

# Valuation Analysis of the Medical Beauty Industry Based on DCF Valuation

Kaixin Zhang \*

School of Economics and Finance, Shanghai University of Finance and Economics Zhejiang College, Jinhua, China

\* Corresponding Author Email: 201932331017@stu.qhnu.edu.cn

**Abstract.** Contemporarily, with the development of China people who live in China have increase income. People have more attention of their appearance and the pursuit of quality of life is getting higher and higher, that the medical beauty Industry develop rapidly. The companies develop vigorously because consumers demand continues to increase nowadays that many companies in the medical beauty industry have investment value. However, some scholars query that why the company in the medical beauty Industry have such high valuation. Therefore, this study examines the leading enterprise in the medical beauty Industry called Aimeike, by means of collect and sort out the relevant data of Aimeike, used the discounted future cash flow model to analyze the valuation about Aimeike, on this account reflects whether the overall valuation of the medical beauty industry is on the high side. In order to provide investors some investment orientation and this study will offer some examines for the companies in medical beauty industry. During the research, there are high valuations in the medical beauty industry.

**Keywords:** Medical beauty Industry; Aimeike; cash flow discount model.

## 1. Introduction

With the growth in the living standard, more and more young people have the demand for beauty is high. Thus, they hope through medical beauty to change their appearance, after that to increase your confidence and happiness. Medical beauty is permeated through the people's daily life [1]. According to the "China Medical Beauty Industry 2023 Insight Report" released by Allergan Aesthetics and Deloitte Management Consulting, predict that growth rate of market about medical beauty industry will increase to nearly 20% in 2023 and in the last four years, it will keep growth about 15% every year [2]. The development speed of the medical beauty industry in China is extremely fast, but the market penetration rate is low, and the current situation of the industry shows strong development potential [3].

As a leading enterprise in the medical beauty industry, AiMeiKe entered in the capital market from September 2020 to now, main business related to hyaluronic acid. The stock price of Aimeike rising significantly to over 1300 yuan and then falling, maintain about 300 yuan. P/E ratio once increased at 336, but now is 32. Current total market value is far exceed industry average market value (106.2 million yuan) is 634.3 million yuan [4]. However, the medical beauty industry has low entry barriers, so with the development of industry, there are more and more competitors enter this industry because of the high and high-speed profit, then some fatal problems will appear [5]. The most serious problem is the products are uniqueness and have small differentiation that the companies hard to keep hyper-growth. At the beginning of 2024, a phenomenon has occurred in China Securities Market that all shares in the medical beauty industry fall [6]. However Aimeike increase the research and development recent years. Consumers demand for medical beauty products has characteristics such as certainty, stability, and buy perpetual, the company has the good development future [7]. Obviously, Aimeike once had overestimation phenomenon, but the valuation of Aimeike whether accuracy is a question that worth discussion.

There is no doubt that Aimeike is the most representative company in the medical beauty industry, because it is as a leading enterprise in the medical beauty industry. Therefore, this passage taking Aimeike as the research object to make a valuation. In order to help enterprise managers and investors

have a deep understand about the true intrinsic value of Aimeike [8]. Cash flow discount model can assess the existing value and forecast the future value of Aimeike by some nearly datas. Though the compare, it is clear to get a result that the valuation of Aimeike is it reasonable [9].

## 2. Methodology

This study select Aimeike as a case. Established in 2004, the company is a leading innovative enterprise in the research and transformation of biomedical soft tissue repair materials in China. It has successfully achieved the industrialization of hyaluronic acid sodium filler series products and facial implant threads. In 2009, it became the first domestic enterprise to obtain the CFDA's Class III medical device certificate for injectable hyaluronic acid sodium, filling the gap in the medical and aesthetic field. In 2019, it became the first domestic enterprise to obtain the NMPA's (former CFDA) Class III medical device certificate for facial implant threads. Aiming to create a better life for people, Aimeicare has always adhered to independent research and innovation, filling many gaps in the domestic market and driving the upgrading of domestic industry technology. In September 2020, Aimeicare successfully listed on the A-share market, embarking on a new journey. In the future, Aimeicare will continue to adhere to the concept of "creating touching moments" and serve the national health development strategy, meeting the growing needs of the people for a better life, and striving to build a well-known enterprise with leading technology and internationally competitive products. All data used in this passage taken from iFinD, it including Revenue, Tax, Depreciation & Amortization, Capital Expenditure, EBITDA and FCF from 2020 to 2023.

As for enterprises and investors, the intrinsic value of stocks whether accuracy is the most important thing. With the development of China's Securities Market, it need guide investors to pay close attention to the truly high-quality stocks by raising stock prices. Meanwhile, the market also need to forbid the phenomenon of false overestimation [10]. This passage ues cash flow discount model, namely:

$$DCF = \left[ \frac{FCF1}{(1+r)^1} + \frac{FCF2}{(1+r)^2} + \dots + \frac{FCFn}{(1+r)^n} \right] + Terminal Value \quad (1)$$

However, for Terminal Value, this passage hypothesis perpetual growth rate  $g$  to discount, namely:

$$DCF = \left[ \frac{FCF1}{(1+r)^1} + \frac{FCF2}{(1+r)^2} + \dots + \frac{FCFn}{(1+r)^n} \right] + \frac{FCFn}{(1+r)^n} \times \frac{1+g}{r-g} \quad (2)$$

## 3. Results and Discussion

### 3.1. Revenue

This study according to four years data, Revenue are respectively 70929 ten thousand yuan in 2020, 144787 ten thousand yuan in 2021, 193884 ten thousand yuan in 2022, 286935 ten thousand yuan in 2023. After calculation average revenue growth rate nearly 35%, thus forecast the Revenue from 2024 to 2028 is 401,709 ten thousand yuan, 542,307 ten thousand yuan, 732,114 ten thousand yuan, 951,748 ten thousand yuan and 1,237,273 ten thousand yuan. A sketch of the result is shown in Fig. 1.

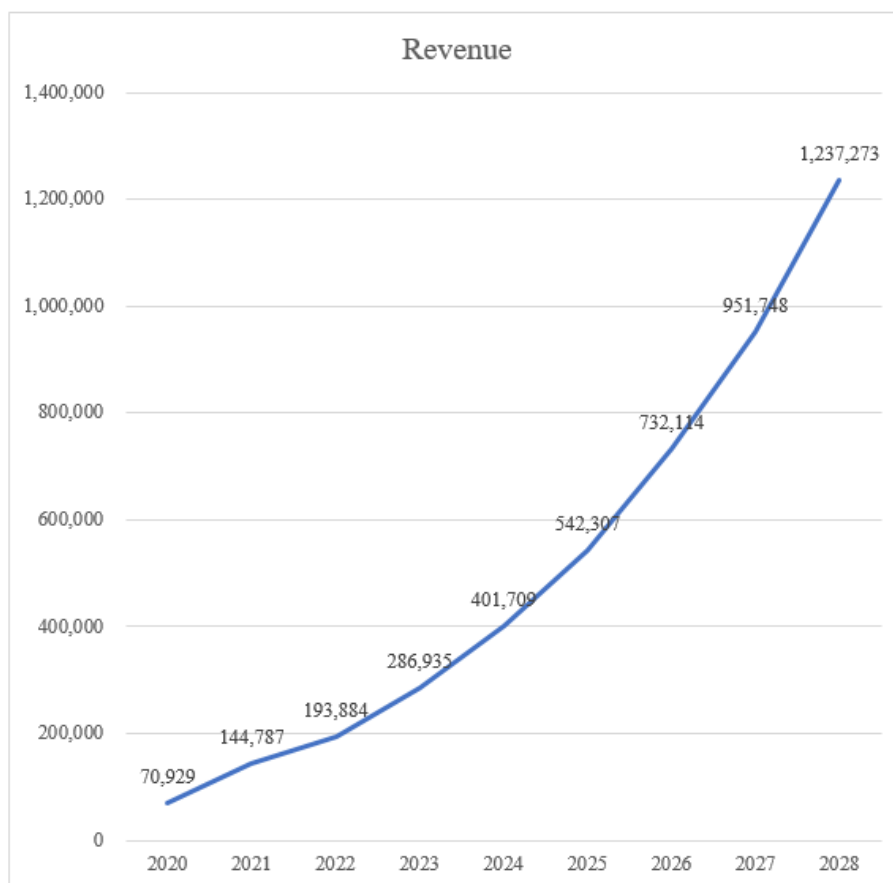


Fig. 1 Revenue (ten thousand yuan).

### 3.2. Tax

As shown in Table 1, the tax in Aimeike from 2020 to 2023 was 6926.66 ten thousand yuan, 16450.43 ten thousand yuan, 22072.31 ten thousand yuan and 30063.57 ten thousand yuan. After calculation in this four years the tax rate is about 15%, thus forecast in 2024 the tax maybe 41,456 ten thousand yuan, in 2025 the tax is 55,966 ten thousand yuan, in 2026 the tax is 75,554 ten thousand yuan, in 2027 the tax is 104,768 ten thousand yuan and in 2028 the tax is 136,199 ten thousand yuan.

Table 1. Tax.

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Tax	6926.6	16450.	22072.	30063.	41456.3	55966.0	75554.1	104768.	136198.
Tax Rate	6	43	31	57	28	43	58	43	96
	14%	15%	15%	14%	15%	15%	15%	16%	16%

### 3.3. Depreciation & Amortization

According to the data about Depreciation & Amortization from 2020 to 2023 was 1,194 ten thousand yuan, 1,449 ten thousand yuan, 1,718 ten thousand yuan and 4,164 ten thousand yuan. After calculation in this four years, Depreciation & Amortization rate nearly 1.2%. Thus forecast from 2024 to 2028, the Depreciation & Amortization is 4,821 ten thousand yuan, 6,508 ten thousand yuan, 8,785 ten thousand yuan, 11,421 ten thousand yuan and 14,847 ten thousand yuan.

### 3.4. Capital Expenditure

This passage according to the data about Capital Expenditure from 2020 to 2024 respectively was 394 ten thousand yuan, 1,612 ten thousand yuan, 42,380 ten thousand yuan and 7,415 ten thousand yuan. Thus forecast next five years is 40,171 ten thousand yuan, 54,231 ten thousand yuan, 73,211 ten thousand yuan, 95,175 ten thousand yuan, and 123,727 ten thousand yuan.

### 3.5. EBITDA and FCF

As shown in Table 2, the data about EBITDA from 2020 to 2023 was 50662.34, 108487.17, 145623.88 and 214655.65. The data about FCF from 2020 to 2023 was -40497.1, 137409.85, 40231.94 and 102227.43. Thus, forecasting next five years is 281196.03, 379614.63, 512479.76, 666223.68, 866090.79 and 115210.03, 155533.54, 209970.28, 266413.33, 346337.33.

**Table 2.** EBITDA and FCF.

	2020	2021	2022	2023	2024	2025	2026	2027	2028
EBITD	50662.	108487.	145623.	214655.	281196.	379614.	512479.	666223.	866090.
A	34	17	88	65	03	63	76	68	79
FCF	-	137409.	40231.9	102227.	115210.	155533.	209970.	266413.	346337.
	40497.1	85	4	43	03	54	28	33	33

## 4. Conclusion

In summary, this study hypothesis  $g=2\%$ ,  $r=8\%$ , calculate the intrinsic value of Aimeike is 484.5 million yuan. This passage make a sensitive analysis, find after appropriate adjustments the rate of EBITDA and FCF, the intrinsic value of Aimeike is 574.4 million yuan.

Though the research, this passage find the intrinsic value of Aimeike compare with the market value 634.3 million yuan is in a significantly overvalued state. Although the high valuation market value of Aimeike is lower compare several years, but it still keep a high valuation. Therefore, it indicates that nowadays the Valuation of medical beauty industry is clearly overestimated. The research significance of this article is offer investor some thinking to how to adjust their investment portfolio and it has advantages for company examining their own development. Finally, this passage has a disadvantage that the valuation of Revenue is too idealistic. It is difficult to predicting future cash flows, therefore this research will need regularly updating data in the future to keep the reliability of research.

## References

- [1] Sun Y, Yang X. The Present Situation and Reflection on the Development of Chinese Medical Cosmetology Industry. *Frontiers in Medical Science Research*, 2022, 4: 11.
- [2] Deng J. The Medical Aesthetics Industry: Strengthening Self-discipline, Compliance, and Quality Development are Imperative. *Economic Information Daily*, 2024, 4(16): 7.
- [3] Wang H. Investment Value Analysis of Listed Companies in China's Medical Aesthetics Industry. Hebei Finance University, 2022.
- [4] Mi M. Research on Value Evaluation of High tech Enterprises in the Medical Aesthetics Industry Based on DCF Method. Central University of Finance and Economics, 2022.
- [5] Chen C. William Aimee's High Valuation Trap. *Dynamic analysis of the stock market*, 2021, 21: 39.
- [6] Lin Z. Aimike's net profit for the first quarter is expected to increase by more than 20%. The "medical beauty three giants" are easy to find new tracks, but popular products are hard to find. *Daily Economic News*, 2024, 4(11): 8.
- [7] Fu S. Aimeke Actively Creating a Product Matrix. *China Securities Journal*, 2024, 3(20): A06.
- [8] Lurago M. Valuation Study of Aimike Company Based on DCF and B-S Real Options Models. Sichuan University, 2023.
- [9] Deng Q. Value Evaluation of Medical Aesthetics Consumables Enterprises Based on DCF and B-S Combination Model. Yunnan University of Finance and Economics, 2023.
- [10] Ye C, Li W, Ye Y, et al. Construction of Valuation System with Chinese Characteristics Based on Entropy Weight Method and K-means. *Financial Engineering and Risk Management*, 2023, 6(11): 7.