Mindray (300760 CH)

1Q26 in line; overseas and emerging businesses driving growth

Mindray reported 1Q26 revenue of RMB8.35bn (+1.4% YoY) and attributable net profit of RMB2.3bn (-11.3% YoY), largely in line with our expectations. Overseas business remains the major growth driver with robust momentum in Europe and developing markets. Domestic business still faced near-term headwinds from channel destocking in 1Q26. We maintain our FY26E revenue forecast, expecting a return to positive domestic growth in 2026E.

- **Rapid overseas growth led by Europe and emerging markets.** Overseas revenue increased 15.7% YoY to RMB4.45bn, representing 53% of total revenue in 1Q26. Revenue from Europe grew more than 25% YoY, with key markets including the UK, France, Germany, and Italy delivering rapid growth as penetration into high-end accounts accelerated. Emerging markets also recovered, up 15% YoY, with India and Mexico each growing more than 30%. By segment, overseas IVD (>20% YoY), PMLS (15% YoY), and medical imaging (>10% YoY) all reported strong growth. We expect deepening localization and continued progress in high-end accounts to drive overseas growth in 2026E.
- **Domestic business remained under pressure but is expected to recover in 2026E.** Domestic revenue declined 11.1% YoY to RMB3.9bn in 1Q26, primarily due to channel destocking in PMLS and MIS. However, domestic CLIA revenue increased by ~10% YoY in 1Q26 despite VBP-related price pressure, driven by further penetration into large hospital accounts. Consequently, Mindray's share in core IVD categories (CLIA, chemistry, coagulation) rose from 10% in 1H25 to 13% in 1Q26, according to Mindray's 1Q26 report. The MT8000 TLA system completed over 80 installations in 1Q26, which should support reagent pull-through going forward. Moreover, domestic emerging businesses increased over 18% YoY and accounted for 23% of domestic revenue. While destocking in equipment businesses (PMLS+MIS) may still weigh on near-term growth, these segments accounted for less than 30% of domestic revenue. Therefore, we expect domestic revenue to return to positive growth in 2026E, supported by IVD share gains, continued growth in emerging businesses, and an easier comparison base.
- **Emerging businesses grew rapidly.** Revenue from emerging businesses reached RMB1.4bn in 1Q26, up 18.2% YoY. Notably, IVD and emerging businesses together accounted for nearly 40% of overseas revenue and more than 70% of domestic revenue, highlighting steady progress in Mindray's shift toward recurring, consumables-based revenue mix.
- **Maintain BUY.** We maintain our FY26-28E earnings forecasts and derive our target price of RMB204.54 based on a 9-year DCF model (WACC: 9.1%, terminal growth: 3.0%; both unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	36,726	33,282	35,708	39,351	43,477
YoY growth (%)	5.1	(9.4)	7.3	10.2	10.5
Net profit (RMB mn)	11,668.5	8,135.8	8,025.9	9,298.9	10,435.2
YoY growth (%)	0.7	(30.3)	(1.4)	15.9	12.2
EPS (Reported) (RMB)	9.64	6.71	6.62	7.67	8.61
P/E (x)	16.7	24.0	24.3	21.0	18.7
Net gearing (%)	(46.4)	(46.4)	(50.0)	(53.1)	(56.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB204.54**
Up/Downside	**27.0%**
Current Price	**RMB161.11**

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Stock Data

Mkt Cap (RMB mn)	195,336.4
Avg 3 mths t/o (RMB mn)	1,221.1
52w High/Low (RMB)	248.24/156.30
Total Issued Shares (mn)	1212.4

Source: FactSet

Shareholding Structure

Smartco Development Limited	27.0%
Magnifice (HK) Limited	24.5%

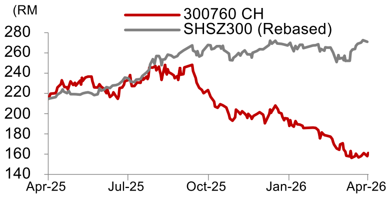
Source: SZSE

Share Performance

	Absolute	Relative
1-mth	-5.0%	-10.3%
3-mth	-14.3%	-15.3%
6-mth	-28.4%	-29.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	9,993	11,168	12,505	13,977	15,621	17,533	19,731	22,295	25,293
Tax rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	8,494	9,493	10,629	11,881	13,278	14,903	16,771	18,951	21,499
+ D&A	1,804	1,825	1,815	1,817	1,812	1,797	1,778	1,754	1,724
- Change in working capital	-215	-295	-310	-298	-298	-628	-706	-812	-935
- Capex	-2,462	-2,362	-2,262	-2,162	-2,062	-1,962	-1,862	-1,762	-1,662
FCFF	**7,622**	**8,661**	**9,873**	**11,239**	**12,730**	**14,110**	**15,981**	**18,131**	**20,626**
Terminal value									**348,683**

Terminal growth rate	**3.0%**
WACC	**9.1%**
Cost of Equity	12.3%
Cost of Debt	3.8%
Equity Beta	0.90
Risk Free Rate	2.8%
Market Risk Premium	10.5%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Terminal value	159,316
Total PV	232,879
Net debt	-20,933
Minority	5,823
Equity value	247,990
# of shares (mn)	1,212
DCF per share (in RMB)	**204.54**

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (RMB)

		WACC				
		8.1%	**8.6%**	**9.1%**	**9.6%**	**10.1%**
Terminal growth rate	**4.0%**	290.73	258.06	231.86	210.41	192.54
	3.5%	266.45	239.25	216.98	198.42	182.72
	3.0%	246.94	223.81	**204.54**	188.24	174.30
	2.5%	230.92	210.90	193.98	179.50	166.98
	2.0%	217.52	199.95	184.92	171.91	160.56

Source: CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	35,708	39,351	43,477	36,722	40,946	43,855	-2.76%	-3.90%	-0.86%
Gross profit	21,087	23,197	25,622	22,220	24,913	26,671	-5.10%	-6.89%	-3.94%
Operating profit	10,627	11,948	13,393	11,145	12,607	13,170	-4.64%	-5.23%	1.69%
Net profit	8,026	9,299	10,435	9,675	10,813	10,904	-17.05%	-14.00%	-4.30%
EPS (RMB)	6.62	7.67	8.61	8.27	9.30	9.28	-19.95%	-17.51%	-7.28%
Gross margin	59.05%	58.95%	58.93%	60.51%	60.84%	60.82%	-1.46ppt	-1.89ppt	-1.89ppt
Operating margin	29.76%	30.36%	30.80%	30.35%	30.79%	30.03%	-0.59ppt	-0.43ppt	+0.77ppt
Net margin	22.48%	23.63%	24.00%	26.35%	26.41%	24.86%	-3.87ppt	-2.78ppt	-0.86ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**34,932**	**36,726**	**33,282**	**35,708**	**39,351**	**43,477**
Cost of goods sold	(12,513)	(13,548)	(13,208)	(14,621)	(16,154)	(17,855)
Gross profit	**22,419**	**23,178**	**20,074**	**21,087**	**23,197**	**25,622**
Operating expenses	**(9,478)**	**(10,549)**	**(10,401)**	**(10,581)**	**(11,371)**	**(12,350)**
Selling expense	(5,010)	(5,283)	(5,145)	(5,356)	(5,824)	(6,391)
Admin expense	(1,524)	(1,600)	(1,551)	(1,643)	(1,771)	(1,913)
R&D expense	(3,433)	(3,666)	(3,579)	(3,678)	(3,974)	(4,304)
Others	489	(1)	(127)	96	198	258
Operating profit	**13,070**	**13,112**	**9,795**	**10,627**	**11,948**	**13,393**
Gain/loss on financial assets at FVTPL	79	126	0	0	0	0
Investment gain/loss	(10)	69	115	115	115	115
Other gains/(losses)	60	287	6	6	6	6
Others	(59)	(92)	(121)	(121)	(121)	(121)
Pre-tax profit	**13,011**	**13,020**	**9,674**	**10,507**	**11,827**	**13,272**
Income tax	(1,433)	(1,280)	(1,222)	(1,576)	(1,774)	(1,991)
Minority interest	4	(71)	(316)	(905)	(754)	(846)
Net profit	**11,582**	**11,668**	**8,136**	**8,026**	**9,299**	**10,435**
Adjusted net profit	**11,434**	**11,442**	**8,069**	**8,013**	**9,286**	**10,422**
Gross dividends	7,032	7,602	5,310	5,217	6,044	6,783

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**26,875**	**25,647**	**27,410**	**30,970**	**35,198**	**40,044**
Cash & equivalents	18,787	16,644	17,690	20,937	24,520	28,667
Account receivables	3,297	3,226	3,410	3,364	3,492	3,619
Inventories	3,979	4,757	5,004	5,363	5,881	6,451
Prepayment	268	297	273	273	273	273
Other current assets	545	722	1,033	1,033	1,033	1,033
Non-current assets	**21,065**	**30,997**	**31,857**	**33,108**	**34,239**	**35,280**
PP&E	5,490	7,086	7,670	7,931	8,090	8,158
Deferred income tax	1,313	1,697	1,567	1,567	1,567	1,567
Intangibles	2,225	6,723	6,390	5,739	5,078	4,406
Goodwill	5,062	11,093	11,404	11,404	11,404	11,404
Other non-current assets	6,976	4,397	4,825	6,468	8,101	9,745
Total assets	**47,940**	**56,644**	**59,267**	**64,078**	**69,437**	**75,324**
Current liabilities	**10,103**	**10,427**	**11,600**	**11,697**	**12,048**	**12,436**
Short-term borrowings	8	5	0	0	0	0
Account payables	2,690	2,793	3,242	3,340	3,690	4,079
Tax payable	653	428	385	385	385	385
Other current liabilities	6,751	7,202	7,972	7,972	7,972	7,972
Non-current liabilities	**4,491**	**5,458**	**4,656**	**4,656**	**4,656**	**4,656**
Long-term borrowings	1	0	4	4	4	4
Deferred income	109	127	182	182	182	182
Other non-current liabilities	4,381	5,331	4,470	4,470	4,470	4,470
Total liabilities	**14,594**	**15,885**	**16,255**	**16,353**	**16,704**	**17,092**
Share capital	1,212	1,212	1,212	1,212	1,212	1,212
Capital surplus	608	608	608	608	608	608
Other reserves	31,265	34,036	36,273	40,082	44,337	48,989
Total shareholders equity	**33,085**	**35,856**	**38,093**	**41,902**	**46,157**	**50,809**
Minority interest	261	4,902	4,918	5,823	6,577	7,423
Total equity and liabilities	**47,940**	**56,644**	**59,267**	**64,078**	**69,437**	**75,324**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**11,578**	**11,740**	**8,451**	**8,931**	**10,053**	**11,281**
Depreciation & amortization	1,039	1,503	1,747	1,804	1,825	1,815
Tax paid	(1,433)	(1,280)	(1,222)	(1,576)	(1,774)	(1,991)
Change in working capital	(1,652)	(727)	(439)	(215)	(295)	(310)
Others	1,528	1,196	1,608	1,468	1,521	1,630
Net cash from operations	**11,062**	**12,432**	**10,145**	**10,412**	**11,329**	**12,425**
Investing						
Capital expenditure	(2,689)	(1,959)	(2,038)	(2,000)	(1,900)	(1,800)
Acquisition of subsidiaries/ investments	(871)	(5,773)	0	0	0	0
Others	2,867	350	1,528	(462)	(462)	(462)
Net cash from investing	**(693)**	**(7,383)**	**(509)**	**(2,462)**	**(2,362)**	**(2,262)**
Financing						
Dividend paid	(10,670)	(8,843)	(5,743)	(4,703)	(5,385)	(6,016)
Net borrowings	(19)	(3)	(3)	0	0	0
Proceeds from share issues	79	79	36	0	0	0
Others	(166)	(114)	(1,014)	0	0	0
Net cash from financing	**(10,776)**	**(8,882)**	**(6,724)**	**(4,703)**	**(5,385)**	**(6,016)**
Net change in cash						
Cash at the beginning of the year	18,974	18,668	14,908	17,690	20,937	24,520
Exchange difference	101	72	(195)	0	0	0
Cash at the end of the year	**18,668**	**14,908**	**17,625**	**20,937**	**24,520**	**28,667**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	15.0%	5.1%	(9.4%)	7.3%	10.2%	10.5%
Gross profit	15.1%	3.4%	(13.4%)	5.0%	10.0%	10.5%
Operating profit	18.9%	0.3%	(25.3%)	8.5%	12.4%	12.1%
Net profit	20.6%	0.7%	(30.3%)	(1.4%)	15.9%	12.2%
Adj. net profit	20.0%	0.1%	(29.5%)	(0.7%)	15.9%	12.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	64.2%	63.1%	60.3%	59.1%	58.9%	58.9%
Operating margin	37.4%	35.7%	29.4%	29.8%	30.4%	30.8%
Adj. net profit margin	32.7%	31.2%	24.2%	22.4%	23.6%	24.0%
Return on equity (ROE)	35.6%	33.9%	22.0%	20.1%	21.1%	21.5%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
Current ratio (x)	2.7	2.5	2.4	2.6	2.9	3.2
Receivable turnover days	31.1	32.4	36.4	34.4	32.4	30.4
Inventory turnover days	116.7	117.7	134.9	133.9	132.9	131.9
Payable turnover days	72.6	73.9	83.4	83.4	83.4	83.4

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	16.9	16.7	24.0	24.3	21.0	18.7
P/E (diluted)	16.9	16.7	24.0	24.3	21.0	18.7
P/B	18.2	17.7	16.0	15.9	15.4	15.0
Div yield (%)	3.6	3.9	2.7	2.7	3.1	3.5

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

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