

Innovent Biologics (1801 HK)

Strategic partnership with Takeda to develop global R&D and commercial capability

Innovent has announced a global strategic partnership with Takeda on several key oncology assets, including IBI363 (PD-1/IL-2), IBI343 (CLDN18.2 ADC), and potentially IBI3001 (EGFR/B7H3 ADC). This partnership is designed to expand Innovent's global footprint, while strengthening Takeda's solid tumor pipeline. Under the agreement, Takeda will lead global development of IBI363, with Innovent sharing 40% of the development costs. The two companies will co-commercialize IBI363 in the US, with Innovent retaining 40% of the commercial rights. For IBI343, Takeda will hold global rights outside China. Takeda will also receive an option to license IBI3001 for markets outside China. Innovent will receive a total upfront payment of US\$1.2bn, including a US\$100mn equity investment at HK\$112.56 per share. The deal includes potential milestone payments, bringing the total value to US\$11.4bn, plus additional royalties.

- **A landmark step for Innovent to expand global presence.** Innovent aims to evolve into a fully integrated biopharma organization with global R&D and commercial capabilities, targeting the advancement of at least five assets into global Ph3 MRCTs by 2030. Innovent has established a discovery research lab in the US and plans to scale its US R&D team to 100-200 by 2026. While the associated investment is expected to be substantial, we believe the long-term strategic and commercial upside could be considerable if successfully executed. As of Jun 2025, Innovent remained well-capitalized with a cash balance of US\$2.1bn, providing a solid financial foundation to support its global ambitions.
- **To bolster Takeda's oncology pipeline in the solid tumor space.** In fiscal 2024, Takeda reported total revenue of US\$30bn, including US\$3.7bn from oncology, mainly contributed by solid tumor assets such as leuporelin (US\$0.8bn) and fruquintinib (US\$0.3bn), alongside contributions from other hematology products. The partnership with Innovent is expected to bolster Takeda's oncology pipeline with next-generation immuno-oncology assets. As of Jun 2025, Takeda had a cash balance of US\$2.3bn and total debt of US\$29.7bn. In fiscal 2024, Takeda recorded free cash flow of US\$5.1bn.
- **IBI363 and IBI343 entering into late-stage global development.** IBI363 (PD-1/IL-2) has demonstrated competitive PFS and survival benefit in IO-resistant sq- and nsq-NSCLC, as well as encouraging activity in cold tumors such as melanoma and MSS colorectal cancer (CMBI report, [link](#)). Innovent is conducting a global Ph3 MRCT for IBI363 in IO-resistant sq-NSCLC across the US and China, and plans to initiate a Ph3 trial in 3L MSS CRC in China in 2H25. The Company is also exploring earlier lines of therapy for IBI363, with Ph1b/2 PoC data in front-line NSCLC and CRC expected in 2026. Meanwhile, IBI343 (CLDN18.2 ADC) has entered Ph3 for 3L+ PDAC in China, in addition to its ongoing Ph3 study in 3L+ gastric cancer in Japan/China. Subject to positive PoC results, Innovent/Takeda also plan to initiate global Ph3 MRCTs in first-line GC and PDAC.
- **Maintain BUY.** We look forward to the further global development of IBI363 and IBI343. To factor in the new partnership, we revise our DCF-based TP from HK\$109.48 to HK\$110.62 (WACC: 9.5%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,206	9,422	16,092	18,214	19,893
YoY growth (%)	36.2	51.8	70.8	13.2	9.2
Net profit (RMB mn)	(1,027.9)	(94.6)	4,384.0	4,460.4	2,977.7
EPS (Reported) (RMB)	(0.66)	(0.06)	2.55	2.59	1.73
R&D expenses (RMB mn)	(2,228)	(2,681)	(2,560)	(3,410)	(4,367)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$110.62
(Previous TP)	HK\$109.48)
Up/Downside	29.8%
Current Price	HK\$85.20

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)	146,581.0
Avg 3 mths t/o (HK\$ mn)	1,852.0
52w High/Low (HK\$)	107.00/30.00
Total Issued Shares (mn)	1720.4

Source: FactSet

Shareholding Structure

Temasek Holdings	7.9%
Capital Group	6.9%

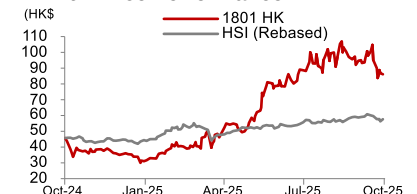
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-10.0%	-8.1%
3-mth	-2.7%	-5.2%
6-mth	62.4%	35.9%

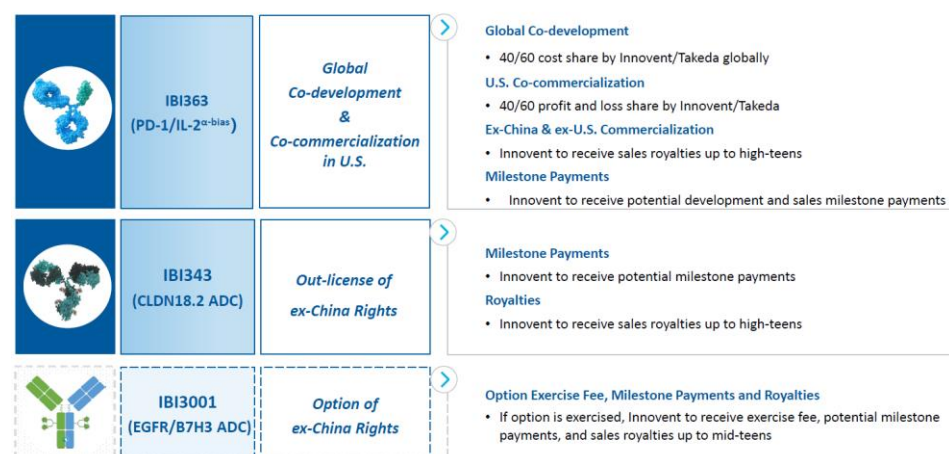
Source: FactSet

12-mth Price Performance



Source: FactSet

Key Term Summary: Financials & Arrangement



2nd Largest Globally with >\$1Bn Upfront Ranked by Biobucks between Pharmaceuticals and Biotechs

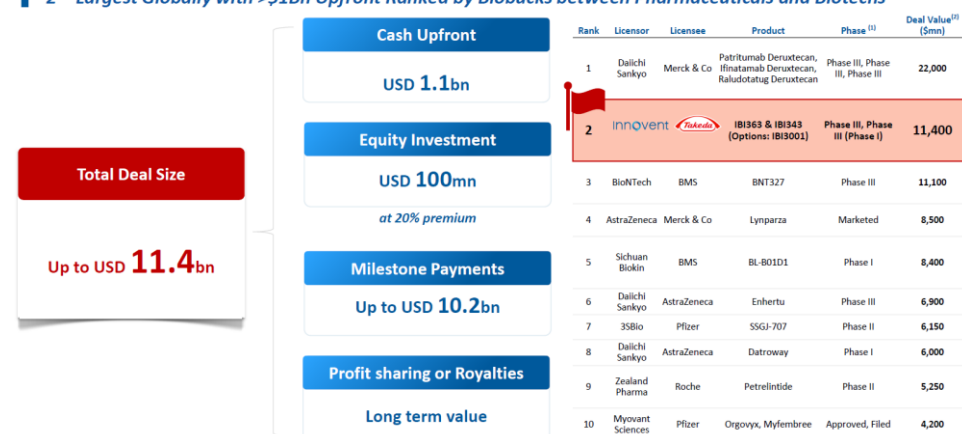


Figure 2: Risk-adjusted DCF valuation

[illegible]

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%

PLEASE READ THE ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ON LAST PAGE

Figure 3: Sensitivity analysis (HK\$)

		WACC				
		8.5%	9.0%	9.5%	10.0%	10.5%
Terminal growth rate	5.0%	167.80	145.21	127.73	113.83	102.52
	4.5%	151.20	132.89	118.32	106.47	96.67
	4.0%	138.30	123.03	110.62	100.35	91.71
	3.5%	127.98	114.97	104.21	95.16	87.47
	3.0%	119.54	108.26	98.78	90.72	83.79

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates: new vs old

RMB mn	NEW			OLD			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,092	18,214	19,893	12,180	14,299	18,805	32%	27%	6%
Gross profit	14,311	16,099	17,163	10,400	12,151	15,984	38%	32%	7%
Operating profit	6,157	6,450	5,003	2,173	2,891	4,410	183%	123%	13%
Net profit	4,384	4,460	2,978	997	1,436	2,474	340%	211%	20%
EPS (RMB)	2.55	2.59	1.73	0.58	0.84	1.44	338%	209%	20%
Gross margin	88.94%	88.39%	86.28%	85.38%	84.97%	85.00%	+3.55 ppt	+3.42 ppt	+1.28 ppt

Source: Company data, CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,092	18,214	19,893	12,279	15,413	19,392	31%	18%	3%
Gross profit	14,311	16,099	17,163	10,448	13,141	16,561	37%	23%	4%
Operating profit	6,157	6,450	5,003	979	1,940	3,621	529%	232%	38%
Net profit	4,384	4,460	2,978	963	1,751	3,152	355%	155%	-6%
EPS (RMB)	2.55	2.59	1.73	0.56	1.04	1.86	355%	150%	-7%
Gross margin	88.94%	88.39%	86.28%	85.09%	85.26%	85.40%	+3.85 ppt	+3.13 ppt	+0.88 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	4,556	6,206	9,422	16,092	18,214	19,893
Cost of goods sold	(931)	(1,136)	(1,510)	(1,781)	(2,115)	(2,730)
Gross profit	3,625	5,070	7,912	14,311	16,099	17,163
Operating expenses	(5,796)	(6,214)	(7,990)	(9,154)	(10,852)	(13,660)
Selling expense	(2,591)	(3,101)	(4,347)	(5,564)	(6,002)	(7,097)
Admin expense	(835)	(750)	(738)	(835)	(1,010)	(1,328)
R&D expense	(2,871)	(2,228)	(2,681)	(2,560)	(3,410)	(4,367)
Others	502	(136)	(224)	(195)	(429)	(867)
Pre-tax profit	(2,170)	(1,144)	(79)	5,158	5,248	3,503
Income tax	(9)	116	(16)	(774)	(787)	(525)
Minority interest	0	0	0	0	0	0
Net profit	(2,179)	(1,028)	(95)	4,384	4,460	2,978

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	11,507	13,428	10,273	19,983	25,166	28,966
Cash & equivalents	9,163	10,052	7,508	16,696	21,498	24,822
Account receivables	575	1,006	1,184	1,650	1,868	2,040
Inventories	1,429	968	822	878	1,043	1,346
Financial assets at FVTPL	3	918	376	376	376	376
Other current assets	337	484	383	383	383	383
Non-current assets	6,082	7,199	11,330	11,304	11,279	11,253
PP&E	3,411	4,290	5,280	5,286	5,292	5,298
Intangibles	1,198	1,270	1,283	1,283	1,283	1,283
Other non-current assets	1,472	1,639	4,768	4,736	4,704	4,673
Total assets	17,589	20,627	21,603	31,287	36,445	40,219
Current liabilities	3,499	4,477	4,369	4,442	4,522	4,671
Short-term borrowings	888	1,195	405	405	405	405
Account payables	326	373	358	430	511	660
Tax payable	3	0	0	0	0	0
Other current liabilities	2,282	2,909	3,606	3,606	3,606	3,606
Non-current liabilities	3,360	3,623	4,116	4,119	4,123	4,126
Long-term borrowings	2,215	2,327	2,412	2,412	2,412	2,412
Obligations under finance leases	99	73	5	8	12	15
Other non-current liabilities	1,046	1,223	1,699	1,699	1,699	1,699
Total liabilities	6,859	8,100	8,485	8,561	8,645	8,797
Share capital	0	0	0	0	0	0
Other reserves	10,730	12,527	13,118	22,726	27,800	31,422
Total shareholders equity	10,730	12,528	13,118	22,726	27,800	31,422
Minority interest	0	0	0	0	0	0
Total equity and liabilities	17,589	20,627	21,603	31,287	36,445	40,219

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,162)	(1,261)	(63)	5,931	6,035	4,029
Depreciation & amortization	245	276	293	294	294	294
Tax paid	(9)	116	(16)	(774)	(787)	(525)
Change in working capital	295	403	404	(449)	(302)	(327)
Others	(327)	511	703	(568)	(641)	(238)
Net cash from operations	(1,958)	46	1,322	4,435	4,599	3,232
Investing						
Capital expenditure	(897)	(1,119)	(966)	(300)	(300)	(300)
Acquisition of subsidiaries/ investments	(79)	na	na	na	na	na
Net proceeds from disposal of short-term investments	(583)	(358)	(366)	0	0	0
Others	768	478	167	484	573	463
Net cash from investing	(790)	na	na	na	na	na
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	715	418	(704)	0	0	0
Proceeds from share issues	2,131	2,255	84	4,640	0	0
Others	46	(86)	14	(71)	(71)	(71)
Net cash from financing	2,892	2,587	(607)	4,569	(71)	(71)
Net change in cash						
Cash at the beginning of the year	1,359	9,163	10,052	7,508	16,696	21,498
Exchange difference	119	(7)	13	0	0	0
Cash at the end of the year	9,163	10,052	7,508	16,696	21,498	24,822
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	6.7%	36.2%	51.8%	70.8%	13.2%	9.2%
Gross profit	(3.7%)	39.8%	56.1%	80.9%	12.5%	6.6%
Net profit	na	na	na	na	1.7%	(33.2%)
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.6%	81.7%	84.0%	88.9%	88.4%	86.3%
Return on equity (ROE)	(20.7%)	(8.8%)	(0.7%)	24.5%	17.7%	10.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.6)	(0.4)	(0.6)	(0.7)	(0.7)
Current ratio (x)	3.3	3.0	2.4	4.5	5.6	6.2
Receivable turnover days	61.8	46.5	42.4	37.4	37.4	37.4
Inventory turnover days	544.2	385.0	216.3	180.0	180.0	180.0
Payable turnover days	102.1	112.1	88.2	88.2	88.2	88.2
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	30.6	30.1	45.1
P/B	11.1	9.7	9.7	5.9	4.8	4.3

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

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

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.