



Vipshop Holdings Limited

August 17, 2020

Pandemic Pushing Non-Essential Goods From Offline To Online; Post Pandemic Cautiousness Sustaining Such Move; Expect VIPS To Deliver Better 2Q20 Results

VIPS: Not Rated
Price: \$23.97
Target Price: N/A

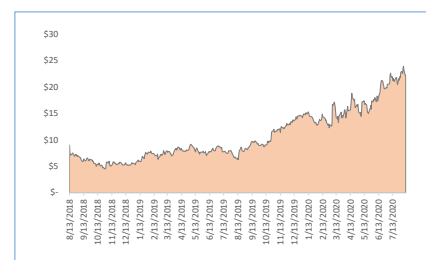
VIPS will report 2Q20 results on August 19th before the markets open with a conference call at 7:30am EST. Based on our data and calculations, we believe VIPS's 2Q20 revenue is likely to be better than consensus at RMB23,789M (4.6% Y/Y growth) and high end of its guidance (RMB22.7B – RMB23.8B). For 3Q20, we expect VIPS to continue to benefit from high demand of e-commerce as offline traffic is significantly reduced even after the pandemic due to cautiousness, which not only drives users to shop online but also to stay online.

52 Week Range:	\$7.69- \$24.02
Market Cap:	\$16.1B
Avg. Daily Vol. (100 day):	6,082,984
3-Yr. Est. EPS CAGR:	41%

- VIPS benefits from the online migration of non-essential goods** – The pandemic has limited offline commerce activities, particularly for non-essential goods like apparel and cosmetics, as consumers have no need to buy them offline under the current circumstance. And online shopping for these categories has become a mainstream venue. As a known e-commerce platform focusing on these categories, VIPS is benefiting from such movement and enjoying its upward momentum. Beside the positives from the underlying economy, VIPS also benefitted from the special situation in China's e-commerce in 2Q20: 1) deep-discounts from merchants as well as subsidizations from e-commerce platforms was an outlet for consumers' pent-up demands; 2) live streaming increased the reach-out rate and conversion rate; and 3) the release of consumers' pent-up demands post COVID-19. Most of the major e-commerce vendors used live streaming functions to market their products. This is an increasingly popular form of operation as it accomplishes the sales and advertising real-time.
- Expect 2Q20 revenue to be better than consensus** - Based on our data and calculations, we believe VIPS's 2Q20 revenue is likely to be better than consensus at RMB23,789M (4.6% Y/Y growth) and high end of its guidance (RMB22.7B – RMB23.8B), mainly driven by the growth of 1P business. Total GMV is likely to be 37,419.9M (6.6% Y/Y growth).
- Valuation** – We believe the near-term price target could be \$26.00, which is based on a 16.6X PE multiple to our 2021E non-GAAP EPS estimate of \$1.57.
- Risks to long** – 1) Consumer demand tapers off as a result of over consumption in 2Q20; 2) Slower growth in 3Q20 post the hike in 2Q20; 3) Slowdown in China's economy.
- Risks to short** – 1) Continuing cautiousness of offline shopping activities; 2) Market consolidation in apparel commerce market; 3) China's economy grows at a faster pace as China is stimulating domestic consumption.
- Dial-in information** - VIPS will report 2Q20 results on August 19th before the markets open with a conference call at 7:30am EST, which can be accessed by preregistering.

FY (Dec)	2019A	2020E	2021E
Q1	21,319A	18,793A	24,892E
Q2	22,744A	23,715E	27,360E
Q3	19,613A	21,632E	23,725E
Q4	<u>29,319A</u>	<u>32,686E</u>	<u>35,544E</u>
FY Revenue	92,994A	96,826E	111,521E
Q1	1.19A	1.44A	2.39E
Q2	1.58A	1.92E	2.50E
Q3	1.78A	2.13E	2.56E
Q4	<u>2.84A</u>	<u>3.77E</u>	<u>3.68E</u>
FY EPS*	7.39A	9.25E	11.14E
P/E	22.6x	18.3x	15.2x

All figures in RMB millions unless otherwise noted
*Non-GAAP EPS



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