

Baozun (BZUN US)

2H21E headwinds yet over

Baozun delivered mixed 2Q21 results with topline/bottom line +7%/3% YoY, -7.7%/+45.5% against consensus. BCI impact was worse-than-expected, as Baozun's apparel GMV -23% YoY in 2Q21. Given continuous BCI impact and softer macro, we are cautious on 2H21E momentum, and forecast 2H21E GMV/ rev +35%/14% YoY and non-GAAP OP at RMB305mn. We trimmed FY21-23E rev forecast by 23-28% to reflect multiple headwinds and margin dilution, and lowered TP to US\$28. Maintain BUY.

- Mixed 2Q21 due to lingering BCI impact.** 2Q21 GMV +23% YoY, in which non-distribution/distribution GMV +5.4%/24.9%. Rev +7% YoY, 8%/8% below our estimates/ consensus, mainly due to worse-than-expected BCI impact and new channel margin dilution. By category, electronics/ FMCG grew over 100% YoY to reach 25%/20% GMV mix with new channel tailwinds. Apparel GMV dropped 23% YoY (35% mix) due to BCI, while luxury GMV achieved high-double-digit YoY growth. Baozun expanded brand partner rapidly through M&A and partnerships, adding 7 luxury brand partners in 2Q21.
- 2H21E headwinds yet over.** 2Q21 non-Tmall channels contributed 32% GMV (vs. 35%/25% in 1Q21/2020), driving GMV growth but diluted margin. We expect Baozun's GMV/rev to +35%/+14% YoY in 2H21E, considering 1) BCI impact to continue; and 2) softer consumption power under macro certainty, tightening regulation and rising COVID-19 cases. Wait for more clear signals of ecommerce rebound and regulation stabilization. In the long run, we still see growing opportunities in: 1) continuous channel expansion (esp. JD and WeChat mini programs); and 2) luxury brands expansion and domestic brands coverage.
- Active investment unlocking long-term TAM.** Baozun announced potential strategic partnership with Cainiao for synergies in cost, client network, and complementary logistics specialty. Baozun aims to invest in client services, TP and JD partners, brand partners, and overseas amid market turmoil, unlocking long-term TAM. We expect Baozun to be relatively defensive under tightening data regulation, thanks to its data security technology barriers.
- Maintain BUY.** We trimmed FY21-23E earnings forecast by 23-28% to reflect BCI lingering impact and margin dilution, and lowered TP to US\$28 (implying 21x FY22E P/E). Maintain BUY. We believe new channel expansion and luxury opportunities will bring upside in the long run.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	7,278	8,852	10,232	12,443	15,135
YoY growth (%)	35.0	21.6	15.6	21.6	21.6
Adj. net income (RMB mn)	357	535	428	656	867
Adj. EPS (RMB)	2.0	2.8	1.9	2.8	3.6
YoY growth (%)	3.4	40.4	-30.5	46.2	25.8
Consensus EPS (RMB)	NA	NA	2.5	3.8	5.0
P/E (x)	20.2	14.4	20.8	14.2	11.3
P/S (x)	3.0	2.6	2.6	2.2	1.9
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	13.7	8.7	6.5	9.1	10.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	US\$28
(Previous TP)	US\$50)
Up/Downside	+47.0%
Current Price	US\$18.7

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	1,657
Avg 3 mths t/o (US\$ mn)	24.19
52w High/Low (US\$)	57.00/ 20.02
Total Issued Shares (mn)	74

Source: Bloomberg

Shareholding Structure

Federated Hermes	13.94%
FIL Ltd	5.47%
Vontobel Holding	3.79%

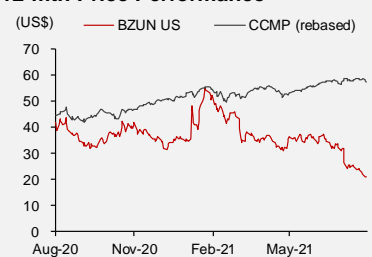
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-34.9%	-35.3%
3-mth	-38.7%	-43.8%
6-mth	-58.3%	-60.2%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Related Reports

- Looking into 2H21E after BCI one-off impact – 20 May 2021
- Initiation: TAM expansion with new channels and M&A – 13 Apr 2021

Figure 1: 2Q21 financial review

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	QoQ	YoY	Consensus	Diff %
Revenue	1,524	2,152	1,829	3,347	2,020	2,304	14.0%	7.1%	2,497	-7.7%
Operating profit	13	161	85	301	53	107	101.5%	-33.6%	123	-13.0%
Net profit	2	120	65	239	1	80	6255.9%	-33.8%	91	-12.6%
Adj. net profit	26	147	92	272	61	151	146.5%	2.9%	104	45.5%
EPS (RMB)	0.44	2.45	1.52	3.58	0.82	2.01	146.2%	-17.8%	1.35	48.8%
Margin (%)										
Gross margin	61.3%	64.0%	63.2%	61.6%	59.3%	64.6%			60.6%	
Operating margin	0.8%	7.5%	4.6%	9.0%	2.6%	4.6%			4.9%	
Adj. net margin	1.7%	6.8%	5.0%	8.1%	3.0%	6.5%			4.2%	
Growth (%)										
Revenue (YoY)	18.4%	26.3%	21.7%	20.2%	32.6%	7.1%			63.9%	
Revenue (QoQ)	-45.3%	41.2%	-15.0%	83.0%	-39.6%	14.0%			-25.4%	
Operating profit	-72.1%	87.2%	50.9%	53.4%	313.4%	-33.6%			857.2%	
Adj. net profit	-50.6%	74.2%	55.3%	68.4%	135.5%	2.9%			299.0%	

Source: Company data, Bloomberg, CMBIS estimates

Figure 2: 2Q21 revenue breakdown

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	QoQ	YoY
Revenue (RMB mn)	1,287	1,704	1,503	2,784	1,524	2,152	1,829	3,347	2,020	2,304	14.0%	7.1%
Product sales	618	849	662	1,293	701	928	803	1,474	972	972	0.0%	4.8%
Services	669	855	841	1,491	823	1,224	1,026	1,872	1,049	1,332	27.0%	8.8%

Source: Company data

Figure 3: CMBIS estimates vs consensus

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	10,232	12,443	15,135	11,420	14,680	17,965	-10.4%	-15.2%	-15.8%
Gross Profit	6,439	7,964	9,762	7,071	9,253	11,359	-8.9%	-13.9%	-14.1%
Operating Profit	542	836	1,096	695	1,081	1,420	-22.0%	-22.7%	-22.8%
Adj. net profit	428	656	867	592	909	1,163	-27.8%	-27.8%	-25.5%
EPS (RMB)	5.84	8.54	10.74	7.47	11.26	14.91	-21.9%	-24.2%	-28.0%
Gross Margin	62.9%	64.0%	64.5%	61.9%	63.0%	63.2%	+1.0ppts	+1.0ppts	+1.3ppts
Operating Margin	5.3%	6.7%	7.2%	6.1%	7.4%	7.9%	-0.8ppts	-0.6ppts	-0.7ppts
Net Margin	4.2%	5.3%	5.7%	5.2%	6.2%	6.5%	-1.0ppts	-0.9ppts	-0.7ppts

Source: Company data, Bloomberg, CMBIS estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	10,232	12,443	15,135	11,755	14,777	17,961	-13.0%	-15.8%	-15.7%
Gross Profit	6,439	7,964	9,762	7,317	9,369	11,432	-12.0%	-15.0%	-14.6%
Operating Profit	542	836	1,096	742	1,133	1,432	-26.9%	-26.2%	-23.5%
Adj. net profit	428	656	867	589	888	1,126	-27.5%	-26.1%	-23.0%
EPS (RMB)	5.84	8.54	10.74	8.05	11.56	13.95	-27.5%	-26.1%	-23.0%
Gross Margin	62.9%	64.0%	64.5%	62.2%	63.4%	63.7%	+0.7ppts	+0.6ppts	+0.9ppts
Operating Margin	5.3%	6.7%	7.2%	6.3%	7.7%	8.0%	-1.0ppts	-0.9ppts	-0.7ppts
Net Margin	4.2%	5.3%	5.7%	5.0%	6.0%	6.3%	-0.8ppts	-0.7ppts	-0.5ppts

Source: Company data, CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net revenues	7,278	8,852	10,232	12,443	15,135	Net income	270	426	265	475	653
Product sales	3,422	3,907	4,231	5,035	5,840	D&A	120	131	138	158	179
Services	3,856	4,945	6,001	7,408	9,294	Change in WC	(279)	(403)	1,239	(1,868)	839
COGS	(2,774)	(3,326)	(3,793)	(4,480)	(5,373)	Others	191	10	136	238	201
Gross profit	4,504	5,525	6,439	7,964	9,762	Operating CF	301	165	1,779	(997)	1,871
Fulfillment	(1,678)	(2,259)	(2,690)	(3,352)	(4,140)	Capex	(1,623)	(683)	(114)	(121)	(128)
S&M	(1,816)	(2,131)	(2,579)	(2,993)	(3,640)	Purchase of investments	(212)	209	-	-	-
R&D	(393)	(410)	(465)	(585)	(666)	Others	701	(72)	(47)	(49)	(49)
Admin.Exp.	(216)	(224)	(375)	(386)	(439)	Investing CF	(1,133)	(546)	(161)	(170)	(177)
Other gains	(18)	57	45	-	-	Equity raised	-	3,085	-	-	-
Operating profit	384	559	376	649	877	Change of debts	(77)	(428)	-	-	-
Other income, net	(35)	(10)	(10)	(23)	(17)	Cash from CB raised	1,848	(97)	-	-	-
Pre-tax Income	348	549	365	626	860	Others	6	0	-	-	-
Income Tax	(71)	(128)	(98)	(150)	(206)	Financing CF	1,777	2,559	-	-	-
Net profit	281	426	265	475	653	Net change in cash	945	2,178	1,618	(1,167)	1,694
Adj. net profit	357	535	428	656	867	Cash (beg of yr)	583	1,527	3,731	5,349	4,182
						FX	(1)	26	-	-	-
						Cash (end of yr)	1,527	3,731	5,349	4,182	5,876

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	1,406	1,316	1,340	1,352	1,350	Sales mix (%)					
Property and equipment	416	430	467	499	527	Product sales	47.0	44.1	41.4	40.5	38.6
Right-of-use assets	441	525	525	525	525	Services	53.0	55.9	58.6	59.5	61.4
Intangible assets	151	146	134	113	84	Total	100.0	100.0	100.0	100.0	100.0
Others	399	215	215	215	215	Growth rate (%)					
Current assets	5,690	9,159	10,765	11,188	13,307	Revenue	35.0	21.6	15.6	21.6	21.6
Cash & restricted cash	1,527	3,731	5,349	4,182	5,876	Gross profit	34.1	22.7	16.5	23.7	22.6
Short-term investments	844	1,449	1,449	1,449	1,449	EBIT	7.8	45.6	(32.8)	72.7	35.2
Accounts receivable	1,801	2,189	2,332	3,166	3,521	Adj. net profit	3.2	49.9	(20.1)	53.5	32.1
Inventories	897	1,026	788	1,355	1,251	P&L ratios (%)					
Prepayments and other current assets	622	764	849	1,036	1,211	Operating margin	5.3	6.3	3.7	5.2	5.8
Current liabilities	2,324	2,196	3,402	3,183	4,439	Pre-tax margin	4.8	6.2	3.6	5.0	5.7
Accounts payables	877	422	1,475	1,014	1,971	Adj. net margin	4.9	6.0	4.2	5.3	5.7
Other payables and accruals	874	1,565	1,717	1,959	2,258	Effective tax rate	(20.4)	(23.3)	(26.7)	(24.0)	(24.0)
Short-term loan	428	-	-	-	-	Returns (%)					
Others	145	210	210	210	210	ROE	13.7	8.7	6.5	9.1	10.7
Non-current liabilities	2,173	2,136	2,136	2,136	2,136	ROA	5.0	5.1	3.5	5.2	5.9
Long-term loan	1,860	1,763	1,763	1,763	1,763	Per share					
Deferred tax liability	3	3	3	3	3	EPS (RMB)	2.0	2.8	1.9	2.8	3.6
Long-term operating lease liabilities	310	370	370	370	370	DPS (RMB)	0.0	0.0	0.0	0.0	0.0
MI	31	32	35	35	36	BVPS (RMB)	14.5	32.2	29.9	31.3	33.4
Total Equity	2,600	6,143	6,568	7,220	8,082						
Shareholders' equity	2,569	6,111	6,533	7,185	8,047						

Source: Company data, CMBIS estimates

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