

Yidu Tech (2158 HK)

Eyes on post-COVID business recovery

We think Yidu's FY23E (Mar-YE) earnings has been heavily impacted by COVID resurgence in CY4Q22 in China and that healthcare institutions have slowed down the digitalization pace. In FY23E, we expect Yidu's revenue to be down 22% YoY (-5.5% YoY in FY1H23) but net loss could narrow to RMB460mn (vs. -RMB762mn in FY22) on better opex control. Mgmt. guided to achieve adj. EBITDA breakeven in FY24E. We think post-COVID top-line recovery and improving operating leverage could support re-rating. Maintain BUY.

- **Big Data Platform and Solutions (BDPS): FY23E suffered from project delays with COVID-19 resurgence.** Yidu provides data-analytics platform to hospitals, healthcare institutions, regulators and policy makers. In FY1H23, Yidu's BDPS revenue was down 21% YoY to RMB124mn, due to the prolonged pandemic that resulted in delays in bidding, on-site implementation, delivery and client acceptance of certain projects. We expect 29% YoY growth in BDPS in FY24E after China lifted COVID restrictions.
- **Life Sciences Solutions (LSS): margin to slowly pick up.** Targeting pharmaceutical, biotech and medical device companies, Yidu's LSS help save time and cost during the clinical development process. Yidu's LSS revenue grew +0.6% YoY to RMB147mn in FY1H23, dragged by the delays in bidding process and on-site execution. Increasing outsourcing fee and fixed employee expense have resulted in temporary GPM erosion (14.5% in FY1H23 vs. 20.0% in FY1H22). We expect gradual recovery in LSS GPM by +2-3 pct pts YoY when business scales up at 23% revenue CAGR in FY22-25E.
- **Health Management Platform and Solutions (HMPS): Growing revenue from disease management platform solutions.** HMPS includes revenue from disease management platform and city supplementary insurance business (HuiMinBao). Yidu's HMPS revenue grew +7% YoY in FY1H23 given increasing revenue from platform-based solutions. We expect HMPS revenue to deliver stable growth at 11% CAGR in FY22-25E.
- **Maintain BUY.** We are positive on the long-term digitalization trend in China healthcare industry and expect Yidu's revenue to grow 11% CAGR in FY22-25E. However, we revised down FY23-25E revenue by 45-57% based on management update regarding a slow recovery in digitalization pace post COVID-19. Our SOTP-based TP of HK\$14.07 implied 10.1x FY24E P/S. Downside risks: tightening regulations and intensifying competition.

Earnings Summary

(YE 31 Mar)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	867	1,237	963	1,240	1,680
YoY growth (%)	55%	43%	-22%	29%	35%
Operating profit (RMB mn)	(443)	(720)	(477)	(293)	(110)
YoY growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net income (RMB)	(3,700)	(762)	(459)	(277)	(94)
EPS (RMB)	-7.24	-0.80	-0.46	-0.28	-0.09
YoY growth (%)	94%	-89%	-43%	-40%	-66%
P/S	9.9	7.0	8.9	7.0	5.1
ROE (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net gearing (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$14.07
(Previous TP	HK\$32.12)
Up/Downside	+45.5%
Current Price	HK\$9.67

Research Team

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Stock Data

Mkt Cap (HK\$ mn)	9,786
Avg 3 mths t/o (HK\$ mn)	93.90
52w High/Low (HK\$)	12.34/ 3.63
Total Issued Shares (mn)	1,006

Source: Bloomberg

Shareholding Structure

Ms. Gong Yingying	42.18%
GIC	4.98%

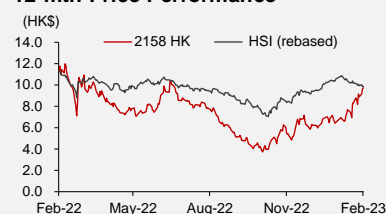
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	48.5%	59.5%
3-mth	59.8%	37.5%
6-mth	23.2%	18.6%

Source: Bloomberg

12-mth Price Performance

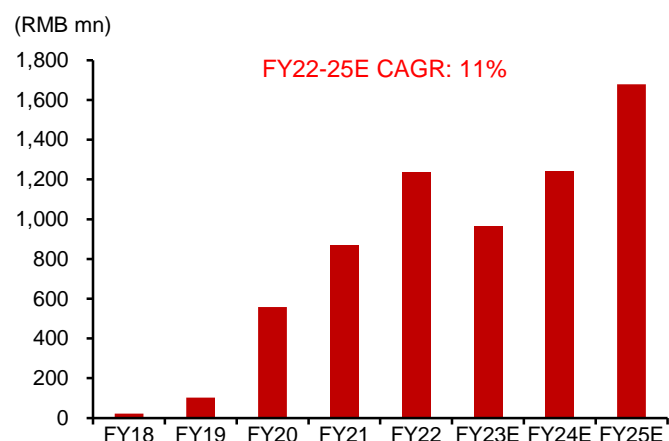


Source: Bloomberg

Auditor: PwC

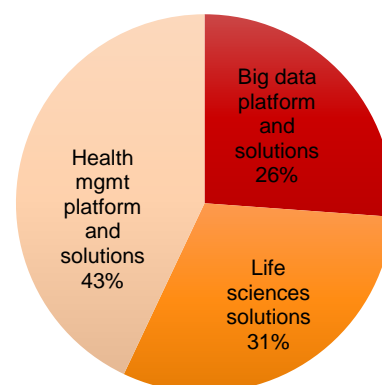
Focus Charts

Figure 1: Revenue and YoY growth



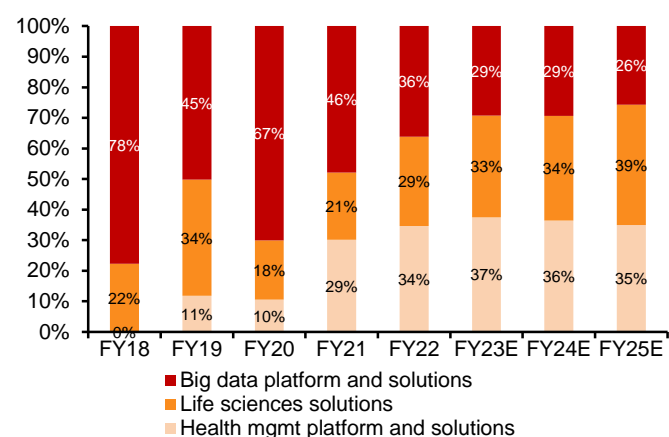
Source: Company data, CMBIGM estimates

Figure 2: Revenue breakdown (FY1H23)



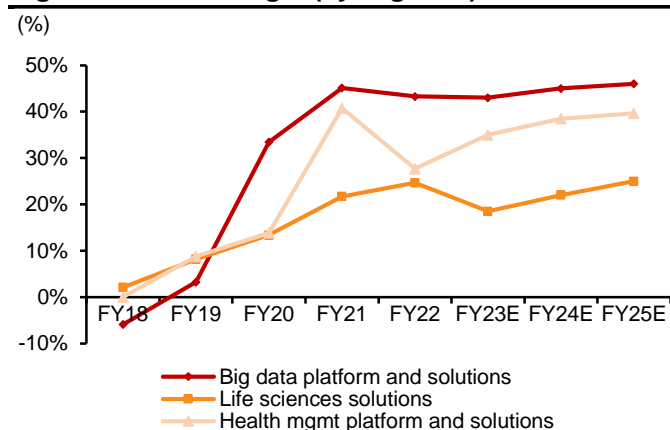
Source: Company data, CMBIGM estimates

Figure 3: Revenue mix



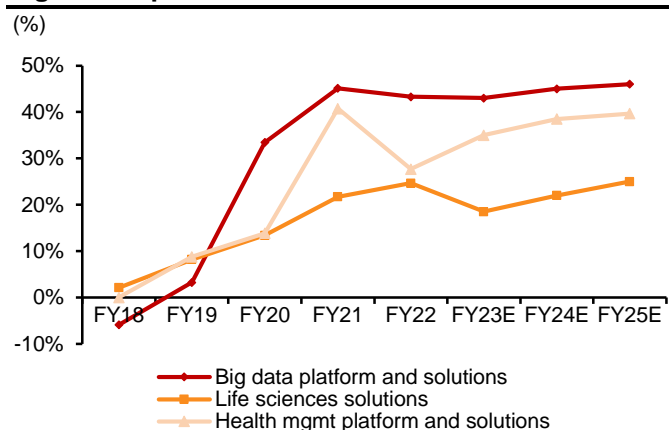
Source: Company data, CMBIGM estimates

Figure 4: Gross margin (by segment)



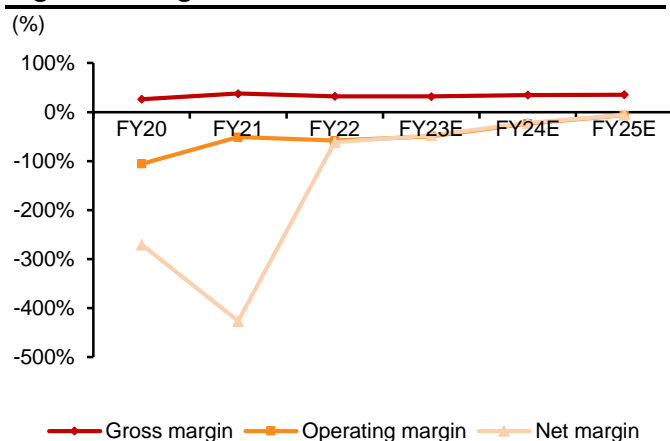
Source: Company data, CMBIGM estimates

Figure 5: Opex ratio



Source: Company data, CMBIGM estimates

Figure 6: Margins



Source: Company data, CMBIGM estimates

Earnings revision

Figure 7: Earnings revision

RMB mn	2023E			2024E			2025E		
	New	Old	%Diff	New	Old	%Diff	New	Old	%Diff
Sales	963	1,744	-45%	1,240	2,642	-53%	1,680	3,924	-57%
Gross profit	307	615	-50%	431	977	-56%	596	1,507	-60%
OP Profit	-477	-430	11%	-293	-75	292%	-110	445	-125%
Net profit	-459	-412	11%	-277	-60	359%	-94	458	-121%
EPS	-0.46	-0.42	9%	-0.28	-0.06	351%	-0.09	0.46	-120%
Margins									
GM	31.8%	35.3%	-344 bps	34.8%	37.0%	-221 bps	35.5%	38.4%	-291 bps
OPM	-49.5%	-24.7%	-2487 bps	-23.6%	-2.8%	-2081 bps	-6.5%	11.3%	-1788 bps
Net margin	-47.6%	-23.6%	-2398 bps	-22.4%	-2.3%	-2009 bps	-5.6%	11.7%	-1727 bps

Source: Company data, CMBIGM

Figure 8: CMBI estimates vs consensus

RMB mn	2023E			2024E			2025E		
	CMBI	Street	Diff	CMBI	Street	Diff	CMBI	Street	Diff
Sales	963	1,126	-14%	1,240	1,427	-13%	1,680	1,923	-13%
Gross profit	307	n.a.	n.a.	431	n.a.	n.a.	596	n.a.	n.a.
OP Profit	-477	-508	-6%	-293	-264	11%	-110	-76	45%
Net profit	-459	-504	-9%	-277	-256	8%	-94	-60	58%
EPS	-0.46	-0.51	-11%	-0.28	0.19	-245%	-0.09	-0.07	44%
Margins									
GM	31.8%	n.a.	n.a.	34.8%	n.a.	n.a.	35.5%	n.a.	n.a.
OPM	-49.5%	-45.1%	-443 bps	-23.6%	-18.5%	-515 bps	-6.5%	-3.9%	-259 bps
Net margin	-47.6%	-44.8%	-283 bps	-22.4%	-18.0%	-441 bps	-5.6%	-3.1%	-250 bps

Source: Bloomberg, CMBIGM

Operating model

Figure 9: Operating model

RMB mn	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue breakdown								
Big data platform and solutions	18	46	372	402	445	281	364	431
Life sciences solutions	5	35	103	184	359	321	424	662
Health mgmt platform and solutions	-	11	56	252	425	361	451	587
Others	-	11	28	29	8	-	-	-
Total	23	102	558	867	1,237	963	1,240	1,680
Revenue mix								
Big data platform and solutions	78%	45%	67%	46%	36%	29%	29%	26%
Life sciences solutions	22%	34%	18%	21%	29%	33%	34%	39%
Health mgmt platform and solutions	0%	11%	10%	29%	34%	37%	36%	35%
Revenue YoY								
Big data platform and solutions		160%	710%	8%	11%	-37%	29%	18%
Life sciences solutions		589%	195%	79%	95%	-11%	32%	56%
Health mgmt platform and solutions		n.a.	417%	353%	69%	-15%	25%	30%
Total		349%	447%	55%	43%	-22%	29%	35%
Gross margin								
Big data platform and solutions	-5.9%	3.2%	33.4%	45.1%	43.3%	43.0%	45.0%	46.0%
Life sciences solutions	2.1%	8.2%	13.4%	21.7%	24.7%	18.5%	22.0%	25.0%
Health mgmt platform and solutions		8.8%	13.9%	40.7%	27.7%	35.0%	38.5%	39.7%
Others		4.0%	2.5%	11.5%	6.7%	0.0%	0.0%	0.0%
Assumptions								
Big data platform and solutions								
No. of active customers	38	57	85	95	108	114	128	144
...net add	-	19	28	10	13	6	14	16
Avg. revenue per active customer (RMB mn)	0.5	0.8	4.4	4.2	4.1	2.5	2.8	3.0
...YoY	0%	73%	443%	-3%	-3%	-40%	15%	5%
Life sciences solutions								
No. of active customers	9	37	74	108	141	148	170	221
...net add	-	28	37	34	33	7	22	51
Avg. revenue per active customer (RMB mn)	0.6	0.9	1.4	1.7	2.5	2.2	2.5	3.0
...YoY	0%	68%	48%	23%	49%	-15%	15%	20%
Pharma., biotech & med. device co. revenue retention	-	171%	152%	141%	130%	90%	110%	130%

Source: Company data, CMBIGM

Valuation

Yidu Tech (2158 HK, BUY, TP HK\$14.07)

We have BUY recommendation on Yidu Tech with SOTP-based TP of HK\$14.07, implied 10.1x FY24E P/S. We derived our target price with SOTP method and applied unchanged 50% premium on respective business segment peers' FY23E P/S to reflect higher growth and margin upside in the long term given its unique positioning compared to other healthcare peers. Yidu services along the healthcare value chain. Leveraging on its big data platform built for hospitals and regulators, Yidu can provide value-added data solutions for life science research and health management purposes targeting biotech and medical insurance companies.

Figure 10: SOTP valuation

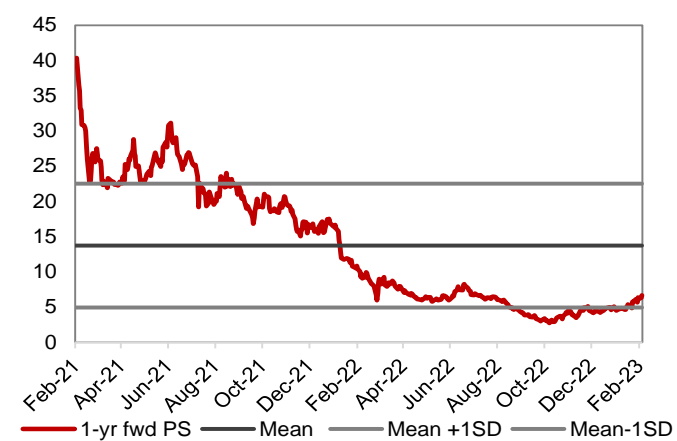
Business segment (RMB mn)	FY23E revenue	Target multiple (x)	Implied mkt cap
Big data platform and solutions	364	12	4,370
Life sciences solutions	424	15	6,363
Health mgmt platform and solutions	451	4	1,806
Total			12,539
exchange rate			0.83
Target price (HK\$)			14.07
Implied FY24E P/S			10.11

Source: Bloomberg, CMBIGM

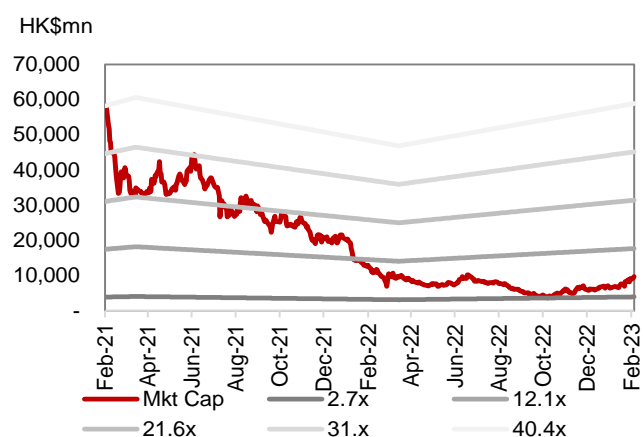
Figure 11: Peers' valuation

2158 HK			Market Cap	Price	P/S	P/E	Sales CAGR	P/S/Growth		
Company	Ticker	Rating	(US\$ bn)	(LC)	FY22E	FY23E	FY22E	FY23E	FY21-24E	FY23E
Big data platform and solution providers										
Yidu Tech*	2158 HK	BUY	1.3	9.67	7.0	8.9	n.a.	n.a.	11%	0.8
Winning Health	300253 CH	NR	3.2	10.53	7.0	5.5	56.8	39.1	22%	0.3
B-soft	300451 CH	NR	2.0	9.01	7.0	5.5	38.2	25.5	16%	0.3
Palantir	PLTR US	NR	17.8	8.47	9.4	8.1	184.1	42.1	20%	0.4
Veeva System	VEEV US	NR	26.4	169.63	14.3	12.3	45.9	40.6	18%	0.7
				Mean	8.9	8.1	81.3	36.8	17%	0.5
Life science solution providers										
Wuxi AppTec	2359 HK	NR	35.9	88.10	6.3	5.5	26.6	24.2	36%	0.2
Tigermid	3347 HK	NR	14.0	92.65	13.1	10.5	33.4	26.3	29%	0.4
Wuxi Bio	2269 HK	BUY	29.8	56.05	13.6	9.9	43.1	32.1	39%	0.3
Medlive	2192 HK	NR	0.9	10.10	20.2	16.1	65.6	52.1	21%	0.8
Asymchem	002821 CH	NR	7.7	148.16	4.9	4.8	17.5	19.8	39%	0.1
				Mean	11.6	9.4	37.2	30.9	33%	0.3
Health management platform providers										
JD Health	6618 HK	NR	23.6	57.10	3.7	2.8	94.3	72.6	35%	0.1
Ali Health	241 HK	NR	10.2	5.86	3.4	2.7	n.a.	192.0	27%	0.1
PA Good Docor	1833 HK	BUY	2.8	19.42	2.8	2.4	n.a.	n.a.	7%	0.3
Teladoc	TDOC US	NR	4.6	28.54	1.9	1.7	n.a.	n.a.	14%	0.1
				Mean	3.0	2.4	94.7	132.9	21%	0.2

Source: Bloomberg, CMBIGM, *Yidu Tech's fiscal year ends on 31 Mar.

Figure 12: 12M forward P/S chart

Source: Company data, CMBIGM

Figure 13: 12M forward P/S band

Source: Company data, CMBIGM

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	867	1,237	963	1,240	1,680
Cost of sales	(540)	(838)	(657)	(809)	(1,083)
Gross Profit	327	399	307	431	596
S&M	(239)	(414)	(274)	(264)	(258)
G&A	(310)	(337)	(223)	(201)	(196)
R&D	(222)	(369)	(287)	(259)	(252)
Operating Profit/(Loss)	(443)	(720)	(477)	(293)	(110)
Interest income	1	5	4	4	3
Interest expense	(3)	(4)	-	-	-
Other non-ops	(3,247)	(47)	12	10	12
Profit Before Tax	(3,693)	(767)	(461)	(279)	(95)
Income tax	(1)	0	0	0	0
Profit After Tax	(3,695)	(766)	(461)	(279)	(95)
Non-Controlling Interest	5	(4)	(2)	(1)	(0)
Net profit	(3,700)	(762)	(459)	(277)	(94)

Cash flow summary

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net Income	(3,693)	(767)	(461)	(279)	(95)
Depreciation & Amortization	36	47	41	43	46
Net Change In WC	(79)	(137)	(70)	(82)	(111)
Others	3,404	243	0	0	0
Net cash fr. operating act.	(332)	(615)	(490)	(317)	(159)
Capital Expenditures	(19)	(69)	(19)	(12)	(17)
Others	(3,855)	3,455	64	76	54
Net cash fr. investing act.	(3,874)	3,386	44	64	37
Equity raised	3,778	0	0	0	0
Change of debts	481	(18)	0	0	0
Dividend paid	0	0	0	0	0
Net cash fr. financing act.	4,259	(35)	0	0	0
Net change in cash	53	2,737	(446)	(253)	(123)
Cash at the beg. of the year	720	740	3,409	2,962	2,709
Exchange difference	(33)	(68)	-	-	-
Cash at the end of the year	740	3,409	2,962	2,709	2,586

Balance sheet

YE 31 Dec (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Non-current assets	100	171	149	118	89
PPE, net	28	59	49	30	13
Intangible assets	39	35	24	12	-0
Others	32	76	76	76	76
Current assets	5,150	4,552	3,880	3,652	3,638
Cash	740	3,409	2,962	2,709	2,586
Accounts receivable	366	513	342	440	597
Others	4,045	630	576	503	455
Current liabilities	415	612	379	399	450
Convert. preferred shares	-	-	-	-	-
Accounts payable	177	330	178	196	236
Accrued expenses	184	206	125	126	138
Others	54	76	76	76	76
Non-current liabilities	83	104	104	104	104
Convert. preferred shares	-	-	-	-	-
Convertible notes	-	-	-	-	-
Others	83	104	104	104	104
Share capital	0.1	0.1	0.1	0.1	0.1
Other reserves	12,205	12,228	12,228	12,228	12,228
Retained earnings	-7,476	-8,238	-8,697	-8,974	-9,068
Others	23	18	15	14	13
Total equity	4,752	4,007	3,546	3,268	3,173

Key ratios

YE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Sales mix (%)					
Big data platform	46%	36%	29%	29%	26%
Life sciences solutions	21%	29%	33%	34%	39%
Health mgmt platform	29%	34%	37%	36%	35%
Others	3%	1%	0%	0%	0%
Growth (YoY)					
Revenue	55%	43%	-22%	29%	35%
Gross profit	123%	22%	-23%	40%	38%
Operating profit	n.a.	n.a.	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	n.a.	n.a.	n.a.
Margins					
Gross margin	38%	32%	32%	35%	36%
Operating margin	-51%	-58%	-50%	-24%	-7%
Net margin	-427%	-62%	-48%	-22%	-6%
Balance sheet ratio					
Net debt / equity ratio (%)	net cash	net cash	net cash	net cash	net cash
Current ratio	1242%	744%	1023%	915%	808%
Returns (%)					
ROE	n.a.	n.a.	n.a.	n.a.	n.a.
ROIC	n.a.	n.a.	n.a.	n.a.	n.a.
Per share					
EPS (RMB)	-7.24	-0.80	-0.46	-0.28	-0.09
Diluted EPS (RMB)	-7.24	-0.80	-0.43	-0.26	-0.09
BVPS (RMB)	9.3	4.2	3.5	3.2	3.2

Source: Company data, CMBIGM estimates

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