

# Jinxin Fertility (1951 HK)

## Eyes on the progress of medical insurance coverage

Jinxin Fertility (Jinxin) reported 1H24 revenue of RMB1,444mn, up 8.2% YoY, and non-IFRS adjusted net profit of RMB260mn, up 1.8% YoY. Revenue/ non-IFRS adjusted net income represented 45.4%/ 47.7% of our previous full-year forecasts, both of which are in line with its pre-pandemic levels. The number of IVF treatment cycles performed by Jinxin increased by 2.2% YoY to 15,051 in 1H24, which was negatively impacted by the delayed demand for assisted reproductive services (ARS) due to the pending launch of National Medical Insurance (NMI) coverage.

■ **ARS rapidly covered by NMI.** Provinces/ cities in China have acted rapidly to follow Beijing's inclusion of ARS in NMI coverage since Jul 2023, significantly accelerating the pace in 2024. By the end of Sep 2024, 19 provinces/ cities have officially included ARS (the number of services covered varies in each region) in their NMI scheme, with 17 of these did so in 2024. For basic 1-gen/ 2-gen IVF (In vitro fertilization) treatments, costing approximately RMB40k per cycle, NMI typically covers 10-30% of the cost. Some provinces/ cities have included the more costly 3-gen IVF services into their NMI scheme to meet the diverse patient needs. Considering patients' high sensitivity to ARS costs, we believe that the inclusion in NMI can effectively stimulate demand for ARS. All four provinces where Jinxin operates have released drafts related to ARS pricing or NMI coverage for ARS. We expect the official policies to be launched soon, which could immediately promote patients' demand for Jinxin's ARS services.

■ **Despite delayed demand, Jinxin reports modest increase in IVF cycles.** Patients in the four provinces where Jinxin operates are postponing ARS treatment in anticipation of NMI coverage, which negatively impacted Jinxin's operations in 2Q24. Nevertheless, the number of IVF treatment cycles at Jinxin's network increased by 2.2% YoY in 1H24, primarily driven by the 25.3% YoY growth from its overseas institutions, particularly 64.9% YoY growth in egg freezing services. While mature domestic institutions saw a slight 1.7% YoY decrease in IVF cycles, both revenue and profit recorded favorable growth, buoyed by the Company's integrated service offerings and increasing penetration of VIP services. In 1H24, the number of VIP cycles increased by 17% YoY, significantly exceeding the overall cycle growth. In the US market, we anticipate Jinxin to deliver solid performance due to the resumption of international patient visits and growing local demand. With a strategic investment in an IVF institution in Indonesia in 1H24, Jinxin has further enhanced its global operation network.

■ **Maintain BUY.** We cut our DCF-based TP from HK\$4.43 to HK\$3.33 (WACC: 10.8%, terminal growth: 2.0%) to reflect the delayed demand for Jinxin's IVF services. We forecast Jinxin's revenue to grow 9.2%/ 14.0%/ 14.8% YoY and non-IFRS adjusted net profit to grow 1.1%/ 9.4%/ 13.1% YoY in 2024E/ 25E/ 26E, respectively.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,364	2,789	3,045	3,471	3,985
YoY growth (%)	28.6	18.0	9.2	14.0	14.8
Adjusted net profit (RMB m)	274	471	477	521	590
YoY growth (%)	(39.8)	72.0	1.1	9.4	13.1
EPS (Adjusted) (RMB)	0.10	0.17	0.17	0.19	0.21
Consensus EPS (RMB)	na	na	0.17	0.19	0.23
P/E (Adjusted) (x)	20.9	12.7	12.6	11.5	10.2

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

Target Price **HK\$3.33**  
 (Previous TP **HK\$4.43**)  
 Up/Downside **40.4%**  
 Current Price **HK\$2.37**

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### Stock Data

Mkt Cap (HK\$ mn)	6,535.8
Avg 3 mths t/o (HK\$ mn)	32.4
52w High/Low (HK\$)	4.26/2.09
Total Issued Shares (mn)	2757.7

Source: FactSet

### Shareholding Structure

Jinxin Fertility BV	11.7%
HRC Investment	10.6%

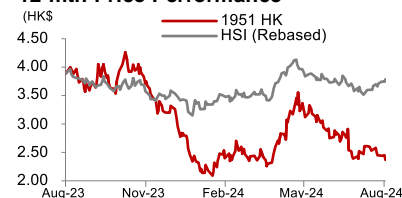
Source: HKEx

### Share Performance

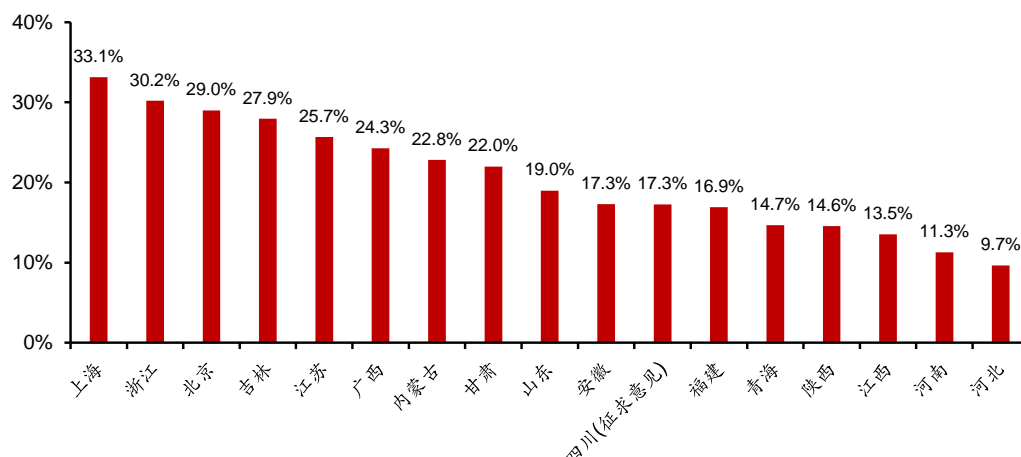
	Absolute	Relative
1-mth	-0.8%	-6.3%
3-mth	-24.0%	-23.0%
6-mth	-2.5%	-10.5%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

**Figure 1: Cost coverage estimation for each regions with ARS added in NMI**

Source: Local Healthcare Security Administration, CMBIGM

Note: Only take the basic services in 1-gen/ 2-gen IVF into calculation by assuming a cost of RMB~40k per IVF cycle.

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,045	3,471	3,985	3,178	3,627	4,188	-4.18%	-4.30%	-4.84%
Gross Profit	1,203	1,399	1,614	1,351	1,534	1,780	-10.96%	-8.81%	-9.32%
Operating Profit	480	561	664	574	631	749	-16.44%	-11.05%	-11.30%
Adjusted net profit	477	521	590	544	614	736	-12.38%	-15.09%	-19.88%
Adjusted EPS (RMB)	0.17	0.19	0.21	0.20	0.22	0.27	-13.58%	-14.07%	-20.80%
Gross Margin	39.50%	40.30%	40.50%	42.50%	42.30%	42.50%	-3.00ppt	-2.00ppt	-2.00ppt
Operating Margin	15.75%	16.17%	16.67%	18.07%	17.39%	17.89%	-2.32ppt	-1.22ppt	-1.22ppt
Net Margin	15.65%	15.02%	14.80%	17.10%	16.92%	17.57%	-1.45ppt	-1.90ppt	-2.77ppt

Source: CMBIGM estimates

**Figure 3: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,045	3,471	3,985	3,187	3,653	4,206	-4.45%	-4.98%	-5.25%
Gross Profit	1,203	1,399	1,614	1,358	1,563	1,822	-11.42%	-10.50%	-11.42%
Operating Profit	480	561	664	564	668	789	-14.94%	-16.03%	-15.82%
Adjusted net profit	477	521	590	470	549	648	1.50%	-5.12%	-8.96%
Adjusted EPS (RMB)	0.17	0.19	0.21	0.17	0.19	0.23	4.12%	-2.55%	-8.62%
Gross Margin	39.50%	40.30%	40.50%	42.61%	42.79%	43.32%	-3.11ppt	-2.49ppt	-2.82ppt
Operating Margin	15.75%	16.17%	16.67%	17.69%	18.30%	18.76%	-1.94ppt	-2.13ppt	-2.09ppt
Net Margin	15.65%	15.02%	14.80%	14.73%	15.04%	15.40%	+0.92ppt	-0.02ppt	-0.60ppt

Source: Bloomberg, CMBIGM estimates

**Figure 4: Valuation on risk-adjusted DCF valuation**

DCF Valuation (in RMB mn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	513	595	698	761	826	892	958	1,026	1,092	1,158
Tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
EBIT*(1-tax rate)	385	446	524	571	619	669	719	769	819	868
+ D&A	285	285	285	308	331	354	377	399	421	442
- Change in working capital	143	86	115	124	133	143	152	161	170	179
- Capex	-500	-300	-200	-200	-200	-200	-200	-200	-200	-200
<b>FCFF</b>	<b>313</b>	<b>517</b>	<b>723</b>	<b>802</b>	<b>883</b>	<b>965</b>	<b>1,048</b>	<b>1,130</b>	<b>1,211</b>	<b>1,289</b>
<b>Terminal value</b>										<b>14,994</b>

<b>Terminal growth rate</b>	<b>2.0%</b>
<b>WACC</b>	<b>10.8%</b>
Cost of Equity	14.6%
Cost of Debt	5.0%
Equity Beta	1.1
Risk Free Rate	3.0%
Market Risk Premium	10.5%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	25.0%

PV of terminal value (RMB mn)	5,392
Total PV (RMB mn)	10,169
Net debt (RMB mn)	1,630
Minority interest (RMB mn)	98
Equity value (RMB mn)	8,441
# of shares (mn)	2,758
<b>Price per share (HK\$ per share)</b>	<b>3.33</b>

Source: CMBIGM estimates. HK\$/RMB=0.92

**Figure 5: Sensitivity analysis of DCF model**

		WACC				
		9.8%	10.3%	10.8%	11.3%	11.8%
Terminal growth rate	3.0%	4.35	3.96	3.62	3.33	3.07
	2.5%	4.12	3.77	3.47	3.20	2.96
	2.0%	3.93	3.61	3.33	3.08	2.85
	1.5%	3.76	3.46	3.20	2.97	2.76
	1.0%	3.61	3.33	3.09	2.87	2.67

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	1,839	2,364	2,789	3,045	3,471	3,985
Cost of goods sold	(1,067)	(1,490)	(1,613)	(1,842)	(2,072)	(2,371)
Gross profit	771	874	1,175	1,203	1,399	1,614
Operating expenses	(400)	(628)	(695)	(723)	(838)	(950)
Selling expense	(62)	(151)	(192)	(198)	(229)	(259)
Admin expense	(328)	(459)	(481)	(502)	(583)	(662)
SG&A expense	(11)	(17)	(22)	(23)	(25)	(29)
Operating profit	371	247	480	480	561	664
Share of (losses)/profits of associates/JV	(10)	(4)	5	5	5	5
Net Interest income/(expense)	(21)	(72)	(80)	(74)	(64)	(54)
Other income/expense	118	(16)	58	49	51	53
Pre-tax profit	458	154	464	460	553	668
Income tax	(104)	(36)	(117)	(115)	(138)	(167)
After tax profit	354	118	347	345	415	501
Minority interest	(14)	3	(2)	(2)	(3)	(3)
Net profit	340	121	345	342	412	498
Adjusted net profit	455	274	471	477	521	590
Gross dividends	150	0	146	120	144	174

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	2,543	1,904	1,342	1,485	1,741	2,175
Cash & equivalents	862	1,317	624	732	952	1,341
Account receivables	143	189	169	195	223	256
Inventories	47	63	62	71	80	92
Financial assets at FVTPL	219	71	142	142	142	142
Other current assets	1,273	265	345	1,343	1,599	2,033
Non-current assets	10,282	13,328	13,554	13,768	13,781	13,695
PP&E	1,092	2,530	2,595	2,940	3,085	3,130
Intangibles	5,207	6,205	6,211	6,165	6,118	6,072
Goodwill	2,720	3,485	3,496	3,496	3,496	3,496
Financial assets at FVTPL	178	0	80	80	80	80
Other non-current assets	1,086	1,109	1,171	1,087	1,002	917
Total assets	12,825	15,232	14,896	15,253	15,522	15,870
Current liabilities	1,072	2,764	1,690	1,868	1,991	2,150
Short-term borrowings	38	19	748	748	748	748
Account payables	446	917	805	983	1,106	1,265
Tax payable	107	82	52	52	52	52
Other current liabilities	481	1,747	84	84	84	84
Non-current liabilities	3,001	3,733	3,020	2,920	2,720	2,520
Long-term borrowings	126	2,071	1,380	1,280	1,080	880
Bond payables	1,493	0	0	0	0	0
Convertible bonds	371	376	350	350	350	350
Other non-current liabilities	1,011	1,286	1,290	1,290	1,290	1,290
Total liabilities	4,073	6,497	4,709	4,787	4,710	4,670
Share capital	0	0	0	0	0	0
Capital surplus	8,545	8,640	10,091	10,367	10,712	11,097
Total shareholders equity	8,545	8,640	10,091	10,368	10,712	11,097
Minority interest	207	95	95	98	100	104
Total equity and liabilities	12,825	15,232	14,896	15,253	15,522	15,870

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	458	154	464	460	553	668
Depreciation & amortization	99	150	155	155	155	155
Tax paid	(47)	(122)	(162)	(115)	(138)	(167)
Change in working capital	(246)	111	(0)	143	86	115
Others	80	248	228	265	225	192
<b>Net cash from operations</b>	<b>343</b>	<b>542</b>	<b>684</b>	<b>908</b>	<b>881</b>	<b>963</b>
<b>Investing</b>						
Capital expenditure	(72)	(959)	(164)	(500)	(300)	(200)
Acquisition of subsidiaries/ investments	(1,227)	(874)	0	0	0	0
Net proceeds from disposal of short-term investments	(280)	173	(64)	0	0	0
Others	12	283	(147)	21	22	24
<b>Net cash from investing</b>	<b>(1,566)</b>	<b>(1,378)</b>	<b>(375)</b>	<b>(479)</b>	<b>(278)</b>	<b>(176)</b>
<b>Financing</b>						
Dividend paid	0	(159)	(11)	(146)	(120)	(144)
Net borrowings	1	1,546	(3)	(100)	(200)	(200)
Proceeds from share issues	1,043	83	999	0	0	0
Share repurchases	(41)	0	0	0	0	0
Others	(48)	(1,010)	(1,936)	(74)	(64)	(54)
<b>Net cash from financing</b>	<b>955</b>	<b>460</b>	<b>(950)</b>	<b>(321)</b>	<b>(384)</b>	<b>(398)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,965	1,689	1,330	624	732	952
Exchange difference	(8)	17	2	0	0	0
<b>Cash at the end of the year</b>	<b>1,689</b>	<b>1,330</b>	<b>691</b>	<b>732</b>	<b>952</b>	<b>1,341</b>
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Revenue	28.9%	28.6%	18.0%	9.2%	14.0%	14.8%
Gross profit	36.4%	13.3%	34.4%	2.3%	16.3%	15.4%
Operating profit	56.3%	(33.6%)	94.9%	(0.2%)	17.0%	18.4%
Net profit	35.1%	(64.4%)	184.6%	(0.7%)	20.3%	20.8%
Adj. net profit	22.3%	(39.8%)	72.0%	1.1%	9.4%	13.1%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Gross profit margin	42.0%	37.0%	42.1%	39.5%	40.3%	40.5%
Operating margin	20.2%	10.4%	17.2%	15.8%	16.2%	16.7%
Adj. net profit margin	24.8%	11.6%	16.9%	15.7%	15.0%	14.8%
Return on equity (ROE)	4.3%	1.4%	3.7%	3.3%	3.9%	4.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.1	0.1	0.2	0.2	0.1	0.1
Current ratio (x)	2.4	0.7	0.8	0.8	0.9	1.0
Receivable turnover days	21.0	25.6	23.4	23.4	23.4	23.4
Inventory turnover days	12.4	13.4	14.1	14.1	14.1	14.1
Payable turnover days	138.0	166.9	194.8	194.8	194.8	194.8
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
P/E (adjusted)	12.0	20.9	12.7	12.6	11.5	10.2
P/B	0.6	0.6	0.6	0.6	0.5	0.5
P/CFPS	15.5	9.9	8.4	6.5	6.7	6.2
Div yield (%)	2.8	0.0	2.5	2.0	2.4	2.9

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

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