



## Bin Yuan Capital All China Strategy - March 2025

### *Bin Yuan Opinion*

### **Maogeping: redefining Chinese high-end cosmetics industry**

“China chic” (Guochao 国潮) has taken the spotlight in China, as the rise of China's domestic fashion trends has significantly influenced homegrown brands. As young consumers’ mindsets, tastes, and habits undergo a long - term transformation, industries across the board are presented with unprecedented opportunities.

In the high - end cosmetics market, long dominated by foreign brands that once shaped public aesthetics, Maogeping has emerged as a game changer. Rooted in the profound soil of Eastern culture, Maogeping uses its unique understanding of Eastern aesthetics as a brush, crafting a distinct beauty philosophy. Riding the wave of the Guochao trend, Maogeping is gradually taking market share from foreign peers, reshaping the aesthetic perceptions of Chinese consumers.

#### **A different cosmetic market than before - From foreign brands’ dominating to local brands’ leading**

Increasingly consumers are voting for Chinese brands with their wallets. The total share of local brands has exceeded 50%, following the emergence of local brands with fast market penetration. They win fans with products of the same quality, if not better than foreign brands, but with fresher design, lower prices, more considerate services, and periodic new product launches.

The landscape reshaping is spreading from mass market to the high-end market now. Chinese high-end brand Maogeping’s sales increased 35% YoY in 2024, while traditional foreign leaders like Estee Lauder saw sliding revenues in the domestic market.

Consumer experience becomes the focus of brands’ marketing. Chinese brands are expected to maintain their competitive edge by leveraging their agile response to end-user demands, supported by increasingly sophisticated data analysis technologies and the rapid advancement of AI. These developments have enhanced consumer insights, driven by the substantial accumulation of data over the past decade as online penetration has grown.

#### **Maogeping's story is highly unique and rare in China, unreplicable by others**

Maogeping is the first high-end Chinese cosmetic brand to firmly establish itself alongside its global counterparts, such as Estée Lauder, Lancôme, and Chanel. Named under its founder Mr. Mao Geping, the brand has experienced rapid growth through its makeup products and is building a comprehensive beauty empire by offering training services and expanding its product portfolio, with further efforts in market expansion.

### Founder's reputation as a beauty industry icon

The legendary experience of its founder has established him as a Super Icon in the beauty industry. From a traditional Chinese opera actor to a renowned makeup artist for popular operas, dramas, and films, and subsequently the founder of a cosmetic brand, Mr. Mao has achieved remarkable success as a professional in the beauty industry. His distinguished career serves as a powerful endorsement for the brand, which aims to establish a strong presence in the high-end market.

### Distinctive aesthetic philosophy and methodology

The Founder's aesthetic philosophy and makeup art methodology formed strong base of brand value. Mr. Mao developed his own aesthetic philosophy and makeup art methodology throughout his extensive career, earning him a reputation as a masterful makeup artist. His renowned makeup work in popular dramas and films at the time attracted a large number of fans, many of whom became the first wave of loyal customers for his brand upon its establishment. The makeup services he provided for national representatives during the Olympic Games, as well as his collaboration with the Palace Museum, further expanded the brand's customer base. The beauty school established alongside the brand has trained a significant number of professionals in the beauty industry. Many of these individuals have become beauty advisors (BAs) or brand communicators at Maogeping's offline counters, providing unique experiences to customers.

Pictures 3&4 Pieces of makeup by Mr. Mao Geping

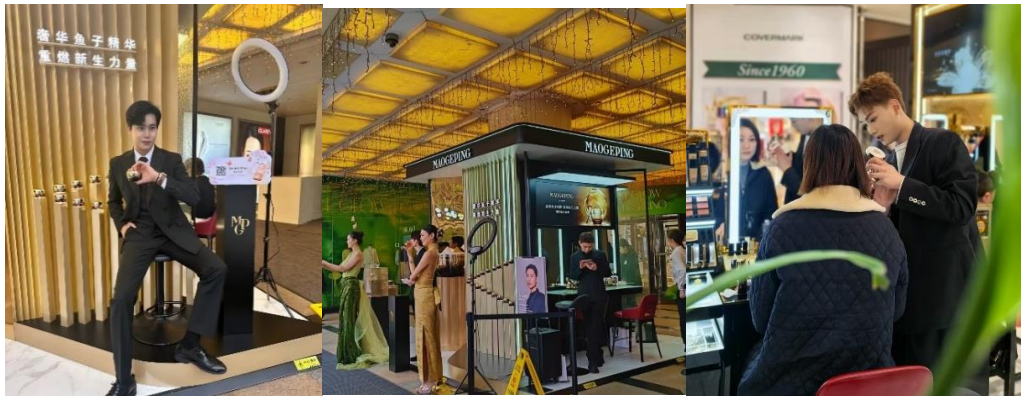




## Extensive offline sales network (400+ counters in high-end malls) formed a deep moat

A network of over 400 offline counters in high-end malls connect the brand and consumers with reachable professional services from BAs well-trained in Maogeping's beauty school. Free, face-to-face beauty and make up services strengthened brand recognition among consumers and enhanced repeated purchase, forming a more stable customer relationship than peer brands. Repurchase rates in offline counters reached as high as over 30% in 2024 versus an industry average level around 10+%.

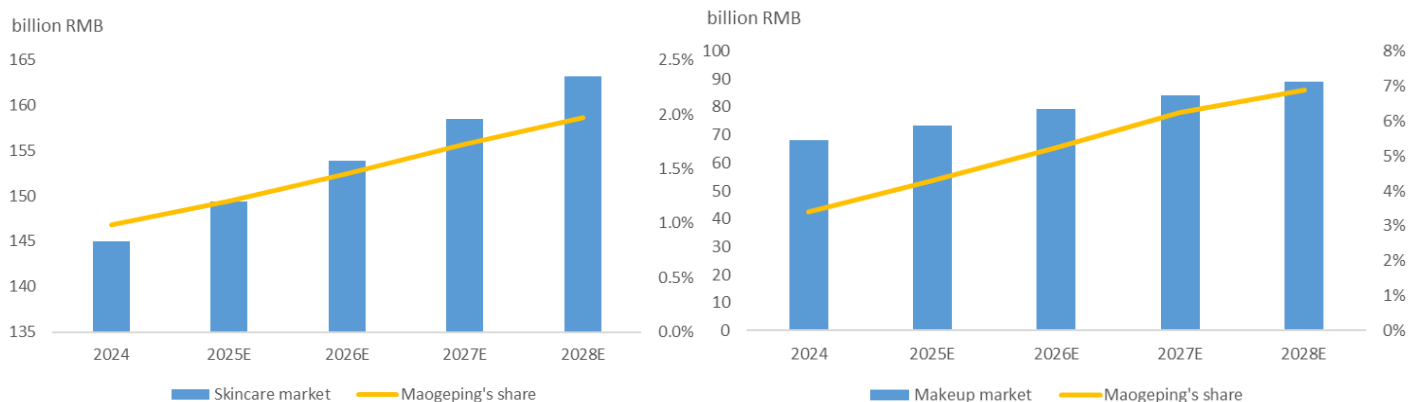
Pictures 1 2 & 3 Offline shows for new product marketing and consumer services at the counter



## Current market share: 1% in high-end skincare, 3% in high-end makeup

High-end cosmetics has a total addressable market of over RMB 210 billion in China, with skincare RMB 140 billion (30% of the total skincare market) and makeup RMB 70 billion (40% of the total makeup market). Maogeping has a share of only 1% in high-end skincare and 3% in high-end makeup market as of 2024, with sales of 1.4 billion RMB and 2.3 billion RMB, respectively. Compared with the annual sales of Estee Lauder in China at its peak time (skincare 15 billion RMB with a share over 4%; makeup 4 billion RMB with a share over 3%), the growth outlook for Maogeping is very positive.

Chart 1 & 2 The high-end market and Maogeping's share





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The increasing popularity of Maogeping's Regenerating Radiance Black Cream and Caviar Facial Mask Skincare indicates its initial success in premium skincare. With strong performance of these star products, the skincare segment has risen to take up 38% of product sales as of 2024. Besides the growing skincare segment, the fragrance push in 2025 is also expected to provide further growth drivers.

### **Overseas market efforts**

Maogeping has opened pilot stores in Singapore and Paris to tap overseas market potential. Although the overseas market contributed only 1% of the company's revenue in 2024, we expect growth to pickup as the brand provide consumers in different markets with its distinctive products and services.

### **Summary**

Maogeping's growth potential is substantial. As the Guochao trend continues to gain momentum, particularly among young and fashion-conscious consumers, Maogeping is well-positioned to capture an even larger market share. With its commitment to quality, innovation, and the promotion of Eastern aesthetics, Maogeping is poised to expand market share in China, challenging the long-standing dominance of foreign high-end cosmetics brands. The brand's future initiatives, including further product innovation, expansion into skincare and fragrance categories, and international market penetration, are expected to drive its growth and solidify its status as a leading provider of high-end, culturally rich cosmetics inspired by Eastern heritage.



Sincerely,

**Ping and the Team**

**April 7, 2025**





## Bin Yuan on the Road

March 6, 2025



**We attended Semicon China in March to learn about latest industry trends and business updates of some leading players.**

More companies are able to provide products comparable to their foreign counterparts. Piotech launched new ALD equipment to serve multi-pattern process applied in advanced logic and memory and bonding equipment applied in advanced packaging. Fortune published a new ESC product which could replace the product coming from abroad. Equipment vendors and components providers are constantly achieving technological breakthroughs, enabling them to better meet customer needs. Import substitution is proceeding seamlessly. We anticipate that over the next 3 to 5 years, domestic equipment and component manufacturers will be able to capture a larger market share.

*" We will continue to conduct effective R&D to satisfy customer demands. "* – Chairman of Piotech, Lv Guangquan

March 20, 2025



**We visited a leading domestic smart meter company to understand its overseas expansions and the progress of overseas capacity construction.**

The company offers excellent products in both electricity usage side and power distribution networks for local and global customers. Its new factory in Romania has started production late last year. This move helps reduce geopolitical impacts and better serve its European and African customers, where the demand for distribution network products has been accelerating in recent years. The company is also expanding its business beyond electricity meters such as water meters and gas meters to continuously supplement its platform capabilities, which will bring new growth momentum to the company's long-term performance in the future.

*" In the era of AI, smart meters, as important intelligent terminal devices, will provide Hexing with important data entry points to become a platform-based enterprise. "* – Board Secretary Mr. Jin

March 18, 2025



**We went to the Chengdu Sugar and Wine Fair for on-site investigation to understand the consumption demand and trends in the white liquor and beverage industries.**

Although the terminal stores of white liquor have a low willingness to purchase goods due to the impact of the macro economy, manufacturers from all over the country are very enthusiastic about the Sugar and Wine Fair, indicating that the consumption demand in the white liquor industry still exists. We found that the sales of white liquor enterprises show a trend of the strong getting stronger. Enterprises with strong brand power have better sales performance, while those with weak brand power have poorer sales. The white liquor industry will further concentrate on leading brand enterprises. The beverage enterprises have shown good sales performance. Especially, the demand for juice and tea beverage products is booming, and the orders are surging. Many beverage enterprises have reported that they are very confident about this year's sales target. We expect that the beverage industry will maintain a relatively high growth rate.

*" Our goods have been basically sold out. In the past two days, the distributors have been placing orders on the spot. "*

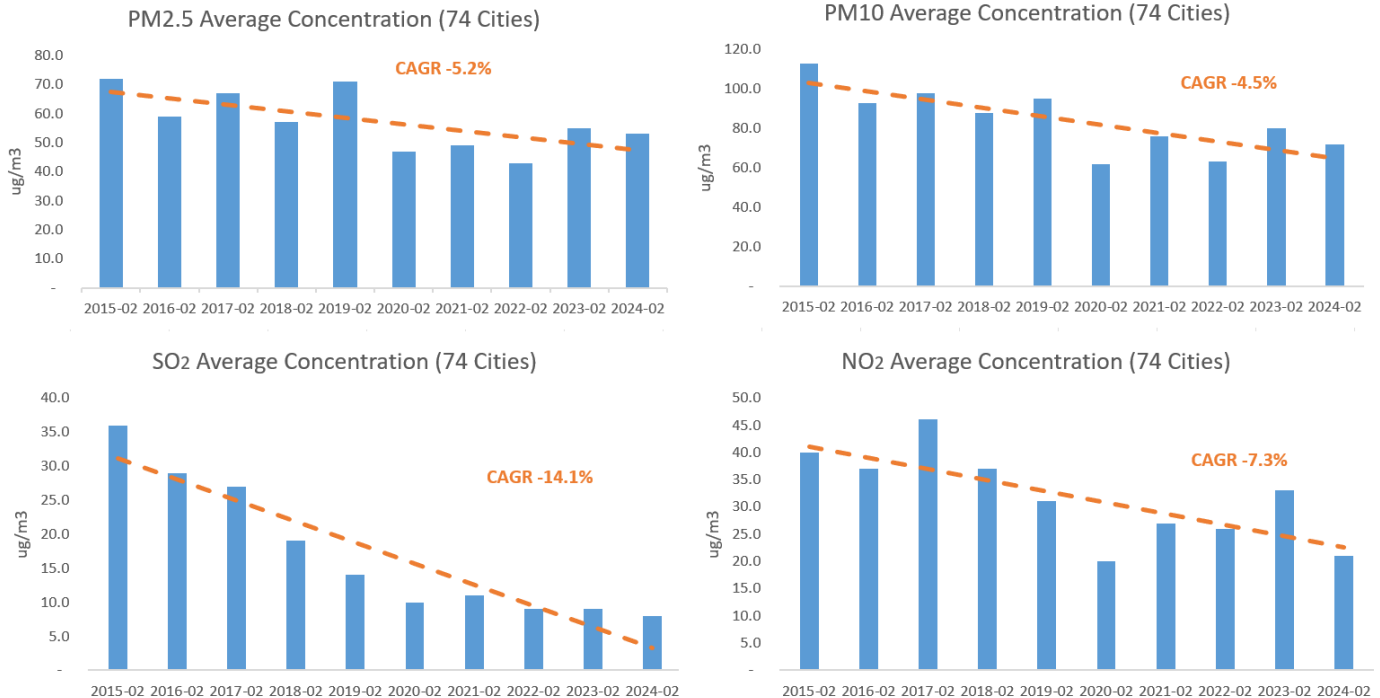
– A salesperson of a well-known white liquor brand



## Binyuan Environment Tracking

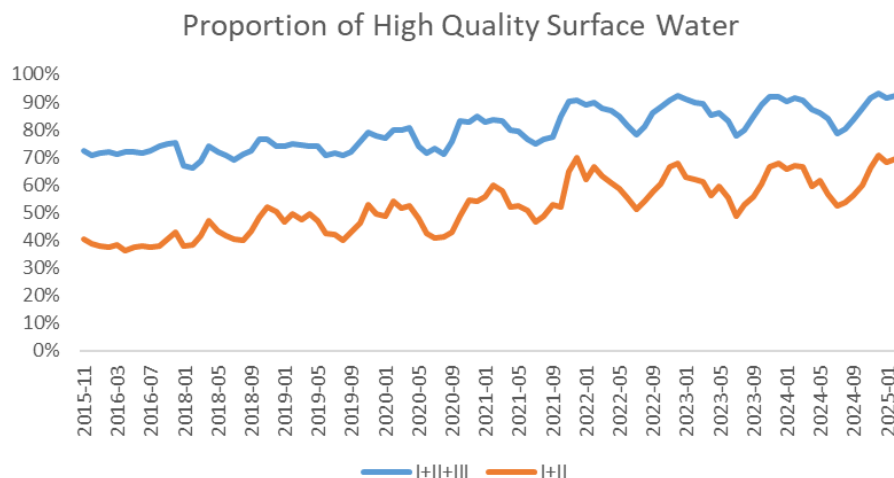
This tracking includes monthly air and water quality data, both showed steady improving trend in the last 5 years. Air pollution concentration dropped due to reduced coal combustion, increased proportion of new energy vehicles, and tightened emission control measures. Water quality improved mainly from the strengthened control of wastewater emissions since 2017.

### China air pollutant concentration data June 2016-2024



\*PM2.5, PM10 and SO<sub>2</sub> are mainly from fossil fuel combustion, and NO<sub>2</sub> is mainly from vehicle emissions.

### The proportion of high-quality water in China data June 2016-2024



\*Water quality in China breaks down to 5 levels, with level I being the best and level V being the worst. Level I+II represents water that can be used for drinking purpose. Level I+II+III represents water that can directly contact human body.



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