

Henlius Biotech (2696 HK)

Updated data of PD-L1 ADC at the coming WCLC

- **1H25 results in line.** Henlius reported revenue of RMB2.82bn in 1H25 (+3% YoY), in line with our expectations. Drug sales reached RMB2.57bn, accounting for 49% of our prior full-year forecast. Net profit came in at RMB390mn (+1% YoY), achieving 31% of our full-year estimate. We expect Henlius to book additional upfront payments from BD deals, including partnerships with Dr. Reddy's (CD38 biosimilar), Sandoz (CTLA-4 biosimilar), and Lotus (Serplulimab). Trastuzumab sales remained resilient at RMB1.44bn, down 2% YoY but up 8% HoH. Serplulimab recorded sales of RMB598mn in 1H25, down 12% YoY and 6% HoH, due to intensifying competition. Overseas product revenue reached RMB41mn in 1H25, and mgmt expects full-year overseas product revenue to grow 50%+ YoY in FY25.
- **Updated data of HLX43 (PD-L1 ADC) at the coming WCLC.** As a leading PD-L1 ADC globally, HLX43 has demonstrated competitive early efficacy for IO-resistant NSCLC. Among heavily pre-treated NSCLC patients (median of three prior lines), HLX43 2mg/kg monotherapy achieved 38.1% ORR and 5.4 months of mPFS. Notably, HLX43 showed consistent anti-tumor activity across both sq- and nsq-NSCLC (cORR of 33.3% each), regardless of PD-L1 expression or presence of brain/liver metastases. Updated WCLC abstract showed in 19 EGFR wild-type nsq-NSCLC patients, the ORR reached 47.4% (combined doses, [link](#)), with detailed data expected next month at WCLC. irAE was reported in the study, indicating the potential IO effects of HLX43. HLX43 is currently undergoing multiple Ph2 trials across broad indications of NSCLC, HCC, ESCC, CRC, GC, NPC, HNSCC, and others. Ph2 trial in NSCLC is also enrolling in the US. HLX43 demonstrates strong potential for out-licensing.
- **HLX22 is another potential blockbuster.** We view HLX22 (HER2 mAb) to be a strong alternative for 1L HER2+ GC. In a Ph2 trial, HLX22+ trastuzumab + chemo showed dramatically improved efficacy over the SoC (trastuzumab + chemo), with mPFS not reached (over 22 months per management indication) vs 8.2 months in the control arm (HR=0.2). Henlius is advancing a global Ph3 MRCT in this indication across China, US, Japan and other countries. A Ph2 trial of HLX22 in combo with Enhertu for breast cancer is also ongoing.
- **Working to advance the global registration of serplulimab.** Serplulimab has already received approvals in EU and Southeast Asia. Bridging study of serplulimab in the US for 1L ES-SCLC is expected to be full enrolled soon, with NDA expected in early 2026. Ph3 data in perioperative GC is expected by end-2025. Additionally, serplulimab represents a compelling opportunity in first-line MSS CRC. In a Ph2 trial, serplulimab + chemo + beva showed numerically longer PFS (16.8 vs 10.1 months; HR 0.66) and OS (23.5 vs 20.2 months; HR 0.79) vs chemo + beva. A Ph3 trial in 1L MSS CRC is ongoing in China and other Asian markets, and has been fully enrolled as of Jun 2025.
- **Maintain BUY.** With its biosimilars continuing to generate cash inflows both in China and globally, Henlius is evolving into an innovative biologics player, led by HLX43 (PD-L1 ADC). Henlius is also developing a range of early-stage assets, i.e. STEAP1xCD3xCD28 TCE, KAT6 inhibitor, PD-L1/VEGF, EGFR/c-MET ADC, and HER2 bsAb ADC. We revise our DCF-based TP to HK\$97.75 from HK\$61.98 (WACC 9.13%, terminal growth 3.5%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	5,395	5,724	6,275	4,855	5,610
YoY growth (%)	67.8	6.1	9.6	(22.6)	15.6
Net profit (RMB mn)	546.0	820.5	1,069.1	469.1	809.3
YoY growth (%)	na	50.3	30.3	(56.1)	72.5
EPS (Reported) (RMB)	1.01	1.51	1.97	0.86	1.49
P/E (x)	76.4	50.9	39.1	89.0	51.6
R&D expenses (RMB mn)	(1,119)	(1,035)	(1,229)	(1,291)	(1,420)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$97.75
(Previous TP)	HK\$61.98)
Up/Downside	16.5%
Current Price	HK\$83.90

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)	45,599.2
Avg 3 mths t/o (HK\$ mn)	80.0
52w High/Low (HK\$)	83.95/15.74
Total Issued Shares (mn)	543.5

Source: FactSet

Shareholding Structure

Management	26.8%
Fosun	19.8%

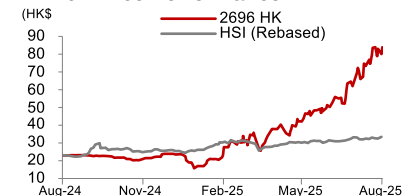
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	34.8%	34.1%
3-mth	99.3%	81.8%
6-mth	203.4%	182.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	1,262	536	920	1,358	1,610	2,259	3,307	4,441	5,209	6,044	6,559
Less: Tax	(189)	(83)	(143)	(212)	(253)	(354)	(517)	(696)	(821)	(959)	(1,050)
Depreciation and amortisation	468	468	459	452	445	367	361	356	352	348	344
CAPEX (incl. intangible assets)	(723)	(723)	(623)	(523)	(473)	(473)	(473)	(473)	(473)	(473)	(473)
Change in working capital	234	20	(43)	(43)	5	(24)	(60)	(102)	(18)	(51)	(10)
FCF	1,051	309	662	1,075	1,256	1,769	2,613	3,522	4,244	4,905	5,366
Terminal value											98,574
PV of enterprise (RMB mn)	51,235										
Debt & Preferred Stock (RMB mn)	1,828										
Deposit and pledged cash (RMB mn)	543										
Equity value (RMB mn)	49,407										
Value per share (RMB)	90.91										
Value per share (HK\$)	97.75										
Terminal growth rate	3.5%										
WACC	9.13%										
Cost of Equity	3.0%										
Cost of Debt	13.5%										
Equity Beta	10.50										
Risk Free Rate	%										
Market Risk Premium	0.90										
Target Debt to Asset ratio	15%										
Effective Corporate Tax Rate	35%										
	65%										

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC				
		8.13%	8.63%	9.13%	9.63%	10.13%
Terminal growth rate	4.5%	154.25	132.04	114.72	100.86	89.53
	4.0%	138.09	119.93	105.41	93.54	83.68
	3.5%	125.41	110.18	97.75	87.42	78.71
	3.0%	115.20	102.17	91.34	82.22	74.44
	2.5%	106.81	95.46	85.90	77.75	70.73

Source: CMBIGM estimates

Figure 3: CMBIGM estimates: New vs Old

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,275	4,855	5,610	6,581	4,763	5,441	-5%	2%	3%
Gross profit	4,937	3,478	4,135	4,959	3,150	3,695	0%	10%	12%
Net profit	1,069	469	809	1,244	585	836	-14%	-20%	-3%
EPS (RMB)	1.97	0.86	1.49	2.29	1.08	1.54	-14%	-20%	-3%
Gross margin	78.68%	71.65%	73.70%	75.35%	66.14%	67.92%	+3.33 ppt	+5.51 ppt	+5.78 ppt
Net margin	17.04%	9.66%	14.42%	18.91%	12.29%	15.37%	-1.87 ppt	-2.62 ppt	-0.95 ppt

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	6,275	4,855	5,610	6,038	6,144	7,009	4%	-21%	-20%
Gross profit	4,937	3,478	4,135	4,446	3,658	4,149	11%	-5%	0%
Net profit	1,069	469	809	903	836	1,088	18%	-44%	-26%
EPS (RMB)	1.97	0.86	1.49	1.66	1.55	1.99	18%	-44%	-25%
Gross margin	78.68%	71.65%	73.70%	73.63%	59.54%	59.20%	+5.05 ppt	+12.11 ppt	+14.51 ppt
Net margin	17.04%	9.66%	14.42%	14.96%	13.61%	15.52%	+2.08 ppt	-3.94 ppt	-1.10 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	3,215	5,395	5,724	6,275	4,855	5,610
Cost of goods sold	(845)	(1,476)	(1,540)	(1,338)	(1,376)	(1,475)
Gross profit	2,370	3,919	4,185	4,937	3,478	4,135
Selling expense	(1,049)	(1,754)	(1,917)	(2,060)	(1,356)	(1,451)
Admin expense	(354)	(384)	(371)	(385)	(296)	(344)
R&D expense	(1,395)	(1,119)	(1,035)	(1,229)	(1,291)	(1,420)
Operating profit	(428)	662	861	1,262	536	920
Other gains/(losses)	(266)	(92)	(15)	(4)	16	32
EBITDA	(163)	1,015	1,228	1,730	995	1,371
EBIT	(428)	662	861	1,262	536	920
Pre-tax profit	(694)	570	846	1,258	552	952
Income tax	(1)	(24)	(25)	(189)	(83)	(143)
After tax profit	(695)	546	820	1,069	469	809
Minority interest	0	0	0	0	0	0
Net profit	(695)	546	820	1,069	469	809

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	2,192	2,676	2,512	2,631	2,433	2,688
Cash & equivalents	680	988	773	1,320	1,145	1,339
Restricted cash	0	0	0	0	0	0
Account receivables	456	648	857	535	532	550
Inventories	757	757	728	623	603	647
Other current assets	298	283	153	153	153	153
Non-current assets	6,733	7,228	8,086	8,342	8,506	8,577
PP&E	1,817	2,238	2,343	2,259	2,183	2,115
Right-of-use assets	412	415	357	285	213	141
Intangibles	4,332	4,511	5,355	5,767	6,079	6,291
Other non-current assets	171	64	30	30	30	30
Current liabilities	5,002	5,067	5,032	4,338	3,835	3,353
Short-term borrowings	2,522	2,800	2,560	2,060	1,560	1,060
Account payables	714	545	729	535	532	550
Other current liabilities	1,443	1,255	1,299	1,299	1,299	1,299
Contract liabilities	322	467	444	444	444	444
Non-current liabilities	2,286	2,644	2,552	2,552	2,552	2,552
Long-term borrowings	1,155	1,293	1,089	1,089	1,089	1,089
Deferred income	193	230	239	239	239	239
Other non-current liabilities	938	1,121	1,225	1,225	1,225	1,225
Total liabilities	7,288	7,711	7,584	6,890	6,386	5,904
Share capital	543	543	543	543	543	543
Retained earnings	1,093	1,649	2,470	3,539	4,008	4,818
Total shareholders equity	1,636	2,192	3,014	4,083	4,552	5,361
Minority interest	0	0	0	0	0	0
Total equity and liabilities	1,636	2,192	3,014	4,083	4,552	5,361

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(694)	570	846	1,258	552	952
Depreciation & amortization	265	353	367	468	459	452
Tax paid	(1)	(21)	(28)	(189)	(83)	(143)
Change in working capital	1,101	61	(57)	234	20	(43)
Others	311	85	114	108	92	76
Net cash from operations	982	1,048	1,242	1,878	1,040	1,294
Investing						
Capital expenditure	(585)	(474)	(164)	(150)	(150)	(150)
Others	(774)	(531)	(746)	(573)	(473)	(373)
Net cash from investing	(1,359)	(1,004)	(910)	(723)	(623)	(523)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	1,074	365	(408)	(500)	(500)	(500)
Proceeds from share issues	0	0	0	0	0	0
Others	(216)	(220)	(236)	(108)	(92)	(76)
Net cash from financing	858	144	(643)	(608)	(592)	(576)
Net change in cash						
Cash at the beginning of the year	155	673	868	773	1,320	1,145
Exchange difference	38	6	15	0	0	0
Cash at the end of the year	680	868	571	1,320	1,145	1,339
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	91.1%	67.8%	6.1%	9.6%	(22.6%)	15.6%
Gross profit	104.4%	65.3%	6.8%	18.0%	(29.5%)	18.9%
Operating profit	na	na	30.1%	46.5%	(57.6%)	71.7%
EBITDA	na	na	21.0%	40.9%	(42.5%)	37.8%
EBIT	na	na	30.1%	46.5%	(57.6%)	71.7%
Net profit	na	na	50.3%	30.3%	(56.1%)	72.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	73.7%	72.6%	73.1%	78.7%	71.6%	73.7%
Operating margin	(13.3%)	12.3%	15.0%	20.1%	11.0%	16.4%
EBITDA margin	(5.1%)	18.8%	21.5%	27.6%	20.5%	24.4%
Return on equity (ROE)	(35.4%)	28.5%	31.5%	30.1%	10.9%	16.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	0.4	0.5	0.5	0.6	0.6	0.8
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	76.4	50.9	39.1	89.0	51.6
P/B	25.4	19.0	13.9	10.2	9.2	7.8

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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