Innovent Biologics (1801 HK)

Accelerating transition to global biopharma

Innovent reported robust FY25 results, achieving its first-ever full-year net profit of RMB834mn. Top-line growth was strong, with FY25 revenue reaching RMB13.0bn (+38% YoY) and product sales hitting RMB11.9bn (+45% YoY). While sintilimab sales grew steadily by 5% YoY to US$551mn, new launches—including mazdutide, PCSK9 mAb, and IGF-1R—fueled significant expansion, driving a 27% HoH product sales increase in 2H25. Profitability improved notably, with 2H25 product gross margin expanding to 86.2%. The FY25 selling expense ratio (vs product sales) declined to 48.0%, despite a 2H25 uptick (50.1%) to support non-oncology commercialization. R&D expenses remained flattish (-2% YoY) in FY25 but are projected to rise as global MRCTs (notably IBI363, PD-1/IL2) advance, in our view. Backed by a formidable RMB24.3bn cash reserve as of end-2025, Innovent is well-capitalized to execute its global ambitions. Given its strong pipeline innovation and global development potential, we maintain BUY rating for Innovent with a target price of HK$113.86.

- **Strategic partnerships accelerating global expansion**. Innovent is advancing its transition into a fully integrated global biopharma through diverse partnerships. A landmark collaboration with Takeda for IBI363 establishes a strong foundation for global co-development and commercialization. Innovent also recently secured a US$350mn upfront payment in its seventh strategic R&D partnership with Eli Lilly for early-stage assets. In addition, IBI3009 (DLL3 ADC, out-licensed to Roche) is undergoing a global Ph1 trial for SCLC. Notably, IBI324 (VEGF/Ang2 bsAb, out-licensed to Ollin) demonstrated superior anatomic efficacy in a Ph1b head-to-head comparison with the market-leader Faricimab. Expected to enter Ph3 MRCTs in 2026, IBI324 is positioned to disrupt the ~US$15bn global retinal market. Innovent targets advancing at least five assets (including IBI363, IBI343, and IBI324) into global Ph3 MRCTs by 2030.
- **First-line IBI363 data readouts to be a crucial catalyst for the year**. Innovent is executing a global Ph3 MRCT for IBI363 in IO-resistant sq-NSCLC, and recently initiated a Ph3 trial for 3L MSS CRC in China. For IO-resistant nsq-NSCLC, the PoC study has been completed with a Ph3 MRCT in planning. Crucially, Ph1b/2 PoC studies for IBI363 in first-line NSCLC and CRC have cleared dose optimization and entered the randomized phase, with PoC data anticipated in 2026. Pending positive results, Innovent/Takeda plan to launch Ph3 MRCTs for both 1L indications. Additionally, IBI343 (CLDN18.2 ADC) has advanced to Ph3 for 3L+ GC and PDAC. Subject to favorable PoC data, Takeda intends to initiate Ph3 MRCTs for IBI343 in first-line GC and PDAC.
- **Expanding a next-generation obesity franchise**. Beyond its lead asset mazdutide, Innovent is cultivating a comprehensive metabolic portfolio to address unmet needs in obesity, including daily and weekly oral GLP-1s, monthly PCSK9-GGG, amylin, etc. A key pipeline highlight is IBI3032, a daily oral GLP-1 that has dosed over 100 subjects across China and the US since 3Q25, with Ph1 clinical data expected in 2026. Early data indicates that IBI3032 achieves 5-10 times the drug exposure of orforglipron, driving an impressive 10% weight loss within just four weeks.
- **Maintain BUY.** With the upside from the recent Eli Lilly deal, we revised our TP from HK$110.62 to HK$113.86 (WACC: 9.5%, terminal growth: 4.0%).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,422	13,042	16,643	20,922	26,096
YoY growth (%)	51.8	38.4	27.6	25.7	24.7
Net profit (RMB mn)	(94.6)	813.6	2,118.5	3,418.3	4,622.5
EPS (Reported) (RMB)	(0.06)	0.47	1.22	1.97	2.66
R&D expenses (RMB mn)	(2,681)	(2,624)	(3,472)	(4,149)	(5,311)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$113.86**
(Previous TP	HK$110.62)
Up/Downside	**33.2%**
Current Price	**HK$85.50**

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Stock Data

Mkt Cap (HK$ mn)	148,358.4
Avg 3 mths t/o (HK$ mn)	944.0
52w High/Low (HK$)	107.00/39.65
Total Issued Shares (mn)	1735.2

Source: FactSet

Shareholding Structure

Temasek Holdings	7.5%
Capital Group	6.6%

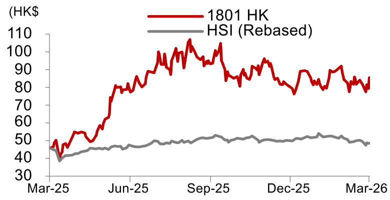
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.5%	7.2%
3-mth	5.9%	9.6%
6-mth	-8.3%	-4.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	1,731	3,232	4,644	6,438	9,509	10,131	13,283	15,357	16,787	17,598
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	1,471	2,747	3,947	5,473	8,082	8,611	11,291	13,054	14,269	14,958
+ D&A	314	315	316	316	317	318	319	319	320	321
- Change in working capital	-135	-812	-853	-981	-627	-315	-271	-169	-262	-136
- Capex	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300
FCFF	**1,350**	**1,950**	**3,109**	**4,508**	**7,472**	**8,315**	**11,038**	**12,905**	**14,026**	**14,843**
Terminal value										**281,107**
FCF + Terminal value	**1,350**	**1,950**	**3,109**	**4,508**	**7,472**	**8,315**	**11,038**	**12,905**	**14,026**	**295,950**

PV of enterprise (RMB mn)	155,756
Net debt (RMB mn)	-18,109
Equity value (RMB mn)	173,865
Equity value (HK$ mn)	197,573
No. of outstanding shares (mn)	1,735
DCF per share (HK$)	**113.86**
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%

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK$)

		WACC				
		8.5%	**9.0%**	**9.5%**	**10.0%**	**10.5%**
Terminal growth rate	**5.0%**	170.69	148.49	131.29	117.59	106.42
	4.5%	153.94	136.00	121.70	110.06	100.40
	4.0%	140.92	126.01	113.86	103.79	95.31
	3.5%	130.50	117.84	107.33	98.49	90.95
	3.0%	121.99	111.03	101.81	93.94	87.17

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM new vs old

	NEW			OLD			Diff(%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16,643	20,922	26,096	18,214	19,893	24,923	-9%	5%	5%
Gross profit	14,415	17,765	22,170	16,099	17,163	21,555	-10%	4%	3%
Operating profit	3,682	5,451	7,076	6,450	5,003	7,312	-43%	9%	-3%
Net profit	2,119	3,418	4,623	4,460	2,978	4,712	-53%	15%	-2%
EPS (RMB)	1.22	1.97	2.66	2.59	1.73	2.74	-53%	14%	-3%
Gross margin	86.61%	84.91%	84.96%	88.39%	86.28%	86.49%	-1.78 ppt	-1.37 ppt	-1.53 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff(%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	16,643	20,922	26,096	18,260	21,450	25,718	-9%	-2%	1%
Gross profit	14,415	17,765	22,170	15,385	18,147	21,757	-6%	-2%	2%
Operating profit	3,682	5,451	7,076	3,617	4,000	5,412	2%	36%	31%
Net profit	2,119	3,418	4,623	3,111	3,627	5,370	-32%	-6%	-14%
EPS (RMB)	1.22	1.97	2.66	1.83	2.04	2.91	-33%	-3%	-8%
Gross margin	86.61%	84.91%	84.96%	86.77%	85.83%	86.03%	-0.16 ppt	-0.92 ppt	-1.07 ppt

Source: Company data, Bloomberg, CMBIGM estimates

CMB INTERNATIONAL

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**6,206**	**9,422**	**13,042**	**16,643**	**20,922**	**26,096**
Cost of goods sold	(1,136)	(1,510)	(1,756)	(2,228)	(3,157)	(3,925)
Gross profit	**5,070**	**7,912**	**11,286**	**14,415**	**17,765**	**22,170**
Operating expenses	**(6,214)**	**(7,990)**	**(10,447)**	**(11,923)**	**(13,744)**	**(16,732)**
Selling expense	(3,101)	(4,347)	(5,713)	(7,245)	(7,937)	(9,236)
Admin expense	(750)	(738)	(927)	(1,058)	(1,246)	(1,572)
R&D expense	(2,228)	(2,681)	(2,624)	(3,472)	(4,149)	(5,311)
Others	(136)	(224)	(1,182)	(148)	(411)	(613)
Pre-tax profit	**(1,144)**	**(79)**	**839**	**2,492**	**4,021**	**5,438**
Income tax	116	(16)	(25)	(374)	(603)	(816)
Minority interest	0	0	0	0	0	0
Net profit	**(1,028)**	**(95)**	**814**	**2,119**	**3,418**	**4,623**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**13,428**	**10,273**	**22,013**	**24,891**	**29,283**	**33,492**
Cash & equivalents	10,052	7,508	17,345	20,041	23,396	26,565
Account receivables	1,006	1,184	1,714	1,849	2,325	2,900
Inventories	968	822	1,302	1,347	1,909	2,374
Financial assets at FVTPL	918	376	887	887	887	887
Other current assets	484	383	766	766	766	766
Non-current assets	**7,199**	**11,330**	**15,335**	**15,321**	**15,306**	**15,290**
PP&E	4,290	5,280	5,061	5,079	5,096	5,112
Intangibles	1,270	1,283	1,534	1,534	1,534	1,534
Other non-current assets	1,639	4,768	8,739	8,707	8,676	8,644
Total assets	**20,627**	**21,603**	**37,348**	**40,212**	**44,589**	**48,782**
Current liabilities	**4,477**	**4,369**	**8,387**	**8,433**	**8,658**	**8,845**
Short-term borrowings	1,195	405	789	789	789	789
Account payables	373	358	495	541	766	953
Tax payable	0	0	0	0	0	0
Other current liabilities	2,909	3,606	7,103	7,103	7,103	7,103
Non-current liabilities	**3,623**	**4,116**	**9,605**	**9,608**	**9,612**	**9,615**
Long-term borrowings	2,327	2,412	1,990	1,990	1,990	1,990
Obligations under finance leases	73	5	26	29	33	36
Other non-current liabilities	1,223	1,699	7,589	7,589	7,589	7,589
Total liabilities	**8,100**	**8,485**	**17,992**	**18,041**	**18,270**	**18,460**
Share capital	0	0	0	0	0	0
Other reserves	12,527	13,118	19,356	22,171	26,319	30,322
Total shareholders equity	**12,528**	**13,118**	**19,356**	**22,171**	**26,320**	**30,322**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**20,627**	**21,603**	**37,348**	**40,212**	**44,589**	**48,782**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(1,261)**	**(63)**	**864**	**2,866**	**4,625**	**6,254**
Depreciation & amortization	276	293	281	282	283	284
Tax paid	116	(16)	(25)	(374)	(603)	(816)
Change in working capital	403	404	2,239	(135)	(812)	(853)
Others	511	703	153	(405)	(627)	(808)
Net cash from operations	**46**	**1,322**	**3,511**	**2,235**	**2,866**	**4,061**
Investing						
Capital expenditure	(1,119)	(966)	(300)	(300)	(300)	(300)
Net proceeds from disposal of short-term investments	(358)	(366)	0	0	0	0
Others	478	167	599	841	869	874
Financing						
Dividend paid	0	0	0	0	0	(1,387)
Net borrowings	418	(704)	0	0	0	0
Proceeds from share issues	2,255	84	4,589	0	0	0
Others	(86)	14	(80)	(79)	(80)	(80)
Net cash from financing	**2,587**	**(607)**	**4,510**	**(79)**	**(80)**	**(1,466)**
Net change in cash						
Cash at the beginning of the year	1,016	2,746	7,508	17,345	20,041	23,396
Exchange difference	(7)	13	0	0	0	0
Cash at the end of the year	**10,052**	**7,508**	**17,345**	**20,041**	**23,396**	**26,565**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	36.2%	51.8%	38.4%	27.6%	25.7%	24.7%
Gross profit	39.8%	56.1%	42.6%	27.7%	23.2%	24.8%
Net profit	na	na	na	160.4%	61.3%	35.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	81.7%	84.0%	86.5%	86.6%	84.9%	85.0%
Return on equity (ROE)	(8.8%)	(0.7%)	5.0%	10.2%	14.1%	16.3%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.4)	(0.8)	(0.8)	(0.8)	(0.8)
Current ratio (x)	3.0	2.4	2.6	3.0	3.4	3.8
Receivable turnover days	46.5	42.4	40.6	40.6	40.6	40.6
Inventory turnover days	385.0	216.3	220.7	220.7	220.7	220.7
Payable turnover days	112.1	88.2	88.6	88.6	88.6	88.6

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	161.4	61.8	38.3	28.3
P/B	9.4	9.4	6.5	5.9	5.0	4.3

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

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