

Tigermed (300347 CH)

Impressive backlog growth momentum and enhancing global competence

- 3Q21 earnings beat.** Tigermed reported 3Q21 revenue/attributable net profit of RMB1,339mn/RMB526mn (up by 58%/65% YoY), adding up 9M21 revenue /attributable net profit to RMB3,395mn/RMB1,781mn, which accounted for 78%/ 84% of our full-year estimate. Attributable recurring net profit of 3Q21 grew 68% YoY to RMB326mn while that of 9M21 increased 75% YoY to RMB869mn, accounting for 75% of our full-year estimate. Tigermed booked RMB1,117mn fair value gains and RMB125mn investment gains in 9M21, totaling 53% of its pre-tax profit during the same period. Gross margin retreated from 48.5% in 9M20 to 46.8% in 9M21, due to increased revenue from overseas clinical trial solution services, and RMB appreciation (note that some of Tigermed's revenue are booked in USD while cost of services are incurred in RMB).
- Strong backlog growth momentum boding well for revenue growth.** During 9M21, Tigermed's new orders reached a YoY growth of over 100%, compared with 151% YoY growth in 1H21. The strong new orders growth was mainly driven by strong demand in COVID-19 vaccine clinical trial services. Management indicated that Tigermed booked COVID-19 related revenue of RMB200m (representing 15% to total quarterly revenue) in 3Q21 and expected to book approximately additional RMB200mn COVID-19 related revenue in 4Q21E. Meanwhile, non-COVID-19 new orders also continued strong growth given the management expects 40-50% YoY growth in non-COVID-19 related new orders in full-year of 2021, laying a solid foundation for near-term revenue growth.
- Enhancing global competence by riding on the COVID-19 R&D wave.** The worldwide pandemic has created good opportunities for Tigermed to quickly access global market. Tigermed assisted Chinese vaccine developers to conduct global clinical trials in various countries such as Brazil, Chile and South Africa, paving the way for the Company to exploit further business opportunities in these countries. According to management, Tigermed clinical services have now covered more than 20 new countries. We also expect Tigermed to further enhance its global presence by M&As. Meanwhile, with its strengthening global capabilities, Tigermed is better positioned to provide services for foreign clients to conduct clinical trials in China.
- Maintain BUY.** We revised up our FY21E/ 22E/ 23E attributable net profit forecasts by 7/ 18%/ 21% to reflect the strong growth outlook. We lifted our new DCF-based TP from RMB198.40 to RMB212.59 (WACC: 9.84%, Terminal growth: 3.0%).

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,803	3,192	4,704	6,367	8,495
Revenue YoY growth (%)	21.85	13.88	47.34	35.37	33.41
Net income (RMB mn)	842	1,750	2,258	2,439	3,180
EPS (RMB)	1.13	2.20	2.59	2.80	3.64
EPS YoY growth (%)	19.70	94.69	17.65	8.03	30.34
Consensus EPS (RMB)	N/A	N/A	2.35	2.71	3.19
P/E (x)	145.15	74.55	63.37	58.66	45.01
P/B (x)	29.09	8.88	7.93	7.11	6.27
Yield (%)	0.17	0.18	0.24	0.26	0.33
ROE (%)	17.66	11.36	13.53	12.96	14.71
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	RMB212.59
(Previous TP)	RMB198.40
Up/Downside	+29.61%
Current Price	RMB164.02

China Healthcare Sector

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Stock Data

Mkt Cap (RMB mn)	138,128
Avg 3 mths t/o (RMB mn)	1,146.21
52w High/Low (RMB)	209.41/110.81
Equity share - A (mn)	749
Equity share - H (mn)	123
Source: Bloomberg	

Shareholding Structure

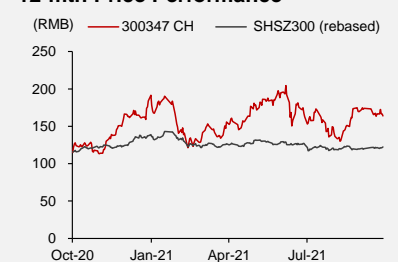
Management	37.11%
Temasek	2.92%
Free float	59.97%
Source: SZSE	

Share Performance

	Absolute	Relative
1-mth	-3.3%	-5.4%
3-mth	0.9%	3.5%
6-mth	5.3%	9.0%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: BDO CHINA

Related reports:

- Strong backlog growth driven by solid demand – 27 Aug 2021
- Strong momentum continued – 30 Apr 2021
- Strengthening global presence – 1 Apr 2021
- Better business recovery outlook in 2021E – 29 Jan 2021

Figure 1: CMBIS Earnings revisions

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,704	6,367	8,495	4,376	5,836	7,669	7.49%	9.10%	10.76%
Gross Profit	2,179	2,895	3,780	2,081	2,769	3,642	4.71%	4.55%	3.79%
Operating Profit	1,273	1,687	2,211	1,193	1,640	2,189	6.73%	2.89%	1.02%
Net profit	2,258	2,439	3,180	2,110	2,070	2,621	7.03%	17.84%	21.30%
EPS (RMB)	2.59	2.80	3.64	2.42	2.37	3.00	7.03%	17.84%	21.30%
Gross Margin	46.33%	45.47%	44.50%	46.26%	46.48%	47.48%	+0.07 ppt	-1.01 ppt	-2.99 ppt
Operating Margin	27.06%	26.50%	26.03%	27.57%	29.00%	28.54%	-0.50 ppt	-2.50 ppt	-2.51 ppt
Net Margin	48.01%	38.31%	37.43%	24.87%	26.47%	34.18%	+23.14 ppt	+11.84 ppt	+3.25 ppt

Source: Company data, CMBIS estimates

Figure 2: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,704	6,367	8,495	4,188	5,441	6,915	8.65%	12.64%	16.98%
Gross Profit	2,179	2,895	3,780	2,001	2,620	3,360	4.84%	5.34%	6.47%
Operating Profit	1,273	1,687	2,211	1,918	2,386	2,906	-36.26%	-32.21%	-27.14%
Net profit	2,258	2,439	3,180	1,834	2,229	2,677	15.51%	8.13%	16.81%
EPS (RMB)	2.59	2.80	3.64	2.10	2.57	3.11	8.84%	8.50%	17.86%
Gross Margin	46.33%	45.47%	44.50%	47.79%	48.16%	48.59%	-1.69 ppt	-3.15 ppt	-4.39 ppt
Operating Margin	27.06%	26.50%	26.03%	45.80%	43.85%	42.02%	-19.07 ppt	-17.53 ppt	-15.76 ppt
Net Margin	48.01%	38.31%	37.43%	43.79%	40.97%	38.71%	+2.85 ppt	-1.60 ppt	-0.05 ppt

Source: Company data, Bloomberg, CMBIS estimates

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	2,681	3,006	3,980	5,373	7,200	9,576	12,641	16,559	21,527	27,770
Tax rate	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%
EBIT*(1-tax rate)	2,512	2,818	3,730	5,036	6,748	8,975	11,847	15,520	20,175	26,026
+ D&A	108	120	130	150	171	193	216	240	264	287
- Change in working capital	(489)	(308)	(391)	(449)	(512)	(579)	(648)	(719)	(791)	(863)
- Capx	(2,241)	(1,838)	(888)	(1,021)	(1,164)	(1,315)	(1,473)	(1,635)	(1,798)	(1,960)
FCFF	(109)	792	2,582	3,716	5,243	7,274	9,942	13,405	17,849	23,491
Terminal value										353,737

Terminal growth rate	3.00%
WACC	9.84%
Cost of Equity	12.85%
Cost of Debt	5.00%
Equity Beta	0.90
Risk Free Rate	2.50%
Market Risk Premium	11.50%
Target Debt to Asset ratio	35.00%
Effective Corporate Tax Rate	15.00%

Terminal value	138,381
Total PV	179,200
Net debt	(8,502)
Minority	2,224
Equity value	185,477
# of shares (mn)	872
DCF per share (in RMB)	212.59

Source: CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	2,803	3,192	4,704	6,367	8,495
Clinical field service	1,347	1,519	2,286	3,132	4,228
Clinical test technical service	1,446	1,657	2,401	3,217	4,246
Other business	10	16	17	18	20
Cost of sales	(1,500)	(1,678)	(2,524)	(3,472)	(4,715)
Gross profit	1,303	1,514	2,179	2,895	3,780
Business taxes	(11)	(11)	(22)	(30)	(39)
Selling expenses	(81)	(97)	(141)	(191)	(255)
Admin expenses	(350)	(391)	(524)	(700)	(892)
R&D expenses	(124)	(157)	(220)	(287)	(382)
Operating profit	737	859	1,273	1,687	2,211
Finance costs, net	(10)	(88)	245	155	140
Investment gains	180	284	113	0	0
Other gains	203	1,159	1,297	1,319	1,769
Pre-tax profit	1,089	2,219	2,926	3,161	4,120
Income tax	(114)	(190)	(184)	(198)	(259)
Minority interests	(134)	(279)	(484)	(523)	(682)
Net profit	842	1,750	2,258	2,439	3,180

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Total net profit	975	2,029	2,742	2,962	3,861
D&A	47	85	68	80	90
Change in working capital	(169)	(41)	(489)	(308)	(391)
Investment loss (gain)	(180)	(284)	(113)	0	0
Other operating activities	(147)	(791)	(1,499)	(1,434)	(1,869)
Operating cash flow	528	999	711	1,301	1,692
Capex	(103)	(156)	(156)	(156)	(156)
Purchase of investment assets	(1,015)	(2,910)	(3,500)	(3,000)	(2,500)
Other investing activities	479	699	1,416	1,319	1,769
Investing cash flow	(638)	(2,367)	(2,241)	(1,838)	(888)
Net proceeds from shares issued	1,441	11,212	0	0	0
Bank borrowing	180	(903)	0	0	0
Acquisition of non-controlling interests					
Dividends and interests paid	(266)	(271)	(92)	(210)	(336)
Other financing activities	80	(698)	0	0	0
Financing cash flow	1,434	9,339	(92)	(210)	(336)
FX changes	15	(47)	0	0	0
Net change in cash	1,339	7,923	(1,622)	(747)	469
Cash at the beginning year	698	2,037	10,124	8,502	7,754
Cash at the year end	2,042	10,124	8,502	7,754	8,223

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	4,163	7,860	11,409	14,446	16,972
Fixed asset	252	300	421	530	629
Intangible assets	96	142	115	88	62
Financial assets available for sale	0	0	0	0	0
Goodwill	1,158	1,445	1,445	1,445	1,445
Other non-current assets	2,656	5,973	9,428	12,382	14,837
Current assets	3,370	11,646	10,676	10,340	11,335
Cash	2,042	10,124	8,502	7,754	8,223
Inventories	1	5	3	5	6
Trade and bills receivables	1,080	496	1,160	1,570	2,095
Prepayments, deposits and other receivables	26	28	28	28	28
Other current assets	220	994	983	983	983
Current liabilities	1,791	1,139	1,314	1,417	1,553
Borrowings	864	0	0	0	0
Trade and other payables	185	181	181	181	181
Other current liabilities	742	958	1,132	1,236	1,371
Non-current liabilities	220	508	508	508	508
Borrowings	37	0	0	0	0
Other non-current liabilities	184	508	508	508	508
Total net assets	5,522	17,858	20,263	22,861	26,246
Minority interest	1,296	1,740	2,224	2,747	3,429
Shareholders' equity	4,225	16,119	18,039	20,114	22,817

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Clinical trial technical services	48	48	49	49	50
Clinical trial consulting services	52	52	51	51	50
Other business	0	1	0	0	0
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	46	47	46	45	44
EBITDA margin	41	75	58	48	48
Pre-tax margin	39	70	62	50	48
Net margin	30	55	48	38	37
Effective tax rate	10	9	6	6	6
Balance sheet ratios					
Current ratio (x)	2	10	8	7	7
Trade receivables turnover days	121	90	90	90	90
Trade payables turnover days	28	40	40	40	40
Net debt to equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	18	11	14	13	15
ROA	13	10	12	12	14
Per share					
EPS (RMB)	1.13	2.20	2.59	2.80	3.64
DPS (RMB)	0.28	0.30	0.39	0.42	0.55
BVPS (RMB)	5.64	18.47	20.68	23.05	26.15

Source: Company data, CMBIS estimates

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