China Medtech

Q326 medical equipment procurement recovered meaningfully on funding boost

Equities

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Tender updates: Total procurement value up 6% YoY and 28% QoQ in Q326

Per government procurement websites, China's hospital equipment procurement activity notably improved in Q326, with total tender value up 6% YoY and 28% QoQ. By product, radiotherapy and heavy imaging equipment delivered strong growth YoY, with tender values of electron accelerator/ MRI/ CT up 48% (from a low base last year)/ 21%/ 14%. In contrast, gastrointestinal (GI) endoscopes continued to record a decline in tender value (down 12% YoY from a high base last year) despite a strong sequential recovery (up 76% QoQ). Elsewhere, the procurement of surgical robots/ ultrasound remained largely unchanged, with tender values largely flat/ down 1% YoY (see page 2 for details). In our view, the overall improvement in procurement was primarily driven by strengthened funding support in Q326. Our covered companies mentioned that hospitals recently received stimulus from the central government, and our analysis of local governments' healthcare bond issuance also demonstrated strong growth on both YoY and QoQ basis (see page 3). On 2026 outlook, we reiterate our estimates of MSD/ HSD declines in tender value for 2026. However, given the deadline for each provincial government to complete one round of provincial VBP by YE2026, the pent-up demand could potentially lead to a beat vs. our expectation.

Tender updates: Import substitution continued, especially in surgical robots

In Q326, we noted continued import substitution in most products, except radiotherapy and ultrasound. Per our estimates, local firms gained share most notably in surgical robots (+16ppt YoY), followed by MRI/ GI endoscope/ CT (+6/4/3ppt YoY). In contrast, global firms reclaimed 11ppt market share YoY in radiotherapy. For ultrasound, the competitive landscape remained largely unchanged YoY in Q326, albeit slight share gains by local firms sequentially. Details include: **1) Surgical robots.** Intuitive Surgical continued to see significant share loss to a group of local firms. **2) Radiotherapy.** Elekta gained shares notably from Varian and United Imaging. **3) MRI and CT.** Siemens Healthineers and GE Healthcare lost shares in both categories, while United Imaging and Philips gained shares to various extents in MRI and CT. **4) GI endoscopes.** Olympus continued to lose share on YoY basis albeit a significant recovery on QoQ basis.

VBP updates: Provincial VBP proposals with diversified procurement scope

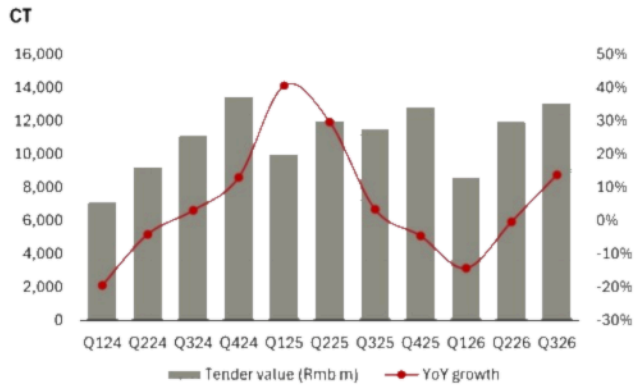
In July 2026, the National Health Commission (NHC) of China proposed to establish a tiered framework for centralised procurement of medical equipment in China (note). With more provinces announcing provincial VBP plans, we noted variations in VBP product scope across regions: **1)** Provinces such as Liaoning and Shaanxi have adopted a more conservative approach and aim to prioritise VBP of Class B equipment in 2026; **2)** Provinces such as Hunan plan to prioritise VBP of key imaging equipment such as CT, MRI and ultrasound in 2026; **3)** Provinces such as Chongqing seem more aggressive and propose to include all the equipment priced over Rmb500k in provincial VBPs.

VBP updates: CMC procurement rebounds with modest budget-saving rates

In Q326, the VBPs for county-level medical consortium (CMC) recorded a decent sequential recovery, with procurement value for CT/ MRI/ DR/ ultrasound up 144%/ 347%/ 290%/ 65% QoQ. Meanwhile, the average budget-saving rate narrowed to 17% in Q326 from 33% in Q226. By product, CT remained the largest category, while MRI surpassed DR and ultrasound. Among key products under our analysis, CT/ MRI/ DR/ ultrasound accounted for 32%/ 22%/ 20%/ 15% of total procurement values, with budget-saving rates of 10%/ 17%/ 28%/ 15%. By company, United Imaging/ Siemens Healthineers/ GE Healthcare ranked top 3 by bid-winning amount in the CMC VBPs.

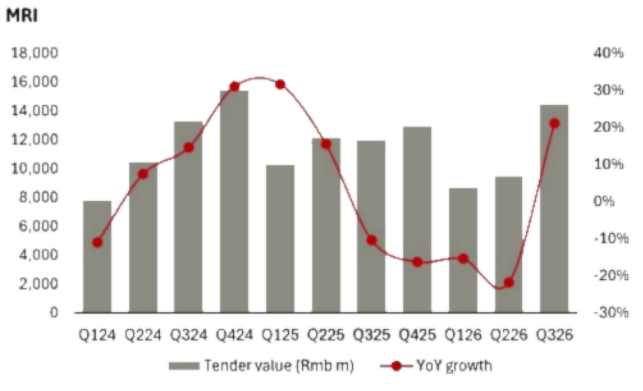
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Figure 1: China's hospital procurement tender value for CT scanners (Q124-Q326)



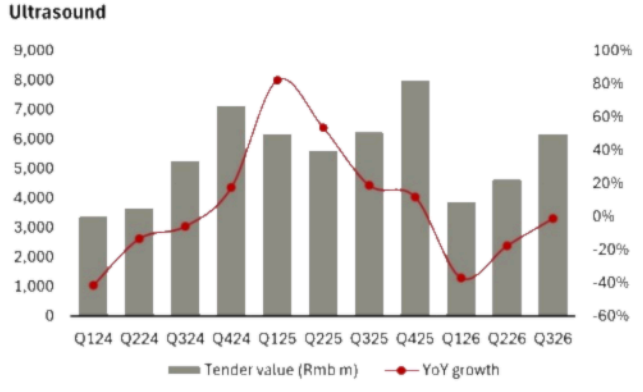
Source: Government data, UBS

Figure 2: China's hospital procurement tender value for MRIs (Q124-Q326)



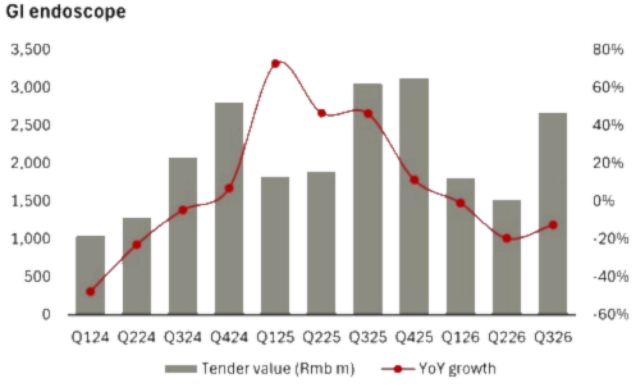
Source: Government data, UBS

Figure 3: China's hospital procurement tender value for ultrasound systems (Q124-Q326)



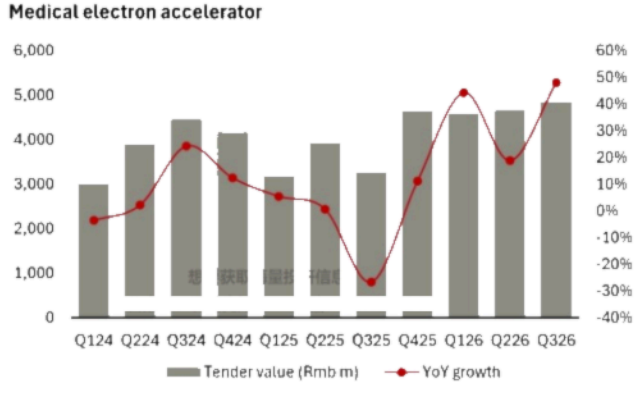
Source: Government data, UBS

Figure 4: China's hospital procurement tender value for GI endoscopes (Q124-Q326)



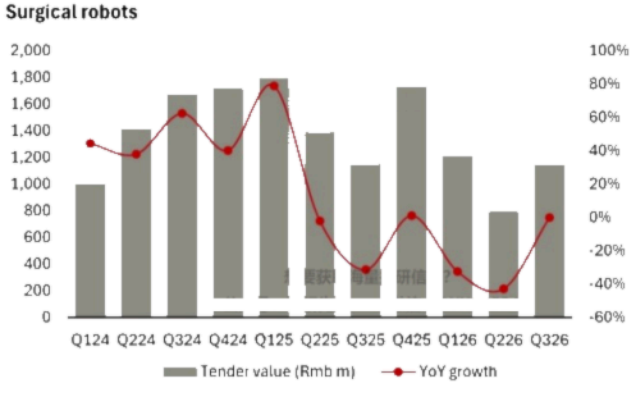
Source: Government data, UBS

Figure 5: China's hospital procurement tender value for medical electron accelerators (Q124-Q326)



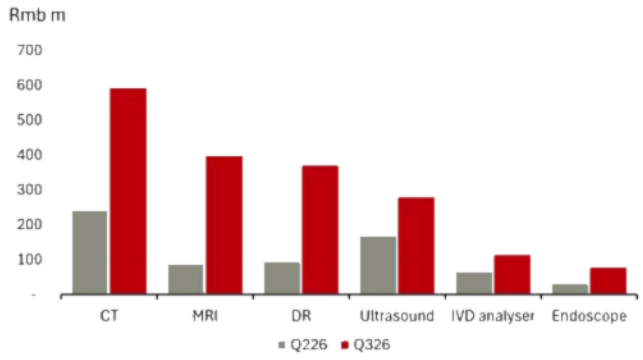
Source: Government data, UBS

Figure 6: China's hospital procurement tender value for surgical robots (Q124-Q326)



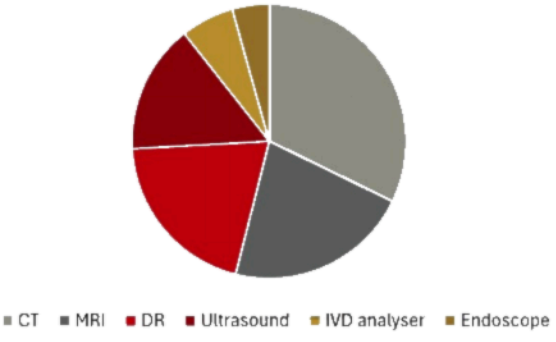
Source: Government data, UBS

Figure 7: Total value of successful VBP bids in county-level medical consortiums (Q226-Q326)



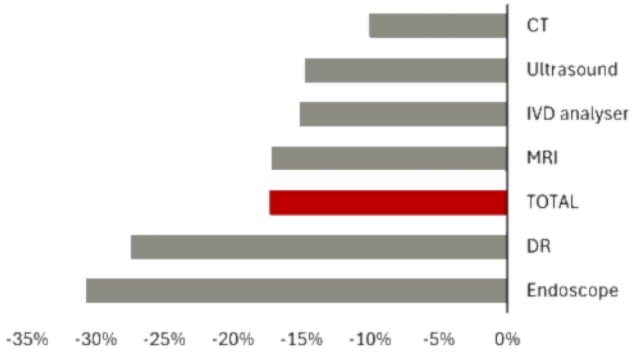
Source: Government data, UBS

Figure 8: Breakdown of successful VBP bids among major products in county-level medical consortiums (Q326)



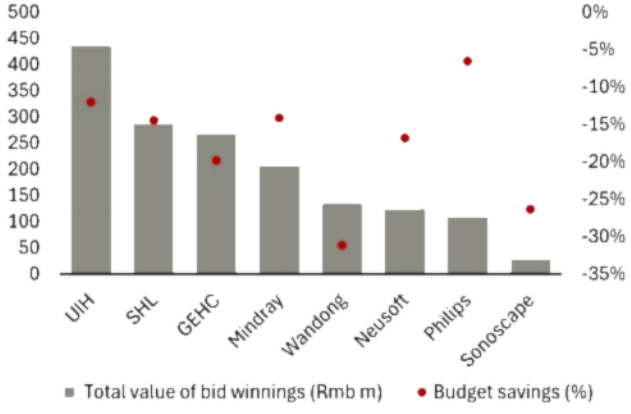
Source: Government data, UBS

Figure 9: Budget savings rates of successful VBP bids for county-level medical consortiums, by product (Q326)



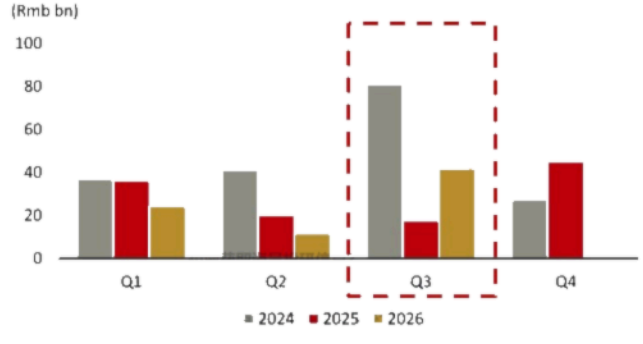
Source: Government data, UBS

Figure 10: Total value of winning bids and gov't procurement budget savings rates, by company (Q326)



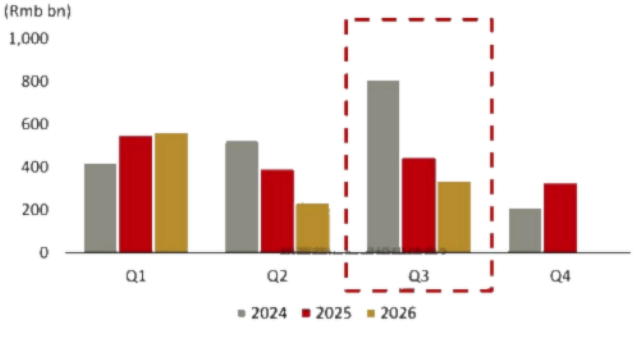
Source: Government data, UBS. Note: UIH=United Imaging Healthcare, GEHC=GE Healthcare, SHL=Siemens Healthineers

Figure 11: Issuance of local gov't-dedicated healthcare bonds (Q124-Q326)



Source: WIND, UBS

Figure 12: Issuance of local gov't bonds with use of proceeds for healthcare (Q124-Q326)



Source: WIND, UBS

Valuation Method and Risk Statement

We believe the risks facing China's medtech industry include: 1) larger-than-expected price reductions and smaller-than-expected market share gains from medical device VBP programs; 2) weaker-than-expected demand from equipment renewal programs; 3) a greater-than-expected impact from the anti-corruption drive; 4) geopolitical risks affecting the supply chain of medical device products; and 5) slower-than-expected product R&D and technological breakthroughs.