中信建投证券 CHINA SECURITIES

Securities Research Report·H-share Deep Dive Internet e-commerce

A global online fast-fashion giant, with platformization and category expansion driving future growth

SHEIN-W (0625.HK)

Key takeaway

SHEIN is one of the world's largest online fashion retail platforms. Since its inception in 2008, it has gradually transformed from a self-operated cross-border bridalwear retailer into an integrated retailer combining proprietary brands and a third-party marketplace across more than 16 countries and regions. In 2025, it ranked third in the global fashion market with a 1.9% share. The company has built a difficult-to-replicate supply chain barrier through its core small-order, rapid-response capabilities. It is now at a critical stage of business model transformation and a shift in regional growth momentum, with a clear medium- to long-term growth path.

Thesis

SHEIN is one of the world's largest online fashion retail platforms. Since its inception in 2008, it has gradually transformed from a self-operated cross-border bridalwear retailer into an integrated retailer combining proprietary brands and a third-party marketplace across more than 160 countries and regions. In 2025, it ranked third in the global fashion market with a 1.9% share. In 2025, the company generated revenue of USD41.85bn, up 8.0% YoY. Growth slowed markedly from previous periods, mainly because the company accelerated its shift toward the 3P marketplace model amid tighter tariff policies in the US and Europe, while low-take-rate service revenue continued to increase as a share of total revenue. By business segment, revenue from 1P self-operated products reached USD37.11bn, up 5.0% YoY, with growth slowing significantly due to tariffs and the macroeconomic environment. Revenue from 3P marketplace services reached USD4.74bn, up 39.5% YoY, and its share of total revenue increased to 11.3%. It grew 5.4 times over two years and has become the core growth engine.

Initial Rating Buy

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Current price: HKD 38.14
TP (6 months): HKD 54.41

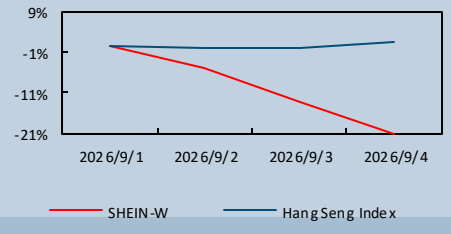
Key Data

Absolute/relative share performance (%)

1 month	3 months	12 months

12-month high/low price (HKD)	48.50/38.14
Total share capital (10,000 shares)	424,620.26
Tradable H shares (10,000 shares)	283,048.97
Total market cap (HKD 100 mn)	1,619.50
Tradable market cap (HKD 100 mn)	1,079.55
Avg. daily trading volume over past 3 months (10,000 shares)	1868.54
Apex Sight Holdings Limited	30.29%

Share performance



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In terms of profitability, the company's adjusted net profit reached USD1.82bn in 2025, up 62.3% YoY, corresponding to an adjusted net margin of 4.7%. Operationally, active users reached 273mn at the end of 2025, while full-year order volume totaled 1.078bn. Inventory turnover days were approximately 34 days, significantly outperforming traditional fast-fashion leaders such as Inditex and H&M and continuing to validate the efficiency of its flexible supply chain. We believe the company has built a difficult-to-replicate supply chain barrier through its core small-order, rapid-response capabilities. It is now at a critical stage of business model transformation and a shift in regional growth momentum. Although it faces near-term pressure, its medium- to long-term growth path remains clear.

The global fast fashion and cross-border e-commerce industries still have room for expansion, while the policy environment remains the key source of uncertainty. The global fast fashion retail market reached USD1.7tn in 2025, with online penetration continuing to rise to 35%. China's cross-border e-commerce exports increased by 5.4% YoY, with apparel, footwear, and bags ranking as the largest export category. However, US and European regulatory policies reached a turning point in 2025. The US has gradually ended de minimis duty-free treatment for low-value parcels and abolished the Type 86 customs clearance channel. Starting in 2026, the EU will impose tariffs on low-value parcels and implement a package of ESG legislation, including EPR, the Digital Product Passport, and CSDDD. Coupled with routine enforcement of data privacy and consumer protection rules, these measures are systematically eroding the cost advantage of the direct-mail model. The industry is moving beyond unfettered growth and evolving along three paths: compliance, localization, and brand development. The competitive landscape is becoming more diverse and multidimensional. SHEIN's competitors include not only global cross-border platforms such as Temu and TikTok Shop, but also regional e-commerce players such as Mercado Libre and Shopee, which benefit from delivery speed barriers, as well as offline brands such as Zara and Nike, which have strong consumer mindshare. The strategies of these three types of players continue to converge, and the boundaries between them are becoming increasingly blurred. By region, price competition among cross-border platforms is intensifying in the US market. The European market faces dual pressure from compliance costs and local brands. Local e-commerce players dominate the Latin American market amid high tariffs. Content-driven e-commerce is reshaping traffic acquisition in Southeast Asia. Regional competitive structures therefore vary significantly. As tariff advantages fade, overseas warehousing and inventory stocking, local manufacturing, and the semi-managed model have become common transformation priorities across the industry.

The company's core moat lies in its LATR small-order, rapid-response model, which combines the attributes of a fashion company and a platform. Through end-to-end digitalization, this model replaces traditional demand forecasting with real-time test sales and replenishment orders. Products can move from design to launch in as little as seven days, with approximately 4,700 new styles launched each day, creating a highly replicable flexible supply chain system. Growth is driven by three dimensions. First, the company is expanding its categories and brands. On the 1P side, sub-brands such as MOTF and GLOWMODE cover multiple price points and styles, while SHEGLAM has demonstrated that the fast fashion model can be replicated across categories in beauty. On the 3P side, the company provides third-party merchants with access to traffic and fulfillment capabilities through fully managed, semi-managed, and self-operated models, expanding its growth potential across all categories. Second, the regional mix is improving. In the European and US markets, the company is mitigating tariff impacts by stocking local warehouses and upgrading its product mix. E-commerce penetration remains low in emerging markets such as Latin America and the Middle East. The

company continues to deepen its presence through localized production, local seller recruitment, and cultural adaptation, offering ample growth potential. Third, the company is extending its supply chain capabilities by empowering 3P sellers and partner factories with its digital integration capabilities for production, further strengthening its ecosystem barriers.

Earnings forecast and valuation: Based on the pace of business development for SHEIN's first-party operations and third-party marketplace, the impact of overseas tariff policies, and assumptions for marketplace business growth, we provide a breakdown of the company's earnings forecasts for 2026–2027. In 2026, the elimination of the de minimis exemption for low-value parcels in the US will weigh on the first-party business. Fulfillment costs and selling expense will also continue to rise amid overseas warehouse development and market competition, putting profitability under pressure. In 2027, we expect earnings to recover as the overseas warehouse network becomes operational, emerging markets scale up, and the marketplace business gradually delivers profits. We forecast revenue of USD41.39bn/USD44.32bn in 2026–2027, representing YoY growth of -1%/7%, and net profit of USD1.27bn/USD1.96bn, corresponding to net margins of 3.1%/4.4%. Overall, the company is undergoing a business model transition, with near-term earnings under pressure. Over the medium to long term, the rising contribution from the marketplace business is expected to improve profitability. We assign a 15x 2027 P/E and a target price of HKD54.41. We initiate coverage with "Buy" rating.

Risks

As a global leader in cross-border fast-fashion e-commerce, SHEIN faces multiple risks during its rapid expansion, including overseas regulation, trade policies, industry competition, supply chain challenges, and earnings volatility.

Overseas compliance and regulatory policy risks. The company operates across numerous countries worldwide. The EU Digital Services Act and European legislation targeting ultra-fast fashion continue to advance, while regulations concerning data privacy, consumer rights, environmental disclosures, and product traceability are tightening. Large fines are becoming commonplace. In extreme cases, penalties may amount to a certain percentage of global revenue, directly eroding profits. Europe and the US are gradually eliminating tariff exemptions for low-value parcels. Higher tariffs and value-added taxes will increase fulfillment costs. Passing these costs downstream through price increases would weaken the company's core value-for-money advantage and weigh on user retention and order volume. Meanwhile, geopolitical and ESG-related scrutiny continues, potentially creating risks from litigation, adverse public opinion, and operating restrictions.

Intensifying industry competition. Platforms such as Temu and TikTok Shop have replicated the flexible, rapid-response model, creating direct competition in pricing, traffic, and supply chains. Customer acquisition and marketing spending continues to rise. The company's revenue growth has slowed markedly, while its third-party platform business remains in the development stage. If the new business underperforms expectations, its growth momentum may weaken further.

Supply chain and operating risks. The company relies heavily on numerous domestic contract manufacturers to fulfill small orders with rapid turnaround. If order growth slows, the stability of factory partnerships may come under pressure. Meanwhile, environmental and labor audits are increasing suppliers' compliance costs. The onboarding of third-party merchants also makes product quality control more difficult, creating a risk of reputational damage from quality defects. The cross-border business is exposed to disruptions from international logistics and fluctuations in oil prices and exchange rates. Fulfillment costs may rise, putting pressure on the already low net margin.

Risk of profitability fluctuations. The company's overall net margin is relatively low, and profit is susceptible to tariffs, fines, and marketing expenses.

Sensitivity analysis: Based on two key variables, the gross margin of the first-party proprietary business and the growth rate of third-party platform service revenue, we established optimistic, base-case, and pessimistic scenarios to estimate the company's profitability in 2027, with all other assumptions unchanged.

Base-case scenario: Part of the US and European tariff costs is passed on to downstream consumers, while the overseas warehouse network expands steadily. The gross margin of the first-party proprietary business remains at 62.0%. Third-party merchants join the platform at a steady pace, and third-party service revenue maintains 20% YoY growth. This corresponds to total net revenue of USD44.32bn and net profit of USD1.96bn in 2027. This scenario represents our core earnings forecast. Its key assumptions are that the company will

implement price adjustments and localized fulfillment measures in an orderly manner after the tariff policy takes effect, while its platform-based transformation proceeds as planned.

Bull case: Economies of scale from overseas warehouses gradually materialize, and part of the tariff costs is successfully passed on. The gross margin of the first-party proprietary business rises by 1 pct to 63.0%. The marketplace ecosystem continues to improve, and the expansion of third-party merchant supply slightly exceeds expectations. YoY growth in third-party service revenue rises by 2.5 pcts to 22.5%, corresponding to net profit of USD2.301bn in 2027.

Bear case: The pass-through of US and European tariffs faces some resistance, increasing cost pressure on the first-party business, with its gross margin declining by 1 pct to 61.0%; competition for cross-border e-commerce traffic intensifies, slowing merchant onboarding, while the YoY growth forecast for third-party service revenue is lowered by 2.5 pcts to 17.5%, corresponding to net profit of 16.22 in 2027.

Analyst

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Serving as the Chief Analyst for Textile/Apparel, Light Industry and Education, he graduated from Fudan University with a Master of Finance. He was honored as the Best Analyst in the Textile and Garment industry by the "Golden Bull Awards" in both 2024 and 2025, while also earning the 2025 "Golden Kirin" Best Analyst title for Light Industry and Textile/Apparel. Previously a member of the 5th place "New Fortune" Best Overseas Analyst team in 2020, he currently specializes in comprehensive consumer sector research, covering textile and apparel, light industry, gold and jewelry, education and human resources, medical beauty and personal care, and the IP-driven designer toy market.

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		Overweight	Increase by 5%-15% relative to the benchmark index
		Neutral	Increase by -5% to -5% relative to the benchmark index
		Underweight	Decrease by 5%-15% relative to the benchmark index
		Sell	Decrease by more than 15% relative to the benchmark index
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		Neutral	Increase by -10% to -10% relative to the benchmark index
		Underperform	Decrease by more than 10% compared to the benchmark index

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