

Proya Cosmetics (603605 CH)

1H25 earnings saved by sub-brands; Maintain BUY

Proya delivered 1H25 revenue and attributable NP growth of +7.2% and +13.8% YoY respectively, missing BBG consensus by 3%/4% primarily driven by sustained momentum across sub-brands and continued pressure on core brand Proya. GP margin improvement was partly offset by heavier selling expenses on 618 promotion and sub-brands marketing. The company announced HK listing plan to accelerate overseas expansion. We trim our TP by 3% to RMB129.83 to reflect lower earnings forecast, based on 30x 2025E P/E, Maintain BUY.

- **Sub-brands growth cushioned pressure of core brand.** Rev. of core brand Proya dropped 0.1% YoY in 1H25 on a high base and fiercer competition. Sub-brands TIMAGE/OR/ INSBABA sustained high growth with revenue up 21/102/80% YoY, with their combined revenue contribution lifted to 20.2% in 1H25, up 4.7ppts YoY. Looking forward, management has laid out a clear plan to enrich the product matrices across sub-brands: TIMAGE will iterate base-makeup technologies; OR will focus on anti-hair-loss solutions with aromatherapy concepts; and INSBABA will deepen niche color cosmetics. International expansion is set to accelerate, with OR launches planned in Hong Kong and Japan and Hapsode rollout in Southeast Asia. The proposed HK listing should also provide capital and branding support to scale overseas and consolidate the company's multi-brand advantages.
- **7M25 sales largely in line with the industry.** In 1H25, offline sales dropped 21.3% YoY while online sales grew steadily at 9.2% YoY (self-operated +4.2% / distribution +25.9%). Based on our tracked cosmetics database, Proya's GMV (covered Proya/Timage/OR) on Taobao & Douyin combined grew 4% YoY in 7M25, slightly slower than industry's 5%.
- **Cost savings outcome partly offset by rising marketing expenses.** Gross margin expanded by 3.6ppt YoY to 73.4% in 1H25 thanks to cost control efforts such as shifting freebies from "mini" to "mid-size" to reduce packaging & unit marketing costs. SG&A ratio rose by 2.6ppt YoY given heavier 618 promotions cost and celebrity endorsements for sub-brands. With 2H marketing will likely remain elevated around 11.11 shopping festival, we expect the full-year selling expense ratio to trend higher.
- **Maintain BUY.** We maintain our BUY rating, with TP cut 3% to RMB 129.83, on 30x 2025E P/E. **Risks:** worse-than-expected consumption sentiment, intensifying competition, and raw material price hike etc.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	8,905	10,778	11,402	12,158	12,792
YoY growth (%)	39.5	21.0	5.8	6.6	5.2
Net profit (RMB mn)	1,193.9	1,552.0	1,717.7	1,822.3	1,912.6
YoY growth (%)	46.1	30.0	10.7	6.1	5.0
EPS (Reported) (RMB)	3.01	3.92	4.34	4.60	4.83
Consensus EPS (RMB)	na	na	4.58	5.31	6.07
P/E (x)	27.9	21.4	19.3	18.2	17.4
P/B (x)	7.6	6.1	5.1	4.3	3.8
Yield (%)	1.7	1.9	2.1	2.2	2.3
ROE (%)	30.3	31.7	28.9	26.0	23.6
Net gearing (%)	(87.6)	(75.1)	(74.7)	(74.5)	(74.5)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB129.83
 (Previous TP) RMB133.86
Up/Downside 54.9%
Current Price RMB83.83

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Stock Data

Mkt Cap (RMB mn)	23,767.5
Avg 3 mths t/o (RMB mn)	532.0
52w High/Low (RMB)	121.10/76.25
Total Issued Shares (mn)	283.5

Source: FactSet

Shareholding Structure

Hou Juncheng	34.5%
Fang Yuyou	15.1%
HKSCC	12.0%

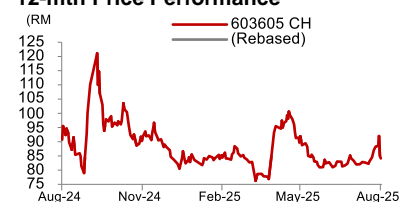
Source: SSE

Share Performance

	Absolute	Relative
1-mth	0.2%	NM
3-mth	-7.4%	NM
6-mth	-0.7%	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: 603605 CH results summary – 1H25

RMB mn	2023	2024	YoY	1H24	2H24	1H25	YoY	HoH
Revenue	8,905	10,778	21.0%	5,001	5,777	5,362	7.2%	-7.2%
by brand								
Proya brand	7,177	8,581	20%	3,981	4,600	3,978	0%	-14%
TIMAGE	1,001	1,191	19%	582	609	705	21%	16%
Off&Relax	215	368	71%	138	230	279	102%	21%
Hapsode	303	332	10%	161	171	166	3%	-3%
Insbaha	48	114	138%	54	60	97	80%	61%
Other brands	146	180	23%	79	101	131	67%	29%
Other businesses	14	13	-11%	7	6	6	-15%	3%
by product type								
Skincare and cleanser	7,560	9,019	19%	4,191	4,828	4,199	0%	-13%
Makeup	1,115	1,361	22%	665	696	837	26%	20%
Body & hair	215	386	79%	138	248	320	132%	29%
Gross Profit	6,227	7,695	23.6%	3,492	4,203	3,934	12.7%	-6%
Proya brand	5,079	6,172	21.5%	2,781	3,391	2,943	5.8%	-13%
Other brands	1,144	1,516	32.5%	708	808	989	39.8%	22%
Other businesses	4	6	68.6%	3	3	2	-26.6%	-16%
Selling expenses	3,972	5,161	29.9%	2,340	2,821	2,659	13.6%	-6%
Administrative expenses (exl.R&D)	455	366	-19.7%	177	189	177	0.3%	-6%
Research and development expenses	174	210	21.2%	95	116	95	0.4%	-18%
Net profit	1,194	1,552	30.0%	702	850	799	13.8%	-6%
EPS (RMB)	3.01	3.92	30.2%	1.78	2.14	2.02	13%	-5%
DPS (RMB)	1.38	1.57	13.4%					
Dividend payout ratio	46%	40%	-5.9 ppt					
Gross Profit Margin	69.9%	71.4%	1.5 ppt	69.8%	72.7%	73.4%	3.6 ppt	0.6 ppt
Proya brand	70.8%	71.9%	1.2 ppt	69.9%	73.7%	74.0%	4.1 ppt	0.3 ppt
Other brands	66.8%	69.4%	2.6 ppt	69.8%	69.0%	71.8%	2.0 ppt	2.8 ppt
Other businesses	26.2%	49.5%	23.3 ppt	48.3%	51.1%	41.7%	-6.6 ppt	-9.4 ppt
Selling expenses ratio	44.6%	47.9%	3.3 ppt	46.8%	48.8%	49.6%	2.8 ppt	0.8 ppt
Administrative expenses ratio	5.1%	3.4%	-1.7 ppt	3.5%	3.3%	3.3%	-0.2 ppt	0.0 ppt
R&D ratio	1.9%	2.0%	0.0 ppt	1.9%	2.0%	1.8%	-0.1 ppt	-0.2 ppt
Net Margin	13.4%	14.4%	1.0 ppt	14.0%	14.7%	14.9%	0.9 ppt	0.2 ppt

Source: Company data, CMBIGM

Figure 2: 603605 CH quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25 YoY	2Q25 QoQ
Revenue	2,182	2,820	1,965	3,812	2,359	3,003	6.5%	27.3%
Gross Profit	1,530	1,962	1,766	2,437	1,717	2,217	13%	29%
Selling expenses	1,022	1,318	892	1,929	1,077	1,582	20%	47%
Administrative expenses (exl.R&D)	97	80	96	93	99	78	-2%	-22%
Research and development expenses	47	48	48	68	43	52	9%	20%
Net profit	303	399	298	553	390	408	2%	5%
Gross Profit Margin	70.1%	69.6%	89.9%	63.9%	72.8%	73.8%	4.3 ppt	1.1 ppt
Selling expenses ratio	46.8%	46.7%	45.4%	50.6%	45.6%	52.7%	6.0 ppt	7.1 ppt
Administrative expenses ratio	4.5%	2.8%	4.9%	2.4%	4.2%	2.6%	-0.2 ppt	-1.6 ppt
R&D ratio	2.2%	1.7%	2.4%	1.8%	1.8%	1.7%	0.0 ppt	-0.1 ppt
Net Margin	13.9%	14.1%	15.1%	14.5%	16.5%	13.6%	-0.5 ppt	-2.9 ppt

Source: Company data, CMBIGM

Figure 3: 603605 CH - operating matrix

Proya operating matrix	2023	2024	YoY	1H24	2H24	1H25	YoY	HoH	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	2Q25 YoY	2Q25 QoQ
Vol. sold (mn unit)																
Skincare and cleanser	119.6	120.2	0.5%	55.7	64.4	56.2	0.8%	-12.8%	24.9	30.9	20.6	43.8	25.4	30.8	-0.2%	21.2%
Makeup	12.2	14.2	16.8%	6.7	7.5	9.1	35.2%	21.4%	3.1	3.6	2.5	5.0	4.0	5.1	40.9%	27.0%
Body & hair	2.3	3.9	66.5%	1.3	2.6	3.0	132.2%	18.4%	0.5	0.9	0.8	1.8	1.2	1.8	115.2%	53.6%
Revenue (RMB mn)																
Skincare and cleanser	7,560	9,019	19.3%	4,191	4,828	4,199	0.2%	-13.0%	1,823	2,368	1,654	3,175	1,869	2,330	-1.6%	24.6%
Makeup	1,115	1,361	22.0%	665	695	837	25.8%	20.4%	309	357	233	462	375	462	29.4%	23.0%
Body & hair	215	386	79.4%	138	248	320	131.3%	29.2%	47	91	75	172	112	208	127.4%	85.4%
ASP (RMB/unit)																
Skincare and cleanser	63.2	75.1	18.7%	75.2	74.9	74.8	-0.6%	-0.2%	73.3	76.8	80.2	72.5	73.6	75.7	-1.4%	2.8%
Makeup	91.6	95.7	4.5%	98.9	92.8	92.0	-7.0%	-0.9%	99.1	98.7	94.6	91.9	93.6	90.7	-8.1%	-3.1%
Body & hair	92.6	99.8	7.7%	106.0	96.7	105.5	-0.4%	9.2%	103.9	107.0	96.6	96.7	93.8	113.2	5.7%	20.7%
Vol. produced (mn unit)																
Skincare and cleanser	127.7	119.0	-6.8%	52.5	66.5	57.5	9.6%	-13.5%	29.0	23.5	40.9	25.7	27.4	30.2	28.6%	10.2%
Makeup	13.0	16.6	27.8%	8.4	8.2	9.4	11.7%	13.6%	3.7	4.7	3.4	4.8	2.8	6.6	39.4%	133.7%
Body & hair	4.4	4.5	3.2%	1.6	3.0	3.9	146.3%	31.6%	0.2	1.4	1.4	1.6	1.7	2.2	62.4%	32.9%
unit sold / unit produced																
Skincare and cleanser	94%	101%	7.3 ppt	106%	97%	98%	-0.1 ppt	0.0 ppt	86%	132%	50%	171%	93%	102%	-0.2 ppt	0.1 ppt
Makeup	94%	86%	-8.1 ppt	80%	91%	97%	0.2 ppt	0.1 ppt	85%	77%	72%	105%	143%	78%	0.0 ppt	-0.5 ppt
Body & hair	53%	85%	32.5 ppt	83%	87%	78%	-0.1 ppt	-0.1 ppt	213%	62%	56%	115%	72%	83%	0.3 ppt	0.2 ppt

Source: Company data, CMBIGM

Figure 4: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,402	12,158	12,792	14,628	17,574	n.a.	-22.1%	-30.8%	n.a.
Gross profit	8,483	9,022	9,475	10,249	12,331	n.a.	-17.2%	-26.8%	n.a.
EBIT	2,075	2,202	2,312	2,420	2,890	n.a.	-14.3%	-23.8%	n.a.
Net profit	1,718	1,822	1,913	1,893	2,268	n.a.	-9.3%	-19.7%	n.a.
Gross margin	74.4%	74.2%	74.1%	70.1%	70.2%	n.a.	4.3ppt	4ppt	n.a.
EBIT margin	18.2%	18.1%	18.1%	16.5%	16.4%	n.a.	1.7ppt	1.7ppt	n.a.
Net margin	15.1%	15.0%	15.0%	12.9%	12.9%	n.a.	2.1ppt	2.1ppt	n.a.

Source: Company data, CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,402	12,158	12,792	12,350	14,053	15,798	-7.7%	-13.5%	-19.0%
Gross profit	8,483	9,022	9,475	8,855	10,102	11,379	-4.2%	-10.7%	-16.7%
EBIT	2,075	2,202	2,312	2,246	2,613	2,982	-7.6%	-15.7%	-22.5%
Net profit	1,718	1,822	1,913	1,789	2,065	2,318	-4.0%	-11.8%	-17.5%
Gross margin	74.4%	74.2%	74.1%	71.7%	71.9%	72.0%	2.7ppt	2.3ppt	2ppt
EBIT margin	18.2%	18.1%	18.1%	18.2%	18.6%	18.9%	0ppt	-0.5ppt	-0.8ppt
Net margin	15.1%	15.0%	15.0%	14.5%	14.7%	14.7%	0.6ppt	0.3ppt	0.3ppt

Source: Company data, Bloomberg, CMBIGM estimate

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	6,385	8,905	10,778	11,402	12,158	12,792
Cost of goods sold	(1,935)	(2,677)	(3,084)	(2,919)	(3,136)	(3,317)
Gross profit	4,451	6,227	7,695	8,483	9,022	9,475
Operating expenses	(3,298)	(4,692)	(5,821)	(6,408)	(6,820)	(7,163)
Selling expense	(2,786)	(3,972)	(5,161)	(5,721)	(6,101)	(6,419)
Admin expense	(327)	(455)	(366)	(376)	(388)	(396)
R&D expense	(128)	(174)	(210)	(218)	(232)	(245)
Others	(56)	(91)	(84)	(93)	(99)	(104)
EBITDA	1,223	1,617	1,967	2,177	2,327	2,460
Depreciation	53	63	75	82	104	125
Other amortisation	17	19	19	20	21	23
EBIT	1,153	1,535	1,873	2,075	2,202	2,312
Net Interest income/(expense)	41	59	36	36	36	36
Other income/expense	(140)	(99)	(20)	(20)	(20)	(20)
Pre-tax profit	1,054	1,495	1,889	2,091	2,218	2,328
Income tax	(223)	(265)	(304)	(336)	(357)	(375)
Minority interest	14	37	33	37	39	41
Net profit	817	1,194	1,552	1,718	1,822	1,913
Adjusted net profit	951	1,270	1,599	1,718	1,822	1,913
Gross dividends	247	549	622	688	730	766

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	4,147	5,545	5,613	6,365	7,249	8,175
Cash & equivalents	3,161	4,011	4,082	4,826	5,610	6,454
Account receivables	102	345	518	548	584	615
Inventories	669	797	661	626	672	711
Prepayment	91	203	224	237	253	266
Other current assets	123	189	128	129	129	130
Non-current assets	1,631	1,778	1,917	2,178	2,440	2,701
PP&E	570	827	907	1,142	1,376	1,608
Investment in JVs & assos	139	114	111	111	111	111
Intangibles	420	405	429	455	483	513
Goodwill	0	0	0	0	0	0
Other non-current assets	502	433	469	469	469	469
Total assets	5,778	7,323	7,530	8,543	9,689	10,876
Current liabilities	1,428	2,120	1,213	1,162	1,195	1,218
Short-term borrowings	200	200	0	0	0	0
Account payables	545	1,055	676	640	688	728
Tax payable	153	223	126	126	126	126
Other current liabilities	530	642	410	396	382	364
Non-current liabilities	813	803	831	831	831	831
Long-term borrowings	0	0	0	0	0	0
Deferred income	6	6	15	15	15	15
Other non-current liabilities	807	796	816	816	816	816
Total liabilities	2,241	2,923	2,044	1,994	2,027	2,049
Share capital	1,391	1,510	1,525	1,525	1,525	1,525
Retained earnings	2,300	3,040	4,233	5,333	6,485	7,690
Other reserves	(167)	(201)	(323)	(397)	(475)	(556)
Total shareholders equity	3,524	4,350	5,435	6,461	7,535	8,659
Minority interest	13	51	51	88	127	168
Total equity and liabilities	5,778	7,323	7,530	8,543	9,689	10,876

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,054	1,495	1,889	2,091	2,218	2,328
Depreciation & amortization	70	81	94	103	125	148
Tax paid	(223)	(265)	(304)	(336)	(357)	(375)
Change in working capital	(123)	140	(417)	(31)	(35)	(30)
Others	333	17	(156)	(34)	(39)	(41)
Net cash from operations	1,111	1,469	1,107	1,793	1,912	2,031
Investing						
Capital expenditure	(171)	(180)	(300)	(317)	(338)	(356)
Acquisition of subsidiaries/ investments	(131)	(131)	(44)	(46)	(49)	(52)
Others	0	(165)	(922)	0	0	0
Net cash from investing	(302)	(476)	(1,265)	(363)	(387)	(408)
Financing						
Dividend paid	(183)	(407)	(371)	(655)	(709)	(748)
Net borrowings	0	0	(200)	(31)	(31)	(31)
Others	117	(53)	(188)	0	0	0
Net cash from financing	(65)	(460)	(758)	(686)	(740)	(779)
Net change in cash						
Cash at the beginning of the year	2,391	3,161	4,011	4,082	4,826	5,610
Exchange difference	(1)	1	(0)	0	0	0
Others	27	316	988	0	0	0
Cash at the end of the year	3,161	4,011	4,082	4,826	5,610	6,454
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	37.8%	39.5%	21.0%	5.8%	6.6%	5.2%
Gross profit	44.5%	39.9%	23.6%	10.2%	6.4%	5.0%
EBITDA	47.5%	32.2%	21.7%	10.7%	6.9%	5.7%
EBIT	57.3%	33.1%	22.0%	10.8%	6.1%	5.0%
Net profit	41.9%	46.1%	30.0%	10.7%	6.1%	5.0%
Adj. net profit	51.8%	33.6%	25.9%	7.4%	6.1%	5.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	69.7%	69.9%	71.4%	74.4%	74.2%	74.1%
EBITDA margin	19.2%	18.2%	18.3%	19.1%	19.1%	19.2%
Adj. net profit margin	14.9%	14.3%	14.8%	15.1%	15.0%	15.0%
Return on equity (ROE)	25.5%	30.3%	31.7%	28.9%	26.0%	23.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(0.9)	(0.8)	(0.7)	(0.7)	(0.7)
Current ratio (x)	2.9	2.6	4.6	5.5	6.1	6.7
Receivable turnover days	5.8	14.1	17.5	17.5	17.5	17.5
Inventory turnover days	126.2	108.7	78.3	78.3	78.3	78.3
Payable turnover days	102.8	143.9	80.1	80.1	80.1	80.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	40.7	27.9	21.4	19.3	18.2	17.4
P/E (diluted)	40.7	27.9	21.4	19.4	18.3	17.4
P/B	9.4	7.6	6.1	5.1	4.3	3.8
Div yield (%)	0.7	1.7	1.9	2.1	2.2	2.3

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

Disclosures & Disclaimers

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CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

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