

Kelun-Biotech (6990 HK)

Expect more important data release at ESMO 2025

Kelun Biotech reported revenue of RMB950mn in 1H25, with a net loss of RMB145mn. Product sales reached RMB310mn, of which SKB264/sac-TMT contributed RMB302mn—34% of our prior full-year estimate. SKB264 is in the early stage of its ramp-up following approvals in late-line TNBC and EGFRm NSCLC in Nov-24 and Mar-25, respectively. Management continues to target FY25 sales of RMB800~1,000mn for SKB264. We expect that both approved indications of SKB264 will be included in the NRDL starting from early 2026. In 1H25, the Company recognized RMB641mn in collaboration revenue and R&D services, including the upfront payment from out-licensing SKB378 (TSLP) to NewCo WindwardBio and milestone payment from MSD. Selling expenses as % of drug sales was 58% in 1H25, reflecting the start of commercial activities post SKB264 approval. Cash and financial assets totaled RMB4.46bn, providing sufficient capital for commercialization and pipeline development.

- **SKB264 to release important China Ph3 results at ESMO meeting.** The Company plans to release the China Ph3 results of SKB264 in 2L EGFRm NSCLC and 2L HR+/HER2- BC at ESMO meeting in September. We think SKB264 could become the first TROP2 ADC to demonstrate an OS benefit in 2L EGFRm NSCLC, reinforcing its BIC profile. Recall that Trodelvy and Dato-Dxd did not deliver OS benefit in this setting. Beyond second line, we will closely track the Ph3 AVANZAR trial of Dato-DXd in first-line wild-type NSCLC (combo with Durvalumab and Carboplatin), where readout timing could shape class expectations for moving TROP2 ADCs into the frontline.
- **Efficient clinical progress of SKB264.** In China, Kelun Biotech is actively running multiple other Ph3 trials of SKB264, including 1) 1L PD-L1–negative TNBC (NDA submission anticipated in late 2025 or early 2026), 2) 1L PD-L1–positive NSCLC (NDA expected by late 2025), 3) 1L PD-L1–negative non-squamous NSCLC (to be fully enrolled in 2025), 4) 1L EGFRm NSCLC (NDA expected in 2026) and 5) 1L HR+/HER2- BC (post CDK4/6i). Internationally, MSD has launched 14 global Ph3 trials spanning breast, lung, gastrointestinal, and gynecologic cancers—underscoring its strong conviction in SKB264. We are waiting to see if MSD will initiate a Ph3 trial in 1L NSCLC with PD-L1 <50%, which has large underlying market potential. We also expect MSD to explore combinations of SKB264 with PD-1/VEGF bispecifics.
- **Second wave of innovation.** Kelun Biotech is executing a multi-pronged ADC strategy across oncology and non-oncology, leveraging novel or dual payloads, bispecific ADCs, and next generation conjugation technologies. SKB571, its first bispecific ADC, has shown an improved hematologic safety profile and is primarily aimed at frontline treatment of lung cancer, colorectal cancer, and gastrointestinal tumors. SKB107, a radiopharmaceutical drug conjugate (RDC), has also entered clinic.
- **Maintain BUY.** We remain confident about SKB264's global development. We raise our DCF-based TP from HK\$299.93 to HK\$498.55 (WACC: 8.69%, terminal growth rate: 3.5%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	1,540	1,933	1,852	1,965	2,850
YoY growth (%)	91.6	25.5	(4.2)	6.1	45.1
Net profit (RMB mn)	(574.1)	(266.8)	(485.1)	(624.2)	(477.3)
EPS (Reported) (RMB)	(2.84)	(1.20)	(2.08)	(2.68)	(2.05)
R&D expenses (RMB mn)	(1,031)	(1,206)	(1,266)	(1,330)	(1,606)
Admin expenses (RMB mn)	(182)	(163)	(148)	(177)	(296)
CAPEX (RMB mn)	(81)	(77)	(150)	(150)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$498.55**
 (Previous TP) **HK\$299.93**
Up/Downside **15.7%**
Current Price **HK\$431.00**

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)	100,503.2
Avg 3 mths t/o (HK\$ mn)	308.3
52w High/Low (HK\$)	456.00/154.00
Total Issued Shares (mn)	233.2

Source: FactSet

Shareholding Structure

Kelun Pharma	68.5%
MSD	6.1%

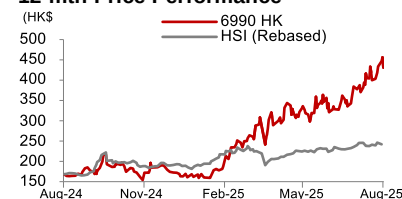
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	10.9%	9.4%
3-mth	28.3%	20.7%
6-mth	128.3%	104.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Sac-TMT's Ph3 trials conducted by MSD (as of Mar 2025)

Indication	Indication details	Trial ID	Regimen	Primary endpoint	Region	Start date	Primary completion date (est)
NSCLC							
3L+ EGFR-m NSCLC	Previously treated nsq-NSCLC with EGFR mutations or other genomic alterations (ALK, ROS1, BRAF, NTRK, MET, RET, etc) (pre-treated with TKI, and chemo)	NCT060 74588	Mono vs chemo (docetaxel or pemetrexed)	PFS, OS	US, HK, AU, Israel, etc	Nov 2023	May 2027
2L EGFR-m NSCLC	post EGFR-TKI nsq-NSCLC (pre-treated with TKI)	NCT063 05754	Mono vs chemo (pemetrexed + carboplatin)	PFS, OS	--	Jun 2024	Sep 2028
1L sq-NSCLC	Maintenance treatment for 1L sq-NSCLC (pts have 4 cycles of prior Keytruda+chemo treatment)	NCT064 22143	SKB264+Keytruda vs Keytruda	OS	--	Jun 2024	Jan 2029
1L NSCLC TPS ≥50%	1L PD-L1 TPS ≥50% NSCLC	NCT061 70788	+ Keytruda vs Keytruda mono	OS	US, AU, Turkey	Dec 2023	Jan 2028
Adjuvant NSCLC	Adjuvant NSCLC (Stage II, IIIA, IIIB resectable NSCLC not achieving pCR)	NCT063 12137	SKB264+Keytruda vs Keytruda	DFS	--	Apr 2024	Feb 2034
Gynecologic cancers							
Endometrial carcinoma	Endometrial carcinoma (post chemo and PD(L)-1)	NCT061 32958	Mono vs chemo	PFS, OS	AU, Israel, etc	Dec 2023	Jan 2028
2L RR CC	Recurrent or Metastatic Cervical Cancer post PD-1	NCT064 59180	Mono vs chemo	OS	US, Israel, etc	Jul 2024	Oct 2028
3L OC	Ovarian cancer (post chemo)	NCT068 24467	SKB264 vs SKB264 + Bevacizumab vs Bevacizumab	AE, PFS	--	Mar 2025 (est)	Apr 2030
Breast cancer							
HR+/HER2- BC	HR+/HER2- BC (post endocrine therapies with one in combo with a CDK4/6 inhibitor)	NCT063 12176	SKB264 mono vs SKB264+Keytruda vs chemo	PFS	--	Apr 2024	Jul 2027
TNBC	TNBC (who received neoadjuvant therapy and did not achieve pCR at surgery)	NCT063 93374	SKB264+Keytruda vs Keytruda mono or Keytruda + capecitabine	iDFS (invasive disease-free survival)	--	Jun 2024	Dec 2030
1L TNBC	TNBC (previously untreated TNBC with PD-L1 CPS < 10)	NCT068 41354	SKB264 mono vs SKB264 + Keytruda vs chemo	PFS, OS	--	Mar 2025 (est)	May 2030
Gastrointestinal cancer							
3L+ GC	3L+ GC	NCT063 56311	Mono vs chemo	OS	--	May 2024	Jan 2027

Source: Company data, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)		2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT		(514)	(643)	(468)	1,308	3,414	5,566	7,780	9,675	10,851	11,871	11,662
Tax rate		0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)		(514)	(643)	(468)	1,111	2,902	4,731	6,613	8,224	9,223	10,090	9,913
+ D&A		85	91	100	108	110	112	114	115	117	118	120
- Change in working capital		65	(185)	(97)	(95)	(153)	(46)	26	47	52	57	54
- Capex		(150)	(150)	(200)	(200)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF		(514)	(887)	(665)	924	2,759	4,697	6,652	8,286	9,292	10,165	9,987
Terminal value												199,059
FCF + terminal value		(514)	(887)	(665)	924	2,759	4,697	6,652	8,286	9,292	10,165	209,046
Present value of enterprise (RMB mn)	103,927											
Net debt (RMB mn)	(3,028)											
Equity value (RMB mn)	106,956											
No. of shares (mn)	233											
DCF per share (RMB)	458.67											
DCF per share (HK\$)	498.55											
Terminal growth rate	3.5%											
WACC	8.69%											
Cost of equity	12.0%											
Cost of debt	3.0%											

Equity beta	0.90
Risk-free rate	3.0%
Market risk premium	10.0%
Target debt to asset ratio	35.0%
Effective corporate tax rate	15.0%

Source: CMBIGM estimates

Figure 3: Sensitivity analysis (HK\$)

Terminal growth rate	WACC				
	7.69%	8.19%	8.69%	9.19%	9.69%
4.5%	811.51	686.35	591.47	517.18	457.52
4.0%	717.41	617.94	540.06	477.53	426.30
3.5%	645.75	564.10	498.55	444.85	400.12
3.0%	589.37	520.64	464.34	417.45	377.85
2.5%	543.84	484.81	435.65	394.14	358.68

Source: CMBIGM estimates

Figure 4: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,852	1,965	2,850	1,923	2,037	2,999	-4%	-4%	-5%
Gross profit	1,348	1,581	2,373	1,453	1,662	2,497	-7%	-5%	-5%
Operating profit	(480)	(593)	(419)	(821)	(801)	(504)	-42%	-26%	-17%
Net profit	(485)	(624)	(477)	(826)	(833)	(562)	-41%	-25%	-15%
EPS (RMB)	(2.08)	(2.68)	(2.05)	(3.63)	(3.66)	(2.47)	-43%	-27%	-17%
Gross margin	72.82%	80.47%	83.27%	75.59%	81.58%	83.25%	-2.76 ppt	-1.11 ppt	+0.01 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,852	1,965	2,850	1,962	3,042	4,942	-6%	-35%	-42%
Gross profit	1,348	1,581	2,373	1,436	2,382	3,999	-6%	-34%	-41%
Operating profit	(480)	(593)	(419)	(501)	(6)	930	NA	NA	NA
Net profit	(485)	(624)	(477)	(547)	(49)	788	NA	NA	NA
EPS (RMB)	(2.08)	(2.68)	(2.05)	(2.44)	(0.31)	3.51	NA	NA	NA
Gross margin	72.82%	80.47%	83.27%	73.18%	78.32%	80.92%	-0.36 ppt	+2.15 ppt	+2.35 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	804	1,540	1,933	1,852	1,965	2,850
Cost of goods sold	(277)	(781)	(659)	(503)	(384)	(477)
Gross profit	527	759	1,274	1,348	1,581	2,373
Operating expenses	(946)	(1,143)	(1,412)	(1,828)	(2,173)	(2,792)
Selling expense	0	(20)	(183)	(498)	(767)	(988)
Admin expense	(95)	(182)	(163)	(148)	(177)	(296)
R&D expense	(846)	(1,031)	(1,206)	(1,266)	(1,330)	(1,606)
Others	(4)	90	140	84	101	99
Operating profit	(419)	(383)	(139)	(480)	(593)	(419)
Net Interest income/(expense)	(149)	(84)	(4)	(5)	(32)	(58)
Pre-tax profit	(567)	(468)	(143)	(485)	(624)	(477)
Income tax	(49)	(106)	(124)	0	0	0
After tax profit	(616)	(574)	(267)	(485)	(624)	(477)
Minority interest	0	0	0	0	0	0
Net profit	(616)	(574)	(267)	(485)	(624)	(477)

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	332	2,807	3,493	4,522	5,029	4,505
Cash & equivalents	93	1,529	1,337	3,148	3,580	2,906
Restricted cash	26	40	7	7	7	7
Account receivables	99	215	304	149	244	379
Inventories	53	63	111	83	63	78
Financial assets at FVTPL	0	634	1,448	848	848	848
Other current assets	62	327	287	287	287	287
Non-current assets	661	702	775	921	979	1,079
PP&E	530	608	595	703	804	948
Right-of-use assets	117	85	163	120	77	34
Intangibles	3	1	3	3	3	3
Other non-current assets	10	8	15	15	15	15
Total assets	993	3,510	4,268	5,442	6,009	5,585
Current liabilities	4,167	1,110	810	692	1,882	1,935
Short-term borrowings	2,891	0	0	0	1,300	1,300
Account payables	243	523	447	329	219	272
Other current liabilities	787	21	9	9	9	9
Lease liabilities	82	54	42	42	42	42
Contract liabilities	164	511	312	312	312	312
Non-current liabilities	52	70	150	150	150	150
Deferred income	11	65	65	65	65	65
Other non-current liabilities	41	6	85	85	85	85
Total liabilities	4,219	1,180	959	841	2,032	2,085
Share capital	107	219	227	227	227	227
Other reserves	(3,334)	2,110	3,081	4,374	3,750	3,272
Total shareholders equity	(3,226)	2,329	3,309	4,601	3,977	3,500
Total equity and liabilities	993	3,510	4,268	5,442	6,009	5,585

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(567)	(468)	(143)	(485)	(624)	(477)
Depreciation & amortization	67	75	91	85	91	100
Tax paid	(49)	0	0	0	0	0
Change in working capital	35	276	(481)	65	(185)	(97)
Others	195	177	103	5	32	58
Net cash from operations	(320)	60	(430)	(330)	(686)	(417)
Investing						
Capital expenditure	(34)	(81)	(77)	(150)	(150)	(200)
Net proceeds from disposal of short-term investments	1	(623)	(793)	519	0	0
Others	1	(321)	49	0	0	0
Net cash from investing	(32)	(1,025)	(822)	369	(150)	(200)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	318	(394)	0	0	1,300	0
Proceeds from share issues	0	1,482	1,094	1,777	0	0
Others	(5)	1,294	(57)	(5)	(32)	(58)
Net cash from financing	313	2,382	1,037	1,772	1,268	(58)
Net change in cash						
Cash at the beginning of the year	82	93	1,529	1,337	3,148	3,580
Exchange difference	1	19	22	0	0	0
Cash at the end of the year	44	1,529	1,337	3,148	3,580	2,906
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	2,387.3%	91.6%	25.5%	(4.2%)	6.1%	45.1%
Gross profit	4,368.1%	44.0%	67.8%	5.9%	17.2%	50.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	65.6%	49.3%	65.9%	72.8%	80.5%	83.3%
Operating margin	(52.1%)	(24.9%)	(7.2%)	(25.9%)	(30.2%)	(14.7%)
Return on equity (ROE)	na	na	(9.5%)	(12.3%)	(14.6%)	(12.8%)
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	0.1	2.5	4.3	6.5	2.7	2.3
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/B	ns	31.3	26.6	20.1	23.3	26.4

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

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.