

Baozun Releases 2023 Chairman Letter

SHANGHAI, April 19, 2024 /PRNewswire/ --

Dear Shareholders:

On behalf of the Board of Directors and the management team of Baozun, I express my sincere gratitude for your unwavering support. In 2023, amidst a challenging macro environment, Baozun Group embarked on a transformative journey, expanding into three primary business lines: Baozun e-Commerce (BEC), Baozun Brand Management (BBM), and Baozun International (BZI). Throughout the year, we were steadfast in our resolve to adapt to the fast-evolving e-commerce market and demonstrated resilience as we implemented our transformation initiatives.

Enhancing Value Proposition:

BEC, BBM and BZI, the three business lines reinforce an ecosystem in which each complements the other two, and all three concurrently promote each other. This strengthened one-stop ecosystem enables Baozun Group to offer our business partners and clients the most comprehensive services and solutions. We believe this strategic transformation will greatly extend our value creation from demand all the way up to supply and improve the matching.

Throughout 2023, BEC continued to improve its service quality and reinforced its omni-channel capabilities. We upgraded our content-creation and live-streaming capabilities, marked by the launch of our "Creative Content to Commerce" studios and the strategic acquisition of Location, a top-tier Douyin partner. These initiatives will enable us to achieve our goal to enhance the quality of our e-commerce business, ensuring its sustainability, future growth and thereby consolidating our leadership within the digital commerce industry.

BBM accomplished a significant milestone with the completion of the acquisition of Gap Greater China in February 2023. In the short period since then, BBM made solid progress strengthening its business foundation, including refining product and merchandizing strategies, re-building the supply chain infrastructure, revamping back-end systems, and putting together a talented leadership team. Leveraging our China-for-China strategy, technology and data-driven approach in product and operations, BBM successfully executed Gap China's premiumization strategy, shifting away from perpetual discounts and increasing the gross margin of the business. We also purchased 51% of equity interest to form a Joint Venture with Authentic Brands Group for the relevant intellectual property of Hunter in Greater China and Southeast Asia, a British premium outdoor brand, marking the second brand under our brand management portfolio.

For BZI, we continue to establish the business infrastructure throughout Asia. Currently, Baozun Asia employs around 150 employees across Singapore, Malaysia, Thailand, South Korea, the Philippines, Hong Kong, and Taiwan. With synergy and collaboration between our business units, we are soon introducing Hunter into Singapore and Malaysia in Southeast Asia in 2024.

A significant financial highlight for 2023 was the optimization of our cash-generating capabilities through process re-engineering, cost optimization and more efficient working capital management. Consequently, our annual operating cash flow and free cash flow experienced double-digit year-over-year growth, reaching record highs and significantly strengthening the financial health of the group.

Technology Empowering Business Transformation

I would like to emphasize that technology is the cornerstone of our business transformation and success. We firmly believe that our advancements in technology and digitalization establish a foundation that empowers the next generation of commerce across all of Baozun Group's three business divisions.

Following the acquisition of Gap China, our Technology Innovation Center swiftly simplified its complex architecture by consolidating nearly 70 historical systems into one integrated omni-channel operating platform, which we call Retail Operating Platform, or ROP. The ROP's new architecture, featuring a centralized hub, enables real-time management and utilizes a unified online and offline inventory to enhance sales efficiency and increase inventory turnover. ROP will serve as the technology foundation for BBM's future growth.

Through strategic partnerships with industry leaders, we have deployed more AIGC technology to increase the daily operational efficiency of over 3,000 employees. Technology-driven process re-engineering has made our middle and back-office operations leaner and more integrated. This has resulted in increased efficiency and cost control. Additionally, we have made solid progress in Business Intelligence capabilities during the year. We can now offer instantaneous data insights that will empower

our brand partners to make well-informed and timely decisions.

Baozun's outstanding technology has been recognized in the industry. We have been acknowledged as a Representative Vendor for Distributed Order Management Systems in Gartner's 2024 Market Guide. We are proud to be the only Asian vendor selected alongside global retail service giants.

Cautious Confidence in 2024:

As we look ahead, we remain cautious about macro uncertainties. Yet, we are confident that our on-going transformation has strengthened our business fundamentals and our value proposition to brand owners. Our focus this year is to continue executing our plans diligently and patiently in a sustainable manner. With a healthy cash flow and balance sheet, our board has approved a new share repurchase program of \$20 million, underscoring our commitment to delivering value to our shareholders.

In closing, I want to express my sincere gratitude to our employees, customers, partners, and stakeholders for their unwavering support throughout this transformative journey. Together, we will continue to innovate, adapt, and thrive in the ever-evolving landscape of digital commerce.

Sincerely,
Vincent Wenbin Qiu
Chairman and Chief Executive Officer
Baozun Inc.

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