

3SBio (1530 HK)

Earnings beat, rich pipeline promises future growth

3SBio delivered a strong performance in 2024. Revenue increased 16.5% YoY to RMB9.1bn, exceeding our estimates by 3.3%, driven by the continued robust growth of TPIAO, Mandi and other products. Attributable net profit increased by 34.9% YoY to RMB2.1bn, 9.1% above our forecast. 3SBio's attributable NPM improved by 2.0 ppts, driven by 1.0 ppt increase in GPM and 2.3 ppts decrease in SG&A ratio. Additionally, the Company declared a 2024 dividend of HK\$0.25 per share, implying a 26% payout ratio.

- TPIAO maintains strong growth momentum.** In 2024, TPIAO's sales increased 20.4% YoY to RMB5.1bn. By volume, its market share expanded to 34.3%, surpassing IL-11 for the first time to become the leading drug in China's thrombocytopenia treatment market. With stable pricing and increasing penetration in CIT indication, we anticipate continued robust growth momentum for TPIAO.
- Expanding commercial portfolio through in-house R&D and business development.** In 2024, 3SBio submitted NDAs for four novel therapies: SSS06, 608, TPIAO for CLDT indication, and Eltrombopag suspension. Looking ahead to 2025, additional NDA submissions are expected for Clascoterone (WS204) and 613 (IL-1 β). Furthermore, 3SBio has expanded its pipeline through strategic in-licensing, acquiring four key assets: Semaglutide, Paclitaxel Oral Solution, Clifutinib Besylate, and a HER2 ADC. Notably, Paclitaxel Oral Solution has received NMPA approval, while Semaglutide, Clifutinib Besylate, and the HER2 ADC are currently in Ph3 studies, with anticipated NDA submissions in 2026E and 2027E.
- 707 (PD-1/VEGF) demonstrates global BIC potential.** 707 is progressing rapidly, with four ongoing Ph2 clinical trials. Early data in NSCLC suggests global BIC potential, highlighting significant opportunities for international collaboration. The NMPA has approved a Ph3 trial evaluating 707 as a monotherapy in first-line PD-L1+ NSCLC. Additionally, 705 (PD-1/HER2), 706 (PD-1/PD-L1) and 626 (BDCA2) also have global potential, which are progressing through Ph1 trials. Among these, 626 (BDCA2) stands out as a promising candidate, with significant potential for treatment of SLE. 626 is currently the second most advanced anti-BDCA2 mAb in development globally, following Biogen's Litifilimab, which has entered Ph3 trials after demonstrating positive Ph2 results. In Feb 2025, Biogen and Royalty Pharma announced a US\$250mn collaboration deal for Litifilimab.
- Maintain BUY.** With a strong commercial portfolio and expanding pipeline, 3SBio remains well-positioned for sustainable long-term growth, in our view. We thus revise up our earnings forecasts and raise our TP from HK\$9.91 to HK\$14.18 based on an 11-year DCF model (WACC: 12.2%, terminal growth rate: 2.0%), indicating 13x 2025E PE.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	7,816	9,108	10,331	11,446	12,611
YoY growth (%)	13.8	16.5	13.4	10.8	10.2
Attributable net profit (RMB mn)	1,549	2,090	2,317	2,557	2,824
YoY growth (%)	(19.1)	34.9	10.8	10.4	10.4
EPS (Reported) (RMB)	0.64	0.86	0.97	1.07	1.18
P/E (x)	15.9	11.7	10.5	9.5	8.6
Net gearing (%)	(0.4)	(13.1)	(6.3)	(12.8)	(19.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$14.18**
 (Previous TP) **HK\$9.91**
Up/Downside **31.1%**
Current Price **HK\$10.82**

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Stock Data

Mkt Cap (HK\$ mn)	25,920.1
Avg 3 mths t/o (HK\$ mn)	184.1
52w High/Low (HK\$)	10.82/5.52
Total Issued Shares (mn)	2395.6

Source: FactSet

Shareholding Structure

TMF (Cayman) Ltd.	23.9%
Decade Sunshine	19.7%

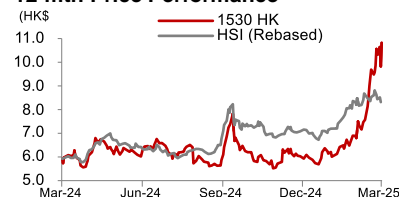
Source: iFIND

Share Performance

	Absolute	Relative
1-mth	52.0%	53.9%
3-mth	78.8%	53.1%
6-mth	77.4%	50.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	FY25E	New FY26E	FY27E	FY25E	Old FY26E	FY27E	FY25E	Diff (%) FY26E	FY27E
Revenue	10,331	11,446	12,611	9,892	10,765	NA	4.4%	6.3%	NA
Gross profit	8,885	9,786	10,719	8,458	9,150	NA	5.0%	7.0%	NA
Operating profit	3,051	3,315	3,616	3,087	3,327	NA	-1.2%	-0.4%	NA
Net profit	2,317	2,557	2,824	2,177	2,376	NA	6.4%	7.6%	NA
EPS (RMB)	0.97	1.07	1.18	0.90	0.98	NA	7.4%	8.9%	NA
Gross margin	86.00%	85.50%	85.00%	85.50%	85.00%	NA	+0.5ppt	+0.5ppt	NA
Operating margin	29.54%	28.96%	28.68%	31.21%	30.91%	NA	-1.67ppt	-1.95ppt	NA
Net margin	22.42%	22.34%	22.39%	22.01%	22.07%	NA	+0.41ppt	+0.27ppt	NA

Source: Company data, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	2,827	3,109	3,423	4,051	4,596	5,039	5,410	5,823	6,120	6,373	6,599
Tax rate	18.42%	18.42%	18.42%	18.42%	18.42%	18.42%	18.42%	18.42%	18.42%	18.42%	18.42%
EBIT*(1-tax rate)	2,307	2,537	2,793	3,305	3,750	4,111	4,414	4,751	4,993	5,200	5,384
+ D&A	386	402	417	431	445	458	470	482	493	504	514
- Change in working capital	-1,112	-240	-253	-313	-312	-263	-167	-188	-107	-76	-56
- Capex	-680	-680	-680	-680	-680	-680	-680	-680	-680	-680	-680
FCFF	901	2,019	2,277	2,743	3,202	3,626	4,037	4,364	4,699	4,947	5,161
Terminal value											51,639

Terminal growth rate	2.00%
WACC	12.20%
Cost of Equity	15.60%
Cost of Debt	5.00%
Equity Beta	1.20
Risk Free Rate	3.00%
Market Risk Premium	10.50%
Target Debt to Asset ratio	30.00%
Effective Corporate Tax Rate	15.00%

Terminal value (RMB mn)	14,564
Total PV (RMB mn)	32,165
Net debt (RMB mn)	-1,072
Minority interests (RMB mn)	2,661
Equity value (RMB mn)	30,576
Equity value (HK\$ mn)	33,974
# of shares (mn)	2,396
Price per share (HK\$ per share)	14.18

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		11.20%	11.70%	12.20%	12.70%	13.20%
Terminal growth rate	3.00%	17.26	16.06	14.99	14.04	13.18
	2.50%	16.68	15.56	14.56	13.67	12.86
	2.00%	16.16	15.12	14.18	13.34	12.57
	1.50%	15.69	14.72	13.83	13.04	12.31
	1.00%	15.28	14.35	13.52	12.76	12.07

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	FY25E	CMBIGM FY26E	FY27E	FY25E	Consensus FY26E	FY27E	FY25E	Diff (%) FY26E	FY27E
Revenue	10,331	11,446	12,611	9,825	10,801	11,523	5.2%	6.0%	9.4%
Gross Profit	8,885	9,786	10,719	8,378	9,211	9,793	6.0%	6.2%	9.5%
Operating Profit	3,051	3,315	3,616	2,940	3,203	3,455	3.8%	3.5%	4.7%
Attributable net profit	2,317	2,557	2,824	2,354	2,695	2,569	-1.6%	-5.1%	9.9%
EPS (RMB)	0.97	1.07	1.18	0.93	1.02	1.06	4.0%	5.0%	11.2%
Gross Margin	86.00%	85.50%	85.00%	85.27%	85.28%	84.99%	+0.73ppt	+0.22ppt	+0.01ppt
Operating Margin	29.54%	28.96%	28.68%	29.92%	29.65%	29.98%	-0.39ppt	-0.7ppt	-1.31ppt
Net Margin	22.42%	22.34%	22.39%	23.96%	24.95%	22.29%	-1.54ppt	-2.61ppt	+0.1ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	6,866	7,816	9,108	10,331	11,446	12,611
Cost of goods sold	(1,194)	(1,174)	(1,280)	(1,446)	(1,660)	(1,892)
Gross profit	5,672	6,642	7,828	8,885	9,786	10,719
Selling expense	(2,581)	(3,006)	(3,351)	(3,822)	(4,349)	(4,880)
Admin expense	(393)	(481)	(502)	(559)	(608)	(657)
R&D expense	(694)	(795)	(1,327)	(1,343)	(1,431)	(1,513)
Others	413	(139)	(89)	(109)	(84)	(52)
Operating profit	2,417	2,221	2,560	3,051	3,315	3,616
Share of (losses)/profits of associates/JV	(34)	(30)	349	0	0	0
Net Interest income/(expense)	(103)	(212)	(191)	(137)	(93)	(50)
Pre-tax profit	2,280	1,978	2,718	2,914	3,222	3,567
Income tax	(371)	(392)	(501)	(537)	(593)	(657)
Minority interest	(7)	37	127	61	71	86
Net profit	1,909	1,586	2,218	2,378	2,628	2,910

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	9,751	9,193	9,347	8,618	9,878	11,362
Cash & equivalents	2,152	2,611	2,143	694	1,538	2,585
Account receivables	1,312	1,095	1,305	1,361	1,508	1,662
Inventories	713	778	795	881	1,002	1,131
Prepayment	505	1,132	741	1,319	1,468	1,621
Financial assets at FVTPL	4,861	3,303	3,769	3,769	3,769	3,769
Other current assets	208	274	594	594	594	594
Non-current assets	12,258	14,432	14,866	15,160	15,438	15,700
PP&E	4,114	4,692	4,993	5,335	5,660	5,970
Intangibles	1,578	1,554	1,685	1,655	1,625	1,595
Goodwill	4,140	4,199	4,253	4,253	4,253	4,253
Other non-current assets	2,426	3,986	3,935	3,917	3,900	3,883
Total assets	22,009	23,625	24,213	23,777	25,316	27,062
Current liabilities	1,844	3,728	5,464	3,346	3,023	2,707
Short-term borrowings	413	2,112	2,244	1,744	1,244	744
Account payables	250	212	180	191	219	249
Tax payable	112	33	50	50	50	50
Other current liabilities	1,069	1,371	2,990	1,361	1,510	1,664
Non-current liabilities	4,801	3,384	713	713	713	713
Long-term borrowings	1,902	1,463	38	38	38	38
Bond payables	0	1,226	0	0	0	0
Deferred income	423	412	390	390	390	390
Other non-current liabilities	2,477	283	285	285	285	285
Total liabilities	6,645	7,111	6,176	4,058	3,736	3,420
Share capital	0	0	0	0	0	0
Treasury shares	-236	-236	-236	-236	-236	-236
Share premium	3,693	3,517	2,729	2,729	2,729	2,729
Other reserves	9,468	10,752	12,942	14,564	16,354	18,331
Total shareholders equity	12,926	14,034	15,436	17,058	18,848	20,825
Minority interest	2,438	2,480	2,600	2,661	2,732	2,818
Total equity and liabilities	22,009	23,625	24,213	23,777	25,316	27,062

CASH FLOW	2022A	2023A	2024E	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,280	1,978	2,718	2,914	3,222	3,567
Depreciation & amortization	398	351	413	386	402	417
Tax paid	(346)	(471)	(501)	(537)	(593)	(657)
Change in working capital	31	(162)	414	(1,112)	(240)	(253)
Others	(228)	386	(291)	50	(19)	(94)
Net cash from operations	2,134	2,083	2,754	1,702	2,771	2,980
Investing						
Capital expenditure	(975)	(704)	(680)	(680)	(680)	(680)
Others	(2,748)	(641)	148	87	112	144
Net cash from investing	(3,723)	(1,345)	(532)	(593)	(568)	(536)
Financing						
Dividend paid	(417)	(225)	(539)	(695)	(767)	(847)
Net borrowings	1,928	1,188	(500)	(500)	(500)	(500)
Others	(748)	(1,316)	(431)	(1,363)	(93)	(50)
Net cash from financing	763	(353)	(1,470)	(2,558)	(1,360)	(1,397)
Net change in cash						
Cash at the beginning of the year	2,868	2,152	2,611	2,143	694	1,538
Exchange difference	109	75	0	0	0	0
Cash at the end of the year	2,152	2,611	3,363	694	1,538	2,585
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	7.6%	13.8%	16.5%	13.4%	10.8%	10.2%
Gross profit	7.5%	17.1%	17.9%	13.5%	10.1%	9.5%
Operating profit	22.5%	(8.1%)	15.3%	19.2%	8.6%	9.1%
Net profit	17.3%	(16.9%)	39.8%	7.2%	10.5%	10.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	82.6%	85.0%	86.0%	86.0%	85.5%	85.0%
Operating margin	35.2%	28.4%	28.1%	29.5%	29.0%	28.7%
Return on equity (ROE)	15.2%	11.8%	15.0%	14.6%	14.6%	14.7%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)
Current ratio (x)	5.3	2.5	1.7	2.6	3.3	4.2
Receivable turnover days	71.5	56.2	48.1	48.1	48.1	48.1
Inventory turnover days	214.5	231.6	224.3	222.3	220.3	218.3
Payable turnover days	73.3	71.7	55.9	55.9	55.9	55.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	12.9	15.9	11.7	10.5	9.5	8.6
P/E (diluted)	13.6	16.2	11.9	10.5	9.5	8.6
P/B	1.6	1.5	1.4	1.2	1.1	1.0
Div yield (%)	0.9	2.2	2.2	2.9	3.2	3.5

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

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