

## Company Report

### Innovent Bio (1801 HK)

#### Tyvvt worst may be behind; more catalysts in 2023E

■ At JPM 41<sup>th</sup> meeting, Co. expects accelerated revenue growth in 2023E and maintained RMB20bn rev target in coming five years

■ Tyvvt's NRDL risk is in the rear view mirror; Up to three new drug launches in 2023E, and IBI362 is compelling in metabolic disorders

■ Maintain Top-pick BUY w/ SOTP TP unchanged at HKD65. Co.'s eventful R&D catalysts & strong BD capability should trigger re-rate  
**Optimism likely returns to Tyvvt outlook**

While awaiting 2022 NRDL final results, we continue to believe the price war for PD-1/L1 class is cooling down given 1) some new latecomers opted out of the NRDL 2022 as they might see limited volume ramp-up opportunities in exchange for a price concession; 2) three leading PD-1 players have already got their major indications into NRDL. We thus reckon Tyvvt is positioned to gain traction in FY23E given 1) manageable price concession in 2022 NRDL; 2) new NRDL inclusion of 1L GC/ESCC (potential pts size up to 600k per year) further solidified its fast-mover advantage; 3) less COVID adversities in China and upgraded commercial platform. We are not observing any source of instability to domestic PD-1/L1 landscape (three major domestic players will continue to take over ~70% market share), and we maintained our sales projection of Tyvvt for FY23E at RMB2.8bn.

#### Advancement in metabolic disorders will be a focus

2023 looks to start with a focus on metabolic disorders as multiple MNC's milestone events are coming. Novo Nordisk oral formulation of its GLP-1 agonist semaglutide (Ph3 Pioneer readout in 1H23E), and Lilly's Mounjaro (tirzepatide, obesity is expected to file NDA by end 2023E). Against this backdrop, we believe Co.'s mazdutide should attract more market attention in 2023E. Co. announced IBI362 has finished patient enrolment for the new ph3 GLORY-1 study (n=600) since first patient dosing in Nov '22. We believe IBI362 offers some attractiveness given its comparable efficacy, simplified dose-escalation regimen, minimum requirement on pts lifestyle change and leading clinical progress in China. We expect potential top-line data of ph3 GLORY-1 study in 24E.

#### Major regulatory and clinical catalysts in 23E/early 24E

1) Tyvvt, sNDA approval for EGFR+ nsq-NSCLC; 2) three potential approvals from CDE: **IBI-326** (BCMA CAR-T), **IBI376** (PI3K) and **Tafolecimab** (PCSK9); 3) NDA fillings: **IBI-351** (KRAS G12C) for 2L NSCLC and **IBI-344** (ROS1) for 2L NSCLC, 4) full PoC data: **IBI-110** (αLAG3) for 1L sqNSCLC and **IBI-939** (αTIGIT) for 1L NSCLC, etc.

#### Maintain BUY and SOTP TP at HKD65

We maintain BUY and SOTP TP at HKD65, as we think the worst is in the rear-view mirror (e.g. PD-1 sales weakness and sales force restructuring), and recent broad-based market sentiment relief should drive a re-rate for leading biotech names. **Key risks:** clinical delay/failure, lower-than-expected sales, regulatory risks, NRDL-driven price cut risk.

RMB mn	2019	2020	2021	2022E	2023E
Revenue	1,048	3,844	4,270	4,748	6,217
yoy change	n.a.	267%	11%	11%	31%
Adj. net profit	(1,572)	(596)	(2,234)	(2,462)	(1,479)
yoy change	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Company data, CMS (HK) estimates; Note\*: adj. NP excl. one-off items and SBC

Hayden Zhang, CFA      Warren Dai, CFA  
+852 3189 6354      +852 3189 6126

haydenzhang@cmschina.com.hk      warrendai@cmschina.com.hk

Wanjia Yu, PhD

+852 3189 6286

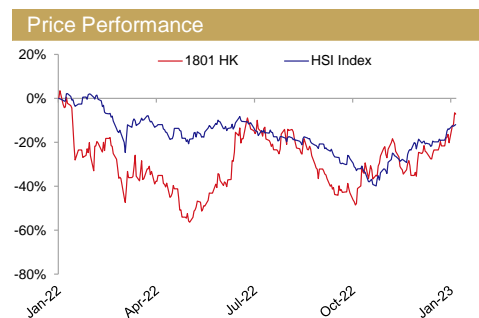
wanjiaju@cmschina.com.hk

### WHAT'S NEW

Business update

### BUY

Previous	BUY
Price (Jan 12, 2023)	HKD39.7
12-month Target Price (Potential up/downside)	HKD65.0 (+63%)
Previous	HKD65.0



%	1m	6m	12m
1801 HK	22.7	7.7	(7.1)
HSI	9.8	6.0	(11.9)

Sector: Pharmaceutical & Healthcare	
Hang Seng Index (Jan 12, 2023)	21,514
HSCEI (Jan 12, 2023)	7,312
Key Data	
52-week range (HKD)	18.1-47.0
Market cap (HKD mn)	60,916
3M avg. daily turnover (HKD mn)	380.0
BVPS (HKD)	6.1
Shareholding Structure	
Directors and management	10.2%
FIL Limited	9.4%
Capital Group	5.2%
Sanofi	3.7%
Other pre-IPO investors	12.4%
Free float	59.1%

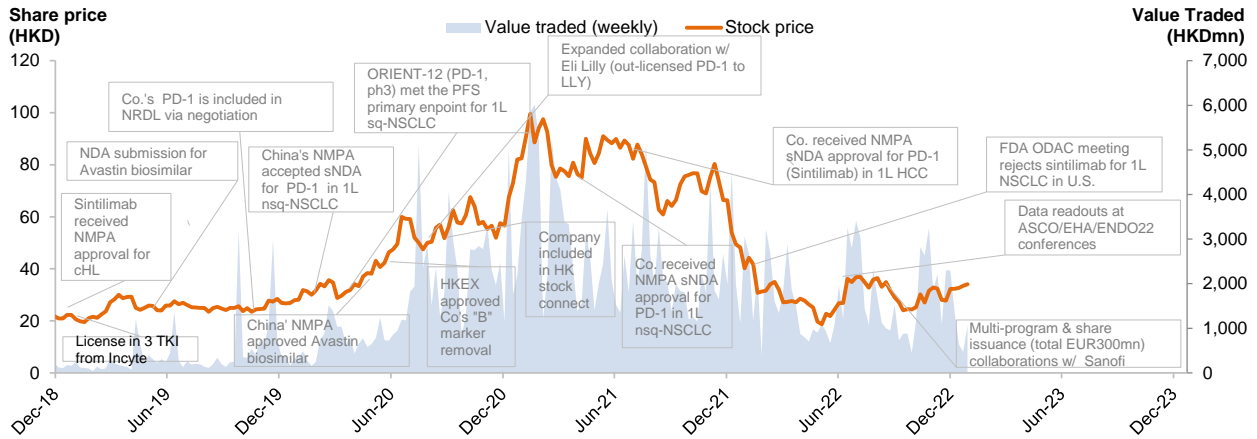
Sources: Company, Bloomberg

### Related Research

- Innovent Bio (1801 HK) – Non-oncology on track; Tyvvt worst may be behind (BUY) (Nov 15, 2022)
- Innovent Bio (1801 HK) – Mgmt. expects revenue to trend better in 2H22E (BUY) (Aug 26, 2022)
- Innovent Bio (1801 HK) – Tyvvt 2Q remained weak; Sanofi deal is new testament (BUY) (Aug 8, 2022)

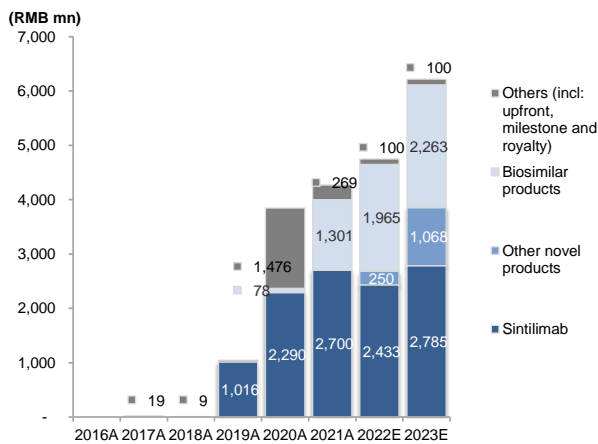
Focus charts

Figure 1: Innovent Bio's price performance and events



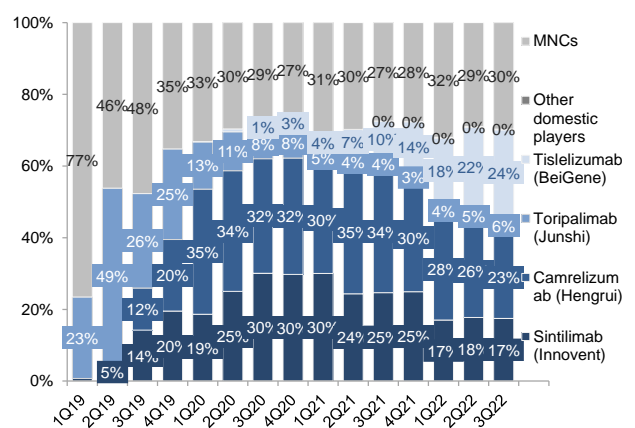
Sources: Bloomberg, CMS (HK)

Figure 2: Innovent Bio's revenue forecast and breakdown w/ PoS risk adjustment



Sources: Company data, CMS (HK) estimates

Figure 3: China's PD-1 sales value breakdown by company



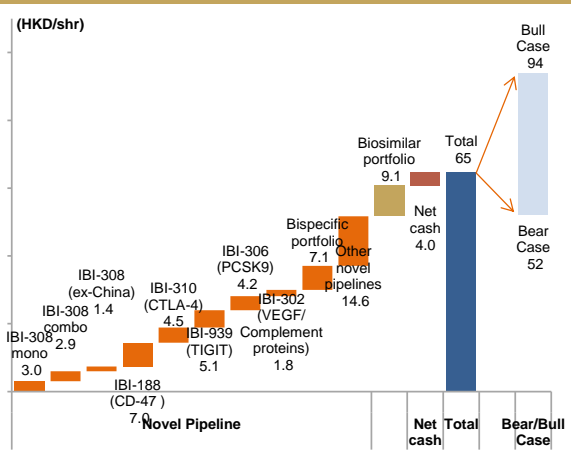
Sources: PharmaCube, CMS (HK)

Figure 4: Major milestones/catalysts in 2023E-24E

Candidates	Target/MoA	Indication	22/23E milestone / catalysts	Type	Timeline	Outcome
Sintelimab (TYVYT)	PD-1 mAb	2L EGFRm nsq-NSCLC	sNDA approval (CN)	Regulatory	1H23E	
IBI326	BCMA CAR-T	r/r MM	NDA approval (CN)	Regulatory	1H23E	
Taflecicimab	PCSK9	rFH, HeFH	NDA approval (CN)	Regulatory	1H23E	
Overembatinib	Bcr-Abl	TKI-resistant CML	Full approval (CN)	Regulatory	2H23E	
IBI-376	PI3K5 inhibitor	r/r FL	NDA approval (CN)	Regulatory	2H23E	
IBI-351	KRAS G12C	2L NSCLC	NDA filing (CN)	Regulatory	2H23E	
IBI-344	ROS1	2L NSCLC	NDA filing (CN)	Regulatory	2H23E	
IBI-110	LAG-3 mAb	1L sq NSCLC	Full PoC data	Data	1H23E	
		1L GC/HCC	Preliminary PoC data	Data	1H23E	
IBI-939	TIGIT mAb	1L NSCLC	Full PoC data	Data	23/24E	
IBI-322	PD-L1xCD47 BsAb	2/3L I/O failed NSCLC/lymphoma	PoC data readout	Data	23E	
IBI-302	VEGF/C	nAMD	PoC data readout	Data	23E	

Source: Company data

Figure 5: Valuation bridge



Source: CMS (HK) estimates

## Our valuation summary

Figure 6: Valuation summary

### Pipeline portfolio (RMB mn)

Sintilimab (IBI-308) mono (incl: chemo combo)	3,773
Sintilimab (IBI-308) combo (incl: other TKI and I/O)	3,668
Sintilimab (IBI-308) mono (ex-China rights)	1,777
IBI-188 (CD-47)	8,762
IBI-310 (CTLA-4)	5,617
IBI-939 (TIGIT)	6,403
IBI-306 (PCSK9)	5,188
IBI-302 (VEGF/Complement proteins)	2,301
Bispecific portfolio	8,826
Other novel pipelines	18,276
Biosimilar portfolio	11,372

**Enterprise value** **75,963**

Add: net cash 5,021

Less: minority interest -

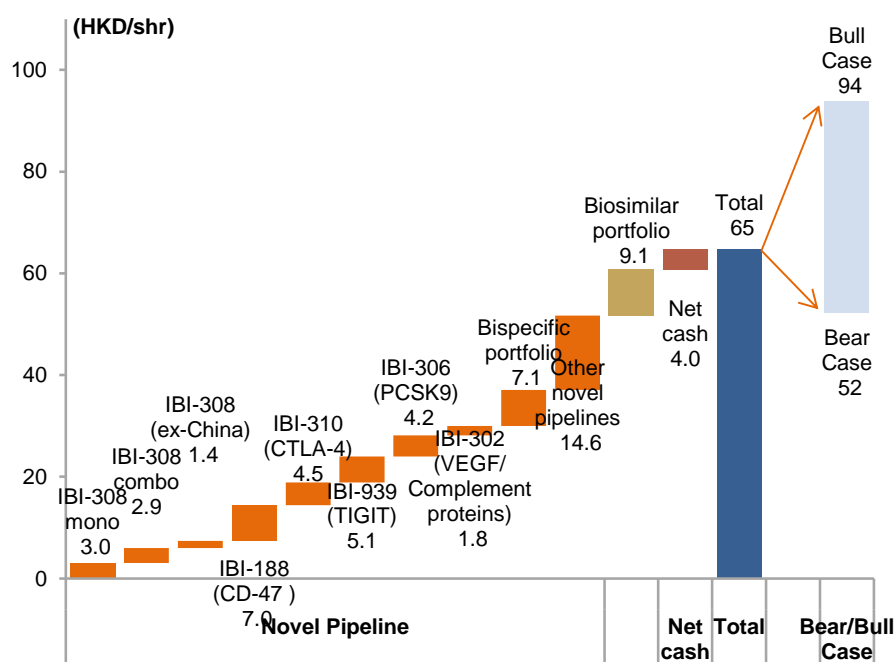
**Derived equity value (RMB mn)** **80,985**

**No of shares (mn)** 1,462

**TP (HKD)** 65

Sources: Company data, CMS (HK) estimates

Figure 7: Valuation bridge



Sources: Company data, CMS (HK) estimates

## Financial Summary

### Balance Sheet

RMB mn	2019	2020	2021	2022E	2023E
<b>Non-current assets</b>	<b>1,775</b>	<b>2,368</b>	<b>4,693</b>	<b>4,977</b>	<b>5,239</b>
PP&E	1,345	1,584	2,693	2,978	3,239
Intangible assets	-	33	772	772	772
Prepaid lease payments	92	327	397	397	397
Deferred tax assets	252	139	128	128	128
Others	87	285	703	703	703
<b>Current assets</b>	<b>5,455</b>	<b>9,467</b>	<b>11,551</b>	<b>11,252</b>	<b>10,050</b>
Inventories	359	706	1,347	1,966	2,622
Loan and account receivables	248	475	968	1,019	1,341
Prepayments and other receivables	154	165	213	213	213
Assets held-for-sale	463	357	645	645	645
Pledged bank deposits	1,807	6,488	7,018	5,018	3,018
Bank balances and cash	2,426	1,276	1,359	2,392	2,212
<b>Total assets</b>	<b>7,231</b>	<b>11,835</b>	<b>16,244</b>	<b>16,230</b>	<b>15,290</b>
<b>Current liabilities</b>	<b>1,044</b>	<b>1,486</b>	<b>3,050</b>	<b>3,248</b>	<b>3,379</b>
Trade and bills payables	84	121	195	393	524
Due to a related party	885	974	2,052	2,052	2,052
ST bank debt	17	255	365	365	365
Others	16	16	22	22	22
<b>Non-current liabilities</b>	<b>1,431</b>	<b>1,569</b>	<b>2,863</b>	<b>3,073</b>	<b>3,480</b>
Long-term payables	17	46	295	295	295
Contract liabilities	582	588	459	668	1,076
LT bank loans	808	925	2,023	2,023	2,023
Others	25	10	86	86	86
<b>Shareholders' funds</b>	<b>4,756</b>	<b>8,780</b>	<b>10,330</b>	<b>9,909</b>	<b>8,429</b>
<b>Minorities</b>	-	-	-	-	-
<b>Total liability and equity</b>	<b>7,231</b>	<b>11,835</b>	<b>16,244</b>	<b>16,230</b>	<b>15,290</b>

### Cashflow Statement

RMB mn	2019	2020	2021	2022E	2023E
<b>Cash flow from operating</b>	<b>(1,706)</b>	<b>(353)</b>	<b>(2,104)</b>	<b>(2,759)</b>	<b>(1,902)</b>
Pretax profit	(1,720)	(859)	(3,051)	(2,598)	(1,595)
Operating profit before WC chgs	(1,537)	166	(1,908)	(2,155)	(1,026)
Net working capital change	(141)	(334)	(90)	(261)	(439)
Income tax paid	14	(140)	(26)	(101)	(133)
Interest paid	(41)	(46)	(79)	(241)	(304)
<b>Cash flow from investing</b>	<b>(2,569)</b>	<b>(5,185)</b>	<b>(2,698)</b>	<b>1,751</b>	<b>1,722</b>
Purchase of PPE	(366)	(489)	(1,066)	(500)	(500)
Purchase/disposal of subsidiaries	-	-	-	-	-
Purchase/disposal of JV&Asso.	-	-	-	-	-
Interest received	103	247	197	251	222
Others	(2,306)	(4,660)	(1,048)	2,000	2,000
<b>Cash flow from financing</b>	<b>2,151</b>	<b>4,958</b>	<b>5,082</b>	<b>2,040</b>	-
Capital injection	2,169	4,657	3,940	2,040	-
Issuance of equity shares	-	-	-	-	-
Bank borrowings, net	33	355	1,208	-	-
Others	(51)	-	-	-	-
<b>Beginning cash</b>	<b>4,525</b>	<b>2,426</b>	<b>1,276</b>	<b>1,359</b>	<b>2,392</b>
Forex	25	(569)	(197)	-	-
<b>End cash</b>	<b>2,426</b>	<b>1,276</b>	<b>1,359</b>	<b>2,392</b>	<b>2,212</b>

Sources: Company data, CMS (HK) estimates

Notes: Sales projections w/ PoS adjustment.

### Profit & Loss Statement

RMB mn	2019	2020	2021	2022E	2023E
<b>Consolidated revenue</b>	<b>1,048</b>	<b>3,844</b>	<b>4,270</b>	<b>4,748</b>	<b>6,217</b>
Cost of goods sold	(125)	(388)	(573)	(1,196)	(1,914)
<b>Gross profit</b>	<b>923</b>	<b>3,456</b>	<b>3,697</b>	<b>3,552</b>	<b>4,303</b>
(-) Total SG&A expense	(1,448)	(2,162)	(4,331)	(3,434)	(3,981)
Administrative expenses	(255)	(437)	(884)	(651)	(795)
Selling and distribution costs	(693)	(1,341)	(2,728)	(2,556)	(2,752)
Payments under collaboration	(500)	(384)	(719)	(227)	(433)
(-) R&D cost	(1,295)	(1,851)	(2,478)	(2,726)	(1,835)
(+/-) Other income/expense	41	-	-	-	-
(+/-) Profit from JV&Asso.	-	-	-	-	-
<b>Adj. EBITDA</b>	<b>(1,544)</b>	<b>(68)</b>	<b>(2,058)</b>	<b>(2,155)</b>	<b>(1,026)</b>
Stock-based compensation	(148)	(403)	(904)	(237)	(249)
Total depreciation/amortisation	(86)	(86)	(150)	(215)	(238)
<b>Adj. EBIT</b>	<b>(1,630)</b>	<b>(155)</b>	<b>(2,208)</b>	<b>(2,371)</b>	<b>(1,265)</b>
(+/-) Finance income - net	43	178	134	10	(81)
(+/-) Other income, gains/losses	15	(480)	(73)	-	-
<b>Profit before tax</b>	<b>(1,720)</b>	<b>(859)</b>	<b>(3,051)</b>	<b>(2,598)</b>	<b>(1,595)</b>
(-) Tax	-	(140)	(87)	(101)	(133)
Net profit	(1,720)	(998)	(3,138)	(2,699)	(1,728)
(+/-) Minority interest	-	-	-	-	-
<b>Net profit to shareholders</b>	<b>(1,720)</b>	<b>(998)</b>	<b>(3,138)</b>	<b>(2,699)</b>	<b>(1,728)</b>
<b>Adjusted net profit</b>	<b>(1,572)</b>	<b>(596)</b>	<b>(2,234)</b>	<b>(2,462)</b>	<b>(1,479)</b>
<b>EPS fully diluted (RMB)</b>	<b>(1.33)</b>	<b>(0.44)</b>	<b>(1.53)</b>	<b>(1.65)</b>	<b>(0.97)</b>

### Financial Ratios

	2019	2020	2021	2022E	2023E
<b>Growth (%)</b>					
Consolidated revenue	n.a	267%	11%	11%	31%
Gross profit	n.a	275%	7%	(4%)	21%
Adjusted net profit	n.a	n.a	n.a	n.a	n.a
<b>Profitability (%)</b>					
Gross margin	88%	90%	87%	75%	69%
Adj. net profit margin	n.a	n.a	n.a	n.a	n.a
ROE	n.a	n.a	n.a	n.a	n.a
ROA	n.a	n.a	n.a	n.a	n.a
<b>Efficiency</b>					
Inventory days	612	494	645	506	437
Accounts receivable days	44	55	65	78	70
Accounts payable days	183	95	99	90	87
Cash cycle days	473	454	611	494	420
<b>Liquidity</b>					
FCF (RMB mn)	(2,072)	(1,828)	(3,951)	(3,259)	(2,402)
Net gearing (%)	(71)	(74)	(58)	(51)	(34)

## Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
HOLD	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

### Analyst Disclosure

The analysts primarily responsible for the preparation of all or part of the research report contained herein hereby certify that: (i) the views expressed in this research report accurately reflect the personal views of each such analyst about the subject securities and issuers; and (ii) no part of the analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

### Regulatory Disclosure

Please refer to the important disclosures on our website <http://www.newone.com.hk/cmshk/gb/disclosure.html> or <http://www.cmschina.com.hk/Research/Disclosure>.

### Disclaimer

This document is prepared by China Merchants Securities (HK) Co Limited. The information contained herein has been obtained from or is based on sources believed to be reliable. China Merchant Securities (HK) Co Limited, its holding company or affiliated companies, or any of its or their directors, officers or employees (collectively "CMS") do not represent or warrant, expressly or impliedly, that it is accurate, correct or complete and it should not be relied upon. CMS will not accept any responsibility or liability whatsoever for any use of or reliance upon this document or any of the content thereof.

This document is for information purpose only. Neither the information nor opinion expressed shall be construed, expressly or impliedly, as an advice, offer or solicitation of an offer, invitation, advertisement, inducement, recommendation or representation of any kind or form whatsoever to buy or sell any security, financial instrument or any investment or other specific product. The securities, instruments or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to participate in some or all of them. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. CMS is not registered as a broker-dealer in the United States and its products and services are not available to U.S. persons except as permitted under SEC Rule 15a-6.

Opinions, and associated estimates and forecasts, or any content and information in this document are only current as of the date of their publication and will be subject to change without prior notice. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realized. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Opinions expressed herein may differ or be contrary to those expressed by other business divisions or other members of CMS as a result of using different assumptions and/or criteria.

This document has been prepared without regard to the individual financial circumstances and investment objectives of the persons who receive it. Use of any information herein shall be at the sole discretion and risk of the user. Investors are advised to independently evaluate particular investments and strategies, take financial and/or tax advice as to the implications (including tax) of investing in any of the securities or products mentioned in this document, and make their own investment decisions without relying on this publication.

CMS may have a long or short position, make markets, act as principal or agent, or engage in transactions in securities of companies referred to in this document and may also perform or seek to perform investment banking services or provide advisory or other services for those companies.

This document is for the use of intended recipients only and this document may not be reproduced, distributed or published in whole or in part for any purpose without the prior consent of CMS. CMS will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document.

This document is for distribution only under such circumstances as may be permitted by applicable law. This document is not directed at you if CMS is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. In particular, this document is only made available to certain US persons to whom CMS is permitted to make available according to US securities laws, but cannot otherwise be made available, distributed or transmitted, whether directly or indirectly, into the US or to any US person.

In Hong Kong, this document is distributed by China Merchants Securities (HK) Co., Limited, which is a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571).

In South Korea, professional clients can get copies of this document (upon request) through China Merchants Securities (Korea) Co., Limited

In the United Kingdom, this document is distributed by China Merchants Securities (UK) Limited. This document is for distribution only to persons who: (i) are persons falling within the definition of "Investment Professionals" pursuant to Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Financial Promotion Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

If there is any inconsistency or ambiguity between the English version and the Chinese version of this disclaimer, the English version shall prevail.

© China Merchant Securities (HK) Co., Limited. All rights reserved.

### Hong Kong

China Merchants Securities (HK) Co., Ltd.

Address: 48/F, One Exchange Square, Central, Hong Kong

Tel: +852 3189 6888 Fax: +852 3101 0828