



We place a **BUY** on Golden Meditech shares.

## Investment Thesis

- Golden Meditech's operating margins of 62.6% are substantially higher than the comparable average of 34.0%, representing a solid market position. We expect management to control costs and maintain high relative margins.
- We do not expect the global recession to significantly impact Golden Meditech's operating results. In fact, with the Chinese government injecting approximately USD \$110 billion into the country's healthcare system in the next three years,<sup>1</sup> Golden Meditech could exceed our pro forma assumptions.
- A price-to-earnings relative valuation shows Golden Meditech's shares are undervalued by 65.2%. Shares currently trade at USD \$0.11, compared to our price target of USD \$0.23.

Company Description	Golden Meditech Pro Forma Income Statement						
	(in millions of U.S. dollars, except EPS)						
	This pro forma does not explicitly show Golden Meditech's Natural Herbal Medicines segment						
	2006	2007	2008	2009E	2010E	2011E	
Golden Meditech (8180.HK) is a high-tech healthcare company. It operates in two chief segments: medical devices and healthcare services. The medical devices segment researches, develops and markets blood-related medical equipment, allowing patients to re-use their own bodily fluids after a medical procedure. The healthcare services segment operates cord blood banks in Beijing and Guangdong and several hospitals in Beijing and Shanghai with more than 200 beds.	<b>Revenue</b>						
	Medical Device	31.8	34.5	36.5	38.2	43.2	50.9
	Healthcare Services	4.4	8.2	17.8	28.8	42.8	63.9
	<b>Total Revenue</b>	<b>36.5</b>	<b>42.7</b>	<b>54.3</b>	<b>67.0</b>	<b>86.0</b>	<b>114.8</b>
	<i>Revenue Growth</i>		<i>17.1%</i>	<i>27.2%</i>	<i>23.3%</i>	<i>28.4%</i>	<i>33.5%</i>
	<b>EBITDA</b>						
	Medical Device	25.4	25.9	27.2	28.3	31.5	36.7
	Healthcare Services	0.6	3.9	9.1	15.0	22.7	33.8
	<b>Total EBITDA</b>	<b>18.8</b>	<b>29.8</b>	<b>36.3</b>	<b>43.2</b>	<b>54.2</b>	<b>70.5</b>
	<i>EBITDA Growth</i>		<i>58.4%</i>	<i>21.9%</i>	<i>19.0%</i>	<i>25.4%</i>	<i>30.1%</i>
	<b>EBITDA Margin</b>						
	Medical Device (%)	79.9	75.1	74.5	74.0	73.0	72.0
	Healthcare Services (%)	14.5	47.4	51.2	52.0	53.0	53.0
	<b>Operating Margin</b>						
	Medical Device (%)	76.1	71.4	70.9	70.0	69.0	68.0
	Healthcare Services (%)	0.3	39.3	45.6	47.0	48.0	48.0

Relative Operating and Performance Metrics									Golden Meditech: Key Information														
	Golden Meditech	Comps Average	Mindray Medical	Thermo-genesis	China Medical	Ming-yuan	Cryo-life	Stem-life	HK\$	US\$													
TEV (3/1/09)(USD)(M)	88.1	325.6	1,252.1	6.2	445.8	101.8	117.0	30.6	0.85	0.11	Share Price (3/1/09)(in cents)												
Market Cap (3/1/09)(USD)(M)	172.3	359.7	1,378.0	25.0	418.0	154.9	142.0	40.2	1,571.7	1,571.7	Shares (diluted)(Q2 2009)(M)												
Gross Margin (9/30/08)(%)	78.5	61.1	54.2	36.1	73.2	81.5	60.5	N/A	1,335.9	172.3	Market Cap (M)												
Operating Margin (9/30/08)(%)	62.6	34.0	25.9	N/A	51.7	61.8	13.4	17.4	342.8	44.20	Debt (Q2 2009)(M)												
Net Margin (9/30/08)(%)	51.9	27.7	19.1	N/A	40.5	53.3	13.3	12.5	995.7	128.39	Cash (Q2 2009)(M)												
ROA (9/30/08)(%)	13.7	12.6	17.8	N/A	10.9	14.8	13.6	6.0	683.0	88.1	TEV (M)												
ROE (9/30/08)(%)	16.9	19.5	24.6	N/A	26.7	19.7	19.0	7.6	<table border="1"> <thead> <tr> <th colspan="2">Competitors by Segment</th> </tr> <tr> <th>Medical Device</th> <th>Healthcare Services</th> </tr> </thead> <tbody> <tr> <td>Mindray Medical</td> <td>Cryolife</td> </tr> <tr> <td>Thermogenesis</td> <td>Stemlife</td> </tr> <tr> <td>China Medical Tech.</td> <td></td> </tr> <tr> <td>Mingyuan</td> <td></td> </tr> </tbody> </table>			Competitors by Segment		Medical Device	Healthcare Services	Mindray Medical	Cryolife	Thermogenesis	Stemlife	China Medical Tech.		Mingyuan	
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ROIC (9/30/08)(%)	31.9	14.1	16.7	N/A	N/A	14.9	17.4	7.4															
P/E (2010)	4.0	8.3	10.5	9.6	7.1	5.1	11.7	6.0															
TEV/EBITDA (2010)	1.6	4.0	4.8	2.1	5.3	2.9	4.7	4.3															

Relative Valuation: P/E								
(in millions of USD, except where indicated)								
	FY2010 Operating Income Estimate	Unallocated Expenses (%)	Allocation of Expenses	Net Segment Earnings	Per Share Earnings	Segment P/E	Contribution to Price	
Medical Device	29.8	60%	(4.6)	25.2	0.02	8.1	0.13	
Healthcare Services	20.6	40%	(3.1)	17.5	0.01	8.9	0.10	
Shares outstanding (diluted)(Q2 2009)(M)		1571.7				P* =	\$ 0.23	

<sup>1</sup> Golden Meditech presentation. "Q3 FY2008/2009 Conference Call." [www.goldenmeditech.com](http://www.goldenmeditech.com) Accessed 3/1/09.