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CMB International Global Markets | Equity Research | Company Update

招銀国际
CMB INTERNATIONAL
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Micro-Tech (688029 CH)

Overseas strength offsets domestic pressure; eyes on upcoming national VBP

BUY (Maintain)

Target Price	**RMB90.60**
(Previous TP	RMB97.38)
Up/Downside	**19.8%**
Current Price	**RMB75.64**

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Stock Data

Mkt Cap (RMB mn)	14,144.1
Avg 3 mths t/o (RMB mn)	152.3
52w High/Low (RMB)	100.35/67.50
Total Issued Shares (mn)	187.0

Source: FactSet

Shareholding Structure

Shenzhen Zhongke Merchants	22.2%
Nanjing New weichuang	19.6%

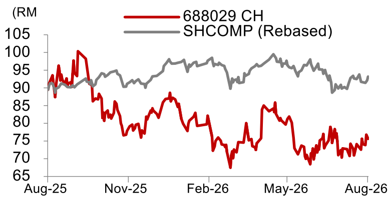
Source: SSE

Share Performance

	Absolute	Relative
1-mth	4.4%	1.8%
3-mth	-6.9%	-3.6%
6-mth	-8.3%	-3.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

In 1H26, Micro-Tech reported revenue of RMB1,728mn, up 10.4% YoY. Attributable net profit decreased 16.5% YoY to RMB303mn mainly due to RMB83mn of FX losses. Excluding FX losses and related tax effects, adjusted attributable net profit rose 16.4% YoY. Given the upcoming 7th national VBP, we cut our 2026E/27E earnings estimates by 12%/7%, respectively. However, with overseas revenue accounting for over 60% of total sales, we believe strong overseas growth should help offset near-term domestic headwinds and support resilient revenue growth through 2026-27E. Notably, following the 7th National VBP, most of the Company's major products will have completed nationwide VBP, which we believe should largely clear domestic pricing risk over the next several years.

- **Overseas business remains the key growth engine.** 1H26 overseas revenue increased 20.6% YoY to RMB1,094mn, raising its revenue contribution to 63%. Growth was broad-based across APAC, EMEA and the US, with each region growing by more than 20% YoY. Direct sales coverage continued to expand through both organic buildout and M&A, reaching 36.7% of total revenue (+4.7ppts YoY). This helped drive overseas gross margin up 1.1ppts YoY to 66.2%. In the US, hospital accounts continue to ramp and represented about 40% of total US revenue in 1H26. With the acquisition of three product lines from CONMED, we expect better access to hospital and GPO channels in the US, which may drive rapid US growth and improved profitability.
- **Domestic business faces near-term VBP-related pressures.** Domestic revenue fell 3.6% YoY to RMB634mn in 1H26. Within this, we estimate domestic tumor intervention revenue decreased ~40% YoY due to delays in VBP implementation for tumor ablation consumables. GI revenue grew a modest 2.3% YoY to RMB556mn, reflecting proactive channel destocking after the advance VBP notice in June. We expect the national VBP to be implemented in early 2027E, suggesting domestic growth pressure could persist through 2H26E and into 2027E.
- **Eyes on tender outcomes of the 7th National VBP in Sep 10, 2026.** The 7th National VBP, officially announced on Aug 26, covers 23 GI intervention categories. Micro-Tech obtained demand volume in 21 categories, ranking No.1 in twelve and No.2 in five. Dominant volume shares in hemostasis clips (49%) and cholangioscopes (62%) highlighted its strong market leadership. In our view, while domestic revenue and margin will come under short-term pressure, past VBP cycles suggest leading players typically gain market share. And we expect the innovative products such as cholangioscopes, and ERCP products that used to be dominated by MNCs to see faster post-VBP penetration.
- **Maintain BUY.** We lower our 2026E-27E earnings forecasts to reflect upcoming VBP pressure. Accordingly, we lower our TP to RMB90.60 based on a 10-year DCF model (WACC: 10.7%, terminal growth rate: 2.0%). **Risks:** deeper VBP price erosion, overseas growth underperformance.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	2,755	3,184	3,508	3,792	4,377
YoY growth (%)	14.3	15.5	10.2	8.1	15.4
Attributable net profit (RMB mn)	553	570	536	677	811
YoY growth (%)	13.9	3.1	(6.0)	26.3	19.8
EPS (Reported) (RMB)	2.95	3.05	2.85	3.61	4.32
P/E (x)	25.6	24.8	26.5	21.0	17.5

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Demand volume of Micro-Tech in the 7th National VBP

Category	First-year demand volume	%	Ranking
经口电子成像胆胰导管（内科胆道镜）	15,861	61.80%	1
食道支架	7,925	56.90%	1
消化介入内镜吻合夹系统	2,921	50.30%	1
消化介入内镜止血夹	5,336,995	49.00%	1
普通消化道导丝	5,562	46.30%	1
肠道支架	6,477	38.10%	1
经皮电子成像胆胰导管（外科胆道镜）	14,754	35.00%	1
胆道合金支架	8,140	34.10%	1
组织切开刀	87,072	31.70%	1
通电（热切）圈套器	1,191,788	26.70%	1
消化介入凝血钳	17,298	22.70%	2
消化道球囊扩张导管	35,305	22.50%	2
不通电（冷切）圈套器	21,890	22.30%	1
胆胰取石球囊导管	30,886	21.90%	2
消化介入注射针	398,857	19.70%	2
ERCP 消化道导丝	58,652	17.60%	2
消化介入取石网篮	30,299	16.70%	1
非快速交换乳头切开刀	29,805	16.10%	3
胆道聚合物支架	12,427	15.90%	3
组织套扎器（用于消化道静脉曲张）	12,116	9.50%	3
快速交换乳头切开刀	2,139	5.00%	4

Source: National Joint High-value Consumables Procurement Office (国家组织高值医用耗材联合采购办公室), CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,508	3,792	4,377	3,690	4,293	4,957	-4.92%	-11.66%	-11.71%
Gross profit	2,239	2,386	2,771	2,313	2,704	3,135	-3.20%	-11.75%	-11.60%
Operating profit	645	814	976	734	878	1,047	-12.10%	-7.25%	-6.78%
Net profit	536	677	811	610	730	870	-12.11%	-7.26%	-6.78%
EPS (RMB)	2.85	3.61	4.32	3.25	3.89	4.63	-12.11%	-7.26%	-6.78%
Gross margin	63.83%	62.92%	63.31%	62.70%	62.98%	63.24%	+1.13ppt	-0.06ppt	+0.07ppt
Operating margin	18.38%	21.48%	22.29%	19.88%	20.46%	21.11%	-1.5ppt	+1.02ppt	+1.18ppt
Net margin	15.28%	17.86%	18.54%	16.53%	17.01%	17.56%	-1.25ppt	+0.85ppt	+0.98ppt

Source: CMBIGM estimates

Figure 3: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	705	742	891	1,068	1,264	1,494	1,764	2,080	2,455	2,872
Tax rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.0%	15.0%
EBIT*(1-tax rate)	599	631	757	908	1,075	1,270	1,499	1,768	2,086	2,441
+ D&A	160	165	170	174	179	184	188	192	227	266
- Change in working capital	132	-22	-63	-65	-67	-71	-74	-77	-91	-107
- Capex	-250	-250	-250	-250	-250	-250	-250	-250	-295	-345
FCFF	**641**	**524**	**614**	**767**	**936**	**1,133**	**1,363**	**1,633**	**1,927**	**2,255**
Terminal value										**26,359**

Terminal growth rate	**2.0%**
WACC	**10.7%**
Cost of Equity	13.5%
Cost of Debt	5.0%
Equity Beta	1.00
Risk Free Rate	3.0%
Market Risk Premium	10.5%
Target Debt to Asset ratio	30.0%
Effective Corporate Tax Rate	15.0%

Terminal value	9,516
Total PV	15,638
Net debt	-1,605
Minority interest	223
Equity value	17,020
# of shares (mn)	188
DCF per share (in RMB)	**90.60**

Source: CMBIGM estimates

Figure 4: Sensitivity analysis (RMB)

		WACC				
		9.7%	**10.2%**	**10.7%**	**11.2%**	**11.7%**
	3.0%	114.46	105.49	97.72	90.95	85.00
	2.5%	109.10	101.01	93.95	87.74	82.25
Terminal growth rate	**2.0%**	104.44	97.08	**90.60**	84.88	79.78
	1.5%	100.34	93.59	87.62	82.31	77.55
	1.0%	96.71	90.49	84.95	79.99	75.54

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**2,411**	**2,755**	**3,184**	**3,508**	**3,792**	**4,377**
Cost of goods sold	(856)	(891)	(1,143)	(1,269)	(1,406)	(1,606)
Gross profit	**1,555**	**1,864**	**2,041**	**2,239**	**2,386**	**2,771**
Operating expenses	**(1,052)**	**(1,190)**	**(1,379)**	**(1,495)**	**(1,602)**	**(1,834)**
Selling expense	(573)	(646)	(746)	(814)	(872)	(998)
Admin expense	(329)	(369)	(434)	(463)	(497)	(569)
R&D expense	(151)	(174)	(199)	(218)	(233)	(267)
Gain/loss on financial assets at FVTPL	0	(0)	1	1	1	1
Investment gain/loss	28	21	17	17	17	17
Other gains/(losses)	23	(35)	12	(118)	13	21
Operating profit	**555**	**659**	**692**	**645**	**814**	**976**
Others	10	0	(1)	(1)	(1)	(1)
Pre-tax profit	**565**	**660**	**691**	**644**	**814**	**975**
Income tax	(70)	(92)	(109)	(97)	(122)	(146)
Minority interest	(9)	(15)	(12)	(11)	(15)	(17)
Attributable net profit	**486**	**553**	**570**	**536**	**677**	**811**
Adjusted net profit	**463**	**544**	**552**	**518**	**659**	**793**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**3,291**	**3,321**	**3,642**	**3,859**	**4,104**	**4,499**
Cash & equivalents	1,209	1,887	1,438	1,716	1,919	2,205
Account receivables	411	434	537	525	557	631
Inventories	522	537	621	608	655	726
Prepayment	28	32	29	29	29	29
Other current assets	1,121	431	1,018	981	944	907
Non-current assets	**1,102**	**1,459**	**1,822**	**1,909**	**1,990**	**2,067**
PP&E	295	926	908	984	1,054	1,116
Deferred income tax	29	33	41	41	41	41
Intangibles	89	75	237	238	239	240
Goodwill	178	170	350	350	350	350
Other non-current assets	511	254	285	295	307	321
Total assets	**4,393**	**4,780**	**5,464**	**5,768**	**6,094**	**6,566**
Current liabilities	**650**	**806**	**1,004**	**1,032**	**1,008**	**1,060**
Short-term borrowings	0	0	190	110	30	0
Account payables	274	510	414	521	578	660
Tax payable	46	49	50	50	50	50
Other current liabilities	329	248	350	350	350	350
Non-current liabilities	**73**	**74**	**118**	**118**	**118**	**118**
Long-term borrowings	0	0	0	0	0	0
Deferred income	7	9	17	17	17	17
Other non-current liabilities	66	64	100	100	100	100
Total liabilities	**723**	**880**	**1,122**	**1,149**	**1,126**	**1,178**
Share capital	188	188	188	196	204	212
Capital surplus	110	110	110	110	110	110
Others	3,314	3,529	3,833	4,090	4,417	4,811
Total shareholders equity	**3,612**	**3,826**	**4,130**	**4,395**	**4,730**	**5,133**
Minority interest	58	73	212	223	238	255
Total equity and liabilities	**4,393**	**4,780**	**5,464**	**5,768**	**6,094**	**6,566**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**495**	**568**	**583**	**548**	**692**	**829**
Depreciation & amortization	83	102	144	160	165	170
Tax paid	(70)	(92)	(109)	(97)	(122)	(146)
Change in working capital	46	(61)	(48)	132	(22)	(63)
Others	(8)	96	118	194	86	98
Net cash from operations	**546**	**613**	**688**	**937**	**799**	**888**
Investing						
Capital expenditure	(256)	(270)	(255)	(250)	(250)	(250)
Acquisition of subsidiaries/ investments	(34)	(3)	(240)	0	0	0
Others	(848)	685	(430)	38	38	38
Net cash from investing	**(1,137)**	**412**	**(925)**	**(212)**	**(212)**	**(212)**
Financing						
Dividend paid	(105)	(283)	(282)	(329)	(267)	(321)
Net borrowings	0	0	116	(80)	(80)	(30)
Proceeds from share issues	2	0	8	8	8	8
Others	(12)	(74)	(46)	(46)	(46)	(46)
Net cash from financing	**(114)**	**(357)**	**(204)**	**(447)**	**(385)**	**(389)**
Net change in cash						
Cash at the beginning of the year	1,875	1,209	1,870	1,438	1,716	1,919
Exchange difference	40	(7)	7	0	0	0
Cash at the end of the year	**1,209**	**1,870**	**1,437**	**1,716**	**1,919**	**2,205**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	21.8%	14.3%	15.5%	10.2%	8.1%	15.4%
Gross profit	28.9%	19.8%	9.5%	9.7%	6.6%	16.1%
Operating profit	52.3%	18.9%	4.9%	(6.8%)	26.3%	19.8%
Net profit	47.0%	13.9%	3.1%	(6.0%)	26.3%	19.8%
Adj. net profit	54.7%	17.5%	1.4%	(6.2%)	27.3%	20.3%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	64.5%	67.7%	64.1%	63.8%	62.9%	63.3%
Operating margin	23.0%	23.9%	21.7%	18.4%	21.5%	22.3%
Adj. net profit margin	19.2%	19.7%	17.3%	14.8%	17.4%	18.1%
Return on equity (ROE)	14.2%	14.9%	14.3%	12.6%	14.8%	16.5%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.5)	(0.3)	(0.4)	(0.4)	(0.4)
Current ratio (x)	5.1	4.1	3.6	3.7	4.1	4.2
Receivable turnover days	52.4	56.0	55.6	54.6	53.6	52.6
Inventory turnover days	232.1	216.7	184.8	175.0	170.0	165.0
Payable turnover days	129.2	160.5	147.5	150.0	150.0	150.0
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	29.2	25.6	24.8	26.5	21.0	17.5
P/E (diluted)	29.2	25.6	24.8	26.5	21.0	17.5
P/B	18.7	15.5	12.7	12.4	12.7	12.1
Div yield (%)	1.3	2.0	2.0	1.9	2.4	2.9

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

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