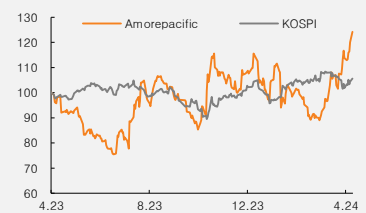


(Maintain)	<b>Buy</b>
Target price	<b>▲ W220,000</b>
Current price (4/29/24)	W155,900
Upside	41.1%

OP (24F, Wbn)	388
Consensus OP (24F, Wbn)	377
EPS growth (24F, %)	79.9
Market EPS growth (24F, %)	72.1
P/E (24F, x)	28.1
Market P/E (24F, x)	11.1
KOSPI	2,687.44

Market cap (Wbn)	9,119
Shares (mn)	58
Free float (%)	49.7
Foreign ownership (%)	27.9
Beta (12M)	0.49
52-week low (W)	94,700
52-week high (W)	155,900

(%)	1M	6M	12M
Absolute	28.4	33.2	26.4
Relative	31.2	14.2	17.7



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# Amorepacific

## Ample momentum ahead

### 1Q24 review: Profitability improves both at home and abroad

For 1Q24, Amorepacific reported revenue of W911.5bn (flat YoY) and operating profit of W72.7bn (+13% YoY), with the latter beating the consensus by a wide margin. Profitability improved markedly, fueled by a 36% YoY rebound in duty-free revenue (domestically) and a narrower loss in China (around W10bn vs. expectation of W20bn). The performance in China was supported by solid online sales of high-margin Sulwhasoo during the International Women's Day shopping festival (Mar. 8).

The strong performance of COSRX (set to be consolidated in 2Q24) is also encouraging. For 1Q24, COSRX delivered revenue of W156.3bn (growing by double digits) and operating profit of W59.5bn (OP margin of 38%). In addition, with demand set to seasonally strengthen in 2H24, management raised its full-year revenue guidance from W630bn (+30% YoY) to W730bn (+50% YoY).

### Ample momentum ahead

We expect the long-awaited consolidation of COSRX to provide strong momentum. COSRX's earnings will be incorporated from May, contributing partially to 2Q24 earnings (with full recognition in 3Q24). Given COSRX's strong growth momentum and fundamentals, we expect Amorepacific's consolidated earnings to meaningfully grow.

We raise our target price to W220,000 (from 180,000), as we revised up our earnings estimates and target multiple in light of the COSRX consolidation. Our target multiple is the stock's average P/E in 2013-15, a period of rapid overseas expansion (especially in China).

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	4,135	3,674	4,162	4,719	4,994
OP (Wbn)	214	108	388	533	588
OP margin (%)	5.2	2.9	9.3	11.3	11.8
NP (Wbn)	134	180	324	414	456
EPS (W)	2,299	3,079	5,541	7,079	7,791
ROE (%)	2.8	3.7	6.4	7.7	8.0
P/E (x)	59.8	47.1	28.1	22.0	20.0
P/B (x)	1.7	1.7	1.8	1.7	1.6
Dividend yield (%)	0.5	0.6	0.8	1.0	1.0

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

## 1Q24 review

For 1Q24, Amorepacific reported revenue of W911.5bn (flat YoY) and operating profit of W72.7bn (+13% YoY), with the latter beating the consensus by a wide margin. Profitability improved markedly, fueled by a rebound in duty-free revenue (domestically) and a narrower loss in China. Meanwhile, COSRX easily beat its guidance for the quarter and subsequently raised its full-year guidance.

### [Domestic]

The domestic business reported revenue of W563.6bn (+2% YoY) and operating profit of W49.1bn (+12% YoY; OP margin of 9%). Duty-free revenue grew 36% YoY on a favorable comparison, leading to improved profitability. Other channels continued to show structural improvement.

### [Overseas]

Overseas revenue and operating profit amounted to W336.8bn (-2% YoY) and W31.6bn (flat YoY; OP margin of 9%), respectively. North America revenue was strong, and margins expanded across most regions, including China.

Revenue jumped 40% YoY in the Americas and 52% YoY in the EMEA region, with their share of overseas revenue growing to 31% (vs. 35% for China). Notably, Laneige appears to have maintained strong growth (+40% YoY in the Americas and +100% YoY in EMEA). In addition, the company has strengthened its presence in the lip category, and marketing for related products is progressing smoothly. Thanks to operating leverage effects, we estimate profitability in the above regions exceeded 20%.

In China, revenue declined by more than 20% YoY, but operating loss narrowed to around W10bn (well below the expectation of W20bn). Online sales of the high-margin Sulwhasoo line were resilient (growth estimated at -9% YoY), supported by solid sales during the International Women's Day shopping festival (Mar. 8). Channel inventory adjustments, which had led to revenue contraction in 2H23, were mostly completed in 1Q24 and thus had a limited impact. While inventory adjustments for non-Sulwhasoo brands slightly weighed on revenue, we believe this was outweighed by improved fundamentals.

### [COSRX]

COSRX began disclosing its quarterly earnings with 1Q24 results. The company announced revenue of W156.3bn (growing by double digits) and operating profit of W59.5bn (OP margin of 38%). Strong momentum was evident across all channels and products. With demand set to seasonally strengthen in 2H24, management raised its full-year revenue guidance from W630bn (+30% YoY) to W730bn (+50% YoY).

**Table 1. Annual earnings and forecasts**

(Wbn)

	2021	2022	2023	2024F	2025F	2026F
Revenue	4,863	4,135	3,674	4,162	4,719	4,994
Domestic	3,076	2,581	2,211	2,133	2,190	2,238
Cosmetics	2,593	2,156	1,825	1,753	1,806	1,850
Household goods	483	425	386	381	384	388
Overseas	1,802	1,479	1,392	1,968	2,422	2,645
OP	343	214	108	388	533	588
Domestic	300	223	146	155	163	168
Cosmetics	300	215	136	144	152	157
Household goods	0	8	10	11	11	11
Overseas	52	3	(43)	239	377	425
Pretax profit	298	224	281	424	547	602
NP	181	129	174	318	410	451
NP attributable to owners of the parent	194	134	180	324	414	456
OP margin (%)	7.1	5.2	2.9	9.3	11.3	11.8
Domestic	9.8	8.6	6.6	7.2	7.4	7.5
Cosmetics	9.7	8.3	6.2	6.7	6.9	7.0
Household goods	0.0	1.8	2.7	2.8	2.8	2.8
Overseas	2.9	0.2	(3.1)	12.1	15.5	16.1
Revenue growth (% YoY)	9.7	(15.0)	(11.1)	13.3	13.4	5.8
Domestic	17.3	(16.8)	(15.4)	(3.9)	3.0	2.4
Overseas	3.3	(18.0)	(5.9)	41.4	23.1	9.2
OP growth (% YoY)	140.1	(37.6)	(49.5)	259.0	37.3	10.2
Domestic	156.0	(25.8)	(34.2)	5.6	5.2	3.3
Overseas	189.4	(94.4)	TTR	TTB	57.9	12.9
NP growth (% YoY)	451.3	(30.6)	33.9	80.0	27.7	10.1

Source: Company data, Mirae Asset Securities Research

Table 2. Quarterly earnings and forecasts

(Wbn)

	1Q23	2Q23	3Q23	4Q23	2023	1Q24P	2Q24F	3Q24F	4Q24F	2024F
Revenue	914	945	889	926	3,674	912	1,011	1,093	1,147	4,162
Domestic	552	555	543	560	2,211	564	511	521	538	2,133
Cosmetics	455	459	446	465	1,825	468	418	424	442	1,753
Household goods	97	96	98	96	386	95	93	97	96	381
Overseas	345	372	318	357	1,392	337	482	543	606	1,968
OP	64	6	17	21	108	73	67	96	153	388
Domestic	44	37	19	52	152	49	34	22	50	155
Cosmetics	35	31	22	48	136	47	29	22	45	144
Household goods	4	5	(3)	4	10	2	5	(0)	5	11
Overseas	32	(33)	(8)	(34)	(43)	32	31	69	107	239
Pretax profit	99	19	38	124	281	102	80	105	136	424
NP	90	19	27	38	174	80	60	79	99	318
NP attributable to owners of the parent	87	22	28	43	180	79	57	76	112	324
OP margin (%)	7.0	0.6	1.9	2.2	2.9	8.0	6.6	8.8	13.4	9.3
Domestic	8.0	6.6	3.5	9.3	6.9	8.7	6.6	4.2	9.3	7.2
Cosmetics	7.7	6.8	4.9	10.3	7.5	10.1	7.0	5.2	10.2	8.2
Household goods	3.6	5.6	(2.8)	4.3	2.7	1.8	5.0	(0.3)	4.8	2.8
Overseas	9.2	(8.8)	(2.6)	(9.4)	(3.1)	9.4	6.3	12.8	17.7	12.1
Pretax margin (%)	10.8	2.0	4.3	13.4	7.6	11.2	7.9	9.6	11.9	10.2
Net margin (%)	9.8	2.0	3.0	4.1	4.7	8.8	5.9	7.2	8.6	7.6
Revenue growth (% YoY)	(21.6)	(0.0)	(5.1)	(14.9)	(11.1)	(0.2)	7.0	22.9	23.9	13.3
Domestic	(24.6)	(11.6)	(7.5)	(11.6)	(14.4)	2.1	(7.9)	(4.1)	(4.0)	(3.5)
Overseas	(17.9)	27.5	(3.6)	(18.4)	(5.9)	(2.3)	29.5	71.0	69.7	41.4
OP growth (% YoY)	(59.3)	TTB	(8.2)	(63.7)	(49.5)	13.0	1,030.3	455.8	640.7	259.0
Domestic	(60.8)	0.3	(34.6)	16.6	(31.8)	11.8	(7.9)	13.9	(4.2)	1.8
Overseas	(24.9)	RR	RR	TTR	TTR	0.0	TTB	TTB	TTB	TTB
NP growth (% YoY)	(25.7)	(171.8)	15.7	80.8	33.9	(9.9)	158.4	172.8	162.2	80.0

Source: Company data, Mirae Asset Securities Research

Table 3. Earnings and forecasts (detailed)

(Wbn)

	1Q23	2Q23	3Q23	4Q23	1Q24P	2Q24F	3Q24F	4Q24F	2023	2024F	2025F
Revenue	914	945	889	926	912	1,011	1,093	1,147	3,674	4,162	4,719
Domestic	552	555	543	560	564	511	521	538	2,211	2,133	2,190
Specialty stores	18	18	17	12	14	16	14	10	65	54	48
Door-to-door	89	71	76	74	76	64	73	72	310	284	287
Department stores	51	52	46	44	49	52	46	46	193	193	193
Duty-free	83	111	125	134	113	94	105	119	453	431	439
Online	224	213	152	211	217	198	156	216	800	788	835
Overseas	345	372	318	357	337	482	543	606	1,392	1,968	2,422
Asia	275	285	235	263	232	263	238	287	1,058	1,019	1,045
China	151	157	117	123	117	136	115	139	549	506	519
Europe	11	13	12	15	17	16	15	20	52	69	86
US	63	74	71	79	88	100	93	103	287	384	487
COSRX						103	197	196		496	803
Growth (% YoY)	(21.6)	(0.0)	(5.1)	(14.9)	(0.2)	7.0	22.9	23.9	(11.1)	13.3	13.4
Domestic	(24.6)	(11.6)	(7.5)	(11.6)	2.1	(7.9)	(4.1)	(4.0)	(14.4)	(3.5)	2.7
Specialty stores	(22.0)	(15.0)	(12.0)	(16.9)	(20.0)	(15.0)	(15.0)	(12.9)	(16.7)	(16.0)	(11.2)
Door-to-door	(8.0)	(8.0)	(12.0)	(3.0)	(15.0)	(10.0)	(5.0)	(2.8)	(7.9)	(8.5)	1.3
Department stores	3.0	(2.0)	(3.3)	7.3	(5.0)	0.5	1.0	3.3	1.0	(0.2)	(0.2)
Duty-free	(52.9)	(19.6)	(14.9)	(29.3)	36.1	(15.0)	(16.0)	(11.8)	(30.4)	(5.0)	2.0
Online	(23.0)	(25.0)	(14.0)	(10.6)	(3.0)	(7.0)	3.0	2.4	(19.0)	(1.5)	6.0
Overseas	(17.9)	27.5	(3.6)	(18.4)	(2.3)	29.5	71.0	69.7	(5.9)	41.4	23.1
Asia	(27.4)	14.0	(12.5)	(29.5)	(15.8)	(7.9)	1.3	9.3	(16.7)	(3.6)	2.6
China	(48.3)	18.3	(17.9)	(44.8)	(23.0)	(13.6)	(2.0)	12.7	(30.7)	(7.8)	2.5
Europe	93.2	123.7	40.9	37.0	51.8	24.6	22.0	33.5	65.0	32.5	26.0
US	80.5	105.3	34.7	36.9	39.8	35.0	32.0	29.4	58.2	33.8	27.0
COSRX											61.8
OP	64	6	17	21	73	67	96	153	108	388	533
Domestic	44	37	19	52	49	34	22	50	152	155	163
Overseas	32	(33)	(8)	(34)	32	31	69	107	(43)	239	377
Asia	11	(38)	(16)	(43)	4	(8)	2	12	(85)	10	27
China	2	(39)	(21)	(50)	(9)	(12)	(6)	2	(107)	(25)	(10)
Europe	3	2	1	2	4	2	1	2	6	9	12
US	18	3	7	8	24	6	11	12	36	53	68
COSRX						36	66	64		166	270
OP margin (%)	7.0	0.6	1.9	2.2	8.0	6.6	8.8	13.4	2.9	9.3	11.3
Domestic	8.0	6.6	3.5	9.3	8.7	6.6	4.2	9.3	6.9	7.2	7.4
Overseas	9.2	(8.8)	(2.6)	(9.4)	9.4	6.3	12.8	17.7	(3.1)	12.1	15.5
Asia	4.0	(13.2)	(6.7)	(16.3)	1.7	(2.9)	0.9	4.0	(8.1)	1.0	2.6
China	1.5	(25.0)	(17.5)	(40.2)	(8.0)	(9.0)	(5.0)	1.4	(19.5)	(5.0)	(2.0)
Europe	22.0	12.0	4.2	11.0	23.5	12.1	6.0	11.1	12.0	13.4	13.5
US	29.0	4.5	9.6	9.5	26.9	6.5	11.5	11.8	12.5	13.8	13.9
COSRX						35.0	33.6	32.6		33.5	33.6

Source: Company data, Mirae Asset Securities Research

Table 4. Valuation table

(W)

	Value	Notes
12MF EPS	6,057	
Target P/E (x)	35	Avg. P/E during period of aggressive overseas expansion (2013-15)
Fair price	215,040	
Target price	220,000	
Current price	155,900	
Upside (%)	41.1	

Source: Mirae Asset Securities Research

## Amorepacific (090430 KS)

## Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
<b>Revenue</b>	<b>3,674</b>	<b>4,162</b>	<b>4,719</b>	<b>4,994</b>
<b>Cost of revenue</b>	<b>1,155</b>	<b>1,089</b>	<b>1,194</b>	<b>1,238</b>
<b>GP</b>	<b>2,519</b>	<b>3,073</b>	<b>3,525</b>	<b>3,756</b>
<b>SG&amp;A expenses</b>	<b>2,411</b>	<b>2,685</b>	<b>2,993</b>	<b>3,169</b>
<b>OP (adj.)</b>	<b>108</b>	<b>388</b>	<b>533</b>	<b>588</b>
<b>OP</b>	<b>108</b>	<b>388</b>	<b>533</b>	<b>588</b>
<b>Non-operating profit</b>	<b>173</b>	<b>36</b>	<b>14</b>	<b>14</b>
Net financial income	-8	-13	-17	-11
Net income from associates	42	21	0	0
Pretax profit	281	424	547	602
Income tax	107	106	137	150
Profit from continuing operations	174	318	410	451
Profit from discontinued operations	0	0	0	0
<b>NP</b>	<b>174</b>	<b>318</b>	<b>410</b>	<b>451</b>
Attributable to owners	180	324	414	456
Attributable to minority interests	-6	-6	-4	-5
<b>Total comprehensive income</b>	<b>174</b>	<b>318</b>	<b>410</b>	<b>451</b>
Attributable to owners	199	363	468	515
Attributable to minority interests	-25	-45	-58	-64
EBITDA	376	633	763	805
FCF	369	385	455	499
EBITDA margin (%)	10.2	15.2	16.2	16.1
OP margin (%)	2.9	9.3	11.3	11.8
Net margin (%)	4.9	7.8	8.8	9.1

## Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
<b>Current assets</b>	<b>1,928</b>	<b>1,874</b>	<b>2,087</b>	<b>2,480</b>
Cash & equivalents	799	538	605	923
AR & other receivables	252	324	372	398
Inventory	336	432	502	537
Other current assets	541	580	608	622
<b>Non-current assets</b>	<b>3,897</b>	<b>4,348</b>	<b>4,558</b>	<b>4,564</b>
Investments in associates	211	758	1,023	1,074
PP&E	2,328	2,204	2,124	2,056
Intangible assets	378	398	418	438
<b>Total assets</b>	<b>5,825</b>	<b>6,222</b>	<b>6,646</b>	<b>7,044</b>
<b>Current liabilities</b>	<b>747</b>	<b>863</b>	<b>948</b>	<b>991</b>
AP & other payables	75	84	95	100
Short-term financial liabilities	282	296	306	311
Other current liabilities	390	483	547	580
<b>Non-current liabilities</b>	<b>173</b>	<b>198</b>	<b>216</b>	<b>225</b>
Long-term financial liabilities	65	65	65	65
Other non-current liabilities	108	133	151	160
<b>Total liabilities</b>	<b>919</b>	<b>1,061</b>	<b>1,164</b>	<b>1,215</b>
<b>Equity attributable to owners</b>	<b>4,932</b>	<b>5,193</b>	<b>5,517</b>	<b>5,869</b>
Capital stock	35	35	35	35
Capital surplus	792	792	792	792
Retained earnings	4,143	4,404	4,729	5,081
<b>Minority interests</b>	<b>-26</b>	<b>-32</b>	<b>-36</b>	<b>-40</b>
<b>Shareholders' equity</b>	<b>4,906</b>	<b>5,161</b>	<b>5,481</b>	<b>5,829</b>

## Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
<b>Operating cash flow</b>	<b>489</b>	<b>505</b>	<b>605</b>	<b>649</b>
NP	174	318	410	451
Non-cash income/expenses	382	363	383	380
Depreciation	267	244	230	218
Amortization	0	0	0	0
Other	115	119	153	162
Chg. in working capital	47	-57	-34	-20
Chg. in AR & other receivables	51	-67	-48	-24
Chg. in inventory	73	-96	-69	-35
Chg. in AP & other payables	-6	9	11	6
Income tax	-107	-106	-137	-150
<b>Cash flow from investing activities</b>	<b>-118</b>	<b>-777</b>	<b>-341</b>	<b>-182</b>
Chg. in PP&E	-120	-120	-150	-150
Chg. in intangible assets	-20	-20	-20	-20
Chg. in financial assets	22	-29	-23	-12
Other	0	-608	-148	0
<b>Cash flow from financing activities</b>	<b>-57</b>	<b>-49</b>	<b>-80</b>	<b>-99</b>
Chg. in financial liabilities	-10	14	10	5
Chg. in equity	0	0	0	0
Dividends	-47	-63	-90	-104
Other	0	0	0	0
<b>Chg. in cash</b>	<b>349</b>	<b>-261</b>	<b>67</b>	<b>318</b>
Beginning balance	450	799	538	605
Ending balance	799	538	605	923

Source: Company data, Mirae Asset Securities Research estimates

## Key valuation metrics/ratios

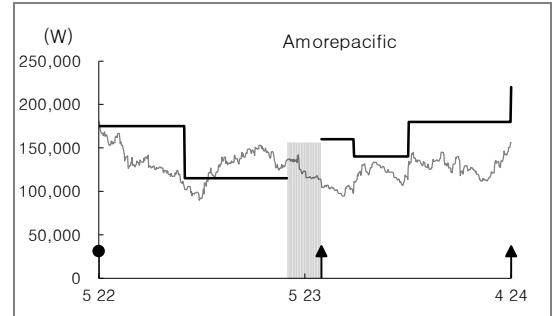
	2023	2024F	2025F	2026F
P/E (x)	47.1	28.1	22.0	20.0
P/CF (x)	15.3	13.4	11.5	11.0
P/B (x)	1.7	1.8	1.7	1.6
EV/EBITDA (x)	21.1	14.0	11.5	10.5
EPS (W)	3,079	5,541	7,079	7,791
CFPS (W)	9,506	11,637	13,559	14,202
BPS (W)	84,458	88,924	94,469	100,489
DPS (W)	910	1,300	1,500	1,500
Dividend payout ratio (%)	30.6	23.9	21.4	19.4
Dividend yield (%)	0.6	0.8	1.0	1.0
Revenue growth (%)	-11.1	13.3	13.4	5.8
EBITDA growth (%)	-25.3	68.4	20.6	5.6
OP growth (%)	-49.5	259.0	37.3	10.2
EPS growth (%)	33.9	79.9	27.8	10.1
AR turnover (x)	14.1	15.5	14.5	13.8
Inventory turnover (x)	9.9	10.8	10.1	9.6
AP turnover (x)	14.9	13.8	13.4	12.7
ROA (%)	3.0	5.3	6.4	6.6
ROE (%)	3.7	6.4	7.7	8.0
ROIC (%)	1.6	9.5	12.7	13.9
Debt-to-equity ratio (%)	18.7	20.6	21.2	20.9
Current ratio (%)	258.2	217.2	220.1	250.4
Net debt-to-equity ratio (%)	-19.1	-13.2	-13.8	-18.5
Interest coverage ratio (x)	2.3	8.1	10.8	11.7

# Appendix 1

## Important disclosures and disclaimers

### Two-year rating and TP history

Company	Date	Rating	TP (W)
Amorepacific (090430)	04/30/24	Buy	220,000
	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	85.36%	9.15%	5.49%	0%
Investment banking services	80.96%	9.52%	9.52%	0%

\* Based on recommendations in the last 12-months (as of March 31, 2024)

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