

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 (天貓面霜新品榜), 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

China Healthcare

Jill WU, CFA
(852) 3900 0842
jillwu@cmbi.com.hk

Cathy WANG
(852) 3916 1729
cathywang@cmbi.com.hk

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%
-----------------------	-------

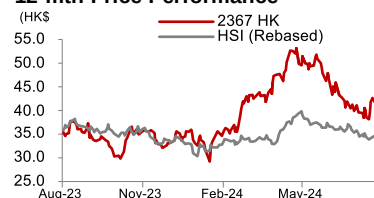
Source: HKEx

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

			Price	Mkt cap	PE		PB		PS		ROE (%)	
Company	Ticker	Rating	(LC)	(\$mn)	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
PROYA *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.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

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

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.