

Mindray (300760 CH)

Awaiting domestic demand rebound

In 2024, Mindray reported revenue of RMB 36.7bn (+5.1% YoY) and attributable net profit of RMB 11.7bn (+0.7% YoY). GPM dropped by 1.1 pts YoY to 63.1%, primarily due to 1) pricing pressure on IVD reagents and mid- to low-end medical equipment, 2) weaker IVD testing demand following DRG 2.0 implementation and inter-hospital recognition of test results. The proportion of revenue from IVD reagent declined in 4Q24. The Sino-US trade frictions may raise costs for US-sourced raw materials in 2025E, while Mindray is actively seeking substitutes to protect margins. In 1Q25, Mindray's revenue fell by 12.1% YoY to RMB8.2bn, mainly due to 1) over 20% YoY decline in domestic revenue, as revenue recognition lagged behind procurement recovery, 2) a high overseas revenue base in 1Q24 (up nearly 30% YoY), resulting in slow 1Q25 overseas growth of 4.3% YoY.

■ **Steady growth from overseas.** In 2024, overseas revenue grew by 21.3% YoY to RMB16.4bn, accounting for 44.7% of total revenue (+6.0ppts). Ex-North America revenue rose 26% YoY to RMB13.8bn, with Asia-Pacific continuing as the growth engine. Mindray achieved further breakthroughs in high-end markets, with high-end strategic customers contributing 14% of overseas revenue. With enhanced localization and installations of high-end products such as the MT 8000, we expect the overseas revenue to grow by a mid-teens percentage in 2025E. As the US contributed only ~6% of Mindray's total revenue, the impact of trade frictions may be moderate. Diversified manufacturing across 13 countries and proactive inventory management should help mitigate related risks.

■ **Domestic market remained under pressure.** In 2024, domestic revenue decreased by 5.1% YoY to RMB20.3bn. Revenue from PMLS and MIS segments fell 31% YoY and 2% YoY, respectively, due to weak hospital procurement. According to IQVIA, China's medical equipment market decreased 12.3% YoY in 2024. Policy headwinds including DRG 2.0, inter-hospital recognition of test results, and reagent price cuts further weighed on IVD revenue. IQVIA estimated a decline in the biochemical market and flat growth in immunology market in 2024. Therefore, Mindray's domestic IVD revenue increased 1% YoY in 2024. However, Joinchain data shows a 67.5% YoY increase in medical equipment bidding value in 1Q25, indicating potential recovery of domestic medical equipment procurement. We anticipate the revenue recovery will occur in 2H25E, primarily due to the time lag between the bidding process and revenue recognition.

■ **Maintain BUY.** Given the uncertainties of the timeline of domestic procurement recovery and trade frictions, we revise down our earnings forecasts. We expect revenue and attributable net profit to grow 9.4% and 6.5% YoY, respectively, in 2025E. Based on a 9-year DCF model, we adjust our TP to RMB249.19 (WACC: 9.2%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	34,932	36,726	40,163	43,952	48,033
YoY growth (%)	15.0	5.1	9.4	9.4	9.3
Net profit (RMB mn)	11,582	11,668	12,431	13,332	14,505
YoY growth (%)	20.6	0.7	6.5	7.2	8.8
Adjusted net profit (RMB mn)	11,434	11,442	12,262	13,165	14,340
EPS (Adjusted) (RMB)	9.44	9.45	10.12	10.87	11.84
P/E (x)	22.6	22.4	21.1	19.6	18.0
Net gearing (%)	(56.8)	(46.4)	(52.2)	(57.5)	(63.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB249.19
 (Previous TP RMB328.81)
Up/Downside 15.4%
Current Price RMB215.85

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Stock Data

Mkt Cap (RMB mn) 261,705.5
 Avg 3 mths t/o (RMB mn) 1,413.5
 52w High/Low (RMB) 324.50/211.59
 Total Issued Shares (mn) 1212.4
 Source: FactSet

Shareholding Structure

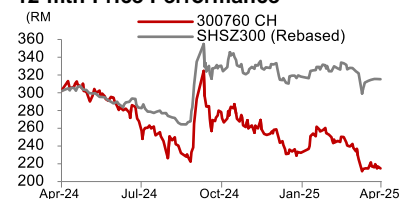
Smartco Development Limited 27.0%
 Magnifice (HK) Limited 24.5%
 Source: SZSE

Share Performance

	Absolute	Relative
1-mth	-9.3%	-6.1%
3-mth	-7.1%	-6.3%
6-mth	-20.4%	-17.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	40,163	43,952	48,033	43,583	49,698	-	-7.85%	-11.56%	-
Gross profit	24,953	27,339	29,951	28,275	32,451	-	-11.75%	-15.75%	-
Operating profit	14,631	15,880	17,483	17,369	19,983	-	-15.77%	-20.53%	-
Net profit	12,431	13,332	14,505	14,728	16,828	-	-15.59%	-20.78%	-
EPS (RMB)	10.25	11.00	11.96	12.15	13.88	-	-15.59%	-20.78%	-
Gross margin	62.13%	62.20%	62.35%	64.88%	65.30%	-	-2.75ppt	-3.1ppt	-
Operating margin	36.43%	36.13%	36.40%	39.85%	40.21%	-	-3.42ppt	-4.08ppt	-
Net margin	30.95%	30.33%	30.20%	33.79%	33.86%	-	-2.84ppt	-3.53ppt	-

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	13,986	15,333	16,833	18,401	20,075	21,853	23,680	25,573	27,512
Tax rate	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%	9.83%
EBIT*(1-tax rate)	12,611	13,826	15,178	16,593	18,102	19,705	21,352	23,059	24,808
+ D&A	1,542	1,651	1,741	1,778	1,834	1,875	1,899	1,914	1,918
- Change in working capital	-251	-510	-544	-571	-604	-635	-652	-668	-676
- Capex	-1,969	-1,869	-1,769	-1,669	-1,569	-1,469	-1,369	-1,269	-1,169
FCFF	11,932	13,098	14,607	16,130	17,763	19,475	21,230	23,036	24,881
Terminal value									410,738

Terminal growth rate	3.0%
WACC	9.2%
Cost of Equity	12.5%
Cost of Debt	3.8%
Equity Beta	0.95
Risk Free Rate	2.5%
Market Risk Premium	10.5%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Terminal value	185,420
Total PV	286,760
Net debt	-20,946
Minority	5,580
Equity value	302,126
# of shares (mn)	1,212
DCF per share (in RMB)	249.19

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		8.2%	8.7%	9.2%	9.7%	10.2%
Terminal growth rate	4.0%	347.12	310.07	280.15	255.47	234.79
	3.5%	320.01	288.93	263.32	241.85	223.60
	3.0%	298.07	271.48	249.19	230.25	213.96
	2.5%	279.96	256.82	237.15	220.25	205.57
	2.0%	264.75	244.33	226.78	211.54	198.19

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	40,163	43,952	48,033	43,916	51,366	53,504	-8.55%	-14.43%	-10.22%
Gross profit	24,953	27,339	29,951	28,456	33,362	34,180	-12.31%	-18.05%	-12.37%
Operating profit	14,631	15,880	17,483	16,729	19,510	13,892	-12.54%	-18.60%	25.85%
Net profit	12,431	13,332	14,505	14,495	16,760	16,403	-14.24%	-20.46%	-11.57%
EPS (RMB)	10.25	11.00	11.96	12.20	13.97	14.61	-15.98%	-21.27%	-18.11%
Gross margin	62.13%	62.20%	62.35%	64.80%	64.95%	63.88%	-2.67ppt	-2.75ppt	-1.53ppt
Operating margin	36.43%	36.13%	36.40%	38.09%	37.98%	25.96%	-1.66ppt	-1.85ppt	+10.43ppt
Net margin	30.95%	30.33%	30.20%	33.01%	32.63%	30.66%	-2.05ppt	-2.3ppt	-0.46ppt

Source: Company data, Bloomberg, CMBIGM estimate

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	30,366	34,932	36,726	40,163	43,952	48,033
Cost of goods sold	(10,885)	(12,513)	(13,548)	(15,209)	(16,613)	(18,082)
Gross profit	19,480	22,419	23,178	24,953	27,339	29,951
Operating expenses	(8,941)	(9,478)	(10,549)	(11,105)	(12,241)	(13,251)
Selling expense	(4,802)	(5,010)	(5,283)	(5,623)	(6,109)	(6,629)
Admin expense	(1,320)	(1,524)	(1,600)	(1,741)	(1,897)	(2,063)
R&D expense	(2,923)	(3,433)	(3,666)	(3,856)	(4,211)	(4,592)
Others	103	489	(1)	115	(24)	34
Gain/loss on financial assets at FVTPL	(21)	79	126	126	126	126
Investment gain/loss	(5)	(10)	69	69	69	69
Other gains/(losses)	478	60	287	587	587	587
Operating profit	10,991	13,070	13,112	14,631	15,880	17,483
Non-operating income- net	(37)	(59)	(92)	(92)	(92)	(92)
Pre-tax profit	10,954	13,011	13,020	14,539	15,788	17,390
Income tax	(1,343)	(1,433)	(1,280)	(1,429)	(1,552)	(1,709)
Net profit	9,611	11,578	11,740	13,110	14,236	15,681
Minority interest	(4)	4	(71)	(679)	(905)	(1,176)
Adjusted net profit	9,525	11,434	11,442	12,262	13,165	14,340
Gross dividends	5,456	7,032	7,602	8,161	8,819	9,668

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	30,606	26,875	25,647	30,538	36,065	42,390
Cash & equivalents	23,186	18,787	16,644	20,952	25,680	31,161
Account receivables	2,661	3,297	3,226	3,566	3,903	4,265
Inventories	4,025	3,979	4,757	5,000	5,462	5,945
Prepayment	289	268	297	297	297	297
Other current assets	445	545	722	722	722	722
Non-current assets	16,139	21,065	30,997	31,386	31,566	31,556
PP&E	4,261	5,490	7,086	8,291	9,286	10,090
Deferred income tax	755	1,313	1,697	1,697	1,697	1,697
Intangibles	1,977	2,225	6,723	6,010	5,297	4,585
Goodwill	4,403	5,062	11,093	11,093	11,093	11,093
Other non-current assets	4,743	6,976	4,397	4,295	4,193	4,090
Total assets	46,745	47,940	56,644	61,925	67,631	73,946
Current liabilities	11,770	10,103	10,427	10,760	11,048	11,350
Short-term borrowings	0	8	5	5	5	5
Account payables	2,291	2,690	2,793	3,125	3,414	3,716
Tax payable	573	653	428	428	428	428
Other current liabilities	8,906	6,751	7,202	7,202	7,202	7,202
Non-current liabilities	2,976	4,491	5,458	5,458	5,458	5,458
Long-term borrowings	0	1	0	0	0	0
Deferred income	93	109	127	127	127	127
Other non-current liabilities	2,883	4,381	5,331	5,331	5,331	5,331
Total liabilities	14,746	14,594	15,885	16,218	16,506	16,808
Share capital	1,212	1,212	1,212	1,212	1,212	1,212
Capital surplus	608	608	608	608	608	608
Others	30,161	31,265	34,036	38,306	42,819	47,656
Total shareholders equity	31,981	33,085	35,856	40,126	44,639	49,477
Minority interest	18	261	4,902	5,580	6,485	7,661
Total equity and liabilities	46,745	47,940	56,644	61,925	67,631	73,946

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	9,611	11,578	11,740	13,110	14,236	15,681
Depreciation & amortization	911	1,039	1,503	1,542	1,651	1,741
Tax paid	(1,343)	(1,433)	(1,280)	(1,429)	(1,552)	(1,709)
Change in working capital	1,524	(1,652)	(727)	(251)	(510)	(544)
Others	1,438	1,528	1,196	914	1,135	1,190
Net cash from operations	12,141	11,062	12,432	13,885	14,961	16,360
Investing						
Capital expenditure	(1,916)	(2,689)	(1,959)	(2,000)	(1,900)	(1,800)
Acquisition of subsidiaries/ investments	0	(871)	(5,773)	0	0	0
Others	(1,304)	2,867	350	31	31	31
Net cash from investing	(3,220)	(693)	(7,383)	(1,969)	(1,869)	(1,769)
Financing						
Dividend paid	(4,233)	(10,670)	(8,843)	(7,608)	(8,364)	(9,110)
Net borrowings	0	(19)	(3)	0	0	0
Proceeds from share issues	0	79	79	0	0	0
Others	(961)	(166)	(114)	0	0	0
Net cash from financing	(5,194)	(10,776)	(8,882)	(7,608)	(8,364)	(9,110)
Net change in cash						
Cash at the beginning of the year	15,133	18,974	18,668	16,644	20,952	25,680
Exchange difference	114	101	72	0	0	0
Cash at the end of the year	19,087	18,770	14,980	20,952	25,680	31,161
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	20.2%	15.0%	5.1%	9.4%	9.4%	9.3%
Gross profit	18.6%	15.1%	3.4%	7.7%	9.6%	9.6%
Operating profit	21.2%	18.9%	0.3%	11.6%	8.5%	10.1%
Net profit	20.1%	20.5%	1.4%	11.7%	8.6%	10.1%
Adj. net profit	21.3%	20.0%	0.1%	7.2%	7.4%	8.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	64.2%	64.2%	63.1%	62.1%	62.2%	62.4%
Operating margin	36.2%	37.4%	35.7%	36.4%	36.1%	36.4%
Adj. net profit margin	31.4%	32.7%	31.2%	30.5%	30.0%	29.9%
Return on equity (ROE)	32.6%	35.6%	34.1%	34.5%	33.6%	33.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.6)	(0.5)	(0.5)	(0.6)	(0.6)
Current ratio (x)	2.6	2.7	2.5	2.8	3.3	3.7
Receivable turnover days	26.8	31.1	32.4	32.4	32.4	32.4
Inventory turnover days	127.3	116.7	117.7	120.0	120.0	120.0
Payable turnover days	76.6	72.6	73.9	75.0	75.0	75.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	27.2	22.6	22.4	21.1	19.6	18.0
P/E (diluted)	27.2	22.6	22.4	21.0	19.6	18.0
P/B	21.1	24.4	23.7	23.0	22.5	21.9
Div yield (%)	2.1	2.7	2.9	3.1	3.4	3.7

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

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