

# Tigermed (300347 CH)

## Strong backlog growth driven by solid demand

- 1H21 earnings beat.** Tigermed reported 1H21 revenue/ attributable net profit of RMB2,056mn/ RMB1,255mn, increased by 42%/ 26% YoY, accounting for 48%/ 88% of our full-year estimate. Attributable recurring net profit grew 79% YoY to RMB543mn in 1H21, which accounted for 58% of our full-year estimate. Tigermed booked RMB906mn fair value gains and RMB113mn investment gains in 1H21, totaling 64% of its total net profit. Despite negative impact from RMB appreciation, Tigermed's overseas revenue still registered a remarkable 55% YoY growth in 1H21, contributing 54% of the Company's total revenue.
- Expect the recovery trend to continue in 2021.** During 1H21, Tigermed's new bookings reached RMB5,074.8mn, representing a 150.8% YoY growth. Such a strong growth was driven by 1) increasing R&D spending in innovation therapies and medical devices, 2) recovery of R&D activities from the pandemic and 3) the increased demand of clinical trials for COVID-19 vaccines and therapies. Revenue from clinical trial solutions (CTS) reached RMB1,034mn in 1H21, up 45% YoY, while the growth was primarily driven by the increased revenue from clinical trial operation services. As of 30 Jun 2021, Tigermed is conducting 491 ongoing drug clinical research projects, up from 389 projects as of end-2020, indicating sustainable income growth for Tigermed. In addition, revenue generated from clinical-related laboratory services (CRLS) increased 38.0% YoY to RMB1,022.8mn, mainly thanks to the recovery of operation of US lab services and SMO services from the pandemic.
- Accelerating global expansion driven by booming demand.** As Chinese biotech and medical device companies are increasingly developing products in global markets, Tigermed benefits from increasing overseas clinical trial demand from Chinese clients. Having been a pioneer in global expansion, as of 30 Jun 2021, Tigermed is conducting 111 single region clinical trials overseas and 29 MRCTs. During 1H21, Tigermed has acquired over RMB800mn new MRCT bookings with bidding successful rate reaching over 30%. Tigermed grew its number of overseas-based employee from 772 by end-2020 to 854 by mid-2021, with strong presence across the Asia-Pacific region, North America, Europe, Latin America and Africa.
- Maintain BUY.** We revised up our FY21E/ 22E/ 23E attributable net profit forecasts by 48%/ 19%/ 18% to reflect the strong growth outlook. We lifted our new DCF-based TP to RMB198.40 (WACC: 9.84%, Terminal growth: 3.0%).

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,803	3,192	4,376	5,836	7,669
Revenue YoY growth (%)	21.85	13.88	37.07	33.37	31.41
Net income (RMB mn)	842	1,750	2,110	2,070	2,621
EPS (RMB)	1.13	2.20	2.42	2.37	3.00
EPS YoY growth (%)	19.70	94.69	9.92	-1.88	26.62
Consensus EPS	N/A	N/A	2.10	2.57	3.11
P/E (x)	125.27	64.34	58.53	59.66	47.12
P/B (x)	25.11	7.66	6.89	6.28	5.64
Yield (%)	0.20	0.21	0.26	0.25	0.32
ROE (%)	17.66	11.36	13.22	11.64	13.04
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price **RMB198.40**  
(Previous TP **RMB193.04**)  
Up/Downside **+40.16%**  
Current Price **RMB141.55**

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### Stock Data

Mkt Cap (RMB mn)	120,505
Avg 3 mths t/o (RMB mn)	1,330.15
52w High/Low (RMB)	209.41/95.76
Total Issued Shares (mn)	749

Source: Bloomberg

### Shareholding Structure

Management	37.11%
Temasek	2.92%
Free float	59.97%

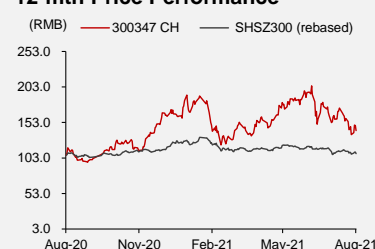
Source: SZSE

### Share Performance

	Absolute	Relative
1-mth	-8.5%	-5.0%
3-mth	-17.8%	-10.8%
6-mth	-0.4%	11.2%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: BDO CHINA

### Related reports:

- Strong momentum continued – 30 Apr 2021
- Strengthening global presence – 1 Apr 2021
- Better business recovery outlook in 2021E – 29 Jan 2021

**Figure 1: CMBIS Earnings revisions**

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,376	5,836	7,669	4,281	5,521	7,038	2.23%	5.70%	8.96%
Gross Profit	2,081	2,769	3,642	2,065	2,669	3,407	0.81%	3.75%	6.90%
Operating Profit	1,193	1,640	2,189	1,215	1,617	2,123	-1.86%	1.40%	3.12%
Net profit	2,110	2,070	2,621	1,426	1,746	2,228	47.94%	18.54%	17.64%
EPS (RMB)	2.42	2.37	3.00	1.63	2.00	2.55	47.94%	18.54%	17.64%
Gross Margin	47.56%	47.44%	47.48%	48.23%	48.33%	48.40%	-0.67 ppt	-0.89 ppt	-0.92 ppt
Operating Margin	27.25%	28.10%	28.54%	28.39%	29.29%	30.16%	-1.14 ppt	-1.19 ppt	-1.62 ppt
Net Margin	48.22%	35.47%	34.18%	33.32%	31.63%	31.66%	+14.90 ppt	+3.84 ppt	+2.52 ppt

Source: Company data, CMBIS estimates

**Figure 2: CMBIS estimates vs consensus**

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	4,376	5,836	7,669	4,188	5,441	6,915	4.48%	7.26%	10.91%
Gross Profit	2,081	2,769	3,642	2,001	2,620	3,360	4.00%	5.66%	8.39%
Operating Profit	1,193	1,640	2,189	1,918	2,386	2,906	-37.82%	-31.27%	-24.67%
Net profit	2,110	2,070	2,621	1,834	2,229	2,677	15.04%	-7.13%	-2.09%
EPS (RMB)	2.42	2.37	3.00	2.10	2.57	3.11	15.43%	-7.75%	-3.24%
Gross Margin	47.56%	47.44%	47.48%	47.79%	48.16%	48.59%	-0.22 ppt	-0.72 ppt	-1.10 ppt
Operating Margin	27.25%	28.10%	28.54%	45.80%	43.85%	42.02%	-18.54 ppt	-15.75 ppt	-13.48 ppt
Net Margin	48.22%	35.47%	34.18%	43.79%	40.97%	38.71%	+4.42 ppt	-5.50 ppt	-4.54 ppt

Source: Company data, Bloomberg, CMBIS estimates

**Figure 1: Risk-adjusted DCF valuation**

DCF Valuation (in Rmb mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	2,600	2,614	3,343	4,513	6,047	8,043	10,616	13,907	18,080	23,323
Tax rate	6.12%	6.12%	6.12%	6.12%	6.12%	6.12%	6.12%	6.12%	6.12%	6.12%
EBIT*(1-tax rate)	2,441	2,454	3,138	4,237	5,677	7,551	9,967	13,057	16,974	21,896
+ D&A	108	120	130	150	171	193	216	240	264	287
- Change in working capital	-433	-277	-348	-401	-457	-516	-578	-642	-706	-770
- Capx	59	-383	-203	-233	-266	-300	-336	-373	-411	-447
<b>FCFF</b>	<b>2,176</b>	<b>1,914</b>	<b>2,717</b>	<b>3,753</b>	<b>5,125</b>	<b>6,927</b>	<b>9,268</b>	<b>12,281</b>	<b>16,121</b>	<b>20,966</b>
<b>Terminal value</b>										<b>315,723</b>

<b>Terminal growth rate</b>	<b>3.00%</b>
<b>WACC</b>	<b>9.84%</b>
Cost of Equity	12.85%
Cost of Debt	5.00%
Equity Beta	0.90
Risk Free Rate	2.50%
Market Risk Premium	11.50%
Target Debt to Asset ratio	35.00%
Effective Corporate Tax Rate	15.00%

Terminal value	123,510
Total PV	164,586
Net debt	-10,809
Equity value	173,094
# of shares (mn)	872
<b>DCF per share (in RMB)</b>	<b>198.40</b>

Source: CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>2,803</b>	<b>3,192</b>	<b>4,376</b>	<b>5,836</b>	<b>7,669</b>
Clinical field service	1,347	1,519	2,125	2,868	3,815
Clinical test technical service	1,446	1,657	2,234	2,949	3,834
Other business	10	16	17	18	20
Cost of sales	(1,500)	(1,678)	(2,295)	(3,067)	(4,028)
<b>Gross profit</b>	<b>1,303</b>	<b>1,514</b>	<b>2,081</b>	<b>2,769</b>	<b>3,642</b>
Business taxes	(11)	(11)	(19)	(26)	(34)
Selling expenses	(81)	(97)	(141)	(175)	(222)
Admin expenses	(350)	(391)	(524)	(683)	(890)
R&D expenses	(124)	(157)	(204)	(245)	(307)
<b>Operating profit</b>	<b>737</b>	<b>859</b>	<b>1,193</b>	<b>1,640</b>	<b>2,189</b>
Finance costs, net	(10)	(88)	245	178	193
Investment gains	180	284	113	0	0
Other gains	203	1,159	1,297	974	1,154
<b>Pre-tax profit</b>	<b>1,089</b>	<b>2,219</b>	<b>2,846</b>	<b>2,792</b>	<b>3,536</b>
Income tax	(114)	(190)	(174)	(171)	(216)
Minority interests	(134)	(279)	(562)	(551)	(698)
<b>Net profit</b>	<b>842</b>	<b>1,750</b>	<b>2,110</b>	<b>2,070</b>	<b>2,621</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Total net profit</b>	<b>975</b>	<b>2,029</b>	<b>2,672</b>	<b>2,621</b>	<b>3,319</b>
Depreciation and amortization	47	85	68	80	90
Change in working capital	(169)	(41)	(433)	(277)	(348)
Investment loss (gain)	(180)	(284)	(113)	0	0
Other operating activities	(147)	(791)	(1,499)	(1,112)	(1,307)
<b>Operating cash flow</b>	<b>528</b>	<b>999</b>	<b>696</b>	<b>1,312</b>	<b>1,754</b>
Capex	(103)	(156)	(156)	(156)	(156)
Purchase of investment assets	(1,015)	(2,910)	(1,200)	(1,200)	(1,200)
Other investing activities	479	699	1,416	974	1,154
<b>Investing cash flow</b>	<b>(638)</b>	<b>(2,367)</b>	<b>59</b>	<b>(383)</b>	<b>(203)</b>
Net proceeds from shares issued	1,441	11,212	0	0	0
Bank borrowing	180	(903)	0	0	0
Acquisition of non-controlling interests	(266)	(271)	(70)	(131)	(199)
Dividends and interests paid	80	(698)	0	0	0
Other financing activities	1,434	9,339	(70)	(131)	(199)
<b>Financing cash flow</b>	<b>1,434</b>	<b>9,339</b>	<b>(70)</b>	<b>(131)</b>	<b>(199)</b>
FX changes	15	(47)	0	0	0
Net change in cash	1,339	7,923	685	798	1,352
Cash at the beginning of the year	698	2,037	10,124	10,809	11,607
<b>Cash at the year end</b>	<b>2,042</b>	<b>10,124</b>	<b>10,809</b>	<b>11,607</b>	<b>12,960</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>4,163</b>	<b>7,860</b>	<b>9,109</b>	<b>10,346</b>	<b>11,572</b>
Fixed asset	252	300	421	530	629
Intangible assets	96	142	115	88	62
Financial assets available for sale	0	0	0	0	0
Goodwill	1,158	1,445	1,445	1,445	1,445
Other non-current assets	2,656	5,973	7,128	8,282	9,437
<b>Current assets</b>	<b>3,370</b>	<b>11,646</b>	<b>12,903</b>	<b>14,062</b>	<b>15,868</b>
Cash	2,042	10,124	10,809	11,607	12,960
Inventories	1	5	3	4	6
Trade and bills receivables	1,080	496	1,079	1,439	1,891
Prepayments, deposits and other receivables	26	28	28	28	28
Other current assets	220	994	983	983	983
<b>Current liabilities</b>	<b>1,791</b>	<b>1,139</b>	<b>1,289</b>	<b>1,373</b>	<b>1,478</b>
Borrowings	864	0	0	0	0
Trade and other payables	185	181	181	181	181
Other current liabilities	742	958	1,107	1,192	1,296
<b>Non-current liabilities</b>	<b>220</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>
Borrowings	37	0	0	0	0
Other non-current liabilities	184	508	508	508	508
<b>Total net assets</b>	<b>5,522</b>	<b>17,858</b>	<b>20,215</b>	<b>22,526</b>	<b>25,454</b>
<b>Minority interest</b>	<b>1,296</b>	<b>1,740</b>	<b>2,302</b>	<b>2,853</b>	<b>3,551</b>
<b>Shareholders' equity</b>	<b>4,225</b>	<b>16,119</b>	<b>17,913</b>	<b>19,673</b>	<b>21,902</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Clinical trial technical services	48	48	49	49	50
Clinical trial consulting services	52	52	51	51	50
Other business	0	1	0	0	0
Total	100	100	100	100	100
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	46	47	48	47	47
EBITDA margin	41	75	61	46	45
Pre-tax margin	39	70	65	48	46
Net margin	30	55	48	35	34
Effective tax rate	10	9	6	6	6
<b>Balance sheet ratios</b>					
Current ratio (x)	2	10	10	10	11
Trade receivables turnover days	121	90	90	90	90
Trade payables turnover days	28	40	40	40	40
Net debt to equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	18	11	13	12	13
ROA	13	10	12	11	12
<b>Per share</b>					
EPS (RMB)	1.13	2.20	2.42	2.37	3.00
DPS (RMB)	0.28	0.30	0.36	0.35	0.45
BVPS (RMB)	5.64	18.47	20.53	22.55	25.10

Source: Company data, CMBIS estimates

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