

Baozun (BZUN US)

VAS enrichment & resilient GMV ahead

Baozun delivered 1Q22 result with upbeat topline (-2% YoY) and GMV (+28% YoY). Non-GAAP OP was RMB4.7mn, ahead of our estimate. Looking ahead, we expect GMV resilient at +21% YoY in 2Q22E, supported by 1) strong performance of two brands in FMCG & electronic categories; and 2) M&A contribution, despite epidemic headwinds. We expect rev -14% YoY in 2Q22E, with non-GAAP OP at RMB3.5mn. Mgmt. emphasized on high caliber and value-added services to tackle challenging macro and weak consumer sentiment. We forecast its GMV +16% YoY in FY22E, with non-GAAP OP at RMB300mn. To reflect epidemic impact, we trimmed FY22 earnings forecast by 30%, but kept FY23-24E earnings unchanged. Maintain our TP at US\$12.

- 1Q22 beat on GMV and topline.** 1Q22 GMV +28% YoY, 15% above our estimate. Rev -2% YoY, 5%/4% above consensus/ our estimate. By category, apparel & accessories led the growth (rev +6% YoY), in which luxury was strong at +30% YoY. Appliances/ electronics/ beauty and cosmetics/ others rev -6%/-37%/+2%/-43% YoY. BZUN adopted the new disclosure of rev breakdown, to emphasize its VAS services, including warehouse & fulfillment, digital marketing & IT solutions. Non-GAAP OP was RMB4.7mn, and adj. net profit at RMB1.2mn, ahead of our estimate but lower than consensus.
- Resilient GMV ahead, with two strong brands to offset epidemic headwinds.** Given lockdown disruptions from Mar, multiple verticals in 2Q22E might see short term pressure from logistics delay (e.g. apparel, appliances). However, we expect resilient GMV at +21% YoY in 2Q22E, supported by 1) strong performance of two brands in FMCG & electronic categories; and 2) M&A contribution. Excluding these two brands, GMV should be flat YoY/ low-single-digit decline. We expect rev -14% YoY in 2Q22E, with non-GAAP OP at RMB3.5mn. We are surprised to see that 1Q22 non-Tmall channels contributed 40% GMV (vs. 26% in 4Q21), and channel expansion would continue. In FY22E, mgmt. emphasized on high caliber and value-added services to tackle challenging macro and weak consumer sentiment. We expect its GMV +16% YoY, rev +3% YoY, with non-GAAP OP at RMB300mn.
- Maintain BUY.** We trimmed FY22 earnings forecast by 30% to reflect epidemic headwinds, but kept FY23-24E earnings unchanged. Maintain our TP at US\$12 (implying 14x FY23E P/E). 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	9,647	11,193	12,549
YoY growth (%)	21.6	6.2	2.7	16.0	12.1
Adj. net income (RMB mn)	535	200	256	475	571
Adj. EPS (RMB)	8.4	2.7	3.3	5.9	7.0
YoY growth (%)	40.4	-67.6	22.2	76.6	19.4
Consensus EPS (RMB)	NA	NA	4.9	7.5	10.0
P/E (x)	7.4	22.9	18.7	10.6	8.9
P/S (x)	1.3	1.5	1.5	1.3	1.2
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	8.7	3.3	4.0	7.0	7.7
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\$12)
Up/Downside +29.0%
Current Price US\$9.3

China Internet Sector

Sophie Huang
 (852) 3900 0889
 sophiehuang@cmbi.com.hk

Eason Xu
 (852) 3900 0849
 easonxu@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	512
Avg 3 mths t/o (US\$ mn)	12.81
52w High/Low (US\$)	38.15/5.41
Total Issued Shares (mn)	63

Source: Bloomberg

Shareholding Structure

Credit Suisse Group	5.26%
Vontobel Holding	4.11%
TIAA	3.26%

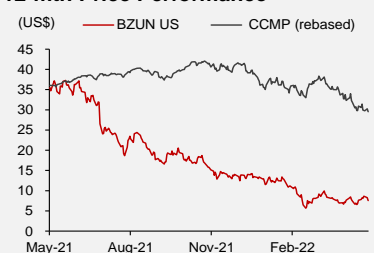
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	8.8%	24.0%
3-mth	-32.5%	-19.2%
6-mth	-52.1%	-32.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Related Reports

- Factoring lingering headwinds and soft macro – 14 Mar 2022
- China Internet Analyst Marketing Takeaway – 31 Jan 2022
- China Internet: Embracing a new normal of regulation – 8 Nov 2021

Figure 1: 1Q22 financial review

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	QoQ	YoY	Consensus	Diff %
Revenue	1,524	2,152	1,829	3,347	2,020	2,304	1,899	3,173	1,984	-37.5%	-1.8%	1,889	5.1%
Operating profit	13	161	85	301	53	107	(157)	4	(41)	NA	-177.8%	4	NA
Net profit	2	120	65	239	1	80	(293)	(8)	(122)	NA	NA	(32)	NA
Adj. net profit	26	147	92	272	61	151	(88)	76	1	NA	-98.1%	10	-88.0%
EPS (RMB)	0.44	2.45	1.52	3.58	0.82	2.01	(1.21)	1.11	0.02	NA	-97.6%	0.14	-85.8%
Margin (%)													
Gross margin	61.3%	64.0%	63.2%	61.6%	59.3%	64.6%	68.6%	67.1%	70.0%			62.5%	
Operating margin	0.8%	7.5%	4.6%	9.0%	2.6%	4.6%	-8.2%	0.1%	-2.1%			0.2%	
Adj. net margin	1.7%	6.8%	5.0%	8.1%	3.0%	6.5%	-4.6%	2.4%	0.1%			0.5%	
Growth (%)													
Revenue (YoY)	18.4%	26.3%	21.7%	20.2%	32.6%	7.1%	3.8%	-5.2%	-1.8%			-6.5%	
Revenue (QoQ)	-45.3%	41.2%	-15.0%	83.0%	-39.6%	14.0%	-17.6%	67.1%	-37.5%			-40.5%	
Operating profit	-72.1%	87.2%	50.9%	53.4%	313.4%	-33.6%	-285.0%	-98.7%	-177.8%			-93.1%	
Adj. net profit	-50.6%	74.2%	55.3%	68.4%	135.5%	2.9%	-196.2%	-72.1%	-98.1%			-84.2%	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 1Q22 revenue breakdown

	1Q21	1Q22	YoY
Revenue (RMB mn)	2,020	1,984	-2%
Online store operations	1,325	1,073	-19%
Appliances	382	358	-6%
Apparel and accessories	250	265	6%
<i>Sportswear</i>	118	88	-25%
<i>Others</i>	75	103	38%
<i>Luxury</i>	57	74	30%
Electronics	240	151	-37%
Beauty and cosmetics	88	90	2%
Others	366	209	-43%
Warehouse and fulfillment	418	525	26%
Digital marketing and IT solutions	277	386	39%

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	9,647	11,193	12,549	10,104	11,649	12,944	-4.5%	-3.9%	-3.1%
Gross profit	6,656	7,768	8,740	6,631	7,803	8,855	0.4%	-0.4%	-1.3%
Operating profit	300	578	699	278	547	833	7.8%	5.8%	-16.1%
Adj. net profit	256	475	571	334	532	712	-23.3%	-10.7%	-19.8%
EPS (RMB)	3.33	5.88	7.02	4.85	7.50	9.98	-31.4%	-21.7%	-29.7%
Gross margin	69.0%	69.4%	69.7%	65.6%	67.0%	68.4%	+3.4ppts	+2.4ppts	+1.2ppts
Operating margin	3.1%	5.2%	5.6%	2.8%	4.7%	6.4%	+0.4ppts	+0.5ppts	-0.9ppts
Net margin	2.7%	4.2%	4.5%	3.3%	4.6%	5.5%	-0.6ppts	-0.3ppts	-1.0ppts

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	9,647	11,193	12,549	10,484	11,993	13,533	-8.0%	-6.7%	-7.3%
Gross profit	6,656	7,768	8,740	6,710	7,735	8,762	-0.8%	0.4%	-0.3%
Operating profit	300	578	699	445	578	698	-32.6%	0.0%	0.1%
Adj. net profit	256	475	571	364	473	568	-29.6%	0.4%	0.4%
EPS (RMB)	3.33	5.88	7.02	4.73	5.86	6.99	-29.6%	0.4%	0.4%
Gross margin	69.0%	69.4%	69.7%	64.0%	64.5%	64.8%	+5.0ppts	+4.9ppts	+4.9ppts
Operating margin	3.1%	5.2%	5.6%	4.2%	4.8%	5.2%	-1.1ppts	+0.3ppts	+0.4ppts
Net margin	2.7%	4.2%	4.5%	3.5%	3.9%	4.2%	-0.8ppts	+0.3ppts	+0.3ppts

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	9,647	11,193	12,549	Net income	426	(220)	67	264	341
Product sales	3,907	3,874	3,792	3,868	3,945	D&A	152	138	158	179	200
Services	4,945	5,523	5,855	7,325	8,603	Change in WC	(526)	1,562	(1,430)	881	(707)
COGS	(3,326)	(3,277)	(2,990)	(3,425)	(3,809)	Others	259	71	229	202	265
Gross profit	5,525	6,120	6,656	7,768	8,740	Operating CF	310	1,551	(977)	1,525	99
Fulfillment	(2,259)	(2,661)	(3,083)	(3,577)	(4,105)	Capex	(2,089)	(114)	(121)	(128)	(136)
S&M	(2,131)	(2,550)	(2,605)	(2,861)	(3,137)	Purchase of investments	-	-	-	-	-
R&D	(410)	(448)	(453)	(515)	(577)	Others	1,473	(45)	(49)	(49)	(50)
Admin.Exp.	(224)	(526)	(405)	(448)	(452)	Investing CF	(616)	(159)	(170)	(177)	(186)
Other gains	57	73	-	-	-	Equity raised	3,127	-	-	-	-
Operating profit	559	7	110	367	469	Change of debts	(428)	-	-	-	-
Other income, net	(10)	(161)	(23)	(20)	(20)	Cash from CB raised	(1)	-	-	-	-
Pre-tax income	549	(154)	88	348	449	Others	(31)	-	-	-	-
Income Tax	(128)	(55)	(21)	(83)	(108)	Financing CF	2,667	-	-	-	-
Net profit	426	(220)	67	264	341	Net change in cash	2,360	1,392	(1,147)	1,348	(86)
Adj. net profit	535	200	256	475	571	Cash (beg of yr)	1,527	3,731	5,170	4,023	5,371
						FX	(156)	46	-	-	-
						Cash (end of yr)	3,731	5,170	4,023	5,371	5,285

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	39.3	34.6	31.4
Right-of-use assets	525	525	525	525	525	Services	55.9	58.8	60.7	65.4	68.6
Intangible assets	146	134	113	84	46	Total	100.0	100.0	100.0	100.0	100.0
Others	215	215	215	215	215	Growth rate (%)					
Current assets	9,159	9,975	9,537	11,201	11,792	Revenue	21.6	6.2	2.7	16.0	12.1
Cash & restricted cash	3,731	5,170	4,023	5,371	5,285	Gross profit	22.7	10.8	8.8	16.7	12.5
Short-term investments	1,449	1,449	1,449	1,449	1,449	EBIT	45.6	(98.7)	1472.4	232.7	27.8
Accounts receivable	2,189	1,963	2,300	2,646	2,899	Adj. net profit	49.8	(62.7)	28.4	85.4	20.1
Inventories	1,026	639	1,022	906	1,255	P&L ratios (%)					
Prepayments and other current assets	764	755	745	830	905	Operating margin	6.3	0.1	1.1	3.3	3.7
Current liabilities	2,196	3,098	2,415	3,602	3,608	Pre-tax margin	6.2	(1.6)	0.9	3.1	3.6
Accounts payables	422	1,217	445	1,458	1,292	Adj. net margin	6.0	2.1	2.7	4.2	4.5
Other payables and accruals	1,565	1,671	1,760	1,934	2,105	Effective tax rate	(23.3)	35.9	(24.0)	(24.0)	(24.0)
Short-term loan	-	-	-	-	-	Returns (%)					
Others	210	210	210	210	210	ROE	8.7	3.3	4.0	7.0	7.7
Non-current liabilities	2,136	2,136	2,136	2,136	2,136	ROA	5.1	1.8	2.4	3.8	4.3
Long-term loan	1,763	1,763	1,763	1,763	1,763	Per share					
Deferred tax liability	3	3	3	3	3	EPS (RMB)	2.8	0.9	1.1	2.0	2.3
Long-term operating lease liabilities	370	370	370	370	370	DPS (RMB)	0.0	0.0	0.0	0.0	0.0
MI	32	45	46	46	46	BVPS (RMB)	32.2	27.7	27.5	28.1	30.3
Total Equity	6,143	6,082	6,338	6,813	7,384						
Shareholders' equity	6,111	6,036	6,293	6,768	7,338						

Source: Company data, CMBIGM estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.