

**香港**
**增持** (不变)

市场共识评级\*: 买入 21 持有 0 沽出 0

前收盘价:	HK\$4.55
目标价:	HK\$5.03
此前目标价:	HK\$4.20
潜在上升/下跌空间:	10.5%
CGI / 市场共识目标价:	0.0%
路透股票代码:	0570.HK
彭博股票代码:	570 HK
市值:	US\$2,949m
	HK\$22,913m
平均每日成交额:	US\$8.82m
	HK\$68.62m
目前发行在外股数	5,036m
自由流通量	30.0%
*来源: 彭博	

**本报告中的主要变动**

2020/21 财年每股盈利预测下调 1.3%/1.2%



来源: 彭博

股价表现	1M	3M	12M
绝对表现 (%)	16.1	21	-14.3
相对表现 (%)	20.9	18.9	-12.3

主要股东	持股百分比
CNGPC	36.0

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# 中国中药

## 电话会议摘要: 预计新冠肺炎影响轻微

- 我们昨日(2月19日)与中国中药举行电话会议,讨论公司业务进展以及新冠肺炎的影响。
- 预计疫情将对20财年一季度净利润产生轻微的负面影响。
- 在整合饮片业务后,管理层可能会适度增加负债以提高股本回报率,并着眼于内生增长。
- 我们将20/21财年净利润预测下调1.3%/1.2%,以反映公司计划提升负债率并使财务成本上升的情况,以及新冠肺炎带来的一些影响。
- 我们之前的目标价4.2港元是基于11倍2019年市盈率,较历史平均值低1个标准差(图1)。我们现在将基准年推移至2020年,并相应将目标价上调至5.03港元(11倍2020年市盈率)。维持「增持」评级。

### 预计新冠肺炎疫情对20财年一季度盈利产生负面影响

根据管理层在电话会议中的指引,预计新冠肺炎会对公司20财年一季度盈利产生轻微负面影响。这引证了我们对行业的观点,即是该流行病基本上对药品盈利的提振有限。对公司本身而言,一方面,中成药和中药配方颗粒(CCMG)的需求确实会大增,两者都可增强人体对感染的抵抗力,另一方面,1)与新冠肺炎无关的药物的销售会受负面影响,因为除非紧急需要,否则患者短期内到院的可能性减少;2)成本上涨(原材料成本、人工成本和物流成本)将抵消销量大升的正面影响;3)非紧急药物的生产会受到该流行病的负面影响;4)为武汉捐赠的药品将入账为成本而非收入。

### 杠杆率上升将提升股本回报率

收购中药配方颗粒业务后,公司的股本回报率被摊薄至个位数。管理层计划通过提高总负债权益比率(我们预计2019/20/21财年总负债权益比率为15.4%/16.6%/17.8%)以轻微扩大资产负债表,来改善中药配方颗粒的分销渠道,并刺激未来的股本回报率增长。我们相应地将2020/21财年财务成本预测提高了1.8%/1.5%。

### 政策方面未有新的信息

管理层表示,政策方面目前没有新的重大信息,尤其是有关配方颗粒市场的潜在开放和配方颗粒取消价格加成,因为当局正集中精力控制新冠肺炎爆发。我们认为,配方颗粒市场开放所带来的利好(我们估计配方颗粒市场开放后,规模将增长4-5倍,从120亿人民币增至500亿人民币,并预计由于配方颗粒市场的进入壁垒较高,因此公司将保持领先优势)将多于负面影响(竞争加剧)。我们认为,配方颗粒价格加成被取消的可能性是为不明朗因素。

### 2020全年展望不变

总体而言,我们认为新冠肺炎疫情将对公司产生轻微的一次性影响,亦不会改变股份的长远投资思路。公司的2020年前景仍然完好,而配方颗粒仍是主要增长动力。

### 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	16,929	20,045
经营EBITDA(百万人民币)	2,190	2,665	3,172	3,555	3,992
净利润(百万人民币)	1,170	1,439	1,706	1,978	2,268
每股核心盈利(人民币)	0.26	0.30	0.34	0.39	0.45
每股核心盈利增长	21.0%	13.0%	13.5%	15.9%	14.6%
全面摊薄市盈率(倍)	15.51	13.17	11.83	10.42	9.09
每股派息(人民币)	0.07	0.10	0.12	0.14	0.16
股息率	1.77%	2.55%	2.90%	3.36%	3.85%
EV/EBITDA(倍)	9.08	8.03	7.08	6.14	5.17
股价/股权自由现金流(倍)	6.32	NA	NA	12.75	8.93
净负债权益比	2.6%	(1.7%)	(1.8%)	(5.6%)	(11.2%)
市净率(倍)	1.46	1.27	1.20	1.07	0.96
股本回报率	9.7%	10.3%	10.4%	10.8%	11.1%
每股核心盈利预测的变动			0.00%	(1.27%)	(1.19%)
每股核心盈利/市场共识每股盈利(倍)			0.99	0.95	0.91

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 21 Hold 0 Sell 0

Current price:	HK\$4.55
Target price:	HK\$5.03 ▲
Previous target:	HK\$4.20
Up/downside:	10.5%
CGI / Consensus:	0.0%
Reuters:	0570.HK
Bloomberg:	570 HK
Market cap:	US\$2,949m
	HK\$22,913m
Average daily turnover:	US\$8.82m
	HK\$68.62m
Current shares o/s:	5,036m
Free float:	30.0%
*Source: Bloomberg	

**Key changes in this note**

- FY2020/21F EPS decreased by 1.3%/1.2% respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	16.1	21	-14.3
Relative (%)	20.9	18.9	-12.3

Major shareholders	% held
CNGPC	36.0

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# China Traditional Chinese Medicine

## Conference call takeaways: COVID-19 outbreak expected to have a very small impact

- We hosted a conference call with China TCM yesterday (Feb 19) to discuss business updates and the impact of the COVID-19 outbreak.
- The outbreak is expected to have a moderate negative impact on 1Q20 net profit.
- Management may gear up the balance sheet to boost ROE and focus on organic growth in the future after integrating the decoction pieces business.
- We cut our 2020/21F net profit projection by 1.3%/1.2%, respectively, to reflect higher finance costs because of planned higher gearing and the moderate impact of the COVID-19 outbreak.
- Our previous Target Price of HK\$4.2 was based on 11x 2019F P/E, 1sd below the historical average (Figure 1). We now roll over the base year to 2020F and correspondingly lift the Target Price to HK\$5.03 (11x 2020F P/E). Maintain ADD.

### COVID-19 outbreak expected to have a slightly negative impact on 1Q20 earnings

Management guided during the conference call that the COVID-19 outbreak is expected to have a slightly negative impact on the Company's 1Q20F earnings. This confirms our previous industry view that the epidemic will basically have limited earnings enhancement for pharmaceuticals. For the Company itself, on one hand, there is indeed surging demand for Chinese finished drugs and Concentrated Chinese Medicine Granules (CCMG), which can enhance the body's resistance to infection. On the other hand, 1) sales of non-outbreak-related drugs have been negatively affected, as patients have become less likely to go to hospitals in the short term unless urgently needed; 2) rising costs (raw material costs, labor costs and logistics costs) will diminish the volume surge benefits; 3) production for non-urgent drugs was adversely affected by the epidemic; and 4) drugs donated for Wuhan will be booked as cost rather than revenue.

### ROE to be boosted via higher leverage

The Company's ROE was diluted to single digits after acquiring the CCMG business. Management has plans to gear up the balance sheet a bit via increasing the total debt-to-equity ratio (we project 15.4%/16.6%/17.8% total debt-to-equity ratio in 2019/20/21F) to enhance the distribution channel for CCMG and stimulate ROE growth in the future. We correspondingly raised our 2020/21F finance cost forecast by 1.8%/1.5%, respectively.

### Still no policy updates

According to management, there are currently no major updates on the policy side, especially regarding the potential opening-up of the CCMG market and cancellation of CCMG's price mark-up, as the authorities are focusing on controlling the COVID-19 outbreak. We maintain our view that CCMG market opening-up will result in more positives (we estimate that the CCMG market will be 4-5 times bigger, from ~Rmb12bn to ~Rmb50bn after the market opens up and expect the Company to maintain its leading advantages, since the CCMG entry barriers will remain very high) than negatives (intensified competition). We believe that the potential cancellation of CCMG's price mark-up is an overhang.

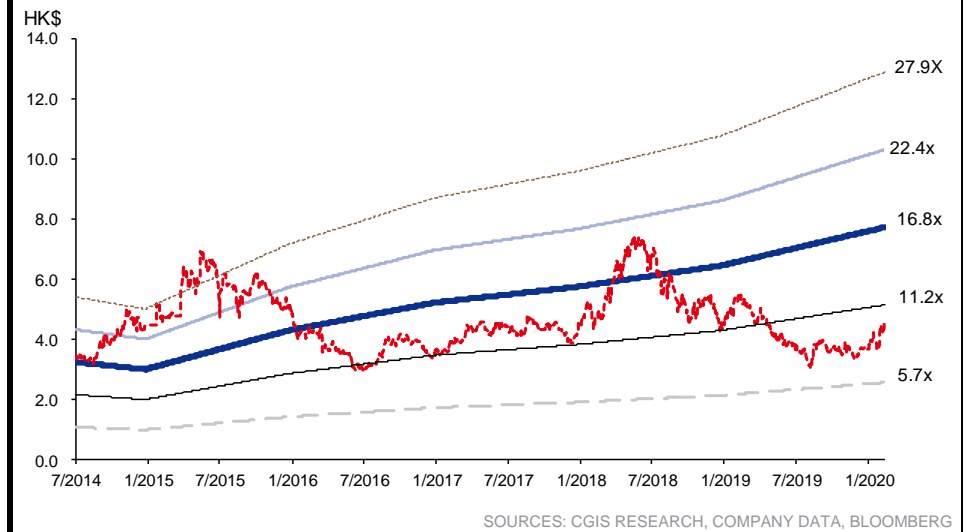
### 2020F full-year outlook unchanged

Overall, we believe the COVID-19 outbreak will have a small one-off impact on the Company and does not change its long-term investment thesis. We believe the Company's 2020F outlook remains intact and that CCMG are still the key growth driver.

**Financial Summary**

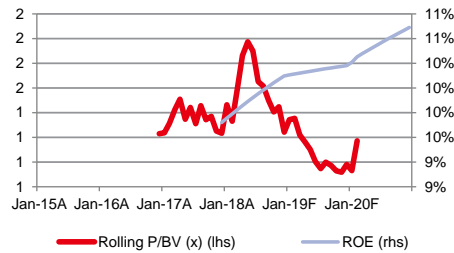
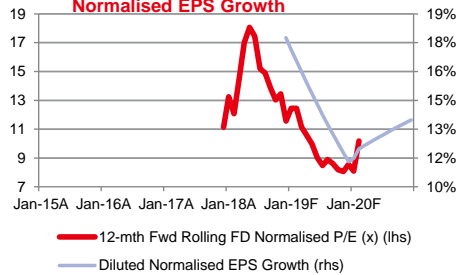
	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (Rmbm)	8,338	11,259	13,959	16,929	20,045
Operating EBITDA (Rmbm)	2,190	2,665	3,172	3,555	3,992
Net Profit (Rmbm)	1,170	1,439	1,706	1,978	2,268
Normalised EPS (Rmb)	0.26	0.30	0.34	0.39	0.45
Normalised EPS Growth	21.0%	13.0%	13.5%	15.9%	14.6%
FD Normalised P/E (x)	15.51	13.17	11.83	10.42	9.09
DPS (Rmb)	0.07	0.10	0.12	0.14	0.16
Dividend Yield	1.77%	2.55%	2.90%	3.36%	3.85%
EV/EBITDA (x)	9.08	8.03	7.08	6.14	5.17
P/FCFE (x)	6.32	NA	NA	12.75	8.93
Net Gearing	2.6%	(1.7%)	(1.8%)	(5.6%)	(11.2%)
P/BV (x)	1.46	1.27	1.20	1.07	0.96
ROE	9.7%	10.3%	10.4%	10.8%	11.1%
% Change In Normalised EPS Estimates			0.00%	(1.27%)	(1.19%)
Normalised EPS/consensus EPS (x)			0.99	0.95	0.91

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**Figure 1: Historical PE band**

**Figure 2: Earnings revision table**

Rmbm	FY19F			FY20F			FY21F		
	old	new	Change	old	new	Change	old	new	Change
Revenue	13,959	13,959	0.0%	16,883	16,929	0.3%	19,990	20,045	0.3%
Gross profit	8,366	8,366	0.0%	9,908	9,904	0.0%	11,607	11,608	0.0%
Operating profit	2,517	2,517	0.0%	2,834	2,811	-0.8%	3,211	3,189	-0.7%
Net profit	1,706	1,706	0.0%	2,004	1,978	-1.3%	2,295	2,268	-1.2%
EPS(Rmb)	0.34	0.34	0.0%	0.40	0.39	-1.3%	0.46	0.45	-1.2%

SOURCES: 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
<b>Total Net Revenues</b>	<b>8,338</b>	<b>11,259</b>	<b>13,959</b>	<b>16,929</b>	<b>20,045</b>
<b>Gross Profit</b>	<b>4,652</b>	<b>6,194</b>	<b>8,366</b>	<b>9,904</b>	<b>11,608</b>
<b>Operating EBITDA</b>	<b>2,190</b>	<b>2,665</b>	<b>3,172</b>	<b>3,555</b>	<b>3,992</b>
Depreciation And Amortisation	(404)	(509)	(654)	(744)	(803)
<b>Operating EBIT</b>	<b>1,786</b>	<b>2,156</b>	<b>2,517</b>	<b>2,811</b>	<b>3,189</b>
Financial Income/(Expense)	(221)	(292)	(237)	(149)	(120)
Pretax Income/(Loss) from Assoc.	2	(7)	1	1	1
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>1,567</b>	<b>1,857</b>	<b>2,280</b>	<b>2,663</b>	<b>3,069</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,567</b>	<b>1,857</b>	<b>2,280</b>	<b>2,663</b>	<b>3,069</b>
Taxation	(256)	(290)	(365)	(426)	(491)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,311</b>	<b>1,567</b>	<b>1,916</b>	<b>2,237</b>	<b>2,578</b>
Minority Interests	(141)	(128)	(209)	(258)	(310)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>1,170</b>	<b>1,439</b>	<b>1,706</b>	<b>1,978</b>	<b>2,268</b>

**Cash Flow**

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>2,190</b>	<b>2,665</b>	<b>3,172</b>	<b>3,555</b>	<b>3,992</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(567)	(1,252)	(811)	(1,198)	(980)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	126	367	259	171	144
Net Interest (Paid)/Received	(221)	(292)	(237)	(149)	(120)
Tax Paid	(293)	(296)	(365)	(426)	(491)
<b>Cashflow From Operations</b>	<b>1,236</b>	<b>1,190</b>	<b>2,017</b>	<b>1,953</b>	<b>2,544</b>
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
<b>Cash Flow From Investing</b>	<b>393</b>	<b>(1,546)</b>	<b>(1,735)</b>	<b>(935)</b>	<b>(935)</b>
Debt Raised/(repaid)	1,244	(1,517)	(3,134)	600	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)	(149)	(120)
<b>Cash Flow From Financing</b>	<b>786</b>	<b>1,772</b>	<b>(3,371)</b>	<b>452</b>	<b>580</b>
Total Cash Generated	2,414	1,417	(3,088)	1,469	2,189
<b>Free Cashflow To Equity</b>	<b>2,872</b>	<b>(1,873)</b>	<b>(2,851)</b>	<b>1,618</b>	<b>2,309</b>
<b>Free Cashflow To Firm</b>	<b>1,850</b>	<b>(63)</b>	<b>520</b>	<b>1,166</b>	<b>1,730</b>

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	4,819	7,008
Total Debtors	3,024	3,467	4,335	5,127	5,857
Inventories	3,552	4,483	5,018	5,760	6,260
Total Other Current Assets	20	97	97	97	97
<b>Total Current Assets</b>	<b>11,384</b>	<b>14,486</b>	<b>12,800</b>	<b>15,804</b>	<b>19,222</b>
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
<b>Total Non-current Assets</b>	<b>13,501</b>	<b>15,802</b>	<b>16,861</b>	<b>17,031</b>	<b>17,140</b>
Short-term Debt	639	3,909	1,000	1,200	1,500
Current Portion of Long-Term Debt					
Total Creditors	3,857	4,148	4,740	5,076	5,326
Other Current Liabilities	200	576	576	576	576
<b>Total Current Liabilities</b>	<b>4,695</b>	<b>8,633</b>	<b>6,316</b>	<b>6,852</b>	<b>7,402</b>
Total Long-term Debt	4,515	2,225	2,000	2,400	2,800
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,860	1,919	1,919	1,919	1,919
<b>Total Non-current Liabilities</b>	<b>6,375</b>	<b>4,144</b>	<b>3,919</b>	<b>4,319</b>	<b>4,719</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>11,070</b>	<b>12,777</b>	<b>10,235</b>	<b>11,172</b>	<b>12,122</b>
Shareholders' Equity	12,437	15,551	17,258	19,236	21,504
Minority Interests	1,378	1,959	2,168	2,427	2,737
<b>Total Equity</b>	<b>13,815</b>	<b>17,511</b>	<b>19,426</b>	<b>21,663</b>	<b>24,241</b>

**Key Ratios**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	27.6%	35.0%	24.0%	21.3%	18.4%
Operating EBITDA Growth	28.6%	21.7%	19.0%	12.1%	12.3%
Operating EBITDA Margin	26.3%	23.7%	22.7%	21.0%	19.9%
Net Cash Per Share (Rmb)	(0.08)	0.06	0.07	0.24	0.54
BVPS (Rmb)	2.81	3.22	3.43	3.82	4.27
Gross Interest Cover	8.08	7.38	10.60	18.93	26.47
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%	13.4%	14.3%
ROCE (%)	10.0%	10.1%	10.9%	11.8%	11.9%
Return On Average Assets	6.67%	6.74%	7.18%	7.63%	7.80%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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