

[FOR IMMEDIATE RELEASE]



## EC Healthcare Annual Results Beat Market Expectations Brokers Raise Target Price For The Group

(5 July 2021, Hong Kong) **EC Healthcare** (the “Company”, which together with its subsidiaries is referred to as the “Group”, SEHK stock code: 2138), the largest non-hospital medical group in Hong Kong’s annual results beat market expectation. Jefferies, HSBC, CMBI, CGSCIMB and HeungKong Financial raised the target price.

Broker	Rating	Target Price (HKD)	Previous Target Price (HKD)
Jefferies	Buy	23.0	5.5
HSBC	Buy	17.0	15.0
CMBI	Buy	22.29	7.26
CGSCIMB	Add	18.8	8.3
HeungKong Financial	Buy	16.03	10.64

**Jefferies** raised the target price 3.2 times from HKD 5.5 to HKD 23.0, reiterated Buy. Jefferies thinks that uncertainties that have caused negative impact in the past two years are largely behind and expect the Company's core business to recover as the Hong Kong COVID-19 situation comes largely under control, and social unrest should be over. Potential border opening also implies medical tourism may resume soon. Jefferies believes the Company strategically brought in property developers as stakeholders which should allow easier access to clients in neighborhoods with higher disposable income, especially in the Greater Bay Area. M&As allow services diversification and enable EC to serve more customers while bringing higher revenues per user. Looking forward, management expects 30% FY21-FY25E sales CAGR with operating leverage, implying an even faster bottom line CAGR than top line.

**CMBI** updated report and raised the target price from HKD 7.26 to HKD 22.29, maintained Buy. Considering the Company’s solid foundation in medical aesthetics, CMBI is bullish on the Company’s expanding footprint in the Greater Bay Area thanks to the low market penetration albeit surging demand, the Company’s strong execution capabilities, and high business scalability. The Company has undergone seven major acquisitions and investment activities YTD, further consolidating while extending foothold across medical aesthetics, chiropractic medicine, obstetric and gynecological medicine, clinical laboratory testing and veterinary businesses. Regarding the collaboration with China Medical System is revolutionary across the upstream and downstream of industry. CMBI thinks that the COVID impact is transitory and valuation re-rating is at point of reflection, given the recurring need of medical aesthetic services by nature, high client retention of 80%+, coupled with robust M&A prospect.

**CGSCIMB** raised the target price to HKD 18.80, maintained Add. CGSCIMB mentioned the company achieved a significant business improvement in 2HFY21 and believes the previous acquisitions provide immediate net profit contributions in FY21 and beyond. CGSCIMB stays positive on this strategic move, given that it should be able to mitigate the decrease in revenue from mainland Chinese customers visiting HK

After doubling the price in early June, **HSBC Global Research** (HSBC) further raised the target price from HKD15.0 to HKD 17.0, maintained Buy. Despite the Company's earnings showed a decline, however, it's worth highlighting the Group recorded 7% y-o-y revenue growth despite the pandemic, mainly thanks to the contribution from M&A and the resilience of the organic revenue. In 2HFY21, the Group rebounded rapidly with 67% y-o-y earnings growth on record high sales (+55% y-o-y). Looking forward, HSBC believes sales momentum remains strong – the Group estimates the contract sales in 1QFY21 to be HKD734m, indicating a further 7% q-o-q growth from the previous peak in 4QFY21. HSBC also mentioned the acquisition of 51% stake in veterinary hospitals and veterinary imaging centres in Hong Kong and believes the awareness of pet health is rising and the fragmented veterinary market has room for consolidation. Regarding the strategic collaboration with China Medical System, should strengthen the Group's upstream collaborations and growth in the long run. Looking forward, the robust revenue growth expected to continue, buoyed by the Company's ongoing organic expansion and business diversification.

**HeungKong Financial** raised the target price to HKD 16.03, maintained Buy. The Group's core strategy remains unchanged, the Group will continue to maintain the leadership position in Hong Kong while expanding the eco-system and health service portfolio through organic growth and M&A. Meanwhile for mainland China, the Group will expand in the GBA area focusing on discretionary medicine categories. The Group targets to increase revenue to HKD6bn in FY25E (HKD 1bn from mainland China). HeungKong Financial forecast the Company to generate a FY21-24E recurring EPS CAGR of 52% driven by post-COVID recovery and revenue.

- End -

### **About EC Healthcare**

EC Healthcare is Hong Kong's largest non-hospital medical service provider\*, leveraging its core businesses of preventive and precision medicine, and committed to developing medical artificial intelligence by integrating its multi-disciplinary medical services. The move, which is supported by the Group's high-end branding and quality customer services, is aimed at offering customers safe and effective healthcare and medical services with professionalism.

The Group principally engages in the provision of one-stop medical and health care services in Greater China. The Group provides a full range of services and products under its well-known brands, including those of its one-stop aesthetic medical solutions provider DR REBORN which has ranked first in Hong Kong by sales for years, primary care clinics jointly established with Tencent Doctorwork, chiropractic services centre SPINE Central, New York Spine and Physiotherapy Center NYMG, health management centre re:HEALTH, a vaccine centre Hong Kong Professional Vaccine HKPV, a comprehensive dental centre UMH DENTAL CARE, a diagnostic and imaging centre HKAI, an oncology treatment centre reVIVE, a day procedure centre HKMED, a specialty clinic SPECIALISTS CENTRAL and NEW MEDICAL CENTER, obstetrics and gynaecology specialist ZENITH MEDICAL CENTER AND PRENATAL DIAGNOSIS CENTRE, specialists central, a paediatric center PRIME CARE, cardiology center HONG KONG INTERNATIONAL CARDIOLOGY CENTER, PathLab Medical Laboratories and a professional hair care center HAIR FOREST.

\*According to an independent research conducted by Frost and Sullivan in terms of revenue in 2019 and 2020

#### **For further information, please contact:**

##### **iPR Ogilvy Limited**

Callis Lau / Lorraine Luk / Ada Chew

Tel: (852) 2136 6952 / 2169 0467 / 3920 7650

Fax: (852) 3170 6606

Email: [ech@iprogilvy.com](mailto:ech@iprogilvy.com)