Mindray (300760 CH)

Overseas growth remained solid; domestic recovery should broaden in 2027E

BUY (Maintain)

Target Price	**RMB214.84**
(Previous TP	RMB204.94)
Up/Downside	**18.2%**
Current Price	**RMB181.75**

Mindray reported 3Q26 revenue of RMB9,350mn (+2.9% YoY; +6.0% currency-neutral), taking 9M26 revenue to RMB27.1bn (+4.9% YoY; +7.4% currency-neutral). Net profit declined 2.5% YoY to RMB2,517mn in 3Q26 and 3.2% YoY to RMB7,564mn in 9M26, mainly reflecting FX losses and higher component costs. Excluding FX, net profit grew 1.8% YoY in 3Q26 and 6.3% YoY in 9M26. With domestic destocking being largely completed by year-end and overseas momentum maintained, we expect Mindray's growth to accelerate into 2027E.

- **Overseas business remained the main growth driver.** Overseas revenue reached RMB14.4bn in 9M26, up 11.0% YoY, or 16.0% YoY in USD terms, accounting for 53% of total revenue. Revenue from Europe increased ~20% YoY thanks to the rapid growth in the UK, France, Germany and Italy. Latin America and APAC revenue grew ~18% and ~14% YoY, respectively, where India, Mexico and Brazil etc. all reported robust growth. In addition, Mindray expanded cooperation with a major US IDN from monitoring and anaesthesia to ultrasound recently, which should provide incremental support to its growth in America from 2027E, in our view. Overseas IVD remained strong, which increased ~20% YoY in 9M26, with immunoassay up more than 30%. Mindray received 35 new TLA orders and completed 20 TLA installations in 9M26, which we expect to drive continued rapid growth of overseas IVD business.
- **Domestic business was resilient despite a higher base in 3Q25**. Domestic revenue declined ~1% YoY to RMB4.5bn in 3Q26 but rose 2.0% QoQ. Within this, domestic IVD grew 4% QoQ while immunoassay increased 7% QoQ. Mindray's combined share in chemistry, immunoassay and coagulation has increased from 10% in 1H25 to 15% in 3Q26, according to the Company. Domestic TLA new orders and installations were nearly 400 and 300 in 9M26, respectively, which have surpassed the total in FY25. We think these will support future reagent volume growth. Moreover, domestic emerging business reported revenue growth of 20% YoY in 9M26. As channel destocking is expected to largely complete by year-end, we expect domestic growth to improve in 2027E, led by IVD share gains and continued expansion in emerging businesses.
- **Emerging businesses are becoming a more meaningful growth contributor.** Revenue from emerging businesses grew 20.5% YoY to RMB4.7bn in 9M26, and reached 17.5% of total sales. Minimally invasive surgery and intervention both grew more than 20% YoY, with surgical high-value consumables more than doubled and PFA procedures exceeded 10,000 in 9M26. We see emerging businesses as an increasingly important driver of Mindray's medium-term earnings growth.
- **Maintain BUY.** We roll forward our DCF model to 2027E-34E from 2026E-34E**,** as valuation is increasingly anchored on 2027E. We cut our earnings forecasts modestly to reflect raw-material cost pressure. Therefore, we derive our TP of RMB214.84 based on an 8-year DCF model. Key risks include FX volatility, IVD pricing pressure, weaker hospital procurement and slower overseas expansion.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	36,726	33,282	35,909	39,615	43,676
YoY growth (%)	5.1	(9.4)	7.9	10.3	10.3
Attributable net profit (RMB mn)	11,668	8,136	7,871	9,339	10,415
YoY growth (%)	0.7	(30.3)	(3.3)	18.7	11.5
EPS (Reported) (RMB)	9.64	6.71	6.49	7.70	8.59
P/E (x)	18.9	27.1	28.0	23.6	21.2
Net gearing (%)	(46.4)	(46.4)	(49.2)	(52.5)	(55.9)

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (RMB mn)	220,361.2
Avg 3 mths t/o (RMB mn)	1,449.2
52w High/Low (RMB)	215.04/133.98
Total Issued Shares (mn)	1212.4

Source: FactSet

Shareholding Structure

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

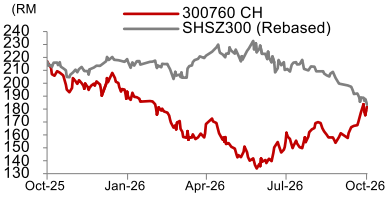
Source: SZSE

Share Performance

	Absolute	Relative
1-mth	12.7%	23.2%
3-mth	12.5%	28.4%
6-mth	7.9%	30.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	35,909	39,615	43,676	35,909	39,460	43,524	0.00%	0.39%	0.35%
Gross profit	21,300	23,377	25,752	21,300	23,343	25,721	0.00%	0.15%	0.12%
Operating profit	10,445	11,999	13,367	10,445	12,052	13,471	0.00%	-0.44%	-0.77%
Net profit	7,871	9,339	10,415	7,871	9,381	10,497	0.00%	-0.45%	-0.78%
EPS (RMB)	6.49	7.70	8.59	6.49	7.74	8.66	0.00%	-0.45%	-0.78%
Gross margin	59.32%	59.01%	58.96%	59.32%	59.16%	59.10%	0ppt	-0.15ppt	-0.14ppt
Operating margin	29.09%	30.29%	30.61%	29.09%	30.54%	30.95%	0ppt	-0.25ppt	-0.35ppt
Net margin	21.92%	23.57%	23.85%	21.92%	23.77%	24.12%	0ppt	-0.2ppt	-0.27ppt

Source: CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	11,228	12,488	13,926	15,553	17,422	19,541	21,984	24,809
Tax rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	9,544	10,615	11,837	13,220	14,809	16,610	18,687	21,088
+ D&A	1,851	1,838	1,838	1,831	1,814	1,794	1,768	1,736
- Change in working capital	-313	-301	-293	-311	-632	-702	-798	-909
- Capex	-2,362	-2,262	-2,162	-2,062	-1,962	-1,862	-1,762	-1,662
FCFF	**8,720**	**9,891**	**11,221**	**12,678**	**14,029**	**15,840**	**17,895**	**20,254**
Terminal value								**342,384**

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	170,663
Total PV	242,862
Net debt	-24,201
Minority interest	6,580
Equity value	260,483
# of shares (mn)	1,212
DCF per share (in RMB)	**214.84**

Source: CMBIGM estimates

Figure 3: Sensitivity analysis (RMB)

		WACC				
		8.1%	**8.6%**	**9.1%**	**9.6%**	**10.1%**
Terminal growth rate	**4.0%**	304.46	270.98	244.11	222.10	203.73
	3.5%	278.69	250.93	228.17	209.19	193.13
	3.0%	257.98	234.46	**214.84**	198.24	184.01
	2.5%	240.98	220.70	203.54	188.83	176.10
	2.0%	226.76	209.02	193.82	180.67	169.17

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	35,909	39,615	43,676	35,643	39,560	44,078	0.75%	0.14%	-0.91%
Gross profit	21,300	23,377	25,752	21,300	23,701	26,497	0.00%	-1.36%	-2.81%
Operating profit	10,445	11,999	13,367	10,209	11,523	12,972	2.31%	4.13%	3.05%
Net profit	7,871	9,339	10,415	8,382	9,583	10,830	-6.10%	-2.55%	-3.83%
EPS (RMB)	6.49	7.70	8.59	6.89	7.87	8.90	-5.82%	-2.07%	-3.51%
Gross margin	59.32%	59.01%	58.96%	59.76%	59.91%	60.11%	-0.44ppt	-0.9ppt	-1.15ppt
Operating margin	29.09%	30.29%	30.61%	28.64%	29.13%	29.43%	+0.45ppt	+1.16ppt	+1.18ppt
Net margin	21.92%	23.57%	23.85%	23.52%	24.22%	24.57%	-1.6ppt	-0.65ppt	-0.72ppt

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**	**35,909**	**39,615**	**43,676**
Cost of goods sold	(12,513)	(13,548)	(13,208)	(14,609)	(16,238)	(17,925)
Gross profit	**22,419**	**23,178**	**20,074**	**21,300**	**23,377**	**25,752**
Selling expense	(5,010)	(5,283)	(5,145)	(5,386)	(5,863)	(6,420)
Admin expense	(1,524)	(1,600)	(1,551)	(1,652)	(1,783)	(1,922)
R&D expense	(3,433)	(3,666)	(3,579)	(3,699)	(4,041)	(4,411)
Others	489	(1)	(127)	(522)	186	247
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	288	6	6
Operating profit	**13,070**	**13,112**	**9,795**	**10,445**	**11,999**	**13,367**
Others	(59)	(92)	(121)	(121)	(121)	(121)
Pre-tax profit	**13,011**	**13,020**	**9,674**	**10,324**	**11,878**	**13,246**
Income tax	(1,433)	(1,280)	(1,222)	(1,549)	(1,782)	(1,987)
Minority interest	4	(71)	(316)	(905)	(757)	(844)
Attributable net profit	**11,582**	**11,668**	**8,136**	**7,871**	**9,339**	**10,415**
Adjusted net profit	**11,434**	**11,442**	**8,069**	**7,858**	**9,326**	**10,402**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**26,875**	**25,647**	**27,410**	**30,645**	**34,937**	**39,794**
Cash & equivalents	18,787	16,644	17,690	20,597	24,205	28,376
Account receivables	3,297	3,226	3,410	3,383	3,515	3,636
Inventories	3,979	4,757	5,004	5,358	5,911	6,476
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**	**33,377**	**34,482**	**35,500**
PP&E	5,490	7,086	7,670	8,199	8,333	8,378
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**	**64,021**	**69,419**	**75,294**
Current liabilities	**10,103**	**10,427**	**11,600**	**11,695**	**12,067**	**12,452**
Short-term borrowings	8	5	0	0	0	0
Account payables	2,690	2,793	3,242	3,337	3,710	4,095
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**	**16,351**	**16,723**	**17,108**
Share capital	1,212	1,212	1,212	1,212	1,212	1,212
Capital surplus	608	608	608	608	608	608
Others	31,265	34,036	36,273	40,028	44,296	48,942
Total shareholders equity	**33,085**	**35,856**	**38,093**	**41,848**	**46,117**	**50,762**
Minority interest	261	4,902	4,918	5,823	6,580	7,424
Total equity and liabilities	**47,940**	**56,644**	**59,267**	**64,021**	**69,419**	**75,294**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**11,578**	**11,740**	**8,451**	**8,776**	**10,096**	**11,259**
Depreciation & amortization	1,039	1,503	1,747	1,817	1,851	1,838
Tax paid	(1,433)	(1,280)	(1,222)	(1,549)	(1,782)	(1,987)
Change in working capital	(1,652)	(727)	(439)	(232)	(313)	(301)
Others	1,528	1,196	1,608	1,774	1,538	1,634
Net cash from operations	**11,062**	**12,432**	**10,145**	**10,586**	**11,390**	**12,444**
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)	(5,217)	(5,421)	(6,011)
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)**	**(5,217)**	**(5,421)**	**(6,011)**
Net change in cash						
Cash at the beginning of the year	18,974	18,668	14,908	17,690	20,597	24,205
Exchange difference	101	72	(195)	0	0	0
Cash at the end of the year	**18,668**	**14,908**	**17,625**	**20,597**	**24,205**	**28,376**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	15.0%	5.1%	(9.4%)	7.9%	10.3%	10.3%
Gross profit	15.1%	3.4%	(13.4%)	6.1%	9.8%	10.2%
Operating profit	18.9%	0.3%	(25.3%)	6.6%	14.9%	11.4%
Net profit	20.6%	0.7%	(30.3%)	(3.3%)	18.7%	11.5%
Adj. net profit	20.0%	0.1%	(29.5%)	(2.6%)	18.7%	11.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	64.2%	63.1%	60.3%	59.3%	59.0%	59.0%
Operating margin	37.4%	35.7%	29.4%	29.1%	30.3%	30.6%
Adj. net profit margin	32.7%	31.2%	24.2%	21.9%	23.5%	23.8%
Return on equity (ROE)	35.6%	33.9%	22.0%	19.7%	21.2%	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	19.0	18.9	27.1	28.0	23.6	21.2
P/E (diluted)	19.0	18.9	27.1	28.0	23.6	21.2
P/B	20.6	19.9	18.0	17.9	17.4	16.9
Div yield (%)	3.2	3.5	2.4	2.3	2.8	3.1

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

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