

# Baozun (BZUN US)

## Better-than-expected 3Q results drove enhanced full-year outlook

Baozun delivered upbeat 3Q24 results: total revenue was RMB2.1bn, and was 9% better than Bloomberg consensus; non-GAAP net loss attributable to ordinary shareholders of Baozun came in at RMB67mn, narrowed from loss of RMB76mn in 3Q23, and was better than consensus of RMB80mn in loss. Baozun E-commerce (BEC) inked revenue growth of 14%, further improved from 6% in 2Q24, driven by introduction of high-quality new distribution businesses as well as ramp-up of services revenue generated from emerging e-commerce channels, and Baozun Brand Management (BBM) turned around to 10% YoY growth (2Q24: -9% YoY) driven by improved attach rate per order, as well as new store openings. We are more positive post 3Q results that Baozun is on track to achieve full-year non-GAAP OP breakeven in 2024E. Our SOTP-based TP is fine-tuned to US\$3.1 (was US\$3.2) on the mixed impact of improved business operation outlook, and short-term foreign exchange headwind. Maintain BUY.

- Overall adjusted operating loss narrowed in 3Q and was better than our expectation.** By segment, product sales revenue was up 11% YoY (2Q24: -6% YoY) to RMB783mn, and services revenue was up 14% YoY (2Q24: 9% YoY) to RMB1.3bn. Within product sales, revenue generated from BEC grew by 10.3% YoY to RMB454mn due to the introduction of high-quality new distribution businesses, and revenue generated from BBM increased by 11.3% YoY due to increased sales from the Gap brand. Within services revenue, online store operations/warehousing and fulfilment/digital marketing and IT solutions achieved 4/0/40% YoY growth. Within online store operations services revenue, apparel and accessories on combined basis achieved 11% YoY growth, while partly offset by a 6% YoY decline in Others. Group-level non-GAAP operating loss came in at RMB85.2mn (narrowed from loss of RMB90.4mn 3Q23), better than our estimate at RMB133mn, in which loss from BBM widened to RMB55mn from RMB50mn in 3Q23, while BEC saw its operating loss narrowed to RMB29.8mn from RMB40.3mn in 3Q23, with loss margin narrowed to 1.7% from 2.6%.
- 2024 outlook: on track to achieve non-GAAP OP breakeven, with strengthened outlook for 2025.** For 2024E, we estimate total revenue growth of 14%/6% YoY for BBM/BEC business (was +10%/4.5%). We now forecast Baozun's to achieve non-GAAP OP of RMB5mn for 2024E (was RMB2.8mn loss), improved from a loss of RMB23.7mn in 2023, driven by better-than-expected top-line growth which has driven better-than-expected operating efficiency improvement. In view of policy support on consumption, we are more positive on the revenue growth outlook for Baozun in 2025E. We lift total revenue growth forecast to 5.8% YoY in 2025E (was 4%).
- Maintain BUY with SOTP-based target price adjusted to US\$3.1. We maintain BUY rating.** Our SOTP-based valuation consists of: 1) RMB526mn, based on 3.0x 2024E EV/EBIT; 2) RMB144mn for BBM, based on 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)**

<b>Target Price</b>	<b>US\$3.10</b>
(Previous TP)	US\$3.20)
<b>Up/Downside</b>	<b>30.3%</b>
<b>Current Price</b>	<b>US\$2.38</b>

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### Stock Data

Mkt Cap (US\$ mn)	143.3
Avg 3 mths t/o (US\$ mn)	0.7
52w High/Low (US\$)	4.22/1.97
Total Issued Shares (mn)	60.2

Source: FactSet

### Shareholding Structure

Schroders	5.6%
TIAA	4.5%

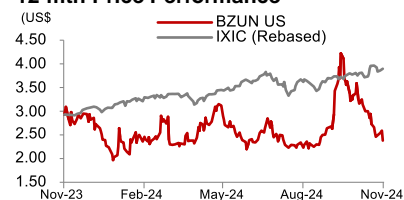
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-33.7%	-35.1%
3-mth	6.7%	-0.9%
6-mth	-17.9%	-27.3%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

**Earnings Summary**

<b>(YE 31 Dec)</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Revenue (RMB mn)</b>	8,401	8,812	9,420	9,967	10,408
<b>YoY growth (%)</b>	(10.6)	4.9	6.9	5.8	4.4
<b>Adjusted net profit (RMB mn)</b>	132.2	(65.1)	(21.1)	185.2	322.9
<b>Diluted EPS (RMB cents)</b>	71.13	(36.45)	(11.70)	101.94	176.67
<b>YoY growth (%)</b>	(21.6)	na	na	na	73.3
<b>P/S (x)</b>	0.1	0.1	0.1	0.1	0.1
<b>P/E (x)</b>	23.9	ns	ns	16.9	9.8
<b>ROE (%)</b>	(10.0)	(3.9)	(2.6)	1.0	3.2
<b>Net gearing (%)</b>	(20.0)	(22.0)	(33.0)	(21.7)	(36.6)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results and results comparison

(RMBmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	3Q24E consensus	Diff%	4Q24E
<b>Total revenue</b>	<b>1,888</b>	<b>2,320</b>	<b>1,824</b>	<b>2,780</b>	<b>1,980</b>	<b>2,391</b>	<b>2,057</b>	<b>1,882</b>	<b>9.3%</b>	<b>2,992</b>
YoY growth (%)	-4.9%	9.3%	4.7%	8.9%	4.9%	3.1%	12.8%			7.6%
<b>Breakdown by business type</b>										
<b>1. Product sales</b>	<b>666</b>	<b>930</b>	<b>708</b>	<b>1,053</b>	<b>708</b>	<b>870</b>	<b>783</b>			<b>1,097</b>
YoY growth (%)	-2.2%	34.1%	42.4%	36.3%	6.2%	-6.4%	10.6%			4.2%
<b>2. Services</b>	<b>1,222</b>	<b>1,390</b>	<b>1,116</b>	<b>1,727</b>	<b>1,272</b>	<b>1,521</b>	<b>1,274</b>			<b>1,895</b>
YoY growth (%)	-6.3%	-2.7%	-10.3%	-3.0%	4.1%	9.4%	14.2%			9.7%
<b>Breakdown by business segment</b>										
<b>1. Baozun e-Commerce (BEC)</b>	<b>1,706</b>	<b>2,011</b>	<b>1,543</b>	<b>2,361</b>	<b>1,684</b>	<b>2,131</b>	<b>1,757</b>			<b>2,526</b>
YoY growth (%)	-14.0%	-5.2%	-11.4%	-7.5%	-1.3%	6.0%	13.9%			7.0%
<b>2. Baozun Brand Management (BBM)</b>	<b>189</b>	<b>324</b>	<b>300</b>	<b>458</b>	<b>314</b>	<b>294</b>	<b>331</b>			<b>504</b>
YoY growth (%)					66.0%	-9.3%	10.3%			10.1%
<b>3. Intersegment eliminations</b>	<b>(7)</b>	<b>(15)</b>	<b>(19)</b>	<b>(39)</b>	<b>(18)</b>	<b>(34)</b>	<b>(31)</b>			<b>(39)</b>
<b>Gross profit</b>	<b>1,383</b>	<b>1,645</b>	<b>1,332</b>	<b>2,043</b>	<b>1,493</b>	<b>1,741</b>	<b>1,494</b>	<b>1,372</b>	<b>8.9%</b>	<b>2,290</b>
<b>Operating profit</b>	<b>(41)</b>	<b>(36)</b>	<b>(136)</b>	<b>6</b>	<b>(55)</b>	<b>(19)</b>	<b>(114)</b>	<b>(89)</b>		<b>51</b>
<b>Adj. operating profit</b>	<b>(10)</b>	<b>1</b>	<b>(90)</b>	<b>76</b>	<b>(18)</b>	<b>10</b>	<b>(85)</b>			<b>98</b>
BEC	25	61	(40)	118	12	60	(30)			139
BBM	(35)	(60)	(50)	(43)	(29)	(50)	(55)			(41)
<b>Adj. net profit</b>	<b>(13)</b>	<b>(4)</b>	<b>(76)</b>	<b>29</b>	<b>(15)</b>	<b>(15)</b>	<b>(67)</b>	<b>(80)</b>		<b>76</b>
<b>Margin (%)</b>										
<b>GPM</b>	<b>73.2%</b>	<b>70.9%</b>	<b>73.1%</b>	<b>73.5%</b>	<b>75.4%</b>	<b>72.8%</b>	<b>72.6%</b>	<b>72.9%</b>	<b>-0.3 ppt</b>	<b>76.5%</b>
<b>OPM</b>	<b>-2.2%</b>	<b>-1.6%</b>	<b>-7.4%</b>	<b>0.2%</b>	<b>-2.8%</b>	<b>-0.8%</b>	<b>-5.6%</b>	<b>-4.7%</b>	<b>-0.9 ppt</b>	<b>1.7%</b>
<b>Adj. OPM</b>	<b>-0.5%</b>	<b>0.0%</b>	<b>-5.0%</b>	<b>2.7%</b>	<b>-0.9%</b>	<b>0.4%</b>	<b>-4.1%</b>			<b>3.3%</b>
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%			-8.2%
<b>Adj. NPM</b>	<b>-0.7%</b>	<b>-0.2%</b>	<b>-4.2%</b>	<b>1.0%</b>	<b>-0.8%</b>	<b>-0.6%</b>	<b>-3.3%</b>	<b>-4.3%</b>	<b>1.0 ppt</b>	<b>2.5%</b>

Source: Bloomberg, CMBIGM estimates

Figure 2: Baozun: SOTP valuation

(RMBmn)	Metrics	Valuation methodology	Target multiple	Shareholding	Valuation
BEC	2024E Non-GAAP EBIT	EV/EBIT	3.0	100%	526
BBM	2024E Revenue	EV/sales	0.1	100%	144
<b>Total</b>					<b>670</b>
Net cash					2,635
Holding discount					60%
<b>Equity Value (US\$mn)</b>					<b>184</b>
No. of ADS outstanding (mn)					60
<b>Target price (US\$)</b>					<b>3.1</b>

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>9,396</b>	<b>8,401</b>	<b>8,812</b>	<b>9,420</b>	<b>9,967</b>	<b>10,408</b>
Cost of goods sold	(3,277)	(2,256)	(2,409)	(2,402)	(2,522)	(2,633)
<b>Gross profit</b>	<b>6,120</b>	<b>6,145</b>	<b>6,403</b>	<b>7,018</b>	<b>7,446</b>	<b>7,775</b>
<b>Operating expenses</b>	<b>(3,524)</b>	<b>(3,474)</b>	<b>(4,190)</b>	<b>(4,752)</b>	<b>(4,879)</b>	<b>(4,959)</b>
Selling expense	(2,550)	(2,674)	(2,829)	(3,410)	(3,528)	(3,622)
Admin expense	(526)	(371)	(856)	(805)	(802)	(786)
R&D expense	(448)	(428)	(505)	(537)	(548)	(552)
<b>Operating profit</b>	<b>7</b>	<b>33</b>	<b>(206)</b>	<b>(137)</b>	<b>75</b>	<b>245</b>
Other income	63	46	82	65	65	65
Other expense	(57)	(57)	(41)	(40)	(40)	(40)
Gain/loss on financial assets at FVTPL	46	(32)	(9)	(28)	0	0
Investment gain/loss	(3)	(8)	0	12	0	0
<b>Pre-tax profit</b>	<b>(154)</b>	<b>(580)</b>	<b>(217)</b>	<b>(132)</b>	<b>70</b>	<b>240</b>
Income tax	(55)	(26)	(12)	(16)	(13)	(46)
<b>Net profit</b>	<b>(206)</b>	<b>(610)</b>	<b>(223)</b>	<b>(149)</b>	<b>57</b>	<b>194</b>
<b>Adjusted net profit</b>	<b>200</b>	<b>132</b>	<b>(65)</b>	<b>(21)</b>	<b>185</b>	<b>323</b>

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>9,204</b>	<b>7,397</b>	<b>7,291</b>	<b>7,362</b>	<b>7,080</b>	<b>8,060</b>
Cash & equivalents	4,607	2,150	2,406	3,031	2,413	3,410
Restricted cash	93	102	203	0	0	0
Account receivables	2,261	2,293	2,185	2,018	2,386	2,212
Inventories	1,074	943	1,045	912	855	990
Prepayment	573	554	590	383	396	408
ST bank deposits	0	895	721	721	721	721
<b>Non-current assets</b>	<b>3,115</b>	<b>2,725</b>	<b>3,184</b>	<b>2,723</b>	<b>2,695</b>	<b>2,653</b>
PP&E	653	694	851	551	569	581
Investment in JVs & assos	41	39	38	38	38	38
Intangibles	395	311	306	46	0	(54)
Goodwill	398	336	312	312	312	312
Other non-current assets	1,628	1,344	1,675	1,775	1,775	1,775
<b>Total assets</b>	<b>12,319</b>	<b>10,122</b>	<b>10,474</b>	<b>10,085</b>	<b>9,775</b>	<b>10,713</b>
<b>Current liabilities</b>	<b>4,777</b>	<b>3,682</b>	<b>3,758</b>	<b>4,279</b>	<b>3,806</b>	<b>4,444</b>
Short-term borrowings	2,288	1,016	1,116	1,116	1,116	1,116
Account payables	494	475	564	1,171	650	1,252
Tax payable	658	535	525	525	525	525
Other current liabilities	352	631	365	365	365	365
Accrued expenses	985	1,026	1,188	1,102	1,150	1,186
<b>Non-current liabilities</b>	<b>1,061</b>	<b>764</b>	<b>865</b>	<b>824</b>	<b>824</b>	<b>824</b>
Long-term borrowings	0	0	0	0	0	0
<b>Total liabilities</b>	<b>5,838</b>	<b>4,446</b>	<b>4,623</b>	<b>5,103</b>	<b>4,630</b>	<b>5,268</b>
Capital surplus	4,960	5,129	4,571	4,676	4,783	4,889
Retained earnings	425	(228)	(507)	(660)	(604)	(410)
<b>Total shareholders equity</b>	<b>6,481</b>	<b>5,676</b>	<b>5,852</b>	<b>5,808</b>	<b>5,971</b>	<b>6,271</b>
Minority interest	163	154	170	165	165	165
<b>Total equity and liabilities</b>	<b>12,319</b>	<b>10,122</b>	<b>10,474</b>	<b>10,911</b>	<b>10,601</b>	<b>11,539</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(154)	(580)	(217)	(132)	70	240
Depreciation & amortization	207	197	179	200	222	245
Tax paid	(54)	(54)	(54)	(54)	(54)	(54)
Others	(95)	821	246	825	(661)	770
<b>Net cash from operations</b>	<b>(96)</b>	<b>383</b>	<b>154</b>	<b>839</b>	<b>(424)</b>	<b>1,201</b>
<b>Investing</b>						
Capital expenditure	(286)	(207)	(128)	(136)	(144)	(152)
Net proceeds from disposal of short-term investments	1,433	(898)	175	0	0	0
<b>Net cash from investing</b>	<b>376</b>	<b>(1,307)</b>	<b>(85)</b>	<b>(186)</b>	<b>(194)</b>	<b>(203)</b>
<b>Financing</b>						
Net borrowings	548	468	100	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	201	(2,118)	0	0	0	0
<b>Net cash from financing</b>	<b>750</b>	<b>(1,650)</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	3,731	4,700	2,246	2,406	3,031	2,413
Exchange difference	(61)	120	(9)	(28)	0	0
<b>Cash at the end of the year</b>	<b>4,700</b>	<b>2,246</b>	<b>2,406</b>	<b>3,031</b>	<b>2,413</b>	<b>3,410</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	6.2%	(10.6%)	4.9%	6.9%	5.8%	4.4%
Gross profit	10.8%	0.4%	4.2%	9.6%	6.1%	4.4%
Operating profit	(98.7%)	374.1%	na	na	na	227.2%
Net profit	na	na	na	na	na	243.5%
Adj. net profit	(62.7%)	(33.8%)	na	na	na	74.4%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	65.1%	73.1%	72.7%	74.5%	74.7%	74.7%
Operating margin	0.1%	0.4%	(2.3%)	(1.5%)	0.8%	2.3%
Adj. net profit margin	2.1%	1.6%	(0.7%)	(0.2%)	1.9%	3.1%
Return on equity (ROE)	(3.3%)	(10.0%)	(3.9%)	(2.6%)	1.0%	3.2%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.4)	(0.2)	(0.2)	(0.3)	(0.2)	(0.4)
Current ratio (x)	1.9	2.0	1.9	1.7	1.9	1.8
Receivable turnover days	86.4	98.9	92.7	81.4	80.6	80.6
Inventory turnover days	116.9	163.1	150.6	148.7	127.9	127.9
Payable turnover days	51.0	78.4	78.7	131.8	131.8	131.8
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	18.7	23.9	ns	ns	16.9	9.8
P/E (diluted)	19.0	24.2	ns	ns	16.9	9.8
P/B	0.6	0.6	0.5	0.5	0.5	0.5

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

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**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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