

Tigermid (300347 CH)

Order growth in 1H24 signals reduced uncertainties in demand recovery

Tigermid reported 1H24 revenue of RMB3,358mn, down 9.5% YoY, and attributable recurring net income of RMB640mn, down 19.3% YoY. 1H24 revenue/attributable recurring net income accounted for 40.9%/ 38.7%, respectively, of our previous full-year estimates, both falling moderately short of historical average levels. However, Tigermid delivered satisfactory QoQ growth in the bottom-line. Bolstered by an early recovery of customer demand across domestic and international markets as well as cost control initiatives, mgmt. aims to achieve sequential earnings growth in 2H24.

- **Solid order growth indicative of market recovery.** Tigermid booked significant YoY growth in both the volume and value of new orders in 1H24, driven by multiple positive structural shifts in the China market. These include increasingly favorable policy support and active BD transactions with MNC companies. According to mgmt., the growth of new orders in 2Q24 accelerated from 1Q24, with this trend extending into July and August. Although domestic order pricing was relatively soft, Tigermid has observed pricing enhancements in certain regions within China. Together with healthy pricing of overseas orders, the company's overall order pricing remained stable.
- **Focus on cost structure optimization in 2H24.** The gross profit margin (GPM) reached 41.5% in 2Q24, up from 37.8% in 1Q24, primarily due to the GPM recovery in Clinical related and lab services (CRLS) segment. Within the CRLS segment, both SMO and lab services experienced sequential GPM improvements in 2Q24, while the GPM of Data management and statistical analysis (DMSA) remained stable at a high level. Additionally, the company is taking steps to enhance the GPM of Clinical trial solution (CTS) segment. Combined with efforts to control SG&A expenses, we expect the net margin to sequentially improve in 2H24.
- **Advancing globalization efforts.** Despite a reduction in employee number in 1H24 compared with end-2023, Tigermid expanded its overseas headcount by 90, mainly in North America and EMEA, indicating its persistent investment in global markets. In July, Tigermid acquired Japan-based Medical Edge to strengthen its DMSA capabilities for the Asia-Pacific region and to further explore business opportunities in the Japanese market.
- **Maintain BUY.** Given there are still uncertainties over the pace of demand recovery, we cut our TP from RMB66.82 to RMB58.88, based on a 10-year DCF model (WACC: 10.95%, terminal growth: 2.0%). We forecast Tigermid's revenue to grow +0.2%/ +13.2%/ +16.4% YoY and attributable recurring net income to grow -3.9%/ +6.8%/ +19.9% YoY in 2024E/ 25E/ 26E, respectively.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	7,085	7,384	7,397	8,376	9,748
YoY growth (%)	35.9	4.2	0.2	13.2	16.4
Adjusted net profit (RMB m)	1,540	1,477	1,420	1,517	1,819
YoY growth (%)	25.0	(4.0)	(3.9)	6.8	19.9
EPS (Adjusted) (RMB)	1.78	1.71	1.64	1.75	2.10
Consensus EPS (RMB)	na	na	2.21	2.61	3.03
P/E (Adjusted) (x)	28.8	30.0	31.2	29.2	24.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB58.88
 (Previous TP RMB66.82)
Up/Downside 15.0%
Current Price RMB51.18

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Stock Data

Mkt Cap (RMB mn) 44,268.1
 Avg 3 mths t/o (RMB mn) 438.0
 52w High/Low (RMB) 71.75/37.85
 Total Issued Shares (mn) 864.9

Source: FactSet

Shareholding Structure

Xiaoping Ye 20.5%
 HK investors 16.8%

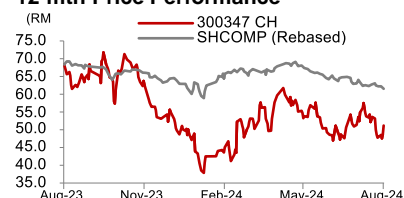
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.4%	2.1%
3-mth	-3.9%	5.9%
6-mth	13.6%	21.3%

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	7,397	8,376	9,748	8,220	9,549	11,512	-10.01%	-12.28%	-15.32%
Gross Profit	2,999	3,475	4,075	3,228	3,842	4,722	-7.11%	-9.55%	-13.69%
Operating Profit	1,732	2,101	2,486	1,999	2,444	3,072	-13.35%	-14.06%	-19.07%
Adjusted net profit	1,420	1,517	1,819	1,653	1,997	2,509	-14.06%	-24.03%	-27.50%
Adjusted EPS (RMB)	1.64	1.75	2.10	1.89	2.29	2.88	-13.32%	-23.37%	-26.87%
Gross Margin	40.53%	41.49%	41.80%	39.27%	40.24%	41.01%	+1.27ppt	+1.25ppt	+0.79ppt
Operating Margin	23.41%	25.08%	25.50%	24.32%	25.60%	26.68%	-0.90ppt	-0.52ppt	-1.18ppt
Net Margin	19.20%	18.11%	18.66%	20.11%	20.91%	21.79%	-0.91ppt	-2.80ppt	-3.13ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	7,397	8,376	9,748	7,914	9,014	10,483	-6.53%	-7.08%	-7.01%
Gross Profit	2,999	3,475	4,075	3,068	3,535	4,165	-2.27%	-1.70%	-2.15%
Operating Profit	1,732	2,101	2,486	2,168	2,531	2,936	-20.11%	-17.00%	-15.33%
Adjusted net profit	1,420	1,517	1,819	1,876	2,213	2,597	-24.29%	-31.46%	-29.97%
Adjusted EPS (RMB)	1.64	1.75	2.10	2.21	2.61	3.03	-25.66%	-32.68%	-30.65%
Gross Margin	40.53%	41.49%	41.80%	38.77%	39.22%	39.73%	+1.76ppt	+2.27ppt	+2.07ppt
Operating Margin	23.41%	25.08%	25.50%	27.39%	28.08%	28.01%	-3.98ppt	-3.00ppt	-2.51ppt
Net Margin	19.20%	18.11%	18.66%	23.70%	24.55%	24.77%	-4.50ppt	-6.44ppt	-6.12ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	1,878	2,516	3,147	3,871	4,723	5,714	6,857	8,160	9,629	11,266
Tax rate	15.23%	15.23%	15.23%	15.23%	15.23%	15.23%	15.23%	15.23%	15.23%	15.23%
EBIT*(1-tax rate)	1,592	2,133	2,668	3,281	4,003	4,844	5,813	6,917	8,162	9,550
+ D&A	303	325	344	413	492	580	679	787	906	1,032
- Change in working capital	(556)	(211)	(296)	(355)	(422)	(498)	(583)	(676)	(777)	(886)
- Capex	(600)	(600)	(600)	(720)	(857)	(1,011)	(1,183)	(1,372)	(1,578)	(1,799)
FCFF	739	1,647	2,116	2,620	3,216	3,915	4,726	5,656	6,712	7,897
Terminal value										90,049

Terminal growth rate	2.00%
WACC	10.95%
Cost of Equity	14.55%
Cost of Debt	5.00%
Equity Beta	1.10
Risk Free Rate	3.00%
Market Risk Premium	10.50%
Target Debt to Asset ratio	35.00%
Effective Corporate Tax Rate	15.00%

PV of terminal value (RMB mn)	31,872
Total PV (RMB mn)	51,346
Net debt (RMB mn)	(3,180)
Minority interest (RMB mn)	3,598
Equity value (RMB mn)	50,928
# of shares (mn)	865
Price per share (RMB per share)	58.88

Source: CMBIGM estimates.

Figure 4: Sensitivity analysis of DCF model

		WACC				
		9.95%	10.45%	10.95%	11.45%	11.95%
Terminal growth rate	3.00%	75.85	69.46	63.92	59.07	54.80
	2.50%	72.08	66.31	61.25	56.80	52.84
	2.00%	68.80	63.53	58.88	54.76	51.08
	1.50%	65.90	61.05	56.76	52.93	49.49
	1.00%	63.32	58.84	54.85	51.27	48.04

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	5,214	7,085	7,384	7,397	8,376	9,748
Cost of goods sold	(2,943)	(4,277)	(4,536)	(4,399)	(4,900)	(5,673)
Gross profit	2,271	2,808	2,849	2,999	3,475	4,075
Operating expenses	(911)	(1,038)	(1,127)	(1,267)	(1,375)	(1,589)
Selling expense	(129)	(150)	(187)	(211)	(231)	(269)
Admin expense	(547)	(630)	(650)	(769)	(829)	(945)
R&D expense	(212)	(235)	(262)	(254)	(280)	(335)
Others	(23)	(23)	(28)	(32)	(35)	(40)
Operating profit	1,359	1,771	1,722	1,732	2,101	2,486
Gain/loss on financial assets at FVTPL	1,815	536	353	(98)	115	361
Investment gain/loss	312	103	338	271	300	300
Net Interest income/(expense)	216	158	108	41	(60)	(27)
Other income/expense	(19)	18	(32)	(27)	0	0
Pre-tax profit	3,685	2,585	2,489	1,919	2,456	3,120
Income tax	(293)	(314)	(339)	(292)	(374)	(475)
After tax profit	3,392	2,272	2,150	1,626	2,082	2,645
Minority interest	(518)	(265)	(125)	(172)	(220)	(279)
Net profit	2,874	2,007	2,025	1,455	1,862	2,366
Adjusted net profit	1,232	1,540	1,477	1,420	1,517	1,819
Gross dividends	433	476	491	353	452	574

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	10,852	11,107	11,344	7,855	8,214	8,535
Cash & equivalents	8,544	7,858	7,420	3,660	3,804	3,823
Account receivables	816	1,034	1,261	1,621	1,836	2,137
Inventories	6	22	23	6	7	8
Prepayment	59	59	57	57	57	57
Other current assets	1,426	2,134	2,583	2,511	2,511	2,511
Non-current assets	12,889	16,339	18,337	23,636	24,411	25,167
PP&E	438	566	639	866	1,070	1,254
Deferred income tax	101	121	135	135	135	135
Investment in JVs & assos	739	1,800	2,977	2,977	2,977	2,977
Intangibles	251	338	371	297	223	149
Goodwill	1,779	2,485	2,764	3,064	3,364	3,664
Financial assets at FVTPL	8,746	9,964	10,232	11,542	12,042	12,542
Other non-current assets	836	1,066	1,219	4,755	4,601	4,447
Total assets	23,741	27,447	29,681	31,491	32,625	33,702
Current liabilities	2,413	3,730	4,139	5,426	4,930	3,936
Short-term borrowings	492	1,849	1,970	3,470	2,970	1,970
Account payables	156	50	79	79	79	79
Tax payable	281	198	221	221	221	221
Other current liabilities	1,484	1,633	1,870	1,656	1,661	1,667
Non-current liabilities	723	1,036	1,088	1,088	1,088	1,088
Long-term borrowings	0	245	434	434	434	434
Obligations under finance leases	407	489	423	423	423	423
Other non-current liabilities	316	302	231	231	231	231
Total liabilities	3,136	4,765	5,227	6,514	6,018	5,025
Share capital	872	872	872	872	872	872
Capital surplus	11,887	11,852	11,709	12,811	14,221	16,013
Retained earnings	5,771	7,270	8,775	8,775	8,775	8,775
Other reserves	(406)	(412)	(329)	(1,079)	(1,079)	(1,079)
Total shareholders equity	18,124	19,583	21,027	21,379	22,789	24,581
Minority interest	2,482	3,098	3,427	3,598	3,818	4,097
Total equity and liabilities	23,741	27,447	29,681	31,491	32,625	33,702

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,685	2,585	2,489	1,919	2,456	3,120
Depreciation & amortization	197	285	339	303	325	344
Tax paid	(293)	(314)	(339)	(292)	(374)	(475)
Change in working capital	(235)	(692)	(835)	(556)	(211)	(296)
Others	(1,930)	(507)	(503)	(144)	(355)	(634)
Net cash from operations	1,424	1,358	1,150	1,230	1,841	2,059
Investing						
Capital expenditure	(369)	(449)	(314)	(300)	(300)	(300)
Acquisition of subsidiaries/ investments	(90)	(663)	(357)	(300)	(300)	(300)
Net proceeds from disposal of short-term investments	(2,140)	(1,779)	(968)	(4,828)	(85)	161
Others	(185)	102	105	0	0	0
Net cash from investing	(2,783)	(2,789)	(1,534)	(5,428)	(685)	(439)
Financing						
Dividend paid	(284)	(492)	(590)	(312)	(512)	(601)
Net borrowings	492	1,607	684	1,500	(500)	(1,000)
Proceeds from share issues	272	315	386	0	0	0
Others	(643)	(621)	(488)	(750)	0	0
Net cash from financing	(163)	809	(8)	438	(1,012)	(1,601)
Net change in cash						
Cash at the beginning of the year	9,960	8,378	7,783	7,420	3,660	3,804
Exchange difference	(60)	27	9	0	0	0
Cash at the end of the year	8,378	7,783	7,400	3,660	3,804	3,823
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	63.3%	35.9%	4.2%	0.2%	13.2%	16.4%
Gross profit	50.0%	23.7%	1.4%	5.3%	15.9%	17.3%
Operating profit	58.2%	30.3%	(2.8%)	0.6%	21.3%	18.3%
Net profit	64.3%	(30.2%)	0.9%	(28.2%)	28.0%	27.0%
Adj. net profit	73.9%	25.0%	(4.0%)	(3.9%)	6.8%	19.9%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	43.6%	39.6%	38.6%	40.5%	41.5%	41.8%
Operating margin	26.1%	25.0%	23.3%	23.4%	25.1%	25.5%
Adj. net profit margin	23.6%	21.7%	20.0%	19.2%	18.1%	18.7%
Return on equity (ROE)	16.8%	10.6%	10.0%	6.9%	8.4%	10.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.3)	(0.2)	0.0	(0.0)	(0.1)
Current ratio (x)	4.5	3.0	2.7	1.4	1.7	2.2
Receivable turnover days	45.9	47.6	56.7	80.0	80.0	80.0
Inventory turnover days	0.7	1.2	1.8	0.5	0.5	0.5
Payable turnover days	20.9	8.8	5.2	3.0	3.0	3.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E (adjusted)	36.1	28.8	30.0	31.2	29.2	24.3
P/B	2.4	2.3	2.1	2.1	1.9	1.8
P/CFPS	31.1	32.6	38.5	36.0	24.1	21.5
Div yield (%)	1.0	1.1	1.1	0.8	1.0	1.3

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

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