Giant Biogene Holding (2367.HK): Briefing/NDR: 2H sales acceleration; Easier margin pressure post front-loaded branding investment; Buy

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We attended Giant Biogene's results briefing and hosted their CFO, CPO and IR team with investors on Aug 19 after the company's 1H26 results. Overall, we see investors' questions centered around the brand investment outlook that helps more stable selling cost ratio into 2H amid robust topline sales, and margin & ROI trajectory by channel. While we remain cautious on soft consumer backdrop in China cosmetics and industry-wise competition heading into 2H26, we are encouraged to see mgmt's confidence regarding the full year outlook and new product pipeline to facilitate 2H26 improvement in both sales growth and margins. We believe key to watch include monthly online growth trajectory from Aug with easier base, where our monthly tracker suggests +2%/-4%/-24% yoy during 25-Aug/Sep/Oct, comparing with low-30s yoy online DTC growth in GSe 2H26E, and the commercialization progress of MA business, which serves as the key growth driver for 2027E. Maintain Buy.

Key takeaways include:

1) Full year guidance reiterated at 10%/flattish sales/NP yoy; more normalized selling ratio in 2H26 post front-loaded branding investment in 1H26: 2H26 sales growth will be supported by new-product incubation and MA business. Management expects sequential GPM improvement in 2H26 vs 1H26 thanks to more favorable product mix and selling ratio to be no higher than 1H26.

2) By brand, Comfy growth supported by core SKU: Mgmt expects collagen stick to return to growth in 2026 with long-term sales potential of c.Rmb2bn and plans to launch derivative products in 2H26 and upgrade to Collagen Stick 3.0 in 1H27. Mgmt also shared strong launch performance of single use essence oil, with self-operated GMV exceeding Rmb30mn/Rmb100mn in first 7/100 days; management reiterated c.Rmb200mn revenue in 2026.**Collgene in high potential with MA business ramp-up:** Mgmt expects Collgene to reach Rmb1bn revenue scale in 2026 and plans to reposition the brand and launch new products in 1H27, with long-term potential exceeding Rmb3bn. The Company plans to scale its 753 Collagen Injection through institution launches and physician education, while expanding its Class III device pipeline, reiterating goal of Rmb100mn MA revenue in 2026. 753 collagen injection's superior margins in steady state (c.90% GPM and better NPM vs skincare products) could also drive company margin through mix upgrades in the future.

3) Channel growth supported by strong execution & offline depth: The Company is pursuing differentiated platform strategies, including refined membership operations on Tmall, stronger self-streaming and KOL networks on Douyin, and improved operational quality on JD.com through supply-chain capabilities. Offline remains pressured near term, but the Company plans to leverage its network of 1,700+ public hospitals, c.3,500 private hospitals and clinics, c.130,000 chain pharmacies and 6,000 CS stores, alongside tighter pricing control and sell-through initiatives, to support longer-term channel resilience.

Related Research:

Giant Biogene Holding (2367.HK): Earning Review: 1H26 NI in line albeit OP missed on greater selling expenses; Guidance reiterated; Buy

Key takeaways from the NDR/results briefing

1. 1H26 Recap & 2H26 Outlook

- **Sales:** 1H26 revenue declined yoy on intensified competition, channel optimization, and a weaker offline environment. Skincare sales were pressured by lower KOL revenue while MA business saw offline channel challenges. Management is strengthening brand building, online DTC operations, new-product incubation, and channel efficiency. Mgmt highlighted clear 2Q sequential improvement and expect revenue to resume steady growth in 2H26. 3Q26 sales may remain seasonally soft, given July's traditional off-season and demand pull-forward from the extended 618 campaign, while management expects 4Q26 yoy growth to outperform 3Q26.
- **GPM:** 1H26 GPM edged down yoy as lower-margin new skincare categories gained mix versus high-margin dressings and serums, while new SKUs supply-chain, packaging, and manufacturing costs were not yet fully absorbed with low operating leverage. Management expects new product scale up and higher margin MA sales to support sequential margin recovery in 2H26 vs 1H26, while pricing discipline should keep long term GPM broadly stable.
- **Selling Expenses Ratio & Marketing Strategy:** 1H26 expense ratios rose on front-loaded investment in brand building, new-product and medical-aesthetics launches, self-operated channels, and user operations, alongside higher traffic costs and channel restructuring. In 2H26, brand building expenses are expected to decline in absolute amount with lower promotion concentration, while traffic spending should remain broadly stable. Efficiency should improve through content optimization, refined operations, a higher contribution from mid-tier KOLs, and maturing self-operated livestreaming rooms.
- **NP:** 1H26 margins were pressured by front-loaded brand investment and higher traffic costs, but are expected to improve sequentially in 2H26 as spending normalizes and marketing efficiency and scale benefits increase.

2. Performance of Key Products and New Pipelines:

- **Comfy:**
  - **Single Use Essence (Collagen Stick):** Mgmt shared cumulative sales have exceeded 800 million units since launch. It ranked No. 1 globally in single-use

serum sales in 2025 and topped relevant categories across multiple platforms during 2026 618 Campaign. New customers account for 60-70% of sales, while repurchase performance leads across platforms, supported by its standardized application, tangible efficacy, and strong compatibility with other products. Management positions Collagen Stick as a cash-generating product, focusing on margin, repurchase rate, and NPS. Looking forward, mgmt expects it to return to growth in 2026 with long-term sales potential of c.Rmb2bn. The Company plans to launch derivative products in 2H26 and upgrade to Collagen Stick 3.0 in 1H27, expecting the SKU to reach Rmb2bn in the future.

  - **Single use essence water oil (超透棒):** It is a dual-phase, single-use serum under Comfy's Focus series, targeting dullness, sallowness, poor skin translucency, and uneven texture. Priced at RMB499, it primarily targets high-stress, high-consumption urban consumers aged 26-35. The product is clearly differentiated from Collagen Stick by target consumers, use cases, price point, and format, with customer overlap below 30%. Mgmt further shared c.80% of purchasers are new Comfy customers, highlighting strong ability for new customer acquisition. Launch performance has been strong, with self-operated GMV exceeding Rmb30mn in the first week and Rmb100mn in the first 100 days; management expects c.Rmb200mn revenue in 2026 (eighth months after launch).

- **Collgene:** Collgene saw flat revenue yoy in 1H26, demonstrating relative resilience amid industry pressure. Online operations improved markedly, with all-channel GMV during the 618 campaign rising 30%+ yoy. The Company launched the Yunhuo series, including Collagen Golden Bottle and collagen toner-lotion products, which received multiple anti-aging product and brand awards. Brand building and channel optimization also improved customer metrics, with new customers accounting for 50%+ in 1H26 while repurchase rates at 30%+ across the three major platforms over the past 12 months. Management expects Collgene to reach Rmb1bn revenue in 2026, supported by anti-aging skincare and MA expansion.

  - **MA Business Updates:** The Company has secured approvals for two Class III medical-device products and obtained a Class III medical-device manufacturing license. Its first Class III device 753 Collagen Injection was officially launched in June 2026. The Company has begun procurement discussions with leading aesthetic-medicine institutions, plans nearly 100 launch events by end-August, and has conducted around 20 physician training sessions. Initial physician feedback indicates visible efficacy, good safety, and reliable product quality, while early consumer feedback highlights its technology-oriented yet considerate packaging and satisfactory treatment experience. Priced at RMB6,800, the product targets the mid-to-high-end market and expect to achieve c.90% GPM at steady state with better NPM vs skincare products at 30%+. The company plans to launch the second type-III licensed MA product in 26Q4, yet expecting 753 Collagen Injection to be the main contributor of the Rmb100mn sales target in 2026.

  - **Long-term brand growth:** Following the launch of the 753 Collagen Injection, the brand now spans Class III and Class II medical devices and efficacy skincare, forming a three-tier portfolio across medical aesthetics, post-treatment repair, and daily care. Management expects its B2B medical-aesthetics and B2C skincare capabilities to reinforce each other, while shared technology across use cases provides differentiation. The Company expects Collgene to reach Rmb1bn revenue scale in 2026 and plans to reposition the brand and launch new products in 1H27, with long-term potential exceeding Rmb3bn.

3. Channel Strategy

- **Online Channel:** The Company is pursuing differentiated platform strategies, including refined membership operations on Tmall, stronger self-streaming and KOL networks on Douyin, and improved operational quality on JD.com through supply-chain capabilities and professional consumption scenarios. Product operations are also leveraging dedicated livestreaming matrices, category search terms, and platform-specific audience targeting to drive differentiated growth for Collagen Stick and Single use essence water oil.
    - **Tmall:** Tmall remains the Company's core e-commerce channel, contributing 40%+ online sales in 1H26. With stable daily sales and mid-level profitability, it is expected to remain a key 2H26 growth driver alongside Douyin, while management focuses on optimizing operations within each platform.
    - **Douyin:** Douyin accounts for 30%+ sales in 1H26 and remains a key 2H growth driver despite slower user growth, evolving traffic allocation, and higher traffic costs, which keep channel margins below Tmall and JD.com. Comfy's strong consumer quality, loyalty, and repurchase on the platform help mitigate policy disruptions. Management expects Douyin operations and channel profitability to remain broadly stable in 2H26.
    - **JD:** Mgmt shared Last year's 618-related external factors delayed the digestion of certain inventory into subsequent quarters, while healthier inventory levels and turnover this year may cause a short-term decline in reported revenue despite resilient end-market demand. JD.com remains the most profitable channel, supported by higher-quality consumers and lower influencer costs; although it contributes only 10%-15% of sales, management expects stronger 2H GMV growth as stocking and shipment timing normalize.
    - **KOL Strategy:** In 1H26, KOL accounted for c.30% of online sales. The Company is reducing reliance on top-tier KOLs, increasing mid-tier collaborations, and using KOL exposure to direct traffic to owned livestreaming rooms for conversion and retention. Self-operated livestreaming remains in the investment phase, with efficiency dependent on traffic allocation, content quality, and operating capabilities.
- **Offline Channel:** Offline channels faced pressure in 1H26 due to we intensified competition, and cautious distributor ordering, while di grew yoy, supported by new high-quality direct channels, stronger marketing, merchandising, staff training, and experience-store exp

Company's network covered 1,700+ public hospitals, c.3,500 private hospitals and clinics, c.130,000 chain pharmacies, and 6,000 CS-channel stores as of 1H26. Management views professional medical and OTC channels as key to brand credibility and earnings resilience, and expects industry consolidation to strengthen barriers for leading brands with superior professional service capabilities. The Company has been accelerating expansion into higher-brand-equity retail channels, increasing its Sephora store presence in 2026 and entering retail networks such as Pangdonglai to reach higher-quality consumers. Going forward, the Company will enhance channel profitability and health through strict pricing management, pharmacy sell-through training, consumer education, scenario-based product offerings, and rationalization of low-efficiency SKUs.

4. Thoughts on Overseas Expansion: Management views overseas expansion as a medium-to-long-term growth initiative, currently focused on channel development and localized operations rather than near-term revenue scale. Southeast Asia serves as the first step, with presence across Hong Kong and Macau, Singapore, Malaysia, and Thailand through parallel online and offline channel build out. The Company plans phased expansion into Japan, Korea, and North America, following a gradual, market-by-market approach. Rather than replicating its domestic model, it aims to improve local relevance through partnerships with local celebrities and music festivals, alongside product adaptation in texture, fragrance, and pack size.

5. Shareholder returns and CAPEX plans: The Company will evaluate dividends, share repurchases, and other cash uses across cash management, capital allocation, and shareholder-return considerations. It intends to maintain a relatively high payout ratio, providing shareholders with clear and stable returns.

Price Target Risks and Methodology - Giant Biogene Holding

Valuation methodology: We are Buy rated on Giant Biogene. Our 12-month target price of HK$33 is based on a 17x 2027E P/E discounted back to end-2026E using a 9.6% COE. Our target exit multiple of 17x is based on a 50%/50% blended cosmetics/medical devices P/E, after applying a 20% A-H share discount. The cosmetics multiple is derived in-line with our industry base multiple of 20x; and the medical devices multiple is derived at 22x in-line with MA industry base.

Key risks: 1) Slower-than-expected growth/intensified competition in the professional skin treatment market; 2) inability to develop successful products; 3) regulatory risk.

2367.HK	12m Price Target: **HK$33.00**	Price: **HK$28.44**	Upside: **16.0%**

Buy

Market cap: HK$30.5bn / $3.9bn
Enterprise value: HK$21.6bn / $2.7bn
3m ADTV: HK$145.2mn / $18.5mn
China
China Cosmetics, Pet & Food
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn)	5,518.5	6,059.1	7,032.8	8,339.4
EBITDA (Rmb mn)	2,202.4	1,947.8	2,214.1	2,684.0
EPS (Rmb)	1.83	1.75	1.94	2.35
P/E (X)	28.7	13.9	12.6	10.4
P/B (X)	5.5	2.4	2.1	1.8
Dividend yield (%)	2.4	2.2	2.4	2.9
N debt/EBITDA (ex lease,X)	(2.8)	(3.9)	(3.9)	(3.8)
CROCI (%)	20.3	23.9	16.1	17.2
FCF yield (%)	2.5	9.8	7.7	9.5

	12/25	6/26	12/26E	--
EPS (Rmb)	0.68	0.89	0.88	–

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 19 Aug 2026 close.

Disclosure Appendix

Reg AC

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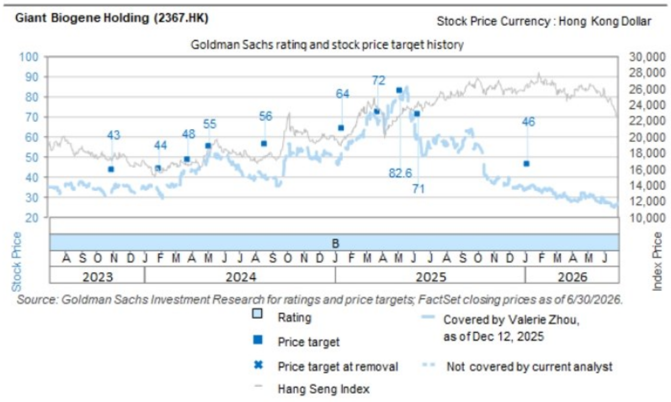

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Target price history table(s)
Giant Biogene Holding (2367.HK)

Date of report	Target price (HK$)	Closing price (HK$)
18-Aug-26	33.00	28.10
14-Jul-26	34.00	26.90
07-Jan-26	46.00	34.68
10-Jun-25	71.00	60.60
07-May-25	82.60	78.80
26-Mar-25	72.00	68.00
16-Jan-25	64.00	53.30
20-Aug-24	56.00	40.75
06-May-24	55.00	52.00
26-Mar-24	48.00	42.50
31-Jan-24	44.00	31.65
02-Nov-23	43.00	33.55

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