Innovent Biologics (1801 HK)

1H26 beat bolsters confidence in future growth

Innovent reported a strong 1H26 beat. Product sales surged 57% YoY to RMB8.2bn (54% of our previous FY26 estimate), and net profit reached RMB1.25bn (59% of our full-year forecast), both exceeding expectations. The outperformance was driven by strong uptake of mazdutide, PCSK9 mAb, IGF-1R, and newly NRDL-included TKIs. We remain confident in management's RMB20bn product sales target for 2027. Notably, management also introduced 2030 total revenue guidance of RMB35–40bn for the first time, underscoring its longer-term growth ambition. Product gross margin remained at a high 84.2% in 1H26 (vs. 85.2% in FY25), while selling efficiency improved meaningfully, with the product selling expense ratio declining to 39.5% (vs. 48.0% in FY25). The Company sustained high R&D investment as global MRCTs progress, especially for IBI363 (PD-1/IL-2), while the R&D expense ratio edged down to 19.5% (vs. 20.1% in FY25). Given the strong 1H26 delivery and continued execution on global strategy, we maintain BUY with target price of HK$130.25.

- **Strategic partnerships are accelerating global expansion.** Innovent is evolving into an integrated global biopharma through multiple partnerships, including out-licensing, NewCo, co-development, and co-commercialization (co-co). The Takeda partnership on IBI363 marks a key milestone, with Innovent retaining 40% co-co rights for IBI363 in the US. In parallel, the Pfizer collaboration covering 12 early-stage oncology assets, including ADCs and multispecific antibodies, with four co-co projects, further strengthens Innovent's international footprint. Mgmt. aims to advance at least five assets into global Ph3 MRCTs by 2030; IBI363 and IBI343 are already in global Ph3, while IBI324 is expected to enter global Ph3 in 2026.
- **Eyes on IBI363's first-line data.** Innovent is conducting a global Ph3 MRCT for IBI363 in IO-resistant sq-NSCLC, with a similar study in IO-resistant nsq-NSCLC under planning. In 1L NSCLC, the 3→1.5mg/kg regimen has shown encouraging efficacy (ORR 81.8%) with PFS/OS follow-up ongoing. A head-to-head Ph1 study versus pembrolizumab plus chemo in 1L NSCLC is also underway, and positive data could support initiation of global Ph3 study. Further data updates in 1L NSCLC and 1L gastric cancer of IBI363 are expected at ESMO in October, while the PoC study in 1L CRC is ongoing. In China, the pivotal Ph2 study in 1L melanoma is expected to read out in late 2026. A China Ph3 trial in late-line CRC has also recently begun. For IBI343 (CLDN18.2 ADC), China BLA filing in 3L gastric cancer has been accepted, with a Japan filing by Takeda expected in 2027.
- **Rich near-term catalysts should support valuation**. We expect Ph1 PoC data for IBI3001 (EGFR/B7-H3 ADC) at ESMO, which could further validate Innovent's next-generation ADC platform. IBI311 (IGF-1R) is seeing rapid sales ramp-up in active thyroid eye disease (TED) and is also expected to report Ph3 data in inactive TED in late 2026 or early 2027. In parallel, Innovent's PCSK9 mAb will also deliver Ph3 data in first-line hyperlipidemia. Beyond mazdutide, Innovent continues to build a broad metabolic portfolio spanning daily and weekly oral GLP-1s, monthly PCSK9-GGG, and amylin assets. The daily oral GLP-1 candidate IBI3032 will enter Ph2 by end-2026.
- **Maintain BUY**. Reflecting the stronger 1H26 performance and improved long-term visibility, we raise our DCF-derived target price from HK$113.86 to HK$130.25 (WACC: 9.5%, terminal growth: 4.0%).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,422	13,042	18,798	23,541	28,289
YoY growth (%)	51.8	38.4	44.1	25.2	20.2
Net profit (RMB mn)	(94.6)	813.6	2,402.7	3,284.9	5,447.7
EPS (Reported) (RMB)	(0.06)	0.47	1.38	1.88	3.12
R&D expenses (RMB)	(2,681)	(2,624)	(3,700)	(4,255)	(5,115)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$130.25**
(Previous TP	HK$113.86)
Up/Downside	**18.6%**
Current Price	**HK$109.80**

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Stock Data

Mkt Cap (HK$ mn)	191,456.4
Avg 3 mths t/o (HK$ mn)	1,327.3
52w High/Low (HK$)	109.80/72.95
Total Issued Shares (mn)	1743.7

Source: FactSet

Shareholding Structure

Temasek Holdings	7.5%
Capital Group	6.6%

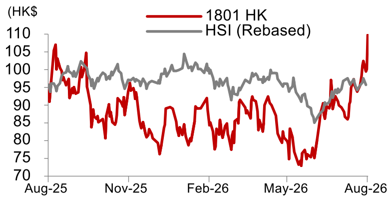
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	22.1%	18.8%
3-mth	37.5%	37.2%
6-mth	30.2%	33.9%

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	2,280	3,318	5,602	7,094	9,700	10,848	14,300	16,990	18,423	18,880
Tax rate	21%	20%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	1,801	2,655	4,762	6,030	8,245	9,221	12,155	14,442	15,659	16,048
+ D&A	456	443	430	419	408	399	390	382	374	367
- Change in working capital	-592	-908	-743	-999	-646	-559	-561	-707	-467	-18
- Capex	-270	-270	-270	-270	-270	-270	-270	-270	-270	-270
FCFF	**1,396**	**1,919**	**4,179**	**5,180**	**7,737**	**8,791**	**11,714**	**13,846**	**15,296**	**16,128**
Terminal value										**305,443**

PV of enterprise (RMB mn)	169,221
Net debt (RMB mn)	-26,096
Equity value (RMB mn)	195,317
Equity value (HK$ mn)	227,113
No. of outstanding shares (mn)	1,744
DCF per share (HK$)	**130.25**
Terminal growth rate	**4.0%**
WACC	**9.5%**
Cost of equity	13.0%
Cost of debt	3.5%
Equity beta	1.00
Risk-free rate	3.0%
Market risk premium	10.0%
Target debt to asset ratio	35.0%
Effective corporate tax rate	15.0%

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK$)

				WACC		
		8.5%	**9.0%**	**9.5%**	**10.0%**	**10.5%**
	5.0%	193.11	168.56	149.53	134.37	122.03
	4.5%	174.58	154.73	138.92	126.05	115.37
Terminal growth rate	**4.0%**	160.17	143.68	**130.25**	119.11	109.73
	3.5%	148.65	134.64	123.02	113.24	104.91
	3.0%	139.23	127.11	116.91	108.21	100.72

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates: new vs old

	NEW			OLD			Diff.		
RMB mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	18,798	23,541	28,289	16,643	20,922	26,096	13%	13%	8%
Gross profit	15,970	19,660	23,814	14,415	17,765	22,170	11%	11%	7%
Net profit	2,403	3,285	5,448	2,119	3,418	4,623	13%	-4%	18%
EPS (RMB)	1.38	1.88	3.12	1.22	1.97	2.66	13%	-4%	17%
Gross margin	84.96%	83.51%	84.18%	86.61%	84.91%	84.96%	-1.66 ppt	-1.40 ppt	-0.78 ppt
Net Margin	12.78%	13.95%	19.26%	12.73%	16.34%	17.71%	+0.05 ppt	-2.38 ppt	+1.54 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff(%)		
RMB mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	18,798	23,541	28,289	18,579	23,392	27,235	1%	1%	4%
Gross profit	15,970	19,660	23,814	15,832	19,994	23,380	1%	-2%	2%
Net profit	2,403	3,285	5,448	2,183	3,429	4,806	10%	-4%	13%
EPS (RMB)	1.38	1.88	3.12	1.28	1.99	2.77	8%	-5%	13%
Gross margin	84.96%	83.51%	84.18%	85.22%	85.48%	85.84%	-0.26 ppt	-1.96 ppt	-1.66 ppt
Net Margin	12.78%	13.95%	19.26%	11.75%	14.66%	17.65%	+1.03 ppt	-0.71 ppt	+1.61 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Risks: 1) Lower-than-expected consistency of forthcoming first-line efficacy and safety readouts for IBI363; 2) Intensifying competition of obesity medicines.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**6,206**	**9,422**	**13,042**	**18,798**	**23,541**	**28,289**
Cost of goods sold	(1,136)	(1,510)	(1,756)	(2,828)	(3,881)	(4,475)
Gross profit	**5,070**	**7,912**	**11,286**	**15,970**	**19,660**	**23,814**
Operating expenses	**(6,214)**	**(7,990)**	**(10,447)**	**(12,928)**	**(15,554)**	**(17,405)**
Selling expense	(3,101)	(4,347)	(5,713)	(7,113)	(8,624)	(9,846)
Admin expense	(750)	(738)	(927)	(1,114)	(1,380)	(1,611)
R&D expense	(2,228)	(2,681)	(2,624)	(3,700)	(4,255)	(5,115)
Others	(136)	(224)	(1,182)	(1,002)	(1,295)	(833)
Pre-tax profit	**(1,144)**	**(79)**	**839**	**3,041**	**4,106**	**6,409**
Income tax	116	(16)	(25)	(639)	(821)	(961)
Minority interest	0	0	0	0	0	0
Net profit	**(1,028)**	**(95)**	**814**	**2,403**	**3,285**	**5,448**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**13,428**	**10,273**	**22,013**	**25,491**	**29,935**	**34,821**
Cash & equivalents	10,052	7,508	17,345	20,039	23,319	27,318
Account receivables	1,006	1,184	1,714	2,089	2,616	3,143
Inventories	968	822	1,302	1,710	2,347	2,707
Financial assets at FVTPL	918	376	887	887	887	887
Other current assets	484	383	766	766	766	766
Non-current assets	**7,199**	**11,330**	**15,335**	**15,148**	**14,975**	**14,815**
PP&E	4,290	5,280	5,061	4,895	4,743	4,603
Intangibles	1,270	1,283	1,534	1,534	1,534	1,534
Other non-current assets	1,639	4,768	8,739	8,719	8,698	8,678
Total assets	**20,627**	**21,603**	**37,348**	**40,639**	**44,911**	**49,636**
Current liabilities	**4,477**	**4,369**	**8,387**	**8,578**	**8,834**	**8,978**
Short-term borrowings	1,195	405	789	789	789	789
Account payables	373	358	495	686	942	1,086
Tax payable	0	0	0	0	0	0
Other current liabilities	2,909	3,606	7,103	7,103	7,103	7,103
Non-current liabilities	**3,623**	**4,116**	**9,605**	**9,606**	**9,606**	**9,607**
Long-term borrowings	2,327	2,412	1,990	1,990	1,990	1,990
Obligations under finance leases	73	5	26	27	27	28
Other non-current liabilities	1,223	1,699	7,589	7,589	7,589	7,589
Total liabilities	**8,100**	**8,485**	**17,992**	**18,184**	**18,440**	**18,585**
Share capital	0	0	0	0	0	0
Other reserves	12,527	13,118	19,356	22,455	26,470	31,051
Total shareholders equity	**12,528**	**13,118**	**19,356**	**22,455**	**26,470**	**31,051**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**20,627**	**21,603**	**37,348**	**40,639**	**44,911**	**49,636**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(1,261)**	**(63)**	**864**	**3,680**	**4,927**	**7,370**
Depreciation & amortization	276	293	451	436	422	410
Tax paid	116	(16)	(25)	(639)	(821)	(961)
Change in working capital	403	404	7,945	(592)	(908)	(743)
Others	511	703	911	(684)	(857)	(980)
Net cash from operations	**148**	**1,287**	**10,001**	**2,202**	**2,763**	**5,096**
Investing						
Capital expenditure	(1,119)	(966)	(270)	(270)	(270)	(270)
Acquisition of subsidiaries/ investments	(34)	(11)	0	0	0	0
Net proceeds from disposal of short-term investments	(358)	(366)	(6,704)	0	0	0
Others	513	177	462	841	867	886
Net cash from investing	**(999)**	**(1,165)**	**(6,512)**	**571**	**597**	**616**
Financing						
Dividend paid	0	0	0	0	0	(1,634)
Net borrowings	418	(704)	(39)	0	0	0
Proceeds from share issues	2,255	84	4,719	0	0	0
Others	(86)	14	48	(79)	(79)	(79)
Net cash from financing	**2,587**	**(607)**	**4,728**	**(79)**	**(79)**	**(1,714)**
Net change in cash						
Cash at the beginning of the year	9,163	10,052	7,508	17,345	20,039	23,319
Exchange difference	(7)	13	(116)	0	0	0
Cash at the end of the year	**10,052**	**7,508**	**17,345**	**20,039**	**23,319**	**27,318**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	36.2%	51.8%	38.4%	44.1%	25.2%	20.2%
Gross profit	39.8%	56.1%	42.6%	41.5%	23.1%	21.1%
Net profit	na	na	na	195.3%	36.7%	65.8%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	81.7%	84.0%	86.5%	85.0%	83.5%	84.2%
Return on equity (ROE)	(8.8%)	(0.7%)	5.0%	11.5%	13.4%	18.9%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.7)	(1.2)	(1.2)	(1.1)	(1.1)
Current ratio (x)	3.0	2.4	2.6	3.0	3.4	3.9
Receivable turnover days	46.5	42.4	40.6	40.6	40.6	40.6
Inventory turnover days	385.0	216.3	220.7	220.7	220.7	220.7
Payable turnover days	112.1	88.2	88.6	88.6	88.6	88.6
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	ns	ns	201.5	68.3	50.0	30.1
P/B	11.7	11.7	8.2	7.3	6.2	5.3

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

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