



DECEMBER 2020

# SUNING.COM

CIMK Company Profile  
2020

# CIMK





## CIMK MISSION & VISION

Our vision is to make public Chinese companies and their business models understandable for all different kinds of Western investors. We sincerely believe that the Chinese market's financial investments are smart due to the incomparable growth and level of innovation of this market. For rational investment decisions, a high level of information and transparency is required, which we want to provide for them.

## CIMK COMPANY PROFILES

We will provide in-depth quantitative and qualitative company profiles, enabling an investor to understand a company from different angles.

For this purpose, we use English data sources and access information from a variety of Chinese data sources.

Our goal is that every investor can answer the following question after reading one of our reports:

- 1 Are the business model and the products of the company interesting for me?
- 2 Has the company a leading role in their industry?
- 3 What are the current chances and risks of this company?
- 4 Believe in the story of this company and therefore want to invest?

# SUMMARY SUNING.COM

Suning.com is one of the largest retailers in China and has its originals in offline retail. As of 2019, Suning.com has established a nationwide all-scenario offline network consisting of over 13,000 stores of different sizes and types, including large shops as Suning Plaza, Suning.com Plaza, Carrefour Community Center, Suning Department Store but also more specialized stores like Suning SuFresh, Suning JIWU, or Suning Redbaby. Some of the stores are owned by themselves, and some are part of a franchise system.

Since 2011 they explore different options to integrate offline and online shopping experiences and transform into an omnichannel retailer. Suning.com has started multiple online shops at other eCommerce marketplaces like Alibaba's Taobao or JD.

Suning.com is trying to build a smart retail ecosystem which, for example, can mean that you can order online from their supermarkets via an app. The company also tries to transform itself more in the direction of a service company that offers supply chain, consumer financing, and payment services. Around 20% of the company's shares are owned by Alibaba's Taobao, making them part of Alibaba's omnichannel strategy.

# EVALUATION SUNING.COM

We evaluate the multilayered company based on three different dimensions.



## Chances

- Suning.com is one of the most valuable brands in China due to their shops presents in all Chinese downtowns
- They have one of the largest logistics networks in China
- Omnichannel approach could lead to some competitive advantages compared to pure online players in terms of service, advice, or shopping experience

## Risks

- The high number of stores and the acquisition of more offline store chains is very capital intense
- They also have a lot of debt (debt to equity ratio 55.1%)
- Negative operating cash flow could lead to liquidity problems
- Comparative slow growth rate in eCommerce revenue
- They missed the chance to build their own online eCommerce marketplace



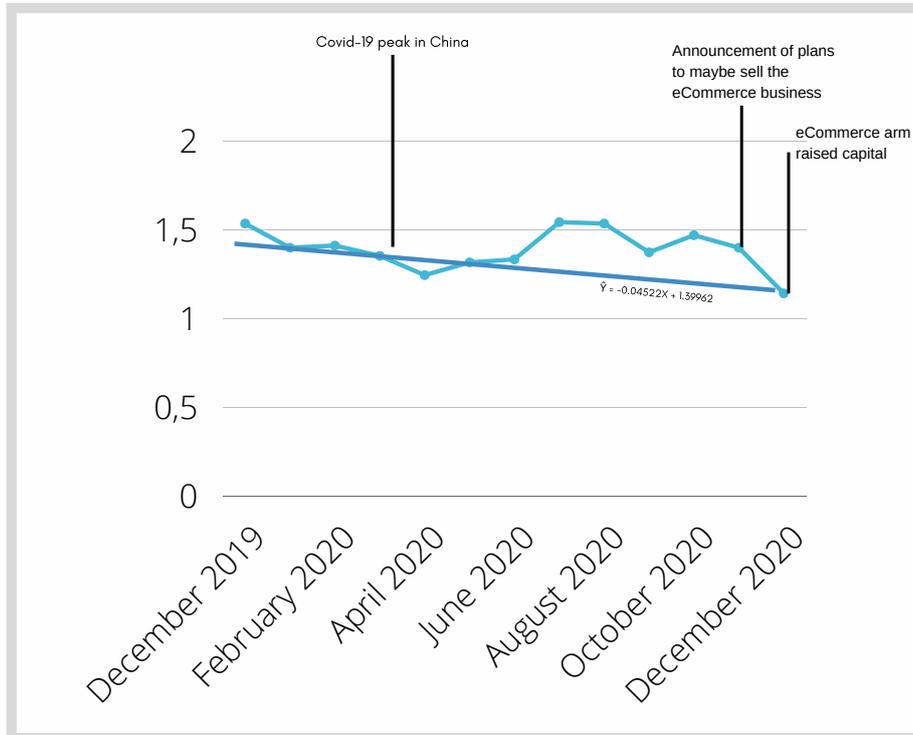
## Competitive Position

- They are the leading offline retailer in terms of operating stores and the GMV while also have a strong logistic infrastructure
- In the eCommerce field, they are only number four in terms of market share, and they mainly sell at the marketplace from other eCommerce companies like Alibaba's Taobao or JD

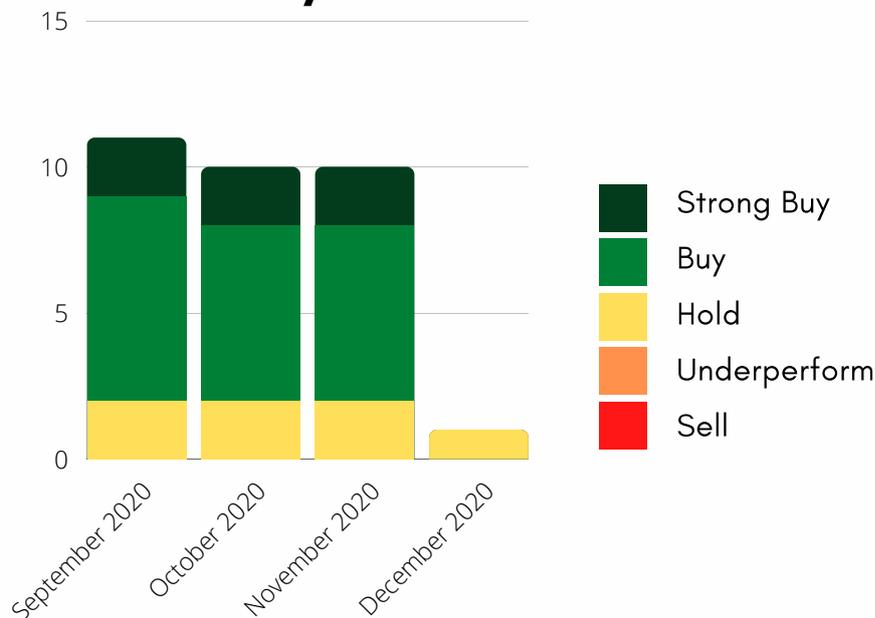


# STOCK MARKET PERFORMANCE

(27 December)



## Analyst Recommendation



## Liste at



Shenzen Stock  
Exchange  
(002024.SZ)

### Take Away

The performance of the Suning share in 2020 was poor. Other, pure eCommerce companies are gaining significantly in value while they have lost market capitalization. The low pinch to book value leads analysts to suspect that the stock may be undervalued.

# FINANCIAL PERFORMANCE

## Annual Performance

(31.12.2019)

### General Financial Numbers

(in \$1,000)

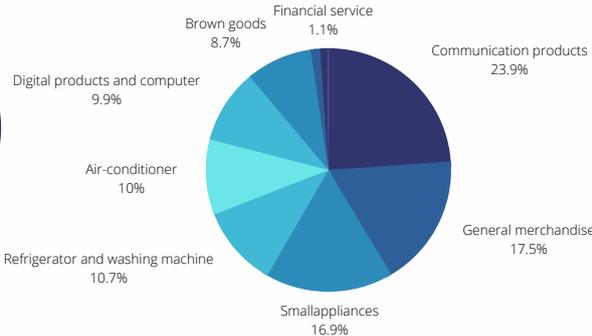
		Growth
<b>Income Statement</b>		
Total Revenue	\$41,235,741	9.91%
Gross Profit	\$5,987,099	6.45%
Operating Loss	(\$645,958)	-278%
Net Profit	\$1,506,704	-26.15%
<b>Balance Statement</b>		
Cash and Cash Equivalents	\$7,021,279	-2.81%
Total non-current assets	\$17,774,525	71.41%
Total Assets	\$36,241,841	18.74
Total Current Liabilities	\$18,555,423	29.41%
Total Liabilities	\$22,928,334	34,56%
Total Equity	\$13,457,026	8.66%
<b>Cash Flow Statement</b>		
Net cash provided by operating activities	-\$2,733,401	-28.76%

### Industry-Specific Financial Numbers

**Gross Merchandise Volume**   **Registered Members**  
**GMV**



**Core Business by Product**



**General Financial Numbers**

(in \$1,000)

<b>Income Statement</b>		Growth
Total Revenue	\$9,550,735	3.06%
Gross Profit	\$1,447,780	8.39%
Operating Income	\$4,094	159.83%
Net Income	\$109,156	85.69%

<b>Balance Statement</b>		
Cash and Cash Equivalents	\$5,878,539	-20.68
Total non-current assets	\$17,426,749	1.02%
Total Assets	\$33,829,850	-3.87%
Total Current Liabilities	\$16,820,038	-6.13%
Total Liabilities	\$20,837,301	-5.29%
Total Equity	\$13,011,803	-1.50%

<b>Cash Flow Statement</b>		
Net cash provided by operating activities	-\$1,990,580	28.76%

**Industry-Specific Financial Numbers**

**Gross Merchandise Volume**  
GMV (January - September)



**Registered Members**



**Online GMV**  
(January - September)



**Take Away**

Suning grows at a very low rate compared to other competitors. Also, due to their much more asset-heavy business model, they have much higher costs resulting in an operating loss in 2019. Despite some cost reduction, they still have a large negative operational cash flow, which is problematic for a not growing company.

# ORGANIZATION & PRODUCTS

Historically Suning.com is an offline retail business in China. In the last years, they have to build up their eCommerce business and now try to become more of a service operator with online and offline services. The business units could be split as followed:

- Offline Retail Business
- Online Retail Business
- Logistic Business

## 1. Offline Retail Business

The traditional business of Suning.com is offline retail. As of December 31, 2019, the company had 3,630 self-owned stores and 4,586 franchised stores of Suning.Com and is, therefore, the largest offline retailer in China. Suning.com has established a nationwide all-scenario offline network of stores of different sizes and types, including large stores as

- Suning Plaza,
- Suning.com Plaza,
- Carrefour Community Center,
- Suning Department Store,

and also smaller ones as

- Suning Convenience Store,
- Suning Retail Cloud Store,

and specialized stores as

- SuFresh,
- JIWU,
- Redbaby,
- Suning Sports,
- and Suning MotorShop.

In the year 2019, they acquired the Wanda Dept. Store and Carrefour China and invested thereby a substantial amount of capital in their offline retail shops. Wanda Dept. Store has given full play to its location advantages, and been upgraded to Suning.Com Plaza and built as a service center for urban life.

With the gradual integration of Carrefour China, the company formed a full-coverage channel network of online Suning Supermarket, offline Carrefour Supermarket, SuFresh Supermarket, and Suning CVS.

One example of an omnichannel approach is SuFresh because it is a supermarket where customers can purchase food in-store or order via a mobile app. Goods ordered will be delivered within half an hour within a 3 km radius of the store. Over 10,000 products are offered online and offline, including household cleaning products, daily necessities, imported food, food and beverages, dairy products, wine, color cosmetics, and healthcare products. This approach seems to be successful as they had planned to open 306 new stores in 2020.

## 2. Online Retail Business

After their full focus on offline retail operations, they decided to become an eCommerce player in 2011. Mainly they have sell through via there brands on different market places like Taobao or JD using the following brands Suning.Com, Suning.Com Tmall Flagship Store, Applet, Suning Group Purchase.

Due to their brand and the consumer trust they could establish themselves as a relevant eCommerce store at these marketplaces. to reach the clients instantly. Even then they offered first services to increase online sales using Suning Tuike, Suning Tuoke, SuTuan, store applets and store live video streaming.

At some point they decided to create an own eCommerce and online retail arm with the name Yunwang Wandian. Using this approach they want to provide different services around eCommerce using their existing infrastructure and logistic operations. Suning's offline shop will also sell on the new ecommerce platform. The unit serves to provide individuals, dealers, suppliers, and merchants with e-commerce and internet retail solutions covering supply chain, logistics, aftersales, and everything in between. It is set up to help both brands and retailers shift into digital technology and eCommerce, and provides an ecosystem that consists of large-scale distribution and connectivity. Yunwang Wandian raised 6 billion yuan (US\$915.5 million) from external investors in December 2020 which gives them enough capital to roll out all services.

They

## 3. Logistic Business

Suning Logistics is a leading logistics infrastructure provider in China, which can provide integrated and comprehensive logistics solutions for users. Suning Logistics has a leading in-house logistics network in the retail industry. As of December 2019, Suning Logistics had a warehouse and related supporting area of 12.1 million m<sup>2</sup> and 25,881 express outlets. As of December 31, the company had put 57 logistics bases into operation in 44 cities, and 18 logistics bases were under construction and expansion in 16 cities. With the help of Carrefour China, Suning has eight central warehouses in China, covering 53 cities in China, and improved the construction of the national supply chain warehouse and delivery network of FMCGs.

### Take Away

So far, the transformation from an offline retailer to an eCommerce player and service provider has not yet worked out really well. Suning has had great difficulty establishing itself as an eCommerce company and still depends mainly on its offline business. The move to become a service provider and offer logistics and existing customer relationships seems to make sense. However, the question is how far such an omnichannel company can stay competitive in the future.

# SENTIMENT IN SOCIAL MEDIA

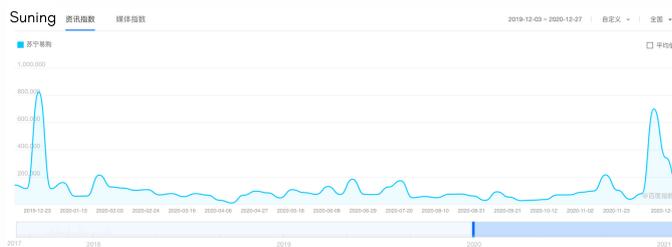
## Baidu Search index



## Google Trends Index



## Baidu News index



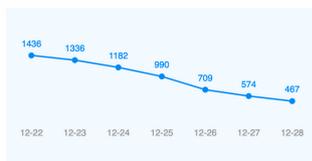
## Google Trends News Index

Not enough data available

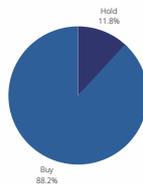
## Other Rankings



User request for company profile



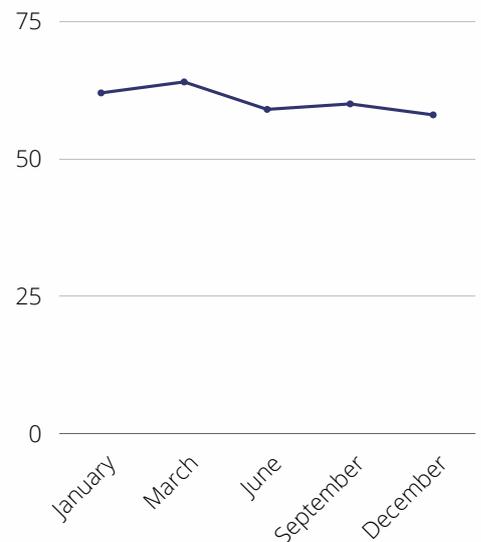
Overall Analyst Opinion



Technical Analysis

Moving average index: Sell 12 Buy 0  
 MoTechnical index: Sell 3 Buy 4

## Social Media Sentiment



### Take Away

Suning had a spike in attention in November because of news that they are looking to sell a stake in their eCommerce business due to financing pressures. Sentiment is rather negative compared to competitors.

# NEWS

## Western News Sources

Suning Appliance Group Commences Advance Payment of RMB 10 Billion of Bonds

December 15, 2020

[LINK](#)

Suning.com Releases Financial Performance Preview with Net Profit Achieving 670 million to 920 million RMB in Q3 2020

October 16, 2020

[LINK](#)

Suning Holdings Group Ranks Second on China's Top 500 Non-state Owned Enterprises List in 2020

September 14, 2020

[Link](#)

[more..](#)

1 news in December

## Chinese News Sources

Suning signed strategic cooperation agreement with Hainan Tourism Investment Development Co., Ltd

2020-12-28 14:53:36

[Link](#)

Suning, together with Hailvtou, has carried out cooperation in the fields of logistics and freight, tourism and retail

2020-12-28 11:59:35

[Link](#)

Suning's 30th anniversary celebration of public welfare

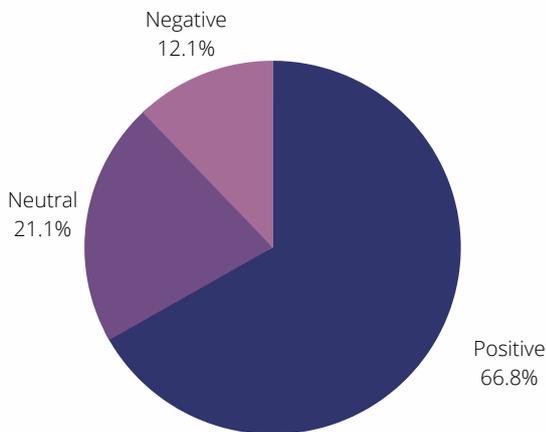
2020-12-28 10:05:17

[LINK](#)

[more..](#)

176 news in December

## News Analysis



**Take Away** There is almost no coverage of Suning.com in the Western media. Most of the news is about the company's new product offerings and strategic collaborations.



# THANK YOU

CIMK Company Profile  
2020

Follow us on LinkedIn to get more  
free analyses



[https://www.linkedin.com  
/company/69094445](https://www.linkedin.com/company/69094445)

