

Tigermed (300347 CH)

Ceaseless globalization efforts

- 2021 earnings beat.** Tigermed reported 2021 revenue of RMB5,214mn, up 63.3% YoY, attributable net income of RMB2,874mn, up 64.3% YoY, and attributable Non-IFRS net income of RMB1,585mn, up 60.6% YoY. Earnings beat our forecasts. By segment, revenue of Clinical Trial Solution (CTS) jumped by 97.1% YoY to RMB2,994mn in 2021, thanks to the continued recovery from COVID-19 pandemic in China as well as the Company's active involvement in COVID-19 MRCTs (multi-regional clinical trials). Gross profit margin (GPM) declined to 43.6% in 2021 from 47.4% in 2020 due to RMB appreciation, a faster revenue growth of low-margin SMO (site management organization) business, and a higher portion of pass-through fees in revenue related to COVID-19 MRCTs. Management expects GPM to improve by 1.0-1.5 ppts in 2022, assuming a relatively stable RMB in 2022. New orders in 2021 reached RMB9,645mn, up 74.2% YoY, and total backlogs as of Dec 2021 amounted to RMB11,405mn, up 57.1% YoY, both serving as solid guarantees for Tigermed's future growth. Proportion of revenue from COVID-19 projects may decrease from 17% (around RMB900mn) in 2021 to 11% (approximately RMB800mn) in 2022, according to our estimates.
- Accelerated pace of globalization.** Despite a strong RMB, Tigermed's overseas revenue increased by 91.9% YoY in 2021, supported by strong revenue growth from COVID-19 MRCTs. We think Tigermed has utilized the COVID-19 pandemic as an effective way to access overseas markets and to showcase its global capabilities. The Company had 50 ongoing MRCTs in its pipeline as of Dec 2021, compared with 20 as of Dec 2020 and 29 as of Jun 2021. The significant increase in the number of MRCTs in 2H21 was mainly driven by non-COVID projects, which indicated the good client recognition of Tigermed's MRCT services. We believe that more domestic drug companies will rely on Tigermed's global network for their overseas drug development.
- The rapidly-expanding pipeline supports Tigermed's long-term growth.** Total number of ongoing clinical projects was 567 as of Dec 2021, up by 46% YoY (vs 11% YoY in 2020 and 22% YoY in 2019). The number of Ph1&2 projects delivered faster growth than late-stage projects, forming a robust base for future growth in late-stage projects. Number of projects conducted only in China also experienced a faster growth than that in overseas, indicating consistent and sizable R&D investment by Chinese drug companies and increasing reliance on clinical CRO in China.
- Maintain BUY.** We cut our TP from RMB212.59 to RMB183.56, based on a 9-year DCF model (WACC: 9.84%, terminal growth rate: 3.0%). We forecast revenue to grow 36%/31%/29% YoY and attributable adjusted net income to grow 36%/32%/33% YoY in FY22E/23E/24E.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	3,192	5,214	7,116	9,328	12,045
YoY growth (%)	14	63	36	31	29
Net income (RMB mn)	1,750	2,874	2,610	3,375	4,294
Adjusted net income (RMB mn)	708	1,232	1,678	2,210	2,934
EPS (RMB)	2.20	3.31	2.99	3.87	4.92
Consensus EPS (RMB)	NA	NA	3.31	4.06	5.46
P/E (x)	47	31	34	27	21
ROE (%)	11	16	13	15	16
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB183.56**
 (Previous TP **RMB212.59**)
 Up/Downside **+78.84%**
 Current Price **RMB102.64**

China Healthcare Sector

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Stock Data

Mkt Cap (RMB mn)	86,090
Avg 3 mths t/o (RMB mn)	870
52w High/Low (RMB)	209.41/80.21
Total Issued A-shares (mn)	749
Total Issued H-shares (mn)	123

Source: Bloomberg

Shareholding Structure

Management	28.05%
H-share public shareholders	24.57%
ZhongOu AMC	4.16%
Temasek	2.17%
Others	41.05%

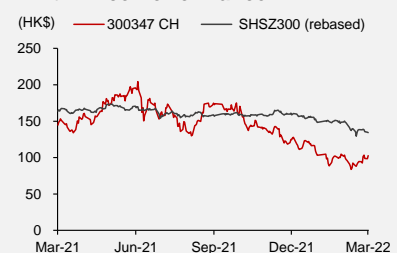
Source: Company

Share Performance

	Absolute	Relative
1-mth	-3.1%	7.0%
3-mth	-21.0%	-5.7%
6-mth	-43.6%	-33.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: BDO

Related Reports

- Impressive backlog growth momentum and enhancing global competency – 25 Oct 2021
- Strong backlog growth driven by solid demand – 25 Oct 2021
- Strong momentum continued – 30 Apr 2021

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	7,116	9,328	12,045	6,367	8,495	NA	11.75%	9.81%	NA
Gross Profit	3,225	4,282	5,648	2,895	3,780	NA	11.40%	13.28%	NA
Operating Profit	2,047	2,737	3,654	1,687	2,211	NA	21.29%	23.77%	NA
Net profit	2,610	3,375	4,294	2,439	3,180	NA	6.97%	6.14%	NA
EPS (US\$ cents)	2.99	3.87	4.92	2.80	3.64	NA	6.98%	6.14%	NA
Gross Margin	45.32%	45.90%	46.89%	46.26%	46.48%	NA	-0.93ppt	-0.58ppt	NA
Operating Margin	28.76%	29.34%	30.33%	27.57%	29.00%	NA	+1.20ppt	+0.34ppt	NA
Net Margin	36.67%	36.18%	35.65%	24.87%	26.47%	NA	+11.8ppt	+9.71ppt	NA

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	7,116	9,328	12,045	6,272	8,134	10,616	13.45%	14.68%	13.46%
Gross Profit	3,225	4,282	5,648	3,009	3,916	5,149	7.19%	9.35%	9.70%
Operating Profit	2,047	2,737	3,654	2,830	3,428	3,705	-27.68%	-20.16%	-1.39%
Net profit	2,610	3,375	4,294	2,793	3,394	3,471	-6.57%	-0.57%	23.72%
EPS (US\$ cents)	2.99	3.87	4.92	3.31	4.06	5.46	-9.69%	-4.72%	-9.76%
Gross Margin	45.32%	45.90%	46.89%	47.97%	48.14%	48.50%	-2.65ppt	-2.24ppt	-1.61ppt
Operating Margin	28.76%	29.34%	30.33%	45.12%	42.14%	34.90%	-16.36ppt	-12.80ppt	-4.57ppt
Net Margin	36.67%	36.18%	35.65%	44.53%	41.73%	32.70%	-7.86ppt	-5.55ppt	+2.96ppt

Source: Company data, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	3,221	4,212	5,559	7,283	9,468	12,213	15,633	19,854	25,016
Tax rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
EBIT*(1-tax rate)	2,964	3,875	5,115	6,700	8,710	11,236	14,382	18,266	23,015
+ D&A	174	197	243	296	358	430	511	603	706
- Change in working capital	(5)	(214)	(264)	(322)	(389)	(467)	(556)	(656)	(767)
- Capex	(2,125)	(1,325)	(1,630)	(1,989)	(2,407)	(2,888)	(3,436)	(4,055)	(4,744)
FCFF	1,007	2,532	3,464	4,686	6,273	8,311	10,902	14,159	18,209
Terminal value									274,207
Terminal growth rate		3.00%							
WACC		9.84%							
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 (RMB mn)		117,824							
Total PV (RMB mn)		155,488							
Net debt (RMB mn)		(7,607)							
Equity value (RMB mn)		2,951							
Minority (RMB mn)		160,143							
# of shares (mn)		872							
Price per share (RMB per share)		183.56							

Source: CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	3,192	5,214	7,116	9,328	12,045
Clinical trial solutions	1,519	2,994	4,191	5,532	7,192
Clinical-related and laboratory services	1,657	2,194	2,896	3,764	4,818
Other business	16	26	29	32	35
Cost of sales	(1,678)	(2,943)	(3,891)	(5,047)	(6,397)
Gross profit	1,514	2,271	3,225	4,282	5,648
Business taxes	(11)	(23)	(26)	(34)	(43)
Selling & distribute exp.	(97)	(129)	(171)	(224)	(289)
Administrative expenses	(391)	(547)	(712)	(933)	(1,205)
R&D expenses	(157)	(212)	(270)	(354)	(458)
Operating profit	859	1,359	2,047	2,737	3,654
Finance costs, net	(88)	216	126	117	130
Investment gains	284	312	300	300	300
Other gains	1,159	1,808	875	1,175	1,425
Pre-tax profit	2,219	3,685	3,347	4,329	5,508
Income tax	(190)	(293)	(268)	(346)	(441)
Minority interests	(279)	(518)	(470)	(608)	(773)
Attributable net profit	1,750	2,874	2,610	3,375	4,294

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total net profit	2,029	3,392	3,079	3,982	5,068
D&A	85	123	104	127	148
Change in working capital	(41)	(235)	(5)	(214)	(267)
Investment loss (gain)	(284)	(312)	(300)	(300)	(300)
Other operating activities	(791)	(1,543)	(931)	(1,222)	(1,485)
Net cash fr. operating act.	999	1,424	1,948	2,374	3,164
Capex	(156)	(369)	(300)	(300)	(300)
Purchase of investment assets	(2,910)	(3,188)	(3,000)	(2,500)	(2,500)
Other investing activities	699	774	1,175	1,475	1,725
Net cash fr. investing act.	(2,367)	(2,783)	(2,125)	(1,325)	(1,075)
Net proceeds from shares issued	11,212	272	0	0	0
Bank borrowing	(903)	492	0	0	0
Acquisition of non-controlling interests					
Dividends and interests paid	(271)	(284)	(267)	(392)	(517)
Other financing activities	(698)	(643)	0	0	0
Net cash fr. financing act.	9,339	(163)	(267)	(392)	(517)
FX changes	(47)	(60)	0	0	0
Net change in cash	7,923	(1,582)	(445)	657	1,572
Cash at beginning of the year	2,037	9,960	8,544	8,099	8,756
Cash at the end of the year	10,124	8,544	8,099	8,756	10,328

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	7,860	12,889	16,015	18,618	21,200
Fixed asset	300	438	682	903	1,102
Intangible assets	142	251	211	171	131
Financial assets available for sale	0	0	0	0	0
Goodwill	1,445	1,779	1,779	1,779	1,779
Other non-current assets	5,973	10,422	13,344	15,766	18,188
Current assets	11,646	10,852	10,487	11,424	13,340
Cash	10,124	8,544	8,099	8,756	10,328
Inventories	5	6	5	7	9
Trade and bills receivables	496	816	897	1,176	1,518
Prepayments, deposits and other receivables	28	59	59	59	59
Other current assets	994	1,426	1,426	1,426	1,426
Current liabilities	1,139	2,413	2,488	2,554	2,631
Borrowings	0	492	492	492	492
Trade and other payables	181	156	156	156	156
Other current liabilities	958	1,765	1,840	1,906	1,983
Non-current liabilities	508	723	723	723	723
Borrowings	0	0	0	0	0
Other non-current liabilities	508	723	723	723	723
Total net assets	17,858	20,605	23,291	26,765	31,186
Minority interest	1,740	2,482	2,951	3,559	4,332
Shareholders' equity	16,119	18,124	20,340	23,206	26,853

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Clinical trial solutions	48	57	59	59	60
Clinical-related and laboratory services	52	42	41	40	40
Other business	1	1	0	0	0
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	47	44	45	46	47
EBITDA margin	75	69	47	47	46
Pre-tax margin	70	71	47	46	46
Net margin	55	55	37	36	36
Effective tax rate	9	8	8	8	8
Balance sheet ratios					
Current ratio (x)	10	4	4	4	5
Trade receivables turnover days	90	46	46	46	46
Trade payables turnover days	40	21	21	21	21
Net debt to total equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	11	16	13	15	16
ROA	10	14	12	13	15
Per share					
EPS (RMB)	2.20	3.31	2.99	3.87	4.92
DPS (RMB)	0.33	0.50	0.45	0.58	0.74
BVPS (RMB)	20.31	20.94	23.31	26.60	30.78

Source: Company data, CMBIGM estimates

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