

Baozun 2Q20 Earnings Presentation

August 2020



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The Company uses certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”) in evaluating its business. These non-GAAP financial measures have limitations as analytical tools. One of the key limitations of using non-GAAP financial measures is that they do not reflect all items of income and expense that affect the Company’s operations. Share-based compensation expenses and amortization of intangible assets resulting from business acquisition have been and may continue to be incurred in the Company’s business and is not reflected in the use of non-GAAP financial measures. Further, the non-GAAP measures may differ from the non-GAAP measures used by other companies, including peer companies, and therefore their comparability may be limited. The use of such non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. See the Appendix for reconciliation between our non-GAAP income from operations, non-GAAP net income attributable to ordinary shareholders of Baozun Inc. to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP, which is income from operations or net income attributable to ordinary shareholders of Baozun Inc.

Initiatives Deliver Quality Growth Despite COVID-19



Deepened collaboration with brand partners and grew high-quality demand

- Capitalized on **rising e-commerce demand** by **deepening collaboration** with our brand partners
- Expanded **service offerings** including creative marketing strategies, omni-channel initiatives and logistics solutions

01

Accelerate transitioning to online retail under COVID-19

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Proven **innovation** and **digitalization** capabilities strongly positioned Baozun for post-pandemic growth

03



Further enhanced operating efficiency

- Set up **Business Operation Center (BOC)** to leverage on shared resource allocations and promote efficiency
- Further **integrate ROSS modules with BOC** to streamline brand operations

02



Strengthened technology footprint around cloud infrastructure and AI

- Developed an integrated **digital operating platform** to drive automation and enhanced intelligence for brand partners
- Focused on **digitalization** and **innovation** to strengthen our competitive moat

04



Accelerated evolution of e-commerce strategies

- **Unique, proven value proposition** attracted more domestic brand partners to our platform through word-of-mouth
- Business unit **Growth Brands Operating Center** was set up for dedicated newly-established brands and domestic brands operation

2Q 2020 Financial Highlights



GMV ⁽¹⁾

RMB 12.8 bn
+31% YoY



Revenue

RMB 2.2 bn
+26% YoY



Brand Partners ⁽²⁾

250
Net add of 11 QoQ + 38 YoY



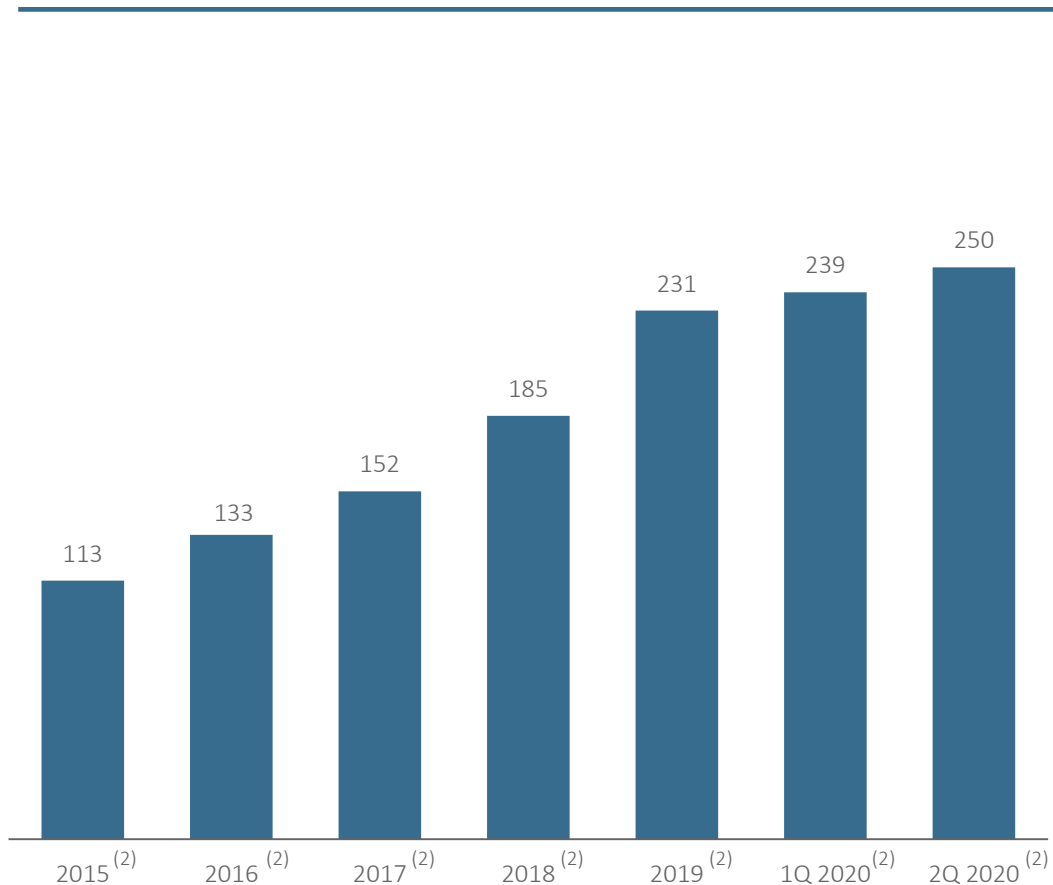
Non-GAAP Income from Operations ⁽³⁾

RMB 187.1 mn
+81% YoY

(1) Gross merchandise volume for the quarter of 2020 Q2, includes value added tax and excludes (i) shipping charges, (ii) surcharges and other taxes, (iii) value of the goods that are returned and (iv) deposits for purchases that have not been settled
(2) As of June 30, 2020
(3) Non-GAAP income from operations is a non-GAAP financial measure, which is defined as income from operations excluding share-based compensation expenses and amortization of intangible assets resulting from business acquisition.

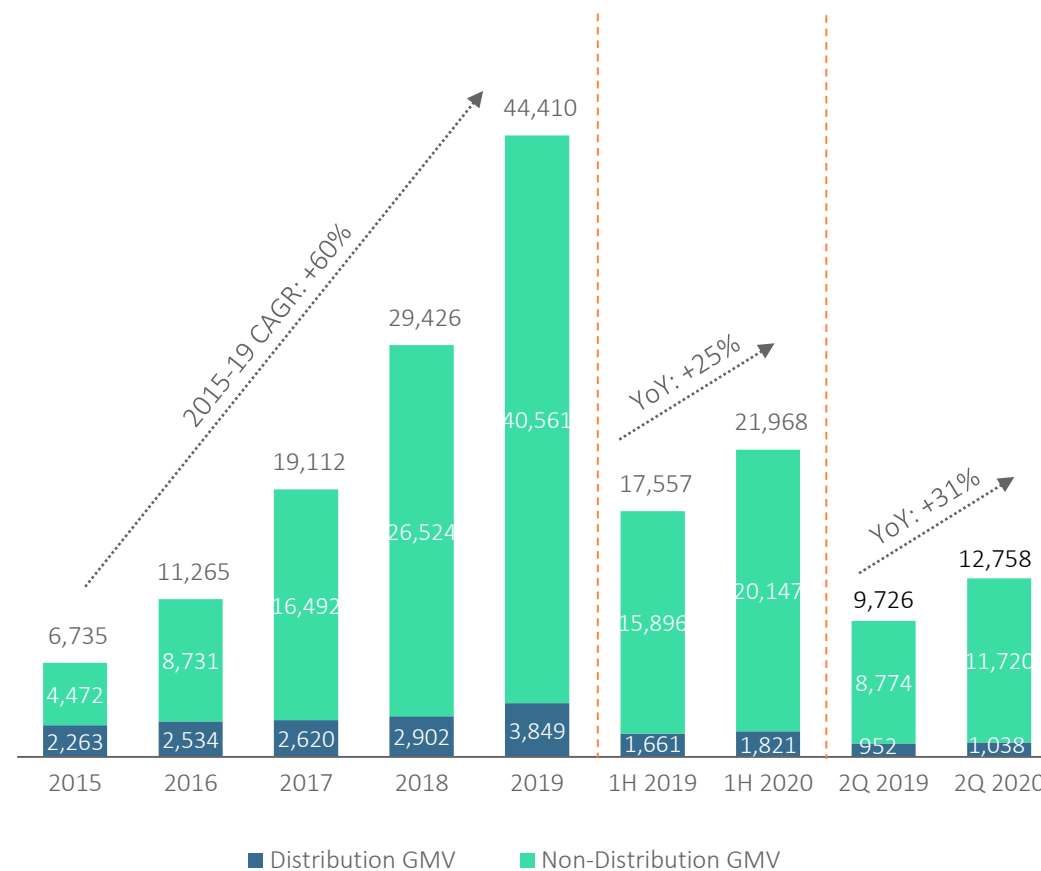
Turbo-Charged GMV Growth Driven by Both New and Existing Brand Partners

Number of brand partners



Total GMV⁽¹⁾

RMB mn

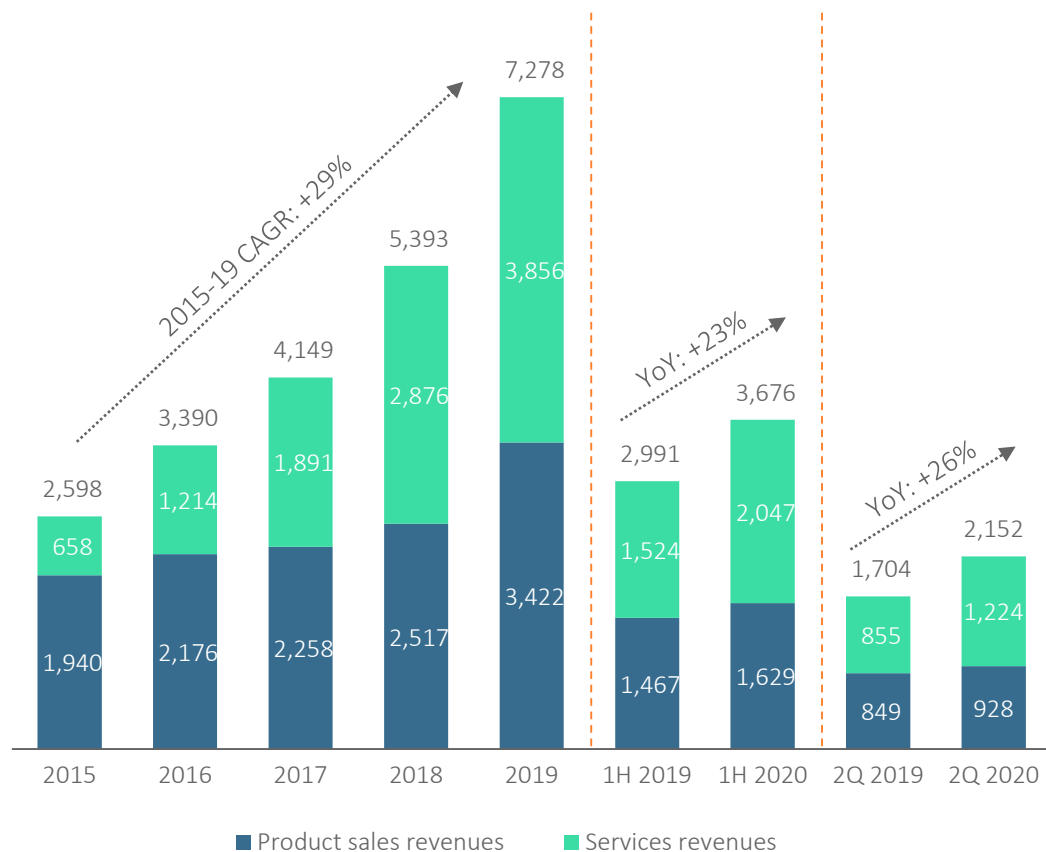


(1) Gross merchandise volume includes value added tax and excludes (i) shipping charges, (ii) surcharges and other taxes, (iii) value of the goods that are returned and (iv) deposits for purchases that have not been settled
 (2) The numbers of brand partners represents are as of the end of each year/period indicated

Robust Revenue Growth with Balanced Business Model

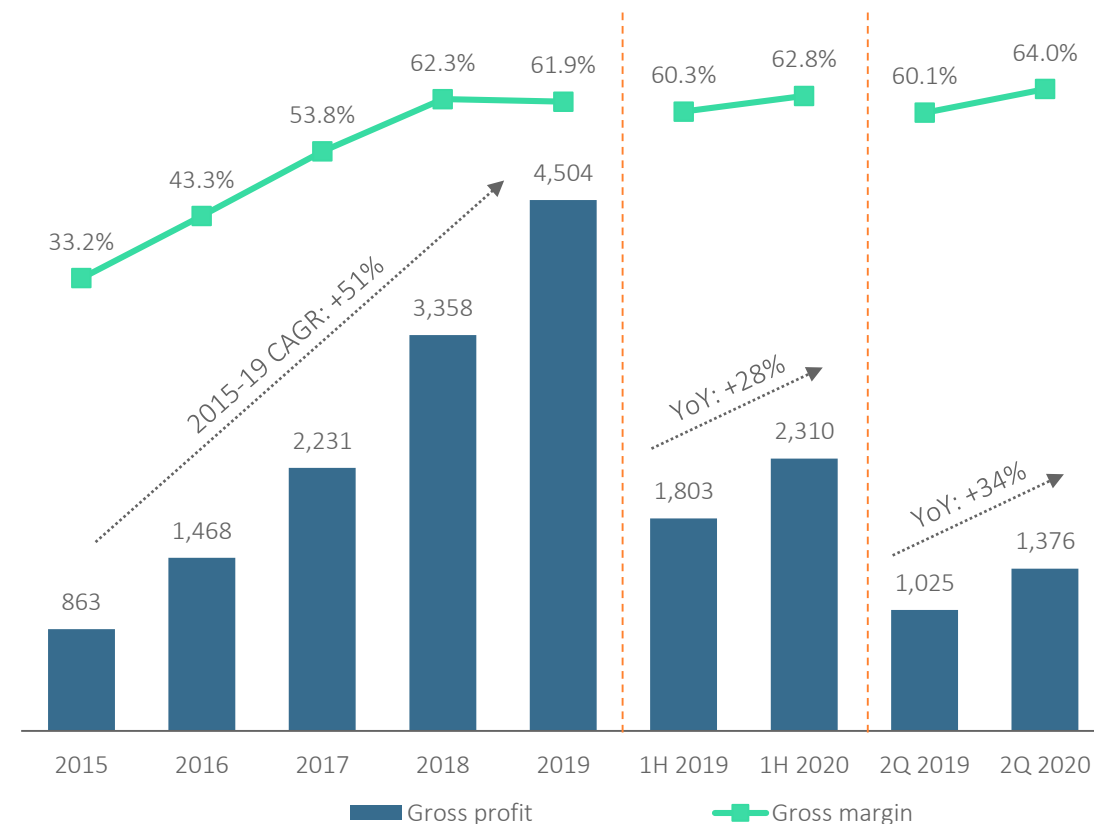
Total net revenue

RMB mn



Gross profit (1)

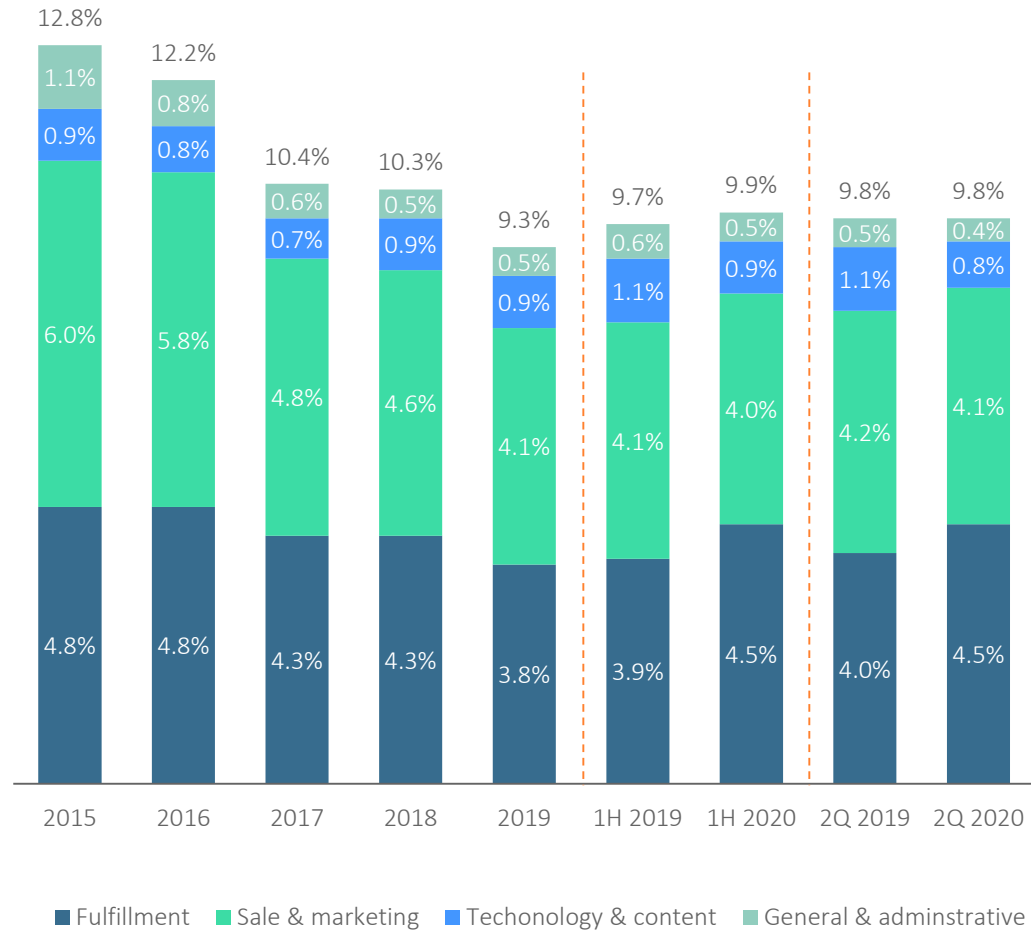
RMB mn



(1) Gross profit equals total net revenues minus cost of products. Gross margin equals gross profit divided by total net revenues

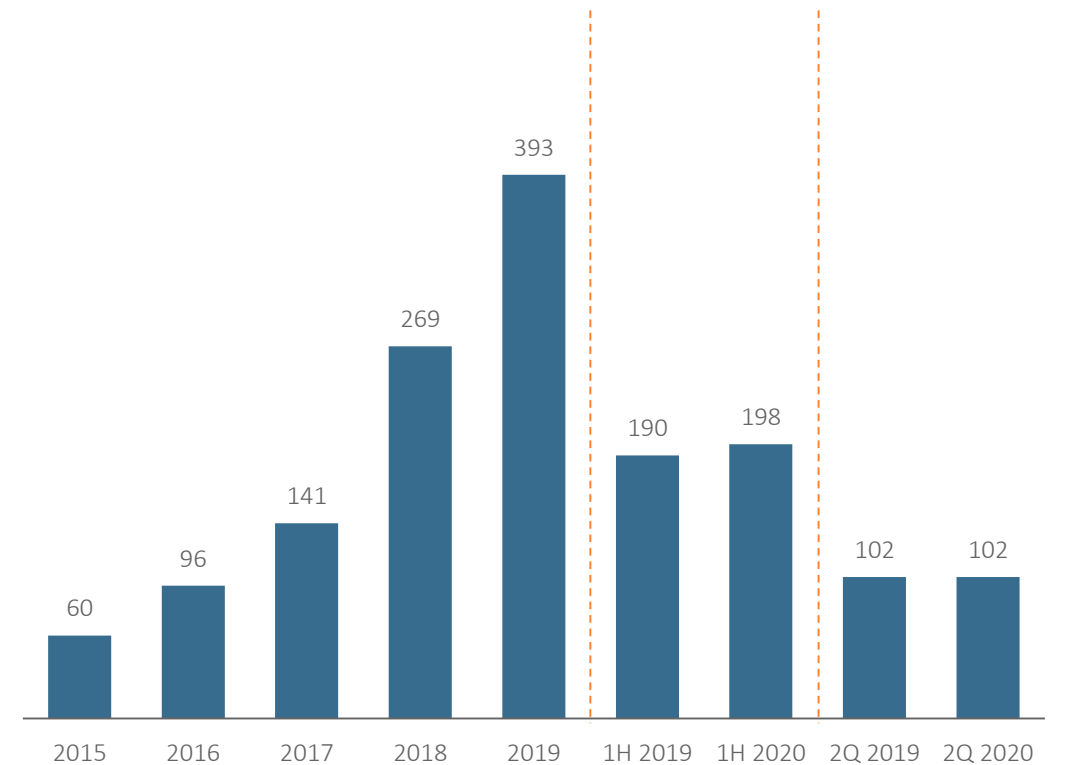
Optimized Cost Structure and Investments in Technology Driving Long-Term Growth

Operating expenses breakdown (as % of total GMV)



Technology and content expenses

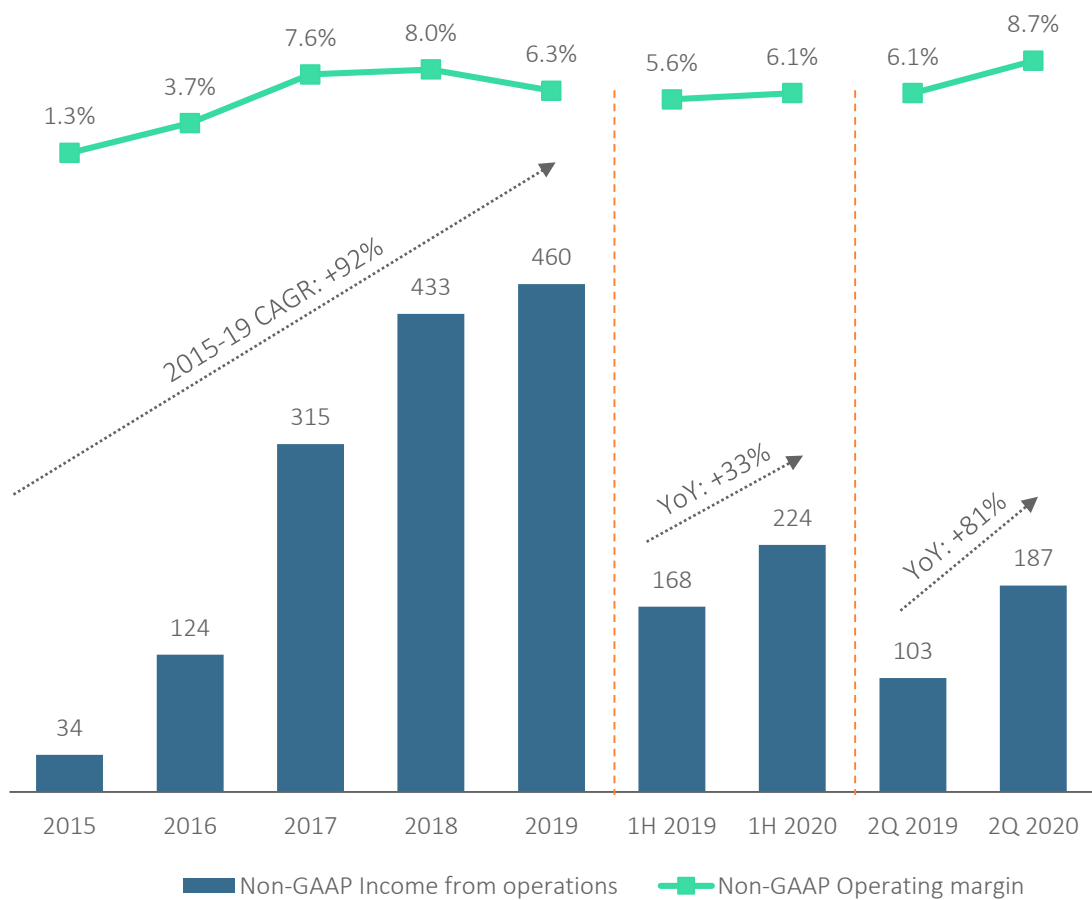
RMB mn



Healthy and Sustainable Profitability

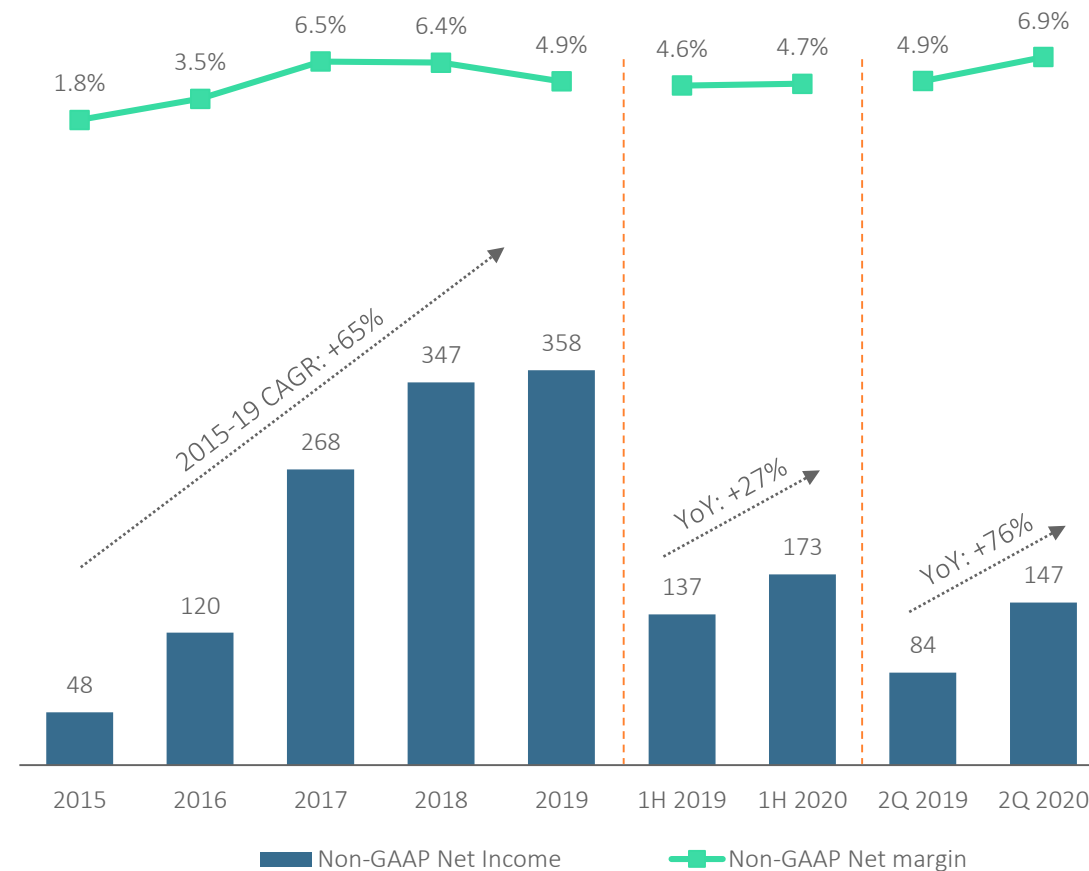
Non-GAAP income from operations (1)

RMB mn



Non-GAAP net income (2)

RMB mn



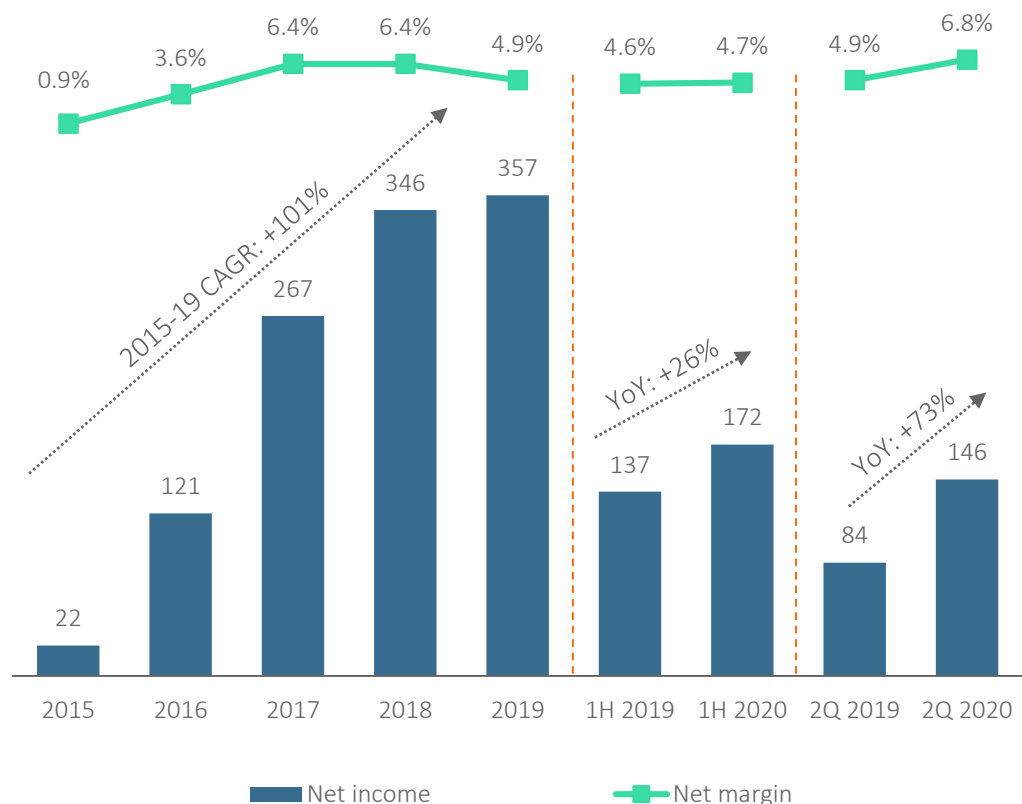
(1) Non-GAAP income from operations is a non-GAAP financial measure, which is defined as income from operations excluding share-based compensation expenses and amortization of intangible assets resulting from business acquisition. Non-GAAP operating margin is non-GAAP income from operations as a percentage of total net revenues

(2) Non-GAAP net income is net income excluding the impact of share-based compensation expenses and amortization of intangible assets resulting from business acquisition. Non-GAAP net margin is non-GAAP net income as a percentage of total net revenues

Healthy and Sustainable Profitability (Cont'd)

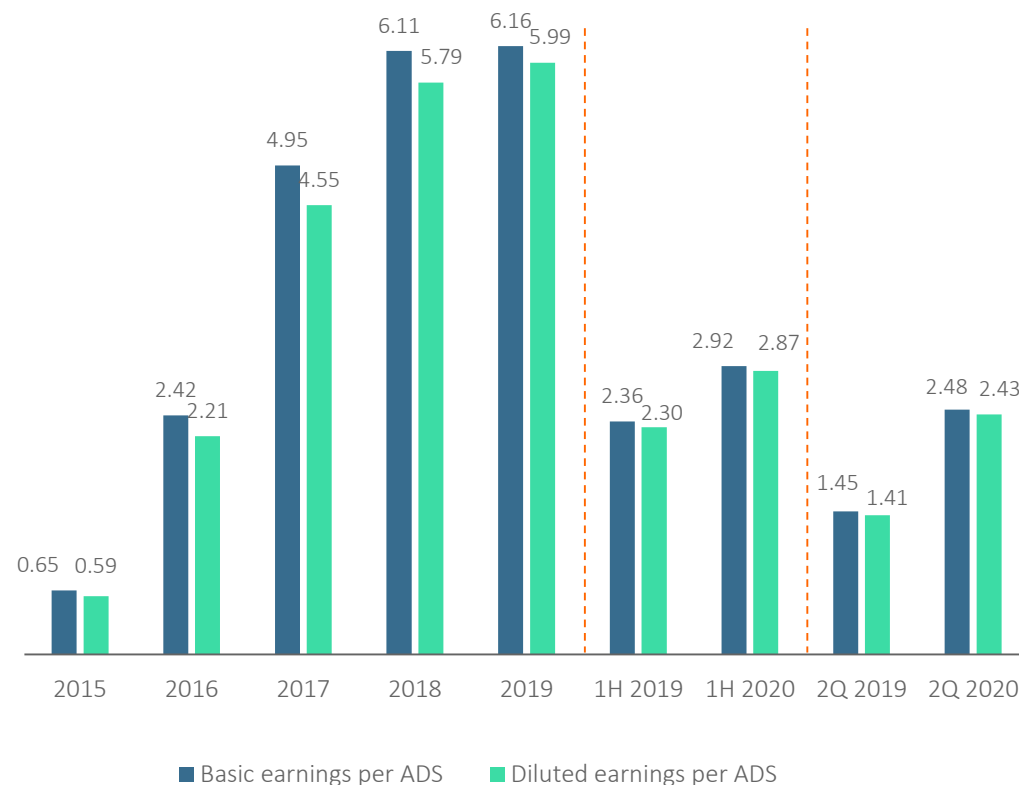
Non-GAAP net income attributable to Ordinary Shareholders of Baozun (1)

RMB mn



Basic and Diluted non-GAAP net income attributable to Ordinary Shareholders of Baozun Inc. per ADS (2)

RMB



(1) Non-GAAP net income attributable to ordinary shareholders of Baozun Inc. is net income attributable to ordinary shareholders of Baozun Inc. excluding the impact of share-based compensation expenses and amortization of intangible assets resulting from business acquisition. Non-GAAP net margin is non-GAAP net income attributable to ordinary shareholders of Baozun Inc. as a percentage of total net revenues

(2) Basic and diluted non-GAAP net income attributable to ordinary shareholders of Baozun Inc. per ADS are non-GAAP financial measures, which are defined as non-GAAP net income attributable to ordinary shareholders of Baozun Inc. divided by weighted average number of shares used in calculating basic and diluted net income per ordinary share multiplied by three, respectively



Appendix



Appendix – Consolidated Statements of Income

in RMB '000	For the year ended December 31,			For the six months ended June 30,		For the three months ended June 30,	
	2017	2018	2019	2019	2020	2019	2020
Product sales	2,257,632	2,516,862	3,422,151	1,466,738	1,628,931	849,153	927,799
Services	1,891,176	2,876,175	3,856,041	1,524,233	2,046,775	855,057	1,224,267
Total net revenues	4,148,808	5,393,037	7,278,192	2,990,971	3,675,706	1,704,210	2,152,066
Operating expenses:							
Cost of products	(1,917,467)	(2,034,852)	(2,774,342)	(1,188,056)	(1,365,889)	(679,232)	(775,783)
Fulfilment	(818,173)	(1,262,302)	(1,678,191)	(679,519)	(988,339)	(391,943)	(575,323)
Sales and marketing	(910,843)	(1,338,970)	(1,815,642)	(724,573)	(888,136)	(413,153)	(521,969)
Technology and content	(140,689)	(268,973)	(392,951)	(190,163)	(198,140)	(102,297)	(102,258)
General and administrative	(116,554)	(154,845)	(215,660)	(97,126)	(103,827)	(51,657)	(53,892)
Other operating income (expense), net	11,250	22,678	(17,753)	20,102	42,067	19,868	37,802
Total operating expenses	(3,892,476)	(5,037,264)	(6,894,539)	(2,859,335)	(3,502,264)	(1,618,414)	(1,991,423)
Income from operations	256,332	355,773	383,653	131,636	173,442	85,796	160,643
Other income (expenses):							
Interest income	13,350	8,017	42,614	15,023	19,670	13,049	9,090
Interest expense	(4,252)	(13,058)	(61,316)	(24,457)	(36,019)	(16,415)	(18,112)
Gain on disposal of investment	5,464	—	—	—	—	—	—
Impairment loss of investments	(6,227)	(9,021)	(9,021)	—	—	—	—
Exchange gain (loss)	(21)	(5,991)	(7,663)	(2,954)	(4,589)	(3,922)	274
Income before income tax and share of income (loss) in equity method investment	264,646	335,720	348,267	119,248	152,504	78,508	151,895
Income tax expense	(54,251)	(64,953)	(71,144)	(19,622)	(32,517)	(12,317)	(29,107)
Share of income (loss) in equity method investment	(1,265)	(996)	4,768	998	2,741	483	(1,719)
Net Income	209,130	269,771	281,891	100,624	122,728	66,674	121,069

Appendix – Selected Consolidated Balance Sheet and Consolidated Cash Flow Statement

Selected Consolidated Balance Sheet Data

in RMB '000	As of December 31,			As of June 30,
	2017	2018	2019	2020
ASSETS				
Cash and cash equivalents	244,809	457,340	1,144,451	1,606,390
Restricted cash	48,848	125,515	382,359	159,910
Accounts receivable, net ⁽¹⁾	1,085,669	1,547,631	1,800,896	1,548,649
Inventories, net ⁽¹⁾	382,028	650,348	896,818	912,175
TOTAL ASSETS ⁽¹⁾	2,978,969	4,015,824	7,096,600	6,891,992
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accounts payable	583,532	886,340	877,093	413,151
Short-term loan	172,000	436,200	428,490	183,480
TOTAL LIABILITIES ⁽¹⁾	1,152,532	1,820,808	4,496,829	4,121,032
Baozun Inc. shareholders' equity	1,809,023	2,177,543	2,568,731	2,739,202
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY ⁽¹⁾	2,978,969	4,015,824	7,096,600	6,891,992

Consolidated Cash Flow Statement

in RMB '000	For the year ended December 31,		
	2017	2018	2019
Net cash provided by (used in) operating activities	(169,074)	(98,502)	301,396
Net cash provided by (used in) investing activities	(639,163)	37,564	(1,133,451)
Net cash provided by financing activities	167,705	331,225	1,776,891
Net increase (decrease) in cash, cash equivalents and restricted cash	(640,532)	270,287	944,836
Cash, cash equivalents and restricted cash, beginning of year	968,151	293,657	582,855
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(33,962)	18,911	(881)
Cash, cash equivalents and restricted cash, end of year	293,657	582,855	1,526,810

(1) Certain reclassifications in accounts receivable, inventories, prepayments and other current assets and accrued expenses and other current liabilities were retrospectively adjusted as a result of the adoption of a new revenue accounting standard effective on January 1, 2018

Appendix – Reconciliations of GAAP and non-GAAP Financial Measures

In RMB '000	For the year ended December 31,					For the six months ended June 30,		For the three months ended June 30,	
	2015	2016	2017	2018	2019	2019	2020	2019	2020
Income from operations	8,451	90,066	256,332	355,773	383,653	131,636	173,442	85,796	160,643
Add: Share-based compensation expenses	25,195	34,185	58,231	75,862	75,183	35,436	49,657	16,960	26,060
Amortization of intangible assets resulting from business acquisition	—	—	782	1,564	1,564	782	782	391	391
Non-GAAP income from operations	33,646	124,251	315,345	433,199	460,400	167,854	223,881	103,147	187,094
Net income	22,621	85,424	209,130	269,771	281,891	100,624	122,728	66,674	121,069
Add: Share-based compensation expenses	25,195	34,185	58,231	75,862	75,183	35,436	49,657	16,960	26,060
Amortization of intangible assets resulting from business acquisition	—	—	782	1,564	1,564	782	782	391	391
Less: Tax effect of amortization of intangible assets resulting from business acquisition	—	—	(196)	(392)	(392)	(196)	(196)	(98)	(98)
Non-GAAP net income	47,816	119,609	267,947	346,805	358,246	136,646	172,971	83,927	147,422
Net income (loss) attributable to ordinary shareholders of Baozun Inc.	(2,711)	86,633	208,866	269,712	281,297	101,071	122,010	67,062	119,771
Add: Share-based compensation expenses	25,195	34,185	58,231	75,862	75,183	35,436	49,657	16,960	26,060
Amortization of intangible assets resulting from business acquisition	—	—	398	796	796	398	398	199	199
Less: Tax effect of amortization of intangible assets resulting from business acquisition	—	—	(100)	(200)	(200)	(100)	(100)	(50)	(50)
Non-GAAP net income attributable to ordinary shareholders of Baozun Inc.	22,484	120,818	267,395	346,170	357,076	136,805	171,965	84,171	145,980



Thank You!

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