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CMB International Global Markets | Equity Research | Company Update

Mindray (300760 CH)

Weak 1H25, recovery expected from 3Q25E

BUY (Maintain)

Target Price	**RMB279.70**
(Previous TP	RMB272.90)
Up/Downside	**15.2%**
Current Price	**RMB242.79**

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Mindray reported 1H25 revenue of RMB16.7bn (-18.4% YoY) and attributable net profit of RMB5.1bn (-33.0% YoY). During the period, domestic revenue fell 33.4% YoY to RMB8.4bn, pressured by longer tender-to-revenue conversion, channel inventory destocking and price headwinds. Domestic pricing pressure also resulted in the declined GPM (-2.8ppts). Overseas sales remained resilient at RMB8.3bn (+5.4% YoY). Looking ahead, we expect pricing pressure will persist in IVD reagent and mid/low-end medical equipment. However, with ~63% YoY growth in China's medical equipment tenders in 1H25, according to Joinchain, we expect Mindray's revenue growth to turn positive from 3Q25E and forecast total revenue growth of 15% YoY in 2H25E.

- **IVD: solid overseas growth in 1H25; the Company's medium-term growth driver.** In 1H25, IVD segment reported revenue of RMB6.4bn (-16% YoY), negatively impacted by the pricing pressure and tightening medical insurance reimbursement in China, such as the unbundle of unnecessary testing packages. Despite near-term headwinds, we view IVD as a core long-term growth engine for the Company, given that: 1) Mindray's domestic share in key categories (CLIA, clinical chemistry, coagulation) remains low at ~10%, indicating significant growth potential. Mgmt aims to double its domestic share over three years by penetrating ~1,800 top-tier hospitals; 2) the Company's overseas IVD revenue grew 12% YoY in 1H25, representing 37% of segment sales. We see large potential in overseas IVD sales growth.
- **MIS: ongoing high-end upgrade.** MIS segment reported revenue of RMB3.3bn in 1H25, down 22.5% YoY, dragged by domestic weakness. We think MIS segment's growth will be increasingly supported by overseas markets and the penetration of high-end/ultra-high-end ultrasound portfolio. Overseas MIS revenue grew at a mid- to high-single-digit rate in 1H25. The sales of ultra-high-end Resona A20 approaching RMB400mn in 1H25, nearly reaching its 2024 sales. We believe rising adoption of Resona A20 and upcoming premium product launches will continue to drive the segment growth.
- **PMLS: near-term pressure.** Reduced special purpose bond issuance led to slower hospital capex in 1H25. As a result, PMLS revenue declined 32% YoY to RMB5.5bn in 1H25. However, the minimally invasive surgery (MIS) business delivered strong growth of nearly 30% YoY, highlighting its potential to become a key long-term growth engine for the PMLS business.
- **Maintain BUY.** Given ongoing pressure on both demand and pricing in the IVD segment in 1H25, we have revised down our 2025E forecasts. However, supported by recovering domestic medical equipment tenders and a potential earnings recovery in 2H25E, we slightly raise our TP to RMB279.70 based on a 9-year DCF model.

Stock Data

Mkt Cap (RMB mn)	294,368.6
Avg 3 mths t/o (RMB mn)	1,552.6
52w High/Low (RMB)	324.50/211.59
Total Issued Shares (mn)	1212.4

Source: FactSet

Shareholding Structure

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

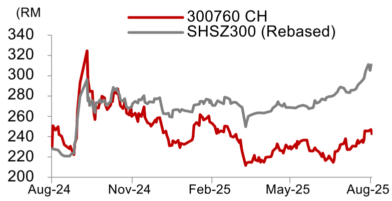
Source: SZSE

Share Performance

	Absolute	Relative
1-mth	4.7%	-2.6%
3-mth	6.6%	-7.8%
6-mth	-4.0%	-16.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	34,932	36,726	35,334	40,192	45,516
YoY growth (%)	15.0	5.1	(3.8)	13.7	13.2
Attributable net profit (RMB mn)	11,582	11,668	10,670	12,022	13,725
YoY growth (%)	20.6	0.7	(8.6)	12.7	14.2
EPS (Reported) (RMB)	9.56	9.64	8.80	9.92	11.32
EPS (Adjusted) (RMB)	9.44	9.45	8.67	9.79	11.20
P/E (x)	25.4	25.2	27.6	24.5	21.4
Net gearing (%)	(56.8)	(46.4)	(55.1)	(56.4)	(58.7)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	35,334	40,192	45,516	40,163	44,686	49,573	-12.02%	-10.06%	-8.18%
Gross profit	21,749	24,824	28,355	24,953	27,805	30,929	-12.84%	-10.72%	-8.32%
Operating profit	12,677	14,428	16,548	14,631	16,134	18,018	-13.35%	-10.57%	-8.16%
Net profit	10,670	12,022	13,725	12,431	13,560	14,952	-14.17%	-11.34%	-8.20%
EPS (RMB)	8.80	9.92	11.32	10.25	11.18	12.33	-14.17%	-11.34%	-8.20%
Gross margin	61.55%	61.76%	62.30%	62.13%	62.22%	62.39%	-0.58ppt	-0.46ppt	-0.09ppt
Operating margin	35.88%	35.90%	36.36%	36.43%	36.11%	36.35%	-0.55ppt	-0.21ppt	+0.01ppt
Net margin	30.20%	29.91%	30.16%	30.95%	30.35%	30.16%	-0.76ppt	-0.43ppt	-0.01ppt

Source：Company data, Bloomberg, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	12,006	13,743	15,778	17,992	20,483	23,337	26,531	30,219	34,479
Tax rate	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%
EBIT*(1-tax rate)	10,826	12,392	14,227	16,224	18,470	21,044	23,923	27,249	31,090
+ D&A	1,645	1,754	1,843	1,776	1,830	1,871	1,894	1,909	1,913
- Change in working capital	564	-627	-669	-754	-854	-973	-1,076	-1,244	-1,445
- Capex	-522	-3,360	-3,260	-3,160	-3,060	-2,960	-2,860	-2,760	-2,660
FCFF	**12,513**	**10,160**	**12,141**	**14,085**	**16,386**	**18,981**	**21,881**	**25,154**	**28,899**
Terminal value									**488,523**

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	223,210
Total PV	322,018
Net debt	-22,682
Minority	5,580
Equity value	339,120
# of shares (mn)	1,212
DCF per share (in RMB)	**279.70**

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		8.1%	**8.6%**	**9.1%**	**9.6%**	**10.1%**
Terminal growth rate	**4.0%**	400.30	354.60	317.99	288.01	263.04
	3.5%	366.28	328.26	297.13	271.21	249.29
	3.0%	338.95	306.62	**279.70**	256.95	237.48
	2.5%	316.50	288.54	264.91	244.70	227.23
	2.0%	297.73	273.20	252.21	234.07	218.24

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM FY25E	FY26E	FY27E	Consensus FY25E	FY26E	FY27E	Diff (%) FY25E	FY26E	FY27E
Revenue	35,334	40,192	45,516	39,420	44,480	50,639	-10.36%	-9.64%	-10.12%
Gross profit	21,749	24,824	28,355	24,735	27,966	31,896	-12.07%	-11.24%	-11.10%
Operating profit	12,677	14,428	16,548	13,673	15,583	17,799	-7.28%	-7.41%	-7.03%
Net profit	10,670	12,022	13,725	12,098	13,568	15,375	-11.81%	-11.39%	-10.73%
EPS (RMB)	8.80	9.92	11.32	10.14	11.47	13.10	-13.19%	-13.57%	-13.60%
Gross margin	61.55%	61.76%	62.30%	62.75%	62.87%	62.99%	-1.19ppt	-1.11ppt	-0.69ppt
Operating margin	35.88%	35.90%	36.36%	34.69%	35.03%	35.15%	+1.19ppt	+0.86ppt	+1.21ppt
Net margin	30.20%	29.91%	30.16%	30.69%	30.50%	30.36%	-0.49ppt	-0.59ppt	-0.21ppt

Source: Company data, Bloomberg, CMBIGM estimate

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**30,366**	**34,932**	**36,726**	**35,334**	**40,192**	**45,516**
Cost of goods sold	(10,885)	(12,513)	(13,548)	(13,585)	(15,367)	(17,162)
Gross profit	**19,480**	**22,419**	**23,178**	**21,749**	**24,824**	**28,355**
Operating expenses	**(8,941)**	**(9,478)**	**(10,549)**	**(9,854)**	**(11,178)**	**(12,589)**
Selling expense	(4,802)	(5,010)	(5,283)	(5,123)	(5,747)	(6,463)
Admin expense	(1,320)	(1,524)	(1,600)	(1,532)	(1,735)	(1,955)
R&D expense	(2,923)	(3,433)	(3,666)	(3,392)	(3,850)	(4,351)
Others	103	489	(1)	194	154	181
Operating profit	**10,991**	**13,070**	**13,112**	**12,677**	**14,428**	**16,548**
Gain/loss on financial assets at FVTPL	(21)	79	126	126	126	126
Investment gain/loss	(5)	(10)	69	69	69	69
Other gains/(losses)	478	60	287	587	587	587
Others	(37)	(59)	(92)	(92)	(92)	(92)
Pre-tax profit	**10,954**	**13,011**	**13,020**	**12,585**	**14,336**	**16,456**
Income tax	(1,343)	(1,433)	(1,280)	(1,237)	(1,409)	(1,617)
Minority interest	(4)	4	(71)	(679)	(905)	(1,113)
Attributable net profit	**9,607**	**11,582**	**11,668**	**10,670**	**12,022**	**13,725**
Adjusted net profit	**9,525**	**11,434**	**11,442**	**10,502**	**11,856**	**13,561**
Gross dividends	5,456	7,032	7,602	6,935	7,814	8,922

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**30,606**	**26,875**	**25,647**	**31,314**	**35,249**	**40,181**
Cash & equivalents	23,186	18,787	16,644	22,690	25,609	29,477
Account receivables	2,661	3,297	3,226	3,138	3,569	4,042
Inventories	4,025	3,979	4,757	4,466	5,052	5,642
Prepayment	289	268	297	297	297	297
Other current assets	445	545	722	722	722	722
Non-current assets	**16,139**	**21,065**	**30,997**	**31,514**	**33,082**	**34,460**
PP&E	4,261	5,490	7,086	8,282	9,269	10,066
Deferred income tax	755	1,313	1,697	1,697	1,697	1,697
Intangibles	1,977	2,225	6,723	6,010	5,297	4,585
Goodwill	4,403	5,062	11,093	11,093	11,093	11,093
Other non-current assets	4,743	6,976	4,397	4,431	5,725	7,018
Total assets	**46,745**	**47,940**	**56,644**	**62,828**	**68,331**	**74,641**
Current liabilities	**11,770**	**10,103**	**10,427**	**10,610**	**11,001**	**11,394**
Short-term borrowings	0	8	5	3	3	3
Account payables	2,291	2,690	2,793	2,978	3,368	3,761
Tax payable	573	653	428	428	428	428
Other current liabilities	8,906	6,751	7,202	7,202	7,202	7,202
Non-current liabilities	**2,976**	**4,491**	**5,458**	**5,462**	**5,462**	**5,462**
Long-term borrowings	0	1	0	5	5	5
Deferred income	93	109	127	127	127	127
Other non-current liabilities	2,883	4,381	5,331	5,331	5,331	5,331
Total liabilities	**14,746**	**14,594**	**15,885**	**16,073**	**16,463**	**16,856**
Share capital	1,212	1,212	1,212	1,237	1,237	1,237
Capital surplus	608	608	608	608	608	608
Other reserves	30,161	31,265	34,036	39,330	43,537	48,341
Total shareholders equity	**31,981**	**33,085**	**35,856**	**41,175**	**45,383**	**50,187**
Minority interest	18	261	4,902	5,580	6,485	7,598
Total equity and liabilities	**46,745**	**47,940**	**56,644**	**62,828**	**68,331**	**74,641**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**9,611**	**11,578**	**11,740**	**11,348**	**12,927**	**14,838**
Depreciation & amortization	911	1,039	1,503	1,645	1,754	1,843
Tax paid	(1,343)	(1,433)	(1,280)	(1,237)	(1,409)	(1,617)
Change in working capital	1,524	(1,652)	(727)	564	(627)	(669)
Others	1,438	1,528	1,196	696	855	978
Net cash from operations	**12,141**	**11,062**	**12,432**	**13,017**	**13,500**	**15,373**
Investing						
Capital expenditure	(1,916)	(2,689)	(1,959)	(2,000)	(1,900)	(1,800)
Acquisition of subsidiaries/ investments	0	(871)	(5,773)	0	0	0
Others	(1,304)	2,867	350	1,478	(1,460)	(1,460)
Net cash from investing	**(3,220)**	**(693)**	**(7,383)**	**(522)**	**(3,360)**	**(3,260)**
Financing						
Dividend paid	(4,233)	(10,670)	(8,843)	(6,356)	(7,222)	(8,244)
Net borrowings	0	(19)	(3)	2	0	0
Proceeds from share issues	0	79	79	25	0	0
Others	(961)	(166)	(114)	(119)	0	0
Net cash from financing	**(5,194)**	**(10,776)**	**(8,882)**	**(6,448)**	**(7,222)**	**(8,244)**
Net change in cash						
Cash at the beginning of the year	15,133	18,974	18,668	16,644	22,690	25,609
Exchange difference	114	101	72	0	0	0
Cash at the end of the year	**19,087**	**18,770**	**14,980**	**22,690**	**25,609**	**29,477**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	20.2%	15.0%	5.1%	(3.8%)	13.7%	13.2%
Gross profit	18.6%	15.1%	3.4%	(6.2%)	14.1%	14.2%
Operating profit	21.2%	18.9%	0.3%	(3.3%)	13.8%	14.7%
Net profit	20.1%	20.6%	0.7%	(8.6%)	12.7%	14.2%
Adj. net profit	21.3%	20.0%	0.1%	(8.2%)	12.9%	14.4%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	64.2%	64.2%	63.1%	61.6%	61.8%	62.3%
Operating margin	36.2%	37.4%	35.7%	35.9%	35.9%	36.4%
Adj. net profit margin	31.4%	32.7%	31.2%	29.7%	29.5%	29.8%
Return on equity (ROE)	32.6%	35.6%	33.9%	27.7%	27.8%	28.7%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.6)	(0.5)	(0.6)	(0.6)	(0.6)
Current ratio (x)	2.6	2.7	2.5	3.0	3.2	3.5
Receivable turnover days	26.8	31.1	32.4	32.4	32.4	32.4
Inventory turnover days	127.3	116.7	117.7	120.0	120.0	120.0
Payable turnover days	76.6	72.6	73.9	80.0	80.0	80.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	30.6	25.4	25.2	27.6	24.5	21.4
P/E (diluted)	30.6	25.4	25.2	27.6	24.5	21.4
P/B	23.7	27.5	26.6	26.2	25.4	24.5
Div yield (%)	1.9	2.4	2.6	2.4	2.7	3.0

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

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