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Q4 2021 Baozun Inc Earnings Call

EVENT DATE/TIME: MARCH 10, 2022 / 12:00PM GMT

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and thank you for standing by for the Baozun's Fourth Quarter and Full Year 2021 Earnings Conference Call. (Operator Instructions) As a reminder, today's conference call is being recorded. I will now turn the meeting over to your host for today's call, Ms. Wendy Sun, Investor Relations Director 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 2021 earnings release was distributed earlier today and is available on our IR website at ir.baozun.com as well as on global newswire services. They have also posted a PowerPoint presentation that accompanies our comments to the same IR website where they are available for your 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. Tracy Li, our Vice President of Strategic Business Development. Mr. Qiu will review the business operations and company highlights, followed by Mr. Yu, who will discuss financial details. 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 Securities Exchange Act of 1934 and 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 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 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 the announcement on the website of Hong Kong Stock Exchange. The company does not undertake any obligation to update any forward-looking statements, except as required and applicable laws.

Finally, please note that unless otherwise stated, all figures mentioned during this 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. - Co-Founder, Chairman of the Board & CEO

Thank you, Wendy. Good morning and evening, everyone. Thank you all for joining us. This fourth quarter, despite persistent e-commerce headwinds, I'm pleased that Baozun's business remained resilient, and our team continued to make steady progress on our strategic objectives. During the quarter, China's total retail sales growth decelerated to 3% year-over-year, and erratic COVID pandemic that caused a weak consumption sentiment and constrictive government policies persist for China's e-commerce.

Yet resiliently, as demonstrated on Slide #3, this fourth quarter, we grew GMV 14% year-over-year driven by strong volume in electronics, FMCG and luxury categories as well as breakthrough in beauty and cosmetics. We also grew our omnichannel business with JD more than doubling and mini program expanding 70% year-over-year.

We see an accelerated momentum in Douyin, as we helped our brand partners generated CNY 187 million GMV in the fourth quarter, which is more than the cumulative amount generated in the first 3 quarters of the year. Overall, non-TMALL channels expanded 400 basis points year-over-year to 26% of total GMV.

Anticipating a new era in e-commerce, where the market focuses on consumers' lifetime value generation, we are leading the way to help brand the partners accelerate their digital transformation as displayed on Slide #4.

Take our luxury business group as an example, with deep understanding of brand value proposition and unique insights, we pioneered new innovations to fine-tune consumer experience and promote user engagement. During the quarter, we launched personalized and interactive VIP customer service for a few brands, which can engage consumers with one-on-one interactive video communications to enhance conversion and ARPU. We also incorporated Metaverse enabling functions in merchandising, live streaming and interactive marketing and incorporated Metaverse participated in the first wave of non-fungible token champions on Tmall Luxury Pavilion during this year's Double 11 campaign. In total, we opened 20 new luxury stores in 2021 and expect to open another dozen in the first half of 2022.

Our inventive technology, coupled with differentiated brand value proposition drives our success. This quarter, we quickly adapted to the personal identity information regulations and enabled another smooth Double 11. For the first time, we were able to supply over 330 brands on wider omni-channel approach during the annual mega campaign, while offering sweeping real-time intelligence services to help our brand partners make better business decisions. We also launched a digital transformation program for one prominent electronics brand partners in developing its nationwide distribution network management. While our technology and innovation empowers business operations, our progress in productization and the monetization has driven a doubling of IT revenue to CNY 39 million during the quarter.

In addition, this year, we strategically combined our mini program emerging innovation center with our digital marketing department to newly form the Digital Marketing Group or DMG. This Digital Marketing Group greatly enhances our capability to offer the most comprehensive solutions for private domains, to lay out customer assets and integrate effective marketing in an omnichannel approach. As DMG currently accounts for approximately 10% of total GMV, we believe the integration meaningfully enhances our value proposition and will drive stronger revenue penetration going forward.

Meanwhile, we continue to make upgrades to our digitized, central and the integrated operating platforms and middle office for better process reengineering and automation, therefore, enhance operating efficiency and flexibility.

Please turn to Slide #5. In less than a year, we have successfully scaled up our regional service centers, in Nantong and Hefei to more than 1,400 employees, and we plan to build additional regional centers in Chengdu and Xi'an in 2022 to further optimize employee allocation.

Our "Service Anywhere", S-ANY, continue to ramp up as we have seen great uptake with over 400 brand stores deploying by the end of 2021. With S-ANY's powerful business intelligence capability, we also upgraded traditional customer service KPI systems for a master KPI system to incorporate more comprehensive operating metrics such as customer satisfaction and the reaction duration to help brand partners achieve higher brand recognition. We are glad that even under this comprehensive master KPI system, we are able to achieve further upgrade in its rating system by one key international sportswear brand.

Our medium-term strategic plan centers around the customer service. Please turn to Slide #6. Early this year, we engaged with Nielsen to conduct a comprehensive Net Promoter Score, or NPS, survey to gather feedback from our brand partners. To our knowledge, this pioneering survey is actually the first ever in China's e-commerce industry, and we are delighted of achieving a very positive NPS results of greater than 8.5 out of 10. This further validates that our value-added services such as technology and the premium warehouse and logistics services have become well recognized by industry and our brand partners as a core differentiated competitive advantage.

Adding to the excellent NPS survey results, we also received numerous other recognitions from our broader stakeholders as displayed on

Slide #7. In a way, 2021 is a year full of recognition for Baozun, and we are honored to earn such high praise from brand partners, employees, industry leaders as well as ESG communities. We aspire to keep building on top of this achievement and are keen to foster a culture that drives innovation and the business efficiency to empower our brand partners.

Now on Slide #8. Advancing forward with these ambitions, we have completely streamlined the company into 4 major groups, namely the e-commerce group, ECG; the logistics and supply chain group, LSG; the technology and innovation center, TIC; and the digital marketing group, DMG. With the company being linear, flatter and more focused, we are crafting mechanisms that inspire the use of incentives to encourage innovation and broaden employee ownership access. We are also developing talent program including management training and universities collaborations to further enhance sustainability.

In conclusion, despite the macro uncertainties, we continue to see acceleration in omni-channel development, and we are quickly helping brand partners elevate their comprehensive and interactive user engagement to promote brand value. Built on our excellent enabling capability and strong business development, I'm glad to see our new business pipeline expanded threefold from a year ago. Moreover, with our proven industry leadership and a sound cash position, we emphasize high-quality growth and superior unit economics while continuing to optimize resource allocation. We are poised to bring best-in-class services and innovative solutions to our brand partners and march further on our medium-term strategic plans to drive business growth and sustainable value creation.

I will now pass the call over to Arthur to go over our financials. Thank you.

Arthur Yu Baozun Inc. - CFO

Okay. Thank you, Vincent, and hello, everyone.

2021 was no doubt a challenging year for the Internet and the e-commerce sector in China. Despite that, we ended the year with solid top line growth and a stronger business pipeline. And more importantly, our business is more resilient and balanced, benefiting from diversification in category mix, breakthrough in omnichannel strategy, complementary business acquisitions and increased investments in our people and technology.

Now let me first do a quick review of financials of Q4 and full year in 2021. Please turn to Slide #10.

During the quarter, our total GMV increased by 14% to CNY 26 billion. FMCG and electronics led the growth, both showing double-digit year-over-year increase. The sentiment for appliance improved with a slight year-over-year increase on GMV compared with a decline in the previous quarters.

On the flip side, apparel and accessories declined by mid-teen percentage during the quarter as brand partners adopted a defensive strategy to protect their margin from the impact of Better Cotton Initiatives, or BCI, and weak consumption sentiment. Overall, the GMV split between categories for full year 2021 are as follows: apparel and accessories at nearly 40%, followed by electronics at approximately 30%, the FMCG at 15% and appliance at mid-single digit. Non-distribution GMV increased 16% to CNY 24.6 billion contributing from strong service fee model and the performance from FMCG and electronic sectors. As we focus on high-quality growth, we have proactively dropped some low-margin business, which caused our distribution GMV to decline by 16% to CNY 1.4 billion.

Now please turn to Slide #11. Total net revenue declined by 5% to CNY 3.2 billion, of which our acquisitions contributed a total of CNY 283 million. Product sales revenues declined by 17%, largely in line with the decline in GMV from distribution model, as we just talked about. Services revenue increased by 4% to CNY 1.9 billion, benefiting from several acquisitions made early this year.

During the quarter, our cost of goods sold decreased by 19% to CNY 1 billion, and gross margin for product sales improved by 250 basis points to 15.2%, reflecting our strategy in pursuing high-quality product sales.

Now let's turn to operating costs and expenses on Slide #12. The fulfillment expenses were CNY 959 million, an increase of 12.7% year-over-year. This quarter, there was an incremental fulfillment cost of CNY 222 million related to our 2 newly acquired businesses, BolTone and Baobida. Excluding the impact from acquisitions, adjusted fulfillment expenses from organic business was CNY 736 million,

a decline of 13.5% year-over-year.

Sales and marketing expenses were CNY 895 million, an increase of 20.8% year-over-year. The increase was mainly due to increased staff as our business scales and an expansion in the headcount of digital marketing services, which was partially offset by the efficiency improvements.

Our technology and content expenses were CNY 126 million, an increase of 14.4% year-over-year. The increase was mainly driven by more efforts in productization and commercialization that doubled the IT revenue in the quarter.

G&A expenses increased to CNY 157 million. This increase was mainly due to an accelerated amortization of leasehold as we moved to new headquarters in October 2021, which was mainly a one-off accounting treatment. And as we invest in talent and other strategic objectives and scale up along with our acquired businesses, we anticipate our annualized G&A expenses to stabilize to a range of CNY 380 million to CNY 400 million in 2022.

On efficiency metrics of OpEx, as a percentage of GMV for the fourth quarter, total OpEx as a percentage of GMV is 8.2% compared with 7.7% in the same quarter of last year. If we were to exclude fulfillment costs from the 2 warehouse and logistics services we newly acquired and one-off G&A expenses related to our move the new headquarters, our adjusted OpEx as a percentage of GMV would have been 7.2%, reflecting OpEx efficiency in our organic business.

Now turn to Slide #13. Based on the above mentioned items, our non-GAAP income from operations was CNY 71 million during the quarter, and non-GAAP OP margin was 2.2%.

As there are so many moving parts that impacted our financial performance, we have prepared waterfall diagrams depicting our analysis of how our top line and bottom line evolved year-over-year. Once again, this analysis is unaudited and should solely be used as indicative numbers to aid our discussion.

First, on Slide #14. This waterfall diagram shows our net revenues walk from Q4 2020 to Q4 2021. In red, you can see that BCI and the weaker consumption sentiment continues to have a major negative impact as it dragged down the business in general, especially the performance of sportswear, fashion apparel along with our logistics and supply chain business.

Furthermore, we optimized our partner portfolio in the distribution model. Product sales declined by CNY 244 million. On the other hand, our M&A efforts greatly enhanced the top line resilience. And as we achieved a breakthrough in the luxury category with high double-digit growth rate, it is worth noting that our value-added service such as technology and digital marketing both had a nice year-over-year growth. As e-commerce keeps rapidly evolving, we anticipate this value-added service will become growth engine for our business in future.

Now turning to Slide #15. We also provide here an indicative walk of non-GAAP operating profit and cost streams. As shown in blue, we have positive momentum in luxury and technology as we earlier addressed. Although revenues from our distribution model decreased significantly, operating profit from distribution were largely unchanged year-over-year. This clearly demonstrates that our optimization improves resource efficiency and overall gross profit margin. We believe this focus on high-quality distribution business may slow down total product sales in the near-term but in the longer term, it will improve our profit and cash flow prospects.

In red, the overall macro weakness dragged down the performance of sportswear fashion apparel, along with our logistics and supply chain businesses. As for our M&A progress, in addition to a solid revenue contribution, we have also been able to quickly turn positive for operating profit this quarter. As we further integrate, we expect additional efficiencies and synergies to drive higher operating profit.

Additionally, we have continued to invest in people and infrastructure, including new headquarters, talent recruitment and setting up our Douyin department and regional shared service centers. For DMG, anticipating the booming demand in 2022, we also increased mar-tech spending during the quarter.

Now turning to Slide #16 about our cash flow. As of December 31, 2021, our cash and cash equivalents reached CNY 4.7 billion, an increase of CNY 2 billion from previous quarter. The increase was mainly attributable to a financing cash inflow of CNY 1.6 billion and a positive operating cash flow of CNY 520 million. The financing cash inflow was mainly from Cainiao's investment in our logistics business group Baotong, which I will elaborate a little bit more later, and this is partially offset by our share repurchase programs.

Our solid cash position and positive operating cash flow enabled us to pursue 2 initiatives to further enhance our shareholder value. Firstly, during the quarter, we repurchased 8.5 million of ordinary shares for approximately USD 40 million, which boosted our total share repurchase to USD 165 million for the full year 2021. We believe this share repurchase not only delivers benefits to the existing shareholders but also demonstrate our confidence in Baozun's future business performance. Secondly, we will use the cash to target complementary acquisitions to drive additional growth for the business.

Please turn to Slide #17 on merger and acquisitions. Our strategy on M&A, mainly concentrates on 4 areas: capability enhancement, vertical consolidation, geographic expansion and brand building. To date, our acquisitions largely targeted capability enhancement and vertical consolidation, and the initial integration are tracking well. For example, eFashion as our boutique e-commerce service provider for fashion and lifestyle brands, Morefun as our interactive user engagement program developer and BolTone, as our premium warehouse management capability enabler have all achieved higher growth and synergy than we originally planned.

In the quarter, we also started to make progress in brand-building by investing in several fast-growing local emerging brands. Just as a showcase on Slide #18. We are glad to share that one of the local emerging brands we invested in October 2021, a ski-board brand called Nobaday already has become a well-known brand after sponsoring Max Parrot to win the gold medal in the recent Winter Olympic Games. As we move forward and learn, we expect to see more synergies and higher value proposition in merging this business into Baozun.

During the quarter, we successfully closed the investment from Cainiao Network into our logistics and warehouse division Baotong. I'm glad to say the early integration has shown some quick synergies and promising future opportunities. Please turn to Slide #19. Combining Baotong's outstanding customer-centric varices with Cainiao Network's larger economy of scale and infrastructure, our integrated service offering for apparel and luxury category will be able to advance to the next level in terms of being more premium, customized, diversified and omnichannel. We are confident this will help our brand partners achieve higher cost leverage and higher efficiency with "One Inventory" for all channels. As the 2 partners integrate deeper, we anticipate additional synergies including value-add systems insights and business development capabilities, innovative material recycling and high-profile ESG engagement that will greatly improve brand value and stickiness. We also anticipate additional revenue streams from Cainiao Network's broader brand customer base in sportswear luxury categories and cross-border businesses.

And lastly, a quick glance on Slide #20. We ended 2021 on a solid note with total GMV of CNY 71 billion, an increase of 28% year-over-year, while GMV generated from non-TMALL channels expanded 500 bps to 31% of total GMV. Our annual operating cash flow adjusted for exceptional items remain constantly positive for the third consecutive year, and our balance sheet also remains solid with CNY 4.7 billion in total cash position and more than CNY 2 billion in unused line of credit. In summary, we are quite confident in our business model and investment strategy, and we are still excited about our mission to become the leading global brand e-commerce business partner.

That wraps up my financial review section and concludes our prepared remarks. Thank you.

Operator, we are now ready to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of Thomas Chong from Jefferies.

Thomas Chong Jefferies LLC, Research Division - Equity Analyst

I have 2 questions. First, can management comment about the impact of the macro has been to our overall business and trend of different categories? And does the luxury segment get impact? And my second question is on our -- it's about our cooperation with Cainiao. And how is our thoughts about the expansion into the Southeast Asia market?

Arthur Yu Baozun Inc. - CFO

Okay. Thank you. So I will comment on the overall weak macro headwinds and then Tracy can comment on luxury, and I will answer the Cainiao cooperation question, if that's okay. Yes. Okay.

In terms of the overall economy impact, we think we definitely have seen some impact in the last 2 quarters and at this moment there are still a lot of uncertainties. In this kind of situation, the brand normally adopt a very conservative strategy, as I mentioned earlier, trying to protect the profitability inside of driving the growth.

At the same time, in terms -- in order to maintain the stable business, they are looking to the things like the omnichannel and also the different ways to engage more customer. So for example, there are more demand in terms of data services and also the BI intelligence and also the customer relationship management, they are trying to do more of that. And in addition, we have seen some kind of the customers are more focused on China for China strategy, where they think the people in China are not close to the battlefield and be able to make more sound decisions on the ground. So that's the overall what we have seen in terms of the macro headwinds at this moment. Tracy, do you want to comment on the luxury?

Chunlu Li Baozun Inc. - VP of BD

Sure. I think in overall fashion in the recent, I think the consumption data, our observation is stopped decreasing, and we see the slightly increased cross-category and especially in some of the vertical part like luxury, or outdoors. Especially luxury, still keep a very high growth compared with last year. And even for Baozun, I think as mentioned as Vincent has already mentioned, we have a dozen of new store will open in the first quarter of this year. And also, we have a strong pipeline in the first half of this year.

So -- and also I think luxury business has shown their omnichannel character from day 1. So I think within our new business, you can see many of them are on Jingdong and also WeChat channel. So our brand also shows great increase this year and also posing that emerging channel to serve this purpose. I think Baozun's technology and logistics solution has showed great power to support the business, especially in the O2O and the inventory part. That's why we can end up with the strong growth across channels and also strong pipeline in this year.

Arthur Yu Baozun Inc. - CFO

Now about cooperation with Cainiao. So basically, as I mentioned earlier, for Baotong, our strength is our mid to high-end MCN brands. And also, we are focused on nonstandardized category like the luxury, the apparel and also the footwear. At the same time, Cainiao is more focused on small to medium-sized brands, and they are more focused on the standardized category and the standardized service. So that gave us a lot of room for synergy to cross the different category for cooperation and learn from each other. So that's the first one.

The second one is we're working with Cainiao to define a strategy where we'll focus on one core category, which is the apparel -- the big apparel category, where Cainiao has a lot of potential clients. They also have some business doing the apparel category. Going forward, all those business will be done by Baotong or done through Baotong. At the same time, that's only a starting point. What we want to do is after we consolidate one category with the value-added service. We want to expand together with Cainiao into other categories.

Like for this year, we are looking into cosmetics. And also, we are looking into some other categories in the future. So we can see that category by category, we will be able to utilize the very good BD capability of Cainiao to grow the business together with them. So that's the second one.

The third one we are looking for is a concept of one inventory. So historically speaking, Baotong more focus on the e-commerce channel, like the official website, the e-commerce platform like Tmall and JD and also the social media like WeChat. On the other hand, Cainiao

has a lot of business operation in the off-line distribution network and off-line the shops that they operate. Now we are able to combine those channels altogether to provide a one-stop solution for a particular brand where they can use Baotong to do one inventory. That greatly enhanced and improved the inventory efficiency of our brand partner and help us to win more business, we hope, in the future.

So those are the kind of the 3 opportunities we can see, and we have already started to see some new opportunities come to emerge. And furthermore, we actually recently we've been working with Cainiao on the cross-border opportunity where both outbound and inbound, we potentially will be able to utilize Cainiao Network globally to enhance our proposition for Baotong. So that's on the Cainiao part. Okay.

Operator

The next question comes from the line of Alicia Yap from Citigroup.

Unidentified Analyst

This is Ricky Wei on behalf of Alicia Yap. So can management comment the latest consumption sentiment, especially on the trend you are seeing in January and February. Will there any potential impact on new brands onboarding process given the latest political situation? And any impact on raw material prices and supplies of merchandising of that brand SKU in the coming quarter?

My second question is -- can you elaborate the non-TMALL channel, the performance and contribution from JD versus wechat mini program and short video platforms? Any update on progress with iClick partnership?

Arthur Yu Baozun Inc. - CFO

Tracy, do you want to handle the first one. We will do the second one.

Chunlu Li Baozun Inc. - VP of BD

Yes. Sure. So in terms of -- I think the consumer sentiment, especially in the first quarter, we see from the daily sales and also the 2 big promotions in the last 3 months. I think it's quite a mix situation right now. As I mentioned, in the big fashion group, the whole market, I think, is quite flat, but we see the structural opportunity in vertical category like, as I mentioned, outdoors, skiing and also the luxury part. But for the other part, like beauty and also the consumer electronics, I think, is quite flat, too. There's a slight increase on beauty part, but for Baozun's portfolio, we are quite balanced because each of the category actually were quite even. So in total, I think we still can manage a quite balanced portfolio here.

And also, I think some of your question mentioned about the emerging channel. Yes, exactly. I think for the -- especially for the Jingdong part, during the last 2, I think, a big promotion like Double 11, last year's Double 11 table and also this year's Chinese New Year promotion, I think no matter it's the number of the brands we produce in the promotion or the transition themselves were largely, I think, at least double the number we compare with last year. So it's quite good trends. And also I think right now, our solutions, including the one inventory project, as I mentioned, and also the solutions in the logistics part has supported us to reach the result when we drive the omnichannel growth.

Arthur Yu Baozun Inc. - CFO

Okay, Tracy. On the question about the raw material price, currently, we haven't seen any material impact yet. It may be not coming through yet. We will keep all posted when we see something happen.

In terms of the partnership with iClick, so early in the year, we made a strategic investment into iClick. So at the business operations level, our integration has been really successful. And through the help and the partnership with iClick, we will be able to introduce new clients, and we were able to get more business with that partnership. As we mentioned earlier, the mini program has increased very significantly. And for this year, we have doubled the size of the mini program business, both on GMV and also on the revenue perspective.

We actually noticed that at the moment, the share price has been under a lot of pressure of iClick. We believe this is the overall market

impact and also the market sentiment on the WeChat and the Tencent kind of ecosystem. And we think we will focus on the operational side, working together with iClick to improve the business cooperation going forward and hoping the market will recover and we'll be able to reflect the true value of both companies. Thank you.

Operator

(Operator Instructions) The next question comes from the line of Charlie Chen from China Renaissance.

Y. Chen China Renaissance Securities (US) Inc., Research Division - Analyst

This is Charlie Chen from China Renaissance. I have 2 questions here. The first one is about the onboarding of brand partners. So I remember the company has focused more on domestic brands. So can you give us some update on what is the progress of onboarding important domestic brands? So that's my first question.

And the second question is a follow-up on the logistics acquisition. So after all those logistics acquisitions, do you feel that this acquisition or new capability has improved your relationship, client relationship or enable you to have a better bargain power to charge higher take rate or charge more service income, et cetera? So these are my 2 questions.

Arthur Yu Baozun Inc. - CFO

Okay. On the domestic brands, we definitely have seen an improved in terms of the demand from the domestic brand, and we have many different ways to provide service to the domestic brand. From the operational perspective, we can do the end-to-end service to the domestic brand. But more importantly, our capability on the digital marketing and also be able to make recommendations to the domestic brands in terms of how to define the e-commerce from strategy to execution that hugely has helped our DMG business unit to win very significant domestic brand business. We may not do the operations for them, but we definitely have seen more business from the digital marketing group, and that will help to knock the door into those brands and we'll be able to get more business from them. So that's one.

And also, as you can see, I mentioned, we use our investment vehicle to make some investment into the smaller kind of the brand, which will be able to connect us from the equity perspective with some emerging brands. And by that, so for example, the brand Nobaday, as I mentioned, we are going to become the preferred e-commerce supplier from this point onward, and we are starting to help them to drive the omnichannel growth on the e-commerce. So by doing that way, we are helping the local domestic brands to grow together and benefiting both of us. So that's on that one.

In terms of the acquisition and the strategy for the logistics business unit, I think you are right, we try to integrate and try to build the strategic alliance with the different partners. So that will help us to provide a value-added service. As you may see from the NPS survey, our logistics and also the warehouse service is ranked at the top from our client perspective. They greatly value the kind of the service we are being able to provide to them. As I mentioned earlier, a lot of the brands, especially the MNC brands we operate. They're now starting to do China for China. And in China, Baozun's unique capability to offer the premium logistics and warehouse service has really made us to stand out.

So in that way, we think that will help us to further strengthen that business itself and also to contribute to Baozun's overall ability to acquire new brands and to acquire new business.

Operator

(Operator Instructions) The next question comes from the line of Joyce Ju from Bank of America Securities.

Lixin Ju BofA Securities, Research Division - VP in Equity Research & Research Analyst

My first question is about the investment strategy. Is there any update on your investment strategy, especially in current macro environment? And my second question is about, as you mentioned, resource allocation and optimizing product sales, could you elaborate a little more on the detailed plan? And how will that impact on financial outlook?

Arthur Yu Baozun Inc. - CFO

Okay. Thank you for the question. Firstly, on the investment strategy, so we start to do some of the decent size in terms of the M&A from last year. And in this year, we have seen the financial contribution starts coming through. For 2022, our strategy is we're still using M&A as one of the driver to grow our business. But given the current macro environment, we are doing this in a much more scrutinized way trying to improve the quality of the acquisition.

So our strategy are still focused on the 4 areas, the kind of the capability enhancement, the vertical consolidation of the other similar service providers and also the brand building. As I mentioned, one of the new area we are looking at for this year is to looking at overseas because China growth is, at this moment, is under a lot of pressure. But at this time, the Asia Pacific and the rest of the world may present more opportunity for Baozun so we're basically looking at that for this year as well. So that's on the investment strategy.

In terms of the resource optimization, at this moment, given the wider macro environment, we are being very careful in terms of the quality of our business. Our clients prefer the profitability then the growth. At the same time, Baozun is also focused on the quality growth because we want our growth to be sustainable. And also, at this moment, given the environment, our risk appetite has changed a little bit. Therefore, for this year, we proactively had a thorough review of our business. From the product sales perspective, either we actually look at our business and to identify those product sales business, which has a low margin. And at this moment in time, made a decision for this year to -- not to do those low-margin business. As you have seen in Q4, and actually starting from Q3, we're already adopting this kind of the strategy. Even though our revenue dropped CNY 244 million, but our margin hasn't been impacted all those businesses. And for at least the first half of this year, we will operate a similar conservative approach in terms of the product sales business. And we also look at the efficiency for our non-distribution business as well, we identified a number of clients which are low contribution from a profit perspective. These are our service -- kind of service fee model business. And we're looking at those businesses. And we think we cannot provide the value-added service like the logistics, like the DMG, like the technology, but only doing the operations and weigh a very low margin, we made a decision to not to further continue those businesses. And in return, we will re-allocate those resource into the high margin and high value-added service, which we can add more value to the customer. At the same time, we can try to generate more profit margin from those. So that's our thoughts in terms of the resource optimization at this moment.

Operator

The next question comes from the line of Robin Leung from Daiwa.

Chun-Yin Leung Daiwa Securities Co. Ltd., Research Division - Research Analyst

Could management share on the 2022 revenue outlook and also the margin trend in the next few quarters? Are we still targeting a 5% non-GAAP operating profit margin for 2022 given that this year, we have a lot of one-off expenses. So excluding that, in 2022, we should see a meaningful improvement?

Arthur Yu Baozun Inc. - CFO

Okay. Thank you. I think there's a lot of uncertainty at this moment. So every day, the world is a different world. So if we assume everything unchanged as of today, then when we do our annual operating plan, we see our top line having a double digit like something between 10% to 20% of growth. But our bottom line, even for 2021, we have a number of the one-off kind of the impact, we will be able to see a healthy growth in terms of the bottom line, which will be greater than 20%.

But as I mentioned, there's a lot of uncertainties the microenvironment, the U.S.-China relationship, the kind of the COVID is now starting to come back having a significant impact at this moment. So this is at the moment what we have seen. But what we will do is we will focus on the fundamentals, focus on to improve the quality and processes and to be able to offer more value-added service to our customers. We believe in the longer term, when the business is getting back to normal, we will be emerged as a stronger business into the future.

Operator

The next question comes from the line of Charlie Chen from China Renaissance.

Y. Chen China Renaissance Securities (US) Inc., Research Division - Analyst

So I have a question regarding the regulatory side of your business. So since the second half last year, we have seen a lot of tax audits on live streaming retail and business. So how do you feel the -- any impact on your business? And also, aside from that, do you feel there's any other regulatory risk on your business in terms of like business acquisitions and whatever you can think about?

Arthur Yu Baozun Inc. - CFO

Okay. Thank you, Charlie. I will try to answer and then maybe Tracy can add more after my answer.

Well, first of all, I think the point you are making is more on the KOL and also the tax implication and the regulatory on those KOL, right? So we actually think that a positive kind of move from the regulatory perspective, trying to get the platform and also the business back to normal and back to a sustainable growth into the future. So that impact will lead the brand focus on more on the day-to-day kind of live show, which will require not the KOL, but the normal like the employee to do the day-to-day live show. So that will help to stabilize the traffic acquisition and provide the opportunity for more middle-reach KOL to play more parts in terms of the live stream.

We still believe the live stream is a growing part of the business. And for this year, we started to set up more business for the live streaming. We have our studio and also, we are starting to do more cooperation with the universities trying to build our employee base who can do the normal day-to-day live stream show.

On top of that, we are engaging with the platform, both the Douyin and also the Tmall to see how we can do more coordination in terms of our master control for the live show and also how to deploy the budget of the brand on the advertising and also the traffic acquisition. So those kind of things will help us to get back to normal and to improve the stickiness of Baozun and our client partners. So Tracy, anything to add?

Chunlu Li Baozun Inc. - VP of BD

Yes. Yes. Yes. I think to further select on top KOL impact is the share common view from many interests from platform, from brands and also from ourselves, but I think after the regulation, in the past 2 months of operation, we definitely saw positive impact on middle layer of KOL and also the sales from live stream operated by Baozun team. I mean the traffic part, you see the traffic shift.

But I think to transit the traffic into the transition also need other resource allocation like the proper merchant and the proper interest and the discount. So I think it's taken month for brands and us together to come out the solid plan, to improve our self-owned live stream percentage of the total year business. But still, I think it's a good sign.

Arthur Yu Baozun Inc. - CFO

Okay. And finally, on the regulatory impact, we believe the many regulatory kind of rules or the new introduced rules has actually helped us to build a longer-term perspective for the e-commerce industry in China. And so in Baozun, we are doing a few things.

Number one is we have made a lot of emphasis on the ESG. So for this year, we have improved our ranking of ESG from a BBB to an A rating, which is one of the highest in the e-commerce business in China. So that demonstrates the kind of the sustainability and also the regulatory awareness of Baozun.

And also from a technology perspective, in Q4, we very quickly adopted our system and platform to fit with the new requirements on PII, so that will help us to improve our ability to provide the service to the MCN customer who normally has a higher requirement in terms of the data security. So going forward, we believe we are well-positioned to cope with the new regulatory environment currently for the e-commerce in China.

Operator

There are no further questions. I would like to turn the meeting over to management team for closing remarks.

Wendy Sun Baozun Inc. - IR Director

Thank you, operator. Yes, in closing. On behalf of the 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 us today, and this concludes the call. Thank you.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect. Have a nice day.

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