

Proya Cosmetics (603605 CH)

Impressive 618 with makeup brand making its debut to TOP 1; Maintain BUY

BUY (Maintain)

Proya reported impressive results during the 618 promotion event with total GMV ranking top/second on Tmall/Douyin's cosmetic sector, buoyed by effective hero product strategy and possibly more discounts. GMV growth reached +70%/+110% YoY on Tmall/Douyin, largely surpassing the platforms' sector total and international peers. Growth might be lower at the revenue level as the return rate is raising industrywide. Proya makeup/hair care brands' ranking climbed to the top/top 10 on Tmall for the first time, suggesting new brand development is proceeding well. We raise our 2024E/25E earnings estimates by c.20% to reflect success in 618 and solid 4Q23/1Q24 earnings. Maintain BUY with TP revised to RMB135.57, reflecting 35x 2024E P/E.

- Impressive 618: retained throne on Tmall, ranked 2nd on Douyin.** Based on data from third-party statistics, during the 618 shopping festival, Proya's GMV maintained its champion status on Tmall and ranked second on Douyin in cosmetic sector (behind Kans), surpassing all international peers (Figure 1). YoY growth reached +70% and +110%, respectively, significantly outperforming the cosmetics GMV growth on platforms (-13.3% for Tmall+JD+PDD, +47.6% for Douyin) (Figure 2-3). The success is primarily due to: **1)** effectiveness of the hero product strategy. Main skincare brand ranked the first/second by GMV on Tmall/Douyin, respectively. **2)** Possibly more discounts were offered as our preliminary estimates indicate that Proya offered 7% more discount during 618 compared to Double 11 2023 on Li Jiaqi's live broadcast event (Figure 4).
 - Makeup made its debut to the top, hair care entered top 10.** During 618, GMV of Timage on Tmall's makeup ranking reached the top for the first time (ranked the 7th/2nd during 2023's 618 and 2023's Double 11), with 80% YoY growth in GMV on Tmall, significantly outpacing the industry's -14.2% (Tmall+JD+PDD). The company's makeup GMV on the Douyin platform remained flat YoY, possibly due to a strategic decision to forgo platforms with intense competition and higher cost. Hair care brand, Off&Relax (OR), made a notable entry into the top 10 of Tmall's hair care sector, with a 70% YoY increase in GMV. We believe that after this initial breakthrough, OR is poised to become the company's next star brand.
 - Raise estimates.** We raise 2024/25E revenue by c.20%. With a relatively stable GPM, we also lift NP estimates by c.20% in 2024/25E to reflect the success in 618 and the solid 4Q23 & 1Q24 earnings (+39% & +46% YoY). Maintain BUY with TP revised to RMB15.57, representing 35x 2024E P/E.
- Risks:** worse-than-expected macro climate, surprisingly high return rate for 618 events, selling expense surge, and management changes

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	6,385	8,905	11,689	14,567	17,445
YoY growth (%)	37.8	39.5	31.3	24.6	19.8
Net profit (RMB mn)	817.4	1,193.9	1,537.5	1,913.0	2,285.9
YoY growth (%)	41.9	46.1	28.8	24.4	19.5
EPS (Reported) (RMB)	2.06	3.01	3.88	4.82	5.76
Consensus EPS (RMB)	na	na	3.82	4.70	5.67
P/E (x)	54.6	37.3	29.0	23.3	19.5
P/B (x)	12.6	10.1	8.4	6.9	5.8
Yield (%)	0.6	1.2	1.6	2.0	2.4
ROE (%)	25.5	30.3	31.8	32.4	31.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Target Price	RMB135.57
(Previous TP)	RMB 138.3)
Up/Downside	18.9%
Current Price	RMB113.99

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Stock Data

Mkt Cap (RMB mn)	31,853.5
Avg 3 mths t/o (RMB mn)	266.9
52w High/Low (RMB)	116.22/78.24
Total Issued Shares (mn)	283.5

Source: FactSet

Shareholding Structure

Hou Juncheng	34.7%
HKSCC	23.6%

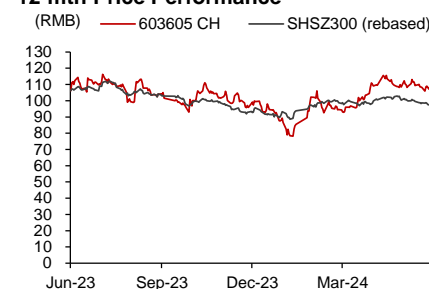
Source: SSE

Share Performance

	Absolute	Relative
1-mth	3.6%	7.3%
3-mth	18.8%	21.1%
6-mth	17.2%	12.5%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Figure 1: GMV rankings during the promotion events

GMV ranking	Tmall 天貓				Douyin 抖音			
	2022	2023	2023	2024	2022	2023	2023	2024
	11.11	6.18	11.11	6.18	11.11	6.18	11.11	6.18
Cosmetics 美妆行业								
Proya 珀莱雅	5	4	1	1	7	9	1	2
Skincare 护肤								
Proya 珀莱雅	4	3	1	1	6	5	1	2
Makeup 彩妆								
Timage 彩棠	12	7	2	1	7	8	2	10
Hair care 洗发护发*								
Off&Relax	20+	15	13	9	17	16	-	-

Source: Company data, Tmall Dameizhuang, Chanmama, Shanzhizhen, CMBIGM

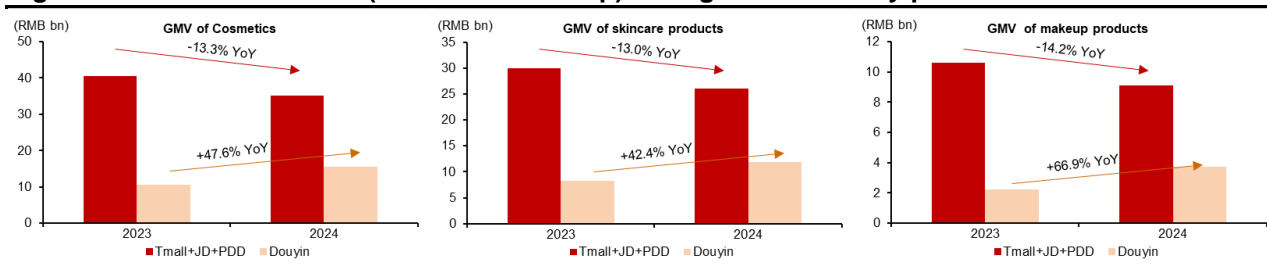
Figure 2: Proya's GMV growth during the promotion events

Proya's GMV growth (YoY)	2022	2023	2023	2024
	11.11	6.18	11.11	6.18
Tmall cosmetics 天貓美妆	120%	80%	40%	70%
Douyin cosmetics 抖音美妆	120%	80%	200%	110%
JD cosmetics 京东美妆	110%	70%	200%	80%
VIP.com cosmetics 唯品会美妆			60%	30%
PDD cosmetics 拼多多美妆			100%	60%
Tmall makeup 天貓彩妆	80%	50%	150%	80%
Douyin makeup 抖音彩妆	380%	70%	160%	Flat

Source: Company data, CMBIGM

Note: numbers in the chart represent the minimum growth rate announced by the company

Figure 3: GMV of cosmetics (skincare + makeup) during 618 in 2024 by platform



Source: Xingtu Data, Chanmama, CMBIGM

Figure 4: Proya's product discount offered in Li Jiaqi's livestreaming during promotion events

Brand	Product	Regular price (RMB)	2023 11.11		2024 6.18		Discount change
			Special price (RMB)	Discount level excl. gift	Special price (RMB)	Discount level excl. gift	
Proya	Red Gem and Double Anti essence set (30 ml*2)	630	508	19%	463	27%	8ppt
	Double Anti mask(45 pc)	1048	958	9%	891	15%	6ppt
	Double Anti eye cream(20 ml)	279	259	7%	249	11%	4ppt
	Red Gem cream(50 g)	349	309	11%	279	20%	9ppt
	Red Gem toner + Emulsion set (120 ml+120 ml)	488	448	8%	408	16%	8ppt
Average				11%		18%	7ppt

Source: Company data, Tmall, CMBIGM estimates

Figure 5: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	11,689	14,567	17,445	9,830	12,035	n.a.	18.9%	21.0%	n.a.
Gross Profit	8,210	10,261	12,308	6,999	8,635	n.a.	17.3%	18.8%	n.a.
EBIT	1,990	2,465	2,936	1,712	2,102	n.a.	16.2%	17.3%	n.a.
Net profit	1,537	1,913	2,286	1,291	1,585	n.a.	19.1%	20.7%	n.a.
Gross Margin	70.2%	70.4%	70.6%	71.2%	71.7%	n.a.	-1ppt	-1.3ppt	n.a.
EBIT Margin	17.0%	16.9%	16.8%	17.4%	17.5%	n.a.	-0.4ppt	-0.5ppt	n.a.
Net Margin	13.2%	13.1%	13.1%	13.1%	13.2%	n.a.	0ppt	0ppt	n.a.

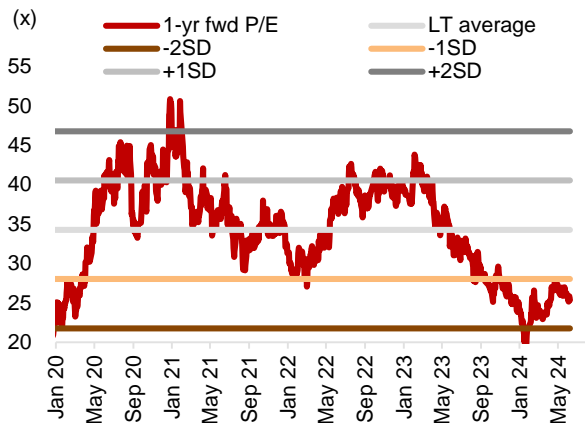
Source: Company data, CMBIGM estimates

Figure 6: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	11,689	14,567	17,445	11,129	13,622	16,209	5.0%	6.9%	7.6%
Gross Profit	8,210	10,261	12,308	7,800	9,555	11,388	5.3%	7.4%	8.1%
EBIT	1,990	2,465	2,936	1,892	2,347	2,838	5.2%	5.0%	3.5%
Net profit	1,537	1,913	2,286	1,515	1,862	2,245	1.5%	2.7%	1.8%
Gross Margin	70.2%	70.4%	70.6%	70.1%	70.1%	70.3%	0.2ppt	0.3ppt	0.3ppt
EBIT Margin	17.0%	16.9%	16.8%	17.0%	17.2%	17.5%	0ppt	-0.3ppt	-0.7ppt
Net Margin	13.2%	13.1%	13.1%	13.6%	13.7%	13.9%	-0.5ppt	-0.5ppt	-0.7ppt

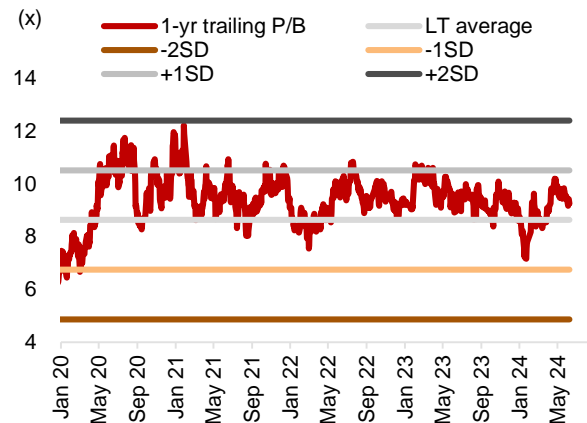
Source: Company data, Bloomberg, CMBIGM estimate

Figure 7: 12M forward P/E band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: 12M trailing P/B band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 9: Valuation comps

Company	Ticker	Rating	TP	Last Price	Mkt Cap	P/E (x)		P/B (x)		Dividend Yield		ROE		2 yr CAGR (23-25E)	
			(LC)	(LC)		(RMB mn)	24E	25E	24E	25E	23A	24E	24E	25E	Revenue
Proya	603605.SH	BUY	135.6	113.99	45,226	29.0 x	23.3 x	8.4 x	6.9 x	1.2%	1.6%	31.8%	32.4%	27.9%	26.6%
Botanee Group	300957.SZ	HOLD	81.6	48.71	20,634	19.2 x	15.6 x	3.1 x	2.7 x	1.2%	1.6%	16.1%	17.2%	22.5%	32.1%
Shanghai Jahwa	600315.SH	HOLD	21.4	18.32	12,388	20.3 x	17.3 x	1.5 x	1.4 x	1.3%	1.5%	7.5%	8.2%	10.6%	19.7%
Giant Biogene	2367.HK	NR	NA	45.35	42,543	23.7 x	18.8 x	7.4 x	5.6 x	2.1%	1.7%	33.1%	32.1%	30.1%	24.9%
Bloomage Biotech	688363.SH	NR	NA	57.77	27,827	33.4 x	26.8 x	3.7 x	3.3 x	0.7%	1.0%	11.0%	12.4%	12.9%	33.4%
Chicmax	2145.HK	NR	NA	42.65	15,485	18.4 x	14.0 x	6.1 x	4.6 x	2.4%	3.9%	34.1%	35.2%	43.0%	55.0%
Cosmos	300856.SZ	NR	NA	33.12	11,217	11.9 x	9.5 x	3.3 x	2.6 x	4.5%	2.2%	28.5%	28.0%	32.3%	27.0%
Marubi	603983.SH	NR	NA	29.06	11,653	30.7 x	24.4 x	3.2 x	3.0 x	1.8%	1.5%	10.6%	12.3%	27.3%	31.3%
Runben	603193.SH	NR	NA	19.09	7,724	26.8 x	21.4 x	3.6 x	3.1 x	0.9%	0.9%	13.3%	14.5%	27.7%	26.3%
Yujiahui	300740.SZ	NR	NA	14.99	5,826	14.9 x	12.3 x	2.4 x	2.0 x	0.7%	0.9%	16.4%	16.6%	11.7%	25.7%
Beautyfarm Med	2373.HK	NR	NA	15.88	3,416	12.3 x	9.9 x	3.7 x	2.9 x	3.0%	3.5%	33.0%	32.9%	23.3%	26.6%
Average						24.6 x	19.7 x	5.4 x	4.4 x	1.6%	1.7%	23.8%	24.3%	25.5%	29.7%

Source: Wind, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	4,633	6,385	8,905	11,689	14,567	17,445
Cost of goods sold	(1,554)	(1,935)	(2,677)	(3,478)	(4,306)	(5,137)
Gross profit	3,079	4,451	6,227	8,210	10,261	12,308
Operating expenses	(2,346)	(3,298)	(4,692)	(6,221)	(7,796)	(9,372)
Selling expense	(1,992)	(2,786)	(3,972)	(5,284)	(6,629)	(7,974)
Admin expense	(237)	(327)	(455)	(598)	(745)	(892)
R&D expense	(77)	(128)	(174)	(228)	(284)	(340)
Others	(41)	(56)	(91)	(111)	(138)	(166)
EBITDA	829	1,223	1,617	2,099	2,588	3,078
Depreciation	47	53	63	91	106	126
Other amortisation	49	17	19	18	17	17
EBIT	733	1,153	1,535	1,990	2,465	2,936
Net Interest income/(expense)	7	41	59	59	59	59
Other income/expense	(73)	(140)	(99)	(104)	(104)	(104)
Pre-tax profit	668	1,054	1,495	1,945	2,420	2,891
Income tax	(111)	(223)	(265)	(359)	(447)	(534)
Minority interest	(19)	14	37	48	60	71
Net profit	576	817	1,194	1,537	1,913	2,286
Adjusted net profit	627	951	1,270	1,537	1,913	2,286
Gross dividends	173	247	549	707	880	1,051

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	3,159	4,147	5,545	6,680	7,985	9,446
Cash & equivalents	2,391	3,161	4,011	4,778	5,642	6,661
Account receivables	139	102	345	448	559	669
Inventories	448	669	82	106	132	157
Prepayment	58	91	203	194	241	289
Other current assets	123	123	904	1,154	1,411	1,669
Non-current assets	1,474	1,631	1,778	1,899	2,061	2,262
PP&E	559	570	827	962	1,137	1,348
Investment in JVs & assos	170	139	114	114	114	114
Intangibles	397	420	405	391	378	367
Goodwill	0	0	0	0	0	0
Other non-current assets	348	502	433	433	433	433
Total assets	4,633	5,778	7,323	8,579	10,046	11,707
Current liabilities	1,025	1,428	2,120	2,466	2,814	3,154
Short-term borrowings	200	200	200	200	200	200
Account payables	483	545	1,055	1,371	1,697	2,025
Tax payable	90	153	223	223	223	223
Other current liabilities	252	530	642	672	694	707
Non-current liabilities	721	813	803	803	803	803
Long-term borrowings	0	0	0	0	0	0
Deferred income	6	6	6	6	6	6
Other non-current liabilities	715	807	796	796	796	796
Total liabilities	1,746	2,241	2,923	3,269	3,617	3,957
Share capital	1,187	1,391	1,510	1,510	1,510	1,510
Retained earnings	1,697	2,300	3,040	3,998	5,177	6,569
Other reserves	(7)	(167)	(201)	(201)	(201)	(201)
Total shareholders equity	2,877	3,524	4,350	5,307	6,487	7,879
Minority interest	10	13	51	3	(57)	(128)
Total equity and liabilities	4,633	5,778	7,323	8,579	10,046	11,707

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	668	1,054	1,495	1,945	2,420	2,891
Depreciation & amortization	96	70	81	109	123	142
Tax paid	(111)	(223)	(265)	(359)	(447)	(534)
Change in working capital	70	(123)	855	187	190	192
Others	107	333	(699)	(240)	(325)	(346)
Net cash from operations	830	1,111	1,469	1,643	1,962	2,345
Investing						
Capital expenditure	(194)	(171)	(180)	(226)	(281)	(337)
Acquisition of subsidiaries/ investments	(70)	(131)	(131)	(4)	(5)	(6)
Others	(78)	0	(165)	0	0	0
Net cash from investing	(342)	(302)	(476)	(230)	(286)	(343)
Financing						
Dividend paid	(154)	(183)	(407)	(628)	(793)	(965)
Net borrowings	648	0	0	(18)	(18)	(18)
Others	(4)	117	(53)	0	0	0
Net cash from financing	490	(65)	(460)	(646)	(812)	(984)
Net change in cash						
Cash at the beginning of the year	1,417	2,391	3,161	4,011	4,778	5,642
Exchange difference	(1)	(1)	1	0	0	0
Others	(2)	27	316	0	0	0
Cash at the end of the year	2,391	3,161	4,011	4,778	5,642	6,661
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	23.5%	37.8%	39.5%	31.3%	24.6%	19.8%
Gross profit	29.1%	44.5%	39.9%	31.8%	25.0%	20.0%
EBITDA	24.5%	47.5%	32.2%	29.8%	23.3%	18.9%
EBIT	26.8%	57.3%	33.1%	29.6%	23.9%	19.1%
Net profit	21.0%	41.9%	46.1%	28.8%	24.4%	19.5%
Adj. net profit	22.0%	51.8%	33.6%	21.0%	24.4%	19.5%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	66.5%	69.7%	69.9%	70.2%	70.4%	70.6%
EBITDA margin	17.9%	19.2%	18.2%	18.0%	17.8%	17.6%
Adj. net profit margin	13.5%	14.9%	14.3%	13.2%	13.1%	13.1%
Return on equity (ROE)	21.9%	25.5%	30.3%	31.8%	32.4%	31.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(0.8)	(0.9)	(0.9)	(0.8)	(0.8)
Current ratio (x)	3.1	2.9	2.6	2.7	2.8	3.0
Receivable turnover days	10.9	5.8	14.1	14.0	14.0	14.0
Inventory turnover days	105.2	126.2	11.2	11.2	11.2	11.2
Payable turnover days	113.5	102.8	143.9	143.9	143.9	143.9
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	76.9	54.6	37.3	29.0	23.3	19.5
P/E (diluted)	76.9	54.6	37.4	29.0	23.3	19.5
P/B	15.3	12.6	10.1	8.4	6.9	5.8
Div yield (%)	0.4	0.6	1.2	1.6	2.0	2.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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