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PRESENTATION

Operator

Good morning, ladies and gentlemen, and thank you for standing by for Baozun's Fourth Quarter and Fiscal Year 2022 Earnings Conference Call. (Operator Instructions) As a reminder, today's conference call is being recorded.

I'll now turn the meeting over to your host for today's call, Ms. Wendy Sun, Senior Director of Corporate Development and Investor Relations of Baozun. Please proceed, Wendy.

Wendy Sun Baozun Inc. - IR Director

Thank you, operator. Hello, everyone, and thank you for joining us today. Our fourth quarter and full year 2022 earnings release was distributed earlier and is available on our IR website at ir.baozun.com as well as on Globe Newswire services. We have also posted a PowerPoint presentation that accompanies our comments to the same IR website, where they're available for download.

On the call today from Baozun, we have Mr. Vincent Qiu, Chairman and Chief Executive Officer; Mr. Arthur Yu, Chief Financial Officer; and Ms. Sandrine Zerbib, President of Baozun Brand Management. Mr. Qiu will review the business strategy and company highlights followed by Mr. Yu, who will discuss financials and share more regarding the business development of Baozun e-commerce. We will then pass the call to Ms. Sandrine to address more about Baozun brand management. 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 the U.S. Securities Exchange Act of 1934 and the U.S. Private Security Litigation Reform Act of 1995. These forward-looking statements can be identified by terminologies such as will, expect, anticipate, future, intend, plans, believes, estimates, confident, potential, ongoing target, looking forward or other similar expressions. These forward-looking statements are based upon management's current expectations and current market and operation conditions and related to events that involve known or unknown risks, uncertainties and other factors of which are difficult to predict and many of which are beyond the company's control, which may cause the company's actual results to differ materially from those in the forward-looking statements.

Further information regarding these and other risks, uncertainties or factors is included in the company's filings with the U.S. SEC and in announcements, notice or other documents published on the website of Hong Kong Stock Exchange. All information provided in this presentation is as of the date and it's based on the assumptions that the company believes to be reasonable as of today. The company does not undertake any obligation to update any forward-looking statements, except as required under applicable laws.

Finally, please note that unless otherwise stated, all figures mentioned during this conference call are in RMB with appropriate rounding.

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

Wenbin Qiu Baozun Inc. - Co-Founder, Chairman of the Board & CEO

Thank you, Wendy. Hello, everyone, and thank you all for your time.

The tough environment persisted in the fourth quarter, making the entire 2022 a challenging year. Specifically, ending the COVID zero policy resulted in a significant outbreak of COVID cases in late 2022 that led to a nationwide disruption in supply chain and logistics, along with the worst-ever consumption sentiment. We witnessed a general decline in sales across different categories, channels and cities. Reflecting the lower consumer spending our revenue declined approximately 20% year-over-year in the fourth quarter.

However, we are glad that despite the weaker top line, we achieved higher operating profit and recorded positive cash flow for the fourth quarter. We were able to achieve this under such a difficult and unpredictable environment by making sure operations were uninterrupted, relying on our battle-tested technology and regional service centers. In addition, our reform of employee compensation and incentive programs also generated higher productivity. As a result, we were able to improve the quality of our earnings.

Indeed, the COVID in the past 3 years, has had a dramatic impact on people's daily life. Just like long COVID, it also has a long-term impact on consumer confidence. While we observed a modest rise in China's retail industry this February, we believe a full recovery in consumer sentiment will take time. In spite of this difficult environment, it is encouraging to see that many of our brand partners have remained committed to invest in China for the long term, especially with regards to technology, digitalization and local marketing to serve Chinese consumers in local relevant ways.

Looking forward, we see a rapid emerging of online and offline commerce, which represents a huge opportunity. We believe it is our expertise in technology for the service of brand operations, that fundamentally defines who Baozun is.

As shown on Slide #3, adhering to our vision of "Technology Empowers Future Success", our technology and operating platform serve as a unified and solid foundation that powers our broadened scope of service and markets. Baozun now has 3 major business lines: Baozun E-commerce, BEC; Baozun Brand Management, BBM; and Baozun International, BZI

Baozun E-commerce or BEC, remains our core business. In recent years, in addition to leading the way and helping brand partners accelerate their digital transformation, we continued to improve our value-added services, upgrade BEC's integrated operating platforms and the middle office systems for better accountability, efficiency and flexibility. We also diversified our category mix, made complementary business acquisitions and invested in our people. I would like to highlight one person in particular, Arthur Yu, who was instrumental in every aspect of this advancement to make our e-commerce business more resilient and balanced. Naturally, as we expand our scope and markets, I'm thankful to Arthur for accepting the additional role of President of BEC in addition to his role as Group CFO. For additional BEC highlights and objectives, I will let Arthur discuss later in the call.

Baozun Brand Management, or BBM, is our focus for growth and profitability over the next 3 years and beyond. Consumers now prefer brands powered by China-for-China products and communications, offering China tailor-made updates and iterations. Clearly, in addition to e-commerce and digital business solutions, brands need brand management powered by technology and digitalization. As you may recall, on February 1 of this year, we completed the acquisition of Gap Shanghai. Gap's operations in Mainland, Hong Kong and Macau China are now a part of Baozun Brand Management, led by Sandrine Zerbib, President of BBM; and Wing Xiao, the newly appointed CEO of Gap Greater China. With a core team of functional experts who understand both China consumers and local market dynamics, we have confidence in our China-for-China strategy and digitalization initiatives for Gap Greater China. For BBM's highlights and objectives, I will let Sandrine discuss later in the call.

Baozun International or BZI, is a longer-term opportunity that we will patiently invest in and explore. We have a natural opportunity to replicate our China e-commerce success. We work with brand partners to co-develop "glocalization". Glocalization is a term combining "global" and "local", and refers to our philosophy that while we pursue global opportunities, we will rely on local expertise and resources. Where necessary, we will form local strategic alliances. We are initiating some trials in Southeast Asia and Europe. As a sneak peek, in Southeast Asia, we have already established the region's headquarters in Singapore and operations in 6 markets in the region. With our technology, IT infrastructure and data advantage, brands that wish to expand into Southeast Asia are excited to engage with us.

This February 2023, we made an important minority interest investments along with a board seat in Branded Lifestyle Asia Limited. It is a leading premium fashion retailer with a strong brand portfolio that includes Blue Dog and Roots, and a proven track record in South Korea and Taiwan. Fung Group, a global leader in the consumer goods supply chain is a majority shareholder. We have also entered into a strategic cooperation agreement to become the preferred strategic service provider for the e-commerce operations in Asia outside of the PRC. Baozun and Fung Group are setting up a strategic technology committee to jointly develop an enterprise-wide technology strategy, covering proposals for ERP, technologies, systems and platforms suitable for digital transformation.

We're excited about overseas opportunities. Although we don't aim to immediately generate meaningful revenue from Baozun International in the next 3 years, I'm adopting an entrepreneurial mindset for international expansion. I will personally chair the development of Baozun International in a technology rooted approach.

As we expand our scope, we now have increased our addressable market and revenue sources. Clearly, BEC represents our existing China e-commerce revenue stream, while BBM and BZI are incremental opportunities providing tangible growth path over the next 5 years. With greater business diversification and expanded leadership, we are confident in our road map.

Let me now pass the call over to Arthur. Thank you.

Arthur Yu Baozun Inc. - CFO

Okay. Thank you, Vincent, and hello, everyone. It's a great pleasure to communicate with you for the first time as the Group CFO and President of Baozun E-commerce. I will do a quick review of the financials of the fourth quarter and full year of 2022 following by a business update on Baozun E-commerce.

Now please turn to Slide #4. Despite the weak consumption sentiment, our total GMV showed resilience and was nearly flat on a year-over-year basis, benefiting from a diversified category mix. FMCG outperformed with high double-digit growth, while appliance contracted the most. Our net revenues declined by 20% to RMB 2.6 billion, of which product sales declined by 37% and service revenue decreased by 8% compared with the same period of last year.

Let's turn to Slide #5 for a breakdown of revenue. We continue to prioritize the service model, especially focusing on value added service in digital marketing and IT services, while reducing low-quality product sales during the quarter. Digital marketing and IT solutions decreased by 7%, mainly due to brand partners reduced the marketing budgets. Warehousing and fulfillment service revenue declined by 13%, of which 10% was due to the disposal of Baobida, the delivery business, representing a 3% reduction in an apples-to-apples comparison basis.

In addition, our service revenue from apparel and accessories, despite a lower GMV in category, continue to grow during the quarter, reflecting higher take rate for deeper service penetration. In total, revenue from service declined by 8% year-over-year. Our total product sales declined by 37% during the quarter, reflecting the weak consumption sentiment towards appliance category, and our continuous efforts in optimization of less profitable product sales from electronics.

Please turn to Slide #6. In this quarter, our cost of products decreased by 38% to RMB 643 million, mainly due to lower product sales. One highlight is the gross margin for product sales improved by 155 bps to 16.7%. Our overall gross margin improved by 770 bps to 74.8%, driven by a combination of higher service revenue mix and improving gross margin of product sales.

Now turning to Slide #7. Our non-GAAP income from operations was RMB 183 million during the quarter, more than doubled than a year ago. Non-GAAP operating profit margin was 7.2%, compared with 2.2% a year ago. During the same quarter of last year, there was a one-off G&A of RMB 44 million related to our move into the new headquarters, and a loss of RMB 13 million from Baobida. Excluding such impact, our non-GAAP operating profit still grew 43% year-over-year. Non-GAAP net income was RMB 168 million this quarter, compared with RMB 89 million in the same period of last year.

Once again, we have prepared waterfall diagrams depicting our analysis of how our top line and bottom line evolved year-over-year. As a

reminder, this analysis is unaudited and should solely be used as supporting numbers to aid discussion.

Next, on Slide #8, this shows our net revenues work from Q4 of 2021 to Q4 2022. In red, you can see that the biggest item impacting our revenue this quarter was product sales, as we just talked about. Revenue from DM and IT services has shown resilience. And warehouse and logistics revenue, excluding the disposable of Baobida, declined by 3%. Excluding the impact of such disposal, the apple-to-apple revenue declined by 17%, of which service revenue declined by 4%.

Now please turn to Slide #9 for the indicative walk of non-GAAP operating profit. In light of the weaker consumption sentiment, we have implemented several cost optimization initiatives, including centralizing our operating capabilities, rationalizing incentives and consolidating office footprint since the beginning of 2022. More than 1,600 of our customer service staff are now located in regional service centers. By utilizing some S-ANY modules across regional service centers, we lowered cost, increased service flexibility and agility to better cope with COVID-induced turbulence. For full year 2022, we generated over RMB 30 million in savings from regional service centers.

Another major cost saving initiative is through the introduction of Baozun Business Ownership (BBO) compensation framework, which provides higher performance incentives linking to improvement in productivity, quality and sustainability. We achieved another RMB 50 million cost savings from BBO initiative in 2022.

This quarter, we are seeing profitability leverage, especially with the strong seasonality of China e-commerce in the fourth quarter. And the leverage applies to almost all categories and all service models. I believe the chart is self-explanatory. I just want to highlight the disposal of Baobida, which generated a profit saving of RMB 13 million and product sales bottom line deteriorated by RMB 12 million due to weak top line as well as higher product costs related to default and imperfect products due to higher return rates.

Now turning to Slide #10 about our cash flow. As of December 31, 2022, our cash, cash equivalents, restricted cash and short-term investment totaled RMB 3.1 billion. In light of the macro uncertainties, we continue to improve the working capital efficiency, and our initiatives to further advance our back-end processes to improve inventory management, billing and collection activities have proven to be effective. During the quarter, our total operating cash flow grew by 17% to RMB 622 million.

Please turn to Slide #11 for a quick full year summary. We ended 2022 on a solid note with total GMV of RMB 84 billion, an increase of 19% year-over-year. Our non-GAAP operating profit is RMB 256 million, an increase of 14% year-over-year. Annual operating cash flow reached RMB 367 million, a new record since our inception. And our balance sheet also remained solid with RMB 3.1 billion in total cash. In summary, despite a challenging year, our business model delivered positive non-GAAP operating profit and cash flow.

I want to quickly mention that given our new group structure, we will begin reporting segment financials in quarter 1, 2023 to better reflect our business activities. Along these thoughts, we will stop reporting quarterly GMV metrics, as this metric has become less indicative of our actual group performance.

I'd like to take this opportunity to share some progress we made in the Baozun e-commerce during last year. Right at the beginning of 2022, we stressed that our overall goal is high-quality sustainable business [development] (corrected by the company after the call). To achieve this goal, we continuously make efforts for our services to be more customer-centric, diversified our business models through innovation and continuously optimized our cost structure.

Let me share some specific items on Slide #12.

Our omni-channel end-to-end value-added services are highly recognized by customers. By the end of the year, we have 42% of our branded partners engaged with us on an omni-channel basis. We further enhanced our service penetration with value-added service accounting half of our revenue stream. By end of 2022, we have a total of over 400 brand partners. And some of these brands engage with us firstly in value added service of technology and digital marketing.

Our regional service center, RSC, continues to expand, reducing cost and increasing efficiency while improving the service quality.

We launched BOCDOP to deepen the commercialization of technology and explore new market opportunities.

Our logistics and warehouse division further enhanced this strategic cooperation with Cainiao.

We published Baozun Carbon Neutrality White Paper, clarifying the dual carbon goal and releasing sustainable development responsibilities in multiple dimensions.

On November 1, 2022, we officially become a dual primary listed company on the main board of the Hong Kong Stock Exchange and NASDAQ Global Select Market.

And lastly, in 2022, we won the Best Employer Brands Award for the 7th consecutive year. This exemplifies our business development has always been in harmony with social responsibility.

Our business philosophy is to put customers first and create value for them. Throughout the year, we continue to help our brand partners with initiatives for innovative user engagement and to find on customer journeys. These innovations include fan-generation campaigns, AI-based short video creation tools, game-based interactive social marketing, and business in halogen dashboards to improve decision-making effectiveness.

For instance, in last year's Double 11, our efforts enables one of our brand partners, a leading international sportswear brand, not only ranked #1 brand in GMV generation, but also #1 in traffic, #1 in live streaming, along with #1 in membership acquisition. This is a demonstration of how we empower our brand partners and of our commitment to facilitate our brand partners' success.

This commitment also applies to our new journeys in Baozun Brand Management, so let me now turn the call over to Sandrine to elaborate more on BBM.

Sandrine Zerbib Baozun Inc. - President of Baozun Brand Management

Thank you, Vincent and Arthur, and thank you all for joining us today. It is my great pleasure to speak with you. As we have previously stated, Baozun Brand Management is a strategic addition that naturally flows from existing core e-commerce service business. BBM, Baozun Brand Management, is a holistic, all-rounded partner for global brands to further unlock their business potential in China. Our technologies and insights enable us to forge a sustainable, symbiotic relationship between physical retail and online commerce. We aim to deliver the best-in-class, seamless omni-channel experience by integrating the digital and the physical at scale, and succeed where few have done so in retail.

Please turn to Slide #13, Baozun Brand Management. Today's digital transformation impacts every aspect of business in general and of brand business in particular, from integration of online and offline stores, increasing share of marketing budgets to digital marketing and the accelerating use of big data and AI in brand product creation cycle and customer relationships. Baozun is exceptionally positioned to leverage its leading technology portfolio and insights accumulated in the past 15 years, serving top leading global brands.

BBM approaches brand management holistically, from online to offline, from supply chain to marketing, go-to-market and distribution. We aim to grow a portfolio of brands under BBM. We are positioning in the mid-end and premium consumer lifestyle brand segment, and we target brands with strong potential in China and Asia, and strong digital presence.

Now let me provide you with a high-level summary of our first 50 days post acquisition of Gap, the first brand that has entered the BBM portfolio. Gap is an advantageous starting point for us in this line of business. In our business arrangements with Gap, we secured complete control of the supply chain, which with Gap's scale, will enable us to accelerate the establishment of a modern, technology-driven, flexible and responsive supply chain that will be leveraged for the entire brand management portfolio. Likewise, we have started already to work on our technologies to turn them into state-of-the-art systems to manage retail across all channels. And last, but not least, Gap is a formidable chance for us to rapidly strengthen the talent pool for brand management's new line of business.

Our first 50 days have confirmed the diagnostics we had made before the acquisition, and the focus on product and margin -- gross margin we were planning for is fully confirmed by our first observation. Eventually, execution is everything. In addition to mobilizing the best experts at Baozun to fully leverage Baozun's resources, we have started to identify key resources to contribute to the execution of our plans and are building the necessary ecosystem to rapidly increase our competencies in the management of Gap China.

As you know, apparel retailing is a seasonal and cyclical business, and therefore the changes we are making will take at least several quarters to bring measurable results. Product commitments and purchases for the first half of 2023 were made before our acquisition of Gap Greater China, and we are only able to meaningfully impact products from winter 2023.

Having said that, we've been very active. With Wing at the helm, we've been able to quickly identify and hire excellent top-level experts, including local designers, supply chain specialists and a proven financial officer for Gap. These are the experts, along with HR and production specialists, that will propel forward our focus on China-for-China products and communication and optimize Gap Greater China supply chain to be closer to market needs, improve on costs, expand gross profit and ultimately achieve net profit.

We also quickly tested a limited higher-priced product capsule in collaboration with one of China's rising stars in street fashion. In this release, we started at a significantly higher price point, which is 4x Gap-typical price point. And yet, we were able to sell half of the inventory in a couple of weeks at 0 discount. On the first day of release, the highest priced item had sold out within 1 hour, and our Tmall's ranking climbed from rank lower than 30 to #8. This test offered an excellent opportunity to practice our integrated marketing, and we're glad to have won the attention of a younger audience. This is something that we were able to ideate and execute at blazing speed and that proves the validity of our strategy and plan.

We have also been able to fully leverage China post zero COVID recovery and to enjoy 22% growth in retail traffic over 500 basis points retail gross margin improvement in the last 10 weeks. While we are still very early in the Gap transformation, we believe our ability to quickly establish a strong local team and successfully test new launches validate that our analysis for the Gap acquisition was right. We are confident that Gap is now on the right track.

Since our closing of the Gap Shanghai acquisition, many other brands have come to us to discuss the China-to-China strategy and our technology-driven approach. These are the brands genuinely wish to explore possible cooperation with BBM, which further strengthens our confidence that BBM will meaningfully expand Baozun's total addressable market. It has become obvious that our brand management offering can add more to our value proposition and differentiate us from traditional service providers.

With all this being said, I shall now hand over the call back to Arthur. Thank you.

Arthur Yu Baozun Inc. - CFO

Thank you, Sandrine. Overall, our effectiveness in maintaining operations and supporting our partners' success during this period of macro uncertainty once again proved the durability and strength of Baozun's business model. Throughout 2022, we prioritized high-quality business development, partnered with value-added service and continued to improve cost optimization and working capital efficiency. Our efforts started to bear fruit in terms of higher gross margins, lower operating expense and better cash flow. We are confident that our technology-driven capabilities will help us to pursue incremental growth opportunity in BBM and Baozun International. Meanwhile, for Baozun E-commerce, we will put customer first and increase value-added service penetration to drive quality revenue and earnings growth.

In light of our consumption recovery in China, for BEC, we are confident that our top line in 2023 will return to growth, and our non-GAAP operating profit will expand by double digits year-over-year. For BBM, our top priority is to stabilize that China top line, while narrowing its loss in 2023. For Baozun International, we do not yet expect significant contributions to revenue and operating profit in 2023. But it is a strategic initiative for longer-term growth.

In 2023, we project the Baozun Inc's. total revenue will grow above 25% year-over-year. And as BEC's operating profit and cash flow should be able to cover investments required in BBM and Baozun International. We focus, Baozun Group will achieve positive operating profit and cash flow in 2023.

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

QUESTIONS AND ANSWERS

Operator

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

Alicia Yap Citigroup Inc., Research Division - MD & Head of Pan-Asia Internet Research

I have 2 questions. First, can management elaborate a little bit the latest consumption sentiment over the past few months, especially on the discretionary category? I'm also more interested in regarding to the domestic brands versus the international brands, specifically on the sports -- international sports brand. Have you seen a decent rebound from the international brands?

And then second question is related to the overall e-commerce space. Given there's a number of e-commerce platform continue to further diversify their sales promotion to smaller or more frequent kind of the billion type of subsidy rather than concentrating the sales effort in the 2 promotional period, like the June 18 and Singles' Day. How will that affect Baozun's sales seasonality for your domestic business this year? Do you think the brand partners are ready for some of these shifts?

Arthur Yu Baozun Inc. - CFO

Okay. Thank you, Alicia. This is Arthur. Let me address your 3 questions in turn. So the first one, so basically, we have seen a recovery of the consumer confidence level, but this is slower than our expectation. And particularly, we have seen some categories, which related to travel doing pretty well. So for example, the outdoor and also the apparel, we have seen that start to recover.

We also seeing the consumers become more conservative and sensitive on price. So for example, the affordable luxury and also the mass market section has grown pretty well.

We're also seeing a mix of performance, which the execution of the brand themselves become really important. And so it's critical for a brand to know their own strategy on product, on channel strategy and also how to implement strategy. So that's the first one.

So second one related to the international brands and local brands. So it's actually a mixed picture. We have seen some international brands doing very well. We're also seeing some domestic brands doing really well. I think the key is not about whether it's an international brand or a domestic brand. It's about why the brands can adopt a suitable strategy, i.e., a China-for-China strategy, which includes the product selection, how they utilize the omni-channel on e-commerce we have in China today.

And also whether the brands can utilize the IT and also data they accumulate to give them the insight to really drive the top line sales. So that actually represents an opportunity for Baozun, where our value-added service now has accounted for more than 50% of total revenue we generate. So that's where we can add value to the brand.

And in terms of the focus and also how it impacts Baozun, I think it actually represents a good opportunity for Baozun. So for example, we have seen the international brands their senior management haven't been in China for a long time, they really would like to know in this post-COVID situation, how are they going to deploy a suitable strategy for China. That's where Baozun can come in to give them a lot of advice.

So for example, if they need a tailor-made solution to better improve efficiency, we can give them the advice how to do it. And also we can introduce our Baozun technology, tools and systems to them. If they are interested in how to drive up the return of investments, our digital marketing offer will help them to achieve that. Unless they would like to adopt the online merge offline type of operation, Baozun Logistics will be able to help them to achieve that.

So overall, I think the current situation actually offers a good chance for Baozun to grow our service, especially the value-added service.

Operator

We'll take the next question from Violet Yi from China Renaissance.

Rujia Yi China Renaissance Securities (US) Inc., Research Division - Research Analyst

So I got a question on the development of non-Tmall channels. So do you see any changes in the competitive landscape in the non-Tmall channels? And any breakthroughs or strategies that you could share? And maybe a quick update on the take rate trend?

Arthur Yu Baozun Inc. - CFO

This is Arthur again. Thank you for the question. I think non-Tmall channel has become more competitive, given the different platform has start to fight for the traffic. And what we have seen is many brand partners chose an omni-channel strategy, which means outside of the Tmall, how they choose the channel becomes very important.

And from Baozun's perspective, we think each channel has their own character. The most important thing is to deploy the right product to the channel by understanding the customer base of each channel. So that's how we currently help a lot of the brands we partnered with to design and to implement a suitable strategy for this omni-channel on the e-commerce.

In terms of the take rate, I think it will depend on the different categories. I think the take rate trend has become more competitive. But at the same time, if we can focus the right level of resource on the right channel, we will be able to optimize that end result.

Operator

Our next question comes from Andre Chang from JPMorgan.

Andre Chang JPMorgan Chase & Co, Research Division - Analyst

I have 2 questions actually related to the BBM business. So firstly, as Sandrine mentioned, we will do a lot of the consolidation and introducing the best talent and the resources from Baozun. Can you elaborate more about like what are the area that probably we think that the most improvement can be done? And also for us to understand the pace, right, will the changes happen very front loaded in the first half this year? i.e. leading to more financial pressure for the group in the first half? Or will it take time to show this kind of like consolidation and the financial impact, but maybe throughout this year into later part of this year?

And second is that I think beyond Gap, we are going to introduce more brands, right, and started to have a portfolio. Can we talk more about this approach? What are the potential, say, synergy and how we are going to manage the portfolio? And what kind of scale we expect this to grow in the longer term?

Sandrine Zerbib Baozun Inc. - President of Baozun Brand Management

Okay. So let me go one by one. I start with your first question, which is about, if I understand it correctly, is about how we plan to leverage the resources at Baozun. And on this, very clearly, and it's already in action with Gap, we see primarily technology, logistics and e-commerce operations as resources where Baozun is expert and can speed up and accelerate the recovery of Gap in Greater China.

To take a very concrete example, I think I mentioned earlier that we are working at full speed to bring actually the portfolio of technologies of Baozun and to develop them to also be usable for a retail -- physical retail operation, and for certain aspects of the supply chain. So this is really where we focus the leveraging of Baozun resources. I mean, obviously, when it comes to back-office resources, Gap has its own back office, but is also fortunate to have this company backing their operations, for instance, for legal or finance. That's for your first question, okay?

So then your second question is about the time. And I think from the very beginning, and we restated again today that, obviously, in this kind of business, purchases are made well in advance, specifically before we took over because we now plan to really put in place a faster supply chain that it was not the case before, which means that most of 2023 is already purchased. And that the impact we can have on product is fairly limited for 2023 and will be much more measurable at the very end of '23 and from '24. That's for the impact on products, but obviously, the impact on product has a direct impact on growth and gross margin.

Having said this, there are still some low-hanging fruit that we are working on as early as now. And as we had announced when we made the acquisition, we plan to reduce the loss very significantly this year, to continue to further reduce the loss next year and to reach a breakeven point in '25. This is the tempo we have planned for, and that is confirmed today. So this is to address your first lot of questions, which were more about Gap.

Then about the other brands, right now we are in discussion with a number of other brands, which are potentially a bit different in terms of positioning from Gap in the sense that a lot of the brands we are in discussion with are more premium without being luxury, but just a little bit higher positioning than Gap. However, these are brands where we see a lot of synergies. That's also why, for the time being, we focus more on apparel, footwear accessory brands, because, again, everything we're doing in terms of logistics, e-commerce operation and technology, particularly with regards to supply chain, as well as leveraging the resources we have recruited for the recovery of Gap Greater China are going to be usable for other brands when we remain in this area in this segment of business. This is my answer to your question, Andre.

Operator

Our next question comes from the line of Sophia Tan from Credit Suisse.

Sophia Tan *Crédit Suisse AG, Research Division - Research Analyst*

I have one question on behalf of Ashley in terms of the Gap business outlook for 2023. Can management please share some color on the financial and operational metrics that is better to look at if we'd like to track performance of Gap? And how do we think about the financial impact of both top line and bottom line for this year?

Sandrine Zerbib *Baozun Inc. - President of Baozun Brand Management*

Okay. Go ahead, Arthur. That's perfect. Okay. That's fine.

Arthur Yu *Baozun Inc. - CFO*

So for the financial, I will make some comments. And then maybe Sandrine can add some colors from the operation perspective. As we mentioned earlier, so basically turning around Gap Greater China is a medium- to long-term effort. So basically, we are looking at a 5-year journey to turn this around. So basically, for the 5 years, we expect our top line CAGR to grow more than double digits. And we expect to break even from both profit and also cash flow perspective by 2025. And in 2023, as we just mentioned, a lot of the decision in terms of the product and the channel strategy has already been made.

Therefore, our aim for 2023 is to stabilize from a financial perspective and also to narrow down the losses of the Gap Greater China in 2023. But the good thing is from the profit and cash flow of Baozun E-commerce business, we are more than enough to cover the investments we need for Gap Greater China. So overall at a group level, our profit for this year will be positive and our cash flow for the group level will also be positive.

Sandrine, would you like to add anything?

Sandrine Zerbib *Baozun Inc. - President of Baozun Brand Management*

Well, I think you said pretty much everything. But indeed, today is mainly a stabilization. However, we still are going to grow the top line this year to a certain extent. And already, we see some positive signs on the gross margin. The gross margin, from the very first day we told you, is a key aspect of recovery, and we already start seeing some positive signs.

But overall, talking about the metrics, obviously, it's about the top line, the growth of the top line. It's about the gross margin. It's about the profit, the positive cash flow and the efficiency of our operations. So this is the metrics by where we actually assess the progress we're making on this business. And for the time being, we are on track. But as Arthur stressed, it's a mid- to long-term journey.

Operator

Next is a follow-up question from the line of Violet Yi from China Renaissance.

Rujia Yi China Renaissance Securities (US) Inc., Research Division - Research Analyst

Yes. So my question is, since you're upgrading your business line, BEC, now also BBM and BZI, how should we view your business profile both in the short term scale and also in a longer-term view, say, 3 to 5 years?

Arthur Yu Baozun Inc. - CFO

Thanks for the question. So from a business perspective, we have positioned the overall group into the 3 business lines. So basically, for each of the business lines, we will focus on different things.

For BEC, our goal is to put the customer first and to provide the value-added service, which is the core business, we will remain focused, and we believe given our expertise and experience in this area, and given the e-commerce overall dynamics in China, we still have a huge potential to keep growing in the top line and bottom line for this business unit.

For BBM, our goal, as we mentioned earlier, is to utilizing the experience on technology and digital we accumulated over the last 15 years in China, to transform the Gap Greater China, to make that business a growing business unit overall for the group. So that's our kind of the second wave of growth opportunity. And also the turnaround of Gap Greater China will give us the foundation to build a successful Brand Management Business unit by having the capability in terms of the IT system, the structure, the processes and also the talent.

And thirdly, for Baozun International, it's a long-term investment. So our view is to make sure we can utilize the capability and the experience we accumulated in China. But to adapt that locally for the international market, we selected, i.e. the Southeast Asia and Europe. But that's a long-term investment. And for 2023, we are not expecting that will give us a strong contribution to either top line or bottom line.

So that's the overall profile for the 3 units.

Operator

I'm showing no further questions. I'll turn the conference back to the management team for closing remarks.

Wendy Sun Baozun Inc. - IR Director

Thank you, operator. In closing, on behalf of the Baozun management team, we would like to thank you for your participation in today's call. If you require any further information, feel free to reach out to us. Thank you for joining today. This concludes the call.

Operator

Thank you. That concludes today's conference call. Thank you for participating. You may now disconnect.

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