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Men of Insight See the Trend, while Men of Wisdom Ride it

China Medical Aesthetic Industry Outlook 2023

May 2023

Preface

Ethan Qiu

Allergan Aesthetics China

General Manager

The year 2022 is set to be a remarkable one for medical aesthetics and could have a profound impact on the industry as a whole.

As a company deeply involved in medical aesthetics, Allergan Aesthetics not only continues to innovate and promote the healthy development of the industry, but also closely monitors the subtle changes. In 2023, Allergan Aesthetics has again collaborated with Deloitte Consulting to publish "China Medical Aesthetic Industry Outlook 2023," providing insights from the dimension of the status quo and outlook, consumption trends, and city portraits.

With the haze of the pandemic gradually dissipating and several favorable measures implemented, driven by the growing market size and demand, Allergan Aesthetics still maintains a positive view on the rapid development of China's medical aesthetics. Allergen Aesthetics is committed to our mission and responsibility to facilitate the promising development of China's medical aesthetic market.

Allergan Aesthetics hopes to dedicate this report to all aspiring medical aesthetic colleagues and thus promotes the development in a cooperative manner.

Carrie Xiao

Deloitte Consulting China Life Sciences Industry Leader

In post-epidemic era, the Chinese government has taken measures to promote consumption and economic growth, emphasizing high-quality development of the healthcare industry. In line with the national development trend, Deloitte Consulting has long been focusing on the consumer healthcare sector with timely monitor and hopes to promote the healthy and sustainable development of the industry.

To further grasp the pulse of industry, Deloitte Consulting and Allergan Aesthetics have partnered again to launch "China Medical Aesthetic Industry Outlook 2023" with upgrading resource investment. On top of last year's report, this report expands the depth and breadth of the research coverage, focuses on changes in institutional operation, channel, and consumption trends, it is found that institutions pay more attention to profitability and product safety while consumers are pursing more personalized and lean concepts, providing insights into the future development of medical aesthetic market.

We hope this report will bring forth the new ideas and facilitate the industry's benign and high-quality development.

Executive Summary

2023 is the transformative year for China to emerge from the haze of the pandemic, the trend of recovering consumer confidence and willingness to pay is observed in medical aesthetics market as well

This report provides insights on China medical aesthetics **market outlook, consumption trends and insights into the operational status of institutions, and city portraits** based on primary research and surveys conducted with **2,000+** consumers and **600+** medical aesthetic institutions

China medical aesthetics market outlook

China's medical aesthetic market (by consumption) is expected to grow by **20% in 2023**, followed by a **CAGR of 15% in the next four** years owing to the resilience of China's economy and the growing demands for medical aesthetics

Consumption trends and institutional insights

- Among the potential consumers – **70%** have plans for medical aesthetics treatments within 2023, preferring non-surgical treatments
- For the experienced consumers – Mature consumers value the effect whereas the young consumers care about the experience; high-end consumers are more selective and value professionalism, on average they **visited 4.5 institutions** in 2023
- For the male consumers – They care about the privacy and safety, emphasize on service environment
- For consumers with oversea treatment plans – among those who have consumed medical aesthetics in 2022 or are willing to consume in 2023, **16%** have plans for oversea treatments, with Hong Kong, Macau, Taiwan, Japan, and South Korea being the top pick, and preferred treatments mainly on surgical, hyaluronic acid injection and tightening/anti-aging photoelectric treatments

City portraits

11 cities with high medical aesthetics business activity level are investigated, regulation strengthening is a shared pattern for all however each city also presents distinct characteristics in market maturity, institutions' competition level and ages, consumers' spending level and preferred service types, etc.

Chapter 1

2023 Outlook for the Chinese Medical Aesthetic Market

Abstract

Owing to the resilience of China's economy, consumer confidence has gradually revived. In medical aesthetics, consumers' pursuit of self-improvement, continuous technological innovation, and the diversification of consumer groups are fueling the market. However, benign development still requires improvements in the stable supply of professional practitioners, continuous promotion of consumer education, and consolidation of compliance

Allergan Aesthetics and Deloitte Consulting conducted extensive desk research and multiple in-depth interviews on various topics with influential practitioners. This section provides a review of the medical aesthetic market's performance in 2022 and preliminary discussion of the sector's key drivers and challenges, presenting the status quo and development trends across multiple dimensions

China’s consumer market went on a 3-year roller-coaster ride during the pandemic

Due to the influence of pandemic prevention and control measures and a peak in infections, growth in total retail sales and the consumer confidence index reached low points in 2022

2020: Pandemic outbreak

Economic activity and consumer demand was suppressed:

- GDP growth reached just 2%
- Growth in total retail sales of consumer goods fell to 4%

2021: Normalized prevention

With the pandemic somewhat under control and normalized prevention measures, economic activity and consumer demand were unleashed to some extent:

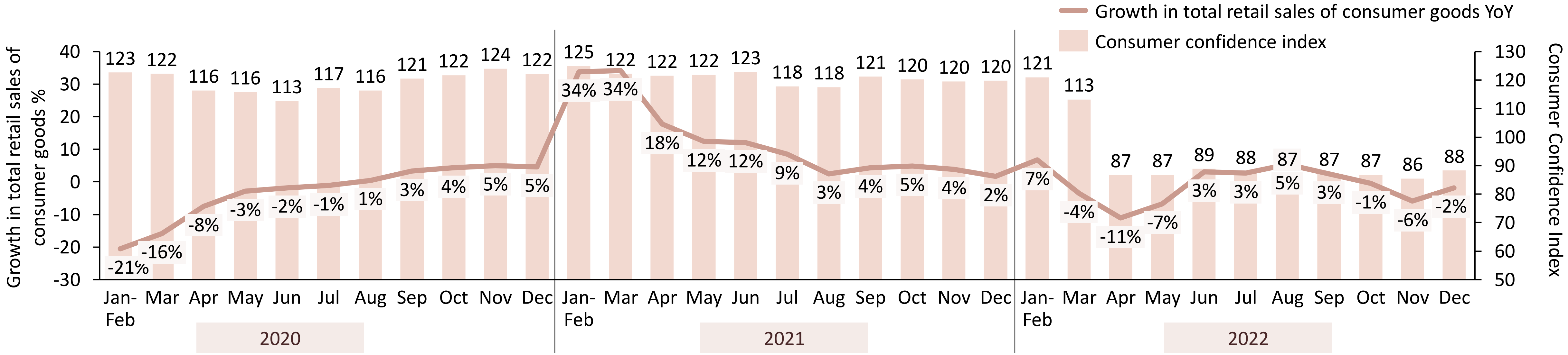
- GDP growth rebounded to 8%
- Total retail sales of consumer goods grew 14% YoY
- Domestic tourism spending grew 31% YoY

2022: Lockdown & relaxation

Due to pandemic prevention and control measures in first three quarters and peak infections in Q4, followed by relaxation of controls, economic activity slowed again and consumer confidence took a hit:

- *GDP growth dropped to 3%*
- *Growth in total retail sales of consumer goods shrank and consumer confidence dipped to a 10-year low*

Growth in total retail sales of consumer goods YoY, and the consumer confidence index



Data source: National Bureau of Statistics

With the end of pandemic prevention, the consumer market has exhibited positive signs in 2023

Driven by favorable policies, the Chinese economy is expected achieve endogenous economic development

Q1: Concentrated release of pent-up consumer demand

- Owing to the slowdown of the epidemic, the restoration of consumption contexts, and Spring Festival, some pent-up consumer demand was released quickly
- Q1 2023: As consumer activity and its radius increased, market sentiment was enhanced and total retail sales grew, driving positive consumption momentum

Consumption

Growth in total retail sales of consumer goods:	**+4%**	Jan-Feb 2023
Consumer confidence index:	**94.7**	Feb 2023

Transportation

Railway passenger traffic:	**+37.9%**
Civil aviation passenger traffic:	**+36.5%**
Metro passenger traffic:	**+7.9%**

YoY growth (Jan-Feb 2023)

Policy: expand domestic demand & boost consumption

- Following the spontaneous post-pandemic recovery, the implementation of policies to boost domestic demand will enhance the confidence of market participants and help drive steady economic growth in 2023

"Focus on expanding domestic demand, prioritizing the recovery and expansion of consumption"

Oct 2022:

- *20th CPC National Congress Report*

Dec 2022:

- CPC Central Committee, State Council: *Outline of the strategic plan for expanding domestic demand*
- Central Economic Working Conference

Key tasks

- Enhance consumption power
- Improve consumption conditions
- Create innovative contexts

Considering the post-pandemic recovery & policy drivers, many forecasts are optimistic for 2023

GDP growth expected to reach ~5%

- The *World Economic Situation and Prospects 2023* report released by the United Nations raises China's economic growth forecast to 5.3% in 2023, up from 4.8% forecast earlier in the year

Total retail sales of consumer goods expected to grow by 11%

- The Financial Times estimates that China's total retail sales of consumer goods will reach RMB50 trillion, with a growth rate of 11%, citing forecasts from Citibank

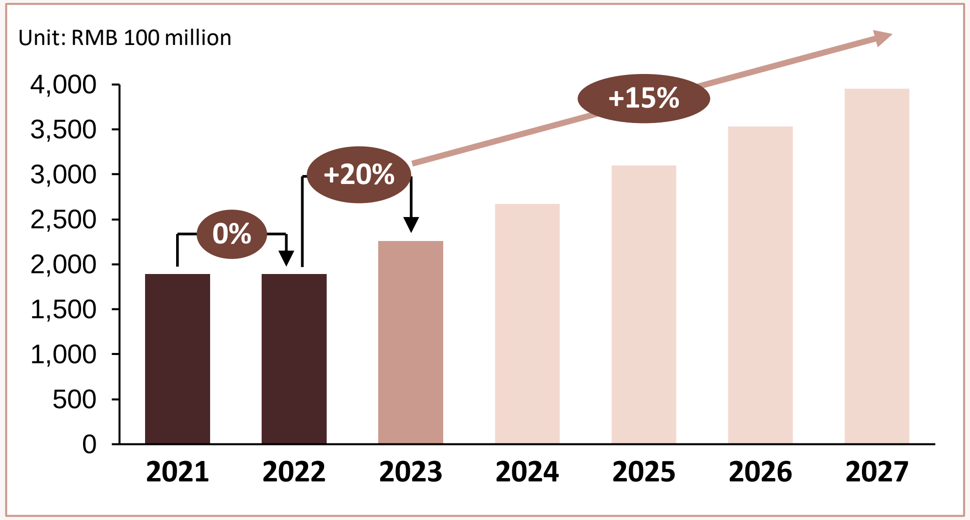
Note: All growth rate numbers mentioned are calculated in RMB

Data source: National Bureau of Statistics, Institute of Economics at Chinese Academy of Social Sciences

China's medical aesthetic market is expected to grow by 20% in 2023, recovering from stagnation

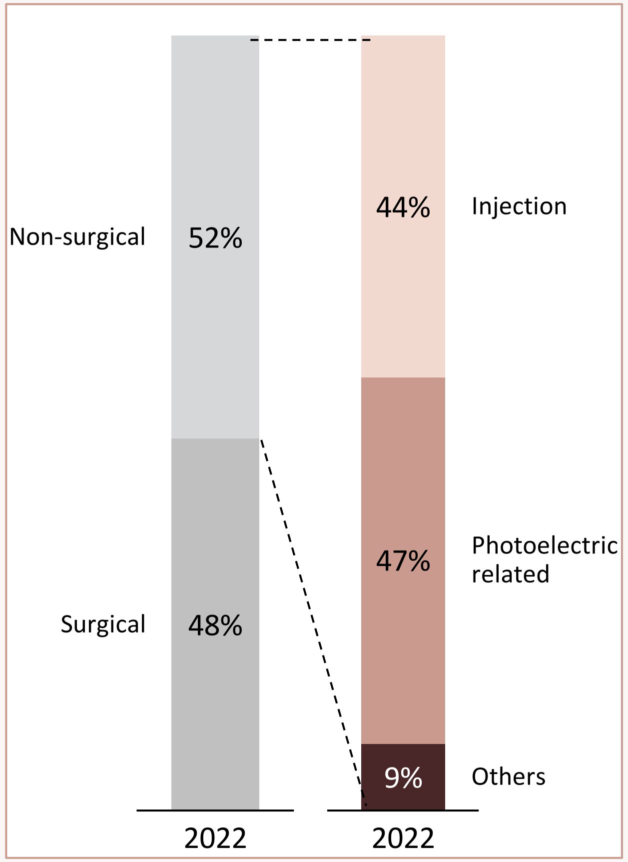
Driven by growing demand for medical aesthetics, the Chinese medical aesthetic market is expected to reach a market size of RMB200 billion by 2023 in terms of consumption

Chinese medical aesthetic market size and growth rate forecast (consumption)



- Due to the impact of the pandemic control measures and high infection rate at the end of **2022**, **consumers' shopping visit frequency and unit prices fell sharply**, resulting in **stagnation of the Chinese medical aesthetic market size** in 2022, within which surgical treatments had a greater impact
- In 2023, the overall medical aesthetic market is expected to grow by **20%** as a result of the **post-pandemic consumption recovery**, followed by a CAGR of **15%** in the next four years

Chinese medical aesthetic market segmentation and growth rate forecast (consumption)



CAGR in the next 5 years	Factors
20%~30%	• Stronger treatment effect, satisfying high-level demand from mature consumers • Higher requirements for physicians' abilities • Increased unit prices
20%~30%	• Consumers are more likely to accept non-invasive treatment • Institutions tend to require less investment in talent as the barrier to operations is relatively low • Better customer stickiness with more treatment periods • More treatment options affect customer unit price

Data source: Expert Interviews, Allergan Aesthetics and Deloitte Consulting Analysis

Key drivers and challenges in China’s medical aesthetic market

There is a degree of mismatch between consumers’ growing demand for medical aesthetics and current levels of market supply and education

Growth drivers	Challenges
As consumption recovers and disposable income increases in the post-pandemic era, demand for quality consumption and self-improvement continues to boost people’s **willingness to spend on medical aesthetics**	**Insufficient supply** of professional medical aesthetic practitioners
New innovative iterations of products and technologies, along with the expansion of indications of existing products, continue to fulfill and explore consumers’ ever **evolving and diversifying demand** for medical aesthetics	Lack of sufficient **formal consumer education** around choosing appropriate institutions and treatments; consumer demand not met with the right guidance
The relatively low penetration rate will gradually increase as the growth potential of **diverse consumer groups is unleashed**	Need to **improve the compliance status** of the medical aesthetic market and services

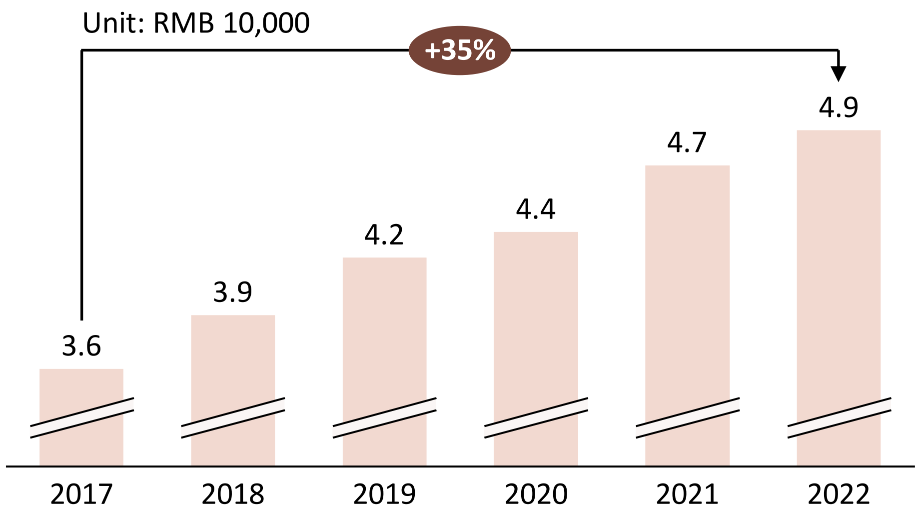
Key drivers of China’s medical aesthetic industry (1/3)

As Chinese citizen’s spending power has continued to grow, their willingness to pay for medical aesthetic products and services has increased steadily

Disposable income is increasing steadily

- The per capita disposable income of China's urban residents continues to increase with the CAGR of 35% from 2017 to 2022, indicating the **increasing consumption power and** highlighting the **huge potential** of China's consumer market

Per capita disposable income of urban residents in China

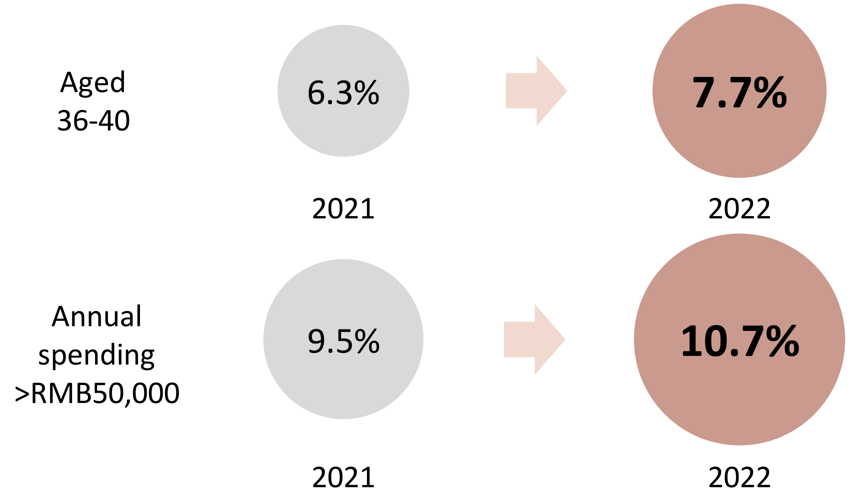


People are more willing to pay for medical aesthetics

- Overall willingness to spend on medical aesthetics **remains steady**
- Among consumers who spend >RMB50,000 annually and those aged 36-40, willingness to spend has **increased sharply,** even with the impact of the pandemic

Willingness to spend on medical aesthetics

(Annual spending on medical aesthetics as a proportion of household income)



Data source: National Bureau of Statistics, Allergan Aesthetics and Deloitte Consulting Consumer Survey

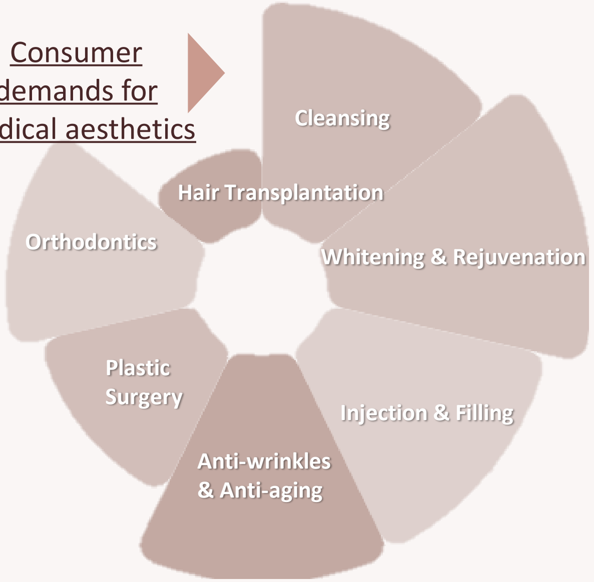
Key drivers of China's medical aesthetic industry (2/3)

Diversified consumer demands and continuous exploration of products from institutions and manufacturers now triggers for growth

Strong, diversified demands

- Compared to previous research, consumers **have broadened their attention** to their bodies, teeth, and hair, instead of focusing solely on their faces
- Demands for medical aesthetics have become **more diverse and comprehensive**

Consumer demands for medical aesthetics



The development of consumption trends has reshaped the market

- In 'The Future of Aesthetics' global trends report, Allergan Aesthetics suggests the world has entered **the era of vibrant aesthetics**
- A collision of culture and consumer trends has created conditions for **achieving exponential growth** in the medical aesthetic market

Consumer-centric treatment design & development

Medical aesthetic institutions

Institutions have transformed from product-centric to effect-centric, designing treatments to fully satisfy **consumers' demands for effect**

Medical aesthetic manufacturers

Continuously developing **new products or indications** to positively guide consumers' demands, making consumer education more standardized, helping promote a healthy market

Benefits of effect-centric treatment

Consumers: More likely to accept

Physicians: More concrete expected effect

Advisor: Lower communication and education cost

Example: Hyaluronic acid injection

Single indication

Approved area: nasolabial sulcus

Multiple indications

Approved area: nasolabial sulcus, cheeks, lips, nose, and jaw, etc.

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey, Allergan Aesthetics 'The Future of Aesthetics' Global Trends Report

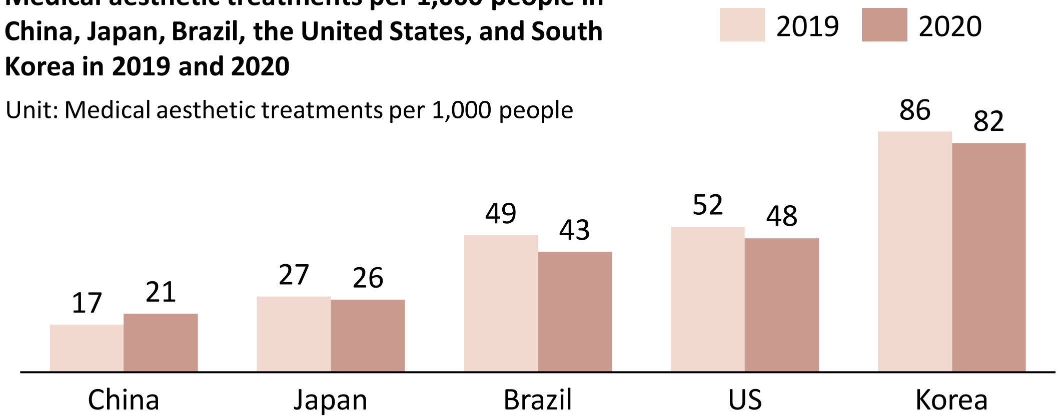
Key drivers of China's medical aesthetic industry (3/3)

Beauty economy boosts willingness to experience medical aesthetic treatments, which could power further improvements in penetration rates and industry development

Penetration rate has great potential

Medical aesthetic treatments per 1,000 people in China, Japan, Brazil, the United States, and South Korea in 2019 and 2020

Unit: Medical aesthetic treatments per 1,000 people



- Compared to 17 treatments per 1,000 people receiving medical aesthetic treatments in China in 2019, the size of the reachable population has increased, especially under the influence of the pandemic, demonstrating **great resilience**
- Comparing medical aesthetic treatments per 1,000 people, countries where the industry is well developed, including Brazil, the US, and Korea used to have at least three times China's treatment volume, but the gap has gradually decreased, **indicating large room for improvement and potential in the future**

Grasp diverse reachable populations and further increase penetration rate

Driven by the beauty economy, awareness of pursuing beauty has increased for consumers of different ages and genders, empowering demand for medical aesthetic treatments, which should boost the penetration rate and overall development of medical aesthetics

Efficiently capture sinking market* opportunities and improve the popularity of medical aesthetic treatments

With the rapid development of Chinese medical aesthetics, social views have transformed, driving overall acceptance. This is expected to increase the popularity and further promote medical aesthetic development by capturing sinking market opportunities

Note: "Sinking market" refers to 3rd-, 4th-, and 5th-tier cities

Data source: Frost & Sullivan, Allergan Aesthetics and Deloitte Consulting Analysis

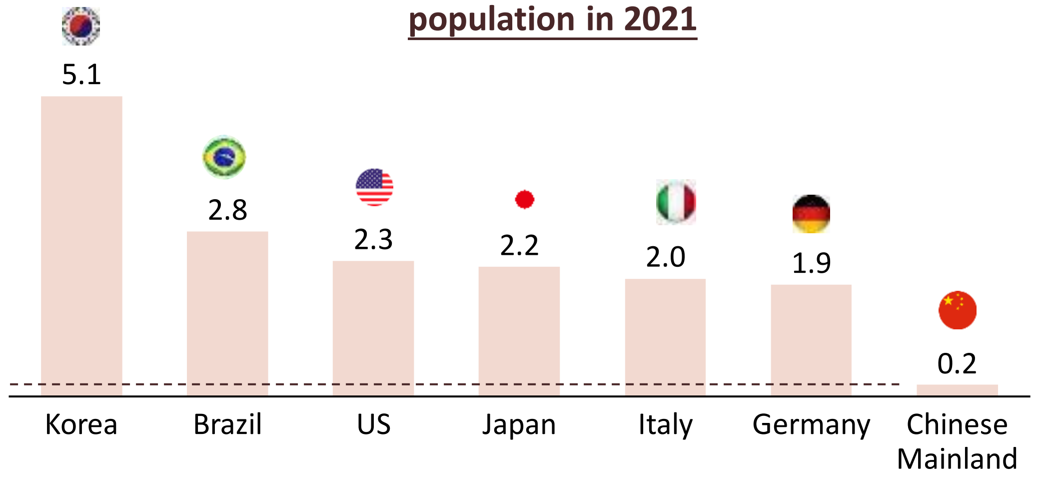
Challenges in China's medical aesthetic industry (1/3)

Chinese medical aesthetic market faces the problem of high demand but a shortage of sufficient supply of qualified professionals, hindering the industry's long-term development

Huge shortage of medical aesthetic professionals

- As of 2021, there continues to be a **substantial gap** between the number of plastic surgery physicians in the Chinese Mainland and mature medical aesthetic markets
- As of 2021, China has **less than one tenth the number of plastic surgery physicians there are in Japan, the United States, and South Korea**

Number of plastic surgery physicians per 100,000 population in 2021



Difficulties in cultivating qualified professionals

Lengthy development of medical aesthetic physicians

- Even during the pandemic in 2022, there was a net increase of more than 400 medical aesthetic institutions in China
- However, it requires more than eight years of training and practice to become a qualified medical aesthetic physician, limiting the increase in the number of physicians and creating a supply-demand mismatch

High barriers to cross departmental transformation

- The technical requirements for medical aesthetic physicians and other doctors are not compatible
- In addition to a solid surgical foundation to cope with complex situations such as blood vessel and nerve issues, continuous learning is required to strengthen understanding of human anatomy and comprehensive knowledge

High requirements for comprehensive abilities

- The medical aesthetic industry has wide treatment coverage, indicating high and comprehensive requirements for medical aesthetic physicians
- In addition to treatment skills, medical aesthetic physicians need to refine their abilities in communication, aesthetics, and marketing, etc.

Data source: ISAPS International Survey 2021, QiChaCha

Challenges in China's medical aesthetic industry (2/3)

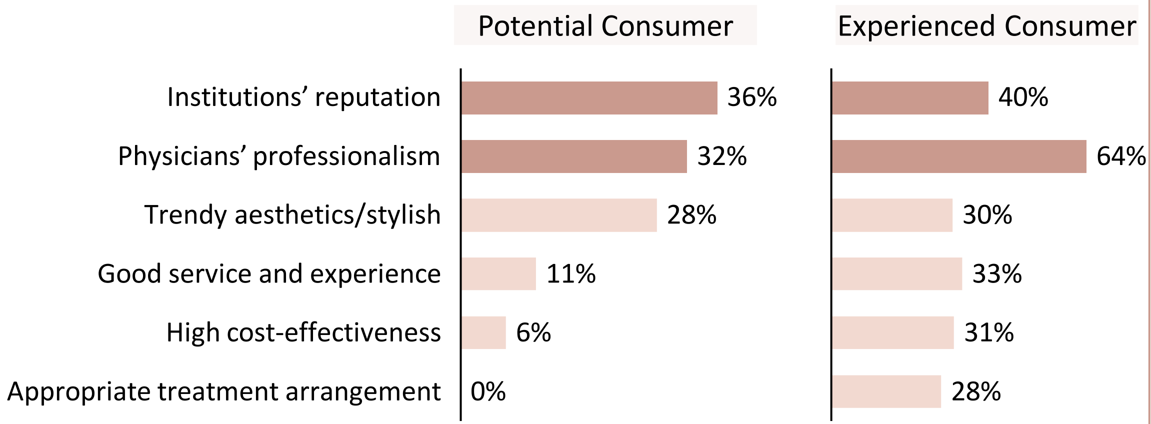
Consumers have inadequate guidance on decision-making including institution and treatment selection due to lack of formal education

Consumers value professionalism & authority

In terms of institution selection:

- **Institutions' reputation and qualifications and physician's professionalism** are the top considerations
- **Potential consumers are less able than experienced ones to judge** whether treatment arrangements are appropriate

Considerations in institution selection



Most consumers self-educate through the internet

In terms of treatment selection:

- Medical aesthetic consumers tend to self-educate through the internet, where applications including Red and SoYoung have become the go-to platforms for understanding and comparing treatments
- Consumers value safety when selecting treatment

Top 2 reasons for selection:

- High safety level
- Suitable for needs

Top 2 platforms for treatment comparison:

- Red
- Medical aesthetic-centric apps: e.g., SoYoung

It is essential to provide correct guidance & education

Where	*Who*	*What*	*How*
Select proper **institutions**	Select proper **physicians**	Select proper **treatments**	Select proper **treatment plans**

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Challenges in China's medical aesthetic industry (3/3)

Strengthen self-discipline and reputation to promote standardization

Summary of main policies released in 2022

Institution Management

- April: The State Council released the Regulations on the Management of Medical Institutions (revised in 2022)
- May: Notice on Issuing the Key Points for Correcting Unhealthy Practices in the Field of Pharmaceutical Purchase and Sales and Medical Services in 2022 by 9 national departments

Advertisement & Promotion

- October: Administration of Market Regulation published Guidelines for the Treatment of False Propaganda and Price Violations in Medical Aesthetic Industry
- October: 7 departments including Administration of Market Regulation released the Guiding Opinions on Further Regulating Celebrity Advertising Endorsement Activities

Product Management

- March: Announcement on Adjusting the Classification Catalogue of Medical Devices by Medical Products Administration Bureau
- October: Summary of the Third Medical Device Classification and Definition Results by Medical Products Administration Bureau
- November: Management Categories of Medical Sodium Hyaluronic Acid Products by Medical Products Administration Bureau

*"**More departments** (including the Ministry of Finance, State Administration of Taxation, and Supreme Court, etc.) have **joined and participated** in governance and rectification in the medical aesthetic industry*

Comprehensive supervision accelerates industry standardization

Under policy guidance, strengthening self-discipline has become the main theme

Industry Associations

- **Chinese Association of Plastic Surgery:** Release of 2022 Guidelines for Standardized Operation of Medical Beauty Institutions

Brands & Manufacturers

- Chinese Association of Plastic Surgery collaborates with Allergan Aesthetics to carry out the first batch of pilot work on "scanning codes for authenticity verification" in medical aesthetic institutions
- More brands and manufacturers join the pilot work

Online Platform

- **Red:** Launched a special campaign for medical aesthetic-related content and disposed of illegal notes and accounts
- **TikTok:** released Announcement on Adjusting Product Sharing Function of Medical and Health Certification Creators

Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Analysis

Challenges in China's medical aesthetic industry (3/3)

The medical aesthetic industry has entered the era of heavy regulation, making compliance management imperative

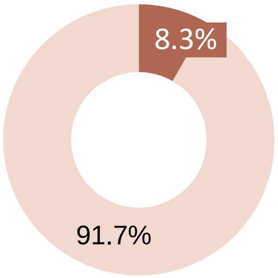
Rectification of illegal medical aesthetic institutions

Distribution of medical aesthetic institutions (2022)

Public institutions
1,863

Private institutions
18,373

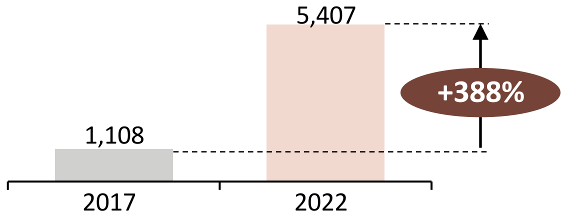
Proportion of medical aesthetic institutions with revoked licenses (2022)



From 2017 to 2022, **8,068** medical aesthetic institutions had their business licenses revoked

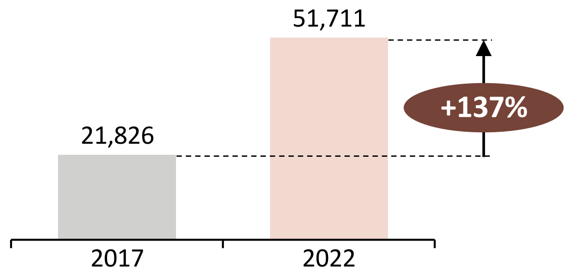
Administrative penalties & legal judgments

Number of administrative penalties in the medical aesthetic industry (2017-2022)



From 2017 to 2022, the number of administrative penalties in the medical aesthetic industry increased by **388%**

Number of adjudicative documents in the medical aesthetic industry (2017-2022)



From 2017 to 2022, the number of adjudicative documents in the medical aesthetic industry increased by **137%**

Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Data from QiXinBao and QiChaCha as of 12 December 2022, China Judgements Online, CN-Healthcare

Chapter 2

Medical Aesthetic Consumption Trends in China and Insights into the Operational Status of Institutions

Abstract

As the beauty economy continues to gain momentum, profound insights into the profiles, behavioral trends, and characteristics of various medical aesthetic consumer groups can support industry practitioners to identify target consumers and capture their needs precisely. This enables them to develop unique, differentiated competitive advantage by enhancing agile management and service provision to optimize their service portfolios and improve channel layout

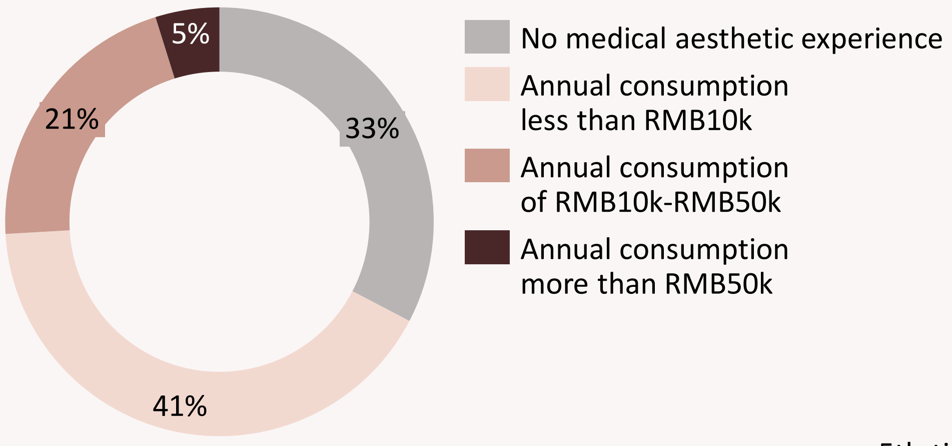
Medical Aesthetic Consumption Trends in China

Research background

This report surveyed more than 2,000 consumers and over 600 medical aesthetic institutions

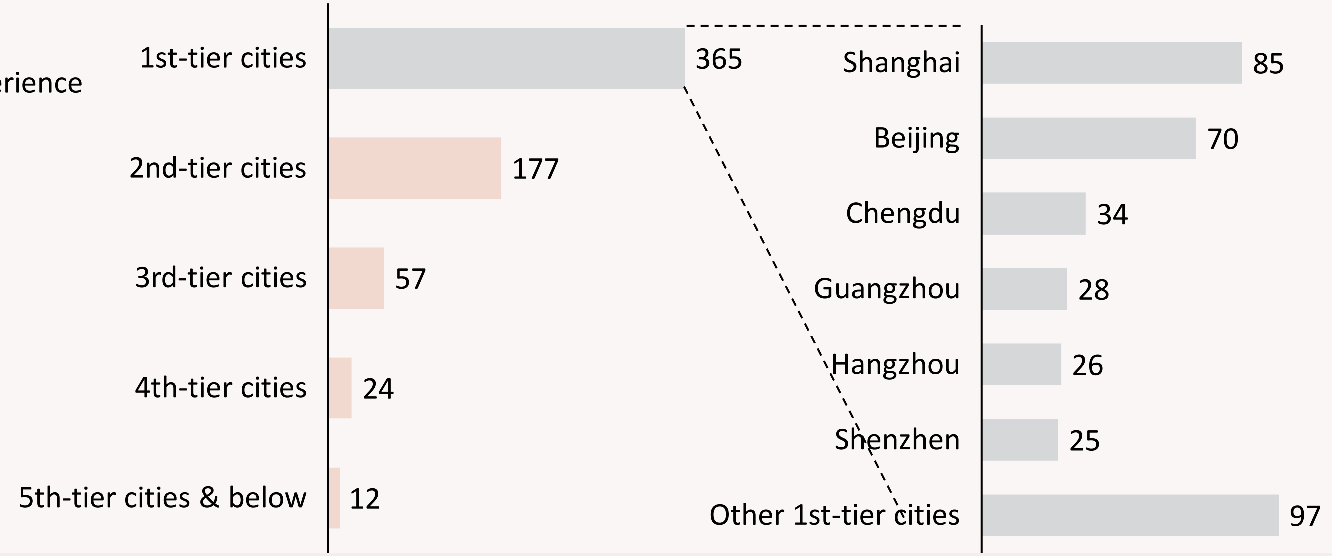
Respondents’ consumption experiences

(n=2177)



Number and distribution of institutions surveyed

(n=635)



- The report surveyed 2,177 consumers in March 2023
- 33% of respondents are potential consumers with no medical aesthetic experience. The others all have various levels of medical aesthetic experience

- The report surveyed 635 medical aesthetic institutions across more than 100 cities in China
- 57% are in broadly-defined 1st-tier cities*

Data source: Allergan Aesthetics and Deloitte Consulting Consumer/Institution Survey; City level adopts CCCI methods, where broadly-defined 1st-tier cities include Beijing, Shanghai, Guangzhou, Chengdu, Hangzhou, Shenzhen, Wuhan, Nanjing, Xi’an, Chongqing, Suzhou, Shenyang, Tianjin, Foshan, and Dongguan

Five trends in medical aesthetic consumption

Trend 01

High-end consumers

Consumption has become more selective rather than downgraded

Trend 02

Mature vs. Young consumers

Mature: reputation and quality-driven
Young: experience-driven

Trend 03

Potential consumers

Strong potential for development, emphasizing trust and connection

Trend 04

Male consumers

Potential consumers driven by basic needs; experienced consumers have diverse demands

Trend 05

Overseas Treatments

Mostly young people, and the main sites for treatment are still in China

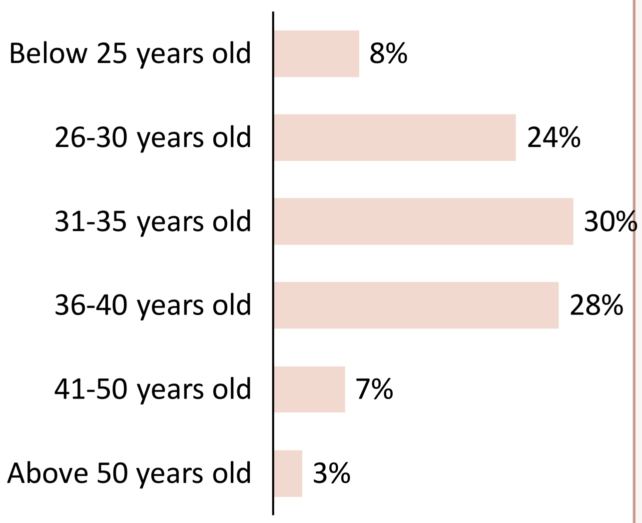
Portrait of high-end consumers

Definition: High-end consumers are those whose actual spending on medical aesthetics in 2022 exceeded RMB50,000

Age

- The average age of high-end medical aesthetic consumers is 34
- Among high-end consumers, nearly 70% are above the age of 30

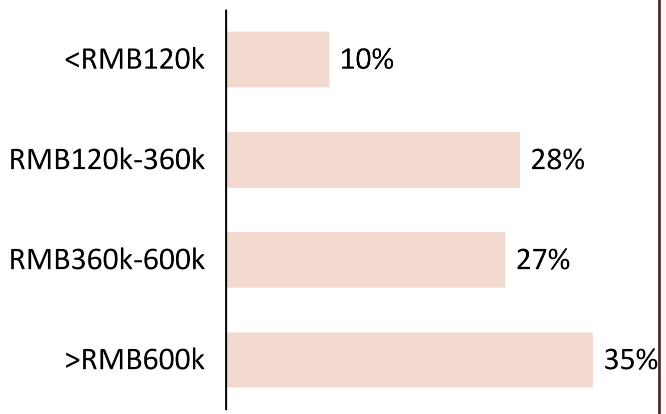
Age distribution



Income & medical aesthetic spending

- The average household income of high-end consumers is about RMB820k. 90% have a household income greater than RMB120k
- On average, high-end consumers spent about RMB94k on medical aesthetics in 2022, accounting for 11% of household income

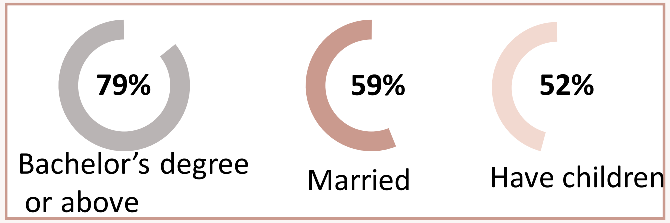
Annual household income distribution



Marriage | Education | Occupation

Among high-end medical aesthetic consumers:

- 79% have a bachelor's degree or above
- 59% are married and 52% have children



Among high-end consumers, the top employers are private enterprises, SOEs/central enterprises/public institutions, and freelance

Top 3 types of employment

Private enterprises

SOEs/central enterprises/public institutions

Freelance

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

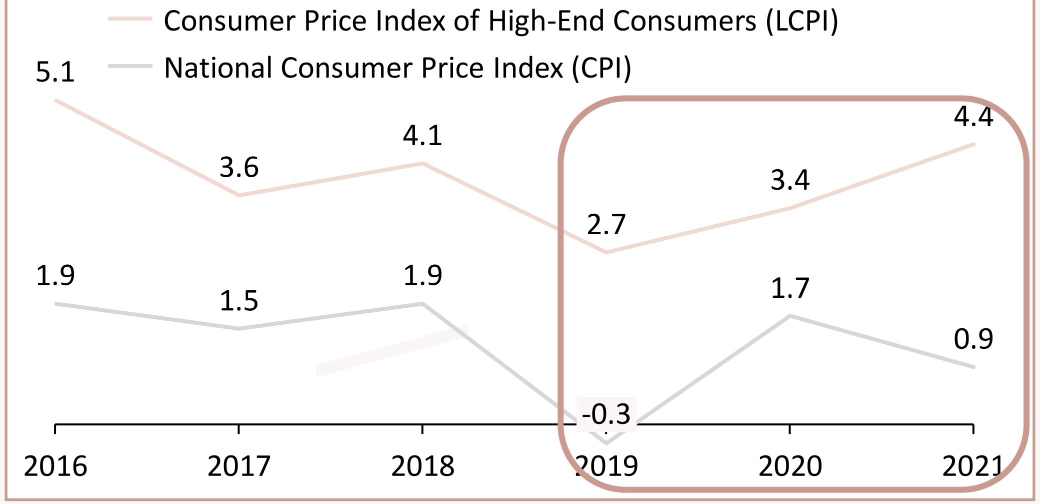
Spending by high-end consumers has increased steadily, favor investing in self-indulgence

Grasping high-end consumer group and enhancing brand influence can help medical aesthetic institutions resist external risks and stabilize sales growth

Stable consumption from high-end consumers

- The consumption level of high-end consumers is less affected by the pandemic: the consumer price index of high-end consumers (LCPI)* in 2019-2021 is higher than the national consumer price index (CPI), indicating strong consumption stability and their emphasis on high-quality lifestyle

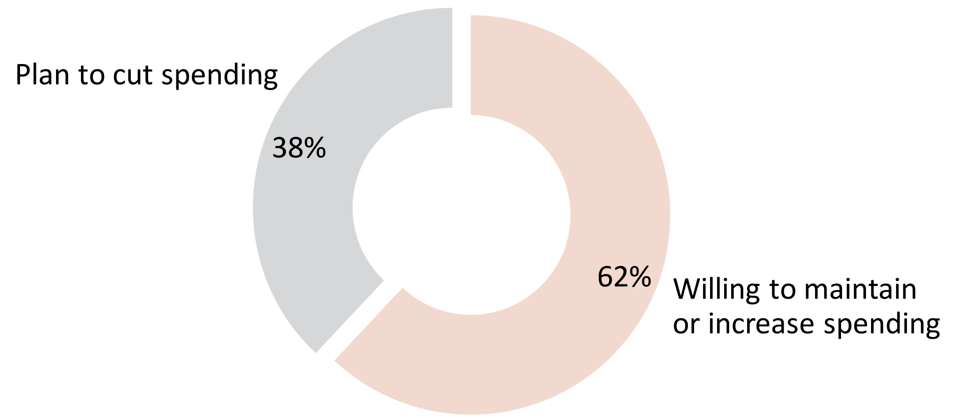
National and high-end consumer price index (2016-2021)



Steady increasing consumption on medical aesthetics

- High-end consumers have stronger and more stable consumption on self-indulgence, including medical aesthetics: according to the survey, over 60% of high-end consumers indicate their willingness to maintain or increase their spending on medical aesthetics in 2023

Medical aesthetic consumption plan for high-end consumers in 2023



Note: The high-end consumer price index is based on Hurun High Net Worth Consumer Price Index (LCPI), covering 10 lifestyle categories such as property, health, luxury travel, accessories and skincare, with prices of 121 items related to high quality lifestyles, comparing price changes from the previous year

Data source: National Bureau of Statistics, Desk Research, Allergan Aesthetics and Deloitte Consulting Consumer Survey

High-end groups are knowledgeable and selective, value professionalism

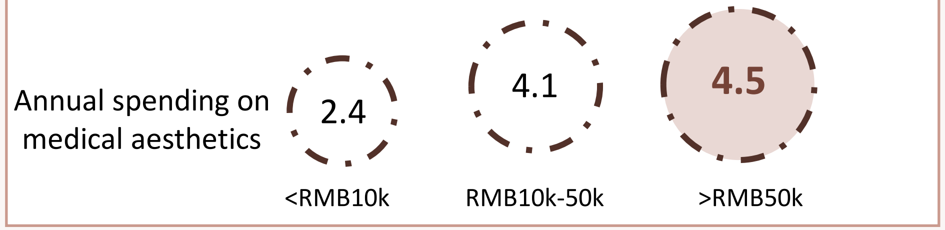
Providing professional, effective, and high-quality services can help institutions retain high-end groups

Selective on institutions

Visit 4.5 institutions on average, value professionalism and effect

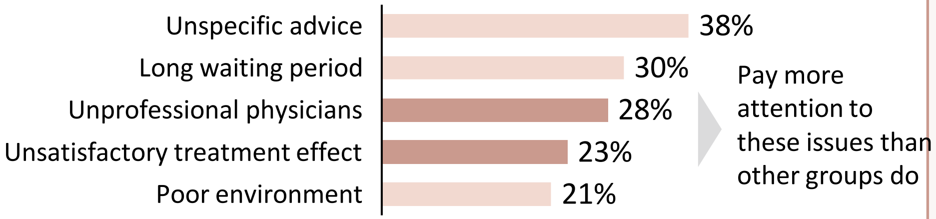
- Rapid development and intense competition in the medical aesthetic market provides consumers with more options

Average number of institutions visited in 2022



- High-end consumers value professionalism and effect more than other groups do when selecting institutions

Top 5 reasons for switching institutions

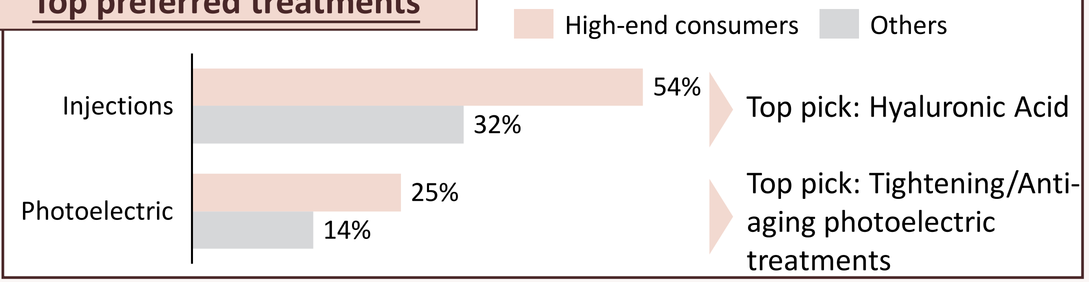


Selective on treatments

Prefer injections/photoelectric treatments, believe in professionalism

- Among high-end consumers, 70% are aged above 30, indicating high demand for anti-aging treatments

Top preferred treatments



- High-end consumers are less price sensitive, but believe in doing their own research and receiving advice from experts

Top 3 reasons for selecting treatments (high-end group)		Top 3 reasons for selecting treatments (others)	
Top 1	Own research	***Top 1***	Own research
Top 2	Advice from experts	***Top 2***	Safety
Top 3	Safety	***Top 3***	Cheaper price

Notes: High-end groups include people who spent more than RMB50k on medical aesthetics in 2022

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

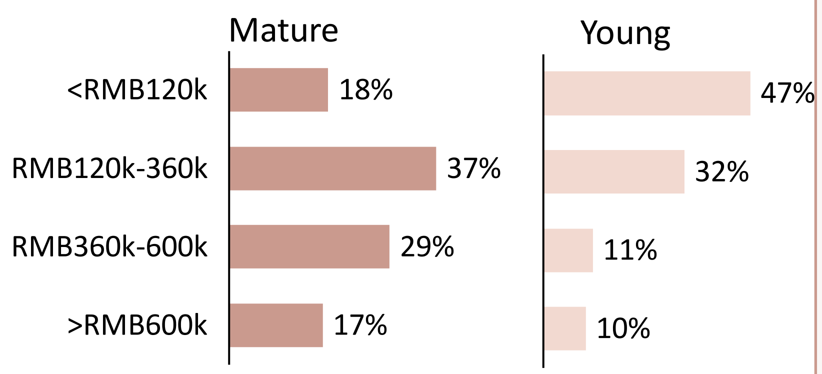
Portrait of mature and young consumers

Definition: Mature consumers are those over 30 years old and young consumers are those under 30

Income & medical aesthetic spending

- Mature consumers
  - Average household income of RMB506k
  - Spending on medical aesthetics in 2022 of around RMB30k
- Young consumers
  - Average household income of RMB313k
  - Spending on medical aesthetics in 2022 of around RMB16k

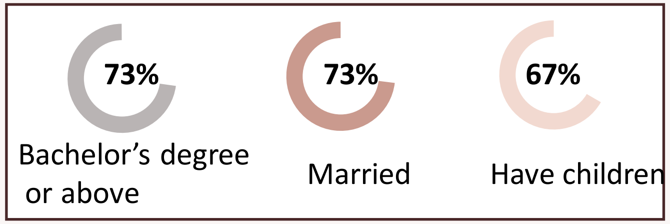
Annual household income distribution of mature/young consumers



Marriage | Education | Occupation

Among mature consumers:

- 73% have a bachelor's degree or above
- 73% are married and 67% have children



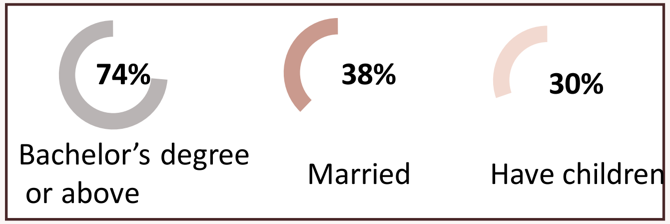
Among mature consumers, the top employers are private enterprises, SOEs/central enterprises/public institutions, and full-time homemaking

Top 3 types of employment of mature consumers

- Private enterprises
- SOEs/central enterprises/public institutions
- Full-time homemaking

Among young consumers:

- 74% have a bachelor's degree or above
- 38% are married and 30% have children



Among young consumers, the top employers are private enterprises, SOEs/central enterprises/public institutions, and foreign enterprises

Top 3 types of employment of young consumers

- Private enterprises
- SOEs/central enterprises/public institutions
- Foreign enterprises

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Mature medical aesthetic consumers tend to value professionalism and quality more

Mature consumers have higher expectations for treatments based on their past experiences and tend to have stronger demands for anti-aging projects

Medical Aesthetic Consumption

High & stable consumption of medical aesthetics

- Average annual medical aesthetic spending of ~RMB30k
- 50% of mature consumers have annual spending of RMB10k-RMB50k
- Willingness to consume tends to increase among consumers aged 35 or above, of which 23% have annual spending above RMB50k
- 62% of mature consumers aged above 40 are far less price sensitive and more willing to maintain or increase medical aesthetic spending

Treatment Selection

Willing to try new products, prefer surgery, cleansing & injection

- Consumers of all age groups prefer conducting research themselves before selection to ensure treatment effect and safety
- Mature consumers value advice from experts more when making decisions

Top preferred treatments

Top 1	Injection	Top pick: Mesotherapy, hyaluronic acid
Top 2	Cleansing	
Top 3	Photoelectric	Top pick: Tightening/Anti-aging photoelectric treatments

Institution Selection

Value efficiency & effects, professionalism, & care

- Mature consumers have much higher requirements for treatment effects than younger groups do, and still have high requirements for appointment waiting time
- Mature consumers value physicians' professionalism more and have higher requirements for timely care and post-treatment follow-up

Reasons for switching institutions

Top 1	Unspecific advice
Top 2	Long waiting periods
Top 3	Unprofessional physicians
Top 4	Delayed follow-up after treatments
Top 5	Unsatisfactory treatment effect

Pay more attention to these issues than young consumers do

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Young medical aesthetic consumers tend to value pleasing themselves and experiences highly

Young medical aesthetic consumers' willingness to consume has increased steadily, and they pay more attention to an institution's tonality and experience

Medical Aesthetic Consumption

Willing to increase consumption on medical aesthetics

- 56% of surveyed consumers are under the age of 30
- 26% of Generation Z consumers (under 25 years old) are male
- Average annual medical aesthetic spending is ~RMB16k
- 70% of young medical aesthetic consumers have an annual medical aesthetic consumption of less than RMB10k
- 29% of Generation Z plan to increase medical aesthetic expenses or try more treatments in 2023, higher than the average (23%)

Treatment Selection

Willing to try new products, prefer surgery, cleansing & injection

- Young medical aesthetic consumers pay more attention to cost-effectiveness and discounts, in addition to safety concerns
- For consumers willing to try new products, 89% are aged below 30

Top preferred treatments

Top 1	Surgical	Top pick: Facial (eyes, nose, lips, etc.)
Top 2	Cleansing	
Top 3	Injection	Top pick: Mesotherapy, hyaluronic acid

Institution Selection

Value tonality & experience

- Among all age groups, advice before treatment and long waiting periods are the main reasons for switching institutions
- Young consumers value institutions' tonality and experience more: a poor environment and experience during treatment can cause them to switch institutions

Reasons for switching institutions

Top 1	Unspecific advice
Top 2	Long waiting periods
Top 3	Poor environment
Top 4	Lack of communication during treatment
Top 5	Unprofessional physicians

Pay more attention to these issues than mature consumers do

Average number of institutions visited in 2022

Average	Gen Z consumers
3.2	4

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

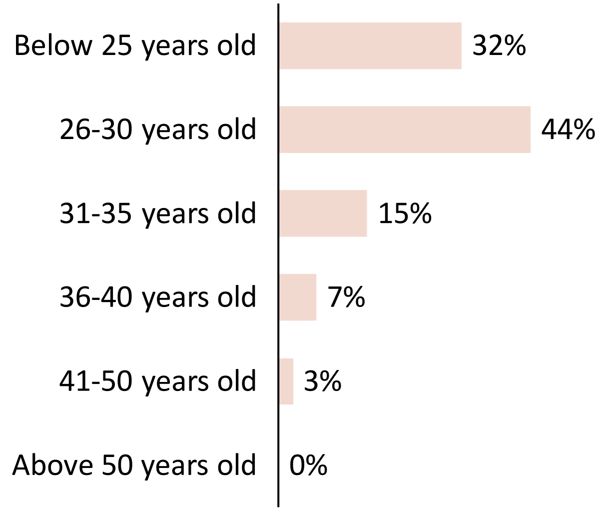
Portrait of potential consumers

Definition: Potential consumers are those with no medical aesthetic consumption in 2022

Age

- The average age of potential consumers is around 28 years old
- 75% of potential consumers are aged below 30

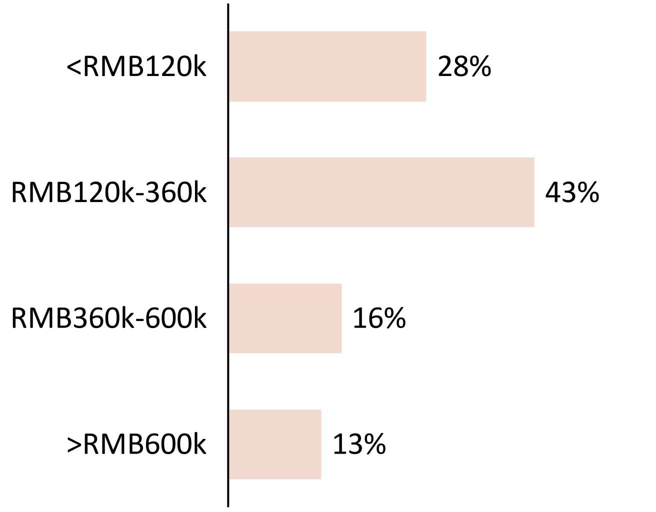
Age distribution



Income & medical aesthetic spending

- The average annual household income of potential consumers is around RMB380k
- 72% have annual household income greater than RMB120k

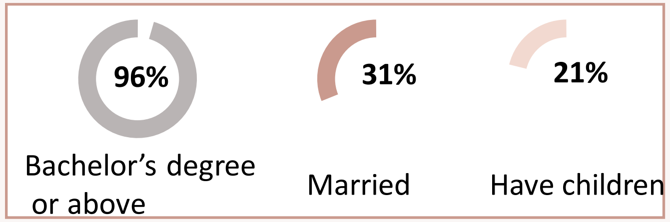
Annual household income distribution



Marriage | Education | Occupation

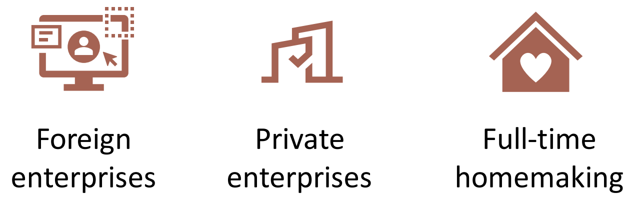
Among potential medical aesthetic consumers:

- 96% have a bachelor's degree or above
- 31% are married and 21% have children



Among potential consumers, the top employers are foreign enterprises, private enterprises, and full-time homemaking

Top 3 types of employment



Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

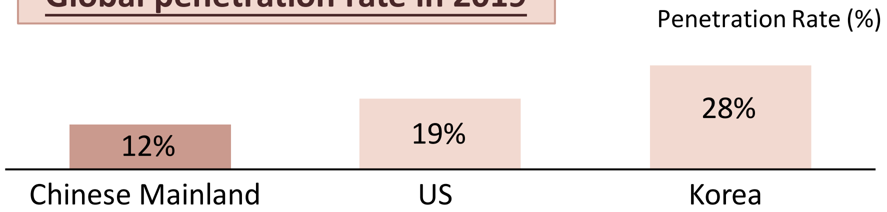
Potential consumers show strong consumption willingness

There is still substantial room for institutions to explore and develop potential medical aesthetic consumers

Low penetration rate with large potential

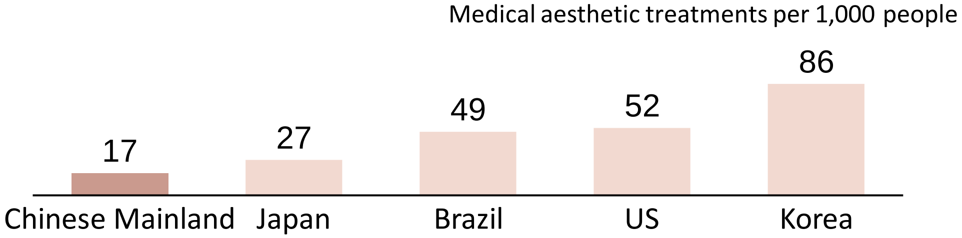
- Compared with mature markets, China has relatively low medical aesthetic penetration; treatments per 1,000 people in Brazil, the United States, and South Korea are all three times or more higher than in China, indicating great market potential and reachable population

Global penetration rate in 2019



** Allergan Aesthetics' defines medical aesthetic market penetration rate as current and potential market demand from the reachable population** across a country*
*** Reachable population: Urban populations in developing countries aged from 20 to 65 with annual household income of more than USD20,000 (approximately RMB127,000)*

Medical aesthetic treatments per 1,000 people in 2019



~70% of potential consumers are willing to consume

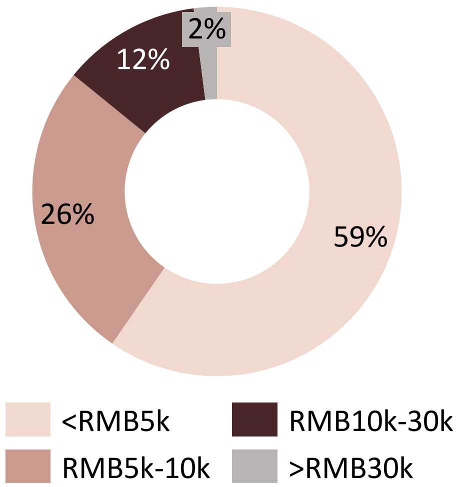
- 69% of the potential consumers surveyed indicate they plan to have medical aesthetic treatments in 2023, demonstrating strong consumption willingness
- Among this group, 85% indicate their annual consumption budget is below RMB10k

Proportion of potential consumers with medical aesthetic plans in 2023

69%

of 711 potential consumers surveyed

Annual consumption budget for medical aesthetics in 2023



Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Potential consumers value safety, effectiveness, and authority over price

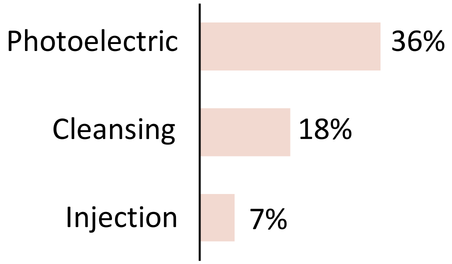
Building consumer trust through effectiveness and authority is of high importance for institutions

Treatment Selection

Start from non-invasive, prioritize safety, & effectiveness

- In addition to hair transplants and orthodontics, potential consumers prefer non-invasive treatments for their first experience

Top 3 preferred types



Preferred treatments

No.1 Skin rejuvenation/ Whitening photoelectric treatments
No.2 Tightening/Anti-aging photoelectric treatments

No.1 Mesotherapy
No.2 Hyaluronic acid

When selecting treatments

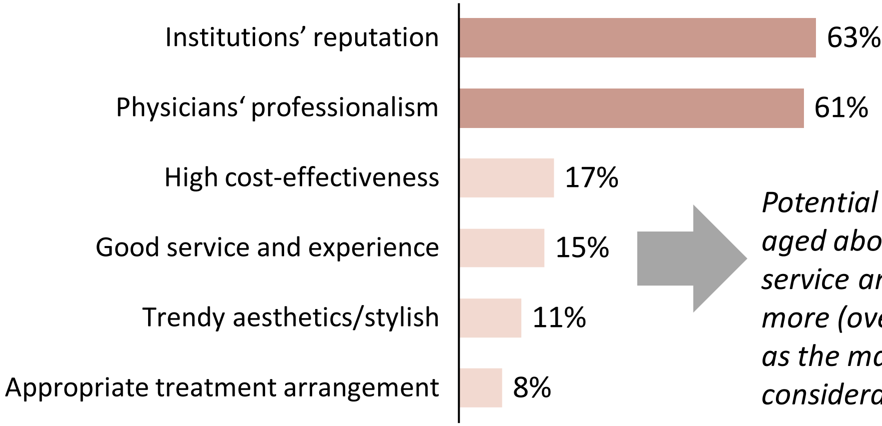
- Price is not the main consideration
- Potential consumers value the safety and effectiveness of a treatment more
- Acquaintances and KOLs have a greater influence on potential consumers than they do on experienced consumers

Institution Selection

Value authority & professionalism, combine online-offline platforms

- 95% of potential consumers would select institutions in the Chinese Mainland for their first experience
- Institutions' reputation and physicians' professionalism are the main considerations
- Before consumption: over 50% would compare institutions, treatments, and brands through online platforms including Red
- Purchasing: mainly offline (40%), followed by Dianping/Meituan (32%)

Main considerations in institution selection



Potential consumers aged above 40 value service and experiences more (over 30% view it as the main consideration)

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

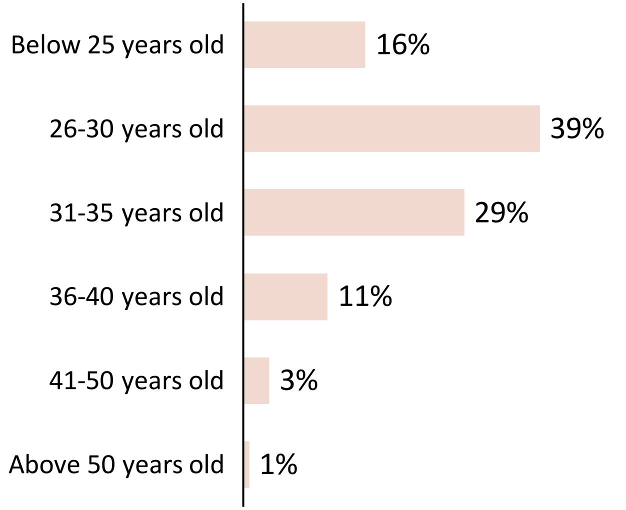
Portrait of male consumers

Definition: Male consumers with medical aesthetic consumption in 2022

Age

- The average age of male consumers is around 30 years old
- 45% of male consumers are aged above 30

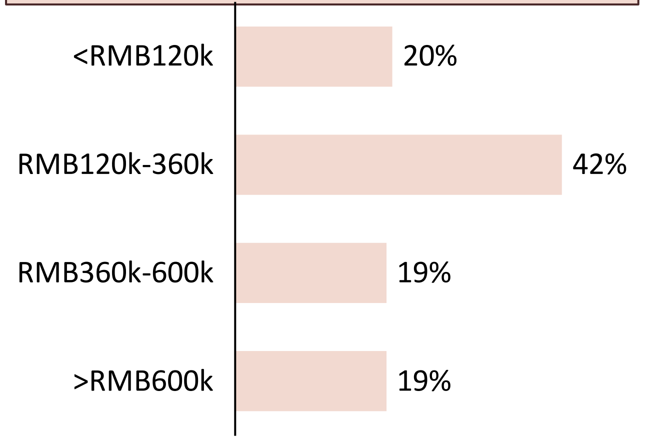
Age distribution



Income & medical aesthetic spending

- The average annual household income of male customer is around RMB470k; 80% have annual household income greater than RMB120k
- Average medical aesthetic spending of male consumers is about RMB13k, accounting for only 3% of annual household income

Annual household income distribution



Marriage | Education | Occupation

Among male medical aesthetic consumers:

- 90% have a bachelor's degree or above
- 51% are married and 37% have children

Bachelor's degree or above

Married

Have children

Among male consumers, the top employers are foreign enterprises, private enterprises, and SOEs/central enterprises/public

Top 3 types of employment

Foreign enterprises

Private enterprises

SOEs/central enterprises/public institutions

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Male consumers mainly focus on non-surgical treatments and tend to care more about privacy

It is crucial for institutions to understand male consumers' differentiated requirements in treatment environment and communication style and enhance market education to unlock the potential of anti-aging programs for men

The proportion of male medical aesthetics consumers has increased

- Male medical aesthetic consumers accounted for 18% of those surveyed, more than in the 2021 survey (13%)
- The average age of male consumers surveyed was older than that of women
- The percentage of male consumers that are married has reached 51%, whereas the number for females is 35%

Treatment Selection

Prefer entry-level non-surgical treatments

- No substantial gender difference in terms of treatment category preference
- As entry-level non-surgical medical aesthetic treatments, botulinum toxin injection, aqua lifting, and photoelectric skincare have the highest penetration rate among male consumers; penetration of anti-aging treatments can be further improved

Top 3 preferred types

Preferred treatments

No.1 Botulinum toxin/aqua lifting (tied)

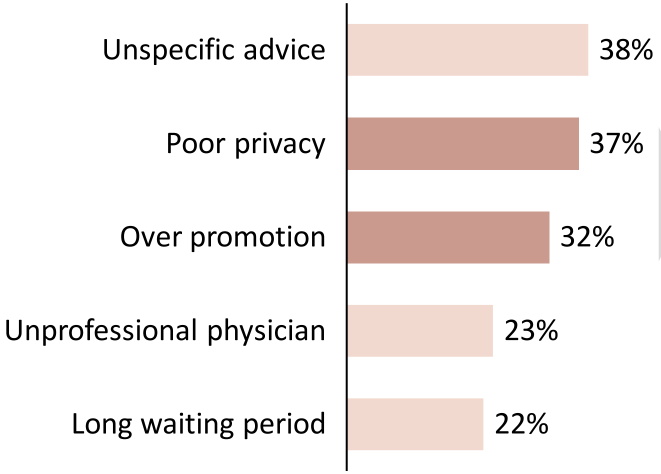
No.1 Skin rejuvenation/ Whitening photoelectric treatments

Institution Selection

Emphasize privacy & degree of promotion

- Compared with female consumers, males care more about institution environment and treatment privacy and are more sensitive to over-promotion and information overflow
- Male consumers tend to be less sensitive than females are to practitioner professionalism and appointment experience

Top 5 reasons for switching institutions



Emphasize these factors more than female consumers do

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

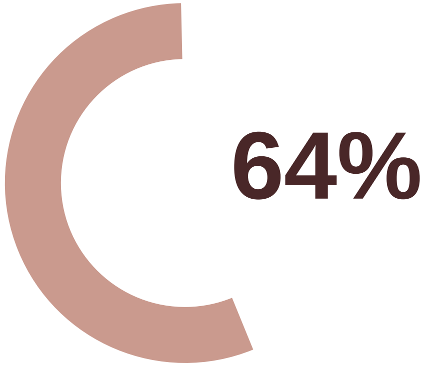
Male potential consumers show strong willingness to try, emphasizing basic needs and safety

There is still substantial room for improvement in male medical aesthetic education on skin enhancing and anti-aging

More than 60% of males have plans for treatment

- Among males surveyed, 64% plan to spend on medical aesthetics in 2023

Percentage of potential male consumers who plan to try in 2023

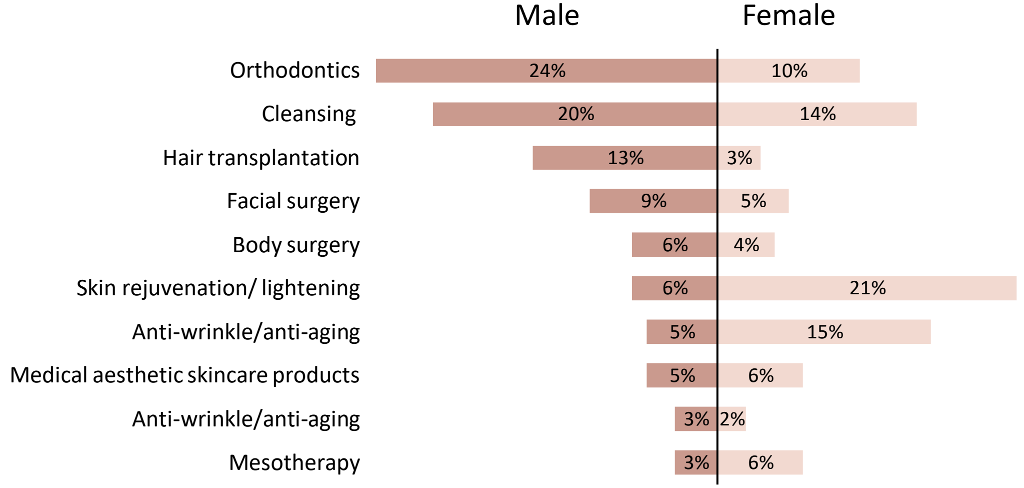


Treatment Focus

Mainly on rigid demand and cleansing; market education required

- Aside from functional treatments (e.g., orthodontics, hair transplantation), male consumers focus more on cleansing, body & facial surgeries
- Unlike female consumers, males pay less attention to injections and photoelectric
- Male consumers put safety first and will consider their own research and expert recommendations

Top 10 most preferred treatments among potential consumers



Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

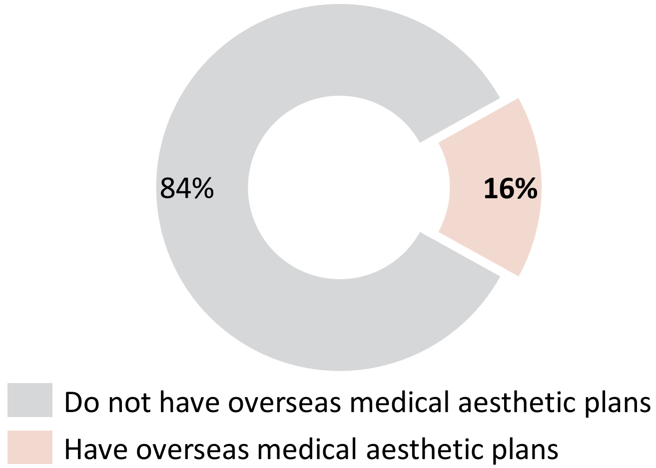
Alleviation of the pandemic has spurred overseas treatment demand among some consumers

Consumers who plan to seek medical aesthetic treatment overseas are typically young, love experiences, are willing to try new things, and have previous experience

Relatively small percentage of consumers have overseas medical aesthetic plans

- Among those who have consumed medical aesthetics in 2022 or are willing to consume in 2023, 16% plan to pursue treatments overseas in 2023

Percentage of consumers that have overseas medical aesthetic plans



Consumers with overseas treatment plans have distinct characteristics

- By analyzing the personas of consumers with overseas medical aesthetic plans, we found they share characteristics including being young, loving experiences, being willing to try new things, and having previous medical aesthetic experience

Young	Nearly 85% of consumers with overseas medical aesthetic plans are under the age of 35
Love experiences	In 2022, consumers with overseas medical aesthetic plans visited 3.2 institutions on average, many more than those without overseas plans (1.7 institutions visited on average)
Willing to try new things	More than 10% of consumers with overseas medical aesthetic plans are willing to take the initiative to try new treatments once they launch, much more than those without plans to pursue medical aesthetics overseas (1.4%)
Have previous experience	Among those who have overseas medical aesthetic plans, 95% had medical aesthetic experience in 2022, but the proportion of high-end consumers is relatively low

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

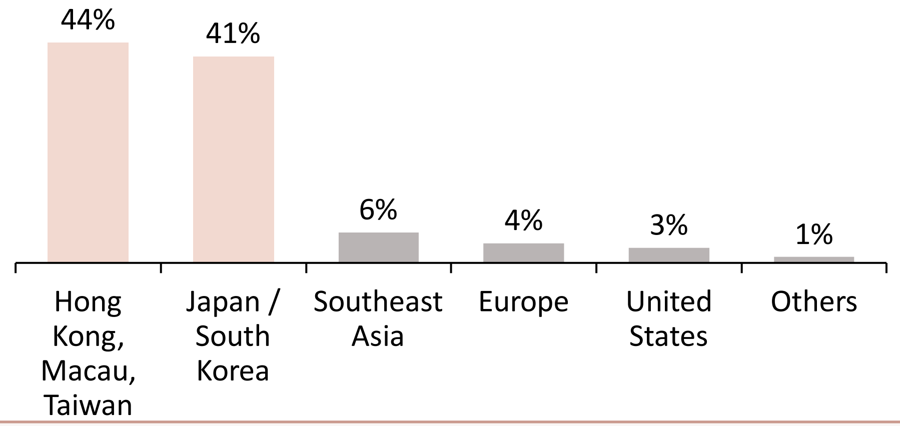
Neighboring countries/regions and popular treatments attract the most attention

Aside from surgical treatments, non-surgical treatments remain highly desirable among consumers that have overseas medical aesthetic plans

Hong Kong, Macau, Taiwan, Japan, & South Korea are the most popular destinations

- Hong Kong, Macau, Taiwan, Japan and South Korea are the most popular sites for consumers with overseas treatment plans
- Apart from proximity, Asian institutions and doctors tend to pursue similar aesthetics as Chinese consumers, and are therefore more attractive

Preferred countries / regions



Popular treatments for overseas medical aesthetic treatment plans

- Medical aesthetic treatments that consumers plan to pursue overseas tend to converge with the treatments they are paying most attention to in 2023
- Apart from surgical treatments, hyaluronic acid injection, and tightening or anti-aging photoelectric treatments are popular among consumers with overseas medical aesthetic plans

Preferred treatment among consumers with oversea plans

Top 1	Body surgery
Top 2	Facial surgery
Top 3	Aqua lifting
Top 4	Tightening/anti-aging photoelectric
Top 5	Hyaluronic acid injection

Top treatments consumers plan to pursue overseas

Top 1	Facial surgery
Top 2	Body surgery
Top 3	Hyaluronic acid injection
Top 4	Tightening/anti-aging photoelectric
Top 5	Skin rejuvenation/ lightening photoelectric

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Characteristics of medical aesthetics consumption trends in public institutions

High-end consumers

- High-end consumers prefer public institutions for their physicians
- Public institutions can hardly satisfy the diverse needs from high-end consumers

Mature vs. Young consumers

Mature consumers

- More selective on treatment, prefer anti-aging
- Highly influenced from acquaintance

Young consumers

- Prefer public institutions for surgical repairs
- Highly influenced from social media

Potential consumers

- High proportion of potential consumers prefer public institutions for treatment consultation
- Key influencing factors include public institutions have stronger endorsement, and some physicians choose to educate through online platforms

Male consumers

- Male consumers tend to solve functional demands in public institutions including acne-related treatments, hair transplantation, orthodontics, etc.

Overseas Treatments

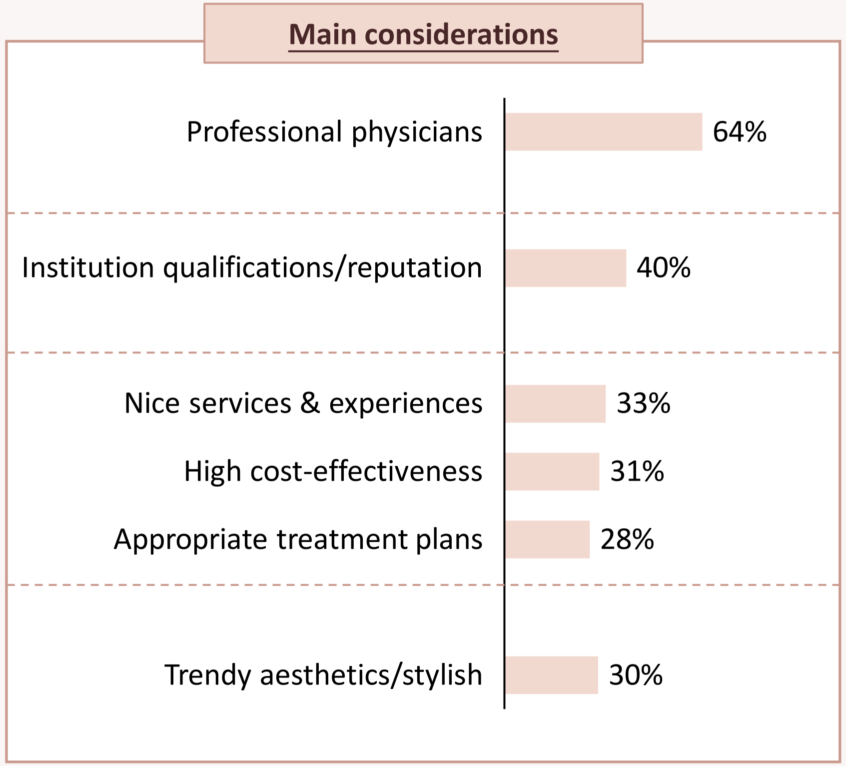
- Public institutions are in leading position in terms of professionalism and abilities
- Strengthen collaboration with international institutions to grasp the trends and further enhance value management

Insights into the Operational Status of Institutions

Institutions may set appropriate key-recommended projects based on their distinct advantages

Consumers have different expectations of institutions for various treatment projects

Institution selection



Design key-recommended treatments based on distinct advantages

- Institutions may consider their own advantages when designing key-recommended treatment to purposefully attract more consumers

Institutions' advantages	Key-recommended treatments	
Professional physicians	• Filling/body contouring injection • Anti-aging injection	• Facial surgery
Institution qualifications/high reputation	• Body surgery • Facial surgery	• Body-contouring photoelectric • Tightening/Anti-aging photoelectric
Nice service and experiences/high cost-effectiveness/appropriate treatment plans	• Skin rejuvenation/whitening photoelectric • Cleansing	• Mesotherapy • Tightening/Anti-aging photoelectric
Trendy aesthetics/stylish	• Filling/body contouring injection • Facial surgery	• Body surgery

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Chains are more willing to try new products, but mainly young consumers are being attracted

Consumers tend to be more conservative on new products

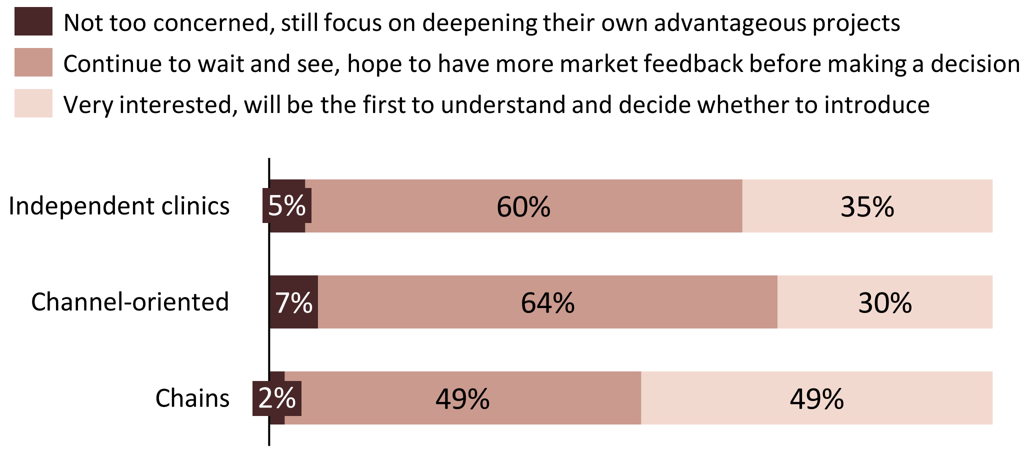
Institutions' attitude towards new products

- More than half of the institutions have a wait-and-see attitude towards new products
- The main reasons for the greater interest in new products among chain institutions could their broader and more diverse customer bases and the possibility of more economical collection costs, making such institutions more inclined to form differentiated competition by trying new products

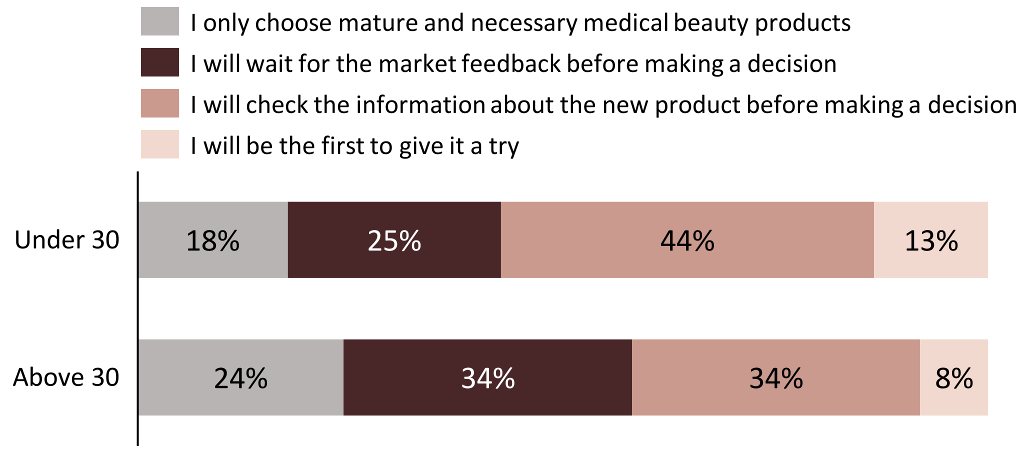
Consumers' attitude towards new products

- Only 11% of consumers will be the first to try new products
- Consumers above 30 are more cautious about new products, with 24% of consumers only focusing on the mature treatments that they need
- Consumers under 30 are slightly more willing to try new products, 44% of consumers will first check and research information about new products

Key factors that institutions focus on when selecting products



Key factors that consumers focus on when selecting products



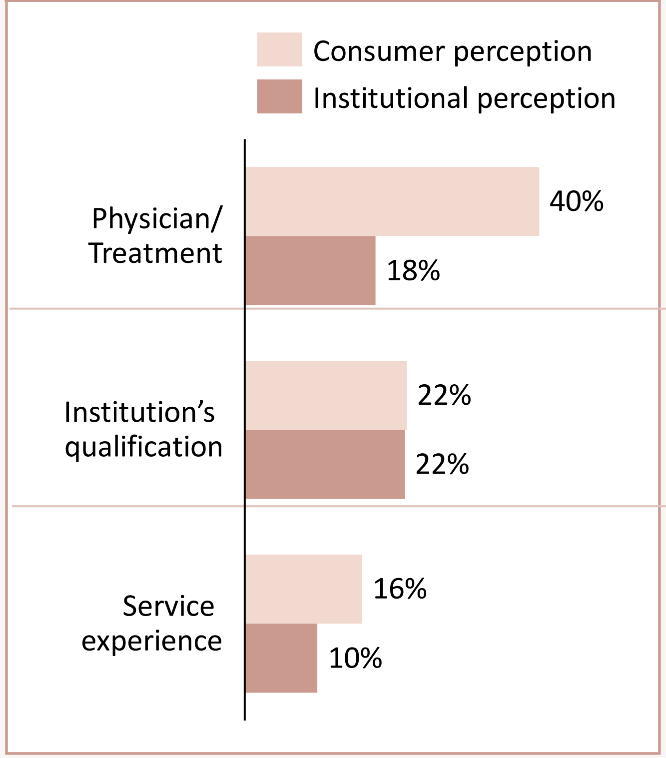
Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Consumers are attracted by professionalism and qualifications, but are disappointed by service

Consumer retention is greatly influenced by service experience and should be given more attention by institutions

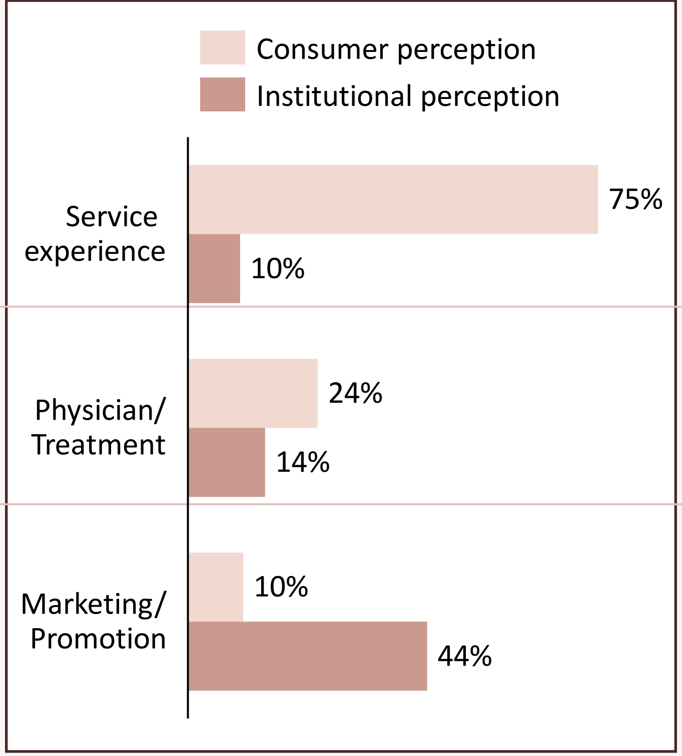
Why choose

Consumer perception vs. institutional perception



Why leave

Consumer perception vs. institutional perception



- Consumers are primarily attracted by physician's professionalism, and institution's qualifications
- However, 75% of consumers are disappointed and choose not to retain due to poor service experience

- Consumers value more on physician's professionalism and treatment efficacy, however institutions often put more effort on building physician IP

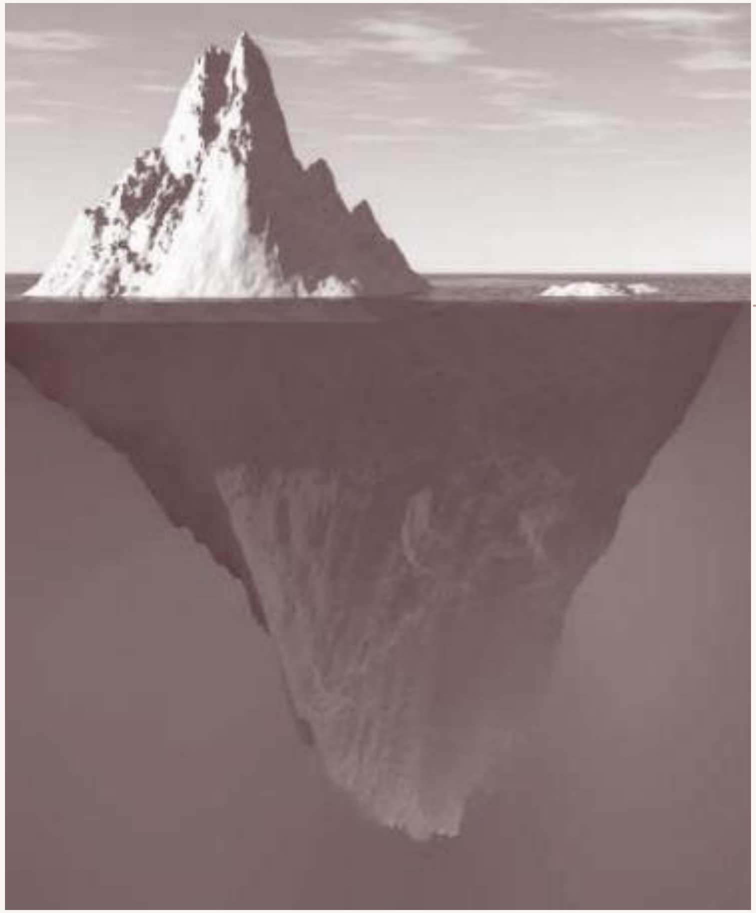
- Nearly half of the surveyed institutions believe that consumer acquisition/promotional activities is the key pain point
- While only 10% of consumers choose not to retain due to promotion-related reasons

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

Mismatches exist between expectations on professionalism and building physician IP

Consumer-centric: Understand consumers' motivation for treatment, and turn consumers' demands into optimum outcomes

Consumers' perception on physicians' professionalism



Physicians' reputation

- Well-known physicians often have high reputation and consumer satisfaction
- But this is not solely the result of building physician IP

Physicians' skills & abilities (treatment related, communications, etc.)

- The physicians' professionalism that consumers perceived is also related to their skills and abilities in treatment and communications, etc.
- This requires physicians to be consumer-centric: understand their motivations for treatments, and thus turn consumers' core demands into optimum outcomes

4 archetypes of Chinese medical aesthetics consumers

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey, Allergan Aesthetics 'GOING BEYOND BEAUTY: Understanding and treating different patient archetypes in aesthetic medicine'

Strong sense of selling is one of the most mentioned pain points

Institutions need to position themselves accurately in consumers' areas of interest to achieve spiritual connections and resonance

Precise cross-industry collaboration may help institutions build trust

Everyday activities centered around **weight loss and toning** such as "fitness" and "yoga/dancing" are the key interests of medical aesthetic consumers

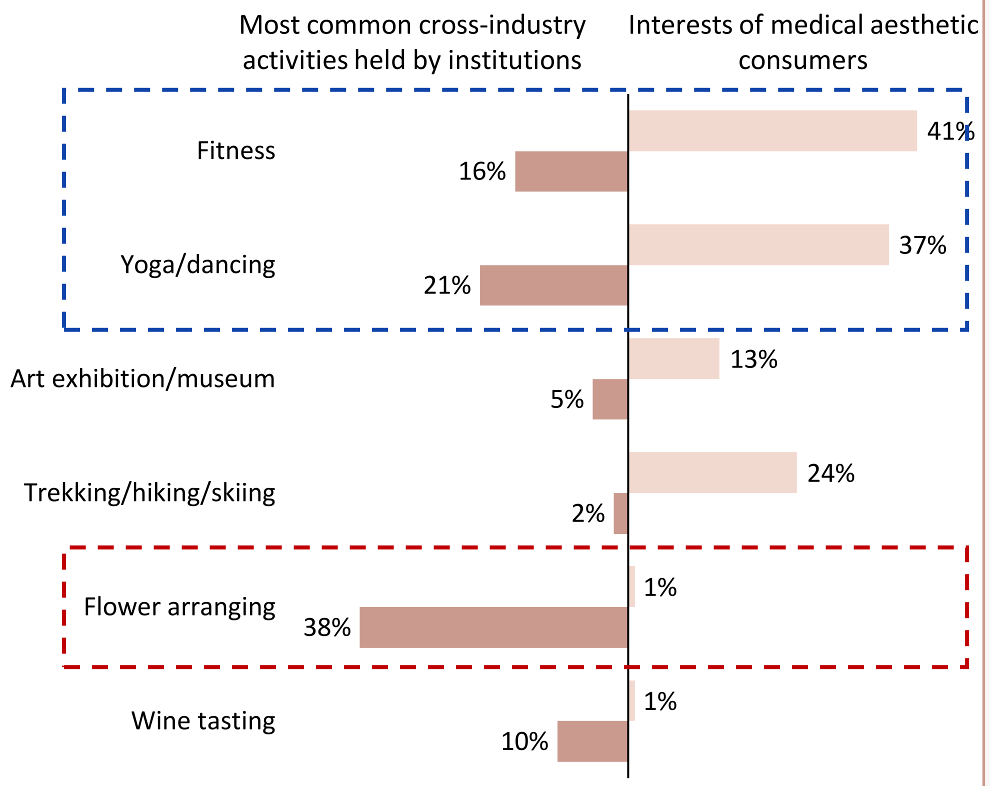
Medical aesthetic institutions can accelerate forming connections between **facial beauty and body contouring**, creating a well-rounded closed-loop of consumer medical aesthetic needs

Mismatch exists in cross-industry collaboration

Close to **38%** of medical aesthetic institutions use "flower arranging" as their most common cross-industry activity

But only **1%** of consumers surveyed expressed interest in "flower arranging"

Most common cross-industry activities held by institutions vs. distribution of consumers' interests



Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey

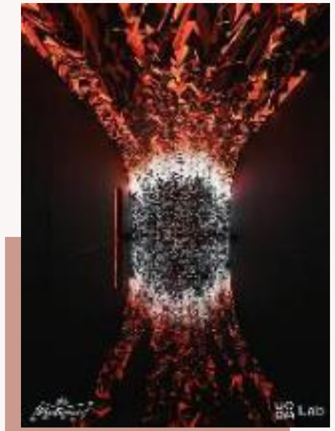
Outdoor and art appreciation activities are increasingly popular and institutions can leverage artistic atmospheres to elevate tonality

- In recent years, the rise of urban outdoor activities has also spread to medical aesthetic consumer groups. Institutions should seize this opportunity to bring the "mountain lifestyle" to potential consumers
- “Visiting art exhibitions/museums" has become the priority focus of medical aesthetic consumers, aside from sports and outdoor activities. Institutions can take advantage of the opportunity to create an integrated concept of "medical aesthetics" plus "visual aesthetics“ by establishing independent art spaces to enhance their "brand tonality"

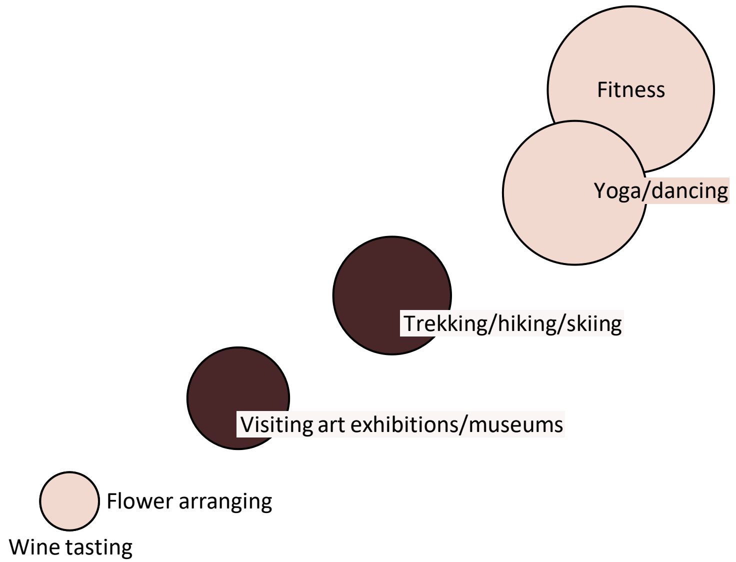
Case - 1

Beer brand × UCCA Lab create pop-up art exhibition

A beer brand collaborated with UCCA Lab to create the "Roar: Sound Like a Tiger" art exhibition. Embarking on an unprecedented triple "crossover" of drink, art, and electronic music, with an immersive interactive exhibition that blended avant-garde, experimental, and subversive elements to allow audiences troubled by the burdens of life to relax their defenses. When visitors stop to face their true selves, they instinctively find the direction of their hearts in roaring and release



Most popular interests among consumers



Case - 2

Skincare brand co-hosted camping activity with Bosideng

As the “secret to traffic generation" that has emerged in recent years, camping, an outdoor lifestyle, has become the key form of brand marketing for many brands. A skincare brand exerts its influence through a series of joint outdoor activities with Bosideng, expanding sales channels between the brand and consumers and creating a new model of outdoor cross-boundary marketing

Through its brand mascot, a little woodpecker in the woods, the brand expressed a naturalistic personalization concept, symbolizing the awakening of the power of nature and further conveying the brand’s concept to event participants and the

Data source: Allergan Aesthetics and Deloitte Consulting Consumer Survey, Desk Research

Chapter 3

China Medical Aesthetic City Portraits

Abstract

Different cities in China have distinct regional economic, political, and business characteristics. The following city portraits facilitate medical aesthetic practitioners to clarify their positioning and develop localized strategies for sustainable and benign development by identifying key differences between cities, grasping the pulse of consumer culture, capturing insights from the characteristics of medical aesthetic institutions and consumers, and ascertaining their regulatory priorities

Allergan Aesthetics' business consulting team filtered and selected 11 cities by city level and maturity of medical aesthetic market: Beijing, Shanghai, Guangzhou, Chengdu, Hangzhou, Shenzhen, Xi'an, Nanjing, Ningbo, Wuhan, and Chongqing, and conducted in-depth analysis of their development stages, institutional and consumer characteristics, and regulatory policies through desk research and consumer and institution surveys. This provides insights for practitioners to horizontally compare city characteristics and consumer preferences, and thus formulate and adjust their strategies purposefully


北京
BEIJING
Number of institutions ranked 1st nationwide
Abundant medical resources
Proactive physician entrepreneurship

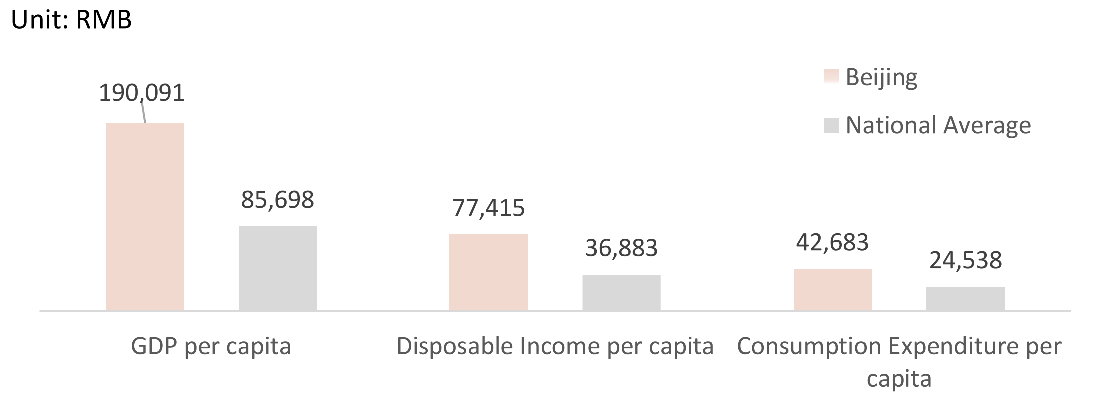
Beijing

Proactive and promising development of medical aesthetic market with a great number of various types of institutions

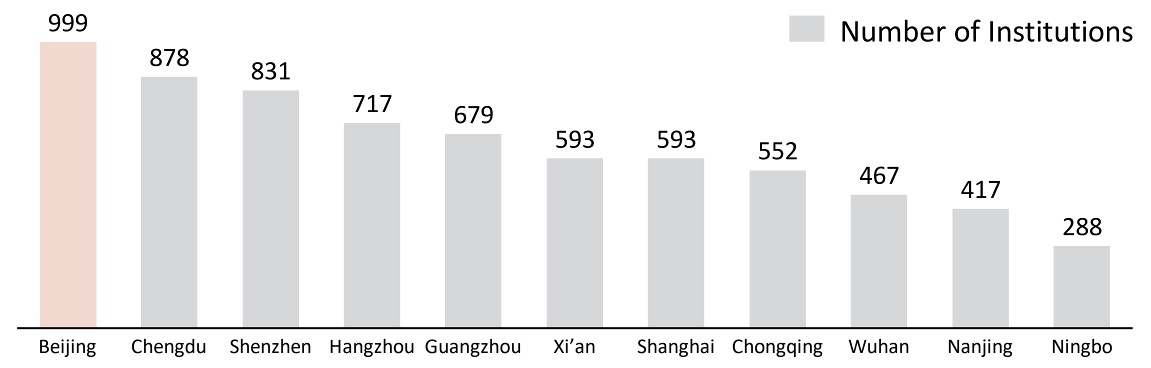
Keywords: **diversification** (mature top-tier institutions dominate with non-surgical-centric institutions rising rapidly), **abundant medical resources,** and **proactive physician entrepreneurship**

Average consumer unit price RMB11,421 in Beijing vs. RMB5,695 nationwide

Beijing's GDP per capita, disposable income per capita, and consumption expenditure per capita all surpassed the national averages in 2022



The number of medical aesthetic institutions in Beijing ranked 1st nationwide (as of January 2023)



Permanent population	**21.84 million**
Proportion of population aged 15-59	**66.6%**

Distribution of medical aesthetic institutions in Beijing (as of January 2023)

The total number of medical aesthetic institutions is **999**

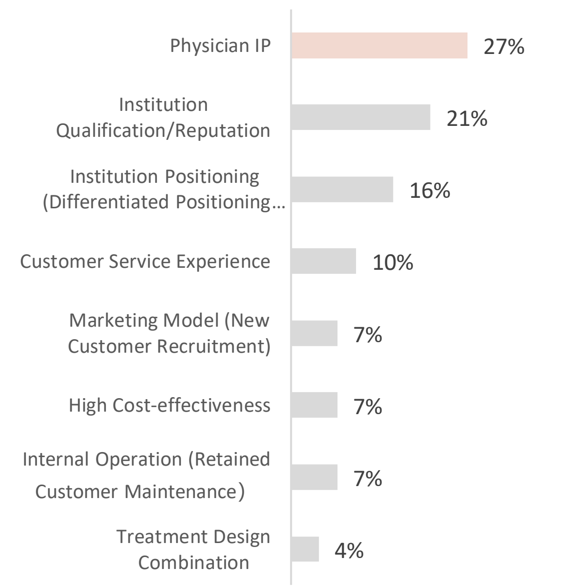
Public institutions **~8%**

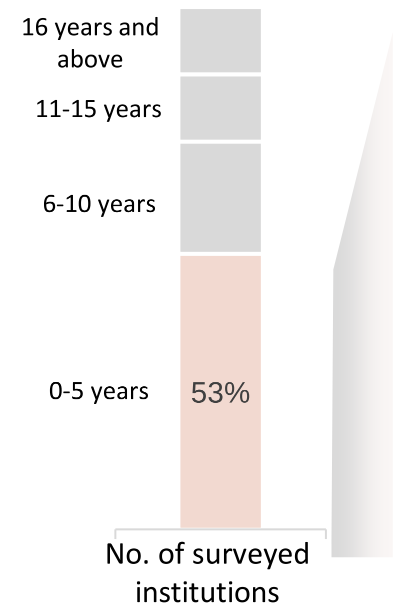
Private institutions **~92%**

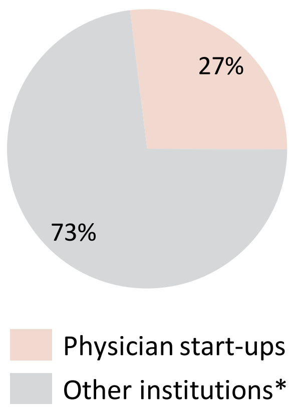
Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Consumer/Institution Survey, and Allergan Aesthetic Analysis

Beijing
Physician IP is the core institutional competitiveness; strong consumption power and high demand among consumers

Characteristics of medical aesthetic institutions



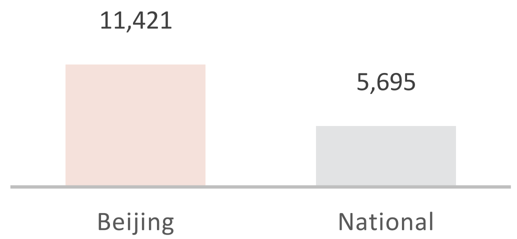




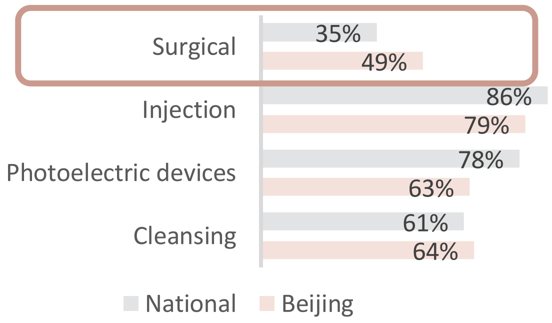
Other institutions include independent clinics (non-physician start-ups), channel-oriented, national chains, regional chains

Characteristics of consumers

Average consumer unit price of surveyed institutions (RMB)



Demand for medical aesthetic treatments



Physician IP is considered a core competitive advantage by most medical aesthetic institutions in Beijing

For newly established institutions (operating for 0-5 years), **the number of physician start-ups has a large proportion (27%)**

Strong consumption capability and high demand for surgical treatments

Data source: Allergan Aesthetics and Deloitte Consulting Consumer/Institution Survey

Beijing | High regulatory requirements maintain leading national position in regulation intensity and policy refinement

Intensive implementation of policies: high intensity of regulatory control, and joint enforcement by multiple departments in medical aesthetic industry
Specific management measures: ensure clear requirements for institutions in terms of their scope of operations, product indications, and scope of surgical treatment operations

	Ten measures for medical aesthetic supervision	Beijing Regulations on the Protection of Minors (revised draft)	Special campaign for outstanding problems in medical aesthetics
Issuance departments	**2020** Beijing Dongcheng Market Supervision Bureau	**2022** Beijing Civil Affairs Bureau	**2023** 11 departments including Beijing Market Supervision Bureau, Beijing Health Commission, and etc.
Core content	Includes illegal information disclosure, punishment notifications, raids, online supervision enhancement, joint enforcement, personnel management, administrative interviews, and connections between criminal cases and administration cases, etc. More than half of these measures were proposed for the first time	Medical aesthetic institutions shall not provide services to minors unless they get formal consent from guardians	Continuously strengthening the intensity of regulation and exposing eight cases of illegal activities in the medical aesthetic industry
Main impacts	**Combination of regulatory measures creates fair and orderly competitive environment**	**Medical aesthetic institutions need to implement stricter procedures for providing services to minors**	**Ensures governance and regulation in the medical aesthetic industry is routine**

Data source: Desk Research and Allergan Aesthetic Analysis


上海
SHANGHAI
High income and High consumption
Pioneering position in medical aesthetic
High penetration rate

Shanghai — Leading city in national consumption, featuring high end and new consumption

Diverse city

More than half the population is under 40 years old, where mature population aged 30-34 accounted for the highest proportion

~40% of the population have an Associate degree or higher, indicating high education level

~40% of the residents of Shanghai are migrants from other cities in China or globally

High income & purchasing power

Disposable income per capita in 2022 ranked 1st nationwide

Unit: RMB

TOP 1	**Shanghai 79,610**
TOP 2	Beijing 77,415
TOP 3	Shenzhen 72,718

Top 3 cities by consumption expenditure per capita in 2022

Unit: RMB

TOP 1	Hangzhou 46,440
TOP 2	**Shanghai 46,045**
TOP 3	Shenzhen 44,793

Key component of national consumption

Comprehensive strength of Shanghai's nighttime economy ranks 1st nationwide

Concentration of international high-end brands is above 90%

Concentration of global retailers ranks 2nd worldwide

Total transaction value and per capita consumption of new generation online consumption rank 1st nationwide

Gathering place for new consumption

The advantage of its population base combined with energetic consumption driven by strong economic development contributes to Shanghai modernized consumption concept, especially its high acceptance of new concepts. The city's consumption environment is also well-recognized by global brands, making Shanghai a playground for new consumption

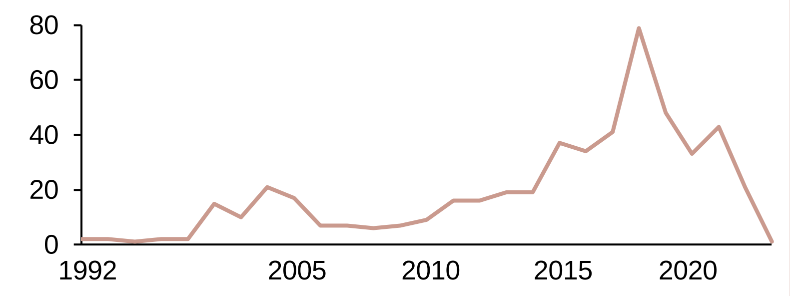
The first-mover economy is the main driver of expanding high consumption and improving consumption level. In 2022, 1,073 new stores were established in Shanghai, the most nationwide, and the city anticipated various forms of debuts and premieres to optimize and enrich its first-mover economy to boost diverse, high-end consumption

Data source: Desk Research and Allergan Aesthetic Analysis

Shanghai | Pioneering position and stable development in medical aesthetics while embracing growth potential

Compared with other cities, Shanghai is a pioneer in medical aesthetics with high penetration rates, but due to strict regulation, the number of institutions in Shanghai ranks only 7th nationwide, indicating **stable development** and certain **growth potential**

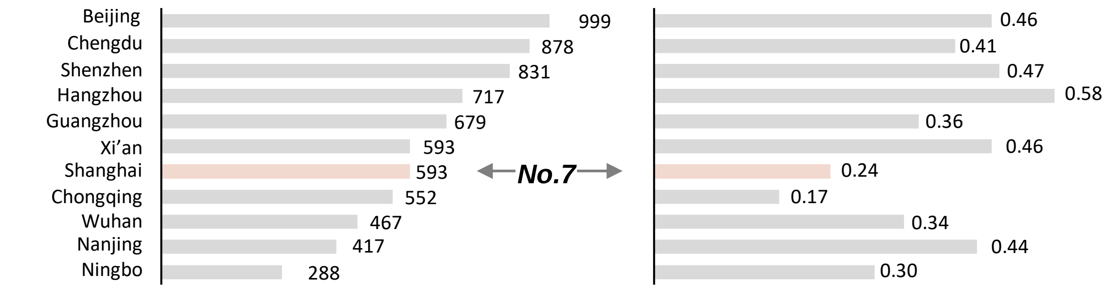
Distribution of different types of medical aesthetic institutions in Shanghai (as of February 2023)



Public Institution
~12%

Private Institution
~88%

Total number of private medical aesthetic institutions and institutions per 10,000 people in major cities nationwide



Strict regulation

Oct.2022

The Shanghai Quality Control Center issued the Catalogue of Graded Management of Medical Aesthetic Services in Shanghai for trial implementation in October 2022, clarifying several requirements for the treatment index including setting upper limits for single injection fillings to 8ml, making Shanghai the first city to provide guidance on treatment indexing.

Jan.2023

Shanghai's medical aesthetic industry released the first batch of typical cases for a special campaign on outstanding issues conducted by 11 departments including the Shanghai Market Supervision Bureau, Shanghai Health Commission, and Shanghai Drug Administration Bureau, finding four cases of illegal medical treatments and six instances of false advertising.

Mar.15.2023

On 15 March 2023, the Shanghai Consumer Protection Commission announced that complaints related to medical aesthetics increased sharply (1.6-fold YoY). The problems found included false advertising, inducing consumption inducements, and unclear charging.

Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Desk Research and Allergan Aesthetic Analysis

Shanghai

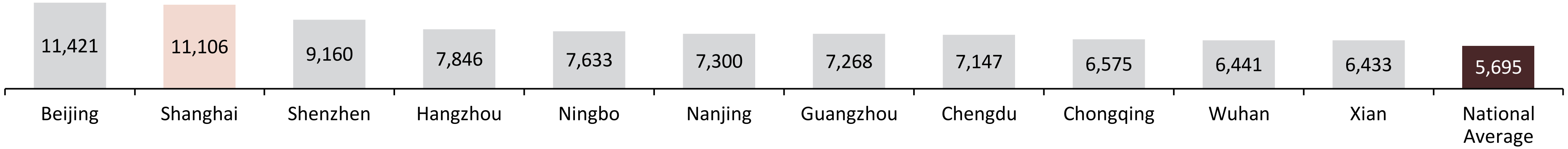
Consumers focus more on improving their personal temperaments and favor injection and body-contouring treatments

With a refined mindset, Shanghai medical aesthetic consumers value improving their personal temperaments highly, leading to **a preference for injection and body-contouring treatments**

Satisfying **quality investment** needs to help consumers achieve **spiritual resonance** has become a key factor in improving consumer stickiness

Medical aesthetics in high demand

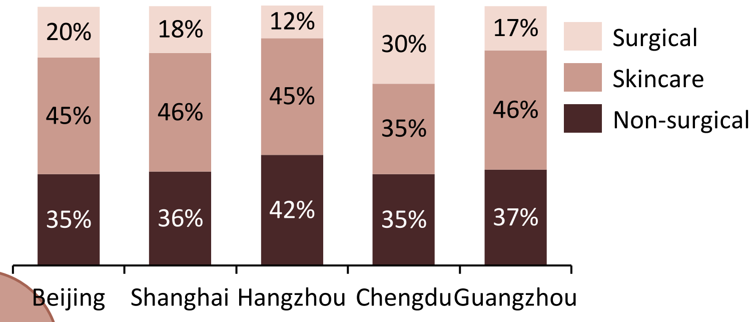
Average consumer unit price



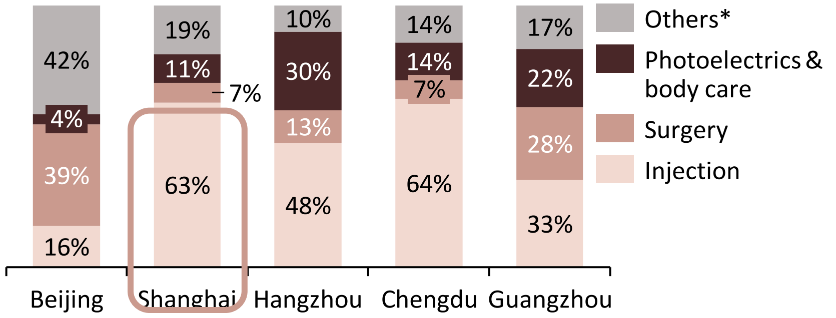
The average store visit frequency for Shanghai consumer is 3.1 times per year, **ranking 2nd nationwide**, as does Shanghai's average consumer unit price. Institutions can improve consumer stickiness to enrich their loyal consumer bases and achieve stable income

Consumers prefer injection and body-contouring treatments

Distribution of revenue by types of treatment by city

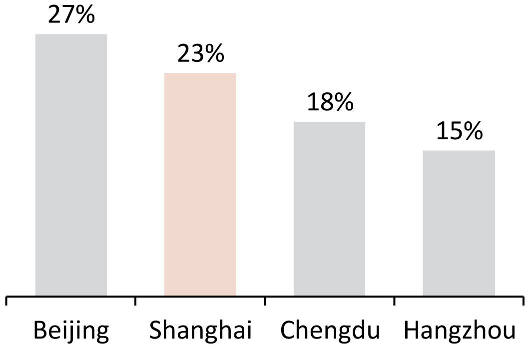


Treatment categories with highest consumer interest by city



*Others include cleaning and other related programs

Demand for body contouring treatment by city



Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Consumer/Institution Survey, Expert Interviews, and Allergan Aesthetic Analysis

广州

GUANGZHOU

Chains institutions have highest proportion

Relatively low institutional updating speed

Stable market structure

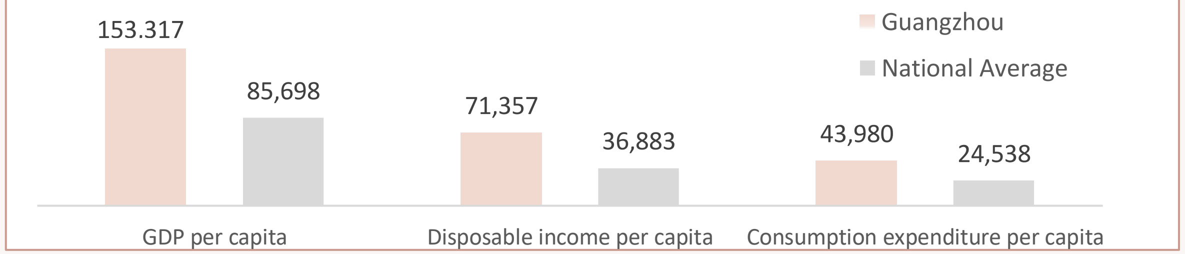
Guangzhou | Large potential for the development of medical aesthetics as regulation is continuously upgraded

Upgraded regulation: In 2022, 11 departments including the Market Supervision Bureau, Health Commission, and Prosecutor's Office of Guangzhou carried out a special campaign to address outstanding problems in the medical aesthetic industry

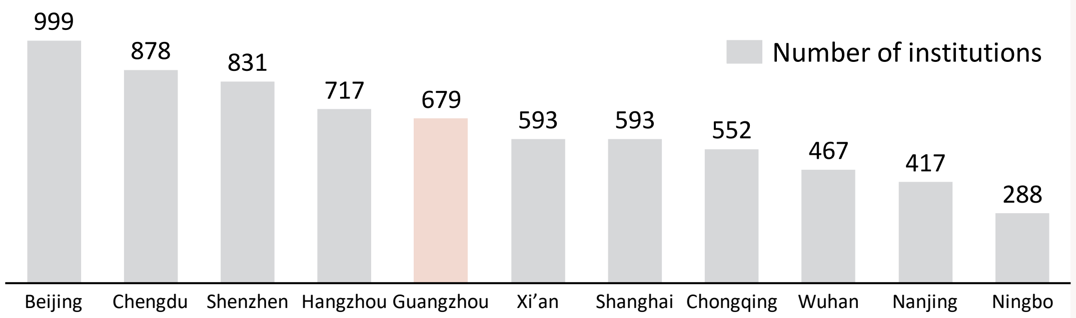
- Leveraging spokespeople for endorsements and publishing unapproved advertisements
- Price fraud, including institutions not following their own promotion description
- Failing to fill in medical records as required and violation of medical aesthetic physicians' responsibility
- Illegal sale of counterfeit botulinum toxin products

Macroeconomic indicators for Guangzhou surpassed the national average in 2022. The permanent population was 18.68 million with 11.41% aged 60 or older, demonstrating an aging trend amid an ongoing "golden period" of demographic dividend

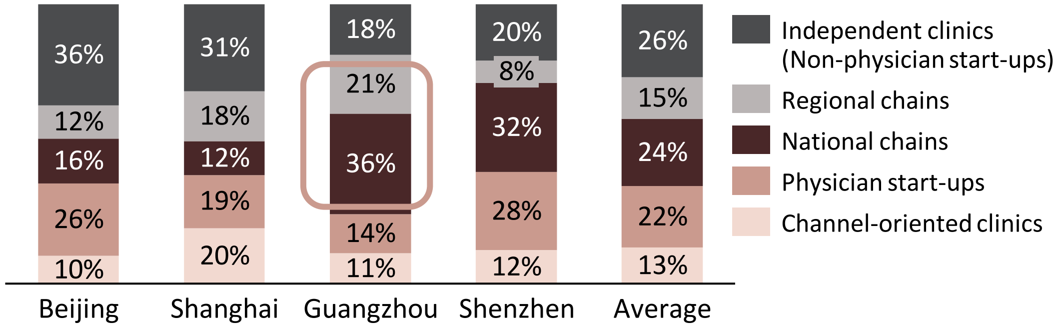
Unit: RMB



The number of medical aesthetic institutions in Guangzhou ranked 5th nationwide (as of January 2023)



Comparing surveyed institutions, Guangzhou has the highest proportion of chains, with a relatively low proportion of physician start-ups than average level



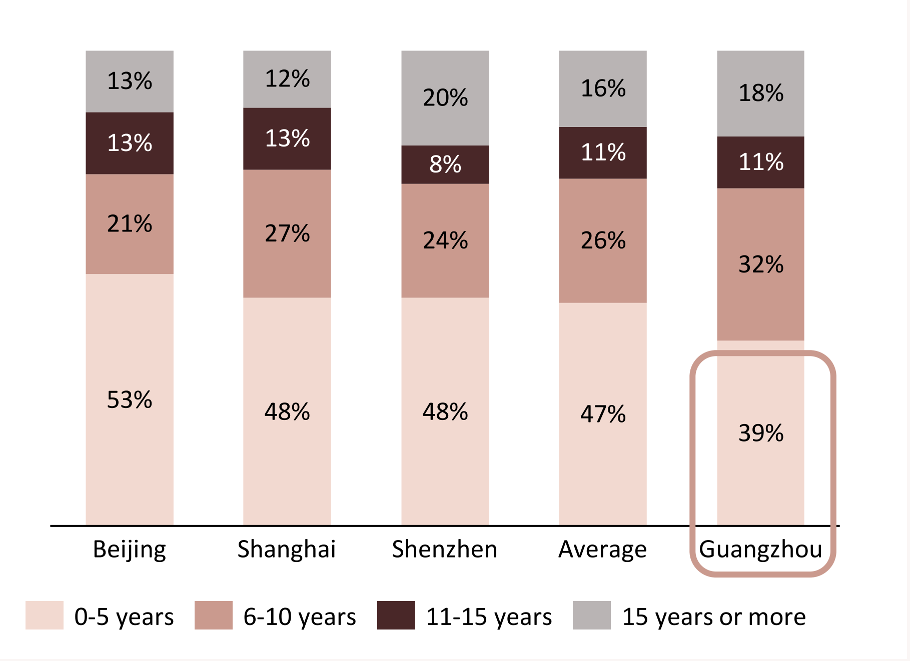
Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

Guangzhou

Stable medical aesthetic market structure but institutions face relatively low space utilization ratio*

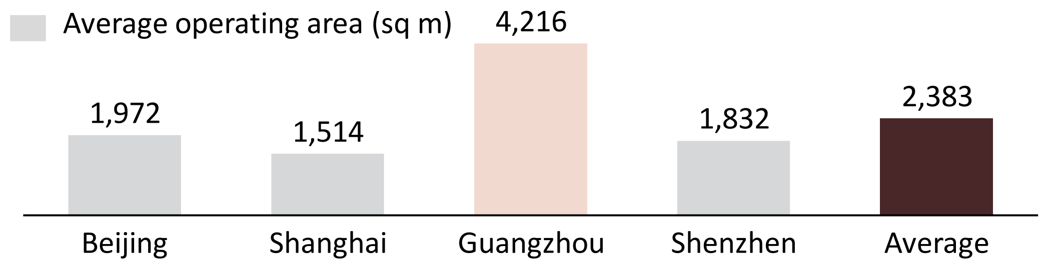
The proportion of newly established institutions (operating for 0-5 years) in Guangzhou is the lowest compared to Beijing, Shanghai, and Shenzhen, indicating **a slow pace of institutional updating and a relatively stable market structure** (as of January 2023)

Operating years & distribution of medical aesthetic institutions

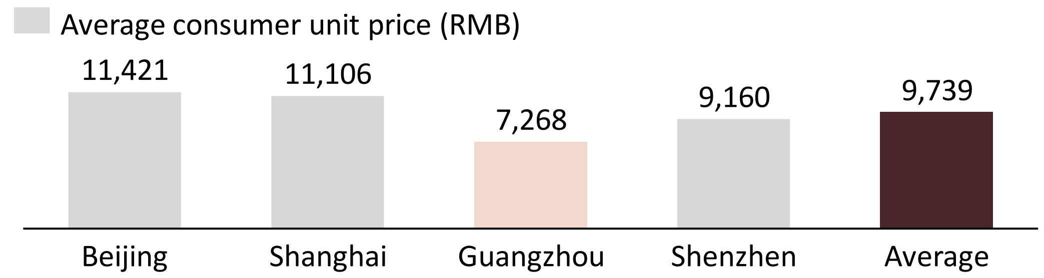


Area & customer unit price of medical aesthetic institutions

Guangzhou medical aesthetic institutions' have the **largest operating areas** compared to Beijing, Shanghai, and Shenzhen at nearly double the average size



Guangzhou has the **lowest average customer unit price** compared to Beijing, Shanghai, and Shenzhen, at about 1/3 lower than the average value



Note: Space utilization ratio indicates the efficiency of utilizing operating areas, as demonstrated by average customer unit price per square meter of operating area

Data source: Allergan Aesthetics and Deloitte Consulting Institution Survey and Allergan Aesthetic Analysis

成都

CHENGDU

City of medical aesthetics

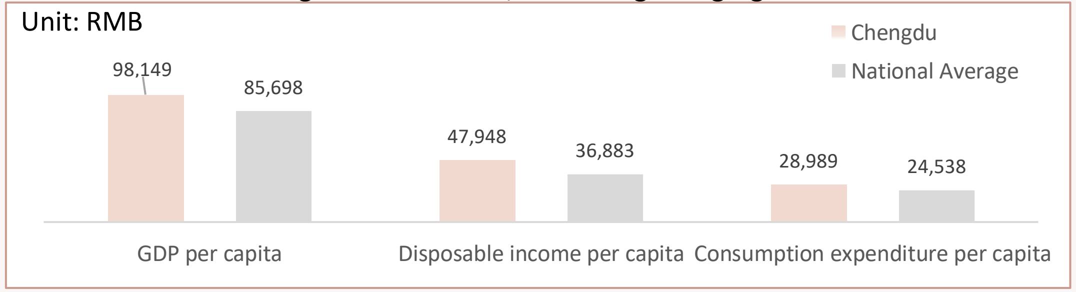
Intense competition

Relatively low consumer unit price

Chengdu | City of medical aesthetics with a vibrant economy, diverse types of institutions, and strong regulation

In 2022, Chengdu's macroeconomic indicators exceeded the national average. The permanent population increased by 76,000 people or 0.4% to 21.27 million

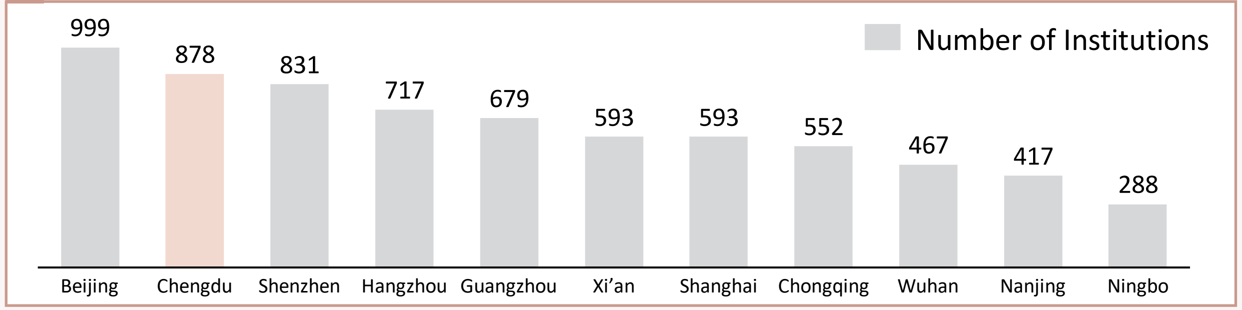
As a major inland city with strong syphon effect, Chengdu's urban permanent population is 16.99 million with an urbanization rate of 79.9%. 4.1 million of residents are aged 60 or above, indicating an aging rate of 19.8%



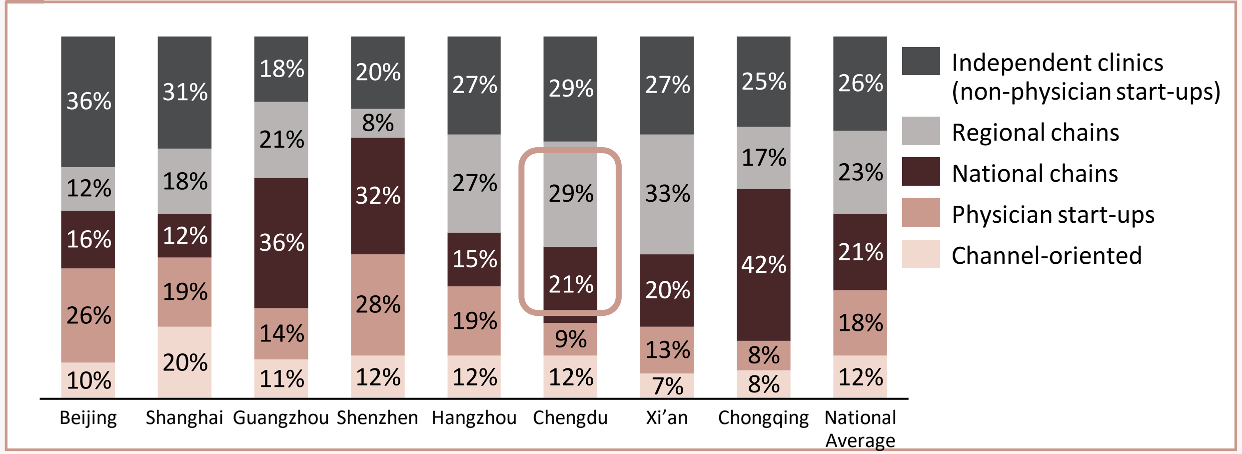
Regulation 12 departments in Chengdu, including the Municipal Bureau of Market Supervision and Municipal Health Commission, continued to increase their efforts to combat illegal and criminal activities in the medical aesthetic industry and launched Operation Spring Thunder to carry out special inspections of institutions, focusing on rectifying industry chaos

- Purchasing medicine or medical devices through illegal channels
- Illegally carrying out medical aesthetic activities without licenses and qualifications
- Using unregistered or invalid medicines, medical devices, and cosmetic products
- Advertising illegal medical products, medical aesthetic loan fraud, and price fraud

The number of medical aesthetic institutions in Chengdu ranked 2nd nationwide (as of January 2023)



The proportions of chains and non-chains are about same, and the number of physician start-ups is relatively small, accounting for only 9% of the market, lower than the average level in 1st-tier cities (as of January 2023)



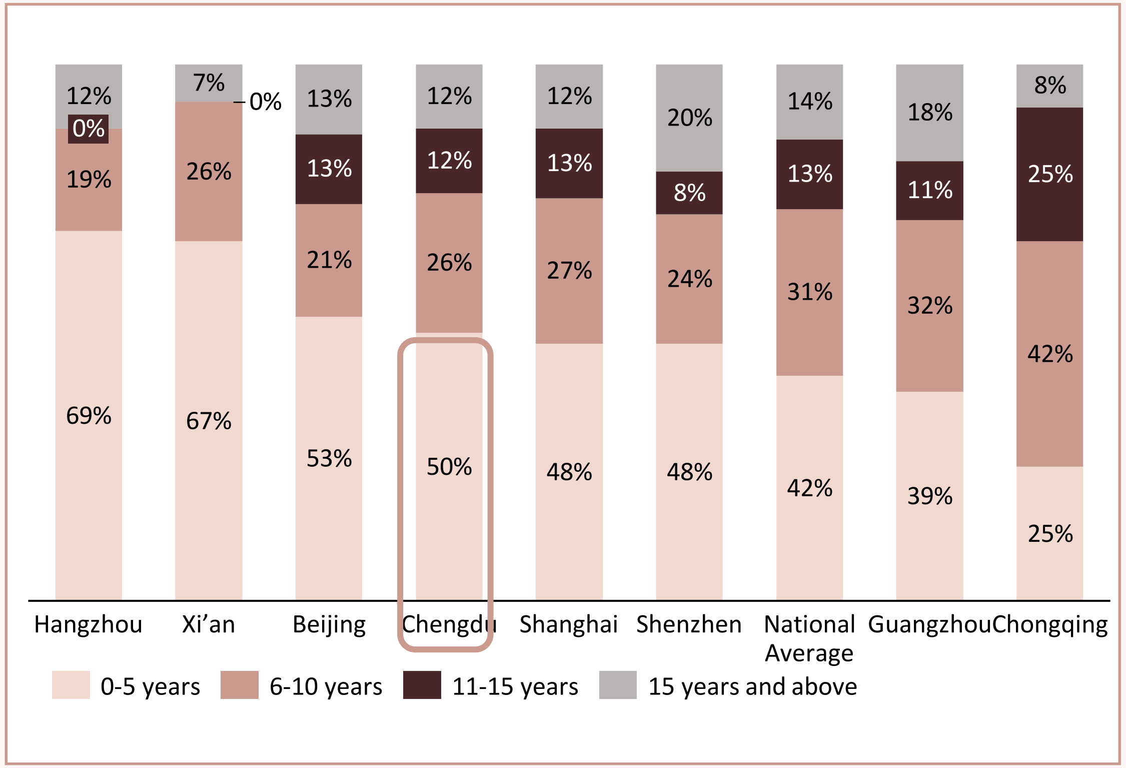
Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

Chengdu

Intense competition with accelerating upgrading by institutions; more room to improve institutional space utilization

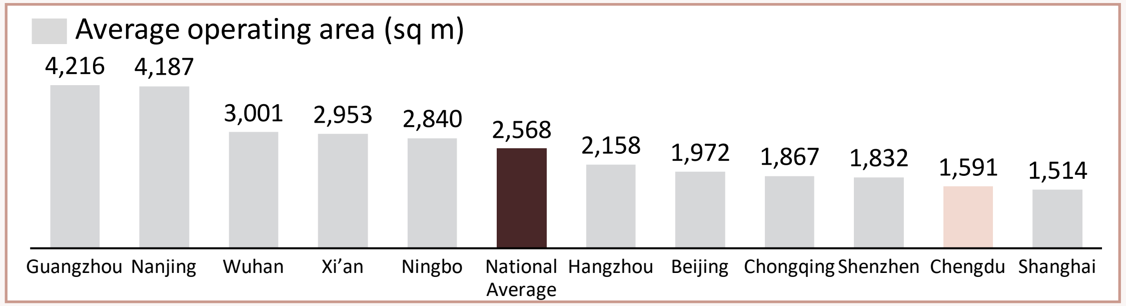
Operating years & distribution of institutions

As of January 2023, there are about as many newly established institutions (operating 0-5 years) in Chengdu as there are those that have been established more than 5 years (roughly 5:5), indicating accelerating upgrading and intense competition

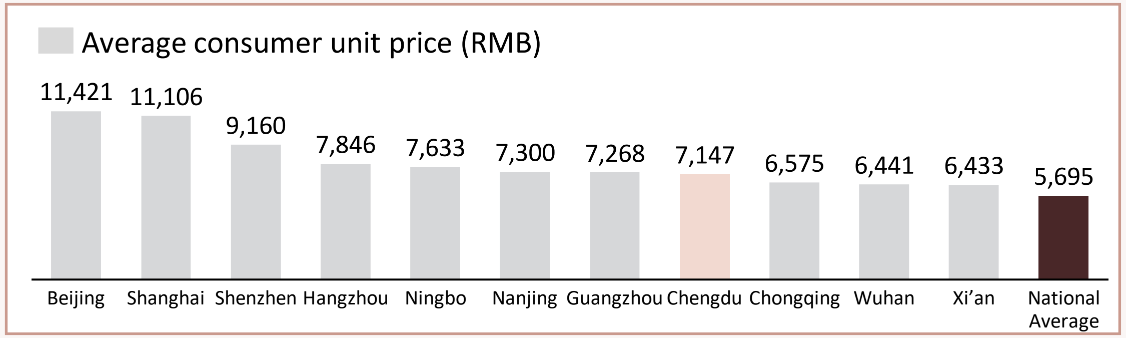


Area & customer unit price

- Chengdu's medical aesthetic institutions have smaller operating areas than the national average among 1st tier cities, with about 70% mid-small in size



- Chengdu's average consumer unit price is at the median level among all 1st-tier cities and nearly a third below the average for Beijing and Shanghai

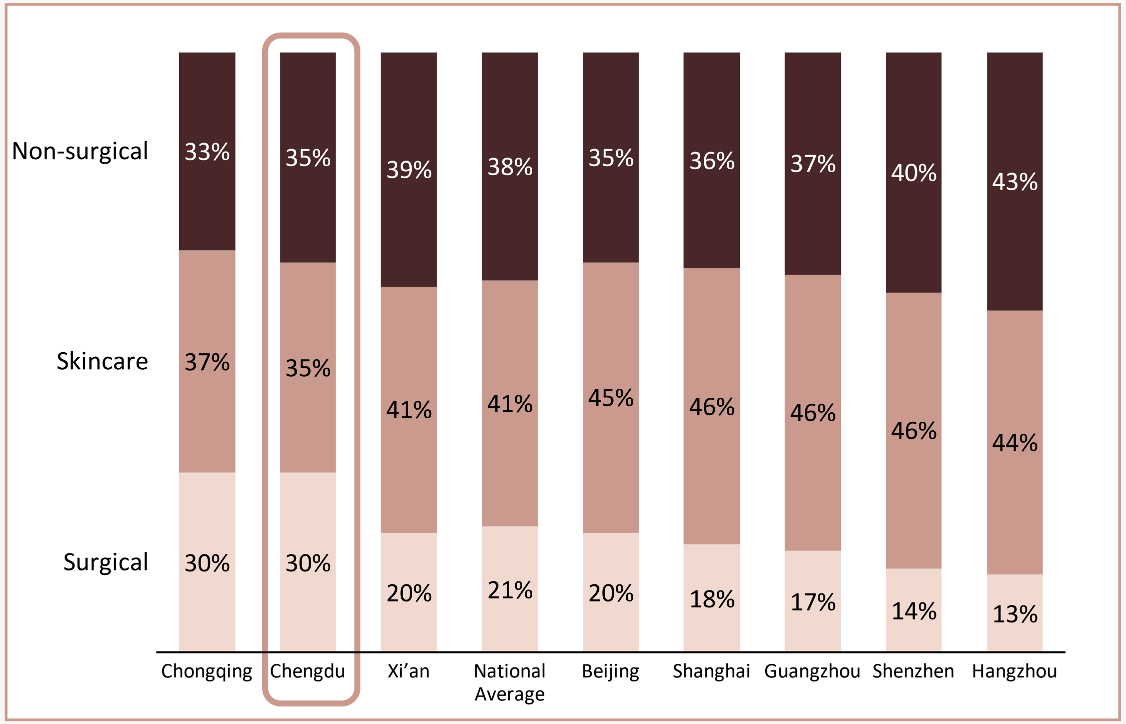


Data source: Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

Chengdu — A relatively high proportion of surgical treatments, with growth potential, but quite low average annual consumption

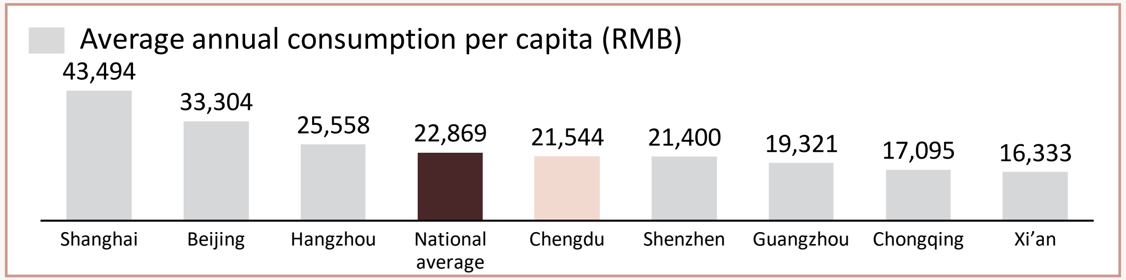
Distribution of revenues by types of treatments

The national average distribution of revenues across non-surgical, skincare, and surgical treatment is roughly 4:4:2. For Chengdu, the proportions for non-surgical and skincare are about 35% and the proportion of surgical is 30%; there is room to improve non-surgical treatments' contribution compared to other 1st-tier cities

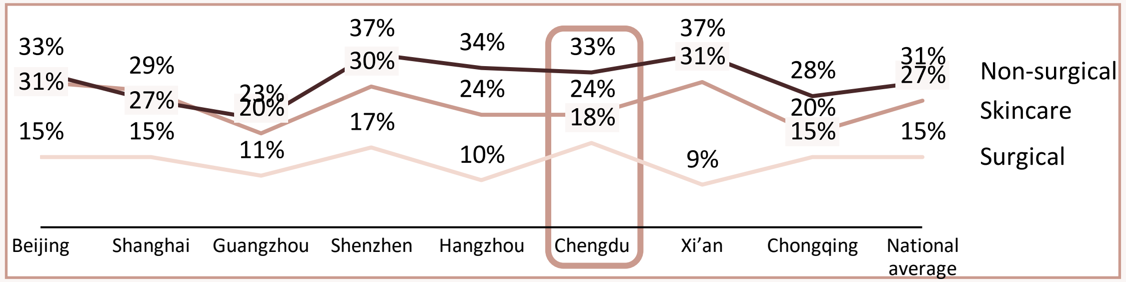


Annual consumption per capita & growth rate by types

- 65% of consumers in Chengdu visit institutions once or twice a year, average consumption frequency is 2.8, and average annual consumption per capita is RMB21,544, slightly below the national average; annual consumption in 1st-tier cities including Beijing and Shanghai is 1.5 or 2 times higher



- Compared to institutions in other cities, the forecast growth rate for non-surgical treatment in Chengdu is 33%, higher than the national average; cities including Beijing, Shanghai, and Shenzhen have higher expected growth rates for skincare, with Chengdu having a forecast growth rate of 24%, lower than the national average



Data source: Allergan Aesthetics and Deloitte Consulting Consumer/Institution Survey, and Allergan Aesthetic Analysis


杭州
HANGZHOU
Youngest core consumer group
Mecca for the most popular treatments

Hangzhou Internet leader with young population and vivacious consumers

City of youth & talent

Average age of permanent population is about 38.8 years old

Hangzhou ranks 1st nationwide in terms of newly created job positions, number of applicants, and salaries

Young talent are attracted to Hangzhou, providing a continuous stream of innovative vitality

High consumer vitality & potential

Consumption expenditure per capita in 2022 ranked 1st nationwide

Unit: RMB

TOP 1	**Hangzhou 46,440**
TOP 2	Shanghai 46,045
TOP 3	Shenzhen 44,793

- The influx of talent into Hangzhou has boosted consumption in recent years
- Government & business collaboratively boost consumer confidence to stimulate Hangzhou's consumer potential & vitality

Internet City

According to data from Zhejiang Provincial Department of Commerce:

直播吧 32 top-tier comprehensive and vertical live-streaming platforms

Over 5,000 registered enterprises in the live-streaming industry

Supply chains established by large enterprises

Creating more than 1 million employment opportunities

At least one out of every 244 people in Hangzhou is an influencer and there is one live streamer for every 12 residents

Strong desire to be photogenic is driving medical aesthetic market potential

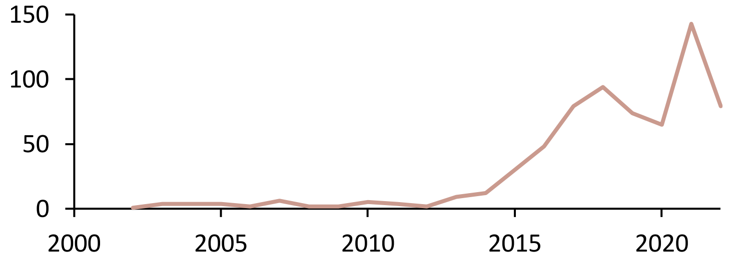
- Hangzhou's thriving internet celebrity economy promotes the popularization of medical aesthetics
- Consumers are more open-minded towards new projects, products, and technologies, and have more confidence in medical aesthetics

Data source: Desk Research and Allergan Aesthetic Analysis

Hangzhou Rapid development in medical aesthetics with diverse and intense competition

- Compared to other cities, Hangzhou had a relatively late start in medical aesthetics, but has embraced rapid development
- Amid intense competition, consumers have heightened expectations for services. Institutions can enhance customer loyalty and gain competitiveness by providing differentiated, personalized services

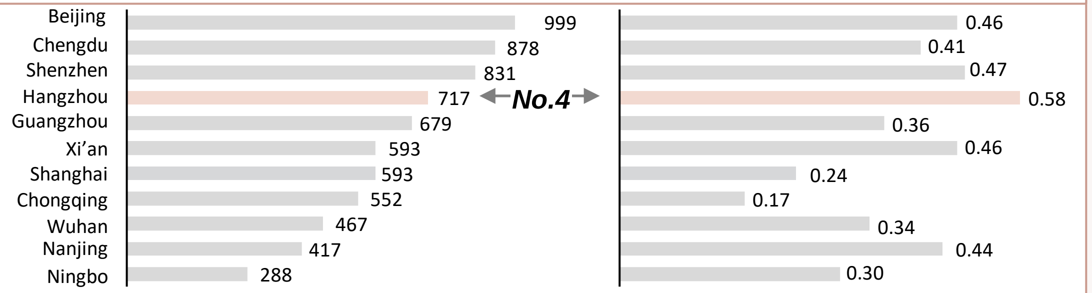
Distribution of different types of medical aesthetic institutions in Hangzhou (as of February 2023)



Public Institution
~6%

Private Institution
~94%

Total number of private medical aesthetic institutions and institutions per 10,000 people in major cities nationwide



Clearing chaos & refining the market

Hangzhou Health Commission led the Thunder 2022-Crackdown on illegal medical aesthetics special campaign in 2022:

78 cases filed in Hangzhou, including 37 cases of unlicensed medical aesthetics and 41 cases regarding institutions and physicians

- 1 institution had its medical practice license revoked
- 11 medical aesthetic institutions fined
- 4 physicians penalized
- 3 unlicensed medical aesthetic venues fined

- Total fines of RMB1.34 million
- Several items of equipment confiscated

Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Desk Research and Allergan Aesthetic Analysis

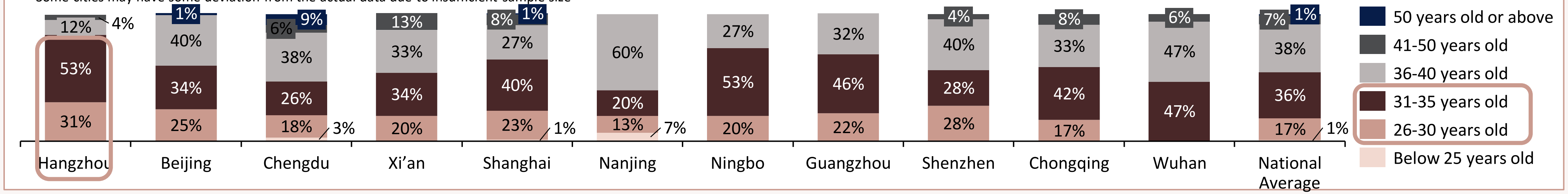
Hangzhou | Younger consumer group seeking refined aesthetics makes Hangzhou the "Mecca" for new technologies and treatments

With the popularity of "internet celebrity" aesthetics, the core consumer groups in Hangzhou is mainly younger group aged below 35

To sustain an advantage in Hangzhou's ultra-competitive medical aesthetic market, institutions must firmly grasp young consumer groups, satisfy diverse and personalized aesthetic needs, and keep innovating and improving technologies and treatments

Core consumer age groups of medical aesthetic institutions by city

*Some cities may have some deviation from the actual data due to insufficient sample size



Younger consumer group seeks refined aesthetics

Over 80% of core medical aesthetic consumers in Hangzhou are aged 35 and under, making it the youngest city in China in terms of core medical aesthetic population

- High demand for non-surgical treatments
- High acceptance of new technologies
- Seek refined aesthetics

The "Mecca" for aesthetics

As a result of intense market competition and new technologies and treatments driven by change-seeking "internet celebrity" aesthetics, **new treatments often originate in Hangzhou** and then expand nationwide, such as facial contouring and lifting, "baby face", and high cranial roof

Significant syphon effect

The booming medical aesthetic market in Hangzhou not only attracts consumers to experience new services and technologies, but also **doctors from elsewhere to enter the market**

Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, Expert Interviews, and Allergan Aesthetic Analysis


深圳
SHENZHEN
Active medical aesthetic market
High proportion of physician start-ups

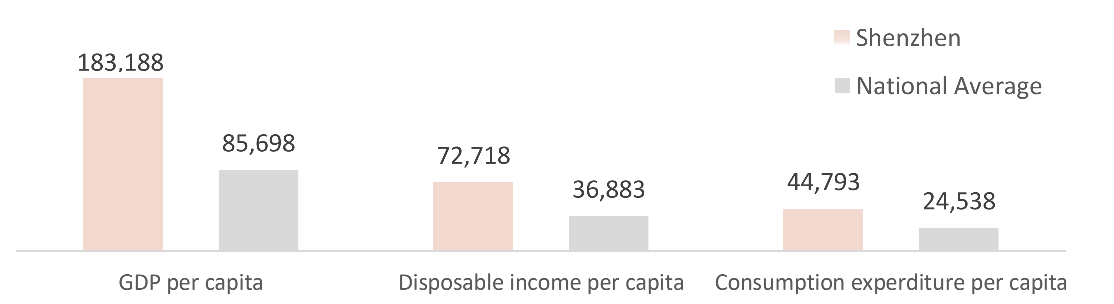
Shenzhen | Favorable policies drive medical aesthetic development, with a high proportion of physician start-ups

Policy-first: In July 2022, the Shenzhen Development & Reform Commission issued the Measures to Promote High-Quality Development of the Health Industry Cluster in Shenzhen, indicating the direction of promoting development of the medical aesthetic industry

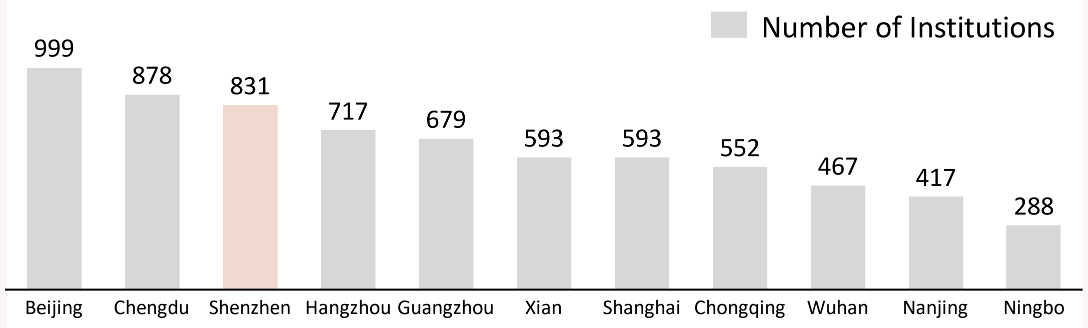
Supporting development of medical aesthetic industry: Medical aesthetic institutions who newly obtain a JCI certificate can get priority subsidies of up to 20% of total investment, up to no more than RMB10 million

Enhanced supervision and standardization: Shenzhen Medical Aesthetics Quality Control Center established to promote sustained quality improvements

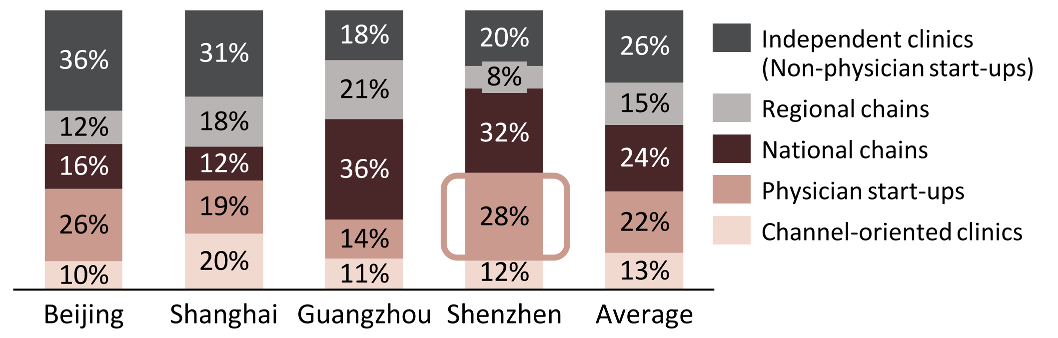
Shenzhen's GDP, disposable income, and consumption expenditure per capita surpassed the national averages in 2022. It has a permanent population of 11.91 million with an average age of 32.5



The number of medical aesthetic institutions in Shenzhen ranked 3rd nationwide (as of January 2023)



Nearly 30% of Shenzhen's institutions are physician start-ups, the highest compared to Beijing, Shanghai, Guangzhou; the proportion of regional chains is relatively low at only about 8%

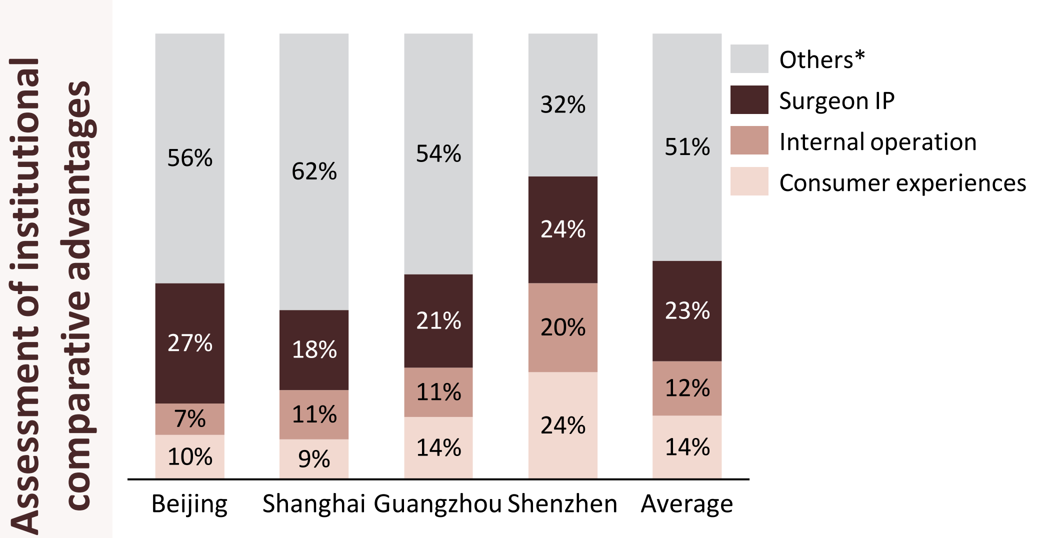


Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

Shenzhen

Institutions value consumer experiences and internal operation, but are affected by the syphon effect from Hong Kong and Macau

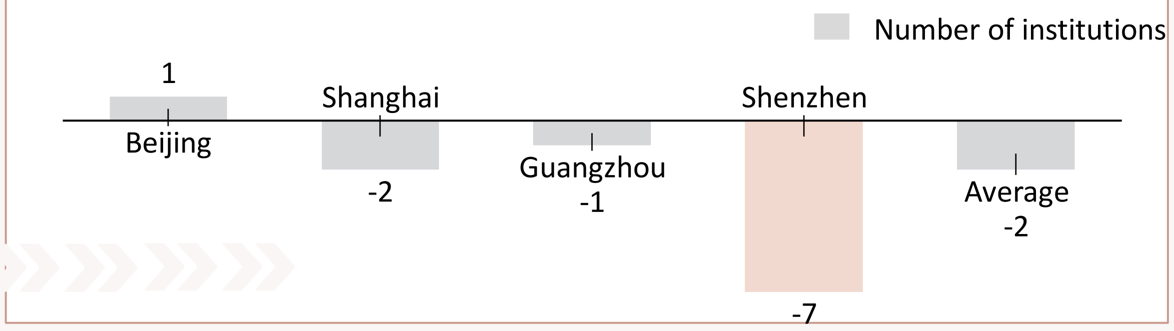
Institutions in Shenzhen value consumer experience and internal operation more



*Others include institutional positioning, institutional qualifications/reputation, high cost-effectiveness, marketing models, package design combinations, etc.

Decline in medical aesthetic institutions due to syphon effect from Hong Kong and Macau

Shenzhen has the largest deficit in number of institutions (number registered minus number closed) compared to Beijing, Shanghai, and Guangzhou (as of February 2023)



"Hong Kong medical aesthetic institutions target local consumers and leverage social media and low-price strategies to attract new consumers. Indeed, some consumers indicate their willingness to have treatment in Hong Kong instead"— A medical aesthetic institution manager in Shenzhen

"It's much more convenient to go to Hong Kong now. With cheap prices, professional doctors, and strong advertisements, I would definitely choose Hong Kong"— A medical aesthetic consumer in Shenzhen

Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

西安

XIAN

Top-tier institutions dominate the market

Great potential for diversifying institutions

Considerable room for consumer cultivation

Xi’an

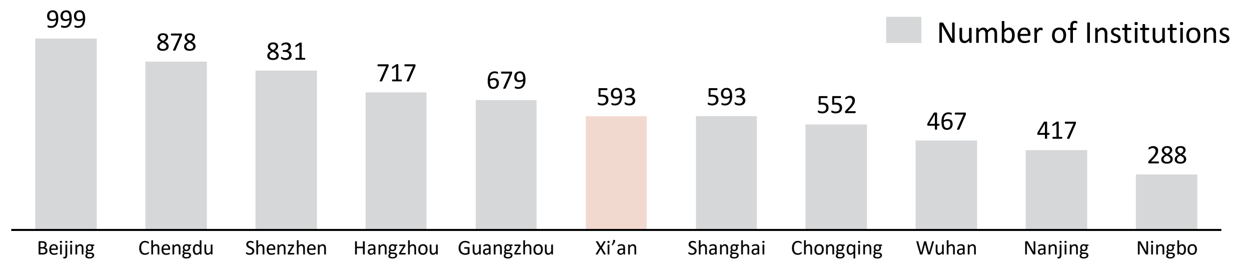
Strong attractiveness to migrants; economic growth prospects boosting confidence in medical aesthetics upgrading

Xi’an

An important city in Northwest China that continues to attract migrants

- An important city in Northwest China of economic and strategic significance
- Permanent population of more than 12 million, 7th nationwide; Xi’an has seen the fastest population growth among northern cities and continues to absorb migrants from other Northwest China provinces
- The number of undergraduate and junior colleges in Xi’an ranks 7th among cities in China; it has the 3rd most undergraduate colleges nationwide

The number of medical aesthetic institutions in Xi’an ranked 6th nationwide (as of January 2023)

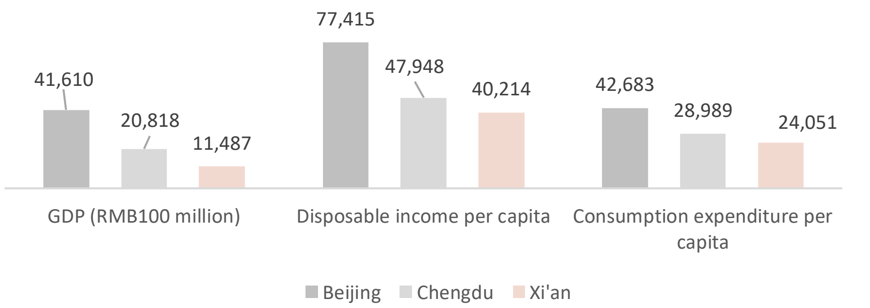


The total number of medical aesthetic institutions is **593**

Public institutions **~5%**

Private institutions **~95%**

Relatively large gap between Xi’an & 1st-tier cities in terms of GDP, disposable income, & consumption expenditure per capita in 2022



Accelerate construction of **international consumption-centric** city and cultivate Xi’an’s brand of **“Three Capitals and Four Cities”**

Promising GDP growth in 2023

7% vs 5.5%

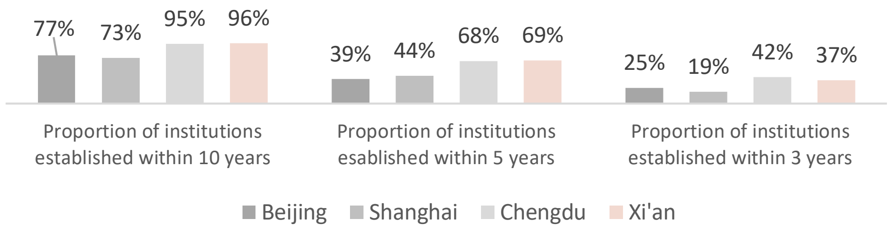
Xi’an vs National Average

Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Desk Research, and Allergan Aesthetic Analysis

Xi'an

Market dominated by top-tier institutions but there is still considerable room for consumer education and cultivation

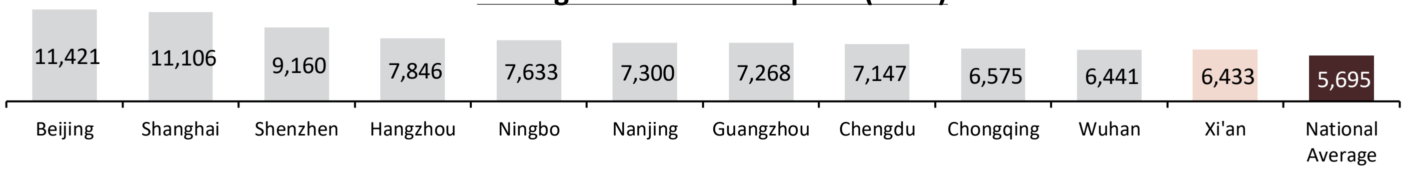
70% of medical aesthetic institutions in Xi'an, about the same proportion as in Chengdu, were established in the past 5 years



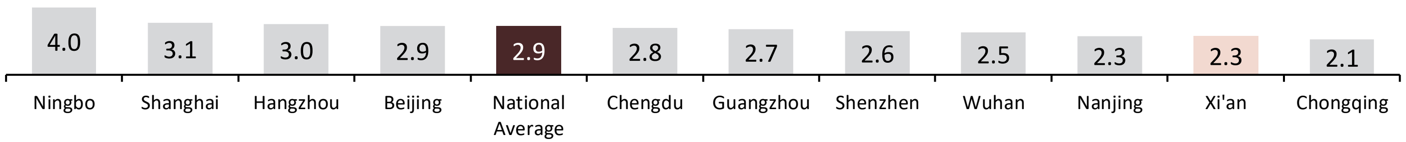
Distribution of existing institutions by establishment time from 2013-2022

On the consumer side, Xi'an's average consumer unit price & store visit frequency are relatively low, indicating consumers have yet to form the habit of regular treatment

Average consumer unit price (RMB)



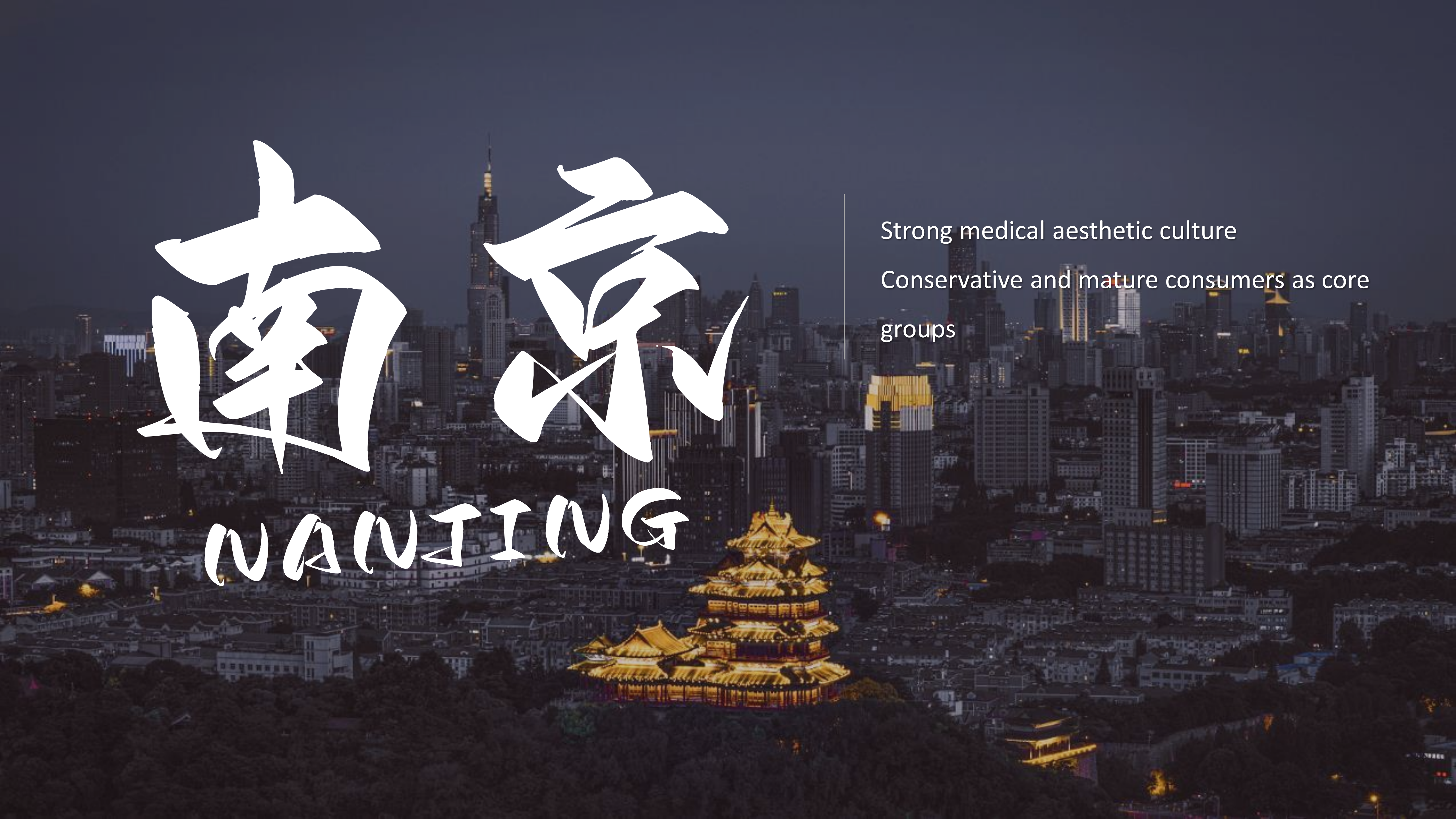
Average frequency of store visits per year (count)



"Market is dominated by top-tier institutions; mid- to low-tier institutions are striving to break through, while high-end boutiques keep popping up"

- Although the pace of development of the medical aesthetic industry in Xi'an is roughly the same as that of Chengdu-the capital of medical aesthetics-in terms of institutions' establishment time, there are still gaps: penetration rate and average customer unit price are lower as consumers have not yet formed the habit of regular treatment
- In addition, Xi'an's medical aesthetic market is dominated by top-tier institutions, with few mid-to-lower tier institutions. Although there are many newly established institutions, their sales volume tends to be lackluster. At the same time, the diversity of institution types needs further improvement
- Overall, Xi'an, as a key city of Northwest China, has a considerable number of medical aesthetic institutions. However, the variety of business models is not very diverse. However, a positive economic growth outlook is expected to boost its development. Further increasing market penetration is the key to promoting long-term growth

Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis



南京

NANJING

Strong medical aesthetic culture

Conservative and mature consumers as core groups

Nanjing

Demographic dividend driving economic development and consumer spending; strong medical aesthetic culture

Metropolitan zone drives high consumption potential

Permanent population and GDP ranked 2nd nationally, and population increment ranked 1st in Jiangsu province in 2022

- Increasing city attractiveness followed by growing demographic dividend

Disposable income per capita ranked 7th nationwide in 2022

- Nanjing, the center of the metropolitan area, has become a core consumption market with the potential to reach 37 million people

Retail sales of social consumer goods per capita ranked 1st nationwide in 2021

- Mature and complete commercial system with strong convenience in personnel, material, and business flow

> Strong consumption and its influence, plus government support for the business environment, subsidies, and project cultivation are providing sustained momentum for Nanjing's rapid development

Solid market size and foundation in medical aesthetics

Ranked 8th in medical aesthetic market size nationwide in 2021 and 2022

417 medical aesthetic institutions, the **10th** most nationwide and **1st** in Jiangsu province

Public institutions **~7%**

Private institutions **~93%**

2003

Widespread promotion shows for Harisu in 2001 to 2003 triggered the first rapid development of Nanjing's medical aesthetic market

2013

The International Plastic Surgery Beauty Festival hosted by Nanjing Comei Aesthetic Hospital and the Korean plastic surgery trend mapped the path between China and Korea for plastic surgery chains

2018

Yestar and MyLike Group entered Nanjing in 2016 and 2018 respectively, signaling Nanjing as a relatively mature medical aesthetic market in China

NOW

In recent years, many well-established institutions entered the Nanjing market, promoting the sustainable development of the city's medical aesthetic market

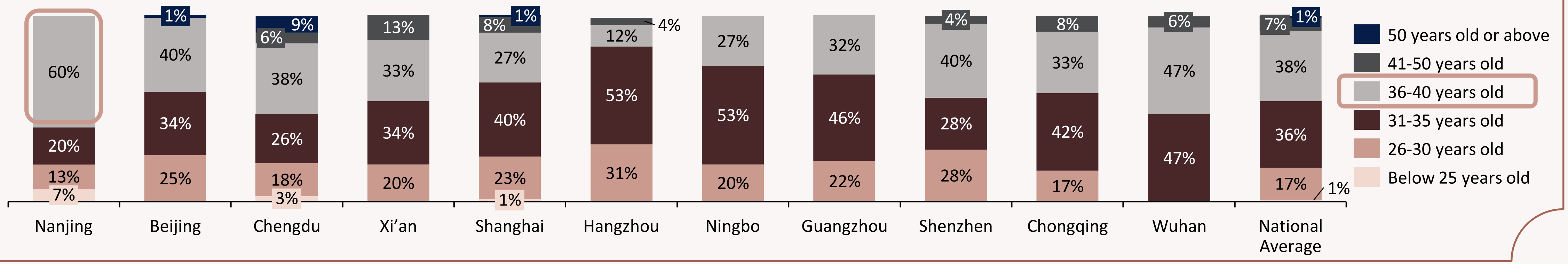
Data source: Desk Research, and Allergan Aesthetic Analysis

Nanjing

Consumers are mature and conservative; competition between institutions is accelerating standardization

Core consumer age groups of medical aesthetic institutions by city

*Some cities may have some deviation from the actual data due to insufficient sample size



Mature and conservative consumer base

- More than 60% of core consumers are mature users over the age of 35, who tend to be relatively conservative, value privacy, and not good at sharing their treatment experiences
- Medical aesthetic consumers are relatively quiet on social media in Nanjing

institutions can focus on developing young consumer groups due to large penetration potential and efficiently leverage social media for promotion

Core competitiveness needs further improvement

- The market relies on low-price strategies as a common means of competition, with more than 33% of institutions (the most nationwide) regarding cost-effectiveness as their core competitiveness

Enhancing qualifications and reputation, improving innovation, and optimizing service provided can help institutions enhance their competitive advantage

Emphasize compliance

- Nanjing Intermediate People's Court officially accepted the first national consumer civil public interest litigation case in medical aesthetics, regarding counterfeit Thermage, on 6 March 2023, taking the lead in medical aesthetic regulation

Embedding a compliant corporate mindset into operation and promotion can shape a benign market environment

Data source: Allergan Aesthetics and Deloitte Consulting Institution Survey, Expert Interviews, and Allergan Aesthetic Analysis


宁波
NINGBO
Late start but rapid growth in medical aesthetics
High proportions of new established institutions
Small institutions dominate the market
WUYI PLAZA
五一广场

Ningbo

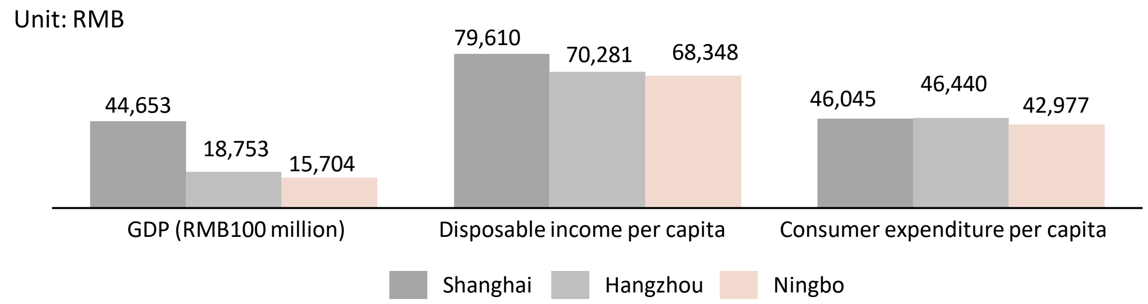
The development of medical aesthetics is in line with new first-tier cities; great potential for further development driven by strong economic performance

Main city in the Shanghai metropolitan area, Ningbo is a key economic center within the southern area of the Yangtze River Delta

In 2022, the permanent population grew by 74,000 to 9.62 million, ranking 3rd in the Yangtze River Delta; per capita GDP hit RMB163,900, 7th nationwide, surpassing Hangzhou for the first time

Ningbo ranks 5th nationwide and has been in the group of major cities for four consecutive years

Although there is a gap in GDP between Ningbo and cities around (Shanghai and Hangzhou), there is no major difference in disposable income per capita or consumption expenditure



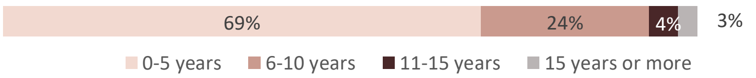
The medical aesthetic market in Ningbo started to take off after 2000 and entered explosive growth around 2015

- **292** medical aesthetic institutions
- Average growth rate of **17%** over the past three years

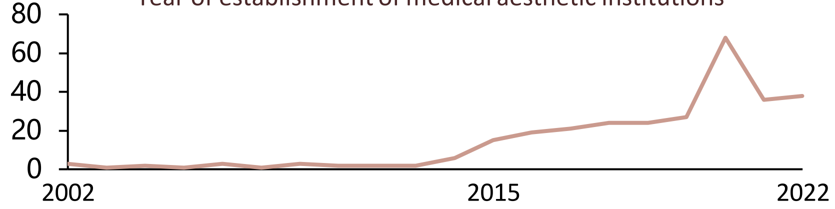
Public institutions **~7%**

Private institutions **~93%**

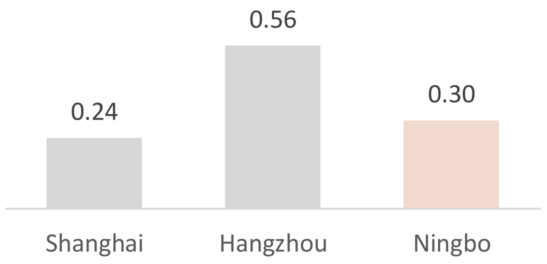
Establishment of medical aesthetic institutions



Year of establishment of medical aesthetic institutions



Number of private medical aesthetic institutions per 10,000 people



Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

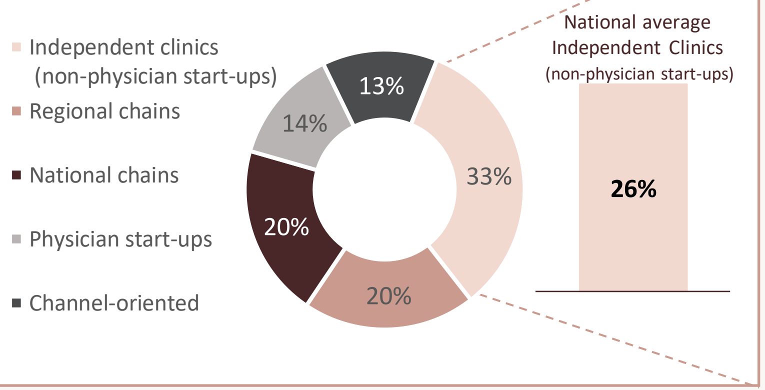
Ningbo | A welcoming city for medical aesthetics with balanced development and continuous strengthening of regulation

Various types of institutions, including single institutions (start-ups by physicians, independent clinics), channel-oriented clinics, regional chains, and national chains, **have relatively diverse, balanced development** in Ningbo, where the scale of independent clinics exceeds the national average and the number of institutions that have been cancelled or closed is lower than average

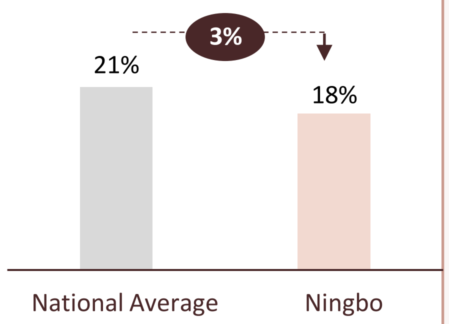
Most institutions in Ningbo are small, with monthly revenues less than RMB5 million. Top institutions with revenues of more than RMB10 million are the next biggest group, followed by those with monthly revenues of RMB5 million to RMB10 million

Ningbo's consumer unit price is at the average level compared to Hangzhou and Nanjing, although it has the **higher frequency of consumer store visits** compared to Shanghai, Hangzhou, and Nanjing

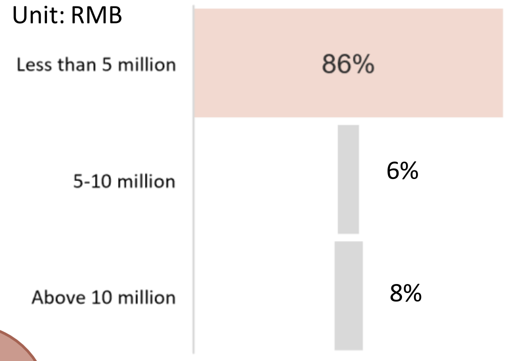
Proportion of different institutional size & scale



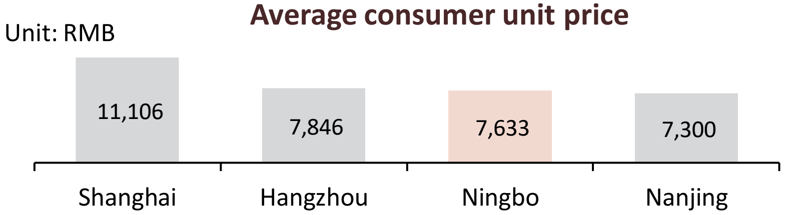
Proportion of cancelled or closed medical aesthetic institutions



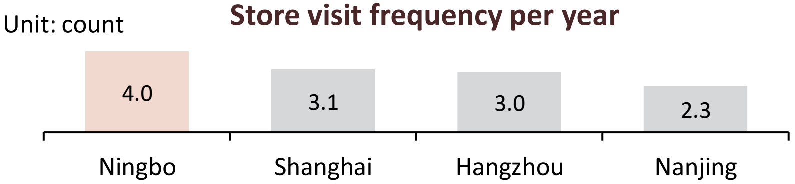
Average monthly revenue



Average consumer unit price



Store visit frequency per year



Continuous reinforcement and innovation in regulation

Aug. 2022 | Launch of the first medical aesthetic institution's physician face recognition supervision system, "the electronic police

Sep. 2022 | Ningbo launched a special campaign to regulate medical aesthetic devices to promote industry standardization

Dec. 2022 | Release of compliance guidelines for medical aesthetic activities

Mar. 2023 | Ningbo announced 10 typical cases of special governance in the medical aesthetic industry. Since September 2022, two criminal cases and 148 administrative cases were filed, with 124 cases concluded so far and total fines of RMB 3.39 million

Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

武汉

WUHAN

Polycentric city

Spread-out institutional distribution

Substantial room for strengthening consumer education

Wuhan

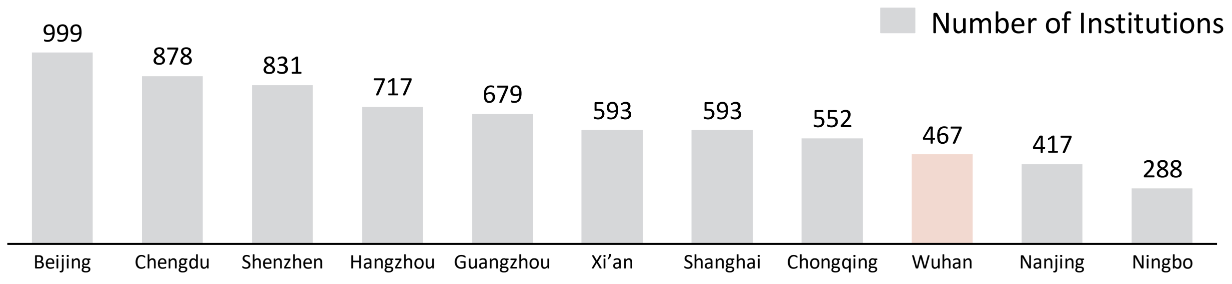
Polycentric city in Central China with accelerating consumption upgrading; great potential in medical aesthetics

Wuhan

A typical polycentric city in Central China

- Known as the Passageway to Nine Provinces, Wuhan is an important transportation hub; it has three divisions of equal standing - Hankou, Wuchang, and Hanyang, together forming a typical polycentric city
- With more than 12 million permanent residents, Wuhan ranks 6th nationwide; in 2021, Wuhan's incremental population reached 1.2 million, 1st nationwide
- Wuhan has the second largest number of undergraduate and junior colleges among cities in China; the number of undergraduate students exceeds 1.68 million, 1st nationwide

The number of medical aesthetic institutions in Wuhan ranked 9th nationwide (as of January 2023)

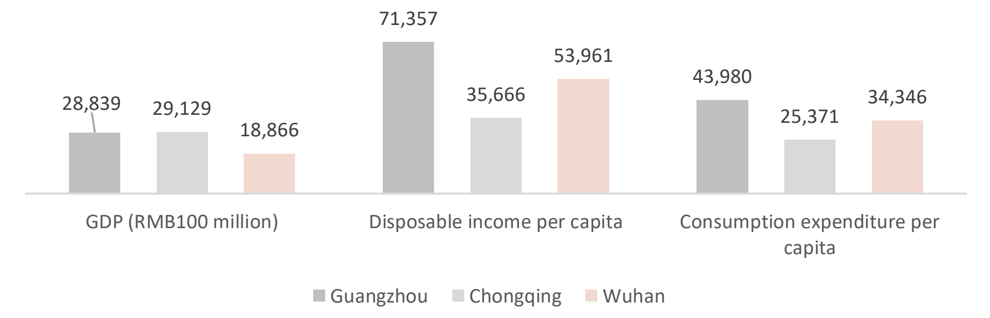


The total number of medical aesthetic institutions is **467**

Public institutions **~7%**

Private institutions **~93%**

Although Wuhan's GDP was not outstanding in 2022, disposable income and consumption expenditure per capita were quite considerable



Accelerating consumption upgrading

Accelerate the construction of an international consumption-centric city

- Wuhan will form a promising consumption pattern by leveraging its waterfront location

Multiple blockbuster shopping malls are accelerating upgrading in Wuhan

- Plaza 66, K11, Mixc, and Wushang Mall have entered the Wuhan market to further unleash the city's consumption capability
- Sales volume of malls in Wuhan ranked 6th in China in 2022

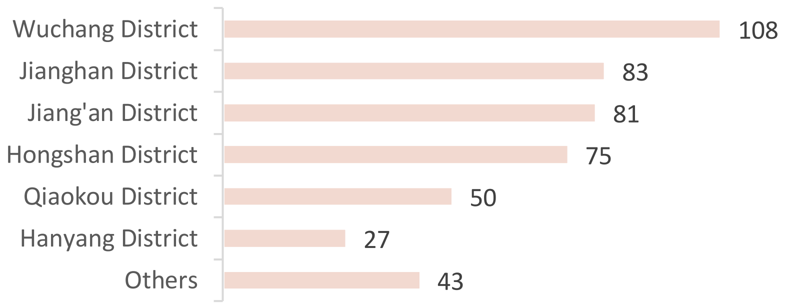
Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

Wuhan

Medical aesthetic institutions are relatively spread-out but can leverage consumer education to elevate consumption

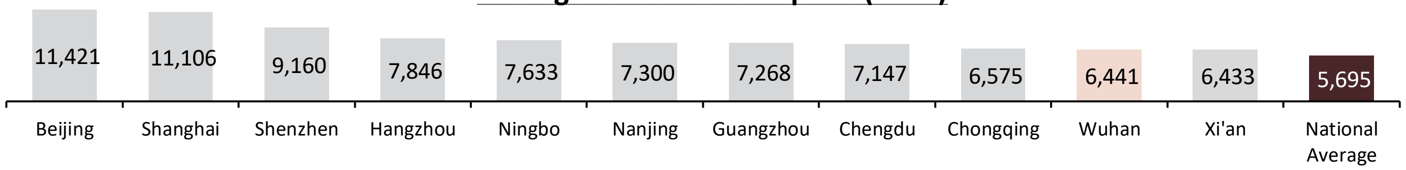
The distribution of medical aesthetic institutions is quite even across urban districts

Distribution of medical aesthetic institutions in Wuhan

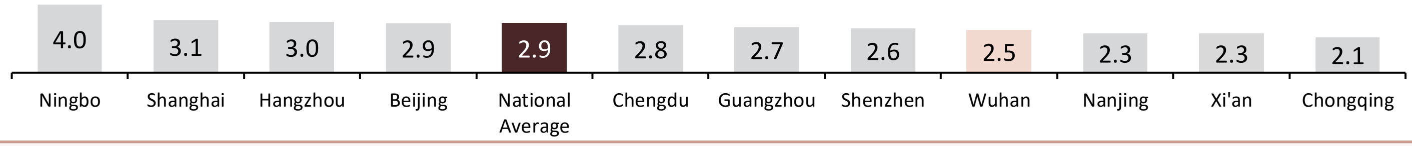


On the consumer side, Wuhan has great potential to improve average consumer unit price and store visit frequency

Average consumer unit price (RMB)



Average frequency of store visits per year (count)



"Wuhan has a large urban area and relatively balanced development across various urban districts. As a result, medical aesthetic institutions are quite spread-out, and consumers mainly consume within their own districts."

"In Wuhan, there are many colleges and college students; families put greater emphasis on education and spend more on education, so there is relatively little consumption of medical aesthetics. On the other hand, intellectuals are relatively conservative and rational, therefore it is essential to improve willingness to pay for medical aesthetics by enhancing consumer education"

- Wuhan's medical aesthetics market is dominated by top and mid-tier institutions. Top-tier institutions are mainly national chains. In terms of institution scale, there is relatively broad distribution, although business model diversity (such as physician start-ups, boutique institutions, etc.) could be enriched further
- The average consumer unit price in Wuhan is quote low, as is the frequency of consumer visits. The culture of medical aesthetics is not as strong as it is in cities with more developed medical aesthetic markets. Consumers' willingness to pay for medical aesthetics is not high either
- A reflection of the "Great River, Great Lake, Great Wuhan" theme, Wuhan boasts a large urban area with relatively balanced development and multiple consumption centers. Enhancing consumer willingness to pay is key to promoting development of the medical aesthetic market, highlighting the overarching importance of consumer education

Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Consumer/Institution Survey, and Allergan Aesthetic Analysis

重庆

CHONGQING

Top-tier institutions dominate the market

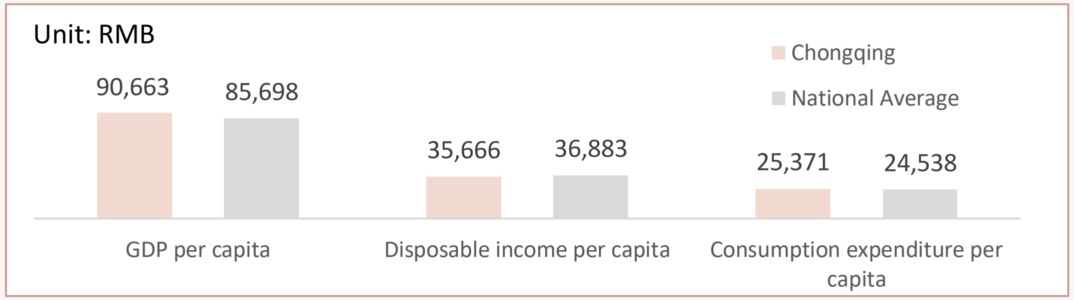
High proportion for surgical treatments

Slow growth rate for non-surgical treatments

Chongqing | Core city with a stable economy, top institutions dominate the medical aesthetic market, with stronger, more targeted regulation

Chongqing's GDP per capita has exceeded RMB90,000 for the first time and surpassed the national average, disposable income per capita is lower than average, and consumption expenditure is about level with the average

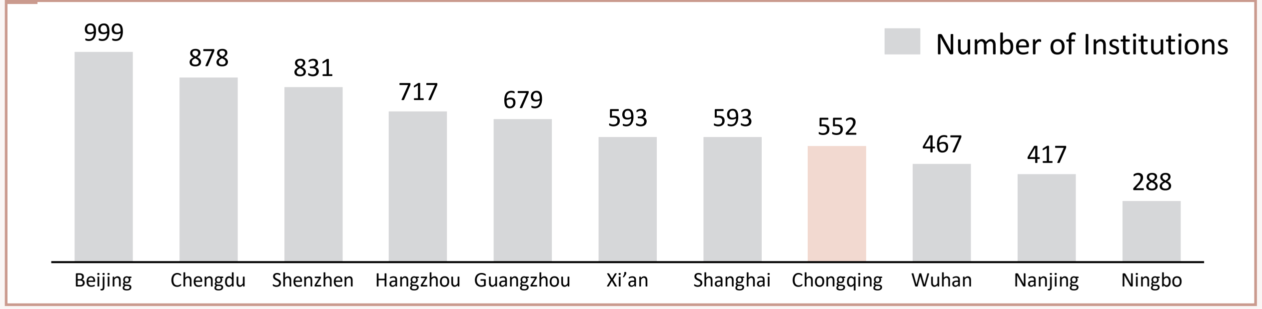
The permanent population has grown by 9,100 people to 32.13 million. The urban permanent population is 22.80 million with an urbanization rate of 70.96%. 5.9 million residents are 60 or older, indicating an aging rate of 18.3%



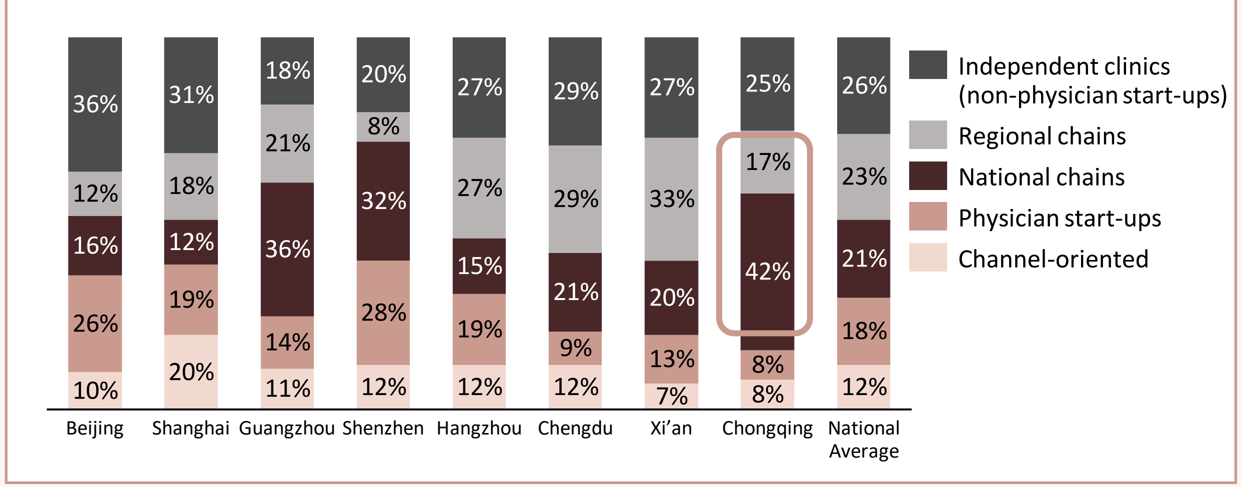
Regulation Chongqing Market Supervision Bureau and another 9 departments launched a special campaign in 2022 to rectify problems in the medical aesthetic industry including false advertising, illegal practice of medical treatment, counterfeit products, and price fraud

- Illegally carrying out medical aesthetic activities without obtaining licenses and qualifications or using nurses
- Prescription dispensing by unqualified pharmacists and obstruction of drug administration
- Using unregistered medicines, medical devices, and cosmetic products
- False and illegal advertising

The number of medical aesthetic institutions in Chengdu ranked 8th nationwide (as of January 2023)



The proportion of chains is about 60%, with a relatively low numbers of physician start-ups and channel-oriented clinics (about 8% each), much lower than the average level of 1st-tier cities (as of January 2023)



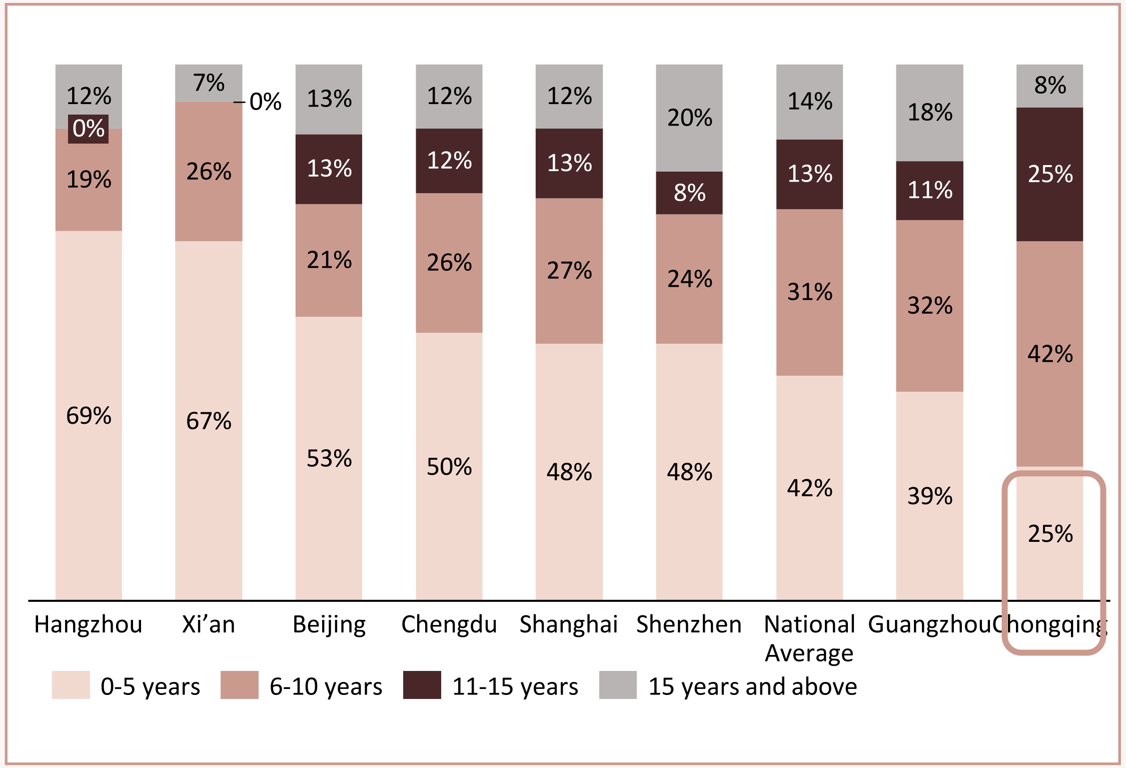
Note: Number of medical aesthetic institutions is based on QiChaCha; institution name/practice scope containing keywords related to medical aesthetics is included & institutions clearly not related to medical aesthetics are excluded
Data source: Desk Research, Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

Chongqing

Few new institutions with long-established institutions operating stably; operating areas and unit prices are relatively low

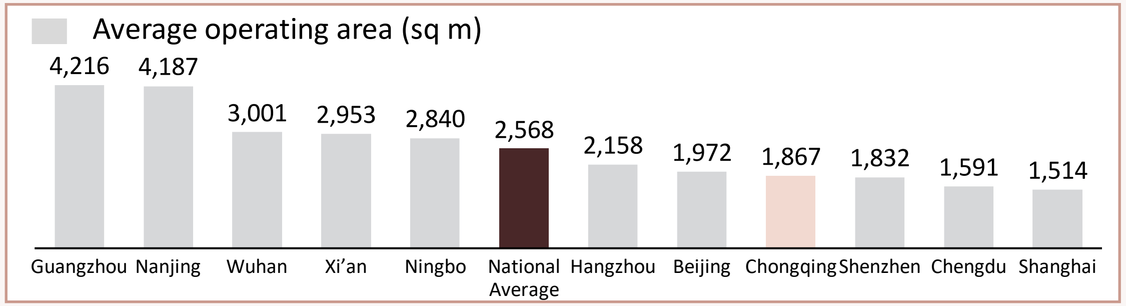
Operating years & distribution of institutions

About 25% of institutions in Chongqing are newly established (operating 0-5 years. Sector upgrading is relatively slow as the market is dominated by long-established institutions

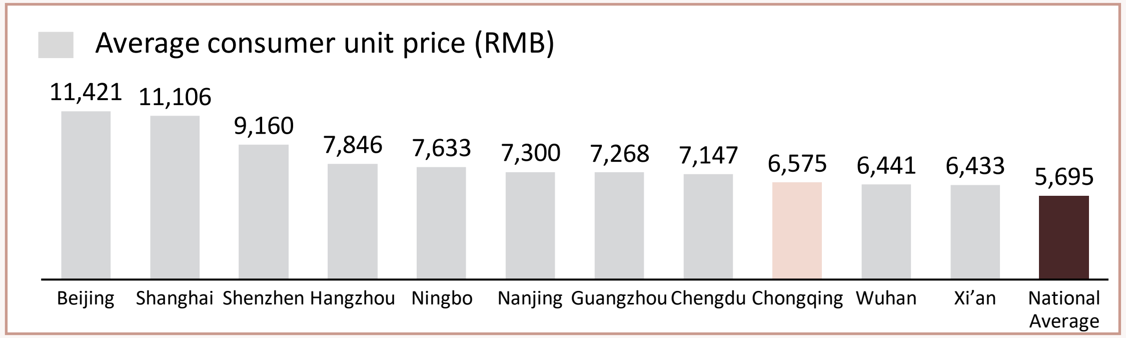


Area & customer unit price

- Chongqing's average operating area is smaller than the national average for 1st-tier cities; about 80% of institutions are mid-small in size



- Chongqing has a median consumer unit price among 1st-tier cities, with room to improve

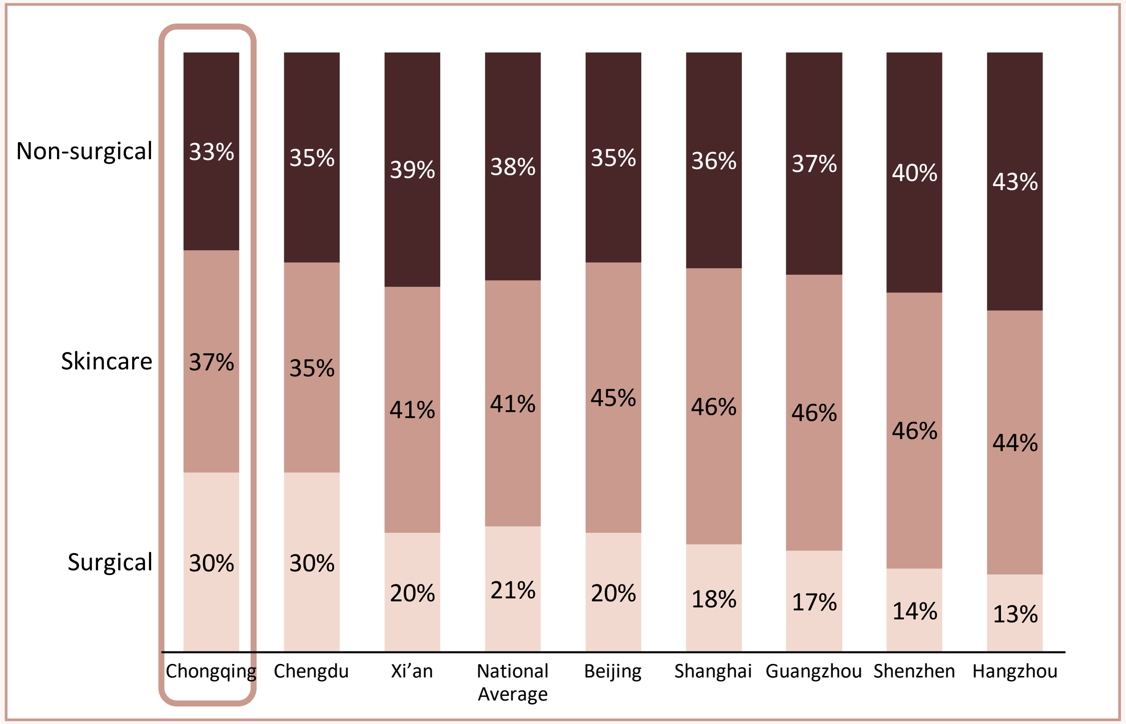


Data source: Allergan Aesthetics and Deloitte Consulting Institution Survey, and Allergan Aesthetic Analysis

Chongqing | Relatively high proportions of non-surgical and surgical treatments; average annual consumption is quite low, and the expected growth rate for non-surgical is lower than average

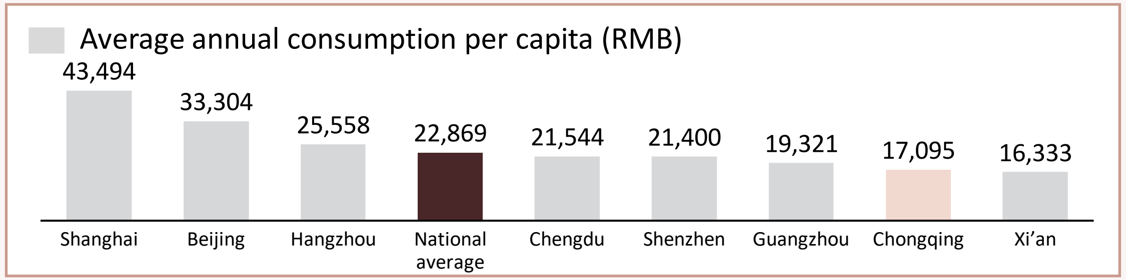
Distribution of revenues by types of treatments

The national average distribution of non-surgical, skincare, and surgical treatment revenues is roughly 4:4:2. In Chongqing, non-surgical is below average at 33%, as is skincare at 37%, indicating potential to develop non-surgical treatments

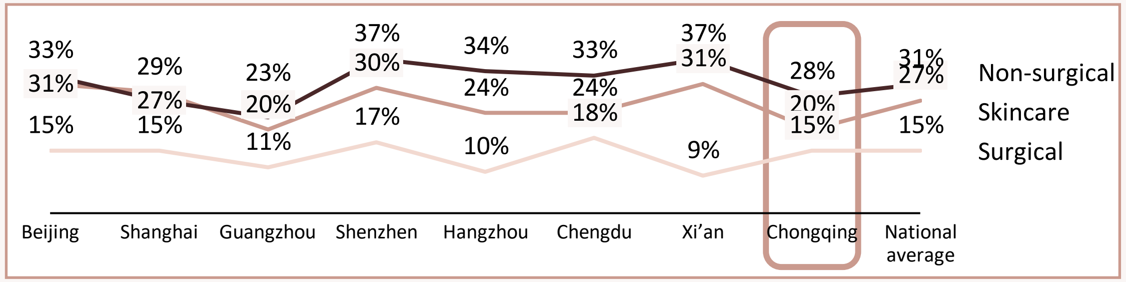


Annual consumption per capita & growth rate by types

- 75% of consumers in Chongqing visit institutions once or twice a year, average consumption frequency is 2.6, and average annual consumption per capita is RMB17,095, below the national averages. Average annual consumption per capita is 1.5 to 2 times higher in Beijing and Shanghai



- In Chongqing, non-surgical treatment is forecast to grow by 28% and skincare is expected to increase by 20%, both below the national average; the forecast growth rate for surgical treatment is close to the national level, indicating a need to adjust non-surgical treatments in parallel with the national development trend



Data source: Allergan Aesthetics and Deloitte Consulting Consumer/Institution Survey, and Allergan Aesthetic Analysis

Allergan Aesthetics
an AbbVie company

Thank you!

Deloitte. 德勤

MAKING AN IMPACT THAT MATTERS since 1845