

8 May 2017

Hold
Unchanged

交易终止

CHINA RESOURCES PHOENIX HEALTHCARE (1515:HK)

Financial summary and valuation

	2015	2016	2017E	2018E	2019E
Revenue (Rmbm)	1,372.27	1,532.83	1,965.25	2,541.69	3,222.52
YoY (%)	13.76	11.70	28.21	29.33	26.79
Net income (Rmbm)	167.05	(1,506.96)	379.84	486.42	584.07
YoY (%)	10.71	23.38	38.83	27.25	21.38
EPS (Rmb)	0.20	(1.67)	0.29	0.38	0.45
Diluted EPS (Rmb)	0.20	(1.67)	0.29	0.38	0.45
ROE (%)	8.97	(28.13)	6.71	8.04	8.97
Debt/asset (%)	17.41	16.92	16.75	16.84	16.91
Dividend Yield (%)	1.27	0.51	0.53	0.68	0.81
PE (x)	42.68	(5.21)	29.73	23.21	19.33
PB (x)	4.17	3.83	1.47	2.00	1.87
EV/Ebitda (x)	38.50	(7.54)	20.75	16.42	13.78

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

5月5日，华润凤凰医疗发布公告表示已经终止与中信医疗关于收购惠州医院 60%股权以及杭州医院 70%股权的协议。我们认为市场对于该项交易的终止已经有了充分预期。我们的盈利预测当中并未包含该收购事项的影响。

交易终止已被充分预期。2016年10月28日，华润凤凰医疗与中信医疗达成协议，公司同意收购惠州医院的 60%股权以及杭州医院 70%股权，交易对价分别为 6.55 亿港币和 5.85 亿港币。惠州医院和杭州医院均为盈利性的三级医院。我们认为该交易的估值相对较贵，杭州医院的估值为 27 倍 15 年市盈率，惠州医院的估值为 1.8 倍 15 年市净率。2015 年惠州医院录得人民币 596 万元净亏损。华润凤凰医疗此前同意发行约 1.31 亿股，用于支付共约 12 亿港币的收购对价。若该交易完成，中信医疗将持有华润凤凰医疗 9.15% 的股权，成为公司的第三大股东。我们认为该交易的终止，一方面有利于大股东华润医疗（当前持股比例为 35.7%）保持主导地位，提高公司的整体运营管理效率；另一方面，此前预期中信医疗可能将旗下高质量的医院资产注入到华润凤凰医疗，随着交易的终止，资产注入的预期也将打消。总体而言，我们认为终止交易对公司股价的影响为中性。

政策风险。北京市公立医疗机构自 4 月 8 日起已全面取消药品加成并且实施两票制。公司位于北京地区的医院因此受到影响。北京市在取消 15% 药品加成后，允许公立医院收取较高的医事服务费，用于抵消零加成导致的药品收入减少的影响。然而，根据北京市卫计委公布的数据，北京政策实施 10 天内，市卫计委设点监测的 221 家医疗机构总门急诊量比去年同期减少 12.3%。这表明由于医事服务费用的提高，医疗需求受到一定的压制。此外，两票制实施后，公司目前的供应链业务模式将不可持续，需要寻找新的模式来获取供应链部分的利润。我们认为供应链业务的利润率在两票制实施后可能会有所下滑。我们预计公司位于北京地区的医院将于 17 年占到公司总收入的 85%。因此，我们预计北京市的医改方案或将导致公司北京地区医院的门诊量的下降以及利润率下滑。国务院要求 2017 年 9 月底前全面推开公立医院综合改革，所有公立医院全部取消药品加成（中药饮片除外），并要求 2017 年年底，11 个综合医改试点省份和前三批 200 个公立医院综合改革试点城市所有公立医疗机构全面执行“两票制”，鼓励其他地区实行“两票制”。这将对北京以外地区的医院产生影响。

维持中性评级。公司于 4 月以约 10.4 港币的均价共回购了 1100 万股用于股份奖励计划。我们认为未来公司或将保留灵活的激励机制。公司享有华润集团的背书，并且拥有优秀的医院管理战绩，因此在赢取 IOT 项目方面颇具竞争力。我们预期公司将于 17-19 年间每年新增 2 千张床位。然而，近期公司的医院网络扩张进展较慢。我们预期公司的核心净利润于 17/18/19 年分别达到 3.80 亿元/4.86 亿元/5.83 亿元，分别同比增长 51%/28%/20%。我们维持 17 年的预测稀释每股收益为 0.29 元，18 年稀释每股收益为 0.38 元（同比增长 28%），以及 19 年稀释每股收益为 0.45 元（同比增长 20%）。我们将目标价由 11.2 港币下调至 10.0 港币，对应 30 倍 17 年市盈率和 24 倍 18 年市盈率，以及 2% 的上涨空间。

Market Data: May, 5

Closing Price (HK\$)	9.82
Price Target (HK\$)	10.00
HSCEI	9,926
HSCCI	3,841
52-week High/Low (HK\$)	14.16/8.88
Market Cap (US\$m)	1,632
Market Cap (HK\$m)	12,733
Shares Outstanding (m)	1,297
Exchange Rate (Rmb-HK\$)	1.13

Price Performance Chart:



Source: Bloomberg

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Related Reports

"Regulatory uncertainties—CHINA RESOURCES PHOENIX HEALTHCARE (1515:HK)" Mar 27, 2017

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Investment Highlights:

CR Phoenix has terminated its plan to acquire 60% of Huizhou Hospital and 70% of Hangzhou Hospital from CITIC Medical & Healthcare Group (CITIC Medical), as announced on 5 May. In our view, this was well expected by the market. Since we also had not factored in the deal in our model, we maintain our diluted EPS forecasts at Rmb0.29 in 17E (NA), Rmb0.38 in 18E (+28% YoY) and Rmb0.45 in 19E (+20% YoY). We lower our target price from HK\$11.2 to HK\$10.0 and maintain Hold.

Transaction termination was expected. On 28 October 2016, the company agreed to acquire 60% of Huizhou Hospital for HK\$655m and 70% of Hangzhou Hospital for HK\$585m from CITIC Medical. Both of these two hospitals are for-profit class III hospitals. In our view, the valuation was expensive, as Hangzhou Hospital was priced at 27x 15A PE while Huizhou Hospital, which recorded a net loss of Rmb6m in 15A, was at 1.8x 15A PB. CR Phoenix agreed to pay the total consideration of HK\$1.2bn by issuing c.131m shares to CITIC Medical at HK\$9.50. If the deal were completed, CITIC Medical would hold a 9.15% stake in CR Phoenix, becoming its third largest shareholder. On one hand, the termination of this deal will cement China Resources' dominant shareholding position (35.7%) in CR Phoenix, likely resulting in higher operating efficiency for the company. On the other hand, CITIC Medical has ample hospital assets and was supposed to inject more good quality assets into CR Phoenix. As the deal was terminated, we believe that the potential for asset injection is unlikely. Overall, we expect the impact on the company's share price to be neutral.

Policy headwinds. Beijing implemented the "zero markups" policy and the "two invoice scheme" from 8 April and we note that all of the company's hospitals in Beijing are impacted. After cancelling the c.15% drug markups, Beijing lifted medical service fees to compensate the loss. However, within the 10 days after the policy was rolled out, outpatient visits to Beijing's 221 hospitals shrank by 12.3% YoY, suggesting that medication demand also weakened due to the higher medical service fees. Moreover, under the "two invoice" scheme, CR Phoenix will need to transform the business model of its supply chain business, which may drag down margins in the short term. We project hospitals in Beijing to contribute 85% of CR Phoenix's total revenue in 17E. Hence, we expect the new policies to lead to both patient visit declines and margin erosion. Meanwhile, the State Council targets to roll out the "zero markup" policy nationwide by September 2017 and to implement the "two invoice scheme" in 11 provinces by end-2017, impacting CR Phoenix's assets outside of Beijing.

Maintain Hold. We note that CR Phoenix bought back 11m shares at an average cost of HK\$10.4 in April for its share award scheme and believe that the firm is likely to maintain flexible management incentive schemes in the future. With the endorsement of China Resources Group, a central government state-owned enterprise (SOE), as well as its proven track record in hospital management, we expect CR Phoenix to win more invest-operate-transfer (IOT) projects and quickly expand its hospital network. We forecast it to add 2,000 beds per annum in 17-19E. However, we expect slow near-term progress. We forecast core earnings to reach Rmb380m in 17E (+51% YoY), Rmb486m in 18E (+28% YoY) and Rmb583m in 19E (+20% YoY). We maintain our diluted EPS forecasts at Rmb0.29 in 17E (NA), Rmb0.38 in 18E (+28% YoY) and Rmb0.45 in 19E (+20% YoY). We lower our target price from HK\$11.2 to HK\$10.0, implying 30x 17E PE and 24x 18E PE. With 2% upside, we maintain Hold.

Appendix

Consolidated Income Statement

Rmbm	2015	2016	2017E	2018E	2019E
Revenue	1,372	1,533	1,965	2,542	3,223
Cost of Sales	(1,043)	(1,126)	(1,401)	(1,823)	(2,351)
Gross Profit	330	407	565	718	872
Other Income	99	93	95	97	99
Selling/General/Admi. Expenses	(150)	(172)	(175)	(198)	(232)
Ebitda	273	(1,394)	506	640	762
Ebit	228	285	443	575	697
Finance Costs	(27)	(0)	0	0	0
Profit before tax	248	(1,452)	473	605	727
Income tax expense	(76)	(47)	(95)	(121)	(145)
Minority interests	(5)	(7)	2	2	3
Profit for the year	167	(1,507)	380	486	584

Source: Company data, SWS Research

Cash Flow Statement

Rmbm	2015	2016	2017E	2018E	2019E
Profit before taxation	248	(1,452)	473	605	727
Plus: Depr. and amortisation	45	(1,679)	64	65	66
Finance cost	(27)	(0)	0	0	0
Losses from investments	(44)	(36)	(38)	(38)	(38)
Change in working capital	(15)	(67)	54	(3)	(5)
Others	25	3,458	(85)	(111)	(135)
CF from operating activities	232	224	468	518	614
Capex	(32)	(42)	(50)	(50)	(50)
Other CF from investing activities	62	163	(562)	(562)	(562)
CF from investing activities	30	120	(612)	(612)	(612)
Equity financing	0	0	0	0	0
Net change in liabilities	0	0	0	0	0
Dividend and interest paid	(33)	(83)	(76)	(97)	(117)
Other CF from financing activities	(16)	(15)	0	0	0
CF from financing activities	(49)	(99)	(76)	(97)	(117)
Net cash flow	212	246	(220)	(191)	(115)
FCFF	151	(1,551)	416	466	562
FCFE	178	(1,551)	416	466	562

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2015	2016	2017E	2018E	2019E
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Current Assets	1,294	1,654	1,428	1,325	1,316
Bank balances and cash	822	1,069	850	658	544
Trade and other receivables	181	299	286	357	441
Inventories	42	50	58	75	97
Other current assets	249	235	235	235	235
Long-term investment	147	144	141	138	135
PP&E	145	264	271	278	283
Intangible and other assets	405	2,132	2,714	3,296	3,878
Total Assets	2,255	6,448	6,798	7,271	7,836
Current Liabilities	390	752	800	886	986
Borrowings	0	0	0	0	0
Trade and other payables	269	363	411	497	597
Other current liabilities	121	389	389	389	389
Long-term liabilities	3	338	338	338	338
Total Liabilities	393	1,091	1,139	1,224	1,325
Minority Interests	115	119	117	115	112
Shareholder Equity	1,748	5,238	5,542	5,931	6,399
Share Capital	0	0	0	0	0
Reserves	365	(1,128)	(824)	(435)	32
Total Equity	1,863	5,358	5,660	6,046	6,511
Total Liabilities and equity	2,255	6,448	6,798	7,271	7,836

Source: Company data, SWS Research

Key Financial Ratios

	2015	2016	2017E	2018E	2019E
Ratios per share (Rmb)					
Earnings per share	0.20	(1.67)	0.29	0.38	0.45
Diluted EPS	0.20	(1.67)	0.29	0.38	0.45
Operating CF per share	0.28	0.25	0.36	0.40	0.47
Dividend per share	0.14	0.06	0.06	0.08	0.09
Net assets per share	2.28	5.94	4.36	4.66	5.02
Key Operating Ratios (%)					
ROIC	10.42	4.52	6.65	8.09	9.09
ROE	8.97	(28.13)	6.71	8.04	8.97
Gross profit margin	24.02	26.53	28.73	28.26	27.06
Ebitda Margin	19.89	(90.94)	25.77	25.18	23.66
Ebit Margin	16.64	18.59	22.52	22.63	21.62
Growth rate of Revenue(YoY)	13.76	11.70	28.21	29.33	26.79
Growth rate of Profit(YoY)	10.71	23.38	38.83	27.25	21.38
Debt-to-asset ratio	17.41	16.92	16.75	16.84	16.91
Turnover rate of net assets	0.74	0.29	0.35	0.42	0.49
Turnover rate of total assets	0.61	0.24	0.29	0.35	0.41
Effective tax rate (%)	30.47	(3.26)	20.00	20.00	20.00
Dividend yield (%)	1.27	0.51	0.53	0.68	0.81
Valuation Ratios (x)					
PE	42.68	(5.21)	29.73	23.21	19.33
PB	4.17	3.83	1.47	2.00	1.87
EV/Sale	7.66	6.85	5.35	4.13	3.26

Source: Company data, SWS Research

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