Edge Medical (2675 HK)

Price War Clouds 2026 Revenue; Seeking Strategic Shift Toward High-end Market Via New Product Launches

Highlights

- Our industry check has shown that fierce price competition in the surgical robot segment may lead to slower-than-expected revenue growth and depress profit margins for Edge Medical in 2026.
- Edge Medical expects to launch new products in 2027 competing directly with Intuitive Surgical's most advanced model – da Vinci 5. The move will also allow the company to price the new products at favourable prices and promote a strategic shift towards high-end market share.
- Maintain BUY with a lower target price of HK$37.00 to reflect short-term price pressure.

Analysis

- **Intensifying competition depresses product price.** Our channel check indicates there is significant price competition among domestic surgical robotic players in both China and overseas. Edge Medical's domestic product prices have lowered to Rmb7.5m-Rmb10m per unit compared with approximately Rmb12m-Rmb13m in 2025. Facing price competition from peers, the company has also lowered its price by 15-16% overseas in an effort to attract customers and expand market presence.
- **Overseas sales volume remains strong.** With continued globalisation effort, Edge Medical has continued to see robust volume growth in the international markets, eg in the EU, Southeast Aisa and other emerging markets. We are confident that the company will achieve its targeted total sales volume of 120-130 units in 2026, up approximately 70% from 2025. This supports strong momentum in overseas revenue in 2H26.
- **Launching advanced products to capture high-end market share and support robust revenue and earnings expansion in 2027 and beyond.** Amid intensifying competition, Edge Medical has further enhanced its brand strategy by localising operations, enhancing services, and through continued technological advancement to sustain rapid growth in the global market. It expects to launch new high-end surgical robot model in 2027. With enhanced visualisation and ergonomics, massive computing power, and greater surgeon autonomy, the new products will position the company at the forefront of the domestic players, competing directly with Intuitive Surgical's most advanced model – da Vinci 5. The move will also allow the company to price these new products at favourable prices and promote a strategic shift towards high-end market share.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	160	456	708	1,094	1,591
EBITDA	(270)	(118)	(7)	137	288
Operating profit	(244)	(93)	(1)	145	298
Net profit (rep./act.)	(219)	(78)	12	134	265
Net profit (adj.)	(219)	(10)	12	134	265
EPS (Fen)	(60.7)	(2.7)	3.3	37.2	73.5
PE (x)	(39.0)	(863.2)	711.8	63.6	32.2
P/B (x)	6.8	7.1	3.7	3.5	3.1
EV/EBITDA (x)	(34.4)	(78.8)	(1,329.6)	67.7	32.2
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(136.6)	(2.2)	1.7	12.3	16.6
Net debt/(cash) to equity (%)	(9.5)	(7.2)	(64.7)	(62.8)	(61.9)
Interest cover (x)	n.m.	n.m.	n.m.	n.m.	n.m.
ROE (%)	(16.2)	(6.3)	0.7	5.6	10.2
Consensus net profit	-	-	67	184	319
UOBKH/Consensus (x)	-	-	0.18	0.73	0.83

Source: Edge Medical, Bloomberg, UOB Kay Hian

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BUY (Maintained)	
Share Price	HK$27.88
Target Price	HK$37.00
Upside	32.7%
Previous TP	HK$56.00

Stock Data

Sector	Health Care
Bloomberg ticker	2675 HK
Shares issued (m)	323
Market cap (HK$m)	10,796
Market cap (US$m)	1,376
3-mth avg daily t'over (US$m)	1.6

Price Performance (%)

52-week high/low				HK$73.70/HK$25.38
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(15.2)	(30.5)	(46.4)	n.a.	n.a.

Major Shareholders (%)

Dr. Wang Jianchen	25.97
Dr. Gao Yuanqian	11.19

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	6.46
FY26 Net Cash/Share (Rmb)	4.66

Price Chart



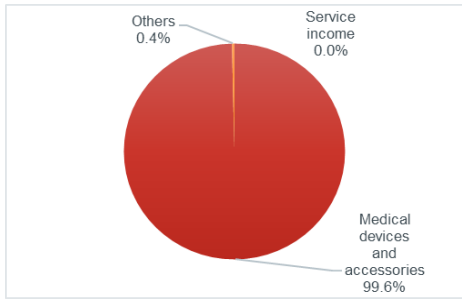
Source: Bloomberg

Company Description

Edge Medical is a leading Chinese surgical robot developer and manufacturer.

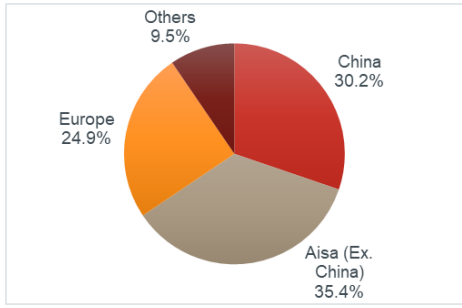
- **Expects slower revenue growth in 2H26, but confident to achieve earnings breakeven target in 2026.** Given the significantly lower product prices, the domestic sales growth is likely to be sluggish or turn negative in the 2H26, while its international business may continue its rapid expansion on strong volume growth. We estimate total revenue for 2026 to be approximately Rmb708m, compared with our previous estimates of Rmb843m. Overseas revenue could make up more than 70% of total sales in 2026. We believe the lower product prices will also lead to a decrease in profit margins in 2026. However, Edge Medical keeps its target of earnings breakeven from 2026 onwards unchanged by tightening cost control to improve operating efficiency.
- **Key strategies for continuous growth.** Despite of the intensifying market competition, the company continues enforcing its key strategies for sustainable growth: a) developing new devices and features to enhance system performance and human-machine interaction for more complex surgical scenarios; b) deepening domestic coverage while expanding overseas via localised teams and services; c) building a global telesurgery network to strengthen its market leadership; and d) driving intelligence through AI integration. While greater international exposure introduces incremental foreign exchange risk, we believe overseas growth will continue to drive revenue and deliver net earnings in 2H26 and beyond. With continuous technology advancement and rapid international business expansion, we are confident that Edge Medical will achieve robust growth in both revenue and net earnings in 2027. The company's growth outlook remains bright for the next few years.

Segmental Revenue (1H26)



Source: Edge Medical, UOB Kay Hian

Regional Revenue (1H26)



Source: Edge Medical, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY and lower target price to HK$37.00** based on our DCF model, assuming WACC of 11.6% and terminal growth rate of 3.0%.

Earnings Revision/Risk

- We trim our revenue growth and gross margin assumptions accordingly to reflect the significant price pressure in both China and overseas. As a result, our estimated revenue and adjusted net earnings decrease from Rmb843m/Rmb1,476m/Rmb2,361m and Rmb88m/Rmb265m/Rmb502m to about Rmb708m/Rmb1,094m/Rmb1,591m and Rmb12m/Rmb134m/Rmb265m for 2026F/27F/28F, respectively.
- **Risks:** a) Further strengthening of renminbi against other currencies, b) volume-based procurement and hospital capex pressure in China, c) intensifying competition from Intuitive Surgical and domestic peers may lead to further lower product prices, and d) risks in lock-up expiration in Jan 27.

Share Price Catalyst

- a) New product and market approvals, and b) faster-than-expected overseas business expansion.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**456**	**708**	**1,094**	**1,591**
EBITDA	(118)	(7)	137	288
Deprec. & amort.	(25)	(6)	(8)	(10)
EBIT	(93)	(1)	145	298
Associate contributions	-	-	-	-
Net interest income/(expense)	5	13	13	13
Pre-tax profit	**(78)**	**12**	**158**	**311**
Tax	-	-	(24)	(47)
Minorities	-	-	-	-
Net profit	**(78)**	**12**	**134**	**265**
Net profit (adj.)	(10)	12	134	265

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	42	66	109	179
Other LT assets	9	9	9	9
Cash/ST investment	86	1,505	1,545	1,686
Other current assets	1,248	1,012	1,131	1,285
Total assets	**1,386**	**2,593**	**2,794**	**3,159**
ST debt	-	-	-	-
Other current liabilities	164	214	281	381
LT debt	-	-	-	-
Other LT liabilities	23	52	52	52
Shareholders' equity	1,199	2,327	2,461	2,726
Minority interest	-	-	-	-
Total liabilities & equity	**1,386**	**2,593**	**2,794**	**3,159**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**(194)**	**320**	**77**	**208**
Pre-tax profit	(89)	12	134	265
Tax	-	-	-	-
Deprec. & amort.	7	-	-	-
Working capital changes	(95)	64	11	21
Non-cash items	-	-	-	-
Other operating cashflows	(18)	244	(68)	(78)
Investing	**170**	**(17)**	**(37)**	**(67)**
Capex (growth)	(3)	(30)	(50)	(80)
Proceeds from sale of assets	1,124	-	-	-
Others	(950)	14	14	14
Financing	**(9)**	**1,116**	**(1)**	**(1)**
Dividend payments	-	-	-	-
Issue of shares	-	-	-	-
Proceeds from borrowings	(7)	-	-	-
Loan repayment	(1)	-	-	-
Others/interest paid	(1)	1,116	(1)	(1)
Net cash inflow (outflow)	**(33)**	**1,419**	**40**	**141**
Beginning cash & cash equivalent	**120**	**86**	**1,505**	**1,545**
Changes due to forex impact	(1)	-	-	-
Ending cash & cash equivalent	**86**	**1,505**	**1,545**	**1,686**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	66.0	59.5	60.0	61.0
Pre-tax margin	(17.1)	1.7	14.4	19.6
Net margin	(17.1)	1.7	12.3	16.6
ROA	(5.7)	0.6	5.0	8.9
ROE	(6.3)	0.7	5.6	10.2
Growth				
Turnover	184.8	55.3	54.6	45.4
Gross profit	206.5	40.0	55.9	47.8
Pre-tax profit	(64.3)	(115.4)	1,216.0	97.4
Net profit	(64.3)	(115.4)	1,018.6	97.4
Net profit (adj.)	(95.5)	(221.3)	1,018.6	97.4
EPS	(95.5)	(221.3)	1,018.6	97.4
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(7.2)	(64.7)	(62.8)	(61.9)
Interest cover	n.m.	n.m.	n.m.	n.m.

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