

Tigermed (300347 CH)

Expect business rebound in 2024E

Tigermed reported 2023 revenue of RMB7,384mn, up 4.2% YoY, and attributable recurring net income of RMB1,477mn, down 4.1% YoY. Revenue/ attributable recurring net income missed our forecast by 2.9%/ 12.1%, respectively, mainly due to shrinking COVID vaccine revenue, slowdown in global R&D activities, and contracted margins stemming from temporary pricing adjustments coupled by relatively lower lab facility utilization. New orders signed in 2023 amounted to RMB7.85bn, down 18.8% YoY, mainly due to ~RMB1.2bn reduction of COVID pass-through orders. Nonetheless, the total backlog experienced a mild uptick of 2.1% YoY, reaching RMB14.1bn by the end of 2023, which provides a solid foundation for sustainable growth. Management has observed early indicators of a demand resurgence and anticipates that both revenue and attributable recurring net income will achieve mid-teen growth in 2024E, signaling a robust recovery from the previous year.

- Early signs of demand recovery.** Tigermed experienced heightened volatility in client demand in 2023 due to subdued global biotech funding and escalating competition in the clinical CRO market. However, management has observed a positive shift in macro sentiment since late 2023, with biopharmaceutical funding in China exhibiting a significant sequential rebound. In Jan-Feb 2024, Tigermed's new orders regained double-digit growth, particularly in the US and Australian markets, according to the management. With this trend to continue, management maintains a positive forecast for full-year demand. Additionally, we want to highlight Tigermed's promising growth potential in China's market as the government persists with its supportive policies for domestic pharmaceutical R&D.
- Well-progressing globalization strategy.** The challenges of the industry did not dampen Tigermed's commitment to globalization. Underpinned by a growing and dedicated team of 110 PMs and CRAs, Tigermed's US clinical operation saw rapid growth in revenue and backlog in 2023. Its localized clinical operation team enables Tigermed to better capture opportunities from both Chinese pharmaceutical companies looking to enter the US market, as well as from US clients not fully served by global clinical CROs. Tigermed acquired a Croatia-based clinical CRO, Marti Farm, in Jan 2023, further bolstering its service capabilities in Europe. Tigermed has established clinical teams in South Korea, Southeast Asia and Australia. Owing to its strong performance in the global market, Tigermed signed 15 MRCT projects in 2023. We think a well-established global network will help Tigermed in mitigating potential geopolitical risks.
- Maintain BUY.** We revised our TP from RMB80.31 to RMB68.57, based on a 10-year DCF model (WACC: 10.95%, terminal growth: 2.0%), to factor in slower projection of revenue and recurring net income growth. We forecast Tigermed's revenue to grow 13.3%/ 17.7%/ 21.9% YoY and attributable recurring net income to grow 14.2%/ 22.7%/ 27.4% YoY in 2024E/ 25E/ 26E, respectively.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	7,085	7,384	8,367	9,844	12,004
YoY growth (%)	35.9	4.2	13.3	17.7	21.9
Adjusted net profit (RMB mn)	1,539.5	1,477.2	1,687.3	2,069.8	2,637.9
YoY growth (%)	25.0	(4.0)	14.2	22.7	27.4
EPS (Adjusted) (RMB)	1.78	1.71	1.93	2.37	3.02
Consensus EPS (RMB)	na	na	2.73	3.27	3.22
P/E (x)	29.9	31.1	27.5	22.4	17.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB68.57
(Previous TP)	RMB80.31)
Up/Downside	29.1%
Current Price	RMB53.10

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)	46,325.4
Avg 3 mths t/o (RMB mn)	858.9
52w High/Low (RMB)	106.01/37.85
Total Issued Shares (mn)	872.4

Source: FactSet

Shareholding Structure

Xiaoping Ye	20.5%
HK investors	19.9%

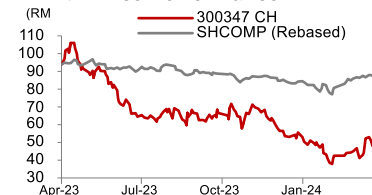
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	17.5%	15.6%
3-mth	-3.4%	-6.6%
6-mth	-20.3%	-19.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	8,367	9,844	12,004	9,732	12,258	na	-14.03%	-19.69%	na
Gross Profit	3,292	3,975	4,950	4,190	5,284	na	-21.43%	-24.77%	na
Operating Profit	2,041	2,534	3,230	2,765	3,501	na	-26.17%	-27.62%	na
Adjusted net profit	1,687	2,070	2,638	2,199	2,745	na	-23.26%	-24.61%	na
Adjusted EPS (RMB)	1.93	2.37	3.02	2.52	3.15	na	-23.26%	-24.61%	na
Gross Margin	39.35%	40.38%	41.24%	43.05%	43.11%	na	-3.70ppt	-2.72ppt	na
Operating Margin	24.40%	25.74%	26.90%	28.41%	28.56%	na	-4.01ppt	-2.82ppt	na
Net Margin	20.17%	21.03%	21.97%	22.59%	22.40%	na	-2.42ppt	-1.37ppt	na

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	8,367	9,844	12,004	9,151	10,979	12,257	-8.57%	-10.34%	-2.06%
Gross Profit	3,292	3,975	4,950	3,778	4,586	4,945	-12.85%	-13.32%	0.10%
Operating Profit	2,041	2,534	3,230	2,785	3,309	3,767	-26.70%	-23.42%	-14.26%
Adjusted net profit	1,687	2,070	2,638	2,503	2,988	2,801	-32.59%	-30.73%	-5.82%
Adjusted EPS (RMB)	1.93	2.37	3.02	2.73	3.27	3.22	-29.08%	-27.45%	-6.16%
Gross Margin	39.35%	40.38%	41.24%	41.28%	41.77%	40.35%	-1.93ppt	-1.39ppt	+0.89ppt
Operating Margin	24.40%	25.74%	26.90%	30.43%	30.14%	30.73%	-6.04ppt	-4.40ppt	-3.83ppt
Net Margin	20.17%	21.03%	21.97%	27.35%	27.22%	22.85%	-7.18ppt	-6.19ppt	-0.88ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	2,748	3,383	4,226	4,987	5,835	6,768	7,784	8,873	10,027	11,230
Tax rate	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%
EBIT*(1-tax rate)	2,374	2,923	3,651	4,308	5,041	5,847	6,724	7,666	8,662	9,702
+ D&A	303	325	344	396	451	510	571	634	697	760
- Change in working capital	(200)	(219)	(320)	(369)	(420)	(475)	(532)	(590)	(649)	(708)
- Capex	(600)	(600)	(600)	(690)	(787)	(889)	(996)	(1,105)	(1,216)	(1,325)
FCFF	1,877	2,428	3,075	3,646	4,285	4,993	5,768	6,604	7,495	8,429
Terminal value										96,117
Terminal growth rate	2.00%									
WACC	10.95%									
Cost of Equity	14.55%									
Cost of Debt	5.00%									
Equity Beta	1.10									
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)	34,019									
Total PV (RMB mn)	59,160									
Net debt (RMB mn)	(4,226)									
Minority interest (RMB mn)	3,569									
Equity value (RMB mn)	59,818									
# of shares (mn)	872									
Price per share (RMB per share)	68.57									

Source: CMBIGM estimates.

Figure 4: Sensitivity analysis of DCF model

		WACC				
		9.95%	10.45%	10.95%	11.45%	11.95%
Terminal growth rate	3.00%	86.70	79.86	73.90	68.69	64.08
	2.50%	82.72	76.52	71.08	66.27	62.01
	2.00%	79.24	73.57	68.57	64.12	60.14
	1.50%	76.17	70.96	66.32	62.18	58.46
	1.00%	73.45	68.62	64.30	60.43	56.93

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	5,214	7,085	7,384	8,367	9,844	12,004
Cost of goods sold	(2,943)	(4,277)	(4,536)	(5,074)	(5,869)	(7,054)
Gross profit	2,271	2,808	2,849	3,292	3,975	4,950
Operating expenses	(911)	(1,038)	(1,127)	(1,251)	(1,441)	(1,720)
Selling expense	(129)	(150)	(187)	(204)	(230)	(269)
Admin expense	(547)	(630)	(650)	(728)	(847)	(1,021)
R&D expense	(212)	(235)	(262)	(288)	(329)	(389)
Others	(23)	(23)	(28)	(31)	(35)	(42)
Operating profit	1,359	1,771	1,722	2,041	2,534	3,230
Gain/loss on financial assets at FVTPL	1,815	536	353	307	449	597
Investment gain/loss	312	103	338	400	400	400
Net interest income/(expense)	216	158	108	72	60	72
Other income/expense	(19)	18	(32)	0	0	0
Pre-tax profit	3,685	2,585	2,489	2,821	3,443	4,298
Income tax	(293)	(314)	(339)	(384)	(468)	(585)
After tax profit	3,392	2,272	2,150	2,437	2,975	3,714
Minority interest	(518)	(265)	(125)	(142)	(173)	(216)
Net profit	2,874	2,007	2,025	2,295	2,801	3,498
Adjusted net profit	1,232	1,540	1,477	1,687	2,070	2,638
Gross dividends	433	476	491	557	680	849
BALANCE SHEET						
	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	10,852	11,107	11,344	11,300	12,931	15,157
Cash & equivalents	8,544	7,858	7,420	7,353	8,753	10,642
Account receivables	816	1,034	1,261	1,300	1,530	1,865
Inventories	6	22	23	7	8	10
Prepayment	59	59	57	57	57	57
Other current assets	1,426	2,134	2,583	2,583	2,583	2,583
Non-current assets	12,889	16,339	18,337	19,633	20,609	21,565
PP&E	438	566	639	864	1,067	1,251
Deferred income tax	101	121	135	135	135	135
Investment in JVs & assos	739	1,800	2,977	2,977	2,977	2,977
Intangibles	251	338	371	297	223	149
Goodwill	1,779	2,485	2,764	3,064	3,364	3,664
Financial assets at FVTPL	8,746	9,964	10,232	11,232	11,932	12,632
Other non-current assets	836	1,066	1,219	1,065	911	757
Total assets	23,741	27,447	29,681	30,933	33,539	36,721
Current liabilities	2,413	3,730	4,139	4,261	4,573	4,889
Short-term borrowings	492	1,849	1,970	2,270	2,570	2,870
Account payables	156	50	79	79	79	79
Tax payable	281	198	221	221	221	221
Other current liabilities	1,484	1,633	1,870	1,692	1,703	1,720
Non-current liabilities	723	1,036	1,088	1,088	1,088	1,088
Long-term borrowings	0	245	434	434	434	434
Obligations under finance leases	407	489	423	423	423	423
Other non-current liabilities	316	302	231	231	231	231
Total liabilities	3,136	4,765	5,227	5,350	5,661	5,978
Share capital	872	872	872	872	872	872
Capital surplus	11,887	11,852	11,709	13,447	15,569	18,218
Retained earnings	5,771	7,270	8,775	8,775	8,775	8,775
Other reserves	(406)	(412)	(329)	(1,079)	(1,079)	(1,079)
Total shareholders equity	18,124	19,583	21,027	22,015	24,137	26,786
Minority interest	2,482	3,098	3,427	3,569	3,742	3,958
Total equity and liabilities	23,741	27,447	29,681	30,933	33,539	36,721

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,685	2,585	2,489	2,821	3,443	4,298
Depreciation & amortization	197	285	339	303	325	344
Tax paid	(293)	(314)	(339)	(384)	(468)	(585)
Change in working capital	(235)	(692)	(835)	(200)	(219)	(320)
Others	(1,930)	(507)	(503)	(779)	(909)	(1,069)
Net cash from operations	1,424	1,358	1,150	1,761	2,171	2,668
Investing						
Capital expenditure	(369)	(449)	(314)	(300)	(300)	(300)
Acquisition of subsidiaries/ investments	(90)	(663)	(357)	(300)	(300)	(300)
Net proceeds from disposal of short-term investments	(2,140)	(1,779)	(968)	(293)	149	297
Others	(185)	102	105	0	0	0
Net cash from investing	(2,783)	(2,789)	(1,534)	(893)	(451)	(303)
Financing						
Dividend paid	(284)	(492)	(590)	(484)	(620)	(776)
Net borrowings	492	1,607	684	300	300	300
Proceeds from share issues	272	315	386	0	0	0
Others	(643)	(621)	(488)	(750)	0	0
Net cash from financing	(163)	809	(8)	(934)	(320)	(476)
Net change in cash						
Cash at the beginning of the year	9,960	8,378	7,783	7,420	7,353	8,753
Exchange difference	(60)	27	9	0	0	0
Cash at the end of the year	8,378	7,783	7,400	7,353	8,753	10,642
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	63.3%	35.9%	4.2%	13.3%	17.7%	21.9%
Gross profit	50.0%	23.7%	1.4%	15.6%	20.7%	24.5%
Operating profit	58.2%	30.3%	(2.8%)	18.6%	24.1%	27.5%
Net profit	64.3%	(30.2%)	0.9%	13.3%	22.1%	24.8%
Adj. net profit	73.9%	25.0%	(4.0%)	14.2%	22.7%	27.4%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	43.6%	39.6%	38.6%	39.3%	40.4%	41.2%
Operating margin	26.1%	25.0%	23.3%	24.4%	25.7%	26.9%
Adj. net profit margin	23.6%	21.7%	20.0%	20.2%	21.0%	22.0%
Return on equity (ROE)	16.8%	10.6%	10.0%	10.7%	12.1%	13.7%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)
Current ratio (x)	4.5	3.0	2.7	2.7	2.8	3.1
Receivable turnover days	45.9	47.6	56.7	56.7	56.7	56.7
Inventory turnover days	0.7	1.2	1.8	0.5	0.5	0.5
Payable turnover days	20.9	8.8	5.2	5.2	5.2	5.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E (adjusted)	37.4	29.9	31.1	27.5	22.4	17.6
P/B	2.5	2.3	2.2	2.1	1.9	1.7
P/CFPS	32.3	33.8	39.9	26.3	21.3	17.4
Div yield (%)	0.9	1.0	1.1	1.2	1.5	1.8

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

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

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.