

CSPC Pharmaceutical (1093 HK)

BD continues to drive long-term growth

- **Sales mildly recovered in 3Q25.** CSPC reported total revenue of RMB19.9bn for 9M25, including RMB1.54bn in business development (BD) income. Excluding BD contributions, core revenue reached RMB18.4bn, down 19% YoY, representing 73.4% of our prior FY25 forecast and broadly in line with expectations. Notably, core revenue (excl. BD income) returned to sequential growth in 3Q25, increasing 4.2% QoQ. Modest sequential growth was observed across key therapeutic areas, including neurology, oncology, anti-infectives, and cardiovascular products. We expect CSPC's drug sales to remain stable in 4Q25E. On the cost side, the selling expense ratio shrank significantly from 29.2% in 9M24 to 24.1% in 9M25. R&D investment remained a priority, with R&D expenses rising 7.9% YoY to RMB4.2bn in 9M25 (21.0% R&D expense ratio). Attributable net profit was RMB3.5bn in 9M25, representing a 7.1% YoY decline.
- **Sustainable out-licensing income stream.** Since late 2024, CSPC has signed six out-licensing agreements across a diverse portfolio of assets, including lipoprotein(a) inhibitor, MAT2A inhibitor, ROR1 ADC, oral GLP-1, irinotecan liposome, and an AI-driven small molecule discovery platform. Management also anticipates out-licensing its EGFR ADC and a technology platform, although the pace of these potential deals remains uncertain. CSPC has built a variety of pipelines. We see high out-licensing potential in several late-stage or differentiated candidates, including EGFR ADC, PD-1/IL-15 bsAb, GFRAL mAb, ActRII mAb, and B7-H3 ADC. In our view, CSPC is on track to generate a sustainable and recurring stream of BD income over the medium to long term.
- **EGFR ADC (SYS6010): data readouts expected in 1H26.** CSPC is expected to present data for SYS6010 across multiple tumor types at AACR/ASCO in 1H26, with NSCLC data to follow after journal publication. The asset has already entered global Ph3 development. In China, two pivotal trials are underway: a Ph3 monotherapy study in second-line EGFR TKI-resistant NSCLC, and a Ph1b/3 study evaluating SYS6010 in combination with osimertinib in first-line EGFR-mutant NSCLC, with the Ph3 portion set to commence shortly. CSPC is also in discussions with the CDE to initiate trials in 2L+ EGFR wild-type NSCLC, with additional Ph3 trials planned. In the US, CSPC is preparing to launch two global Ph3 trials targeting 3L+ EGFR-m NSCLC, and 2L+ EGFR wild-type NSCLC. Early data for SYS6010 monotherapy have shown promising activity in heavily pretreated EGFR-m nsq-NSCLC patients and in IO-resistant EGFR wild-type NSCLC patients with moderate to high EGFR expression. We will continue to monitor SYS6010 as a high-potential asset and see meaningful out-licensing potential as data mature.
- **Maintain BUY.** CSPC's BD deals will be a key sustainable driver of earnings growth. Considering the uncertain drug sales in 2026, we revise our TP from HK\$12.11 to HK\$11.05 (WACC 9.34%, terminal growth 3.0%).
- **Risks:** Pipeline advancement delays; BD timeline setbacks; negative impact from VBP on commercial products.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	31,450	29,009	26,949	27,997	29,323
YoY growth (%)	1.7	(7.8)	(7.1)	3.9	4.7
Net profit (RMB mn)	6,072.7	4,338.8	4,945.1	5,439.3	5,874.8
YoY growth (%)	(2.6)	(28.6)	14.0	10.0	8.0
EPS (Reported) (RMB)	0.49	0.37	0.43	0.47	0.51
P/E (x)	14.2	19.1	16.6	15.0	13.9
Net gearing (%)	(37.3)	(23.5)	(30.1)	(33.0)	(35.4)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$11.05
(Previous TP)	HK\$12.11)
Up/Downside	43.2%
Current Price	HK\$7.72

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Stock Data

Mkt Cap (HK\$ mn)	92,000.8
Avg 3 mths t/o (HK\$ mn)	1,357.5
52w High/Low (HK\$)	11.48/4.34
Total Issued Shares (mn)	11917.2

Source: FactSet

Shareholding Structure

Massive Giant Group Ltd	10.6%
Cai Dongchen	10.4%

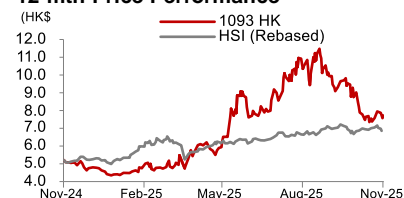
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-14.4%	-14.3%
3-mth	-25.4%	-27.3%
6-mth	22.5%	12.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	6,078	6,723	7,233	7,848	8,476	9,111	9,749	10,383	11,006	11,666	12,366
Tax rate	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
EBIT*(1-tax rate)	5,018	5,551	5,972	6,479	6,998	7,523	8,049	8,572	9,087	9,632	10,210
+ D&A	1,336	1,336	1,336	1,450	1,566	1,683	1,801	1,918	2,033	2,155	2,284
- Change in working capital	1,082	-130	-337	-366	-395	-424	-454	-484	-513	-543	-576
- Capx	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015
FCFF	5,421	4,741	4,956	5,548	6,154	6,766	7,381	7,992	8,592	9,229	9,903
Terminal value											160,824
Terminal growth rate											3.00%
WACC											9.34%
Cost of Equity											13.00%
Cost of Debt											3.00%
Equity Beta											1.00
Risk Free Rate											2.50%
Market Risk Premium											10.50%
Target Debt to Asset Ratio											35.00%
Effective Corporate Tax Rate											15.00%
Terminal value (RMB mn)											65,835
Total PV (RMB mn)											109,521
Net debt (RMB mn)											-10,479
Minority interests (RMB mn)											1,541
Equity value (RMB mn)											118,459
# of shares (mn)											11,522

DCF per share (in HK\$) 11.05

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC			
		8.34%	8.84%	9.34%	10.34%
Terminal growth rate	4.00%	15.07	13.53	12.28	11.24
	3.50%	14.00	12.69	11.61	10.70
	3.00%	13.13	12.00	11.05	9.93
	2.50%	12.41	11.42	10.58	9.22
	2.00%	11.81	10.93	10.17	8.92

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates: New vs Old

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	26,949	27,997	29,323	28,171	29,701	31,113	-4.3%	-5.7%	-5.8%
Gross profit	17,712	18,378	19,487	18,868	19,822	20,992	-6.1%	-7.3%	-7.2%
Operating profit	6,078	6,723	7,233	7,514	7,892	8,425	-19.1%	-14.8%	-14.1%
Attributable net profit	4,907	5,397	5,830	6,090	6,339	6,789	-19.4%	-14.9%	-14.1%
EPS (RMB)	0.43	0.47	0.51	0.53	0.55	0.59	-19.4%	-14.9%	-14.1%
Gross margin	65.72%	65.64%	66.46%	66.98%	66.74%	67.47%	-1.25ppt	-1.09ppt	-1.02ppt
Operating margin	22.55%	24.01%	24.67%	26.67%	26.57%	27.08%	-4.12ppt	-2.56ppt	-2.41ppt
Net margin	18.21%	19.28%	19.88%	21.62%	21.34%	21.82%	-3.41ppt	-2.06ppt	-1.94ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	26,949	27,997	29,323	31,243	33,183	34,710	-13.7%	-15.6%	-15.5%
Gross profit	17,712	18,378	19,487	21,170	22,658	23,540	-16.3%	-18.9%	-17.2%
Operating profit	6,078	6,723	7,233	6,797	7,386	7,358	-10.6%	-9.0%	-1.7%
Attributable net profit	4,907	5,397	5,830	5,837	6,248	6,206	-15.9%	-13.6%	-6.1%
EPS (RMB)	0.43	0.47	0.51	0.51	0.55	0.54	-16.5%	-14.2%	-6.0%
Gross margin	65.72%	65.64%	66.46%	67.76%	68.28%	67.82%	-2.03ppt	-2.64ppt	-1.36ppt
Operating margin	22.55%	24.01%	24.67%	21.76%	22.26%	21.20%	+0.8ppt	+1.76ppt	+3.47ppt
Net margin	18.21%	19.28%	19.88%	18.68%	18.83%	17.88%	-0.47ppt	+0.45ppt	+2ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	30,937	31,450	29,009	26,949	27,997	29,323
Cost of goods sold	(8,680)	(9,273)	(8,711)	(9,237)	(9,619)	(9,836)
Gross profit	22,256	22,177	20,299	17,712	18,378	19,487
Selling expense	(10,337)	(9,141)	(8,662)	(6,460)	(6,499)	(6,831)
Admin expense	(1,173)	(1,190)	(1,080)	(818)	(910)	(956)
R&D expense	(3,987)	(4,830)	(5,191)	(5,525)	(5,459)	(5,738)
Others	815	421	346	1,168	1,214	1,271
Operating profit	7,574	7,437	5,712	6,078	6,723	7,233
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	33	(21)	(89)	(53)	(100)	(100)
Net interest income/(expense)	(25)	(26)	(44)	(36)	(35)	(18)
Pre-tax profit	7,582	7,389	5,579	5,990	6,588	7,115
Income tax	(1,350)	(1,317)	(1,240)	(1,044)	(1,149)	(1,241)
Minority interest	141	199	11	38	42	45
Net profit	6,232	6,073	4,339	4,945	5,439	5,875
Gross dividends	2,097	2,726	2,597	2,454	2,699	2,915
Net dividends	9	(4)	(26)	13	10	8

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,957	26,745	21,888	24,229	26,674	29,173
Cash & equivalents	10,298	12,015	6,777	9,671	11,601	13,544
Account receivables	4,631	6,542	6,048	5,618	5,837	6,113
Inventories	2,555	3,139	3,130	3,319	3,456	3,535
Prepayment	0	0	0	0	0	0
ST bank deposits	3,575	1,077	1,307	1,307	1,307	1,307
Other current assets	2,898	3,972	4,626	4,314	4,473	4,674
Non-current assets	17,813	19,537	22,501	23,180	23,859	24,538
PP&E	9,582	10,417	11,374	12,366	13,358	14,350
Deferred income tax	113	187	250	250	250	250
Intangibles	1,908	2,199	2,610	2,460	2,311	2,162
Goodwill	1,395	1,226	1,128	965	801	637
Financial assets at FVTPL	2,126	2,387	2,334	2,334	2,334	2,334
Other non-current assets	2,689	3,122	4,804	4,804	4,804	4,804
Total assets	41,770	46,282	44,389	47,409	50,533	53,711
Current liabilities	8,958	10,183	9,634	10,155	10,530	10,740
Short-term borrowings	153	450	392	383	374	365
Account payables	6,864	8,404	7,409	7,857	8,182	8,367
Tax payable	262	379	138	138	138	138
Other current liabilities	1,679	948	1,695	1,777	1,836	1,870
Non-current liabilities	1,170	1,082	889	889	889	889
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,170	1,082	889	889	889	889
Total liabilities	10,128	11,264	10,523	11,043	11,418	11,628
Share capital	10,899	10,899	11,033	11,139	11,246	11,352
Other reserves	19,298	22,304	21,232	23,685	26,384	29,299
Total shareholders equity	30,198	33,203	32,265	34,825	37,630	40,651
Minority interest	1,444	1,815	1,602	1,541	1,485	1,431
Total equity and liabilities	41,770	46,282	44,389	47,409	50,533	53,711

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,582	7,389	5,579	5,990	6,588	7,115
Depreciation & amortization	1,048	1,114	1,336	1,336	1,336	1,336
Tax paid	(1,335)	(1,309)	(1,693)	(1,044)	(1,149)	(1,241)
Change in working capital	798	(3,032)	(817)	1,082	(130)	(337)
Others	(467)	16	130	0	0	0
Net cash from operations	7,627	4,179	4,535	7,363	6,645	6,874
Investing						
Capital expenditure	(2,220)	(1,624)	(2,015)	(2,015)	(2,015)	(2,015)
Acquisition of subsidiaries/ investments	0	0	(80)	0	0	0
Others	(4,576)	2,231	(1,763)	0	0	0
Net cash from investing	(6,796)	607	(3,858)	(2,015)	(2,015)	(2,015)
Financing						
Dividend paid	(2,097)	(2,726)	(3,234)	(2,454)	(2,699)	(2,915)
Net borrowings	486	0	28	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(14)	(200)	(1,579)	0	0	0
Others	(279)	626	(468)	(1)	(1)	(1)
Net cash from financing	(1,904)	(2,301)	(5,253)	(2,455)	(2,700)	(2,916)
Net change in cash						
Cash at the beginning of the year	9,060	10,298	12,015	6,777	9,671	11,601
Exchange difference	14	5	3	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	8,001	12,015	6,777	9,671	11,601	13,544
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	11.0%	1.7%	(7.8%)	(7.1%)	3.9%	4.7%
Gross profit	5.3%	(0.4%)	(8.5%)	(12.7%)	3.8%	6.0%
Operating profit	11.5%	(1.8%)	(23.2%)	6.4%	10.6%	7.6%
Net profit	9.6%	(2.6%)	(28.6%)	14.0%	10.0%	8.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	71.9%	70.5%	70.0%	65.7%	65.6%	66.5%
Operating margin	24.5%	23.6%	19.7%	22.6%	24.0%	24.7%
Return on equity (ROE)	22.2%	19.2%	13.3%	14.7%	15.0%	15.0%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.4)	(0.2)	(0.3)	(0.3)	(0.4)
Current ratio (x)	2.7	2.6	2.3	2.4	2.5	2.7
Receivable turnover days	87.7	120.5	131.4	131.4	131.4	131.4
Inventory turnover days	107.4	123.5	131.2	131.2	131.2	131.2
Payable turnover days	319.6	349.4	367.1	367.1	367.1	367.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	13.8	14.2	19.1	16.6	15.0	13.9
P/E (diluted)	13.8	14.2	19.1	16.6	15.0	13.9
P/B	2.7	2.4	2.4	2.2	2.1	1.9
P/CFPS	11.0	20.0	18.2	11.0	12.2	11.8
Div yield (%)	2.5	3.3	3.1	3.0	3.3	3.6

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

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