

Angelalign (6699 HK)

Domestic clear aligner leader accelerating global expansion

Founded in 2003, Angelalign is a leading provider of clear aligner treatment solutions in China. For four consecutive years since 2021, Angelalign has maintained its No.1 market share in China's clear aligner market. Angelalign achieved a robust revenue CAGR of 23.8% (in USD terms based on historical exchange rates) from 2019 to 2024. We expect Angelalign to benefit from an improving domestic competitive landscape and rapid overseas expansion, sustaining strong revenue growth with a CAGR of 18.0% for 2024-27E. Based on an SOTP valuation, we derive a TP of HK\$69.55 per share. Initiate coverage on the company with BUY.

- **Steady growth in China with strengthened leadership position.** China has a large malocclusion patient base. Rising incomes and aesthetic awareness are expected to boost clear aligner penetration. Angelalign has solidified its No.1 position since 2021 with a 42% domestic market share in 2023, according to CIC. Macro headwinds slowed domestic market growth, resulting in smaller brand exits and likely further share concentration among leaders. With comprehensive portfolios, Angelalign has expanded to lower-tier cities and children/adolescents market, which has driven its solid growth despite macro pressures. In 2024, its domestic case volume increased by 3.2% YoY. Short-term margin pressure from product and channel mixes persists, yet process optimization and cost management have kept domestic profitability stable. We think the clear aligner industry exhibits strong brand stickiness. Outstanding product quality and clinical services enable Angelalign to build deep doctor partnerships, positioning it for further market share expansion.
- **Rapid globalization with improving profitability.** The global clear aligner market reached US\$6.5bn in 2024 and is expected to reach US\$32bn by 2030E (30.7% CAGR, according to Grand View Research). Angelalign has rapidly expanded overseas since 2022. In 2024, Angelalign's overseas cases achieved 140,700, generating revenue of US\$81mn, accounting for 30% of total revenue. Through a "localized operations + M&A" model, Angelalign has established a global supply chain and local teams, rapidly expanding in key markets such as Europe and Brazil. We think Angelalign has largely completed the high-investment customer acquisition phase with profitability, ASP, and gross margin trending upward. We expect overseas business to continue to be Angelalign's long-term growth driver.
- **Technology innovation and digitalization create high competitive barriers.** Angelalign maintains high R&D investment, and owns a comprehensive product portfolio and an advanced digital orthodontic platform. Its iOrtho platform and digital tools improve doctor efficiency and simplify complex case management, which enhance doctor loyalty. Technology barriers, product innovation, and digital capabilities not only reinforce Angelalign's leadership in China but also provide core competitiveness for global expansion.
- **Initiate at BUY with TP of HK\$69.55.** We expect Angelalign to maintain strong growth in overseas markets, and forecast a 42.8% overseas revenue CAGR (2024-27E). We project a 3.3% domestic revenue CAGR (2024-27E) with stable operating margins. Based on our SOTP valuation, we assign 18x 2025E P/E to the mature domestic business and 6x 2025E P/S to the rapidly expanding overseas business, deriving a target price of HK\$69.55.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	210	269	320	377	442
YoY growth (%)	16.2	28.2	19.1	17.9	17.1
Adjusted net profit (US\$ mn)	26	27	27	39	55
YoY growth (%)	(16.0)	2.9	2.2	40.3	42.4
EPS (Adjusted) (US\$)	0.16	0.16	0.16	0.23	0.32
P/E (x)	154.1	95.9	96.9	53.5	31.8
P/E (Adjusted) (x)	44.5	43.3	42.8	30.5	21.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price	HK\$69.55
Up/Downside	29.0%
Current Price	HK\$53.90

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Stock Data

Mkt Cap (HK\$ mn)	9,164.4
Avg 3 mths t/o (HK\$ mn)	58.2
52w High/Low (HK\$)	76.30/46.65
Total Issued Shares (mn)	170.0

Source: FactSet

Shareholding Structure

CareCapital Orthotech Limited	51.3%
Shore Lead Limited	12.6%

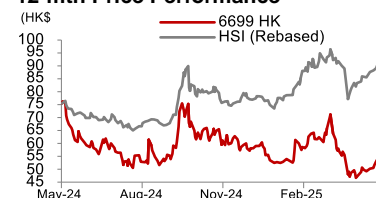
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	10.8%	1.4%
3-mth	-8.0%	-11.3%
6-mth	-11.8%	-26.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings forecasts and valuation

Figure 1: Revenue forecasts (2023-2027E) - by segment/region

		2023	2024	2025E	2026E	2027E
By segment						
Clear aligner treatment solutions	Revenue (US\$m)	182	180	180	179	183
	YoY	6.0%	-1.3%	0.0%	-0.1%	1.9%
Sales of clear aligners	Revenue (US\$m)	15	74	123	177	235
	YoY	1651.4%	397.8%	65.8%	44.2%	32.6%
Sales of other products	Revenue (US\$m)	10	13	15	18	21
	YoY	-14.9%	25.7%	20.0%	19.0%	18.0%
Other services	Revenue (US\$m)	3	2	3	3	3
	YoY	14.1%	-4.9%	10.0%	9.0%	8.0%
By region						
Mainland China	Case volume	212,000	218,700	225,480	232,244	243,856
	YoY	15.3%	3.2%	3.1%	3.0%	5.0%
	Revenue (US\$m)	189	188	198	201	207
	YoY	5.5%	-0.4%	5.0%	1.5%	3.4%
Overseas	Case volume	33,000	140,700	211,050	295,470	384,111
	YoY		326.4%	50.0%	40.0%	30.0%
	Revenue (US\$m)	21	81	123	177	235
	YoY	1651.4%	290.4%	52.3%	44.2%	32.6%
Total revenue (US\$m)		210	269	320	377	442
YoY		16.2%	28.2%	19.1%	17.9%	17.1%

Source: Angelalign, CMBIGM estimates

Note: 1) Revenue generated from clear aligner treatment solutions mainly represents the revenue generated from provision of clear aligner treatment solutions services to clients in the China market. Revenue generated from sales of clear aligners mainly represents the revenue generated from sales of clear aligners to clients in the non-China global markets. 2) For 2025E-2027E, revenue from mainland China is estimated based on revenue from clear aligner treatment solutions, sales of other products, and other services. Overseas revenue is estimated based on revenue from sales of clear aligners.

Figure 2: CMBIGM estimates vs consensus

(US\$m)	CMBI			Consensus			Diff. (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	320	377	442	301	363	391	6.3%	4.0%	13.1%
Gross profit	190	228	270	183	221	243	3.5%	3.0%	10.9%
Operating profit	6	18	34	7	18	49	-22.8%	-0.4%	-30.6%
Net profit	12	22	37	16	28	41	-25.8%	-21.7%	-9.6%
EPS (US\$)	0.07	0.13	0.22	0.10	0.17	-	-25.7%	-23.2%	-
Gross margin	59.24%	60.34%	61.08%	60.81%	60.93%	62.28%	-1.56ppt	-0.59ppt	-1.2ppt
Operating profit margin	1.80%	4.68%	7.74%	2.48%	4.89%	12.61%	-0.68ppt	-0.21ppt	-4.87ppt
Net margin	3.78%	5.81%	8.35%	5.42%	7.72%	10.44%	-1.63ppt	-1.91ppt	-2.09ppt

Source: Bloomberg, CMBIGM estimates

The development stages of Angelalign's domestic and overseas businesses differs. The domestic business is mature, with a solid industry position and stable profitability. The overseas business is still in the incubation phase, characterized by significant early-stage investments in capacity building and market promotion, with a smaller revenue base but robust growth. Therefore, we apply P/E valuation to its domestic business and P/S to its overseas operations.

Domestic business

We expect the profitability of Angelalign's domestic business to remain stable, with operating profit increasing to US\$28mn/ US\$28mn/ US\$29mn in 2025E/26E/27E. Assuming a 15% tax rate, after-tax operating profit is estimated at US\$24mn/ US\$24mn/ US\$25mn in 2025E/26E/27E. We assign an 18x 2025E P/E, in line with Align Technology, corresponding to a market capitalization of US\$429mn.

Figure 3: Operating profit forecast of domestic business

(US\$mn)	2023	2024	2025E	2026E	2027E
Mainland China					
Operating profit	27	27	28	28	29
Operating profit margin	14.3%	14.3%	14.2%	14.1%	14.0%
Tax rate	20.3%	14.2%	15.0%	15.0%	15.0%
Tax	5	4	4	4	4
Post-tax operating profit	22	23	24	24	25

Source: Company data, CMBIGM estimates

Note: Operating profit = Gross profit – (selling expenses + R&D expenses + administrative expenses)

Overseas business

We expect Angelalign's overseas business to maintain strong growth, with revenue growing to US\$123mn/ US\$177mn/ US\$235mn in 2025E/26E/27E. We assign a 6x 2025E P/S multiple, in line with the peer average, corresponding to a market capitalization of US\$736mn.

Figure 4: Overseas revenue forecast

(US\$mn)	2023	2024	2025E	2026E	2027E
Overseas					
Revenue	21	81	123	177	235
Operating profit	-31	-31	-32	-19	-3
Operating profit margin	-149.1%	-38.7%	-26.4%	-11.0%	-1.3%

Source: Company data, CMBIGM estimates

Note: Operating profit = Gross profit – (selling expenses + R&D expenses + administrative expenses)

Figure 5: Peer comparison

Company	Ticker	Rating	Market Cap (US\$m)	Price (LC)	FY25E	P/E (x) FY26E	FY25E	P/S (x) FY26E
Overseas								
Alcon	ALC US	NA	47,367	94.8	29.4	24.8	4.6	4.2
Align Technology	ALGN US	NA	13,700	189.0	18.4	16.8	3.3	3.1
Straumann	STMN SW	NA	21,123	111.8	32.3	28.2	6.6	6.0
Envista	NVST US	NA	3,144	18.6	18.6	16.2	1.2	1.2
Stryker	SYK US	NA	148,311	388.1	29.0	26.2	6.0	5.5
Boston Scientific	BSX US	NA	152,191	102.9	35.3	31.2	7.8	7.1
Dexcom	DXCM US	NA	33,349	85.1	42.6	34.5	7.2	6.3
STAAR Surgical	STAA US	NA	1,004	20.3	NA	65.8	3.9	3.1
Average					29.4	30.5	5.1	4.6
H & A share								
CardioFlow	2160 HK	NA	263	0.9	NA	25.4	3.7	3.0
ZyloX-Tonbridge	2190 HK	NA	776	18.6	34.9	23.2	5.2	3.9
Peijia Medical	9996 HK	NA	448	5.2	NA	438.8	4.0	3.1
MicroPort NeuroScientific	2172 HK	NA	812	11.0	20.6	16.4	6.5	5.2
Ovctek	300595 CH	NA	1,887	15.2	19.4	17.4	6.5	5.8
Yuyue Medical	002223 CH	NA	4,946	35.6	16.9	14.6	4.1	3.6
Eyebright Medical	688050 CH	NA	2,082	79.1	31.2	24.3	8.3	6.5
Apt Medical	688617 CH	NA	5,376	399.0	42.9	32.8	14.4	11.1
Average					27.6	74.1	6.6	5.3
Overall average					28.6	52.3	5.8	4.9

Source: Bloomberg, CMBIGM, as of May 13, 2025

Figure 6: Angelalign: SOTP valuation

	2025E net profit (US\$m)	2025E revenue (US\$m)	2025E PE (x)	2025E PS (x)	Valuation to Angelalign (US\$m)	As % of total valuation	Per share valuation (HK\$)
Domestic business	24		18x		429	28.3	19.7
Overseas business		123		6x	736	48.5	33.8
Net cash					351	23.1	16.1
Valuation of Angelalign					1,516		
USDHKD					7.8		
Valuation of Angelalign (HK\$m)					11,826		
# of shares (mn)					170		
Valuation per share – Angelalign (HK\$)					69.55		

Source: Company data, CMBIGM estimates

Investment Risks

- 1) Underperformance in overseas market expansion;
- 2) Significant investment in overseas markets lead to pressure on profitability;
- 3) Intensified competition in the domestic market;
- 4) The macroeconomic environment continues to impact domestic market demand.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)					
Revenue	210	269	320	377	442
Cost of goods sold	(79)	(101)	(131)	(150)	(172)
Gross profit	131	168	190	228	270
Selling expense	(70)	(105)	(120)	(136)	(150)
Admin expense	(40)	(46)	(51)	(57)	(62)
R&D expense	(25)	(21)	(22)	(26)	(32)
Others	(1)	(0)	0	0	0
Other income	5	12	10	9	8
Other expense	0	(0)	0	0	0
Other gains/(losses)	(4)	(2)	0	0	0
Operating profit	(4)	6	6	18	34
Net Interest income/(expense)	12	5	6	6	7
Others	0	(0)	0	0	0
Pre-tax profit	9	12	12	23	41
Income tax	(2)	(2)	(2)	(4)	(6)
After tax profit	7	10	10	20	35
Minority interest	(1)	(2)	(2)	(2)	(2)
Attributable net profit	8	12	12	22	37
Adjusted net profit	26	27	27	39	55
Gross dividends	24	8	7	13	22

BALANCE SHEET	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)					
Current assets	525	492	516	550	599
Cash & equivalents	380	227	239	261	298
Restricted cash	0	0	0	0	0
Account receivables	26	36	47	55	64
Inventories	13	18	21	24	27
ST bank deposits	0	112	112	112	112
Financial assets at FVTPL	106	98	98	98	98
Other current assets	0	0	0	0	0
Non-current assets	147	186	220	232	238
PP&E	61	75	109	122	129
Right-of-use assets	14	18	16	15	13
Deferred income tax	5	7	7	7	7
Investment in JVs & assos	3	5	5	5	5
Intangibles	23	18	19	20	21
Financial assets at FVTPL	36	39	39	39	39
Other non-current assets	6	24	24	24	24
Total assets	672	678	736	782	838
Current liabilities	124	128	171	196	225
Amounts due to related parties	0	0	0	0	0
Short-term borrowings	2	3	3	3	3
Account payables	53	63	75	86	98
Other current liabilities	3	1	1	1	1
Lease liabilities	2	4	4	4	4
Contract liabilities	64	57	88	102	119
Non-current liabilities	66	70	70	70	70
Long-term borrowings	1	0	0	0	0
Deferred income	5	4	4	4	4
Other non-current liabilities	61	65	65	65	65
Total liabilities	190	198	241	266	294
Share capital	0	0	0	0	0
Others	507	492	504	518	533
Other reserves	(36)	(18)	(13)	(4)	11
Total shareholders equity	471	474	491	514	544
Minority interest	10	6	4	2	(0)
Total equity and liabilities	672	678	736	782	838

CASH FLOW	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)					
Operating					
Profit before taxation	9	12	12	23	41
Depreciation & amortization	12	16	12	14	14
Tax paid	(7)	(7)	(2)	(4)	(6)
Change in working capital	7	1	30	14	16
Others	1	(4)	0	3	4
Net cash from operations	22	17	53	50	69
Investing					
Capital expenditure	(13)	(27)	(45)	(25)	(20)
Acquisition of subsidiaries/ investments	0	(3)	0	0	0
Others	(125)	(109)	13	11	11
Net cash from investing	(139)	(139)	(32)	(14)	(9)
Financing					
Dividend paid	(15)	(24)	(7)	(13)	(22)
Net borrowings	(3)	1	0	0	0
Proceeds from share issues	0	0	0	0	0
Others	(8)	(6)	(1)	(1)	(1)
Net cash from financing	(26)	(28)	(8)	(14)	(23)
Net change in cash					
Cash at the beginning of the year	524	380	227	239	261
Exchange difference	(1)	(2)	0	0	0
Cash at the end of the year	380	227	239	261	298
GROWTH	2023A	2024A	2025E	2026E	2027E
YE 31 Dec					
Revenue	16.2%	28.2%	19.1%	17.9%	17.1%
Gross profit	17.2%	28.7%	12.8%	20.0%	18.5%
Operating profit	na	na	(8.0%)	206.0%	93.5%
EBITDA	(78.8%)	164.6%	(16.7%)	72.4%	54.9%
Net profit	(75.0%)	60.9%	0.1%	81.0%	68.2%
Adj. net profit	(16.0%)	2.9%	2.2%	40.3%	42.4%
PROFITABILITY	2023A	2024A	2025E	2026E	2027E
YE 31 Dec					
Gross profit margin	62.4%	62.6%	59.2%	60.3%	61.1%
Operating margin	(1.9%)	2.3%	1.8%	4.7%	7.7%
EBITDA margin	3.9%	8.1%	5.7%	8.3%	11.0%
Adj. net profit margin	12.5%	10.0%	8.6%	10.2%	12.4%
Return on equity (ROE)	0.4%	2.6%	2.5%	4.4%	7.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025E	2026E	2027E
YE 31 Dec					
Net debt to equity (x)	(0.8)	(0.7)	(0.7)	(0.7)	(0.8)
Current ratio (x)	4.2	3.8	3.0	2.8	2.7
Receivable turnover days	43.1	52.5	53.0	53.0	53.0
Inventory turnover days	68.5	57.7	58.0	58.0	58.0
Payable turnover days	243.5	211.3	210.0	209.0	208.0
VALUATION	2023A	2024A	2025E	2026E	2027E
YE 31 Dec					
P/E	154.1	95.9	96.9	53.5	31.8
Adjusted P/E	44.5	43.3	42.8	30.5	21.4
P/B	2.4	2.4	2.4	2.3	2.2
Div yield (%)	2.1	0.7	0.6	1.1	1.9

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

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