

Cosmetics (Overweight/Maintain)

Structural growth story taking shape

Mirae Asset Securities Co., Ltd.
Songyi Bae
songyi.bae@miraeasset.com



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I. String of earnings surprises points to sector-wide strength

Brands: Non-China momentum accelerating

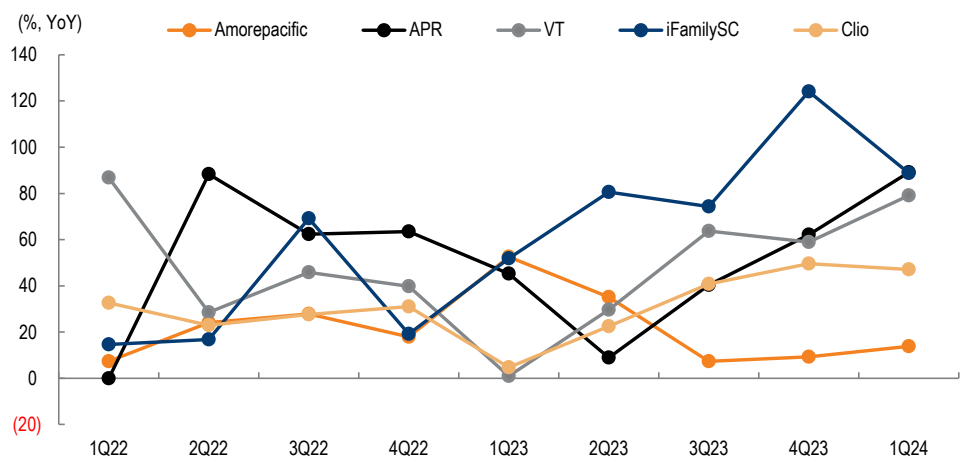
Korean cosmetics firms reported a string of earnings surprises for 1Q24, exceeding heightened expectations. Strong performances were seen across the entire value chain (from brands to ODMs) and across both small and large caps.

Brands saw an acceleration in non-China momentum in 1Q24, with non-China overseas revenue increasing 14% YoY for Amorepacific, 80% YoY (estimated) for COSRX, 89% YoY for APR, 92% YoY for iFamilySC, 80% YoY for VT, and 47% YoY for Clio. These results are even more impressive when considering the high base in 1Q23. Growth in Japan and the US remained firm, and other markets made increasing contributions. Backed by strong overseas momentum, many small/mid-sized brands are generating more than half of their revenues from non-China markets.

Notably, for Amorepacific, non-China momentum has finally strengthened enough to cancel out sluggishness in China. In 1Q24, China accounted for 13% of Amorepacific's total revenue, while other overseas markets made up 24%. Moreover, the firm's operating loss in China was fully offset by profits from non-China markets, leading to an increase in company-wide profits.

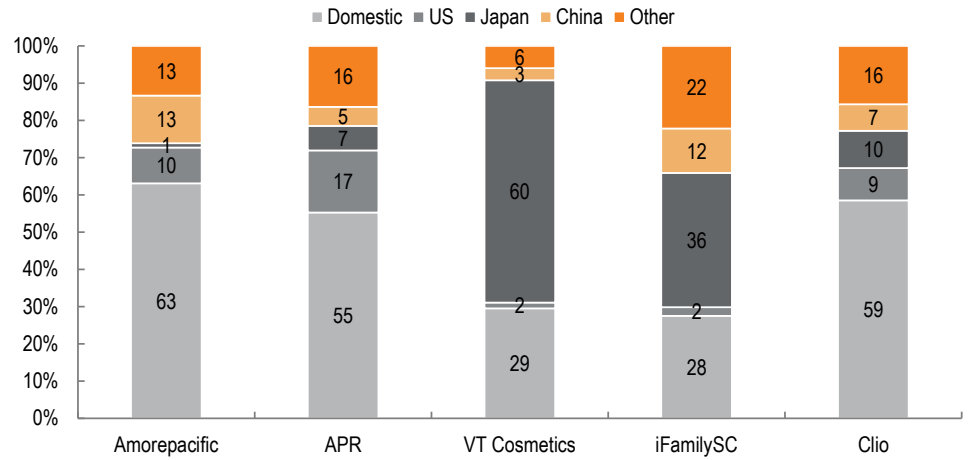
Encouragingly, strength is evident across various brands and regions. Indeed, Silicon2, a worldwide distributor of Korean beauty brands, delivered record 1Q24 results (revenue up 158% YoY; OP margin of 20%), driven by explosive growth across major countries and brands. This suggests that the global appeal of K-beauty products extends beyond specific brands/trends.

Figure 1. Major Korean brands' overseas revenue growth (excl. China)



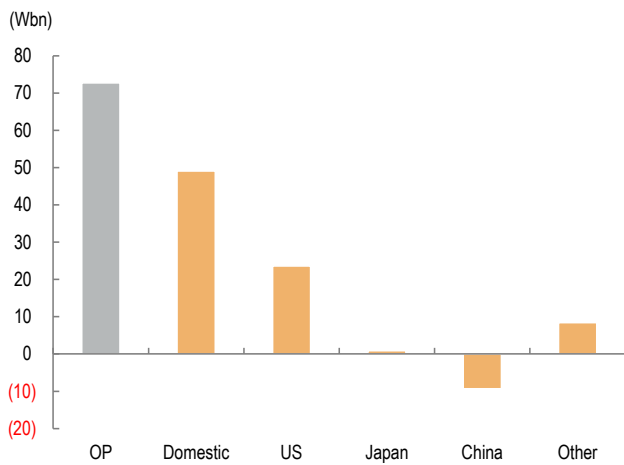
Source: Company data, Mirae Asset Securities Research

Figure 2. Revenue breakdown by region (1Q24)



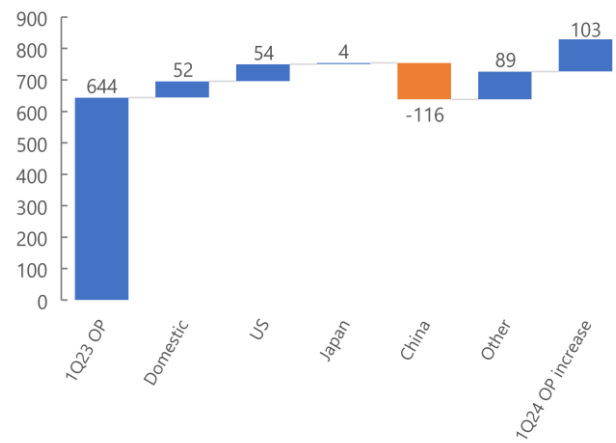
Source: Company data, Mirae Asset Securities Research

Figure 3. Amorepacific: OP by region (1Q24)



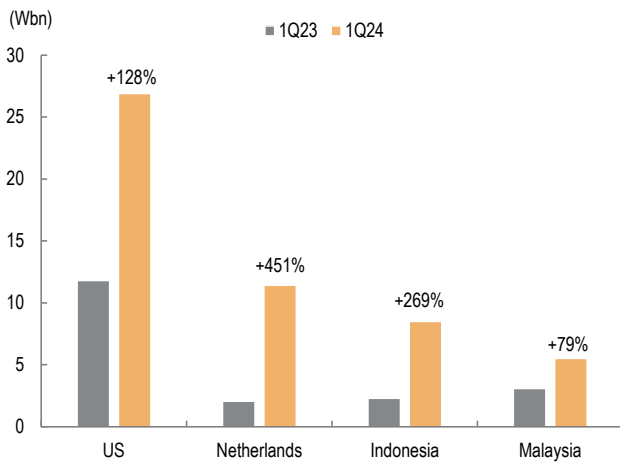
Source: Mirae Asset Securities Research estimates

Figure 4. Amorepacific: OP growth by region (W100mn)



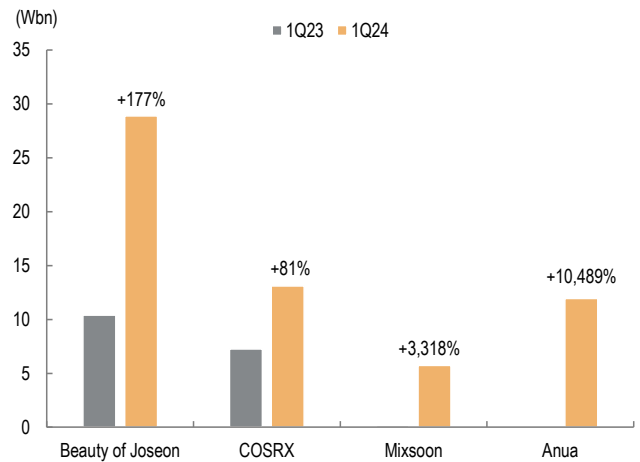
Source: Mirae Asset Securities Research estimates

Figure 5. Silicon2: Revenue by country (1Q24)



Source: Silicon2 Mirae Asset Securities Research

Figure 6. Silicon2: Revenue by brand (1Q24)

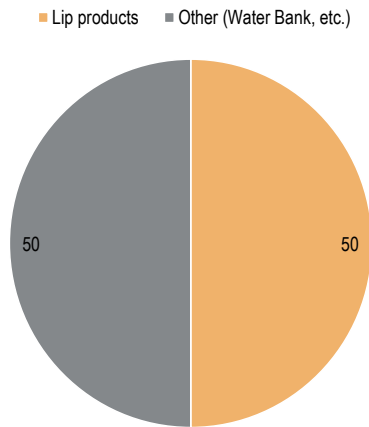


Source: Silicon2, Mirae Asset Securities Research

Furthermore, brands are starting to see meaningful results from secondary product lines/categories. In the early stages of brand growth, hit products or lines typically drive overall growth and help brands establish a presence in target markets. Subsequently, expansion into secondary lines and related product categories can help brands achieve more rapid growth.

We believe most brands have reached this phase of growth; while flagship products still generate the majority of revenues, brands have begun to introduce an increasing array of secondary products. Following its initial success in the US with its popular Lip Sleeping Mask, Laneige US last year launched Lip Glow Balm; the lip category is now estimated to account for half of revenue. Similarly, VT, building on the success of Reedle Shot Original, has been actively introducing secondary lines since last year (Synergy, PDRN, etc.). Meanwhile, iFamilySC has seen a growing contribution from its new Glasting Color Gloss line while maintaining a steady stream of revenue from existing lip tint lines (Juicy Lasting Tint, etc.).

Figure 7. Laneige US: Product mix



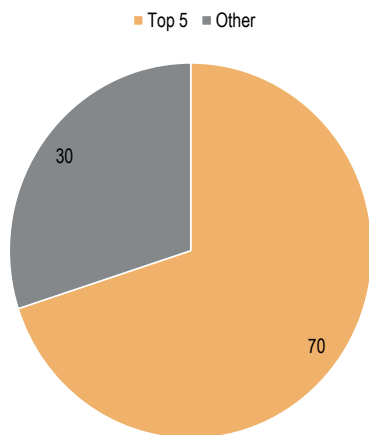
Source: Mirae Asset Securities Research

Figure 8. Laneige: Major lip products



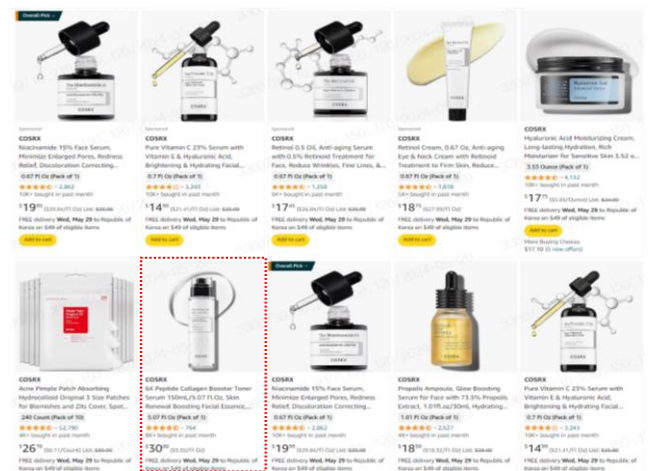
Source: Laneige, Mirae Asset Securities Research

Figure 9. COSRX: Product mix



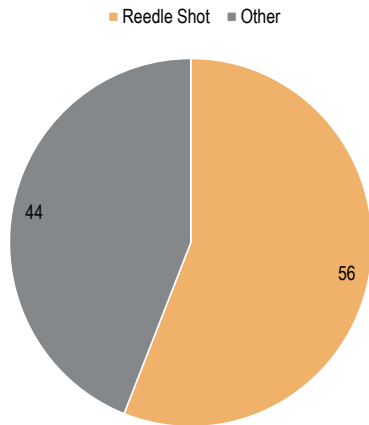
Source: Mirae Asset Securities Research

Figure 10. COSRX: Products ranked by sales on Amazon (US)



Source: Mirae Asset Securities Research

Figure 11. VT: Product mix



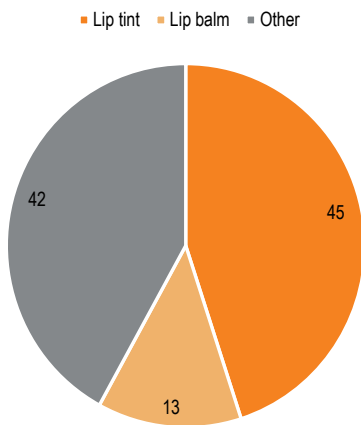
Source: VT, Mirae Asset Securities Research

Figure 12. VT: Reedle Shot Universe



Source: VT, Mirae Asset Securities Research

Figure 13. iFamilySC: Product mix



Source: iFamilySC, Mirae Asset Securities Research

Figure 14. Rom&nd (iFamilySC brand) products

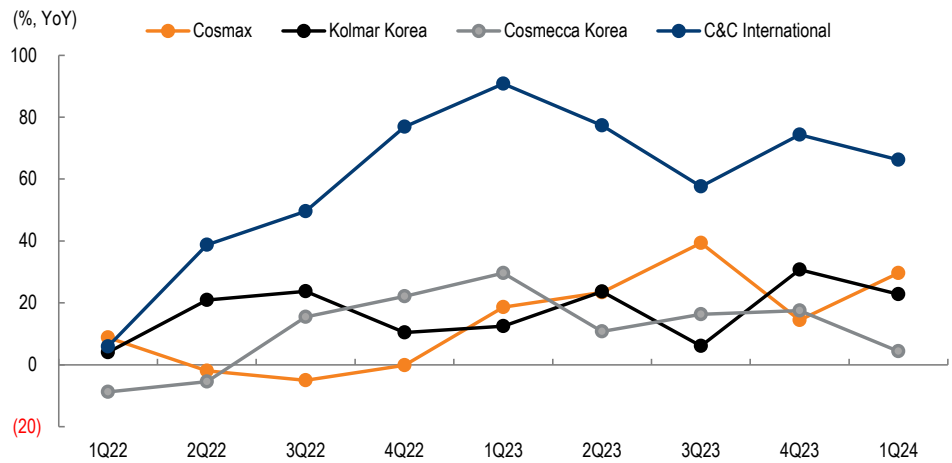


Source: Instagram, Mirae Asset Securities Research

ODMs: Reaping rewards from brand growth

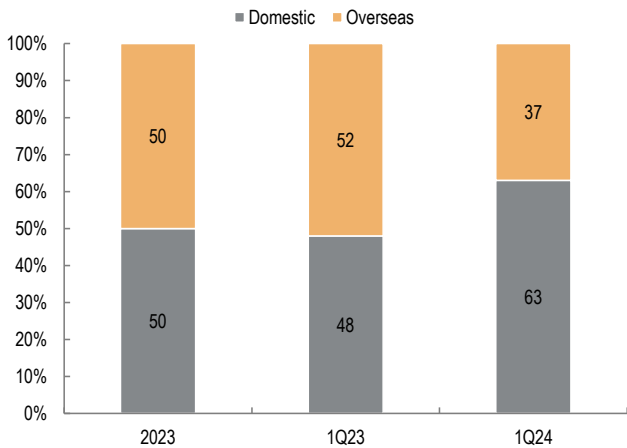
ODMs are naturally benefiting from brands' strong performances. A notable feature of ODMs' earnings reports for 1Q24 was a surge in orders from domestic customers. For ODMs, domestic earnings come from either domestic brands or direct exports to overseas brands. In 1Q24, the contribution of domestic brands increased significantly due to a surge in export orders for these brands. Skin care products (a key export category) were in especially high demand. As Korean cosmetics brands continue to expand globally, ODMs should continue to benefit from such indirect export demand.

Figure 15. Major ODMs' domestic revenue growth



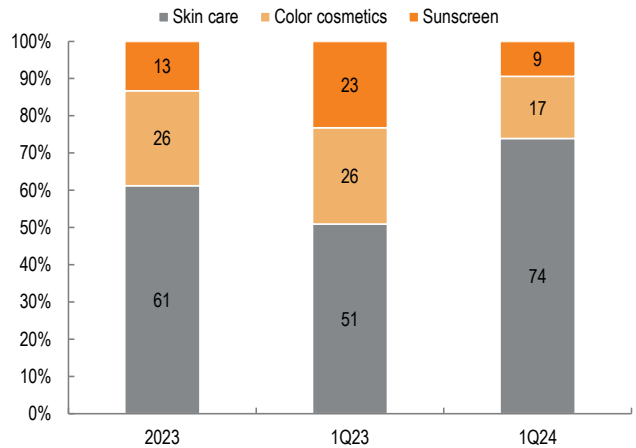
Source: Company data, Mirae Asset Securities Research

Figure 16. C&C International: Customer mix by region



Source: C&C International, Mirae Asset Securities Research

Figure 17. Cosmecca Korea: Domestic revenue mix by product



Source: Cosmecca Korea, Mirae Asset Securities Research

II. Ample upside to earnings

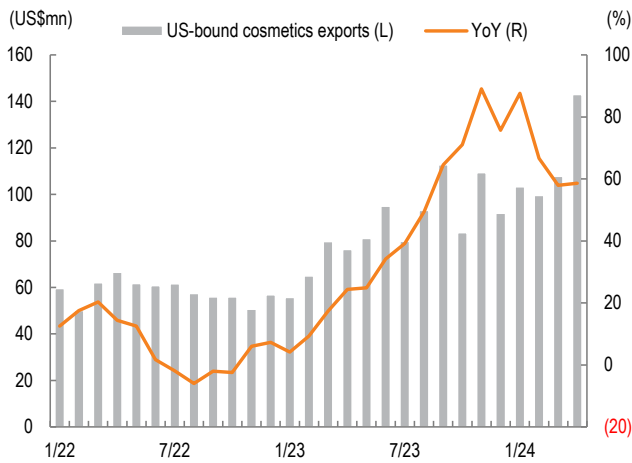
While the string of recent earnings surprises has prompted upward consensus revisions for the sector, we still see ample upside to earnings estimates.

First, global demand outside of China remains robust, driving structural industry growth. Growth in exports is showing no signs of slowing; cosmetics exports expanded 22% YoY in 1Q24, with notable growth in the US (+55% YoY) and Japan (+18% YoY). And in April, export growth accelerated further (+24% YoY overall; +87% YoY in the US; +48% YoY in Japan). In addition, exports to countries other than the US, Japan, and China have also shown steady double-digit growth, now representing nearly 40% of total exports. This increase in export destinations is supporting overall market expansion. And considering the export trend, growth momentum may be even stronger in the future.

Despite tough comparisons, the market continues to grow steadily because it is still in the early stages of expansion. The global cosmetics market is valued at around W600tr, with the US accounting for about W200tr and China W100tr. During the mid to late 2010s, when K-beauty products were primarily consumed in China, annual sales of The History of Whoo (The Whoo) and Sulwhasoo to Chinese consumers (local sales in China plus duty-free store sales) reached more than W2tr and W1tr, respectively. As the industry is currently targeting a market several times bigger than China, we could eventually see the emergence of mega brands generating trillion-won revenues. At present, COSRX is the largest publicly traded brand targeting the global market, and it is guiding revenue of around W700bn this year (+50% YoY); while it may appear challenging to sustain this level of growth, we still see ample room for expansion at COSRX given the size of the target market and the potential for further market penetration.

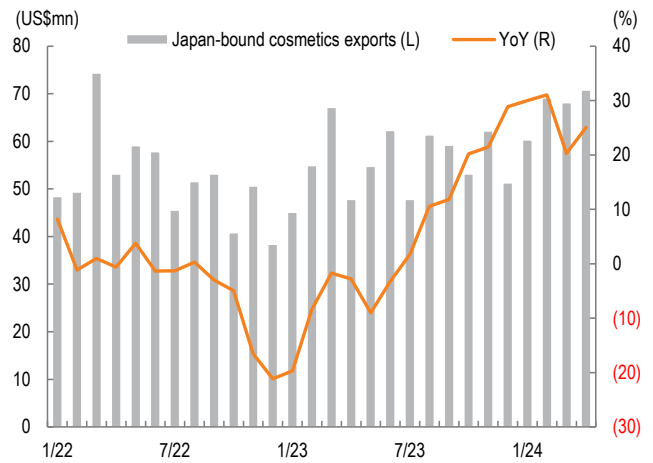
For reference, aside from COSRX, other domestic brands that focus on global exports are small/mid-sized players that generate around W200-300bn in annual revenue (2024F revenue: W290bn for VT, W230bn for iFamilySC, W200bn for Laneige US, W200bn for Medicube, and W80bn for Goodal).

Figure 18. Korea's US-bound cosmetics exports



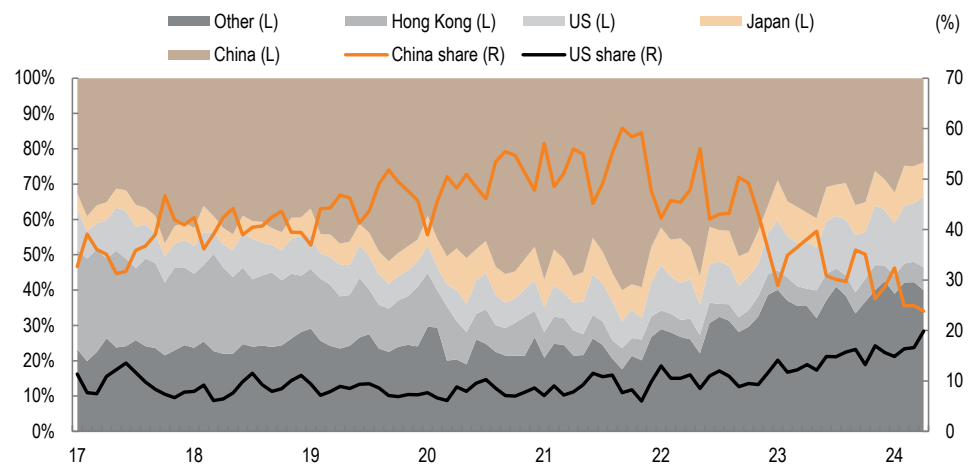
Source: Korea Customs Service, Mirae Asset Securities Research

Figure 19. Korea's Japan-bound cosmetics exports



Source: Korea Customs Service, Mirae Asset Securities Research

Figure 20. Korea's cosmetics export breakdown by destination country



Source: Korea Customs Service, Mirae Asset Securities Research

Figure 21. iFamilySC: Performance in new markets

Countries with sales exceeding KRW 500 million

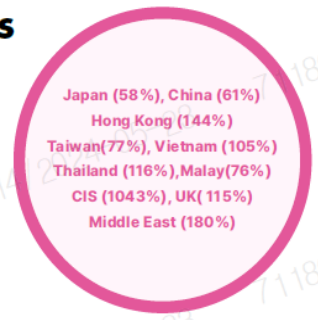
7 countries



Figure 22. iFamilySC: Overseas performance (QoQ)

Growth rate over 50%

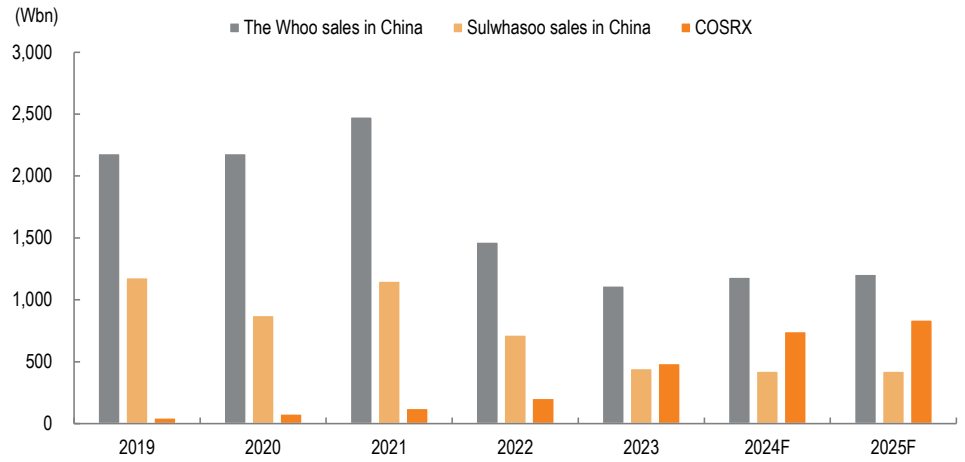
10 countries



Source: iFamilySC, Mirae Asset Securities Research

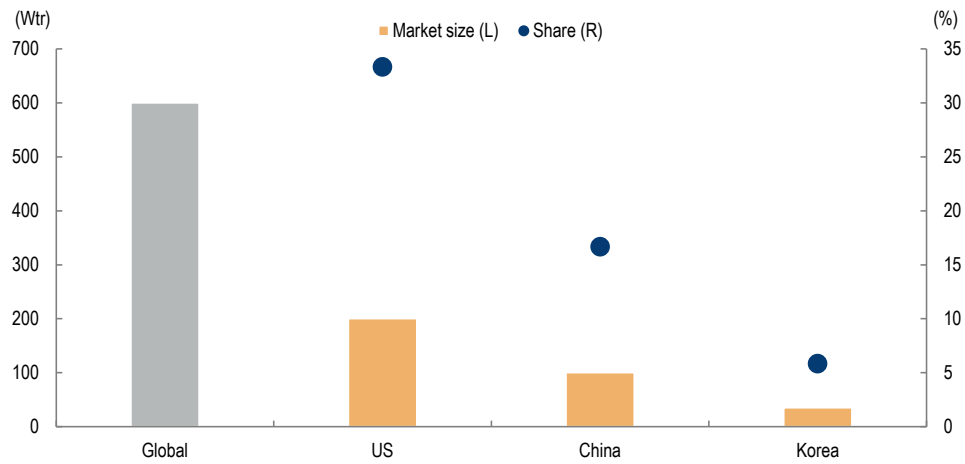
Source: iFamilySC, Mirae Asset Securities Research

Figure 23. Revenue comparison: China-oriented brands vs. COSRX (non-China-oriented)



Notes: China revenue includes local revenue plus duty-free store revenue; based on Mirae Asset Securities Research estimates
 Source: Company data, Mirae Asset Securities Research

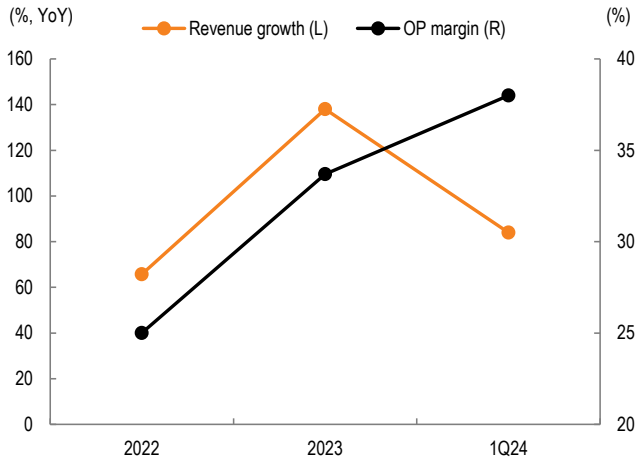
Figure 24. Global cosmetics market size



Source: Mirae Asset Securities Research

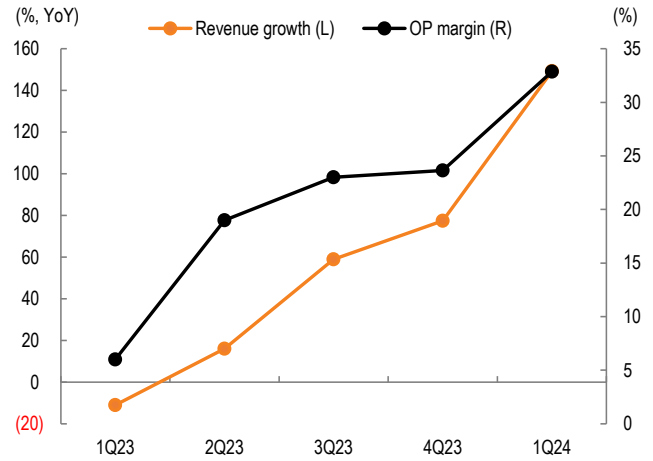
Notably, robust top-line growth is starting to translate into meaningful operating leverage effects; in 1Q24, COSRX and VT reported OP margins of over 30%, while iFamilySC and APR (beauty division) delivered OP margins of over 20%. Cosmetics brands have low cost ratios of around 30%, with SG&A costs mostly consisting of fixed costs (excluding marketing costs and sales commissions). This business model is ideal for generating operating leverage.

Figure 25. COSRX: Operating leverage trends



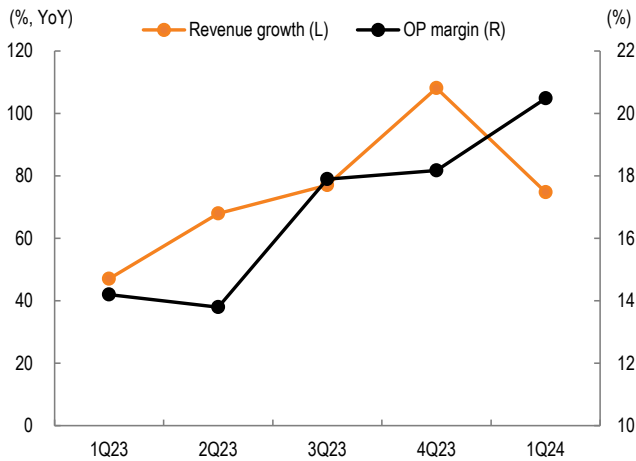
Note: Based on Mirae Asset Securities Research estimates
Source: COSRX, Mirae Asset Securities Research

Figure 26. VT: Operating leverage trends



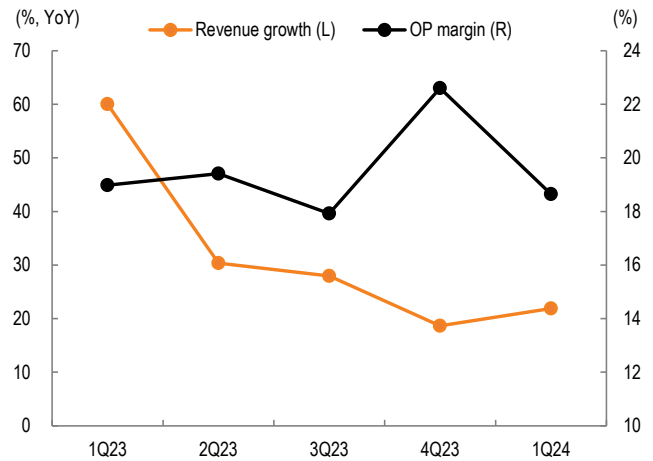
Note: Based on the cosmetics segment only
Source: VT, Mirae Asset Securities Research

Figure 27. iFamilySC: Operating leverage trends



Source: iFamilySC, Mirae Asset Securities Research

Figure 28. APR: Operating leverage trends

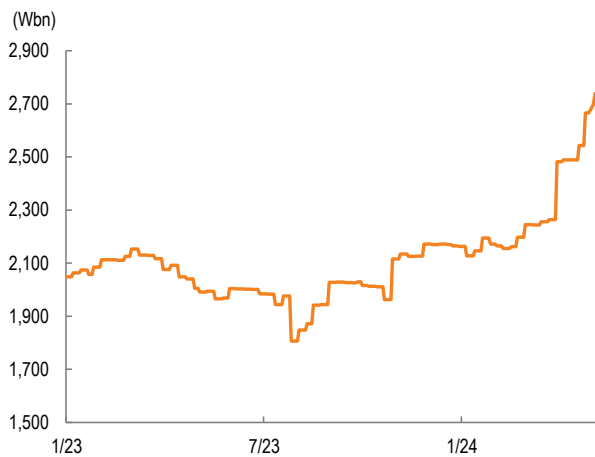


Source: APR, Mirae Asset Securities Research

Meanwhile, earnings estimates for large-cap players such as Amorepacific and LG H&H have only recently been revised up. Given these companies' large market caps and contributions to sector profits, we still see ample upside to sector earnings estimates.

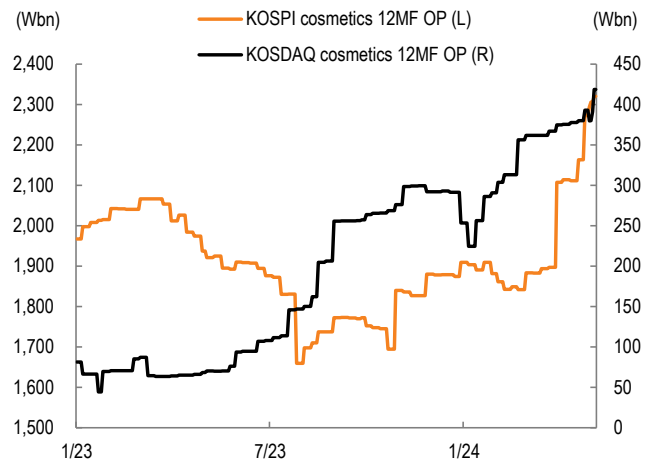
In particular, expectations for Amorepacific are rapidly rising. The company posted strong 1Q24 results from existing businesses alone, and earnings momentum is set to strengthen further with the consolidation of COSRX in 2Q24. For 2024, COSRX is guiding revenue of W730bn (+50% YoY) and operating profit of W240bn (OP margin of 32%), with the latter figure being on par with our full-year operating profit forecast for Amorepacific's existing businesses (W230bn).

Figure 29. Cosmetics sector's 12-month forward OP trend



Source: QuantiWise, Mirae Asset Securities Research

Figure 30. 12-month forward OP: KOSPI vs. KOSDAQ cosmetics companies



Source: QuantiWise, Mirae Asset Securities Research

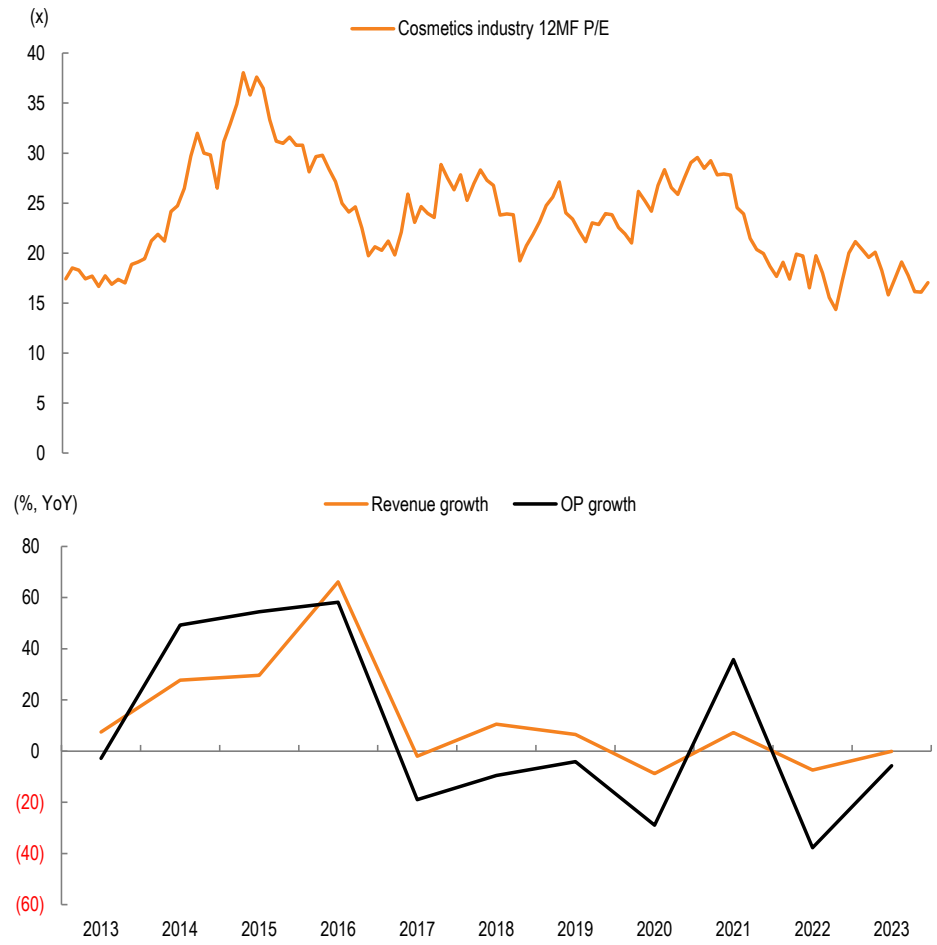
III. Re-rating has not even started

In the past, the Korean cosmetics industry saw rapid earnings growth and a valuation re-rating fueled by China momentum. From 2014 to 2016, the sector's combined revenue and operating profit expanded 40% and 50%, respectively, and its 12-month forward P/E soared from 17x to over 35x. In 2024, the consensus calls for the sector to display revenue growth of 5% YoY and operating profit growth of 90% YoY. Looking only at the stocks included in <Table 1>, our estimates for revenue and operating profit growth are 21% and 110% YoY, respectively. Meanwhile, the sector's 12-month forward P/E is only 19x; this suggests that a re-rating has not even started, given that: 1) overseas markets are the main growth driver; and 2) earnings momentum is even stronger than that seen during the China-driven boom.

We are especially positive on Amorepacific, which boasts the strongest earnings momentum in the sector. Aided by the consolidation of COSRX from May, the company is likely to deliver operating profit growth of over 300% this year. And in 2025, we forecast operating profit to grow 40% YoY on the full recognition of COSRX.

Going forward, we expect to see the cosmetics sector rally amid strong sector-wide momentum (e.g., continued upward consensus revisions). After a decade, the Korean beauty industry is mounting a comeback. Instead of fixating on quarterly performances, specific products, or fleeting trends, we believe investors should adopt a long-term perspective and focus on the industry's structural growth story.

Figure 31. Cosmetics sector: 12-month forward P/E and earnings growth trends



Source: QuantiWise, Mirae Asset Securities Research

Table 1. Key cosmetics stocks

(Wbn)

Company	Market cap	Revenue		Revenue growth (% YoY)		OP		OP growth (% YoY)		P/E (x)	
		24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
Amorepacific	10,809	4,162	4,775	13.3	14.7	399	574	268.7	43.9	31.9	23.5
APR	2,557	732	905	39.8	23.6	148	191	41.8	29.0	20.9	16.2
Cosmax	1,957	2,180	2,462	22.6	13.0	195	229	68.6	17.4	17.4	13.8
VT	983	446	498	51.0	11.5	111	129	144.8	16.0	13.4	11.3
C&C International	912	320	404	45.4	26.2	50	64	56.4	27.3	20.0	15.9
iFamilySC	619	231	273	55.2	18.4	46	56	92.9	21.8	17.1	14.1
Cosmecca Korea	496	547	628	16.1	14.9	63	75	28.0	19.6	12.4	10.2

Note: Based on May 21 closing prices
Source: Mirae Asset Securities Research

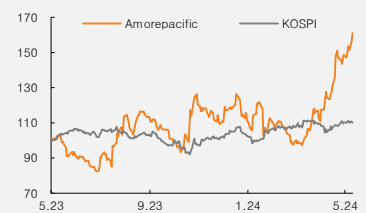
Company analysis

(Maintain)	Buy
Target price	▲ W240,000
Current price (5/21/24)	W184,800
Upside	29.9%

OP (24F, Wbn)	399
Consensus OP (24F, Wbn)	418
EPS growth (24F, %)	88.3
Market EPS growth (24F, %)	76.3
P/E (24F, x)	37.6
Market P/E (24F, x)	11.1
KOSPI	2,724.18

Market cap (Wbn)	10,809
Shares (mn)	58
Free float (%)	49.7
Foreign ownership (%)	29.1
Beta (12M)	0.51
52-week low (W)	94,700
52-week high (W)	184,800

(%)	1M	6M	12M
Absolute	29.4	37.4	58.6
Relative	23.1	26.6	47.8



Mirae Asset Securities Co., Ltd.

Songyi Bae
songyi.bae@miraeasset.com

Amorepacific

Boost from COSRX

Ample momentum ahead

The strong performance of COSRX (set to be consolidated in 2Q24) is 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).

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 from 3Q24 on a quarterly basis and 2025 on an annual basis). Given COSRX's strong growth momentum and fundamentals, we expect Amorepacific's consolidated earnings to meaningfully grow.

Growth recovery and qualitative improvements

We raise our target price to W240,000 (from W220,000), as we revised up our earnings estimates. For COSRX, we look for: 1) revenue of W744.6bn (+53% YoY) and operating profit of W262bn (OP margin of 35%) in 2024; and 2) revenue of W856.3bn (+15% YoY) and operating profit of W304.4bn (OP margin of 36%) in 2025. We expect Amorepacific's consolidated operating profit to nearly quadruple in 2024, backed by the consolidation of COSRX and a favorable base (stemming from the sluggish China business in 2023). We also expect to see qualitative earnings improvements, with exports likely to account for more than half of operating profit.

The stock is trading at a 12-month forward P/E of 26x. We believe the current valuation is undemanding, considering that: 1) the stock re-rated to a P/E of 40x during the period of K-beauty expansion in China (when Sulwhasoo and Innisfree drove strong earnings momentum); and 2) a growth recovery and qualitative earnings improvements are becoming visible. Furthermore, given ample earnings upside across the industry, we see potential for a sector-wide re-rating. We recommend Buy on Amorepacific and present the stock as our top pick in the cosmetics sector.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	4,135	3,674	4,162	4,775	5,055
OP (Wbn)	214	108	399	574	631
OP margin (%)	5.2	2.9	9.6	12.0	12.5
NP (Wbn)	134	180	339	460	505
EPS (W)	1,947	2,608	4,911	6,660	8,635
ROE (%)	2.8	3.7	6.7	8.6	8.8
P/E (x)	70.6	55.6	37.6	27.7	21.4
P/B (x)	2.0	2.0	2.5	2.3	1.8
Dividend yield (%)	0.5	0.6	0.8	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

Table 2. Amorepacific: Annual earnings and forecasts

(Wbn)

	2021	2022	2023	2024F	2025F	2026F
Revenue	4,863	4,135	3,674	4,162	4,775	5,055
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	2,475	2,703
OP	343	214	108	399	574	631
Domestic	300	223	146	157	164	168
Cosmetics	300	215	136	146	153	157
Household goods	0	8	10	11	11	11
Overseas	52	3	(43)	247	417	469
Pretax profit	298	224	281	437	592	650
NP	181	129	174	327	444	488
NP attributable to owners of the parent	194	134	180	339	460	505
OP margin (%)	7.1	5.2	2.9	9.6	12.0	12.5
Domestic	9.8	8.6	6.6	7.3	7.5	7.5
Cosmetics	9.7	8.3	6.2	6.8	7.0	7.0
Household goods	0.0	1.8	2.7	2.8	2.8	2.8
Overseas	2.9	0.2	(3.1)	12.6	16.8	17.3
Revenue growth (% YoY)	9.7	(15.0)	(11.1)	13.3	14.7	5.9
Domestic	17.3	(16.8)	(15.4)	(3.9)	3.0	2.4
Overseas	3.3	(18.0)	(5.9)	41.4	25.8	9.2
OP growth (% YoY)	140.1	(37.6)	(49.5)	268.7	43.9	9.9
Domestic	156.0	(25.8)	(34.2)	7.1	4.7	2.5
Overseas	189.4	(94.4)	TTR	TTB	68.7	12.6
NP growth (% YoY)	451.3	(30.6)	33.9	88.3	35.6	9.8

Source: Company data, Mirae Asset Securities Research

Table 3. Amorepacific: Quarterly earnings and forecasts

(Wbn)

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	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	68	99	159	399
Domestic	44	37	19	52	152	49	34	21	52	157
Cosmetics	35	31	22	48	136	47	30	22	47	146
Household goods	4	5	(3)	4	10	2	5	(0)	5	11
Overseas	32	(33)	(8)	(34)	(43)	32	32	72	112	247
Pretax profit	99	19	38	124	281	102	82	108	144	437
NP	90	19	27	38	174	80	62	81	104	327
NP attributable to owners of the parent	87	22	28	43	180	79	64	84	112	339
OP margin (%)	7.0	0.6	1.9	2.2	2.9	8.0	6.7	9.0	13.9	9.6
Domestic	8.0	6.6	3.5	9.3	6.9	8.7	6.7	4.1	9.6	7.3
Cosmetics	7.7	6.8	4.9	10.3	7.5	10.1	7.1	5.1	10.7	8.3
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	6.5	13.3	18.4	12.6
Pretax margin (%)	10.8	2.0	4.3	13.4	7.6	11.2	8.1	9.9	12.5	10.5
Net margin (%)	9.8	2.0	3.0	4.1	4.7	8.8	6.1	7.4	9.1	7.9
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	1,057.7	471.5	670.5	268.7
Domestic	(60.8)	0.3	(34.6)	16.6	(31.8)	11.8	(6.5)	12.2	(0.3)	3.3
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)	189.5	200.5	163.1	88.3

Source: Company data, Mirae Asset Securities Research

Table 4. Amorepacific: Earnings and forecasts (detailed)

(Wbn)

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24F	3Q24F	4Q24F	2023	2024F	2025F
Revenue	914	945	889	926	912	1,011	1,093	1,147	3,674	4,162	4,775
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	2,475
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	856
Growth (% YoY)	(21.6)	(0.0)	(5.1)	(14.9)	(0.2)	7.0	22.9	23.9	(11.1)	13.3	14.7
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	25.8
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											72.5
OP	64	6	17	21	73	68	99	159	108	399	574
Domestic	44	37	19	52	49	34	21	52	152	157	164
Overseas	32	(33)	(8)	(34)	32	32	72	112	(43)	247	417
Asia	11	(38)	(16)	(43)	4	(8)	2	12	(85)	10	33
China	2	(39)	(21)	(50)	(9)	(12)	(6)	2	(107)	(25)	(5)
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						37	69	69		175	304
OP margin (%)	7.0	0.6	1.9	2.2	8.0	6.7	9.0	13.9	2.9	9.6	12.0
Domestic	8.0	6.6	3.5	9.3	8.7	6.7	4.1	9.6	6.9	7.3	7.5
Overseas	9.2	(8.8)	(2.6)	(9.4)	9.4	6.5	13.3	18.4	(3.1)	12.6	16.8
Asia	4.0	(13.2)	(6.7)	(16.3)	1.7	(2.9)	0.9	4.0	(8.1)	1.0	3.1
China	1.5	(25.0)	(17.5)	(40.2)	(8.0)	(9.0)	(5.0)	1.4	(19.5)	(5.0)	(1.0)
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						36.0	35.0	35.0		35.2	35.6

Source: Company data, Mirae Asset Securities Research

Table 5. Amorepacific: Valuation table

(W)

	Value	Notes
12MF EPS	6,662	
Target P/E (x)	35	Avg. P/E during period of aggressive overseas expansion (2013-15)
Fair price	236,505	
Target price	240,000	
Current price	184,800	
Upside (%)	29.9	

Source: Mirae Asset Securities Research

Amorepacific (090430 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	3,674	4,162	4,775	5,055
Cost of revenue	1,155	1,078	1,179	1,223
GP	2,519	3,084	3,596	3,832
SG&A expenses	2,411	2,685	3,022	3,201
OP (adj.)	108	399	574	631
OP	108	399	574	631
Non-operating profit	173	38	18	19
Net financial income	-4	-25	-28	-16
Net income from associates	42	21	0	0
Pretax profit	281	437	592	650
Income tax	107	109	148	163
Profit from continuing operations	174	328	444	488
Profit from discontinued operations	0	0	0	0
NP	174	328	444	488
Attributable to owners	180	339	460	505
Attributable to minority interests	-6	-12	-16	-17
Total comprehensive income	133	328	444	488
Attributable to owners	139	108	146	160
Attributable to minority interests	-6	220	298	327
EBITDA	360	628	785	827
FCF	214	515	553	571
EBITDA margin (%)	9.8	15.1	16.4	16.4
OP margin (%)	2.9	9.6	12.0	12.5
Net margin (%)	4.9	8.1	9.6	10.0

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	1,952	1,722	2,125	2,574
Cash & equivalents	506	145	394	759
AR & other receivables	312	347	395	423
Inventory	394	434	498	533
Other current assets	740	796	838	859
Non-current assets	3,934	4,590	4,665	4,655
Investments in associates	287	1,033	1,186	1,245
PP&E	2,442	2,313	2,202	2,106
Intangible assets	341	361	381	401
Total assets	5,887	6,312	6,790	7,230
Current liabilities	813	939	1,041	1,088
AP & other payables	86	97	111	118
Short-term financial liabilities	299	313	323	327
Other current liabilities	428	529	607	643
Non-current liabilities	201	236	264	276
Long-term financial liabilities	51	51	51	51
Other non-current liabilities	150	185	213	225
Total liabilities	1,014	1,175	1,305	1,364
Equity attributable to owners	4,898	5,174	5,539	5,936
Capital stock	35	35	35	35
Capital surplus	794	794	794	794
Retained earnings	4,101	4,378	4,742	5,140
Minority interests	-25	-37	-53	-70
Shareholders' equity	4,873	5,137	5,486	5,866

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	348	615	653	671
NP	174	328	444	488
Non-cash income/expenses	267	363	387	374
Depreciation	252	229	211	196
Amortization	0	0	0	0
Other	15	134	176	178
Chg. in working capital	-36	59	-2	-13
Chg. in AR & other receivables	-13	-29	-47	-26
Chg. in inventory	-11	-39	-64	-35
Chg. in AP & other payables	7	10	14	7
Income tax	-53	-109	-148	-163
Cash flow from investing activities	-186	-788	-113	-107
Chg. in PP&E	-108	-100	-100	-100
Chg. in intangible assets	-39	-20	-20	-20
Chg. in financial assets	-107	-60	-46	-24
Other	68	-608	53	37
Cash flow from financing activities	-99	-50	-85	-103
Chg. in financial liabilities	-7	13	10	5
Chg. in equity	2	0	0	0
Dividends	-47	-63	-96	-107
Other	-47	0	1	-1
Chg. in cash	57	-361	249	365
Beginning balance	450	506	145	394
Ending balance	506	145	394	759

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

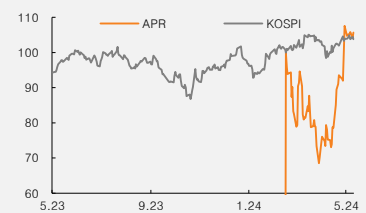
	2023	2024F	2025F	2026F
P/E (x)	55.6	37.6	27.7	21.4
P/CF (x)	22.7	18.5	15.4	12.5
P/B (x)	2.0	2.5	2.3	1.8
EV/EBITDA (x)	23.6	17.2	13.4	12.2
EPS (W)	2,608	4,911	6,660	8,635
CFPS (W)	6,391	10,000	12,036	14,730
BPS (W)	70,987	74,985	80,262	101,551
DPS (W)	910	1,400	1,600	1,700
Dividend payout ratio (%)	30.6	25.0	21.0	20.4
Dividend yield (%)	0.6	0.8	0.9	0.9
Revenue growth (%)	-11.1	13.3	14.7	5.9
EBITDA growth (%)	-28.4	74.4	25.1	5.3
OP growth (%)	-49.5	268.7	43.9	9.9
EPS growth (%)	33.9	88.3	35.6	29.6
AR turnover (x)	12.7	13.5	13.8	13.2
Inventory turnover (x)	9.1	10.1	10.3	9.8
AP turnover (x)	13.8	11.8	11.3	10.7
ROA (%)	3.0	5.4	6.8	7.0
ROE (%)	3.7	6.7	8.6	8.8
ROIC (%)	2.0	10.1	14.4	15.7
Debt-to-equity ratio (%)	20.8	22.9	23.8	23.2
Current ratio (%)	240.0	183.4	204.1	236.7
Net debt-to-equity ratio (%)	-6.8	-9.9	-14.2	-19.7
Interest coverage ratio (x)	6.6	5.9	8.3	8.9

(Initiate)	Buy
Target price	₩420,000
Current price (5/21/24)	₩335,500
Upside	25.2%

OP (24F, Wbn)	148
Consensus OP (24F, Wbn)	0
EPS growth (24F, %)	38.7
Market EPS growth (24F, %)	76.3
P/E (24F, x)	21.5
Market P/E (24F, x)	11.1
KOSPI	2,724.18

Market cap (Wbn)	2,557
Shares (mn)	8
Free float (%)	60.2
Foreign ownership (%)	7.1
Beta (12M)	-0.06
52-week low (W)	217,500
52-week high (W)	341,500

(%)	1M	6M	12M
Absolute	40.4	0.0	0.0
Relative	33.6	0.0	0.0



Mirae Asset Securities Co., Ltd.

Songyi Bae
songyi.bae@miraeasset.com

APR

A new K-beauty player emerges

Strong sales of at-home beauty devices

APR is the largest manufacturer of at-home beauty devices in Korea. Last year, the firm gained ground in the domestic market with Booster Healer and reported decent overseas revenue (mainly in the US); beauty device revenue expanded 80% YoY to ₩216.2bn, including ₩138.8bn (+63% YoY) in Korea and ₩75.6bn (+117% YoY) overseas. We see robust growth continuing this year, supported by new product launches (Booster Pro and Ultra Tune 40.68) and capacity additions to meet growing overseas demand. For 2024, we look for device revenue of ₩368.2bn (+70% YoY), including ₩152.7bn (+10% YoY) in the domestic market and ₩215.6bn (+185% YoY) in overseas markets. Looking ahead, we believe the company will continue to aggressively release new products and expand its overseas presence.

In 1Q24, overseas revenue from beauty devices grew both QoQ and YoY. As the year-end shopping season had already ended, we believe this growth reflects strong underlying demand (rather than seasonal factors). With this in mind, we believe the key variable for growth going forward is capacity expansion (monthly production: 80,000 units in 1Q24, 130,000 units in 2Q24F, and 180,000 units in 2H24F).

Cosmetics also seeing robust growth

Cosmetics make up roughly half of APR's beauty revenue. Along with beauty devices, cosmetics have seen rapid growth in overseas markets (mainly the US). Notably, the flagship brand Medicube leads Amazon's skin toner category. In 1Q24, overall cosmetics revenue soared 37% YoY (+38% YoY in overseas markets). Thanks to its focus on the US market, strong product lineup, and online sales network, we believe APR is benefiting from the same structural growth momentum enjoyed by other Korean beauty brands. For 2024, we look for cosmetics revenue of ₩291.7bn (+36% YoY).

Initiate coverage with Buy rating and TP of ₩420,000

In deriving our target price, we applied a P/E of 23x to our 12-month forward EPS estimate (₩17,771). Our target P/E represents a 20% premium to the industry average multiple, given the firm's early lead in at-home beauty devices (a new category for the Korean cosmetics industry). The stock is trading at a 12-month forward P/E of 19x, close to the peer average. In the device category alone, the company already generates sales on par with those of popular indie beauty brands (showcasing the potential for the Korean beauty industry to expand beyond cosmetics). We present a Buy rating on the stock.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	398	524	732	905	1,048
OP (Wbn)	39	104	148	191	225
OP margin (%)	9.8	19.8	20.2	21.1	21.5
NP (Wbn)	30	82	118	152	179
EPS (W)	4,223	11,244	15,594	19,919	23,452
ROE (%)	36.0	54.9	46.1	38.8	32.1
P/E (x)	-	-	21.5	16.8	14.3
P/B (x)	-	-	8.1	5.5	4.0
Dividend yield (%)	-	-	0.0	0.0	0.0

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

Investment points

1) Aggressive overseas expansion with at-home devices

APR has enjoyed sharp earnings growth since launching its popular anti-aging at-home beauty device Age-R in 2021. The company is also performing well in overseas markets, especially the US. Out of total beauty device revenue in 2023 (₩216.2bn), ₩75.6bn came from overseas markets (with US sales in 2H23 accounting for most of that figure). We see overseas expansion gaining traction in 2024, supported by a strong product lineup and capacity additions (device revenue: ₩120.3bn in 2022 → ₩216.2bn in 2023 → ₩368.2bn in 2024F). In 1Q24, overseas revenue from beauty devices grew both QoQ and YoY; as the year-end shopping season had already ended, we believe this growth reflects strong underlying demand (rather than seasonal factors).

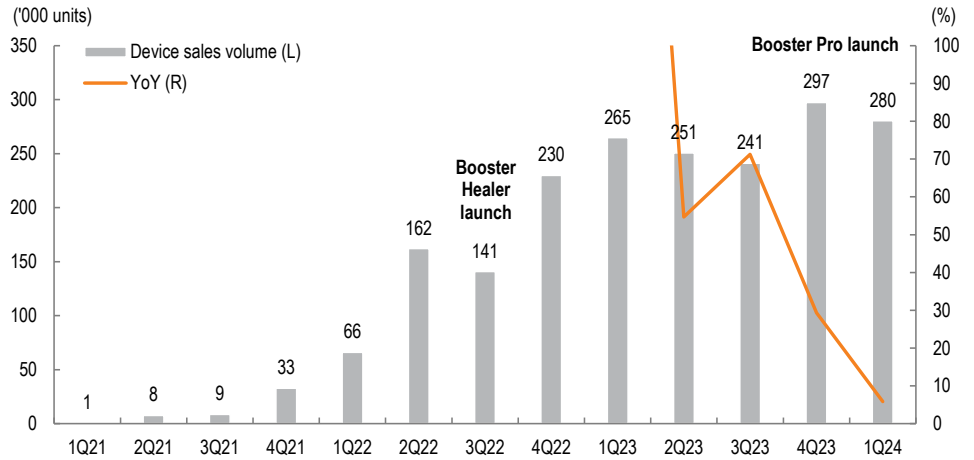
Device sales volume and ASP have grown in tandem thanks to new product releases, with sales of new higher-priced products adding to revenue from existing flagship products. Indeed, despite the firm's increasing focus on the new Booster Pro, sales of the original Booster Healer have held up better than expected (1Q24 revenue: +61% QoQ for Booster Pro, -32% QoQ for Booster Healer). Looking ahead, growth should accelerate on the releases of Ultra Tune 40.68 (launched in Korea in May) and HIFU (3Q24).

2) Cosmetics also seeing robust growth

Cosmetics make up roughly half of APR's beauty revenue. Along with beauty devices, cosmetics have seen rapid growth in overseas markets (mainly the US). Notably, the flagship brand Medicube leads Amazon's skin toner category. In 1Q24, overall cosmetics revenue soared 37% YoY (+38% YoY in overseas markets). Thanks to its focus on the US market, strong product lineup, and online sales network, we believe APR is benefiting from the same structural growth momentum enjoyed by other K-beauty brands.

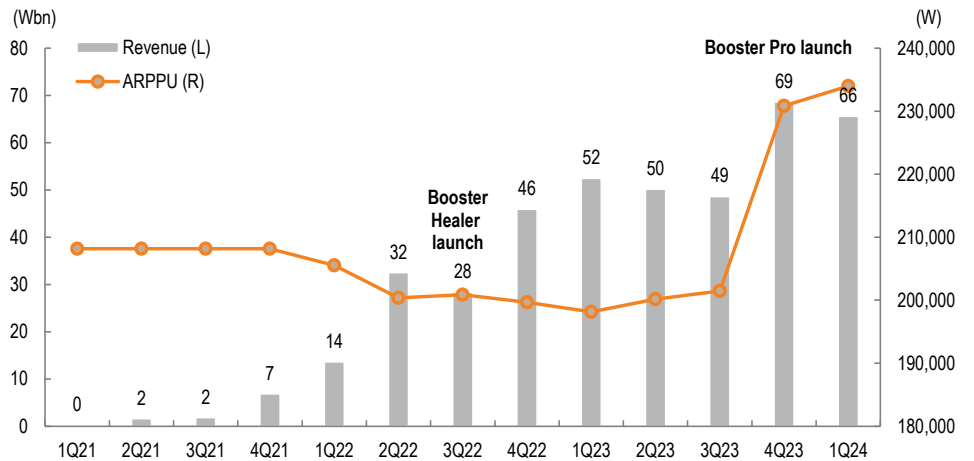
It is also positive that cosmetics can be sold in conjunction with devices. Just as professional-use beauty devices rely on consumables (e.g., cartridges) to maintain performance, we believe APR can tie at-home device sales to the sale of complementary cosmetics, thus creating additional revenue streams. Indeed, since the launch of the first-generation Booster Healer, cosmetics revenue has grown in markets in which both products were sold, suggesting that there are synergies between the products.

Figure 32. APR: Beauty device sales volume



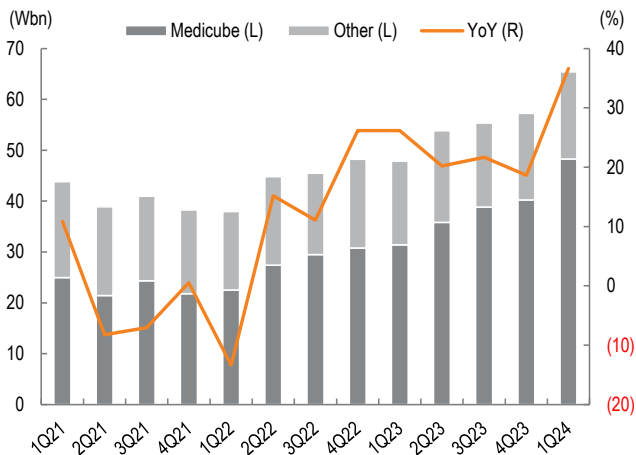
Source: Company data, Mirae Asset Securities Research

Figure 33. APR: Beauty device revenue trend



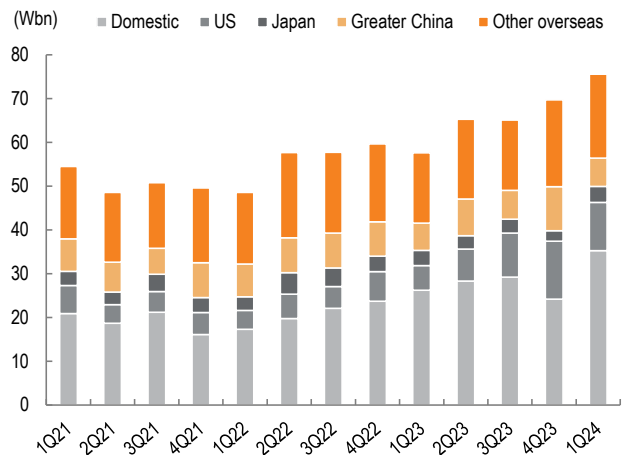
Source: Company data, Mirae Asset Securities Research

Figure 34. APR: Cosmetics revenue by brand



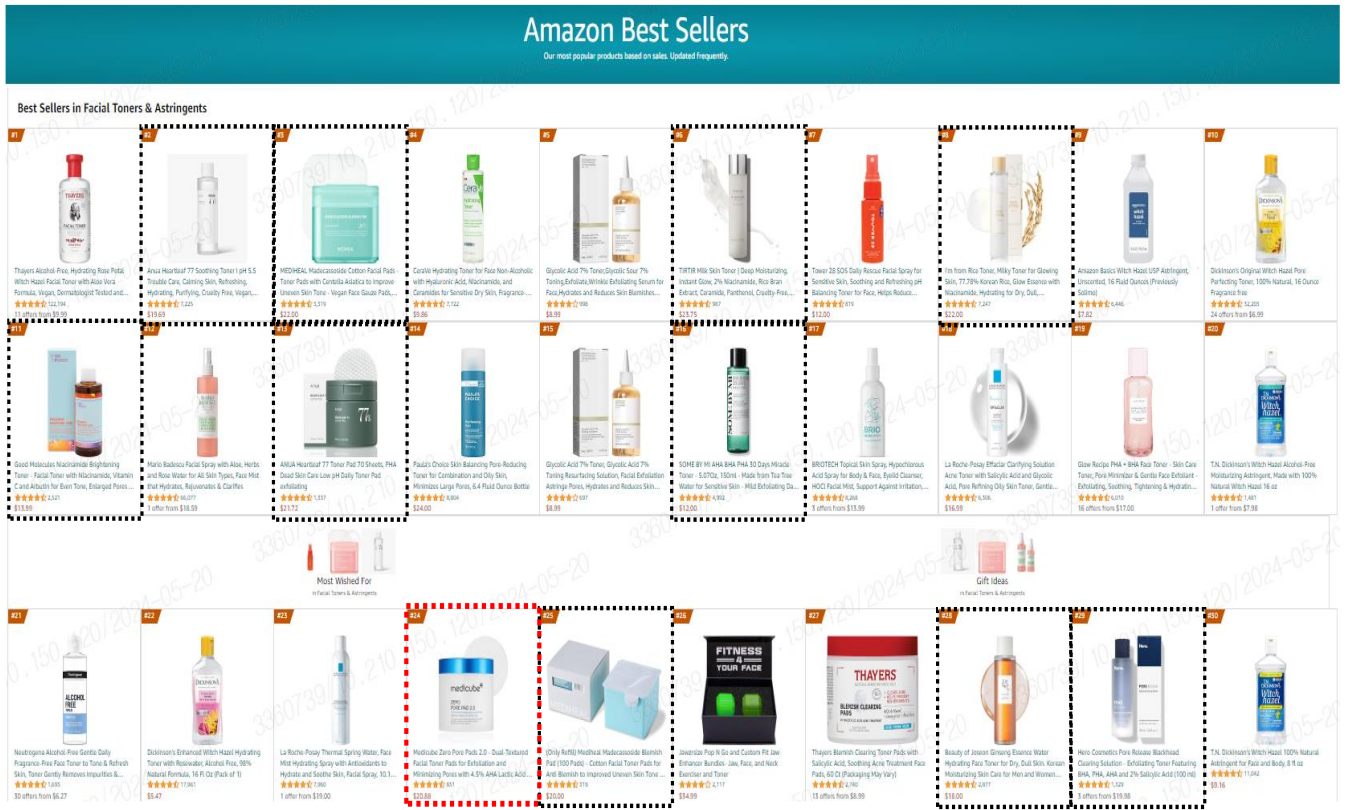
Source: Company data, Mirae Asset Securities Research

Figure 35. APR: Cosmetics revenue by market



Source: Company data, Mirae Asset Securities Research

Figure 36. Best-selling skin toners on Amazon



Notes: Black dotted boxes denote Korean beauty brands or products produced in Korea; red dotted boxes denote APR's products
Source: Mirae Asset Securities Research

Earnings forecasts and valuation

For 2024, we look for revenue of W732.5bn (+40% YoY) and operating profit of W147.7bn (+42% YoY; OP margin of 20%). We forecast device and cosmetics revenue to grow 70% and 36% YoY to W368.2bn and W291.7bn, respectively. That said, we expect OP margin to remain largely flat YoY due to widening losses in non-beauty segments (fashion, etc.) and the operation of newly added capacity. However, once these negative variables dissipate, the company could see operating leverage from robust top-line growth.

Our target price of W420,000 is based on a P/E of 23x and our 12-month forward EPS estimate of W17,771. Our target P/E represents a 20% premium to the industry average multiple, given the firm's early lead in at-home beauty devices (a new category for the Korean cosmetics industry). The stock is trading at a 12-month forward P/E of 19x, close to the peer average. In the device category alone, the company already generates sales on par with those of popular indie beauty brands (showcasing the potential for the Korean beauty industry to expand beyond cosmetics). We present a Buy rating on the stock.

Table 6. APR: Annual earnings and forecasts

(Wbn)

	2021	2022	2023	2024F	2025F	2026F
Revenue	259	398	524	732	905	1,048
Beauty	172	297	430	660	840	990
Devices		120	216	368	491	602
Cosmetics		176	214	292	349	388
Other	87	101	93	73	65	58
Domestic	154	254	319	349	380	400
Devices	8	85	139	153	168	181
Cosmetics	77	83	108	140	161	174
Exports	105	144	205	383	526	648
Devices	2	35	76	216	323	420
Cosmetics	83	92	108	151	188	215
OP	14	39	104	148	191	225
NP	11	30	82	118	152	179
OP margin (%)	5.5	9.9	19.9	20.2	21.0	21.4
Revenue growth (% YoY)	17.8	53.5	31.7	39.8	23.6	15.8
Beauty	5.1	72.2	45.1	53.3	27.3	17.8
Devices			79.8	70.3	33.4	22.5
Cosmetics			21.4	36.1	19.7	11.2
Other	55.2	16.3	(7.6)	(22.2)	(10.3)	(10.3)
Domestic	23.2	65.3	25.4	9.6	8.8	5.4
Devices		970.7	62.5	10.0	10.0	8.0
Cosmetics		7.8	30.3	30.0	15.0	7.5
Overseas		36.2	42.8	86.9	37.1	23.3
Devices		1,308.3	116.8	185.0	50.0	30.0
Cosmetics		10.3	18.1	40.0	24.0	14.4
OP growth (% YoY)	(1.4)	174.8	165.6	41.8	29.0	17.9
NP growth (% YoY)	44.4	162.8	172.2	44.8	28.6	17.7

Source: Company data, Mirae Asset Securities Research

Table 7. APR: Quarterly earnings and forecasts

(Wbn)

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24F	3Q24F	4Q24F	2024F
Revenue	122	128	122	152	524	149	172	184	228	732
Beauty	99	103	101	127	430	132	155	167	206	660
Devices	51	49	46	70	216	67	83	94	125	368
Cosmetics	48	54	55	57	214	65	72	74	81	292
Other	23	25	21	25	93	17	18	16	22	73
Domestic	84	83	66	86	319	83	90	79	97	349
Devices	40	34	25	40	139	35	40	33	44	153
Cosmetics	26	28	29	24	108	35	35	37	33	140
Overseas	38	44	56	66	205	66	82	104	131	383
Devices	11	14	21	30	76	32	43	60	80	216
Cosmetics	22	26	27	34	108	30	36	37	48	151
OP	23	25	22	34	104	28	33	36	51	148
NP	20	19	18	24	82	24	26	28	40	118
OP margin (%)	19.0	19.4	17.9	22.6	19.9	18.6	19.2	19.4	22.6	20.2
Revenue growth (% YoY)	60.0	30.4	28.0	18.7	31.7	21.9	35.1	50.5	49.7	39.8
Beauty	92.5	32.8	37.2	35.3	45.1	33.2	50.7	65.3	61.4	53.3
Devices	277.4	50.2	62.3	52.9	79.8	30.0	70.2	103.8	78.0	70.3
Cosmetics	26.2	20.2	21.7	18.7	21.4	36.6	33.1	33.4	41.1	36.1
Other	(7.4)	21.3	(3.9)	(27.5)	(7.6)	(27.0)	(29.1)	(22.1)	(10.9)	(22.2)
Domestic	73.2	42.1	12.5	(3.3)	25.4	(1.5)	8.4	20.5	13.1	9.6
Devices	267.3	56.3	29.4	18.5	62.5	(13.6)	18.0	35.0	11.5	10.0
Cosmetics	51.5	43.3	32.2	2.2	30.3	34.5	25.0	25.0	37.0	30.0
Overseas	37.1	12.8	52.5	67.7	42.8	73.5	84.9	85.7	96.8	86.9
Devices	310.0	33.9	123.4	142.0	116.8	194.8	200.0	190.0	170.7	185.0
Cosmetics	7.9	5.5	16.6	41.3	18.1	37.6	40.0	40.0	41.6	40.0
OP growth (% YoY)	TTB	257.4	73.7	65.7	165.6	19.7	33.3	62.7	49.4	41.8
NP growth (% YoY)	TTB	355.3	60.5	57.9	172.2	18.7	39.5	52.8	64.6	44.8

Source: Company data, Mirae Asset Securities Research

Table 8. APR: Valuation table

(W)

	Value	Notes
12MF EPS	17,771	
Target P/E (x)	23	At-home device business → 20% premium to industry avg. multiple
Fair price	417,627	
Target price	420,000	
Current price	335,500	
Upside (%)	25.2	

Source: Mirae Asset Securities Research

APR (278470 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	524	732	905	1,048
Cost of revenue	128	171	209	242
GP	396	561	696	806
SG&A expenses	291	414	506	582
OP (adj.)	104	148	191	225
OP	104	148	191	225
Non-operating profit	2	5	6	7
Net financial income	2	6	10	15
Net income from associates	0	0	0	0
Pretax profit	106	153	197	232
Income tax	24	35	45	53
Profit from continuing operations	82	118	152	179
Profit from discontinued operations	0	0	0	0
NP	82	118	152	179
Attributable to owners	82	118	152	179
Attributable to minority interests	0	0	0	0
Total comprehensive income	81	118	152	179
Attributable to owners	81	118	152	179
Attributable to minority interests	0	0	0	0
EBITDA	118	159	210	249
FCF	98	106	136	169
EBITDA margin (%)	22.5	21.7	23.2	23.8
OP margin (%)	19.8	20.2	21.1	21.5
Net margin (%)	15.6	16.1	16.8	17.1

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	219	365	527	717
Cash & equivalents	125	224	353	515
AR & other receivables	23	34	42	49
Inventory	57	85	105	121
Other current assets	14	22	27	32
Non-current assets	68	77	94	105
Investments in associates	0	0	0	0
PP&E	14	18	29	35
Intangible assets	4	4	5	6
Total assets	287	442	621	821
Current liabilities	82	118	144	165
AP & other payables	39	58	71	83
Short-term financial liabilities	18	21	24	26
Other current liabilities	25	39	49	56
Non-current liabilities	8	9	10	11
Long-term financial liabilities	6	6	6	6
Other non-current liabilities	2	3	4	5
Total liabilities	90	128	154	176
Equity attributable to owners	197	315	467	645
Capital stock	4	4	4	4
Capital surplus	61	61	61	61
Retained earnings	124	242	394	572
Minority interests	0	0	0	0
Shareholders' equity	197	315	467	645

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	108	121	166	199
NP	82	118	152	179
Non-cash income/expenses	40	41	55	63
Depreciation	13	11	19	24
Amortization	0	0	1	1
Other	27	30	35	38
Chg. in working capital	1	-10	-7	-6
Chg. in AR & other receivables	-2	-11	-8	-7
Chg. in inventory	-5	-28	-20	-17
Chg. in AP & other payables	10	6	4	3
Income tax	-17	-35	-45	-53
Cash flow from investing activities	-28	-24	-40	-40
Chg. in PP&E	-10	-15	-30	-30
Chg. in intangible assets	-2	0	-2	-2
Chg. in financial assets	-11	-9	-7	-6
Other	-5	0	-1	-2
Cash flow from financing activities	-11	3	-4	-4
Chg. in financial liabilities	-12	4	3	2
Chg. in equity	9	0	0	0
Dividends	0	0	0	0
Other	-8	-1	-7	-6
Chg. in cash	68	99	129	162
Beginning balance	57	125	224	353
Ending balance	125	224	353	515

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

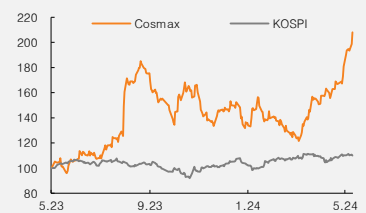
	2023	2024F	2025F	2026F
P/E (x)	-	21.5	16.8	14.3
P/CF (x)	-	16.0	12.4	10.6
P/B (x)	-	8.1	5.5	4.0
EV/EBITDA (x)	-	14.7	10.6	8.3
EPS (W)	11,244	15,594	19,919	23,452
CFPS (W)	16,746	21,026	27,162	31,665
BPS (W)	27,071	41,336	61,255	84,707
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	-	0.0	0.0	0.0
Revenue growth (%)	31.7	39.8	23.6	15.8
EBITDA growth (%)	136.3	34.8	32.1	18.5
OP growth (%)	165.6	41.8	29.0	17.9
EPS growth (%)	166.3	38.7	27.7	17.7
AR turnover (x)	24.2	26.1	24.1	23.4
Inventory turnover (x)	9.8	10.4	9.6	9.3
AP turnover (x)	12.9	11.8	10.8	10.5
ROA (%)	34.6	32.3	28.6	24.8
ROE (%)	54.9	46.1	38.8	32.1
ROIC (%)	135.3	171.9	175.4	171.6
Debt-to-equity ratio (%)	45.9	40.5	33.0	27.2
Current ratio (%)	266.5	308.6	366.1	434.0
Net debt-to-equity ratio (%)	-55.4	-66.0	-72.1	-77.2
Interest coverage ratio (x)	82.3	120.9	137.9	149.5

(Maintain)	Buy
Target price	▲ W210,000
Current price (5/21/24)	W172,400
Upside	21.8%

OP (24F, Wbn)	195
Consensus OP (24F, Wbn)	197
EPS growth (24F, %)	96.3
Market EPS growth (24F, %)	76.3
P/E (24F, x)	17.4
Market P/E (24F, x)	11.1
KOSPI	2,724.18

Market cap (Wbn)	1,957
Shares (mn)	11
Free float (%)	72.0
Foreign ownership (%)	28.6
Beta (12M)	-0.22
52-week low (W)	79,500
52-week high (W)	172,400

(%)	1M	6M	12M
Absolute	28.2	44.1	99.3
Relative	22.0	32.8	85.7



Mirae Asset Securities Co., Ltd.

Songyi Bae
songyi.bae@miraeasset.com

Cosmax

Growth momentum remains robust

Stronger-than-expected revenue growth leads to operating leverage effects

For 1Q24, Cosmax announced stronger-than-expected revenue growth (+31% YoY) thanks to solid growth across all markets. Due to the resulting operating leverage effects, OP margin widened by 5%p YoY. The domestic business reported increases in both direct and indirect exports, while in China, efforts to win orders from new indie brands bore fruit. We estimate the US business meaningfully narrowed its operating loss on strong orders from local indie cosmetics brands.

One-off costs have been increasing in scale and frequency, and 1Q24 was no exception (with the firm recognizing bad debt provisions, FX-translation losses in Southeast Asia, etc.). However, we think the impact was outweighed by operating leverage effects from top-line growth. We also note that the firm has been somewhat conservative in provisioning for potential loan impairments; in 1Q24, the provisioning rate was 18% (bad debt provisions: W77.8bn). Overall, as long as revenue growth continues, we think the firm could see secular margin improvements. The entire ODM sector is currently benefiting from domestic cosmetics brands' robust growth. For 2024, we forecast Cosmax's revenue to grow 23% YoY and OP margin to improve 2.4%p YoY to 8.9%.

Valuation appeal coming into focus thanks to improving earnings visibility

We raise our target price for Cosmax to W210,000 (from W200,000), reflecting the recent increase in industry multiples. Despite the firm's status as the world's leading ODM, its stock has been undervalued vs. peers, likely due to market worries over earnings visibility. With earnings concerns now easing, we think the stock's valuation merits are coming into focus. Despite the recent rally, the stock is still trading at a 12-month forward P/E of 16x, lower than the sector average multiple. We retain our Buy rating.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	1,600	1,777	2,180	2,462	2,681
OP (Wbn)	53	116	195	229	256
OP margin (%)	3.3	6.5	8.9	9.3	9.5
NP (Wbn)	21	57	112	141	155
EPS (W)	1,837	5,034	9,885	12,467	13,689
ROE (%)	3.6	12.1	27.2	26.6	23.1
P/E (x)	40.3	25.1	17.4	13.8	12.6
P/B (x)	1.4	4.0	4.2	3.3	2.6
Dividend yield (%)	0.0	0.4	0.3	0.3	0.3

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

Table 9. Cosmax: Annual earnings and forecasts

(Wbn)

	2021	2022	2023	2024F	2025F	2026F
Revenue	1,591	1,600	1,777	2,180	2,462	2,681
Domestic	853	854	1,058	1,300	1,469	1,620
China	631	557	547	671	762	815
Shanghai	491	432	400	473	520	550
Guangzhou	141	118	141	212	258	281
US	133	164	140	165	186	195
Southeast Asia	59	87	111	137	155	174
OP	123	53	116	195	229	256
Domestic	78	43	95	132	150	166
China	88	57	39	55	66	71
US	(47)	(43)	(32)	(4)	(2)	2
Southeast Asia	2	(1)	8	13	15	17
Pretax profit	78	6	84	159	193	220
NP	34	(16)	38	102	135	154
NP (owners of the parent)	74	21	57	112	141	155
OP margin (%)	7.7	3.3	6.5	8.9	9.3	9.5
Domestic	9.1	5.0	9.0	10.2	10.2	10.3
China	13.9	10.2	7.1	8.3	8.7	8.8
US	(35.4)	(26.3)	(23.0)	(2.5)	(1.0)	1.0
Southeast Asia	4.1	(1.3)	7.4	9.3	9.4	9.5
Revenue growth (% YoY)	15.1	0.5	11.1	22.6	13.0	8.9
Domestic	11.5	0.1	23.8	23.0	13.0	10.3
China	38.4	(11.8)	(1.7)	22.7	13.5	6.9
Shanghai	44.6	(12.0)	(7.5)	18.4	9.9	5.9
Guangzhou	9.5	(15.8)	18.8	50.9	21.7	8.9
US	(20.1)	23.6	(14.8)	18.0	12.6	5.0
Southeast Asia	15.6	46.5	28.7	23.3	12.9	12.4
OP growth (% YoY)	84.0	(56.7)	117.9	68.6	17.4	11.6
Domestic	17.7	(44.6)	121.4	38.9	13.5	10.8
China	143.1	(35.0)	(32.3)	43.5	19.5	7.8
US	RR	RR	RR	RR	RR	TTB
Southeast Asia	(58.6)	TTR	TTB	54.7	13.8	14.2
NP growth (% YoY)	TTB	TTR	TTB	169.8	32.1	14.2

Source: Company data, Mirae Asset Securities Research

Table 10. Cosmax: Quarterly earnings and forecasts

(Wbn)

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24F	3Q24F	4Q24F	2024F
Revenue	403	479	458	437	1,777	527	586	549	518	2,180
Domestic	243	278	288	248	1,058	315	346	338	300	1,300
China	122	154	124	148	547	157	190	155	169	671
Shanghai	92	112	86	111	400	108	134	103	129	473
Guangzhou	30	40	37	34	141	47	60	55	50	212
US	27	38	37	38	140	39	41	42	43	165
Southeast Asia	24	28	30	30	111	34	34	36	34	137
OP	14	46	33	23	116	45	60	48	42	195
Domestic	13	30	26	26	95	30	38	32	32	132
China	9	18	8	4	39	13	21	13	9	55
US	(9)	(7)	(8)	(8)	(32)	(2)	(1)	(1)	(0)	(4)
Southeast Asia	3	2	1	2	8	4	3	2	3	13
Pretax profit	10	37	27	10	84	34	51	40	35	159
NP	1	27	11	(1)	38	20	33	26	24	102
NP (owners of the parent)	7	30	15	5	57	19	36	28	28	112
OP margin (%)	3.4	9.6	7.3	5.2	6.5	8.6	10.2	8.8	8.0	8.9
Domestic	5.3	10.9	9.0	10.4	9.0	9.5	11.0	9.4	10.7	10.2
China	7.0	11.7	6.6	2.6	7.1	8.4	11.0	8.2	5.1	8.3
US	(35.0)	(19.0)	(21.5)	(19.9)	(23.0)	(5.0)	(3.0)	(2.0)	(0.3)	(2.5)
Southeast Asia	13.7	6.8	4.0	6.2	7.4	12.0	8.7	6.8	9.8	9.3
Revenue growth (% YoY)	1.4	18.3	15.5	9.0	11.1	30.6	22.2	19.7	18.7	22.6
Domestic	18.6	23.4	39.3	14.4	23.8	29.6	24.4	17.5	21.2	23.0
China	(17.8)	12.0	(7.5)	7.8	(1.7)	28.6	23.8	25.1	14.5	22.7
Shanghai	(24.9)	4.1	(17.0)	11.0	(7.5)	17.6	20.0	20.0	16.1	18.4
Guangzhou	27.5	11.0	17.5	23.2	18.8	57.6	50.0	50.0	47.0	50.9
US	(39.1)	(0.6)	(17.6)	3.3	(14.8)	43.2	7.0	15.0	14.0	18.0
Southeast Asia	78.7	88.4	92.3	93.5	88.5	38.3	22.5	19.9	15.2	23.3
OP growth (% YoY)	0.5	167.3	68.7	842.0	117.9	229.1	29.4	45.4	84.5	68.6
Domestic	34.0	63.4	120.5	789.7	121.4	131.2	25.3	23.3	24.2	38.9
China	(49.3)	12.3	(38.3)	(64.3)	(32.3)	53.6	16.2	56.4	120.9	43.5
US	RR	RR	RR	RR	RR	RR	RR	RR	RR	RR
Southeast Asia	313.2	TTB	276.3	TTB	TTB	21.1	56.3	103.3	82.1	54.7
NP growth (% YoY)	(93.0)	414.4	60.8	TTR	TTB	2654.3	20.3	136.7	TTB	169.8

Source: Company data, Mirae Asset Securities Research

Table 11. Cosmax: Valuation table

(W)

	Value	Notes
12MF EPS	10,745	
Target P/E (x)	20	Sector avg.
Fair price	214,162	
Target price	210,000	
Current price	172,400	
Upside (%)	21.8	

Source: Mirae Asset Securities Research

Cosmax (192820 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	1,777	2,180	2,462	2,681
Cost of revenue	1,484	1,773	1,998	2,171
GP	293	407	464	510
SG&A expenses	178	212	235	255
OP (adj.)	116	195	229	256
OP	116	195	229	256
Non-operating profit	-32	-36	-36	-36
Net financial income	-26	-33	-32	-30
Net income from associates	-2	0	0	0
Pretax profit	84	159	193	220
Income tax	46	57	58	66
Profit from continuing operations	38	102	135	154
Profit from discontinued operations	0	0	0	0
NP	38	102	135	154
Attributable to owners	57	112	141	155
Attributable to minority interests	-19	-10	-7	-2
Total comprehensive income	29	102	135	154
Attributable to owners	51	118	156	178
Attributable to minority interests	-22	-16	-21	-24
EBITDA	175	255	292	320
FCF	145	5	93	134
EBITDA margin (%)	9.8	11.7	11.9	11.9
OP margin (%)	6.5	8.9	9.3	9.5
Net margin (%)	3.2	5.1	5.7	5.8

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	822	898	1,022	1,206
Cash & equivalents	257	233	275	395
AR & other receivables	281	333	376	409
Inventory	218	259	293	319
Other current assets	66	73	78	83
Non-current assets	735	843	891	915
Investments in associates	36	43	49	53
PP&E	547	640	679	697
Intangible assets	54	51	48	46
Total assets	1,557	1,741	1,913	2,121
Current liabilities	874	955	988	1,040
AP & other payables	313	372	420	457
Short-term financial liabilities	454	457	425	427
Other current liabilities	107	126	143	156
Non-current liabilities	325	337	347	355
Long-term financial liabilities	259	259	259	259
Other non-current liabilities	66	78	88	96
Total liabilities	1,199	1,292	1,335	1,395
Equity attributable to owners	363	463	599	748
Capital stock	6	6	6	6
Capital surplus	29	29	29	29
Retained earnings	313	420	555	705
Minority interests	-4	-14	-21	-22
Shareholders' equity	359	449	578	726

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	231	155	193	214
NP	38	102	135	154
Non-cash income/expenses	161	150	153	160
Depreciation	56	57	61	63
Amortization	4	3	3	2
Other	101	90	89	95
Chg. in working capital	79	-7	-5	-4
Chg. in AR & other receivables	8	-51	-42	-32
Chg. in inventory	-15	-41	-34	-26
Chg. in AP & other payables	60	45	37	29
Income tax	-26	-57	-58	-66
Cash flow from investing activities	-104	-163	-108	-87
Chg. in PP&E	-81	-150	-100	-80
Chg. in intangible assets	-4	0	0	0
Chg. in financial assets	-17	-9	-8	-6
Other	-2	-4	0	-1
Cash flow from financing activities	-39	-3	-38	-4
Chg. in financial liabilities	105	3	-32	2
Chg. in equity	-258	0	0	0
Dividends	0	-6	-6	-6
Other	114	0	0	0
Chg. in cash	88	-24	42	119
Beginning balance	169	257	233	275
Ending balance	257	233	275	395

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

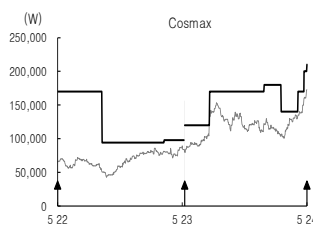
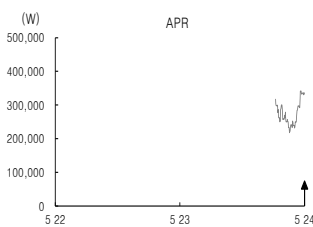
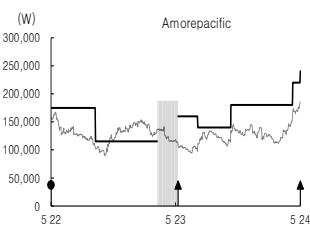
	2023	2024F	2025F	2026F
P/E (x)	25.1	17.4	13.8	12.6
P/CF (x)	7.2	7.8	6.8	6.2
P/B (x)	4.0	4.2	3.3	2.6
EV/EBITDA (x)	10.7	9.3	7.9	6.8
EPS (W)	5,034	9,885	12,467	13,689
CFPS (W)	17,550	22,230	25,376	27,694
BPS (W)	31,968	40,835	52,802	65,991
DPS (W)	500	500	500	500
Dividend payout ratio (%)	15.0	5.6	4.2	3.7
Dividend yield (%)	0.4	0.3	0.3	0.3
Revenue growth (%)	11.1	22.6	13.0	8.9
EBITDA growth (%)	56.5	45.6	14.7	9.5
OP growth (%)	117.9	68.6	17.4	11.6
EPS growth (%)	174.1	96.3	26.1	9.8
AR turnover (x)	6.2	7.3	7.2	7.1
Inventory turnover (x)	8.5	9.1	8.9	8.8
AP turnover (x)	7.1	6.7	6.6	6.4
ROA (%)	2.6	6.2	7.4	7.6
ROE (%)	12.1	27.2	26.6	23.1
ROIC (%)	6.8	15.8	18.8	20.0
Debt-to-equity ratio (%)	334.3	287.8	230.9	192.1
Current ratio (%)	94.0	94.0	103.5	116.0
Net debt-to-equity ratio (%)	123.2	97.9	62.8	33.6
Interest coverage ratio (x)	3.6	5.1	6.1	7.0

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)	Company	Date	Rating	TP (W)
Amorepacific (090430)	05/22/24	Buy	240,000		05/14/24	Buy	200,000
	04/30/24	Buy	220,000		04/26/24	Buy	170,000
	11/01/23	Buy	180,000		03/08/24	Buy	140,000
	07/27/23	Buy	140,000		01/18/24	Buy	180,000
	05/30/23	Buy	160,000		08/11/23	Buy	170,000
	03/31/23	No Coverage			05/30/23	Buy	120,000
	09/30/22	Hold	115,000		05/29/23	No Coverage	
	11/29/21	Hold	175,000		03/31/23	Buy	98,000
					09/30/22	Buy	94,000
APR (278470)	05/22/24	Buy	420,000	11/29/21	Buy	170,000	
Cosmax (192820)	05/22/24	Buy	210,000				



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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Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul)

One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
Tel: 852-2845-6332

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil
Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)

Mirae Asset Capital Markets (India) Pvt Ltd

1st Floor, Tower 4, Equinox Business Park,
LBS Marg, Off BKC, Kurla (West), Mumbai - 400 070
India

Tel: 91-22-62661300 / 48821300

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

PT. Mirae Asset Sekuritas Indonesia

District 8, Treasury Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-54
Jakarta Selatan 12190
Indonesia
Tel: 62-21-5088-7000

Mirae Asset Securities Mongolia UTsk LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392
