

Hansoh Pharma (3692 HK)

Overseas out-licensing as a sustainable profit driver

- **FY24 results in line.** Hansoh's FY24 performance was in line with expectations, reporting revenue of RMB12.26bn (+21.3% YoY) and attributable net income of RMB4.37bn (+33.4% YoY). Product sales reached RMB10.69bn (+13.7% YoY). Sales of innovative drugs, excluding collaboration revenue, saw strong growth of +28.2% YoY, totaling RMB7.9bn. We believe the Company will meet its FY25E target for innovative drug sales to surpass RMB10.0bn (up over 25% YoY). FY24 saw improved cost efficiency, with SG&A as a percentage of product sales decreasing to 42% from 45% in FY23. R&D costs further increased 29% YoY to RMB2.70bn in FY24. The Company has consistently increased its dividend payout, with the payout ratio increasing from 35% in FY23 to 42.5% in FY24. We expect a stable payout ratio in FY25E and beyond.
- **Long life cycle of aumolertinib driven by indication expansion.** Aumolertinib's FY2024 sales demonstrated robust growth, increasing by 29% YoY. As an early entrant in China's third-generation EGFR-TKI market, aumolertinib benefits from its inclusion in the NRDL for first-line and second-line indications. Hansoh is actively pursuing further indication expansion, with two anticipated NRDL additions in early 2026: adjuvant therapy after resection (sNDA submitted in Jul 2024) and maintenance therapy for locally advanced unresectable NSCLC (approved in Mar 2025). Aumolertinib is positioned to be the first domestic EGFR-TKI in these two indications. Furthermore, Hansoh is developing combination therapies such as aumolertinib + cMet inhibitor or EGFR/c-Met, to better solidify the leadership position of aumolertinib in NSCLC. Thus, we believe Hansoh is well-positioned to achieve its sales targets of RMB6.0bn in 2025 and over RMB8.0bn at peak.
- **Sustainable profit from overseas out-licensing deals.** Following the successful out-licensing of two ADCs to GSK in late 2023, Hansoh further out-licensed one of its oral small molecule GLP-1R agonists to MSD through a blockbuster deal in late 2024. HS-20093 (B7-H3 ADC) is currently in Ph3 trial in China for 2L SCLC, with GSK planning to initiate global pivotal trials by 4Q25. HS-20089 (B7-H4 ADC), a leading candidate globally, has recently entered Ph3 trial in China for ovarian cancer. GSK's Ph1/2 trials for HS-20089 is ongoing, with data readout expected this year and pivotal trials slated for 2026. Furthermore, HS-20094 (GLP-1/GIP dual agonist) has progressed to Ph3 trials for obesity, with potential approval anticipated in 2027. In 2024, Hansoh brought 6 in-house developed molecules into clinic, including 4th-Gen EGFR-TKI, GLP-1 oral drug, CDH6 ADC, and CDH17 ADC. We expect Hansoh to advance additional ADC assets, including an EGFR/cMet ADC, into clinical studies. Given the current global trend of big pharma actively seeking innovative drug assets in China, we believe that Hansoh, with its robust pipeline of innovative therapies, will continue to benefit from this industry movement. We expect overseas out-licensing of its pipeline assets to become a sustainable source of profit for the Company.
- **Maintain BUY.** Excluding the impact of collaboration revenue, we expect Hansoh's organic revenue to grow 16.3%/14.2% YoY in FY25E/26E. We expect Hansoh's net profit to decrease 2.2% YoY in FY25E and increase 0.1% in FY26E. We maintain our DCF-based TP unchanged at HK\$25.24 (WACC: 8.52%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	10,104	12,261	13,247	14,482	17,014
YoY growth (%)	7.7	21.3	8.0	9.3	17.5
Net profit (RMB mn)	3,277.5	4,371.8	4,274.0	4,280.1	5,355.6
YoY growth (%)	26.9	33.4	(2.2)	0.1	25.1
EPS (Reported) (RMB)	0.55	0.74	0.72	0.72	0.90
P/E (x)	33.9	25.4	26.0	26.0	20.8
R&D expenses (RMB mn)	(2,097)	(2,702)	(2,984)	(3,267)	(3,620)
Admin expenses (RMB mn)	(710)	(713)	(808)	(909)	(1,014)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$25.24
(Previous TP)	HK\$25.24)
Up/Downside	25.6%
Current Price	HK\$20.10

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Stock Data

Mkt Cap (HK\$ mn)	119,306.6
Avg 3 mths t/o (HK\$ mn)	116.4
52w High/Low (HK\$)	22.05/14.66
Total Issued Shares (mn)	5935.7

Source: FactSet

Shareholding Structure

Sunrise Trust Trustee	65.7%
JQC International Limited	16.0%

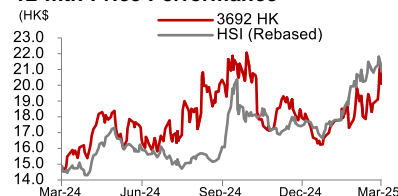
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.5%	0.6%
3-mth	12.0%	-6.7%
6-mth	-1.2%	-23.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	4,182	4,361	5,694	6,579	7,667	8,997	10,224	11,066	11,532	11,856	11,882
Tax rate	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
EBIT*(1-tax rate)	3,595	3,750	4,895	5,656	6,592	7,735	8,789	9,514	9,914	10,193	10,215
+ D&A	36	36	36	36	36	36	36	36	36	36	36
- Change in working capital	-249	-292	-597	-494	-533	-538	-280	-21	109	146	180
- Capex	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
FCFF	3,182	3,293	4,135	4,998	5,895	7,032	8,345	9,328	9,858	10,174	10,231
Terminal value											174,311
Terminal growth rate	3.0%										
WACC	8.52%										
Cost of Equity	11.5%										
Cost of Debt	3.5%										
Equity Beta	0.90										
Risk Free Rate	2.5%										
Market Risk Premium	10.0%										
Target Debt to Asset ratio	35.0%										
Effective Corporate Tax Rate	15.0%										
Present value of enterprise (RMB mn)	114,673										
Net debt (RMB mn)	-24,655										
Equity value (RMB mn)	139,328										
No. of shares (mn)	5,936										
DCF per shares (RMB)	23.47										
DCF per share (HK\$)	25.24										

Source: CMBIGM estimates

Figure 2: Sensitivity analysis

		WACC				
		7.52%	8.02%	8.52%	9.02%	9.52%
Terminal growth	3.5%	34.40	30.82	27.95	25.61	23.67
	3.0%	31.93	28.93	26.47	24.43	22.71
	2.5%	29.95	27.38	25.24	23.44	21.90
	2.0%	28.32	26.08	24.20	22.58	21.19
	1.5%	26.97	24.99	23.30	21.84	20.57

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimate New vs Old

RMB mn	NEW			OLD			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	13,247	14,482	17,014	13,312	14,445	17,360	0%	0%	-2%
Gross profit	12,004	13,090	15,470	11,935	12,886	15,567	1%	2%	-1%
Attributable net profit	4,274	4,280	5,356	4,015	3,944	5,032	6%	9%	6%
EPS (RMB)	0.72	0.72	0.90	0.68	0.66	0.85	6%	9%	6%
Gross margin	90.61%	90.39%	90.92%	89.66%	89.21%	89.67%	+0.96 ppt	+1.18 ppt	+1.25 ppt
Net margin	32.26%	29.55%	31.48%	30.16%	27.30%	28.99%	+2.10 ppt	+2.25 ppt	+2.49 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: CMBIGM vs Consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	13,247	14,482	17,014	12,855	13,195	14,827	3%	10%	15%
Gross profit	12,004	13,090	15,470	11,603	11,874	13,343	3%	10%	16%
Attributable net profit	4,274	4,280	5,356	4,376	4,088	4,602	-2%	5%	16%
EPS (RMB)	0.72	0.72	0.90	0.75	0.70	0.78	-3%	4%	15%
Gross margin	90.61%	90.39%	90.92%	90.26%	89.99%	89.99%	+0.35 ppt	+0.40 ppt	+0.93 ppt
Net margin	32.26%	29.55%	31.48%	34.04%	30.98%	31.04%	-1.78 ppt	-1.43 ppt	+0.44 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	9,382	10,104	12,261	13,247	14,482	17,014
Cost of goods sold	(867)	(1,031)	(1,105)	(1,243)	(1,392)	(1,545)
Gross profit	8,515	9,073	11,155	12,004	13,090	15,470
Selling expense	(3,550)	(3,531)	(3,796)	(4,166)	(4,688)	(5,278)
Admin expense	(597)	(710)	(713)	(808)	(909)	(1,014)
R&D expense	(1,693)	(2,097)	(2,702)	(2,984)	(3,267)	(3,620)
Other income	449	1,125	1,133	928	756	674
Other gains/(losses)	(117)	(27)	13	0	0	0
Net Interest income/(expense)	(58)	(67)	(7)	(2)	(2)	(2)
Pre-tax profit	2,948	3,766	5,085	4,971	4,978	6,230
Income tax	(365)	(489)	(713)	(697)	(698)	(874)
After tax profit	2,584	3,278	4,372	4,274	4,280	5,356
Net profit	2,584	3,278	4,372	4,274	4,280	5,356

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	25,832	28,883	27,442	29,839	32,268	35,344
Cash & equivalents	17,615	22,435	22,622	24,773	26,885	29,337
Account receivables	3,578	3,214	3,170	3,376	3,612	4,150
Inventories	448	576	651	690	773	857
Prepayment	182	236	235	235	235	235
Financial assets at FVTPL	2,544	512	17	17	17	17
Other current assets	1,464	1,910	747	747	747	747
Non-current assets	4,170	4,156	4,216	4,380	4,545	4,709
PP&E	3,196	3,045	2,805	3,005	3,205	3,405
Right-of-use assets	254	235	442	417	391	365
Intangibles	33	177	245	235	225	215
Other non-current assets	687	699	724	724	724	724
Total assets	30,002	33,039	31,658	34,219	36,813	40,052
Current liabilities	2,620	6,863	2,695	2,692	2,718	2,744
Short-term borrowings	0	0	0	0	0	0
Account payables	222	164	218	215	240	267
Other current liabilities	91	4,269	88	88	88	88
Lease liabilities	16	16	16	16	16	16
Contract liabilities	25	38	19	19	19	19
Accrued expenses	2,266	2,376	2,355	2,355	2,355	2,355
Non-current liabilities	4,735	381	283	283	283	283
Convertible bonds	4,283	40	0	0	0	0
Deferred income	351	255	200	200	200	200
Other non-current liabilities	102	87	83	83	83	83
Total liabilities	7,355	7,244	2,978	2,975	3,000	3,027
Share capital	0	0	0	0	0	0
Other reserves	22,647	25,795	28,680	31,244	33,812	37,026
Total shareholders equity	22,647	25,795	28,680	31,244	33,812	37,026
Total equity and liabilities	30,002	33,039	31,658	34,219	36,813	40,052

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,948	3,766	5,085	4,971	4,978	6,230
Depreciation & amortization	316	335	362	0	0	0
Tax paid	(324)	(590)	(713)	(697)	(698)	(874)
Change in working capital	(306)	257	(16)	(249)	(292)	(597)
Others	107	(652)	(857)	(654)	(481)	(400)
Net cash from operations	2,741	3,116	3,862	3,372	3,507	4,359
Investing						
Capital expenditure	(273)	(220)	(473)	(200)	(200)	(200)
Acquisition of subsidiaries/ investments	(186)	(239)	0	0	0	0
Net proceeds from disposal of short-term investments	(5,411)	1,418	2,895	692	519	438
Others	(65)	114	0	0	0	0
Net cash from investing	(5,935)	1,074	2,422	492	319	238
Financing						
Dividend paid	(712)	(652)	(1,859)	(1,710)	(1,712)	(2,142)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	(77)	(115)	0	0	0	0
Others	(29)	13	(4,190)	(2)	(2)	(2)
Net cash from financing	(818)	(754)	(6,049)	(1,712)	(1,714)	(2,145)
Net change in cash						
Cash at the beginning of the year	6,719	2,666	5,981	2,323	4,474	6,586
Exchange difference	(41)	(122)	0	0	0	0
Cash at the end of the year	2,666	5,981	6,216	4,474	6,586	9,038
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(5.6%)	7.7%	21.3%	8.0%	9.3%	17.5%
Gross profit	(6.1%)	6.5%	23.0%	7.6%	9.0%	18.2%
Net profit	(4.8%)	26.9%	33.4%	(2.2%)	0.1%	25.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	90.8%	89.8%	91.0%	90.6%	90.4%	90.9%
Return on equity (ROE)	12.1%	13.5%	16.1%	14.3%	13.2%	15.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	9.9	4.2	10.2	11.1	11.9	12.9
Receivable turnover days	141.1	122.7	95.0	93.0	91.0	89.0
Inventory turnover days	180.6	181.2	202.6	202.6	202.6	202.6
Payable turnover days	99.1	68.3	63.0	63.0	63.0	63.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	42.9	33.9	25.4	26.0	26.0	20.8
P/E (diluted)	43.0	34.4	25.5	26.0	26.0	20.8
P/B	4.9	4.3	3.9	3.6	3.3	3.0

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

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