CMS (867 HK)

Pharmaceutical & Healthcare / Quick Note

Quick Note – POSITIVE

- FY14 core net profit up 30%, better than expectations

Rating:	**BUY**
Target price:	**HK$16.87**
Last price:	**HK$12.50**

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What's New

CMS (867 HK) announced 30.3% increase in FY14 net profit to RMB828 mn, on the backof 31% increase in revenue to RMB2,945 mn. On reported basis (including the accounting gain resulting from the acquisition of Tibet Rhodiola Pharm), the reported net profit was RMB1,043 mn, up 64%.

Our View

- The FY14 revenue was slightly lower than our expectation of 32% growth, whereas bottom line was stronger than our expectation of 27.5% growth.
- Flagship drugs Deanxit and Ursofalk reported 29.4% and 30.5% revenue growth respectively, which were in line with our expectations. Meanwhile, XinHuoSu reported 53.5% growth as the supply chain bottleneck has been resolved.
- Excluding the effect of increased selling price of XiDaKang to agent, gross profit margin increased to 55.3% for FY14 up 0.8 pts yoy because of product mix improvement.

Definitions of Recommendations:
For stock recommendations:

Buy:	+15% or above of expected return over the next 12 months.
Hold:	Between +15% and –5% of expected return over the next 12 months.
Sell:	Potential downside of more than 5% over the next 12 months.

Remark: Quick Note is just a quick commentary on sector or stock. No adjustments on estimation, rating or target price will be made. For the latest updates on estimation, rating or target price, please refer to the previous Company Report.

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