

Kelun-Biotech (6990 HK)

Data release at ASCO further confirmed SKB264's potential

- **Promising efficacy of SKB264+A167 in 1L NSCLC.** SKB264 (Q3W)+A167 (PD-L1)'s 15.4 months of mPFS in 1L NSCLC was much better than the SoC – 9.0 months mPFS of Keytruda+chemo in KEYNOTE189 and 9.7 months mPFS of tislelizumab+chemo in RATIONALE304. SKB264's Ph3 dose of Q2W could deliver even better efficacy, in our view. SKB264 (Q2W) +A167 also showed strong potential in PD-L1 negative NSCLC, with 63.2% ORR and 82.2% 6-mo PFS rate. Since Trodelvy+Keytruda delivered 13.1 months of mPFS in 1L NSCLC (TPS ≥50%), and Dato-DXd+Keytruda showed an mPFS of 11.1 months in its TROPION-Lung02 trial in 1L NSCLC, we see the BIC potential of SKB264 in NSCLC. With Trodelvy and Dato-DXd missing the OS endpoints in Ph3 trials for 2/3L NSCLC, we think SKB264 will enjoy a better positioning in the global TROP2 ADC market.
- **Expect SKB264's wide indication coverage in NSCLC.** SKB264 demonstrated more tolerable safety profiles than its peers, with <1% patients discontinuing SKB264 due to TRAE vs Dato-DXd's 29% and Trodelvy's 17% TEAE-related discontinuation rate. SKB264 is also free from the concern of severe ILD. We see the potential of SKB264+ PD-(L)1 to replace the current 1L NSCLC SoC upon the validation in Ph3 trials. MSD has already started/registered 5 global Ph3 trials of SKB264 in NSCLC. We expect Kelun Biotech and MSD to initiate additional Ph3 trials of SKB264+A167/Keytruda in 1L NSCLC without AGAs (both in PD-L1 TPS>1 and <1) in China/globally, which will provide a significant upside for SKB264's global commercial value, in our view.
- **Solid Ph3 results of SKB264 in 3L+ TNBC to support the approval in China.** SKB264 demonstrated 43.8% ORR and 5.7 months of mPFS in the Ph3 trial for 3L+ TNBC, which were better than the 35% ORR and 5.6 months mPFS of Trodelvy in Ph3 ASCENT study, and much better than the 32% ORR and 4.4 months mPFS of Dato-DXd in a Ph1 study. Additionally, SKB264 had lower rate of grade ≥3 TRAEs from neutropenia (32% vs 51%) compared to Trodelvy. The Ph3 results of SKB264 in 3L+ TNBC support its current BLA in China (filed in Dec 2023 with priority review). Kelun-Biotech has started a Ph3 China trial of SKB264 in 1L TNBC, and MSD has registered a global trial of SKB264 + Keytruda in adjuvant TNBC.
- **Maintain BUY.** Given the promising data of SKB264 in 1L NSCLC and in late-line TNBC, we are more confident about SKB264's global development and the approval in China. We raise our DCF-based TP from HK\$200.77 to HK\$246.13 (WACC: 10.31%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	804	1,540	918	1,082	1,642
YoY growth (%)	2,387.3	91.6	(40.4)	17.8	51.7
Net profit (RMB mn)	(616)	(574)	(659)	(786)	(726)
EPS (Reported) (RMB)	(5.74)	(2.84)	(3.01)	(3.59)	(3.31)
R&D expenses (RMB mn)	(846)	(1,031)	(1,083)	(1,137)	(1,193)
Admin expenses (RMB mn)	(95)	(182)	(218)	(262)	(314)
CAPEX (RMB mn)	(34)	(81)	(200)	(150)	(150)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$246.13**
(Previous TP) **HK\$200.77**
Up/Downside **35.8%**
Current Price **HK\$181.30**

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Stock Data

Mkt Cap (HK\$ mn)	39,740.1
Avg 3 mths t/o (HK\$ mn)	67.9
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	219.2

Source: FactSet

Shareholding Structure

Kelun Pharma	68.5%
MSD	6.1%

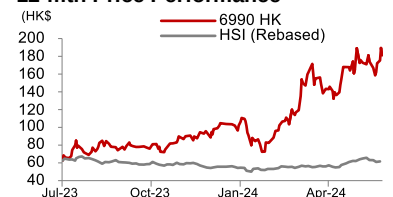
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	10.5%	10.9%
3-mth	55.2%	36.2%
6-mth	90.9%	69.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

SKB264+A167 in 1L NSCLC (ASCO Oral abstract)

Data summary:

The initial Ph2 (OptiTROP-Lung01, NCT05351788) results of SKB264+A167 (PD-L1) in 1L NSCLC without actionable genomic alterations (AGAs) have been released ([link](#)). As of Jan 2024, 40 and 63 pts had been enrolled in cohort 1A (Q3W, SKB264 5mg/kg + A167 1200mg) and cohort 1B (Q2W, SKB264 5mg/kg + A167 900mg). In the two cohorts, 30.0%/33.3%, 32.5%/30.2% and 37.5%/36.5% of pts had PD-L1 expression < 1%, 1%–49% and ≥ 50%, respectively.

In cohort 1A (median follow up of 14.0 months), the ORR was 48.6% (18/37), and mPFS was 15.4 mos (95% CI: 6.7, NE) with 6-mo PFS rate of 69.2%.

In cohort 1B (median follow up of 6.9 months), the ORR was 77.6% (45/58), and mPFS was not reached with 6-mo PFS rate of 84.6%. Additional subgroup analyses of cohort 1B are shown in the table below.

Figure 1: Ph2 outcomes of SKB264+A167 in 1L NSCLC without AGAs

	Cohort 1A Sac-TMT (5 mg/kg Q3W) + KL-A167 (1200 mg Q3W) N = 40	Cohort 1B Sac-TMT (5 mg/kg Q2W) + KL-A167 (900 mg Q2W) N = 63
Median follow-up, mo	14.0	6.9
ORR, ^a n/N (%) [95% CI]	18/37 (48.6) [31.9, 65.6]	45/58 (77.6) [64.7, 87.5]
PR, n (%)	18 (48.6)	45 (77.6)
Confirmed PR, n (%)	16 (43.2)	40 (69.0)
SD, n (%)	17 (45.9)	13 (22.4)
PD, n (%)	2 (5.4)	0
DCR, ^b n/N (%)	35/37 (94.6)	58/58 (100.0)
Median DOR (95% CI), mo	NR (8.3, NE)	NR (6.6, NE)
Median PFS (95% CI), mo	15.4 (6.7, NE)	NR (8.4, NE)
6-mo PFS rate (95% CI), %	69.2 (51.2, 81.6)	84.6 (71.4, 92.1)

Data cutoff date: Jan 02, 2024.

^a Including confirmed PR/CR or response pending confirmation. ORR was calculated based on response evaluable population defined as ≥1 on-study scan.

^b DCR was defined as BOR of CR + PR + SD ≥6 weeks.

Source: Company data, CMBIGM

Figure 2: Clinical outcomes of cohort 1B

	PD-L1 Expression ^a			Histology	
	TPS <1% N = 21	TPS 1%–49% N = 19	TPS ≥50% N = 23	Non-squamous N = 34	Squamous N = 29
ORR, ^b n/N (%)	12/19 (63.2)	13/16 (81.3)	20/23 (87.0)	24/33 (72.7)	21/25 (84.0)
Confirmed PR, n (%)	11 (57.9)	11 (68.8)	18 (78.3)	21 (63.6)	19 (76.0)
DCR, ^c n/N (%)	19/19 (100.0)	16/16 (100.0)	23/23 (100.0)	33/33 (100.0)	25/25 (100.0)
6-mo PFS rate (95% CI), %	82.2 (54.3, 93.9)	76.6 (41.2, 92.3)	91.3 (69.5, 97.8)	93.8 (77.3, 98.4)	73.5 (49.9, 87.2)

Data cutoff date: Jan 02, 2024.

^a PD-L1 expression was assessed at a central lab with PD-L1 IHC 22C3 pharmDx.

^b Including confirmed PR/CR or response pending confirmation. ORR was calculated based on response evaluable population defined as ≥1 on-study scan.

^c DCR was defined as BOR of CR + PR + SD ≥6 weeks.

Source: Company data, CMBIGM

In cohorts 1A/1B, the most common Grade $\geq$ 3 TRAEs were neutrophil count decreased (30.0%/30.2%), white blood cell count decreased (5.0%/17.5%), anemia (5.0%/15.9%), rash (5.0%/6.3%) and drug eruption (7.5%/0). TRAE leading to discontinuation of SKB264 occurred in 1 patient of cohort 1B due to drug hypersensitivity, and there were no treatment-related deaths.

Figure 3: Overall safety summary

	Cohort 1A Sac-TMT (5 mg/kg Q3W) + KL-A167 (1200 mg Q3W) N = 40 n (%)	Cohort 1B Sac-TMT (5 mg/kg Q2W) + KL-A167 (900 mg Q2W) N = 63 n (%)
TRAEs ^a	38 (95.0)	61 (96.8)
Grade $\geq$ 3 TRAEs	17 (42.5)	34 (54.0)
TRAEs leading to sac-TMT dose reduction	7 (17.5)	20 (31.7)
TRAEs leading to treatment interruption	10 (25.0)	32 (50.8)
TRAEs leading to discontinuation of any drug	1 (2.5)	2 (3.2)
TRAEs leading to sac-TMT discontinuation ^b	0	1 (1.6)
Treatment-related SAEs	4 (10.0)	14 (22.2)
TRAEs leading to death	0	0

Data cutoff date: Jan 02, 2024. Median treatment duration in cohorts 1A and 1B was 8.8 months and 7.0 months, respectively.

^a TRAEs were determined as related to either sac-TMT or KL-A167.

^b Discontinuation of sac-TMT occurred in only 1 patient in cohort 1B due to drug hypersensitivity.

Source: Company data, CMBIGM

CMBI comments:

Promising efficacy of SKB264+A167 in all subgroups of 1L NSCLC. In cohort 1A (Q3W), the 15.4 months of mPFS was very promising compared with the current SoC of PD-1+chemo for 1L NSCLC. The mPFS of cohort 1B (Q2W) was immature at the follow up, while this higher-dose cohort represented even better results with higher 6-mo PFS rate (84.6% in 1B vs 69.2% in 1A) and higher ORR (77.6% in 1B vs 48.6% in 1A). For 1L nsq-NSCLC, Keytruda+chemo delivered 9.0 months of mPFS in the global trial KEYNOTE-189, and tislelizumab+chemo delivered 9.7 months of mPFS in the China trial RATIONALE304. The 15.4 months of mPFS of SKB264+A167 and the 48.6% ORR in cohort 1A were much better than the SoC. In cohort 1B, the 72.7% ORR of the SKB264+A167 in nsq-NSCLC patients was much better than the 48.3% ORR of Keytruda+chemo and the 57.4% ORR of tislelizumab+chemo, and the 93.8% 6-mo PFS rate could indicate a much longer mPFS. Especially, for patients with PD-L1 TPS<1% in cohort 1B, the ORR was 63.2% and the 6-mo PFS rate was 82.2%, indicating the strong potential of SKB264+A167 in PD-L1 negative NSCLC patients.

Further confirmed SKB264's BIC potential. In Trodelvy's Ph2 EVOKE-02 trial, Trodelvy in combo with Keytruda had an ORR of 67% and mPFS of 13.1 months in PD-L1 TPS $\geq$ 50% 1L NSCLC patients (n=30) ([link](#)), and 44% ORR in patients with PD-L1 TPS <50% (n=32) ([link](#)). SKB264+A167 delivered 87.0% ORR in TPS $\geq$ 50% patients, 81.3% ORR in TPS 1-49% patients, and 63.2 ORR in TPS<1% patients, which were much better than Trodelvy's results. Trodelvy+Keytruda's mPFS of 13.1 months in TPS $\geq$ 50% NSCLC patients could fall short compared to SKB264+A167 which delivered 15.4 months mPFS in cohort 1A regardless of PD-L1 expression, and may expect even longer mPFS in the cohort 1B. In the Ph2 TROPION-Lung02 trial ([link](#)), Dato-DXd+Keytruda demonstrated the mPFS of 11.1 months and ORR of 52% in 1L NSCLC, also falling short compared to SKB264+A167. We are confident of SKB264's BIC potential in the global TROP2 ADC space. Additionally, for 2/3L NSCLC, after Trodelvy missed the OS endpoint in the EVOKE-01 trial ([link](#)), Dato-DXd also missed the OS endpoint at the final analysis in the TROPION-Lung01 study ([link](#)). That said, we think SKB264 will enjoy a better positioning in the global TROP2 ADC market.

Tolerable safety profile. SKB264 has demonstrated a more tolerable safety profile than its peers. In the SKB264+A167 trial, grade $\geq$ 3 TRAEs were observed in 54% patients in the

cohort 1B. In comparison, tislelizumab+chemo had 63% grade ≥ 3 TRAEs in the RATIONALE304 trial. In the SKB264+A167 trial, TRAE leading to discontinuation of SKB264 occurred in just 1 patient ($<1\%$) of cohort 1B, and there were no treatment-related deaths. In comparison, TEAEs associated with Dato-DXd discontinuation occurred in 29% of patients ([link](#)), much higher than that of SKB264. Additionally, in Dato-DXd's TROPION-Lung02 trial, drug-related ILD was observed in 10% of the patients (2.5% grade 3, [link](#)), which again indicated the safety concern of Dato-DXd. Notably, in a pooled analysis of Dato-DXd, with 484 NSCLC patients, 6.8% pts had ILD, among which 2.5% were grade 3-5 and 1.7% were grade 5 ([link](#)). In Trodelvy's 1L NSCLC (TPS $\geq 50\%$) EVOKE-02 trial, TEAEs leading to discontinuation occurred in 17% patients and 3% treatment-related deaths due to neutropenic sepsis were observed ([link](#)).

Regarding neutropenia, SKB264+A167 had 30.2% grade ≥ 3 TRAEs from neutropenia in cohort 1B and 30.0% in cohort 1A. In Trodelvy's Ph3 ASCENT trial in 3L+ TNBC and the Ph3 TROPiCS-02 trial in 3L+ HR+/HER2- BC, the incidence of grade ≥ 3 AEs of neutropenia was 51% (TRAEs) and 53% (TEAEs), leading to an FDA boxing warning of life-threatening neutropenia. In the Ph2 EVOKE-02 trial in 1L NSCLC, Trodelvy+Keytruda recorded 32% of any rate of neutropenia TEAEs ([link](#)). We notice that MSD adopted a lower dose in its global Ph3 studies, i.e. 4mg/kg Q2W, which will bring more manageable safety profile, in our view.

Expect wide indication coverage in NSCLC. SKB264+A167 has demonstrated very promising Ph2 efficacy data in 1L NSCLC patients without AGAs, with a consistently tolerable safety profile. We see the potential of SKB264 + PD-(L)1 to replace the current SoC in 1L NSCLC upon the validation in Ph3 trials. Kelun Biotech plans to initiate Ph3 trials in China of SKB264+A167/Keytruda in 1L NSCLC patients without AGAs, both in PD-L1 TPS >1 and <1 groups. We think MSD is also likely to initiate additional global Ph3 trials in the similar settings. Additionally, MSD has already started/registered 5 global Ph3 trials in NSCLC, including 3L EGFR-m NSCLC, 2L EGFR-m NSCLC, 1L sq-NSCLC maintenance after Keytruda+chemo induction, 1L TPS $\geq 50\%$ NSCLC, and adjuvant NSCLC. The potential initiation of Ph3 trials in 1L nsq-NSCLC patients without AGAs will provide a significant upside for SKB264's global commercial value, in our view.

Figure 4: SKB264's Ph3 trials conducted by MSD (as of Jun 2024)

Indication	Indication details	Trial ID	Regimen	SKB264 dose	Primary endpoint	Start date	Primary completion date (est)
3L+ EGFR-m NSCLC	Previously treated nsq-NSCLC with EGFR mutations or other genomic alterations (ALK, ROS1, BRAF, NTRK, MET, RET, etc) (pre-treated with TKI, and chemo)	NCT06 074588	Mono vs chemo (docetaxel or pemetrexed)	Q2W	PFS, OS	Nov 2023	May 2027
2L EGFR-m NSCLC	post EGFR-TKI nsq-NSCLC (pre-treated with TKI)	NCT06 305754	Mono vs chemo (pemetrexed + carboplatin)	Q2W	PFS, OS	Jun 2024 (est)	Sep 2028
1L sq-NSCLC	Maintenance treatment for 1L sq-NSCLC (pts have 4 cycles of prior Keytruda+chemo treatment)	NCT06 422143	SKB264+Keytruda vs Keytruda	Q2W	OS	Jul 2024 (est)	Jan 2029
1L NSCLC TPS ≥50%	1L PD-L1 TPS ≥50% NSCLC	NCT06 170788	+ Keytruda vs Keytruda mono	Q2W	OS	Dec 2023	Jan 2028
Adjuvant NSCLC	Adjuvant NSCLC (Stage II, IIIA, IIIB resectable NSCLC not achieving pCR)	NCT06 312137	SKB264+Keytruda vs Keytruda	Q2W	DFS	Apr 2024 (est)	Feb 2034
Endometrial carcinoma	Endometrial carcinoma (post chemo and PD(L)-1)	NCT06 132958	Mono vs chemo	Q2W	PFS, OS	Dec 2023	Jan 2028
HR+/HER2- BC	HR+/HER2- BC (post endocrine therapies with one in combo with a CDK4/6 inhibitor)	NCT06 312176	SKB264 mono vs SKB264+Keytruda vs chemo	Q2W	PFS	Mar 2024 (est)	Jul 2027
TNBC	TNBC (who received neoadjuvant therapy and did not achieve pCR at surgery)	NCT06 393374	SKB264+Keytruda vs Keytruda mono or Keytruda + capecitabine	Q2W	iDFS (invasive disease-free survival)	May 2024 (est)	Dec 2030
3L+ GC	3L+ GC	NCT06 356311	Mono vs chemo	Q2W	OS	May 2024 (est)	Jan 2027

Source: Company data, CMBIGM.

SKB264 mono in 3L+ TNBC (ASCO Clinical Science Symposium)**Data summary:**

The results of a Ph3 trial of SKB264 in 3L+ advanced TNBC was released at ASCO meeting ([link](#), OptiTROP-Breast01). Pts were randomised to receive SKB264 mono (n = 130) or chemo (n = 133). 87% had visceral metastases; 26% received prior PD-(L)1; 48% received 3+ prior lines of chemo.

As of Jun 2023, the primary endpoint of PFS was met, with mPFS of 5.7 vs 2.3 months (HR=0.31, P<0.00001). PFS at 6 months was 43.4% vs 11.1%. In the subset of pts with TROP2 expression H-score > 200, the mPFS was 5.8 vs 1.9 months (HR 0.28; 95% CI 0.17 to 0.48). As of Nov 2023, OS was statistically significant in favor of SKB264 (mOS NE vs 9.4 months, HR 0.53, P =0.0005). The ORR was 43.8% vs 12.8%.

Most common grade≥3 TRAEs were neutrophil count decreased (32.3% vs 47.0%), anemia (27.7% vs 6.1%) and white blood cell count decreased (25.4% vs 36.4%).

CMBI Comments:

Solid Ph3 results to support the approval in China. In the Ph3 trial, SKB264 demonstrated 43.8% ORR and 5.7 months of mPFS in heavily pre-treated TNBC, consistent with the Ph1/2 results. The results were better than the 35% ORR and 5.6 months mPFS of Trodelvy in Ph3 study, and much better than the 32% ORR and 4.4 months mPFS of Dato-DXd in a Ph1 study. Additionally, SKB264 had lower rate of grade ≥3 TRAEs from neutropenia (32% vs 51%) compared to Trodelvy, with the latter having an FDA boxed warning. Meanwhile, SKB264 has higher rates of leukopenia, anemia and platelet count decrease compared to Trodelvy and Dato-DXd. The Ph3 results of SKB264 in 3L+ TNBC should support its current BLA in China (BLA filed in Dec 2023 with priority review). Kelun-Biotech has started a Ph3 trial of SKB264 in 1L TNBC in China (NCT06279364) in Feb 2024, and MSD has registered a global trial of SKB264 + Keytruda

in TNBC who received neoadjuvant therapy and did not achieve pCR at surgery (NCT06393374).

Figure 5: Cross-trial comparison of ADC drugs for late-line TNBC

Drug	SKB264		Trodelvy	Dato-DXd
Company	Kelun-Biotech		Gilead	Daiichi Sankyo / AstraZeneca
Trial ID	NCT05347134	NCT04152499	ASCENT	TROPION-PanTumor01
Trial stage	Ph3	Ph1/2	Ph3	Ph1
Regimen	SKB264 vs chemo	SKB264, single arm	Trodelvy vs chemo	Dato-DXd, single arm
Primary endpoint	PFS		PFS	Safety
n (efficacy evaluable)	130 vs 133	59	468 (235 vs 233) pts without brain metastases	44
Baseline	87% had visceral metastases; 26% received prior PD-(L)1; 48% received 3+ prior lines of chemo	88% pts had ≥3 prior treatment	All ≥ 2 prior treatment	Median of 3 prior treatment (range 1-10)
Median follow-up		22.8 months	17.7 months	16.6 months
PFS (month)	5.7 vs 2.3 HR=0.31, P<0.00001	5.7	5.6 vs 1.7 HR=0.41, P<0.001	4.4
OS (month)		16.8	12.1 vs 6.7 HR=0.48, P<0.001	13.5
ORR	43.8% vs 12.8%	42.4%	35% vs 5%	32%
CR		--	--	2%
mDoR (month)		11.5	6.3 vs 3.6	16.8
Key Grade≥3 TRAEs				
diarrhea		0	11% vs 1%	0
stomatitis		--	--	11%
decreased neutrophil count (neutropenia)	32.3% vs 47.0%	25.4%	51% vs 33%	2.3%
platelet count decreased		16.9%	1.2% vs 2.7%	--
leukopenia (decreased in total white blood cell)	25.4% vs 36.4%	23.7%	10% vs 5%	0
anemia	27.7% vs 6.1%	22%	8% vs 5%	2%
ILD		0%	1 case with grade 3 ILD in Trodelvy arm	0% (2% discontinued due to pneumonitis, not ILD)
AE leading to dose reduction		15.2%	--	18%
AE leading to discontinuation		6.8%	5% vs 5%	2% (due to pneumonitis)
Approval status	BLA accepted in Dec 2023 in China		Approved in China (3L+ TNBC) and the US (3L+ TNBC)	Not approved yet
Source	Link	Link	Link1 Link2	Link1 , Link2 , Link3

Source: Company data, CMBIGM.

Given the promising data of SKB264 in 1L NSCLC and in late-line TNBC, we are more confident about SKB264's global development and the approval in China. We raise our DCF-based TP from HK\$200.77 to HK\$246.13 (WACC: 10.31%, terminal growth rate: 4.0%). Maintain BUY.

Figure 6: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	-677	-783	-698	11	1,812	2,965	4,299	5,767	7,087	7,974	8,375	8,254
Tax rate	0%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	-677	-783	-698	11	1,540	2,520	3,655	4,902	6,024	6,778	7,119	7,016
+ D&A	35	40	44	51	58	59	61	63	64	66	67	69
- Change in working capital	-208	-67	-167	-283	-253	-258	-199	-106	-21	35	87	82
- Capex	-200	-150	-150	-200	-200	-100	-100	-100	-100	-100	-100	-100
FCFF	-1,051	-960	-971	-421	1,145	2,221	3,417	4,760	5,967	6,778	7,173	7,067
Terminal value												116,547
FCF + terminal value	-1,051	-960	-971	-421	1,145	2,221	3,417	4,760	5,967	6,778	7,173	123,614

Present value of enterprise (RMB mn) 48,619

Net debt (RMB mn) -477

Equity value (RMB mn) 49,096

No. of shares (mn) 219

DCF per share (RMB) 223.98**DCF per share (HK\$) 246.13**

Terminal growth rate 4.0%

WACC 10.31%

Cost of equity 14.0%

Cost of debt 4.0%

Equity beta 1.05

Risk-free rate 3.0%

Market risk premium 10.5%

Target debt to asset ratio 35.0%

Effective corporate tax rate 15.0%

Source: CMBIGM estimates

Figure 7: Sensitivity analysis (HK\$)

Terminal growth rate	WACC				
	9.31%	9.81%	10.31%	10.81%	11.31%
5.0%	369.49	321.11	282.13	250.09	223.36
4.5%	337.33	296.29	262.58	234.45	210.65
4.0%	311.23	275.74	246.13	221.10	199.69
3.5%	289.63	258.45	232.10	209.58	190.13
3.0%	271.45	243.71	219.99	199.53	181.72

Source: CMBIGM estimates

Figure 8: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	918	1,082	1,642	918	1,079	1,638	0%	0%	0%
Gross profit	645	821	1,349	645	819	1,346	0%	0%	0%
Operating profit	-656	-772	-686	-656	-772	-687	0%	0%	0%
Net profit	-659	-786	-726	-659	-786	-727	0%	0%	0%
EPS (RMB)	(3.01)	(3.59)	(3.31)	(3.01)	(3.59)	(3.31)	0%	0%	0%
Gross margin	70.24%	75.93%	82.16%	70.24%	75.92%	82.17%	0.00 ppt	+0.01 ppt	-0.01 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 9: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	918	1,082	1,642	1,181	1,468	2,500	-22%	-26%	-34%
Gross profit	645	821	1,349	742	1,062	1,877	-13%	-23%	-28%
Operating profit	-656	-772	-686	-659	-718	-209	0%	8%	228%
Net profit	-659	-786	-726	-650	-707	-294	1%	11%	147%
EPS (RMB)	(3.01)	(3.59)	(3.31)	(2.94)	(3.67)	(1.24)	2%	-2%	166%
Gross margin	70.24%	75.93%	82.16%	62.87%	72.33%	75.07%	+7.37 ppt	+3.60 ppt	+7.09 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	32	804	1,540	918	1,082	1,642
Cost of goods sold	(21)	(277)	(781)	(273)	(260)	(293)
Gross profit	12	527	759	645	821	1,349
Operating expenses	(789)	(946)	(1,143)	(1,301)	(1,594)	(2,035)
Selling expense	0	0	(20)	(41)	(226)	(559)
Admin expense	(96)	(95)	(182)	(218)	(262)	(314)
R&D expense	(728)	(846)	(1,031)	(1,083)	(1,137)	(1,193)
Others	35	(4)	90	41	31	32
Operating profit	(777)	(419)	(383)	(656)	(772)	(686)
Net Interest income/(expense)	(113)	(149)	(84)	(3)	(14)	(40)
Pre-tax profit	(890)	(567)	(468)	(659)	(786)	(726)
Income tax	0	(49)	(106)	0	0	0
After tax profit	(890)	(616)	(574)	(659)	(786)	(726)
Minority interest	0	0	0	0	0	0
Net profit	(890)	(616)	(574)	(659)	(786)	(726)

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	298	332	2,807	1,572	1,148	903
Cash & equivalents	82	93	1,529	497	933	535
Restricted cash	37	26	40	40	40	40
Account receivables	79	99	215	7	61	220
Inventories	79	53	63	67	54	48
Financial assets at FVTPL	0	0	634	634	34	34
Other current assets	23	62	327	327	27	27
Non-current assets	515	661	702	867	978	1,083
PP&E	432	530	608	773	883	989
Right-of-use assets	42	117	85	85	85	85
Intangibles	0	3	1	1	1	1
Other non-current assets	40	10	8	8	8	8
Total assets	813	993	3,510	2,439	2,126	1,987
Current liabilities	3,445	4,167	1,110	698	1,172	1,758
Short-term borrowings	2,388	2,891	0	0	500	1,100
Account payables	185	243	523	112	85	72
Other current liabilities	761	787	21	21	21	21
Lease liabilities	2	82	54	54	54	54
Contract liabilities	109	164	511	511	511	511
Non-current liabilities	12	52	70	70	70	70
Deferred income	11	11	65	65	65	65
Other non-current liabilities	1	41	6	6	6	6
Total liabilities	3,457	4,219	1,180	768	1,242	1,828
Share capital	107	107	219	219	219	219
Other reserves	(2,751)	(3,334)	2,110	1,452	665	(61)
Total shareholders equity	(2,644)	(3,226)	2,329	1,671	884	158
Total equity and liabilities	813	993	3,510	2,439	2,126	1,987

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(890)	(567)	(468)	(659)	(786)	(726)
Depreciation & amortization	23	67	75	35	40	44
Tax paid	0	(49)	0	0	0	0
Change in working capital	279	35	276	(208)	(67)	(167)
Others	102	195	177	3	14	40
Net cash from operations	(486)	(320)	60	(829)	(799)	(809)
Investing						
Capital expenditure	(94)	(34)	(81)	(200)	(150)	(150)
Net proceeds from disposal of short-term investments	0	1	(623)	0	600	0
Others	(1)	1	(321)	0	300	0
Net cash from investing	(94)	(32)	(1,025)	(200)	750	(150)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	155	318	(394)	0	500	600
Proceeds from share issues	534	0	1,482	0	0	0
Others	(42)	(5)	1,294	(3)	(14)	(40)
Net cash from financing	647	313	2,382	(3)	486	560
Net change in cash						
Cash at the beginning of the year	16	82	93	1,529	497	933
Exchange difference	(1)	1	19	0	0	0
Cash at the end of the year	82	44	1,529	497	933	535
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	na	2,387.3%	91.6%	(40.4%)	17.8%	51.7%
Gross profit	na	4,368.1%	44.0%	(15.1%)	27.4%	64.2%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	36.5%	65.6%	49.3%	70.2%	75.9%	82.2%
Operating margin	(2,404.6%)	(52.1%)	(24.9%)	(71.5%)	(71.4%)	(41.8%)
Return on equity (ROE)	na	na	na	(32.9%)	(61.6%)	(139.3%)
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	0.1	0.1	2.5	2.3	1.0	0.5
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/B	ns	ns	13.3	22.1	41.7	232.8

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

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