

Sino Biopharm (1177 HK)

Revaluation of innovative pipeline for the leading Chinese pharma player

As a leading pharmaceutical company in China, Sino Biopharm has delivered significant results in its innovation-oriented transformation. By focusing on four core therapeutic areas: oncology, liver/ metabolism, respiratory, and surgery/ analgesia, the Company has built a robust innovative pipeline which includes multiple assets with substantial potential for global out-licensing. Additionally, the rapid sales ramp-up of its biosimilar products and the resilient growth in generics business will continue to provide strong financial support for its innovation. We initiate coverage of Sino Biopharm with a BUY rating and a TP of HK\$9.40.

■ **A full-speed transformation to innovation with global out-licensing breakthroughs expected.** Sino Biopharma has consistently increased R&D investment to 17.6% of total revenue in 2024, significantly up from 9.9% in 2019. By the end of 2024, 17 innovative drugs (including biosimilars) of the Company had been approved in China, contributing 42% of total revenue in 2024, compared to only 11% in 2015. In addition to in-house R&D, the Company has proactively expanded its collaborations with external partners to enrich its innovative pipeline. Based on our data, the Company completed more than 3 deals on average annually from 2019 to 2024. Moreover, its landmark acquisition of LaNova Medicines significantly enhances its early-stage R&D capabilities, laying a solid foundation for overseas out-licensing opportunities. Notably, multiple investigational products within Sino Biopharma's pipeline possess promising potential for global out-licensing, including TQC3721 (PDE3/4), Rovadicitinib (JAK/ ROCK), TQB2102 (HER2 bispecific ADC), TQB3616 (CDK2/4/6), TQA2225 (FGF21), LM-108 (CCR8), LM-168 (CTLA-4^{TME}), and LM-364 (Nectin-4^{TME} ADC).

■ **Investments in innovation reached a harvest phase.** Sino Biopharm has built a rich innovative pipeline centered around its four key therapeutic areas. In oncology, Anlotinib has emerged as a cornerstone product, with 9 indications approved and another 4 indications under NMPA NDA review as of July 2025. Its combination with IO therapies is expanding its reach into first-line treatment for major indications, further unlocking sales potential. The Company's oncology pipeline also contains other promising candidates, such as Culmenciclib, the fastest progressing CDK2/4/6 inhibitor globally, TQB2102, the No.2 ranking HER2 bispecific ADC worldwide, and TQB2868, the fastest progressing PD-1/TGF- β bifunctional fusion protein in the world. Additionally, the PDE3/4 inhibitor TQC3721, with global best-in-class potential, may become a blockbuster treatment for COPD and is a prominent candidate for potential overseas licensing. In liver/metabolism area, the Company's differentiated pipelines targeting major indications such as obesity, diabetes, and MASH.

■ **Rapid sales ramp up of biosimilars coupled with resilient momentum seen in generics business.** According to PharmCube, the combined sample-hospital market size for the seven approved biosimilars of Sino Biopharm reached RMB24bn in 2024. Given the Company's well-established commercialization network in China, the biosimilar sales are expected to ramp up rapidly, particularly for pertuzumab, where Sino Biopharm holds substantial first-to-market advantage. Moreover, the generics business of the Company has shown strong resilience amid policy shifts in China, with revenue returning to positive growth in 2024 (+3.1% YoY). Most importantly, the impact of volume-based procurement (VBP) in China has been largely eliminated for Sino Biopharma, with products selected by the 10th batch of VBP accounting for just 1% of the Company's total revenue in 2024.

■ **Initiate at BUY with a target price of HK\$9.40.** We forecast revenue growth of 11.4%/ 10.5%/ 9.6% YoY for 2025E/ 2026E/ 2027E, with adjusted net profit

BUY (Initiate)

Target Price HK\$9.40
Up/Downside 24.9%
Current Price HK\$7.52

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Stock Data

Mkt Cap (HK\$ mn)	141,080.6
Avg 3 mths t/o (HK\$ mn)	880.7
52w High/Low (HK\$)	7.55/2.79
Total Issued Shares (mn)	18760.7

Source: FactSet

Shareholding Structure

Tse, Eric S Y	21.6%
Cheng Cheung Ling	15.8%

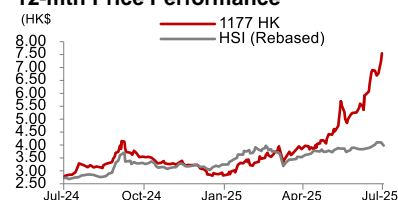
Source: Company report

Share Performance

	Absolute	Relative
1-mth	43.0%	36.7%
3-mth	92.3%	69.0%
6-mth	166.7%	114.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

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growth of 12.2%/ 11.5%/ 10.5% YoY, respectively. Out of prudence, our current estimates do not yet factor in future earnings contributions from potential overseas out-licensing for multiple key assets. Based on a 10-year DCF model (WACC: 9.3%; terminal growth: 2.0%), we derive a TP of HK\$9.40, implying 37x 2026E adjusted P/E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	26,199	28,866	32,169	35,542	38,957
YoY growth (%)	(9.0)	10.2	11.4	10.5	9.6
Adjusted net profit (RMB m)	2,589	3,457	3,879	4,327	4,780
YoY growth (%)	(13.3)	33.5	12.2	11.5	10.5
EPS (Adjusted) (RMB)	0.14	0.19	0.21	0.23	0.25
Consensus EPS (RMB)	na	na	0.19	0.20	0.21
P/E (Adjusted) (x)	49.6	36.6	33.5	30.0	27.2

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	32,169	35,542	38,957	32,463	35,975	39,918	-0.91%	-1.20%	-2.41%
Gross profit	26,319	29,114	31,969	26,597	29,607	32,981	-1.05%	-1.67%	-3.07%
Operating profit	7,418	8,409	9,626	7,183	8,257	9,161	3.27%	1.84%	5.08%
Non-IFRS net profit	3,879	4,327	4,780	3,518	4,005	4,514	10.27%	8.04%	5.90%
Non-IFRS EPS (RMB)	0.21	0.23	0.25	0.19	0.22	0.25	8.83%	6.78%	4.00%
Gross margin	81.81%	81.91%	82.06%	81.93%	82.30%	82.62%	-0.12ppt	-0.39ppt	-0.56ppt
Operating margin	23.06%	23.66%	24.71%	22.13%	22.95%	22.95%	+0.93ppt	+0.71ppt	+1.76ppt
Net margin	12.06%	12.17%	12.27%	10.84%	11.13%	11.31%	+1.22ppt	+1.04ppt	+0.96ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: Valuation on risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	6,123	6,955	8,278	9,442	10,728	12,271	14,144	16,396	18,657	20,715
Tax rate	10.00%	10.50%	11.00%	12.00%	13.00%	14.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	5,510	6,225	7,367	8,309	9,333	10,553	12,022	13,936	15,859	17,608
+ D&A	1,321	1,321	1,321	1,321	1,321	1,321	1,321	1,321	1,321	1,321
- Change in working capital	-286	-638	-642	-582	-657	-795	-968	-1,155	-1,072	-859
- Capex	-750	-750	-750	-750	-750	-750	-750	-750	-750	-750
FCFF	5,796	6,158	7,297	8,298	9,248	10,330	11,625	13,352	15,358	17,320
Terminal value										242,041
Terminal growth rate	2.00%									
WACC	9.30%									
Cost of Equity	12.48%									
Cost of Debt	4.00%									
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%									
PV of terminal value (RMB mn)	99,480									
Total PV (RMB mn)	160,140									
Net debt (RMB mn)	-14,898									
Minorities	12,880									
Equity value (RMB mn)	162,158									
# of shares (mn)	18,761									
Price per share (in RMB)	8.64									
Price per share (in HK\$)	9.40									

Source: CMBIGM estimates

Figure 3: Sensitivity analysis of DCF model

		WACC				
		8.30%	8.80%	9.30%	9.80%	10.30%
Terminal growth rate	3.00%	12.61	11.40	10.38	9.51	8.77
	2.50%	11.82	10.75	9.85	9.07	8.40
	2.00%	11.15	10.20	9.40	8.69	8.08
	1.50%	10.57	9.73	9.00	8.36	7.80
	1.00%	10.08	9.32	8.65	8.06	7.54

Source: CMBIGM estimates

Risks to our rating and target price

1) Failure or slower-than-expected progress of investigational drugs in clinical development; 2) Intensifying domestic market competition may result in slower-than-expected market share growth or price declines for approved products; 3) Potential negative impact of volume-based procurement (VBP) policies on the sales prospects of biosimilar products; 4) Uncertainty facing the generics business due to future VBP for chemical generic drugs.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	28,780	26,199	28,866	32,169	35,542	38,957
Cost of goods sold	(5,796)	(4,990)	(5,336)	(5,850)	(6,428)	(6,987)
Gross profit	22,985	21,210	23,530	26,319	29,114	31,969
Operating expenses	(16,817)	(15,470)	(17,249)	(18,901)	(20,705)	(22,343)
Selling expense	(10,359)	(9,193)	(10,078)	(11,070)	(12,160)	(13,094)
Admin expense	(2,205)	(1,873)	(2,082)	(2,255)	(2,456)	(2,614)
R&D expense	(4,253)	(4,403)	(5,089)	(5,575)	(6,088)	(6,634)
Operating profit	6,168	5,740	6,281	7,418	8,409	9,626
Other income	509	613	23	1,850	850	350
Other expense	(306)	(301)	(1,112)	(1,175)	(1,334)	(1,229)
Share of (losses)/profits of associates/JV	(153)	(526)	(118)	(120)	(120)	(120)
Interest expense	(439)	(495)	(295)	(291)	(262)	(242)
Pre-tax profit	5,779	5,032	4,778	7,682	7,543	8,385
Income tax	(776)	(797)	(493)	(820)	(852)	(991)
After tax profit	5,003	4,234	4,285	6,862	6,691	7,394
Minority interest	(2,459)	(2,765)	(2,865)	(2,953)	(2,905)	(3,207)
Discontinued operations	0	485	1,580	0	0	0
Net profit	2,544	1,954	3,000	3,909	3,787	4,187
Adjusted net profit	2,986	2,589	3,457	3,879	4,327	4,780
Gross dividends	1,920	834	1,178	1,329	1,307	1,443

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	25,935	23,806	24,685	30,699	36,727	43,278
Cash & equivalents	12,066	9,452	9,570	15,242	20,479	26,241
Account receivables	4,638	4,510	4,968	5,288	5,843	6,404
Inventories	2,329	1,993	2,373	2,394	2,630	2,859
Prepayment	1,663	3,636	2,452	2,452	2,452	2,452
Financial assets at FVTPL	4,543	2,812	4,951	4,951	4,951	4,951
Other current assets	21,392	20,994	19,735	25,748	31,776	38,328
Non-current assets	38,129	39,799	40,723	39,932	39,140	38,349
PP&E	7,760	8,081	8,691	8,407	8,123	7,838
Right-of-use assets	1,492	1,831	1,597	1,513	1,429	1,345
Deferred income tax	505	567	516	516	516	516
Investment in JVs & assos	13,198	12,244	1,620	1,400	1,180	960
Intangibles	1,252	2,229	2,145	1,971	1,796	1,621
Goodwill	663	680	916	916	916	916
Financial assets at FVTPL	4,105	4,700	4,439	4,439	4,439	4,439
Other non-current assets	9,156	9,468	20,798	20,770	20,741	20,713
Total assets	64,064	63,605	65,408	70,631	75,867	81,628
Current liabilities	20,151	22,607	19,556	19,612	19,765	19,913
Short-term borrowings	9,663	11,136	7,602	7,602	7,602	7,602
Account payables	1,637	1,335	1,497	1,553	1,706	1,854
Tax payable	107	272	318	318	318	318
Accrued expenses	8,153	9,406	10,028	10,028	10,028	10,028
Non-current liabilities	5,970	2,828	3,078	3,078	3,078	3,078
Long-term borrowings	3,934	1,058	1,997	1,997	1,997	1,997
Convertible bonds	0	16	0	0	0	0
Deferred income	832	782	238	238	238	238
Other non-current liabilities	1,204	972	843	843	843	843
Total liabilities	26,121	25,435	22,634	22,689	22,842	22,991
Share capital	415	415	414	414	414	414
Retained earnings	30,765	31,830	34,521	37,622	40,672	44,039
Other reserves	(1,432)	(1,770)	(2,975)	(2,975)	(2,975)	(2,975)
Total shareholders equity	29,747	30,474	31,961	35,061	38,111	41,478
Minority interest	8,197	7,695	10,813	12,880	14,914	17,158
Total equity and liabilities	64,064	63,605	65,408	70,631	75,867	81,628

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	5,779	5,934	6,994	8,203	8,114	9,008
Depreciation & amortization	1,047	1,074	1,321	1,321	1,321	1,321
Tax paid	(892)	(747)	(1,001)	(820)	(852)	(991)
Change in working capital	(196)	(431)	100	(286)	(638)	(642)
Others	527	235	(800)	(289)	182	162
Net cash from operations	6,265	6,066	6,615	8,128	8,127	8,859
Investing						
Capital expenditure	(1,243)	(1,068)	(960)	(750)	(750)	(750)
Acquisition of subsidiaries/ investments	(471)	(1,244)	(214)	0	0	0
Net proceeds from disposal of short-term investments	(248)	1,740	(1,985)	0	0	0
Others	(2,108)	(185)	1,450	800	300	300
Net cash from investing	(4,071)	(757)	(1,709)	50	(450)	(450)
Financing						
Dividend paid	(2,965)	(3,855)	(2,215)	(2,215)	(2,179)	(2,405)
Net borrowings	1,049	(1,712)	(2,735)	0	0	0
Share repurchases	(868)	(396)	(1,252)	0	0	0
Others	(403)	(586)	(113)	(291)	(262)	(242)
Net cash from financing	(3,186)	(6,549)	(6,315)	(2,506)	(2,440)	(2,648)
Net change in cash						
Cash at the beginning of the year	9,599	8,655	7,505	9,570	15,242	20,479
Exchange difference	47	91	136	0	0	0
Cash at the end of the year	8,655	7,505	6,231	15,242	20,479	26,241
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	7.1%	(9.0%)	10.2%	11.4%	10.5%	9.6%
Gross profit	6.8%	(7.7%)	10.9%	11.9%	10.6%	9.8%
Operating profit	19.8%	(6.9%)	9.4%	18.1%	13.4%	14.5%
Net profit	(82.6%)	(23.2%)	53.6%	30.3%	(3.1%)	10.6%
Adj. net profit	16.5%	(13.3%)	33.5%	12.2%	11.5%	10.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.9%	81.0%	81.5%	81.8%	81.9%	82.1%
Operating margin	21.4%	21.9%	21.8%	23.1%	23.7%	24.7%
Adj. net profit margin	10.4%	9.9%	12.0%	12.1%	12.2%	12.3%
Return on equity (ROE)	8.5%	6.5%	9.6%	11.7%	10.4%	10.5%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.3	1.1	1.3	1.6	1.9	2.2
Receivable turnover days	56.2	63.7	59.9	60.0	60.0	60.0
Inventory turnover days	134.4	158.1	149.3	149.3	149.3	149.3
Payable turnover days	104.9	108.7	96.9	96.9	96.9	96.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E (adjusted)	51.6	49.6	36.6	33.5	30.0	27.2
P/B	3.4	3.3	2.9	2.7	2.4	2.2
P/CFPS	20.9	21.1	19.0	15.9	15.9	14.6
Div yield (%)	1.5	0.7	0.9	1.0	1.0	1.1

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

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