

Outperform

(maintained)

Computer

B-Soft Co., Ltd

(300451.SZ)

Lead Medical Information Construction, Industry Layout Grows Better

6-Feb-20

Key Data

Jan. 31, 2020

Closing Price	19.17
Total Shares (Mn)	739.75
Shares Outstanding (Mn)	550.05
Market Cap(CNY/Mn)	14181.03
Market Float(CNY/Mn)	10544.42
Net Assets (CNY/Mn)	2492.68
Total Assets (CNY/Mn)	3175.87
BVPS	3.37

Analyst

Jiang Jialin

jiangjialin@xyzq.com.cn
S0190515050002

Group Member

Feng Xinyi

fengxinyi@xyzq.com.cn

Key Financial Indicators

FY	2018A	2019E	2020E	2021E
Revenue (Mn/CNY)	1290	1584	2069	2607
YoY (%)	11.9%	22.7%	30.6%	26.0%
Net Profit (Mn/CNY)	213	300	404	527
YoY (%)	30.3%	41.0%	34.8%	30.3%
Gross Margin (%)	49.8%	50.2%	49.6%	49.0%
Net Profit Margin (%)	16.5%	18.9%	19.5%	20.2%
ROE (%)	9.2%	11.4%	13.5%	15.1%
EPS (CNY)	0.29	0.41	0.55	0.71
OCFPS (CNY)	0.23	0.30	0.42	0.53

Company Profile

B-Soft Co., Ltd. is a China-based company principally involved in medical and health information construction. It operates three businesses. The medical and informatization application software business includes hospital information application software and public health information application software. The information technology-based system integration business includes computer information equipment system integration business and intelligent network cabling engineering integration business. The information technology (IT) operation and maintenance service business includes financial self-service equipment professional technical service business and medical industry's maintenance technology service business. The Company mainly conducts its businesses in domestic market. (Source: Reuters)

Investment Highlights

B-soft (the company) initially forms its business layout, while leading China's medical information construction.

The company has deeply cultivated medical informatization for more than two decades: it has implemented more than 10,000 medical IT projects, owned over 6,000 customers and accumulated more than 250 mn resident health records.

The company, with dual drivers of internal growth and M&A expansion, continuously improves its business layout---conventional medical informatization (centering on Electronic Medical Record informatization), coupled with internet medical service and medical IOT. During 2014~2018, the company had realized relatively quick growth in operating revenue and net profit with a 33.6%/45.4% CAGR respectively.

Medical informatization: enjoying extraordinary market growth potential of EMR (Electronic Medical Record) informatization sector.

The company is mainly engaged in EMR (operating revenue of EMR business takes up 30% to 40% in the company's medical IT business). China's medical informatization construction is currently at a stage of CIS where EMR informatization is the key point.

China's National Health Commission (NHC) requires that all tertiary hospitals reach the 4th level or above and second-class hospitals reach the 3rd level or above in grading evaluation by 2020. At present, China's poor EMR system construction implies a huge market growth potential in the future.

Internet medical service and medical IOT: working with the industry giants to exploit new blue ocean in the medical sector.



The company has continuously put weights in two innovative businesses---internet medical service and medical IOT.

For Internet medical service, the company won the bidding of “Jiankang Zhongshan” project, which has officially started operation and possessed replication capacity in over-300 areas like Zigong.

For medical IOT, it has realized powerful combination by acquiring “Botai Service”. At the same time, in order to build a “Health City” operating business ecosystem, the company successively reaches strategical cooperation agreements with Ant Financial Service Group, Tencent and Lenovo to boost company’s quick growth in innovative areas like big data, AI and intelligent medical sector.

On Jan. 22nd, 2020, the company announced that Pingsheng Ankang (an equity investment organization wholly owned by Ping An Insurance (Group) Company Of China) become one of company’s shareholders with above 5% of total share capital through negotiating transfer. In the future, the company’s new business will get progress through industry chain integration.

Earnings forecast and investment recommendation

We revise the company’s net profit attributable to shareholders to CNY 300/404/527mn for year 19/20/21, implying an EPS of CNY 0.41/0.55/0.71. We maintain “Outperform” rating for the company.

Potential risks: lower-than-expected growth of the medical informatization industry; slower-than-expected implementation of medical informatization policy; goodwill impairment

This English translation of the original Chinese version <医疗信息化排头兵，“一体两翼”渐入佳境> issued by Industrial Securities on January 31, 2020 is for information purpose only. In case of a discrepancy, the Chinese original will prevail.

Appendix

Balance Sheet				Mn/CNY
FY	2018A	2019E	2020E	2021E
Current Assets	1212	1579	2118	2762
Cash and Cash Equivalent	468	669	929	1262
Trading Financial Assets	0	0	0	0
Account Receivables	580	711	929	1171
Other Receivables	47	58	75	95
Inventory	87	106	141	180
Non-current Asset	1867	1888	1884	1890
Available-for-sale Financial Assets	119	119	119	119
Long-term Equity Investment	174	174	174	174
Investment Real Estate	3	3	3	3
Fixed Assets	300	314	312	301
Construction in Progress	60	30	15	7
Oil and Gas Assets	0	0	0	0
Intangible Assets	54	78	102	126
Total Assets	3079	3467	4002	4653
Current Liabilities	711	795	943	1109
Short-term Loans	178	178	178	178
Notes Payable	7	9	12	15
Account Payable	224	273	361	460
Others	302	336	393	456
Non-current Liabilities	10	0	10	7
Long-term Loans	0	0	0	0
Others	10	0	10	7
Total Liabilities	721	795	953	1116
Share Capital	485	740	740	740
Capital Reserve	1201	947	947	947
Undistributed Profit	600	841	1165	1586
Minority Interest	37	44	52	59
Total Shareholders' Equity	2358	2671	3049	3537
Total Liabilities and Equity	3079	3467	4002	4653

Cash Flow Statement				Mn/CNY
FY	2018A	2019E	2020E	2021E
Net Profit	213	300	404	527
Depreciation and Amortization	26	24	25	26
Property Depreciation Preparation	31	24	40	45
Amortization of Intangible Assets	8	8	8	8
Loss from Fair Value Change	0	0	0	0
Financial Expense	8	2	-3	-9
Investment Loss	-9	-9	-9	-9
Minority Interest Income	7	7	7	7
Change in Working Capitals	-110	-105	-171	-189
Cash Flows from Operating Activities	170	219	314	394
Cash Flows from Investment Activities	-157	-23	-23	-23
Cash Flows from Financing Activities	93	4	-32	-37
Net Change in Cash	105	201	260	333
Beginning Balance of Cash	360	468	669	929
Ending Balance of Cash	466	669	929	1262

Income Statement				Mn/CNY
FY	2018A	2019E	2020E	2021E
Operating Income	1290	1584	2069	2607
Operating Expense	648	788	1043	1331
Business Tax and Surcharges	14	17	23	29
Selling Expense	119	143	184	229
Administration Expense	152	268	339	407
Financial Expense	8	2	-3	-9
Asset Impairment	31	31	31	31
Change in Fair Value	0	0	0	0
Investment Income	9	9	9	9
Operating Profit	247	344	461	598
Non-business Income	0	0	0	0
Non-business Expense	1	1	1	1
Total Profit	246	343	460	597
Income Tax	26	36	48	63
Net Profit	220	307	412	534
Minority Interest Income	7	7	7	7
Net Profit Attributable to Parent Company	213	300	404	527
EPS(CNY)	0.29	0.41	0.55	0.71

Key Financial Ratios				
FY	2018A	2019E	2020E	2021E
Growth				
Increase Rate of Business Revenue	11.9%	22.7%	30.6%	26.0%
Increase Rate of Business Profit	22.7%	39.5%	33.9%	29.7%
Net Profit Growth Rate	30.3%	41.0%	34.8%	30.3%
Profitability				
Gross Margin Rate	49.8%	50.2%	49.6%	49.0%
Net Profit Margin	16.5%	18.9%	19.5%	20.2%
ROE	9.2%	11.4%	13.5%	15.1%

Solvency				
	2018A	2019E	2020E	2021E
Asset-liability Ratio	23.4%	22.9%	23.8%	24.0%
Current Ratio	1.70	1.99	2.25	2.49
Quick Ratio	1.58	1.85	2.10	2.33
Operation Capacity				
Asset Turnover Ratio	44.7%	48.4%	55.4%	60.2%
AR Turnover Ratio	216.7%	211.4%	217.3%	213.9%
Stock Info(CNY)				
EPS	0.29	0.41	0.55	0.71
OCFPS	0.23	0.30	0.42	0.53
NAVPS	3.14	3.55	4.05	4.70
Valuation Ratio				
PE	67.4	47.8	35.5	27.2
PB	6.2	5.5	4.8	4.1

Introduction of Share Investment Rating

Industry Investment Rating

When measuring the difference between the markup of the industry index and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of the report, we define the terms as follows:

- **Overweight:** Industry performs better than that of the whole market;
- **Neutral:** Industry performs about the same as that of the whole market;
- **Underweight:** Industry performs worse than that of the whole market

Company Investment Rating

When measuring the difference between the markup of the company stock price and that of the market's benchmarks (Shanghai Composite Index/Shenzhen Component Index) within twelve months after the release of this report, we define the terms as follows:

- **Buy:** With a markup more than 15% better than that of the market;
- **Outperform:** With a markup 5% to 15% better than that of the market;
- **Neutral:** With a markup less than 5% better or worse than that of the market;
- **Underperform:** With a markup more than 5% worse than that of the market.

Information Disclosure

The Industrial Securities Co., Ltd. fulfills its duty of disclosure within its sphere of knowledge. The clients may visit the column of Insider Trading Prevention and Control at www.xyq.com.cn for the arrangement of the quiet period and the affiliates' shareholdings.

Important statement

The information contained in this report is derived from public information. We do not warrant the accuracy and completeness of such information, nor do we guarantee that the information and recommendations contained will never change. We have tried our best to be objective and fair about the content of this report. The opinions, conclusions and recommendations in the article do not constitute any bid or offer price for the target securities. Our company and the author are not responsible for any investment decision made by the investor.

Analyst Certification

We are conferred the Professional Quality of Securities Investment Consultant Industry by the Securities Association of China and have registered as the Securities Analysts. We hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. We hereby certify that the views expressed in this report accurately reflect our personal views about any or all of the subject securities or issuers referred to herein. We have never been, are not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

Disclaimer

Industrial Securities Co., Ltd. (hereinafter referred to as the 'Company') is a qualified securities investment consulting institute approved by the China Securities Regulatory Commission.

The report is to be used solely by the clients of the Company. The Company will not treat unauthorized receivers of this report as its clients. The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of research opinions, which are subject to the complete report released on the Company's website (<http://www.xyq.com.cn>). The clients may ask for follow-up explanations if they so wish.

Based on different assumptions or standards and with different analytical approaches, the Company's salespersons, traders and other professionals may express views, written or oral, towards market trend and securities trading which are inconsistent with opinions and recommendations contained herein. The views in this report are subject to change, and the

Company has no obligation to update its information with all receivers of the report.

The Company's asset management department, proprietary business department and other investment-related departments may make independent investment decisions based on investment that are inconsistent with opinions and recommendations contained herein.

The report is based on public information; however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any securities. The clients should make investment decisions independently and solely at their own risks.

Under the legal framework, the Company may take positions in and trade stocks of the companies referred to herein, which may receive investment banking services from the Company. The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on the report.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report and reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. No one shall have the right to redistribute the report at any circumstances without the prior consent of the Company.