

Angelalign (6699 HK)

1H26 earnings beat driven by first-time overseas profitability

Angelalign's 1H26 results beat, highlighted by the first semi-annual profit from its overseas business. Revenue increased 43% YoY to US\$231mn, reaching 51% of our prior full-year forecast, above the historical average of 43%. Case volumes grew 37% in mainland China and 43% overseas, leading management to raise 2026E case volume guidance to 350,000 cases for each market. Notably, Angelalign's overseas business achieved profitability in 1H26, ahead of our expectations and driving total net profit up 80% YoY to US\$25.5mn. Given strong case growth momentum and improving profitability, we raise our 2026E revenue and earnings forecasts by 7.5% and 1.0%, respectively.

- **First-time overseas profitability signals growing returns from global expansion.** Overseas revenue rose 65% YoY to US\$118mn in 1H26, accounting for 51% of total revenue, while case volume reached 168,001 (+43% YoY). Importantly, demand remained solid despite a price increase in 1H26, reflecting improving doctor recognition of Angelalign's clinical outcomes and service capabilities, in our view. The overseas business turned profitable in 1H26, with operating profit of US\$0.6mn. Excluding share-based payments and litigation expenses, adjusted overseas operating profit reached US\$9mn. This was driven by operating leverage, and improving customer acquisition efficiency, supported by stronger doctor repurchase. We believe the strong growth also indicated limited disruption from patent litigation, which should help ease investor concerns. We expect overseas growth to remain robust and overseas business to stay profitable on an adjusted basis in 2026E.
- **Rapid domestic growth driven by continued market penetration.** Domestic revenue increased 25% YoY to US\$113mn, supported by 37% case-volume growth to 148,608. Growth continues to be driven by penetration into lower-tier cities and early orthodontics. In our view, the solid domestic performance despite a weak consumption environment suggested resilient demand in pediatric/adolescent orthodontics and the continued penetration of adult clear aligners.
- **Operating leverage is driving margin improvement.** Despite ASP pressure from competition and a higher proportion of lower-tier-city and pediatric cases, domestic gross margin expanded 2.6ppts YoY to 65.8% in 1H26, driven by lower production costs and improved treatment-design efficiency. Meanwhile, the SG&A ratio fell 3.1ppts YoY. As a result, domestic operating margin improved 5.0ppts YoY to 24.2%, while the overseas business turned profitable for the first time.
- **Maintain BUY.** We raise our 2026E revenue and earnings forecasts by 7.5% and 1.0%, respectively. Based on SOTP, we apply 23x 2026E P/E to the domestic business and 5x 2026E P/S to the faster-growing overseas business, in line with relevant peers. We raise our target price to HK\$114.21. **Risks:** overseas expansion under expectations; domestic VBP.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	269	370	483	580	686
YoY growth (%)	28.2	37.8	30.5	20.1	18.3
Adjusted net profit (US\$ mn)	27	44	65	82	98
YoY growth (%)	2.9	63.0	48.2	26.0	20.1
EPS (Adjusted) (US\$)	0.16	0.26	0.38	0.48	0.57
P/E (Adjusted) (x)	76.8	47.3	32.5	25.8	21.4
Net gearing (%)	(68.5)	(85.8)	(76.2)	(74.5)	(73.7)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$114.21
 (Previous TP) HK\$84.05)
Up/Downside 18.8%
Current Price HK\$96.10

China Healthcare

Cathy WANG
 (852) 3916 1729
 cathywang@cmbi.com.hk

Jill WU, CFA
 (852) 3900 0842
 jillwu@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	16,498.1
Avg 3 mths t/o (HK\$ mn)	51.1
52w High/Low (HK\$)	96.60/55.31
Total Issued Shares (mn)	171.7

Source: FactSet

Shareholding Structure

CareCapital Orthotech Limited	51.0%
Shore Lead Limited	12.4%

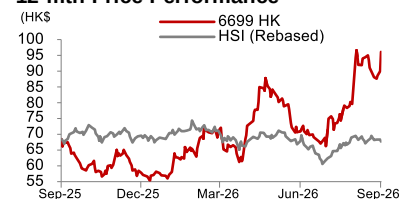
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	20.3%	22.9%
3-mth	35.5%	35.9%
6-mth	35.3%	42.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Fig 1: Peer comparison

Company	Ticker	Rating	Market Cap (US\$m)	Price (LC)	P/E (x)		P/S (x)	
					2026E	2027E	2026E	2027E
Overseas								
Alcon	ALC US	NR	36,008	72.1	20.4	17.9	3.3	3.1
Align Technology	ALGN US	NR	11,351	159.8	14.2	12.7	2.7	2.6
Straumann	STMN SW	NR	18,501	93.9	29.3	24.7	5.4	4.9
Stryker	SYK US	NR	124,201	323.8	21.5	19.3	4.6	4.2
Boston Scientific	BSX US	NR	69,998	48.3	14.6	14.1	3.3	3.1
Dexcom	DXCM US	NR	34,362	91.1	34.3	29.3	6.6	5.9
STAAR Surgical	STAA US	NR	1,133	22.6	31.5	23.1	3.4	3.1
Average					23.7	20.2	4.2	3.9
H & A share								
Zylo-Tonbridge	2190 HK	NR	915	21.7	18.3	13.7	4.1	3.2
MicroPort NeuroScientific	2172 HK	NR	584	8.1	16.4	14.4	4.5	3.9
Ovctek	300595 CH	NR	1,483	11.1	14.4	20.8	4.6	4.8
Eyebright Medical	688050 CH	NR	1,156	40.2	21.3	17.2	4.2	3.7
Apt Medical	688617 CH	NR	5,173	245.6	33.9	27.1	10.7	8.6
Average					20.9	18.6	5.6	4.8
Overall average					22.5	19.5	4.8	4.3

Source: Bloomberg, CMBIGM

Note: Data as of 1 Sep 2026

Fig 2: Angelalign: SOTP valuation

	2026E net profit (US\$m)	2026E revenue (US\$m)	2026E PE (x)	2026E PS (x)	Valuation to Angelalign (US\$m)	As % of total valuation	Per share valuation (HK\$)
Domestic business	45		23		1,033	41.1	46.9
Overseas business		228		5	1,142	45.4	51.9
Net cash					339	13.5	15.4
Valuation of Angelalign (US\$m)					2,514		
USDHKD					7.8		
Valuation of Angelalign (HK\$m)					19,607		
# of shares (mn)					172		
Price per share (HK\$ per share)					114.21		

Source: Company data, CMBIGM estimates

Fig 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	483	580	686	450	539	637	7.5%	7.6%	7.7%
Gross profit	304	364	434	275	334	398	10.8%	9.2%	9.2%
Operating profit	43	58	75	33	40	58	32.1%	46.5%	28.5%
Net profit	30	49	64	30	35	50	1.0%	38.9%	26.2%
EPS (RMB)	0.17	0.29	0.37	0.17	0.21	0.30	0.5%	38.2%	25.6%
Gross margin	62.93%	62.77%	63.26%	61.08%	61.87%	62.37%	+1.85ppt	+0.9ppt	+0.89ppt
Operating margin	8.94%	10.08%	10.92%	7.27%	7.40%	9.15%	+1.67ppt	+2.68ppt	+1.77ppt
Net margin	6.18%	8.46%	9.28%	6.58%	6.55%	7.92%	-0.4ppt	+1.91ppt	+1.36ppt

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	210	269	370	483	580	686
Cost of goods sold	(79)	(101)	(137)	(179)	(216)	(252)
Gross profit	131	168	233	304	364	434
Selling expense	(70)	(105)	(121)	(155)	(186)	(218)
Admin expense	(40)	(46)	(52)	(68)	(81)	(95)
R&D expense	(25)	(21)	(28)	(34)	(41)	(49)
Others	(1)	(0)	(8)	(8)	(8)	(8)
Operating profit	(4)	6	31	43	58	75
Other income	5	12	13	10	11	11
Other expense	0	(0)	(0)	(0)	(0)	(0)
Other gains/(losses)	(4)	(2)	(5)	(5)	(1)	(1)
Net Interest income/(expense)	12	5	2	(3)	0	1
Others	0	(0)	(1)	(1)	(1)	(1)
Pre-tax profit	9	12	32	40	58	75
Income tax	(2)	(2)	(5)	(10)	(9)	(11)
After tax profit	7	10	26	30	49	64
Minority interest	(1)	(2)	(2)	0	0	0
Net profit	8	12	28	30	49	64
Adjusted net profit	26	27	44	65	82	98

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	525	492	501	519	521	584
Cash & equivalents	380	227	127	108	79	108
Restricted cash	0	0	1	1	1	1
Account receivables	26	36	55	70	84	100
Inventories	13	18	17	27	33	38
ST bank deposits	0	112	259	259	259	259
Financial assets at FVTPL	106	98	43	55	67	78
Other current assets	0	0	0	0	0	0
Non-current assets	147	186	264	287	308	326
PP&E	61	75	95	122	147	169
Right-of-use assets	14	18	17	15	13	11
Deferred income tax	5	7	8	8	8	8
Investment in JVs & assos	3	5	13	12	11	11
Intangibles	23	18	19	18	16	15
Financial assets at FVTPL	36	39	43	43	43	43
Other non-current assets	6	24	70	70	70	70
Total assets	672	678	764	806	829	910
Current liabilities	124	128	168	264	250	285
Amounts due to related parties	0	0	0	0	0	0
Short-term borrowings	2	3	2	73	23	23
Account payables	53	63	83	107	129	150
Other current liabilities	3	1	2	2	2	2
Lease liabilities	2	4	5	5	5	5
Contract liabilities	64	57	76	77	91	105
Non-current liabilities	66	70	92	92	92	92
Long-term borrowings	1	0	1	1	1	1
Deferred income	5	4	4	4	4	4
Other non-current liabilities	61	65	88	88	88	88
Total liabilities	190	198	260	356	342	377
Share capital	0	0	0	0	0	0
Retained earnings and others	507	492	499	427	447	473
Other reserves	(36)	(18)	1	17	35	55
Total shareholders equity	471	474	499	445	483	528
Minority interest	10	6	5	5	5	5
Total equity and liabilities	672	678	764	806	829	910

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	9	12	32	40	58	75
Depreciation & amortization	12	16	18	17	19	21
Tax paid	(7)	(7)	(4)	(10)	(9)	(11)
Change in working capital	7	1	19	(0)	16	15
Others	1	(4)	13	19	16	17
Net cash from operations	22	17	79	65	100	117
Investing						
Capital expenditure	(13)	(27)	(27)	(40)	(40)	(40)
Acquisition of subsidiaries/ investments	0	(3)	(8)	0	0	0
Others	(125)	(109)	(121)	(9)	(8)	(7)
Net cash from investing	(139)	(139)	(156)	(49)	(48)	(47)
Financing						
Dividend paid	(15)	(24)	(18)	(101)	(29)	(38)
Net borrowings	(3)	1	(1)	71	(50)	0
Proceeds from share issues	0	0	0	0	0	0
Others	(8)	(6)	(7)	(5)	(2)	(2)
Net cash from financing	(26)	(28)	(26)	(35)	(81)	(40)
Net change in cash						
Cash at the beginning of the year	524	380	227	127	108	79
Exchange difference	(1)	(2)	4	0	0	0
Cash at the end of the year	380	227	127	108	79	108
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(83.5%)	28.2%	37.8%	30.5%	20.1%	18.3%
Gross profit	(83.4%)	28.7%	38.4%	30.6%	19.8%	19.2%
Operating profit	na	na	386.6%	41.3%	35.4%	28.1%
EBITDA	(97.0%)	164.6%	120.3%	22.4%	30.1%	24.4%
Net profit	(96.5%)	60.9%	134.7%	5.0%	64.3%	29.8%
Adj. net profit	(87.7%)	2.9%	63.0%	48.2%	26.0%	20.1%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	62.4%	62.6%	62.9%	62.9%	62.8%	63.3%
Operating margin	(1.9%)	2.3%	8.3%	8.9%	10.1%	10.9%
EBITDA margin	3.9%	8.1%	13.0%	12.2%	13.2%	13.9%
Adj. net profit margin	12.5%	10.0%	11.8%	13.4%	14.1%	14.3%
Return on equity (ROE)	0.4%	2.6%	5.8%	6.3%	10.6%	12.6%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(0.7)	(0.9)	(0.8)	(0.7)	(0.7)
Current ratio (x)	4.2	3.8	3.0	2.0	2.1	2.0
Receivable turnover days	43.1	52.5	32.2	53.0	53.0	53.0
Inventory turnover days	68.5	57.7	45.1	55.0	55.0	55.0
Payable turnover days	243.5	211.3	219.6	218.6	217.6	216.6
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	273.7	170.2	72.9	70.5	42.9	33.0
P/E (diluted)	274.7	171.1	73.3	70.5	42.9	33.0
P/B	4.3	4.3	4.1	4.7	4.3	3.9
Div yield (%)	1.2	0.4	5.7	4.8	1.4	1.8

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.