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CORPORATE PARTICIPANTS

Bin Lu *Baozun Inc. - CFO*
Junhua Wu *Baozun Inc. - Chief Growth Officer & Director*
Wenbin Qiu *Baozun Inc. - Chairman of the Board & CEO*
Wendy Sun *Baozun Inc. - IR Director*

CONFERENCE CALL PARTICIPANTS

Alicia Yap *Citigroup Inc, Research Division - MD and Head of Pan-Asia Internet Research*
Hyungwook Choi *Daiwa Securities Co. Ltd., Research Division - Head of Hong Kong & China Internet and Regional Head of Small/Mid Cap*
Ka Wai Leung *Haitong International Research Limited - VP & Sector Coordinator*
Lixin Ju *BofA Merrill Lynch, Research Division - VP & Research Analyst*
Sally Chan *CLSA Limited, Research Division - Research Analyst*
Thomas Chong *Jefferies LLC, Research Division - Equity Analyst*
Tianxiao Hou *T.H. Capital, LLC - Founder, CEO & Senior Analyst*
Yuanyuan Long *Crédit Suisse AG, Research Division - Co-Head of China Internet*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Baozun's Fourth Quarter and Fiscal Year 2019 Earnings Conference Call. (Operator Instructions) I must advise you that this conference is being recorded.

I would now like to hand the conference over to your first speaker today, Ms. Wendy Sun, IR Director. Thank you. Please go ahead.

Wendy Sun ***Baozun Inc. - IR Director***

Thank you, operator. Hello, everyone, and thank you for joining us today. Baozun's fourth quarter 2019 earnings release was distributed earlier today and is available on our IR website, ir.baozun.com, as well as on GlobeNewswire services.

On the call today from Baozun, we have Mr. Vincent Qiu, Chairman and Chief Executive Officer; Mr. Junhua Wu, Chief Growth Officer; and Mr. Robin Lu, Chief Financial Officer. Ms. (sic) [Mr.] Qiu will review business operations and company highlights, followed by Mr. Lu, who will discuss financial and guidance. They will all be available to answer your questions during the Q&A session that follows.

Before we begin, I would like to remind you that this conference call contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon management's current expectations and current market and operation conditions and relate to events that involve known or unknown risks, uncertainties and other factors, which are difficult to predict and many of which are beyond the company's control, which may cause the company's actual results, performance or achievement to differ materially from those in the forward-looking statement.

Further information regarding these and other risks, uncertainties or factors are included in the company's filings with the U.S. SEC. The company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law. Finally, please note that unless otherwise stated, all figures mentioned during this conference call are in RMB.

It is now my pleasure to introduce our Chairman and Chief Executive Officer, Mr. Vincent Qiu. Vincent, please go ahead.

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Thank you, Wendy, and thank you all for joining us. I would like to start by expressing our deepest concerns and well wishes for all those whose lives has been impacted by the ongoing coronavirus outbreak and also take the opportunity to thank our employees for their hard work, tremendous resilience and the dedication shown during this difficult period. We have always been committed to maintaining high standards of corporate social responsibility and have prioritized the health and safety of our employees. And we will continue to offer our support as the fight carries on. Fortunately for us, and our brand partners, contingency plans were already in place with our IT infrastructure and the digitalization technologies already configured for seamless transition to remote working with minimal disruptions to our business during the peak of the outbreak in China.

The coronavirus outbreak has created industry-wide headwinds stemming from softer consumer demands and the fulfillment shortages caused by the ongoing traffic restrictions, self-quarantine rules and the work from home directives. In general, the impact across the retail industry is significant, particularly within discretionary categories such as apparel and footwear, where demand is more significantly affected by consumers spending less time outdoors. We foresee the near-term growth for the wider industry will be challenged. However, we also note that this might be an opportunity. If anything, the ongoing impact of the outbreak is highlighting just how important an online strategy is for brands, and e-commerce is showing significant resilience compared with offline retail.

This growing need by brands to refine their digital and O2O strategies plays to our strengths as a leading brand e-commerce solution provider. As a young, dynamic and adaptable company, we believe we are uniquely positioned to leverage our strong fundamentals and capitalize on this emerging need over the long run. We believe that both digitization and innovation will continue to underpin growth in the retail industry. As the long-term drivers of China's e-commerce growth remain unchanged, we are confident that we will generate long-term sustainable value for our brand partners and shareholders.

Now I will give an overview of our performance in the fourth quarter. During the fourth quarter, we continue to capitalize on the growth momentum of China's e-commerce industry. GMV grew by 48% and the total net revenues rose 26% year-over-year. In the year's most significant online event, the Singles Day shopping festival, we surpassed a significant milestone of CNY 10 billion in order value, and we are proud to say that we helped many of our brand partners rank first in terms of total order value within their respective verticals.

We continue to make significant progress on the acquisition of new brand partners with a net addition of 8 brand partners for the quarter. This brings the total number of our brand partners to 231 compared with 185 at the end of 2018. The newly added brands are mainly in the apparel, electronics and food and health categories. In particular, we signed a Japanese entertainment electronics brand and a domestic home care product brand.

We achieved our 2019 goals, which is reflected by our standout 35% revenue annual growth rate, which was the fastest growth we have posted over the last 4 years. We also posted record high increases in GMV and net addition of new brands. I want to highlight the incremental GMV from stores opened less than 12 months contributed over 10% of GMV during the year, more than double its contribution a year ago.

While we are proud of these achievements throughout the year, we are cognizant of the need to continue optimizing the fundamental infrastructure we have put in place to further drive high-quality growth and expand our operating margins. The industry continues to evolve rapidly, and there is much work that remains to be done in this regard.

2019 was a transformative year of our company in terms of strategic reinvestments and the competitive positioning. We strengthened our market positioning through continued innovation and adopting of a more strategic, flexible and responsive approach to evolving e-commerce industry. To-date, our Retail Operation Support System, or ROSS, has launched several modules and solutions that focus on automation and intelligence, which have generated very encouraging initial savings in man hours.

The 2019 Singles Day event marked the first time that we deployed our hybrid cloud infrastructure, Baozun cloud, to support high load transaction processing, which performed smoothly and efficiently throughout the entire event. We are encouraged by these achievements, especially since they reflect the continued execution of our strategy over the past few years to empower a revolution in e-commerce through innovative technologies.

While progress never follows a straight line, we are confident in the digitalization blueprint we have put together. Our focus for 2020 will be squarely on driving the seamless integration, digitalization and enhancing the intelligence of our services, which we believe will drive great improvements and internal operational efficiency and the business flow management.

Beginning in the second half of 2019, we increased our capacity in terms of logistics for premium sectors and deployed system upgrades toward WMS and LMIS to further optimize resource allocation across our logistics network. During the 2019 Singles Day shopping festival, we launched an integrated pre-dispatch system in select cities that supports brand partners in delivering goods to consumers within a few hours or in some cases within 1 hour. Expedited delivery was available immediately after the Singles Day event kicked off at midnight. These initiatives are in high demand from brand partners and the customers. Initial feedback gathered from reviews and social media channel indicate that they have also greatly enhanced the user experience.

As e-commerce evolves, we believe value-added services such as marketing tech and the integrated digital marketing will become increasingly important to boosting traffic and promoting better interactive user engagement. We've been closely following industry trends and remain to track on further expand our services to include a wider array of comprehensive digital marketing solutions. These solutions include new initiatives such as live streaming KOC and KOL, positioning to convert marketing power into sales results. In addition, our Mini Programs are growing in popularity among our brand partners as a way to enhance user engagement and deploy smart retail strategies.

We've achieved some initial breakthroughs that leverage social networks and believe we are on the right track as we explore new opportunities in this emerging channel. Above all, we believe our infrastructure enhancements and incremental contribution from new brand partners in 2019 have laid a solid foundation for our growth momentum to continue into 2020. However, we are not yet finished, and we will continue expanding these initiatives to generate high-quality growth. In a sense, I would say that we are only just beginning given the enormous growth opportunities still ahead of us.

We are now entering the next phase of quality growth, where our focus will be strategic market expansion. We have a long and exciting journey ahead of us. 2020 will be a year in which we prioritize quality growth, accelerate brand portfolio optimization and drive greater operational efficiency through digitalization and productization. We believe the net effect of our efforts will result in higher quality growth and gradual margin expansion. Though the pandemic will create short-term headwinds and add financial uncertainties, we also believe in creates business opportunities. And we firmly believe that our strategic goal will yield more balanced and sustainable growth in addition to operating margin improvements for 2020.

I will now pass the call over to Robin to go over our financials for the quarter. Thank you.

Bin Lu *Baozun Inc. - CFO*

Thanks, Vincent. Before providing more details about our financials, I would like to take some time to address our non-distribution model take rate, which is defined as service revenue as a percentage of non-distribution GMV. As we know, this is one of key metrics used by the market to assess our performance, even though internally we do not believe it's an appropriate metric to use for benchmarking and we do not use this terminology or metric for internal management purpose either. By nature, take rate by category fluctuates significantly as each category tends to exhibit different patterns on serving model. I would say that category mix could be the key factor in shaping the blended take rate over a certain period of time.

During the fourth quarter, there were noteworthy structural differences by category in the growth rate. Electronics especially 3C, outperformed other sectors and was quite active during the Singles Day shopping festival accounting for a larger proportion of our total GMV. Men's and women's clothing in general saw weaker growth. Luckily, within the apparel category, we are primarily exposed to sportswear, which continues to perform well. Overall, the slowdown in non-sportswear apparel reduced its GMV component in the apparel category.

In addition, we have a growing GMV component from the broader FMCG category, especially food, health and home, which typically fell within the service fee model as well. As such, the dramatic change in category mix in the past year has actually led to a different blended take rate profile. I want to also highlight that we achieved solid positive free cash flow. For full year 2019, our operating cash flow totaled over CNY 300 million and achieved first-ever positive free cash flow. We view this as a milestone in working capital management and as a validation of our high-quality growth strategy. This is especially important as the turbulence created by macroeconomic uncertainty and the pandemic persist. We believe it's more essential than ever to accelerate the execution of our high-quality growth initiatives to build our business in a more sustainable way.

Lastly, a fire broke out at a third-party warehouse in Shanghai on October 29, 2019. Fortunately, no one was hurt in the accident. It was a one-off event that impacted our bottom line as we accrued an operating loss of CNY 45.5 million for the quarter because the products stored at this third-party warehouse were generally slow-moving goods. We do not anticipate any meaningful top line growth impact for 2020. This operating loss is below our previous estimate of a CNY 53 million as we were able to recover some of the undamaged products once the site was reopened by local authorities in late February.

Now let's go over the fourth quarter 2019 financial results in detail. We believe a year-over-year comparison is the best way to review our performance. All percentage changes I'm going to give will be on that basis. Once again, please note that all figures that I mention will be in RMB.

Total GMV during the quarter increased by 48% to CNY 17.8 billion. The growth rate of both business models rebounded from the previous quarter. Distribution GMV grew by 29% to CNY 1.5 billion and our non-distribution business, once again, outperformed with a GMV increase of 49% to CNY 16.3 billion.

Total net revenues increased by 26% to CNY 2.8 billion. Breaking this down, product sales revenue increased by 33% to CNY 1.3 billion and the services revenue increased by 22% to CNY 1.5 billion during the quarter. The increase was primarily attributable to robust growth during our Singles Day campaigns as well as incremental contribution from new brands. In particular, product sales growth was also boosted by the contribution from the newly-added entertainment electronic brand, which we launched in December. Service revenue was impacted slightly by the weaker performance of men's and women's clothing.

Total cost and operating expenses were CNY 2.6 billion compared with CNY 2 billion in the same quarter last year. In particular, cost of products increased to CNY 1.1 billion from CNY 790 million last year, primarily due to higher costs associated with the increase in product sales revenue. Due to category mix change, our gross margin for product sales declined slightly to 18.2% compared with 19% a year ago. Our blended gross margin totaled 62%, a decline of 2%, which was mainly due to an increase in proportion of product sales revenue.

Fulfillment expenses increased to CNY 665 million from CNY 512 million last year, mainly due to an increase in GMV from our distribution and consignment model and warehouse rental expenses, an increase in warehouse capacity to address additional growth opportunities. The increase was partially offset by improvements in efficiency. Our cost control initiatives continue to drive operating efficiency improvements and optimization of delivery resources. As a percentage of GMV, our fulfillment expense ratio improved to 3.7% from 4.3% a year ago, which marks the fourth consecutive quarter that we will achieve greater operating leverage for fulfillment.

Sales and marketing expenses increased to CNY 648 million from CNY 544 million last year. And as a percentage of GMV, our sales and marketing expense ratio improved to 3.6% from 4.5% a year ago. The decrease in sales and marketing expenses as a percentage of GMV reflects the increased leverage we are getting as our business grows to scale, especially in the Singles Day season, and the effectiveness of marketing activities leading up to Singles Day back in the third quarter.

Technology and content expenses increased to CNY 109 million from CNY 84 million a year ago. We continue to invest in innovation and productization in a very disciplined, focused and streamlined manner. During the fourth quarter of 2019, our investments in innovation and productization totaled CNY 23 million compared with CNY 21 million last year. Leveraging from expanding business scale, technology and content expenses as a percentage of GMV declined slightly from 0.6% from 0.7% a year ago.

G&A expenses increased to CNY 67 million from CNY 43 million last year. In addition to increased spending on administrative, corporate strategy and business planning staff as the business scales, we also accrued a bad debt allowance of CNY 9 million during the quarter for account receivables from one specific brand partner in the women clothing category, which began business liquidation in 2019.

During the quarter, we incurred a net other operating loss of CNY 42 million, which was mainly due to the loss related to the third-party warehouse fire of CNY 45.5 million that I mentioned earlier. All in all, income from operations decreased to CNY 196 million from CNY 230 million in the same quarter of last year, and our operating margin declined to 7% from 10.4%.

On a non-GAAP basis, income from operations was CNY 217 million, a decrease of 12% from CNY 247 million last year. Non-GAAP operating margin was 7.8% compared with 11.2% in the same quarter of last year. As a reminder, operating income and the margin during the quarter included CNY 45.5 million impact from the fire.

Offsetting interest income, interest expense totaled CNY 6.8 million compared with CNY 3.5 million a year ago. The increase in interest expense was mainly due to the issuance of convertible bonds in April 2019, which also embedded a debt accretion treatment, which is a noncash item based on the accounting treatment associated with the CB financing. Income tax expenses totaled CNY 38 million, and we had an effective tax rate of approximately 19% compared with 13% last year on non-GAAP basis. The increase in income tax was mainly due to a higher effective tax rate as some tax incentive policies was applied to the same period last year.

In the fourth quarter, net income attributable to ordinary shareholders of Baozun totaled CNY 141 million. Basic and diluted net income attributable to ordinary shareholders of Baozun per ADS were CNY 2.42 and CNY 2.36, respectively, compared with CNY 3.29 and CNY 3.17, respectively, during the same period of last year. Non-GAAP net income attributable to ordinary shareholders of Baozun totaled CNY 161 million. Basic and diluted non-GAAP net income attributable to ordinary shareholders of Baozun per ADS were CNY 2.77 and CNY 2.71, respectively, compared with CNY 3.59 and CNY 3.46, respectively, for the same period of last year.

As of December 31, 2019, we had CNY 2 billion in cash and cash equivalents and short-term investments compared with CNY 514 million as of December 31, 2018. The significant improvement in cash was mainly attributable to strong positive operating cash for full year 2019 as a result of working capital optimization as well as our CB financing back in April 2019.

Turning to guidance. We continue to closely monitor the ongoing pandemic across the globe and are carefully evaluating its impact on our business. As things stand, provided the macroeconomic environment does not deteriorate further, we anticipate that GMV during the fourth quarter 2020 will grow by at least 10% compared with the same period last year. We expect total net revenues during the first quarter of 2020 to be between CNY 1.4 billion and CNY 1.45 billion, which represents a growth rate of 9% to 13% compared with the same period of last year. Even though we see positive signs of the recovery of our business, there are many unknowns as to the duration and the severity of the pandemic. We have decided to temporarily suspend full year net revenue guidance until we have greater visibility.

This concludes our prepared remarks. Thank you. Operator, we are now ready to begin the Q&A session. Thanks.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Alicia Yap.

Alicia Yap ***Citigroup Inc, Research Division - MD and Head of Pan-Asia Internet Research***

Wishing all well and safe. I have a couple of questions. Number one is that despite the impact from the virus, we actually think the 9% to 13% net revenue guidance is actually not too bad. And so could you give us a bit color in terms of the GMV, given you actually have a high base last year? If I understand correctly, last year, there was this handset brand that was dropped out since 3Q. So if we -- excluding this handset brand, what would be your 1Q GMV growth looks like? And then on your revenue guidance, could you give us some color in terms of the breakdowns of the product revenue versus the service revenue growth? And what are the brand category that actually have negatively affected more during this outbreak period? And what brand category is actually more resilient and see still the demands are on track?

Bin Lu ***Baozun Inc. - CFO***

Okay, Alicia, it's Robin. Yes. I'm facing the -- I'm wearing the face mask, so it's not -- maybe not very clear, but I'll try to speak loudly. Yes. About the Q1 outlook and the guidance, I think the first question is about the category. Yes, we do see some negative impact on the men's and women's clothing, because you know the offline store has been closed and the people stay at home. There is no much demand about this stuff. But fortunately, in the meantime, we see the sportswear is not bad. And also with the newly added brands we add up in the second half of last year, it looks better for the GMV. And also for the revenue I think is pretty in line with the GMV growth. I think that's the overall picture about Q1.

Alicia Yap ***Citigroup Inc, Research Division - MD and Head of Pan-Asia Internet Research***

So there wasn't any non-apples-to-apples comparison on the GMV growth rate?

Bin Lu ***Baozun Inc. - CFO***

I think about the handset, as I remember the questions, we operated 2 handsets in last Q1. And this year, primarily, we're focused on the 1 handset, but the growth of this handset is pretty strong since the last Q4 and continuing the growth in Q1. So it's -- I think primarily, the handset is no big change from last Q1 to this Q1 in the GMV side.

Alicia Yap ***Citigroup Inc, Research Division - MD and Head of Pan-Asia Internet Research***

I see. I see. And then if I may, in terms of the margins outlook for 1Q, given the impact on revenue, could you give us some colors in terms of how we should think about for 1Q margin?

Bin Lu ***Baozun Inc. - CFO***

Yes. Our margin will be dropped because we have less revenue growth, and we have some costs associated with a fixed part. So our margin will be dropped, but definitely we are in the positive range. It's not a negative margin.

Operator

(Operator Instructions) Your next question comes from the line of Thomas Chong of Jefferies.

Thomas Chong ***Jefferies LLC, Research Division - Equity Analyst***

I have a question about the full year GMV and the revenue trend. Looks that there is a lack of visibility at the moment. But can management provide us some direction qualitatively in terms of the GMV growth rate? Should we expect an acceleration starting in Q2? And in terms of the margin trend, should we expect the margin to be somewhat like stabilizing in Q3 and margin expansion will happen in Q4? Noticed that quantitative is tough at this time, but any qualitative color would be great.

Bin Lu ***Baozun Inc. - CFO***

Okay. It's Robin again. I mean, it's very hard to estimate or foresee the trend. Based on our internal trend and based on what we estimated in the recovery in March, we think we are still very positive about our GMV and the revenue growth for this year. And we hope the coronavirus outbreak can disappear very soon, and we will get back to the regular growth trend. About the margin, definitely, because we have some elasticity about our business, suppose there is no much deterioration outbreak, definitely we will achieve the recovery of the margin. And also, we think if the things are not getting even worse, our operating margin in this year could be in at the midpoint between 7% and 8%, which will be recovered from the last year.

Operator

Your next question comes from the line of Tina Long of Crédit Suisse.

Yuanyuan Long ***Crédit Suisse AG, Research Division - Co-Head of China Internet***

My question is actually on the brand pipeline. We are having -- what we plan to add in 2020? And also, what kind of split between the distribution versus non-distribution? And also, we noticed that in the fourth quarter distribution model revenue actually outgrow that of the service model. So based on the brand pipeline we're having for 2020, how should we look at the revenue mix and also the gross margin?

Bin Lu ***Baozun Inc. - CFO***

I think I can give you some numbers, this is Robin, and then I think Junhua can answer you about the outlook about this year. Yes. We don't -- I should say, we are not intentionally to develop our distribution model. And we have a very careful selection process to decide which one we can do the distribution. So -- but back in the history, I think we keep the well balanced between the distribution and non-distribution from both GMV and the revenue balance. And regarding the brand, I think in Q1 we add up some like home furnishing, very famous global home furnishing brand and also the domestic brand about -- in the health products for this. But unfortunately, in Q1, we see the slow acquisition of the brand because we cannot go out to discuss with the client and the partner. So I think this one will affect the whole year's new brand acquisition speed.

Junhua Wu ***Baozun Inc. - Chief Growth Officer & Director***

Yes. So let me get back to you regarding the pipeline question. So it looks to us a little bit cautiously optimistic in terms of the pipeline growth. So there are some kind of positive side from the COVID-19. So more and more brands realize that getting online and getting digitalized their online business is getting more important. So we have been reached and touched more and more from a lot of brands. Some are very strong brands. They want to switch their business to Baozun. And some undeveloped brands are going to just develop their online business with us. So we can foresee a very strong pipeline in the year 2020, and we are very optimistic about this coming up in the next quarters.

Yuanyuan Long ***Crédit Suisse AG, Research Division - Co-Head of China Internet***

How about the business model like distribution versus non-distribution in terms of the new brand additions?

Bin Lu ***Baozun Inc. - CFO***

Definitely. As you know, we carefully select the distribution model. But I mean, we have been well balancing that this year. I think you can take that as I think about like 90% GMV coming from non-distribution and the 10% from -- 10% GMV from distribution is kind of like the principle we keep.

Operator

(Operator Instructions) Your next question comes from the line of Natalie Wu of CICC.

Unidentified Analyst

It's Feitong Zhang on behalf of Natalie. As we see the outbreak is becoming a global issue, if the factory of overseas brands are shut down, what business impact and financial impact will we have? And my second question is in prepared remarks, you mentioned that the company's positive free cash flow has reached a record high. Would you please share more color on how you improved the free cash flow? For example, is it because we are having less capital expenditure than before or we are having more leverages on the balance sheet? And how should we expect the trend going forward?

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Yes. Let me answer the first part of the question, and then Robin can do some follow up answering of the questions. Up to now, we keep a very close communication with our client base. And so far, there's not a big worry and concern about the supply side. I think the part of the reason is that most of the supply chain is right now in China and also Asia region, especially China. So we are seeing quite constant supply of the products. And there's no big signal from the brand side telling us about the difficult -- potential difficulties of the supplies in the near future. But anyway, we will be closely watching the situation and adjust our sales tactics along with that. Yes, so that's about supply.

Bin Lu ***Baozun Inc. - CFO***

Okay. Yes. Let me get the second question about the positive cash flow. Yes. We do have less capital expenditure in [2019] (corrected by company after the call). It's about like CNY 50 million less, but our free cash flow is over CNY 100 million, which means we have a very strong operating cash flow -- positive operating cash flow which drives to the free cash flow positive. I mean, that's what we did for the whole year last year. For example, I remember I mentioned about how we can regulate the collection process and also the -- automatic the bidding system. And also, we have a new set of rule inside the company to expertise the collectible. So that really makes the results turn to the positive for the cash flow.

Operator

Your next question comes from the line of Sally Chan of CLSA.

Sally Chan ***CLSA Limited, Research Division - Research Analyst***

I wish everyone good health during this period. I actually have 2 questions. Maybe I just go over the first one. First 1 is actually on the monetization trend in 2020. I agree with management that the overall take rate is probably not meaningful because it is very heavily impacted by category mix and then brand mix, et cetera. But I'm just wondering, say, if we look at this on a more granular level, say, on a per brand basis, for example, when we negotiate contracts with new brands or renegotiate your renewal with existing brands, how do you see our brand partners value our new value-added services like the tools we just mentioned, like new delivery services, data, even cloud? Do you think, potentially, going forward, we could -- if we could enhance these kind of value-added services offerings, we could receive a better monetization or take rate from our brands? And if so, how should we think about the time line when we could start to see meaningful contribution from the monetization of these new tools? This is my first question.

Bin Lu ***Baozun Inc. - CFO***

Okay. It's Robin. Before I answer your question, I think I'll give you more color about the take rate for the last Q4. Maybe when you do the very quick math, you will see there are like a 2% drop in the take rate, around 2% drop. And we have about 1.5% coming from the product mix change. As we mentioned, we have a 3C increase in Q4 GMV and another 0.5% coming from evenly -- almost evenly from less marketing spending and also less logistic service due to the slowdown of the men's and women's clothing. So that's like a full picture of the take rate change in Q4. And also regarding this year's take rate, we think we still have very great potential to improve our take rate. And also about the monetization, for example, the revenue guidance we can give you, which is still in the growth. I think thanks for our logistics service, we can provide more service to the partners than the other competitors. So -- and also for the new brands, we are gradually working with them for the new added service, including both logistics and the digital marketing services, for example, and we do think we have great potential to improve for this year.

Sally Chan ***CLSA Limited, Research Division - Research Analyst***

So I have another quick question actually, is to follow-up on the sort of guidance for this year, given the impact from the outbreak. Because from my tracking, it seems that the January growth for our brands were quite healthy. And then February, we saw a moderate, but not that big decline in GMV growth for our key brands. And then it seems that for the March -- so the 8 March promotions period, sales for some of our key brands actually rebounded very strongly. So I'm just wondering if management could share how you have seen the recovery trend so far as people gradually get back to work and then supply side infrastructure like logistics also continue to recover, probably after February and March?

Junhua Wu ***Baozun Inc. - Chief Growth Officer & Director***

Okay. Sally, this is Junhua. So let me get back to you about the question in the Q1. So in January, we did pretty well. So we dramatically beat our internal target this year. So the whole February was a disaster, as you know. The total kind of the COVID-19 stuff so really just lowered down the demand chain and lowered down the communication efficiency, something like that. So -- and from the beginning of March, especially from the big campaign like Queen's Day, you mentioned about 8 March, so most of our key brands are recovering very well. So I can say that they're recovering about 80% of their normal when they back to the Y-o-Y in the same campaign like this. And we are foreseeing a consciously optimistic about the GMV and the business as well keeps growing in the coming quarters. That was before the virus have any kind of import impacts. So now just like Robin just mentioned, it's very hard for us with a lot of unknown kind of the criteria based on the import virus has affected. So yes, we can say that most of our key brands are recovering very well. The March is doing pretty well, as we can see. And we're consciously optimistic about the coming quarter. So -- and the demand change has recovered about 80% to 100%. And the supply, we have more inventory and more products putting online. So yes, so everything is getting better now.

Operator

Your next question comes from the line of John Choi of Daiwa.

Hyungwook Choi ***Daiwa Securities Co. Ltd., Research Division - Head of Hong Kong & China Internet and Regional Head of Small/Mid Cap***

I have a couple of questions here. First of all, could you kind of talk us about the latest development of Mini Programs contribution to your overall business? It seems like that Mini Programs has been doing pretty well over the past year. And just quickly on a follow-up on the operating margin. I think, Robin, you mentioned, hopefully, you could able to reach 7% to 8% this year. Can you kind of walk us through whether that will be driven by more on the faster top line growth in the second half or pretty much more on the operating leverage on the operating expense side? I just want to have a brief sense on how you guys are going to be able to drive that after things do normalize.

Bin Lu ***Baozun Inc. - CFO***

John, it's Robin. For the Mini Program, yes, I think we made great progress, especially in the coronavirus outbreak because it's right to link between online and offline. Some of the partners come to us, to ask us to provide service for their offline stores, so that they can easily go online. But in both GMV and revenue, I think, compared with the total number of Baozun, the Mini Program is still very immature, and we don't pay much attention to the GMV and the revenue contribution. Instead, we just want to test the business model, so that we have figured out the way how we can ramp up our services to the brand partners and set up the brand e-commerce system in Mini Program ecosystem. So that's kind of like our main focus, which is not focused on GMV and the revenue comparing with our -- the total number. So that's the first question. And about operating profit margin, I think you're right. We both drive this one by improving our revenue resources from our existing and new brands. And also, we have a very tight cost control and efficiency improvement plan in our company, so that we can drive up the operating margin.

Operator

Your next question comes from the line of Tian Hou of T.H. Capital.

Tianxiao Hou ***T.H. Capital, LLC - Founder, CEO & Senior Analyst***

So my question is this. So this coronavirus and before and after, there are lot of things changed. So from your customer side, like your -- like brand side, I wonder have they -- so when you communicate with them, do they have -- in terms of brand strategy, do they have any new thoughts about in the future how are they going to strategize or position their brands? In the consumer side, so as you mentioned at your remarks and the apparels and in the handbags in this area and it's impacted the most. So I wonder what's changed in the consumer side. And so going forward what do you see can be the trend? So one is the supply side. One is the consumption side.

Junhua Wu ***Baozun Inc. - Chief Growth Officer & Director***

Okay. This is Junhua. So those are very good questions. So the first 1 is related to the brand side. So we see -- we communicated with a lot of key brand partners, and they are being very positive to the digital, especially in their online business. So there are several initiatives they are going to just approach. The first one is they are strengthened and emphasized on the digitalizing their business. They realize that online and e-commerce are becoming more important, especially under this overall situation of the country. And that -- which means that they want to just lay more emphasize, and they're putting more strategic efforts into digitalizing their business.

The second part is in terms of the product inventory allocation. So most of our key brands are reallocating a lot of their offline -- especially their exclusive offline products to online. Because as you can see that, in the past several months, their offline business has been facing a lot of problems and challenges. So putting their offline resources to online is really helping the online growth. That's the second part.

The third part is more about the reallocating their brand marketing strategy and their marketing spending. So they realize that, especially along with the development of the digital marketing, like the live stream KOL and KOC, so more and more brands, they realize that they want to just invest more on content management, and enrich their online content development provide more accurate content to the right consumers at the right time. I think more and more digital marketing spending will be reallocated to online. So that's our 3 approaches from the brand side.

So from the consumer side, we haven't seen a lot of behavior change from the consumer side. if you just view the whole apparel category dropping down a lot because they are basically staying at home. So it doesn't make any sense for more like women and men, they purchase new apparels, because they're staying at home. So maybe that was just about all their kind of the -- under the big environment for now. And we haven't seen any kind of changes from the consumer part. So we foresee when everything is getting better, consumers can just really go to the street and back to their normal life and normal lifestyle. I think the category mix and order consuming power will be recovered soon.

Operator

(Operator Instructions) Your next question comes from the line of Billy Leung of Haitong International.

Ka Wai Leung ***Haitong International Research Limited - VP & Sector Coordinator***

I just have -- the question I want to ask is related to what Vincent mentioned during the prepared remarks. Vincent said, the 2020 focus will be on accelerated brand portfolio. I just wanted to know what that meant. Does that mean that we should expect more brand partners or brand partners would be larger? That's my first question. And just a housekeeping question. Could management share the amount of GMV that was from existing or same-store clients for quarter 1 guidance and quarter 4?

Wenbin Qiu ***Baozun Inc. - Chairman of the Board & CEO***

Yes. It is in my prepared script, but I think you have a better person to answer the question. Please.

Junhua Wu ***Baozun Inc. - Chief Growth Officer & Director***

Yes. About the portfolio and larger brand potentially, so yes, we're foreseeing a very strong pipeline in the year 2020. And according to our existing enrolled brands, they are being more qualified. So this year, our strategy is very clear. We are chasing qualified GMVs. So only -- we are not really emphasized on the only GMV growth or GMV amount but the quality of the GMV, revenue and the profit we can make from the brand partner. So as far as we can see in Q1, the brands we enrolled in our -- including a very large brand in the home furnishing category are very high-quality brands in our portfolio. And in our strong pipeline, we can foresee a lot of the same kind of qualified brands coming up. Yes.

Ka Wai Leung ***Haitong International Research Limited - VP & Sector Coordinator***

Sorry, just to confirm -- sorry, just to confirm, when you say high-quality, does that mean it's a larger scale brand merchant?

Junhua Wu ***Baozun Inc. - Chief Growth Officer & Director***

Yes. What I mentioned about the qualified GMV brand, which means that we have a better take rate, we have a wider range of scope of work, we have more stickiness with the brand partnership, and we have a longer term of the contract period.

Bin Lu ***Baozun Inc. - CFO***

Yes. About the high-quality growth, I think that's kind of like different fit in different scenarios in the top line just as Junhua explained. And in the cost internally, we have very strong cost reduction initiatives and to create the efficiency and make our cost structure more healthy about it. So that's kind of like different scenarios we are working on. And back to your last question, I think you asked about the same-store sales growth, is 51% same-store sales growth in Q4.

Ka Wai Leung ***Haitong International Research Limited - VP & Sector Coordinator***

And what was the assumption for quarter 1 GMV? How much coming from same-store sales growth?

Bin Lu ***Baozun Inc. - CFO***

We don't disclose the number yet, and we'll have more color in the next earnings call.

Operator

Your next question comes from the line of Joyce Ju of Bank of America.

Lixin Ju ***BofA Merrill Lynch, Research Division - VP & Research Analyst***

My question was also a follow-up to the previous question. Actually just want to clarify because this year, especially the first half, our existing brands probably is going to suffer a like demand shock. So should we expect more of our growth actually contributed by new incremental brands? Or say we launched a very big home furnishing international brand this quarter, right. Shall we expect primarily this year new brands will contribute bigger chunk of GMV compared to last year? And could you give us some qualitative color in terms of probably the take rate or margin profile of this new brand? And there's a small follow-up, as I want to just get a broad sense. During the coronavirus like period of time, we know basically all the like brands or like merchants kind of suffer the financial pressure. We know lot of platforms they are giving like subsidies or rebates to merchants. Just wondering from our service provider perspective, are we going to experience any pressure in terms of expenses or like services charge? Yes, any qualitative colors would help.

Bin Lu ***Baozun Inc. - CFO***

Yes. It's Robin. Yes, about your first question, I think we do experienced some kind of like a slowdown in the men's and the women's apparel continuously in Q1, especially in February. And also, we experienced the delay of the new store opening for the new brands. So in balance, we think it really depends on the specific brands, who enjoy what growth rate in Q1 or the downturn in Q1. But in general, I will say our GMV will still grow at least 10%. And also, that's partially contributed by the new brands that we acquired in the last year, which -- less than 12 months. And the second question, roughly, yes, we do see some financial pressures in some of our brands, but not all. And at this moment, I think we didn't experience anything about the term change or something because they rely more on the online sales to drive up their overall prices. And additionally about the service space, which is accounts receivable, at this moment, we see some delay of the payment, but we closely monitor the collection process. And up to now, we think that's pretty normal, except with the exception of some delayed payments by the partners.

Operator

All right. Now I would like to hand the call back to Ms. Wendy Sun for the closing remarks.

Wendy Sun ***Baozun Inc. - IR Director***

Thank you, operator. In closing, on behalf of the Baozun management team, we'd like to thank you for your participation in today's call. If you require any further information or keen to visit us in China, let us now. Thank you for joining us today. This concludes the call.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may now all disconnect.