

InnoCare Pharma (9969 HK)

Autoimmune and oncology pipelines set stage for long-term dual-engine growth

InnoCare delivered robust commercial results in 2025, with total product sales reaching RMB1.44bn, representing a solid 43.4% YoY growth. This strong momentum continued into 1Q26, where product sales reached RMB450mn (+44.5% YoY and +4.2% QoQ). The company sustained its profitability with a net profit of RMB100mn in 1Q26. We expect this growth trajectory to continue, primarily driven by the inclusion of orelabrutinib for 1L CLL/SLL in the NRDL starting from January 2026. Management has guided for at least a 30% YoY increase in orelabrutinib sales in FY26. On the business development (BD) front, the company successfully out-licensed two major assets in 2025: orelabrutinib to Zenas BioPharma (ZBIO US, NR), and the CD3xCD20 bsAb (ICP-B02) to Prolium. These strategic moves, combined with strong sales, have fortified the company's balance sheet, leaving InnoCare with a robust cash balance of RMB7.92bn at the end of 1Q26, providing ample runway for its R&D initiatives. We maintain a BUY rating on InnoCare with a TP of HK\$18.31.

- **Orelabrutinib unlocking the massive autoimmune market.** Besides the commercial success in oncology, the upcoming NDA submission for primary immune thrombocytopenia (ITP) will officially open the commercialization chapter for orelabrutinib in autoimmune diseases. This will be followed by systemic lupus erythematosus (SLE), which is currently in a Phase 3 study. In the global market, Phase 3 trials for primary progressive multiple sclerosis (PPMS) and secondary progressive multiple sclerosis (SPMS) are ongoing or being planned by partner ZBIO, targeting a remarkably large unmet medical need and a multi-billion-dollar market opportunity.
- **Bcl-2 inhibitor mesutoclax's potential in AML and MDS warrants close attention.** Mesutoclax's delivers a significantly improved safety profile—eliminating the impact of major metabolites and reducing hematological toxicity—coupled with strong potency. InnoCare targets to initiate a Phase 3 trial in 1L AML and is also exploring MDS globally. Notably, while the competitor venetoclax is approved for AML despite its safety concerns, it failed in MDS, representing a highly favorable competitive landscape for ICP-248. Investors should look out for the upcoming ASCO meeting, where global clinical data of ICP-248 in AML/MDS will be released alongside updated data for the ICP-248 and orelabrutinib combination therapy.
- **Autoimmune pipeline continues to expand.** In the broader autoimmune disease space, the TYK2/JAK1 inhibitor ICP-332 has previously released highly competitive Phase 2 data in atopic dermatitis (AD), with Phase 3 data expected in mid-2026. The drug candidate is also being aggressively explored for multiple other high-potential indications, including vitiligo, chronic spontaneous urticaria (CSU), and prurigo nodularis (PN), demonstrating a true "pipeline-in-a-product" profile.
- **Maintain BUY.** We see the BD potential for the company's major assets, including Bcl-2 inhibitor (mesutoclax) and TYK inhibitors (ICP-332 and ICP-488). Considering the promising mesutoclax data and its smooth clinical progress, we add it in our valuation forecast. We revise our TP from HK\$11.95 to HK\$18.31 (WACC 10.73%, terminal growth rate 2.00%).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	1,009	2,375	2,592	3,063	3,936
Net profit (RMB mn)	(440.6)	643.0	225.4	281.1	598.8
EPS (Reported) (RMB)	(0.26)	0.38	0.13	0.16	0.34
R&D expenses (RMB mn)	(814)	(952)	(1,166)	(1,225)	(1,378)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$18.31
(Previous TP)	HK\$11.95)
Up/Downside	30.1%
Current Price	HK\$14.08

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Stock Data

Mkt Cap (HK\$ mn)	24,846.2
Avg 3 mths t/o (HK\$ mn)	107.0
52w High/Low (HK\$)	20.00/9.40
Total Issued Shares (mn)	1764.6

Source: FactSet

Shareholding Structure

Hillhouse Capital	11.8%
Vivo Capital	7.1%

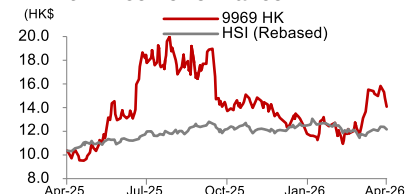
Source: Company data

Share Performance

	Absolute	Relative
1-mth	19.7%	12.6%
3-mth	19.2%	23.1%
6-mth	2.7%	2.9%

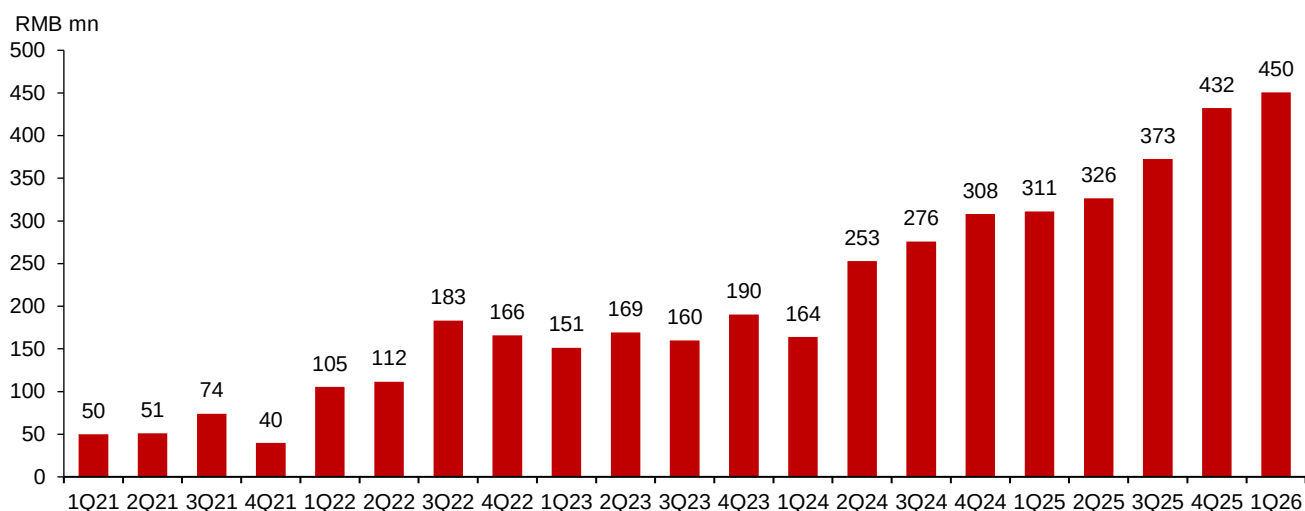
Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Quarterly sales of InnoCare



Source: Company data, CMBIGM.

Figure 2: Risk-adjusted DCF valuation

DCF valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	187	234	578	1,138	2,058	2,562	3,064	3,390	3,664	3,929
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	159	199	492	967	1,749	2,178	2,604	2,881	3,115	3,340
+ D&A	68	68	68	68	68	68	68	68	68	68
- Change in working capital	250	325	192	248	151	33	(78)	(161)	(228)	(284)
- Capex	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)
FCFF	400	514	675	1,206	1,891	2,201	2,517	2,710	2,877	3,046
Terminal value										35,596
FCF + Terminal value	400	514	675	1,206	1,891	2,201	2,517	2,710	2,877	38,641
Present value of enterprise (RMB mn)	21,940									
Net debt	-6,519									
Minorities	21									
Equity value (RMB mn)	28,438									
Equity value (HK\$ mn)	32,316									
# of shares outstanding (mn)	1,765									
TP per share (HK\$)	18.31									
Terminal growth rate	2.00%									
WACC	10.73%									
Cost of Equity	14.1%									
Cost of Debt	3.50%									
Equity Beta	1.10									
Risk Free Rate	2.50%									
Market Risk Premium	10.50%									
Target Debt to Asset ratio	30.00%									
Effective Corporate Tax Rate	15.00%									

Source: CMBIGM estimates

Figure 3: Sensitivity analysis (HK\$)

		WACC				
		9.73%	10.23%	10.73%	11.23%	11.73%
Terminal growth rate	3.00%	22.26	20.77	19.48	18.34	17.35
	2.50%	21.38	20.04	18.86	17.82	16.90
	2.00%	20.62	19.39	18.31	17.35	16.50
	1.50%	19.95	18.83	17.83	16.93	16.13
	1.00%	19.36	18.32	17.39	16.56	15.80

Source: CMBIGM estimates

Figure 4: CMBIGM estimates old vs new

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,592	3,063	3,936	1,886	2,573	3,356	37%	19%	17%
Gross Profit	2,322	2,669	3,420	1,660	2,198	2,880	40%	21%	19%
Operating Profit	318	375	748	(186)	10	245	NA	NA	205%
Net profit	224	280	598	(200)	(4)	196	NA	NA	205%
EPS (RMB)	0.13	0.16	0.34	(0.11)	0.00	0.12	NA	NA	187%
Gross Margin	89.59%	87.14%	86.89%	88.00%	85.42%	85.81%	+1.59 ppt	+1.72 ppt	+1.07 ppt

Source: CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,592	3,063	3,936	2,206	2,886	3,509	17%	6%	12%
Gross Profit	2,322	2,669	3,420	1,946	2,535	3,124	19%	5%	9%
Operating Profit	318	375	748	(59)	2917	408	NA	-87%	83%
Net profit	224	280	598	49	149	221	358%	88%	171%
EPS (RMB)	0.13	0.16	0.34	0.04	0.09	0.22	265%	71%	52%
Gross Margin	89.59%	87.14%	86.89%	88.22%	87.85%	89.04%	+1.37 ppt	-0.71 ppt	-2.15 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	739	1,009	2,375	2,592	3,063	3,936
Cost of goods sold	(128)	(138)	(191)	(270)	(394)	(516)
Gross profit	610	871	2,184	2,322	2,669	3,420
Operating expenses	(1,458)	(1,494)	(1,735)	(2,185)	(2,485)	(2,892)
Selling expense	(367)	(420)	(580)	(760)	(985)	(1,180)
Admin expense	(194)	(184)	(204)	(259)	(276)	(335)
R&D expense	(751)	(814)	(952)	(1,166)	(1,225)	(1,378)
Others	(147)	(76)	(0)	0	0	0
Other income	244	211	262	182	191	220
Other expense	(35)	(34)	(54)	(55)	(45)	(45)
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	(5)	(5)	(0)	0	0	0
Pre-tax profit	(644)	(453)	655	264	330	703
Income tax	(1)	(0)	(12)	(40)	(49)	(105)
After tax profit	(646)	(453)	644	224	280	598
Minority interest	14	12	1	1	1	1
Net profit	(631)	(441)	643	225	281	599

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	8,765	7,820	8,062	8,529	9,319	10,386
Cash & equivalents	8,225	6,223	7,051	7,517	8,112	8,893
Account receivables	308	351	503	473	567	740
Inventories	119	96	163	183	266	349
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	114	1,151	345	356	373	404
Non-current assets	1,154	1,587	2,761	2,771	2,780	2,790
PP&E	760	784	732	744	756	768
Right-of-use assets	294	282	266	264	262	260
Investment in JVs & assos	6	0	3	3	3	3
Intangibles	39	36	31	30	30	29
Goodwill	3	3	3	3	3	3
Other non-current assets	52	23	50	50	50	50
Total assets	9,919	9,407	10,824	11,299	12,100	13,176
Current liabilities	2,094	1,061	1,398	1,649	2,169	2,648
Short-term borrowings	1,256	194	241	241	241	241
Account payables	135	128	184	220	322	421
Other current liabilities	680	707	840	1,055	1,474	1,853
Lease liabilities	23	32	27	27	27	27
Contract liabilities	0	0	105	105	105	105
Non-current liabilities	644	1,601	1,677	1,677	1,677	1,677
Long-term borrowings	26	1,019	1,002	1,002	1,002	1,002
Convertible bonds	0	0	0	0	0	0
Deferred income	269	251	275	275	275	275
Other non-current liabilities	349	331	400	400	400	400
Total liabilities	2,738	2,662	3,074	3,326	3,846	4,325
Share capital	0	0	0	0	0	0
Other reserves	7,148	6,725	7,727	7,952	8,233	8,832
Total shareholders equity	7,148	6,725	7,727	7,952	8,233	8,832
Minority interest	33	21	22	21	20	19
Total equity and liabilities	9,919	9,407	10,824	11,299	12,100	13,176

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(644)	(453)	655	264	330	703
Depreciation & amortization	59	65	65	65	65	65
Tax paid	(0)	(0)	(12)	(40)	(49)	(105)
Change in working capital	(244)	(18)	(35)	250	325	192
Others	104	37	(118)	(74)	(93)	(122)
Net cash from operations	(726)	(368)	555	466	577	733
Investing						
Capital expenditure	(255)	(78)	(78)	(78)	(78)	(78)
Net proceeds from disposal of short-term investments	796	1,056	55	0	0	0
Others	125	133	92	131	141	170
Net cash from investing	667	1,111	70	54	63	93
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	31	1,033	0	0	0	0
Proceeds from share issues	4	(912)	0	0	0	0
Others	(28)	(393)	(54)	(55)	(45)	(45)
Net cash from financing	8	(272)	(54)	(55)	(45)	(45)
Net change in cash						
Cash at the beginning of the year	4,180	4,203	4,680	7,051	7,517	8,112
Exchange difference	26	17	0	0	0	0
Cash at the end of the year	4,203	4,680	7,051	7,517	8,112	8,893
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	18.1%	36.7%	135.3%	9.1%	18.2%	28.5%
Gross profit	26.6%	42.8%	150.7%	6.3%	14.9%	28.2%
Net profit	na	na	na	(65.0%)	24.8%	113.0%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	82.6%	86.3%	92.0%	89.6%	87.1%	86.9%
Return on equity (ROE)	(8.6%)	(6.4%)	8.9%	2.9%	3.5%	7.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	4.2	7.4	5.8	5.2	4.3	3.9
Receivable turnover days	67.6	68.6	69.6	70.6	71.6	72.6
Inventory turnover days	246.8	246.8	246.8	246.8	246.8	246.8
Payable turnover days	298.0	298.0	298.0	298.0	298.0	298.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	32.3	96.0	77.0	36.1
P/B	4.2	3.9	4.5	4.7	4.8	5.2

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

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