

## Company Report

### Innovent Bio (1801 HK)

#### 4Q22 results affected by COVID outbreak

■ 4Q22 product sales was RMB1bn (o/w Tyvyt sales USD57.5mn, -26% yoy, as per Eli Lilly), below CMS est. due to COVID disruptions

■ Tyvyt's NRDL risk is in the rear view mirror; Co. now has 8 approved products and up to 3 potential new drug launches in 23E

■ Top-pick: Maintain BUY w/ SOTP TP unchanged at HKD65. Co.'s eventful R&D catalysts & strong BD capability should trigger re-rate  
**Weak 4Q22 sales due to COVID disruptions**

Co. reported total product revenue of ~RMB1bn in 4Q22. We reckon 4Q22 Tyvyt sales at ~RMB400mn, reflecting a decline of ~20% yoy (down 26% in USD terms, per Eli Lilly). The decline was mainly due to the unfavourable impacts of prev. NRDL pricing and COVID-19 disruptions. The soft Tyvyt sales was partially offset by the ongoing contribution of new products and the new launch of Cyramza (ramucirumab). With ebbing COVID-19 outbreaks in China, we believe the product sales growth will return to normal into 2023.

#### Optimism likely returns to Tyvyt outlook

While awaiting 2022 NRDL final results, we reckon Tyvyt is positioned to gain traction in FY23E given 1) manageable price concession in 2022 NRDL given price war for PD-1/L1 class is cooling down; 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 maintain our sales projection of Tyvyt for FY23E at RMB2.8bn.

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

1) **Tyvyt**, 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

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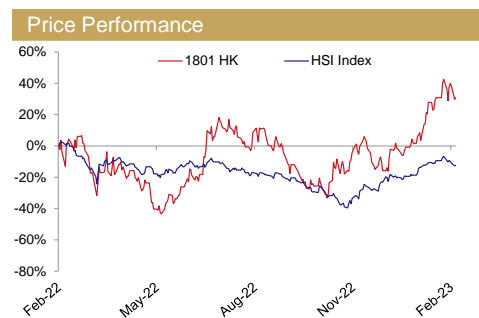
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### WHAT'S NEW

Business update

## BUY

Previous	BUY
Price (Feb 7, 2023)	HKD43.1
12-month Target Price (Potential up/downside)	HKD65.0 (+51%)
Previous	HKD65.0



Source: Bloomberg

%	1m	6m	12m
1801 HK	26.4	27.5	30.8
HSI	1.5	8.6	(12.5)

Sector: Pharmaceutical & Healthcare	
Hang Seng Index (Feb 7, 2023)	21,299
HSCEI (Feb 7, 2023)	7,232
Key Data	
52-week range (HKD)	18.1-48.0
Market cap (HKD mn)	66,133
3M avg. daily turnover (HKD mn)	356.4
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%

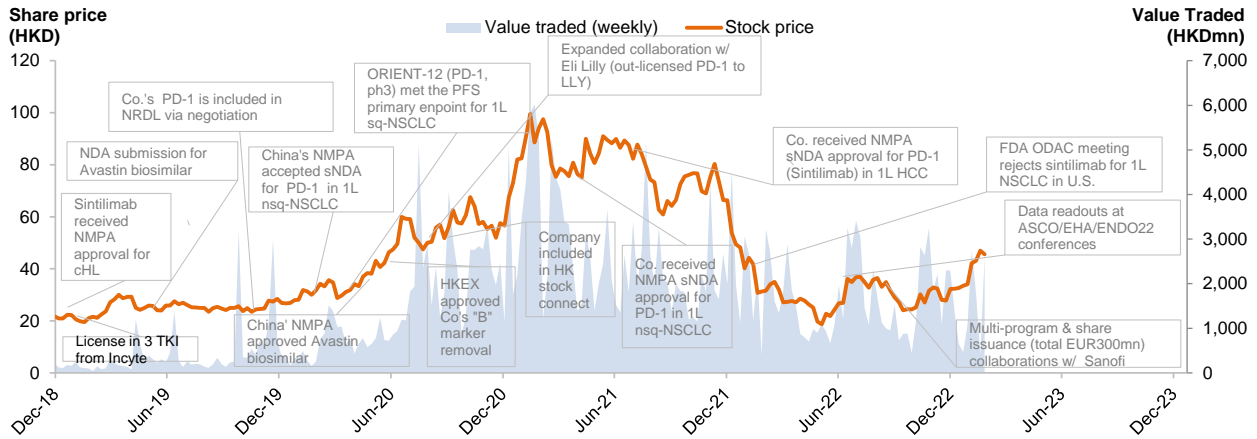
Sources: Company, Bloomberg

### Related Research

- Innovent Bio (1801 HK) - Tyvyt worst may be behind; more catalysts in 2023E (BUY) (Jan 12, 2023)
- Innovent Bio (1801 HK) - Non-oncology on track; Tyvyt worst may be behind (BUY) (Nov 15, 2022)
- Innovent Bio (1801 HK) - Mgmt. expects revenue to trend better in 2H22E (BUY) (Aug 26, 2022)

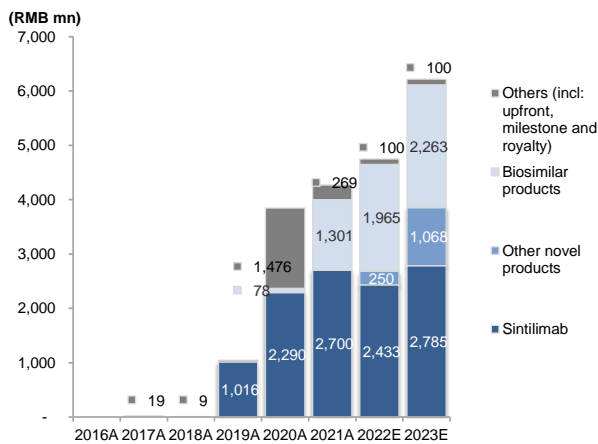
Focus charts

Figure 1: Innovent Bio's price performance and events



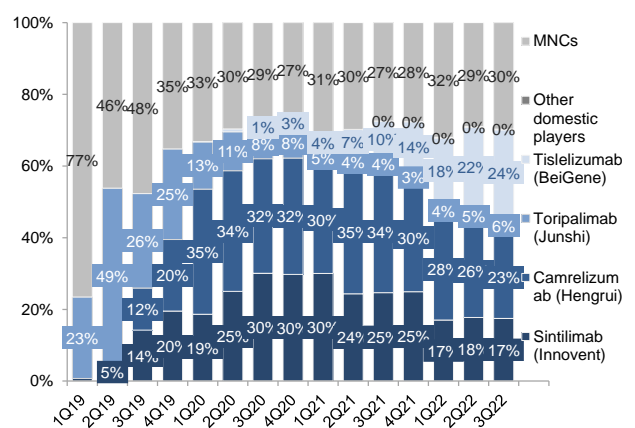
Sources: Bloomberg, CMS (HK)

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



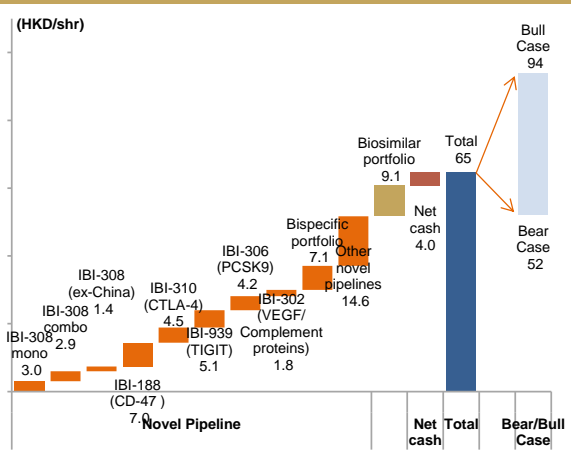
Sources: PharmaCube, CMS (HK)

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

Candidates	Target/MoA	Indication	22/23E milestone / catalysts	Type	Timeline	Outcome
Sintelimab (TYVT)	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	nFH, 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 -

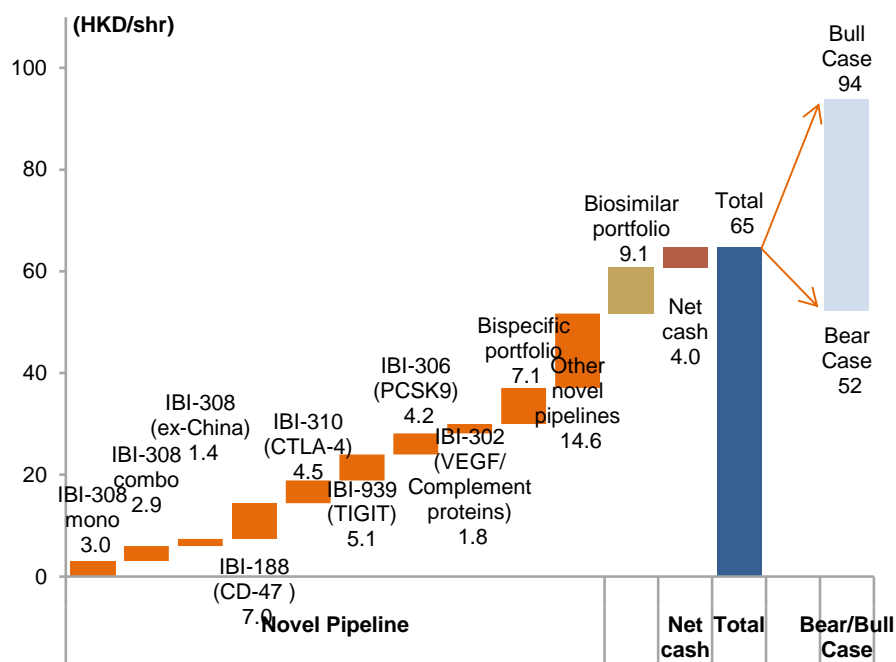
**Derived equity value (RMB mn) 80,985**

**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

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