中國銀河國際 CHINA GALAXY INTERNATIONAL

2018年9月17日

康哲药业 [867.HK]

平均售价受压+商业模式的前景备受关注；评级下调至持有

在康哲药业股价大幅调整后，我们与公司进行了讨论。我们认为其主要产品--Deanxit和Plendil--将受到GPO（联合带量采购）的影响。尽管这两种药物（占公司总收入约43％）并未直接列入第一轮GPO清单，但预计它们将在完成一致性评估后加入价格战。除平均售价面对风险外，我们认为此CSO（合同销售组织）的关注点是GPO对其业务模式价值的影响。简单来说，GPO下的保量模式将损害CSO的价值，因为CSO的核心价值在于通过学术推广和营销来提高药物销量。因此，除了Deanxit和Plendil有机会出现降价外，其CSO业务模式还存在系统性降级风险。虽然现在很难量化负面影响，但我们作出了一个情景分析来估计影响（图1和图2）。在各种情况下，2019年经营利润可能会下调2％-14％。我们暂时维持盈利预测，但为了反映潜在的风险，我们给予康哲药业较低的目标市盈率。我们将目标价由17.5港元（16倍2019年市盈率）下调至12.1港元（11倍2019年市盈率，较其历史平均水平低2个标准差，见图3）。在最坏的情境下(即是盈利预测将下调14％)，我们的新目标价相当于12.5倍的2019年市盈率。评级从买入下调至持有。我们建议投资者暂时避开康哲药业，直到相关政策更清晰为止。

投资亮点

情景分析：我们进行了情景分析，以估计在以下情况中政策对公司2019年盈利的潜在影响：1）公司接受降价以取得较确定的销量；2）不接受降价并牺牲销量。我们的分析结果对以下假设较为敏感：1）上游制造商通过较低的出厂价格共享多少平均售价压力；2）节省了多少百分比的销售费用。我们估计公司的销售费用约50％与Deanxit和Plendil（D＋P）有关。此外，销售费用的节省取决于受GPO影响的区域（11个城市，后来扩展到全国范围）；3）销售成本的变化是Deanxit和Plendil销售量和出厂价格变化的函数；4）调整计算以避免双发票系统编号引起的失真。

我们的分析结果表明如下：

- ♦ 乐观情况：当D＋P销量增加> 30％，以及上游制造商将出厂价格降低20％，再加上销售费用节省20％，则平均售价下降40％所带来的影响可以大致抵消。
- ♦ 最坏情况：如果公司不接受降价并牺牲销量，2019年的营业利润预测可能会下调约14％（图2案例2）。
- ♦ 公司的最佳策略是接受降价，否则在全国范围内执行GPO的两年内，公司的收益可能会受到约14％的影响，这比情景1中最悲观的情况更糟（降价幅度40％，销量升幅10％）。在降价的情况下，至少存在谈判的空间，因为其上游制造商可能分担降价的压力。

截至12月底止年度	2016A	2017A	2018E	2019E	2020E
收入（百万元人民币）	4,901	5,349	6,275	7,295	8,364
净利润(百万元人民币)	1,376	1,675	2,079	2,415	2,732
核心净利润（百万元人民币）	1,396	1,675	2,079	2,415	2,732
核心净利润率（%）	28.5	31.3	32.9	32.9	32.5
每股核心盈利（人民币）	0.561	0.673	0.830	0.965	1.092
百分比变动	38.7	20.1	23.3	16.2	13.2
市盈率（倍）	16.6	13.8	11.2	9.7	8.5
市净率（倍）	3.7	3.2	2.7	2.3	2.0
净资产收益率（%）	22.3	22.9	23.9	23.6	22.9
EV/EBITDA (倍)	14.6	11.2	8.7	7.2	5.9

＊ 经中国银河国际证券研究部调整

来源：公司，中国银河国际证券研究部

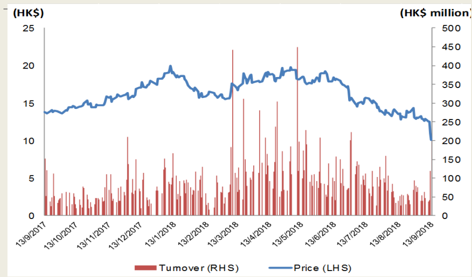
中国医药业

持有

收盘价：10.58港元（2018年9月14日）

目标价：12.1港元（+14.4%)

股价表现



市值	33.52亿美元
已发行股数	24. 872亿股
核数师	Deloitte
自由流通量	49.7%
52周交易区间	10.12-19.96港元
三个月日均成交量	1, 035万美元
主要股东	林刚（43.53%)

来源：公司，彭博

何霜霖 — 分析员

(852) 3698-6320

harryhe@chinastock.com.hk

王志文, CFA－ 研究部主管

(852) 3698-6317

cmwong@chinastock.com.hk

CHINA GALAXY INTERNATIONAL

September 17, 2018

China Medical System [867.HK]

ASP pressure + concerns about the business model; downgrade to HOLD

We had a discussion with China Medical System (CMS) following the sharp correction in its share price. We believe its key products—Deanxit and Plendil—will be affected by the GPO (Group Procurement Organization). Although these two drugs (~43% of CMS's total revenue) are not directly listed in the first-round GPO list, they are expected to join the ASP cut competition when they finish the consistency evaluation. Other than ASP risks, we believe the key concern for this CSO (contracted sales organization) is the impact on the value of its business model under the GPO. Simply speaking, secured volume under the GPO will damage the value of the CSO, whose core value lies in academic promotion and marketing to boost drugs volume. Therefore, in addition to a potential ASP cut for Deanxit and Plendil, its CSO business model carries systematic de-rating risks. Although it is hard to quantify the negative impact right now, we prepared a scenario analysis to estimate the impact (Figure 1&2). Under various scenarios, 2019E operating profit may be revised down by 2%-14%. We kept our earnings numbers for now, but give CMS a much lower multiple to reflect the potential risks. We lower our Target Price from HK$17.5 (16x 2019E PER) to HK$12.1 (11x 2019E PER, 2sd below its historical average, Figure 3). Our new Target Price implies a 2019E PER of 12.5x under the worst case scenario, i.e. downward earnings revision of 14%. Downgrade from BUY to HOLD. We suggest investors avoid CMS until there is more clarity on the policy side.

Investment thesis

Scenario analysis: Our scenario analysis estimates the potential earnings impact on CMS in 2019 1) accepting an ASP cut with secured volume, and 2) not accepting an ASP cut and sacrificing secured volume. Our analysis results are sensitive to the following assumptions: 1) how much ASP pressure is shared by upstream manufacturers through lower ex-factory prices; 2) what percentage of selling expenses is saved. We estimate ~50% of CMS's selling expenses are related to *Deanxit* and *Plendil (D+P).* Also selling expense savings depend on the areas affected by the GPO (11 cities, later extended nationwide); 3) the change in the cost of goods sold is a function of the sales volume of *Deanxit* and *Plendil* and ex-factory price changes; and 4) calculations are adjusted to avoid distortion caused by the two-invoice system numbers.

Our analysis results indicate the following:

- ♦ Optimistic case: When D+P volume increase >30%, together with upstream manufacturers' lowering ex-factory prices by 20%, with 20% saving in selling expenses, the impact caused by a 40% ASP cut can be largely offset.
- ♦ Worst case: If the Company does not accept an ASP cut and sacrifices secured volume, operating profit in 2019E may be revised down by ~14% (Figure 2 case 2).
- ♦ The best strategy for CMS is to accept the ASP cut, or in about two years when the GPO is executed nationwide, CMS's earnings may be impacted by ~14%, which is even worse than the most bearish case in Scenario 1 (40% ASP cut with 10% volume increase). At least there is room for negotiation in the ASP cut case, as its upstream manufacturers may share the ASP pressure.

Y/E Dec 31	2016A	2017A	2018E	2019E	2020E
Turnover (RMB m)	4,901	5,349	6,275	7,295	8,364
Net profit (RMBm)	1,376	1,675	2,079	2,415	2,732
Core net profit (RMB m)*	1,396	1,675	2,079	2,415	2,732
Core net margin (%)	28.5	31.3	32.9	32.9	32.5
Core EPS (RMB)	0.561	0.673	0.830	0.965	1.092
% Change	38.7	20.1	23.3	16.2	13.2
PER (x)	16.6	13.8	11.2	9.7	8.5
PBR (x)	3.7	3.2	2.7	2.3	2.0
ROE (%)	22.3	22.9	23.9	23.6	22.9
EV/EBITDA (x)	14.6	11.2	8.7	7.2	5.9

** adjusted by CGIS research*

Sources: Company, CGIS Research

China Healthcare Sector

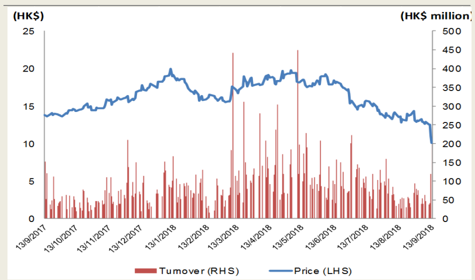
HOLD

(Downgrade from BUY)

Close: HK$10.58 (Sep 14, 2018)

Target Price: HK$12.1 (+14.4%)

Price Performance



Market Cap	US$3,352m
Shares Outstanding	2,487.2m
Auditor	Deloitte
Free Float	49.7%
52W range	HK$10.12-19.96
3M average daily T/O	US$10.35m
Major Shareholding	Lam Kong (46.04%)

Sources: Company, Bloomberg

Harry He—Analyst

(852) 3698-6320

harryhe@chinastock.com.hk

Wong Chi Man, CFA—Head of Research

(852) 3698-6317

cmwong@chinastock.com.hk

Figure 1: Scenario 1

Scenario 1: Accept ASP cut with volume increase and savings in selling expenses

Key assumptions

	Deanxit+ Plendil (D+P) ASP cut	Volume increase	CMS revenue impact
Case 1	-40%	10%	-14.6%
Case 2	-40%	20%	-12.0%
Case 3	-40%	30%	-9.5%
Case 4	-40%	40%	-6.9%

RMBm	2019E base case	Case 1	Case 2	Case 3	Case 4
Revenue	7,295	6,229	6,417	6,605	6,793
COGS	(3,033)	(2,531)	(2,635)	(2,739)	(2,844)
Gross profit	4,262	3,698	3,782	3,866	3,950
GPM	*58.4%*	*59.4%*	*58.9%*	*58.5%*	*58.1%*
Selling expenses	(1,496)	(1,196)	(1,196)	(1,196)	(1,196)
Admin expenses	(255)	(255)	(255)	(255)	(255)
Operating profit	2,576	2,246	2,330	2,414	2,498
Earnings impact		**-12.8%**	**-9.6%**	**-6.3%**	**-3.0%**

1: assumes upstream manufacturers share the ASP cut, ex-factory price is lowered by 20%

2: selling expenses saving by 20% (estimated D+P selling expenses accounted for 50% of CMS total selling expenses, and ~40% can be saved under GPO)

Source: CGIS research

Figure 2: Scenario 2

Scenario 2: Not participate in GPO (no price cut) and sacrifice volume

The sales of Deanxit in hospital accounts for 66.6%, and the sales of plendil in hospital accounts for 59.3% ，the combined sales in hospital of two products accounts for 62%, the remaining 38% of sales comes from OTC etc., and it will be not affected by GPO.

If not participate in GPO and decline to accept the price cut, about 70% of the hospitals' procurement volume will become irrelevant to the Company.

Of the 70% of hospitals' procurement volume, only about 32% of the sales of Deanxit and Plendil would be affected in case 1 if the GPO is not extendeded from 11 cities to the whole country.

If the volume-based procurement of the 11 cities is extended to the whole country, assuming that the 20% of the D+P sales will shift to other sales channels (such as OTC pharmacies).

Key assumptions

	D+P ASP cut	%hospital channel	70% of hospitals' volume	11 cities D+P percentage %	National wide	Hospital to other channels	CMS revenue impact
Case 1	0%	62%	70%	32%	-	20%	-4.8%
Case 2	0%	62%	70%	-	100%	20%	-14.9%

RMBm	2019 base case	Case 1	Case 2
Revenue	7,295	6,947	6,206
COGS	(3,033)	(2,970)	(2,838)
Gross profit	4,262	3,976	3,368
GPM	*58.4%*	*57.2%*	*54.3%*
Selling expenses	(1,496)	(1,271)	(897)
Admin	(255)	(255)	(255)
Operating profit	2,576	2,450	2,215
Earnings impact		**-4.9%**	**-14.0%**

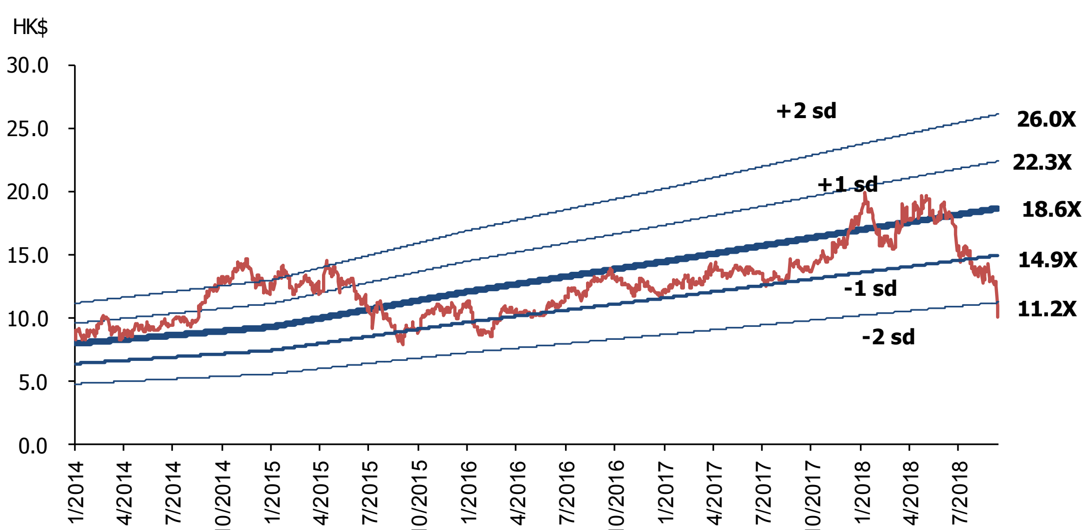
With sales volume of D+P decreases, COGS will also decline accordingly. Assume D+P gross profit accounts for 43% of total CMS gross profit with gross margin at ~60% (distortion caused by the two invoice system adjusted). We see moderate GPM decline in both cases.

D+P related selling expenses can be saved by 30% in the 11 cities' case and 80% for the national wide case, thus 50%*30%=15% and 50%*80%=40% respectively (assuming 50% of selling expesnes are related to D+P).

1: assumes upstream manufacturers ex-factory price is flat given no ASP cut
2: selling expenses saving by 15% due to less marketing activity in 11 cities for D+P in case 1
3: selling expenses saving by 40% due to less marketing activity nationwide for D+P in case 2

Source: CGIS research

Figure 3: PE band



Source: Bloomberg

Key financials

Balance Sheet

As at Dec 31 (RMBm)	2016A	2017A	2018E	2019E	2020E
Cash & cash equivalents	482	856	1,760	2,825	4,355
Inventories	509	460	646	758	874
Accounts receivable	1,682	1,487	1,820	2,079	2,384
Others	877	156	156	156	156
Current assets	3,551	2,960	4,382	5,818	7,769
Property, plant and equipmen	362	479	521	559	591
Intangible assets	2,886	2,720	2,705	2,677	2,635
Others	2,993	3,978	4,015	4,057	4,056
Non-current assets	6,241	7,189	7,253	7,305	7,294
Total assets	9,792	10,149	11,635	13,123	15,063
Accounts payable	579	507	622	730	842
ST borrowings	1,612	65	216	203	213
Others	1,205	86	86	86	86
Current liabilities	3,396	658	924	1,020	1,141
Long-term debts	0	2,040	1,944	1,828	1,921
Others	128	122	126	120	146
Long-term liabilities	128	2,162	2,070	1,948	2,066
Total liabilities	3,524	2,821	2,994	2,968	3,208
Shareholders' equity	6,209	7,275	8,580	10,086	11,778
Minority interests	58	54	61	69	77
Total equity	6,268	7,328	8,641	10,155	11,856

Profit and Loss

Year as of Dec 31 (RMBm)	2016A	2017A	2018E	2019E	2020E
Direct model	4,264	4,944	5,807	6,768	7,779
Agency model	359	360	418	473	525
Others	278	45	49	54	60
Revenue	4,901	5,349	6,275	7,295	8,364
Cost of goods sold	(1,989)	(1,871)	(2,582)	(3,033)	(3,495)
Gross profit	2,912	3,478	3,693	4,262	4,869
Other gains / (losses)	(42)	(79)	58	65	75
Marketing expenses	(1,174)	(1,382)	(1,286)	(1,496)	(1,715)
Admin expenses	(222)	(222)	(220)	(255)	(293)
Operating profit	1,474	1,795	2,245	2,576	2,936
Net interest income / (expense)	(23)	(65)	(39)	(12)	14
JV, associate and others	49	78	39	44	0
Pretax income	1,500	1,808	2,245	2,608	2,951
Income taxes	(123)	(138)	(173)	(201)	(227)
Non-controlling interests	2	(5)	(8)	(8)	(8)
Net profit	**1,376**	**1,675**	**2,079**	**2,415**	**2,732**
Non-recurring items	(20)	(0)	0	0	0
Core net profit	**1,396**	**1,675**	**2,079**	**2,415**	**2,732**
EBIT	1,491	1,805	2,260	2,592	2,953
EBITDA	1,667	2,001	2,513	2,863	3,241
EPS (RMB)	0.553	0.673	0.830	0.965	1.092
Core EPS (RMB)	**0.561**	**0.673**	**0.830**	**0.965**	**1.092**
DPS (RMB)	0.222	0.269	0.332	0.386	0.437
Payout	40.1%	39.9%	40.0%	40.0%	40.0%

Cash Flow

Year ended Dec 31 (RMBm)	2016A	2017A	2018E	2019E	2020E
Profit before tax	1,500	1,808	2,245	2,608	2,951
Depr & amortization	176	196	253	271	289
Change in working cap.	(511)	133	(402)	(264)	(309)
Income tax paid	(49)	(160)	(169)	(206)	(202)
Others	45	94	2	(30)	(13)
Operating cash flow	1,162	2,072	1,928	2,379	2,716
Capex	(1,228)	(149)	(280)	(280)	(280)
Change in other assets	(305)	(206)	24	32	49
Investment cash flow	(1,533)	(354)	(256)	(248)	(231)
Net change in debt	1,148	493	55	(129)	103
Others	(527)	(1,838)	(822)	(937)	(1,058)
Financing cash flow	622	(1,345)	(767)	(1,066)	(955)
Net change in cash	251	373	905	1,065	1,530
Cash Beg.	229	482	856	1,760	2,825
Fx	2	1	0	0	0
Cash End.	482	856	1,760	2,825	4,355

Key Ratios

Year to Dec 31	2016A	2017A	2018E	2019E	2020E
Growth (% YoY)					
Sales	37.9	9.1	17.3	16.3	14.7
EBIT	40.5	20.7	24.3	14.8	14.0
EBITDA	46.4	19.8	24.7	14.0	13.3
Core net profit	39.9	20.1	23.3	16.2	13.2
Core EPS	38.7	20.1	23.3	16.2	13.2
Profitability (%)					
Gross margin	59.4	65.0	58.8	58.4	58.2
EBIT margin	30.4	33.7	35.7	35.2	35.0
EBITDA margin	34.0	37.3	39.7	38.9	38.5
Core net profit margin	28.5	31.3	32.9	32.9	32.5
ROA	14.2	16.5	17.7	18.3	18.0
ROE	22.3	22.9	23.9	23.6	22.9
Balance sheet ratios					
Current ratio (X)	1.0	4.5	4.7	5.7	6.8
Quick ratio (X)	0.9	3.8	4.0	5.0	6.0
Cash ratio (X)	0.1	1.3	1.9	2.8	3.8
Trade & bill receivables days	106	108	96	98	97
Trade & bill payable days	89	106	80	81	82
Inventory turnover days	82	95	78	84	85
Total debt to equity ratio (%)	26.0	0.9	2.5	2.0	1.8
Net debt / (cash) to equity (%)	18.2	(10.9)	(18.0)	(26.0)	(35.2)

Source: CGIS Research estimates

免责声明

此研究报告并非针对或意图被居于或位于某些司法管辖范围之任何人士或市民或实体作派发或使用，而在该等司法管辖范围内分发、发布、提供或使用将会违反当地适用的法律或条例或会导致中国银河国际证券(香港)有限公司(“银河国际证券”)及/或其集团成员需在该司法管辖范围内作出注册或领照之要求。

银河国际证券(中国银河国际金融控股有限公司附属公司之一)发行此报告(包括任何附载资料)予机构客户，并相信其资料来源都是可靠的，但不会对其准确性、正确性或完整性作出(明示或默示)陈述或保证。

此报告不应被视为是一种报价、邀请或邀约购入或出售任何文中引述之证券。过往的表现不应被视为对未来的表现的一种指示或保证，及没有陈述或保证，明示或默示，是为针对未来的表现而作出的。收取此报告之人士应明白及了解其投资目的及相关风险 ，投资前应咨询其独立的财务顾问。

报告中任何部份之资料、意见、预测只反映负责预备本报告的分析员的个人意见及观点，该观点及意见未必与中国银河国际金融控股有限公司及其附属公司(“中国银河国际”)、董事、行政人员、代理及雇员(“相关人士”)之投资决定相符。

报告中全部的意见和预测均为分析员在报告发表时的判断，日后如有改变，恕不另行通告。中国银河国际及/或相关伙伴特此声明不会就因为本报告及其附件之不准确、不正确及不完整或遗漏负上直接或间接上所产生的任何责任。因此，读者在阅读本报告时，应连同此声明一并考虑，并必须小心留意此声明内容。

利益披露

中国银河证券(6881.HK; 601881.CH)乃中国银河国际及其附属公司之直接或间接控股公司。

中国银河国际可能持有目标公司的财务权益，而本报告所评论的是涉及该目标公司的证券，且该等权益的合计总额相等于或高于该目标公司的市场资本值的1%;

一位或多位中国银河国际的董事、行政人员及/或雇员可能是目标公司的董事或高级人员。

中国银河国际及其相关伙伴可能，在法律许可的情况下，不时参与或投资在本报告里提及的证券的金融交易，为该等公司履行服务或兜揽生意及/或对该等证券或期权或其他相关的投资持有重大的利益或影响交易。

中国银河国际可能曾任本报告提及的任何或全部的机构所公开发售证券的经理人或联席经理人，或现正涉及其发行的主要庄家活动，或在过去12个月内，曾向本报告提及的证券发行人提供有关的投资或一种相关的投资或投资银行服务的重要意见或投资服务。

再者，中国银河国际可能在过去12个月内就投资银行服务收取补偿或受委托和可能现正寻求目标公司投资银行委托。

分析员保证

主要负责撰写本报告的分析员确认 (a) 本报告所表达的意见都准确地反映他或他们对任何和全部目标证券或发行人的个人观点; 及 (b) 他或他们过往，现在或将来，直接或间接，所收取之报酬没有任何部份是与他或他们在本报告所表达之特别推荐或观点有关连的。

此外，分析员确认分析员本人及其有联系者(根据香港证监会持牌人操守准则定义)均没有(1) 在研究报告发出前30 日内曾交易报告内所述的股票；(2)在研究报告发出后3个营业日内交易报告内所述的股票；(3)担任报告内涵盖的上市公司的行政人员；(4)持有报告内涵盖的上市公司的财务权益。

评级指标

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

版权所有

中国银河国际证券(香港)有限公司 (中央编号：AXM459)

香港上环干诺道中111号永安中心20楼　　电话：3698-6888