Hansoh Pharma (3692 HK)

Strong 1H26 earnings beat with innovation momentum intact

Hansoh delivered strong 1H26 results, with product sales modestly ahead of our expectations and net profit materially outperforming, extending its solid track record of revenue growth and earnings delivery. The company's sustained commitment in R&D continues to drive meaningful pipeline progress and a steady cadence of out-licensing deals. Hansoh remains well positioned to generate recurring out-licensing income, while compounding the value of its innovative portfolio. We maintain BUY rating on Hansoh with a TP of HK$49.12.

- **Product sales modestly ahead of expectations.** Total revenue in 1H26 rose 11.7% YoY to RMB8.30bn, while product sales increased 14.3% YoY to RMB6.84bn, equivalent to 48% of our prior full-year forecast and slightly ahead of expectations. Innovative drug revenue grew 15.4% YoY to RMB7.09bn; excluding BD income, innovative drug sales increased 21.6% YoY, broadly in line with management's guidance for around 20% full-year growth. Such growth was mainly driven by aumolertinib, flumatinib and tenofovir amibufenamide. Management reiterated its ambition for aumolertinib sales to reach RMB8bn by 2030, supported by expansion in adjuvant and first-line NSCLC. With the c-MET inhibitor, EGFR/c-MET bsAb and fourth-generation EGFR TKI all in late-stage development, we see further upside to the aumolertinib franchise.
- **Bottom-line performance was particularly impressive**. Hansoh reported 1H26 net profit of RMB4.26bn, up 35.8% YoY. Excluding one-off investment income, adjusted net profit still rose 19% YoY to around RMB3.72bn, representing 66% of our prior full-year estimate and beating our forecast. The earnings beat was driven by stronger gross margin and improving operating efficiency. Product gross margin remained high at 90.2% in 1H26, versus 88.4% in FY25, while the SG&A-to-sales ratio fell to 32.0% from 36.7% in FY25. Meanwhile, Hansoh maintained disciplined investment in innovation, with R&D spending rising 20.7% YoY to RMB1.74bn. Mgmt. guided for around 30% full-year R&D expense growth, which we believe will support long-term pipeline value creation and sustainable BD activities.
- **The innovative pipeline continues to offer multiple global blockbuster opportunities**. HS-20093 (B7-H3 ADC) has shown encouraging activities across ES-SCLC, CRPC, NSCLC and other tumors, with two China Ph3 trials already meeting primary endpoints. GSK plans to advance the asset into broad global Ph3 trials from 2H26 onward, with three studies to start in 1L ES-SCLC, late-line and chemo-naïve mCRPC. HS-20089 (B7-H4 ADC) is also being rapidly advanced by GSK into five global Ph3 gynecologic cancer trials in 2026. In metabolic disease, Hansoh's broad GLP-1 portfolio is led by NDA-stage HS-20094 (GLP-1/GIP), which has shown strong weight loss, with particularly favorable gastrointestinal tolerability. HS-20118, an oral IL-23 asset with potential once-weekly dosing, adds further strategic upside via a NewCo structure. We also see broader BD potential across assets including a fourth-generation EGFR TKI, EGFR/c-MET ADC, KRAS G12D inhibitor, SEZ6 ADC, oral PCSK9, OX2R and P2X3 programs.
- **Maintain BUY**. Reflecting the strong 1H26 results, we raise our DCF-based TP from HK$47.19 to HK$49.12 (WACC 8.48%, terminal growth rate 3.5%).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	12,261	15,028	17,480	18,763	20,827
YoY growth (%)	21.3	22.6	16.3	7.3	11.0
Net profit (RMB mn)	4,371.8	5,555.5	7,212.4	6,688.8	7,085.0
YoY growth (%)	33.4	27.1	29.8	(7.3)	5.9
EPS (Reported) (RMB)	0.74	0.93	1.19	1.10	1.17
P/E (x)	42.8	33.9	26.5	28.6	27.0
R&D expenses (RMB mn)	(2,702)	(3,358)	(4,374)	(4,813)	(5,225)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$49.12**
(Previous TP	HK$47.19)
Up/Downside	**33.4%**
Current Price	**HK$36.82**

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Stock Data

Mkt Cap (HK$ mn)	223,282.0
Avg 3 mths t/o (HK$ mn)	397.4
52w High/Low (HK$)	43.36/28.56
Total Issued Shares (mn)	6064.2

Source: FactSet

Shareholding Structure

Sunrise Trust Trustee	65.7%
JQC International Limited	16.0%

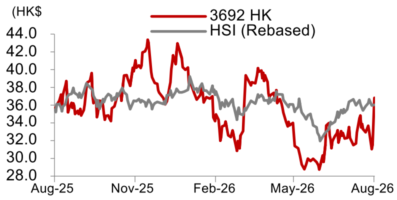
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	14.0%	12.4%
3-mth	8.9%	7.9%
6-mth	5.3%	9.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	**7,302**	**6,608**	**7,145**	**8,503**	**10,780**	**12,948**	**14,860**	**16,900**	**18,840**	**20,141**
Tax rate	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
EBIT*(1-tax rate)	6,193	5,604	6,060	7,211	9,143	10,981	12,603	14,333	15,978	17,081
+ D&A	376	361	347	336	325	316	307	300	293	288
- Change in working capital	-549	-192	-340	-441	-713	-598	-552	-380	-169	78
- Capex	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
FCFF	**5,820**	**5,573**	**5,867**	**6,905**	**8,555**	**10,498**	**12,158**	**14,053**	**15,902**	**17,247**
Terminal value										**358,801**

Terminal growth rate	**3.5%**
WACC	**8.48%**
Cost of Equity	9.9%
Cost of Debt	3.5%
Equity Beta	0.90
Risk Free Rate	4.0%
Market Risk Premium	6.5%
Target Debt to Asset ratio	20.0%
Effective Corporate Tax Rate	15.0%
Present value of enterprise (RMB mn)	220,386
Net debt (RMB mn)	-35,759
Equity value (RMB mn)	**256,145**
No. of shares (mn)	6,064
DCF per shares (RMB)	**42.24**
DCF per share (HK$)	**49.12**

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK$)

		WACC				
		7.48%	**7.98%**	**8.48%**	**8.98%**	**9.48%**
Terminal growth	**4.5%**	75.78	65.12	57.16	50.99	46.08
	4.0%	67.42	59.12	52.69	47.57	43.40
	3.5%	61.17	54.46	**49.12**	44.77	41.16
	3.0%	56.31	50.73	46.20	42.43	39.27
	2.5%	52.43	47.69	43.77	40.46	37.65

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimate New vs Old

	New			Old			Diff (%)		
RMB mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	17,480	18,763	20,827	16,690	18,107	19,938	5%	4%	4%
Gross profit	15,972	17,103	18,961	15,041	16,354	18,161	6%	5%	4%
Operating profit	8,504	7,887	8,354	6,667	6,863	7,351	28%	15%	14%
Attributable net profit	7,212	6,689	7,085	5,654	5,820	6,234	28%	15%	14%
EPS (RMB)	1.19	1.10	1.17	0.93	0.96	1.03	28%	15%	14%
Gross margin	91.37%	91.15%	91.04%	90.12%	90.32%	91.09%	+1.25 ppt	+0.84 ppt	-0.05 ppt
Operating margin	48.65%	42.04%	40.11%	39.94%	37.90%	36.87%	+8.71 ppt	+4.14 ppt	+3.24 ppt
Net margin	41.26%	35.65%	34.02%	33.88%	32.14%	31.27%	+7.38 ppt	+3.51 ppt	+2.75 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM vs Consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	17,480	18,763	20,827	16,916	18,429	20,696	3%	2%	1%
Gross profit	15,972	17,103	18,961	15,395	16,756	18,794	4%	2%	1%
Operating profit	8,504	7,887	8,354	6,327	6,723	7,350	34%	17%	14%
Attributable net profit	7,212	6,689	7,085	6,537	6,703	7,283	10%	0%	-3%
EPS (RMB)	1.19	1.10	1.17	1.08	1.11	1.21	10%	-1%	-3%
Gross margin	91.37%	91.15%	91.04%	91.01%	90.92%	90.81%	+0.36 ppt	+0.23 ppt	+0.23 ppt
Operating margin	48.65%	42.04%	40.11%	37.40%	36.48%	35.52%	+11.25 ppt	+5.56 ppt	+4.59 ppt
Net margin	41.26%	35.65%	34.02%	38.64%	36.37%	35.19%	+2.62 ppt	-0.72 ppt	-1.18 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**10,104**	**12,261**	**15,028**	**17,480**	**18,763**	**20,827**
Cost of goods sold	(1,031)	(1,105)	(1,498)	(1,508)	(1,660)	(1,866)
Gross profit	**9,073**	**11,155**	**13,530**	**15,972**	**17,103**	**18,961**
Selling expense	(3,531)	(3,796)	(4,064)	(4,299)	(4,979)	(5,785)
Admin expense	(710)	(713)	(672)	(754)	(830)	(933)
R&D expense	(2,097)	(2,702)	(3,358)	(4,374)	(4,813)	(5,225)
Other income	1,125	1,133	1,209	2,020	1,522	1,452
Other gains/(losses)	(27)	13	(92)	0	0	0
Net Interest income/(expense)	**(67)**	**(7)**	**(3)**	**(60)**	**(116)**	**(116)**
Pre-tax profit	**3,766**	**5,085**	**6,551**	**8,504**	**7,887**	**8,354**
Income tax	(489)	(713)	(995)	(1,292)	(1,198)	(1,269)
After tax profit	**3,278**	**4,372**	**5,555**	**7,212**	**6,689**	**7,085**
Net profit	**3,278**	**4,372**	**5,555**	**7,212**	**6,689**	**7,085**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**28,883**	**27,442**	**35,555**	**44,354**	**48,890**	**53,681**
Cash & equivalents	22,435	22,622	31,549	39,854	44,171	48,584
Account receivables	3,214	3,170	3,061	3,528	3,684	3,975
Inventories	576	651	609	635	698	785
Prepayment	236	235	320	320	320	320
Financial assets at FVTPL	512	17	18	18	18	18
Other current assets	1,910	747	na	na	na	na
Non-current assets	**4,156**	**4,216**	**4,345**	**4,169**	**4,008**	**3,861**
PP&E	3,045	2,805	2,758	2,624	2,505	2,400
Right-of-use assets	235	442	421	393	364	335
Intangibles	177	245	363	349	336	323
Other non-current assets	699	724	803	803	803	803
Total assets	**33,039**	**31,658**	**39,900**	**48,523**	**52,898**	**57,541**
Current liabilities	**6,863**	**2,695**	**4,395**	**8,329**	**8,357**	**8,395**
Short-term borrowings	0	0	0	0	0	0
Account payables	164	218	334	278	306	344
Other current liabilities	4,269	88	300	4,290	4,290	4,290
Lease liabilities	16	16	17	17	17	17
Contract liabilities	38	19	1,181	1,181	1,181	1,181
Accrued expenses	2,376	2,355	2,563	2,563	2,563	2,563
Non-current liabilities	**381**	**283**	**141**	**141**	**141**	**141**
Convertible bonds	40	0	0	0	0	0
Deferred income	255	200	72	72	72	72
Other non-current liabilities	87	83	69	69	69	69
Total liabilities	**7,244**	**2,978**	**4,536**	**8,470**	**8,498**	**8,536**
Share capital	0	0	0	0	0	0
Other reserves	25,795	28,680	35,364	40,052	44,400	49,005
Total shareholders equity	**25,795**	**28,680**	**35,364**	**40,053**	**44,400**	**49,006**
Total equity and liabilities	**33,039**	**31,658**	**39,900**	**48,523**	**52,898**	**57,541**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**3,766**	**5,085**	**6,551**	**8,504**	**7,887**	**8,354**
Depreciation & amortization	335	362	351	334	319	305
Tax paid	(590)	(807)	(911)	(1,292)	(1,198)	(1,269)
Change in working capital	257	36	1,548	(549)	(192)	(340)
Others	(652)	(815)	(800)	(1,060)	(1,137)	(1,067)
Net cash from operations	**3,116**	**3,862**	**6,738**	**5,937**	**5,679**	**5,983**
Investing						
Capital expenditure	(220)	(222)	(356)	(200)	(200)	(200)
Acquisition of subsidiaries/ investments	(239)	(109)	(127)	0	0	0
Net proceeds from disposal of short-term investments	1,418	(765)	(6,561)	1,162	1,295	1,225
Others	114	(296)	(110)	0	0	0
Net cash from investing	**1,074**	**(1,392)**	**(7,155)**	**962**	**1,095**	**1,025**
Financing						
Dividend paid	(652)	(1,858)	(2,012)	(2,524)	(2,341)	(2,480)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	(115)	(34)	3,558	0	0	0
Others	13	(4,174)	9	3,931	(116)	(116)
Net cash from financing	**(754)**	**(6,066)**	**1,554**	**1,406**	**(2,457)**	**(2,596)**
Net change in cash						
Cash at the beginning of the year	2,666	5,981	2,323	3,409	11,714	16,031
Exchange difference	(122)	(62)	(52)	0	0	0
Cash at the end of the year	**5,981**	**2,322**	**3,409**	**11,714**	**16,031**	**20,444**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	7.7%	21.3%	22.6%	16.3%	7.3%	11.0%
Gross profit	6.5%	23.0%	21.3%	18.0%	7.1%	10.9%
Net profit	26.9%	33.4%	27.1%	29.8%	(7.3%)	5.9%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	89.8%	91.0%	90.0%	91.4%	91.2%	91.0%
Return on equity (ROE)	13.5%	16.1%	17.3%	19.1%	15.8%	15.2%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Current ratio (x)	4.2	10.2	8.1	5.3	5.9	6.4
Receivable turnover days	122.7	95.0	75.7	73.7	71.7	69.7
Inventory turnover days	181.2	202.6	153.5	153.5	153.5	153.5
Payable turnover days	68.3	63.0	67.3	67.3	67.3	67.3
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	57.1	42.8	33.9	26.5	28.6	27.0
P/E (diluted)	58.0	43.0	34.0	26.5	28.6	27.0
P/B	7.3	6.5	5.3	4.8	4.3	3.9

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

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