CSPC Pharmaceutical (1093 HK)

Domestic franchise stabilizing as global innovation strategy delivers

BUY (Maintain)

Target Price	**HK$13.44**
(Previous TP	HK$13.44)
Up/Downside	**68.4%**
Current Price	**HK$7.99**

Following several consecutive quarters of domestic product sales growth, we believe headwinds facing CSPC's core franchise are gradually easing. At the same time, the Company has successfully evolved into a global innovator, as reflected in its steady pace of out-licensing deals. Supported by a highly differentiated innovative pipeline, including PD-1/IL-15, B7-H3 ADC, EGFR ADC, as well as multiple siRNA and CAR-T candidates, we expect CSPC's recurring BD income to become a structural driver of long-term growth. We maintain our BUY rating on CSPC with an unchanged target price of HK$13.44.

- **Domestic sales are stabilizing while profitability remains resilient**. CSPC's 9M26 total revenue reached RMB25.3bn (+27.0% YoY), including RMB6.3bn in BD income, of which US$840mn (RMB5.74bn) was from AstraZeneca's US$1.2bn upfront payment recognized in 2Q26. Ex-BD product sales rose 3.5% YoY to RMB19.0bn in 9M26, accounting for 77% of our previous FY26E forecast and broadly in line with our expectations. Quarterly ex-BD product sales came in at RMB6.29bn in 3Q26 (-1.4% QoQ), in which Ex-BD finished drug sales continued to rebound for a fifth consecutive quarter, reaching RMB5.22bn in 3Q26 (+2.5% QoQ), indicating domestic headwinds are easing. The sales growth was mainly driven by the CNS portfolio, led by NBP and Mingfule. NBP's inclusion in the 2026 National Essential Medicines List should support deeper penetration into primary care, while its NRDL renewal without a price cut provides a solid foundation for further growth. Margins also improved sequentially in 3Q26: product gross margin rose to 70.6% (vs. 64.9%/65.2% in 2Q26/1Q26), while the product selling expense ratio stayed broadly stable at 25.9% (vs. 25.6%/26.3%). R&D expenses were RMB1.6bn (flat QoQ). 3Q26 net profit came in at RMB982mn, +1.9% YoY.
- **Innovative pipeline advancing smoothly across multiple modalities.** CSPC is progressing a broad innovative pipeline spanning ADCs, bispecific antibodies, mRNA therapeutics, and CAR-T. For EGFR ADC SYS6010, the Company has initiated ten Ph3 trials in China, covering EGFRm NSCLC (1L and 2L), EGFRwt NSCLC (adjuvant, 1L PD-L1-positive, and 2L), ESCC (adjuvant and 2L+), HER2-/EGFR+ breast cancer (2L+), and NPC (1L). The first Ph3 study, in 2L EGFRm NSCLC, met its primary PFS endpoint in Aug 2026, with detailed data expected to be presented at the upcoming ESMO Asia. At WCLC, SYS6010 (4.2 mg/kg Q3W) plus a PD-1 mAb delivered a confirmed ORR of 58.5% (n=62, link) for 1L PD-L1+ NSCLC. For reference, sac-TMT plus Keytruda reported a 70.2% ORR in a similar setting in OptiTROP-Lung05, while ivonescimab monotherapy achieved a 50.0% ORR in HARMONi-2. Meanwhile, B7-H3 ADC SYS6043 has entered Ph3 studies in ovarian cancer and TNBC. CSPC's PD-1/IL-15 bsAb has also shown encouraging early efficacy in HCC and CRC, with a favorable safety profile. Across its eight R&D platforms, both the mRNA therapeutic vaccine SYS6077 and in vivo CAR-T candidate SYS6055 have entered Ph1 studies.
- **Maintain BUY**. We maintain our DCF-based target price unchanged at HK$13.44 (WACC 9.34%, terminal growth 3.0%, both unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	29,009	26,006	32,604	29,623	31,941
YoY growth (%)	(7.8)	(10.4)	25.4	(9.1)	7.8
Net profit (RMB mn)	4,338.8	3,876.1	9,114.1	5,004.6	5,105.9
YoY growth (%)	(28.6)	(10.7)	135.1	(45.1)	2.0
EPS (Reported) (RMB)	0.37	0.34	0.76	0.43	0.44
P/E (x)	18.4	20.0	8.8	15.9	15.3
Net gearing (%)	(38.2)	(41.8)	(41.5)	(46.6)	(46.3)

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (HK$ mn)	95,158.9
Avg 3 mths t/o (HK$ mn)	808.9
52w High/Low (HK$)	10.69/6.65
Total Issued Shares (mn)	11917.2

Source: FactSet

Shareholding Structure

Massive Giant Group Ltd	10.6%
Cai Dongchen	10.4%

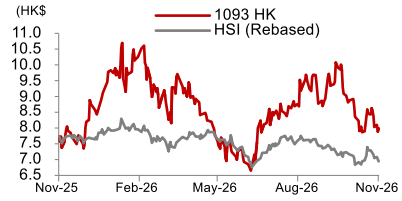
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-10.1%	-6.6%
3-mth	-9.3%	-0.8%
6-mth	5.3%	16.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	10,671	5,972	6,070	6,860	7,683	8,566	9,509	10,555	11,663	12,806
Tax rate	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
EBIT*(1-tax rate)	9,156	5,124	5,209	5,886	6,592	7,350	8,159	9,056	10,007	10,988
+ D&A	1,409	1,409	1,409	1,593	1,784	1,989	2,208	2,451	2,708	2,973
- Change in working capital	-2,674	1,625	-338	-382	-428	-477	-530	-588	-650	-713
- Capx	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000
FCFF	**5,891**	**6,159**	**4,280**	**5,096**	**5,948**	**6,862**	**7,837**	**8,919**	**10,065**	**11,247**
Terminal value										**182,654**

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)	74,772
Total PV (RMB mn)	117,639
Net debt (RMB mn)	-15,773
Minority interests (RMB mn)	1,731
Equity value (RMB mn)	131,681
# of shares (mn)	11,522
DCF per share (in HK$)	**13.44**

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK$)

		WACC				
		8.34%	**8.84%**	**9.34%**	**9.84%**	**10.34%**
	4.00%	18.38	16.49	14.96	13.70	12.64
	3.50%	17.05	15.46	14.14	13.03	12.09
Terminal growth rate	**3.00%**	15.97	14.60	**13.44**	12.46	11.62
	2.50%	15.08	13.88	12.85	11.97	11.21
	2.00%	14.33	13.26	12.34	11.54	10.85

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM forecast revision

	NEW			OLD			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	32,604	29,623	31,941	32,153	28,697	30,030	1.4%	3.2%	6.4%
Gross profit	23,787	20,096	21,522	23,541	19,251	20,119	1.0%	4.4%	7.0%
Operating profit	10,671	5,972	6,070	10,653	5,594	5,925	0.2%	6.8%	2.5%
Attributable net profit	8,748	4,904	5,106	8,732	4,586	4,981	0.2%	6.9%	2.5%
EPS (RMB)	0.76	0.43	0.44	0.76	0.40	0.43	0.2%	6.9%	2.5%
Gross margin	72.96%	67.84%	67.38%	73.22%	67.09%	67.00%	-0.26ppt	+0.75ppt	+0.38ppt
Operating margin	32.73%	20.16%	19.01%	33.13%	19.49%	19.73%	-0.4ppt	+0.67ppt	-0.73ppt
Net margin	26.83%	16.56%	15.99%	27.16%	15.98%	16.59%	-0.33ppt	+0.57ppt	-0.6ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	32,604	29,623	31,941	32,938	30,764	32,507	-1.0%	-3.7%	-1.7%
Gross profit	23,787	20,096	21,522	24,344	21,603	22,848	-2.3%	-7.0%	-5.8%
Operating profit	10,671	5,972	6,070	10,844	6,970	7,271	-1.6%	-14.3%	-16.5%
Attributable net profit	8,748	4,904	5,106	8,776	6,249	6,596	-0.3%	-21.5%	-22.6%
EPS (RMB)	0.76	0.43	0.44	0.75	0.53	0.55	1.8%	-18.9%	-19.4%
Gross margin	72.96%	67.84%	67.38%	73.91%	70.22%	70.29%	-0.95ppt	-2.38ppt	-2.9ppt
Operating margin	32.73%	20.16%	19.01%	32.92%	22.66%	22.37%	-0.19ppt	-2.5ppt	-3.36ppt
Net margin	26.83%	16.56%	15.99%	26.64%	20.31%	20.29%	+0.19ppt	-3.76ppt	-4.31ppt

Source: Bloomberg, CMBIGM estimates

Risks: 1) Potential negative regulatory impact regarding NBP; 2) Intensifying competition around major drug assets.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**31,450**	**29,009**	**26,006**	**32,604**	**29,623**	**31,941**
Cost of goods sold	(9,273)	(8,711)	(8,947)	(8,817)	(9,527)	(10,419)
Gross profit	**22,177**	**20,299**	**17,058**	**23,787**	**20,096**	**21,522**
Selling expense	(9,141)	(8,662)	(6,463)	(6,509)	(6,748)	(7,380)
Admin expense	(1,190)	(1,080)	(825)	(965)	(1,016)	(1,112)
R&D expense	(4,830)	(5,191)	(5,809)	(6,159)	(6,669)	(7,293)
Others	421	346	938	517	309	333
Operating profit	**7,437**	**5,712**	**4,899**	**10,671**	**5,972**	**6,070**
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	(21)	(89)	(52)	(8)	(100)	(100)
Net Interest income/(expense)	**(26)**	**(44)**	**(39)**	**(41)**	**(39)**	**(20)**
Pre-tax profit	**7,389**	**5,579**	**4,808**	**10,622**	**5,833**	**5,951**
Income tax	(1,317)	(1,240)	(932)	(1,508)	(828)	(845)
Minority interest	199	11	(6)	366	100	0
Net profit	**6,073**	**4,339**	**3,876**	**9,114**	**5,005**	**5,106**
Gross dividends	3,044	2,771	2,976	3,937	3,433	3,574
Net dividends	(4)	(26)	(10)	125	(44)	4

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**26,745**	**21,888**	**22,251**	**26,674**	**28,320**	**30,106**
Cash & equivalents	12,015	6,777	6,090	7,967	10,538	11,106
Account receivables	6,542	6,048	6,286	7,881	7,161	7,721
Inventories	3,139	3,130	3,091	3,046	3,291	3,599
Prepayment	0	0	0	0	0	0
ST bank deposits	1,077	1,307	2,776	2,776	2,776	2,776
Other current assets	3,972	4,626	4,008	5,004	4,554	4,904
Non-current assets	**19,537**	**22,501**	**24,447**	**25,038**	**25,628**	**26,219**
PP&E	10,417	11,374	12,153	13,070	13,986	14,902
Deferred income tax	187	250	212	212	212	212
Intangibles	2,199	2,610	2,775	2,620	2,465	2,311
Goodwill	1,226	1,128	1,336	1,165	994	823
Financial assets at FVTPL	2,387	2,334	2,251	2,251	2,251	2,251
Other non-current assets	3,122	4,804	5,720	5,720	5,720	5,720
Total assets	**46,282**	**44,389**	**46,698**	**51,712**	**53,948**	**56,325**
Current liabilities	**10,183**	**9,634**	**10,178**	**10,021**	**10,693**	**11,545**
Short-term borrowings	450	392	329	301	273	245
Account payables	8,404	7,409	7,656	7,544	8,152	8,915
Tax payable	379	138	229	229	229	229
Other current liabilities	948	1,695	1,964	1,947	2,040	2,156
Non-current liabilities	**1,082**	**889**	**1,970**	**1,970**	**1,970**	**1,970**
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,082	889	1,970	1,970	1,970	1,970
Total liabilities	**11,264**	**10,523**	**12,148**	**11,991**	**12,663**	**13,515**
Share capital	10,899	11,033	11,061	11,061	11,061	11,061
Other reserves	22,304	21,232	22,117	26,928	28,400	29,931
Total shareholders equity	**33,203**	**32,265**	**33,178**	**37,990**	**39,461**	**40,993**
Minority interest	1,815	1,602	1,372	1,731	1,824	1,817
Total equity and liabilities	**46,282**	**44,389**	**46,698**	**51,712**	**53,948**	**56,325**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**7,389**	**5,579**	**4,808**	**10,622**	**5,833**	**5,951**
Depreciation & amortization	1,114	1,336	1,409	1,409	1,409	1,409
Tax paid	(1,309)	(1,693)	(824)	(1,508)	(828)	(845)
Change in working capital	(3,032)	(817)	1,138	(2,674)	1,625	(338)
Others	16	130	(700)	0	0	0
Net cash from operations	**4,179**	**4,535**	**5,832**	**7,849**	**8,039**	**6,177**
Investing						
Capital expenditure	(1,624)	(2,015)	(1,959)	(2,000)	(2,000)	(2,000)
Acquisition of subsidiaries/ investments	0	(80)	0	0	0	0
Others	2,231	(1,763)	(1,919)	0	0	0
Net cash from investing	**607**	**(3,858)**	**(3,878)**	**(2,000)**	**(2,000)**	**(2,000)**
Financing						
Dividend paid	(2,726)	(3,234)	(2,497)	(3,937)	(3,433)	(3,574)
Net borrowings	0	28	21	0	0	0
Proceeds from share issues	0	0	23	0	0	0
Share repurchases	(200)	(1,579)	(278)	0	0	0
Others	626	(468)	119	(35)	(35)	(35)
Net cash from financing	**(2,301)**	**(5,253)**	**(2,612)**	**(3,972)**	**(3,468)**	**(3,609)**
Net change in cash						
Cash at the beginning of the year	8,001	10,491	5,917	6,090	7,967	10,538
Exchange difference	5	3	(5)	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	**10,491**	**5,917**	**6,090**	**7,967**	**10,538**	**11,106**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	1.7%	(7.8%)	(10.4%)	25.4%	(9.1%)	7.8%
Gross profit	(0.4%)	(8.5%)	(16.0%)	39.4%	(15.5%)	7.1%
Operating profit	(1.8%)	(23.2%)	(14.2%)	117.8%	(44.0%)	1.6%
Net profit	(2.6%)	(28.6%)	(10.7%)	135.1%	(45.1%)	2.0%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	70.5%	70.0%	65.6%	73.0%	67.8%	67.4%
Operating margin	23.6%	19.7%	18.8%	32.7%	20.2%	19.0%
Return on equity (ROE)	19.2%	13.3%	11.8%	25.6%	12.9%	12.7%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.5)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)
Current ratio (x)	2.6	2.3	2.2	2.7	2.6	2.6
Receivable turnover days	120.5	131.4	143.3	143.3	143.3	143.3
Inventory turnover days	123.5	131.2	126.1	126.1	126.1	126.1
Payable turnover days	349.4	367.1	360.0	360.0	360.0	360.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	13.7	18.4	20.0	8.8	15.9	15.3
P/E (diluted)	13.7	18.4	20.0	8.9	15.9	15.3
P/B	2.3	2.4	2.2	1.9	1.9	1.8
P/CFPS	19.3	17.6	13.3	9.9	9.7	12.7
Div yield (%)	3.8	3.5	3.8	5.1	4.4	4.6

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

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