

# Autobio Diagnostics Co., Ltd.'s

## A-Share Convertible Corporate Bond

**Credit rating of the convertible corporate bond:**

AA

**Credit rating of the issuer:** AA

**Rating outlook:** Stable

**Offering size:** Up to CNY 682,979,400.00

**Maturity:** Up to 6 years

**Conversion period:** From the first trading day after six months from the date on which the issuance ends to the maturity date of the convertible corporate bond

**Debt servicing method:** Annual interest payment, bullet repayment of principal at maturity

**Rating assigned date:** December 20, 2018

**Key financial data:**

Item	2015	2016	2017	Sept 2018
Total assets (CNY 100mn)	9.46	18.21	21.87	24.39
Owners' equity (CNY 100mn)	7.19	16.45	16.89	18.07
Long-term liabilities (CNY 100mn)	0.70	0.00	0.34	0.42
Total liabilities (CNY 100mn)	0.96	0.00	0.39	0.97
Operating income (CNY 100mn)	7.16	9.80	14.00	13.60
Net profit (CNY 100mn)	2.78	3.50	4.50	4.18
EBITDA (CNY 100mn)	3.75	4.85	6.39	--
Net cash flow from operating activities (CNY 100mn)	3.09	4.16	4.82	4.34
Operating profit margin (%)	71.45	70.36	66.16	65.50
ROE (%)	45.60	29.60	26.97	23.88
Debt-to-asset ratio (%)	24.01	9.69	22.76	25.92
Total debt to capitalization ratio (%)	11.75	0.00	2.26	5.10
Current ratio (x)	3.17	7.92	2.14	1.79
EBITDA-to-total-liabilities ratio (x)	3.92	--	16.38	--
EBITDA-to-interest coverage ratio (x)	76.14	116.65	925.17	--
EBITDA/scale of this offering (x)	0.55	0.71	0.94	--

Note: 1. Data in this report refer to consolidated data unless indicated otherwise; 2. The difference between the sum of sub-totals and grand totals in this report is due to rounding-off; unless otherwise stated, the currency used here refers to the Chinese yuan (CNY); 3. Data in the financial statements for January to September 2018 are unaudited, and the relevant indicators are non-annualized.

**Rationale**

The rating assigned to Autobio Diagnostics Co., Ltd. (hereinafter referred to as the "Company" or "Autobio") by United Credit Ratings Co. (hereinafter referred to as "United Ratings") reflects that as a leading player in the domestic in vitro diagnostics industry, the Company boasts comprehensive competitive strengths in terms of market position, business scale and technological capabilities. In recent years, the Company has expanded its biochemical reagent business and diagnostic instrument business, achieving synergies along the industrial chain through acquisitions. In addition, both its assets and income have kept growing rapidly, with decent operating cash flow, very strong profitability, and a very light debt burden. United Ratings has also noted factors that could have an adverse impact on its credit rating. For example, the Company's projects under construction face great pressure in terms of capital expenditure; the Company's capital structure is unstable due to big dividend payouts to shareholders; accounts receivable and inventories occupy a certain proportion of its capital.

In the future, as the Company expands its production capacity and improves its ability to research and develop instruments, it will enjoy an even more diversified product offering, both its income and profit will probably continue to grow, and its comprehensive competitiveness is set to be further strengthened. United Ratings' rating outlook for the Company is "stable".

The Company plans to issue convertible corporate bonds of up to CNY 682,979,400.00, with a maturity of 6 years. Given the downward revision of the conversion price of the convertible corporate bonds and the redemption clause, it is highly likely that the convertible corporate bonds will be converted to shares. Such conversions will help the Company improve capital strength and

further reduce financial leverage.

Based on an overall assessment of the Company's long-term credit profile and its ability to repay the convertible corporate bond, United Ratings concludes that the risk of default on the bond repayment is extremely low.

### Strengths

1. The domestic in vitro diagnostics industry has developed rapidly in recent years, with robust downstream demand, high gross margin and promising prospects.

2. As a leading player in the domestic in vitro diagnostics industry, the Company has a strong market position, advanced technological capabilities, and a comprehensive industrial chain, with substantial synergies among its business units. In particular, Autobio boasts strong R&D capabilities and technological advantages in the magnetic particle-based chemiluminescence sector.

3. In recent years, both its assets and income have kept increasing, with decent operating cash flow, very strong profitability, and a very light debt burden.

### Concerns

1. As its business expands, equipment installations are set to increase. In particular, the expansion of assembly lines will lead to massive spending on material purchases. In the meantime, accounts receivable and inventories have grown rapidly, accounting for a big proportion of operating capital.

2. The Company's projects under construction and planned projects require a large amount of investment and have a long payback period, thus facing great pressure in terms of capital expenditure.

3. In recent years, the Company has given relatively big dividend payouts to its shareholders, which is not conducive to maintaining capital structure stability.

### Analysts

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