

Botanee Biotech (300957 CH)

2Q in line; new brands in anti-aging and baby care to sustain growth

- **2Q slightly below us but in line with consensus.** Both net profits (Rmb 249mn, +35% y-y) and revenue (Rmb 1.2bn +37% y-y) came in 3% below us but largely in line with consensus. 1H total revenue of Rmb 2bn was mainly drive by 60% y-y growth in DTC and 37% y-y growth in offline distribution, respectively. By product, skincare/ color make-up/ medical devices grew 45%/ flattish/ 55% y-y, and exhibited resilient growth momentum given a difficult 2Q.
- **76.3% GPM in 2Q declined by 0.4pp y-y.** That said, considering the disruption to offline sales, we believe GPM looked to be relatively stable, when Botanee managed to catch-up with online sales (typically with higher GPM).
- **2Q opex ratio was largely unchanged at 49.4% of revenue,** despite a 0.8pp higher admin expense owing to logistics expense incurred for warehouses located around Shanghai during the city's lockdown.
- **Core brands and hero products maintained steady momentum in 1H22.** The main brand Winona ranked N.8 by GMV among cosmetic brands on Tmall and N.2/ N.3 among domestic cosmetic brands on JD/ TikTok during the last 6.18. The brand's largest hero product, Winona Tolerance-Extreme Cream, achieved Rmb100mn+ sales in 6.18. Sun screen and serum series also performed brightly, with Winona Sunblock Milk becoming the brand's 2nd largest product and 400k+ units of anti-sensitive serums sold in 6.18. The company targets to achieve Rmb15bn sales in functional skincare in 3-5y.
- **Winona Baby, which is expanding steadily,** ranked N.5 in baby skin care on Tmall in 6.18 and is among the key brand to promote in the upcoming Double 11, in preparation of which, a series of new products will be launched in Sep, including 4 product series for 0-3y babies. The company targets to become the largest brand in China's baby care segment, which is expected to grow at from Rmb32bn to Rmb46bn in 2021-26E based on Euromonitor.
- **Anti-aging luxury brand Aoxmed could become new growth driver.** Aoxmed targets to become the leading domestic luxury brand in China's anti-aging segment, which is expected to grow from Rmb55bn to Rmb125bn in 2021-26E (17.8% CAGR). The brand will launch 2 collections (Zhuanyan and Cuiyan) in Sep for 2B channels and 1 (Meiyan) for 2C channels in 1H23.
- **Valuation.** We keep our earnings unchanged for now given a largely in line results. Our TP is still based on 2.0x mid-23E PEG given the fast-growth outlook but short listing history of the company.

Earnings summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	2,636	4,022	6,062	8,368	11,582
YoY growth (%)	35.6	52.6	50.7	38.0	38.4
Net income (RMB mn)	544	863	1,241	1,727	2,400
EPS (RMB)	1.6	2.1	2.9	4.1	5.7
YoY growth (%)	31.1	37.0	38.0	39.2	38.9
P/E (x)	N.A	N.A	63.8	45.9	33.0
P/B (x)	N.A	N.A	13.9	11.3	9.0
Div Yield (%)	N.A	N.A	0.5	0.6	0.7
ROE (%)	45.2	18.1	21.7	24.7	27.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (maintain)

Target Price **RMB251**
 (Previous TP **RMB251**)
 Up/Downside **+34.4%**
 Current Price **RMB187**

China Consumer Staples – Household and Personal Care

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Stock Data

Mkt Cap (RMB mn)	79,213
Avg 3 mths t/o (RMB mn)	327.9
52w High/Low (RMB)	249.9/ 145.3
Total Issued Shares (mn)	424

Source: Bloomberg

Shareholding Structure

KM Nuona Tech	46.1%
TJ Hongshan Juye	18.8%
Kunming Zhenli	8.8%

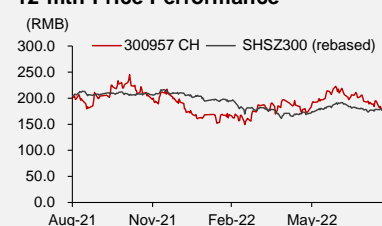
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-3.6%	-1.7%
3-mth	6.1%	3.8%
6-mth	12.9%	26.5%

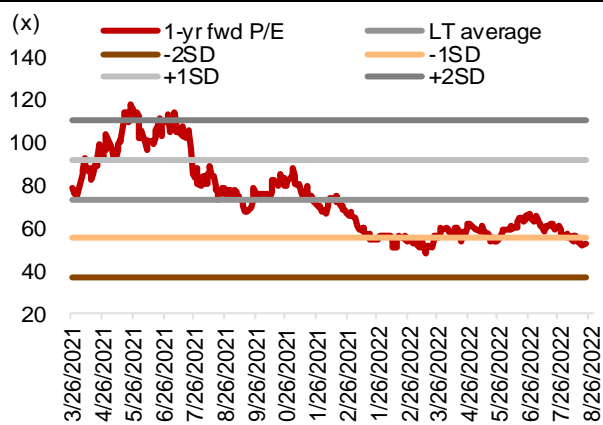
Source: Bloomberg

12-mth Price Performance

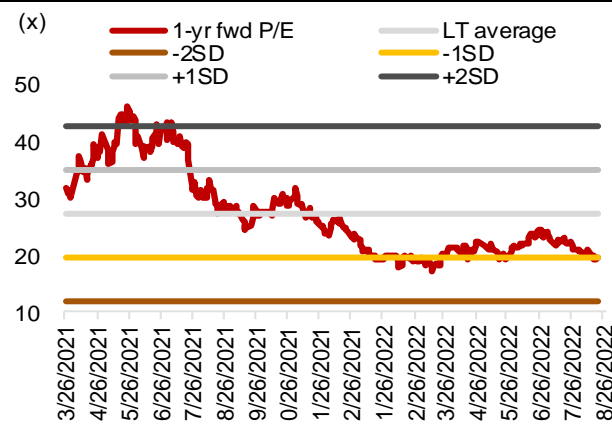


Source: Wind

1. [Proya Cosmetics \(603605 CH\) – 2Q in line with full year guidance maintained – 29 Aug 2022](#)
2. [China Cosmetics – The crown jewel of the consumption spectrum: initiate Botanee/ Proya/ Jahwa with Buy – 21 Jun 2022](#)

Figure 1: Botanee - 12M forward P/E band

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Botanee - 12M trailing P/B band

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,636	4,022	6,062	8,368	11,582
Main business revenue	2,621	4,008	6,047	8,353	11,568
Other business	16	15	15	15	15
Gross profits	2,010	3,057	4,600	6,328	8,750
D&A	(25)	(35)	(49)	(111)	(176)
Selling expense	(1,107)	(1,681)	(2,534)	(3,481)	(4,818)
Administration expenses	(169)	(245)	(364)	(477)	(637)
Other operating expenses	(85)	(131)	(199)	(232)	(298)
EBIT	625	966	1,454	2,027	2,820
EBITDA	650	1,000	1,503	2,138	2,996
Finance costs, net	1	11	11	11	11
Other income/(expense)	(2)	5	(49)	(111)	(176)
Non-operating	(2)	2	-	-	-
Pre-tax profit	648	1,018	1,464	2,038	2,831
Income tax	(104)	(154)	(221)	(308)	(428)
Less: Minority interests	0	1	2	2	3
Net profit	544	863	1,241	1,727	2,400

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	544	863	1,241	1,727	2,400
D&A	25	35	49	111	176
Change in working capital	(151)	13	(137)	(135)	(200)
Others	13	242	(2)	(2)	(3)
Net cash fr. operating act.	431	1,153	1,153	1,701	2,373
Capex & investments	(89)	(271)	(340)	(423)	(627)
Investments	(760)	(8,628)	(77)	-	-
Others	763	6,341	-	-	-
Net cash fr. investing act.	(86)	(2,558)	(418)	(423)	(627)
Equity raised	-	-	-	-	-
Change of Debts	(15)	-	-	-	-
Dividend paid	(104)	(191)	(310)	(437)	(608)
Others	(2)	2,855	-	-	-
Net cash fr. financing act.	(121)	2,664	(310)	(437)	(608)
Net change in cash	224	1,258	425	840	1,138
Cash at the beginning of the year	629	853	2,112	2,537	3,377
Exchange difference	1	(0)	-	-	-
Cash at the end of the year	853	2,112	2,537	3,377	4,515

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	211	587	878	1,191	1,641
PP&E/Fixed assets	69	113	380	664	1,086
Net intangibles	55	65	74	85	95
Long-term deferred	20	41	55	73	92
Other non-current assets	67	369	369	369	369
Current assets	1,391	5,225	6,050	7,237	8,862
Cash and equivalents	752	2,035	2,537	3,377	4,515
Accounts receivable	187	247	340	423	554
Prepayments	29	46	46	46	46
Other current assets	423	2,897	3,127	3,390	3,746
Current liabilities	391	900	1,086	1,297	1,584
Borrowings	-	-	-	-	-
Account payables	135	362	548	759	1,046
Other payables	176	417	417	417	417
Tax payables	80	122	122	122	122
Non-current liabilities	9	134	134	134	134
Borrowings	-	50	50	50	50
Other non-current liabilities	9	84	84	84	84
Minority Interest	3	23	22	19	16
Total net assets	1,202	4,778	5,708	6,996	8,785
Shareholders' equity	1,199	4,755	5,687	6,977	8,769

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)	100.0	100.0	100.0	100.0	100.0
Main business revenue	99.4	99.6	99.8	99.8	99.9
Other business	0.6	0.4	0.2	0.2	0.1
P&L ratios (%)					
Gross margin	76.3	76.0	75.9	75.6	75.5
Operating margin	23.7	24.0	24.0	24.2	24.3
Pre-tax margin	24.6	25.3	24.2	24.3	24.4
Net margin	20.6	21.5	20.5	20.6	20.7
Effective tax rate	(16.1)	(15.1)	(15.1)	(15.1)	(15.1)
Balance sheet analysis					
Current ratio (x)	0.5	0.4	0.4	0.5	0.5
Net receivable days	21	20	18	17	15
Net payable days	65	94	114	117	116
Inventory turnover days	132	136	144	148	146
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash
Returns (%)					
ROE	45.2	18.1	21.7	24.7	27.3
ROA	33.9	14.8	17.9	20.5	22.8
Dividend yield	0.2	0.3	0.4	0.6	0.9
Per share					
EPS (RMB)	1.6	2.1	2.9	4.1	5.7
DPS (RMB)	0.5	0.6	0.9	1.2	1.7
BVPS (RMB)	3.3	11.7	13.5	16.5	20.7

Source: Company data, CMBIGM estimates

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NOT RATED	: Stock is not rated by CMBIGM

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