招銀国际 CMB INTERNATIONAL
招商银行全资附属机构 A Wholly Owned Subsidiary Of China Merchants Bank

Kelun-Biotech (6990 HK)

Sac-TMT global catalysts building

BUY (Maintain)

Target Price	**HK$642.29**
(Previous TP	HK$507.11)
Up/Downside	**18.4%**
Current Price	**HK$542.50**

China Healthcare

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

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

Kelun-Biotech reported 1H26 total revenue of RMB978mn (+2.9% YoY), with pharmaceutical product sales contributing RMB657mn (+112% YoY), reaching 53% of our previous full-year estimate and coming in above our expectations. Management indicated that sac-TMT accounted for around 80% of product sales, underscoring a successful first half year of NRDL-driven commercialization: 2L+ TNBC and 3L EGFRm NSCLC entered the NRDL since Jan 2026, while we expect 2L EGFRm NSCLC and 2L+ HR+/HER2- BC indications to be included in NRDL by end-2026 and to drive further volume expansion. The accepted NDAs in 1L TNBC and 1L PD-L1-positive NSCLC should further broaden patient coverage upon approval. The Company swung to a net profit of RMB388mn in 1H26 (vs. a net loss of RMB145mn in 1H25), aided by lawsuit settlement income of RMB702mn.

- **MSD's upcoming sac-TMT data readouts and combo exploration serve as near-term catalysts**. Sac-TMT is a cornerstone ADC asset for MSD, with 17 global Ph3 trials ongoing. The first readout — TroFuse-005 in 2L+ EC — met its dual primary endpoints of PFS and OS, and MSD plans to apply the Commissioner's National Priority Voucher (CNPV) toward the filing, potentially accelerating the asset's path to market. We expect further global Ph3 readouts in 2027, potentially including 3L+ GC, 3L EGFRm NSCLC and HR+/HER2- LA/mBC, followed by PD-L1-high NSCLC, 2L EGFRm NSCLC and 2L CC in 2028. Given the robust China data in the corresponding indications, we maintain a positive view on these readouts, which should provide strong support for valuation. Meanwhile, we believe MSD is exploring sac-TMT in combo with its PD-1/VEGF bsAb MK-2010. Further combination exploration by MSD (likely, in our view) would serve as an incremental catalyst. Kelun-Biotech also continues to collaborate with MSD on additional ADC assets, including SKB410 and SKB571.
- **Blockbuster potential further validated by China Ph3 wins.** Following OptiTROP-Lung05's success in 1L PD-L1-positive NSCLC (PFS HR 0.35; OS HR 0.55 vs. pembrolizumab), the Ph3 Lung06 trial of sac-TMT plus pembrolizumab in 1L PD-L1-negative nsq-NSCLC also met its primary endpoint, supporting a China NDA and validating the ADC + IO paradigm across the full PD-L1 spectrum. Detailed Lung06 data are expected at ESMO, alongside TroFuse-005 (2L+ EC) and Breast03 (1L TNBC) readouts. In ADC + IO 2.0, Kelun-Biotech is advancing SKB118 (PD-1/VEGF) plus sac-TMT in NSCLC, with expansion potential across indications and its broader ADC portfolio. Its next-generation ADC engine also continues to deliver, with dual-payload SKB565 (immuno-agonist + cytotoxin) and bispecific SKB103 (TAA/PD-L1) both entering clinical development.
- **Maintain BUY**. We remain confident in sac-TMT's global development. Factoring in the positive China 1L NSCLC readouts across both PD-L1-positive and -negative settings, we raise the probability of success for its global trials and revise our DCF-based TP from HK$507.11 to HK$642.29 (WACC: 8.69%, terminal growth: 3.5%, unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	1,933	2,058	2,320	2,972	6,362
YoY growth (%)	25.5	6.5	12.8	28.1	114.0
Net profit (RMB mn)	(266.8)	(382.0)	(97.5)	(409.6)	1,003.8
EPS (Reported) (RMB)	(1.20)	(1.66)	(0.41)	(1.71)	4.20
R&D expenses (RMB)	(1,206)	(1,320)	(1,584)	(1,522)	(2,042)

Source: Company data, Bloomberg, CMBIGM estimates

Stock Data

Mkt Cap (HK$ mn)	129,670.5
Avg 3 mths t/o (HK$ mn)	510.5
52w High/Low (HK$)	577.50/348.00
Total Issued Shares (mn)	239.0

Source: FactSet

Shareholding Structure

Kelun Pharma	68.5%
MSD	7.6%

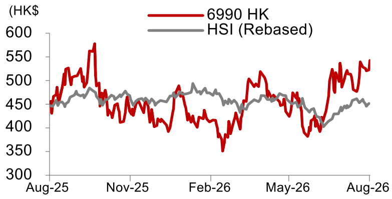
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	11.5%	7.6%
3-mth	27.9%	28.9%
6-mth	31.5%	37.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	**-136**	**-439**	**1,145**	**3,343**	**5,716**	**8,352**	**10,208**	**11,845**	**13,066**	**12,895**
Tax rate	*0%*	*0%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
EBIT*(1-tax rate)	-136	-439	974	2,842	4,859	7,099	8,677	10,068	11,106	10,960
+ D&A	106	117	126	128	129	130	132	133	134	135
- Change in working capital	253	43	379	304	199	48	153	64	30	-14
- Capex	-150	-200	-200	-100	-100	-100	-100	-100	-100	-100
FCFF	**73**	**-479**	**1,279**	**3,174**	**5,087**	**7,178**	**8,862**	**10,165**	**11,170**	**10,981**
Terminal value										**218,875**
FCF + terminal value	**73**	**-479**	**1,279**	**3,174**	**5,087**	**7,178**	**8,862**	**10,165**	**11,170**	**229,856**

Present value of enterprise (RMB mn)	125,952
Net debt (RMB mn)	-6,078
Equity value (RMB mn)	**132,030**
No. of shares (mn)	239
DCF per share (RMB)	**552.37**
DCF per share (HK$)	**642.29**
Terminal growth rate	**3.5%**
WACC	**8.69%**
Cost of equity	12.0%
Cost of debt	3.0%
Equity beta	0.90
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				
Terminal growth rate	**7.69%**	**8.19%**	**8.69%**	**9.19%**	**9.69%**
4.5%	1,023.50	872.68	758.18	668.40	596.17
4.0%	907.21	787.74	694.06	618.72	556.87
3.5%	818.66	720.90	**642.29**	577.77	523.92
3.0%	748.98	666.94	599.62	543.43	495.89
2.5%	692.72	622.45	563.83	514.23	471.76

Source: CMBIGM estimates

Figure 3: CMBIGM estimates revision

	New			Old			Diff (%)		
RMB mn	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue	2,320	2,972	6,362	2,127	2,747	5,866	9%	8%	8%
Gross profit	1,740	2,353	5,180	1,588	2,174	4,787	10%	8%	8%
Operating profit	-55	-330	1,261	-647	-378	907	NA	NA	39%
Net profit	-97	-410	1,004	-690	-458	704	NA	NA	43%
EPS (RMB)	(0.41)	(1.71)	4.20	(2.96)	(1.96)	3.02	NA	NA	39%
Gross margin	74.98%	79.15%	81.43%	74.64%	79.14%	81.60%	+0.33 ppt	+0.01 ppt	-0.17 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	2,320	2,972	6,362	2,630	4,518	6,701	-12%	-34%	-5%
Gross profit	1,740	2,353	5,180	2,020	3,646	5,530	-14%	-35%	-6%
Operating profit	-55	-330	1,261	-164	685	1,953	NA	NA	-35%
Net profit	-97	-410	1,004	-32	630	1,722	NA	NA	-42%
EPS (RMB)	(0.41)	(1.71)	4.20	(0.13)	2.80	7.43	NA	NA	-44%
Gross margin	74.98%	79.15%	81.43%	76.82%	80.69%	82.52%	-1.84 ppt	-1.54 ppt	-1.09 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**1,540**	**1,933**	**2,058**	**2,320**	**2,972**	**6,362**
Cost of goods sold	(781)	(659)	(579)	(581)	(620)	(1,181)
Gross profit	**759**	**1,274**	**1,479**	**1,740**	**2,353**	**5,180**
Operating expenses	**(1,143)**	**(1,412)**	**(1,828)**	**(1,795)**	**(2,683)**	**(3,920)**
Selling expense	(20)	(183)	(475)	(866)	(1,015)	(1,589)
Admin expense	(182)	(163)	(179)	(179)	(304)	(454)
R&D expense	(1,031)	(1,206)	(1,320)	(1,584)	(1,522)	(2,042)
Others	90	140	145	834	159	165
Operating profit	**(383)**	**(139)**	**(350)**	**(55)**	**(330)**	**1,261**
Net Interest income/(expense)	**(84)**	**(4)**	**(6)**	**(42)**	**(80)**	**(80)**
Pre-tax profit	**(468)**	**(143)**	**(356)**	**(97)**	**(410)**	**1,181**
Income tax	(106)	(124)	(26)	0	0	(177)
After tax profit	**(574)**	**(267)**	**(382)**	**(97)**	**(410)**	**1,004**
Minority interest	0	0	0	0	0	0
Net profit	**(574)**	**(267)**	**(382)**	**(97)**	**(410)**	**1,004**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**2,807**	**3,493**	**5,149**	**8,866**	**8,408**	**9,840**
Cash & equivalents	1,529	1,337	3,244	7,379	6,929	8,238
Restricted cash	40	7	88	88	88	88
Account receivables	215	304	346	(8)	(28)	(75)
Inventories	63	111	241	176	188	358
Financial assets at FVTPL	634	1,448	935	935	935	935
Other current assets	327	287	296	296	296	296
Non-current assets	**702**	**775**	**840**	**884**	**968**	**1,041**
PP&E	608	595	636	726	855	974
Right-of-use assets	85	163	123	77	32	(14)
Intangibles	1	3	1	1	1	1
Other non-current assets	8	15	10	10	10	10
Total assets	**3,510**	**4,268**	**5,989**	**9,750**	**9,375**	**10,882**
Current liabilities	**1,110**	**810**	**1,005**	**2,140**	**2,175**	**2,677**
Short-term borrowings	0	0	0	1,300	1,300	1,300
Account payables	523	447	685	520	555	1,057
Other current liabilities	21	9	18	18	18	18
Lease liabilities	54	42	44	44	44	44
Contract liabilities	511	312	258	258	258	258
Non-current liabilities	**70**	**150**	**117**	**117**	**117**	**117**
Deferred income	65	65	73	73	73	73
Other non-current liabilities	6	85	44	44	44	44
Total liabilities	**1,180**	**959**	**1,122**	**2,257**	**2,292**	**2,794**
Share capital	219	227	233	233	233	233
Other reserves	2,110	3,081	4,634	7,260	6,850	7,854
Total shareholders equity	**2,329**	**3,309**	**4,867**	**7,493**	**7,083**	**8,087**
Total equity and liabilities	**3,510**	**4,268**	**5,989**	**9,750**	**9,375**	**10,882**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(468)**	**(143)**	**(356)**	**(97)**	**(410)**	**1,181**
Depreciation & amortization	75	91	100	106	117	126
Tax paid	0	0	47	0	0	(177)
Change in working capital	276	(481)	(22)	253	43	379
Others	177	103	50	42	80	80
Net cash from operations	**60**	**(430)**	**(180)**	**303**	**(170)**	**1,589**
Investing						
Capital expenditure	(81)	(77)	(126)	(150)	(200)	(200)
Net proceeds from disposal of short-term investments	(623)	(793)	537	0	0	0
Others	(321)	49	(0)	0	0	0
Net cash from investing	**(1,025)**	**(822)**	**411**	**(150)**	**(200)**	**(200)**
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	(394)	0	0	1,300	0	0
Proceeds from share issues	1,482	1,094	1,777	2,723	0	0
Others	1,294	(57)	(49)	(42)	(80)	(80)
Net cash from financing	**2,382**	**1,037**	**1,728**	**3,981**	**(80)**	**(80)**
Net change in cash						
Cash at the beginning of the year	93	1,529	1,337	3,244	7,379	6,929
Exchange difference	19	22	(51)	0	0	0
Cash at the end of the year	**1,529**	**1,337**	**3,244**	**7,379**	**6,929**	**8,238**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	91.6%	25.5%	6.5%	12.8%	28.1%	114.0%
Gross profit	44.0%	67.8%	16.1%	17.7%	35.2%	120.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	49.3%	65.9%	71.9%	75.0%	79.1%	81.4%
Operating margin	(24.9%)	(7.2%)	(17.0%)	(2.4%)	(11.1%)	19.8%
Return on equity (ROE)	na	(9.5%)	(9.3%)	(1.6%)	(5.6%)	13.2%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.5	4.3	5.1	4.1	3.9	3.7

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	111.0
P/B	36.7	31.2	22.1	14.9	15.7	13.8

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.
Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

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

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.
Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom
This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States
CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore
This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.