

CSPC Pharmaceutical (1093 HK)

Resilient BD momentum offsets sales pressure

- Inventory destocking in oncology products continues.** In FY24, CSPC's total revenue declined by 7.8% YoY to RMB29.0bn, with finished drug sales falling 7.4% YoY to RMB23.7bn. The weakness was primarily due to a 28.3% YoY drop in oncology drug sales to RMB4.4bn, as well as a 14.8% decline in cardiovascular drug sales to RMB2.1bn. The sharp fall in oncology revenue was mainly due to significant price cuts for Jinyouli and Duomeisu under VBP schemes, which triggered inventory destocking in 2H24. Mgmt forecasts oncology sales to further decline to RMB3.0bn in FY25. While this headwind persists, the Company expects incremental sales of approximately RMB1.5bn in FY25 from newly launched products, including Mingfule (rhTNK-tPA), Duoenyi (irinotecan liposome), Kelingda (omalizumab), and Glumetinib, which should help partially offset the drag from legacy products. Meanwhile, mgmt aims to maintain stable sales of NBP, despite a recent price adjustment during the NRDL negotiation. Overall, the Company is targeting a return to positive organic revenue growth in FY2025.
- BD to become a sustainable revenue stream.** The Company has made notable progress in out-licensing innovative assets since late 2024, with deals already secured for YS2302018 (a lipoprotein(a) inhibitor), SYH2039 (a MAT2A inhibitor), and SYS6005 (a ROR1 ADC). Backed by strong R&D capabilities—evidenced by FY24 R&D spending of RMB5.2bn—CSPC has built a robust pipeline of 40–50 assets with BD (business development) potential, according to the mgmt. The Company aims to out-license 3-4 assets annually to drive recurring BD revenue. In our view, multiple candidates hold out-licensing potential, including EGFR ADC, PD-1/IL15 bsAb, GFRAL mAb, ActRII mAb, B7-H3 ADC, etc.
- EGFR ADC (SYS6010) is making solid clinical progress.** SYS6010 is currently undergoing Ph3 development globally. In China, two key trials are underway: (1) a Ph3 study comparing SYS6010 mono to chemo in 2L TKI-resistant EGFRm NSCLC, and (2) a Ph1b/3 trial evaluating SYS6010 plus osimertinib versus osimertinib alone in 1L EGFR-mutant NSCLC. In the US, CSPC plans to initiate two Ph3 trials in 2H25: one in 3L EGFR-mutant NSCLC (ORR-based), and another in 2L+ EGFR wild-type NSCLC. Key data readouts are expected in 2025, with monotherapy data likely to be presented at AACR and combination therapy results anticipated at ASCO. In parallel, CSPC is actively exploring global BD opportunities for SYS6010.
- Maintain BUY.** CSPC's continued out-licensing deals could be a key driver of earnings growth, in our view. We forecast CSPC's revenue and attributable net profit to increase by 1.6%/0.6% and 3.5%/5.5% YoY, in FY25/26 respectively. Considering the moderate performance in FY24 and a conservative outlook on the Company sales target in FY25, we revise our TP from HK\$5.97 to HK\$5.71 (WACC 11.46%, terminal growth 2.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	31,450	29,009	29,473	29,636	30,525
YoY growth (%)	1.7	(7.8)	1.6	0.6	3.0
Net profit (RMB mn)	6,072.7	4,338.8	4,490.2	4,736.0	4,885.9
YoY growth (%)	(2.6)	(28.6)	3.5	5.5	3.2
EPS (Reported) (RMB)	0.49	0.37	0.39	0.41	0.42
P/E (x)	9.3	12.5	11.9	11.3	10.9
Net gearing (%)	(37.3)	(23.5)	(27.3)	(31.7)	(35.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$5.71
(Previous TP)	HK\$5.97
Up/Downside	15.5%
Current Price	HK\$4.94

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Stock Data

Mkt Cap (HK\$ mn)	58,871.0
Avg 3 mths t/o (HK\$ mn)	393.0
52w High/Low (HK\$)	7.12/4.34
Total Issued Shares (mn)	11917.2
Source: FactSet	

Shareholding Structure

Massive Giant Group Ltd	10.6%
Cai Dongchen	10.4%

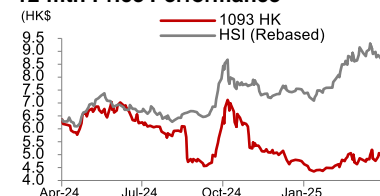
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	4.9%	4.1%
3-mth	3.3%	-10.3%
6-mth	-18.3%	-25.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	5,908	6,222	6,398	6,718	7,021	7,301	7,557	7,784	7,978	8,178	8,382
Tax rate	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
EBIT*(1-tax rate)	4,595	4,839	4,976	5,225	5,460	5,679	5,877	6,054	6,205	6,360	6,519
+ D&A	1,114	1,114	1,114	1,170	1,223	1,271	1,316	1,355	1,389	1,424	1,460
- Change in working capital	-8	6	-142	-149	-156	-162	-168	-173	-177	-181	-186
- Capex	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500
FCFF	4,201	4,460	4,449	4,746	5,027	5,288	5,526	5,737	5,917	6,103	6,293
Terminal value											67,834
Terminal growth rate	2.00%										
WACC	11.46%										
Cost of Equity	15.10%										
Cost of Debt	3.50%										
Equity Beta	1.20										
Risk Free Rate	2.50%										
Market Risk Premium	10.50%										
Target Debt to Asset ratio	30.00%										
Effective Corporate Tax Rate	15.00%										
Terminal value (RMB mn)	22,917										
Total PV (RMB mn)	53,433										
Net debt (RMB mn)	-9,408										
Minority interests (RMB mn)	1,587										
Equity value (RMB mn)	61,254										
# of shares (mn)	11,544										

DCF per share (in HK\$) 5.71

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC			
		10.46%	10.96%	11.46%	12.46%
Terminal growth rate	3.00%	6.70	6.32	5.98	5.68
	2.50%	6.50	6.15	5.84	5.56
	2.00%	6.32	6.00	5.71	5.44
	1.50%	6.17	5.86	5.59	5.34
	1.00%	6.03	5.74	5.48	5.25

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates: New vs Old

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	29,473	29,636	30,525	30,388	31,300	32,239	-3.0%	-5.3%	-5.3%
Gross profit	20,517	20,579	21,192	20,778	21,727	22,375	-1.3%	-5.3%	-5.3%
Operating profit	5,908	6,222	6,398	6,422	6,511	6,696	-8.0%	-4.4%	-4.4%
Attributable net profit	4,479	4,724	4,874	5,002	5,073	5,231	-10.5%	-6.9%	-6.8%
EPS (RMB)	0.39	0.41	0.42	0.43	0.44	0.45	-10.5%	-6.9%	-6.8%
Gross margin	69.61%	69.44%	69.43%	68.37%	69.42%	69.40%	+1.24ppt	+0.02ppt	+0.02ppt
Operating margin	20.05%	20.99%	20.96%	21.13%	20.80%	20.77%	-1.09ppt	+0.19ppt	+0.19ppt
Net margin	15.20%	15.94%	15.97%	16.46%	16.21%	16.22%	-1.26ppt	-0.27ppt	-0.26ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	29,473	29,636	30,525	30,568	31,647	33,888	-3.6%	-6.4%	-9.9%
Gross profit	20,517	20,579	21,192	21,576	22,377	23,832	-4.9%	-8.0%	-11.1%
Operating profit	5,908	6,222	6,398	6,543	6,514	7,138	-9.7%	-4.5%	-10.4%
Attributable net profit	4,479	4,724	4,874	5,198	5,236	5,932	-13.8%	-9.8%	-17.8%
EPS (RMB)	0.39	0.41	0.42	0.47	0.46	0.50	-16.6%	-11.8%	-16.1%
Gross margin	69.61%	69.44%	69.43%	70.59%	70.71%	70.33%	-0.97ppt	-1.27ppt	-0.9ppt
Operating margin	20.05%	20.99%	20.96%	21.40%	20.58%	21.06%	-1.36ppt	+0.41ppt	-0.1ppt
Net margin	15.20%	15.94%	15.97%	17.00%	16.55%	17.50%	-1.81ppt	-0.6ppt	-1.54ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	30,937	31,450	29,009	29,473	29,636	30,525
Cost of goods sold	(8,680)	(9,273)	(8,711)	(8,956)	(9,057)	(9,332)
Gross profit	22,256	22,177	20,299	20,517	20,579	21,192
Selling expense	(10,337)	(9,141)	(8,662)	(8,396)	(8,531)	(8,791)
Admin expense	(1,173)	(1,190)	(1,080)	(1,042)	(1,066)	(1,099)
R&D expense	(3,987)	(4,830)	(5,191)	(5,522)	(5,113)	(5,268)
Others	815	421	346	351	353	364
Operating profit	7,574	7,437	5,712	5,908	6,222	6,398
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	33	(21)	(89)	(100)	(100)	(100)
Net Interest income/(expense)	(25)	(26)	(44)	(34)	(32)	(16)
Pre-tax profit	7,582	7,389	5,579	5,773	6,089	6,282
Income tax	(1,350)	(1,317)	(1,240)	(1,283)	(1,353)	(1,396)
Minority interest	141	199	11	11	12	12
Net profit	6,232	6,073	4,339	4,490	4,736	4,886
Gross dividends	2,097	2,726	2,597	2,240	1,890	1,949
Net dividends	9	(4)	(26)	3	5	3

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,957	26,745	21,888	23,946	26,454	29,228
Cash & equivalents	10,298	12,015	6,777	8,580	10,993	13,348
Account receivables	4,631	6,542	6,048	6,144	6,178	6,364
Inventories	2,555	3,139	3,130	3,218	3,254	3,354
Prepayment	0	0	0	0	0	0
ST bank deposits	3,575	1,077	1,307	1,307	1,307	1,307
Other current assets	2,898	3,972	4,626	4,696	4,721	4,856
Non-current assets	17,813	19,537	22,501	22,887	23,272	23,658
PP&E	9,582	10,417	11,374	12,007	12,640	13,273
Deferred income tax	113	187	250	250	250	250
Intangibles	1,908	2,199	2,610	2,527	2,444	2,361
Goodwill	1,395	1,226	1,128	964	800	636
Financial assets at FVTPL	2,126	2,387	2,334	2,334	2,334	2,334
Other non-current assets	2,689	3,122	4,804	4,804	4,804	4,804
Total assets	41,770	46,282	44,389	46,833	49,727	52,886
Current liabilities	8,958	10,183	9,634	9,853	9,927	10,176
Short-term borrowings	153	450	392	364	337	309
Account payables	6,864	8,404	7,409	7,618	7,704	7,938
Tax payable	262	379	138	138	138	138
Other current liabilities	1,679	948	1,695	1,733	1,749	1,792
Non-current liabilities	1,170	1,082	889	889	889	889
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,170	1,082	889	889	889	889
Total liabilities	10,128	11,264	10,523	10,742	10,815	11,065
Share capital	10,899	10,899	11,033	11,033	11,033	11,033
Other reserves	19,298	22,304	21,232	23,471	26,306	29,230
Total shareholders equity	30,198	33,203	32,265	34,504	37,339	40,263
Minority interest	1,444	1,815	1,602	1,587	1,573	1,559
Total equity and liabilities	41,770	46,282	44,389	46,833	49,727	52,886

CASH FLOW	2022A	2023A	2024E	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,582	7,389	5,579	5,773	6,089	6,282
Depreciation & amortization	1,048	1,114	1,114	1,114	1,114	1,114
Tax paid	(1,335)	(1,309)	(1,240)	(1,283)	(1,353)	(1,396)
Change in working capital	798	(3,032)	(207)	(8)	6	(142)
Others	(467)	16	0	0	0	0
Net cash from operations	7,627	4,179	5,246	5,596	5,857	5,858
Investing						
Capital expenditure	(2,220)	(1,624)	(1,500)	(1,500)	(1,500)	(1,500)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(4,576)	2,231	(5,000)	0	0	0
Net cash from investing	(6,796)	607	(6,500)	(1,500)	(1,500)	(1,500)
Financing						
Dividend paid	(2,097)	(2,726)	(2,597)	(2,240)	(1,890)	(1,949)
Net borrowings	486	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(14)	(200)	(600)	0	0	0
Others	(279)	626	(754)	(54)	(54)	(54)
Net cash from financing	(1,904)	(2,301)	(3,951)	(2,293)	(1,944)	(2,003)
Net change in cash						
Cash at the beginning of the year	9,060	10,298	12,015	6,777	8,580	10,993
Exchange difference	14	5	0	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	10,298	12,015	6,777	8,580	10,993	13,348
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	11.0%	1.7%	(7.8%)	1.6%	0.6%	3.0%
Gross profit	5.3%	(0.4%)	(8.5%)	1.1%	0.3%	3.0%
Operating profit	11.5%	(1.8%)	(23.2%)	3.4%	5.3%	2.8%
Net profit	9.6%	(2.6%)	(28.6%)	3.5%	5.5%	3.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	71.9%	70.5%	70.0%	69.6%	69.4%	69.4%
Operating margin	24.5%	23.6%	19.7%	20.0%	21.0%	21.0%
Return on equity (ROE)	22.2%	19.2%	13.3%	13.4%	13.2%	12.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.4)	(0.2)	(0.3)	(0.3)	(0.4)
Current ratio (x)	2.7	2.6	2.3	2.4	2.7	2.9
Receivable turnover days	87.7	120.5	131.4	131.4	131.4	131.4
Inventory turnover days	107.4	123.5	131.2	131.2	131.2	131.2
Payable turnover days	319.6	349.4	367.1	367.1	367.1	367.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	9.0	9.3	12.5	11.9	11.3	10.9
P/E (diluted)	9.0	9.3	12.5	11.9	11.3	10.9
P/B	1.7	1.6	1.6	1.5	1.4	1.3
P/CFPS	7.2	13.1	10.3	9.5	9.1	9.1
Div yield (%)	3.8	5.0	4.8	4.2	3.5	3.7

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

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