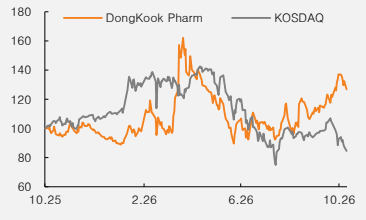
MIRAE ASSET Securities

Equity Research
October 26, 2026

(Initiate)	**Buy**
Target price	**W32,000**
Current price (10/26/26)	W23,400
Upside	36.8%

OP (26F, Wbn)	108
Consensus OP (26F, Wbn)	109
EPS growth (26F, %)	35.8
Market EPS growth (26F, %)	278.0
P/E (26F, x)	11.8
Market P/E (26F, x)	5.3
KOSDAQ	727.21
Market cap (Wbn)	1,058
Shares (mn)	45
Free float (%)	55.7
Foreign ownership (%)	9.8
Beta (12M)	0.51
52-week low (W)	16,420
52-week high (W)	29,900

(%)	1M	6M	12M
Absolute	9.6	-9.7	31.2
Relative	27.3	49.6	59.3



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086450 KQ · Pharma/Biotech

DongKook Pharmaceutical

Beauty brand rooted in pharmaceuticals goes global

Initiate coverage with Buy rating and TP of W32,000

We initiate coverage of DongKook Pharmaceutical with a Buy rating and target price of W32,000, implying 36.8% upside. Our target price is based on a P/E of 13.04x and our 2027 EPS estimate of W2,455. We use the average P/E of APR, Classys, Dong-A Pharmaceutical, and Hugel to capture the growth potential of the branded cosmetics and healthcare businesses alongside the value of the pharmaceutical business. We believe this broader peer group better reflects the company's evolving business mix than a comparison with domestic pharmaceutical peers alone, given the increasing revenue contributions from cosmetics and exports.

On Oct. 12, DongKook Pharmaceutical's board approved a proposal to change the company's name to DK Centellian, subject to approval at an extraordinary general meeting scheduled for Nov. 27. We believe the proposed name change signals the company's intention to further expand its global health and beauty business, moving beyond its traditional focus on domestic pharmaceuticals. We expect global growth to accelerate as the company diversifies its export markets, led by cosmetics.

While growth in Centellian24, the company's flagship dermocosmetics brand, has been driven primarily by domestic home shopping channels, overseas sales will likely be the key driver going forward. In 2Q26, cosmetics revenue rose 47.6% YoY to W81bn. In the US, Centellian24 products are now available at Nordstrom and Costco, in addition to 1,400 Ulta Beauty stores. In Japan, the brand is now available in approximately 1,000 offline retail outlets, including Don Quijote, Loft, and Matsumoto Kiyoshi. We believe Centellian24 is entering a new phase of growth as it extends its reach beyond Korea and seeks to establish itself as a global dermocosmetics brand.

Cosmetics emerging as the key growth driver

For 2026, we look for revenue of W1.04tr (+12.3% YoY) and operating profit of W108.4bn (+12.3% YoY). Importantly, 2026 should mark the first year of consolidated revenue above W1tr, with the main driver of earnings growth shifting from pharmaceuticals to overseas cosmetics sales. Faster-than-expected growth in Centellian24's overseas sales could drive further upward earnings revisions. That said, higher initial marketing costs for new distribution channels in the US and Japan or weaker-than-expected offline sales could slow near-term profitability improvement.

(Dec.)	2024	2025	2026F	2027F	2028F
Revenue (Wbn)	812	927	1,041	1,194	1,366
OP (Wbn)	80	97	108	130	157
OP margin (%)	9.9	10.5	10.4	10.9	11.5
NP (Wbn)	61	66	90	111	136
EPS (W)	1,353	1,460	1,982	2,455	3,011
ROE (%)	10.7	10.4	12.7	14.0	15.0
P/E (x)	12.2	11.7	11.8	9.5	7.8
P/B (x)	1.2	1.2	1.4	1.3	1.1
Dividend yield (%)	1.2	1.2	0.9	0.9	0.9

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

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the US.
Please see analyst certifications and important disclosures & disclaimers in Appendix 1 at the end of the report.

Valuation and outlook

Initiate coverage with Buy rating and TP of W32,000

We initiate our coverage of DongKook Pharmaceutical with a Buy rating and target price of W32,000, implying 36.8% upside. Our target price is based on a P/E of 13.04x and our 2027 EPS estimate of W2,455. We use the average P/E of APR, Classys, Dong-A Pharmaceutical, and Hugel to capture the growth potential of the branded cosmetics and healthcare businesses alongside the value of the pharmaceutical business. We believe this broader peer group better reflects the company's evolving business mix than a comparison with domestic pharmaceutical peers alone, given the increasing revenue contributions from cosmetics and exports.

The OTC and ETC (prescription drug) businesses provide a stable earnings base, while the cosmetics business is expanding beyond domestic home shopping into a broader range of online and offline retail channels and overseas markets such as the US and Japan. Following the success of Madeca Cream, the next test is whether Centellian24 can establish itself as a global brand. The key developments to watch are overseas sales growth in 2026 and margin improvement from increased exports in 2027. If Centellian24 sustains its overseas growth, the combination of pharmaceutical earnings stability and K-beauty growth potential could become a key catalyst for a valuation re-rating.

Table 1. TP calculation

	Value	Notes
EPS (W)	2,455	2027F EPS
Target P/E (x)	13.04	Peer avg.
Fair value/share (W)	32,019	
Target price (W)	32,000	

Source: Mirae Asset Securities Research

Risk factors

A key question for DongKook Pharmaceutical is whether its cosmetics business can sustain growth. Following initial shipments to new overseas distribution channels (sell-in), we need to confirm whether products sell through to consumers and generate repeat orders. The success of new brands (e.g., Madeca Pharmacia and Luoncell) and beauty devices could also determine the sustainability of growth over the long term. With competition among Korean brands intensifying rapidly in the US and Japan, we believe sales per store and repeat purchase rates will become more important than simply gaining access to distribution channels.

Earnings outlook

In 2025, DongKook Pharmaceutical posted consolidated revenue of W926.9bn (+14.1% YoY) and operating profit of W96.6bn (+20.1% YoY). In 2Q26, revenue and operating profit reached W258.9bn (+10.9% YoY) and W26.1bn (+17.9% YoY), respectively. By division, OTC revenue was W46.3bn (+3.2% YoY), ETC revenue was W61.5bn (+10.5% YoY), and healthcare revenue was W103.1bn (+29.9% YoY), with quarterly healthcare revenue exceeding W100bn for the first time.

For 2026, we look for revenue of W1.04tr (+12.3% YoY) and operating profit of W108.4bn (+12.3% YoY). Faster-than-expected growth in Centellian24's overseas sales could drive further upward earnings revisions. That said, higher initial marketing costs for new distribution channels in the US and Japan or weaker-than-expected offline sales could slow near-term profitability improvement.

The company's earnings profile combines the stability of its OTC and ETC businesses with the growth potential of its cosmetics-led healthcare business. Our earnings forecasts assume low-single-digit growth in OTC revenue and low-teens growth in ETC revenue, providing a stable earnings base. Against this backdrop, overseas cosmetics sales remain the most important variable, determining the company's overall growth rate and valuation upside.

Table 2. Quarterly/annual earnings and forecasts (Wbn)

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	2025	2026F	2027F
Revenue	224	234	227	243	251	259	254	277	927	1,041	1,194
YoY	13.7%	14.7%	12.9%	15.1%	12.2%	10.9%	12.0%	14.0%	14.1%	12.3%	14.7%
DongKook Pharmaceutical	181	190	186	203	210	222	215	237	761	884	1,021
OTC	42	45	43	41	45	46	44	43	171	178	184
ETC	50	56	60	63	54	62	68	73	228	256	287
Healthcare	79	79	74	84	100	103	91	104	316	398	490
Exports	11	10	8	11	12	12	9	12	39	45	50
Other	0	0	2	4	1	0	3	5	6	8	10
Dongkook Life Science	34	34	29	31	32	24	25	27	128	108	109
Withnix	1	2	2	2	1	2	3	3	7	9	19
Rebom Cosmetics	7	8	10	8	8	11	11	11	32	41	46
COGS	104	109	102	110	110	115	114	123	425	462	527
SG&A expenses	95	102	100	109	114	118	114	125	405	471	538
OP	25	22	25	24	27	26	26	29	97	108	130
YoY	20.5%	15.2%	10.1%	37.6%	8.0%	17.9%	5.7%	18.4%	20.1%	12.3%	19.6%
OP margin	11.3%	9.5%	10.9%	10.0%	10.9%	10.1%	10.3%	10.4%	10.4%	10.4%	10.9%

Source: Company data, Mirae Asset Securities Research estimates

Investment points

Seeking to replicate Centellian24's domestic success overseas

In 2025, healthcare revenue reached W316.4bn, representing roughly 34% of consolidated revenue. With cosmetics at its core, the healthcare business is broadening to include supplements, beauty devices, and consumer health products.

Centellian24 is DongKook Pharmaceutical's most important growth asset. The brand grew out of the company's wound treatment Madecassol, drawing on its established brand recognition and DongKook Pharmaceutical's 50 years of expertise in Centella asiatica. Since launching Madeca Cream in 2015, the company has built Centellian24 into one of the most successful cosmetics brands developed by a pharmaceutical company. As of Sep. 2026, cumulative Madeca Cream sales had exceeded 100mn units. Notably, DongKook Pharmaceutical plans to change its name to DK Centellian.

A key development is the growing revenue contribution from overseas markets. Centellian24 has historically relied heavily on the domestic market, which accounted for more than 90% of its sales. However, we estimate that overall cosmetics exports jumped from roughly W16.3bn in 2024 to W30bn in 2025. In 2Q26, Centellian24's overseas revenue surged 566% YoY.

Since the start of 2026, the brand has rapidly expanded from online channels into offline outlets. In the US, after building brand awareness through Amazon, Centellian24 entered 1,400 Ulta Beauty stores in May and around 200 Costco stores in July. In Japan, the brand is now available in around 1,000 stores, including Don Quijote, Loft, and Matsumoto Kiyoshi. In Thailand, it is expanding distribution through retailers such as Watsons and Beautrium.

This approach resembles the brand's domestic growth strategy, which began with building awareness through home shopping channels before expanding into online and offline retail. In 2026, following Centellian24's entry into offline retail channels in the US and Japan, repeat order rates and the pace of growth in sales per store will matter more than export growth alone.

Channel mix matters more than revenue growth

Historically, Centellian24's weakness was its heavy reliance on the domestic market and home shopping channels. Home shopping accounted for roughly half of cosmetics sales through 2023, but its share fell to the low-30% range in 2025 as the revenue mix shifted toward online channels (e.g., the company's own online store and Coupang) and offline retailers (e.g., Olive Young and Daiso). As sales channels diversified, sales commissions as a percentage of healthcare revenue fell from 45.2% in 2023 to 36.6% in 2024.

Alongside this diversification in domestic sales channels, exports are accounting for a growing share of revenue. To assess the implications of these changes, we believe investors should look beyond revenue growth alone. Key metrics include: 1) the share of overseas sales; 2) reliance on home shopping; 3) advertising expenses and sales commissions as a percentage of revenue; 4) overseas ASPs; and 5) repeat order rates.

Together, export expansion and a more favorable channel mix could support not only cosmetics revenue growth but also company-wide OP margin improvement. Consolidated OP margin reached 10.4% in 2025 (+0.5%p from 9.9% in 2024), and further margin expansion is possible as overseas cosmetics sales grow. The key developments to watch are overseas sales growth in 2026 and margin improvement in 2027.

Preparing for growth beyond Madeca Cream

While Centellian24's rapid growth is encouraging, we believe DongKook Pharmaceutical needs to reduce its reliance on the brand—and particularly its flagship product, Madeca Cream—over the long term. To this end, the company is diversifying both its brand portfolio and its distribution channels.

In the pharmacy channel, the company is expanding Madeca Pharmacia, which was available in approximately 6,000 pharmacies nationwide as of Aug. 2026. The company also launched a new dermocosmetics brand, Luoncell, in 2026. Luoncell became available on Olive Young's online store in September, helping broaden the company's customer base beyond Centellian24's core customers.

DongKook Pharmaceutical is also strengthening its beauty device business. After launching Madeca Prime, the company acquired beauty device maker Withnix in 2024 as part of its strategy to expand beyond cosmetics into at-home beauty devices.

The company is also diversifying its healthcare portfolio through brands such as MyFit, its dietary supplement brand. Supplement revenue rose more than 40% YoY in 1H26, with cumulative MyFit sales reaching approximately W47bn.

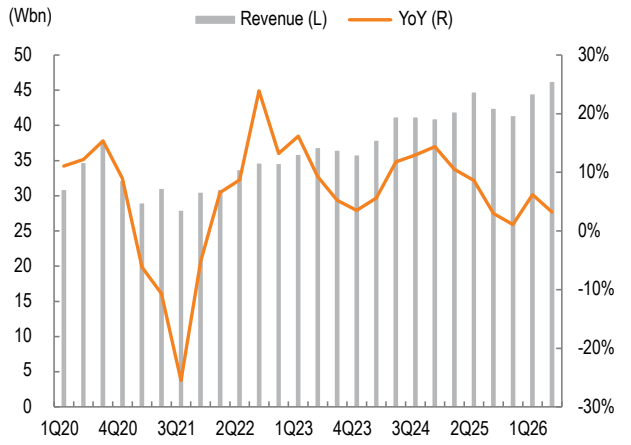
Over the medium to long term, we believe a key determinant of the company's valuation will be whether it can develop a broad consumer healthcare platform built on its pharmaceutical expertise, rather than relying on a portfolio centered on Madeca Cream.

Solid pharmaceutical revenue

DongKook Pharmaceutical's key strength is that its established businesses remain stable even as it increasingly relies on newer businesses for growth. In 2Q26, OTC revenue rose 3.2% YoY to W46.3bn, ETC revenue increased 10.5% YoY to W61.5bn, and healthcare revenue jumped 29.9% YoY to W103.1bn. Within healthcare, cosmetics revenue surged 47.6% YoY to W81bn, significantly outpacing company-wide growth.

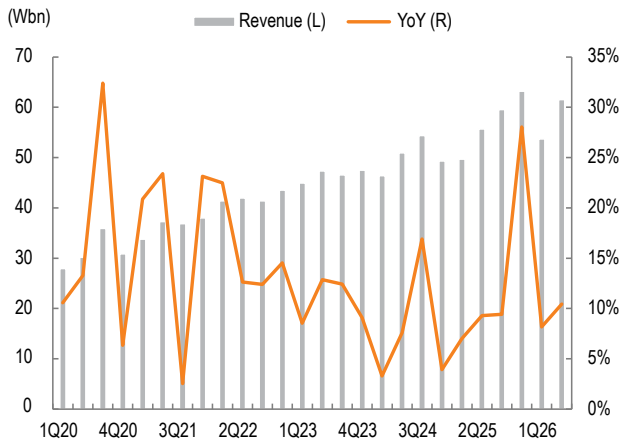
The OTC portfolio includes brands that have built strong consumer recognition over many years: Feramin Q (market share of 73.9%), Sensia (63.6%), Chisen (39.3%), Insadol (34.8%), Madecassol (32.8%), and Pansidil (17%). The company has integrated production facilities covering all stages—from natural ingredient extraction and active pharmaceutical ingredient (API) manufacturing to finished drug production, packaging, and shipment. As of 2025, it directly covered approximately 66% of pharmacies in Korea, with direct sales accounting for around 86% of total OTC revenue. Its ETC portfolio is also diversified, spanning IV solutions and treatments for cardiovascular and endocrine disorders.

Figure 1. OTC revenue and growth



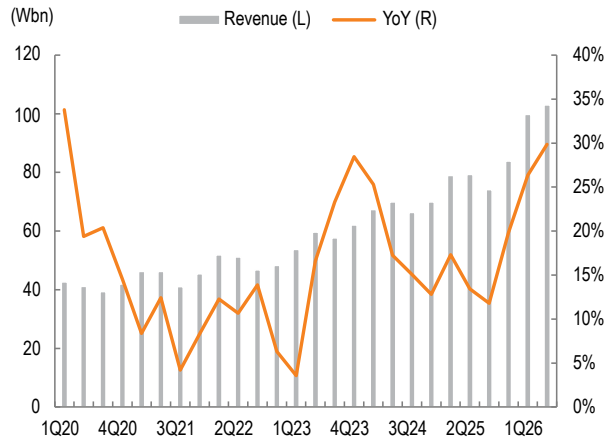
Source: Company data, Mirae Asset Securities Research

Figure 2. ETC revenue and growth



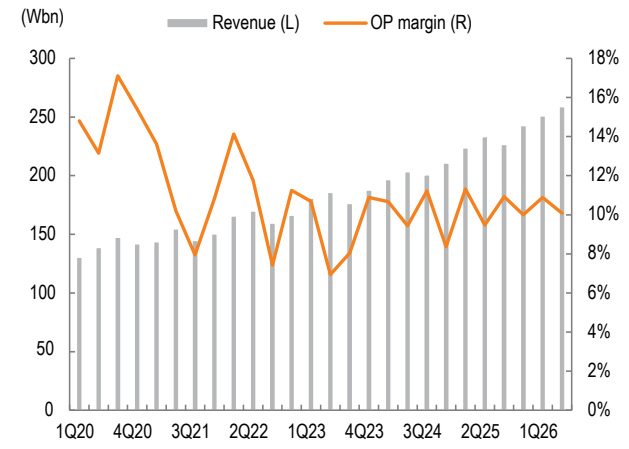
Source: Company data, Mirae Asset Securities Research

Figure 3. Healthcare revenue and growth



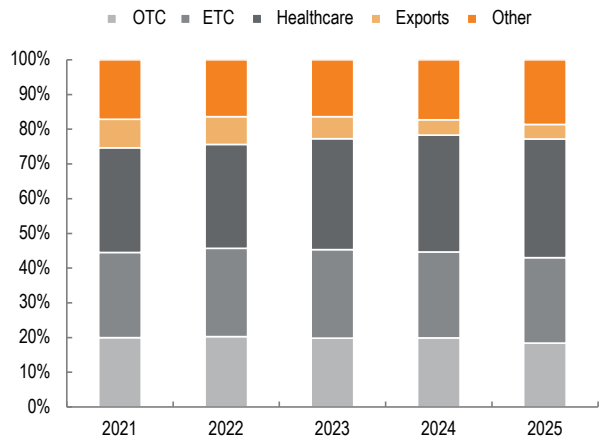
Source: Company data, Mirae Asset Securities Research

Figure 4. DongKook Pharmaceutical revenue and OP margin



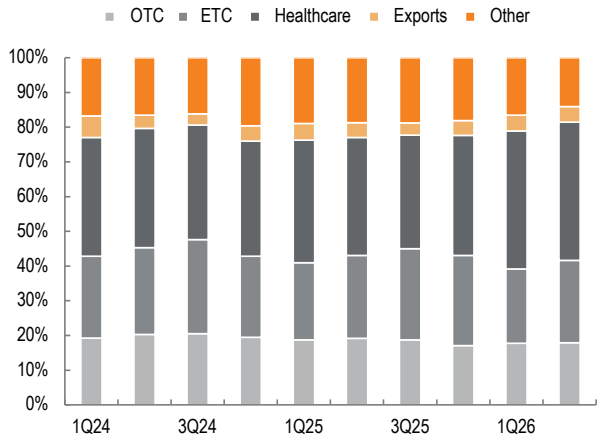
Source: Company data, Mirae Asset Securities Research

Figure 5. Annual revenue breakdown by division



Source: Mirae Asset Securities Research

Figure 6. Quarterly revenue breakdown by division



Source: Mirae Asset Securities Research

R&D remains a source of potential upside

DongKook Pharmaceutical has identified drug delivery systems (DDS) as a core research focus and is developing microsphere and liposome platforms. Microsphere technology enables long-acting formulations that release drugs continuously over several weeks to months, while liposome platforms improve drug stability and delivery to target tissues.

Using its platform technology, the company developed a formulation of its prostate cancer treatment Lorelin Depot that extends the dosing interval from one month to three months. The company has completed a phase 3 trial of the new formulation, which was under review for marketing approval by Korea's Ministry of Food and Drug Safety (MFDS) as of Sep. 2026. Launch is targeted for 2027.

The company's pipeline spans indications including Alzheimer's disease, diabetes, dyslipidemia, osteoporosis, prostate and breast cancer, acromegaly, and obesity. However, greater clarity on the clinical progress and commercialization prospects of key pipeline assets is needed before R&D can become a core component of our valuation. For now, we believe the investment case should prioritize overseas cosmetics growth, followed by steady growth in the OTC and ETC businesses, with R&D providing additional potential upside.

DongKook Pharmaceutical (086450 KQ)

Income statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Revenue	**927**	**1,041**	**1,194**	**1,366**
Cost of revenue	**425**	**462**	**527**	**601**
GP	**502**	**579**	**667**	**765**
SG&A expenses	**405**	**471**	**537**	**608**
OP (adj.)	**97**	**108**	**130**	**157**
OP	**97**	**108**	**130**	**157**
Non-operating profit	**-4**	**2**	**5**	**9**
Net financial income	3	2	4	7
Net income from associates	-4	0	0	0
Pretax profit	93	110	135	166
Income tax	19	20	26	32
Profit from continuing operations	74	90	109	134
Profit from discontinued operations	0	0	0	0
NP	**74**	**90**	**109**	**134**
Attributable to owners	66	90	111	136
Attributable to minority interests	8	0	-2	-2
Total comprehensive income	**70**	**89**	**109**	**134**
Attributable to owners	63	89	111	136
Attributable to minority interests	8	0	-2	-3
EBITDA	128	142	159	181
FCF	26	54	97	112
EBITDA margin (%)	13.8	13.6	13.3	13.3
OP margin (%)	10.5	10.4	10.9	11.5
Net margin (%)	7.1	8.6	9.3	10.0

Balance sheet (summarized)

(Wbn)	2025	2026F	2027F	2028F
Current assets	**565**	**648**	**814**	**978**
Cash & equivalents	56	72	151	223
AR & other receivables	243	277	319	363
Inventory	175	200	230	263
Other current assets	91	99	114	129
Non-current assets	**498**	**517**	**489**	**467**
Investments in associates	10	12	14	16
PP&E	312	324	297	275
Intangible assets	42	42	39	38
Total assets	**1,063**	**1,165**	**1,303**	**1,445**
Current liabilities	**267**	**288**	**325**	**340**
AP & other payables	169	192	221	253
Short-term financial liabilities	55	46	46	22
Other current liabilities	43	50	58	65
Non-current liabilities	**32**	**33**	**35**	**37**
Long-term financial liabilities	22	22	22	22
Other non-current liabilities	10	11	13	15
Total liabilities	**299**	**321**	**359**	**376**
Equity attributable to owners	**664**	**744**	**846**	**973**
Capital stock	23	23	23	23
Capital surplus	28	28	28	28
Retained earnings	613	693	795	922
Minority interests	**100**	**100**	**98**	**96**
Shareholders' equity	**764**	**844**	**944**	**1,069**

Cash flow statement (summarized)

(Wbn)	2025	2026F	2027F	2028F
Operating cash flow	**69**	**87**	**97**	**112**
NP	74	90	109	134
Non-cash income/expenses	62	58	50	48
Depreciation	30	32	27	22
Amortization	2	2	2	2
Other	30	24	21	24
Chg. in working capital	-44	-36	-36	-37
Chg. in AR & other receivables	-44	-28	-38	-42
Chg. in inventory	-17	-25	-30	-33
Chg. in AP & other payables	23	14	18	20
Income tax	-23	-25	-26	-32
Cash flow from investing activities	**-62**	**-44**	**-4**	**-2**
Chg. in PP&E	-29	-32	0	0
Chg. in intangible assets	-3	-1	0	0
Chg. in financial assets	-19	-10	-12	-13
Other	-11	-1	8	11
Cash flow from financing activities	**-1**	**-26**	**-12**	**-36**
Chg. in financial liabilities	-4	-9	0	-25
Chg. in equity	3	0	0	0
Dividends	-9	-9	-9	-9
Other	9	-8	-3	-2
Chg. in cash	**6**	**16**	**79**	**72**
Beginning balance	50	56	72	151
Ending balance	56	72	151	223

Key valuation metrics/ratios

	2025	2026F	2027F	2028F
P/E (x)	11.7	11.8	9.5	7.8
P/CF (x)	5.7	7.2	6.7	5.8
P/B (x)	1.2	1.4	1.3	1.1
EV/EBITDA (x)	6.5	7.5	6.2	4.8
EPS (W)	1,460	1,982	2,455	3,011
CFPS (W)	3,013	3,262	3,508	4,012
BPS (W)	14,691	16,461	18,716	21,528
DPS (W)	200	200	200	200
Dividend payout ratio (%)	12.2	10.0	8.3	6.7
Dividend yield (%)	1.2	0.8	0.8	0.8
Revenue growth (%)	14.1	12.3	14.7	14.4
EBITDA growth (%)	17.8	10.8	11.6	14.4
OP growth (%)	20.1	12.3	19.6	21.2
EPS growth (%)	7.8	35.8	23.8	22.6
AR turnover (x)	4.6	4.4	4.4	4.4
Inventory turnover (x)	5.5	5.6	5.6	5.5
AP turnover (x)	4.6	4.1	4.1	4.0
ROA (%)	7.3	8.1	8.8	9.7
ROE (%)	10.4	12.7	14.0	15.0
ROIC (%)	13.4	13.6	16.3	19.3
Debt-to-equity ratio (%)	39.2	38.1	38.1	35.2
Current ratio (%)	211.4	225.0	250.7	287.8
Net debt-to-equity ratio (%)	-6.3	-10.5	-19.0	-27.0
Interest coverage ratio (x)	46.5	45.9	48.0	71.2

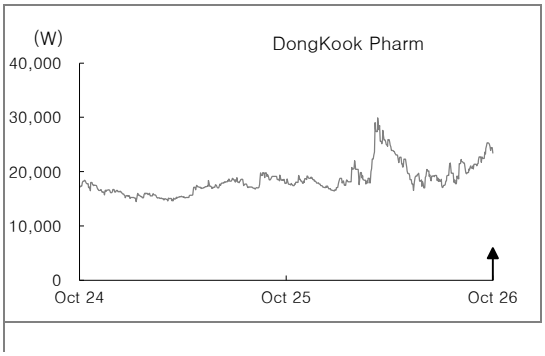
Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
DongKook Pharmaceutical (086450)	10/26/26	Buy	32,000



Stock ratings		Sector ratings	
Buy	Expected 12-month return: +20% or greater	Overweight	Expected to outperform the market over 12 months
Hold	Expected 12-month return: Greater than -10% and less than +10%	Neutral	Expected to perform in line with the market over 12 months
Sell	Expected 12-month return: -10% or less	Underweight	Expected to underperform the market over 12 months

As of May 12, 2025, the Trading Buy rating category has been removed from our investment rating system.
Stocks expected to deliver a 12-month return between +10% and less than +20% may be rated either Buy or Hold at the discretion of the research analyst.

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	89.66%	0%	9.77%	0.57%
Investment banking services	92.86%	0%	7.14%	0%

* Based on recommendations in the last 12 months (as of September 30, 2026)

Disclosures

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