

Innovent Biologics (1801 HK)

Mazdutide (9mg) continues to show its BIC potential with 48-week results

BUY (Maintain)

■ Mazdutide (9mg) continues to show its BIC potential with 48-week results.

Innovent released the 48-week results of mazdutide (9mg) in Ph2 study in Chinese obesity patients ([link](#)). After 48 weeks of treatment, the placebo-adjusted mean percent change in body weight from baseline was -18.6% (-17.8kg) in 59 of the 80 enrolled patients with treatment extended. Recall in May 2023, mazdutide (9mg) met the primary endpoint of its Ph2 trial in Chinese obesity patients, showing 15.4% placebo-adjusted weight loss at week 24 (vs 12.0% of tirzepatide 15mg and 8.0% of semaglutide, *CMBI report*, [link](#)). Mazdutide showed global BIC efficacy potential with the highest placebo-adjusted weight loss percentage among the major competing GLP-1 drugs in Chinese subjects. Tirzepatide realized 17.4% (15mg) and 11.5% (10mg) placebo-adjusted weight loss at week 48 in its China Ph3 trial ([link](#)) and semaglutide showed 9.9% weight loss in its Asian Ph3 trial ([link](#)) at week 44.

■ **Multiple cardiometabolic benefits observed.** In the above-mentioned Ph2 trial, mazdutide demonstrated significant improvement in multiple cardiometabolic indicators (such as waist circumference, blood pressure, liver enzyme, triglyceride, LDL-C, and serum uric acid, etc). After the 24-week treatment, mazdutide reduced subjects' liver fat content (baseline liver fat content $\geq 5\%$) by 73.3% (vs -6.5% in placebo) and induced 45.5% placebo-adjusted reductions in ALT levels, and these benefits maintained to 48 weeks. In addition, after the 24-week treatment, mazdutide significantly reduced triglyceride, total cholesterol, LDL-C and serum uric acid levels, with HDL-C levels stable throughout the 48-week treatment. Similarly, Hanmi GCGR/GLP-1 agonist efinopegdutide also demonstrated 72.7% reduction in liver fat content (vs 42.3% in semaglutide arm, Ph2, [link](#)) at week 24. We see the potential of mazdutide to expand additional indication beyond diabetes and obesity.

■ **Continued to show favourable safety profile.** The Ph2 obesity study of mazdutide (9mg) is still in progress with detailed safety data to be disclosed, while the drug was overall well-tolerated. Similar with the 24-week results, there was no AE-led drop-out, or no SAE was observed at week 48 in the Ph2 trial in both the treatment and placebo groups. Meanwhile, in tirzepatide and semaglutide's China/Asian trials, 2.9% (tirzepatide 10mg), 7.0% (tirzepatide 15mg) and 2.8% (semaglutide) of subjects discontinued due to AE, and the rates of SAE were 4.3%, 11.3% and 5.2%, respectively. Heart rate increase in mazdutide group was similar to placebo after 24 weeks of treatment, with no further increase till week 48.

■ **Front runner in China with NDA submission to happen soon.** Innovent is developing two doses of mazdutide, 9mg and 6mg, to target different obesity populations. For the 9mg dose, Innovent expects to initiate a Ph3 obesity study by end-2023. The 6mg dose has also demonstrated promising results in Ph2 trial (12.6% adjusted weight loss at week 24, [link](#)), and the full Ph2 data is about to publish by end-2023. Innovent expects to submit NDA of mazdutide (6mg) for obesity to NMPA in late 2023 or early 2024, based on the results of its Ph3 trial (GLORY-1). Mazdutide also has two Ph3 trials for diabetes. Innovent plans to release Ph2 full data in diabetes in late 2023 or early 2024 and to submit NDA for diabetes in 2024. Additionally, Innovent will initiate clinical trials of mazdutide for NASH with the IND already approved.

■ **Maintain BUY.** We see the BIC potential of mazdutide for the treatment of obesity. To factor in higher sales projections for mazdutide, we revised up our DCF-based TP to HK\$57.35 from HK\$50.34 (WACC: 9.6%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,270	4,556	5,620	6,558	9,435
YoY growth (%)	11.1	6.7	23.3	16.7	43.9
Net profit (RMB mn)	(2,729)	(2,179)	(1,656)	(1,003)	(221)
EPS (Reported) (RMB)	(1.87)	(1.43)	(1.08)	(0.65)	(0.14)
R&D expenses (RMB mn)	(2,323)	(2,871)	(2,200)	(2,295)	(2,831)
CAPEX (RMB mn)	(1,066)	(897)	(500)	(400)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Target Price HK\$57.35

(Previous TP) HK\$50.34

Up/Downside 21.9%

Current Price HK\$47.05

China Healthcare

Jill WU, CFA

(852) 3900 0842

jillwu@cmbi.com.hk

Andy WANG

(852) 3657 6288

andywang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	72,200
Avg 3 mths t/o (HK\$ mn)	418.0
52w High/Low (HK\$)	47.05/27.60
Total Issued Shares (mn)	1,534.5

Source: FactSet

Shareholding Structure

Temasek Holdings	8.6%
Yu De-Chao Michael	6.6%

Source: HKEX

Share Performance

	Absolute	Relative
1-mth	23.0%	25.9%
3-mth	28.6%	47.1%
6-mth	25.6%	43.6%

Source: FactSet

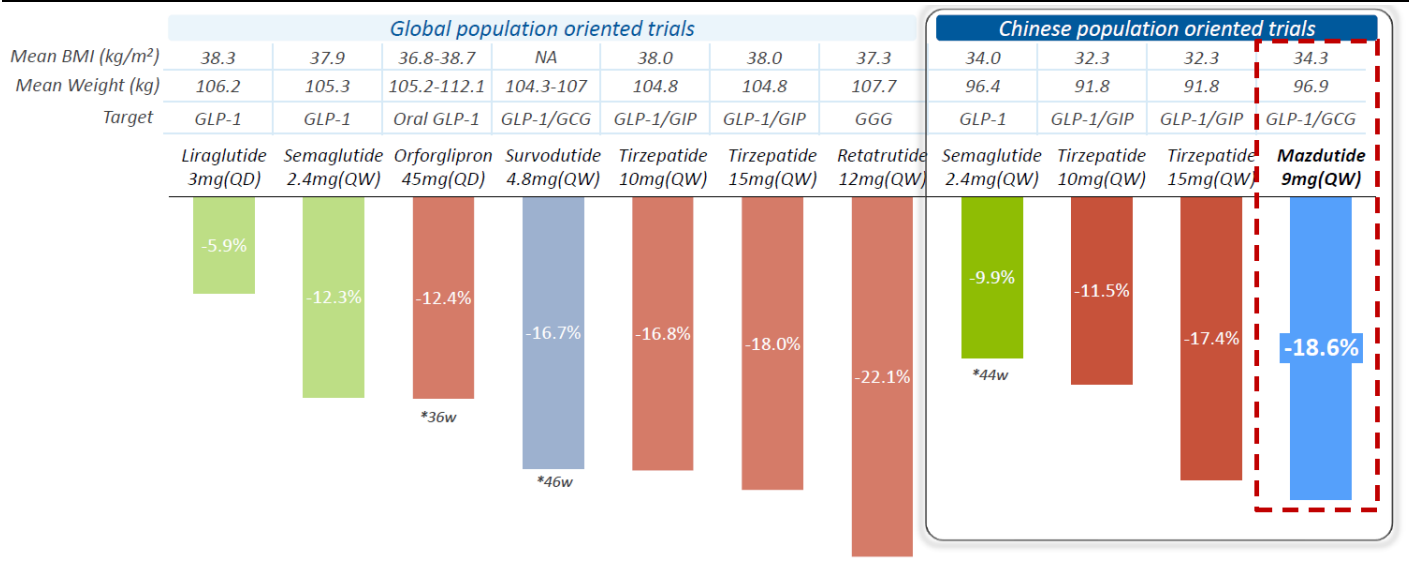
12-mth Price Performance



Source: FactSet

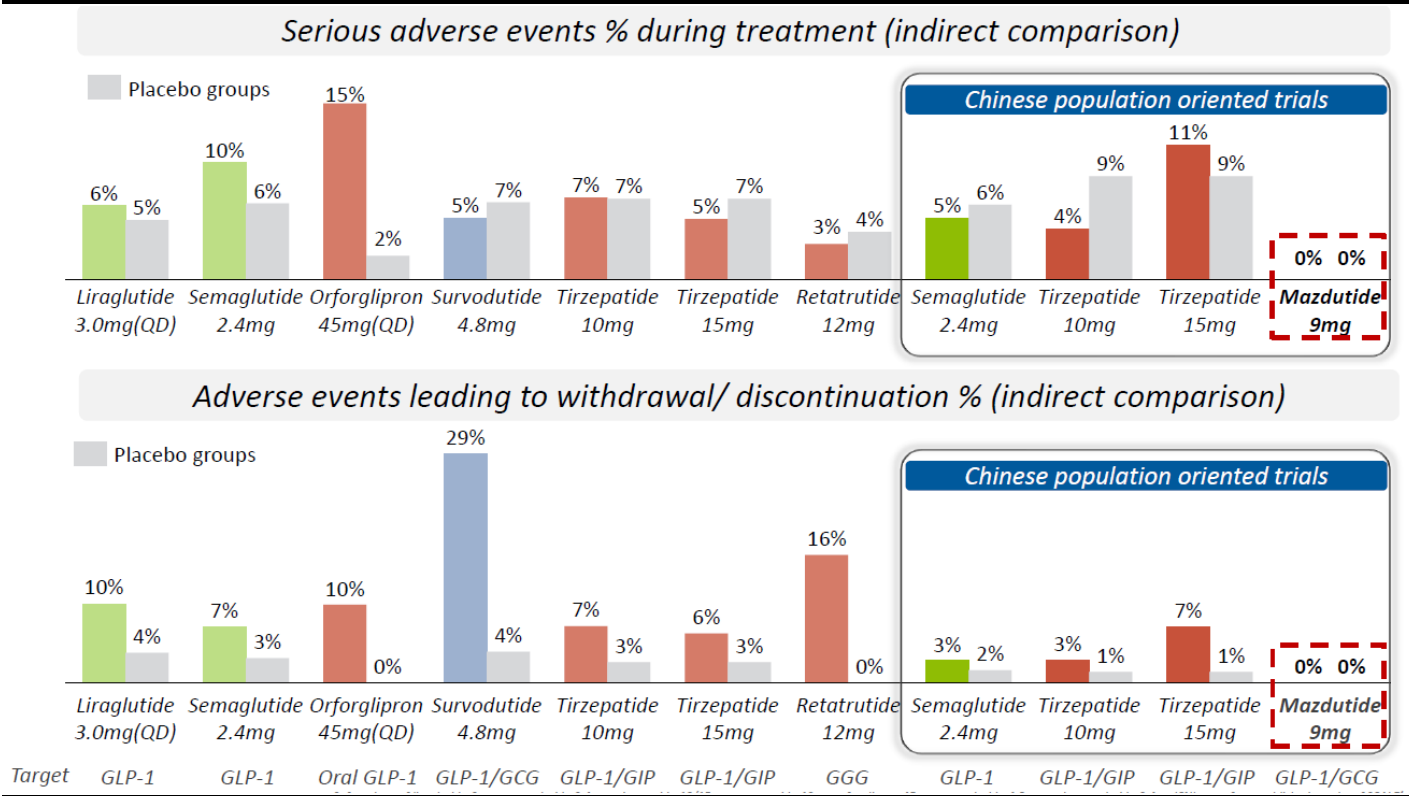
Auditor: Deloitte
Website: www.innoventbio.com

Figure 1: 48-week mean placebo-adjusted body weight reduction %



Source: Innovent, CMBIGM estimates

Figure 2: SAE and AE-led drop-out in major GLP-1 class drugs



Source: Innovent, CMBIGM estimates

Figure 3: Cross-trial comparisons of major GLP-1 class drugs for obesity

	Mazdutide	Tirzepatide	Tirzepatide (China)	Semaglutide	Semaglutide (Asian)	Semaglutide Oral	Survodutide / BI 456906	Retatrutide	Orforglipron	Ecnoglutide
Company	Innovent /Eli Lilly	Eli Lilly	Eli Lilly	Novo Nordisk	Novo Nordisk	Novo Nordisk	BI / Zealand	Eli Lilly	Eli Lilly	Kawin / SCIWIND
Target	GLP-1R, GCGR	GLP-1R, GIPR	GLP-1R, GIPR	GLP-1R	GLP-1R	GLP-1R	GLP-1R, GCGR	GLP-1R, GIPR, GCGR	GLP-1R (small molecule, oral)	GLP-1R
Trial ID	NCT04904913, Ph2	SURMOUNT-1, Ph3	SURMOUNT-CN, Ph3 (China)	STEP 8, Ph3	STEP 7 trial (Asian trial, predominantly China patients)	NCT05035095, Ph3	NCT04667377, Ph2	NCT04881760, Ph2	NCT05051579, Ph2	NCT05111912, Ph2
No. of subject	59 (pts treated for 48 weeks)	2539 (1:1:1:1)	210	338 (3:1:3:1)	375 (1:1) (25.6% had diabetes)	667 (1:1)	387	338	272	206
Baseline BMI (kg/m ²)	34.7	38	32.3	37.5	34	37.5	37.1	37.3	37.9	35.3
Baseline weight (kg)	98.4	104.8	91.8	104.5	96.4	105.4	105.7	107.7	108.7	100.7
Regimen	mazdutide 9mg QW vs placebo	tirzepatide 5mg, 10mg or 15mg QW vs placebo	tirzepatide 10 or 15mg QW vs placebo	semaglutide 2.4mg QW vs liraglutide 3.0mg QD vs placebo	semaglutide 2.4 mg QW vs placebo	semaglutide 50mg oral QD vs placebo	BI 456906 0.6mg, 2.4mg, 3.6mg or 4.8 mg QW vs placebo	retatrutide multiple doses QW vs placebo	12, 24, 36, or 45 mg oral QD vs placebo	ecnoglutide 1.2, 1.8 or 2.4mg QW vs liraglutide
Treatment period	48 weeks	72 weeks	52 weeks	68 weeks	44 weeks	68 weeks	46 weeks	48 weeks	36 weeks	26 weeks
Body weight loss from baseline (treatment vs control)	NA	-15.0% (5 mg) vs -19.5% (10 mg) vs -20.9% (15 mg) vs -3.1% (placebo)	-14.4% (10mg), -19.9% (15mg) vs -2.4% (placebo)	-15.8% (semaglutide) vs -6.4% (liraglutide) vs -1.9% (placebo)	-12.8% vs -3.0%	-15.1% vs -2.4%	-16.7% (3.6 mg) vs -18.7% (4.8 mg) vs -2.0% (placebo)	-24.2% (12mg) vs -22.8% (8mg) vs -17.1% (4mg) vs -2.1% (placebo)	-9.4%~14.7% in treatment groups vs -2.3% in placebo at week 36	-11.5% vs -11.2% vs -14.7% vs -8.8%
Body weight loss from baseline (placebo-adjusted, best results)	-18.6%	-17.8%	-17.5%	-13.9%	-9.8%	-12.7%	-16.7%	-22.1%	-12.4%	NA
Serious AE	0	6.3% vs 6.9% vs 5.1% vs 6.8%	4.3% vs 11.3% vs 8.7%	7.9% (semaglutide) vs 11.0% (liraglutide) vs 7.1% (placebo)	5.2% vs 6.3%	10% vs 9%	7.8% (3.6 mg), 5.2% (4.8 mg), vs 6.5% (placebo)	3% (12mg) vs 4% (placebo)		-2.7% vs -2.4% vs -5.9%
AE-led drop-out	0	4.3% vs 7.1% vs 6.2% vs 2.6%	2.9% vs 7.0% vs 1.4%	13.5% (semaglutide) vs 27.6% (liraglutide)	2.8% vs 1.6%	6% vs 4%	24.6% in BI 456906 arms vs 3.9% in placebo	16% (12mg) vs 0% (placebo)	15.8% in treatment arms	
Drop-out rate led by GI-related AE	0		2.9% vs 4.2% vs 0		1.2% vs 0	4% vs 2%		16% (12mg) vs 0% (placebo)	10~17%	
GI-related AE	most of mild or moderate			84.1% (semaglutide) vs 82.7% (liraglutide) vs 55.3% (placebo)	67.5% vs 35.7%	80% vs 46%	75.3% (3.6 mg) vs 81.8% (4.8 mg) vs 41.6% (placebo)			one SAE case in ecnoglutide group
Cardio-related AE		0, 0.2% vs 0.3% vs 0.2%			13.3 vs 6.3%	12% vs 13%				
nausea		24.6% vs 33.3% vs 31.0% vs 9.5%	30.0% vs 32.4% vs 5.8%			52% vs 15%		45% (12mg) vs 11% (placebo)	37%~58% vs 10%	
diarrhea		18.7% vs 21.2% vs 23.0% vs 7.3%	40.0% vs 40.8% vs 8.7%			27% vs 17%		15% (12mg) vs 11% (placebo)		
vomiting		8.3% vs 10.7% vs 12.2% vs 1.7%	11.4% vs 19.7% vs 4.3%			24% vs 4%		19% (12mg) vs 1% (placebo)	14%~32% vs 6%	
Heart rate increase	similar heart rate increases vs placebo at week 24, no further increase till week 48							peaked at week 24 and then declined. At week 48, 6.0 (12mg) vs 4.7 (8mg) vs 0.4 (placebo)		
Source	link	link	link	link	link	link	link	link	link	link

Source: Pubmed, CMBIGM estimates

Figure 4: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	-1,707	-1,048	-277	785	2,917	5,151	7,488	8,835	10,032	10,670	10,862	10,769	10,571
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	-1,707	-1,048	-277	667	2,480	4,378	6,365	7,510	8,527	9,070	9,233	9,154	8,985
+ D&A	294	303	305	307	308	310	311	313	314	315	316	317	318
- Change in working capital	-68	157	16	-697	-741	-627	-657	-373	-318	-17	-19	112	135
- Capex	-500	-400	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300
FCFF	-1,981	-987	-256	-23	1,747	3,761	5,720	7,149	8,223	9,068	9,230	9,284	9,139
Terminal value													168,440
FCF + Terminal value	-1,981	-987	-256	-23	1,747	3,761	5,720	7,149	8,223	9,068	9,230	9,284	177,578
PV of enterprise (RMB mn)	74,149												
Net debt (RMB mn)	-5,052												
Equity value (RMB mn)	79,201												
Equity value (HK\$ mn)	88,001												
No. of outstanding shares (mn)	1,535												
DCF per share (HK\$)	57.35												

Terminal growth rate	4.0%
WACC	9.6%
Cost of Equity	12.8%
Cost of Debt	4.5%
Equity Beta	1.0
Risk Free Rate	2.8%
Market Risk Premium	10.5%
Target Debt to Asset ratio	35.0%
Effective Corporate Tax Rate	15.0%

Source: CMBIGM estimates

Figure 5: Sensitivity analysis (HK\$)

		WACC				
		8.6%	9.1%	9.6%	10.1%	10.6%
Terminal growth rate	5.0%	87.10	75.09	65.72	58.20	52.04
	4.5%	78.99	69.07	61.12	54.62	49.21
	4.0%	72.63	64.22	57.35	51.63	46.80
	3.5%	67.50	60.23	54.18	49.08	44.73
	3.0%	63.28	56.89	51.50	46.89	42.93

Source: Company data, CMBIGM estimates

Figure 6: CMBIGM estimates revision

RMB mn	New			Old			Diff(%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,620	6,558	9,435	5,460	7,530	10,629	3%	-13%	-11%
Gross profit	4,552	5,345	7,737	4,399	6,104	8,670	3%	-12%	-11%
Operating profit	(979)	(298)	649	(1,030)	(418)	641	N/A	N/A	1%
Net profit	(1,656)	(1,003)	(221)	(1,691)	(1,211)	(325)	N/A	N/A	N/A
EPS (RMB)	(1.08)	(0.65)	(0.14)	(1.10)	(0.79)	(0.21)	N/A	N/A	N/A
Gross margin	81.00%	81.50%	82.00%	80.57%	81.07%	81.57%	-0.32 ppt	-0.02 ppt	-0.19 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 7: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff(%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,620	6,558	9,435	5,788	7,285	9,641	-3%	-10%	-2%
Gross profit	4,552	5,345	7,737	4,645	5,848	7,778	-2%	-9%	-1%
Operating profit	(979)	(298)	649	(1,521)	(880)	304	N/A	N/A	114%
Net profit	(1,656)	(1,003)	(221)	(1,163)	(704)	305	N/A	N/A	N/A
EPS (RMB)	(1.08)	(0.65)	(0.14)	(0.77)	(0.39)	0.29	N/A	N/A	N/A
Gross margin	81.00%	81.50%	82.00%	80.25%	80.28%	80.68%	-0.32 ppt	-0.02 ppt	-0.19 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	3,844	4,270	4,556	5,620	6,558	9,435
Cost of goods sold	(388)	(505)	(931)	(1,068)	(1,213)	(1,698)
Gross profit	3,456	3,764	3,625	4,552	5,345	7,737
Operating expenses	(4,315)	(6,406)	(5,796)	(6,208)	(6,348)	(7,958)
Selling expense	(1,341)	(2,620)	(2,591)	(2,810)	(2,754)	(3,397)
Admin expense	(437)	(806)	(835)	(787)	(853)	(1,132)
R&D expense	(1,851)	(2,323)	(2,871)	(2,200)	(2,295)	(2,831)
Others	(686)	(657)	502	(411)	(446)	(599)
Pre-tax profit	(859)	(2,642)	(2,170)	(1,656)	(1,003)	(221)
Income tax	(140)	(87)	(9)	0	0	0
Minority interest	0	0	0	0	0	0
Net profit	(998)	(2,729)	(2,179)	(1,656)	(1,003)	(221)
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	9,467	11,551	11,507	10,673	10,773	11,968
Cash & equivalents	7,764	8,377	9,163	8,288	8,505	9,580
Account receivables	475	968	575	875	931	1,211
Inventories	706	1,347	1,429	1,170	997	838
Financial assets at FVTPL	357	645	3	3	3	3
Other current assets	165	213	337	337	337	337
Non-current assets	2,368	4,693	6,082	6,288	6,385	6,380
PP&E	1,584	2,693	3,411	3,649	3,778	3,805
Intangibles	33	772	1,198	1,198	1,198	1,198
Other non-current assets	752	1,228	1,472	1,441	1,409	1,377
Total assets	11,835	16,244	17,589	16,961	17,159	18,348
Current liabilities	1,486	3,050	3,499	3,472	3,513	3,648
Short-term borrowings	255	365	888	888	888	888
Account payables	121	195	326	299	339	475
Tax payable	0	61	3	3	3	3
Other current liabilities	1,110	2,429	2,282	2,282	2,282	2,282
Non-current liabilities	1,569	2,863	3,360	3,371	3,381	3,392
Long-term borrowings	925	2,023	2,215	2,215	2,215	2,215
Obligations under finance leases	10	86	99	110	120	131
Other non-current liabilities	634	754	1,046	1,046	1,046	1,046
Total liabilities	3,055	5,913	6,859	6,843	6,894	7,041
Share capital	0	0	0	0	0	0
Other reserves	8,780	10,330	10,730	10,119	10,264	11,307
Total shareholders equity	8,780	10,330	10,730	10,119	10,264	11,307
Minority interest	0	0	0	0	0	0
Total equity and liabilities	11,835	16,244	17,589	16,961	17,159	18,348

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(719)	(2,555)	(2,162)	(1,656)	(1,003)	(221)
Depreciation & amortization	68	165	245	262	271	273
Tax paid	(140)	(87)	(9)	0	0	0
Change in working capital	(334)	(90)	295	(68)	157	16
Others	817	951	(327)	1,036	1,147	1,250
Net cash from operations	(308)	(1,616)	(1,958)	(425)	573	1,318
Investing						
Capital expenditure	(489)	(1,066)	(897)	(500)	(400)	(300)
Acquisition of subsidiaries/ investments	(6)	(38)	(79)	0	0	0
Net proceeds from disposal of short-term investments	(12,001)	(12,121)	(10,603)	0	0	0
Others	7,311	10,527	10,143	166	160	172
Net cash from investing	(5,185)	(2,698)	(1,435)	(334)	(240)	(128)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	355	1,208	715	0	0	0
Proceeds from share issues	4,662	3,951	2,131	0	0	0
Others	(105)	(155)	46	(115)	(115)	(116)
Net cash from financing	4,912	5,003	2,892	(115)	(115)	(116)
Net change in cash						
Cash at the beginning of the year	4,233	7,764	8,377	9,163	8,288	8,505
Exchange difference	(569)	(197)	119	0	0	0
Cash at the end of the year	7,764	8,377	9,163	8,288	8,505	9,580

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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CMB International Global Markets Limited

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

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