

# Tigermed (300347 CH)

## Meaningful demand recovery in 1Q24

Tigermed reported 1Q24 revenue of RMB1,660mn, down 8.0% YoY, and attributable recurring net income of RMB303mn, down 20.5% YoY, which was mainly due to the substantially reduced gains on fair value changes and investment changes (RMB8mn in 1Q24 vs RMB198mn in 1Q23). 1Q24 revenue / attributable recurring net income accounted for 19.8%/ 18.0%, respectively, of our 2024 full-year estimates, which were largely in line with its pre-COVID average level. 1Q24 revenue would be flat compared with 1Q23 if excluding COVID vaccine related revenue. Gross profit margin (GPM) in 1Q24 was 37.8%, significantly improved by 5.0ppt QoQ, driven by ongoing cost management measures as well as the MoM GPM improvements of its lab services. According to mgt., GPM would be 38.5% in 1Q24, flat QoQ, if excluding COVID vaccine related revenue. Mgt. targets to grow the attributable recurring net income by 25-30% QoQ in 2Q24, considering the accelerated revenue conversion from contracts and the cost control measures.

- Demand experiencing meaningful recovery in 1Q24.** According to mgt., 1Q24 contract signings rebounded to double-digit growth, with Mar showing an acceleration compared to Jan and Feb. The upward trend has persisted into April. Specifically, orders from MNC and domestic pharma clients contributed to a notably larger proportion in total orders while orders from the U.S. and Australia remain robust. Encouragingly, there are signs of recovery in orders from domestic biotech firms, thanks to the recovery of biotech funding. Tigermed's BD team will continue to focus on exploring opportunities from MNC and domestic pharma clients.
- Strengthening cost control.** Tigermed plans to continue its cost control on SG&A expenses and GPM optimization. Mgt. indicated that, with its asset-light business model, Tigermed possesses ample leverage on cost controls, which, for instance, include increasing the utilization of decentralized clinical trial (DCT) platforms (applied in ~20% projects as compared with ~17% by end-2023), establishing integrated teams within specific therapeutic areas, and reallocating personnel across departments as needed.
- Globalization remaining a high priority.** In the global market, Tigermed strategically serves Chinese companies targeting global market, as well as overseas local clients with limited access to international CRO services. The company has recruited a local BD team in the U.S and is currently engaged in multiple projects with U.S. local clients. Tigermed intends to further expand team sizes in the U.S. and India to enhance its global operation.
- Maintain BUY.** We trim our TP from RMB68.57 to RMB66.82, based on a 10-year DCF model (WACC: 10.95%, terminal growth: 2.0%), to factor in the slower earnings projection and uncertainties in demand recovery pace. We forecast Tigermed's revenue to grow 11.3%/ 16.2%/ 20.6% YoY and attributable recurring net income to grow 11.9%/ 20.8%/ 25.6% YoY in 2024E/ 25E/ 26E, respectively.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	7,085	7,384	8,220	9,549	11,512
YoY growth (%)	35.9	4.2	11.3	16.2	20.6
Adjusted net profit (RMB mn)	1,540	1,477	1,653	1,997	2,509
YoY growth (%)	25.0	(4.0)	11.9	20.8	25.6
EPS (Adjusted) (RMB)	1.78	1.71	1.89	2.29	2.88
Consensus EPS (RMB)	na	na	2.46	2.86	3.25
Adjusted P/E (x)	32.4	33.8	30.5	25.2	20.1

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

<b>Target Price</b>	<b>RMB66.82</b>
(Previous TP)	RMB68.57
<b>Up/Downside</b>	<b>15.8%</b>
<b>Current Price</b>	<b>RMB57.70</b>

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### Stock Data

Mkt Cap (RMB mn)	50,338.5
Avg 3 mths t/o (RMB mn)	1,003.7
52w High/Low (RMB)	93.00/37.85
Total Issued Shares (mn)	872.4

Source: FactSet

### Shareholding Structure

Xiaoping Ye	20.5%
HK investors	18.1%

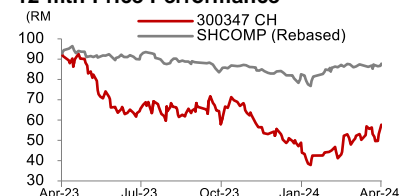
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	15.2%	13.0%
3-mth	31.4%	23.8%
6-mth	0.5%	-2.8%

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	8,220	9,549	11,512	8,367	9,844	12,004	-1.75%	-3.00%	-4.10%
Gross Profit	3,228	3,842	4,722	3,292	3,975	4,950	-1.95%	-3.35%	-4.62%
Operating Profit	1,999	2,444	3,072	2,041	2,534	3,230	-2.08%	-3.55%	-4.89%
Adjusted net profit	1,653	1,997	2,509	1,687	2,070	2,638	-2.05%	-3.54%	-4.90%
Adjusted EPS (RMB)	1.89	2.29	2.88	1.93	2.37	3.02	-2.05%	-3.54%	-4.90%
Gross Margin	39.27%	40.24%	41.01%	39.35%	40.38%	41.24%	-0.08ppt	-0.14ppt	-0.22ppt
Operating Margin	24.32%	25.60%	26.68%	24.40%	25.74%	26.90%	-0.08ppt	-0.14ppt	-0.22ppt
Net Margin	20.11%	20.91%	21.79%	20.17%	21.03%	21.97%	-0.06ppt	-0.12ppt	-0.18ppt

Source: CMBIGM estimates

**Figure 2: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	8,220	9,549	11,512	8,438	9,813	11,226	-2.58%	-2.69%	2.55%
Gross Profit	3,228	3,842	4,722	3,307	3,893	4,469	-2.39%	-1.31%	5.65%
Operating Profit	1,999	2,444	3,072	2,501	2,919	3,299	-20.08%	-16.27%	-6.89%
Adjusted net profit	1,653	1,997	2,509	2,187	2,582	2,841	-24.43%	-22.68%	-11.70%
Adjusted EPS (RMB)	1.89	2.29	2.88	2.46	2.86	3.25	-23.05%	-20.09%	-11.44%
Gross Margin	39.27%	40.24%	41.01%	39.19%	39.68%	39.81%	+0.08ppt	+0.56ppt	+1.20ppt
Operating Margin	24.32%	25.60%	26.68%	29.64%	29.75%	29.39%	-5.32ppt	-4.15ppt	-2.71ppt
Net Margin	20.11%	20.91%	21.79%	25.92%	26.31%	25.31%	-5.81ppt	-5.40ppt	-3.52ppt

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	2,706	3,293	4,068	4,813	5,645	6,565	7,570	8,653	9,803	11,009
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)	2,338	2,845	3,515	4,158	4,877	5,672	6,540	7,475	8,469	9,511
+ D&A	303	325	344	399	459	523	591	662	735	809
- Change in working capital	(178)	(197)	(291)	(338)	(389)	(443)	(501)	(561)	(622)	(685)
- Capex	(600)	(600)	(600)	(696)	(800)	(912)	(1,031)	(1,155)	(1,282)	(1,410)
<b>FCFF</b>	<b>1,862</b>	<b>2,373</b>	<b>2,967</b>	<b>3,523</b>	<b>4,147</b>	<b>4,840</b>	<b>5,600</b>	<b>6,422</b>	<b>7,300</b>	<b>8,225</b>
<b>Terminal value</b>										<b>93,792</b>
<b>Terminal growth rate</b>	<b>2.00%</b>									
<b>WACC</b>	<b>10.95%</b>									
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)	33,196									
Total PV (RMB mn)	57,645									
Net debt (RMB mn)	(4,220)									
Minority interest (RMB mn)	3,566									
Equity value (RMB mn)	58,299									
# of shares (mn)	872									
<b>Price per share (RMB per share)</b>	<b>66.82</b>									

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%	84.51	77.84	72.03	66.94	62.45
	2.50%	80.63	74.58	69.27	64.59	60.43
	2.00%	77.23	71.70	<b>66.82</b>	62.49	58.61
	1.50%	74.24	69.15	64.63	60.59	56.97
	1.00%	71.58	66.87	62.66	58.88	55.47

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>5,214</b>	<b>7,085</b>	<b>7,384</b>	<b>8,220</b>	<b>9,549</b>	<b>11,512</b>
Cost of goods sold	(2,943)	(4,277)	(4,536)	(4,992)	(5,706)	(6,791)
<b>Gross profit</b>	<b>2,271</b>	<b>2,808</b>	<b>2,849</b>	<b>3,228</b>	<b>3,842</b>	<b>4,722</b>
<b>Operating expenses</b>	<b>(911)</b>	<b>(1,038)</b>	<b>(1,127)</b>	<b>(1,229)</b>	<b>(1,398)</b>	<b>(1,650)</b>
Selling expense	(129)	(150)	(187)	(200)	(223)	(258)
Admin expense	(547)	(630)	(650)	(716)	(822)	(979)
R&D expense	(212)	(235)	(262)	(283)	(319)	(373)
Others	(23)	(23)	(28)	(30)	(34)	(40)
<b>Operating profit</b>	<b>1,359</b>	<b>1,771</b>	<b>1,722</b>	<b>1,999</b>	<b>2,444</b>	<b>3,072</b>
Gain/loss on financial assets at FVTPL	1,815	536	353	307	449	597
Investment gain/loss	312	103	338	400	400	400
<b>Net interest income/(expense)</b>	<b>216</b>	<b>158</b>	<b>108</b>	<b>72</b>	<b>60</b>	<b>71</b>
Other income/expense	(19)	18	(32)	0	0	0
<b>Pre-tax profit</b>	<b>3,685</b>	<b>2,585</b>	<b>2,489</b>	<b>2,778</b>	<b>3,353</b>	<b>4,140</b>
Income tax	(293)	(314)	(339)	(378)	(456)	(563)
<b>After tax profit</b>	<b>3,392</b>	<b>2,272</b>	<b>2,150</b>	<b>2,400</b>	<b>2,897</b>	<b>3,576</b>
Minority interest	(518)	(265)	(125)	(140)	(169)	(208)
<b>Net profit</b>	<b>2,874</b>	<b>2,007</b>	<b>2,025</b>	<b>2,261</b>	<b>2,728</b>	<b>3,368</b>
<b>Adjusted net profit</b>	<b>1,232</b>	<b>1,540</b>	<b>1,477</b>	<b>1,653</b>	<b>1,997</b>	<b>2,509</b>
Gross dividends	433	476	491	548	662	817
<b>BALANCE SHEET</b>						
	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>10,852</b>	<b>11,107</b>	<b>11,344</b>	<b>11,271</b>	<b>12,840</b>	<b>14,959</b>
Cash & equivalents	8,544	7,858	7,420	7,347	8,709	10,521
Account receivables	816	1,034	1,261	1,277	1,484	1,789
Inventories	6	22	23	7	8	9
Prepayment	59	59	57	57	57	57
Other current assets	1,426	2,134	2,583	2,583	2,583	2,583
<b>Non-current assets</b>	<b>12,889</b>	<b>16,339</b>	<b>18,337</b>	<b>19,633</b>	<b>20,609</b>	<b>21,565</b>
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
<b>Total assets</b>	<b>23,741</b>	<b>27,447</b>	<b>29,681</b>	<b>30,904</b>	<b>33,449</b>	<b>36,523</b>
<b>Current liabilities</b>	<b>2,413</b>	<b>3,730</b>	<b>4,139</b>	<b>4,260</b>	<b>4,570</b>	<b>4,886</b>
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	1,691	1,701	1,716
<b>Non-current liabilities</b>	<b>723</b>	<b>1,036</b>	<b>1,088</b>	<b>1,088</b>	<b>1,088</b>	<b>1,088</b>
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
<b>Total liabilities</b>	<b>3,136</b>	<b>4,765</b>	<b>5,227</b>	<b>5,349</b>	<b>5,659</b>	<b>5,974</b>
Share capital	872	872	872	872	872	872
Capital surplus	11,887	11,852	11,709	13,421	15,487	18,038
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)
<b>Total shareholders equity</b>	<b>18,124</b>	<b>19,583</b>	<b>21,027</b>	<b>21,989</b>	<b>24,055</b>	<b>26,606</b>
Minority interest	2,482	3,098	3,427	3,566	3,735	3,943
<b>Total equity and liabilities</b>	<b>23,741</b>	<b>27,447</b>	<b>29,681</b>	<b>30,904</b>	<b>33,449</b>	<b>36,523</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>3,685</b>	<b>2,585</b>	<b>2,489</b>	<b>2,778</b>	<b>3,353</b>	<b>4,140</b>
Depreciation & amortization	197	285	339	303	325	344
Tax paid	(293)	(314)	(339)	(378)	(456)	(563)
Change in working capital	(235)	(692)	(835)	(178)	(197)	(291)
Others	(1,930)	(507)	(503)	(779)	(909)	(1,068)
<b>Net cash from operations</b>	<b>1,424</b>	<b>1,358</b>	<b>1,150</b>	<b>1,746</b>	<b>2,115</b>	<b>2,561</b>
<b>Investing</b>						
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
<b>Net cash from investing</b>	<b>(2,783)</b>	<b>(2,789)</b>	<b>(1,534)</b>	<b>(893)</b>	<b>(451)</b>	<b>(303)</b>
<b>Financing</b>						
Dividend paid	(284)	(492)	(590)	(476)	(602)	(746)
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
<b>Net cash from financing</b>	<b>(163)</b>	<b>809</b>	<b>(8)</b>	<b>(926)</b>	<b>(302)</b>	<b>(446)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	9,960	8,378	7,783	7,420	7,347	8,709
Exchange difference	(60)	27	9	0	0	0
<b>Cash at the end of the year</b>	<b>8,378</b>	<b>7,783</b>	<b>7,400</b>	<b>7,347</b>	<b>8,709</b>	<b>10,521</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	63.3%	35.9%	4.2%	11.3%	16.2%	20.6%
Gross profit	50.0%	23.7%	1.4%	13.3%	19.0%	22.9%
Operating profit	58.2%	30.3%	(2.8%)	16.1%	22.3%	25.7%
Net profit	64.3%	(30.2%)	0.9%	11.6%	20.7%	23.5%
Adj. net profit	73.9%	25.0%	(4.0%)	11.9%	20.8%	25.6%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	43.6%	39.6%	38.6%	39.3%	40.2%	41.0%
Operating margin	26.1%	25.0%	23.3%	24.3%	25.6%	26.7%
Adj. net profit margin	23.6%	21.7%	20.0%	20.1%	20.9%	21.8%
Return on equity (ROE)	16.8%	10.6%	10.0%	10.5%	11.9%	13.3%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
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	2.6	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
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E (adjusted)	40.7	32.4	33.8	30.5	25.2	20.1
P/B	2.8	2.5	2.4	2.3	2.1	1.9
P/CFPS	35.1	36.8	43.4	28.8	23.8	19.7
Div yield (%)	0.9	1.0	1.0	1.1	1.3	1.6

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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