Investment Value Analysis and Regulatory Trends in China's Medical Cosmetology Industry

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Abstract. With the rapid rise of the Internet celebrity economy and the live broadcasting industry, medical beauty has become a hot spot sought after by consumers and operators with its advantages of low risk and fast start-up. However, considering that China's medical beauty industry started late compared with other developed countries, both the social foundation and the theoretical research foundation are relatively weak to cultivate the medical cosmetology industry to become a truly valuable investment track, we must analyze and study. Given the recent rise of the medical beauty industry in the capital market, many investors and consumers lack understanding and analysis of the medical beauty industry. This paper first analyzes the development status and trend of the medical cosmetology industry from the perspective of investment. Analyze the investment value of several listed companies in the medical beauty industry from a macro and micro perspective. Second, analyze the current problems in the beauty industry and regulatory measures.

Keywords: Investment; Medical Cosmetology industry; Analysis.

1. Introduction

1.1 Background

Affected by the epidemic, the world economy experienced a deep recession in 2020. And China is hard to stand alone. At the 2022 meeting of the Financial Commission of the State Council, it was pointed out that under the current complex situation, adhere to economic construction as the center, adhere to deepening reform, expanding opening up, and adhere to the principles of marketization and rule of law. Therefore, how we can improve in many ways is a question that we need to explore from practice and theory. The attractive return on investment and good prospects of the aesthetic market has led many people to want to participate. However, in recent years, with the rapid development of the economy and society and the continuous improvement of people's living standards, people have begun to pay attention to appearance. The medical cosmetology industry has exposed a lot of negative related news, and some small workshops without medical qualifications have used advertising to deceive consumers. To avoid the false operation of the medical aesthetic industry, we must analyze and study.

1.2 Related research

Medical Cosmetology has become a hot spot sought after by consumers and operators with the advantages of low risk and fast onset. The aesthetic market has attractive returns on investment. The prospect leads to a lot of people wanting to be part of it. However, in recent years, the micro-plastic surgery industry has been exposed to many negative related news, and some small workshops without medical qualifications have used advertising to deceive consumers [1]. Pain Points and Regulatory Innovation of the New Economy of Medical Aesthetics. With the improvement of quality of life, the public is gradually increasing the demand for high-quality medical conditions and beauty services. The medical aesthetic market ushered in a golden period of development, but the medical qualifications and professional levels are uneven, and the quality of products and services is difficult to guarantee. Therefore, reviewing the current situation of the industry and innovating industry supervision are crucial for the high-quality development of the medical beauty industry [2].

As botulinum toxin became more and more popular in the aesthetic industry, Bloomage biotech established a joint venture with a Korean botulinum toxin company. Seven years later, new commercial rivals have entered the market, but the plan of cooperation between the two sides has been delayed due to the strengthening of domestic supervision of the medical cosmetology industry. Bloomage Had to terminate its cooperation with the South Korean side. IMEIK is expected to improve the problem of insufficient supply in the domestic botulinum toxin market and promote the further expansion of the botulinum toxin market [3]. Industry insiders said that in the second half of the year, the medical cosmetology industry will enter the peak consumption season. Stricter regulation has raised the industry threshold, which is conducive to compliant manufacturers to expand market share, increase industry concentration, and promote leading companies to improve their competitiveness [4]. Factors affecting consumers' choice of medical cosmetology institutions are mainly price, service and public praise. For the marketing of medical cosmetology institutions, the most important factor is the product. This article proposes relevant strategies to promote the development of medical and aesthetic institutions. Medical cosmetology institutions should establish a high-quality brand image, integrate interactive information to enhance consumer willingness and improve the quality of medical cosmetology services [5]. According to the survey, by 2022, the size of China's plastic surgery market will reach 300 billion yuan, which shows that consumers' growing demand for beauty also shows that the trust between the demand side and the supply side in the medical beauty market. The frequent occurrence of medical accidents caused by asymmetric interest rates makes most potential consumers take a wait-and-see attitude towards medical cosmetic surgery. This paper takes the new oxygen APP as an example to study, and analyzes its "vertical community + e-commerce" media operation mode [6].

1.3 Objective

In this paper, three listed companies involved in the concept of medical aesthetics are selected as the research objectives. In line with the principle that the research industry is more important than the company. First of all, the fundamentals of the entire medical aesthetic industry are analyzed, and the factors affecting the investment value of the industry are divided into macro and micro perspectives, and the macro and micro levels are analyzed and studied sequentially. Secondly, this paper analyzes the whole industry chain of the three giant medical aesthetic enterprises in the medical aesthetic industry, including the current situation and trend of the industry. Then, quantitative analysis of each medical aesthetic company's own indicators is performed. Therefore, China's medical aesthetic industry started late, and many medical conditions and beauty services are not yet mature. Many people illegally operate the shop. This article will elaborate on the current problems and some regulatory measures in the medical aesthetic industry, and draw the final conclusions of this paper from the regulatory trends of China's medical aesthetic industry and the investment value of listed companies in China's medical aesthetic industry.

2. The development status of China's medical aesthetic market

2.1 Market size

In recent years, with the continuous development of China's economy and medical technology, people's living standards have significantly improved, and the demand for high-quality medical conditions and beauty services in China has gradually increased. According to the survey statistics of the new oxygen medical beauty white paper, in 2021, China's medical aesthetic market will show a rapid growth trend, with a growth rate of more than 20%, and more than 80% of the people surveyed will have a high acceptance of medical beauty, and none of them can completely accept medical beauty. With the development of medical beauty, it is estimated that by 2022, there will be more than 20 million medical beauty consumer users in China. It is expected that the compound annual growth rate from 2015 to 2020 will be around 30%, which is significantly higher than the world average of 8%. According to the "2021 White Paper on the Development of China's Body Shaping Industry" released by the official website of the China Plastic Surgery and Beauty Association in February 2021, the size of China's medical aesthetic market in 2020 will be about 190 billion; Affected by the new crown epidemic, the growth rate of the industry has slowed down in 2020, but it will gradually pick up in the later stage, and the growth rate can rise to an annualized rate of 18% in 2023.

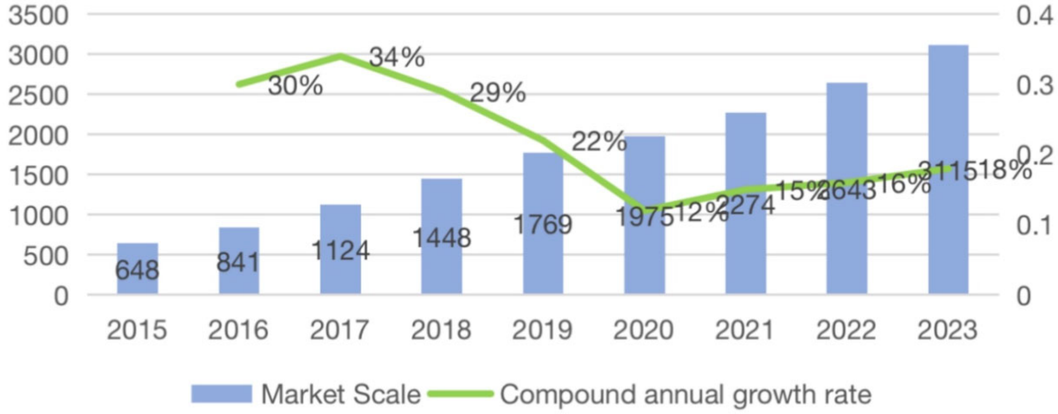

Fig. 1 The market of China's medical cosmetology industry

Driven by the demand for medical beauty, the hyaluronic acid and botulinum toxin industries are developing rapidly, and the market size is expected to reach 8 billion yuan and 6 billion yuan respectively in 2022. At present, the penetration rate of medical aesthetics in China is only 3.6%, while the penetration rate of medical aesthetics in the United States, Japan, and South Korea is 16.6%, 11.0%, and 20.5% respectively. However, due to the late start of China's medical aesthetic market, there is still huge room for improvement.

The current development characteristics of China's medical beauty industry: (1) The scale of the informal market is much larger than the compliance market, and from the perspective of the standard penetration rate of the United States, China's compliant medical beauty market has at least 3 times the space of China's compliant medical beauty market. (2) The hyaluronic acid and botulinum toxin industry, which occupy the mainstream products of the medical beauty industry, have developed rapidly, and the later development space is huge.

2.2.1 Bloomage Biotech

Bloomage Biotech skin care products have driven the rapid growth of the company's revenue scale and have become an important source of income for the company. The Company's revenue increased from RMB1.26 billion in 2018 to RMB4.95 billion (CAGR of 57.64%) in 2021, and net profit attributable to the parent increased from RMB420 million to RMB780 million (CAGR of 22.63%) during the same period. Since 2016, under the strategic adjustment of Ms. Zhao Yan, the founder of Bloomage Biologics, Bloomage Biologics has begun to lay out the functional skin care products business. The company established a functional skin care product sector by 0-1, and the functional skin care business revenue in 2021 reached 3.32 billion yuan, +146.57% year-on-year, which was the main source of the company's revenue growth, accounting for 67% of the company's revenue in the year.

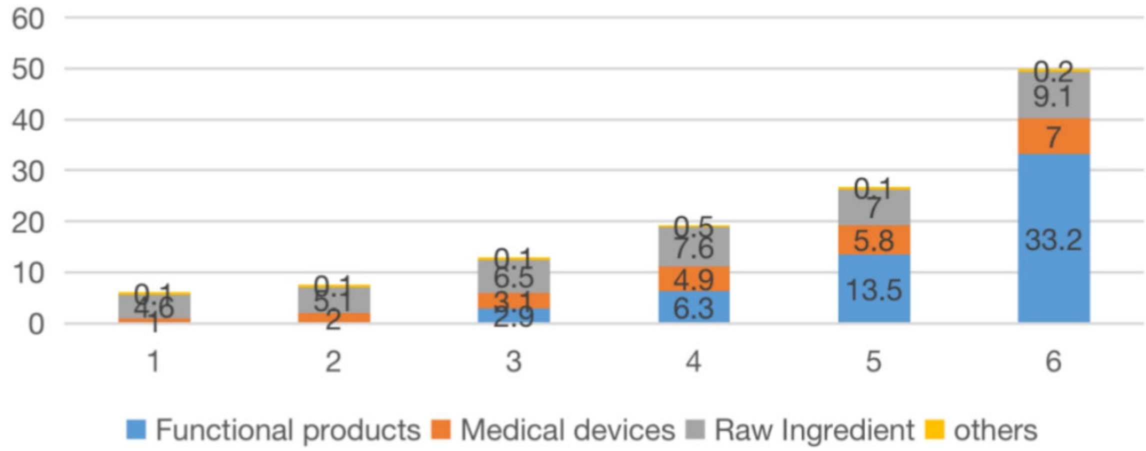

Fig. 2 2016-2021 Diferent business income (100 million yuan)

From the perspective of investment, some investors are worried: in 2021, the company's cosmetics revenue will exceed 3.3 billion, and the volume has entered the first echelon among domestic cosmetics companies, will the future ceiling be limited? However, the company's cosmetics sector should look at the long-term layout, multi-brand cultivation capabilities have been proven, relying on raw materials + technology platforms to continuously develop products and brand matrix, the future growth space is broad. In terms of volume, in the first echelon of China's medical aesthetic industry, Proya (2021 revenue of 4.6 billion) and Bethani (2021 revenue of 4 billion) single brands account for a relatively large proportion, and the main brands of the two companies, Proya and Winona, account for 83% and 98% of the revenue of the two companies in 2021, that is, the revenue of 3.83 billion and 3.94 billion. The four major brands of Bloomage have balanced development, with the highest revenue volume of biohylux among the four major brands, with revenue of 1.23 billion yuan in 2021, accounting for 37% of the company's cosmetics sector revenue, and it is expected that there is still a lot of room for upward development of blooming biotech in the future.

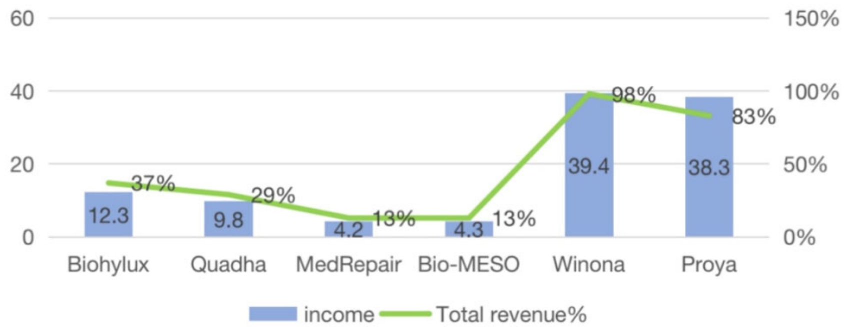

Fig. 3 Bloomage biotehc four major brands and Winona and Proya 2021 revenue volume and proportion of the company's revenue

The investment advice in this article is to buy-A investment rating. First of all, from this year's point of view: the company's subjective channel reform adjustment, while the network anchor advertising products will inevitably decrease, it is expected that the trend of skin care product expenses will decline, and profits will be gradually released. Secondly, in the medium and long-term dimension: bloomage biotech holds the advantages of core raw material technology, relies on the technology research and development platform to establish a whole industry chain business system, and harvests market reputation with excellent product strength, and the core competitiveness is difficult to replicate and surpass. Raw materials + medical devices + functional skin care products + food grade products, four core technologies to drive medium- and long-term development.

2.2.2 IMEIK

IMEIK Technology Development (hereinafter referred to as "IMEIK", stock code 300896) is a national high-tech enterprise specializing in the research and development, production, and sales of biomedical materials, founded in June 2004 and listed on the Shenzhen Stock Exchange in June 2020. For 16 years, it has been committed to the research and development, and transformation of biomedical materials such as hyaluronic acid and botulinum toxin. The company has 25 patents, including 16 invention patents. IMEIK's strong product strength and continuous investment in R&D will help the company continue to grow in the medical aesthetic industry. In the short term, although the company has been disrupted by the local epidemic, we expect IMEIK to continue to lead the industry in the future, considering the technical barriers and long-term growth potential formed by the company in the medical beauty industry.

IMEIK Operating Revenue: The company's operating income increased significantly in 2021, while maintaining a quarter-on-quarter increase and strong and stable growth momentum. In 2021, the company achieved operating income of 1.45 billion yuan, +104.1% year-on-year; The CAGR of operating income for 2017-2021 reached 59.7%. In 2022Q1, the company achieved operating income of 430 million yuan, an increase of 66.4% year-on-year.

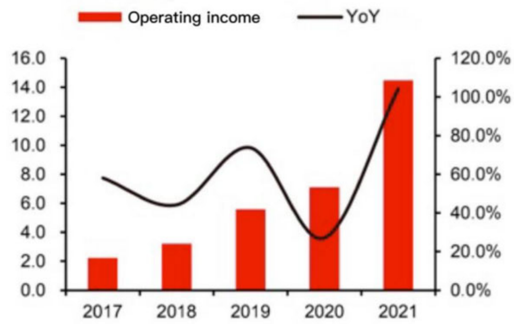

Fig. 4 Operation income of IMEIK

IMEIK is a leading Chinese medical beauty company with clear first-mover advantages in multiple dimensions such as product layout, channel management and R&D reserves. With the recent tightening of regulations, compliant products are expected to gradually replace the non-compliant market share. IMEIK has a strong product strength and word of mouth support, the huge market demand is expected to make the company continue to be in a period of rapid growth in performance. The company's new products or will become the next performance growth point, at the same time, if the research and development process is smooth, new products have been reviewed, will further consolidate the company's dominant position in the standardized and standardized medical aesthetic industry.

2.2.3 Haohai Biotechnology

Founded in 2007, Haohai Biotechnology is a high-tech biomedical enterprise integrating R&D, production and sales of medical biomaterials. Haohai Biotechnology was listed on the Hong Kong Stock Exchange in 2015 and listed on the Science and Technology Innovation Board in 2019, becoming the first "H+ Technology Innovation Board" biopharmaceutical enterprise in China. The main industry of Haohai Biotechnology is to improve the industrial chain of hyaluronic acid, and at the same time lay out the industrial chain of "botulinum toxin + photoelectric". From 2018 to 2020, the gross profit margin of Haohai Biotechnology was 78.51%, 76.69%, 74.91%, and the average annual gross profit margin was 76.7%. Haohai Biotechnology's gross profit margin has decreased year by year. The explanation given in Haohai Biotechnology's annual report is that the proportion of hyaluronic acid sales has declined, resulting in a decline in gross profit margin. Haohai Bio started from hyaluronic acid products, and currently has its own product line in the two major fields of ophthalmology and medical aesthetics, and the annual report shows that the company's net profit margin in the first quarter of 2021 was 29.2%, 23.46%, 16.99%, and 25.96%, respectively; The weighted average return on equity was 12.17%, 9.26% and 4.2%, respectively, and has not exceeded 15% in recent years. From this analysis, it can be seen that the marginal rebound of Haohai Bio is imminent, and the investment recommendation is to maintain the "buy" rating.

3. Interests lead to chaos in the medical cosmetology industry

With the rapid development of the new economy of medical beauty, there are many industry problems in China's medical aesthetic market, which will have a direct impact on consumer rights protection and industry development. Therefore, the following is mainly to discuss the current development of China's medical beauty new economy.

3.1 The construction of relevant laws and regulations lags behind

The development of modern medical aesthetic technology in China began later than in other countries. China's medical aesthetic industry has developed rapidly in recent years, so the construction of relevant laws and regulations is still lagging behind. Most medical aesthetics are surgical treatment with certain surgical risks, consumers will have the actual surgical effect and the expected surgical goals are inconsistent, related civil disputes increase year by year, many laws and regulations have low applicability, consumers do not have legal and regulatory basis for effective rights protection. At the same time, with the continuous updating of medical aesthetic service projects, there are still problems of unclear standards and indicators in the current relevant laws and regulations.

3.2 Illegal medical practice and unlicensed business

In 2021, the size of China's medical beauty market is about 184.6 billion, with the effective control of the epidemic, the economy tends to be stable, and the overall growth rate of the medical beauty market is obvious. Therefore, to obtain more economic benefits, and affected by factors such as lagging in the construction of laws and regulations and weak market supervision, the illegal operation of China's medical beauty market is currently common. The 2016-2020 "Beijing Chaoyang District People's Court Medical Beauty Dispute Case Civil Approval White Paper" investigation shows that in the past 5 years, in the medical fault cases of the Beijing Chaoyang District Court, 61.9% of the medical fault cases in the Beijing Chaoyang District Court, 15.0% of the institutions beyond the scope of business, and 90.8% of the improper operation, although the court sentenced the medical beauty institution to responsibility, according to the current laws and regulations, the punishment for related illegal acts is generally too light, under the temptation of huge economic interests, Illegal acts and unlicensed operations are repeatedly prohibited.

3.3 The information in the medical aesthetic industry is asymmetrical and there is too much false publicity

According to the survey in the white paper, fraud and false publicity accounted for 72.1% of medical disputes, and 96.9% did not fulfill their obligation to inform. That is to say, for consumers without professional knowledge, under the unscrupulous publicity of medical beauty institutions, many consumers will fall into the "consumption trap" and "medical beauty plastic surgery trap". Especially in terms of liability avoidance, most medical beauty institutions will exaggerate the effect of medical beauty, avoid the risks in advertising, and let consumers think that this beauty method is safe and harmless. Some medical beauty institutions will induce consumers to carry out higher-priced medical beauty projects through false publicity.

4. Regulatory measures for the development of the new economy of the medical aesthetic industry

The above paragraph is the main problem of the current development of the new medical aesthetic economy, if the relevant problems are not solved in time, it will have a serious impact on the development of the new medical aesthetic economy, so in response to the above problems, the following 3 regulatory improvement countermeasures are proposed.

4.1 Complete relevant laws and regulations, and establish special regulatory departments

Improving relevant laws and regulations and establishing special regulatory departments is an important way to improve the medical aesthetic market. First of all, in terms of laws and regulations, it is necessary to further refine and clarify the laws and regulations, and the regulatory authorities supervise and manage whether there are illegal acts of local medical and aesthetic institutions in strict accordance with the laws and regulations [7]. The regulatory authorities regularly review the medical institutions within the jurisdiction of the regulatory authorities and strictly investigate whether the medical and aesthetic institutions within their jurisdiction have problems such as illegal medical practice and unlicensed operation.

4.2 Strengthen the application of information technology

With the development of scientific and technological innovation, regulatory authorities and medical aesthetic institutions need to strengthen the application of information technology. The supervision and management system of the regulatory department is connected with the operation and management system of the medical beauty institution within the jurisdiction, the medical record data of the medical beauty institution is electronic, and the creation of the case electronic medical record file is confirmed and signed by the patient and the health technician, and it is forbidden for the medical beauty institution to modify it arbitrarily in the later stage.[8] This method is convenient for the regulatory authorities to verify the operation status of the medical beauty institution promptly, including whether the doctors in the institution have a practicing license, and whether the products purchased in the institution can be effectively traced, etc., to effectively solve the problem of chaotic case management and poor supervision of medical beauty institutions [9].

4.3 Develop clear regulatory standards

Relevant management departments also need to further stipulate specific regulatory standards on the basis of laws and regulations. It is expressly prohibited to use false information to deceive consumers, or to induce consumers to carry out relevant medical and aesthetic projects. Regulatory personnel need to strictly implement the supervision project, carry out comprehensive and systematic supervision and management of medical institutions, especially in terms of information release, repeatedly check whether there is false publicity, and effectively avoid civil disputes due to the difference between the actual medical aesthetic effect and the publicity medical aesthetic effect [10].

5. Conclusion

The overall logic of this paper is to first understand the current situation of China's medical aesthetic industry, sort out the medical aesthetic industry through a macro-micro perspective, analyze what are the important factors affecting the medical aesthetic industry, the current situation of the industry and the competitive pattern and investment value. At the same time, it analyzes the important factors affecting the development of listed companies in the medical aesthetic concept industry. Secondly, the three medical aesthetic companies with outstanding business in the medical aesthetic industry are analyzed in detail, and this paper uses statistical data analysis to analyze the development of the company under the influence of many factors. Finally, through the analysis of many factors, the high-quality investment plan proposed by this paper for the three companies is obtained

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