS (RMB)	2.01	(1.21)	1.11	0.02	0.02	(0.22)	2.32	(0.22)	NA	NA	(1.51)	NA
Margin (%)												
Gross margin	64.6%	68.6%	67.1%	70.0%	71.6%	76.2%	74.8%	73.2%			70.0%	
Operating margin	4.6%	-8.2%	0.1%	-2.1%	-1.1%	-1.5%	0.7%	-2.2%			-1.6%	
Adj. net margin	6.5%	-4.6%	2.4%	0.1%	0.1%	-0.8%	5.4%	-0.7%			-1.8%	
Growth (%)												
Revenue (YoY)	7.1%	3.8%	-5.2%	-1.8%	-7.9%	-8.3%	-19.5%	-4.9%				
Revenue (QoQ)	14.0%	-17.6%	67.1%	-37.5%	6.9%	-17.9%	46.6%	-26.1%				
Operating profit	-33.6%	NA	-98.7%	-177.8%	NA	NA	2.2%	-2.9%				
Adj. net profit	2.9%	NA	-72.1%	-98.1%	-99.2%	NA	6.2%	-6.1%				

Source: Company data, Bloomberg

Figure 2: 1Q23 revenue breakdown

	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY
Revenue (RMB mn)	2,304	1,899	3,173	1,984	2,122	1,741	2,553	1,888	-26.1%	-4.9%
Product sales	972	700	1,230	681	694	497	772	666	-13.8%	-2.2%
Services	1,332	1,199	1,943	1,303	1,428	1,244	1,781	1,222	-31.4%	-6.3%

	1Q22	1Q23	QoQ	YoY
Revenue (RMB mn)	1,984	1,888	-26.1%	-4.9%
Product Sales of BEC	681	477	NA	-30%
Appliances	351	225	NA	-36%
Electronics	132	44	NA	-67%
FMCG	53	67	NA	25%
Beauty and cosmetics	63	67	NA	6%
Others	81	75	NA	-7%
Product Sales of BBM	0	189	NA	NA
Services revenue	1,303	1,222	NA	-6%
Online store operations	392	364	NA	-7%
Apparel and accessories	265	256	NA	-4%
<i>Sportswear</i>	88	89	NA	1%
<i>Other apparel</i>	89	68	NA	-24%
<i>Luxury</i>	89	99	NA	12%
Others	127	109	NA	-15%
Warehouse and fulfillment	525	487	NA	-7%
Digital marketing and IT solutions	386	377	NA	-2%
Inter-segment eliminations	0	-7	NA	NA

Source: Company data

Figure 3: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	10,472	11,483	12,351	9,976	10,890	11,855	5.0%	5.4%	4.2%
Gross profit	7,644	8,612	9,449	7,007	7,643	8,583	9.1%	12.7%	10.1%
Non GAAP OP	11	441	866	31	303	539	-63.0%	45.6%	60.7%
Adj. net profit	(82)	276	617	81	310	476	NA	-10.9%	29.7%
EPS (RMB)	(1.28)	4.28	9.50	1.48	5.03	7.50	NA	-14.9%	26.7%
Gross margin	73.0%	75.0%	76.5%	70.2%	70.2%	72.4%	+2.8ppts	+4.8ppts	+4.1ppts
Operating margin	0.1%	3.8%	7.0%	0.3%	2.8%	4.5%	-0.2ppts	+1.1ppts	+2.5ppts
Net margin	-0.8%	2.4%	5.0%	0.8%	2.8%	4.0%	-1.6ppts	-0.4ppts	+1.0ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	10,472	11,483	12,351	10,472	11,483	12,351	0.0%	0.0%	0.0%
Gross profit	7,644	8,612	9,449	7,644	8,612	9,449	0.0%	0.0%	0.0%
Non GAAP OP	11	441	866	11	441	866	0.0%	0.0%	0.0%
Adj. net profit	(82)	276	617	(82)	276	617	0.0%	0.0%	0.0%
EPS (RMB)	(1.28)	4.28	9.50	(1.28)	4.28	9.50	0.0%	0.0%	0.0%
Gross margin	73.0%	75.0%	76.5%	73.0%	75.0%	76.5%	0.0ppts	0.0ppts	0.0ppts
Operating margin	0.1%	3.8%	7.0%	0.1%	3.8%	7.0%	0.0ppts	0.0ppts	0.0ppts
Net margin	-0.8%	2.4%	5.0%	-0.8%	2.4%	5.0%	0.0ppts	0.0ppts	0.0ppts

Source: Company data, CMBIGM estimates

Figure 5: Valuation comps

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY23-25 EPS CAGR
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
Baozun	BZUN US	254	USD	3.8	BUY	8.4	NA	6.2	2.8	0.5	0.4	0.4	NA
EC Service Provider													
Lily & Beauty	605136 CH	775	CNY	14	NA	NA	20.1	16.8	12.9	1.3	1.1	1.0	13%
Ruoyuchen	003010 CH	419	CNY	24	NA	NA	73.1	45.6	37.7	2.1	1.9	1.9	39%
Onechance	300792 CH	1,054	CNY	31	NA	NA	23.7	21.5	12.3	4.3	3.7	3.2	42%
Transcosmos	9715 JP	1,166	JPY	3,310	NA	NA	10.8	10.1	9.4	0.4	0.4	0.4	9%
Average							31.9	23.5	18.1	2.0	1.8	1.6	26%
China Ecommerce													
Pinduoduo	PDD US	78,303	USD	62	BUY	106	13.3	10.3	8.2	3.3	2.7	2.3	21%
Alibaba	BABA US	214,452	USD	83	BUY	157	10.0	8.9	8.1	1.6	1.5	1.3	-1%
JD.com	JD US	55,150	USD	35	BUY	63	12.5	10.5	8.8	0.4	0.3	0.3	17%
Vipshop	VIPS US	7,979	USD	14	NA	NA	7.5	7.2	6.8	0.5	0.5	0.5	4%
Suning.com	002024 CH	2,628	CNY	2	NA	NA	NA	32.6	12.1	0.2	0.2	0.1	NA
Meituan	3690 HK	103,950	HKD	130	BUY	168	50.3	26.0	15.9	2.6	2.1	1.8	79%
Yatsen	YSG US	633	USD	1	NA	NA	NA	14.4	11.5	1.1	0.9	0.9	NA
Average							18.7	15.7	10.2	1.4	1.2	1.0	24%
Global Ecommerce													
Amazon	AMZN US	1,179,838	USD	115	NA	NA	41.9	31.4	23.7	2.1	1.9	1.7	35%
eBay	EBAY US	23,401	USD	44	NA	NA	10.4	9.9	9.4	2.3	2.2	2.1	9%
Groupon	GRPN US	137	USD	4	NA	NA	NA	9.1	4.5	0.3	0.3	0.3	NA
Average							26.2	16.8	12.5	1.6	1.5	1.4	22%
SaaS													
Youzan	8083 HK	341	HKD	0	NA	NA	NA	NA	87.3	1.6	1.4	1.3	NA
Weimob	2013 HK	1,381	HKD	4	NA	NA	NA	NA	44.9	4.1	3.3	2.8	NA
Average							NA	NA	66.1	2.8	2.4	2.0	NA
Average							16.7	14.7	13.0	1.8	1.5	1.4	24%

Source: Bloomberg, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net revenues	9,396	8,401	10,472	11,483	12,351
Product sales	3,874	2,644	2,248	2,293	2,338
Services	5,523	5,756	6,724	7,585	8,344
Others	-	-	1,500	1,605	1,669
COGS	(3,277)	(2,256)	(2,827)	(2,871)	(2,903)
Gross profit	6,120	6,145	7,644	8,612	9,449
Fulfillment	(2,661)	(2,720)	(3,872)	(4,116)	(4,386)
S&M	(2,550)	(2,674)	(3,000)	(3,215)	(3,335)
R&D	(448)	(428)	(555)	(586)	(593)
Admin.Exp.	(526)	(371)	(471)	(494)	(506)
Other gains	73	82	105	69	62
Operating profit	7	33	(149)	271	691
Other income, net	(161)	(614)	(79)	(63)	(64)
Pre-tax income	(154)	(580)	(228)	208	627
Income Tax	(55)	(26)	46	(42)	(125)
Net profit	(220)	(653)	(182)	166	501
Adj. net profit	200	132	(82)	276	617

Cash flow summary

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net income	(220)	(653)	(182)	166	501
D&A	138	158	179	200	222
Change in WC	1,562	(1,026)	362	(200)	(267)
Others	71	236	185	165	205
Operating CF	1,551	(1,285)	543	331	661
Capex	(114)	(121)	(128)	(136)	(144)
Purchase of investments	-	-	-	-	-
Others	(45)	(53)	(49)	(50)	(50)
Investing CF	(159)	(173)	(177)	(186)	(194)
Equity raised	-	-	-	-	-
Change of debts	548	-	-	-	-
Cash from CB raised	-	-	-	-	-
Others	201	-	-	-	-
Financing CF	749	-	-	-	-
Net change in cash	1,392	(1,458)	366	146	467
Cash (beg of yr)	3,731	5,170	3,679	4,045	4,190
FX	46	(32)	-	-	-
Cash (end of yr)	5,170	3,679	4,045	4,190	4,657

Balance sheet

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Non-current assets	1,340	1,352	1,350	1,336	1,308
Property and equipment	467	499	527	551	569
Right-of-use assets	525	525	525	525	525
Intangible assets	134	113	84	46	0
Others	215	215	215	215	215
Current assets	9,975	8,285	10,080	9,537	11,355
Cash & restricted cash	5,170	3,679	4,045	4,190	4,710
Short-term investments	1,449	1,449	1,449	1,449	1,449
Accounts receivable	1,963	1,749	2,878	2,196	3,261
Inventories	639	807	996	981	1,208
Prepayments and other current assets	755	601	713	721	727
Current liabilities	3,098	1,887	3,703	2,809	3,922
Accounts payables	1,217	37	1,534	539	1,557
Other payables and accruals	1,671	1,640	1,959	2,060	2,155
Short-term loan	-	-	-	-	-
Others	210	210	210	210	210
Non-current liabilities	2,136	2,136	2,136	2,136	2,136
Long-term loan	1,763	1,763	1,763	1,763	1,763
Deferred tax liability	3	3	3	3	3
Long-term operating lease liabilities	370	370	370	370	370
MI	45	88	88	88	89
Total Equity	6,082	5,614	5,592	5,928	6,430
Shareholders' equity	6,036	5,525	5,504	5,840	6,341

Key ratios

YE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Sales mix (%)					
Product sales	41.2	31.5	21.5	20.0	18.9
Services	58.8	68.5	64.2	66.1	67.6
Others	0.0	0.0	14.3	14.0	13.5
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	6.2	(10.6)	24.7	9.7	7.6
Gross profit	10.8	0.4	24.4	12.7	9.7
EBIT	(98.7)	374.1	NA	NA	155.2
Adj. net profit	(62.7)	(33.8)	NA	NA	123.3
P&L ratios (%)					
Operating margin	0.1	0.4	(1.4)	2.4	5.6
Pre-tax margin	(1.6)	(6.9)	(2.2)	1.8	5.1
Adj. net margin	2.1	1.6	(0.8)	2.4	5.0
Effective tax rate	35.9	4.6	(20.0)	(20.0)	(20.0)
Returns (%)					
ROE	3.3	2.4	(1.5)	4.7	9.6
ROA	1.8	1.4	(0.7)	2.5	4.9
Per share					
EPS (RMB)	0.9	0.7	-0.4	1.4	3.2
DPS (RMB)	0.0	0.0	0.0	0.0	0.0
BVPS (RMB)	27.7	30.6	29.1	30.6	33.0

Source: Company data, CMBIGM estimates

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