1 Sep 2026

CMB International Global Markets | Equity Research | Company Update

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DualityBio (9606 HK)

Eyes on the upcoming ADC + IO2.0 data readouts

BUY (Maintain)

Target Price	**HK$284.50**
(Previous TP	HK$383.47)
Up/Downside	**58.1%**
Current Price	**HK$180.00**

China Healthcare

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Stock Data

Mkt Cap (HK$ mn)	16,420.4
Avg 3 mths t/o (HK$ mn)	233.6
52w High/Low (HK$)	510.00/162.80
Total Issued Shares (mn)	91.2

Source: FactSet

Shareholding Structure

LAV Fund	8.7%
Shanghai Yingjia	7.0%

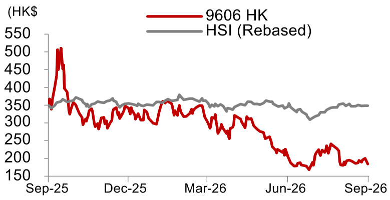
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-1.0%	1.2%
3-mth	-12.0%	-11.8%
6-mth	-42.9%	-39.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

We continue to view DB-1311/BNT324 (Elfe-D; B7-H3 ADC) as DualityBio's core value driver, with best-in-class potential in mCRPC. The Company is advancing an ADC + next-generation IO (IO2.0) strategy with BioNTech, pairing its ADC assets with pumitamig (PD-L1×VEGF bsAb). Upcoming readouts at WCLC 2026 and ESMO 2026 should represent important catalysts for sentiment and valuation. In 1H26, DualityBio reported adjusted revenue of RMB510mn (vs. RMB1.23bn in 1H25), excluding the one-off RMB291mn revenue deduction related to the exercise of the Elfe-D US cost/profit-and-loss sharing option. R&D expenses rose 74% YoY to RMB607mn. The Company recorded a net loss of RMB918mn in 1H26, versus adjusted net profit of RMB146mn in 1H25 after excluding the fair-value impact from pre-IPO financial liabilities. Cash balances remained solid at RMB3.0bn as of 1H26, with A-share financing on track. In addition, the recently announced Genentech collaboration on the DUPAC platform brings a US$45mn upfront and potential milestone payments of over US$1bn, further validating the Company's platform value.

- **Near-term catalysts from ADC + IO2.0 readouts.** DualityBio and BioNTech are evaluating Elfe-D, DB-1303/BNT323 (T-pam; HER2 ADC), and DB-1305/BNT325 (TROP2 ADC) with pumitamig across four global combination studies. We expect the most important near-term catalyst to be Elfe-D + pumitamig data in lung cancer at WCLC with an LBA presentation from the ongoing global Ph1/2 study. We understand the dataset will include safety data in NSCLC and SCLC, along with initial efficacy observations in SCLC, while NSCLC efficacy remains immature as expansion enrollment continues. At ESMO, we expect additional Ph2 combination data for Elfe-D in advanced solid tumors (OC, CC, HCC and HNSCC) and initial data for T-pam + pumitamig in HR+/HER2-low/ultra-low breast cancer. We believe these datasets will be critical in testing the broader "ADC + IO 2.0" thesis and informing pivotal-study design. Mgmt. targets initiation of global pivotal trial for Elfe-D + pumitamig within the next 12 months. Separately, we also expect T-pam's global Ph3 data in HR+/HER2-low breast cancer in 4Q26.

- **Elfe-D in mCRPC remains the primary valuation anchor.** We continue to see mCRPC as the largest value contributor for DB-1311. In heavily pretreated patients, the asset has shown compelling durability (median rPFS 11.3 months; median OS 22.5 months) and maintained encouraging activity even in post-Lu-177 settings. Together with a highly tolerable safety profile (only 20% Gr≥3 TRAEs), this supports a competitive positioning versus both radioligand and B7-H3 ADC peers. Following DualityBio's exercise of the US option, Elfe-D has now advanced into a global Ph3 study versus docetaxel in taxane-naïve mCRPC, which we see as an important de-risking step toward a multi-billion-dollar prostate cancer market already validated by Pluvicto's commercial trajectory.

- **Maintain BUY**. We see Elfe-D's blockbuster potential in mCRPC, with further upside from combination strategies with IO2.0. We view the upcoming WCLC and ESMO updates as the key near-term catalysts for re-rating. Given rising competition in B7-H3 ADCs, we revise our TP from HK$383.47 to HK$284.50 (WACC: 9.87%, terminal growth rate: 3.5%).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	1,941	1,852	1,046	1,202	1,728
YoY growth (%)	8.7	(4.6)	(43.5)	14.9	43.7
Net profit (RMB mn)	(1,050.4)	(2,594.8)	(1,085.8)	(1,242.0)	(1,191.3)
EPS (Adjusted) (RMB cents)	0.00	(39.82)	(11.90)	(13.62)	(13.06)
R&D expenses (RMB)	(837)	(838)	(1,400)	(1,540)	(1,694)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	**-1,084**	**-1,238**	**-1,186**	**-328**	**239**	**878**	**1,764**	**2,340**	**3,603**	**4,130**
Tax rate	*0%*	*0%*	*0%*	*0%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
EBIT*(1-tax rate)	-1,084	-1,238	-1,186	-328	204	747	1,500	1,989	3,063	3,511
+ D&A	42	73	68	65	62	60	58	56	55	54
- Change in working capital	-149	-661	-59	157	-142	-118	-214	-292	-425	-324
- Capex	-200	-200	-50	-50	-50	-50	-50	-50	-50	-50
FCFF	**-1,390**	**-2,026**	**-1,226**	**-156**	**74**	**638**	**1,293**	**1,703**	**2,643**	**3,191**
Terminal value										**51,891**

Present value (RMB mn)	20,537
Net debt (RMB mn)	-1,783
Equity value (RMB mn)	**22,320**
Equity value (HK$ mn)	**25,953**
No. of shares (mn)	**91**
DCF per shares (HK$)	**284.50**
Terminal growth rate	**3.5%**
WACC	**9.87%**
Cost of equity	13.0%
Cost of debt	3.0%
Equity beta	1.0
Risk free rate	3.0%
Market risk premium	10.0%
Target debt to asset ratio	30.0%
Effective corporate tax rate	15.0%

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK$)

		WACC				
		8.87%	**9.37%**	**9.87%**	**10.37%**	**10.87%**
	4.5%	446.28	384.96	**335.58**	295.05	261.29
	4.0%	401.69	350.15	307.86	272.63	242.89
Terminal growth rate	**3.5%**	365.41	321.27	**284.50**	253.47	227.00
	3.0%	335.31	296.93	264.54	236.91	213.12
	2.5%	309.95	276.13	**247.29**	222.46	200.90

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	1,046	1,202	1,728	1,745	1,259	2,254	-40%	-5%	-23%
Gross profit	366	541	950	889	717	1,419	-59%	-25%	-33%
Attributable net profit	-1,086	-1,242	-1,191	-80	-519	-413	NA	NA	NA
EPS (RMB)	(11.90)	(13.62)	(13.05)	(0.88)	(5.75)	(4.58)	NA	NA	NA
Gross margin	35.00%	45.00%	55.00%	50.96%	56.96%	62.96%	-15.96 ppt	-11.96 ppt	-7.96 ppt
Net margin	-103.77%	-103.32%	-68.92%	-4.57%	-41.20%	-18.32%	-99.20 ppt	-62.12 ppt	-50.60 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

	CMBI			Consensus			Diff.		
RMB mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	1,046	1,202	1,728	1,846	1,763	2,170	-43%	-32%	-20%
Gross profit	366	541	950	841	888	1,155	-56%	-39%	-18%
Attributable net profit	-1,086	-1,242	-1,191	-455	-284	344	NA	NA	NA
EPS (RMB)	(11.90)	(13.62)	(13.05)	(6.22)	(4.85)	3.63	NA	NA	NA
Gross margin	35.00%	45.00%	55.00%	45.56%	50.35%	53.22%	-10.56 ppt	-5.35 ppt	+1.78 ppt
Net margin	-103.77%	-103.32%	-68.92%	-24.65%	-16.11%	15.84%	-79.12 ppt	-87.21 ppt	-84.75 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Risks: 1) Rising competition in B7-H3 ADCs; 2) Uncertainty on clinical data of ADC+IO.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**1,787**	**1,941**	**1,852**	**1,046**	**1,202**	**1,728**
Cost of goods sold	(428)	(1,157)	(1,263)	(680)	(661)	(778)
Gross profit	**1,359**	**785**	**589**	**366**	**541**	**950**
Operating expenses	**(622)**	**(995)**	**(1,052)**	**(1,570)**	**(1,849)**	**(2,158)**
Selling expense	0	0	0	0	(129)	(205)
Admin expense	(63)	(159)	(215)	(170)	(180)	(259)
R&D expense	(559)	(837)	(838)	(1,400)	(1,540)	(1,694)
Operating profit	**781**	**(189)**	**(487)**	**(1,204)**	**(1,308)**	**(1,208)**
Other income	3	7	8	0	0	0
Gain/loss on financial assets at FVTPL	(1,018)	(873)	(2,206)	0	0	0
Other gains/(losses)	41	14	(32)	0	0	0
Interest income	34	48	99	120	70	22
Interest expense	(0)	(0)	(1)	(2)	(4)	(5)
Pre-tax profit	**(202)**	**(1,015)**	**(2,595)**	**(1,086)**	**(1,242)**	**(1,191)**
Income tax	(155)	(36)	0	0	0	0
Minority interest	0	0	0	0	0	0
Net profit	**(358)**	**(1,050)**	**(2,595)**	**(1,086)**	**(1,242)**	**(1,191)**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**1,334**	**1,910**	**3,834**	**2,664**	**1,785**	**1,137**
Cash & equivalents	1,131	1,209	1,276	384	(1,146)	(1,899)
Restricted cash	43	227	2,048	2,048	2,048	2,048
Receivables	101	379	278	0	35	75
Inventories	0	0	0	0	616	682
Prepayment	27	25	59	59	59	59
Other current assets	33	70	173	173	173	173
Non-current assets	**166**	**180**	**59**	**216**	**344**	**347**
PP&E	12	13	20	178	305	309
Right-of-use assets	5	6	9	9	9	9
Intangibles	54	46	4	4	4	4
Other non-current assets	94	116	26	26	26	26
Total assets	**1,500**	**2,090**	**3,893**	**2,881**	**2,129**	**1,485**
Current liabilities	**2,561**	**3,872**	**911**	**484**	**475**	**522**
Payables	235	671	762	335	326	373
Other current liabilities	2,263	2,959	(94)	(94)	(94)	(94)
Lease liabilities	3	3	5	5	5	5
Contract liabilities	60	238	239	239	239	239
Non-current liabilities	**63**	**241**	**555**	**1,055**	**1,555**	**2,055**
Long-term borrowings	0	0	141	641	1,141	1,641
Other non-current liabilities	63	241	414	414	414	414
Total liabilities	**2,624**	**4,112**	**1,466**	**1,540**	**2,030**	**2,577**
Share capital	0	0	0	0	0	0
Retained earnings	(1,156)	(2,245)	(4,855)	(5,941)	(7,183)	(8,374)
Other reserves	32	223	7,281	7,281	7,281	7,281
Total shareholders equity	**(1,124)**	**(2,022)**	**2,427**	**1,341**	**99**	**(1,092)**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**1,500**	**2,090**	**3,893**	**2,881**	**2,129**	**1,485**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(202)**	**(1,015)**	**(2,595)**	**(1,086)**	**(1,242)**	**(1,191)**
Depreciation & amortization	1	3	5	42	73	46
Tax paid	(249)	(55)	90	0	0	0
Change in working capital	240	261	310	(149)	(661)	(59)
Others	1,026	1,091	2,384	2	4	5
Net cash from operations	**816**	**286**	**195**	**(1,190)**	**(1,826)**	**(1,199)**
Investing						
Capital expenditure	(11)	(4)	(12)	(200)	(200)	(50)
Others	(1,901)	(196)	(188)	150	150	0
Net cash from investing	**(79)**	**(211)**	**(1,913)**	**(200)**	**(200)**	**(50)**
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	0	0	140	500	500	500
Proceeds from share issues	0	0	1,752	0	0	0
Others	11	(8)	(83)	(2)	(4)	(5)
Net cash from financing	**11**	**(8)**	**1,809**	**498**	**496**	**495**
Cash at the beginning of the year	376	1,131	1,209	1,276	384	(1,146)
Exchange difference	6	11	(23)	0	0	0
Cash at the end of the year	**1,131**	**1,209**	**1,276**	**384**	**(1,146)**	**(1,899)**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	111,558.8%	8.7%	(4.6%)	(43.5%)	14.9%	43.7%
Gross profit	84,830.3%	(42.3%)	(24.9%)	(37.8%)	47.7%	75.7%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	76.1%	40.4%	31.8%	35.0%	45.0%	55.0%
Operating margin	43.7%	(9.7%)	(26.3%)	(115.0%)	(108.8%)	(69.9%)
Return on equity (ROE)	na	na	(1,282.1%)	(57.6%)	(172.5%)	na
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Current ratio (x)	0.5	0.5	4.2	5.5	3.8	2.2
Receivable turnover days	na	na	na	100.0	80.0	80.0
Inventory turnover days	0.0	0.0	na	0.0	340.0	320.0
Payable turnover days	155.5	142.9	207.1	180.0	180.0	175.0
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/B	ns	na	4.1	10.5	142.4	ns

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

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