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Strategies

INITIATION | CHINA

Vipshop

The off-price store that outlasted the idea it copied, priced at under six times what it earns



WHAT THIS IS	An initiation report on Vipshop Holdings Limited (NYSE: VIPS), China's largest online off-price retailer
PREPARED BY	Motomeru Strategies Inc. | Jordan Hiebert, BBA, CFA, Principal
DATE	October 2026. Prices as of October 21, 2026; company figures to June 30, 2026
STATUS	Below the model's hurdle price of about US$14.16 per ADS, at US$12.43
CLASSIFICATION	Final. General information; not investment advice. See disclosures.

THE IDEA IN ONE SENTENCE

Vipshop is a shrinking but very profitable discount retailer, controlled by its founder and part-owned by Tencent, that now hands back most of what it earns, and at today's price the cash it pays out does most of the work even if sales keep drifting down.

THE VIEW IN ONE PAGE

A business nobody is excited about, paying out a sixth of its value a year

Vipshop sells branded clothes, shoes and cosmetics at a discount, mostly online, mostly to women in China's mid-sized cities. Brands use it to clear stock they couldn't sell at full price. It copied the idea from a French company in 2008, and it has outlasted almost every Western company that tried the same thing.

It isn't growing. Revenue peaked at RMB117 billion in 2021 and was RMB105 billion over the twelve months to June. The number of active customers has drifted down, and management expects the second half of 2026 to be as weak as the first. Nobody will mistake it for a growth story.

But it makes real money. Even counting stock-based pay as a cost, it earned about RMB7 billion a year in 2023 to 2025, and in 2025 it returned US$944 million to shareholders through dividends and buybacks. That's about 16% of today's market value of US$6.0 billion. The ADS count is down about 30% since 2021, and net cash of roughly US$3 billion is about half the market value.

On my numbers the shares trade at about 5.8 times core earnings, or 4.5 times after setting aside the cash the business doesn't need. The required return I use is 14.6% in US dollars. The base case, which has earnings shrinking 2% a year and an exit at 7 times, earns about 18% a year over five years, and the probability-weighted figure is just under 18%. The hurdle price is about US$14.16, so the shares are about 12% below it. Those figures count stock-based pay as a cost. On the company's own basis, which adds it back, the base case is about 21% and the hurdle about US$15.53, and I show both in section 8.

The case rests on management continuing to pay out most of what it earns. If the payout fell to 60%, the expected return would fall to roughly the required return. So the thing I'm watching most closely isn't sales. It's what the founder, who holds about two-thirds of the votes, chooses to do with the cash.

VIPSHOP AT A GLANCE

Price, Oct 21, 2026	**US$12.43 per ADS**
Market value	**US$6.0bn**
Net cash (after Q3 tax)	**about US$3.0bn**
Core P/E / ex excess cash	**5.8x / 4.5x**
Dividend yield	**5.0%**
Required return	**14.6%**
Expected, base / weighted	**18.4% / 17.8%**
Hurdle price	**about US$14.16**
If stock pay is added back	**21.1% / US$15.53**
Status	**Clears the hurdle**

INSIDE

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Returns are annual, in US dollars, over five years, with the yuan held flat. Core earnings are my estimate of underlying net income after stock-based pay. The hurdle price is a model output, not a price target or a recommendation.

1 | WHAT VIPSHOP DOES

China's online outlet store, with a membership program and real malls

A clothing brand never sells everything it makes. Some styles miss, some sizes are left over, and the end of each season leaves stock that has to go somewhere. In North America it goes to T.J. Maxx, Winners, Marshalls and Nordstrom Rack, and to factory outlet malls. In China, a lot of it goes to Vipshop.

Vipshop started in Guangzhou in December 2008 as a flash-sale site: a brand's goods went up for a limited time at a deep discount, and when the sale ended they were gone. That created urgency for shoppers and a quiet channel for brands that didn't want to cut prices in their own stores. The format has loosened since, but the bargain is the same. The company's current slogan, roughly translated, is "dress the best for 70% less."

How it makes money

- **Mostly as a retailer, not a marketplace.** Vipshop takes most goods on its own account, buying from brands, often with rights to return what doesn't sell, and booking the full sale as revenue. That's why revenue is large (RMB106 billion in 2025) and gross margin is about 23%, much lower than a pure marketplace's. It also handles its own warehouses and, in its own words, "dresses" the product with photos and descriptions.
- **Super VIP members.** Paying members get extra discounts and free returns. There are now more than 10 million of them, active SVIPs grew 8% in the second quarter, and they account for 54% of online spending. This is the part of the business that is still growing, and it's the reason the customers who matter most are holding up even as the total base shrinks.
- **Outlet malls.** Since 2019 Vipshop has also owned Shan Shan Outlets, now 22 malls and China's largest outlet chain by count. Outlet sales grew more than 20% in the first half of 2026. I come back to them in section 5, because they're more interesting than they look.

Who it competes with

Everyone in Chinese e-commerce sells clothes: Alibaba's Taobao and Tmall, JD.com, PDD's Pinduoduo, and since 2020 Douyin, the Chinese TikTok, whose live-stream sales have taken a large share of fashion. Most of them have spent heavily on subsidies over the last two years. Vipshop has said plainly that it won't join "unprofitable" subsidy spending, and its sales have shrunk as a result. Its defence is supply: authentic branded stock at a discount, curated rather than searched for, with free returns. That works for a loyal core of shoppers. It doesn't bring in new ones very fast.

THE HONEST SUMMARY

This is a mature, ex-growth retailer in a tough market for discretionary spending. Returns are rising and push up fulfilment costs, active customers fell 3% year on year in the second quarter, and guidance for the third quarter is for revenue down 5% to flat. I'm not buying a turnaround. I'm buying the cash it throws off while it holds its ground.

2 | THE QUICK FOLLOWER

It copied the French, and the French and the Americans mostly faded

The flash-sale model was invented in Paris. Jacques-Antoine Granjon, who had spent years buying up brands' surplus stock and reselling it, started vente-privee.com in 2001 to sell those lots online to members, for a few days at a time. It worked, and within a few years it was one of the biggest e-commerce companies in Europe. It's now called Veepee.

The idea was copied everywhere. In the United States, Gilt Groupe launched in 2007 and was valued at about US$1 billion in 2011. By 2016 growth had stalled, the novelty had worn off, and Hudson's Bay bought it for roughly US$250 million. Rue La La, HauteLook, Ideeli and a long list of others followed similar paths, being sold, merged or shut down. American off-price shopping stayed where it had always been, in physical stores run by TJX, Ross and Burlington.

Eric Shen and Arthur Hong started Vipshop a year after Gilt, with Vente-privée as the open model. What they did differently is the quick follower's usual edge: they built the unglamorous parts that the flash-sale idea needed in a market where nothing was in place yet. Vipshop built its own warehouses and later its own delivery, in a country where branded goods were often fake and shoppers didn't trust what arrived. It cultivated thousands of brand relationships in a market where brands had no other good way to clear stock without damaging their prices. And it kept the business focused on women's clothing in lower-tier cities while the bigger platforms chased everything.

Seventeen years later it is, by revenue, far larger than the business it copied. It still makes real profits in a category where the Western versions mostly didn't. It's a pattern I see often in China: being second isn't the disadvantage it looks like when the second company is in a much bigger market, works harder and cares more about the economics than the idea.

> *The flash sale was French. The company that made it a durable business at scale was Chinese.*

The same instinct shows up in the outlet malls. China was late to factory outlets, and when the format took off Vipshop bought a chain that already worked, Shan Shan with five malls in 2019, and grew it to 22. It didn't need to invent outlets. It needed to run them well and feed them with the brand relationships it already had.

What the follower has not done

The quick-follower story has a limit here. Vipshop was slow to see Douyin's live-stream shopping coming, and it has not found a second act. Its 2016 consumer-finance arm was folded back into the business, and its cross-border and logistics ventures were scaled back. TJX, the model of a mature off-price retailer, has traded at more than 20 times earnings for most of the past decade because it keeps opening stores and growing. Vipshop trades at under 6 times because it doesn't. I'm not assuming that changes.

3 | FOURTEEN YEARS IN NEW YORK

From a broken IPO to a ten-bagger, Archegos, and a long slide

Vipshop listed on the New York Stock Exchange on March 23, 2012, in about the worst market for a Chinese internet listing anyone could remember. The deal was cut from a range of US$8.50 to US$10.50 down to US$6.50 per ADS, and it raised just US$71.5 million. The shares then fell further.

What followed was one of the great runs in Chinese stocks. Mobile shopping took off, the flash-sale format suited phones, and by 2014 Vipshop was profitable, growing fast and worth many times its IPO price. In 2014 it split its ADSs ten for one, so an IPO buyer's ADS is now ten of today's. Adjusted for that, the IPO price was about US$0.65, and today's US$12.43 is about 19 times it, before dividends.

Growth slowed from 2016 as Alibaba, JD and then Pinduoduo pushed into discounted fashion. In December 2017, with its profits falling, Vipshop sold about 7% to Tencent and 5.5% to JD.com for a combined US$863 million. Tencent got a board seat and JD a board observer, and both gave Vipshop a doorway in their apps: a slot in WeChat's wallet and a spot on JD's home page. The shares rose about 50% after hours on the news. Section 6 covers what's left of those stakes.

The shares had another moment in the pandemic, reaching the mid-US$40s in February 2021. A month later they were caught in the Archegos collapse. Bill Hwang's family office had built large leveraged positions in a handful of US-listed Chinese stocks, Vipshop among them, and when its banks dumped those positions in block trades in late March 2021, the shares fell hard. The tech crackdown that followed did the rest. The 52-week change to October 2026 is about minus 31%.

WHAT THE HISTORY TELLS ME

This stock has been very cheap and very expensive, often within a year or two, and the moves had more to do with what investors felt about Chinese internet stocks than with how many dresses Vipshop sold. A price that swings like that is a reason to insist on a margin of safety, and it's also how a patient buyer gets one.

4 | THREE YEARS OF NUMBERS

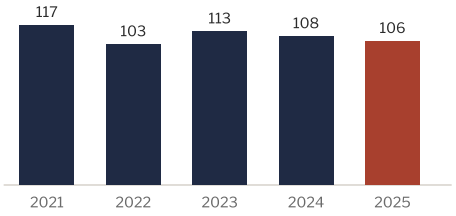
Revenue drifting down, profit holding up, and the share count shrinking

RMB BILLIONS, YEARS TO DEC 31	2023	2024	2025	12 MO. TO JUN 2026
Net revenue	112.9	108.4	105.9	105.1
Gross margin	22.8%	23.5%	23.1%	23.4%
Operating income	9.1	9.2	8.1	8.0
Net income (GAAP)	8.1	7.7	7.2	10.3*
Net income (company's non-GAAP)	9.5	9.0	8.7	7.0 / 8.6**
Free cash flow (company)	9.3	5.6	5.4	7.2
GAAP EPS per ADS (RMB)	14.42	14.35	14.15	n/m
Dividend per ADS paid in the following spring (US$)	0.43	0.48	0.62	
ADS count, approx. (millions)	563	539	512	483

* Includes a one-time RMB5.79 billion gain on the outlet REIT, before RMB1.63 billion of tax on it. ** Reported, and excluding the one-time RMB1.56 billion withholding tax charge. ADS counts are diluted averages implied by reported earnings per share, with the latest from the market value at October 21. Sources: company results releases for 2023, 2024, 2025 and Q1 and Q2 2026; StockAnalysis.com.

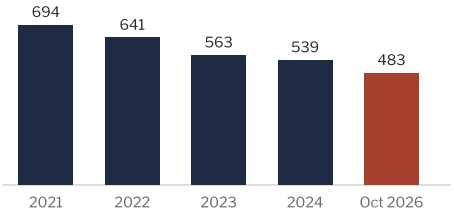
Revenue, RMB billions

Peaked in 2021; down about 10% since



ADS count, millions

Down about 30% since 2021 through buybacks



What I take from the numbers

- **Earnings per ADS have held flat while revenue fell.** GAAP earnings per ADS were RMB14.42, 14.35 and 14.15 in the last three years. Total profit fell, but buybacks made up the difference.
- **The company's non-GAAP figure flatters.** It adds back stock-based pay and a few other items, which together ran at RMB1.3 to 1.5 billion a year. I treat that as a real cost, which is why my core earnings of about RMB7 billion are closer to GAAP than to the company's figure.
- **Cash flow fell after 2023 and is now partly funding the payout.** Free cash flow of RMB5.4 billion in 2025 was less than the roughly RMB6.8 billion returned. The REIT proceeds and the cash pile cover the gap for now, but over time the payout has to come from earnings.
- **2026 has two one-offs pulling in opposite directions.** The outlet REIT added a large gain in the second quarter, and an accrual for withholding tax on years of past dividends moved from the mainland to Hong Kong took RMB1.56 billion away. The CFO called the tax "absolutely not a penalty" and said future dividends will be accrued at the statutory rate, with minimal effect on net margin. I knock about 3% off core earnings for it anyway.

5 | THE OUTLET MALLS

A real-asset business hiding inside an internet retailer

I spend a lot of my time on real estate, so I'll admit the outlet malls are the part of Vipshop I find most interesting.

Shan Shan Outlets came with five malls in 2019. There are now 22, which management says makes it the largest outlet chain in China by store count. Outlet sales grew more than 20% in the first half of 2026, and management expects at least that in the second half, with same-store sales up by double digits. In a year when the online business is shrinking, that's the fastest-growing thing the company owns.

In June 2026 Vipshop showed what the malls are worth. It put two of them, in Zhengzhou and Harbin, into a public infrastructure REIT listed on the Shanghai Stock Exchange (CICC Vipshop Commercial REIT, code 508603), kept 49% of the units and took gross proceeds of about RMB7.7 billion. The deal produced a one-time gain of RMB5.79 billion over the book value of the two malls. China opened its public REIT market to consumer infrastructure such as malls and outlets in 2024, and Vipshop used it quickly.

WHY THIS MATTERS FOR THE VALUATION

The two REIT malls are now accounted for as an investment, and the other twenty are on the books at cost. On my rough arithmetic from the proceeds, the retained REIT units alone are worth something like US$1 billion, or about US$2 an ADS. I leave the units and the other malls out of the base case and count only US$1.5 billion of excess cash. They're a large part of why the bull case is plausible, and if Vipshop puts more malls into REITs, as it now has a route to do, it can turn hidden value into cash for buybacks.

A caution: outlet malls in China are a consumer business as much as a property one, and their rents depend on the same spending that's hurting Vipshop's online sales. The REIT market is young, and its prices aren't tested by a downturn. I would rather treat the malls as a source of optionality than pay for them.

6 | OWNERSHIP AND CONTROL

The founder has two-thirds of the votes, and Tencent is the largest outside owner

HOLDER	ECONOMIC INTEREST	VOTES	NOTES
Eric Ya Shen, chairman and CEO	about 16%	about 65%	Holds all of the Class B shares, which carry ten votes each
Arthur Xiaobo Hong, co-founder	about 9%	about 4%	Class A shares
Tencent	about 13–14%	about 5%	12.97 million Class A shares (13D, May 2025); a board seat; may be a "group" with the founders under an investor rights agreement
JD.com	7.6% in 2019		Bought in 2017 and added in the market to 2019; I couldn't confirm its current holding from recent filings
Public	the rest		Mostly through the NYSE ADS

Percentages are approximate and based on 95.1 million ordinary shares outstanding at June 30, 2026 (one ADS is 0.2 of an ordinary share). Sources: Vipshop 20-F for 2025; Tencent Schedule 13D/A, May 2025; JD.com Schedule 13D/A, August 2019; WallStreetZen.

Vipshop is a founder-controlled company. Eric Shen's Class B shares give him about two-thirds of the votes on about a sixth of the equity, and outside shareholders can't change the board without him. That cuts both ways. A founder with a sixth of the company has his own money in the same shares, and the shift since 2023 toward paying out most of the earnings happened under his control. But the decision to keep doing it is his, and nothing in the share structure forces it.

Tencent bought in at the end of 2017, when Tencent and Alibaba were fighting over retail and Tencent was assembling allies, JD among them. Today the stake is a small item on Tencent's balance sheet. Tencent has spent the last few years handing out or selling down stakes in companies like JD and Meituan, and a sale of its Vipshop stake would be an overhang on the shares, though it wouldn't change the business much. JD came in on the same deal, and the traffic arrangements from 2017 matter much less now than they did then.

The structure

Vipshop is a Cayman Islands company, like most US-listed Chinese companies, and it does use a VIE, the contract arrangement that stands in for ownership where foreigners can't own a business directly. But here the VIEs are small: they produced about 0.3% of revenue in 2025. The retail business itself is owned through ordinary subsidiaries. That's better than at most US-listed Chinese companies. The cash is still in China, though: about RMB16.7 billion of net assets in Chinese subsidiaries were restricted at the end of 2025, and getting cash out costs withholding tax, as this year's charge showed.

I keep the 0.5-point structure premium in the required return, not because of the VIE, but for the founder's control and the cost and friction of getting cash out of the mainland.

7 | THE REQUIRED RETURN

What the risks should pay: 14.6% a year in US dollars

I build the required return the same way for every company I cover, starting from what a US investor can earn without taking any equity risk.

COMPONENT	PREMIUM	WHAT IT PAYS FOR AT VIPSHOP
US 10-year Treasury	5.1%	The return available without owning a business, as of October 21, 2026
Equity risk premium	4.5%	Owning a business rather than a bond
China premium	3.0%	Regulation without compensation, sanctions, capital controls, Taiwan
Structure	0.5%	Founder control through ten-vote shares; cash held in the mainland; a small VIE
New York-only listing	1.0%	No Hong Kong line to fall back on if the ADS is ever delisted
Business-specific	0.5%	Shrinking sales and active customers in a tough market for apparel
Required return	14.6%	In US dollars, before any view on the yuan

Is 0.5% enough for a shrinking business?

I thought about raising it. I didn't, because the shrinkage is already in the cash flows: the base case has earnings falling 2% a year for five years and an exit multiple of 7. Charging for the same risk twice, once in the discount rate and again in the forecast, is a common way to make a cheap stock look fairly priced. The 0.5% pays for the uncertainty around that forecast, not for the decline itself.

What isn't in it

Vipshop isn't on the Pentagon's 1260H list, and nothing in its business is near the sectors covered by the US outbound investment rules. Its auditor's work has been open to PCAOB inspection since the end of 2022, and the company doesn't expect to be identified under the Holding Foreign Companies Accountable Act. So the 1-point New York-only premium is about a political shock, not a current legal process.

THE CURRENCY

I hold the yuan flat at about 6.78 to the dollar. Vipshop earns everything in yuan and pays out in dollars, so each 1% a year that the yuan rises or falls against the dollar adds or subtracts roughly one point from the expected return. I think the yuan is cheap and more likely to rise than fall over five years, but I don't put that in the numbers.

8 | EXPECTED RETURN, SCENARIOS AND THE HURDLE

The base case earns about 18% a year, and the bear case still gets 8%

The model is simple: the cash paid out each year through dividends and buybacks, plus a year-five value at a conservative multiple of core earnings and the excess cash, against today's price.

PER ADS, US$	BEAR	BASE	BULL
First-year core earnings vs today	−10%	flat	flat
Earnings growth a year, total	−6%	−2%	+2%
Exit multiple of core earnings	5x	7x	9x
Cash paid out over five years	7.28	8.74	9.44
Value in year five, incl. excess cash	9.94	16.24	23.73
Expected return a year, from US$12.43	8.4%	18.4%	25.9%
Price that earns 14.6%	10.04	14.16	18.36
Stock pay added back: return / hurdle	10.6% / 10.81	21.1% / 15.53	29.1% / 20.42

Inputs: core earnings of RMB7.0 billion (US$2.14 per ADS at 6.78), excess cash of US$1.5 billion (US$3.11 per ADS) earning 2% after tax, payout of 85% of core earnings. Weighting the cases 25/50/25 gives 17.8%. The grey row repeats the cases with stock-based pay added back, using the company's non-GAAP earnings of about RMB8.2 billion, which add back stock-based pay, and a 75% payout; weighted, that gives 20.5%. I treat stock-based pay as a cost, so the first set of figures is the one I use.

Where the inputs come from

- **Core earnings.** Underlying 2026 net income on the company's basis looks like about RMB8.2 billion: RMB2.3 billion in the first quarter, about RMB2.0 billion in the second without the tax charge, and something like RMB4 billion in the second half if it looks like last year's less a few percent. Less about RMB1.2 billion of stock-based pay and other add-backs, that's RMB7.0 billion.
- **Payout.** Vipshop committed to return at least 75% of its 2025 non-GAAP profit in 2026. On my lower core earnings that's about 85 to 90%. I use 85%.
- **Excess cash.** Net cash is about US$3 billion after debt and the third-quarter tax bill. A retailer that collects from customers before it pays suppliers needs a good part of that, so I count half.
- **Exit multiple.** Seven times in the base case, roughly where the shares have traded on GAAP earnings for most of the last three years, and well below where mature retailers elsewhere trade. I don't assume a move toward Western multiples.

Sensitivity: expected return by exit multiple and earnings growth (below 14.6% only where shrinkage is fast and the exit is 5–6x)

EXIT MULTIPLE	−6% A YEAR	−4%	−2%	0%	+2%
5x	11.0%	12.6%	14.2%	15.9%	17.5%
6x	13.0%	14.7%	16.4%	18.1%	19.9%
7x	14.8%	16.6%	**18.4%**	20.2%	22.1%
8x	16.6%	18.4%	20.3%	22.2%	24.1%
9x	18.2%	20.1%	22.0%	24.0%	25.9%

8 | WHAT DRIVES THE RESULT

Most of the return is cash paid out, so the payout matters more than growth

A few choices in the model move the answer more than the others. Some make the case look better than a quick screen would, and some make it look worse.

INPUT	EFFECT	WHY
Core earnings after stock pay	Lower	The forward P/E most data services quote, about 5, is on the company's non-GAAP earnings. I use earnings after stock-based pay, which are about 15% lower. On the company's basis the base case would be about 21%. The next page sets out both sides.
Excess cash	Higher	A screen on P/E alone gives no credit for cash. I count US$1.5 billion, about a quarter of the market value and half the net cash.
Payout	Higher	75% of non-GAAP profit is about 85% of core earnings.
Market value	Neutral	A widely used data source shows about 553 million ADSs, giving US$7.1 billion. The filings give about 476 million at June 30 and fewer now, so the market value is closer to US$6.0 billion. It doesn't change the multiple, but it makes the cash a bigger share of the price.

THE ONE INPUT THAT MATTERS MOST

If Vipshop paid out 60% of core earnings instead of 85% and kept the rest as cash that earns 2%, the base case would drop to 14.6%, right on the required return. At this price the return comes mostly from the cash paid out, not from growth or a re-rating. A management that decided to hoard cash, or to spend it on an acquisition, would close most of the margin on its own.

What today's price assumes

Turning the model around, US$12.43 earns the 14.6% required return if earnings shrink about 6% a year for five years and the shares still sell at 7 times at the end, or if they shrink 2% a year and the exit multiple is only 5. Either is a gloomier future than the last three years, when earnings per ADS barely moved. That's the margin of safety: the market is pricing in a faster decline than the company has shown so far, and I don't have to be right about a recovery for the shares to earn their keep.

The flip side is that a cheap, shrinking company can stay cheap for a long time. The return here doesn't depend on anyone else changing their mind about Vipshop, which is how I'd want it, but it does depend on the cash continuing to come back.

8 | STOCK-BASED PAY, BOTH WAYS

I count it as a cost. Here is the case for adding it back

Like most US-listed Chinese internet companies, Vipshop reports a non-GAAP profit that adds back stock-based pay and a few smaller items. The gap is large enough to matter: RMB1.4 billion in 2023, RMB1.3 billion in 2024 and RMB1.5 billion in 2025, or 15 to 17% of the company's non-GAAP profit.

BASE CASE UNLESS NOTED	STOCK PAY AS A COST	STOCK PAY ADDED BACK
Core earnings, 2026	RMB7.0bn (US$2.14/ADS)	RMB8.2bn (US$2.50/ADS)
P/E at US$12.43	5.8x	5.0x
Payout used	85%	75%
Bear / base / bull	8.4% / 18.4% / 25.9%	10.6% / 21.1% / 29.1%
Weighted 25/50/25	17.8%	20.5%
Hurdle price at 14.6%	US$14.16	US$15.53
Status at US$12.43	Clears, by about 12%	Clears, by about 20%

The cash paid out is the same in both columns: 75% of non-GAAP profit is about 85% of earnings after stock pay. Both use US$1.5 billion of excess cash and the yuan at 6.78.

Why I count it

- **It's pay.** If Vipshop didn't hand out shares, it would have to pay its people more cash to keep them. Warren Buffett put it most simply in 1992: if options aren't compensation, what are they, and if compensation isn't an expense, what is it?
- **Someone pays for it.** New shares dilute existing holders. Part of every buyback goes to soaking up shares issued to employees rather than to shrinking the count, so treating all of it as cash returned overstates what holders get unless the dilution is charged somewhere. Charging it as a cost is the simplest way.
- **It recurs, every year.** And I use the same basis for every company I look at, including ones that pay far more in stock than Vipshop.

The flip side

- **The share count fell anyway.** Even after stock pay, Vipshop's ADS count is down about 30% since 2021. The dilution is real but more than offset, and holders own a bigger share of the company each year.
- **It isn't cash.** Free cash flow, which funds dividends and buybacks, is measured before it. And some of the add-backs, such as investment gains and losses, really are one-off.
- **The payout is set on it.** Vipshop's 75% commitment is on non-GAAP profit, so the cash paid out follows the add-back figure, not mine.
- **The market quotes it.** Consensus forward P/Es for Chinese internet stocks are almost all on this basis, so it's the one to use when comparing with other people's numbers.

WHERE I COME OUT

The add-back basis is closer to the cash a holder receives in any one year. The cost basis is closer to what the business earns for its owners over time, because the dilution has to be paid for somewhere, and at Vipshop it's being paid for with buyback money that would otherwise come back to holders. I use the cost basis for the status and hurdle price. For Vipshop it doesn't change the answer: the shares clear on both, and the gap between the two hurdle prices, about US$1.40, is a fair measure of how much the choice matters.

9 | HOW TO OWN IT

One door in, and it's the one most exposed to Washington

Vipshop trades only in New York, as an ADS on the NYSE under VIPS. Each ADS is 0.2 of a Class A ordinary share. It has no Hong Kong listing, unlike most of the larger US-listed Chinese companies, which added one between 2019 and 2022 as insurance against a US delisting.

ROUTE	WHAT YOU GET	WHAT YOU GIVE UP
NYSE ADS	US dollars, US hours, good liquidity (about US$30 million a day on average), SEC filings	Fully exposed to a US delisting order, with no Hong Kong line to move to
Through Tencent or Prosus	Hong Kong or European listing, with Tencent's other businesses	Vipshop is a rounding error in Tencent's value; this isn't a real route
China-focused ETF	Diversification	Vipshop is a small weight, if held at all

What happens if the ADS is delisted

The most likely path is a forced move to the over-the-counter market, a wait for a Hong Kong listing, or a buyout. Founder-controlled companies with cash and low multiples are exactly the ones that tend to be taken private, and those deals have often been done at prices that long-term holders thought were too low. I size the position with that in mind rather than assume it away. A Hong Kong listing would remove most of the 1-point premium, and I'd see it as good news.

Tax, briefly

- **Dividend withholding.** The Cayman Islands don't withhold tax on dividends. The 20-F warns that if China ever treated Vipshop as a Chinese resident company, a 10% withholding tax could apply to dividends paid to foreign holders. That hasn't happened. The withholding tax in the 2026 results was inside the company, on cash moved from the mainland to Hong Kong, and it's already in my earnings.
- **US investors.** The company doesn't expect to be a passive foreign investment company, and as an NYSE-listed ADS the dividends should generally count as qualified dividends, though that depends on your holding period and circumstances.
- **Canadian investors.** With no Cayman withholding, there's no foreign tax to recover, and the ADS can be held in an RRSP or TFSA without the 15% US withholding that applies to US companies. The dividends are foreign income, taxed at full rates in a taxable account.

THE TRADE-OFF, STATED PLAINLY

There's only one convenient way to own Vipshop, and it's the way most exposed to US policy. I accept that for this name because the price pays for it and because most of the return comes back as cash each year, so I'm not waiting on a re-rating that a delisting could cancel. Tax treatment depends on your circumstances, and none of this is tax advice.

10 | WHAT COULD MAKE THIS WRONG

The risks I take most seriously, and how the model handles each

RISK	WHAT IT WOULD LOOK LIKE	HOW I ACCOUNT FOR IT
Faster decline	Douyin, PDD and Taobao keep taking apparel spending; active customers fall faster; returns keep rising	The bear case has earnings 10% lower in year one, falling 6% a year, and a 5x exit. It still returns about 8%
Payout cut	The founder decides to keep cash, or to buy something	The biggest single sensitivity; at a 60% payout the return falls to the required return. I watch each year's commitment
Delisting	A US order against Chinese ADSs, with no Hong Kong line	1-point premium; position size; most of the return arrives as cash along the way
Take-private at a low price	The founder and partners buy out the public at a modest premium	Structure premium; the hurdle price tells me what a fair offer looks like
Trapped cash and tax	More withholding, or new limits on moving cash offshore	3% haircut to core earnings; only half the net cash counted
Consumer weakness	China's deflation and property slump keep hitting discretionary spending	Base case assumes a slow decline, not a recovery
Tencent sells	A block sale of its roughly 13% stake	A price event rather than a business one; it could create a better entry
Founder dependence	Eric Shen, who has run the company since 2008, steps back	No explicit premium; a succession plan would reduce it
Taiwan and sanctions	Conflict or broad sanctions on Chinese assets	The 3-point China premium; this is the risk that could cost everything

I'd also be honest about one thing I can't model. Retailers that stop growing tend to get less careful, and their best people leave for companies that are growing. Vipshop has kept its margins steady for three years while its sales shrank, which suggests that hasn't happened yet. The second-quarter dip in operating margin, from 6.6% to 6.2%, is worth watching for that reason more than for its size.

11 | WHAT WOULD CHANGE MY VIEW

What I'm watching, and what would move the hurdle either way

Would make me more positive

- A Hong Kong listing, which would take most of the 1-point premium out of the required return and lift the hurdle price by about US$0.50.
- A multi-year payout commitment, for example a stated minimum share of each year's profit, rather than one year at a time.
- More outlet malls put into REITs, with the proceeds used for buybacks.
- Active customers growing again for a few quarters, which would make the base case's 2% decline look too cautious.
- Clear evidence that stock-based pay is coming down as a share of profit.

Would make me more negative

- A payout below about two-thirds of core earnings, or a large acquisition outside off-price retail.
- Revenue falling faster than 6% a year for two years running.
- Operating margin below about 6% on a sustained basis, a sign the business is giving up price or paying more to keep customers.
- Any formal step toward a delisting order on Chinese ADSs, or Vipshop being added to a US restricted list.
- A take-private proposal below the hurdle price.

Next things to check

Third-quarter results are due in mid-November. The guidance is for revenue down 5% to flat. I'll be looking at whether the withholding tax was settled as expected, how much of the new US$1 billion buyback has started, and whether management says anything about the 2026 payout beyond the 75% floor. The 2027 commitment usually comes with fourth-quarter results in late February.

THE CASE, IN SHORT

Vipshop took a French idea and made it work in China better than anyone made it work in America. It isn't growing any more and I don't expect it to. But it earns about US$1 billion a year after paying its people in stock, hands back most of it, keeps buying back shares at five or six times earnings, and owns China's largest chain of outlet malls on top. At US$12.43 the price pays for a slow decline, a founder in control and a single door through New York. I'd rather own it below the hurdle than wait for a story that may never come.

Jordan Hiebert, Motomeru Strategies

DISCLOSURES AND SOURCES

Important information

About the author. Jordan Hiebert, CFA, analyzes private real estate and credit vehicles for investment dealers and has worked extensively with lower-middle-market companies focused on real assets. Motomeru Strategies Inc. is the author's independent research practice; the views here are not those of any employer.

Disclosure of interests, as of October 26, 2026. The author holds no shares in Vipshop. The author personally holds shares in Prosus, which gives an indirect interest in Tencent, Vipshop's largest outside shareholder. The author also personally holds shares in JD.com, which bought a stake in Vipshop in 2017. Motomeru Strategies Inc. holds no shares in Vipshop or in any other company discussed, and receives no compensation from any company discussed.

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Sources

- **Company filings.** Vipshop unaudited results for Q4 and full year 2023 (Feb 28, 2024), 2024 (Feb 2025), 2025 (Feb 26, 2026), Q1 2026 (May 21, 2026) and Q2 2026 (Aug 25, 2026), via SEC Form 6-K; Vipshop annual report on Form 20-F for 2025 (filed Apr 16, 2026): share classes, VIE revenue share, restricted net assets, dividends, HFCAA status.
- **Earnings calls.** Q2 2026 call (Aug 25, 2026) via MarketBeat: SVIP growth and share of spending, outlet growth and count, withholding tax, capital return, guidance. KrASIA (Aug 2026) and iTiger (May 2026) on Q1 and Q2 results and the REIT.
- **Ownership.** Tencent Holdings Schedule 13D/A No. 4 on Vipshop (May 22, 2025); JD.com Schedule 13D/A No. 2 (Aug 2019); WallStreetZen insider holdings (Oct 2026); Fundamentei on founder voting power.
- **Market data.** MarketBeat, price and market value on Oct 21, 2026; StockAnalysis.com statistics and financials (Oct 16–22, 2026).
- **History.** Renaissance Capital on the March 2012 IPO; Caixin Global (Dec 18, 2017) and Reuters via Oman Observer on the Tencent and JD investment; Wikipedia, Vipshop company history; press coverage of the Archegos block sales, March 2021; press coverage of Vente-privée and of Hudson's Bay's purchase of Gilt Groupe (2016).
- **REIT.** Vipshop Q2 2026 results; Deloitte China on the listing of the CICC Vipshop Commercial REIT on the Shanghai Stock Exchange (2026).
- **Method and estimates.** Model inputs and assumptions are Motomeru estimates.