

# Tigermed (300347 CH)

## Better business recovery outlook in 2021E

- Earnings beat in 2020.** Tigermed announced positive profit alert that its attributable net profit in 2020 rallied 100-115% YoY to RMB1,683-1,810mn (higher than our estimate of 90% YoY growth), and attributable recurring net profit grew 20-33% YoY to RMB670-742mn (vs our estimate of 23% YoY growth). Tigermed recognized RMB1.0-1.1bn one-off fair value gains and investment gains in 2020 vs RMB283mn one-off gains in 2019.
- Strong growth momentum continued despite challenging COVID-19 pandemic in 2020.** Recall that Tigermed's operation was interrupted by COVID-19 in the first half of 2020. As the pandemic got largely controlled in China, clinical trial operations started to normalize from 2Q20, leading to recovery in Tigermed's domestic revenue. However, the pandemic remained serious in overseas regions such as the US and Europe. As a result, the overseas CRO demand, such as data management services and Frontage's BIO, CMC, DMPK services, were negatively impacted. In 1H20, Tigermed received 42% of total revenue from overseas and 40% of gross profit from overseas. We forecast Tigermed to register 27% YoY revenue growth in 2H20E, accelerating from 9% YoY growth in 1H20. Looking into 2021, we expect the COVID-19 epidemic to gradually ease thanks to the wide availability of vaccines, which will drive further business recovery for Tigermed. We expect Tigermed's revenue growth to accelerate to 30% YoY in 2021E and 28% YoY in 2022E.
- Global expansion to drive long-term growth.** Given China's large patient pool, international pharmaceutical companies are including China as one site in MRCTs to speed up the enrollment of patients. Meanwhile, Chinese biotech companies are initiating more MRCTs for the purpose of product registration in overseas countries. Tigermed provides clinical CRO services for Chinese innovative drugs to go global and multinational enterprises' drugs to enter Chinese market. Meanwhile, we expect Tigermed to further expand its overseas business network to become a clinical CRO company with global operations. The Company already has established networks in Asia Pacific regions, while US market could be the next emphasis.
- Maintain BUY.** We raised our 2020E/21E net profit forecasts by 8.2%/0.3%, respectively, to factor in one-off gains and strong core business growth. We raised our DCF-based TP to RMB187.23 (WACC: 9.84%, Terminal growth: 4.0%).

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	2,301	2,803	3,320	4,313	5,517
Revenue YoY growth (%)	36.37	21.85	18.42	29.92	27.93
Net income (RMB mn)	472	842	1,729	1,370	1,839
EPS (RMB)	0.94	1.13	1.98	1.57	2.11
EPS YoY growth (%)	54.22	19.70	75.39	-20.77	34.24
Consensus EPS	N/A	N/A	1.78	1.81	2.25
P/E (x)	177.86	148.58	84.71	106.92	79.65
P/B (x)	31.47	29.78	9.33	8.76	8.09
Yield (%)	0.21	0.17	0.29	0.23	0.31
ROE (%)	16.70	17.66	10.80	8.03	9.95
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

**Target Price** RMB187.23  
 (Previous TP RMB146.43)  
**Up/Downside** +11.51%  
**Current Price** RMB167.90

### China Healthcare Sector

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### Stock Data

Mkt Cap (RMB mn)	142,981
Avg 3 mths t/o (RMB mn)	910.24
52w High/Low (RMB)	193.20/62.68
Total Issued Shares (mn)	749

Source: Bloomberg

### Shareholding Structure

Management	37.11%
Temasek	2.92%
Free float	59.97%

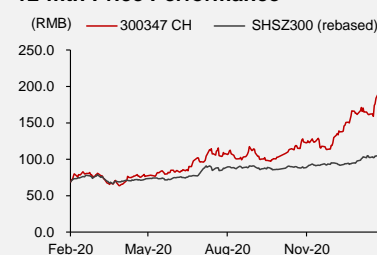
Source: SZSE

### Share Performance

	Absolute	Relative
1-mth	2.5%	-6.5%
3-mth	40.0%	19.0%
6-mth	64.3%	34.6%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: BDO CHINA**

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**Figure 1: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	3,320	4,313	5,517	3,320	4,346	5,602	0.00%	-0.75%	-1.51%
Gross Profit	1,592	2,055	2,644	1,573	2,072	2,686	1.18%	-0.78%	-1.57%
Operating Profit	914	1,211	1,652	895	1,221	1,679	2.08%	-0.80%	-1.61%
Net profit	1,729	1,370	1,839	1,597	1,366	1,834	8.27%	0.30%	0.28%
EPS (RMB)	1.98	1.57	2.11	1.83	1.57	2.10	8.27%	0.30%	0.28%
Gross Margin	47.96%	47.66%	47.91%	46.26%	46.48%	47.94%	+1.70 ppt	+1.18 ppt	-0.03 ppt
Operating Margin	27.53%	28.08%	29.94%	27.57%	29.00%	29.97%	-0.04 ppt	-0.91 ppt	-0.03 ppt
Net Margin	52.10%	31.77%	33.34%	24.87%	26.47%	32.74%	+27.22 ppt	+5.30 ppt	+0.59 ppt

Source: Company data, CMBIS estimates

**Figure 2: CMBIS estimates vs consensus**

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	3,320	4,313	5,517	3,306	4,266	5,442	0.41%	1.10%	1.38%
Gross Profit	1,592	2,055	2,644	1,557	2,025	2,615	2.27%	1.50%	1.10%
Operating Profit	914	1,211	1,652	1,512	1,851	2,348	-39.56%	-34.56%	-29.65%
Net profit	1,729	1,370	1,839	1,519	1,585	1,979	13.85%	-13.55%	-7.06%
EPS (RMB)	1.98	1.57	2.11	1.78	1.81	2.25	11.47%	-13.15%	-6.32%
Gross Margin	47.96%	47.66%	47.91%	47.09%	47.47%	48.05%	+0.87 ppt	+0.19 ppt	-0.14 ppt
Operating Margin	27.53%	28.08%	29.94%	45.74%	43.39%	43.15%	-18.20 ppt	-15.31 ppt	-13.21 ppt
Net Margin	52.10%	31.77%	33.34%	45.95%	37.15%	36.37%	+6.15 ppt	-5.38 ppt	-3.03 ppt

Source: Company data, Bloomberg, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>2,301</b>	<b>2,803</b>	<b>3,320</b>	<b>4,313</b>	<b>5,517</b>
Clinical field service	1,103	1,347	1,638	2,096	2,683
Clinical test technical service	1,195	1,446	1,671	2,205	2,823
Other business	3	10	11	11	11
Cost of sales	(1,309)	(1,500)	(1,728)	(2,257)	(2,874)
<b>Gross profit</b>	<b>992</b>	<b>1,303</b>	<b>1,592</b>	<b>2,055</b>	<b>2,644</b>
Business taxes	(9)	(11)	(12)	(16)	(21)
Selling expenses	(54)	(81)	(94)	(116)	(143)
Admin expenses	(314)	(350)	(415)	(518)	(607)
R&D expenses	(88)	(124)	(156)	(194)	(221)
<b>Operating profit</b>	<b>526</b>	<b>737</b>	<b>914</b>	<b>1,211</b>	<b>1,652</b>
Finance costs, net	(7)	(10)	(139)	(13)	(17)
Investment gains	119	180	450	0	0
Other gains	(31)	203	841	428	548
<b>Pre-tax profit</b>	<b>606</b>	<b>1,089</b>	<b>2,059</b>	<b>1,627</b>	<b>2,183</b>
Income tax	(99)	(114)	(212)	(163)	(218)
Minority interests	(35)	(134)	(118)	(94)	(126)
<b>Net profit</b>	<b>472</b>	<b>842</b>	<b>1,729</b>	<b>1,370</b>	<b>1,839</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Total net profit</b>	<b>507</b>	<b>975</b>	<b>1,848</b>	<b>1,464</b>	<b>1,965</b>
Depreciation and amortization	61	47	41	52	62
Change in working capital	8	(169)	45	(228)	(257)
Investment loss (gain)	(119)	(180)	(450)	0	0
Other operating activities	65	(147)	(537)	(415)	(532)
<b>Operating cash flow</b>	<b>522</b>	<b>528</b>	<b>947</b>	<b>873</b>	<b>1,238</b>
Capex	(92)	(103)	(150)	(150)	(150)
Purchase of investment assets	(843)	(1,015)	(1,200)	(1,200)	(1,200)
Other investing activities	568	479	300	428	548
<b>Investing cash flow</b>	<b>(367)</b>	<b>(638)</b>	<b>(1,050)</b>	<b>(922)</b>	<b>(802)</b>
Net proceeds from shares issued	59	1,441	10,167	0	0
Bank borrowing	340	180	0	0	0
Acquisition of non-controlling interests	(127)	(266)	(567)	(352)	(471)
Dividends and interests paid	(262)	80	0	0	0
Other financing activities	10	1,434	9,600	(352)	(471)
<b>Financing cash flow</b>	<b>10</b>	<b>1,434</b>	<b>9,600</b>	<b>(352)</b>	<b>(471)</b>
FX changes	7	15	0	0	0
Net change in cash	173	1,339	9,497	(400)	(35)
Cash at the beginning of the year	525	698	2,042	11,539	11,139
<b>Cash at the year end</b>	<b>704</b>	<b>2,042</b>	<b>11,539</b>	<b>11,139</b>	<b>11,104</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>2,677</b>	<b>4,163</b>	<b>6,304</b>	<b>7,602</b>	<b>8,890</b>
Fixed asset	255	252	371	479	576
Intangible assets	28	96	91	85	79
Financial assets available for sale	1,222	0	0	0	0
Goodwill	1,033	1,158	1,158	1,158	1,158
Other non-current assets	139	2,656	4,685	5,881	7,077
<b>Current assets</b>	<b>1,603</b>	<b>3,370</b>	<b>12,873</b>	<b>12,741</b>	<b>13,011</b>
Cash	704	2,042	11,539	11,139	11,104
Inventories	1	1	2	3	4
Trade and bills receivables	782	1,080	1,091	1,359	1,663
Prepayments, deposits and other receivables	47	26	26	26	26
Other current assets	69	220	214	214	214
<b>Current liabilities</b>	<b>1,209</b>	<b>1,791</b>	<b>1,848</b>	<b>1,889</b>	<b>1,936</b>
Borrowings	603	864	864	864	864
Trade and other payables	44	185	185	185	185
Other current liabilities	562	742	799	840	887
<b>Non-current liabilities</b>	<b>37</b>	<b>220</b>	<b>220</b>	<b>220</b>	<b>220</b>
Borrowings	3	37	37	37	37
Other non-current liabilities	34	184	184	184	184
<b>Total net assets</b>	<b>3,034</b>	<b>5,522</b>	<b>17,109</b>	<b>18,234</b>	<b>19,744</b>
<b>Minority interest</b>	<b>366</b>	<b>1,296</b>	<b>1,414</b>	<b>1,508</b>	<b>1,634</b>
<b>Shareholders' equity</b>	<b>2,669</b>	<b>4,225</b>	<b>15,694</b>	<b>16,726</b>	<b>18,110</b>

### Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales mix (%)</b>					
Clinical trial technical services	48	48	49	49	49
Clinical trial consulting services	52	52	50	51	51
Other business	0	0	0	0	0
Total	100	100	100	100	100
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	43	46	48	48	48
EBITDA margin	29	41	67	39	41
Pre-tax margin	26	39	62	38	40
Net margin	21	30	52	32	33
Effective tax rate	16	10	10	10	10
<b>Balance sheet ratios</b>					
Current ratio (x)	1	2	7	7	7
Trade receivables turnover days	112	121	120	115	110
Trade payables turnover days	11	28	28	28	28
Net debt to equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	17	18	11	8	10
ROA	12	13	10	7	9
<b>Per share</b>					
EPS (RMB)	0.94	1.13	1.98	1.57	2.11
DPS (RMB)	0.35	0.28	0.49	0.39	0.52
BVPS (RMB)	5.34	5.64	17.99	19.17	20.75

Source: Company data, CMBIS estimates

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