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CMB International Global Markets | Equity Research | Company Update

招银国际 CMB INTERNATIONAL
招商银行全资附属机构
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CSPC Pharmaceutical (1093 HK)

Domestic sales stabilizing as BD engine scales up

BUY (Maintain)

Target Price	**HK$13.44**
(Previous TP	HK$13.05)
Up/Downside	**41.2%**
Current Price	**HK$9.52**

China Healthcare

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Stock Data

Mkt Cap (HK$ mn)	113,451.8
Avg 3 mths t/o (HK$ mn)	827.0
52w High/Low (HK$)	11.48/6.65
Total Issued Shares (mn)	11917.2

Source: FactSet

Shareholding Structure

Massive Giant Group Ltd	10.6%
Cai Dongchen	12.4%

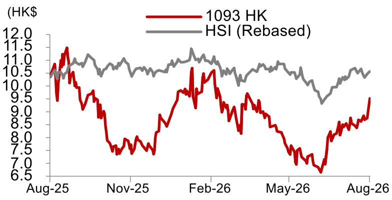
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	12.0%	9.6%
3-mth	28.8%	28.6%
6-mth	-9.5%	-7.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Following consecutive quarters of product sales growth, we believe CSPC's core domestic franchise has reached an inflection point. Concurrently, CSPC has successfully transitioned into a global innovator, evidenced by a steady cadence of out-licensing deals. Backed by a highly differentiated, late-stage pipeline, we expect recurring BD income to serve as a structural driver for long-term growth. We maintain our BUY rating for CSPC with target price of HK$13.44.

- **Domestic sales stabilizing alongside margin expansion**. 1H26 total revenue was RMB18.6bn (+40.1% YoY), including RMB5.9bn of license fee income. Of the US$1.2bn AstraZeneca (AZ) upfront received in May, US$840mn (RMB5.74bn) was recognized in 2Q26 revenue, with the remaining recorded in current liabilities. Ex-BD product sales rose 4.1% YoY to RMB12.7bn, beating our estimates (52% of our prior FY26E forecast). Ex-BD finished drug sales extended recovery for a fourth consecutive quarter at RMB5.09bn in 2Q26 (flattish QoQ), despite stricter promotion restrictions, signaling domestic headwinds are bottoming out. Growth was primarily fueled by the CNS portfolio, led by NBP and Mingfule. NBP's recent inclusion in the 2026 National Essential Medicines List should aid primary-care penetration, while we will watch its year-end NRDL renewal. Margins improved sequentially: 2Q26 product gross margin was 64.9% (vs. 65.2% in 1Q26 and 64.1% in 4Q25) and the selling expense ratio contracted to 25.6% (vs. 26.3%/28.4%). R&D expenses rose 18% YoY to RMB1.6bn, underscoring sustained innovation commitment. Boosted by the AZ upfront, 2Q26 net profit printed at RMB5.2bn (vs. RMB860mn in 1Q26).
- **Sustainable out-licensing income stream**. CSPC has secured seven out-licensing agreements since late 2024 across a diverse array of assets, with the total upfront and milestone payments exceeding US$1.7bn and US$33bn, respectively. The AZ partnership keeps deepening—a 51/49 biologics manufacturing joint venture was established recently in Shijiazhuang. CSPC retains a deep reservoir of highly differentiated assets with BD potential, including a PD-1/IL-15 bsAb, a B7-H3 ADC, an EGFR ADC, and multiple siRNA and CAR-T candidates. We expect CSPC to generate a recurring, high-margin stream of BD revenue in 2026 and beyond.
- **Rich pipeline catalysts**. For EGFR ADC SYS6010, CSPC has initiated seven Ph3 trials in China spanning EGFRm NSCLC (1L and 2L), EGFRwt NSCLC (adjuvant, 1L PD-L1-positive and 2L), 2L ESCC and HER2-/EGFR+ BC. SYS6010 (4.2mg/kg) combined with a PD-1 mAb delivered a 52.4% uORR (n=42, link), with updated data to be presented orally at the coming WCLC 2026. B7-H3 ADC SYS6043 has entered a Ph3 study in ovarian cancer, with oral data updates expected at ESMO 2026 alongside readouts for PD-1/IL-15 (CRC, HCC and melanoma) and others. Within its eight R&D platforms, CSPC is advancing mRNA therapeutic vaccines: the HPV vaccine SYS6026 has entered Ph2, and the COVID mRNA vaccine SYS6006 is in Ph1/2 trials in combination with a PD-1 mAb for solid tumors, with more candidates expected to enter the clinic shortly.
- **Maintain BUY.** Factoring in the product sales growth in 1H26, we revise up our DCF-based target price from HK$13.05 to 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	32,153	28,697	30,030
YoY growth (%)	(7.8)	(10.4)	23.6	(10.7)	4.6
Net profit (RMB mn)	4,338.8	3,876.1	9,098.1	4,680.1	4,981.2
YoY growth (%)	(28.6)	(10.7)	134.7	(48.6)	6.4
EPS (Reported) (RMB)	0.37	0.34	0.76	0.40	0.43
P/E (x)	22.1	24.0	10.7	20.5	18.9

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	10,653	5,594	5,925	6,695	7,532	8,436	9,406	10,441	11,537	12,691
Tax rate	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
EBIT*(1-tax rate)	9,140	4,800	5,084	5,745	6,463	7,238	8,071	8,959	9,899	10,889
+ D&A	1,409	1,409	1,409	1,593	1,792	2,007	2,238	2,484	2,744	3,019
- Change in working capital	-2,629	1,891	-225	-254	-286	-320	-357	-397	-438	-482
- Capx	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000
FCFF	**5,921**	**6,100**	**4,268**	**5,083**	**5,968**	**6,925**	**7,951**	**9,046**	**10,205**	**11,426**
Terminal value										**185,555**

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)	75,959
Total PV (RMB mn)	119,096
Net debt (RMB mn)	-15,810
Minority interests (RMB mn)	1,731
Equity value (RMB mn)	133,175
# 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%	18.39	16.50	14.96	13.69	12.63
	3.50%	17.06	15.46	14.14	13.03	12.08
Terminal growth rate	**3.00%**	15.98	14.60	**13.44**	12.46	11.61
	2.50%	15.08	13.87	12.84	11.96	11.20
	2.00%	14.32	13.25	12.33	11.53	10.83

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM revision

	NEW			OLD			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	32,153	28,697	30,030	28,787	30,622	33,072	11.7%	-6.3%	-9.2%
Gross profit	23,541	19,251	20,119	19,727	20,808	22,793	19.3%	-7.5%	-11.7%
Operating profit	10,653	5,594	5,925	7,220	7,114	8,766	47.5%	-21.4%	-32.4%
Attributable net profit	8,732	4,586	4,981	5,715	5,629	6,980	52.8%	-18.5%	-28.6%
EPS (RMB)	0.76	0.40	0.43	0.50	0.49	0.61	51.5%	-19.2%	-29.2%
Gross margin	73.22%	67.09%	67.00%	68.53%	67.95%	68.92%	+4.69ppt	-0.86ppt	-1.92ppt
Operating margin	33.13%	19.49%	19.73%	25.08%	23.23%	26.51%	+8.05ppt	-3.74ppt	-6.78ppt
Net margin	27.16%	15.98%	16.59%	19.85%	18.38%	21.11%	+7.31ppt	-2.4ppt	-4.52ppt

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	32,153	28,697	30,030	32,058	30,430	32,669	0.3%	-5.7%	-8.1%
Gross profit	23,541	19,251	20,119	23,095	21,024	23,012	1.9%	-8.4%	-12.6%
Operating profit	10,653	5,594	5,925	9,851	7,084	7,485	8.1%	-21.0%	-20.8%
Attributable net profit	8,732	4,586	4,981	8,010	5,888	6,315	9.0%	-22.1%	-21.1%
EPS (RMB)	0.76	0.40	0.43	0.68	0.51	0.55	10.8%	-22.4%	-22.0%
Gross margin	73.22%	67.09%	67.00%	72.04%	69.09%	70.44%	+1.18ppt	-2ppt	-3.44ppt
Operating margin	33.13%	19.49%	19.73%	30.73%	23.28%	22.91%	+2.4ppt	-3.79ppt	-3.18ppt
Net margin	27.16%	15.98%	16.59%	24.99%	19.35%	19.33%	+2.17ppt	-3.37ppt	-2.74ppt

Source: Bloomberg, CMBIGM estimates

Risks: 1) Further price cuts of NBP in the NRDL renewal by end-2026; 2) Continuous strict drug promotion restrictions in the healthcare sector in China.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**31,450**	**29,009**	**26,006**	**32,153**	**28,697**	**30,030**
Cost of goods sold	(9,273)	(8,711)	(8,947)	(8,611)	(9,445)	(9,911)
Gross profit	**22,177**	**20,299**	**17,058**	**23,541**	**19,251**	**20,119**
Selling expense	(9,141)	(8,662)	(6,463)	(6,392)	(6,690)	(6,882)
Admin expense	(1,190)	(1,080)	(825)	(947)	(1,008)	(1,057)
R&D expense	(4,830)	(5,191)	(5,809)	(5,884)	(6,259)	(6,567)
Others	421	346	938	335	299	313
Operating profit	**7,437**	**5,712**	**4,899**	**10,653**	**5,594**	**5,925**
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**	**10,604**	**5,454**	**5,805**
Income tax	(1,317)	(1,240)	(932)	(1,505)	(774)	(824)
Minority interest	199	11	(6)	366	94	0
Net profit	**6,073**	**4,339**	**3,876**	**9,098**	**4,680**	**4,981**
Gross dividends	3,044	2,771	2,976	3,929	3,211	3,487
Net dividends	(4)	(26)	(10)	125	(47)	9

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**26,745**	**21,888**	**22,251**	**26,462**	**28,129**	**29,457**
Cash & equivalents	12,015	6,777	6,090	8,004	10,739	11,383
Account receivables	6,542	6,048	6,286	7,772	6,937	7,259
Inventories	3,139	3,130	3,091	2,975	3,263	3,423
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	4,936	4,414	4,615
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**	**51,500**	**53,757**	**55,676**
Current liabilities	**10,183**	**9,634**	**10,178**	**9,818**	**10,613**	**11,044**
Short-term borrowings	450	392	329	301	273	245
Account payables	8,404	7,409	7,656	7,369	8,082	8,480
Tax payable	379	138	229	229	229	229
Other current liabilities	948	1,695	1,964	1,920	2,029	2,090
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**	**11,788**	**12,583**	**13,014**
Share capital	10,899	11,033	11,061	11,061	11,061	11,061
Other reserves	22,304	21,232	22,117	26,919	28,295	29,790
Total shareholders equity	**33,203**	**32,265**	**33,178**	**37,981**	**39,357**	**40,851**
Minority interest	1,815	1,602	1,372	1,731	1,818	1,811
Total equity and liabilities	**46,282**	**44,389**	**46,698**	**51,500**	**53,757**	**55,676**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**7,389**	**5,579**	**4,808**	**10,604**	**5,454**	**5,805**
Depreciation & amortization	1,114	1,336	1,409	1,409	1,409	1,409
Tax paid	(1,309)	(1,693)	(824)	(1,505)	(774)	(824)
Change in working capital	(3,032)	(817)	1,138	(2,629)	1,891	(225)
Others	16	130	(700)	0	0	0
Net cash from operations	**4,179**	**4,535**	**5,832**	**7,879**	**7,981**	**6,166**
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)	(3,929)	(3,211)	(3,487)
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)**	**(3,964)**	**(3,245)**	**(3,522)**
Net change in cash						
Cash at the beginning of the year	8,001	10,491	5,917	6,090	8,004	10,739
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**	**8,004**	**10,739**	**11,383**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	1.7%	(7.8%)	(10.4%)	23.6%	(10.7%)	4.6%
Gross profit	(0.4%)	(8.5%)	(16.0%)	38.0%	(18.2%)	4.5%
Operating profit	(1.8%)	(23.2%)	(14.2%)	117.4%	(47.5%)	5.9%
Net profit	(2.6%)	(28.6%)	(10.7%)	134.7%	(48.6%)	6.4%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	70.5%	70.0%	65.6%	73.2%	67.1%	67.0%
Operating margin	23.6%	19.7%	18.8%	33.1%	19.5%	19.7%
Return on equity (ROE)	19.2%	13.3%	11.8%	25.6%	12.1%	12.4%

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	2.7	2.7
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	16.5	22.1	24.0	10.7	20.5	18.9
P/E (diluted)	16.5	22.1	24.0	10.7	20.5	18.9
P/B	2.8	2.8	2.7	2.3	2.3	2.2
P/CFPS	23.2	21.1	16.0	11.8	11.8	15.3
Div yield (%)	3.1	2.9	3.2	4.2	3.4	3.7

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

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