

Giant Biogene (2367 HK)

Sales of Comfy brand surpass expectations

1H24 earnings beat, fueled by the rapid growth of Comfy brand. Giant Biogene reported 1H24 revenue of RMB2,540mn, up 58% YoY and 12% above Bloomberg consensus estimates, accounting for 55% of our full-year estimate. Attributable net profit increased by 48% YoY to RMB983mn, which was 13% ahead of Bloomberg consensus estimates, accounting for 57% of our full-year estimate. Due to the expansion of online sales and functional skincare products, gross profit decreased 1.7 ppts to 82.4%. The shift indicates a strategic realignment towards expanding market reach and enhancing product offerings, albeit at a slightly reduced margin.

■ **Comfy brand maintained robust growth momentum.** In 1H24, revenue from Comfy brand increased 69% YoY to RMB2,071mn. The flagship product *Comfy Collagen Stick* (可复美胶原棒) sustained robust sales growth, with an estimated 50% YoY increase in revenue. In April 2024, the Company launched *Comfy Focus Cream* (可复美焦点面霜), targeting consumers with sub-optimal skin health. During the 618 Shopping Festival of 2024, *Comfy Focus Cream* ranked TOP1 on Tmall's New Cream List (天猫面霜新品榜), demonstrating its blockbuster potential. We expect *Comfy Focus Cream* to generate revenue of over RMB100mn in 2024E. Furthermore, the Company is actively expanding Comfy brand to offline sales channels. Revenue from medical dressing products rallied 49% YoY to RMB592mn in 1H24 thanks to its increasing presence in pharmacies and introduction of new medical dressing products.

■ **Collgene brand gradually unleashed its potential.** While experiencing a decline in revenue from Xi'an Chuangkecun, it was largely compensated by a surge in online sales. During the 618 Shopping Festival of 2024, the GMV of Collgene brand increased over 100% YoY, contributing to a 23.6% YoY increase in revenue, totalling RMB396mn in 1H24.

■ **Delays in the approval of injectable recombinant collagen-based products.** The delays were due to the increasingly stringent regulatory requirements for clinical trials within the recombinant collagen industry. The NMPA required Giant Biogene to undertake additional studies for its injectable products, including chronic toxicity tests, which have postponed the approval process. The *Recombinant Collagen Skin Rejuvenation Freeze Dried Powder*, aimed at addressing facial wrinkles such as forehead lines and crow's feet, is anticipated to receive approval in 1Q25E. However, the timeline for approval of the *Recombinant Collagen Skin Rejuvenation Serums*, targeting facial skin, remains uncertain as it requires further material supplementation. We believe the Company will continue to advance the development of injectable products. With the existing wide distribution network and strong brand recognition, injectable products will drive the Company's secondary growth phase in the long term, in our view.

■ **Maintain BUY.** We raised our earnings forecasts and expect its revenue to increase 44%/35% YoY in FY24E/25E, and adjusted net profit to grow 36%/26% in FY24E/25E. We derive our TP of HK\$62.07 based on a 9-year DCF model (WACC: 10.9%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,364	3,524	5,089	6,860	9,166
YoY growth (%)	52.3	49.0	44.4	34.8	33.6
Adjusted net profit (RMB mn)	1,056	1,452	1,967	2,480	3,123
YoY growth (%)	24.1	37.4	35.5	26.1	25.9
Adjusted EPS (Reported) (RMB)	1.03	1.48	1.91	2.41	3.04
Adjusted P/E (x)	35.5	24.8	19.2	15.2	12.1
P/B (x)	9.1	8.2	5.1	4.2	3.4
Net gearing (%)	(46.8)	(57.2)	(69.9)	(72.5)	(75.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$62.07**
 (Previous TP) HK\$60.83
Up/Downside **52.3%**
Current Price **HK\$40.75**

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Stock Data

Mkt Cap (HK\$ mn)	41,900.0
Avg 3 mths t/o (HK\$ mn)	123.4
52w High/Low (HK\$)	53.15/29.30
Total Issued Shares (mn)	1028.2

Source: FactSet

Shareholding Structure

Juzi Holding Co., Ltd	56.5%
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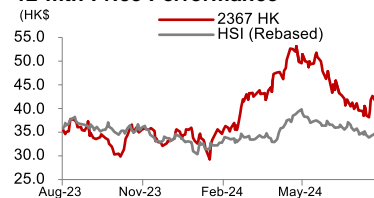
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.1%	1.6%
3-mth	-17.8%	-7.8%
6-mth	16.4%	8.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	5,089	6,860	9,166	4,636	5,908	7,682	9.8%	16.1%	19.3%
Gross profit	4,184	5,558	7,363	3,850	4,908	6,412	8.7%	13.2%	14.8%
Net profit	1,877	2,435	3,108	1,738	2,193	2,791	8.0%	11.0%	11.4%
EPS (RMB)	1.83	2.37	3.02	1.69	2.13	2.71	8.0%	11.0%	11.4%
Gross margin	82.20%	81.03%	80.33%	83.04%	83.07%	83.47%	-0.84 ppt	-2.04 ppt	-3.14 ppt
Net margin	36.88%	35.50%	33.91%	37.48%	37.12%	36.33%	-0.60 ppt	-1.62 ppt	-2.42 ppt

Source: Company data, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	2,128	2,744	3,502	4,287	5,059	5,868	6,690	7,492	8,242
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
EBIT*(1-tax rate)	1,809	2,332	2,977	3,644	4,300	4,988	5,686	6,369	7,005
+ D&A	41	48	54	59	69	80	91	102	113
- Change in working capital	-177	-150	-191	-207	-244	-283	-322	-361	-397
- Capex	-200	-180	-150	-150	-177	-205	-234	-262	-288
FCFF	1,473	2,050	2,689	3,346	3,948	4,580	5,221	5,848	6,432
Terminal value									83,391

Terminal growth rate	3.0%
WACC	10.9%
Cost of Equity	14.6%
Cost of Debt	5.0%
Equity Beta	1.1
Risk Free Rate	3.0%
Market Risk Premium	10.5%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Terminal value (RMB mn)	32,745
Total PV (RMB mn)	52,318
Net debt (RMB mn)	-5,124
Minority interest (RMB mn)	5
Equity value (RMB mn)	57,436
Equity value (HK\$ mn)	63,818
# of shares (mn)	1,028
Price per share (HK\$ per share)	62.07

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		9.9%	10.4%	10.9%	11.4%	11.9%
Terminal growth rate	4.0%	79.56	73.08	67.55	62.79	58.63
	3.5%	75.31	69.57	64.63	60.32	56.53
	3.0%	71.67	66.54	62.07	58.14	54.67
	2.5%	68.53	63.88	59.81	56.21	53.00
	2.0%	65.77	61.54	57.81	54.48	51.50

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	5,089	6,860	9,166	4,835	6,185	7,674	5.3%	10.9%	19.4%
Gross profit	4,184	5,558	7,363	4,026	5,153	6,393	3.9%	7.9%	15.2%
Net profit	1,877	2,435	3,108	1,873	2,382	2,953	0.2%	2.2%	5.3%
EPS (RMB)	1.83	2.37	3.02	1.83	2.31	2.84	-0.5%	2.7%	6.4%
Gross margin	82.20%	81.03%	80.33%	83.27%	83.31%	83.31%	-1.07 ppt	-2.29 ppt	-2.98 ppt
Net margin	36.88%	35.50%	33.91%	38.74%	38.51%	38.48%	-1.85 ppt	-3.01 ppt	-4.57 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 5: Peer comparison

Company	Ticker	Rating	Price (LC)	Mkt cap (\$mn)	PE		PB		PS		ROE (%)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
H share												
GIANT BIOGENE HOLDING CO LTD	2367 HK	BUY	40.8	5,378	20.1	15.5	5.1	4.2	7.4	5.5	25.6	26.9
A share												
IMEIK TECHNOLOGY DEVELOPME-A (爱美客)	300896 CH	NA	163.1	6,908	18.5	14.1	6.0	4.7	12.9	9.8	31.5	32.4
*COSMETICS CO LTD-A (珀莱雅)	603605 CH	BUY	84.8	4,712	21.9	17.6	6.3	5.2	2.9	2.3	25.5	30.3
BLOOMAGE BIOTECHNOLOGY COR-A (华熙生物)	688363 CH	NA	55.8	3,761	31.8	25.8	3.5	3.2	4.0	3.5	11.2	12.5
SHANXI JINBO BIO-PHARMACEU-A (锦波生物)	832982 CH	NA	176.4	2,186	27.6	20.0	10.6	7.2	12.0	8.8	37.4	35.9
HARBIN FUERJIA TECHNOLOGY -A (敷尔佳)	301371 CH	NA	27.3	1,528	13.2	12.0	1.8	1.6	4.9	4.3	12.9	12.9
Average					22.6	17.9	5.6	4.4	7.3	5.7	23.7	24.8

Source: Bloomberg, CMBIGM estimates, as of 20 Aug, 2024. *Note: Covered by Miao Zhang and Bella Li

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	1,552	2,364	3,524	5,089	6,860	9,166
Cost of goods sold	(198)	(369)	(577)	(906)	(1,302)	(1,803)
Gross profit	1,354	1,995	2,947	4,184	5,558	7,363
Selling expense	(346)	(706)	(1,164)	(1,792)	(2,517)	(3,501)
Admin expense	(72)	(111)	(97)	(127)	(165)	(211)
R&D expense	(25)	(44)	(75)	(97)	(137)	(183)
Other income	33	69	103	126	167	200
Other expense	(3)	(1)	(0)	(90)	(45)	(15)
Other gains/(losses)	32	(23)	31	0	0	0
Interest expense	0	(0)	(0)	(0)	(0)	(0)
Others	(0)	(1)	1	0	0	0
Pre-tax profit	973	1,178	1,745	2,204	2,861	3,653
Income tax	(145)	(176)	(297)	(331)	(429)	(548)
After tax profit	828	1,002	1,448	1,874	2,432	3,105
Minority interest	0	(0)	(4)	(4)	(4)	(4)
Attributable net profit	828	1,002	1,452	1,877	2,435	3,108
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	7,441	2,538	4,135	6,950	8,617	10,813
Cash & equivalents	7,103	1,331	2,504	5,127	6,567	8,473
Account receivables	66	69	102	139	188	251
Inventories	89	184	200	298	428	593
Financial assets at FVTPL	156	866	1,275	1,275	1,275	1,275
Other current assets	28	87	54	111	159	221
Non-current assets	437	600	838	996	1,128	1,223
PP&E	274	491	663	823	956	1,053
Right-of-use assets	59	60	48	46	44	42
Deferred income tax	1	1	1	1	1	1
Intangibles	8	7	7	8	9	9
Other non-current assets	94	41	118	118	118	118
Total assets	7,878	3,138	4,973	7,946	9,745	12,036
Current liabilities	6,843	281	531	545	623	721
Account payables	24	55	133	149	214	296
Tax payable	71	75	117	117	117	117
Other current liabilities	6,732	138	243	243	243	243
Lease liabilities	0	1	2	2	2	2
Contract liabilities	16	12	36	35	47	63
Non-current liabilities	18	20	71	71	71	71
Deferred income	18	18	20	20	20	20
Other non-current liabilities	1	2	52	52	52	52
Total liabilities	6,861	301	602	617	694	792
Ordinary share capital	0	0	0	0	0	0
Preferred share capital	0	0	0	0	0	0
Treasury shares	(0)	(0)	(0)	(0)	(0)	(0)
Other reserves	1,017	2,833	4,362	7,324	9,049	11,245
Minority interest	0	4	9	5	2	(2)
Total equity	1,017	2,837	4,371	7,329	9,051	11,244
Total equity and liabilities	7,878	3,138	4,973	7,946	9,745	12,036

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	973	1,178	1,745	2,204	2,861	3,653
Depreciation & amortization	24	28	34	41	48	54
Tax paid	(218)	(173)	(206)	(331)	(429)	(548)
Change in working capital	(58)	(132)	128	(177)	(150)	(191)
Others	(29)	31	(54)	(53)	(93)	(127)
Net cash from operations	692	932	1,647	1,685	2,236	2,840
Investing						
Capital expenditure	(75)	(153)	(226)	(200)	(180)	(150)
Others	1,638	(706)	(301)	74	115	148
Net cash from investing	1,563	(859)	(527)	(126)	(65)	(2)
Financing						
Dividend paid	0	0	0	0	0	0
Proceeds from share issues	0	508	0	0	0	0
Others	4,475	(6,298)	52	1,064	(731)	(932)
Net cash from financing	4,476	(5,790)	52	1,064	(731)	(932)
Net change in cash						
Cash at the beginning of the year	368	7,103	1,331	2,504	5,127	6,567
Exchange difference	4	(55)	1	0	0	0
Cash at the end of the year	7,103	1,331	2,504	5,127	6,567	8,473
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	30.4%	52.3%	49.0%	44.4%	34.8%	33.6%
Gross profit	34.5%	47.3%	47.7%	42.0%	32.9%	32.5%
Net profit	0.2%	21.0%	44.9%	29.3%	29.7%	27.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	87.2%	84.4%	83.6%	82.2%	81.0%	80.3%
Return on equity (ROE)	112.3%	52.0%	40.3%	32.1%	29.7%	30.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(7.0)	(0.5)	(0.6)	(0.7)	(0.7)	(0.8)
Current ratio (x)	1.1	9.0	7.8	12.7	13.8	15.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	43.2	37.1	24.7	20.1	15.5	12.1
Adjusted P/E	43.1	35.5	24.8	19.2	15.2	12.1
P/S	24.3	15.9	10.7	7.4	5.5	4.1
P/B	35.2	9.1	8.2	5.1	4.2	3.4
EV/sales	19.7	15.4	10.0	6.4	4.5	3.2
EV/EBITDA	31.0	30.5	20.3	15.0	11.2	8.2
EV/EBIT	31.8	31.2	20.7	15.3	11.4	8.3
Div yield (%)	0.0	0.0	2.4	1.5	1.9	2.4

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

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