

Mindray (300760 CH)

Navigating near-term pressures; expect growth to resume in 2026E

Mindray reported revenue of RMB33.3bn (-9.4% YoY) and attributable net profit of RMB8.1bn (-30.3% YoY) in 2025, 2%/ 12% below our estimates, respectively. The weak domestic business was the primary drag, which was attributable to domestic hospital budget constraints and policy pressures in IVD market. Attributable NPM dropped 7.3ppts YoY in 2025, reflecting domestic price cuts, FX losses, and higher overseas selling expenses. Looking ahead, we expect the domestic business to bottom out in 2026E, while overseas business remains the key growth driver. With resilient overseas growth, ongoing IVD share gains, and rapid scaling in emerging businesses, we believe Mindray remains well positioned for a long-term recovery. However, margin pressure may persist given the implementation of chemiluminescence VBP, FX volatility, and a higher effective tax rate.

- Overseas business remains resilient, led by Europe.** Overseas revenue grew 7.4% YoY to RMB17.7bn in 2025, accounting for 53% of total revenue. The overseas growth moderated amid inflation, geopolitical disruptions, and delayed procurement in developing markets. Even so, Europe delivered a strong 17% YoY increase, supported by Mindray's growing localization and intelligent solutions, which effectively addressed local labor shortages. We expect overseas growth to reaccelerate in 2026E as Mindray deepens local operations and expands into higher-end accounts.
- Expect domestic business to bottom out in 2026E.** Domestic revenue declined 23.0% YoY to RMB15.6bn in 2025, pressured by reduced hospital procurement budget and ongoing policy headwinds including DRG/DIP and VBP. Despite these near-term headwinds, we remain positive on Mindray's domestic IVD business, where Mindray continues to execute on its "Double Big" strategy focused on top-tier hospitals and large-volume customers. In 2025, revenue from these key customers grew nearly 20% YoY and represented 45% of domestic IVD reagent revenue. We project a return to positive growth in domestic business in 2026E, underpinned by ongoing IVD share gains and a growing revenue mix from emerging businesses.
- Emerging businesses are becoming the next growth driver.** Emerging business revenue rose 38.9% YoY to RMB5.4bn, accounting for 16% of total revenue, making it Mindray's fastest-growing segment. This segment includes minimally invasive interventions (APT Medical), minimally invasive surgery and animal care. We think the long-term growth is driven by an aging population, adoption of minimally invasive procedures, and growth in pet healthcare. With enriching product pipelines, we believe these businesses can become a meaningful long-term growth driver.
- Maintain BUY.** Given the lower-than-expected earnings in 2025, we lower our 2026E revenue/earnings forecast by 6%/23%, respectively, and revise our target price to RMB204.54, based on a 9-year DCF (WACC: 9.1%, terminal growth: 3.0%, unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	36,726	33,282	35,708	39,351	43,477
YoY growth (%)	5.1	(9.4)	7.3	10.2	10.5
Attributable net profit (RMB)	11,668	8,136	8,026	9,299	10,435
YoY growth (%)	0.7	(30.3)	(1.4)	15.9	12.2
EPS (Reported) (RMB)	9.64	6.71	6.62	7.67	8.61
P/E (x)	17.2	24.7	25.1	21.6	19.3
Net gearing (%)	(46.4)	(46.4)	(50.0)	(53.1)	(56.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB204.54
(Previous TP)	RMB249.21)
Up/Downside	23.3%
Current Price	RMB165.90

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Stock Data

Mkt Cap (RMB mn)	201,144.0
Avg 3 mths t/o (RMB mn)	1,451.5
52w High/Low (RMB)	248.24/164.30
Total Issued Shares (mn)	1212.4

Source: FactSet

Shareholding Structure

Smartco Development Limited	27.0%
Magnifice (HK) Limited	24.5%

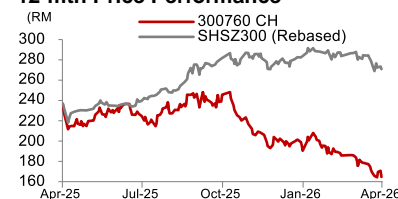
Source: SZSE

Share Performance

	Absolute	Relative
1-mth	-10.8%	-5.5%
3-mth	-12.9%	-9.4%
6-mth	-32.5%	-29.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	35,708	39,351	43,477	38,121	43,132	48,869	-6.33%	-8.77%	-11.03%
Gross profit	21,087	23,197	25,622	23,459	26,555	30,255	-10.11%	-12.65%	-15.31%
Operating profit	10,627	11,948	13,393	12,618	14,402	16,551	-15.78%	-17.04%	-19.08%
Net profit	8,026	9,299	10,435	10,390	11,935	13,728	-22.75%	-22.09%	-23.99%
EPS (RMB)	6.62	7.67	8.61	8.57	9.84	11.32	-22.75%	-22.09%	-23.99%
Gross margin	59.05%	58.95%	58.93%	61.54%	61.57%	61.91%	-2.48ppt	-2.62ppt	-2.98ppt
Operating margin	29.76%	30.36%	30.80%	33.10%	33.39%	33.87%	-3.34ppt	-3.03ppt	-3.06ppt
Net margin	22.48%	23.63%	24.00%	27.26%	27.67%	28.09%	-4.78ppt	-4.04ppt	-4.09ppt

Source: Company data, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	9,993	11,168	12,505	13,977	15,621	17,533	19,731	22,295	25,293
Tax rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	8,494	9,493	10,629	11,881	13,278	14,903	16,771	18,951	21,499
+ D&A	1,804	1,825	1,815	1,817	1,812	1,797	1,778	1,754	1,724
- Change in working capital	-215	-295	-310	-298	-298	-628	-706	-812	-935
- Capex	-2,462	-2,362	-2,262	-2,162	-2,062	-1,962	-1,862	-1,762	-1,662
FCFF	7,622	8,661	9,873	11,239	12,730	14,110	15,981	18,131	20,626
Terminal value									348,683

Terminal growth rate	3.0%
WACC	9.1%
Cost of Equity	12.3%
Cost of Debt	3.8%
Equity Beta	0.90
Risk Free Rate	2.8%
Market Risk Premium	10.5%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Terminal value	159,316
Total PV	232,879
Net debt	-20,933
Minority	5,823
Equity value	247,990
# of shares (mn)	1,212
DCF per share (in RMB)	204.54

Source: CMBIGM estimates

Figure 3: Sensitivity analysis (RMB)

		WACC				
		8.1%	8.6%	9.1%	9.6%	10.1%
Terminal growth rate	4.0%	290.73	258.06	231.86	210.41	192.54
	3.5%	266.45	239.25	216.98	198.42	182.72
	3.0%	246.94	223.81	204.54	188.24	174.30
	2.5%	230.92	210.90	193.98	179.50	166.98
	2.0%	217.52	199.95	184.92	171.91	160.56

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	35,708	39,351	43,477	37,901	42,598	45,160	-5.79%	-7.62%	-3.73%
Gross	21,087	23,197	25,622	23,205	26,156	27,822	-9.13%	-11.31%	-7.91%
Operating	10,627	11,948	13,393	12,134	13,870	14,408	-12.42%	-13.86%	-7.04%
Net profit	8,026	9,299	10,435	10,463	11,811	11,718	-23.29%	-21.27%	-10.95%
EPS	6.62	7.67	8.61	8.92	10.04	10.21	-25.80%	-23.60%	-15.68%
Gross	59.05%	58.95%	58.93%	61.23%	61.40%	61.61%	-2.17ppt	-2.45ppt	-2.68ppt
Operating	29.76%	30.36%	30.80%	32.01%	32.56%	31.90%	-2.25ppt	-2.2ppt	-1.1ppt
Net margin	22.48%	23.63%	24.00%	27.61%	27.73%	25.95%	-5.13ppt	-4.1ppt	-1.95ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	34,932	36,726	33,282	35,708	39,351	43,477
Cost of goods sold	(12,513)	(13,548)	(13,208)	(14,621)	(16,154)	(17,855)
Gross profit	22,419	23,178	20,074	21,087	23,197	25,622
Operating expenses	(9,478)	(10,549)	(10,401)	(10,581)	(11,371)	(12,350)
Selling expense	(5,010)	(5,283)	(5,145)	(5,356)	(5,824)	(6,391)
Admin expense	(1,524)	(1,600)	(1,551)	(1,643)	(1,771)	(1,913)
R&D expense	(3,433)	(3,666)	(3,579)	(3,678)	(3,974)	(4,304)
Others	489	(1)	(127)	96	198	258
Gain/loss on financial assets at FVTPL	79	126	0	0	0	0
Investment gain/loss	(10)	69	115	115	115	115
Other gains/(losses)	60	287	6	6	6	6
Operating profit	13,070	13,112	9,795	10,627	11,948	13,393
Others	(59)	(92)	(121)	(121)	(121)	(121)
Pre-tax profit	13,011	13,020	9,674	10,507	11,827	13,272
Income tax	(1,433)	(1,280)	(1,222)	(1,576)	(1,774)	(1,991)
Minority interest	4	(71)	(316)	(905)	(754)	(846)
Attributable net profit	11,582	11,668	8,136	8,026	9,299	10,435
Adjusted net profit	11,434	11,442	8,069	8,013	9,286	10,422
Gross dividends	7,032	7,602	5,310	5,217	6,044	6,783
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	26,875	25,647	27,410	30,970	35,198	40,044
Cash & equivalents	18,787	16,644	17,690	20,937	24,520	28,667
Account receivables	3,297	3,226	3,410	3,364	3,492	3,619
Inventories	3,979	4,757	5,004	5,363	5,881	6,451
Prepayment	268	297	273	273	273	273
Other current assets	545	722	1,033	1,033	1,033	1,033
Non-current assets	21,065	30,997	31,857	33,108	34,239	35,280
PP&E	5,490	7,086	7,670	7,931	8,090	8,158
Deferred income tax	1,313	1,697	1,567	1,567	1,567	1,567
Intangibles	2,225	6,723	6,390	5,739	5,078	4,406
Goodwill	5,062	11,093	11,404	11,404	11,404	11,404
Other non-current assets	6,976	4,397	4,825	6,468	8,101	9,745
Total assets	47,940	56,644	59,267	64,078	69,437	75,324
Current liabilities	10,103	10,427	11,600	11,697	12,048	12,436
Short-term borrowings	8	5	0	0	0	0
Account payables	2,690	2,793	3,242	3,340	3,690	4,079
Tax payable	653	428	385	385	385	385
Other current liabilities	6,751	7,202	7,972	7,972	7,972	7,972
Non-current liabilities	4,491	5,458	4,656	4,656	4,656	4,656
Long-term borrowings	1	0	4	4	4	4
Deferred income	109	127	182	182	182	182
Other non-current liabilities	4,381	5,331	4,470	4,470	4,470	4,470
Total liabilities	14,594	15,885	16,255	16,353	16,704	17,092
Share capital	1,212	1,212	1,212	1,212	1,212	1,212
Capital surplus	608	608	608	608	608	608
Others	31,265	34,036	36,273	40,082	44,337	48,989
Total shareholders equity	33,085	35,856	38,093	41,902	46,157	50,809
Minority interest	261	4,902	4,918	5,823	6,577	7,423
Total equity and liabilities	47,940	56,644	59,267	64,078	69,437	75,324

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	11,578	11,740	8,451	8,931	10,053	11,281
Depreciation & amortization	1,039	1,503	1,747	1,804	1,825	1,815
Tax paid	(1,433)	(1,280)	(1,222)	(1,576)	(1,774)	(1,991)
Change in working capital	(1,652)	(727)	(439)	(215)	(295)	(310)
Others	1,528	1,196	1,608	1,468	1,521	1,630
Net cash from operations	11,062	12,432	10,145	10,412	11,329	12,425
Investing						
Capital expenditure	(2,689)	(1,959)	(2,038)	(2,000)	(1,900)	(1,800)
Acquisition of subsidiaries/ investments	(871)	(5,773)	0	0	0	0
Others	2,867	350	1,528	(462)	(462)	(462)
Net cash from investing	(693)	(7,383)	(509)	(2,462)	(2,362)	(2,262)
Financing						
Dividend paid	(10,670)	(8,843)	(5,743)	(4,703)	(5,385)	(6,016)
Net borrowings	(19)	(3)	(3)	0	0	0
Proceeds from share issues	79	79	36	0	0	0
Others	(166)	(114)	(1,014)	0	0	0
Net cash from financing	(10,776)	(8,882)	(6,724)	(4,703)	(5,385)	(6,016)
Net change in cash						
Cash at the beginning of the year	18,974	18,668	14,908	17,690	20,937	24,520
Exchange difference	101	72	(195)	0	0	0
Cash at the end of the year	18,668	14,908	17,625	20,937	24,520	28,667
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	15.0%	5.1%	(9.4%)	7.3%	10.2%	10.5%
Gross profit	15.1%	3.4%	(13.4%)	5.0%	10.0%	10.5%
Operating profit	18.9%	0.3%	(25.3%)	8.5%	12.4%	12.1%
Net profit	20.6%	0.7%	(30.3%)	(1.4%)	15.9%	12.2%
Adj. net profit	20.0%	0.1%	(29.5%)	(0.7%)	15.9%	12.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	64.2%	63.1%	60.3%	59.1%	58.9%	58.9%
Operating margin	37.4%	35.7%	29.4%	29.8%	30.4%	30.8%
Adj. net profit margin	32.7%	31.2%	24.2%	22.4%	23.6%	24.0%
Return on equity (ROE)	35.6%	33.9%	22.0%	20.1%	21.1%	21.5%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
Current ratio (x)	2.7	2.5	2.4	2.6	2.9	3.2
Receivable turnover days	31.1	32.4	36.4	34.4	32.4	30.4
Inventory turnover days	116.7	117.7	134.9	133.9	132.9	131.9
Payable turnover days	72.6	73.9	83.4	83.4	83.4	83.4
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	17.4	17.2	24.7	25.1	21.6	19.3
P/E (diluted)	17.4	17.2	24.7	25.1	21.6	19.3
P/B	18.8	18.2	16.5	16.3	15.9	15.4
Div yield (%)	3.5	3.8	2.6	2.6	3.0	3.4

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

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