

United Imaging (688271 CH)

Resilient 1H24 performance amid market headwinds

United Imaging reported 1H24 revenue of RMB5,333mn, up by 1.2% YoY. Attributable net profit increased by 1.3% YoY to RMB950mn. Despite facing a challenging domestic market environment characterized by stringent industry regulations and delays in equipment renewal projects, United Imaging delivered resilient performance thanks to the rapid growth of overseas business and maintenance services. The rising revenue contribution from mid-to-high-end products and services drove the company's gross margin up by 1.7ppts YoY to 50.4% in 1H24. Additionally, United Imaging announced an interim dividend plan, committed to distributing a total cash dividend of approximately RMB98.2mn, which represents a more than 10% payout ratio.

- Market share expanded in domestic medical equipment market.** In 1H24, United Imaging's equipment revenue decreased by 1.8% YoY to RMB4,540mn, primarily due to the delays in procurement activities. However, leveraging its product innovation and new product commercialization, the company's high-end and ultra-high-end products gained market share. For instance, the market share of mid-to-high-end and ultra-high-end CT system increased by 11ppts YoY and 8ppts YoY, respectively. Its 3.0T MRI systems also gained 1.3ppts in market share of 3.0T MRI market. The company continues to hold a significant lead in ultra-high-field MRI market with its 5.0T MRI system and saw a 5.3ppts YoY increase in market share of RT systems.
- International operations sustained strong growth momentum.** In 1H24, the company's overseas business achieved revenue of RMB933mn, up 29.9% YoY, accounting for 17.5% (+3.9ppts) of total revenue. The company delivered robust performance in Asia-Pacific, North America, and emerging markets, where revenues grew over 40% YoY, 26% YoY, and 132% YoY, respectively. Despite a 30% decrease in revenue from Europe due to seasonal fluctuations, efforts aimed at localizing operations in key European markets such as France, Italy, Germany, and Spain are anticipated to drive recovery in 2H24.
- Growing contribution from services.** In 1H24, revenue from maintenance services increased by 23.8% YoY to RMB617mn, accounting for 11.6% (+2.1ppts YoY) of the total revenue. Currently, United Imaging's global installed base has exceeded 20,000 units. With a growing installed base, we expect the services revenue will continue to increase rapidly.
- Maintain BUY.** We expect hospital procurement to gradually recover from 4Q24. Based on a 9-year DCF model, we adjust the target price to RMB 125.83 (WACC: 8.8%, perpetual growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	9,238	11,411	11,501	14,337	17,546
YoY growth (%)	27.4	23.5	0.8	24.7	22.4
Attributable net profit (RMB mn)	1,656	1,974	2,021	2,472	3,002
YoY growth (%)	16.9	19.2	2.4	22.3	21.4
Adjusted net profit (RMB mn)	1,328	1,665	1,692	2,143	2,673
EPS (Adjusted) (RMB)	1.75	2.02	2.05	2.60	3.24
Adjusted P/E (x)	60.4	52.2	51.5	40.6	32.6
Net gearing (%)	(57.5)	(40.2)	(45.7)	(44.4)	(44.6)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB125.83
 (Previous TP) RMB160.39
Up/Downside 19.0%
Current Price RMB105.71

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Stock Data

Mkt Cap (RMB mn)	79,938.2
Avg 3 mths t/o (RMB mn)	283.3
52w High/Low (RMB)	150.08/101.90
Total Issued Shares (mn)	756.2

Source: FactSet

Shareholding Structure

联影医疗技术集团有限公司	20.3%
上海联和投资有限公司	16.4%

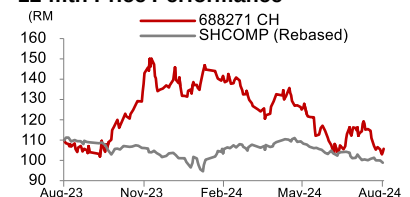
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.9%	-6.7%
3-mth	-16.1%	-8.8%
6-mth	-25.7%	-21.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	11,501	14,337	17,546	13,848	16,913	20,628	-16.95%	-15.23%	-14.94%
Gross Profit	5,713	7,174	8,847	6,824	8,429	10,399	-16.28%	-14.89%	-14.93%
Operating Profit	2,185	2,673	3,246	2,541	3,089	3,791	-13.99%	-13.48%	-14.38%
Net profit	2,021	2,472	3,002	2,350	2,857	3,507	-13.99%	-13.48%	-14.38%
EPS (RMB)	2.45	3.00	3.64	2.85	3.47	4.25	-13.99%	-13.48%	-14.38%
Gross Margin	49.68%	50.04%	50.42%	49.28%	49.84%	50.41%	+0.4ppt	+0.2ppt	+0.01ppt
Operating Margin	19.00%	18.64%	18.50%	18.35%	18.27%	18.38%	+0.65ppt	+0.38ppt	+0.12ppt
Net Margin	17.57%	17.24%	17.11%	16.97%	16.90%	17.00%	+0.6ppt	+0.35ppt	+0.11ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	2,023	2,490	3,049	3,750	4,639	5,753	7,096	8,751	10,781
Tax rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
EBIT*(1-tax rate)	1,871	2,303	2,821	3,469	4,291	5,322	6,564	8,095	9,973
+ D&A	426	497	556	573	604	626	647	665	682
- Change in working capital	813	-775	-781	-867	-940	-1,011	-1,079	-1,112	-1,106
- Capx	-1,000	-1,000	-900	-800	-700	-700	-700	-700	-700
FCFF	2,111	1,025	1,696	2,376	3,255	4,237	5,431	6,948	8,849
Terminal value									156,771

Terminal growth rate	3.0%
WACC	8.8%
Cost of Equity	11.5%
Cost of Debt	4.5%
Equity Beta	0.90
Risk Free Rate	2.5%
Market Risk Premium	10.0%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Terminal value	73,301
Total PV	94,483
Net debt	-9,232
Minority	15
Equity value	103,700
# of shares (mn)	824
DCF per share (in RMB)	125.83

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		7.8%	8.3%	8.8%	9.3%	9.8%
Terminal growth rate	4.0%	187.11	163.76	145.34	130.47	118.23
	3.5%	169.24	150.11	134.67	121.95	111.31
	3.0%	155.08	139.03	125.83	114.78	105.41
	2.5%	143.58	129.86	118.38	108.66	100.32
	2.0%	134.06	122.14	112.04	103.37	95.87

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	11,501	14,337	17,546	13,898	17,076	20,830	-17.25%	-16.04%	-15.76%
Gross Profit	5,713	7,174	8,847	6,805	8,423	10,348	-16.04%	-14.83%	-14.51%
Operating Profit	2,185	2,673	3,246	2,510	3,097	3,792	-12.94%	-13.70%	-14.40%
Net profit	2,021	2,472	3,002	2,347	2,867	3,517	-13.88%	-13.77%	-14.63%
EPS (RMB)	2.45	3.00	3.64	2.93	3.53	4.31	-16.36%	-15.00%	-15.55%
Gross Margin	49.68%	50.04%	50.42%	48.96%	49.33%	49.68%	+0.72ppt	+0.71ppt	+0.74ppt
Operating Margin	19.00%	18.64%	18.50%	18.06%	18.14%	18.20%	+0.94ppt	+0.51ppt	+0.29ppt
Net Margin	17.57%	17.24%	17.11%	16.89%	16.79%	16.88%	+0.69ppt	+0.45ppt	+0.23ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	7,254	9,238	11,411	11,501	14,337	17,546
Cost of goods sold	(3,669)	(4,770)	(5,879)	(5,787)	(7,163)	(8,700)
Gross profit	3,585	4,468	5,532	5,713	7,174	8,847
Operating expenses	(1,889)	(2,540)	(3,391)	(3,528)	(4,501)	(5,601)
Selling expense	(1,029)	(1,328)	(1,770)	(1,840)	(2,280)	(2,772)
Admin expense	(319)	(431)	(561)	(541)	(660)	(790)
R&D expense	(968)	(1,306)	(1,729)	(1,737)	(2,158)	(2,632)
Others	428	525	668	589	596	593
Operating profit	1,696	1,928	2,142	2,185	2,673	3,246
Other income	10	2	11	0	0	0
Others	1	(8)	1	0	0	0
Pre-tax profit	1,698	1,920	2,142	2,185	2,673	3,246
Income tax	(294)	(270)	(164)	(164)	(200)	(243)
Minority interest	14	6	(3)	0	0	0
Net profit	1,404	1,650	1,978	2,021	2,472	3,002
Adjusted net profit	1,166	1,328	1,665	1,692	2,143	2,673

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	7,026	20,145	20,228	21,135	22,814	25,052
Cash & equivalents	2,924	10,075	7,584	9,241	9,674	10,605
Account receivables	1,062	2,029	3,233	2,836	3,339	3,846
Inventories	2,205	3,460	3,893	3,540	4,284	5,084
Prepayment	124	198	148	148	148	148
Other current assets	710	4,382	5,370	5,370	5,370	5,370
Non-current assets	3,336	4,060	5,108	5,580	5,981	6,223
PP&E	2,049	2,116	2,212	2,954	3,625	4,137
Deferred income tax	271	319	399	399	399	399
Intangibles	608	860	828	704	580	455
Goodwill	22	22	22	22	22	22
Other non-current assets	387	742	1,647	1,501	1,355	1,209
Total assets	10,362	24,205	25,336	26,715	28,795	31,275
Current liabilities	4,518	6,012	5,798	5,861	6,332	6,859
Short-term borrowings	30	16	9	9	9	9
Account payables	1,237	2,193	1,919	1,982	2,453	2,979
Tax payable	336	424	399	399	399	399
Other current liabilities	2,915	3,379	3,471	3,471	3,471	3,471
Non-current liabilities	811	719	657	657	657	657
Long-term borrowings	0	0	0	0	0	0
Deferred income	673	579	514	514	514	514
Other non-current liabilities	137	140	143	143	143	143
Total liabilities	5,328	6,731	6,455	6,518	6,989	7,515
Share capital	724	824	824	824	824	824
Surplus reserve	230	408	412	412	412	412
Reserves	3,199	13,865	13,910	15,226	16,835	18,789
Other reserves	884	2,386	3,720	3,720	3,720	3,720
Total shareholders equity	5,037	17,483	18,866	20,182	21,791	23,745
Minority interest	(4)	(10)	15	15	15	15
Total equity and liabilities	10,362	24,205	25,336	26,715	28,795	31,275

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,404	1,650	1,978	2,021	2,472	3,002
Depreciation & amortization	112	146	262	426	497	556
Tax paid	(294)	(270)	(164)	(164)	(200)	(243)
Change in working capital	(607)	(1,174)	(2,258)	813	(775)	(781)
Others	328	331	315	104	119	149
Net cash from operations	942	683	133	3,201	2,113	2,683
Investing						
Capital expenditure	(347)	(741)	(1,076)	(1,000)	(1,000)	(900)
Acquisition of subsidiaries/ investments	0	0	(45)	0	0	0
Net proceeds from disposal of short-term investments	10,266	7,164	25,308	0	0	0
Others	(10,174)	(11,111)	(25,752)	0	0	0
Net cash from investing	(254)	(4,689)	(1,565)	(1,000)	(1,000)	(900)
Financing						
Dividend paid	(8)	(1)	(166)	(544)	(680)	(852)
Net borrowings	(556)	(15)	4	0	0	0
Proceeds from share issues	43	10,795	10	0	0	0
Others	(415)	(51)	(511)	0	0	0
Net cash from financing	(935)	10,729	(662)	(544)	(680)	(852)
Net change in cash						
Cash at the beginning of the year	3,124	2,873	9,626	7,584	9,241	9,674
Exchange difference	(4)	31	(1)	0	0	0
Cash at the end of the year	2,873	9,626	7,531	9,241	9,674	10,605
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	25.9%	27.4%	23.5%	0.8%	24.7%	22.4%
Gross profit	28.0%	24.6%	23.8%	3.3%	25.6%	23.3%
Operating profit	43.6%	13.7%	11.1%	2.0%	22.3%	21.4%
Net profit	49.8%	17.6%	19.9%	2.2%	22.3%	21.4%
Adj. net profit	32.8%	13.9%	25.4%	1.6%	26.7%	24.7%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	49.4%	48.4%	48.5%	49.7%	50.0%	50.4%
Operating margin	23.4%	20.9%	18.8%	19.0%	18.6%	18.5%
Adj. net profit margin	16.1%	14.4%	14.6%	14.7%	14.9%	15.2%
Return on equity (ROE)	32.5%	14.7%	10.9%	10.4%	11.8%	13.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.6)	(0.4)	(0.5)	(0.4)	(0.4)
Current ratio (x)	1.6	3.4	3.5	3.6	3.6	3.7
Receivable turnover days	43.7	61.1	84.2	90.0	85.0	80.0
Inventory turnover days	197.3	216.8	228.3	223.3	218.3	213.3
Payable turnover days	112.7	131.2	127.7	125.0	125.0	125.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	53.9	48.3	44.0	43.1	35.2	29.0
Adjusted P/E	65.6	60.4	52.2	51.5	40.6	32.6
P/B	15.2	4.6	4.6	4.3	4.0	3.7
P/CFPS	81.1	117.1	656.2	27.2	41.2	32.5
Div yield (%)	0.0	0.2	0.8	0.8	1.0	1.2

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

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