The Q&A Summary of United Imaging Healthcare Q32024 Earning Call

Qustion 1

How does the company evaluate the revenue performance for the first three quarters of 2024, given the pressures in both domestic and international markets? What were the key influencing factors?

Answer:

In the first three quarters of 2024, United Imaging achieved a revenue of 6.95 billion RMB, demonstrating resilience amidst a complex market environment. The company's focus on innovation drove growth, with market share across various product lines continuing to increase, particularly in the mid-to-high-end market segments. The company recorded a net profit attributable to shareholders of 671 million RMB, with a net profit margin of 9.65%. This performance was supported by continuous cost control, optimizing the product mix, and the rapid adoption of high-end and ultra-high-end products, resulting in a steady improvement in gross margin, which reached 49.41%, a 0.74 percentage point increase compared to the previous year. Despite the challenging overall market conditions and policy shifts, the company demonstrated agility in its response, optimizing its business structure and laying a solid foundation for steady growth in the future.

Domestically, the company achieved notable market share gains in its CT, MR, and RT product lines, with particularly strong performance in the high-end and ultra-high-end segments. Additionally, the company made strides in expanding its international market presence, with overseas revenue and service income steadily increasing, enhancing the company's competitiveness on the global stage.

Key influencing factors include the regulatory measures that were implemented in 2023, which have significantly improved the industry's orderliness and promoted marketization. These efforts have created a healthier environment for industry development, but in the short term, the stricter regulations delayed procurement processes in certain regions, impacting the progress of some projects. Furthermore, the equipment update policy launched in the first half of this year is expected to have a long-term impact on the healthcare industry, especially in terms of improving medical resource allocation and driving equipment upgrades. However, due to the large scale, lengthy cycle, and complex execution of this policy, its full implementation will take time and has temporarily affected market bidding activities, leading to some backlog of demand.

Overall, despite the challenges posed by high base figures from the previous year and changing policy conditions, the company has made proactive adjustments in response to the market, positioning itself for a gradual recovery in demand. United Imaging will continue to focus on cost and operational efficiency, steadily advance its global expansion and localized services, and seize the long-term opportunities presented by policy incentives. This will further strengthen its brand competitiveness and drive the company's long-term, sustainable business growth.

Qustion 2

The company's overseas revenue has shown high growth in recent periods. How do you

evaluate the overseas market performance in Q3 2024? What is the forecast for the full year 2024? Will there be significant base pressure in the next three years?

Answer:

In the first three quarters of 2024, the company's overseas revenue continued to show strong growth, with revenue reaching 1.404 billion RMB, a 36.49% year-over-year increase. Overseas revenue now accounts for 20.19% of total revenue, reflecting an expanded global presence. The growth was primarily driven by strong performance in the MR and MI product lines, fueled by international demand generated by technological innovation, as well as further optimization in regional market strategies and resource allocation.

For the full year 2024, the company expects to maintain this growth momentum in international markets. Despite the increasing base, we anticipate continued strong performance due to ongoing market expansion, product diversification, optimized product portfolios, and enhanced local services.

In North America, the company has strengthened its local sales teams and enhanced its coverage of high-end customers, particularly in top hospitals and research institutions. In Q3, several high-end equipment orders were successfully secured. Looking ahead, with expanded coverage of high-end customers, improved market penetration, and accelerated commercialization and localization of new products, the North American market is expected to continue its steady growth, with service revenue also poised for further increases.

In Europe, the third-quarter performance continued to build on the strategic initiatives from earlier in the year, especially in key Western European countries. The new subsidiary has begun to play a significant role in optimizing regional resources and enhancing service capabilities. Going forward, the company will further optimize its resource allocation in Europe and, with the growing installed base and stable service revenue, is well-positioned for long-term development in the region.

In the Asia-Pacific region, the third-quarter results showed strong growth, particularly in Southeast Asia, India, and developed markets. The acceleration of projects in Southeast Asia and strong demand in India significantly contributed to the region's revenue. Demand for high-end medical equipment in developed Asia-Pacific markets also continues to rise. The Asia-Pacific region is expected to remain a core contributor to overseas revenue and continue driving overall performance growth for the company in 2024.

Emerging markets also maintained rapid growth in Q3, with regions such as the Middle East, Latin America, and Africa becoming important pillars for international business. Latin America exceeded expectations, with the optimization of the Colombia headquarters having a positive impact, and the expansion of teams in Brazil and Mexico significantly improving market coverage, business support, and brand influence. Looking ahead, the company expects the strong performance in emerging markets to continue supporting overall growth and substantially increase global market share.

Overall, the company's product lines have continued to perform well in international markets, demonstrating the effectiveness of its technological innovation and global strategy. With flexible

market adaptability and strong local operational support, the company has achieved positive results in North America, Europe, Asia-Pacific, and emerging markets. Looking to the future, the company will continue to drive the penetration of high-end products and services, optimize global resource allocation, and enhance market share and competitive advantage in high-end medical equipment. As international business progresses steadily, the company is well-positioned to further solidify its leadership in the global market, laying a strong foundation for sustainable, long-term growth.

Qustion 3

What is the current progress of the medical equipment renewal project? How are funds allocated, bidding processes proceeding, and the forms of implementation across hospitals of different levels? If bidding resumes gradually starting in September, considering the lengthy installation process for large imaging equipment, can most orders be converted into revenue in Q4? What are the expectations for policies in 2025?

Answer:

Based on current observations and tender progress, the medical equipment renewal program has gradually been rolled out in various provinces and hospitals since Q3. Procurement intentions have been publicized, and bidding processes have been initiated, with large-scale implementation expected from Q4 this year through mid-2025.

Many national-level hospitals have begun procurement announcements and entered the bidding phase, while some provincial key hospitals and grassroots healthcare consortia have also started related procurement activities. Authorities have emphasized strict oversight to ensure compliance with policy goals and procedural norms, addressing challenges through expert consultations to accelerate the rollout. However, given the site requirements and extended installation timelines for large medical imaging and radiotherapy equipment, some demand may extend into early or mid-next year, even as the overall process progresses in a more structured and accelerated manner.

Considering the resumption of bidding activities in September, the conversion of a significant proportion of resulting orders into Q4 revenue remains challenging due to the lengthy installation cycles of large-scale equipment. However, some procurement projects have already reached the contracting stage, which may allow for partial revenue recognition by year-end. The majority of installations and corresponding revenue contributions are likely to occur in Q1 and Q2 of 2025, subject to project complexity and site readiness.

Looking ahead to 2025, the company expects policy implementation to become more refined and efficient as stakeholders gain experience with the renewal program. Third-party data indicate a high proportion of outdated equipment in healthcare institutions, highlighting significant replacement needs. As demographic shifts like population aging continue, coupled with the focus on high-quality hospital construction and primary care enhancements, demand for innovative medical equipment is projected to grow steadily. Additionally, improvements in execution mechanisms, such as streamlined bidding processes and faster fund allocations, are likely to accelerate equipment installations and revenue realization in the coming year.

Overall, the company remains optimistic about leveraging these policy-driven opportunities to

deepen its engagement with healthcare institutions at all levels. By aligning with government initiatives and enhancing its service capabilities, the company is well-positioned to capture long-term benefits from the growing market demand for advanced medical equipment, further reinforcing its competitive position.

Qustion 4

The company's radiation therapy product portfolio is continually expanding. How does the company anticipate the growth and revenue contribution of the radiation therapy product line? For other product lines, what are the commercialization expectations for core new products like the 5T and Panorama over the next 2–3 years? Specifically, when does the company expect to launch our first ultrasound product, and what will its market positioning be?

Answer:

Radiation therapy is a crucial component of our strategy to go beyond imaging and drive diagnostic-therapeutic integration. Over the past decade, we have achieved remarkable progress in this area. Our radiation therapy product line has evolved from scratch to a comprehensive portfolio, encompassing self-developed core components and algorithms. We pioneered several industry-first products and technologies, such as the integrated CT-linac for one-stop radiotherapy and online adaptive radiotherapy. Recently, we also launched the industry's first ring-shaped integrated CT-linac. These advancements have enabled us to establish an ecosystem that covers the entire radiation therapy workflow, from simulation and contouring to planning, treatment, quality control, and information management.

In the past five years, our integrated CT-linac has proven its clinical stability and effectiveness, with over one million treatments performed. The system delivers high-definition image-guided radiotherapy for standardized treatment. On a single day, it can handle a maximum of 170 treatments. As of now, our radiotherapy equipment has been installed in over 130 sites across China.

Internationally, we are actively promoting the global deployment of our radiotherapy products. The uRT 506c is currently undergoing CE certification, and we have initiated international registration plans for the ring-shaped machine. We have already secured orders from countries such as France, India, Indonesia, and Ethiopia. Particularly in Belt and Road Initiative countries, where radiotherapy infrastructure is relatively underdeveloped, our products are in high demand. By leveraging our remote collaboration platforms, we aim to enhance radiotherapy capabilities in these regions.

In addition to the CT-linac, we are also developing MR-linac technology, which will complement the CT-linac and form a comprehensive image-guided radiotherapy ecosystem. However, MR-linacs face challenges, such as long patient setup times due to the 70 cm bore limitation, with treatment for a single patient taking 40 minutes or more, and the need for re-calibration by physicians for each case. We are striving to overcome these limitations. By the end of last year, we completed the system integration of the first engineering prototype and are continuing to refine it to ensure timely project completion.

For new product commercialization, the uMR Jupiter 5T has made significant strides since its launch,

offering exceptional technical performance and broad clinical applicability. It is now deployed in over 20 leading hospitals and academic institutions in China, including Zhongshan Hospital of Fudan University, Peking Union Medical College Hospital, and Zhongnan Hospital of Wuhan University. It supports cutting-edge fields such as precision medicine and translational medicine. Notably, it has also been adopted by Shanghai Xiehe Brain Hospital, marking the first deployment of an ultra-high-field whole-body MRI system in China's private healthcare sector. This sets a strong example for enhancing healthcare standards in private specialty hospitals.

Internationally, the uMR Jupiter 5T received FDA 510(k) clearance in the first half of this year, and CE registration is actively underway. Leading global research and clinical institutions have shown great interest in this system. For example, the Zhangjiang International Brain Imaging Center at Fudan University introduced the uMR Jupiter 5T, achieving three accepted research papers at the ISMRM annual meeting within just one month of installation. This highlights the system's robust potential in both scientific research and clinical applications.

Domestically and internationally, demand for the uMR Jupiter 5T remains high. We expect to secure several 5T orders in the fourth quarter. Considering the installation and site renovation timelines, some revenue may be recognized in the first quarter or first half of next year. Additionally, with progress in CE registration and FDA clearance already secured, we anticipate further breakthroughs in the US and European markets next year.

Molecular imaging (MI) is our most well-received product line internationally. Over the past decade, we have developed a leading portfolio of 10 digital molecular imaging products. Milestones include the launch of China's first 96-ring PET/CT, the uMI 510, in 2013, and the first integrated TOF PET/MR, the uPMR 790, in 2018, making China the third country globally capable of independently developing and producing PET/MR systems. In 2019, we unveiled the industry's first 2-meter axial field-of-view PET/CT, the uEXPLORER, enabling real-time whole-body metabolic observation and significantly enhancing sensitivity. Most recently, we introduced the uMI Panorama, the first expandable axial field-of-view PET/CT, which achieves the industry's leading "190 ps-level" time resolution. Our molecular imaging solutions have become hallmarks of innovation in the nuclear medicine and molecular imaging fields.

Since 2016, we have consistently held the top market share in annual new PET/CT installations in China. Globally, our molecular imaging products are recognized by over 530 users in countries such as the US, Japan, New Zealand, India, and Italy, earning high praise from imaging centers, medical schools, and leading research institutions. The uMI Panorama series alone has achieved over 20 installations worldwide within two years, demonstrating multidimensional research applications in neurology, cardiology, oncology, and other fields.

In research collaborations, we have highlighted our work at the SNMMI annual meeting in North America, featuring partnerships with top nuclear medicine institutions like UC Davis, Yale University, and BAMF Health. These collaborations have advanced brain science, oncology research, and more. Notably, the NeuroExplorer (NX) captured brain images that won the "2024 Image of the Year" award.

Looking ahead, the “One County, One Department” initiative in China will expand opportunities in nuclear medicine. We aim to consolidate our domestic market leadership, expand into regional and county-level hospitals, and seize new opportunities. Internationally, rising incidences of major diseases such as cancer and cardiovascular conditions are driving demand for precision medicine, making nuclear medicine a focal point in medical imaging. We expect growing demand for PET/CT and PET/MR systems in high-end healthcare and research institutions, further boosting global orders and revenue growth.

In ultrasound imaging, we are advancing the development of high-performance ultrasound systems and core components. We have established a scalable ultra-high-channel platform and completed the development of basic applications, with multiple prototypes currently in clinical validation. We are accelerating optimization and iterations of key technologies and core components to further enhance system performance.

In the next two years, we plan to launch several ultrasound products, including general-purpose and cardiac ultrasound systems, to meet diverse clinical needs. These products will feature superior imaging quality, diagnostic precision, workflow efficiency, clinical application versatility, and intelligent capabilities, reinforcing our technical edge in diagnostic imaging.

Overall, we will continue to introduce innovative technologies, products, and services. While focusing on high-end and ultra-high-end offerings, we will also leverage advanced technologies to empower mid-range and entry-level products, providing cost-effective solutions for grassroots healthcare facilities. Our goal is to meet public health needs and enhance the diagnostic capabilities and efficiency of healthcare institutions at all levels.

Qustion 5

The company's maintenance business is experiencing rapid growth. Considering the characteristics of maintenance services, can this high growth rate be sustained over the next few quarters? Additionally, foreign brands are known for their strong after-sales systems. How do I evaluate the company’s maintenance and after-sales services compared to imported brands, especially in overseas markets?

Answer:

Currently, the company's equipment and service businesses have established a virtuous cycle, mutually reinforcing one another. By leveraging a well-designed service system and innovative technical advantages, we continue to improve the serviceability of our equipment. Through innovations such as remote diagnostics, preventive maintenance, and quality control systems, we have significantly enhanced equipment stability, reduced the risk of unexpected downtime, and improved customer satisfaction. As of the end of the reporting period, our global installed base has surpassed 31,000 units, with a service network covering over 75 countries and regions. The cost advantages brought by economies of scale have further reduced our service and warehousing costs.

In the first three quarters of this year, our after-sales service revenue reached RMB 967 million, a year-on-year increase of 27%, with domestic market growth exceeding 20% and overseas market

growth surpassing 100%. This strong growth is driven by high equipment serviceability, flexible after-sales pricing strategies, and lean cost control, making our company stand out in the global market.

In the domestic market, we outperform imported brands in customer satisfaction due to high-quality delivery, rapid response, excellent equipment serviceability, and a reliable service system. Our service contract rate continues to grow steadily. In overseas markets, although other brands have a longer history of service experience, some countries and regions report lower customer satisfaction levels. We have leveraged our latecomer advantage to adopt differentiated service strategies. For example, modular designs ensure easy maintenance and replacement of key components, further enhancing serviceability. Using intelligent quality control and diagnostic systems, we proactively detect potential faults and provide early warnings, reducing downtime and shortening repair cycles, thereby improving equipment stability.

Moreover, we tailor our services to different countries and client needs, combining our existing technological, warehousing, and supply chain resources. By offering a combination of standardized services and customized delivery, we address customer pain points effectively, significantly shortening service waiting times and enhancing customer satisfaction.

Our commitment to a full lifecycle service philosophy, centered around customer needs, strengthens customer loyalty and repurchase rates, further boosting our brand image in international markets.

It is worth mentioning that we continuously optimize customer service management mechanisms to develop a distinctive service model. By combining online and offline training, and holding bi-weekly technical exchanges and monthly meetings, we consistently enhance the professional knowledge and on-site problem-solving capabilities of our engineers. To date, we have established over 25 spare parts warehousing centers worldwide, covering key business regions. Our global service team consists of more than 1,000 certified professional engineers stationed in over 110 cities, providing fast response times and reliable service support.

As we continue to drive innovation in product development and service optimization, the after-sales business is expected to sustain high double-digit growth over the next few quarters. The continuous expansion of our global installed base lays a solid foundation for mid-to-high-end market penetration, particularly in developed countries and regions, where demand is likely to present new growth opportunities for after-sales services. Meanwhile, the growth in installations of economic products in developing countries will provide a strong quantitative foundation for the service business.

In terms of global expansion, we plan to broaden the coverage of our spare parts warehousing centers to further reduce spare parts delivery times and enhance customer satisfaction. Additionally, we aim to explore strategic alliances with local partners to comprehensively improve our service capabilities and competitiveness in overseas markets. This approach will foster a virtuous cycle between equipment and service businesses, driving sustained growth for the company.

Qustion 6

In the first half of 2024, under challenging circumstances, the company maintained revenue growth, with significant quarter-on-quarter improvement in Q2. What were the main driving factors behind this performance?

Answer:

In the first half of 2024, China's healthcare reform continued to deepen, advancing toward high-quality development. The industry rectifications initiated last year have been driving a more orderly and market-driven environment, though they have temporarily delayed procurement processes across the country. Additionally, the large-scale medical equipment renewal policy launched this year will have a long-term impact on the healthcare industry. However, due to its extensive scope, prolonged timeline, and multiple stages of implementation, the policy's effects have been slow to materialize, causing temporary demand backlog and slowing procurement activities during the reporting period.

Despite these challenges, we achieved revenue of RMB 5.33 billion in the first half of 2024, representing a year-on-year increase of 1.18%. Net profit attributable to shareholders reached RMB 950 million, up 1.33% year-on-year, maintaining our growth momentum. Notably, second-quarter revenue amounted to RMB 2.983 billion, a quarter-on-quarter increase of 26.91%.

Key drivers included the following:

1. **Increased market share in mid-to-high-end and high-end products:**
   The lifting of configuration license requirements for CT and MR in 2023 continued to stimulate demand for mid-to-high-end products. During the reporting period, revenue from mid-to-high-end and ultra-high-end CT products further increased, building on the over 50% contribution achieved last year.

For the MR product line, demand for high-end 3T systems grew steadily, while ultra-high-end 5T systems maintained robust momentum. At the same time, the latest generation of 1.5T systems for economic applications continued to dominate the market in terms of share, driving an overall increase in MR market share domestically.

2. **Growth in molecular imaging (MI) products:**
   We maintained a leading market share in molecular imaging in China. Revenue from high-end PET products grew at a rate exceeding the overall average. The introduction of new products, such as the MI Panorama series, contributed incremental revenue.
3. **Steady growth in service revenue:**
   Service revenue grew by 23.84% year-on-year, reaching 11.57% of total revenue.
4. **Strong performance in overseas markets:**
   Revenue from international markets reached RMB 933 million, a year-on-year increase of nearly 30%, with overseas revenue accounting for 17.5% of total revenue.
5. **Channel management and market expansion:**
   We strengthened channel management, expanded our presence in private hospitals, and promoted online sales platforms. These efforts significantly increased the number of private hospital end-users and associated revenue.

Through the combined impact of these factors, we achieved sustained growth in revenue and net profit in the first half of 2024.