

MAO GEPING (1318.HK)

MAO GEPING’s brand power had been strengthened in high-end beauty industry, and it entered the perfume market for the first time
China | Cosmetics |

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Overview

MAO GEPING (1318.HK) is mainly engaged in the research and development, production, sales and makeup skills training of the two major brands of color cosmetics and skin care products, MGPIN and Favorite lifetime. Relying on the founder, makeup artist Mr. Mao Geping’s profound understanding of makeup aesthetics, unique understanding of the facial contours and skin characteristics of oriental women and his own influence, the company has gradually established brand advantages in the field of cosmetics and makeup skills training. With the increasing variety of products and stable revenue growth of both online and offline channels, the company has become a leading domestic brand in the high-end beauty products market.

Company performance review

In 2024, the company’s revenue was 3.89 billion yuan (RMB, the same below) with a year-on-year increase of 34.6%; net profit was 881 million yuan with a year-on-year increase of 32.8%; earnings per share was 2.18 yuan with a year-on-year decrease of 34.1%; total assets were 4.47 billion yuan with a year-on-year increase of 113.6%.

Both online and offline sales achieved stable growth, and offline counters continued to expand

In 2024, the company’s online revenue was 1.78 billion yuan with a year-on-year increase of 51.2%, accounting for 47.8%, mainly because the company strengthened its sales and marketing promotions on e-commerce platforms; offline revenue was 1.95 billion yuan with a year-on-year increase of 21.6%, accounting for 52.2%, mainly because the company increased its sales and marketing efforts, resulting in an increase in the average sales of each counter by 2024. The company’s online channels cover e-commerce platforms such as Tmall, Rednote, Douyin, JD.com and Taobao. The company will continue to expand its online influence by strengthening promotions and cooperating with KOLs. The total number of online registered members was 10 million, and the repurchase rate was 27.5%. The company continued to develop offline high-end department store channels and had newly entered high-end department stores such as Wuhan SKP, Chengdu SKP, and Hangzhou Tower. As of the end of 2024, the company’s brand counters were located in more than 120 cities across the country, including 378 self-operated counters and 31 distributor counters. The counters were equipped with more than 2,800 professional beauty consultants, providing users with great beauty experience. The total number of offline registered members was 15 million, and the repurchase rate was 34.9%.

Color cosmetics and skin care business continued to grow rapidly, and the makeup skills training business exceeded the pre-epidemic level

In 2024, the company’s makeup sales revenue was 2.30 billion yuan with a year-on-year increase of 42%, accounting for 59.3%; skin care revenue was 1.43 billion yuan with a year-on-year increase of 23.2%, accounting for 36.8%; makeup art training and related sales revenue was 152 million yuan with a year-on-year increase of 45.8%, accounting for 3.9%, exceeding the pre-epidemic level, mainly due to the increase in the number of participants enrolled in makeup art training courses.

The overall profit level is relatively stable

The gross profit margin in 2024 was 84.4% with a year-on-year decrease of 0.4 percentage points. In the past four years, the company’s gross profit margin had remained at around 84%, reflecting that the sales gross profit margin of color cosmetics and skin care products

Accumulate

CMP HK\$108.7
(Closing price as of 29 Apr)
Target 127.63 HKD (+17.4%)

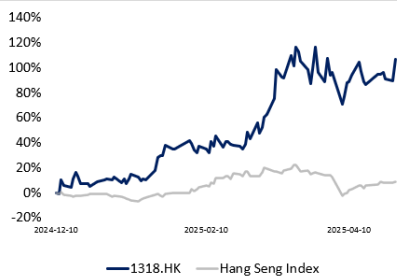
COMPANY DATA

O/S SHARES (MN) :	28462
MARKET CAP (HKD bn) :	53.28
52 - WK HI/LO (HKD):	118/47.65

SHARE HOLDING PATTERN, %

Geping Mao	35.6%
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PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

RM0 mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2886.9	2804.7	5152.8	6688.4	8461.6
Net profit	663.5	881.2	1175.5	1530.5	1981.6
Diluted EPS (RMB)	3.31	2.18	2.40	3.12	4.04
P/E ratio, x	30.9	47.0	42.7	32.8	25.3
Dividend Yield, %	N/A	0.7%	0.8%	1.0%	1.3%

Source: Company reports, Phillip Securities Est.

Analyst

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had remained stable. In terms of expenses: the increase in sales and distribution expenses was mainly due to the increase in marketing and promotion expenses, the increase in the number of counters leading to the increase in rental property costs and the increase in employee salary; the increase in administrative expenses was mainly due to the increase in listing expenses; R&D expense were 32 million yuan, and the R&D expense ratio was 0.8%, which was basically the same as the previous year. Mao Geping had relied on ODM (original design manufacturer) and OEM (original equipment manufacturer) suppliers to produce products for a long time. Compared with other domestic cosmetics companies, the company's R&D expense ratio was relatively low (PROYA's R&D expense ratio was 2.0% and Marubi's R&D expense ratio was 2.7% respectively in 2024), but the company has a production base under construction in Hangzhou, China, which is expected to be put into operation in mid-2026. In the future, the company may gradually increase R&D expenses to further enhance its core competitiveness. The company's net profit margin was 22.7% with a year-on-year decrease of 0.3 percentage points.

Cosmetics consumption was growing well

Data from the China Association of Fragrance Flavour and Cosmetic Industries showed that in February 2025, the cosmetics transaction amount on the five major e-commerce platforms, Tmall, Taobao, JD.com, Douyin, and PDD, was 46.19 billion yuan with a year-on-year increase of 21.38%; the transaction volume was 620 million units with a year-on-year increase of 21.75%. From January to February 2025, the total online transaction amount of cosmetics was 95.82 billion yuan with a year-on-year increase of 15.65%; the total transaction volume was 1.28 billion units with a year-on-year increase of 6.8%. In March 2025, the total retail sales of consumer goods were 4,094.0 billion yuan with a year-on-year increase of 5.9%. Among them, sales of cosmetics were 42.8 billion yuan with a year-on-year increase of 1.1%. The above data showed that cosmetics consumption grew well at the beginning of 2025, which will help boost investors' confidence in the cosmetics industry. According to Qingyan Intelligence data, in the TOP 10 domestic beauty brands on Douyin in Q1 2025, Mao Geping's influencer promotion accounted for 61.8%, ranking first, indicating that the company's online promotion strategy had gained certain results. Recently, Qiusi online released "Opening a New World of Consumption in China", further clarifying that "China's economy had entered a stage of high-quality development, and economic development must inevitably shift to a stage that would be more supported by domestic demand, especially consumer demand." The release of the new policy is good for the consumer industry, and Mao Geping is expected to benefit from it.

MAO GEPING's brand power had been strengthened in high-end beauty industry, and it entered the perfume market for the first time

MGPIN was named after its founder, Mr. Mao Geping. The MGPIN series products adhere to the guiding principles of light and shadow aesthetics and oriental aesthetics. Among them, "light and shadow aesthetics" refers to the use of highlights and contouring techniques to make facial contours more visible. "Oriental aesthetics" encompasses aesthetic concepts and principles derived from traditional Chinese culture, and its Chinese elements resonate deeply with Chinese consumers. The fifth generation "Eastern Aura Elegance" was launched, which was created in collaboration with the Cultural and Creative Institute of the Palace Museum. The series elegantly integrates rich oriental elements into modern aesthetic concepts and cleverly incorporates the Palace Museum's century-old heritage and the essence of traditional oriental aesthetics into the products. In June 2024, the company hosted the "Nation's Pride, Parisian Radiance: Team China × MAOGEPING 2024 Collection Launch & Grand Commencement Ceremony" at Hangzhou International Conference Center. At this landmark event, the company co-launched the Splendid Aura collection and Team China Athlete Image Enhancement Kits in collaboration with TEAMCHINA. By using beauty products to set off the athletes' glory and enhance their impressive presence, the company presented a positive and uplifting brand

image. In addition, during the Paris Olympics, MAOGEPING Makeup settled in the "China House". By adding luster to the Chinese sports spirit with makeup, the company conveyed the concept of the most exquisite and beautiful Eastern aesthetics to the world. The company's oriental aesthetic brand influence had been further strengthened. Mao Geping's hot color cosmetics products are mainly shadows, highlights and powder creams, while the hot skincare products are the luxurious caviar masks and luxurious skin-nourishing black cream. The company launched the MAOGEPING EAU DE PARFUM national style fragrance series in January 2025. This was the company's first entry into the perfume market. This move will help enrich the product matrix and enhance the company's competitiveness in the industry.

Company valuation

As the pride of domestic high-end beauty products, Mao Geping has actively enriched and upgraded its product matrix, launched a number of star products, enhanced brand influence, and continuously consolidated its leading position in the high-end beauty industry market. As a famous makeup artist, Mr. Mao Geping, the founder, has designed makeup for more than 40 movies, TV shows and more than 20 stage plays. His influence is obvious, which will help to enhance the company's brand influence and further expand its market share. The company's products have differentiated competitiveness in the industry and the company is actively developing overseas markets. We believe that the company's long-term growth is certain. We predict that the company's revenue will be 5.15 billion yuan, 6.69 billion yuan and 8.46 billion yuan respectively in 2025-2027. EPS will be 2.4/3.12/4.04 yuan, corresponding to the P/E of 42.7x/32.8x/25.3x. The company is given a P/E of 50 times in 2025, with a target price of HK\$127.63, and our investment rating is "Accumulate". (Current price as of Apr 29)

Risk factors

The macro-economy is in a downward trend, industry competition is intensifying, and new product promotion is not as good as expected.

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2886.0	3884.7	5152.8	6688.4	8461.6
Cost of sales	-437.7	-607.2	-793.4	-1016.6	-1235.4
Gross profit	2448.3	3277.5	4359.3	5671.8	7226.2
Other income and gains	46.6	68.4	100.5	147.8	217.2
Selling and distribution expenses	-1412.4	-1904.1	-2525.7	-3310.8	-4209.0
Administrative expenses	-192.1	-267.8	-355.2	-453.1	-573.3
Reversal of impairment losses on financial assets, net	1.0	3.4	0.0	0.0	0.0
Other expenses	-0.8	-0.5	-0.7	-0.6	-0.6
Finance costs	-2.0	-5.3	-7.1	-9.2	-11.7
Share of profit/(loss) of an associate	-0.7	5.0	0.0	0.0	0.0
Profit before tax	887.9	1176.6	1571.2	2045.8	2648.8
Income tax expense	-224.4	-295.4	-395.8	-515.3	-667.2
Profit for the year attributable to Shareholders of the Company	663.5	881.2	1175.5	1530.5	1981.6
EPS(RMB)	3.31	2.18	2.40	3.12	4.04
DPS(RMB)	N/A	0.72	0.79	1.03	1.34
Dividend payout ratio	N/A	33%	33%	33%	33%
Weighted shares outstanding	200.0	404.7	490.2	490.2	490.2

Key Financial Data

Dec Y/E	FY23	FY24	FY25E	FY26E	FY27E
Valuation Ratio					
P/E ratio	30.9	47.0	42.7	32.8	25.3
Dividend Yield, %	N/A	0.7%	0.8%	1.0%	1.3%
Per share data(RMB)					
EPS	3.31	2.18	2.40	3.12	4.04
BVPS	7.7	8.7	8.7	10.6	13.0
DPS(HKD)	N/A	0.76	0.84	1.09	1.42
Growth & Margin					
Growth					
Revenue Growth	57.8%	34.6%	32.6%	29.8%	26.5%
Gross Profit Growth	59.7%	33.9%	33.0%	30.1%	27.4%
Net Profit Growth	88.0%	33.0%	33.4%	30.2%	29.5%
Margin					
Gross Profit Margin	84.8%	84.4%	84.6%	84.8%	85.4%
Net Profit Margin	22.9%	22.7%	22.8%	22.9%	23.4%
Key Ratios					
ROE	42.8%	25.2%	27.4%	29.4%	31.0%
ROA	31.6%	19.7%	21.6%	23.5%	24.9%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Current assets					
Inventories	342.2	323.8	372.3	385.8	443.3
Accounts receivable	157.7	214.5	274.5	360.2	442.7
Cash and cash equivalents	1137.9	2796.5	3555.3	4435.1	5671.6
Others	60.3	112.5	112.5	112.5	112.5
Total current assets	1698.1	3447.3	4314.6	5293.7	6670.1
Non-current assets					
PPE	220.1	945.6	1038.6	1130.5	1203.9
Others	176.6	80.7	85.0	86.0	84.7
Total non-current assets	396.7	1026.3	1123.6	1216.6	1288.7
Total Assets	2094.8	4473.6	5438.2	6510.3	7958.8
Current liabilities					
Accounts and bills payable	103.6	92.1	148.3	141.2	189.5
Bank borrowings	0.0	320.0	327.1	336.4	348.1
Others	425.9	539.4	656.4	808.0	1005.4
Total current liabilities	529.5	951.5	1131.8	1285.6	1542.9
Total non-current liabilities	17.3	18.6	18.1	18.1	18.1
Total liabilities	546.8	970.1	1149.9	1303.7	1561.0
Equity attributable to equity holders of the Company	1545.7	3501.3	4286.1	5204.3	6395.6
Non-controlling interests	2.3	2.2	2.2	2.2	2.2
Total equity	1548.0	3503.5	4288.3	5206.5	6397.8
Total liabilities and equity	2094.8	4473.6	5438.2	6510.3	7958.8

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
CFO	699.7	968.6	1323.5	1683.3	2232.5
Profit before tax	887.9	1176.8	1571.2	2045.8	2648.8
Depreciation and Amortization	70.1	78.5	92.6	114.9	149.3
Change in working capital	-98.3	-48.5	-52.3	-106.3	-91.8
Others	-160.0	-238.2	-288.0	-371.1	-473.8
CFI	-194.7	-628.0	-177.4	-193.9	-207.4
Others	10.0	-12.1	13.5	16.4	21.5
Purchase of property, equipment and intangible assets	-204.7	-615.9	-190.9	-210.3	-228.9
CFF	-255.0	1311.0	-387.2	-609.5	-788.6
Others	-255.0	894.1	-387.2	-609.5	-788.6
Cash received from borrowing	0.0	416.9	0.0	0.0	0.0
Effect of exchange rate changes on cash					
Net Change in Cash	250.0	1651.6	758.9	879.9	1236.4
Cash, CE and Restricted cash at Beg	887.9	1137.9	2796.4	3555.3	4435.1
Restricted currency funds for disbursements	0.0	2.2	0.0	0.0	0.0
Cash, CE and Restricted cash at Y/E	1137.9	2791.7	3555.3	4435.1	5671.6

Current Price as of: 29 Apr

Source : PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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