

Baozun (BZUN US)

Factoring lingering headwinds and soft macro

Baozun delivered largely in-line 4Q21 results with topline/bottom line -5%/-72% YoY, 0%/4% above consensus. Looking ahead, Baozun will prioritize its luxury vertical and channel expansion to tackle BCI headwinds and soft consumption. We expect its GMV resilient at 17% YoY growth in FY22E, with non-GAAP OP at RMB445mn. 1Q22E would be the soft season, with GMV at low-single-digit growth. We trimmed FY22-24E earnings forecast by 7%-9% to reflect multiple headwinds and margin dilution, and lowered TP to US\$12 (with lower multiple given sector de-rating).

- 4Q21 largely in line.** 4Q21 GMV +14% YoY, in which non-distribution/distribution GMV +16%/-16% YoY. Rev -5% YoY, in line with consensus. By category, FMCG and electronics led the growth, both showing double-digit YoY increase in 4Q21. Apparel & accessories declined by mid-teens as brand partners adopted a defensive strategy to protect their margin from the impact of BCI and soft consumption sentiment. Overall, apparel & accessories/electronics/ FMCG/ appliance accounted for 40%/30%/15%/5% of total GMV in FY21. Non-GAAP OP was RMB71mn (in line), and adj. net profit beat 4%, mainly on better GPM.
- Resilient luxury and continuous channel expansion to tackle soft consumption.** 4Q21 non-Tmall channels contributed 26% GMV (vs. 22% in 4Q20), in which omnichannel business with JD more than doubling and mini program expanding 70% YoY. For brands expansion, luxury segment performed well, and mgmt. expect strong pipeline in 1H22E (+10). Given its high margin, we expect luxury segment to contribute 15%-20% of OP in FY22E. Looking into 2022E, mgmt. continued to provide high caliber and value-added services to tackle challenging macro and weak consumer sentiment, backed by resilient luxury and continuous channel expansion. We forecast its GMV +17% YoY in FY22E, with non-GAAP OP at RMB445mn.
- Maintain BUY.** We trimmed FY22-24E earnings forecast by 7%-9% to reflect BCI lingering impact and margin dilution, and lowered TP to US\$12 (implying 16x FY22E P/E). Maintain BUY. Wait for more clear signals of ecommerce rebound and sector sentiment stabilization. We believe new channel expansion, luxury opportunities and investment will bring upside in the long run.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	8,852	9,396	10,484	11,993	13,533
YoY growth (%)	21.6	6.2	11.6	14.4	12.8
Adj. net income (RMB mn)	535	200	364	473	568
Adj. EPS (RMB)	8.4	2.7	4.7	5.9	7.0
YoY growth (%)	40.4	(67.6)	73.7	23.8	19.4
Consensus EPS (RMB)	NA	NA	5.9	9.5	11.0
P/E (x)	5.2	16.1	9.3	7.5	6.3
P/S (x)	0.9	1.0	1.0	0.9	0.8
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	8.7	3.3	5.6	6.8	7.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$12
(Previous TP	US\$28)
Up/Downside	+74.0%
Current Price	US\$6.9

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	653
Avg 3 mths t/o (US\$ mn)	12.12
52w High/Low (US\$)	46.51/ 8.21
Total Issued Shares (mn)	68

Source: Bloomberg

Shareholding Structure

Federated Hermes	14.15%
Calvert Investment	3.90%
Credit Suisse	3.20%

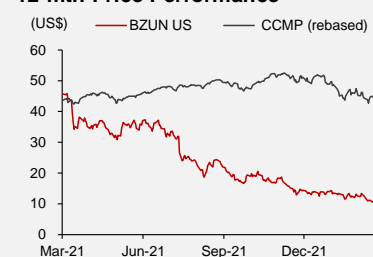
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-31.4%	-25.0%
3-mth	-36.7%	-25.9%
6-mth	-60.1%	-79.4%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

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Figure 1: 4Q21 financial review

RMB mn	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY	Consensus	Diff %
Revenue	2,784	1,524	2,152	1,829	3,347	2,020	2,304	1,899	3,173	67.1%	-5.2%	3,181	-0.2%
Operating profit	196	13	161	85	301	53	107	(157)	4	NA	-98.7%	69	-94.2%
Net profit	141	2	120	65	239	1	80	(293)	(8)	NA	NA	16	-153.4%
Adj. net profit	161	26	147	92	272	61	151	(88)	76	NA	-72.1%	73	4.2%
EPS (RMB)	0.90	0.44	2.45	1.52	3.58	0.82	2.01	(1.21)	1.11	NA	-69.1%	0.92	20.4%
Margin (%)													
Gross margin	62.0%	61.3%	64.0%	63.2%	61.6%	59.3%	64.6%	68.6%	67.1%			62.9%	
Operating margin	7.0%	0.8%	7.5%	4.6%	9.0%	2.6%	4.6%	-8.2%	0.1%			2.2%	
Adj. net margin	5.8%	1.7%	6.8%	5.0%	8.1%	3.0%	6.5%	-4.6%	2.4%			2.3%	
Growth (%)													
Revenue (YoY)	26.4%	18.4%	26.3%	21.7%	20.2%	32.6%	7.1%	3.8%	-5.2%			-5.0%	
Revenue (QoQ)	85.2%	-45.3%	41.2%	-15.0%	83.0%	-39.6%	14.0%	-17.6%	67.1%			67.5%	
Operating profit	-14.7%	-72.1%	87.2%	50.9%	53.4%	313.4%	-33.6%	-285.0%	-98.7%			-77.0%	
Adj. net profit	-21.4%	-50.6%	74.2%	55.3%	68.4%	135.5%	2.9%	-196.2%	-72.1%			-73.3%	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 4Q21 revenue breakdown

	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY
Revenue (RMB mn)	2,784	1,524	2,152	1,829	3,347	2,020	2,304	1,899	3,173	67.1%	-5.2%
Product sales	1,293	701	928	803	1,474	972	972	700	1,230	75.8%	-16.6%
Services	1,491	823	1,224	1,026	1,872	1,049	1,332	1,199	1,943	62.0%	3.8%

Source: Company data

Figure 3: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	10,484	11,993	13,533	10,876	12,689	15,067	-3.6%	-5.5%	-10.2%
Gross Profit	6,710	7,735	8,762	7,104	8,292	10,164	-5.5%	-6.7%	-13.8%
Operating Profit	445	578	698	457	781	998	-2.6%	-25.9%	-30.0%
Adj. net profit	364	473	568	424	667	824	-14.1%	-29.0%	-31.0%
EPS (RMB)	4.73	5.86	6.99	5.93	9.51	11.01	-20.2%	-38.4%	-36.5%
Gross Margin	64.0%	64.5%	64.8%	65.3%	65.3%	67.5%	-1.3ppts	-0.8ppts	-2.7ppts
Operating Margin	4.2%	4.8%	5.2%	4.2%	6.2%	6.6%	+0.0ppts	-1.3ppts	-1.5ppts
Net Margin	3.5%	3.9%	4.2%	3.9%	5.3%	5.5%	-0.4ppts	-1.3ppts	-1.3ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	10,484	11,993	13,533	11,343	13,094	NA	-7.6%	-8.4%	NA
Gross Profit	6,710	7,735	8,762	7,259	8,446	NA	-7.6%	-8.4%	NA
Operating Profit	445	578	698	501	643	NA	-11.1%	-10.0%	NA
Adj. net profit	364	473	568	398	511	NA	-8.6%	-7.4%	NA
EPS (RMB)	4.73	5.86	6.99	5.18	6.33	NA	-8.7%	-7.5%	NA
Gross Margin	64.0%	64.5%	64.8%	64.0%	64.5%	NA	0.0ppts	0.0ppts	NA
Operating Margin	4.2%	4.8%	5.2%	4.4%	4.9%	NA	-0.2ppts	-0.1ppts	NA
Net Margin	3.5%	3.9%	4.2%	3.5%	3.9%	NA	-0.0ppts	+0.0ppts	NA

Source: Company data, CMBIGM estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net revenues	8,852	9,396	10,484	11,993	13,533	Net income	426	(220)	182	270	346
Product sales	3,907	3,874	3,792	3,868	3,945	D&A	152	138	158	179	200
Services	4,945	5,523	6,692	8,125	9,587	Change in WC	(526)	1,562	(1,639)	1,021	(746)
COGS	(3,326)	(3,277)	(3,774)	(4,257)	(4,770)	Others	259	71	238	177	279
Gross profit	5,525	6,120	6,710	7,735	8,762	Operating CF	310	1,551	(1,061)	1,647	79
Fulfillment	(2,259)	(2,661)	(3,108)	(3,606)	(4,172)	Capex	(2,089)	(114)	(121)	(128)	(136)
S&M	(2,131)	(2,550)	(2,521)	(2,878)	(3,180)	Purchase of investments	-	-	-	-	-
R&D	(410)	(448)	(493)	(528)	(568)	Others	1,473	(45)	(49)	(49)	(50)
Admin.Exp.	(224)	(526)	(325)	(348)	(365)	Investing CF	(616)	(159)	(170)	(177)	(186)
Other gains	57	73	-	-	-	Equity raised	3,127	-	-	-	-
Operating profit	559	7	263	375	476	Change of debts	(428)	-	-	-	-
Other income, net	(10)	(161)	(23)	(19)	(20)	Cash from CB raised	(1)	-	-	-	-
Pre-tax income	549	(154)	240	356	456	Others	(31)	-	-	-	-
Income Tax	(128)	(55)	(57)	(85)	(109)	Financing CF	2,667	-	-	-	-
Net profit	426	(220)	182	270	346	Net change in cash	2,360	1,392	(1,231)	1,469	(107)
Adj. net profit	535	200	364	473	568	Cash (beg of yr)	1,527	3,731	5,170	3,939	5,408
						FX	(156)	46	-	-	-
						Cash (end of yr)	3,731	5,170	3,939	5,408	5,301

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	1,316	1,340	1,352	1,350	1,336	Sales mix (%)					
Property and equipment	430	467	499	527	551	Product sales	44.1	41.2	36.2	32.3	29.2
Right-of-use assets	525	525	525	525	525	Services	55.9	58.8	63.8	67.7	70.8
Intangible assets	146	134	113	84	46	Total	100.0	100.0	100.0	100.0	100.0
Others	215	215	215	215	215						
Current assets	9,159	9,975	10,121	11,378	12,624	Growth rate (%)					
Cash & restricted cash	3,731	5,170	3,939	5,408	5,301	Revenue	21.6	6.2	11.6	14.4	12.8
Short-term investments	1,449	1,449	1,449	1,449	1,449	Gross profit	22.7	10.8	9.6	15.3	13.3
Accounts receivable	2,189	1,963	2,670	2,629	3,350	EBIT	45.6	(98.7)	3645.4	42.7	26.9
Inventories	1,026	639	1,166	899	1,431	Adj. net profit	49.8	(62.7)	82.4	30.0	20.1
Prepayments and other current assets	764	755	898	992	1,093						
Current liabilities	2,196	3,098	2,891	3,673	4,336	P&L ratios (%)					
Accounts payables	422	1,217	880	1,485	1,960	Operating margin	6.3	0.1	2.5	3.1	3.5
Other payables and accruals	1,565	1,671	1,800	1,978	2,166	Pre-tax margin	6.2	(1.6)	2.3	3.0	3.4
Short-term loan	-	-	-	-	-	Adj. net margin	6.0	2.1	3.5	3.9	4.2
Others	210	210	210	210	210	Effective tax rate	(23.3)	35.9	(24.0)	(24.0)	(24.0)
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	Returns (%)					
Deferred tax liability	3	3	3	3	3	ROE	8.7	3.3	5.6	6.8	7.6
Long-term operating lease liabilities	370	370	370	370	370	ROA	5.1	1.8	3.2	3.7	4.1
MI	32	45	46	46	46	Per share					
Total Equity	6,143	6,082	6,446	6,919	7,488	EPS (RMB)	2.8	0.9	1.6	2.0	2.3
Shareholders' equity	6,111	6,036	6,400	6,874	7,442	DPS (RMB)	0.0	0.0	0.0	0.0	0.0
						BVPS (RMB)	32.2	27.7	27.9	28.5	30.7

Source: Company data, CMBIGM estimates

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