



## Baozun Releases 2018 Chairman Letter

April 3, 2019

SHANGHAI, China, April 03, 2019 (GLOBE NEWSWIRE) --

### Dear Shareholders:

We are glad to deliver another solid year, with our Gross Merchandise Value, or GMV, increasing by 54% year over year to RMB29.4 billion in 2018, outpacing the growth of the e-commerce industry in China, while we accelerated our brand acquisition to serve a broader portfolio of 185 brand partners by the end of 2018.

Despite some uncertainties in China's macro environment, e-commerce is still growing at a healthy rate. In 2018, online retail sales of goods and services in China grew by 23.9% to RMB9.01 trillion, accounting for 23.6% of China's total retail market, according to China's National Bureau of Statistics. Already the largest e-commerce market in the world by far, China is poised to become the largest retail market in the world in 2019, edging out the United States. Online shopping is now integrated into the daily lives of China's consumers, and as China's leading brand e-commerce service provider, we believe Baozun is well positioned to further penetrate this market and provide best-in-class service to our brand partners.

We are committed to delivering sustainable value to our brand partners through innovative, value-added solutions that meet their evolving needs. In our view, Baozun is setting a precedent for the next phase of the e-commerce revolution, where omni-channel operations, empowered by technology and data-driven digital marketing, work together seamlessly to significantly improve operating efficiencies and drive returns and growth.

Let me offer thanks and congratulations to our brand and business partners, our fantastic software engineers, execution specialists, and our entire Baozun family, and especially to you, our shareholders, for helping make Baozun a winner again this year.

### 2018 Highlights

Our motto for the coming years is "Technology empowers future success". We believe our future success rests on technological innovation, and we are increasingly devoting resources towards expanding our technology infrastructure and hiring the best talent in the industry to drive future growth.

Our Technology and Innovation Centers are currently focused on three areas – a Cloud-based System Plus that help brands set up their official brand stores and official brand WeChat Mini Programs; a Retail Operation Support System, or ROSS, with digital tools to improve efficiency and reduce costs; and an upgrade of our core e-commerce systems such as Order Management System, or OMS, and Warehouse Management System, or WMS.

Seamlessly integrated with our e-commerce support systems, our proprietary Cloud-based System Plus enables efficient set-up of official brand stores and comprehensive customization to fulfill brands' specific needs. We see growing demand for our Cloud-based System Plus as more premium brands leverage this sophisticated platform to establish their customized online presence with highly-customized features, maximum speed and efficiency.

ROSS encompasses a series of modules that greatly increase the degree of automation and efficiency in online store operations, which helps us improve our own operating efficiency, reduce store maintenance costs, and enhances our ability to serve more brand partners. We demonstrated some of our cutting edge technologies at our third annual Global Brand Commerce Summit in Shanghai, including proprietary tools such as VOC, or "voice of consumers", that helps our brand partners analyze consumer behavior, and an AI writer that improves labor efficiency.

We continued to upgrade OMS, one of our core e-commerce systems, to OMS version 4.0, with improved functions to support omni-channel synchronization, customer experience optimization, order processing reliability and scalability, as well as integration with our Cloud-based System Plus. OMS4.0 greatly improves efficiencies in end-to-end e-commerce operations, including reducing labor costs. More importantly, our updated OMS is key to our ability to expand our cooperation with more leading brand partners to further penetrate the brand e-commerce market and explore other addressable markets.

Our digital marketing is a strategic, high value-added service that deepens our cooperation with our brand partners and serves as an effective partner acquisition channel. As our industry increasingly recognizes our achievements, we have won awards including the 2018 Greater China Effie Awards, the 9th Tiger Awards and the Golden Mouse Awards, 2018 Marketing ROI Festival, all of which are pre-eminent awards in the industry and serve to increase our visibility in brand e-commerce and 4A level marketing, further helping us attract brand partners.

Leveraging our industry leadership, advanced technology infrastructure and effective digital marketing capabilities, we have been able to accelerate customer acquisition. We added a net of 33 brand partners last year, taking our total to 185 brand partners by the end of 2018. We continue to onboard new brand partners, and we are confident that our long-term investments in technology will further reinforce our long-term competitive advantages and market leading position in China's brand e-commerce market.

Overall, we are glad to close the year with strong growth from existing brands and increasing contribution from newly-added brands, helping us grow our revenue 30% to RMB5.4 billion, of which service revenue grew more than 52% to RMB2.9 billion in 2018. Non-GAAP income from operations totaled RMB433.2 million in 2018, an increase of 37% from 2017, and non-GAAP net income attributable to ordinary shareholders of Baozun Inc. was RMB346.2 million, representing basic and diluted non-GAAP earnings per ADS of RMB6.11 and RMB5.79, respectively, compared with RMB4.95 and

RMB4.55, respectively, for 2017.

## **Key Strategies for 2019**

Our proven success and reputation have attracted many brands to come to us. With our improved operating efficiencies, we now have the capacity to serve more of these brands. I'm excited to say that our pipeline has never been stronger, and we will proactively extend our brand portfolio to achieve more balanced and sustainable growth. To execute our growth strategy, we reorganized our business structure during the first quarter of 2019 to add focus on e-commerce, supply chain logistics, and technology innovation:

### **E-commerce group: A reorganized structure and precision segmentation**

We reorganized our business structure to focus on apparel, cosmetics, FMCG, and mother and baby categories, which we believe have strong growth potential going forward.

In the future, we will emphasize the quality of our GMV by selecting brand categories with higher margin contributions to further strengthen our position as a market leader.

### **Logistics and supply chain group**

We continued to expand our warehouse capacity in 2018 to address increasing demand from our brand partners. We also expanded our cooperation with third parties to broaden our logistics network, leveraging their resources to better serve our partners. We upgraded our WMS to version 4.0, which closely tracks flow of goods to ensure accurate and timely delivery of products and inventory, and is fully integrated with our core e-commerce systems, Cloud-based System Plus, and third-party couriers to support omni-channel synchronization.

During the 2018 Singles Day, we began using customized picking robots in some of our warehouses to improve efficiency and increase fulfillment speed. We plan to further strengthen our value-added services to our brand partners, such as automated storage, intelligent sorting and retrieval, and highly efficient packing and delivery allocation. We also plan to expand our cooperation network with third parties to leverage their resources so that we can serve more customers and optimize our warehouse utilization.

### **Technology and Innovation Center**

Technology is the DNA of our business, and one of our competitive advantages. Since the launch of our Technology and Innovation Center in 2017, we have established a talented team of over 800 IT engineers in Beijing, Shanghai and Chengdu. We expect to harvest some of the innovations in the coming year while we will also continue to optimize our product offerings, pipeline, and monetization strategies. We are looking to improve the experience of our brand partners and customers and achieve breakthroughs in innovation.

We remain committed to being one of China's best employers while seeking to attract the best talent as we build our team. We remain excited about the market's opportunities and expect to have a tremendous 2019, with your help and support.

Thank you again for your support of Baozun.

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

### **Safe Harbor Statements**

This news release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "target," "going forward," "outlook" and similar statements. For example, our statement about our expectations for Company performance in the first quarter and fiscal year 2019 is a forward-looking statement and is inherently uncertain. Such statements are based upon management's current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of 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 achievements to differ materially from those in the forward-looking statements. For example, the level of consumer economic activity in China could impact our sales results in unpredicted ways. Further information regarding these and other risks, uncertainties or factors is included in the Company's filings with the U.S. Securities and Exchange Commission. 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 law.

### **About Baozun Inc.**

Baozun is the leading brand e-commerce service partner that helps brands execute their e-commerce strategies in China by selling their goods directly to customers online or by providing services to assist with their e-commerce operations. The Company's integrated end-to-end brand e-commerce capabilities encompass all aspects of the e-commerce value chain, covering IT solutions, store operations, digital marketing, customer services, warehousing and fulfillment.

For more information, please visit <http://ir.baozun.com>

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