

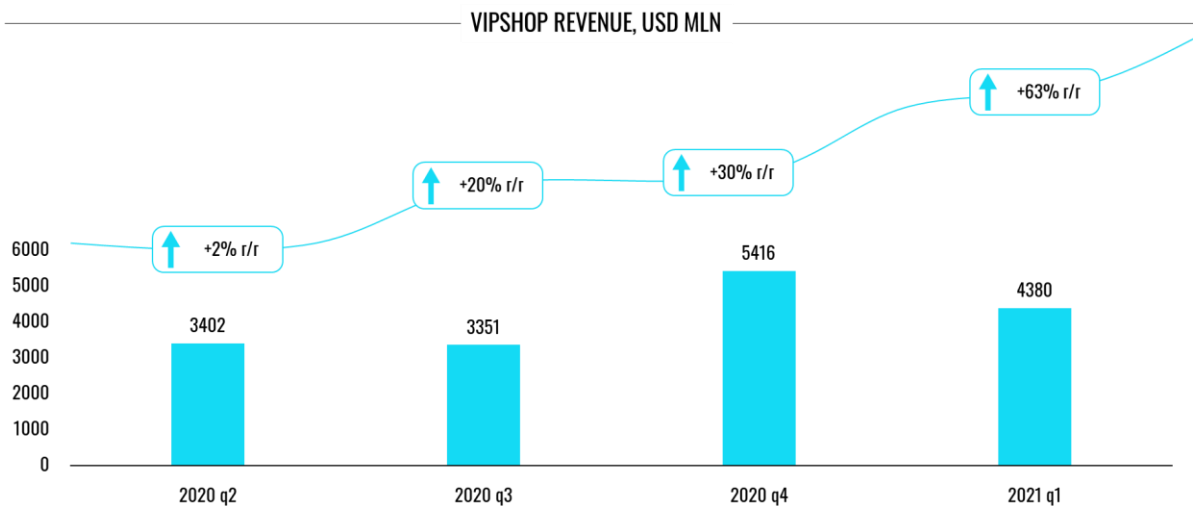
Date initiated: June 21, 2021

Vipshop is an online off-price seller of remnants of branded and other clothing in China, showing a good growth rate of financials and undervalued by multiples relative to the industry.



Vipshop website (Vip.com)

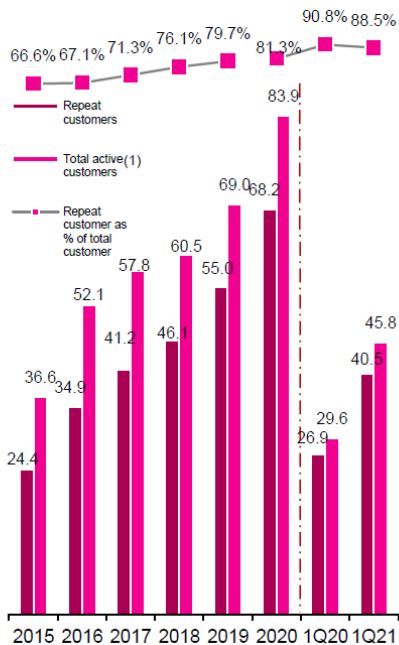
1. In recent quarters, the company has shown a good rate of revenue growth with acceleration:



Revenue growth is organic: the number of new customers is growing, and old customers are making repeat orders:

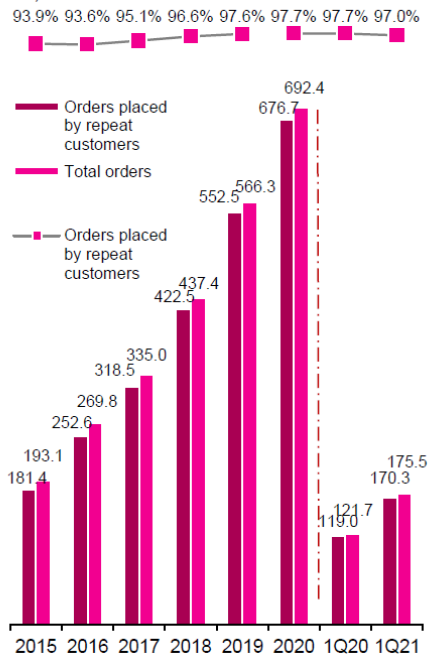
Rapid increase of repeat customers⁽²⁾

(in millions)



High and stable rate of orders from repeat customers

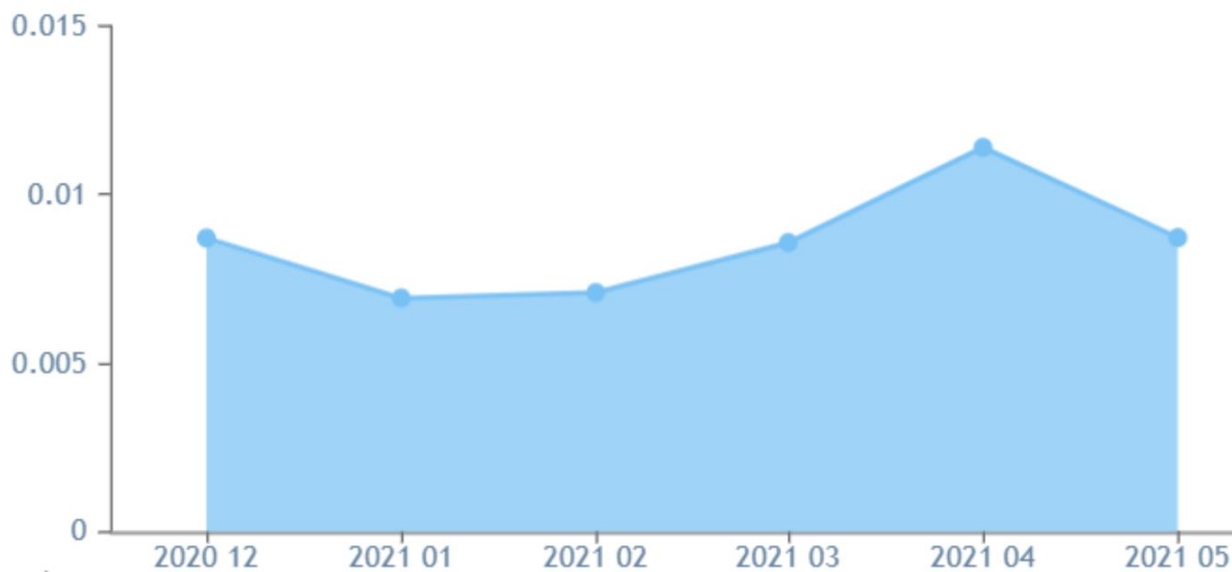
(in millions)



Customer growth and repeat orders growth, source 1Q 2021 investor presentation.

Also, there is an increase in traffic to the website of the online store:

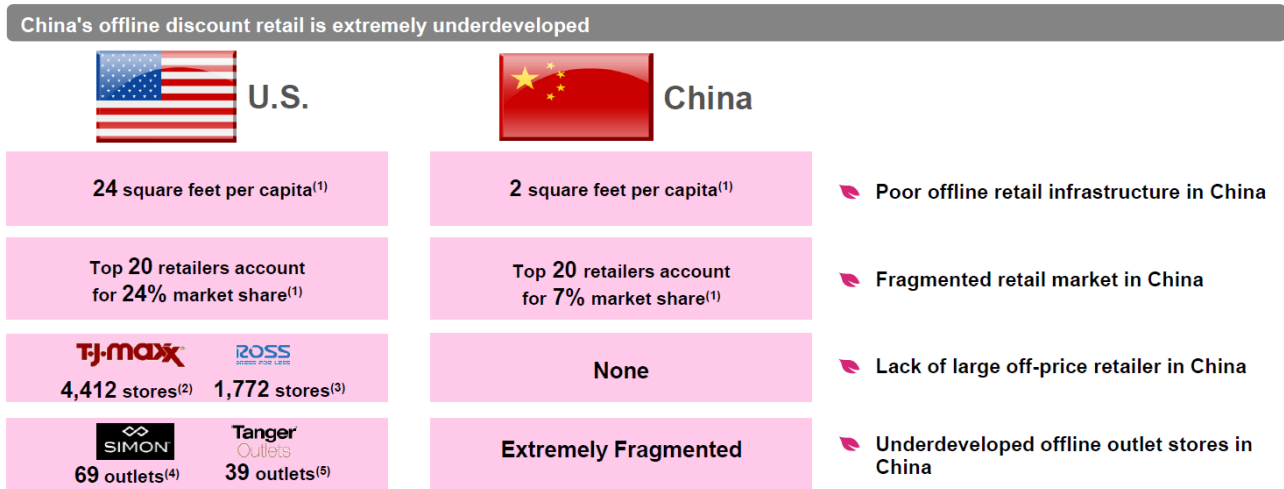
VIP.COM WEBSITE TRAFFIC, BLN



This allows us to expect the continuation of a good rate of revenue growth in subsequent periods.

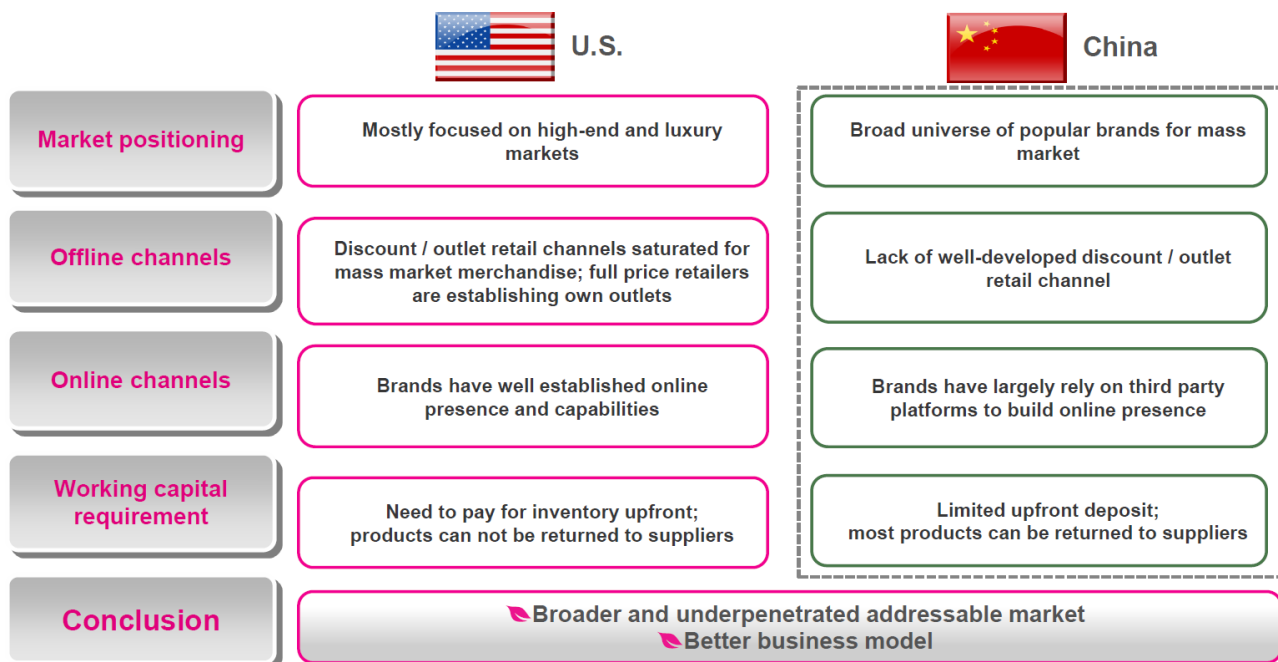
2. Growth prospects: the growth of the e-commerce market in China, the growth of the company's market share in its segment.

a) According to the company's presentation to investors, market growth of almost 3.5 times is required to reach a market share comparable to the United States:



Company potential, source 1Q 2021 investor presentation

b) In addition, the company does not have competitors with a similar number of suppliers and customers, as well as with a similar business model:



Advantages of the company's business model, source 1Q 2021 investor presentation

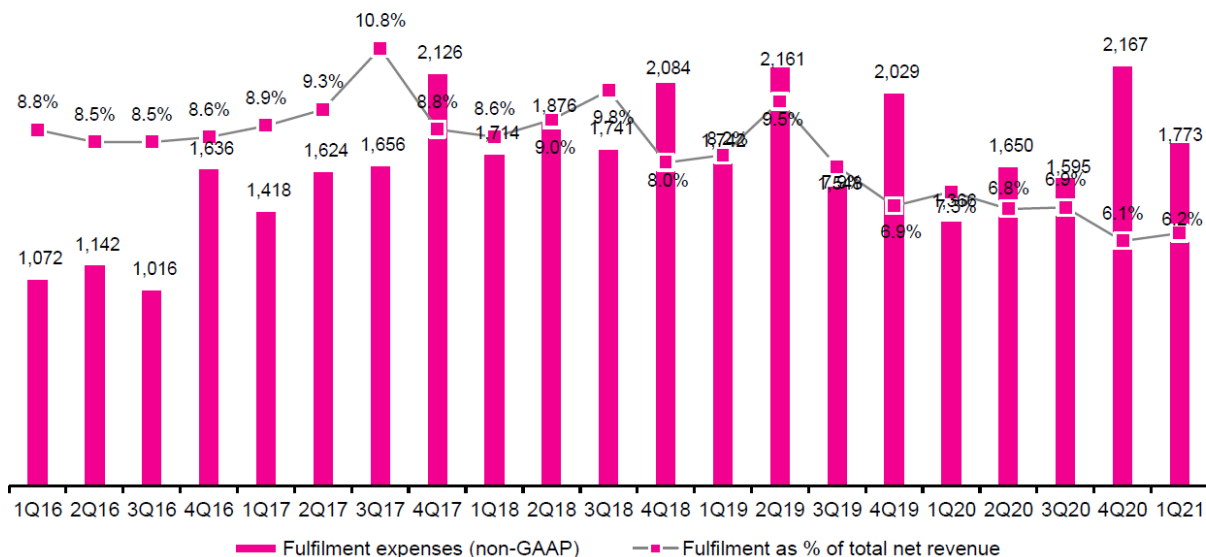
That gives good prospects for further growth.

3. The company has been showing consistent economic improvement and net profit growth in recent quarters:

As a percentage of revenue, packaging and shipping costs are reduced:

Fulfillment expenses (Non-GAAP)⁽¹⁾

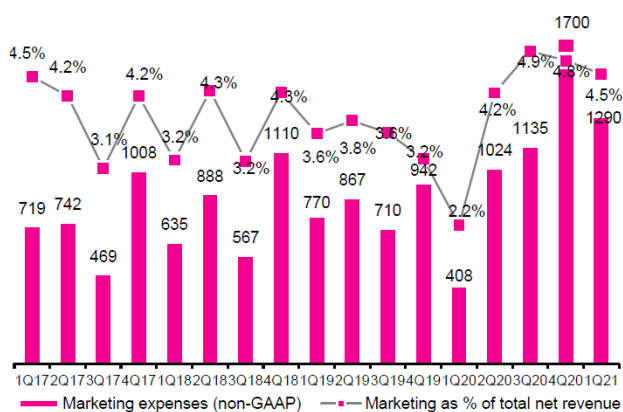
(RMB in millions)



Marketing, general and administrative expenses are also have been reduced:

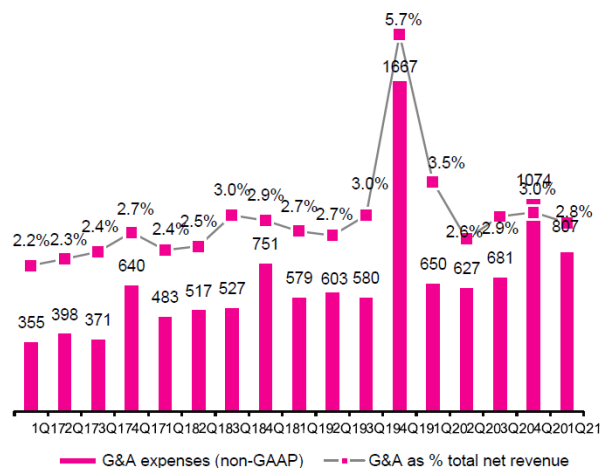
Marketing expenses (Non-GAAP)⁽¹⁾

(RMB in millions)

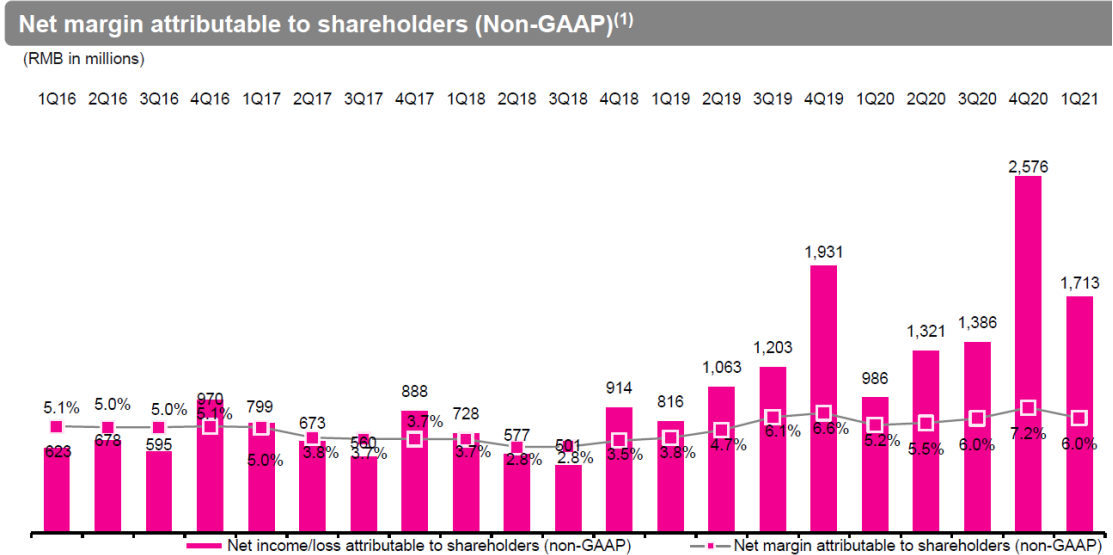


General and administrative expenses (Non-GAAP)⁽¹⁾

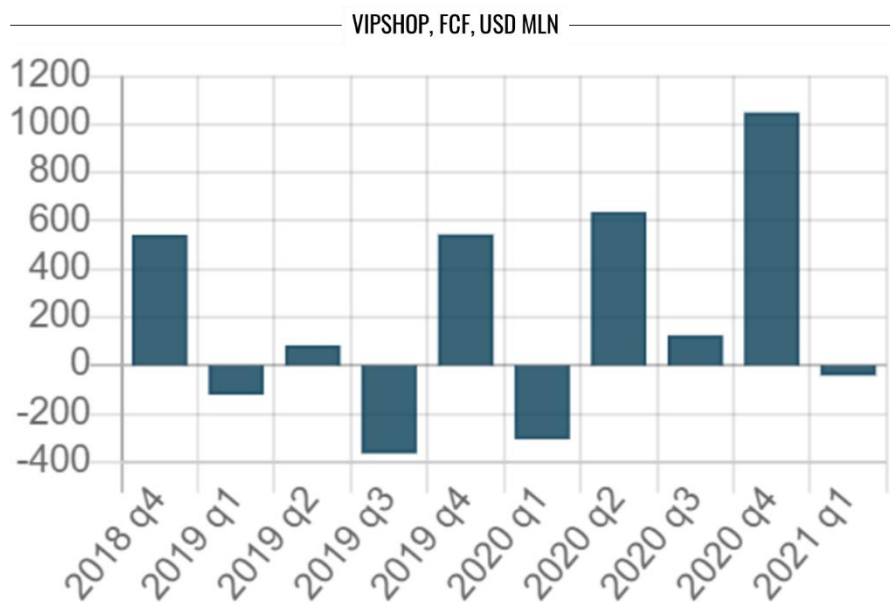
(RMB in millions)



Which in turn leads to an increase in net profit and net profit margin:



4. Shareholders compensation: the company has been generating a lot of cash in recent quarters:

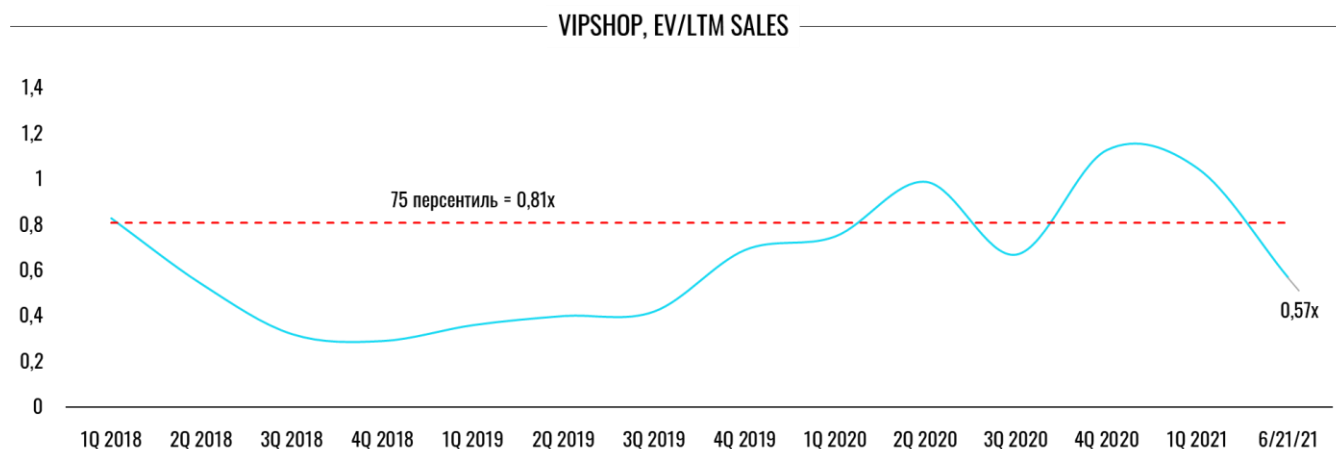


LTM's cash flow return is 13.8%, which is quite good for a company with similar prospects and growth rates.

Also, the company has allocated \$ 500 billion for buyback (5% of the capitalization), which shows both that the current undervaluation is seen in the company itself, and the responsible attitude of management to value creation.

5. Undervaluation: the company is undervalued both in terms of the historical value of the EV/EBITDA LTM multiple, and looks cheaper than similar companies in the industry:

The company looks undervalued by the EV/LTM EBITDA multiple relative to the value at 75 percentile:



In comparison with the industry, company also looks interesting: with the strongest growth in financials, the company is quite cheaper than its analogues:

Company	Vipshop	Alibaba	JD	Pinduoduo	Average
EV, USD mln	10,439	506,142	103,786	137,873	N / A
Revenue MRQ growth, %	51.1%	63.9%	39.0%	238.90%	98%
EBITDA MRQ growth, %	77.4%	-89.1%	-12.90%	6.00%	-5%
EV/Sales LTM	0.60x	4.80x	0.90x	12.3	4.65x
EV/Sales annualized	0.60x	4.38x	0.83x	10.1	3.97x
EV/EBITDA LTM	9.60x	26.80x	39.50x	n / a	25.30x
EV/EBITDA annualized	11.20x	n / a	50.58x	n / a	30.89x

6. Locally good time to buy: despite the growth of financials and prospects for further growth, the company's shares are at local lows:

Vipshop Holdings Ltd - ADR

17.40 USD

+16.85 (3,063.64%) ↑ all time

Jun 22, 13:30 EDT · Disclaimer

NYSE: VIPS

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We assume that the market sold it along with other "growth companies", following the forced sales of the Archegeos fund and did not buy it off,"by inertia". Risks in the company are not visible even for a typical "tech": Vipshop has a negative beta to treasuries and a low alpha to the S&P and Nasdaq, about 1.

In view of above said, we see Vipshop as an attractive investment opportunity. The company has been added to the Trending Ideas portfolio.

Best,

Enhanced Investment Team

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