

Innovent Biologics (1801 HK)

IBI363 advancing towards global development

Innovent reported 1H25 revenue of RMB5.95bn (+51% YoY), with product sales of RMB5.23bn (+37% YoY), achieving 51% of our prior full-year forecasts and exceeding our expectations. Sintilimab sales rose 15% YoY to US\$275mn (per Eli Lilly), while new products—i.e. PCSK9 mAb and IGF-1R—drove product growth in 1H25. Profitability improved materially in 1H25, with non-IFRS net profit reaching RMB1.21bn and EBITDA amounting to RMB1.41bn, compared to a loss in 1H24. Under non-IFRS, gross margin expanded to 86.8% in 1H25 (vs 84.9% in FY24) and SG&A ratio fell to 44.2% (vs 50.9% in FY24), underscoring operating leverage. Mgmt aims to achieve non-IFRS EBITDA profitability in FY25 excluding the US\$80mn upfront income from Roche. We forecast FY25 net profit of RMB997mn. As of Jun 2025, Innovent had a strong cash position of RMB14.6bn.

■ **IBI363 (PD-1/IL-2) progresses toward global Ph3 MRCT.** IBI363 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](#)). The recent FDA clearance to initiate a global Ph3 MRCT—comparing IBI363 (3mg/kg) vs docetaxel in IO-resistant sq-NSCLC—marks a key milestone in the asset's global development. In parallel, a pivotal Ph2 trial in 1L melanoma is ongoing, while a Ph3 trial in 3L MSS CRC is set to begin in 2H25 in China. Innovent is also advancing IBI363 into earlier lines of therapy, with Ph1b/2 PoC data in front-line NSCLC and CRC expected in 2026. Positive results could further validate IBI363 as a next-generation IO backbone. To broaden its clinical footprint, Innovent has also registered a Ph2 study in neoadjuvant NSCLC (1.5mg/kg) and initiated a bevacizumab combination trial in late-line EGFRm NSCLC and ovarian cancer. We also see IBI363's significant ADC-combination potential and scope for a sizable out-licensing deal.

■ **Expanding ADC pipeline with strategic depth.** Innovent is advancing a broad ADC pipeline, spanning monoclonal ADCs (i.e. CLDN18.2 and HER2), bispecific ADCs (i.e. EGFR/B7H3), and dual-payload ADCs (i.e. CEACAM5 dp), which are being developed with future IO combination strategies in mind. IBI343 (CLDN18.2 ADC) has entered into Ph3 trial in 3L+ PDAC in China, in addition to its ongoing Ph3 study in 3L+ gastric cancer. Innovent also plans to discuss with authorities regarding the start of a global Ph3 study of IBI343 in 2L+ PDAC, and is currently conducting a Ph1b trial of IBI343 in front-line PDAC.

■ **Growing innovative pipeline in non-oncology.** Following the launch of mazdutide for obesity in Jul, we expect a strong uptake in sales of the product in 2H25. We expect IBI311 (IGF-1R), IBI306 (PCSK9) and IBI112 (IL-23p19) to become important revenue drivers in Innovent's non-oncology portfolio. We would like to highlight IBI3032 as a differentiated oral GLP-1, demonstrating 5-10 times higher oral exposure than peers at the same dose, along with superior efficacy in an obese cynomolgus monkey model.

■ **Maintain BUY.** With strong results in 1H25, we revise our DCF-based TP from HK\$102.95 to HK\$109.48 (WACC: 9.0%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,206	9,422	12,180	14,299	18,805
YoY growth (%)	36.2	51.8	29.3	17.4	31.5
Net profit (RMB mn)	(1,027.9)	(94.6)	997.2	1,436.0	2,473.8
EPS (Reported) (RMB)	(0.66)	(0.06)	0.58	0.83	1.44
R&D expenses (RMB mn)	(2,228)	(2,681)	(2,560)	(2,865)	(3,639)
CAPEX (RMB mn)	(1,119)	(966)	(300)	(300)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$109.48
(Previous TP)	HK\$102.95)
Up/Downside	20.8%
Current Price	HK\$90.65

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Stock Data

Mkt Cap (HK\$ mn)	155,260.3
Avg 3 mths t/o (HK\$ mn)	2,047.7
52w High/Low (HK\$)	101.90/30.00
Total Issued Shares (mn)	1712.7

Source: FactSet

Shareholding Structure

Temasek Holdings	7.9%
Capital Group	6.9%

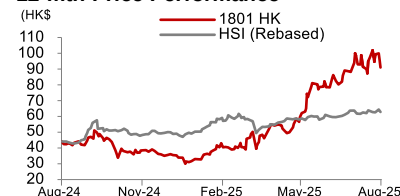
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-3.5%	-1.3%
3-mth	50.6%	40.1%
6-mth	124.1%	105.7%

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	833	1,343	2,660	4,752	7,465	10,669	13,219	14,628	15,897	16,801	17,282
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	708	1,141	2,261	4,039	6,345	9,068	11,236	12,434	13,512	14,281	14,690
+ D&A	325	326	326	326	327	327	327	327	327	328	328
- Change in working capital	-48	-310	-631	-697	-757	-554	-406	-209	-140	-121	40
- Capex	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300
FCFF	686	857	1,656	3,368	5,615	8,541	10,857	12,252	13,400	14,187	14,758
Terminal value											308,739
FCF + Terminal value	686	857	1,656	3,368	5,615	8,541	10,857	12,252	13,400	14,187	323,496

PV of enterprise (RMB mn)	163,809
Net debt (RMB mn)	-10,579
Equity value (RMB mn)	174,388
Equity value (HK\$ mn)	187,514
No. of outstanding shares (mn)	1,713
DCF per share (HK\$)	109.48

Terminal growth rate	4.0%
WACC	9.0%
Cost of equity	12.2%
Cost of debt	3.5%
Equity beta	0.90
Risk-free rate	3.2%
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				
		8.0%	8.5%	9.0%	9.5%	10.0%
Terminal growth rate	5.0%	176.99	149.71	129.36	113.62	101.09
	4.5%	156.13	134.80	118.31	105.18	94.51
	4.0%	140.53	123.24	109.48	98.29	89.03
	3.5%	128.41	113.99	102.27	92.56	84.39
	3.0%	118.73	106.44	96.26	87.71	80.42

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM new vs old

RMB mn	NEW			OLD			Diff(%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	12,180	14,299	18,805	11,347	13,236	17,520	7%	8%	7%
Gross profit	10,400	12,151	15,984	9,496	10,971	14,560	10%	11%	10%
Operating profit	2,173	2,891	4,410	1,515	2,045	3,844	43%	41%	15%
Net profit	997	1,436	2,474	522	804	2,084	91%	79%	19%
EPS (RMB)	0.58	0.84	1.44	0.27	0.45	1.24	118%	86%	17%
Gross margin	85.38%	84.97%	85.00%	83.68%	82.89%	83.11%	+1.70 ppt	+2.08 ppt	+1.89 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff(%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	12,180	14,299	18,805	11,882	14,839	18,688	3%	-4%	1%
Gross profit	10,400	12,151	15,984	9,991	12,503	15,810	4%	-3%	1%
Operating profit	2,173	2,891	4,410	478	1,516	3,057	355%	91%	44%
Net profit	997	1,436	2,474	592	1,509	2,824	68%	-5%	-12%
EPS (RMB)	0.58	0.84	1.44	0.36	0.87	1.70	63%	-4%	-15%
Gross margin	85.38%	84.97%	85.00%	84.09%	84.26%	84.60%	+1.30 ppt	+0.72 ppt	+0.40 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	12,180	14,299	18,805
Cost of goods sold	(931)	(1,136)	(1,510)	(1,781)	(2,149)	(2,821)
Gross profit	3,625	5,070	7,912	10,400	12,151	15,984
Operating expenses	(5,796)	(6,214)	(7,990)	(9,227)	(10,461)	(13,074)
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)	(2,865)	(3,639)
Others	502	(136)	(224)	(268)	(584)	(1,009)
Pre-tax profit	(2,170)	(1,144)	(79)	1,173	1,689	2,910
Income tax	(9)	116	(16)	(176)	(253)	(437)
Minority interest	0	0	0	0	0	0
Net profit	(2,179)	(1,028)	(95)	997	1,436	2,474

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	11,507	13,428	10,273	15,923	18,090	21,400
Cash & equivalents	9,163	10,052	7,508	13,038	14,806	17,323
Account receivables	575	1,006	1,184	1,249	1,466	1,928
Inventories	1,429	968	822	878	1,060	1,391
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	27,227	29,369	32,653
Current liabilities	3,499	4,477	4,369	4,442	4,531	4,693
Short-term borrowings	888	1,195	405	405	405	405
Account payables	326	373	358	430	519	682
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	8,653	8,819
Share capital	0	0	0	0	0	0
Other reserves	10,730	12,527	13,118	18,666	20,716	23,834
Total shareholders equity	10,730	12,528	13,118	18,666	20,716	23,834
Minority interest	0	0	0	0	0	0
Total equity and liabilities	17,589	20,627	21,603	27,227	29,369	32,653

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,162)	(1,261)	(63)	1,349	1,943	3,347
Depreciation & amortization	245	276	293	294	294	294
Tax paid	(9)	116	(16)	(176)	(253)	(437)
Change in working capital	295	403	404	(48)	(310)	(631)
Others	(327)	511	703	103	48	(8)
Net cash from operations	(1,958)	46	1,322	1,523	1,722	2,566
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	411	418	321
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	3,967	0	0
Others	46	(86)	14	(71)	(71)	(71)
Net cash from financing	2,892	2,587	(607)	3,896	(71)	(71)
Net change in cash						
Cash at the beginning of the year	1,359	1,016	2,746	7,508	13,038	14,806
Exchange difference	119	(7)	13	0	0	0
Cash at the end of the year	9,163	10,052	7,508	13,038	14,806	17,323
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	6.7%	36.2%	51.8%	29.3%	17.4%	31.5%
Gross profit	(3.7%)	39.8%	56.1%	31.5%	16.8%	31.6%
Net profit	na	na	na	na	44.0%	72.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.6%	81.7%	84.0%	85.4%	85.0%	85.0%
Return on equity (ROE)	(20.7%)	(8.8%)	(0.7%)	6.3%	7.3%	11.1%
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)	(0.6)	(0.6)
Current ratio (x)	3.3	3.0	2.4	3.6	4.0	4.6
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	143.2	99.4	57.7
P/B	11.9	10.4	10.3	7.6	6.9	6.0

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

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