

# Tigermid (300347 CH)

## Strengthening global presence

- Solid growth in 2020 amid COVID-19 pandemic.** Tigermid reported 2020 revenue of RMB3,192mn (+13.9% YoY), largely in line with our estimate. Tigermid's attributable net profit and attributable recurring net profit increased 107.9% / 26.9% YoY to RMB1,750mn/RMB708mn in 2020, which slightly beat our estimates. And attributable net profit beat consensus estimate by 9.6%. Tigermid booked RMB1,138mn investment fair value gain in 2020 vs RMB185mn in 2019. Meanwhile, total backlogs grew significantly by 44.9% YoY to RMB7,260mn as of end-2020, indicating strong revenue growth in 2021E and beyond. As of the end of 2020, the Company had RMB10.1bn cash on hand, providing sufficient capital for its future expansion. The Company recorded RMB999mn operating cashflows in 2020, up 89% YoY, driven by healthy business growth and shortened receivable days.
- Expect strong recovery from a low base in 2020.** Tigermid's clinical CRO services income was negatively impacted by the COVID pandemic due to lower capacity in hospitals and delays in clinical process. By segment, clinical trial solutions revenue increased 12.8% YoY to RMB1.52bn, while clinical-related & laboratory services revenue grew 14.6% YoY to RMB1.66bn. By region, overseas income growth slowed down to 6.8% YoY mainly due to the COVID impact, while domestic income realized a solid 19.2% YoY growth thanks to strong demand from domestic innovative drugs. Tigermid acquired Yaxincheng (medical translation) in Jul 2019 and Mosim (early clinical development services) in Jan 2020, which further strengthened the Company's leading position in clinical CRO industry. Thanks to the decrease in pass-through fees, gross margin of clinical trial solutions business improved significantly by 6.3ppts in 2020. As of end-2020, Tigermid had 389 ongoing drug clinical research projects, up from 287 as of end-2019, while 95 were overseas single-region projects, and 20 were MRCTs. With rich project pipelines, growing backlogs and the ease of global COVID pandemic, we expect Tigermid to see strong recovery from 2021.
- Global expansion to drive long-term growth.** Tigermid provides clinical CRO services for Chinese innovative drugs to go global and multinational enterprises' drugs to enter Chinese market. Meanwhile, we expect Tigermid to further expand its overseas business network to become a clinical CRO company with global operations. As of end-2020, Tigermid had 772 overseas-based employees. The Company has expanded its clinical CRO capabilities in US, Europe, Australia, South Asia, Latin America and Africa. Tigermid recorded over RMB300mn new bookings of MRCTs in 2020. It already has established networks in Asia Pacific regions, while US market could be the next emphasis.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,803	3,192	4,204	5,422	6,912
Revenue YoY growth (%)	21.85	13.88	31.69	28.98	27.47
Net income (RMB mn)	842	1,750	1,328	1,724	2,199
EPS (RMB)	1.13	2.20	1.52	1.98	2.52
EPS YoY growth (%)	19.70	94.69	-30.84	29.89	27.54
Consensus EPS	N/A	N/A	1.94	2.39	3.10
P/E (x)	132.84	68.23	98.65	75.95	59.55
P/B (x)	26.63	8.13	7.59	7.00	6.36
Yield (%)	0.18	0.20	0.15	0.20	0.25
ROE (%)	17.66	11.36	8.02	9.55	11.01
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

**Target Price** RMB190.25  
**(Previous TP)** RMB187.23  
**Up/Downside** +26.74%  
**Current Price** RMB150.11

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#### Stock Data

Mkt Cap (RMB mn)	128,433
Avg 3 mths t/o (RMB mn)	1,279.53
52w High/Low (RMB)	194.00/62.68
Total Issued Shares (mn)	749
Source: Bloomberg	

#### Shareholding Structure

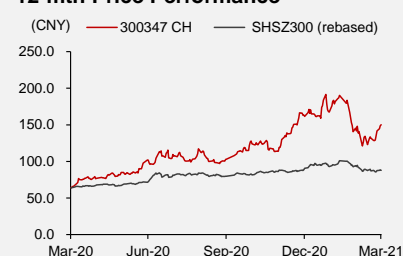
Management	37.11%
Temasek	2.92%
Free float	59.97%
Source: SZSE	

#### Share Performance

	Absolute	Relative
1-mth	5.7%	10.8%
3-mth	-9.0%	-8.7%
6-mth	44.4%	30.0%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: BDO CHINA

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- **Maintain BUY.** We trimmed our 2020E/21E net profit forecasts by 3.1%/6.2%, respectively, to reflect the impact from COVID-19 pandemic. We rolled over our TP to 2021E and derived our DCF-based TP of RMB190.25 (WACC: 9.84%, Terminal growth: 4.0%).

**Figure 1: FY20A results change**

YE 31 Dec (RMB mn)	2019A	2020A	YoY Change	CMBIS 2020E	Diff (%)
<b>Revenue</b>	<b>2,803</b>	<b>3,192</b>	<b>13.9%</b>	<b>3,320</b>	<b>-3.8%</b>
Cost of services	(1,500)	(1,678)	11.8%	(1,728)	-2.9%
<b>Gross profit</b>	<b>1,303</b>	<b>1,514</b>	<b>16.2%</b>	<b>1,592</b>	<b>-4.9%</b>
Business taxes	(11)	(11)	-0.8%	(12)	-12.6%
Selling and distribution expenses	(81)	(97)	19.1%	(94)	2.8%
Administrative expenses	(350)	(391)	11.7%	(415)	-5.9%
R&D expenses	(124)	(157)	26.3%	(156)	0.1%
Finance cost	(10)	(88)	821.2%	(139)	-36.8%
Credit impairment loss	(21)	5	-122.0%	(6)	-180.2%
Asset impairment loss	0	5	N/A	0	N/A
Other gains	14	20	45.1%	8	142.8%
Investment gains	180	284	57.8%	450	-36.9%
Fair value gains (losses)	185	1,138	515.1%	683	66.7%
FX gains (losses)	0	0	N/A	0	N/A
Asset disposal gains (losses)	(0)	(1)	N/A	(0)	N/A
<b>Operating profit</b>	<b>1,085</b>	<b>2,222</b>	<b>104.9%</b>	<b>1,909</b>	<b>16.4%</b>
Non-operating income	6	9	60.9%	156	-93.9%
Non-operating expenses	(1)	(13)	845.7%	(6)	110.2%
<b>Profit before tax</b>	<b>1,089</b>	<b>2,219</b>	<b>103.7%</b>	<b>2,059</b>	<b>7.7%</b>
Income tax expense	(114)	(190)	66.6%	(212)	-10.4%
<b>Total net profit</b>	<b>975</b>	<b>2,029</b>	<b>108.0%</b>	<b>1,848</b>	<b>9.8%</b>
Minority Interests	(134)	(279)	108.9%	(118)	136.0%
<b>Profit attributable to shareholders</b>	<b>842</b>	<b>1,750</b>	<b>107.9%</b>	<b>1,729</b>	<b>1.2%</b>

Source: Company data, CMBIS estimates

**Figure 2: Earnings revision**

RMB mn	FY21E	New FY22E	FY23E	FY21E	Old FY22E	FY23E	FY21E	Diff (%) FY22E	FY23E
Revenue	4,204	5,422	6,912	4,313	5,517	N/A	-2.52%	-1.72%	N/A
Gross Profit	2,028	2,621	3,346	2,055	2,644	N/A	-1.34%	-0.84%	N/A
Operating Profit	1,194	1,589	2,085	1,211	1,652	N/A	-1.43%	-3.81%	N/A
Net profit	1,328	1,724	2,199	1,370	1,839	N/A	-3.11%	-6.25%	N/A
EPS (RMB)	1.52	1.98	2.52	1.57	2.11	N/A	-3.10%	-6.24%	N/A
Gross Margin	48.24%	48.34%	48.41%	46.26%	46.48%	N/A	+1.98 ppt	+1.86 ppt	N/A
Operating Margin	28.40%	29.30%	30.17%	27.57%	29.00%	N/A	+0.83 ppt	+0.30 ppt	N/A
Net Margin	31.58%	31.80%	31.82%	24.87%	26.47%	N/A	+6.70 ppt	+5.33 ppt	N/A

Source: Company data, CMBIS estimates

**Figure 3: CMBIS estimates vs consensus**

RMB mn	FY21E	CMBIS FY22E	FY23E	FY21E	Consensus FY22E	FY23E	FY21E	Diff (%) FY22E	FY23E
Revenue	4,204	5,422	6,912	4,264	5,477	6,740	-1.41%	-1.00%	2.56%
Gross Profit	2,028	2,621	3,346	2,035	2,634	3,292	-0.35%	-0.47%	1.63%
Operating Profit	1,194	1,589	2,085	2,237	2,731	3,084	-46.63%	-41.83%	-32.39%
Net profit	1,328	1,724	2,199	1,668	2,051	2,751	-20.41%	-15.93%	-20.05%
EPS (RMB)	1.52	1.98	2.52	1.94	2.39	3.10	-21.65%	-17.31%	-18.55%
Gross Margin	48.24%	48.34%	48.41%	47.73%	48.09%	48.85%	+0.51 ppt	+0.26 ppt	-0.44 ppt
Operating Margin	28.40%	29.30%	30.17%	52.46%	49.86%	45.76%	-24.06 ppt	-20.56 ppt	-15.59 ppt
Net Margin	31.58%	31.80%	31.82%	39.12%	37.45%	40.82%	-7.54 ppt	-5.65 ppt	-9.00 ppt

Source: Company data, Bloomberg, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>2,803</b>	<b>3,192</b>	<b>4,204</b>	<b>5,422</b>	<b>6,912</b>
Clinical field service	1,347	1,519	1,959	2,507	3,184
Clinical test technical service	1,446	1,657	2,228	2,896	3,707
Other business	10	16	18	19	21
Cost of sales	(1,500)	(1,678)	(2,176)	(2,801)	(3,566)
<b>Gross profit</b>	<b>1,303</b>	<b>1,514</b>	<b>2,028</b>	<b>2,621</b>	<b>3,346</b>
Business taxes	(11)	(11)	(14)	(19)	(24)
Selling expenses	(81)	(97)	(126)	(157)	(200)
Admin expenses	(350)	(391)	(504)	(624)	(760)
R&D expenses	(124)	(157)	(189)	(233)	(276)
<b>Operating profit</b>	<b>737</b>	<b>859</b>	<b>1,194</b>	<b>1,589</b>	<b>2,085</b>
Finance costs, net	(10)	(88)	(13)	(16)	(21)
Investment gains	180	284	0	0	0
Other gains	203	1,159	529	649	769
<b>Pre-tax profit</b>	<b>1,089</b>	<b>2,219</b>	<b>1,710</b>	<b>2,222</b>	<b>2,834</b>
Income tax	(114)	(190)	(171)	(222)	(283)
Minority interests	(134)	(279)	(212)	(275)	(351)
<b>Net profit</b>	<b>842</b>	<b>1,750</b>	<b>1,328</b>	<b>1,724</b>	<b>2,199</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Total net profit</b>	<b>975</b>	<b>2,029</b>	<b>1,539</b>	<b>2,000</b>	<b>2,550</b>
Depreciation and amortization	47	85	68	80	90
Change in working capital	(169)	(41)	(403)	(233)	(285)
Investment loss (gain)	(180)	(284)	0	0	0
Other operating activities	(147)	(791)	(477)	(593)	(708)
<b>Operating cash flow</b>	<b>528</b>	<b>999</b>	<b>728</b>	<b>1,253</b>	<b>1,647</b>
Capex	(103)	(156)	(156)	(156)	(156)
Purchase of investment assets	(1,015)	(2,910)	(1,200)	(1,200)	(1,200)
Other investing activities	479	699	529	649	769
<b>Investing cash flow</b>	<b>(638)</b>	<b>(2,367)</b>	<b>(827)</b>	<b>(707)</b>	<b>(587)</b>
Net proceeds from shares issued	1,441	11,212	0	0	0
Bank borrowing	180	(903)	0	0	0
Acquisition of non-controlling interests	(266)	(271)	(211)	(274)	(350)
Dividends and interests paid	80	(698)	0	0	0
Other financing activities	1,434	9,339	(211)	(274)	(350)
<b>Financing cash flow</b>	<b>1,434</b>	<b>9,339</b>	<b>(211)</b>	<b>(274)</b>	<b>(350)</b>
FX changes	15	(47)	0	0	0
Net change in cash	1,339	7,923	(310)	272	710
Cash at the beginning of the year	698	2,037	10,124	9,814	10,085
<b>Cash at the year end</b>	<b>2,042</b>	<b>10,124</b>	<b>9,814</b>	<b>10,085</b>	<b>10,795</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>4,163</b>	<b>7,860</b>	<b>9,108</b>	<b>10,345</b>	<b>11,572</b>
Fixed asset	252	300	421	530	628
Intangible assets	96	142	115	88	62
Financial assets available for sale	0	0	0	0	0
Goodwill	1,158	1,445	1,445	1,445	1,445
Other non-current assets	2,656	5,973	7,128	8,282	9,437
<b>Current assets</b>	<b>3,370</b>	<b>11,646</b>	<b>11,875</b>	<b>12,448</b>	<b>13,526</b>
Cash	2,042	10,124	9,814	10,085	10,795
Inventories	1	5	3	4	5
Trade and bills receivables	1,080	496	1,037	1,337	1,704
Prepayments, deposits and other receivables	26	28	28	28	28
Other current assets	220	994	994	994	994
<b>Current liabilities</b>	<b>1,791</b>	<b>1,139</b>	<b>1,276</b>	<b>1,344</b>	<b>1,427</b>
Borrowings	864	0	0	0	0
Trade and other payables	185	181	181	181	181
Other current liabilities	742	958	1,094	1,163	1,246
<b>Non-current liabilities</b>	<b>220</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>
Borrowings	37	0	0	0	0
Other non-current liabilities	184	508	508	508	508
<b>Total net assets</b>	<b>5,522</b>	<b>17,858</b>	<b>19,199</b>	<b>20,941</b>	<b>23,162</b>
<b>Minority interest</b>	<b>1,296</b>	<b>1,740</b>	<b>1,952</b>	<b>2,227</b>	<b>2,578</b>
<b>Shareholders' equity</b>	<b>4,225</b>	<b>16,119</b>	<b>17,248</b>	<b>18,714</b>	<b>20,584</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Clinical trial technical services	48	48	47	46	46
Clinical trial consulting services	52	52	53	53	54
Other business	0	1	0	0	0
Total	100	100	100	100	100
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	46	47	48	48	48
EBITDA margin	41	75	43	43	43
Pre-tax margin	39	70	41	41	41
Net margin	30	55	32	32	32
Effective tax rate	10	9	10	10	10
<b>Balance sheet ratios</b>					
Current ratio (x)	2	10	9	9	9
Trade receivables turnover days	121	90	90	90	90
Trade payables turnover days	28	40	40	40	40
Net debt to equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	18	11	8	10	11
ROA	13	10	7	9	10
<b>Per share</b>					
EPS (RMB)	1.13	2.20	1.52	1.98	2.52
DPS (RMB)	0.28	0.30	0.23	0.30	0.38
BVPS (RMB)	5.64	18.47	19.77	21.45	23.59

Source: Company data, CMBIS estimates

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