



VIPSHOP (VIPS) 3Q16 RESULTS: TOP-LINE GROWTH IN LINE, WHILE EARNINGS MISS ON NEW INVESTMENTS

	3Q16	3Q15	YoY Change	QoQ Change
Net Sales (RMB Bil.)	¥12.00	¥8.67	38.4%	(10.7)%
Gross Margin	24.4%	24.9%	(44) bps	31 bps
SG&A/Sales	18.1%	17.8%	25 bps	125 bps
Non-GAAP Net Income (RMB Bil.)	¥0.60	¥0.45	31.5%	(12.1)%
Non-GAAP Diluted Earnings Per ADS	¥1.00	¥0.76	31.6%	(10.7)%

Source: Company reports

- Vipshop, the Chinese online discount retailer for branded products, reported 3Q revenue of ¥12.0 billion (US\$1.8 billion), up 38.4% year over year. Non-GAAP diluted earnings per ADS were ¥1.00 for the quarter, up 31.6% year over year.
- Total active customers increased 43% to reach 20.8 million, and total orders increased 34% year over year to 60.1 million, increasing at a lower rate than revenue.
- Vipshop guided for 4Q net revenue of ¥18.0-18.5 billion, representing growth of approximately 30-33%, year over year.

FINANCIAL HIGHLIGHTS

Vipshop reported revenue of ¥12 billion for 3Q16, an increase of 38.4% versus the prior year. Non-GAAP net income for the quarter rose 31.5% to ¥0.60 billion. Non-GAAP earnings per ADS were ¥1.00, up 31.6% year over year.

COSTS AND MARGINS

Gross margin for 3Q declined to 24.4% from 24.9% a year ago, due to investments in the buildout of the Internet finance segment and other advanced technologies such as data analytics. Fulfilment expenses as a percentage of revenues decreased to 8.5% in 3Q16 compared with 9.0% a year ago, due to scale effects. Fulfilment expenses represented 40.3% of operating costs.

Marketing expenses, which represent 25.2% of operating costs, decreased to 5.3% of total revenue in 3Q16 from 5.4% in 3Q15. In absolute terms, marketing expenses rose 36.6% to ¥0.6 billion. Vipshop's strategy is to sustainably invest in the business to drive long-term growth to strengthen brand awareness, attract new users and expand market share.

GUIDANCE AND OUTLOOK

Vipshop guided for 4Q revenue of ¥18.0-18.5 billion, representing year-over-year growth of approximately 30-33%.

For the rest of 2016 and beyond, Vipshop plans to drive growth through the following:

- Develop its consumer financing program to increase stickiness and enhance the overall customer experience to boost average spend per customer and repeat purchases.

FLASH REPORT



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- Expand and target new users in a wider age-group range – millennials and Gen Z customers – while maintaining user quality, i.e. those with high spending and making repeat purchases.
- Continue to strengthen its logistics capabilities in order to improve order fulfilment. Vipshop has made initial progress in introducing customized automation at its warehouses, and has added approximately 1.7 million square meters as of September 30, 2016. The company is on track to reach 2 million square meters of warehousing capacity by the end of 2016.



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Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Esme Pau
Analyst

Charlie Poon
Research Assistant

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

LONDON:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

FungGlobalRetailTech.com