

Tigermed (300347 CH)

Expect business rebound in 2024E

Tigermed reported 2023 revenue of RMB7,384mn, up 4.2% YoY, and attributable recurring net income of RMB1,477mn, down 4.1% YoY. Revenue/ attributable recurring net income missed our forecast by 2.9%/ 12.1%, respectively, mainly due to shrinking COVID vaccine revenue, slowdown in global R&D activities, and contracted margins stemming from temporary pricing adjustments coupled by relatively lower lab facility utilization. New orders signed in 2023 amounted to RMB7.85bn, down 18.8% YoY, mainly due to ~RMB1.2bn reduction of COVID pass-through orders. Nonetheless, the total backlog experienced a mild uptick of 2.1% YoY, reaching RMB14.1bn by the end of 2023, which provides a solid foundation for sustainable growth. Management has observed early indicators of a demand resurgence and anticipates that both revenue and attributable recurring net income will achieve mid-teen growth in 2024E, signaling a robust recovery from the previous year.

- Early signs of demand recovery.** Tigermed experienced heightened volatility in client demand in 2023 due to subdued global biotech funding and escalating competition in the clinical CRO market. However, management has observed a positive shift in macro sentiment since late 2023, with biopharmaceutical funding in China exhibiting a significant sequential rebound. In Jan-Feb 2024, Tigermed's new orders regained double-digit growth, particularly in the US and Australian markets, according to the management. With this trend to continue, management maintains a positive forecast for full-year demand. Additionally, we want to highlight Tigermed's promising growth potential in China's market as the government persists with its supportive policies for domestic pharmaceutical R&D.
- Well-progressing globalization strategy.** The challenges of the industry did not dampen Tigermed's commitment to globalization. Underpinned by a growing and dedicated team of 110 PMs and CRAs, Tigermed's US clinical operation saw rapid growth in revenue and backlog in 2023. Its localized clinical operation team enables Tigermed to better capture opportunities from both Chinese pharmaceutical companies looking to enter the US market, as well as from US clients not fully served by global clinical CROs. Tigermed acquired a Croatia-based clinical CRO, Marti Farm, in Jan 2023, further bolstering its service capabilities in Europe. Tigermed has established clinical teams in South Korea, Southeast Asia and Australia. Owing to its strong performance in the global market, Tigermed signed 15 MRCT projects in 2023. We think a well-established global network will help Tigermed in mitigating potential geopolitical risks.
- Maintain BUY.** We revised our TP from RMB80.31 to RMB68.57, based on a 10-year DCF model (WACC: 10.95%, terminal growth: 2.0%), to factor in slower projection of revenue and recurring net income growth. We forecast Tigermed's revenue to grow 13.3%/ 17.7%/ 21.9% YoY and attributable recurring net income to grow 14.2%/ 22.7%/ 27.4% YoY in 2024E/ 25E/ 26E, respectively.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	7,085	7,384	8,367	9,844	12,004
YoY growth (%)	35.9	4.2	13.3	17.7	21.9
Adjusted net profit (RMB mn)	1,539.5	1,477.2	1,687.3	2,069.8	2,637.9
YoY growth (%)	25.0	(4.0)	14.2	22.7	27.4
EPS (Adjusted) (RMB)	1.78	1.71	1.93	2.37	3.02
Consensus EPS (RMB)	na	na	2.73	3.27	3.22
P/E (x)	29.9	31.1	27.5	22.4	17.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB68.57
(Previous TP)	RMB80.31)
Up/Downside	29.1%
Current Price	RMB53.10

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Stock Data

Mkt Cap (RMB mn)	46,325.4
Avg 3 mths t/o (RMB mn)	858.9
52w High/Low (RMB)	106.01/37.85
Total Issued Shares (mn)	872.4

Source: FactSet

Shareholding Structure

Xiaoping Ye	20.5%
HK investors	19.9%

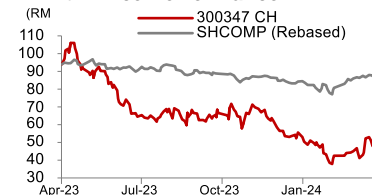
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	17.5%	15.6%
3-mth	-3.4%	-6.6%
6-mth	-20.3%	-19.4%

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	8,367	9,844	12,004	9,732	12,258	na	-14.03%	-19.69%	na
Gross Profit	3,292	3,975	4,950	4,190	5,284	na	-21.43%	-24.77%	na
Operating Profit	2,041	2,534	3,230	2,765	3,501	na	-26.17%	-27.62%	na
Adjusted net profit	1,687	2,070	2,638	2,199	2,745	na	-23.26%	-24.61%	na
Adjusted EPS (RMB)	1.93	2.37	3.02	2.52	3.15	na	-23.26%	-24.61%	na
Gross Margin	39.35%	40.38%	41.24%	43.05%	43.11%	na	-3.70ppt	-2.72ppt	na
Operating Margin	24.40%	25.74%	26.90%	28.41%	28.56%	na	-4.01ppt	-2.82ppt	na
Net Margin	20.17%	21.03%	21.97%	22.59%	22.40%	na	-2.42ppt	-1.37ppt	na

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	8,367	9,844	12,004	9,151	10,979	12,257	-8.57%	-10.34%	-2.06%
Gross Profit	3,292	3,975	4,950	3,778	4,586	4,945	-12.85%	-13.32%	0.10%
Operating Profit	2,041	2,534	3,230	2,785	3,309	3,767	-26.70%	-23.42%	-14.26%
Adjusted net profit	1,687	2,070	2,638	2,503	2,988	2,801	-32.59%	-30.73%	-5.82%
Adjusted EPS (RMB)	1.93	2.37	3.02	2.73	3.27	3.22	-29.08%	-27.45%	-6.16%
Gross Margin	39.35%	40.38%	41.24%	41.28%	41.77%	40.35%	-1.93ppt	-1.39ppt	+0.89ppt
Operating Margin	24.40%	25.74%	26.90%	30.43%	30.14%	30.73%	-6.04ppt	-4.40ppt	-3.83ppt
Net Margin	20.17%	21.03%	21.97%	27.35%	27.22%	22.85%	-7.18ppt	-6.19ppt	-0.88ppt

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	2,748	3,383	4,226	4,987	5,835	6,768	7,784	8,873	10,027	11,230
Tax rate	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%
EBIT*(1-tax rate)	2,374	2,923	3,651	4,308	5,041	5,847	6,724	7,666	8,662	9,702
+ D&A	303	325	344	396	451	510	571	634	697	760
- Change in working capital	(200)	(219)	(320)	(369)	(420)	(475)	(532)	(590)	(649)	(708)
- Capex	(600)	(600)	(600)	(690)	(787)	(889)	(996)	(1,105)	(1,216)	(1,325)
FCFF	1,877	2,428	3,075	3,646	4,285	4,993	5,768	6,604	7,495	8,429
Terminal value										96,117
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)	34,019									
Total PV (RMB mn)	59,160									
Net debt (RMB mn)	(4,226)									
Minority interest (RMB mn)	3,569									
Equity value (RMB mn)	59,818									
# of shares (mn)	872									
Price per share (RMB per share)	68.57									

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%	86.70	79.86	73.90	68.69	64.08
	2.50%	82.72	76.52	71.08	66.27	62.01
	2.00%	79.24	73.57	68.57	64.12	60.14
	1.50%	76.17	70.96	66.32	62.18	58.46
	1.00%	73.45	68.62	64.30	60.43	56.93

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	8,367	9,844	12,004
Cost of goods sold	(2,943)	(4,277)	(4,536)	(5,074)	(5,869)	(7,054)
Gross profit	2,271	2,808	2,849	3,292	3,975	4,950
Operating expenses	(911)	(1,038)	(1,127)	(1,251)	(1,441)	(1,720)
Selling expense	(129)	(150)	(187)	(204)	(230)	(269)
Admin expense	(547)	(630)	(650)	(728)	(847)	(1,021)
R&D expense	(212)	(235)	(262)	(288)	(329)	(389)
Others	(23)	(23)	(28)	(31)	(35)	(42)
Operating profit	1,359	1,771	1,722	2,041	2,534	3,230
Gain/loss on financial assets at FVTPL	1,815	536	353	307	449	597
Investment gain/loss	312	103	338	400	400	400
Net interest income/(expense)	216	158	108	72	60	72
Other income/expense	(19)	18	(32)	0	0	0
Pre-tax profit	3,685	2,585	2,489	2,821	3,443	4,298
Income tax	(293)	(314)	(339)	(384)	(468)	(585)
After tax profit	3,392	2,272	2,150	2,437	2,975	3,714
Minority interest	(518)	(265)	(125)	(142)	(173)	(216)
Net profit	2,874	2,007	2,025	2,295	2,801	3,498
Adjusted net profit	1,232	1,540	1,477	1,687	2,070	2,638
Gross dividends	433	476	491	557	680	849
BALANCE SHEET						
	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	10,852	11,107	11,344	11,300	12,931	15,157
Cash & equivalents	8,544	7,858	7,420	7,353	8,753	10,642
Account receivables	816	1,034	1,261	1,300	1,530	1,865
Inventories	6	22	23	7	8	10
Prepayment	59	59	57	57	57	57
Other current assets	1,426	2,134	2,583	2,583	2,583	2,583
Non-current assets	12,889	16,339	18,337	19,633	20,609	21,565
PP&E	438	566	639	864	1,067	1,251
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	11,232	11,932	12,632
Other non-current assets	836	1,066	1,219	1,065	911	757
Total assets	23,741	27,447	29,681	30,933	33,539	36,721
Current liabilities	2,413	3,730	4,139	4,261	4,573	4,889
Short-term borrowings	492	1,849	1,970	2,270	2,570	2,870
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	1,692	1,703	1,720
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	5,350	5,661	5,978
Share capital	872	872	872	872	872	872
Capital surplus	11,887	11,852	11,709	13,447	15,569	18,218
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	22,015	24,137	26,786
Minority interest	2,482	3,098	3,427	3,569	3,742	3,958
Total equity and liabilities	23,741	27,447	29,681	30,933	33,539	36,721

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,685	2,585	2,489	2,821	3,443	4,298
Depreciation & amortization	197	285	339	303	325	344
Tax paid	(293)	(314)	(339)	(384)	(468)	(585)
Change in working capital	(235)	(692)	(835)	(200)	(219)	(320)
Others	(1,930)	(507)	(503)	(779)	(909)	(1,069)
Net cash from operations	1,424	1,358	1,150	1,761	2,171	2,668
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)	(293)	149	297
Others	(185)	102	105	0	0	0
Net cash from investing	(2,783)	(2,789)	(1,534)	(893)	(451)	(303)
Financing						
Dividend paid	(284)	(492)	(590)	(484)	(620)	(776)
Net borrowings	492	1,607	684	300	300	300
Proceeds from share issues	272	315	386	0	0	0
Others	(643)	(621)	(488)	(750)	0	0
Net cash from financing	(163)	809	(8)	(934)	(320)	(476)
Net change in cash						
Cash at the beginning of the year	9,960	8,378	7,783	7,420	7,353	8,753
Exchange difference	(60)	27	9	0	0	0
Cash at the end of the year	8,378	7,783	7,400	7,353	8,753	10,642
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	63.3%	35.9%	4.2%	13.3%	17.7%	21.9%
Gross profit	50.0%	23.7%	1.4%	15.6%	20.7%	24.5%
Operating profit	58.2%	30.3%	(2.8%)	18.6%	24.1%	27.5%
Net profit	64.3%	(30.2%)	0.9%	13.3%	22.1%	24.8%
Adj. net profit	73.9%	25.0%	(4.0%)	14.2%	22.7%	27.4%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	43.6%	39.6%	38.6%	39.3%	40.4%	41.2%
Operating margin	26.1%	25.0%	23.3%	24.4%	25.7%	26.9%
Adj. net profit margin	23.6%	21.7%	20.0%	20.2%	21.0%	22.0%
Return on equity (ROE)	16.8%	10.6%	10.0%	10.7%	12.1%	13.7%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)
Current ratio (x)	4.5	3.0	2.7	2.7	2.8	3.1
Receivable turnover days	45.9	47.6	56.7	56.7	56.7	56.7
Inventory turnover days	0.7	1.2	1.8	0.5	0.5	0.5
Payable turnover days	20.9	8.8	5.2	5.2	5.2	5.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E (adjusted)	37.4	29.9	31.1	27.5	22.4	17.6
P/B	2.5	2.3	2.2	2.1	1.9	1.7
P/CFPS	32.3	33.8	39.9	26.3	21.3	17.4
Div yield (%)	0.9	1.0	1.1	1.2	1.5	1.8

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

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