

Mirae Asset Securities Co., Ltd.  
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090430 KS · Cosmetics

# Amorepacific

## Awaiting COSRX consolidation

(Maintain)

**Buy**

Target price  
**₩180,000**

Upside  
**32.6%**

Current price (1/30/24)  
**₩135,700**

KOSPI	2,498.81	Market cap (Wbn)	7,937	Shares outstanding (mn)	58	Foreign ownership (%)	28.3
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### Report summary

#### 4Q23 review: Solid performance outside of China

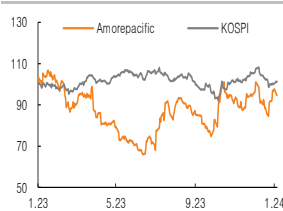
For 4Q23, Amorepacific reported below-consensus results, with revenue of ₩926bn (-15% YoY) and operating profit of ₩20.7bn (-64% YoY). The China business posted weak revenue and a larger-than-feared operating loss (₩50bn). We believe China revenue fell more sharply than expected due to a more than 50% decline in Sulwhasoo and Ryo exports (sell-in). Outside China, overseas revenue grew roughly 30% YoY. For domestic operations, OP margin improved to 9%.

#### Earnings recovery delayed; expectations growing for COSRX

We believe it will take longer than expected for the China business to break even, as channel inventory adjustments for Ryo should continue in 1Q24, and offline channel streamlining efforts for Laneige are planned through 1H24. Amid a delayed earnings recovery, the stock's momentum should remain muted in the near term. That said, we think attention will be more focused on COSRX going forward, as the company has been performing more strongly than expected; for 2024, COSRX is targeting revenue of ₩624bn (+30% YoY). With the COSRX consolidation (which is still one quarter away) likely to provide momentum, we would view any pullback in shares as a good buying opportunity.

### Key data

#### Price performance



(%)	1M	6M	12M
Absolute	-6.4	22.5	-6.2
Relative	-0.6	27.8	-8.0

#### Earnings and valuation metrics

(Dec.)	2021	2022	2023P	2024F	2025F
Revenue (Wbn)	4,863	4,135	3,674	4,286	4,781
OP (Wbn)	343	214	108	371	465
OP margin (%)	7.1	5.2	2.9	8.7	9.7
NP (Wbn)	194	134	180	330	394
EPS (W)	3,312	2,299	3,079	5,642	6,738
ROE (%)	4.2	2.8	3.7	6.5	7.3
P/E (x)	50.4	59.8	47.1	24.1	20.1
P/B (x)	2.0	1.7	1.7	1.5	1.4
Dividend yield (%)	0.6	0.5	0.5	0.5	0.5

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent  
Source: Company data, Mirae Asset Securities Research estimates

## 4Q23 review

For 4Q23, Amorepacific reported below-consensus results, with revenue of W926bn (-15% YoY) and operating profit of W20.7bn (-64% YoY). The China business posted a massive operating loss (around W50bn), but revenue grew solidly in other overseas markets (+37% in North America, +37% in Europe, and +20% in Japan). Notably, the domestic business posted an OP margin of 9.3%, the highest level of 2023.

### Domestic

The domestic business posted revenue of W560.4bn (-12% YoY) and operating profit of W52bn (+17% YoY). Revenue from duty-free stores and direct sales to overseas customers tumbled 30% and 80% YoY, respectively, weighing on overall domestic revenue. That said, margins picked up meaningfully on improving cost efficiency and growth in premium brands (e.g., Laneige, Aestura). Barring any one-off issues, we expect OP margin to remain at the high-single-digit level for the time being.

### China

We estimate the China business posted revenue of W123.5bn (-45% YoY) and a wider-than-feared operating loss of W50bn. We believe sluggish revenue combined with excessive marketing spend led to the massive loss. We attribute the sharper-than-expected fall in revenue to a more than 50% decline in exports (sell-in) of Sulwhasoo and Ryo (which account for more than 40% of China revenue) amid inventory destocking. While Sulwhasoo promotions declined, marketing expenses grew for Ryo and Innisfree.

### US

In the US, we estimate revenue and operating profit reached W79.4bn (+37% YoY) and W7.5bn (OP margin of 9.5%), respectively. The US business has continued to deliver rapid growth on the back of Laneige (accounting for more than 50% of US revenue), with the US's share of overseas revenue rising to 22%.

### COSRX

For 2023, COSRX delivered revenue of W480bn (vs. guidance of W470bn). We estimate OP margin expanded to 34%, with a robust performance in North America during the year-end shopping season likely driving strong earnings. For 2024, the company is targeting top-line growth of more than 30%.

## Recommendation

Momentum remains solid across all markets except for China. We see profitability improving in the domestic market and strong revenue growth continuing in non-China markets. We also believe COSRX has outperformed upbeat expectations.

That said, we believe it will take longer than expected for the China business to break even, as channel inventory adjustments for Ryo should continue in 1Q24, and offline channel streamlining efforts for Laneige are planned through 1H24. While operating losses are likely to narrow compared to 2023 levels (-W40bn in 2Q23, -W20bn in 3Q23, and -W50bn in 4Q23), we see losses persisting in 1Q24 (-W20bn) and 2Q24 (-W10bn).

Amid a delayed earnings recovery, we expect the stock to be range-bound in the near term. That said, we think attention will be more focused on COSRX going forward, as the company has been performing more strongly than expected; for 2024, COSRX is targeting revenue of W624bn (+30% YoY) and operating profit of W205bn (OP margin: 33%). With the COSRX consolidation (which is still one quarter away) likely to provide momentum, we would view any pullback in shares as a good buying opportunity.

**Table 1. Annual earnings and forecasts**

	2020	2021	2022	2023P	2024F	2025F
Revenue	4,432	4,863	4,135	3,674	4,286	4,781
Domestic	2,706	3,076	2,581	2,211	2,335	2,413
Cosmetics	2,210	2,593	2,156	1,825	1,952	2,027
Household goods	496	483	425	386	383	386
Overseas	1,745	1,802	1,483	1,396	1,932	2,344
OP	143	343	214	108	371	465
Domestic	117	300	218	152	193	172
Cosmetics	113	300	211	141	182	161
Household goods	5	0	7	11	11	12
Overseas	18	52	8	(48)	187	308
Pretax profit	25	298	224	281	451	517
NP	22	181	129	174	347	398
NP attributable to owners of the parent	35	194	134	180	330	394
OP margin (%)	3.2	7.1	5.2	2.9	8.6	9.7
Domestic	4.3	9.8	8.5	6.9	8.3	7.1
Cosmetics	4.2	9.7	8.2	6.4	7.8	6.7
Household goods	0.9	0.0	1.6	2.9	2.9	3.0
Overseas	1.0	2.9	0.6	(3.4)	9.7	13.1
Revenue growth (% YoY)	(20.6)	9.7	(15.0)	(11.1)	16.7	11.5
Domestic	(26.3)	17.3	(16.8)	(15.4)	7.0	3.8
Overseas	(16.0)	3.3	(17.7)	(5.8)	38.4	21.3
OP growth (% YoY)	(66.6)	140.1	(37.6)	(49.5)	242.5	25.5
Domestic	(63.3)	156.0	(27.3)	(30.4)	27.0	(10.6)
Overseas	(82.8)	189.4	(84.2)	TTR	TTB	64.7
NP growth (% YoY)	(85.3)	451.3	(30.6)	33.9	83.2	19.4

Note: COSRX is included in the overseas division.

Source: Company data, Mirae Asset Securities Research

Table 2. Quarterly earnings and forecasts

(Wbn)

	1Q23	2Q23	3Q23	4Q23P	2023P	1Q24F	2Q24F	3Q24F	4Q24F	2024F
Revenue	914	945	889	926	3,674	951	1,099	1,085	1,151	4,286
Domestic	552	555	543	560	2,211	585	593	565	592	2,335
Cosmetics	455	459	446	465	1,825	489	500	468	495	1,952
Household goods	97	96	98	96	386	96	93	97	97	383
Overseas	349	372	318	357	1,396	362	501	515	554	1,932
OP	64	6	17	21	108	70	72	91	138	371
Domestic	44	37	19	52	152	60	46	39	47	193
Cosmetics	40	31	22	48	141	56	42	40	44	182
Household goods	4	5	(3)	4	11	4	4	(0)	3	11
Overseas	27	(33)	(8)	(34)	(48)	10	27	54	96	187
Pretax profit	99	19	38	124	281	98	85	99	170	451
NP	90	19	27	38	174	76	65	76	131	347
NP attributable to owners of the parent	87	22	28	43	180	75	61	71	124	330
OP margin (%)	7.0	0.6	1.9	2.2	2.9	7.4	6.5	8.4	12.0	8.6
Domestic	8.0	6.6	3.5	9.3	6.9	10.3	7.8	7.0	7.9	8.3
Cosmetics	8.7	6.8	4.9	10.3	7.7	11.5	8.4	8.5	8.9	9.3
Household goods	4.5	5.6	(2.8)	4.3	2.9	4.5	4.5	(0.3)	2.9	2.9
Overseas	7.6	(8.8)	(2.6)	(9.4)	(3.4)	2.8	5.4	10.5	17.3	9.7
Pretax margin (%)	10.8	2.0	4.3	13.4	7.6	10.3	7.7	9.1	14.7	10.5
Net margin (%)	9.8	2.0	3.0	4.1	4.7	8.0	5.9	7.0	11.3	8.1
Revenue growth (% YoY)	(21.6)	(0.0)	(5.1)	(14.9)	(11.1)	4.1	16.2	22.1	24.3	16.7
Domestic	(24.6)	(11.6)	(7.5)	(11.6)	(14.4)	6.0	6.8	4.0	5.6	5.6
Overseas	(16.8)	27.5	(3.6)	(19.2)	(5.8)	3.7	34.5	62.1	55.2	38.4
OP growth (% YoY)	(59.3)	TTB	(8.2)	(63.7)	(49.5)	9.2	1,119.1	425.3	566.7	242.5
Domestic	(60.8)	0.3	(35.0)	16.6	(30.4)	37.7	25.0	106.6	(9.9)	27.0
Overseas	(36.8)	RR	RR	TTR	TTR	(61.2)	TTB	TTB	TTB	TTB
NP growth (% YoY)	(25.7)	(171.8)	15.7	80.8	33.9	(14.2)	174.6	152.2	189.8	83.2

Note: COSRX is included in the overseas division.

Source: Company data, Mirae Asset Securities Research

Table 3. Earnings and forecasts (detailed)

(Wbn)

	1Q23	2Q23	3Q23	4Q23P	1Q24F	2Q24F	3Q24F	4Q24F	2023P	2024F	2025F
Revenue	914	945	889	926	951	1,099	1,085	1,151	3,674	4,286	4,781
Domestic	552	555	543	560	585	593	565	592	2,211	2,335	2,413
Specialty stores	18	18	17	12	16	16	15	11	65	57	52
Door-to-door	89	71	76	74	85	70	75	72	310	302	306
Department stores	51	52	46	44	52	52	46	45	193	194	195
Duty-free	83	111	125	134	129	140	139	143	453	551	575
Online	224	213	152	211	217	228	164	234	800	844	895
Overseas	349	372	318	357	362	501	515	554	1,396	1,932	2,344
Asia	275	285	235	263	264	284	246	281	1,058	1,075	1,107
China	151	157	117	123	136	151	122	135	549	543	557
Europe	11	13	12	15	15	16	15	19	52	65	79
US	63	74	71	79	84	97	95	102	287	379	476
COSRX						103	158	152		413	682
Growth (% YoY)	(21.6)	(0.0)	(5.1)	(14.9)	4.1	16.2	22.1	24.3	(11.1)	16.7	11.5
Domestic	(24.6)	(11.6)	(7.5)	(11.6)	6.0	6.8	4.0	5.6	(14.4)	5.6	3.4
Specialty stores	(22.0)	(15.0)	(12.0)	(16.9)	(13.0)	(11.0)	(12.0)	(10.3)	(16.7)	(11.7)	(8.2)
Door-to-door	(8.0)	(8.0)	(12.0)	(3.0)	(4.0)	(2.0)	(2.0)	(1.7)	(7.9)	(2.5)	1.3
Department stores	3.0	(2.0)	(3.3)	7.3	0.5	0.5	0.5	0.5	1.0	0.5	0.5
Duty-free	(52.9)	(19.6)	(14.9)	(29.3)	56.0	26.0	11.0	6.6	(30.4)	21.6	4.3
Online	(23.0)	(25.0)	(14.0)	(10.6)	(3.0)	7.0	8.0	11.2	(19.0)	5.5	6.1
Overseas	(16.8)	27.5	(3.6)	(19.2)	3.7	34.5	62.1	55.2	(5.8)	38.4	21.3
Asia	(27.4)	14.0	(12.5)	(29.5)	(4.3)	(0.3)	5.0	6.9	(16.7)	1.6	3.0
China	(48.3)	18.3	(17.9)	(44.8)	(10.0)	(3.9)	4.0	9.0	(30.7)	(1.0)	2.5
Europe	93.2	123.7	40.9	37.0	29.0	24.6	22.0	28.2	65.0	26.0	20.8
US	80.5	105.3	34.7	36.9	34.2	31.0	35.0	28.5	58.2	32.0	25.6
COSRX											65.0
OP	64	6	17	21	70	72	91	138	108	371	465
Domestic	44	37	19	52	60	46	39	47	152	193	172
Overseas	27	(33)	(8)	(34)	10	27	54	96	(48)	187	308
Asia	11	(38)	(16)	(43)	(11)	(9)	1	15	(85)	(4)	14
China	2	(39)	(21)	(50)	(19)	(11)	(4)	7	(107)	(27)	(11)
Europe	3	2	1	2	3	2	1	2	6	8	10
US	13	3	7	8	18	7	10	11	31	46	59
COSRX						34	52	50		136	226
OP margin (%)	7.0	0.6	1.9	2.2	7.4	6.5	8.4	12.0	2.9	8.6	9.7
Domestic	8.0	6.6	3.5	9.3	10.3	7.8	7.0	7.9	6.9	8.3	7.1
Overseas	7.6	(8.8)	(2.6)	(9.4)	2.8	5.4	10.5	17.3	(3.4)	9.7	13.1
Asia	4.0	(13.2)	(6.7)	(16.3)	(4.0)	(3.2)	0.3	5.4	(8.1)	(0.3)	1.3
China	1.5	(25.0)	(17.5)	(40.2)	(14.0)	(7.0)	(3.6)	5.1	(19.5)	(5.0)	(2.0)
Europe	22.0	12.0	4.2	11.0	21.0	12.1	5.9	10.3	12.0	12.2	12.3
US	21.0	4.5	9.6	9.5	21.0	7.0	11.0	11.1	10.8	12.2	12.4
COSRX						33.0	33.1	32.9		33.0	33.1

Source: Company data, Mirae Asset Securities Research

Table 4. Valuation table

(W)

	Value	Notes
12MF EPS	5,737	
Target P/E (x)	32	Avg. P/E during period of aggressive overseas expansion (2013-15)
Fair price	183,571	
Target price	180,000	
Current price	135,700	
Upside (%)	32.6	

Source: Mirae Asset Securities Research

## Amorepacific (090430 KS)

## Income statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
<b>Revenue</b>	<b>4,135</b>	<b>3,674</b>	<b>4,286</b>	<b>4,781</b>
<b>Cost of revenue</b>	<b>1,338</b>	<b>1,155</b>	<b>1,166</b>	<b>1,275</b>
<b>GP</b>	<b>2,797</b>	<b>2,519</b>	<b>3,120</b>	<b>3,506</b>
<b>SG&amp;A expenses</b>	<b>2,583</b>	<b>2,411</b>	<b>2,750</b>	<b>3,040</b>
<b>OP (adj.)</b>	<b>214</b>	<b>108</b>	<b>371</b>	<b>465</b>
<b>OP</b>	<b>214</b>	<b>108</b>	<b>371</b>	<b>465</b>
<b>Non-operating profit</b>	<b>10</b>	<b>173</b>	<b>80</b>	<b>52</b>
Net financial income	-3	-8	-13	-16
Net income from associates	9	42	20	0
Pretax profit	224	281	451	517
Income tax	95	107	104	119
Profit from continuing operations	129	174	347	398
Profit from discontinued operations	0	0	0	0
<b>NP</b>	<b>129</b>	<b>174</b>	<b>347</b>	<b>398</b>
Attributable to owners	134	180	330	394
Attributable to minority interests	-5	-6	17	4
<b>Total comprehensive income</b>	<b>102</b>	<b>174</b>	<b>347</b>	<b>398</b>
Attributable to owners	109	199	397	455
Attributable to minority interests	-6	-25	-49	-56
EBITDA	503	376	615	695
FCF	52	369	413	449
EBITDA margin (%)	12.2	10.2	14.3	14.5
OP margin (%)	5.2	2.9	8.7	9.7
Net margin (%)	3.2	4.9	7.7	8.2

## Balance sheet (summarized)

(Wbn)	2022	2023F	2024F	2025F
<b>Current assets</b>	<b>1,735</b>	<b>1,928</b>	<b>1,922</b>	<b>2,153</b>
Cash & equivalents	450	799	582	687
AR & other receivables	306	252	325	367
Inventory	409	336	434	494
Other current assets	570	541	581	605
<b>Non-current assets</b>	<b>4,067</b>	<b>3,897</b>	<b>4,348</b>	<b>4,558</b>
Investments in associates	247	211	758	1,023
PP&E	2,475	2,328	2,204	2,124
Intangible assets	358	378	398	418
<b>Total assets</b>	<b>5,802</b>	<b>5,825</b>	<b>6,270</b>	<b>6,711</b>
<b>Current liabilities</b>	<b>831</b>	<b>747</b>	<b>865</b>	<b>939</b>
AP & other payables	81	75	84	93
Short-term financial liabilities	292	282	296	305
Other current liabilities	458	390	485	541
<b>Non-current liabilities</b>	<b>191</b>	<b>173</b>	<b>199</b>	<b>214</b>
Long-term financial liabilities	65	65	65	65
Other non-current liabilities	126	108	134	149
<b>Total liabilities</b>	<b>1,023</b>	<b>919</b>	<b>1,064</b>	<b>1,153</b>
<b>Equity attributable to owners</b>	<b>4,798</b>	<b>4,932</b>	<b>5,214</b>	<b>5,562</b>
Capital stock	35	35	35	35
Capital surplus	792	792	792	792
Retained earnings	4,010	4,143	4,426	4,773
<b>Minority interests</b>	<b>-19</b>	<b>-26</b>	<b>-8</b>	<b>-4</b>
<b>Shareholders' equity</b>	<b>4,779</b>	<b>4,906</b>	<b>5,206</b>	<b>5,558</b>

## Cash flow statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
<b>Operating cash flow</b>	<b>151</b>	<b>489</b>	<b>533</b>	<b>599</b>
NP	129	174	347	398
Non-cash income/expenses	497	382	361	364
Depreciation	289	267	244	230
Amortization	0	0	0	0
Other	208	115	117	134
Chg. in working capital	-345	47	-58	-29
Chg. in AR & other receivables	2	51	-68	-42
Chg. in inventory	55	73	-98	-60
Chg. in AP & other payables	-53	-6	9	10
Income tax	-125	-107	-104	-119
<b>Cash flow from investing activities</b>	<b>-69</b>	<b>-118</b>	<b>-778</b>	<b>-337</b>
Chg. in PP&E	-95	-120	-120	-150
Chg. in intangible assets	-36	-20	-20	-20
Chg. in financial assets	23	22	-30	-20
Other	39	0	-608	-147
<b>Cash flow from financing activities</b>	<b>-155</b>	<b>-57</b>	<b>-33</b>	<b>-39</b>
Chg. in financial liabilities	-33	-10	14	8
Chg. in equity	-4	0	0	0
Dividends	-68	-47	-47	-47
Other	-50	0	0	0
<b>Chg. in cash</b>	<b>-88</b>	<b>349</b>	<b>-217</b>	<b>104</b>
Beginning balance	538	450	799	582
Ending balance	450	799	582	687

Source: Company data, Mirae Asset Securities Research estimates

## Key valuation metrics/ratios

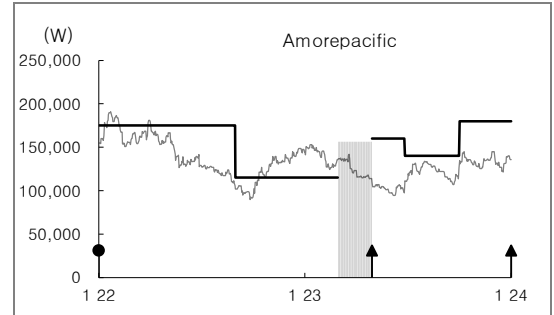
	2022	2023F	2024F	2025F
P/E (x)	59.8	47.1	24.1	20.1
P/CF (x)	12.8	15.3	11.2	10.4
P/B (x)	1.7	1.7	1.5	1.4
EV/EBITDA (x)	16.6	21.1	12.3	10.8
EPS (W)	2,299	3,079	5,642	6,738
CFPS (W)	10,707	9,506	12,109	13,034
BPS (W)	82,185	84,458	89,297	95,231
DPS (W)	680	680	680	680
Dividend payout ratio (%)	30.7	22.9	11.4	10.0
Dividend yield (%)	0.5	0.5	0.5	0.5
Revenue growth (%)	-15.0	-11.1	16.7	11.5
EBITDA growth (%)	-28.7	-25.3	63.7	13.0
OP growth (%)	-37.6	-49.5	242.6	25.5
EPS growth (%)	-30.6	33.9	83.2	19.4
AR turnover (x)	14.2	14.1	16.0	14.8
Inventory turnover (x)	9.2	9.9	11.1	10.3
AP turnover (x)	13.1	14.9	14.7	14.4
ROA (%)	2.2	3.0	5.7	6.1
ROE (%)	2.8	3.7	6.5	7.3
ROIC (%)	3.8	1.6	9.4	11.4
Debt-to-equity ratio (%)	21.4	18.7	20.4	20.7
Current ratio (%)	208.8	258.2	222.2	229.3
Net debt-to-equity ratio (%)	-4.2	-19.1	-14.0	-15.1
Interest coverage ratio (x)	17.5	2.3	7.7	9.4

## Appendix 1

### Important disclosures and disclaimers

#### Two-year rating and TP history

Company	Date	Rating	TP (W)
Amorepacific (090430)	11/01/23	Buy	180,000
	07/27/23	Buy	140,000
	05/30/23	Buy	160,000
	03/31/23	No Coverage	
	09/30/22	Hold	115,000
	11/29/21	Hold	175,000



#### Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

#### Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

\* Our investment rating is a guide to the expected return of the stock over the next 12 months.

\* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

\* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

\* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

#### Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	88.55%	6.63%	4.22%	0.6%
Investment banking services	84.62%	15.38%	0%	0%

\* Based on recommendations in the last 12-months (as of December 31, 2023)

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