

YiduTech (2158 HK)

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Company Update

BUY

UNCHANGED

Close price: HK\$40.80

Target Price: HK\$78.50 (+92%)

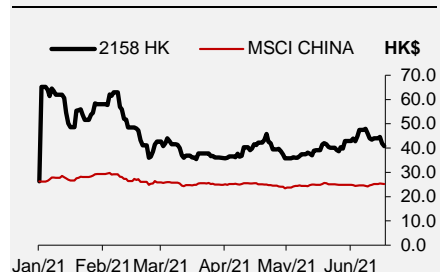
Prior TP: HK\$71.00

Key Data

HKEx code	2158 HK
12 Months High (HK\$)	69.80
12 Month Low (HK\$)	32.30
3M Avg Dail Vol. (mn)	1.59
Issue Share (mn)	925.23
Market Cap (HK\$mn)	37,749.36
Fiscal Year	03/2020
Major shareholder (s)	Gong Ying Ying (43.11%)

Source: Company data, Bloomberg, OP Research
Closing price are as of 30/06/2021

Price Chart



	1mth	3mth	6mth
Absolute %	-1.8	7.9	N.A.
Rel. MSCI CHINA %	-0.2	9.6	N.A.

Company Profile

Yidu Tech operates medical data intelligence platform in China. The Company provides healthcare solutions built on big data and artificial intelligence (AI) technologies.

Getting closer to breakeven

- FY21 adj net loss narrowed to a lower than expected RMB275 mn.
- 55% top line growth led by healthcare solutions.
- 71% 3 years revenue CAGR justifies EV/revenue premium.

FY21 adj net loss narrowed to a lower than expected RMB275 mn. The bottom line beat (c.f. our forecasted RMB322 mn adj net loss) came from gross margin widening 11.5 pts to 37.8% thanks to higher utilization, increased pricing power, plus more solution/ services revenue instead of implementation. Segmental gross margin of big data platform/ life science solutions/ health management improved 11.7/8.3/26.9 pts respectively. Stronger economies of scale bring forward our breakeven timeframe, which we now expect in 1H23E.

55% top line growth led by healthcare solutions. Group revenue came slightly lower than expected at RMB867 mn, up 55% yoy, with 8%/79% segmental growth for big data platform/ life science solutions, due to: (i) bumpy booking of big data implementation revenue, and (ii) less incremental customer for life science solutions. Meanwhile, health management reported a stellar 353% growth to RMB252 mn, as driven by online doctor consultation "CausaHealth", and paying users surging to 5 mn. Health management will remain as prime growth driver and account for 75% of revenue by FY23E.

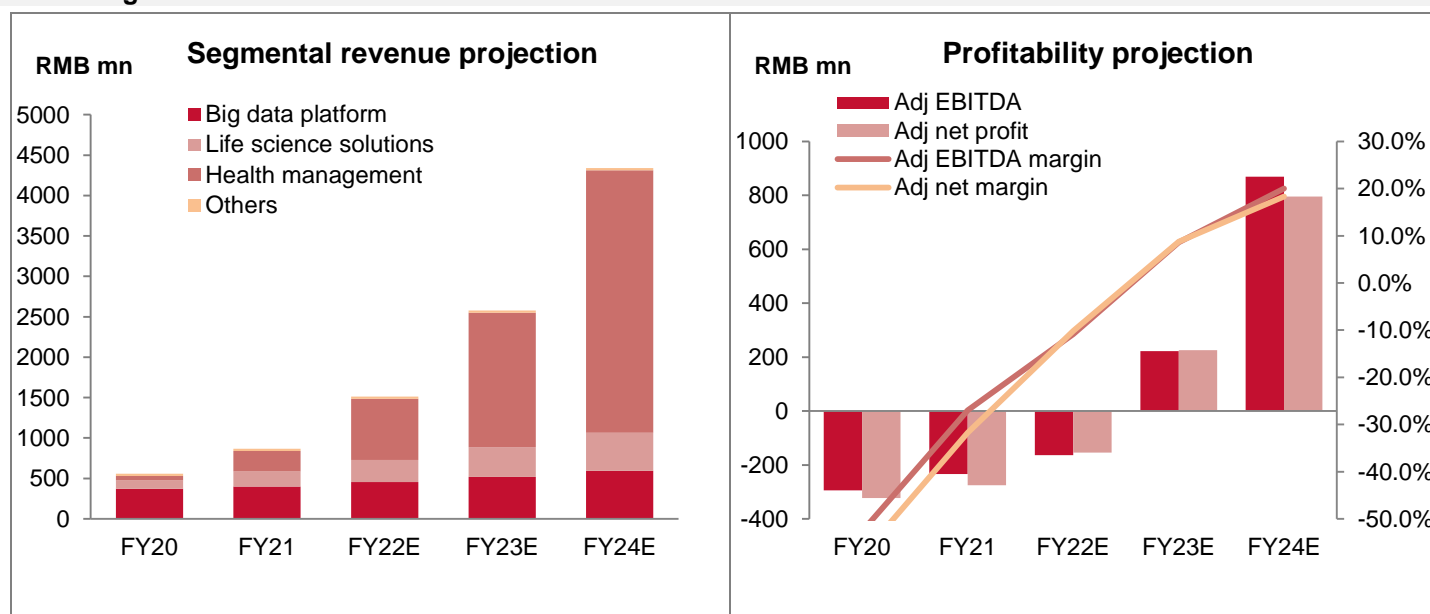
71% 3 years revenue CAGR justifies EV/revenue premium. In spite of 7%/9% revision down in FY22E/23E revenue, we revise down FY22E adj loss by 50%, and FY23E adj net profit up by 14%. We project FY23E/24E adj net profit to reach RMB225 mn/ 796 mn, representing 8.7%/18.3% adj net margin. Our revision up came from stellar growth of health management, and upbeat ramp up in gross margin (45.3%/54.8%/61.7% for FY22E to 24E). We value Yidu Tech at 37x/22x FY22F/23F EV/revenue, or 0.5x FY22F EV/revenue/ revenue CAGR, and revise up target price to HK\$78.5.

Exhibit 1: Forecast and Valuation

Year to March (RMB mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	558	867	1,512	2,579	4,341
Growth (%)	447	55	74.4	70.6	68.3
Adj Net profit	(322)	(275)	(154)	225	796
Growth (%)	23	15	44	247	253
Adj. EPS - Fully diluted (HK\$)	(0.90)	(0.61)	(0.20)	0.29	1.03
YoY%	22.1	31.6	67.5	246.7	(253)
Change to previous EPS (%)			49.5	13.6	
Consensus EPS (HK\$)			(1.002)	(0.922)	
ROE (%)	N/A	N/A	(5.6)	2.7	14.0
Adj PER (x)	(45.4)	(66.5)	-205	140	40
EV/Revenue (x)	33.3	33.0	18.2	10.7	6.2
Yield (%)	0.0	0.0	0.0	0.0	0.0
DPS (HK\$)	0.000	0.000	0.000	0.000	0.000

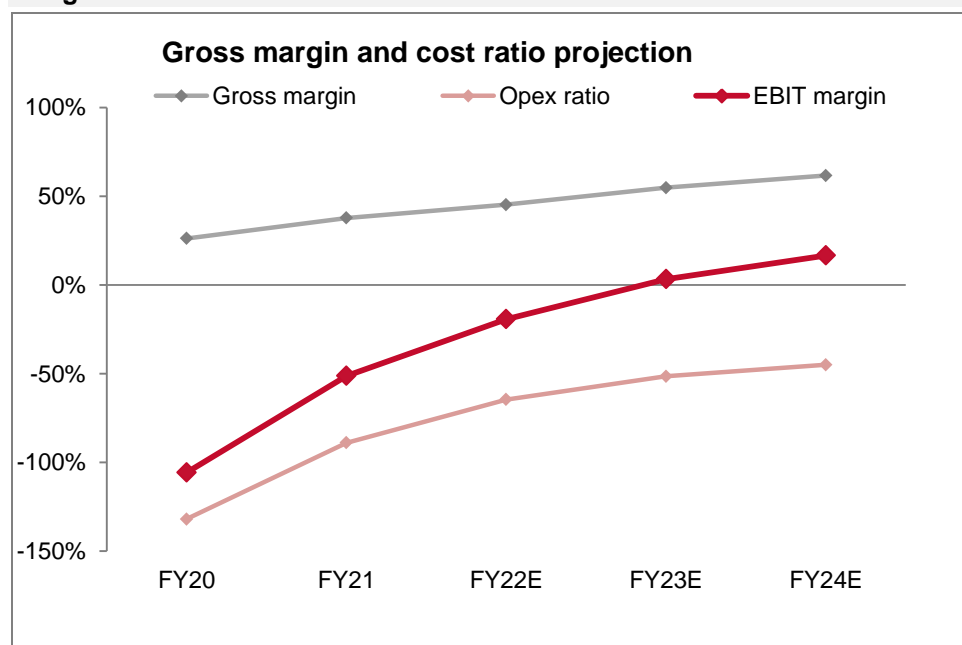
Source: Bloomberg, OP Research

Exhibit 1: Key financials forecast: Health management to lead 71% revenue CAGR, adj. net margin ramping up to double digit



Source: OP Research

Exhibit 2: Profitability and cost ratio forecast: Stronger gross margin helps bring forward the breakeven timeframe



Source: Company

Financial Summary

Year to March	FY20	FY21	FY22E	FY23E	FY24E	Year to March	FY20	FY21	FY22E	FY23E	FY24E
Income Statement (RMB mn)						Ratios					
Big data platform	372	402	454	518	595	Gross margin (%) - blended	26.3	37.8	45.3	54.8	61.7
Life science solutions	103	184	273	368	471	Operating margin (%)	(106)	(51.1)	(19.2)	3.3	16.7
Health management	56	252	756	1,664	3,245	Net margin (%)	(271)	(426.8)	(17.1)	4.7	15.9
Others	28	29	29	29	30	Net adj. margin (%)	(57.8)	(31.7)	(10.2)	8.7	18.3
Turnover	558	867	1,512	2,579	4,341	Selling exp/sales (%)	30.6	27.6	19.5	14.0	12.0
YoY%	447.1	55.4	74.4	70.6	68.3	Admin exp/sales (%)	54.1	35.7	22.0	16.0	12.5
Gross profit	147	327	685	1,414	2,678	R&D exp/Sales (%)	47.2	25.6	23.0	21.5	20.5
Gross margin	26.3%	37.8%	45.3%	54.8%	61.7%	Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Other income	(8)	(10)	17	19	21	Effective tax (%)	(0.2)	(0.5)	0.0	2.0	9.0
Selling expenses	(171)	(239)	(295)	(361)	(521)	Total debt/equity (%)	(3.5)	1.2	1.5	1.7	1.6
Admin expenses	(302)	(310)	(333)	(413)	(543)	Net debt/equity (%)	(105)	Net cash	Net cash	Net cash	Net cash
R&D expenses	(264)	(222)	(348)	(555)	(890)	Current ratio (x)	0.3	12.4	6.9	4.5	3.4
Total opex	(736)	(771)	(975)	(1,328)	(1,954)	Quick ratio (x)	0.3	12.3	6.8	4.4	3.4
Operating profit (EBIT)	(590)	(443)	(291)	86	725	Inventory T/O (days)	60	21	33	28	19
Operating margin	-105.7%	-51.1%	-19.2%	3.3%	16.7%	AR T/O (days)	188	154	140	140	140
Share of investment profit	0	0	0	0	0	AP T/O (days)	166	119	140	170	200
FV chg on convertible	(915)	(3,236)	0	0	0	Cash conversion cycle (days)	82	56	33	(1)	(41)
Interest Income	5	1	15	20	24	Asset turnover (x)	0.5	0.3	0.3	0.5	0.7
Finance costs	(4)	(3)	0	0	0	Financial leverage (x)	(0.3)	6.5	1.1	1.2	1.3
Profit after financing costs	(1,511)	(3,691)	(259)	125	770	EBIT margin (%)	(106)	(51.1)	(19.2)	3.3	16.7
Associated companies & JVs	0	(2)	0	0	0	Interest burden (x)	2.6	8.3	0.9	1.5	1.1
Pre-tax profit	(1,511)	(3,693)	(259)	125	770	Tax burden (x)	1.0	1.0	1.0	1.0	0.9
Tax	(1)	(1)	0	(5)	(79)	Return on equity (%)	N/A	N/A	(5.6)	2.7	14.0
Minority interests	2	(5)	0	0	0	ROIC (%)	(314)	(218)	(79)	13	75
Net profit	(1,510)	(3,700)	(259)	120	691	Year to March	FY20	FY21	FY22E	FY23E	FY24E
Net margin	-270.5%	-426.8%	-17.1%	4.7%	15.9%	Balance Sheet (RMB mn)					
Adj. net profit	(322)	(275)	(154)	225	796	Net PPE	33	28	28	34	37
Adj. net margin	-57.8%	-31.7%	-10.2%	8.7%	18.3%	Equity investment	0	0	0	0	0
YoY%	23%	15%	44%	247%	253%	Intangible assets & goodwill	75	61	359	548	732
EBITDA	(568)	(418)	(269)	117	765	Deferred tax	0	1	2	2	3
EBITDA margin	-101.8%	-48.2%	-17.8%	4.5%	17.6%	Other non-current assets	36	10	6	6	7
Adj. EPS (HK\$)	(0.898)	(0.614)	(0.199)	0.292	1.032	Non-current assets	144	100	395	590	779
YoY%	22%	32%	68%	247%	253%	Inventories	67	32	76	90	87
DPS (HK\$)	0.000	0.000	0.000	0.000	0.000	AR	287	366	580	989	1,665
						Contract assets	9	51	76	129	217
						Other current assets	76	3,961	3,987	4,007	4,007
						Cash	720	740	173	69	565
Year to March	FY20	FY21E	FY22E	FY23E	FY24E	Current assets	1,160	5,150	4,892	5,285	6,541
Cash Flow (RMB mn)						AP	187	177	318	542	912
EBITDA	(568)	(418)	(269)	117	765	Other payables	123	184	325	555	933
Chg in working cap	52	(124)	(16)	(35)	(7)	Bank loans	0	0	0	0	0
Others	155	(10)	17	19	21	Convertibles	2,988	0	0	0	0
Operating cash	(361)	(552)	(269)	101	779	Other current liabilities	109	54	64	73	78
Interest received	1	(3)	15	20	24	Current liabilities	3,406	415	706	1,169	1,923
Tax	(1)	(1)	0	(5)	(79)	Convertible and options	1,540	0	0	0	0
Net cash from operations	(361)	(556)	(254)	116	724	Other payable	0	0	0	0	0
Capex	(29)	(20)	(20)	(25)	(27)	Leased liabilities	21	7	7	7	7
Other investment	171	25	3	(1)	(2)	Deferred income	62	76	80	85	85
Others	0	0	0	0	0	MI	(1)	23	23	23	23
Intangible asset capex	0	(400)	(300)	(200)	(200)	Non-current liabilities	1,623	106	110	115	115
Investing cash	142	(395)	(317)	(226)	(229)	Total net assets	(3,725)	4,730	4,471	4,591	5,282
FCF	(218)	(951)	(570)	(109)	495	Shareholder's equity	(3,725)	4,730	4,471	4,591	5,282
Issue of shares	0	3,719	0	0	0	Share capital	0	0	0	0	0
Minority interests	2	(5)	0	0	0	Reserves	(3,726)	4,729	4,471	4,591	5,282
Net change in debt	620	(4,527)	0	0	0	BVPS (HK\$)	(10.38)	5.83	5.80	5.95	6.85
Others	(18)	1,785	4	5	0	Total debts	4,657	58	68	77	82
Financing cash	603	972	4	5	0	Net cash/(debts)	(3,926)	4,544	3,967	3,854	4,345
Net change in cash	385	20	(566)	(104)	495	Year to March	FY20	FY21	FY22E	FY23E	FY24E
Exchange rate or other Adj	29	0	0	0	0	Key assumption					
Opening cash	306	720	740	173	69	Segmental growth%					
Closing cash	720	740	173	69	565	Big data platform	710	8	13	14	15
FCF per share (HK\$)	(0.608)	(2.123)	(0.740)	(0.142)	0.642	Life science solutions	195	79	48	35	28
						Health management	417	353	200	120	95

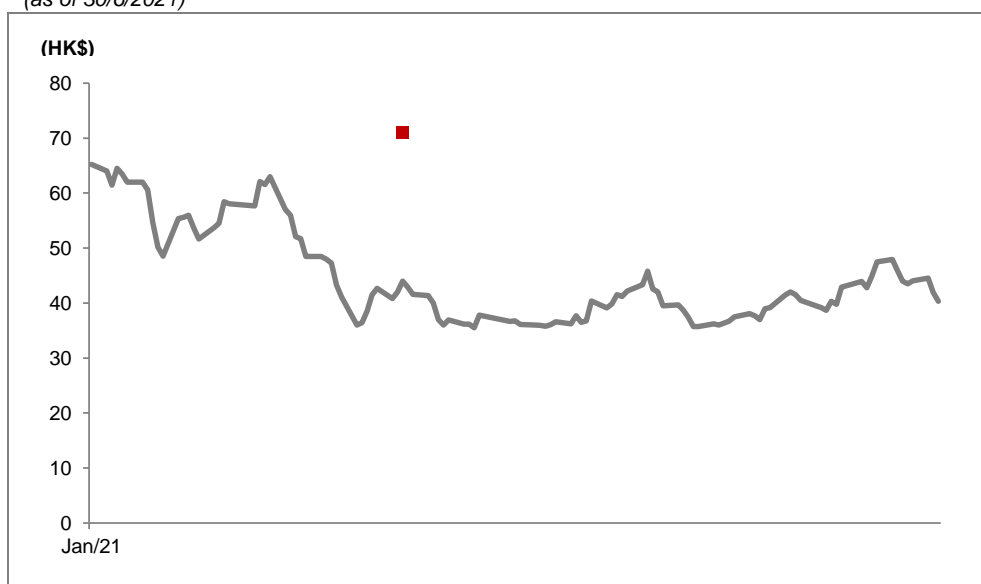
Source: Company, OP Research

Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
24/06/2021	Greentown Mgmt	9979	21H1 net profit expected to up more than 70% YoY	BUY	John Siah
11/06/2021	TCL Electronics	1070	Turnaround possible in 2H21E	BUY	Kevin Tam
09/06/2021	Tian Lun Gas	1600	Zhuhai Port (000507.SZ) becomes new major shareholder	BUY	John Siah
03/06/2021	Tian Lun Gas	1600	Attractively valued with solid outlook	BUY	John Siah
25/05/2021	Yeahka	9923	Narrowed valuation premium on revised growth outlook	HOLD	Kevin Tam
20/05/2021	China Edu Sector	-	Policy risk on private higher education eased	-	John Siah
17/05/2021	AAC Tech	2018	Acoustic and optics led strong rebound in 21Q1	BUY	John Siah
12/05/2021	HKTU	1137	Convincing long term prospect despite sluggish near term GMV	BUY	Kevin Tam
30/04/2021	China Edu Group	839	Ready for more M&A	BUY	John Siah
22/04/2021	New Higher Edu	2001	More visible growth path	BUY	John Siah
22/04/2021	Edvantage Group	382	Fascinating growth story set to take off	BUY	John Siah
21/04/2021	Innovent Bio	1801	More convincing pipeline development	BUY	Kevin Tam
15/04/2021	AAC Tech	2018	Optical segment beginning to shine	BUY	John Siah
31/03/2021	HKTU	1137	FY20 bottom line fell short on fulfillment cost	BUY	Kevin Tam
29/03/2021	361 Degrees	1361	Encouraging recovery in 2H20, visible growth for FY21E	BUY	Kevin Tam
25/03/2021	Greentown Mgmt	9979	Pure cash cow with surprise on dividend	BUY	John Siah
23/03/2021	Yeahka	9923	Payment driven growth thesis remains compelling	BUY	Kevin Tam
17/03/2021	Yidu Tech	2158	Digging the healthcare big data goldmine	BUY	Kevin Tam
22/02/2021	Razer	1337	A year of harvest	NR	John Siah
04/02/2021	HKTU	1137	Flat Jan GMV, but still upbeat on growth prospect	BUY	Kevin Tam
19/01/2021	Yeahka	9923	More conviction on marketing services driven growth	BUY	Kevin Tam
18/01/2021	Xtep Intl	1368	Channel inventory improvement on track	BUY	Megan Jin
15/01/2021	New Higher Edu	2001	More visible and stellar growth	BUY	John Siah
15/01/2021	Anta Sports	2020	More positive Anta brand FY21E outlook	HOLD	Megan Jin
06/01/2021	HKTU	1137	E commerce solution business moving forward	BUY	Kevin Tam/Megan Jin
30/12/2020	New Oriental Edu	9901	Tutoring elephant continues to fly	BUY	Kevin Tam
23/12/2020	Anta Sports	2020	Precor disposal in plan of Amer brands restructuring	HOLD	Megan Jin

Historical recommendations and target price: Yidu Tech (2158 HK)

(as of 30/6/2021)



Date	Rating	TP (HK\$)	Close (HK\$)	Date	Rating	TP (HK\$)	Close (HK\$)
1 17 Mar 2021	BUY	71.00	44.00				

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Hold (H)	We expect this stock to perform in line with the relevant benchmark over the next 12 months.
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Relevant Benchmark	Represents the stock closing price as at the date quoted in this report.

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