

# Kintor Pharmaceutical (9939 HK)

## Proxalutamide showed very promising efficacy signals in a Ph3 MRCT trial in COVID-19 outpatients

- Topline results of the Ph3 MRCT trial of proxalutamide for COVID-19 outpatient didn't meet primary endpoint, yet showed very promising efficacy signals.** Kintor released the topline results of final analysis ([link](#)) of a Ph3 MRCT trial of proxalutamide for mild to moderate COVID-19 patients (NCT04870606). Majority patients (727 out of the total 736 patients) were enrolled from the US, indicating high data quality. The trial mainly included patients infected by delta and omicron variants, given the enrollment lasted from Apr 2021 to Dec 2021 mainly in the US. The patients were randomized 1:1 to receive proxalutamide 200mg QD plus SOC or placebo plus SOC for 14 consecutive days. The trial allowed enrollment of patients with symptom onset within 5 days, while risk factors, such as vaccination status, obesity or elderly age, were not considered as inclusion criteria, which represented the real-world populations and set a very high bar for the trial. The primary endpoint of hospitalization/ mortality rate by Day 28 were not met. Among the 730 patients with at least one day of treatment, 4 patients in the proxalutamide arm were hospitalized compared to 8 patients in the placebo group (including one death), which showed 50% reduction in the hospitalization risk, while the difference was not statistically significant, mainly due to the limited number of events, in our view.
- Exciting efficacy results in patients with more than 7 days of treatment and in high-risk patients.** Among patients with more than 7 days of treatment (N=693), proxalutamide reduced the risk of hospitalization/death by 100% compared to the control group ( $p < 0.02$ ), as 6 patients in the placebo group were hospitalized (including one death) compared to no hospitalization/death in the proxalutamide group. For patients with obesity and  $\geq 50$  years old, proxalutamide significantly reduced the risk of hospitalization/death by 100% ( $p < 0.02$ ). Furthermore, for patients aged  $\geq 60$  years, proxalutamide also significantly reduced the risk of hospitalization or death by 100% ( $p < 0.02$ ). In addition, proxalutamide significantly and continuously reduced viral load compared to the control group ( $p < 0.01$  on Day 3 and Day 28, respectively). Proxalutamide was well tolerated given the TEAE were 7.9% in the controlled group and 9.6% in the proxalutamide group.
- Proxalutamide may file for EUA in China, the US, EU and other countries.** Kintor expects to complete the analysis of the full dataset within the next 4-6 weeks. Based on the full dataset, we expect Kintor to seek EUA approvals in China, the US, EU and other countries. As per management, the manufacturing capacity for proxalutamide will reach 1.4bn tablets per annum by the year-end, meeting the demand of 50mn patients.
- Maintain BUY.** We are positive about the potential EUA approval of proxalutamide in China and other regions given the very positive efficacy data from the Ph3 MRCT. We revised our DCF-based TP from HK\$34.37 to HK\$48.78 (WACC: 10.7%, terminal growth rate: 2.0%).

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	-	34	2,174	4,175	3,230
Attributable net P&L (RMB mn)	(508)	(842)	420	1,448	1,042
R&D expenses	(329)	(768)	(500)	(500)	(500)
EPS (RMB)	(1.64)	(2.36)	1.08	3.73	2.69
Consensus EPS (RMB)	N/A	N/A	0.29	2.29	(0.14)
ROE (%)	(34)	(51)	20	41	23
ROA (%)	(27)	(41)	15	31	18
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	8.4	6.9	13.7	14.6	24.1

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$48.78
(Previous TP)	HK\$34.37
Up/Downside	+69.10%
Current Price	HK\$28.85

### China Healthcare Sector

#### Jill Wu, CFA

(852) 3900 0842

jillwu@cmbi.com.hk

#### Andy Wang

(852) 3657 6288

andywang@cmbi.com.hk

Mkt. Cap. (HK\$ mn)	11,182
Avg. 3mths t/o (HK\$ mn)	98.40
52W High/Low (HK\$)	89.00/6.91
Total Issued Shares (mn)	388
Source: Bloomberg	

#### Shareholding Structure

Youzhi Tong	13.17%
Chuangxing Guo	11.13%
Gree Financial	6.77%
Legend Holdings	6.00%
CloudAlpha	4.98%
Others	57.95%

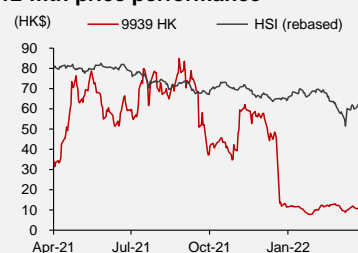
Source: HKEx, Bloomberg

#### Share performance

	Absolute	Relative
1-mth	13.7%	10.6%
3-mth	22.6%	24.8%
6-mth	-62.5%	-59.8%

Source: Bloomberg

#### 12-mth price performance



Source: Bloomberg

#### Auditor: PWC

Web-site: [www.kintor.com.cn](http://www.kintor.com.cn)

#### Related reports:

- Continued development of proxalutamide for COVID-19 treatment – 28 Mar 2022
- Continue to pursue development of proxalutamide for treatment of COVID-19 – 29 Dec 2021
- Proxalutamide expects to deliver differentiated clinical results compared with molnupiravir – 6 Oct 2021

## Valuation

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	490	1,703	1,218	1,201	1,331	1,527	1,755	2,052	2,423
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	417	1,448	1,035	1,021	1,131	1,298	1,492	1,744	2,059
+ D&A	12	4	13	17	21	24	28	31	34
- Change in working capital	(193)	(402)	76	(33)	32	(34)	(65)	(89)	(110)
- Capex	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
<b>FCFF</b>	<b>135</b>	<b>950</b>	<b>1,024</b>	<b>904</b>	<b>1,084</b>	<b>1,189</b>	<b>1,355</b>	<b>1,586</b>	<b>1,883</b>
<b>Terminal value</b>									<b>22,019</b>
FCF + Terminal value	135	950	1,024	904	1,084	1,189	1,355	1,586	23,902
Present value of enterprise	14,470								
Net Debt	(1,035)								
Minorities	0								
Equity value (RMB mn)	15,505								
<b>Equity value (HK\$ mn)</b>	<b>18,908</b>								
<b>Equity value (US\$ mn)</b>	<b>2,440</b>								
<b>Target price (HK\$)</b>	<b>48.78</b>								
<b>Terminal growth rate</b>	<b>2.0%</b>								
<b>WACC</b>	<b>10.7%</b>								
Cost of Equity	13.5%								
Cost of Debt	5.0%								
Equity Beta	1.0								
Risk Free Rate	3.0%								
Market Risk Premium	10.5%								
Target Debt to Asset ratio	30.0%								
Effective Corporate Tax Rate	15.0%								

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC				
		9.7%	10.2%	10.7%	11.2%	11.7%
Terminal growth rate	3.0%	61.36	56.71	52.68	49.15	46.04
	2.5%	58.45	54.27	50.61	47.39	44.53
	<b>2.0%</b>	55.93	52.13	<b>48.78</b>	45.82	43.17
	1.5%	53.71	50.23	47.15	44.41	41.94
	1.0%	51.74	48.55	45.69	43.13	40.83

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	2,174	4,175	3,230	0	212	505	N/A	1870.3%	540.1%
Gross Profit	1,739	3,382	2,649	0	172	414	N/A	1870.3%	540.1%
Operating Profit	509	1,736	1,268	(570)	(422)	(259)	-189.4%	-511.3%	-590.2%
Net profit	420	1,448	1,042	(582)	(448)	(293)	-172.1%	-422.8%	-455.3%
EPS (RMB)	1.08	3.73	2.69	(1.50)	(1.16)	(0.76)	-172.1%	-422.8%	-455.3%
Gross Margin	80.00%	81.00%	82.00%	N/A	81.00%	82.00%	0.00ppt	0.00ppt	0.00ppt

Source: Company data, Bloomberg, CMBIGM estimates

**Figure 4: CMBIGM estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	2,174	4,175	3,230	747	2,684	1,301	191.0%	55.5%	148.3%
Gross Profit	1,739	3,382	2,649	616	2,218	879	182.1%	52.5%	201.4%
Operating Profit	509	1,736	1,268	1,681	1,546	212	-69.7%	12.3%	498.3%
Net profit	420	1,448	1,042	(424)	689	(52)	-198.9%	110.0%	-2122.4%
EPS (RMB)	1.08	3.73	2.69	0.29	2.29	(0.14)	274.8%	63.1%	-2090.5%
Gross Margin	80.00%	81.00%	82.00%	82.52%	82.63%	67.55%	-2.52 ppt	-1.63 ppt	+14.45 ppt

Source: Company data, CMBIGM estimates

## Financial Statements

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>0</b>	<b>34</b>	<b>2,174</b>	<b>4,175</b>	<b>3,230</b>
Proxalutamide China sales – risk adjusted	0	0	2,174	3,536	2,503
Proxalutamide US sales - risk adjusted	0	0	0	318	319
Pyrilutamide China sales - risk adjusted	0	0	0	71	194
Pyrilutamide US sales - risk adjusted	0	0	0	0	10
ALK-1 China sales - risk adjusted	0	0	0	0	0
Others	0	34	0	0	0
Cost of sales	0	0	(435)	(793)	(581)
<b>Gross profit</b>	<b>0</b>	<b>34</b>	<b>1,739</b>	<b>3,382</b>	<b>2,649</b>
Other income	25	29	36	49	67
Selling & distribution expenses	(77)	(103)	(124)	(149)	(178)
R&D expenses	(329)	(768)	(500)	(500)	(500)
Administrative expenses	(9)	(15)	(641)	(1,046)	(769)
Other expenses	(116)	(17)	0	0	0
<b>Operating profit (loss)</b>	<b>(505)</b>	<b>(840)</b>	<b>509</b>	<b>1,736</b>	<b>1,268</b>
Finance costs	(3)	(2)	(15)	(33)	(43)
<b>Pre-tax profit (loss)</b>	<b>(508)</b>	<b>(842)</b>	<b>494</b>	<b>1,703</b>	<b>1,225</b>
Income tax	(0)	0	(74)	(255)	(184)
Minority interests	0	0	0	0	0
<b>Attributable net profit (loss)</b>	<b>(508)</b>	<b>(842)</b>	<b>420</b>	<b>1,448</b>	<b>1,042</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21E	FY22E	FY23E	FY24E
<b>Profit before tax</b>	<b>(508)</b>	<b>(842)</b>	<b>494</b>	<b>1,703</b>	<b>1,225</b>
Depreciation and amortization, etc.	7	11	12	4	13
Change in working capital	(13)	(319)	(193)	(402)	76
Others	134	99	(75)	(256)	(184)
Net income tax paid	(0)	(1)	(74)	(255)	(184)
<b>Operating cash flow</b>	<b>(381)</b>	<b>(1,051)</b>	<b>238</b>	<b>1,049</b>	<b>1,130</b>
Purchase of PP&E	(69)	(76)	(100)	(100)	(100)
Purchase of land use right	0	0	0	0	0
Purchases of financial assets at FV through profit or loss	(253)	(515)	0	0	0
Purchases of financial assets measured at amortized cost	0	0	0	0	0
Others	(118)	684	0	0	0
<b>Investing cash flow</b>	<b>(440)</b>	<b>92</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
Proceeds from borrowings	239	20	300	400	0
Repayments of borrowings	(79)	(84)	0	0	0
Capital contribution from equity holders	1,653	952	0	0	0
Others	(32)	(31)	0	0	0
<b>Financing cash flow</b>	<b>1,780</b>	<b>858</b>	<b>300</b>	<b>400</b>	<b>0</b>
FX changes	(91)	(34)	0	0	0
Net change in cash	960	(102)	438	1,349	1,030
Cash at the beginning year	196	1,066	930	1,368	2,717
<b>Cash at the end</b>	<b>1,065</b>	<b>930</b>	<b>1,368</b>	<b>2,717</b>	<b>3,746</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>431</b>	<b>542</b>	<b>631</b>	<b>727</b>	<b>815</b>
PP&E	175	224	316	417	509
Intangible assets	210	236	235	235	235
Right-of-use assets	12	39	35	31	27
Other non-current assets	34	44	44	44	44
<b>Current assets</b>	<b>1,421</b>	<b>1,526</b>	<b>2,090</b>	<b>3,959</b>	<b>4,843</b>
Inventories	0	351	298	543	350
Trade receivables	0	0	238	458	531
Other receivables and prepayments	32	118	60	114	88
Financial assets at FV through P&L	0	0	0	0	0
Cash and cash equivalents	1,066	930	1,368	2,717	3,746
Restricted cash	0	2	2	2	2
<b>Non-current liabilities</b>	<b>174</b>	<b>193</b>	<b>493</b>	<b>893</b>	<b>893</b>
Borrowings	135	148	448	848	848
Lease liabilities	0	3	3	3	3
Deferred income tax liabilities	39	39	39	39	39
<b>Current liabilities</b>	<b>169</b>	<b>220</b>	<b>153</b>	<b>271</b>	<b>201</b>
Trade and other payables	81	210	143	261	191
Borrowings	84	7	7	7	7
Lease liabilities	3	2	2	2	2
Deferred income	0	0	0	0	0
Amounts due to related parties	1	0	0	0	0
<b>Total net assets</b>	<b>1,508</b>	<b>1,655</b>	<b>2,075</b>	<b>3,523</b>	<b>4,564</b>
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>1,508</b>	<b>1,655</b>	<b>2,075</b>	<b>3,523</b>	<b>4,564</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Proxalutamide China sales adjusted	0	0	0	85	78
Proxalutamide US sales	0	0	0	8	10
Pyrilutamide China sales - adjusted	0	0	0	2	6
Pyrilutamide US sales	0	0	0	0	0
ALK-1 China sales -	0	0	0	0	0
Others	0	0	0	0	0
Total	100	100	100	100	100
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	N/A	0	80	81	82
EBITDA margin	N/A	N/A	N/A	41	38
Pre-tax margin	N/A	N/A	N/A	41	38
Net margin	N/A	N/A	N/A	35	32
Effective tax rate	(0)	0	15	15	15
<b>Balance sheet ratios</b>					
Current ratio (x)	8	7	14	15	24
Net debt to equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	(34)	(51)	20	41	23
ROA	(27)	(41)	15	31	18
<b>Per share value</b>					
EPS (RMB)	(1.64)	(2.36)	1.08	3.73	2.69
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVP (RMB)	4.87	4.64	5.35	9.09	11.78

Source: Company data, CMBIGM estimates

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.