

Micro-Tech (688029 CH)

Robust overseas momentum and domestic recovery

A solid 2025; 1Q26 revenue slightly ahead of expectations. In 2025, Micro-Tech reported revenue of RMB3.2bn (+15.5% YoY) and attributable net profit of RMB570mn (+3.1% YoY). Its 1Q26 revenue grew 22.1% YoY to RMB854mn, slightly beating our expectations and accounted for 24% of our full-year forecast (vs. the historical average of 21%). Attributable net profit declined 9.0% YoY to RMB146mn primarily dragged by FX losses. Given the strong growth of overseas business and potential recovery of domestic business, we raise our 2026 full-year revenue growth estimates from 11.4% to 15.9%.

■ **Overseas business remained the primary growth engine.** In 2025, overseas revenue increased 40.9% YoY to RMB1.9bn. Excluding the RMB267mn contribution from subsidiary CME, organic overseas growth remained solid at ~21%. This strong momentum persisted in 1Q26, with overseas revenue up 28.2% YoY, lifting its revenue contribution from 60% in 2025 to 61% in 1Q26. We believe the acquisition of CME and CONMED's (CNMD US, NR) GI endoscopic consumable product lines will significantly enhance Micro-Tech's direct sales footprint in US and European markets. We continue to view the direct sales capability as a critical competitive moat for its rapid overseas growth. Additionally, the January 2026 launch of the Thailand manufacturing center should further enhance its global delivery efficiency and supply chain resilience.

■ **Domestic market showed signs of recovery.** While 2025 domestic revenue declined 9.6% YoY to RMB1.25bn due to the VBPs, 1Q26 domestic revenue recovered with a 13.6% YoY growth. Notably, domestic sales of GI products grew ~25% YoY in 1Q26. Despite the ongoing VBPs in Guangdong and Zhejiang provinces, we believe the marginal policy impact is weakening, driven by the rapid growth of innovative products. In our view, Micro-Tech's domestic business has shown signs of bottoming out.

■ **Innovative products contributed meaningful incremental growth.** Revenue from innovative products (including visualization business) grew over 40% YoY in 2025, accounting for 8% of total revenue. In 1Q26, revenue from innovative products increased 65% YoY, expanding their revenue share to 10.6%. With domestic channel inventory for single-use endoscopes largely digested and strong global growth, we expect visualization business to maintain robust momentum in 2026E. Overall, we see the continued ramp of the innovation portfolio and overseas expansion as effective offsets to domestic VBP pressure.

■ **Maintain BUY.** Given the slight 1Q26 revenue growth beat, we raise our 2026E–2028E revenue forecasts. Accordingly, we raise our target price to RMB97.38 based on a 10-year DCF model (WACC: 10.7%, terminal growth: 2.0%; both unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	2,755	3,184	3,690	4,293	4,957
YoY growth (%)	14.3	15.5	15.9	16.4	15.5
Net profit (RMB mn)	553	570	610	730	870
YoY growth (%)	13.9	3.1	7.0	19.7	19.2
EPS (Reported) (RMB)	2.95	3.05	3.25	3.89	4.63
P/E (x)	25.7	24.8	23.3	19.5	16.4
Net gearing (%)	(49.3)	(30.2)	(31.7)	(35.0)	(38.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price RMB97.38
 (Previous TP) RMB92.13)
Up/Downside 28.5%
Current Price RMB75.77

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Stock Data

Mkt Cap (RMB mn) 14,168.4
 Avg 3 mths t/o (RMB mn) 123.1
 52w High/Low (RMB) 100.35/56.99
 Total Issued Shares (mn) 187.0

Source: FactSet

Shareholding Structure

Shenzhen Zhongke Merchants 22.2%
 Nanjing New weichuang 19.6%

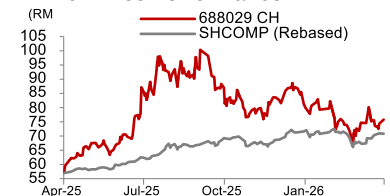
Source: SSE

Share Performance

	Absolute	Relative
1-mth	4.4%	0.0%
3-mth	-6.3%	-5.1%
6-mth	-12.9%	-14.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,690	4,293	4,957	3,553	4,124	4,805	3.85%	4.09%	3.18%
Gross profit	2,313	2,704	3,135	2,232	2,600	3,040	3.64%	3.99%	3.12%
Operating profit	734	878	1,047	722	857	1,025	1.57%	2.49%	2.10%
Net profit	610	730	870	588	698	835	3.67%	4.63%	4.25%
EPS (RMB)	3.25	3.89	4.63	3.13	3.72	4.44	3.67%	4.63%	4.25%
Gross margin	62.70%	62.98%	63.24%	62.82%	63.04%	63.28%	-0.13ppt	-0.06ppt	-0.04ppt
Operating margin	19.88%	20.46%	21.11%	20.33%	20.78%	21.33%	-0.45ppt	-0.32ppt	-0.22ppt
Net margin	16.53%	17.01%	17.56%	16.56%	16.92%	17.38%	-0.03ppt	+0.09ppt	+0.18ppt

Source: CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	680	818	975	1,165	1,385	1,645	1,950	2,308	2,723	3,186
Tax rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	578	696	828	990	1,177	1,398	1,657	1,961	2,314	2,708
+ D&A	160	165	170	174	179	184	188	192	227	266
- Change in working capital	98	-71	-72	-74	-76	-80	-85	-88	-104	-122
- Capex	-250	-250	-250	-250	-250	-250	-250	-250	-295	-345
FCFF	586	539	676	840	1,031	1,252	1,511	1,815	2,142	2,506
Terminal value										29,301

Terminal growth rate	2.0%
WACC	10.7%
Cost of Equity	13.5%
Cost of Debt	5.0%
Equity Beta	1.00
Risk Free Rate	3.0%
Market Risk Premium	10.5%
Target Debt to Asset ratio	30.0%
Effective Corporate Tax Rate	15.0%

Terminal value	10,578
Total PV	17,208
Net debt	-1,309
Minority	225
Equity value	18,293
# of shares (mn)	188
DCF per share (in RMB)	97.38

Source: CMBIGM estimates

Figure 3: Sensitivity analysis (RMB)

		WACC				
		9.7%	10.2%	10.7%	11.2%	11.7%
Terminal growth rate	3.0%	123.89	113.92	105.30	97.77	91.16
	2.5%	117.93	108.94	101.10	94.21	88.11
	2.0%	112.74	104.57	97.38	91.02	85.36
	1.5%	108.19	100.70	94.07	88.17	82.89
	1.0%	104.16	97.25	91.10	85.59	80.65

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	3,690	4,293	4,957	3,857	4,618	4,805	-4.34%	-7.04%	3.17%
Gross profit	2,313	2,704	3,135	2,457	2,940	3,042	-5.87%	-8.04%	3.07%
Operating profit	734	878	1,047	879	1,058	1,025	-16.58%	-17.00%	2.10%
Net profit	610	730	870	750	898	835	-18.62%	-18.68%	4.24%
EPS (RMB)	3.25	3.89	4.63	3.96	4.79	4.44	-17.99%	-18.80%	4.36%
Gross margin	62.70%	62.98%	63.24%	63.71%	63.67%	63.30%	-1.02ppt	-0.69ppt	-0.06ppt
Operating margin	19.88%	20.46%	21.11%	22.80%	22.91%	21.33%	-2.92ppt	-2.45ppt	-0.22ppt
Net margin	16.53%	17.01%	17.56%	19.43%	19.45%	17.38%	-2.90ppt	-2.44ppt	+0.18ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	2,411	2,755	3,184	3,690	4,293	4,957
Cost of goods sold	(856)	(891)	(1,143)	(1,376)	(1,589)	(1,822)
Gross profit	1,555	1,864	2,041	2,313	2,704	3,135
Operating expenses	(1,052)	(1,190)	(1,379)	(1,592)	(1,840)	(2,109)
Selling expense	(573)	(646)	(746)	(863)	(996)	(1,140)
Admin expense	(329)	(369)	(434)	(500)	(580)	(667)
R&D expense	(151)	(174)	(199)	(229)	(264)	(302)
Gain/loss on financial assets at FVTPL	0	(0)	1	1	1	1
Investment gain/loss	28	21	17	17	17	17
Other gains/(losses)	23	(35)	12	(5)	(4)	3
Operating profit	555	659	692	734	878	1,047
Others	10	0	(1)	(1)	(1)	(1)
Pre-tax profit	565	660	691	733	878	1,046
Income tax	(70)	(92)	(109)	(110)	(132)	(157)
Minority interest	(9)	(15)	(12)	(13)	(16)	(19)
Attributable net profit	486	553	570	610	730	870
Adjusted net profit	463	544	552	591	712	852
Gross dividends	187	280	280	305	365	435

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	3,291	3,321	3,642	3,642	3,945	4,384
Cash & equivalents	1,209	1,887	1,438	1,420	1,601	1,910
Account receivables	411	434	537	552	631	715
Inventories	522	537	621	660	740	824
Prepayment	28	32	29	29	29	29
Other current assets	1,121	431	1,018	981	944	907
Non-current assets	1,102	1,459	1,822	1,909	1,990	2,067
PP&E	295	926	908	984	1,054	1,116
Deferred income tax	29	33	41	41	41	41
Intangibles	89	75	237	238	239	240
Goodwill	178	170	350	350	350	350
Other non-current assets	511	254	285	295	307	321
Total assets	4,393	4,780	5,464	5,551	5,935	6,452
Current liabilities	650	806	1,004	1,076	1,083	1,149
Short-term borrowings	0	0	190	110	30	0
Account payables	274	510	414	566	653	749
Tax payable	46	49	50	50	50	50
Other current liabilities	329	248	350	350	350	350
Non-current liabilities	73	74	118	118	118	118
Long-term borrowings	0	0	0	0	0	0
Deferred income	7	9	17	17	17	17
Other non-current liabilities	66	64	100	100	100	100
Total liabilities	723	880	1,122	1,194	1,201	1,267
Share capital	188	188	188	196	204	212
Capital surplus	110	110	110	110	110	110
Others	3,314	3,529	3,833	3,827	4,180	4,604
Total shareholders equity	3,612	3,826	4,130	4,132	4,494	4,926
Minority interest	58	73	212	225	240	259
Total equity and liabilities	4,393	4,780	5,464	5,551	5,935	6,452

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	495	568	583	623	746	889
Depreciation & amortization	83	102	144	160	165	170
Tax paid	(70)	(92)	(109)	(110)	(132)	(157)
Change in working capital	46	(61)	(48)	98	(71)	(72)
Others	(8)	96	118	93	109	122
Net cash from operations	546	613	688	864	817	952
Investing						
Capital expenditure	(256)	(270)	(255)	(250)	(250)	(250)
Acquisition of subsidiaries/ investments	(34)	(3)	(240)	0	0	0
Others	(848)	685	(430)	(262)	38	38
Net cash from investing	(1,137)	412	(925)	(512)	(212)	(212)
Financing						
Dividend paid	(105)	(283)	(282)	(252)	(306)	(364)
Net borrowings	0	0	116	(80)	(80)	(30)
Proceeds from share issues	2	0	8	8	8	8
Others	(12)	(74)	(46)	(46)	(46)	(46)
Net cash from financing	(114)	(357)	(204)	(370)	(424)	(432)
Net change in cash						
Cash at the beginning of the year	1,875	1,209	1,870	1,438	1,420	1,601
Exchange difference	40	(7)	7	0	0	0
Cash at the end of the year	1,209	1,870	1,437	1,420	1,601	1,910
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	21.8%	14.3%	15.5%	15.9%	16.4%	15.5%
Gross profit	28.9%	19.8%	9.5%	13.4%	16.9%	15.9%
Operating profit	52.3%	18.9%	4.9%	6.1%	19.7%	19.2%
Net profit	47.0%	13.9%	3.1%	7.0%	19.7%	19.2%
Adj. net profit	54.7%	17.5%	1.4%	7.2%	20.3%	19.7%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	64.5%	67.7%	64.1%	62.7%	63.0%	63.2%
Operating margin	23.0%	23.9%	21.7%	19.9%	20.5%	21.1%
Adj. net profit margin	19.2%	19.7%	17.3%	16.0%	16.6%	17.2%
Return on equity (ROE)	14.2%	14.9%	14.3%	14.8%	16.9%	18.5%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	(0.4)
Current ratio (x)	5.1	4.1	3.6	3.4	3.6	3.8
Receivable turnover days	52.4	56.0	55.6	54.6	53.6	52.6
Inventory turnover days	232.1	216.7	184.8	175.0	170.0	165.0
Payable turnover days	129.2	160.5	147.5	150.0	150.0	150.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	29.3	25.7	24.8	23.3	19.5	16.4
P/E (diluted)	29.3	25.7	24.8	23.3	19.5	16.4
P/B	3.9	3.7	3.4	3.6	3.4	3.2
Div yield (%)	1.3	2.0	2.0	2.1	2.6	3.1

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

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