

CSPC Pharmaceutical (1093 HK)

Two more large-scale BD deals anticipated in 2H25

- **Management expects a recovery in product sales in 2H25.** CSPC reported total revenue of RMB13.3bn in 1H25, including RMB1.08mn from out-licensing (BD) income. Excluding BD contributions, core revenue reached RMB12.2bn, down 25% YoY and 4% HoH, representing 44% of our prior FY25 estimate and broadly in line with expectations. In 2Q25, core revenue declined by 6% QoQ (or -22% YoY), primarily due to continued softness in NBP sales, impacted by tighter hospital prescription controls, and the implementation of volume-based procurement (VBP) for Duomeisu and Jinyouli. Management anticipates a sequential recovery in 2H25, with product sales to grow by at least 5% HoH. On the cost side, selling expenses fell 18% YoY to RMB3.0bn in 1H25, reflecting reduced marketing intensity post-VBP execution. Attributable net profit reached RMB2.5bn, representing 45% of our previous full-year FY25 forecast.
- **Two additional large-scale BD deals expected in 2H25.** Since late 2024, the Company has secured six out-licensing deals across a diverse range of assets, including lipoprotein(a), MAT2A inhibitor, ROR1 ADC, oral GLP-1, irinotecan liposome, and recently, an AI-powered small molecule discovery platform licensed to AstraZeneca (deal size over US\$5bn). Management guides for two more large-scale BD deals in 2H25, each expected to exceed US\$5bn in value - one is EGFR ADC, and the other will be a platform-based out-licensing. In addition to its small molecule platform, CSPC has established a broad set of proprietary technology platforms spanning nanoparticle formulations, ADCs, siRNA, and antibody/fusion proteins. Management highlights a robust pipeline of 40–50 assets with BD potential, in which we think that high-profile candidates may include EGFR ADC, PD-1/IL-15 bsAb, GFRAL mAb, ActRII mAb, and B7-H3 ADC. We expect CSPC to generate a sustainable stream of BD income over the medium to long term.
- **EGFR ADC (SYS6010): a near-term BD catalyst.** SYS6010 is currently in global Ph3 development. In China, two pivotal studies are ongoing: a Ph3 trial comparing SYS6010 to chemotherapy in 2L EGFR TKI-resistant NSCLC, and a Ph1b/3 trial evaluating SYS6010 + osimertinib vs osimertinib alone in 1L EGFR-mutant NSCLC, with the Ph3 portion to start by end-2025. The Company is also in discussion with CDE regarding the initiation of SYS6010 in 2L+ EGFR wild-type NSCLC, with additional Ph3 trials in ESCC and HNSCC in plan. In the US, CSPC plans to achieve FPI for two Ph3 trials in 2H25: one in 3L+ EGFR-mutant NSCLC (ORR as primary endpoint), and the other in 2L+ EGFR wild-type NSCLC, including IO-resistant patients, comparing SYS6010 to docetaxel. SYS6010 mono has demonstrated an encouraging mPFS of 7.6 months in EGFR-mutant nsq-NSCLC patients post-TKI and chemotherapy in its China Ph1 study. Notably, in five IO-resistant EGFR wild-type NSCLC patients with moderate to high EGFR expression, SYS6010 (4.8mg/kg) achieved an 80% ORR (4/5 PRs).
- **Maintain BUY.** CSPC's BD deals will be a key sustainable driver of earnings growth. Considering the positive contribution of BD deals, we revise our TP from HK\$10.08 to HK\$12.11 (WACC 9.15%, terminal growth 2.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	31,450	29,009	28,171	29,701	31,113
YoY growth (%)	1.7	(7.8)	(2.9)	5.4	4.8
Net profit (RMB mn)	6,072.7	4,338.8	6,152.8	6,404.4	6,859.0
YoY growth (%)	(2.6)	(28.6)	41.8	4.1	7.1
EPS (Reported) (RMB)	0.49	0.37	0.53	0.55	0.59
P/E (x)	19.5	26.2	18.3	17.6	16.4
Net gearing (%)	(37.3)	(23.5)	(30.2)	(33.8)	(36.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$12.11
(Previous TP)	HK\$10.08
Up/Downside	15.2%
Current Price	HK\$10.51

China Healthcare

Jill WU, CFA
(852) 3900 0842
jillwu@cmbi.com.hk

Andy WANG
(852) 3657 6288
andywang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	125,249.8
Avg 3 mths t/o (HK\$ mn)	1,862.4
52w High/Low (HK\$)	10.96/4.34
Total Issued Shares (mn)	11917.2

Source: FactSet

Shareholding Structure

Massive Giant Group Ltd	10.6%
Cai Dongchen	10.4%

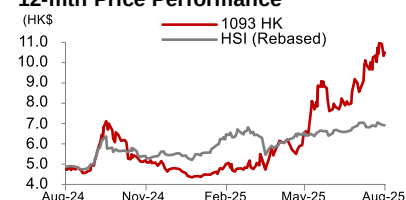
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	19.8%	18.9%
3-mth	62.2%	50.7%
6-mth	109.8%	94.4%

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	7,514	7,892	8,425	9,141	9,873	10,613	11,356	12,094	12,820	13,589	14,404
Tax rate	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
EBIT*(1-tax rate)	6,203	6,516	6,956	7,547	8,151	8,762	9,376	9,985	10,584	11,219	11,893
+ D&A	1,336	1,336	1,336	1,450	1,566	1,683	1,801	1,918	2,033	2,155	2,284
- Change in working capital	685	-178	-352	-382	-413	-444	-475	-506	-536	-568	-602
- Capex	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015	-2,015
FCFF	6,209	5,659	5,925	6,600	7,289	7,987	8,687	9,382	10,066	10,791	11,560
Terminal value											164,905
Terminal growth rate	2.00%										
WACC	9.15%										
Cost of Equity	12.48%										
Cost of Debt	3.50%										
Equity Beta	0.95										
Risk Free Rate	2.50%										
Market Risk Premium	10.50%										
Target Debt to Asset ratio	35.00%										
Effective Corporate Tax Rate	15.00%										
Terminal value (RMB mn)	68,706										
Total PV (RMB mn)	120,628										
Net debt (RMB mn)	-10,698										
Minority interests (RMB mn)	1,566										
Equity value (RMB mn)	129,761										
# of shares (mn)	11,522										

DCF per share (in HK\$) 12.11

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC				
		8.15%	8.65%	9.15%	9.65%	10.15%
Terminal growth rate	3.00%	15.82	14.41	13.23	12.22	11.36
	2.50%	14.91	13.67	12.63	11.73	10.94
	2.00%	14.14	13.05	12.11	11.30	10.58
	1.50%	13.49	12.51	11.66	10.92	10.26
	1.00%	12.93	12.04	11.27	10.58	9.98

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	28,171	29,701	31,113	30,698	30,123	31,027	-8.2%	-1.4%	0.3%
Gross profit	18,868	19,822	20,992	21,469	20,843	21,738	-12.1%	-4.9%	-3.4%
Operating profit	7,514	7,892	8,425	7,408	6,957	7,406	1.4%	13.4%	13.8%
Attributable net profit	6,090	6,339	6,789	5,643	5,295	5,655	7.9%	19.7%	20.0%
EPS (RMB)	0.53	0.55	0.59	0.49	0.46	0.49	7.9%	19.7%	20.0%
Gross margin	66.98%	66.74%	67.47%	69.94%	69.19%	70.06%	-2.96ppt	-2.45ppt	-2.59ppt
Operating margin	26.67%	26.57%	27.08%	24.13%	23.10%	23.87%	+2.54ppt	+3.48ppt	+3.21ppt
Net margin	21.62%	21.34%	21.82%	18.38%	17.58%	18.23%	+3.24ppt	+3.77ppt	+3.59ppt

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	28,171	29,701	31,113	29,889	31,203	32,599	-5.7%	-4.8%	-4.6%
Gross profit	18,868	19,822	20,992	20,665	21,764	22,796	-8.7%	-8.9%	-7.9%
Operating profit	7,514	7,892	8,425	6,730	7,206	7,319	11.6%	9.5%	15.1%
Attributable net profit	6,090	6,339	6,789	5,328	5,680	5,811	14.3%	11.6%	16.8%
EPS (RMB)	0.53	0.55	0.59	0.48	0.51	0.52	11.0%	7.0%	13.1%
Gross margin	66.98%	66.74%	67.47%	69.14%	69.75%	69.93%	-2.16ppt	-3.01ppt	-2.46ppt
Operating margin	26.67%	26.57%	27.08%	22.52%	23.09%	22.45%	+4.15ppt	+3.48ppt	+4.63ppt
Net margin	21.62%	21.34%	21.82%	17.83%	18.20%	17.83%	+3.79ppt	+3.14ppt	+4ppt

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	28,171	29,701	31,113
Cost of goods sold	(8,680)	(9,273)	(8,711)	(9,303)	(9,879)	(10,121)
Gross profit	22,256	22,177	20,299	18,868	19,822	20,992
Selling expense	(10,337)	(9,141)	(8,662)	(6,252)	(6,675)	(7,028)
Admin expense	(1,173)	(1,190)	(1,080)	(824)	(935)	(984)
R&D expense	(3,987)	(4,830)	(5,191)	(5,501)	(5,607)	(5,904)
Others	815	421	346	1,221	1,288	1,349
Operating profit	7,574	7,437	5,712	7,514	7,892	8,425
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	33	(21)	(89)	(26)	(100)	(100)
Net Interest income/(expense)	(25)	(26)	(44)	(36)	(35)	(18)
Pre-tax profit	7,582	7,389	5,579	7,452	7,757	8,308
Income tax	(1,350)	(1,317)	(1,240)	(1,299)	(1,353)	(1,449)
Minority interest	141	199	11	63	65	70
Net profit	6,232	6,073	4,339	6,153	6,404	6,859
Gross dividends	2,097	2,726	2,597	3,045	3,170	3,395
Net dividends	9	(4)	(26)	41	4	7

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,957	26,745	21,888	24,912	28,046	31,073
Cash & equivalents	10,298	12,015	6,777	9,890	12,266	14,698
Account receivables	4,631	6,542	6,048	5,873	6,192	6,486
Inventories	2,555	3,139	3,130	3,343	3,550	3,637
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	4,499	4,731	4,945
Non-current assets	17,813	19,537	22,501	23,180	23,859	24,538
PP&E	9,582	10,417	11,374	12,366	13,358	14,350
Deferred income tax	113	187	250	250	250	250
Intangibles	1,908	2,199	2,610	2,460	2,311	2,162
Goodwill	1,395	1,226	1,128	965	801	637
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	48,092	51,905	55,611
Current liabilities	8,958	10,183	9,634	10,221	10,792	11,026
Short-term borrowings	153	450	392	383	374	365
Account payables	6,864	8,404	7,409	7,913	8,403	8,609
Tax payable	262	379	138	138	138	138
Other current liabilities	1,679	948	1,695	1,787	1,877	1,914
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	11,110	11,680	11,914
Share capital	10,899	10,899	11,033	11,139	11,246	11,352
Other reserves	19,298	22,304	21,232	24,277	27,447	30,841
Total shareholders equity	30,198	33,203	32,265	35,416	38,692	42,193
Minority interest	1,444	1,815	1,602	1,566	1,532	1,504
Total equity and liabilities	41,770	46,282	44,389	48,092	51,905	55,611

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,582	7,389	5,579	7,452	7,757	8,308
Depreciation & amortization	1,048	1,114	1,336	1,336	1,336	1,336
Tax paid	(1,335)	(1,309)	(1,693)	(1,299)	(1,353)	(1,449)
Change in working capital	798	(3,032)	(817)	685	(178)	(352)
Others	(467)	16	130	0	0	0
Net cash from operations	7,627	4,179	4,535	8,174	7,562	7,843
Investing						
Capital expenditure	(2,220)	(1,624)	(2,015)	(2,015)	(2,015)	(2,015)
Acquisition of subsidiaries/ investments	0	0	(80)	0	0	0
Others	(4,576)	2,231	(1,763)	0	0	0
Net cash from investing	(6,796)	607	(3,858)	(2,015)	(2,015)	(2,015)
Financing						
Dividend paid	(2,097)	(2,726)	(3,234)	(3,045)	(3,170)	(3,395)
Net borrowings	486	0	28	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(14)	(200)	(1,579)	0	0	0
Others	(279)	626	(468)	(1)	(1)	(1)
Net cash from financing	(1,904)	(2,301)	(5,253)	(3,046)	(3,171)	(3,396)
Net change in cash						
Cash at the beginning of the year	9,060	10,298	12,015	6,777	9,890	12,266
Exchange difference	14	5	3	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	8,001	12,015	6,777	9,890	12,266	14,698
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	11.0%	1.7%	(7.8%)	(2.9%)	5.4%	4.8%
Gross profit	5.3%	(0.4%)	(8.5%)	(7.0%)	5.1%	5.9%
Operating profit	11.5%	(1.8%)	(23.2%)	31.5%	5.0%	6.8%
Net profit	9.6%	(2.6%)	(28.6%)	41.8%	4.1%	7.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	71.9%	70.5%	70.0%	67.0%	66.7%	67.5%
Operating margin	24.5%	23.6%	19.7%	26.7%	26.6%	27.1%
Return on equity (ROE)	22.2%	19.2%	13.3%	18.2%	17.3%	17.0%
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	2.6	2.8
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	18.9	19.5	26.2	18.3	17.6	16.4
P/E (diluted)	18.9	19.5	26.2	18.3	17.6	16.4
P/B	3.6	3.3	3.3	3.0	2.8	2.5
P/CFPS	15.1	27.4	25.0	13.6	14.7	14.2
Div yield (%)	1.8	2.4	2.3	2.7	2.8	3.1

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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