

Innovent Biologics (1801 HK)

Advancing a broad pipeline of next-generation therapies

- **IBI363 positioned as a promising next-generation IO therapy with Ph3 trials underway.** Strong survival benefits and broad potential position IBI363 (PD-1/IL-2) as a potential blockbuster next-gen IO therapy—especially for IO-resistant and cold tumors. In sq-NSCLC, IBI363 (3mg/kg) achieved a highly competitive mPFS of 9.3 months, far exceeding docetaxel (3.9 months for sq- and 3.6 months for nsq-NSCLC). Its 12-month OS rate reached 70.9% in sq-NSCLC and 71.6% in nsq-NSCLC, outperforming AK112 + docetaxel, which reported a 65% OS rate in IO-resistant NSCLC patients (combined sq- and nsq-). IBI363 also shows promise in cold tumors, i.e. melanoma and MSS colorectal cancer (CRC), with encouraging data presented at ASCO (CMBI report, [link](#)). The pivotal Ph2 trial in first-line melanoma is expected to complete enrollment by year-end. Ph3 trials are on track to begin in 2H25, targeting IO-resistant sq-NSCLC and third-line MSS CRC, with Ph3 studies also planned in the US. Front-line indications represent broader opportunities, and Innovent expects to release Ph1b/2 PoC data for IBI363 in first-line NSCLC and MSS CRC in 2026. Further upside of IBI363 includes combination potential with ADCs and out-licensing opportunities. Separately, IBI343 (CLDN18.2 ADC) is advancing into Ph3 trial in PDAC, in addition to its ongoing Ph3 study in GC.
- **Robust pipeline of next-generation IO and ADC therapies.** Innovent is building a strong portfolio of next-generation IO agents and ADCs, positioning itself at the forefront of IO-ADC combination strategies—a key trend in future oncology drug development. Beyond IBI363, Innovent is developing several innovative IO assets, including PD-1/IL-12, PD-L1/CD40, and multiple TCEs targeting GPRC5D/BCMA/CD3, DLL3/CD3, and CLDN18.2/CD3. IBI3003, a multiple myeloma TCE targeting GPRC5D/ BCMA/CD3, has shown superior efficacy with comparable tolerability to talquetamab (GPRC5D×CD3) and teclistamab (BCMA×CD3) in preclinical models. It also outperformed same-target TsAb JNJ-5322 in low antigen expression cell models. We see potential of IBI3003 to compete with CAR-T therapies. A Ph1 study of IBI3003 is ongoing. Innovent is also advancing a broad ADC pipeline, spanning monoclonal ADCs (i.e. CLDN18.2, HER2), bispecific ADCs (i.e. EGFR/B7H3, EGFR/HER3, PD-L1/TROP2), and dual-payload ADCs (i.e. CEACAM5). These assets are being developed with future IO combination strategies in mind. Notably, IBI3001 (EGFR/B7H3 ADC) demonstrated promising signals across multiple tumor models, and is in a Ph1 trial in China, Australia, and US.
- **Growing innovative pipeline in non-oncology.** Innovent recently launched mazdutide, China's first domestic dual-target GLP-1 drug for obesity, marking a significant milestone in its non-oncology portfolio. We expect IBI311 (IGF-1R, for thyroid eye disease), IBI306 (PCSK9, for hypercholesterolemia) and IBI112 (IL-23p19, for psoriasis) to become important revenue drivers in its non-oncology portfolio. Innovent is also advancing a strong early-stage CVM pipeline, with assets such as IBI3032 (GLP-1 small molecule), IBI3012 (triple G), IBI3030 (PCSK9-triple G), and IBI3016 (AGT siRNA). In the autoimmune space, IBI356 (OX40L) and IBI3002 (IL-4Rα/TSRP) are in clinical development.
- **Maintain BUY.** We are positive on the global potential of Innovent's rich innovative pipelines. Innovent is on track to achieve EBITDA breakeven this year. Backed by smooth development of IBI363, we improved our possibility of success for the asset and raised our DCF-based TP to HK\$102.95 from HK\$94.74.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,206	9,422	11,347	13,236	17,520
YoY growth (%)	36.2	51.8	20.4	16.6	32.4
Net profit (RMB mn)	(1,027.9)	(94.6)	442.0	743.9	2,043.8
EPS (Reported) (RMB)	(0.66)	(0.06)	0.27	0.45	1.24
R&D expenses (RMB mn)	(2,228)	(2,681)	(2,674)	(2,767)	(3,044)
CAPEX (RMB mn)	(1,119)	(966)	(300)	(300)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$102.95
(Previous TP)	HK\$94.74)
Up/Downside	19.4%
Current Price	HK\$86.20

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Stock Data

Mkt Cap (HK\$ mn)	142,533.7
Avg 3 mths t/o (HK\$ mn)	1,668.8
52w High/Low (HK\$)	86.20/30.00
Total Issued Shares (mn)	1653.5

Source: FactSet

Shareholding Structure

Temasek Holdings	7.9%
Capital Group	6.9%

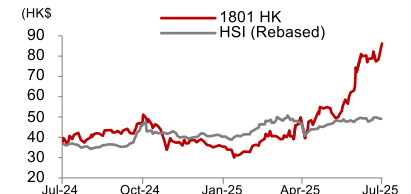
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	16.1%	14.8%
3-mth	71.5%	63.9%
6-mth	143.2%	100.9%

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	269	672	2,261	4,608	7,594	10,922	13,745	16,108	17,363	18,268	18,659
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	229	571	1,922	3,917	6,455	9,283	11,683	13,692	14,758	15,528	15,861
+ D&A	325	326	326	326	327	327	327	327	327	328	328
- Change in working capital	20	-297	-614	-627	-612	-519	-410	-210	-145	-128	37
- Capex	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300	-300
FCFF	274	300	1,334	3,316	5,869	8,791	11,300	13,509	14,641	15,428	15,926
Terminal value											274,712
FCF + Terminal value	274	300	1,334	3,316	5,869	8,791	11,300	13,509	14,641	15,428	290,638

PV of enterprise (RMB mn)	152,193
Net debt (RMB mn)	-6,124
Equity value (RMB mn)	158,317
Equity value (HK\$ mn)	170,234
No. of outstanding shares (mn)	1,654
DCF per share (HK\$)	102.95

Terminal growth rate	3.0%
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%	10.0%
Terminal growth rate	4.0%	152.40	133.09	117.73	105.24
	3.5%	138.86	122.76	109.67	98.82
	3.0%	128.04	114.31	102.95	93.40
	2.5%	119.20	107.29	97.28	88.76
	2.0%	111.84	101.34	92.42	84.74

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	11,347	13,236	17,520	11,312	13,093	17,287	0%	1%	1%
Gross profit	9,496	10,971	14,560	9,467	10,854	14,368	0%	1%	1%
Operating profit	1,515	2,045	3,844	1,516	2,035	3,806	0%	0%	1%
Net profit	522	804	2,084	526	808	2,070	-1%	0%	1%
EPS (RMB)	0.27	0.45	1.24	0.27	0.45	1.23	-1%	-1%	0%
Gross margin	83.68%	82.89%	83.11%	83.69%	82.90%	83.11%	-0.01 ppt	-0.01 ppt	-0.01 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,347	13,236	17,520	11,824	14,541	18,224	-4%	-9%	-4%
Gross profit	9,496	10,971	14,560	9,942	12,252	15,324	-4%	-10%	-5%
Operating profit	1,515	2,045	3,844	322	1,329	2,940	371%	54%	31%
Net profit	522	804	2,084	420	1,332	2,694	24%	-40%	-23%
EPS (RMB)	0.27	0.45	1.24	0.29	0.80	1.64	-9%	-44%	-25%
Gross margin	83.68%	82.89%	83.11%	84.09%	84.26%	84.09%	-0.40 ppt	-1.36 ppt	-0.98 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	11,347	13,236	17,520
Cost of goods sold	(931)	(1,136)	(1,510)	(1,851)	(2,264)	(2,960)
Gross profit	3,625	5,070	7,912	9,496	10,971	14,560
Operating expenses	(5,796)	(6,214)	(7,990)	(8,976)	(10,096)	(12,155)
Selling expense	(2,591)	(3,101)	(4,347)	(5,143)	(5,660)	(6,765)
Admin expense	(835)	(750)	(738)	(806)	(973)	(1,291)
R&D expense	(2,871)	(2,228)	(2,681)	(2,674)	(2,767)	(3,044)
Others	502	(136)	(224)	(353)	(696)	(1,055)
Pre-tax profit	(2,170)	(1,144)	(79)	520	875	2,404
Income tax	(9)	116	(16)	(78)	(131)	(361)
Minority interest	0	0	0	0	0	0
Net profit	(2,179)	(1,028)	(95)	442	744	2,044

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	11,507	13,428	10,273	11,418	12,904	15,790
Cash & equivalents	9,163	10,052	7,508	8,583	9,672	11,776
Account receivables	575	1,006	1,184	1,163	1,357	1,796
Inventories	1,429	968	822	913	1,117	1,460
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	22,722	24,183	27,043
Current liabilities	3,499	4,477	4,369	4,459	4,559	4,727
Short-term borrowings	888	1,195	405	405	405	405
Account payables	326	373	358	448	547	716
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	8,578	8,681	8,853
Share capital	0	0	0	0	0	0
Other reserves	10,730	12,527	13,118	14,144	15,501	18,190
Total shareholders equity	10,730	12,528	13,118	14,144	15,502	18,190
Minority interest	0	0	0	0	0	0
Total equity and liabilities	17,589	20,627	21,603	22,722	24,183	27,043

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,162)	(1,261)	(63)	598	1,006	2,765
Depreciation & amortization	245	276	293	294	294	294
Tax paid	(9)	116	(16)	(78)	(131)	(361)
Change in working capital	295	403	404	20	(297)	(614)
Others	(327)	511	703	290	314	175
Net cash from operations	(1,958)	46	1,322	1,124	1,186	2,260
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	322	274	214
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	0	0	0
Others	46	(86)	14	(71)	(71)	(71)
Net cash from financing	2,892	2,587	(607)	(71)	(71)	(71)
Net change in cash						
Cash at the beginning of the year	1,359	1,016	2,746	7,508	8,583	9,672
Exchange difference	119	(7)	13	0	0	0
Cash at the end of the year	9,163	10,052	7,508	8,583	9,672	11,776
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	6.7%	36.2%	51.8%	20.4%	16.6%	32.4%
Gross profit	(3.7%)	39.8%	56.1%	20.0%	15.5%	32.7%
Net profit	na	na	na	na	68.3%	174.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.6%	81.7%	84.0%	83.7%	82.9%	83.1%
Return on equity (ROE)	(20.7%)	(8.8%)	(0.7%)	3.2%	5.0%	12.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.6)	(0.4)	(0.4)	(0.5)	(0.5)
Current ratio (x)	3.3	3.0	2.4	2.6	2.8	3.3
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	294.3	174.9	63.7
P/B	11.2	9.8	9.8	9.2	8.4	7.2

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

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