

# Tigermid (300347 CH)

## Healthy non-COVID revenue growth in 1Q23

Tigermid reported 1Q23 revenue of RMB1,805mn, down 0.7% YoY, and attributable recurring net income of RMB381mn, up 0.7% YoY. 1Q23 revenue / attributable recurring net income accounted for 21.2%/ 19.2% respectively of our 2023 full-year estimates, which were in line with its historical average level. 1Q23 revenue would grow by 27-28% YoY if excluding COVID related revenue. Gross profit margin (GPM) in 1Q23 was 39.7%, improving by 1.6ppt QoQ and 0.8ppt YoY, thanks to the decreased proportion of revenue from COVID-19 related projects (including pass-through revenue to overseas sub-contractors) as well as business normalization in China since Feb 2023. According to management, GPM would be above 41% if excluding COVID pass-through revenue. New orders signed in 1Q23 was largely flat YoY, while management expects a significant pickup in new orders growth from 2Q23 given the recovery of requests for proposal since 1Q23.

- Operation fully resumed after the COVID pandemic, laying a sound foundation for full-year growth.** Management indicated that COVID infection among employees had disrupted business operations in Jan 2023, with China-based laboratory services taking the most hit. According to Frontage (1521 HK), revenue declined by 1.8% YoY while adjusted net profit dropped by 77% YoY in 1Q23. With business operation resumed normal, management expected both revenue and GPM to see sequential improvements in 2Q23.
- Globalization remains a business focus.** Tigermid acquired a Croatia-based clinical CRO, Marti Farm, in Jan 2023, further enhancing its service capability in Europe. The Company is integrating its BD team in Europe to enhance BD capabilities. In the US, Tigermid aims to double its local clinical operation team to over 100 staff in 2023. The Company's strategies in Europe and US include collaborating with small- to mid- sized clients with relatively inadequate access to resource of global clinical CROs and Chinese clients going to developed markets. Additionally, Tigermid takes a proactive approach in Southeast Asia and Latin America. Such regions are potential end markets for Chinese drug developers, which will create additional demand for Tigermid in overseas market.
- Operating cash flow to recover.** Net operating cash flow substantially declined by 91% YoY to RMB29mn, due to 1) delay in part of cost payment from 4Q22 to 1Q23 due to COVID outbreak; 2) sizable income from COVID vaccine projects in 1Q22 which caused a high base; and 3) the increasing staff cost due to the growing employee number. Management guided net operating cash flow to rebound from 2Q23.
- Maintain BUY.** We revised our TP from RMB134.24 to RMB123.50, based on a 10-year DCF model (WACC: 10.6%, terminal growth: 3.0%), to factor in slower revenue growth projection. We forecast Tigermid's revenue to grow 15.4%/ 25.0%/ 24.1% YoY and attributable recurring net income to grow 21.8%/ 25.0%/ 25.3% YoY in FY23E/ 24E/ 25E, respectively.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,214	7,085	8,174	10,217	12,678
YoY growth (%)	63.3	35.9	15.4	25.0	24.1
Adjusted net profit (RMB mn)	1,232	1,540	1,875	2,345	2,938
EPS (Adjusted) (RMB)	1.42	1.78	2.15	2.69	3.37
Consensus EPS (RMB)	na	na	2.94	3.80	4.42
P/E (x) (adjusted)	65.4	52.1	43.1	34.5	27.5

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>RMB123.50</b>
(Previous TP)	RMB134.24)
<b>Up/Downside</b>	<b>33.2%</b>
<b>Current Price</b>	<b>RMB92.74</b>

### China Healthcare

#### Jill WU, CFA

(852) 3900 0842

jillwu@cmbi.com.hk

#### Benchen HUANG, CFA

huangbenchen@cmbi.com.hk

### Stock Data

Mkt Cap (RMB mn)	80,908.1
Avg 3 mths t/o (RMB mn)	611.2
52w High/Low (RMB)	127.45/78.40
Total Issued Shares (mn)	872.4

Source: FactSet

### Shareholding Structure

HK investors	23.4%
Xiaoping Ye	20.3%

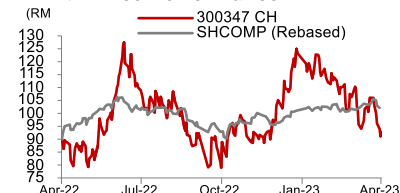
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-12.7%	-12.6%
3-mth	-24.8%	-24.8%
6-mth	4.4%	-4.1%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

**Figure 1: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	8,174	10,217	12,678	8,499	10,705	13,385	-3.83%	-4.56%	-5.29%
Gross Profit	3,494	4,425	5,564	3,732	4,731	5,956	-6.37%	-6.47%	-6.58%
Operating Profit	2,318	2,954	3,758	2,525	3,212	4,056	-8.23%	-8.02%	-7.35%
Recurring net profit	1,875	2,345	2,938	1,982	2,512	3,172	-5.37%	-6.66%	-7.37%
Recurring EPS (RMB)	2.15	2.69	3.37	2.27	2.88	3.64	-5.37%	-6.66%	-7.37%
Gross Margin	42.75%	43.31%	43.89%	43.91%	44.20%	44.50%	-1.16ppt	-0.89ppt	-0.61ppt
Operating Margin	28.35%	28.92%	29.64%	29.71%	30.00%	30.30%	-1.36ppt	-1.09ppt	-0.66ppt
Net Margin	22.94%	22.95%	23.18%	23.32%	23.47%	23.70%	-0.37ppt	-0.52ppt	-0.52ppt

Source: Company data, CMBIGM estimates

**Figure 2: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	8,174	10,217	12,678	8,794	11,268	13,969	-7.05%	-9.33%	-9.24%
Gross Profit	3,494	4,425	5,564	3,827	4,979	6,179	-8.71%	-11.12%	-9.95%
Operating Profit	2,318	2,954	3,758	2,917	3,734	4,592	-20.55%	-20.88%	-18.16%
Recurring net profit	1,875	2,345	2,938	2,627	3,386	3,901	-28.61%	-30.75%	-24.68%
Recurring EPS (RMB)	2.15	2.69	3.37	2.94	3.80	4.42	-26.81%	-29.29%	-23.84%
Gross Margin	42.75%	43.31%	43.89%	43.52%	44.19%	44.23%	-0.77ppt	-0.87ppt	-0.34ppt
Operating Margin	28.35%	28.92%	29.64%	33.17%	33.14%	32.87%	-4.82ppt	-4.22ppt	-3.23ppt
Net Margin	22.94%	22.95%	23.18%	29.87%	30.05%	27.93%	-6.93ppt	-7.10ppt	-4.75ppt

Source: Company data, Bloomberg, CMBIGM estimates

**Figure 3: Risk-adjusted DCF valuation**

DCF Valuation (in Rmb mn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	2,916	3,652	4,556	5,923	7,641	9,780	12,421	15,650	19,563	24,258
Tax rate	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%	12.13%
EBIT*(1-tax rate)	2,562	3,209	4,003	5,205	6,714	8,594	10,914	13,752	17,190	21,315
+ D&A	266	302	334	400	477	562	658	763	878	1,001
- Change in working capital	(63)	(241)	(291)	(350)	(416)	(491)	(574)	(666)	(766)	(873)
- Capex	(2,150)	(2,050)	(1,950)	(2,340)	(2,785)	(3,287)	(3,845)	(4,460)	(5,130)	(5,848)
<b>FCFF</b>	<b>615</b>	<b>1,219</b>	<b>2,095</b>	<b>2,915</b>	<b>3,989</b>	<b>5,379</b>	<b>7,152</b>	<b>9,388</b>	<b>12,172</b>	<b>15,595</b>
<b>Terminal value</b>										<b>211,244</b>
<b>Terminal growth rate</b>	<b>3.00%</b>									
<b>WACC</b>	<b>10.60%</b>									
Cost of Equity	14.03%									
Cost of Debt	5.00%									
Equity Beta	1.05									
Risk Free Rate	3.00%									
Market Risk Premium	10.50%									
Target Debt to Asset ratio	35.00%									
Effective Corporate Tax Rate	15.00%									
PV of terminal value (RMB mn)	77,105									
Total PV (RMB mn)	105,833									
Net debt (RMB mn)	(5,272)									
Equity value (RMB mn)	3,359									
Minority (RMB mn)	107,746									
# of shares (mn)	872									
Price per share (RMB per share)	<b>123.50</b>									

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>3,192</b>	<b>5,214</b>	<b>7,085</b>	<b>8,174</b>	<b>10,217</b>	<b>12,678</b>
Cost of goods sold	(1,678)	(2,943)	(4,277)	(4,680)	(5,792)	(7,114)
<b>Gross profit</b>	<b>1,514</b>	<b>2,271</b>	<b>2,808</b>	<b>3,494</b>	<b>4,425</b>	<b>5,564</b>
<b>Operating expenses</b>	<b>(655)</b>	<b>(911)</b>	<b>(1,038)</b>	<b>(1,177)</b>	<b>(1,471)</b>	<b>(1,806)</b>
Selling expense	(97)	(129)	(150)	(169)	(211)	(256)
Admin expense	(391)	(547)	(630)	(719)	(898)	(1,108)
R&D expense	(157)	(212)	(235)	(262)	(328)	(401)
Others	(11)	(23)	(23)	(27)	(33)	(41)
<b>Operating profit</b>	<b>859</b>	<b>1,359</b>	<b>1,771</b>	<b>2,318</b>	<b>2,954</b>	<b>3,758</b>
Gain/loss on financial assets at FVTPL	1,138	1,815	536	498	598	698
Investment gain/loss	284	312	103	100	100	100
<b>Net interest income/(expense)</b>	<b>(88)</b>	<b>216</b>	<b>158</b>	<b>54</b>	<b>54</b>	<b>62</b>
Other income/expense	26	(19)	18	0	0	0
<b>Pre-tax profit</b>	<b>2,219</b>	<b>3,685</b>	<b>2,585</b>	<b>2,970</b>	<b>3,706</b>	<b>4,618</b>
Income tax	(190)	(293)	(314)	(360)	(450)	(560)
<b>After tax profit</b>	<b>2,029</b>	<b>3,392</b>	<b>2,272</b>	<b>2,609</b>	<b>3,257</b>	<b>4,058</b>
Minority interest	(279)	(518)	(265)	(261)	(358)	(487)
<b>Net profit</b>	<b>1,750</b>	<b>2,874</b>	<b>2,007</b>	<b>2,348</b>	<b>2,899</b>	<b>3,571</b>
<b>Adjusted net profit</b>	<b>708</b>	<b>1,232</b>	<b>1,540</b>	<b>1,875</b>	<b>2,345</b>	<b>2,938</b>
Gross dividends	262	433	476	557	687	847
<b>BALANCE SHEET</b>						
	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>11,646</b>	<b>10,852</b>	<b>11,107</b>	<b>10,132</b>	<b>9,781</b>	<b>10,109</b>
Cash & equivalents	10,124	8,544	7,858	6,865	6,246	6,251
Account receivables	496	816	1,034	1,067	1,334	1,655
Inventories	5	6	22	6	8	10
Prepayment	28	59	59	59	59	59
Other current assets	994	1,426	2,134	2,134	2,134	2,134
<b>Non-current assets</b>	<b>7,860</b>	<b>12,889</b>	<b>16,339</b>	<b>18,822</b>	<b>21,269</b>	<b>23,684</b>
PP&E	300	438	566	939	1,277	1,582
Deferred income tax	80	101	121	121	121	121
Investment in JVs & assos	60	739	1,800	1,800	1,800	1,800
Intangibles	142	251	338	274	209	144
Goodwill	1,445	1,779	2,485	2,785	3,085	3,385
Financial assets at FVTPL	5,292	8,746	9,964	11,964	13,964	15,964
Other non-current assets	541	836	1,066	939	813	687
<b>Total assets</b>	<b>19,506</b>	<b>23,741</b>	<b>27,447</b>	<b>28,954</b>	<b>31,050</b>	<b>33,793</b>
<b>Current liabilities</b>	<b>1,139</b>	<b>2,413</b>	<b>3,730</b>	<b>3,184</b>	<b>2,711</b>	<b>2,243</b>
Short-term borrowings	0	492	1,849	1,349	849	349
Account payables	181	156	50	50	50	50
Tax payable	126	281	198	198	198	198
Other current liabilities	832	1,484	1,633	1,588	1,615	1,646
<b>Non-current liabilities</b>	<b>508</b>	<b>723</b>	<b>1,036</b>	<b>1,036</b>	<b>1,036</b>	<b>1,036</b>
Long-term borrowings	0	0	245	245	245	245
Obligations under finance leases	279	407	489	489	489	489
Other non-current liabilities	229	316	302	302	302	302
<b>Total liabilities</b>	<b>1,648</b>	<b>3,136</b>	<b>4,765</b>	<b>4,220</b>	<b>3,747</b>	<b>3,278</b>
Share capital	872	872	872	872	872	872
Capital surplus	11,998	11,887	11,852	13,644	15,855	18,579
Retained earnings	3,253	5,771	7,270	7,270	7,270	7,270
Other reserves	(6)	(406)	(412)	(412)	(412)	(412)
<b>Total shareholders equity</b>	<b>16,119</b>	<b>18,124</b>	<b>19,583</b>	<b>21,375</b>	<b>23,586</b>	<b>26,310</b>
Minority interest	1,740	2,482	3,098	3,359	3,717	4,204
<b>Total equity and liabilities</b>	<b>19,506</b>	<b>23,741</b>	<b>27,447</b>	<b>28,954</b>	<b>31,050</b>	<b>33,793</b>

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>2,219</b>	<b>3,685</b>	<b>2,585</b>	<b>2,970</b>	<b>3,706</b>	<b>4,618</b>
Depreciation & amortization	150	197	285	266	302	334
Tax paid	(190)	(293)	(314)	(360)	(450)	0
Change in working capital	(41)	(235)	(692)	(63)	(241)	(291)
Others	(1,140)	(1,930)	(507)	(652)	(752)	(1,420)
<b>Net cash from operations</b>	<b>999</b>	<b>1,424</b>	<b>1,357</b>	<b>2,160</b>	<b>2,565</b>	<b>3,240</b>
<b>Investing</b>						
Capital expenditure	(156)	(369)	(449)	(449)	(449)	(449)
Acquisition of subsidiaries/ investments	(194)	(90)	(663)	(300)	(300)	(300)
Net proceeds from disposal of short-term investments	(1,867)	(2,140)	(1,779)	(1,402)	(1,302)	(1,202)
Others	(150)	(185)	102	0	0	0
<b>Net cash from investing</b>	<b>(2,367)</b>	<b>(2,783)</b>	<b>(2,789)</b>	<b>(2,150)</b>	<b>(2,050)</b>	<b>(1,950)</b>
<b>Financing</b>						
Dividend paid	(271)	(284)	(492)	(503)	(633)	(785)
Net borrowings	(903)	492	1,607	(500)	(500)	(500)
Proceeds from share issues	11,212	272	315	0	0	0
Others	(698)	(643)	(621)	0	0	0
<b>Net cash from financing</b>	<b>9,339</b>	<b>(163)</b>	<b>809</b>	<b>(1,003)</b>	<b>(1,133)</b>	<b>(1,285)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	2,037	9,960	8,378	7,858	6,865	6,246
Exchange difference	(47)	(60)	27	0	0	0
<b>Cash at the end of the year</b>	<b>9,960</b>	<b>8,378</b>	<b>7,783</b>	<b>6,865</b>	<b>6,246</b>	<b>6,251</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	13.9%	63.3%	35.9%	15.4%	25.0%	24.1%
Gross profit	16.2%	50.0%	23.7%	24.4%	26.6%	25.7%
Operating profit	16.6%	58.2%	30.3%	30.9%	27.5%	27.2%
Net profit	107.9%	64.3%	(30.2%)	17.0%	23.4%	23.2%
Adj. net profit	26.9%	73.9%	25.0%	21.8%	25.0%	25.3%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	47.4%	43.6%	39.6%	42.7%	43.3%	43.9%
Operating margin	26.9%	26.1%	25.0%	28.4%	28.9%	29.6%
Adj. net profit margin	22.2%	23.6%	21.7%	22.9%	23.0%	23.2%
Return on equity (ROE)	17.2%	16.8%	10.6%	11.5%	12.9%	14.3%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.6)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)
Current ratio (x)	10.2	4.5	3.0	3.2	3.6	4.5
Receivable turnover days	90.1	45.9	47.6	47.6	47.6	47.6
Inventory turnover days	0.6	0.7	1.2	0.5	0.5	0.5
Payable turnover days	39.8	20.9	8.8	8.8	8.8	8.8
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E (adjusted)	104.4	65.4	52.1	43.1	34.5	27.5
P/B	4.8	7.5	4.3	3.8	3.4	3.1
P/CFPS	77.4	95.4	62.5	37.5	31.5	25.0
Div yield (%)	0.3	0.3	0.6	0.7	0.8	1.0

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

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**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform 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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