

United Imaging (688271 CH)

Anticipating a rapid rebound in domestic business

United Imaging's 9M24 revenue declined by 6.4% YoY to RMB6,954mn, with 3Q24 revenue down by 25.0% YoY to RMB1.6bn. This downturn was primarily due to a challenging domestic market environment, marked by stringent industry regulations and delays in equipment renewal projects. Attributable net profit in 9M24 decreased by 36.9% YoY to RMB671mn, with net profit margin falling by 4.7 ppts. Despite these near-term challenges, United Imaging maintained its R&D expenditures and actively pursued expansion in international markets, which impacted profitability in the third quarter. Looking forward, as the implementation of equipment renewal projects has gradually picked up pace, United Imaging's revenue and net profit margins are expected to significantly improve in 2025E, in our view.

- **Robust overseas growth momentum.** In 9M24, United Imaging's overseas revenue grew 36.5% YoY to RMB1,404mn, accounting for 20.2% (+6.35 ppts) of total revenue. This accelerated growth continued into the third quarter, with revenues increasing by 51.7% YoY to RMB471mn. Strong performances were noted across North America, the Asia-Pacific region, and emerging markets. As United Imaging continues to enhance its overseas localization and service capabilities, we believe it is poised to strengthen its global competitiveness, better navigate geopolitical challenges, and sustain rapid growth internationally.
- **Strong growth in recurring revenue.** In 9M24, revenue from maintenance services increased by 27.3% YoY to RMB967mn, accounting for 13.9% (+3.7 ppts) of the total revenue. With a global installed base now exceeding 31,000 units, United Imaging's service revenue contribution remains lower compared to global industry leaders like GE Healthcare (32.9% in 2023) and Philips (27.7% in 2023). However, with the expanding installed base and an enhanced global service network, we expect United Imaging's recurring revenue to continue its rapid increase, offering resilience against industry fluctuations.
- **Medical equipment renewal projects set to materialize.** Mgmt. has noted that medical equipment renewal projects began implementation in early October, with multiple procurement activities underway. Additionally, some previously delayed equipment procurements, halted due to policy uncertainties, have now restarted. These developments lay the foundation for a recovery in United Imaging's domestic business in 4Q24 and 2025. However, due to stringent industry regulations, the procurement process has become more protracted. The installation and revenue recognition timelines for large equipment are also relatively long. Consequently, the positive impact of this procurement rebound is expected to be primarily reflected in 2025, in our view.
- **Maintain BUY.** We expect hospital procurement to recover from 2025 and we are optimistic about the Company's long-term growth potential driven by the continued import substitution and strengthened global competitiveness. Therefore, we revise up the terminal growth rate forecast from 3.0% to 4.0%. Based on a 9-year DCF model, we adjust the target price to RMB162.81 (WACC: 8.3%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	9,238	11,411	10,852	13,998	17,448
YoY growth (%)	27.4	23.5	(4.9)	29.0	24.6
Net profit (RMB mn)	1,650	1,978	1,541	2,204	2,740
YoY growth (%)	17.6	19.9	(22.1)	43.0	24.3
Adjusted net profit (RMB mn)	1,327.8	1,664.9	1,309.8	2,041.5	2,577.4
EPS (Adjusted) (RMB)	1.75	2.02	1.59	2.48	3.13
P/E (x)	55.8	50.9	65.3	45.7	36.8
Net gearing (%)	(57.5)	(40.2)	(45.2)	(42.2)	(41.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB162.81**
 (Previous TP RMB125.83)
Up/Downside **33.3%**
Current Price **RMB122.18**

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Stock Data

Mkt Cap (RMB mn)	92,392.9
Avg 3 mths t/o (RMB mn)	439.6
52w High/Low (RMB)	150.08/92.81
Total Issued Shares (mn)	756.2

Source: FactSet

Shareholding Structure

联影医疗技术集团有限公司	20.3%
上海联和投资有限公司	16.4%

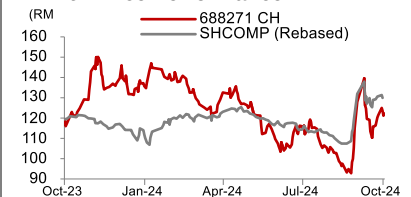
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-4.5%	-2.9%
3-mth	5.1%	-5.8%
6-mth	-7.8%	-12.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	10,852	13,998	17,448	11,501	14,337	17,546	-5.65%	-2.36%	-0.56%
Gross Profit	5,365	6,978	8,771	5,713	7,174	8,847	-6.09%	-2.73%	-0.86%
Operating Profit	1,666	2,382	2,962	2,185	2,673	3,246	-23.73%	-10.87%	-8.76%
Net profit	1,541	2,204	2,740	2,021	2,472	3,002	-23.73%	-10.85%	-8.74%
EPS (RMB)	1.87	2.67	3.32	2.45	3.00	3.64	-23.66%	-10.87%	-8.68%
Gross Margin	49.44%	49.85%	50.27%	49.68%	50.04%	50.42%	-0.24ppt	-0.19ppt	-0.15ppt
Operating Margin	15.36%	17.02%	16.98%	19.00%	18.64%	18.50%	-3.64ppt	-1.62ppt	-1.52ppt
Net Margin	14.20%	15.74%	15.70%	17.57%	17.24%	17.11%	-3.37ppt	-1.5ppt	-1.41ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	1,507	2,209	2,782	3,535	4,461	5,627	7,071	8,763	10,799
Tax rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
EBIT*(1-tax rate)	1,394	2,043	2,574	3,269	4,127	5,205	6,541	8,106	9,989
+ D&A	356	427	486	530	560	583	603	622	639
- Change in working capital	1,054	-901	-869	-956	-1,006	-1,049	-1,049	-1,009	-924
- Capx	-1,000	-1,000	-900	-800	-700	-700	-700	-700	-700
FCFF	1,804	569	1,291	2,043	2,980	4,039	5,395	7,019	9,004
Terminal value									215,765

Terminal growth rate	4.0%
WACC	8.3%
Cost of Equity	11.0%
Cost of Debt	4.0%
Equity Beta	0.90
Risk Free Rate	2.0%
Market Risk Premium	10.0%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Terminal value	104,926
Total PV	125,225
Net debt	-8,974
Minority	15
Equity value	134,183
# of shares (mn)	824
DCF per share (in RMB)	162.81

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		7.3%	7.8%	8.3%	8.8%	9.3%
Terminal growth rate	5.0%	296.13	241.00	202.52	174.18	152.46
	4.5%	249.49	209.52	180.08	157.53	139.73
	4.0%	216.81	186.23	162.81	144.33	129.39
	3.5%	192.64	168.31	149.11	133.60	120.81
	3.0%	174.04	154.09	137.98	124.70	113.59

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	10,852	13,998	17,448	13,045	15,994	19,785	-16.81%	-12.48%	-11.81%
Gross Profit	5,365	6,978	8,771	6,401	7,892	9,813	-16.18%	-11.58%	-10.62%
Operating Profit	1,666	2,382	2,962	2,425	2,910	3,576	-31.28%	-18.13%	-17.18%
Net profit	1,541	2,204	2,740	2,286	2,789	3,462	-32.57%	-20.98%	-20.87%
EPS (RMB)	1.87	2.67	3.32	2.79	3.41	4.28	-32.87%	-21.61%	-22.31%
Gross Margin	49.44%	49.85%	50.27%	49.07%	49.34%	49.60%	+0.37ppt	+0.51ppt	+0.67ppt
Operating Margin	15.36%	17.02%	16.98%	18.59%	18.19%	18.07%	-3.23ppt	-1.17ppt	-1.1ppt
Net Margin	14.20%	15.74%	15.70%	17.52%	17.44%	17.50%	-3.32ppt	-1.69ppt	-1.8ppt

Source: Company data, Bloomberg, CMBIGM estimate

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	7,254	9,238	11,411	10,852	13,998	17,448
Cost of goods sold	(3,669)	(4,770)	(5,879)	(5,486)	(7,020)	(8,677)
Gross profit	3,585	4,468	5,532	5,365	6,978	8,771
Operating expenses	(1,889)	(2,540)	(3,391)	(3,699)	(4,596)	(5,809)
Selling expense	(1,029)	(1,328)	(1,770)	(1,953)	(2,310)	(2,844)
Admin expense	(319)	(431)	(561)	(629)	(700)	(855)
R&D expense	(968)	(1,306)	(1,729)	(1,736)	(2,100)	(2,582)
Others	428	525	668	620	514	472
Operating profit	1,696	1,928	2,142	1,666	2,382	2,962
Others	1	(8)	1	0	0	0
Pre-tax profit	1,698	1,920	2,142	1,666	2,382	2,962
Income tax	(294)	(270)	(164)	(125)	(179)	(222)
Minority interest	14	6	(3)	0	0	0
Net profit	1,404	1,650	1,978	1,541	2,204	2,740
Adjusted net profit	1,166	1,328	1,665	1,310	2,041	2,577

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	7,026	20,145	20,228	20,607	22,054	24,050
Cash & equivalents	2,924	10,075	7,584	8,983	9,003	9,563
Account receivables	1,062	2,029	3,233	2,676	3,260	3,824
Inventories	2,205	3,460	3,893	3,356	4,198	5,071
Prepayment	124	198	148	148	148	148
Other current assets	710	4,382	5,370	5,445	5,445	5,445
Non-current assets	3,336	4,060	5,108	5,692	6,205	6,559
PP&E	2,049	2,116	2,212	2,954	3,625	4,137
Deferred income tax	271	319	399	399	399	399
Intangibles	608	860	828	738	648	558
Goodwill	22	22	22	22	22	22
Other non-current assets	387	742	1,647	1,579	1,511	1,443
Total assets	10,362	24,205	25,336	26,300	28,259	30,609
Current liabilities	4,518	6,012	5,798	5,758	6,283	6,851
Short-term borrowings	30	16	9	9	9	9
Account payables	1,237	2,193	1,919	1,879	2,404	2,972
Tax payable	336	424	399	399	399	399
Other current liabilities	2,915	3,379	3,471	3,471	3,471	3,471
Non-current liabilities	811	719	657	657	657	657
Long-term borrowings	0	0	0	0	0	0
Deferred income	673	579	514	514	514	514
Other non-current liabilities	137	140	143	143	143	143
Total liabilities	5,328	6,731	6,455	6,415	6,940	7,508
Share capital	724	824	824	824	824	824
Capital surplus	230	408	412	412	412	412
Reserves	3,199	13,865	13,910	14,914	16,348	18,131
Others	884	2,386	3,720	3,720	3,720	3,720
Total shareholders equity	5,037	17,483	18,866	19,870	21,304	23,087
Minority interest	(4)	(10)	15	15	15	15
Total equity and liabilities	10,362	24,205	25,336	26,300	28,259	30,609

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,404	1,650	1,978	1,541	2,204	2,740
Depreciation & amortization	112	146	262	356	427	486
Tax paid	(294)	(270)	(164)	(125)	(179)	(222)
Change in working capital	(607)	(1,174)	(2,258)	1,054	(901)	(869)
Others	328	331	315	(49)	65	103
Net cash from operations	942	683	133	2,778	1,616	2,237
Investing						
Capital expenditure	(347)	(741)	(1,076)	(1,000)	(1,000)	(900)
Acquisition of subsidiaries/ investments	0	0	(45)	0	0	0
Net proceeds from disposal of short-term investments	10,266	7,164	25,308	0	0	0
Others	(10,174)	(11,111)	(25,752)	0	0	0
Net cash from investing	(254)	(4,689)	(1,565)	(1,000)	(1,000)	(900)
Financing						
Dividend paid	(8)	(1)	(166)	(379)	(596)	(777)
Net borrowings	(556)	(15)	4	0	0	0
Proceeds from share issues	43	10,795	10	0	0	0
Others	(415)	(51)	(511)	0	0	0
Net cash from financing	(935)	10,729	(662)	(379)	(596)	(777)
Net change in cash						
Cash at the beginning of the year	3,124	2,873	9,626	7,584	8,983	9,003
Exchange difference	(4)	31	(1)	0	0	0
Cash at the end of the year	2,873	9,626	7,531	8,983	9,003	9,563
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	25.9%	27.4%	23.5%	(4.9%)	29.0%	24.6%
Gross profit	28.0%	24.6%	23.8%	(3.0%)	30.1%	25.7%
Operating profit	43.6%	13.7%	11.1%	(22.2%)	43.0%	24.3%
Net profit	49.8%	17.6%	19.9%	(22.1%)	43.0%	24.3%
Adj. net profit	32.8%	13.9%	25.4%	(21.3%)	55.9%	26.3%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	49.4%	48.4%	48.5%	49.4%	49.9%	50.3%
Operating margin	23.4%	20.9%	18.8%	15.4%	17.0%	17.0%
Adj. net profit margin	16.1%	14.4%	14.6%	12.1%	14.6%	14.8%
Return on equity (ROE)	32.5%	14.7%	10.9%	8.0%	10.7%	12.3%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.6)	(0.4)	(0.5)	(0.4)	(0.4)
Current ratio (x)	1.6	3.4	3.5	3.6	3.5	3.5
Receivable turnover days	43.7	61.1	84.2	90.0	85.0	80.0
Inventory turnover days	197.3	216.8	228.3	223.3	218.3	213.3
Payable turnover days	112.7	131.2	127.7	125.0	125.0	125.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	62.3	55.8	50.9	65.3	45.7	36.8
P/E (diluted)	62.3	55.8	50.9	65.3	45.7	36.8
P/B	17.6	5.3	5.3	5.1	4.7	4.4
P/CFPS	93.7	135.3	758.5	36.3	62.3	45.0
Div yield (%)	0.0	0.2	0.7	0.5	0.8	1.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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