公司/行业动态

亿胜生物科技[1061.HK，6.50港元，未评级] – 2018年中期业绩稳健；增长前景可见度高

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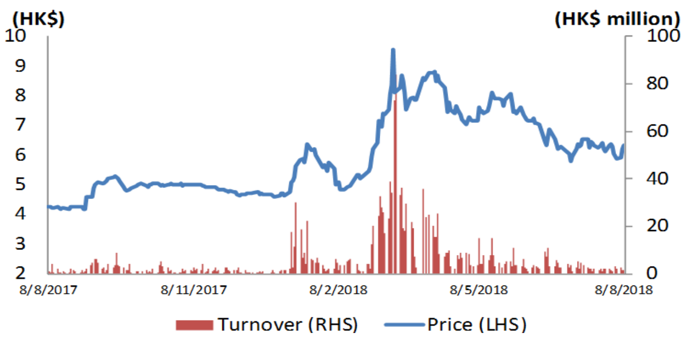
Essex Bio-Technology



市值：4.728亿美元；自由流通量：46%

	2016A	2017A	2018E	2019E	2020E
收入（百万港元）	776	900	1,092	1,308	1,559
同比变动	*18.6%*	*16.0%*	*21.4%*	*19.7%*	*19.2%*
经营利润(百万港元)	166	192	243	296	357
经营利润率(%)	*21.4%*	*21.4%*	*22.2%*	*22.7%*	*22.9%*
经调整净利润（百万港元）	136	167	205	251	301
同比变动	*29.9%*	*22.8%*	*22.5%*	*22.3%*	*20.2%*
净利润率 (%)	*17.6%*	*18.6%*	*18.8%*	*19.2%*	*19.3%*
经调整每股盈利（港元）	0.24	0.30	0.36	0.43	0.53
同比变动	28.1%	22.3%	21.0%	19.4%	24.0%
股本回报率(%)	28.1	25.8	24.9	24.8	22.7
股息收益率(%)	0.5	0.4	0.9	1.0	1.2
市盈率（倍）	26.7	21.8	18.1	15.1	12.2
市净率（倍）	6.6	5.0	4.0	3.2	2.6

来源：彭博

亿胜生物科技公布了强劲的2017年中期业绩。展望未来，预计手术业务将继续是增长动力，而眼科业务将实现稳定的高单位数增长。现有业务正在走上正轨，同时公司正积极丰富外在产品（主要通过股权投资），而健康的资产负债表和经营现金流都使增长前景有高的可见度。根据市场共识预测，2017 - 2020年每股盈利的年均复合增长率为21.5%，而当前的2018/19/20年市盈率为18.1/15.1/12.2倍，因此从市盈增长率角度看，估值并不高。此外，目前的估值较同行平均的约20/17倍2018/19年市盈率存在折让，同时亦低于过去十二过月的平均值。总的来说，我们认为最近的调整带来了再次关注的机会。

手术业务是关键驱动因素：手术业务收入为2.91亿港元，占2018年上半年总收入的51.8%。手术产品（贝复新和贝复济系列）主要用于伤口愈合，公司目前在伤口愈合市场的份额约3.3%。我们预计手术业务仍将是主要增长动力，未来几年的销售年复合增长率将超过30%，原因在于：1）加强了学术推广以渗透进各医院部门，包括皮肤科（目前渗透率约为2%）、烧伤（目前只有~4.5%的渗透率）、口腔医学（目前渗透率约为12%）和产科（渗透率为3.7%）；2）三四线医院的渗透率。在手术业务覆盖的3800家医院中，我们估计约有70%是三级或二级医院。展望未来，公司将加强其对一级医院的渗透；3）其外科销售团队（约750名推销员）的预期提高效率。目前，人均年销售额约78万港元，对比同业为120-150万不等，因此有大量的改善空间。

眼科业务：该分部于2018年上半年实现收入2.23亿港元，占2018年上半年总收入的40%。目前在公司针对的眼科市场（包括角膜创伤市场、屈光手术市场、白内障市场和干眼症市场），公司的市场份额约为11.5%（以患者数量计）。我们预计该细分市场将实现高单位数增长，主要是由于：1）销售团队（约650名销售人员）的效率应从当前年的人均销售额68万港元有所提高；2）贝复舒凝胶的工作相关报销限制在2017年版的全国医保目录中被删除，因此预计对销量的刺激作用将从2018年开始浮现；3）销售团队和医院覆盖范围扩大。

外部合作/投资将需时提升：自2015年以来，公司通过收购产品的独家经销权、股权投资、向目标公司发行可换股债券或与国内外制药公司进行联合研发合作，积极丰富在外科、眼科、肿瘤和神经领域的产品组合。例如，公司投资Mitotech的SkQ1滴眼液（用于干眼症），该产品即将开始FDA临床试验第三阶段，拥有良好前景。公司的1700万美元资金的回报实际上是SkQ1在中国和新加坡的独家销售权，以及SkQ1商业化后分享一定比例收入的权利。展望未来，虽然第三方合作/投资需要时间来贡献明显利润，但公司稳健的资产负债表（截至2018年上半年的净现金1.5亿港元，占市值的4%）和预计每年2亿港元的经营性现金流应该足以为其外部发展需求提供资金。

国际证书/合作：如我们8月8日的行业报告所述，在受到最近的疫苗事件和电影我不是药神的影响之后，我们理解到投资者在选股方面更为谨慎。因此，我们从国际证书、合作、海外研发管道等方面进行研究，这些因素都有助加强投资者对公司可信赖度的信心；1）公司在珠海的工厂申请了欧洲GMP证书，预计将于2019年获得；2）公司与俄罗斯Mitotech就FDA临床试验进行了合作。

风险：高销售费用收入比率（约55%，对比同业约25-40%）；主要产品增长低于预期；人民币继续贬值或疲弱。

COMPANY / INDUSTRY NEWS

Essex Bio-Technology Limited [1061.HK, HK$6.50, Not rated] – Solid 1H2018 results, high growth visibility

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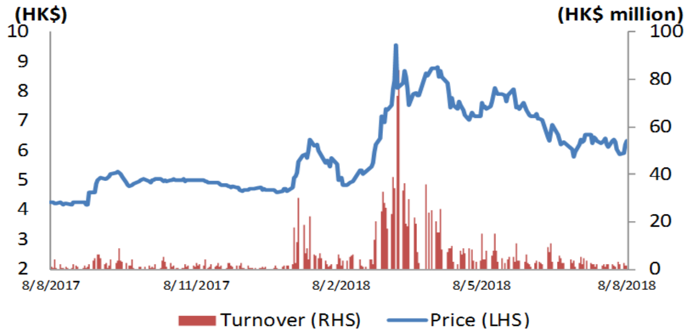
Essex reported strong 1H2018 results (Figures 3 & 4). Going forward, the surgical segment is expected to continue to serve as the growth driver, while the Ophthalmic business will deliver stable high single-digit growth. The existing business is on track, with proactive external product portfolio enrichment via mainly equity investment, together with a healthy balance sheet and operating cash flow, making growth prospects highly visible. The Street is projecting a 21.5% EPS CAGR in 2017-2020E vs. the current valuation of 18.1/15.1/12.2x 2018/19/20E Bloomberg consensus PER, i.e. an undemanding valuation from the PEG angle. Moreover, the current valuation is a discount to its peers' average of ~20/17x 2018/19E PER (Figure 1) and below its TTM average (Figure 2). Overall, we believe recent correction provides a re-visit opportunity.

Essex Bio-Technology



Market Cap: US$472.8m; Free Float: 46%

	2016A	2017A	2018E	2019E	2020E
Revenue (HKm)	776	900	1,092	1,308	1,559
YoY %	*18.6%*	*16.0%*	*21.4%*	*19.7%*	*19.2%*
Operating profit (HKm)	166	192	243	296	357
Operating margin (%)	*21.4%*	*21.4%*	*22.2%*	*22.7%*	*22.9%*
Net profit Adj+(HKm)	136	167	205	251	301
YoY %	*29.9%*	*22.8%*	*22.5%*	*22.3%*	*20.2%*
Net margin (%)	*17.6%*	*18.6%*	*18.8%*	*19.2%*	*19.3%*
EPS Adj+ (HK$)	0.24	0.30	0.36	0.43	0.53
YoY %	28.1%	22.3%	21.0%	19.4%	24.0%
ROE (%)	28.1	25.8	24.9	24.8	22.7
Dividend yield (%)	0.5	0.4	0.9	1.0	1.2
PER (x)	26.7	21.8	18.1	15.1	12.2
PBR (x)	6.6	5.0	4.0	3.2	2.6

Source: Bloomberg

Surgical segment the key driver: The surgical business reported revenue of HK$291m, accounting for 51.8% of 1H2018 total revenue. Surgical products (*Beifuxin* and *Beifuji* series) are used mainly for wound healing and the Company's current market share in wound healing is ~3.3%. We expect the surgical segment to remain the key growth driver, with >30% sales CAGR in the coming years due to 1) strengthened academic promotion to get into various hospital departments, including dermatology (currently ~2% penetration rate), burns (so far only ~4.5% penetration rate), stomatology (~12% penetration rate now) and obstetrics (3.7% penetration rate); 2) penetration of lower-tier hospitals. Of the 3,800 hospitals with surgical segments covered, we estimate ~70% are Grade III or Grade II hospitals. Going forward, Essex will enhance its penetration of Grade I hospitals; and 3) the expected improving efficiency of its surgical sales team (~750 salesmen). Currently, annual per-capita sales are ~HK$0.78m vs. its peers' range of 1.2-1.5m, leaving plenty of room to improve.

Ophthalmic business: This segment delivered revenue of HK$223m in 1H2018, accounting for 40% of 1H2018 total revenue. Its current overall share in terms of patient numbers is ~11.5% in the target ophthalmic market, including the corneal trauma market, refractive surgery market, cataract market, and dry eye disease market. We expect high single-digit growth for the segment, considering 1) sales team (~650 salesmen) efficiency should improve from current annual per-capita sales of ~HK$0.68m; 2) work-related reimbursement constraints for *Beifushu Gel* were removed in the 2017 NRDL, so volume surge benefits are expected starting from 2018; and 3) sales team and hospital coverage expansion.

External collaboration/investments will take time to ramp up: The Company has actively enriched its product portfolio in surgical, ophthalmic, oncology and nervous areas by acquiring the exclusive distribution rights to products, or equity investment, or issuing CBs to target companies, or through joint R&D collaboration with both domestic and overseas pharmaceutical companies since 2015. For example, Essex invested in Mitotech's SkQ1 eye drops (intended for Dry Eye Disease), which are about to initiate FDA clinical trial Phase III, with a promising outlook. Essex's US$17m in funding is actually in return for SkQ1 exclusive sales rights in China and Singapore and the right to share a certain percentage of revenue from SkQ1 after commercialization. Going forward, although third-party collaboration/investment will take time to contribute meaningful profit, the Company's solid balance sheet (net cash HK$150m as of 1H2018, 4% of market cap) and expected >HK200m in operating cash flow each year should be more than sufficient to fund its external development needs.

International certificates/collaboration: Following our sector report dated August 8, after the impact of the recent vaccine incident and the movie *Dying to survive*, we understand investors are prudent in picking stocks. We therefore look at international certificates, collaboration, foreign R&D pipelines, etc. that can strengthen investors' faith in the Company's trustworthiness. 1) The Essex Zhuhai plant has applied for a European GMP certificate and is expected to obtain it in 2019; and 2) the Company has collaborated with Russia Mitotech on FDA clinical trials.

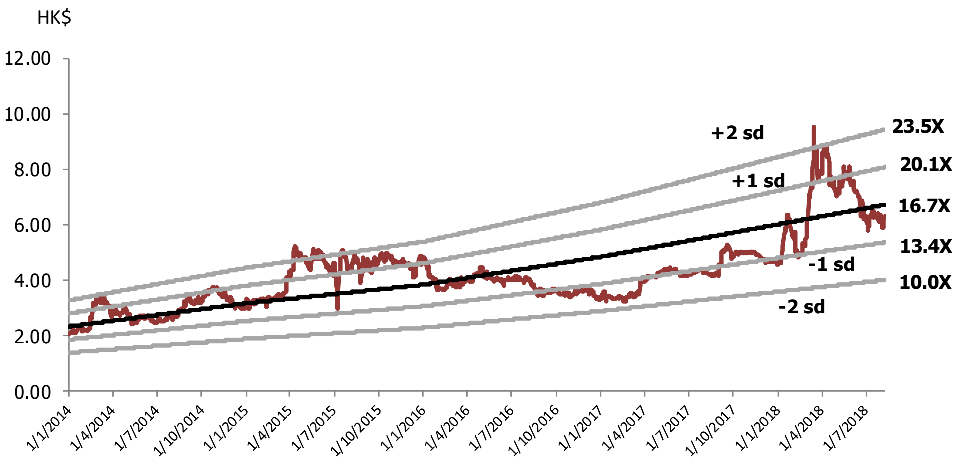
Risks: High selling expenses-to-revenue ratio (~55% vs. peers' 25-40%); slower-than-expected growth of key products; continued RMB depreciation or weakness.

Figure 1: Peer comparison

Company	Ticker	Prce HK$	Mkt cap HK$m	PER(x) 2017	2018E	2019E	PBR(x) 2017	2018E	2019E	ROE(%) 2017	2018E	2019E	EV/EBITDA (x) 2017	2018E	2019E
ESSEX BIO-TECH	**1061**	**6.50**	**3,712**	**21.8**	**18.1**	**15.1**	**5.0**	**4.0**	**3.2**	**26.8**	**25.1**	**24.4**	**n.a**	**14.9**	**12.2**
FOSUN PHARMA-H	2196	36.35	97,733	23.9	21.1	17.9	3.1	2.7	2.5	13.6	13.6	14.8	32.6	23.5	19.2
SINO BIOPHARM	1177	10.46	132,191	48.1	36.7	30.1	9.7	6.9	5.6	23.9	25.1	24.0	31.2	20.3	15.6
CSPC PHARMACEUTI	1093	20.20	126,109	44.9	33.8	26.6	10.0	7.1	6.2	23.5	22.2	24.3	29.7	22.4	17.8
BAIYUNSHAN PH-H	874	33.30	65,386	26.0	18.9	16.5	2.5	2.2	2.0	10.3	12.7	13.4	23.0	18.1	14.6
LUYE PHARMA GROU	2186	7.50	24,562	22.8	18.1	15.3	2.9	2.6	2.3	13.6	15.7	16.0	16.0	14.2	12.2
3SBIO INC	1530	16.56	42,124	41.6	31.4	24.7	5.0	4.4	3.8	12.5	15.2	16.7	27.6	21.1	16.8
LIVZON PHARM-H	1513	35.90	31,425	24.2	20.4	17.1	2.2	2.0	1.9	29.1	9.8	10.8	14.5	13.1	11.2
TONG REN TANG-H	1666	11.74	15,036	19.6	18.0	15.9	2.6	2.0	1.8	13.1	12.1	12.0	n.a	n.a	n.a
TRAD CHI MED	570	6.00	30,215	19.9	17.3	14.4	1.8	1.6	1.5	9.3	10.3	11.1	14.0	10.7	9.0
CHINA SHINEWAY	2877	11.74	9,709	20.9	14.0	11.5	1.5	1.4	1.3	7.1	10.1	11.6	9.8	6.3	4.6
CONSUN PHARMACEU	1681	5.97	5,224	11.0	9.7	8.2	2.0	1.9	1.6	21.4	24.8	24.9	6.7	5.8	4.6
SIHUAN PHARM	460	1.62	15,343	n.a	9.4	8.8	1.1	1.1	1.0	14.5	12.9	12.7	4.4	6.4	5.4
THE UNITED LABOR	3933	7.52	12,331	33.7	17.7	14.5	2.1	1.8	1.6	6.3	9.8	10.9	9.3	7.3	6.1
LEE'S PHARM	950	7.29	4,316	16.3	15.4	13.8	2.3	2.2	2.0	14.2	14.6	14.2	n.a	n.a	n.a
Simple average				**27.1**	**20.1**	**16.8**	**3.5**	**2.9**	**2.5**	**15.2**	**14.9**	**15.5**	**18.2**	**14.1**	**11.4**
Median				**23.9**	**18.1**	**15.6**	**2.4**	**2.1**	**1.9**	**13.6**	**13.3**	**13.8**	**15.3**	**13.6**	**11.7**

Source: Bloomberg

Figure 2: TTM



Source: Bloomberg

Figure 3: 1H2018 revenue breakdown

HKm	1H2016	1H2017	1H2018	16-17YoY	17-18YoY
Surgical products	**166.2**	**213.5**	**291.2**	**28.5%**	**36.4%**
Beifuji series	*156.9*	*198.8*	*281.9*	26.7%	41.8%
Third party products	*9.3*	*14.7*	*9.3*	58.1%	-36.7%
Ophthalmic products	**179.5**	**214.4**	**223.4**	**19.4%**	**4.2%**
Beifushu series	*138.8*	*150.4*	*158.4*	8.4%	5.3%
Third party products	*40.7*	*64*	*65*	57.2%	1.6%
Marketing services	**18.2**	**9.7**	**46.7**	**-46.7%**	**381.4%**
Total	**363.9**	**437.6**	**561.3**	**20.3%**	**28.3%**

Source: Company

Note: Third party products were previously agency sales, due to the two invoice system requirements; they have now been shifted to "marketing services". Third party and marketing services revenue must be combined to see the full picture. 1H2018 third party products reported sales of HK$121m, up 37% YoY from HK$88m in 1H2017.

Figure 4: 1H2018 results highlights

HK$	1H2017	1H2018	YoY
Revenue	**438**	**561**	28.3%
COGS	(80)	(102)	27.4%
Gross profit	**358**	**459**	28.5%
Other income	4	3	-15.6%
Selling expenses	(248)	(313)	26.2%
Admin expenses	(17)	(25)	43.5%
Operating profit	**96**	**125**	29.7%
Finance cost	(5)	(3)	-31.4%
Pretax income	91	122	33.0%
Tax	(14)	(23)	58.6%
Net profit	77	99	28.3%
GPM	*81.7%*	*81.8%*	
Selling ratio	*56.6%*	*55.7%*	
Operating margin	*22.0%*	*22.3%*	
Net margin	*17.6%*	*17.6%*	

Source: Company

1H2018 results highlights: The Company's 1H2018 net profit came in at HK$99m, up 28.3% YoY (vs. Bloomberg consensus 2018E full-year estimate of 22.5%). If consensus accounted for RMB appreciation of ~6% in 1H2018 against 1H2017, then Essex beat the market. If the market does not consider RMB appreciation (i.e. uses the same exchange rate for 1H2017 and 1H2018), then Essex is in line with consensus, since adjusted for exchange, real business in RMB grew ~22% in 1H2018 YoY. In summary, Essex's 1H2018 results were strong, beating or at least in line with market expectations, driven mainly by the surgical product *Beifuji*. Margins were stable, including the gross margin, operating margin and net margin. The Company's balance sheet remained strong with net cash of HK$150m. Operating cash flow was HK$90m, largely in line with reported net profit, i.e. good earnings quality.

Company background: Essex was incorporated in the Cayman Islands on 31 July, 2000, and has been listed on the Stock Exchange of Hong Kong since 27 June, 2001.

Essex specializes in biopharmaceutical drug development, based on recombinant DNA technology. It is engaged principally in the manufacture and sale of biopharmaceutical products for the treatment and healing of surface wounds and eye wounds. The Group is also engaged in the research and development of bFGF products for new indications, as well as other ophthalmic pharmaceutical projects.

Chairman Yan's family holds a 52.4% interest in the Company.

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买入	:	股价于12个月内将上升 >20%
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