

Tigermed (300347 CH)

Targeting the broad global market

Tigermed reported 2022 revenue/ attributable net income/ attributable recurring net income of RMB7,085mn/ RMB2,007mn/ RMB1,540mn, +35.9% YoY/ -30.2% YoY/ +25.0% YoY. Revenue was largely in line with our forecast while attributable recurring net income missed our forecast by 8.9%. The decline of attributable net income in 2022 was mainly due to the decreased fair value gains from RMB1,815mn in 2021 to RMB536mn in 2022. Gross profit margin (GPM) deteriorated by 3.9ppt to 39.6% in 2022, due to the revenue recognition from low-margin COVID-19 related revenue (including pass-through revenue to overseas sub-contractors) as well as the COVID pandemic in China. New orders amounted to RMB9.7bn in 2022, flattish vs 2021; while non-COVID-19 related new orders increased by c.25% YoY in 2022, demonstrating a robust growth of the core business. Total backlog reached RMB13.8bn (+22.9% YoY) by the end of 2022, a solid guarantee for sustainable growth.

- Accelerating globalization.** Tigermed has utilized COVID-19 pandemic as an opportunity to access and expand overseas markets. The Company enabled 4 COVID-19 vaccine EUAs in China and overseas in 2022. In addition, Tigermed acquired a Croatia-based clinical CRO, Marti Farm, in Jan 2023, further enhancing its service capability in Europe. The management indicated that the Company will integrate BD team in Europe to enhance BD efficiency in 2023. In the US, Tigermed had collaborations with over 100 clinical sites. With its growing global network and good track record, Tigermed has won more chances to participate in MRCT projects. As of Dec 2022, the Company had 62 MRCT projects in the pipeline, compared with only 20 as of Dec 2020. Tigermed also takes a proactive approach to explore business opportunities in Southeast Asia and Latin America. Such regions are potential end markets for Chinese drug developers, which will create additional demand for Tigermed in overseas market. To fuel its global expansion, Tigermed added 400 employees in overseas regions, representing 44% of the total new hiring in 2022.
- Adopting new technologies to enhance work efficiency.** Tigermed established Tigermed Digital Promotion Center and Decentralized Clinical Trial (DCT) Solution Team. DCT platform uses new technologies to perform critical clinical trial related procedures, such as participant enrolment/ engagement, site management, data aggregation, quality/ cost balance and study services. DCT platform, already used in certain projects, will reduce patient burden and improve clinical service efficiency. We think the launch of DCT platform will help Tigermed to keep up with leading foreign peers regarding service digitalization and work efficiency.
- Maintain BUY.** We revised our TP from RMB147.43 to RMB134.24, based on a 10-year DCF model (WACC: 10.6%, terminal growth rate: 3.0%), to factor in slower revenue growth projection. We forecast Tigermed's revenue to grow 20%/ 26%/ 25% YoY and attributable recurring net income to grow 29%/ 27%/ 26% YoY in FY23E/ 24E/ 25E, respectively.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,214	7,085	8,499	10,705	13,385
YoY growth (%)	63.3	35.9	19.9	26.0	25.0
Adjusted net profit (RMB mn)	1,232	1,540	1,982	2,512	3,172
EPS (Adjusted) (RMB)	1.42	1.78	2.27	2.88	3.64
Consensus EPS (RMB)	na	na	3.57	4.48	4.51
Adjusted P/E (x)	71.6	57.1	44.7	35.3	27.9
Net gearing (%)	(44.4)	(29.4)	(25.0)	(22.7)	(22.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB134.24
(Previous TP)	RMB147.43)
Up/Downside	32.5%
Current Price	RMB101.50

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Stock Data

Mkt Cap (RMB mn)	88,550.4
Avg 3 mths t/o (RMB mn)	112.7
52w High/Low (RMB)	127.45/78.40
Total Issued Shares (mn)	872.4

Source: FactSet

Shareholding Structure

HK investors	23.9%
Xiaoping Ye	20.3%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-12.1%	-11.6%
3-mth	-3.1%	-8.3%
6-mth	11.3%	3.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	8,499	10,705	13,385	9,228	11,719	na	-7.90%	-8.65%	na
Gross Profit	3,732	4,731	5,956	4,177	5,396	na	-10.65%	-12.32%	na
Operating Profit	2,525	3,212	4,056	2,894	3,790	na	-12.73%	-15.26%	na
Recurring net profit	1,982	2,512	3,172	2,369	3,101	na	-16.34%	-18.98%	na
Recurring EPS (RMB)	2.27	2.88	3.64	2.72	3.55	na	-16.34%	-18.98%	na
Gross Margin	43.91%	44.20%	44.50%	46.48%	46.05%	na	-2.57ppt	-1.85ppt	na
Operating Margin	29.71%	30.00%	30.30%	29.00%	32.34%	na	+0.72ppt	-2.34ppt	na
Net Margin	23.32%	23.47%	23.70%	26.47%	26.46%	na	-3.15ppt	-2.99ppt	na

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	8,499	10,705	13,385	9,068	11,427	14,141	-6.28%	-6.32%	-5.34%
Gross Profit	3,732	4,731	5,956	4,118	5,253	6,362	-9.38%	-9.93%	-6.39%
Operating Profit	2,525	3,212	4,056	3,330	4,171	4,092	-24.16%	-23.00%	-0.88%
Recurring net profit	1,982	2,512	3,172	3,220	3,982	4,032	-38.46%	-36.91%	-21.33%
Recurring EPS (RMB)	2.27	2.88	3.64	3.57	4.48	4.51	-36.35%	-35.71%	-19.38%
Gross Margin	43.91%	44.20%	44.50%	45.41%	45.97%	44.99%	-1.51ppt	-1.77ppt	-0.50ppt
Operating Margin	29.71%	30.00%	30.30%	36.72%	36.50%	28.94%	-7.01ppt	-6.50ppt	+1.37ppt
Net Margin	23.32%	23.47%	23.70%	35.51%	34.85%	28.51%	-12.19ppt	-11.38ppt	-4.82ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	3,124	3,910	4,854	6,311	8,141	10,420	13,234	16,674	20,843	25,845
Tax rate	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%
EBIT*(1-tax rate)	2,745	3,436	4,265	5,545	7,153	9,156	11,628	14,651	18,314	22,710
+ D&A	266	302	334	400	477	562	658	763	878	1,001
- Change in working capital	(103)	(261)	(317)	(380)	(453)	(534)	(625)	(725)	(834)	(950)
- Capex	(2,150)	(2,050)	(1,950)	(2,340)	(2,785)	(3,287)	(3,845)	(4,460)	(5,130)	(5,848)
FCFF	757	1,426	2,332	3,225	4,392	5,898	7,816	10,229	13,229	16,912
Terminal value										229,093
Terminal growth rate	3.00%									
WACC	10.60%									
Cost of Equity	14.03%									
Cost of Debt	5.00%									
Equity Beta	1.05									
Risk Free Rate	3.00%									
Market Risk Premium	10.50%									
Target Debt to Asset ratio	35.00%									
Effective Corporate Tax Rate	15.00%									
Terminal value (RMB mn)	83,620									
Total PV (RMB mn)	115,165									
Net debt (RMB mn)	(5,368)									
Equity value (RMB mn)	3,421									
Minority (RMB mn)	117,112									
# of shares (mn)	872									
Price per share (RMB per share)	134.24									

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	3,192	5,214	7,085	8,499	10,705	13,385
Cost of goods sold	(1,678)	(2,943)	(4,277)	(4,767)	(5,974)	(7,429)
Gross profit	1,514	2,271	2,808	3,732	4,731	5,956
Operating expenses	(655)	(911)	(1,038)	(1,206)	(1,520)	(1,900)
Selling expense	(97)	(129)	(150)	(176)	(221)	(276)
Admin expense	(391)	(547)	(630)	(730)	(920)	(1,150)
R&D expense	(157)	(212)	(235)	(273)	(344)	(430)
Others	(11)	(23)	(23)	(28)	(35)	(43)
Operating profit	859	1,359	1,771	2,525	3,212	4,056
Gain/loss on financial assets at FVTPL	1,138	1,815	536	498	598	698
Investment gain/loss	284	312	103	100	100	100
Net interest income/(expense)	(88)	216	158	28	35	51
Other income/expense	26	(19)	18	0	0	0
Pre-tax profit	2,219	3,685	2,585	3,152	3,945	4,905
Income tax	(190)	(293)	(314)	(382)	(479)	(595)
After tax profit	2,029	3,392	2,272	2,769	3,466	4,310
Minority interest	(279)	(518)	(265)	(323)	(405)	(503)
Net profit	1,750	2,874	2,007	2,446	3,062	3,807
Adjusted net profit	708	1,232	1,540	1,982	2,512	3,172
Gross dividends	262	433	476	580	726	903
BALANCE SHEET						
	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	11,646	10,852	11,107	10,271	10,093	10,621
Cash & equivalents	10,124	8,544	7,858	6,961	6,494	6,670
Account receivables	496	816	1,034	1,109	1,397	1,747
Inventories	5	6	22	7	8	10
Prepayment	28	59	59	59	59	59
Other current assets	994	1,426	2,134	2,134	2,134	2,134
Non-current assets	7,860	12,889	16,339	18,822	21,269	23,684
PP&E	300	438	566	939	1,277	1,582
Deferred income tax	80	101	121	121	121	121
Investment in JVs & assos	60	739	1,800	1,800	1,800	1,800
Intangibles	142	251	338	274	209	144
Goodwill	1,445	1,779	2,485	2,785	3,085	3,385
Financial assets at FVTPL	5,292	8,746	9,964	11,964	13,964	15,964
Other non-current assets	541	836	1,066	939	813	687
Total assets	19,506	23,741	27,447	29,092	31,362	34,304
Current liabilities	1,139	2,413	3,730	3,186	2,715	2,250
Short-term borrowings	0	492	1,849	1,349	849	349
Account payables	181	156	50	50	50	50
Tax payable	126	281	198	198	198	198
Other current liabilities	832	1,484	1,633	1,590	1,619	1,654
Non-current liabilities	508	723	1,036	1,036	1,036	1,036
Long-term borrowings	0	0	245	245	245	245
Obligations under finance leases	279	407	489	489	489	489
Other non-current liabilities	229	316	302	302	302	302
Total liabilities	1,648	3,136	4,765	4,222	3,751	3,286
Share capital	872	872	872	872	872	872
Capital surplus	11,998	11,887	11,852	13,718	16,054	18,959
Retained earnings	3,253	5,771	7,270	7,270	7,270	7,270
Other reserves	(6)	(406)	(412)	(412)	(412)	(412)
Total shareholders equity	16,119	18,124	19,583	21,449	23,785	26,689
Minority interest	1,740	2,482	3,098	3,421	3,826	4,329
Total equity and liabilities	19,506	23,741	27,447	29,092	31,362	34,304

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,219	3,685	2,585	3,152	3,945	4,905
Depreciation & amortization	150	197	285	266	302	334
Tax paid	(190)	(293)	(314)	(382)	(479)	0
Change in working capital	(41)	(235)	(692)	(103)	(261)	(317)
Others	(1,140)	(1,930)	(507)	(626)	(733)	(1,444)
Net cash from operations	999	1,424	1,357	2,306	2,774	3,478
Investing						
Capital expenditure	(156)	(369)	(449)	(449)	(449)	(449)
Acquisition of subsidiaries/ investments	(194)	(90)	(663)	(300)	(300)	(300)
Net proceeds from disposal of short-term investments	(1,867)	(2,140)	(1,779)	(1,402)	(1,302)	(1,202)
Others	(150)	(185)	102	0	0	0
Net cash from investing	(2,367)	(2,783)	(2,789)	(2,150)	(2,050)	(1,950)
Financing						
Dividend paid	(271)	(284)	(492)	(552)	(691)	(852)
Net borrowings	(903)	492	1,607	(500)	(500)	(500)
Proceeds from share issues	11,212	272	315	0	0	0
Others	(698)	(643)	(621)	0	0	0
Net cash from financing	9,339	(163)	809	(1,052)	(1,191)	(1,352)
Net change in cash						
Cash at the beginning of the year	2,037	9,960	8,378	7,858	6,961	6,494
Exchange difference	(47)	(60)	27	0	0	0
Cash at the end of the year	9,960	8,378	7,783	6,961	6,494	6,670
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	13.9%	63.3%	35.9%	19.9%	26.0%	25.0%
Gross profit	16.2%	50.0%	23.7%	32.9%	26.8%	25.9%
Operating profit	16.6%	58.2%	30.3%	42.6%	27.2%	26.3%
Net profit	107.9%	64.3%	(30.2%)	21.9%	25.2%	24.3%
Adj. net profit	26.9%	73.9%	25.0%	28.7%	26.8%	26.3%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	47.4%	43.6%	39.6%	43.9%	44.2%	44.5%
Operating margin	26.9%	26.1%	25.0%	29.7%	30.0%	30.3%
Adj. net profit margin	22.2%	23.6%	21.7%	23.3%	23.5%	23.7%
Return on equity (ROE)	17.2%	16.8%	10.6%	11.9%	13.5%	15.1%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)
Current ratio (x)	10.2	4.5	3.0	3.2	3.7	4.7
Receivable turnover days	90.1	45.9	47.6	47.6	47.6	47.6
Inventory turnover days	0.6	0.7	1.2	0.5	0.5	0.5
Payable turnover days	39.8	20.9	8.8	8.8	8.8	8.8
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E (adjusted)	114.2	71.6	57.1	44.7	35.3	27.9
P/B	5.0	4.8	4.5	4.1	3.7	3.3
Div yield (%)	0.3	0.3	0.6	0.7	0.8	1.0

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

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