



Baozun Releases 2019 Chairman Letter

April 28, 2020

SHANGHAI, China, April 28, 2020 (GLOBE NEWSWIRE) --

Dear Shareholders:

While 2019 was a year marked by profound geopolitical trade headwinds and economic changes, I am inspired by the tremendous hard work and dedication shown by all our employees who remain committed to empowering our brand partners' business growth and enriching their e-commerce strategies in China.

We achieved a number of milestones in 2019. We generated RMB7.3 billion in total net revenue, reflecting a standout year-over-year growth rate of 35%, the fastest we have posted over the past four years. In addition, we saw record high increases in GMV, a record net addition of new brands, a new high for incremental GMV from stores opened less than 12 months, and first-ever positive free cash flow for the year. We believe our progress in 2019 should set a solid foundation for future growth.

Despite a turbulent economic environment and challenging market conditions in 2019, China's online retail sector remained buoyant. According to the National Bureau of Statistics of China, online retail sales increased by 16.5% YoY to RMB 10.6 trillion, which was 20.7% of total retail sales in China. In terms of movement of products, according to data from the China Post Bureau, total express parcels surpassed 60 billion in 2019, accounting for more than half of the world's total parcels, and average annual parcels per person totaled 42, demonstrating how influential and essential e-commerce has become in shaping consumer habits in China. As the leading brand e-commerce service partner, we are honored to be the go-to company for brand partners seeking to refine their digital and O2O strategies in order to capture the growing opportunities in China.

Strengthening Competitiveness in 2019

Our mission has always been to develop and innovate in order to best facilitate our brand partners' digital strategies through technology empowerment. As e-commerce evolves, and consumers demand higher quality and differentiated shopping experiences, we are tailoring our solutions to be more engaging, appealing and interactive.

In 2019, we launched several modules and solutions through our Retail Operation Support System ("ROSS") that accelerate our automation pipeline for efficient store operations. We upgraded our IT infrastructure to a hybrid cloud model, which we call Baozun Cloud. We are now in the advanced stages of integrating and migrating all of our core e-commerce systems and applications to Baozun Cloud, which will help us better utilize cloud computing, enhance the scalability of our business, and improve cost efficiency.

We closed 2019 with an expanded overall directly-operated warehouse capacity of over 500,000 square meters and enhanced infrastructure for premium sectors. In addition, we refined additional value-added services to enrich our warehouse and logistics offerings, such as B2B fulfillment, O2O integrated inventory and product return management, and large-scale expedited delivery.

Leveraging our artificial intelligence and big-data technologies, we continue to finetune our technology-driven digital marketing and industry insights services to improve ROI of marketing resources, as well as enhance user engagement and interaction. We also closely follow industry trends and are enhancing our initiatives in live-streaming and integrated marketing activities. In 2019, we were certified by Alibaba Group as one of the first group of Multi-Channel Network entities to engage with for interactive marketing activities.

Enhancement of our infrastructure, and capacity released through efficiency improvements driven by digitalization and automation, have enabled us to accelerate customer acquisition to drive growth sustainability. For 2019, we added a net 46 new brand partners, including brands in many exciting subsectors, such as luxury and fast-moving consumer goods. We believe that the addition of new brand partners will contribute to growth, and our optimized brand portfolio that covers a variety of categories will give us more flexibility to pursue a high-quality growth strategy.

Looking ahead to 2020

Our strategy for prioritizing high-quality growth remains unchanged in 2020. As we begin the new year, our focus will be strategic margin expansion, where we will continue to optimize our brand portfolio and drive operational efficiency through digitalization and productization in a disciplined, focused and streamlined manner. We are on track with 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 on innovation and productization for 2020 will be squarely on driving the seamless integration, digitalization and enhancing the intelligence of our services, which we believe will drive improvements in internal operational efficiency and business process management.

The recent outbreak of Covid-19 is casting a long-lasting shadow over the global economy, and notably online retail. In the near term, the wider industry will be challenged by the pandemic, which is unpredictable both in its scope and duration. While the pandemic is of overwhelming humanitarian significance, it has also been a watershed moment for our business, convincing many of our brand partners of the value and importance of developing a greater online profile. We believe that both digitization and innovation will continue to underpin growth in the retail industry. Our suite of technological innovations has positioned us to firmly remain China's leading brand e-commerce service partner. We believe we are well positioned to further penetrate this market and provide best-in-class service to our brand partners.

The health and safety of our employees, their families, our partners, and communities remain a top priority. For our employees, we want to offer our heartfelt thanks for their tireless work during the recent outbreak. We ask all of them, and all of our stakeholders and shareholders, to remain safe and healthy as the year unfolds.

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. 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, such as the Company's expected growth of the online retail industry in China, the Company's expectations regarding demand for and market acceptance of its products and services, the impact on the Company's businesses as a result of the COVID-19 pandemic, the Company's expectations regarding its relationships with its brand partners and e-commerce channels, and the level of consumer economic activity in China, 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. 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 applicable law.

About Baozun Inc.

Baозun 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.baозun.com>

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