

香港
增持 (不变)

市场共识评级*: 买入 19 持有 2 沽出 0

前收盘价:	HK\$3.36
目标价:	HK\$4.20
前目标价:	HK\$4.20
潜在上升/下跌空间:	25.0%
CGS-CIMB / 市场共识	N/A
路透股票代码:	
彭博股票代码:	570 HK
市值:	US\$2,157m
	HK\$16,920m
平均每日成交额:	US\$5.94m
	HK\$47.36m
目前发行在外股数	5,036m
自由流通量	30.0%

*来源: 彭博



来源: 彭博

股价表现	1M	3M	12M
绝对表现 (%)	-5.6	-15.8	-40.9
相对表现 (%)	4	-9.3	-35.1

主要股东	持股百分比
中国医药集团总公司	36.0

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中国中药

2019 中期业绩符合预期; 政策风险降温; 评级维持增持

- 2019 年上半年收入超出预期; 盈利同比增长 13% 至 8.59 亿元人民币, 符合预期; 毛利率改善带来惊喜。
- 销售费用飙升, 使净利润率受压。我们认为在现阶段, 为了对中药配方颗粒市场的潜在开放做好准备, 公司有必要进行渠道扩张及增加销售费用。
- 我们预计市场对中药配方颗粒市场开放时竞争加剧的担忧可能会有所缓解, 因为国家对中药配方颗粒的生产标准或会较严格, 这将导致拥有领先制造技术知识的公司受益。
- 管理层讨论到有关政策限制西医作出中医处方的议题。我们不认为该政策十分可行, 并且很可能需要在实践中逐步实施。
- 我们将 2019/20/21 年净利润预测上调 1.7%/3.6%/4.5%, 以反映中药配方颗粒销售额增加, 预计这将部分被销售费用增加所抵消。我们的目标价维持 4.2 港元 (11 倍 2019 年市盈率, 较历史平均水平低 1 个标准差)。维持「增持」。

2019 上半年业绩摘要

- 2019 上半年收入增速 (同比增长 27%) 超出预期。毛利率同比改善 (上升 6.7 个百分点)。销售费用 (同比增长 65%) 上升主要是由于中药配方颗粒的销售渠道扩张。净利润符合预期。
- 中药配方颗粒实现强劲收入增长, 同比增长 31.1% 至 45.7 亿元人民币。由于部分中药配方颗粒产品价格上涨, 以及集中开采导致生产成本下降, 分部毛利率于 2019 上半年大幅上升 7.6 个百分点至 66.2%。中药配方颗粒销售费用为 17.1 亿元人民币, 同比增长 65.7% (中药配方颗粒收入比率的销售费用为 37.4%)。销售费用急增是与渠道扩张到低线城市有关。

国家级中药配方颗粒生产标准严格 或缓解对市场开放时竞争激烈的忧虑

管理层对中药配方颗粒生产标准发表了评论。在初始阶段, 当局可能会为大约 170 个中药配方颗粒公式设定国家生产标准 (对原产地可追溯性、有效梯度等实施严格标准), 其余 400-500 个公式标准将由各省制定。我们认为, 考虑到公司拥有领先的生产技术知识和强大的研发能力, 公司将从严格的国家标准所产生的高进入壁垒中受益 (我们估计约 170 个中药配方颗粒公式将占公司中药配方颗粒总收入的约 50%)。对于剩余的 400-500 个中药配方颗粒公式, 我们认为公司已准备好在每个省级市场进行竞争 (扩张渠道等)。

当局或不会实施对西医作出中医处方的限制

对于要求西医在作出中药处方前须学习中医培训班 1 至 3 年并取得相应证书的政策, 管理层亦作出了评论。由于一些实行上的困难, 我们认为该政策并不太可行: 西医能接受培训的时间或有限, 而限制中药处方可能会导致过量的西药处方, 并导致患者对中药的需求可能在培训期间未能得到满足。因此, 我们认为即将公布的政策细节或不会那么严谨, 这有望缓解市场忧虑。此外, 该政策不会影响公司的中药配方颗粒和中药饮片业务, 因为如果西医不能发布这些处方, 只会影响公司的中成药业务。其中, 不到 20% 是由没有经过足够培训的西医开出的 (即超过 80% 的中成药是通过中药处方或 OTC 渠道销售)。因此, 即使该政策得以实施, 我们估计只影响到公司约 4% 的总盈利。

主要财务指标	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
收入 (百万人民币)	8,338	11,259	13,959	16,883	19,990
经营 EBITDA (百万人民币)	2,190	2,665	3,172	3,578	4,014
净利润 (百万人民币)	1,170	1,439	1,706	2,004	2,295
每股核心盈利 (人民币)	0.26	0.30	0.34	0.40	0.46
每股核心盈利增长	21.0%	13.0%	13.5%	17.4%	14.5%
全面摊薄市盈率 (倍)	11.43	9.71	8.72	7.59	6.63
每股派息 (人民币)	0.07	0.10	0.12	0.14	0.16
股息率	2.40%	3.46%	3.93%	4.61%	5.28%
EV/EBITDA (倍)	6.91	6.09	5.37	4.57	3.78
股价/股权自由现金流 (倍)	4.66	NA	NA	26.73	16.86
净负债权益比	2.6%	(1.7%)	(1.8%)	(5.9%)	(11.4%)
市净率 (倍)	1.08	0.94	0.88	0.79	0.71
股本回报率	9.7%	10.3%	10.4%	11.0%	11.2%

来源: 中国银河国际证券研究部, 公司, 彭博

Hong Kong
ADD (no change)

Consensus ratings*: Buy 19 Hold 2 Sell 0

Current price:	HK\$3.36
Target price:	HK\$4.20
Previous target:	HK\$4.20
Up/downside:	25.0%
CGI / Consensus:	N/A
Reuters:	
Bloomberg:	570 HK
Market cap:	US\$2,157m HK\$16,920m
Average daily turnover:	US\$5.94m HK\$47.36m
Current shares o/s:	5,036m
Free float:	30.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.6	-15.8	-40.9
Relative (%)	4	-9.3	-35.1

Major shareholders	% held
CNGPC	36.0

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China Traditional Chinese Medicine

1H2019 results in line; mitigated policy risks; maintain ADD

- 1H2019 revenue exceeded expectations; the bottom line was up 13% YoY to RMB859m, in line with expectations; the gross margin improvement was a surprise.
- Surging selling expenses put pressure on the net margin. We believe high selling expenses for channel expansion are necessary at this stage to prepare for the potential opening-up of the Concentrated Chinese Medicine Granules (CCMG) market.
- We expect market concerns about intensified competition when the CCMG market opens up may be eased, as the national CCMG manufacturing standards are likely to be stringent, benefiting companies with leading manufacturing technical know-how.
- Management shed some light on the policy of restricting TCM prescriptions by Western physicians. We don't believe that the policy is feasible and that it is likely to be implemented in practice.
- We raise our 2019/20/21E net profit forecasts by 1.7%/3.6%/4.5%, respectively, to reflect higher CCMG sales, which will be partly offset by higher estimated selling expenses. Our Target Price remains HK\$4.2 (11x 2019E PER, 1sd below the historical average). Maintain ADD.

1H2019 results summary

- 1H2019 revenue growth (+27% YoY) beat expectations. The gross margin improved (+6.7ppt) YoY. The higher selling expenses (+65% YoY) were primarily due to CCMG channel expansion. The bottom line was in line with expectations.
- CCMG delivered strong revenue growth, up 31.1% YoY to RMB4.57bn. The segment gross margin increased significantly by 7.6ppt to 66.2% in 1H2019 as a result of price hikes of some CCMG products and reduced production costs from centralized extraction. CCMG selling expenses amounted to RMB1.71bn, up 65.7% YoY (the selling expenses to CCMG revenue ratio was 37.4%). The sharp increase in selling expenses was associated with channel expansion into lower-tier markets.

Stringent national level CCMG manufacturing standards may ease concerns about intensified competition when the market opens up

Management commented on the CCMG manufacturing standards. It is likely that initially, national manufacturing standards will be set for ~170 CCMG formulas (stringent standards on origin traceability, effective gradients etc.), and the remaining 400–500 formula standards will be set by each province. We think the Company can leverage its leading manufacturing technical know-how and strong R&D capability to benefit from the high entry barriers created by the stringent national standards (we estimate the ~170 CCMG formulas will account for ~50% of the Company's total CCMG sales). For the remaining 400–500 CCMG formulas, we believe the Company is well prepared to compete in each provincial market (channel expansion, etc.).

Restrictions on Traditional Chinese Medicine (TCM) prescriptions by Western physicians may not be implemented

Management commented on the policy requiring Western physicians to obtain qualifications of 1–3 years' training or certificates before prescribing TCM prescriptions. We don't believe the policy is executable because of some practical difficulties: Western physicians may have limited time for training, limitations on TCM prescriptions may trigger over-prescription of Western drugs, patients' TCM demand may be unmet during the training period, etc. Thus, we believe it is very likely that the upcoming policy details will be less stringent, which may ease market concerns. Also, the policy will not impact the Company's CCMG and TCM decoction pieces business, because if Western physicians cannot issue these prescriptions, only the Company's TCM finished drugs segment will be affected. Of these, less than 20% are prescribed through Western physicians without sufficient training (i.e. >80% TCM finished drugs are sold through TCM prescriptions or the OTC channel). Therefore, even if the policy is implemented, we estimate that only ~4% of the Company's total earnings will be affected.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (Rmbm)	8,338	11,259	13,959	16,883	19,990
Operating EBITDA (Rmbm)	2,190	2,665	3,172	3,578	4,014
Net Profit (Rmbm)	1,170	1,439	1,706	2,004	2,295
Normalised EPS (Rmb)	0.26	0.30	0.34	0.40	0.46
Normalised EPS Growth	21.0%	13.0%	13.5%	17.4%	14.5%
FD Normalised P/E (x)	11.43	9.71	8.72	7.59	6.63
DPS (Rmb)	0.07	0.10	0.12	0.14	0.16
Dividend Yield	2.40%	3.46%	3.93%	4.61%	5.28%
EV/EBITDA (x)	6.91	6.09	5.37	4.57	3.78
P/FCFE (x)	4.66	NA	NA	26.73	16.86
Net Gearing	2.6%	(1.7%)	(1.8%)	(5.9%)	(11.4%)
P/BV (x)	1.08	0.94	0.88	0.79	0.71
ROE	9.7%	10.3%	10.4%	11.0%	11.2%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Figure 1: 1H2019 P&L

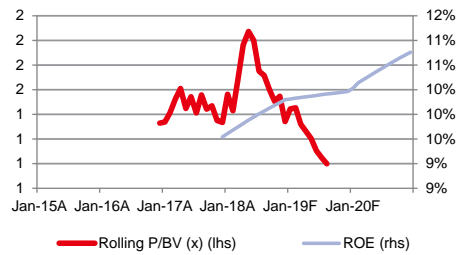
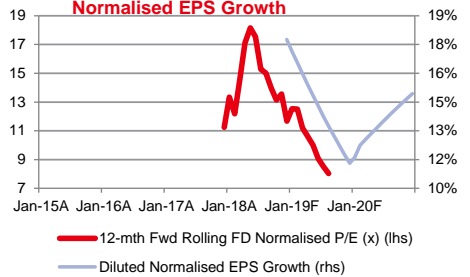
RMBm	1H2018	1H2019	YoY
Revenue	5,461	6,937	27.0%
Cost of sales	(2,531)	(2,750)	8.7%
Gross profit	2,930	4,187	42.9%
Other revenue	54	99	81.6%
Other gains and losses	8	(67)	n.a
Selling and distribution costs	(1,490)	(2,453)	64.7%
Administrative expenses	(370)	(512)	38.3%
Operating profit	1,133	1,254	10.7%
Net finance costs	(124)	(112)	-10.3%
Share of results of associates	(6)	(2)	-72.9%
Profit before taxation	1,002	1,140	13.8%
Taxation	(168)	(186)	10.5%
Net profit	834	954	14.4%
MI	74	95	28.6%
Owners of the Company	760	859	13.1%

SOURCES: Company

Figure 2: CGIS Research revenue projections

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<i>CCMG</i>	5,500	7,151	9,153	11,258	13,509
<i>TCM finished drugs</i>	2,381	2,771	3,587	3,945	4,261
<i>TCM decoction pieces</i>	399	1,275	1,100	1,500	2,000
<i>TCM healthcare complex</i>	58	63	120	180	220
Revenue	8,338	11,259	13,959	16,883	19,990

SOURCES: Company, CGIS Research

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth

Profit & Loss

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	8,338	11,259	13,959	16,883	19,990
Gross Profit	4,652	6,194	8,366	9,908	11,607
Operating EBITDA	2,190	2,665	3,172	3,578	4,014
Depreciation And Amortisation	(404)	(509)	(654)	(744)	(803)
Operating EBIT	1,786	2,156	2,517	2,834	3,211
Financial Income/(Expense)	(221)	(292)	(237)	(143)	(112)
Pretax Income/(Loss) from Assoc.	2	(7)	1	1	1
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	1,567	1,857	2,280	2,692	3,100
Exceptional Items					
Pre-tax Profit	1,567	1,857	2,280	2,692	3,100
Taxation	(256)	(290)	(365)	(431)	(496)
Exceptional Income - post-tax					
Profit After Tax	1,311	1,567	1,916	2,261	2,604
Minority Interests	(141)	(128)	(209)	(257)	(309)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	1,170	1,439	1,706	2,004	2,295
Normalised Net Profit	1,311	1,567	1,916	2,261	2,604
Fully Diluted Normalised Profit	1,170	1,439	1,706	2,004	2,295

Cash Flow

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	2,190	2,665	3,172	3,578	4,014
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(567)	(1,252)	(811)	(1,166)	(1,004)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	126	367	259	165	135
Net Interest (Paid)/Received	(221)	(292)	(237)	(143)	(112)
Tax Paid	(293)	(296)	(365)	(431)	(496)
Cashflow From Operations	1,236	1,190	2,017	2,004	2,537
Capex	(704)	(1,346)	(1,735)	(935)	(935)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	1,097	(200)	0	0	0
Cash Flow From Investing	393	(1,546)	(1,735)	(935)	(935)
Debt Raised/(repaid)	1,244	(1,517)	(3,134)	(500)	(700)
Proceeds From Issue Of Shares	0	2,175	0	0	0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(458)	1,115	(237)	(143)	(112)
Cash Flow From Financing	786	1,772	(3,371)	(643)	(812)
Total Cash Generated	2,414	1,417	(3,088)	426	790
Free Cashflow To Equity	2,872	(1,873)	(2,851)	569	902
Free Cashflow To Firm	1,850	(63)	520	1,212	1,714

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	4,788	6,439	3,350	3,776	4,566
Total Debtors	3,024	3,467	4,335	5,101	5,852
Inventories	3,552	4,483	5,018	5,684	6,260
Total Other Current Assets	20	97	97	97	97
Total Current Assets	11,384	14,486	12,800	14,658	16,776
Fixed Assets	2,387	4,298	5,325	5,467	5,555
Total Investments	0	0	0	0	0
Intangible Assets	10,190	10,182	10,201	10,215	10,225
Total Other Non-Current Assets	924	1,321	1,335	1,349	1,361
Total Non-current Assets	13,501	15,802	16,861	17,031	17,140
Short-term Debt	639	3,909	1,000	800	600
Current Portion of Long-Term Debt					
Total Creditors	3,857	4,148	4,740	5,006	5,329
Other Current Liabilities	200	576	576	576	576
Total Current Liabilities	4,695	8,633	6,316	6,382	6,505
Total Long-term Debt	4,515	2,225	2,000	1,700	1,200
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,860	1,919	1,919	1,919	1,919
Total Non-current Liabilities	6,375	4,144	3,919	3,619	3,119
Total Provisions	0	0	0	0	0
Total Liabilities	11,070	12,777	10,235	10,002	9,625
Shareholders' Equity	12,437	15,551	17,258	19,261	21,557
Minority Interests	1,378	1,959	2,168	2,426	2,735
Total Equity	13,815	17,511	19,426	21,687	24,291

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	27.6%	35.0%	24.0%	20.9%	18.4%
Operating EBITDA Growth	28.6%	21.7%	19.0%	12.8%	12.2%
Operating EBITDA Margin	26.3%	23.7%	22.7%	21.2%	20.1%
Net Cash Per Share (Rmb)	(0.08)	0.06	0.07	0.25	0.55
BVPS (Rmb)	2.81	3.22	3.43	3.82	4.28
Gross Interest Cover	8.08	7.38	10.60	19.82	28.72
Effective Tax Rate	16.3%	15.6%	16.0%	16.0%	16.0%
Net Dividend Payout Ratio	27.5%	35.0%	35.0%	35.0%	35.0%
Accounts Receivables Days	125.6	105.2	102.0	102.3	100.0
Inventory Days	269.6	289.5	310.0	280.8	260.0
Accounts Payables Days	305.0	288.4	290.0	255.7	225.0
ROIC (%)	11.8%	13.4%	13.2%	13.5%	14.4%
ROCE (%)	10.0%	10.1%	10.9%	12.2%	12.8%
Return On Average Assets	6.67%	6.74%	7.18%	7.84%	8.28%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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评级指标 (现有机制(从2019年9月1日将全面由新机制取代))

- 买入 : 股价于12个月内将上升 >20%
- 沽出 : 股价于12个月内将下跌 >20%
- 持有 : 没有催化因素，由“买入”降级直至出现明确“买入”讯息或再度降级为立刻卖出

评级指标 (新机制)

- 增持 : 预计股份未来12个月的总回报超过10%
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- 持有 : 预计股份未来12个月的总回报为0%至10%

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