

Proya Cosmetics (603605.CH)

Revenue exceeded 10 billion for the first time, and valuation remains attractive
China | Cosmetics |

13 Aug 2025

Overview

As a leading domestic cosmetics company, Proya Cosmetics primarily engages in R&D, production, and sales of cosmetic products. Its offerings span skincare, makeup, cleansing & personal care, and more. The company owns brands such as Proya, Hapsode, Timage, Off&Relax, CORRECTORS, INSBABA, UZERO and Anya.

Performance review

In 2024, the company achieved revenue of RMB 10.78 billion with a year-on-year (YoY) increase of 21.04%, surpassing the RMB 10 billion mark for the first time, primarily driven by growth in online channel revenue. Operating costs were RMB 3.08 billion (YoY +15.18%). Selling expenses reached RMB 5.16 billion (YoY +29.93%), mainly due to increased brand promotion and marketing expenses. R&D expenses were RMB 210 million (YoY +21.21%), with an R&D expense ratio of 1.95%, remaining largely flat YoY. Net profit attributable to shareholders was RMB 1.55 billion (YoY +30%). Net cash flow from operating activities was RMB 1.12 billion (YoY -24.6%), primarily due to increased payments for goods, marketing expenses, taxes, and employee compensation. Basic earnings per share (EPS) were RMB 3.93 (YoY +30.56%).

In Q1 2025, the company recorded revenue of RMB 2.36 billion (YoY +8.13%). Net profit attributable to shareholders was RMB 390 million (YoY +28.87%). Net cash flow from operating activities was RMB 675 million (YoY +56.78%). Basic EPS was RMB 0.99 (YoY +30.26%). The Q1 revenue growth rate was notably slower than the full-year 2024 growth. We attribute this primarily to Q1 not being the peak season for cosmetics consumption, which is typically concentrated in the summer months (June-August) and during major year-end promotional events (October-December).

Outstanding 618 Performance: Topping Platform Brand Rankings

According to National Bureau of Statistics data, China's total retail sales of consumer goods in H1 2025 reached RMB 2,454.8 billion (YoY +5%). Retail sales of cosmetics amounted to RMB 229.1 billion (YoY +2.9%), exceeding the H1 2024 growth rate, demonstrating the industry's resilience and sustained upward trend. Data from Qingyan Intelligence shows that the total GMV across four major platforms (Taobao/Tmall, Douyin, JD.com, Kuaishou) during the 2025 618 shopping festival period (May 13 - June 18) reached RMB 65.91 billion with a YoY increase of over 10%. This year, Tmall simplified its promotions, replacing complex tiered discounts with a straightforward "15% Official Instant Discount," supplemented by category and general consumption coupons. This approach maintained competitive pricing while avoiding excessive "cutthroat price competition."

The company delivered an outstanding 618 performance across its brands:

Proya: Topped multiple platform rankings, including Tmall Beauty (Full Period), Douyin 618 Good Things Festival (Skincare), JD.com Domestic Beauty Brand, and Pinduoduo Domestic Beauty Brand.

Timage: Experienced strong growth across three major platforms, ranking first in Tmall Color Cosmetics, second in JD.com Domestic Color Cosmetics, and fifth in Douyin Domestic Color Cosmetics, with GMV growth 10%+, 20%+, and 30% YoY respectively. Key products like the Little Round Tube Foundation, Primer, Trio Contour Palette, and Trio Concealer topped their categories.

Off&Relax: Achieved over 148%+ YoY growth across all channels, hitting new record high. Tmall dual-store GMV grew over 110%+ YoY, Douyin dual-store GMV surged over 200%+ YoY, and JD.com dual-store GMV jumped over 270%+ YoY. Star products like the OR Anti-Hair Loss Serum, Volumizing Shampoo, and Hair Oil performed exceptionally well.

Buy

CMP RMB\$82.58
(Closing price as of 11 Aug))
Target 114 RMB (+38%)

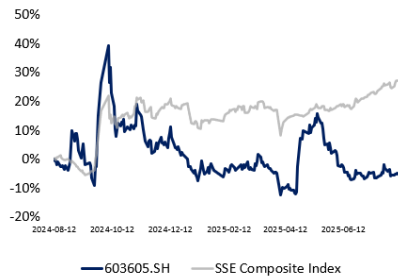
COMPANY DATA

O/S SHARES (MN) :	396.25
MARKET CAP (RMB bn) :	32.72
52 - WK HI/LO (RMB):	119.92/72.55

SHARE HOLDING PATTERN, %

Hou Juncheng	34.51%
Hong Kong Securities Clearing Company Limited	15.12%

PRICE VS. SSE Composite Index



Source: Phillip Securities (HK) Research

KEY FINANCIALS

RMB mn	FY24	FY25E	FY26E	FY27E
Revenue	10778	12385	14104	15791
Net profit	1552	1803	2101	2380
Diluted EPS (RMB)	3.93	4.56	5.31	6.02
P/E ratio, x	21.0	18.1	15.5	13.7
Dividend Yield, %	1.4%	1.7%	2.0%	2.2%

Source: Company reports, Phillip Securities Est.

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Hapsode: GMV grew 23.5% YoY on Douyin, 69% on JD.com, and 23% on Pinduoduo. INSBABA (Eye makeup expert): Achieved over 106%+ YoY GMV growth across all platforms and is rapidly emerging as one of the company's fastest-growing new brands, poised to contribute significantly to future incremental growth.

Strategic Collaboration with Bota Bio: Exploring Synthetic Biology

In May 2025, Proya signed a strategic cooperation agreement with Bota Bio, marking its first partnership with a synthetic biology enterprise. The collaboration will focus on integrating synthetic biology and AI technologies for the innovative development and application of cosmetics and biomedical aesthetic materials. The partners aim to jointly build an innovation matrix for bio-based functional active ingredients, accelerating breakthroughs and enabling diverse applications in cosmetics and biomedical materials. This will provide consumers with more effective, green, and safe products. The collaboration is expected to enhance Proya's competitiveness in bio-based ingredient innovation, product technology barrier creation, and sustainability.

Strategic Partnership with Beijing Digital Mali Technology Co., Ltd (Ant Group): AI Empowering Beauty

In May 2025, Proya entered a strategic partnership with Ant Group's Beijing Digital Mali Technology Co., Ltd. Beijing Digital Mali Technology will assist Proya in enhancing consumer experience through AI-powered cloud customer service, AI smart inspection, and full-chain user experience solutions. It will also leverage AI to boost Proya's competitiveness in enterprise digital operations, energy conservation, emission reduction, and green initiatives. This collaboration is a key step in Proya's digital transformation, aiming for short-term cost reduction and efficiency gains through AI customer service and smart quality inspection, better supporting operational stability during peak sales seasons.

Partnership with Top-Tier Hospital: Collaborative R&D on Mitochondrial Anti-Aging

In July 2025, the company signed an agreement with West China Hospital of Sichuan University focusing on "mitochondrial anti-aging" research. This aims to leverage cutting-edge medical research to empower cosmetic innovation, establishing a full-chain "industry-academia-research-medicine" collaborative model. Mitochondrial research is becoming a crucial frontier in tech-driven anti-aging. The partnership will integrate West China Hospital's advanced research resources to deeply investigate the intrinsic link between mitochondrial function and skin aging at the cellular level, identify key pathways and targets, accelerate R&D and screening of potent anti-aging actives, and lay a solid foundation for future product applications. However, mitochondrial anti-aging research involves complex biological mechanisms, and the path from basic research to marketable products is lengthy, carrying risks of delayed or unsuccessful technology translation.

Valuation and Investment Recommendation:

The competitive landscape of the beauty industry is undergoing a reshuffle. Only brands with strong product competitiveness and adept platform resource utilization will thrive. Proya possesses robust product innovation and channel operation capabilities within the domestic beauty sector. Its consistent execution of the "hot product strategy" and continuous portfolio enrichment solidify its leadership position. We anticipate the company will gradually transition from high growth to a more stable phase, but double-digit revenue growth is still expected in the near term.

We forecast the company's operating revenue for 2025-2027 at RMB 12.39 billion, RMB 14.10 billion, and RMB 15.79 billion, respectively. EPS is projected at RMB 4.56, RMB 5.31, and RMB 6.02 for 2025-2027. This translates to P/E ratios of 18.11x, 15.54x, and 13.72x for 2025-2027. We assign a target price of RMB 114, representing 25x our projected 2025 P/E, and maintain a "Buy" rating. (Current price as of August 11th).

Risk factors

Downward macroeconomic situation, intensified industry competition, management changes, and new product promotion failing to meet expectations.

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Total Revenue	8905	10778	12385	14104	15791
Cost of sales	-2677	-3084	-3547	-3981	-4423
Gross profit	6227	7695	8838	10123	11368
Operating expenses	-4692	-5821	-6689	-7618	-8529
Finance costs	59	36	45	51	57
Profit before tax	1495	1889	2194	2556	2896
Income tax expense	-265	-304	-391	-455	-516
Profit for the year	1231	1585	1803	2101	2380
Profit for the year attributable to					
– Owners of the Company	1194	1552	1803	2101	2380
EPS(RMB)	3.01	3.93	4.56	5.31	6.02
DPS(RMB)	1.29	1.19	1.38	1.61	1.82
Dividend payout ratio	43%	30%	30%	30%	30%
Weighted shares outstanding	397	395	395	395	395

Key Financial Data

Dec Y/E	FY23	FY24	FY25E	FY26E	FY27E
Valuation Ratio					
P/E ratio	27.45	21.04	18.11	15.54	13.72
Dividend Yield, %	1.6%	1.4%	1.7%	2.0%	2.2%
Per share data(RMB)					
EPS	3.01	3.93	4.56	5.31	6.02
BVPS	11.0	13.7	17.0	21.0	25.4
DPS(RMB)	1.29	1.19	1.38	1.61	1.82
Growth & Margin					
Growth					
Revenue Growth	39.5%	21.0%	14.9%	13.9%	12.0%
Gross Profit Growth	39.9%	23.6%	14.9%	14.5%	12.3%
Net Profit Growth	48.1%	28.8%	13.7%	16.5%	13.3%
Margin					
Gross Profit Margin	69.9%	71.4%	71.4%	71.8%	72.0%
Net Profit Margin	13.8%	14.7%	14.6%	14.9%	15.1%
Key Ratios					
ROE	30.3%	31.8%	29.7%	28.0%	26.0%
ROA	18.8%	21.3%	21.3%	20.3%	19.4%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Current assets					
Inventories	797	661	1002	865	1210
Accounts receivable	352	518	365	415	465
Cash and cash equivalents	4011	4082	5505	7243	8663
Others	385	352	463	480	496
Total current assets	5545	5613	7334	9003	10834
Non-current assets					
PPE	879	982	1107	1251	1411
Others	899	935	972	994	1026
Total current assets	1778	1917	2079	2245	2436
Total Assets	7323	7530	9413	11248	13270
Current liabilities					
Accounts and bills payables	1056	676	986	1107	1229
Short-term Bank and other loans	200	0	0	0	0
Others	865	536	661	696	730
Total current liabilities	2120	1213	1647	1802	1959
Non-current liabilities					
Long-term Bank& other loans	753	780	896	1021	1143
Others	50	52	52	52	52
Total non-current liabilities	803	832	948	1072	1194
Total liabilities	2923	2044	2595	2874	3154
Equity attributable to equity holders of the Company	4350	5402	6735	8289	10032
Non-controlling interests	51	84	84	84	84
Total equity	4400	5486	6819	8373	10116
Total liabilities and equity	7323	7530	9413	11248	13270

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
CFO	1469	1107	2104	2512	2332
Net profit	1231	1585	2194	2556	2896
Change in working capital	-121	-756	-255	-230	-769
Depreciation and Amortization	96	120	121	135	149
Others	262	159	45	51	57
CFI	-476	-1265	-283	-301	-341
Purchase of PP&E	-180	-300	-283	-301	-341
Short term and long term investment, net	-296	-966	0	0	0
CFF	-460	-758	-399	-473	-572
Cash payments for distribution of dividends, profits or repayment of interest	-407	-371	-515	-597	-694
Cash received from financing	-53	-388	116	124	122
Net increase in cash and cash equivalents	534	-917	1422	1738	1420
Cash and cash equivalents at 31 December	4011	4082	5505	7243	8663

Current Price as of: 11 Aug

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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