

Equity Research Sample — Poya (TWSE: 5904)

Comparable to U.S. retailers such as Ulta Beauty and Target

Abstract

This report applies fundamental valuation techniques to **Poya (TWSE: 5904)**, Taiwan's leading beauty and lifestyle retailer. The analysis mirrors frameworks used for publicly listed U.S. equities, focusing on intrinsic value, profitability, and risk factors. Using **P/E**, **P/S**, **DDM**, and **CAPM** models, the study estimates fair value and assesses the sustainability of growth assumptions. Results indicate modest overvaluation, underscoring the importance of valuation discipline in expansion-driven retail businesses.

Business Overview

Founded in 1985, Poya operates 270+ stores nationwide across two banners (Poya and Poya Home), offering a broad mix of beauty and household products. Its strategy combines steady dividends with footprint expansion and private-label development. Operationally and strategically, Poya is comparable to U.S. specialty retailers emphasizing assortment breadth, category diversification, and convenience.

Investment Thesis

- **Growth with discipline:** Management targets ~500 stores by 2029 while maintaining a consistent dividend policy.
- **Efficiency pressure:** Rapid expansion has weighed on **ROA** and asset turnover; marginal returns require continued validation.

- **Intrinsic value:** Multi-model triangulation indicates fair value of **NT\$453**, implying ~19% **downside** versus a market price of NT\$560.
- **Recommendation:** Hold / Slightly Overvalued.

Valuation Summary

Summary of Valuation Approaches and Target Prices (NT\$)

Method	Metric / Basis	Peer Multiple / Assumptions	Target Price
P/S (Offline)	Sales per share \times 0.82	Median peer ratio	156
P/S (Hybrid)	95% offline + 5% online	Weighted 0.82 / 1.42	162
P/E (Relative)	EPS \times 20.26	Peer-adjusted multiple	217
DDM (Two-Stage, CAPM)	$R = 14.6\%$, $g = 11.6\%$	Terminal growth included	453

Analytical Approach

The assessment integrates **relative** and **intrinsic** methods. CAPM is used to estimate the cost of equity; a two-stage DDM captures dividend growth dynamics. Scenario and sensitivity tests examine how revenue growth, margin profiles, and discount rates affect fair value. Cross-checks with profitability indicators (**ROE**, EPS growth) help validate multiple selection and model coherence.

Key Insights and Risks

Key risks include potential margin pressure from intensifying online competition, slower offline traffic recovery, and limited pricing power in a low-growth retail environment. These

factors could constrain profitability despite stable same-store sales.

- **Competitive Landscape:** E-commerce platforms continue to erode Poya's offline market share. Increased discounting pressure could weigh on margins.
- **Cost Structure:** Wage inflation and rental costs may offset efficiency gains, especially under stagnant revenue growth.
- **Demand Sensitivity:** Slower economic recovery or weaker consumer sentiment could delay inventory turnover and affect cash flow stability.

Despite these headwinds, Poya maintains brand strength and operational discipline, supporting a neutral stance at current valuation levels.

Conclusion

Poya exhibits solid fundamentals and brand strength, but current market pricing embeds optimistic growth assumptions. Multi-model results indicate limited upside at present levels. Maintaining **valuation discipline** and monitoring store economics (unit returns, same-store sales, and capital intensity) remain central to the thesis.

Overall stance: Hold – valuation appears moderately stretched with limited near-term catalysts.

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