

Proya Cosmetics (603605 CH)

3Q26 revenue beat; share-gain spend crimps earnings beyond expectations

Proya's 3Q26 revenue rose 29.8% YoY to RMB2,253mn, well above our expectations. However, recurring attributable NP fell 65.2% YoY to RMB79mn, below our expectations, due to trimmed GPM and rising selling ratio. FlowerKnows consolidation and rapid growth in emerging brands reinforced the broader portfolio's contribution to sales. The Ruby Cream 4.0 launch and Douyin expansion also lay the groundwork for future growth, although heavier investment and a lower gross margin from shifting brand and category mix weighed on near-term profitability. The group's growth drivers are broadening, and the early Double 11 performance indicates that investment in 3Q26 is starting to pay off. We maintain BUY and retain our earnings forecasts and TP of RMB89.58, based on a target P/E of 30x.

- **The broader portfolio supported sales. 1) Established brands are showing signs of improvement:** Proya's 3Q26 revenue fell by single digits YoY, dropping its share of group revenue below 50%. Management reported strong Double 11 presales for Ruby Cream 4.0 (>1mn units) and the Yunbai series (>RMB100mn), which could help stabilize flagship-brand sales. TIMAGE's YoY decline narrowed to single digits in 3Q26. **2) Emerging brands maintained strong momentum:** OR (>50% YoY in 9M26), Awaken Seeds (+103.5% YoY in 1H26) and INSBAHA (>100% YoY in 9M26).
- **A more balanced channel mix highlights omnichannel strengths.** The group's channel mix became more balanced in 9M26, as offline revenue grew by high double digits YoY and accounted for a larger share of total revenue. Among online platforms, Douyin's contribution to flagship-brand revenue surpassed Tmall's (30%+ v.s. 25%+). Proya remains an industry leader in omnichannel execution.
- **Lower GPM and heavier selling expenses squeezed core profitability.** GPM fell 4.9ppts YoY to 69.8% in 3Q26 on lower margin of FlowerKnows, higher offline contribution and changes in brand and category mix. The selling ratio rose 3.5ppts YoY to 53.4%, driven by Ruby Cream 4.0 launch spending, investment in emerging brands, and higher traffic costs and spending on Douyin. Recurring NPM fell 9.6ppts YoY to 3.5%, suggesting a near-term focus on market share over profitability.
- **Valuation:** We maintain BUY and retain our TP of RMB89.58, based on an unchanged target P/E of 30x. Despite a larger-than-expected decline in 3Q26 recurring NP, we maintain our full-year forecasts for now, supported by greater earnings contribution in 4Q and the solid start to Double 11. **Risks:** slower-than-expected core-brand recovery, traffic-cost hike, and weaker-than-expected earnings contributions from emerging brands.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	10,778	10,597	10,957	12,043	12,865
YoY growth (%)	21.0	(1.7)	3.4	9.9	6.8
Net profit (RMB mn)	1,552.0	1,497.8	1,686.0	1,405.6	1,511.2
YoY growth (%)	30.0	(3.5)	12.6	(16.6)	7.5
EPS (Reported) (RMB)	3.92	3.78	4.26	3.55	3.82
Consensus EPS (RMB)	na	na	4.65	4.43	4.88
P/E (x)	13.9	14.4	12.8	15.3	14.2
P/B (x)	3.9	3.4	3.3	3.0	2.7
Yield (%)	2.9	3.7	4.1	3.4	3.7
ROE (%)	31.7	25.7	26.6	20.8	20.4
Net gearing (%)	(75.1)	(80.1)	(82.2)	(84.5)	(86.6)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB89.58
Up/Downside 65.0%
Current Price RMB54.29

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Stock Data

Mkt Cap (RMB mn)	15,392.3
Avg 3 mths t/o (RMB mn)	303.7
52w High/Low (RMB)	76.36/53.98
Total Issued Shares (mn)	283.5

Source: FactSet

Shareholding Structure

Hou Juncheng	34.7%
HKSCC	23.6%

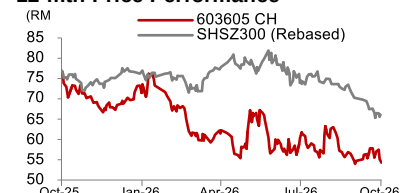
Source: SSE

Share Performance

	Absolute	Relative
1-mth	0.6%	7.0%
3-mth	-11.2%	0.0%
6-mth	-12.8%	2.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Proya's results summary

RMB mn	9M26	9M26 YoY	1Q26	2Q26	3Q26	1Q26 YoY	2Q26 YoY	3Q26 YoY
Revenue	7,627	7.5%	2,305	3,069	2,253	-2.3%	2.2%	29.8%
by brand								
Skincare and cleanser	5,118	-7%	1,671	2,240	1,207	-11%	-4%	-8%
Makeup	1,718	60%	396	500	821	6%	8%	249%
Body & hair	781	57%	234	326	221	109%	57%	24%
Gross Profit	5,566	6%	1,718	2,277	1,572	0%	3%	21%
Selling expenses	4,060	15%	1,172	1,684	1,204	9%	6%	39%
Admin. expenses (excl.R&D)	382	32%	116	121	146	16%	55%	29%
R&D expenses	150	6%	43	56	51	0%	9%	9%
Net profit	1,256	22%	367	801	88	-6%	96%	-61%
Core net profit	743	-26%	341	323	79	-10%	-18%	-65%
EPS (RMB)	3.20	24%						
Gross profit margin	73.0%	-0.7 ppt	74.5%	74.2%	69.8%	1.7 ppt	0.3 ppt	-4.9 ppt
Net margin	16.5%	2.0 ppt	15.9%	26.1%	3.9%	-0.6 ppt	12.5 ppt	-9.2 ppt

Source: Company data, CMBIGM

Figure 2: Proya's operating matrix

	9M26	9M26 YoY	1Q26	2Q26	3Q26	1Q26 YoY	2Q26 YoY	3Q26 YoY
Vol. sold (mn unit)								
Skincare and cleanser	78.8	2%	24.2	32.6	22.0	-5%	6%	4%
Makeup	28.1	136%	5.3	6.5	16.3	32%	27%	484%
Body & hair	8.0	64%	2.3	3.3	2.5	89%	78%	36%
Revenue (RMB mn)								
Skincare and cleanser	5,118	-7%	1,671	2,240	1,207	-11%	-4%	-8%
Makeup	1,718	60%	396	500	821	6%	8%	249%
Body & hair	781	57%	234	326	221	109%	57%	24%
ASP (RMB/unit)								
Skincare and cleanser	64.9	-9%	69.2	68.6	54.8	-6%	-9%	-12%
Makeup	61.1	-32%	74.8	77.2	50.2	-20%	-15%	-40%
Body & hair	97.0	-5%	103.7	99.9	87.4	11%	-12%	-9%
Vol. produced (mn unit)								
Skincare and cleanser	84.8	-11%	24.4	30.5	29.9	-11%	1%	-22%
Makeup	35.6	178%	5.9	8.8	21.0	110%	34%	509%
Body & hair	9.4	50%	3.0	3.1	3.3	81%	39%	37%
unit sold / unit produced								
Skincare and cleanser	93%	12.2 ppt	99%	107%	74%	6.4 ppt	4.9 ppt	18.4 ppt
Makeup	79%	-14.0 ppt	90%	74%	78%	-52.9 ppt	-3.8 ppt	-3.3 ppt
Body & hair	86%	7.8 ppt	75%	106%	77%	2.9 ppt	23.2 ppt	-0.8 ppt

Source: Company data, CMBIGM

Figure 3: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	10,957	12,043	12,865	11,824	13,668	14,861	-7.3%	-11.9%	-13.4%
Gross profit	8,108	8,917	9,530	8,703	10,062	10,958	-6.8%	-11.4%	-13.0%
EBIT	1,516	1,681	1,811	2,180	2,239	2,464	-30.5%	-24.9%	-26.5%
Net profit	1,686	1,406	1,511	1,856	1,747	1,940	-9.2%	-19.5%	-22.1%
Gross margin	74.0%	74.0%	74.1%	73.6%	73.6%	73.7%	0.4ppt	0.4ppt	0.3ppt
EBIT margin	13.8%	14.0%	14.1%	18.4%	16.4%	16.6%	-4.6ppt	-2.4ppt	-2.5ppt
Net margin	15.4%	11.7%	11.7%	15.7%	12.8%	13.1%	-0.3ppt	-1.1ppt	-1.3ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Valuation Comps

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Rev. growth (%)			NP growth (%)			GPM (%)	NPM (%)	Payout ratio	Div yield		PEG
		(LC)		26E	27E	28E	26E	27E	28E	26E	27E	28E	25A	25A	25A	25A	26E	
Giant Biogene	2367.HK	19.65	2,659	9.4 x	8.4 x	7.4 x	10.3	12.9	13.3	1.8	12.2	13.1	80.3	34.7	69%	7.1%	5.8%	1.2 x
Mao Geping	1318.HK	43.18	2,698	12.3 x	10.0 x	8.3 x	28.1	23.8	21.3	24.0	23.2	21.1	84.2	23.9	42%	2.6%	2.5%	0.4 x
Chicmax	2145.HK	21.96	1,115	12.2 x	8.0 x	6.5 x	-1.3	16.5	16.8	-45.1	52.0	22.9	76.4	12.6	46%	6.4%	7.9%	NA
Forest Cabin	2657.HK	51.20	925	12.3 x	9.0 x	6.9 x	41.0	33.6	29.0	52.4	35.9	30.7	82.0	14.7	34%	2.1%	3.5%	0.2 x
Beautyfarm Med	2373.HK	16.20	519	8.2 x	6.8 x	5.9 x	30.6	12.9	11.5	35.9	19.8	16.2	49.1	11.3	47%	4.4%	6.1%	0.2 x
Proya	603605.SH	54.29	3,227	12.8 x	15.3 x	14.2 x	3.4	9.9	6.8	12.6	-16.6	7.5	73.3	14.6	52%	3.7%	3.6%	NA
Btn	300957.SZ	29.61	1,883	20.4 x	17.5 x	15.4 x	11.1	10.4	9.3	27.4	16.6	13.9	74.5	9.6	54%	2.2%	2.2%	0.9 x
Shanghai Jahwa	600315.SH	17.02	1,718	20.7 x	22.1 x	18.5 x	11.1	10.8	10.1	64.4	-6.3	19.1	62.6	4.2	60%	1.4%	1.2%	0.5 x
Fuerjia Technology	301371.SZ	19.84	1,549	21.7 x	19.0 x	16.6 x	24.1	16.3	14.1	14.0	14.1	14.4	80.1	22.9	96%	4.0%	3.4%	1.5 x
Marubi	603983.SH	24.19	1,456	32.2 x	26.9 x	23.3 x	9.2	11.7	10.6	25.2	19.7	15.5	74.0	7.1	81%	2.1%	2.0%	1.2 x
Syg	300740.SZ	17.06	1,127	40.0 x	29.6 x	24.9 x	9.7	10.8	10.2	35.7	34.9	18.9	65.5	3.0	26%	0.6%	1.1%	1.0 x
Runben Biotechnology	603193.SH	17.10	1,039	18.7 x	15.8 x	13.6 x	19.8	17.8	16.2	20.2	18.2	16.7	58.3	20.4	59%	2.7%	2.0%	0.8 x
Average				18.4 x	19.2 x	16.4 x	14.8	14.5	13.1	25.7	19.5	17.3	71.2	12.4	56%	2.7%	2.8%	0.8 x

Source: Company data, Wind, CMBIGM

Note: Proya's data from CMBIGM estimates (data as of 30 Oct 2026)

Figure 5: PE band



Source: Company data, Bloomberg, CMBIGM (data as of 30 Oct 2026)

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	8,905	10,778	10,597	10,957	12,043	12,865
Cost of goods sold	(2,677)	(3,084)	(2,833)	(2,849)	(3,126)	(3,335)
Gross profit	6,227	7,695	7,764	8,108	8,917	9,530
Operating expenses	(4,692)	(5,821)	(5,973)	(6,621)	(7,265)	(7,748)
Selling expense	(3,972)	(5,161)	(5,259)	(5,821)	(6,398)	(6,835)
Admin expense	(455)	(366)	(404)	(477)	(512)	(534)
R&D expense	(174)	(210)	(217)	(226)	(248)	(265)
Others	(91)	(84)	(93)	(97)	(107)	(114)
EBITDA	1,617	1,967	1,895	1,590	1,749	1,873
Depreciation	63	75	82	80	73	67
Other amortisation	19	19	22	22	23	24
EBIT	1,535	1,873	1,791	1,487	1,652	1,782
Net Interest income/(expense)	59	36	29	29	29	29
Other income/expense	(99)	(20)	50	561	50	50
Pre-tax profit	1,495	1,889	1,871	2,077	1,731	1,861
Income tax	(265)	(304)	(328)	(349)	(291)	(313)
Minority interest	37	33	45	42	35	37
Net profit	1,194	1,552	1,498	1,686	1,406	1,511
Adjusted net profit	1,270	1,599	1,500	1,182	1,406	1,511
Gross dividends	549	622	788	887	739	795

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	5,545	5,613	6,136	6,500	7,208	8,037
Cash & equivalents	4,011	4,082	5,061	5,412	6,030	6,791
Account receivables	345	518	70	73	80	85
Inventories	797	661	635	638	700	747
Prepayment	203	224	169	175	193	206
Other current assets	189	128	201	202	205	208
Non-current assets	1,778	1,917	2,351	2,286	2,232	2,186
PP&E	827	907	893	813	741	675
Investment in JVs & assos	114	111	441	441	441	441
Intangibles	405	429	444	459	477	497
Goodwill	0	0	0	0	0	0
Other non-current assets	433	469	573	573	573	573
Total assets	7,323	7,530	8,487	8,786	9,440	10,223
Current liabilities	2,120	1,213	1,374	1,363	1,424	1,461
Short-term borrowings	200	0	80	80	80	80
Account payables	1,055	676	798	803	881	940
Tax payable	223	126	95	95	95	95
Other current liabilities	642	410	401	386	368	347
Non-current liabilities	803	831	847	847	847	847
Long-term borrowings	0	0	0	0	0	0
Deferred income	6	15	23	23	23	23
Other non-current liabilities	796	816	824	824	824	824
Total liabilities	2,923	2,044	2,221	2,210	2,270	2,308
Share capital	1,510	1,525	1,161	1,161	1,161	1,161
Retained earnings	3,040	4,233	4,930	5,820	6,447	7,229
Other reserves	(201)	(323)	125	(497)	(566)	(639)
Total shareholders equity	4,350	5,435	6,216	6,483	7,042	7,750
Minority interest	51	51	51	92	127	164
Total equity and liabilities	7,323	7,530	8,487	8,786	9,440	10,223

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,495	1,889	1,871	2,077	1,731	1,861
Depreciation & amortization	81	94	103	103	96	91
Tax paid	(265)	(304)	(328)	(349)	(291)	(313)
Change in working capital	140	(417)	597	(1)	9	7
Others	17	(156)	(49)	(566)	(36)	(37)
Net cash from operations	1,469	1,107	2,193	1,262	1,509	1,609
Investing						
Capital expenditure	(180)	(300)	(169)	0	0	0
Acquisition of subsidiaries/ investments	(131)	(44)	(36)	(37)	(41)	(44)
Others	(165)	(922)	(32)	0	0	0
Net cash from investing	(476)	(1,265)	(238)	(37)	(41)	(44)
Financing						
Dividend paid	(407)	(371)	(799)	(837)	(813)	(767)
Net borrowings	0	(200)	0	(37)	(37)	(37)
Others	(53)	(188)	36	0	0	0
Net cash from financing	(460)	(758)	(763)	(874)	(850)	(804)
Net change in cash						
Cash at the beginning of the year	3,161	4,011	4,082	5,061	5,412	6,030
Exchange difference	1	(0)	(0)	0	0	0
Others	316	988	(213)	0	0	0
Cash at the end of the year	4,011	4,082	5,061	5,412	6,030	6,791
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	39.5%	21.0%	(1.7%)	3.4%	9.9%	6.8%
Gross profit	39.9%	23.6%	0.9%	4.4%	10.0%	6.9%
EBITDA	32.2%	21.7%	(3.7%)	(16.1%)	10.0%	7.1%
EBIT	33.1%	22.0%	(4.4%)	(17.0%)	11.1%	7.9%
Net profit	46.1%	30.0%	(3.5%)	12.6%	(16.6%)	7.5%
Adj. net profit	33.6%	25.9%	(6.2%)	(21.2%)	18.9%	7.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	69.9%	71.4%	73.3%	74.0%	74.0%	74.1%
EBITDA margin	18.2%	18.3%	17.9%	14.5%	14.5%	14.6%
Adj. net profit margin	14.3%	14.8%	14.2%	10.8%	11.7%	11.7%
Return on equity (ROE)	30.3%	31.7%	25.7%	26.6%	20.8%	20.4%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)
Current ratio (x)	2.6	4.6	4.5	4.8	5.1	5.5
Receivable turnover days	14.1	17.5	2.4	2.4	2.4	2.4
Inventory turnover days	108.7	78.3	81.8	81.8	81.8	81.8
Payable turnover days	143.9	80.1	102.9	102.9	102.9	102.9
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	18.0	13.9	14.4	12.8	15.3	14.2
P/E (diluted)	18.0	13.9	14.4	12.8	15.3	14.2
P/B	4.9	3.9	3.4	3.3	3.0	2.7
Div yield (%)	2.5	2.9	3.7	4.1	3.4	3.7

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

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