

# Jinxin Fertility (1951 HK)

## Impressive business rebound in 2023

Jinxin Fertility (Jinxin) reported 2023 revenue of RMB2,789mn, up 18.0% YoY. Non-IFRS adjusted net profit grew substantially by 72.0% YoY to RMB472mn. Revenue was in line with our forecast while non-IFRS adjusted net income slightly missed our forecast by 5.7%, which was mainly attributed by one-off expenses of RMB31mn related to several lawsuits in the US. IVF business of Jinxin has resumed solid growth in 2023. The number of IVF treatment cycles performed by Jinxin increased by 15.8% YoY to 30,240 in 2023 (vs 4.5% YoY decline in 2022). The overall success rate in Chengdu and Shenzhen improved by 0.9ppt to 57.5%, demonstrating its superior medical service quality. For the year of 2024, management expects organic growth of at least 15% YoY in non-IFRS adjusted net profit.

■ **Regaining healthy business growth post-pandemic.** The number of IVF treatment cycles performed increased by 15.8% YoY to 30,240 in 2023 (vs a decline of 4.5% in 2022), setting a new company record. Jinxin experienced recoveries across all operation regions. Chengdu and the Greater Bay Area operations, as the pillars of Jinxin business, saw IVF cycle/ revenue growing 6.0%/ 11.9% YoY in 2023, respectively. Notably, Chengdu Xinan Hospital has been qualified to perform 3rd-gen IVF since Jul 2023. Management anticipated the new service to generate additional revenue of RMB80-100mn per annum after a one-year trial operation, representing 9.0%-11.2% of IVF revenue from Chengdu operation in 2023. IVF cycle/ revenue of Wuhan and Yunnan impressively increased by 42.7%/ 35.8% YoY in 2023, thanks to the resumption of IVF services at Wuhan Hospital and the ongoing business optimization of Jiuzhou Hospital and Hewanjia Hospital to focus on IVF. Overseas IVF cycle/ revenue increased by 11.7%/ 23.4% YoY in 2023, driven by the rebound of international patients to HRC in the US and a positive start of clinic operations in Laos.

■ **Expecting more policy support to address challenges of population growth.** According to National Bureau of Statistics of China, the number of the newborns was 9.02mn in 2023, a 5.6% drop from 2022, marking the seventh straight year of decline. To boost birth rates, several regions have introduced supportive measures since 2023. Beijing, Guangxi, Gansu, Inner Mongolia, Xinjiang, and Shandong have included certain assisted reproductive services (ARS) to their medical reimbursement lists. Such insurance coverage has significantly eased the financial burden on patients. For instance, Guangxi reimbursed over 44,000 cases at a reimbursement rate of 59.16% within four months after the policy taking effect. Additionally, the 2024 Government Work Report of China continued to highlight the need to boost birth rate. Management expects more regions to adopt supportive ARS policies in 2024.

■ **Maintain BUY.** We cut our DCF-based TP from HK\$7.35 to HK\$4.43 (WACC: 10.1%, terminal growth: 2.0%). We forecast Jinxin's revenue to grow 14.0%/ 14.1%/ 15.5% YoY and non-IFRS adjusted net profit to grow 15.3%/ 12.9%/ 19.9% YoY in 2024E/ 25E/ 26E, respectively.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,364	2,789	3,178	3,627	4,188
YoY growth (%)	28.6	18.0	14.0	14.1	15.5
Adjusted net profit (RMB mn)	274.1	471.5	543.6	613.7	735.9
YoY growth (%)	(39.8)	72.0	15.3	12.9	19.9
EPS (Adjusted) (RMB)	0.10	0.17	0.20	0.22	0.27
Consensus EPS (RMB)	na	na	0.19	0.23	0.26
P/E (x)	20.9	12.7	11.1	9.8	8.2

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

<b>Target Price</b>	<b>HK\$4.43</b>
(Previous TP)	HK\$7.35)
<b>Up/Downside</b>	<b>82.3%</b>
<b>Current Price</b>	<b>HK\$2.43</b>

### China Healthcare

#### Jill WU, CFA

(852) 3900 0842

jillwu@cmbi.com.hk

#### Benchen HUANG, CFA

huangbenchen@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	6,701.2
Avg 3 mths t/o (HK\$ mn)	40.6
52w High/Low (HK\$)	5.75/2.09
Total Issued Shares (mn)	2757.7

Source: FactSet

### Shareholding Structure

Jinxin Fertility BV	11.9%
HRC Investment	10.7%

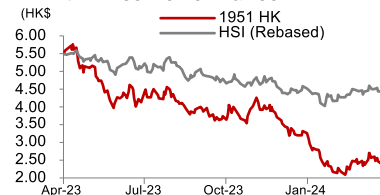
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	0.8%	1.1%
3-mth	-27.5%	-25.2%
6-mth	-35.0%	-30.0%

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	3,178	3,627	4,188	3,287	3,848	na	-3.32%	-5.74%	na
Gross Profit	1,351	1,534	1,780	1,404	1,651	na	-3.78%	-7.05%	na
Operating Profit	574	631	749	660	801	na	-13.04%	-21.22%	na
Adjusted net profit	544	614	736	585	692	na	-7.08%	-11.33%	na
Adjusted EPS (RMB)	0.20	0.22	0.27	0.21	0.25	na	-8.32%	-12.51%	na
Gross Margin	42.50%	42.30%	42.50%	42.70%	42.90%	na	-0.20ppt	-0.60ppt	na
Operating Margin	18.07%	17.39%	17.89%	20.09%	20.81%	na	-2.02ppt	-3.42ppt	na
Net Margin	17.10%	16.92%	17.57%	17.79%	17.99%	na	-0.69ppt	-1.07ppt	na

Source: CMBIGM estimates

**Figure 2: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,178	3,627	4,188	3,372	3,966	4,412	-5.75%	-8.54%	-5.08%
Gross Profit	1,351	1,534	1,780	1,425	1,696	1,942	-5.23%	-9.53%	-8.33%
Operating Profit	574	631	749	639	778	844	-10.09%	-18.96%	-11.20%
Adjusted net profit	544	614	736	542	662	709	0.27%	-7.32%	3.76%
Adjusted EPS (RMB)	0.20	0.22	0.27	0.19	0.23	0.26	5.40%	-3.66%	4.65%
Gross Margin	42.50%	42.30%	42.50%	42.27%	42.77%	44.01%	+0.23ppt	-0.47ppt	-1.51ppt
Operating Margin	18.07%	17.39%	17.89%	18.94%	19.63%	19.13%	-0.87ppt	-2.24ppt	-1.23ppt
Net Margin	17.10%	16.92%	17.57%	16.08%	16.70%	16.07%	+1.03ppt	+0.22ppt	+1.50ppt

Source: 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	608	665	783	861	943	1,028	1,115	1,204	1,295	1,385
Tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
EBIT*(1-tax rate)	468	512	603	663	726	791	859	927	997	1,067
+ D&A	288	288	288	312	335	358	382	405	427	448
- Change in working capital	127	103	120	130	139	149	159	168	177	186
- Capex	(600)	(300)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
<b>FCFF</b>	<b>284</b>	<b>603</b>	<b>811</b>	<b>904</b>	<b>1,000</b>	<b>1,099</b>	<b>1,199</b>	<b>1,300</b>	<b>1,401</b>	<b>1,501</b>
<b>Terminal value</b>										<b>18,933</b>
<b>Terminal growth rate</b>										<b>2.0%</b>
<b>WACC</b>										<b>10.1%</b>
Cost of Equity										13.5%
Cost of Debt										5.0%
Equity Beta										1.0
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)										7,242
Total PV (RMB mn)										12,835
Net debt (RMB mn)										1,740
Minority interest (RMB mn)										98
Equity value (RMB mn)										10,997
# of shares (mn)										2,758
<b>Price per share (HK\$ per share)</b>										<b>4.43</b>

Source: CMBIGM estimates. HK\$/RMB=0.9

**Figure 4: Sensitivity analysis of DCF model**

		WACC				
		9.1%	9.6%	10.1%	10.6%	11.1%
Terminal growth rate	3.0%	5.92	5.36	4.88	4.46	4.09
	2.5%	5.58	5.08	4.64	4.26	3.92
	2.0%	5.28	4.83	<b>4.43</b>	4.08	3.77
	1.5%	5.03	4.61	4.25	3.92	3.64
	1.0%	4.80	4.42	4.08	3.78	3.51

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>1,839</b>	<b>2,364</b>	<b>2,789</b>	<b>3,178</b>	<b>3,627</b>	<b>4,188</b>
Cost of goods sold	(1,067)	(1,490)	(1,613)	(1,827)	(2,093)	(2,408)
<b>Gross profit</b>	<b>771</b>	<b>874</b>	<b>1,175</b>	<b>1,351</b>	<b>1,534</b>	<b>1,780</b>
<b>Operating expenses</b>	<b>(400)</b>	<b>(628)</b>	<b>(695)</b>	<b>(776)</b>	<b>(904)</b>	<b>(1,031)</b>
Selling expense	(62)	(151)	(192)	(212)	(253)	(288)
Admin expense	(328)	(459)	(481)	(540)	(624)	(712)
SG&A expense	(11)	(17)	(22)	(24)	(26)	(31)
<b>Operating profit</b>	<b>371</b>	<b>247</b>	<b>480</b>	<b>574</b>	<b>631</b>	<b>749</b>
Share of (losses)/profits of associates/JV	(10)	(4)	5	5	5	5
<b>Net Interest income/(expense)</b>	<b>(21)</b>	<b>(72)</b>	<b>(80)</b>	<b>(65)</b>	<b>(50)</b>	<b>(36)</b>
Other income/expense	118	(16)	58	41	40	44
<b>Pre-tax profit</b>	<b>458</b>	<b>154</b>	<b>464</b>	<b>555</b>	<b>626</b>	<b>762</b>
Income tax	(104)	(36)	(117)	(128)	(144)	(175)
<b>After tax profit</b>	<b>354</b>	<b>118</b>	<b>347</b>	<b>428</b>	<b>482</b>	<b>586</b>
Minority interest	(14)	3	(2)	(3)	(3)	(4)
<b>Net profit</b>	<b>340</b>	<b>121</b>	<b>345</b>	<b>425</b>	<b>479</b>	<b>583</b>
<b>Adjusted net profit</b>	<b>455</b>	<b>274</b>	<b>471</b>	<b>544</b>	<b>614</b>	<b>736</b>
Gross dividends	150	0	146	149	168	204
<b>BALANCE SHEET</b>						
	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>2,543</b>	<b>1,904</b>	<b>1,342</b>	<b>1,134</b>	<b>1,214</b>	<b>1,505</b>
Cash & equivalents	862	1,317	624	372	413	657
Account receivables	143	189	169	204	233	269
Inventories	47	63	62	71	81	93
Financial assets at FVTPL	219	71	142	142	142	142
Other current assets	1,273	265	345	992	1,072	1,364
<b>Non-current assets</b>	<b>10,282</b>	<b>13,328</b>	<b>13,554</b>	<b>13,864</b>	<b>13,874</b>	<b>13,784</b>
PP&E	1,092	2,530	2,595	3,040	3,185	3,230
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	1,083	995	906
<b>Total assets</b>	<b>12,825</b>	<b>15,232</b>	<b>14,896</b>	<b>14,997</b>	<b>15,088</b>	<b>15,290</b>
<b>Current liabilities</b>	<b>1,072</b>	<b>2,764</b>	<b>1,690</b>	<b>1,860</b>	<b>2,002</b>	<b>2,170</b>
Short-term borrowings	38	19	748	748	748	748
Account payables	446	917	805	975	1,117	1,285
Tax payable	107	82	52	52	52	52
Other current liabilities	481	1,747	84	84	84	84
<b>Non-current liabilities</b>	<b>3,001</b>	<b>3,733</b>	<b>3,020</b>	<b>2,670</b>	<b>2,285</b>	<b>1,900</b>
Long-term borrowings	126	2,071	1,380	1,030	645	260
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
<b>Total liabilities</b>	<b>4,073</b>	<b>6,497</b>	<b>4,709</b>	<b>4,529</b>	<b>4,286</b>	<b>4,069</b>
Share capital	0	0	0	0	0	0
Capital surplus	8,545	8,640	10,091	10,370	10,700	11,115
<b>Total shareholders equity</b>	<b>8,545</b>	<b>8,640</b>	<b>10,091</b>	<b>10,370</b>	<b>10,700</b>	<b>11,115</b>
Minority interest	207	95	95	98	101	105
<b>Total equity and liabilities</b>	<b>12,825</b>	<b>15,232</b>	<b>14,896</b>	<b>14,997</b>	<b>15,088</b>	<b>15,290</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>458</b>	<b>154</b>	<b>464</b>	<b>555</b>	<b>626</b>	<b>762</b>
Depreciation & amortization	99	150	155	155	155	155
Tax paid	(47)	(122)	(117)	(128)	(144)	(175)
Change in working capital	(246)	111	(92)	127	103	120
Others	80	248	275	187	173	156
<b>Net cash from operations</b>	<b>343</b>	<b>542</b>	<b>684</b>	<b>897</b>	<b>913</b>	<b>1,018</b>
<b>Investing</b>						
Capital expenditure	(72)	(959)	(300)	(600)	(300)	(200)
Acquisition of subsidiaries/ investments	(1,227)	(874)	0	0	0	0
Net proceeds from disposal of short-term investments	(280)	173	0	0	0	0
Others	12	283	(75)	12	12	15
<b>Net cash from investing</b>	<b>(1,566)</b>	<b>(1,378)</b>	<b>(375)</b>	<b>(588)</b>	<b>(288)</b>	<b>(185)</b>
<b>Financing</b>						
Dividend paid	0	(159)	0	(146)	(149)	(168)
Net borrowings	1	1,546	244	(350)	(385)	(385)
Proceeds from share issues	1,043	83	999	0	0	0
Share repurchases	(41)	0	0	0	0	0
Others	(48)	(1,010)	(2,193)	(65)	(50)	(36)
<b>Net cash from financing</b>	<b>955</b>	<b>460</b>	<b>(950)</b>	<b>(561)</b>	<b>(583)</b>	<b>(589)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,965	1,689	1,330	624	372	413
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>372</b>	<b>413</b>	<b>657</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	28.9%	28.6%	18.0%	14.0%	14.1%	15.5%
Gross profit	36.4%	13.3%	34.4%	14.9%	13.6%	16.0%
Operating profit	56.3%	(33.6%)	94.9%	19.5%	9.8%	18.8%
Net profit	35.1%	(64.4%)	184.6%	23.2%	12.8%	21.6%
Adj. net profit	22.3%	(39.8%)	72.0%	15.3%	12.9%	19.9%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	42.0%	37.0%	42.1%	42.5%	42.3%	42.5%
Operating margin	20.2%	10.4%	17.2%	18.1%	17.4%	17.9%
Adj. net profit margin	24.8%	11.6%	16.9%	17.1%	16.9%	17.6%
Return on equity (ROE)	4.3%	1.4%	3.7%	4.2%	4.5%	5.3%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<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	0.6	0.6	0.7
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
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E (adjusted)	12.0	20.9	12.7	11.1	9.8	8.2
P/B	0.6	0.6	0.6	0.6	0.6	0.6
P/CFPS	16.2	10.3	8.8	6.9	6.8	6.1
Div yield (%)	2.7	0.0	2.4	2.4	2.7	3.3

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

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**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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## CMB International Global Markets Limited

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

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