

United Imaging (688271 CH)

1Q25 earnings turnaround: strong overseas growth and domestic market recovery

In 2024, United Imaging's revenue declined 9.7% YoY to RMB10.3bn, with attributable net profit decreasing 36.1% YoY to RMB1.3bn mainly due to the challenging domestic market environment. Due to delays in equipment renewal policies and prolonged industry rectification, the domestic medical equipment market contracted by 12.4% YoY in 2024, according to IQVIA. Despite the challenging environment, United Imaging's GPM improved by 1.5 ppts YoY, supported by higher proportion of revenue from mid-to-high-end products (+0.9 ppts equipment GPM) and services (+1.7 ppts GPM from scale/cost optimization). In 1Q25, United Imaging achieved turnaround in earnings with revenue and attributable net profit increasing by 5.4% and 1.9% YoY respectively, indicating a recovery in the domestic market.

■ **Overseas business remained robust.** In 2024, overseas revenue grew 35.1% YoY to RMB2.3bn, accounting for 22.0% of total revenue (+7.3ppts YoY). Ex-North America revenue rose ~28% YoY to RMB1.6bn, accounting for ~71% of the total overseas revenue. United Imaging continued to expand in European and emerging markets, with installation breakthroughs in France, Germany, and emerging markets such as South Africa, Morocco, and Brazil in 2024. Its market share in India rose to second place. The strong momentum of overseas business persisted in 1Q25, and we expect overseas business to remain a key growth driver in 2025E. With North America contributing only ~6% of total revenue, the impact of trade frictions may be limited. Proactive inventory management and global supply chain diversification will further help mitigate the risks of trade tensions.

■ **Domestic business was under pressure but signs of recovery have emerged.** In 2024, domestic revenue fell by 17.5% YoY to RMB8.0bn. However, the Company's market share in domestic imaging equipment (excluding ultrasound and DSA) increased significantly, ranking first in market share, with significant share gains (+5ppts) in the high-end market. Domestic procurement recovered strongly in 1Q25, with the domestic medical equipment bidding value up 67.5% YoY, according to Joinchain. Given the long revenue recognition cycle for large equipment, we expect meaningful recovery of domestic revenue from 2H25E.

■ **Services income grew fast.** Services revenue increased by 26.8% YoY to RMB1.4bn in 2024, with revenue contribution growing to 13.2% (+3.8ppts YoY). However, there remains a significant gap compared to GE Healthcare's 34% service revenue share in 2024, indicating large room for improvement. As of 2024, the Company's global installed base exceeded 34,500 units. With expanding installed base, we expect service revenue to maintain rapid growth.

■ **Maintain BUY.** Given the uncertain pace of domestic market recovery and ongoing trade frictions, we revise down our 2024-2027E revenue forecasts to a CAGR of 18.1%. Thus, we adjust our TP to RMB149.83, based on a 9-year DCF model (WACC: 8.2%, terminal growth: 4.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue(RMB mn)	11,411	10,300	12,194	14,410	16,985
YoY growth(%)	23.5	(9.7)	18.4	18.2	17.9
Net profit(RMB mn)	1,978	1,242	1,881	2,309	2,844
YoY growth(%)	19.9	(37.2)	51.5	22.8	23.2
Adjusted net profit(RMB mn)	1,665	1,010	1,880	2,315	2,858
EPS (Adjusted)(RMB)	2.02	1.23	2.28	2.81	3.47
P/E (x)	52.0	81.0	53.8	43.8	35.6
Net gearing (%)	(40.2)	(39.4)	(44.3)	(44.8)	(46.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB149.83

(Previous TP) RMB168.08)

Up/Downside 16.0%

Current Price RMB129.16

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Stock Data

Mkt Cap (RMB mn)	97,671.1
Avg 3 mths t/o (RMB mn)	582.6
52w High/Low (RMB)	143.70/92.81
Total Issued Shares(mn)	756.2

Source: FactSet

Shareholding Structure

United Imaging Group	20.3%
Shanghai Alliance Investment Ltd	16.4%

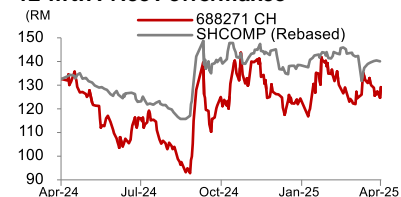
Source: SSE

Share Performance

	Absolute	Relative
1-mth	5.6%	7.7%
3-mth	3.8%	2.7%
6-mth	4.5%	4.5%

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	12,194	14,410	16,985	13,998	17,448	-	-12.89%	-17.41%	-
Gross profit	6,061	7,269	8,698	6,978	8,771	-	-13.14%	-17.13%	-
Operating profit	2,047	2,513	3,096	2,382	2,962	-	-14.06%	-15.14%	-
Net profit	1,911	2,346	2,890	2,204	2,740	-	-13.27%	-14.35%	-
EPS (RMB)	2.32	2.85	3.51	2.67	3.32	-	-13.27%	-14.35%	-
Gross margin	49.71%	50.44%	51.21%	49.85%	50.27%	-	-0.15ppt	+0.17ppt	-
Operating margin	16.79%	17.44%	18.23%	17.02%	16.98%	-	-0.23ppt	+0.47ppt	-
Net margin	15.68%	16.28%	17.01%	15.74%	15.70%	-	-0.07ppt	+0.58ppt	-

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	1,928	2,374	2,938	3,578	4,344	5,287	6,444	7,839	9,554
Tax rate	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%	8.12%
EBIT*(1-tax rate)	1,771	2,181	2,699	3,287	3,992	4,858	5,920	7,203	8,778
+ D&A	528	587	598	629	651	672	690	707	722
- Change in working capital	433	-806	-849	-1,028	-947	-992	-1,025	-1,069	-1,090
- Capex	-1,000	-900	-800	-700	-700	-700	-700	-700	-700
FCFF	1,732	1,062	1,649	2,188	2,996	3,838	4,886	6,141	7,710
Terminal value									191,314

Terminal growth rate	4.0%
WACC	8.2%
Cost of Equity	11.0%
Cost of Debt	3.5%
Equity Beta	0.85
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	94,193
Total PV	113,897
Net debt	-9,563
Minority	-27
Equity value	123,487
# of shares (mn)	824
DCF per share (in RMB)	149.83

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		7.2%	7.7%	8.2%	8.7%	9.2%
Terminal growth rate	5.0%	276.87	223.57	187.09	160.59	140.49
	4.5%	231.36	193.47	165.94	145.06	128.71
	4.0%	200.11	171.51	149.83	132.85	119.21
	3.5%	177.32	154.80	137.16	122.99	111.37
	3.0%	159.98	141.65	126.93	114.86	104.80

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	12,194	14,410	16,985	13,177	16,045	18,097	-7.46%	-10.19%	-6.14%
Gross profit	6,061	7,269	8,698	6,589	8,113	9,168	-8.02%	-10.40%	-5.13%
Operating profit	2,047	2,513	3,096	2,189	2,750	3,610	-6.46%	-8.60%	-14.25%
Net profit	1,911	2,346	2,890	1,995	2,555	2,903	-4.19%	-8.16%	-0.45%
EPS (RMB)	2.32	2.85	3.51	2.61	3.22	3.53	-10.97%	-11.69%	-0.67%
Gross margin	49.71%	50.44%	51.21%	50.01%	50.56%	50.66%	-0.3ppt	-0.12ppt	+0.55ppt
Operating margin	16.79%	17.44%	18.23%	16.61%	17.14%	19.95%	+0.18ppt	+0.3ppt	-1.72ppt
Net margin	15.68%	16.28%	17.01%	15.14%	15.92%	16.04%	+0.54ppt	+0.36ppt	+0.97ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	9,238	11,411	10,300	12,194	14,410	16,985
Cost of goods sold	(4,770)	(6,039)	(5,300)	(6,133)	(7,142)	(8,288)
Gross profit	4,468	5,372	5,000	6,061	7,269	8,698
Operating expenses	(2,540)	(3,230)	(3,634)	(4,013)	(4,755)	(5,602)
Selling expense	(1,328)	(1,609)	(1,823)	(1,890)	(2,219)	(2,599)
Admin expense	(431)	(561)	(556)	(610)	(706)	(815)
R&D expense	(1,306)	(1,729)	(1,761)	(1,853)	(2,147)	(2,480)
Others	525	668	507	340	317	292
Operating profit	1,928	2,142	1,366	2,047	2,513	3,096
Others	(8)	1	(15)	0	0	0
Pre-tax profit	1,920	2,142	1,352	2,047	2,513	3,096
Income tax	(270)	(164)	(110)	(166)	(204)	(251)
Minority interest	6	(3)	20	30	37	46
Net profit	1,650	1,978	1,242	1,881	2,309	2,844
Adjusted net profit	1,328	1,665	1,010	1,880	2,315	2,858

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	20,145	20,228	20,894	22,094	24,131	26,738
Cash & equivalents	10,075	7,584	8,400	10,121	11,133	12,678
Account receivables	2,029	3,233	4,360	4,327	4,719	5,097
Inventories	3,460	3,893	5,528	5,041	5,674	6,358
Prepayment	198	148	196	196	196	196
Other current assets	4,382	5,370	2,410	2,410	2,410	2,410
Non-current assets	4,060	5,108	7,142	7,487	7,673	7,748
PP&E	2,116	2,212	2,944	3,616	4,129	4,497
Deferred income tax	319	399	439	439	439	439
Intangibles	860	828	1,004	849	694	539
Goodwill	22	22	22	22	22	22
Other non-current assets	742	1,647	2,732	2,560	2,389	2,250
Total assets	24,205	25,336	28,036	29,581	31,805	34,486
Current liabilities	6,012	5,798	7,076	6,988	7,207	7,420
Short-term borrowings	16	9	557	557	557	557
Account payables	2,193	1,919	2,608	2,520	2,739	2,952
Tax payable	424	399	327	327	327	327
Other current liabilities	3,379	3,471	3,584	3,584	3,584	3,584
Non-current liabilities	719	657	1,054	1,054	1,054	1,054
Long-term borrowings	0	0	0	0	0	0
Deferred income	579	514	461	461	461	461
Other non-current liabilities	140	143	592	592	592	592
Total liabilities	6,731	6,455	8,129	8,042	8,261	8,473
Share capital	824	824	824	824	824	824
Capital surplus	408	412	412	412	412	412
Reserves	13,865	13,910	13,947	15,611	17,652	20,167
Others	2,386	3,720	4,719	4,719	4,719	4,719
Total shareholders equity	17,483	18,866	19,903	21,566	23,608	26,123
Minority interest	(10)	15	3	(27)	(64)	(110)
Total equity and liabilities	24,205	25,336	28,036	29,581	31,805	34,486

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,650	1,978	1,242	1,881	2,309	2,844
Depreciation & amortization	146	262	424	528	587	598
Tax paid	(270)	(164)	(110)	(166)	(204)	(251)
Change in working capital	(1,174)	(2,258)	(2,342)	433	(806)	(849)
Others	331	315	166	174	192	220
Net cash from operations	683	133	(619)	2,849	2,077	2,563
Investing						
Capital expenditure	(741)	(1,076)	(1,946)	(1,000)	(900)	(800)
Acquisition of subsidiaries/ investments	0	(45)	(10)	0	0	0
Net proceeds from disposal of short-term investments	7,164	25,308	26,853	0	0	0
Others	(11,111)	(25,752)	(26,141)	0	0	0
Net cash from investing	(4,689)	(1,565)	(1,244)	(1,000)	(900)	(800)
Financing						
Dividend paid	(1)	(166)	(304)	(129)	(165)	(217)
Net borrowings	(15)	4	546	0	0	0
Proceeds from share issues	10,795	10	94	0	0	0
Others	(51)	(511)	(136)	0	0	0
Net cash from financing	10,729	(662)	199	(129)	(165)	(217)
Net change in cash						
Cash at the beginning of the year	2,873	9,626	7,531	8,400	10,121	11,133
Exchange difference	31	(1)	2	0	0	0
Cash at the end of the year	9,626	7,531	5,868	10,121	11,133	12,678
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	27.4%	23.5%	(9.7%)	18.4%	18.2%	17.9%
Gross profit	24.6%	20.2%	(6.9%)	21.2%	19.9%	19.7%
Operating profit	13.7%	11.1%	(36.2%)	49.8%	22.8%	23.2%
Net profit	17.6%	19.9%	(37.2%)	51.5%	22.8%	23.2%
Adj. net profit	13.9%	25.4%	(39.3%)	86.1%	23.1%	23.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	48.4%	47.1%	48.5%	49.7%	50.4%	51.2%
Operating margin	20.9%	18.8%	13.3%	16.8%	17.4%	18.2%
Adj. net profit margin	14.4%	14.6%	9.8%	15.4%	16.1%	16.8%
Return on equity (ROE)	14.7%	10.9%	6.4%	9.1%	10.2%	11.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Current ratio (x)	3.4	3.5	3.0	3.2	3.3	3.6
Receivable turnover days	61.1	84.2	134.5	129.5	119.5	109.5
Inventory turnover days	216.8	222.2	324.4	300.0	290.0	280.0
Payable turnover days	131.2	124.3	155.9	150.0	140.0	130.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	56.9	52.0	81.0	53.8	43.8	35.6
P/E (diluted)	56.9	52.0	81.0	53.8	43.8	35.6
P/B	5.4	5.4	5.1	4.8	4.4	4.0
P/CFPS	138.1	774.1	ns	36.1	49.5	40.1
Div yield (%)	0.2	0.7	0.2	0.2	0.3	0.4

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

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