

Target Price Change

21 March 2025

BUY

22% ↑ side

Target price: HK\$4.50

Prior TP: HK\$4.20

1177 HK

Price: HK\$3.70

TP basis: DCF

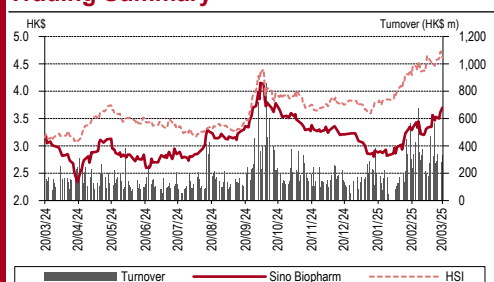
Sector rating: OVERWEIGHT

Forecast Revisions (%)

Year ended 31 Dec	25E	26E	27E
Revenue	(1.8)	(2.5)	0
Core EPS	4.0	4.3	0

Source: BOCI Research estimates

Trading Summary



(%)	YTD	1M	3M	12M
Absolute	15.6	12.5	15.3	17.5
Relative to HSI	(4.2)	4.8	(6.1)	(19.8)

Shares outstanding (m)	18,815
Free float (%)	53
Market cap. (HK\$ m)	69,616
3M avg. daily turnover (HK\$ m)	248
Net debt/equity (%) (2025E)	NM
Major shareholder (%)	
Tse Family	47
Other public shareholders	53

Source: Company data, FactSet, BOCI Research

Prices as of 20 March 2025

Sino Biopharm

Adjusted net profit beat; guidance of double-digit growth in 2025

Sino Biopharm (SBP) achieved double-digit growth in top-line with revenue up 10.2% YoY to RMB28.9bn, slightly below BOCle, while adjusted net profit increased by 33.5% YoY to RMB3.46bn, beating market expectation. Looking ahead, the management expects continued double-digit top-line growth, driven by sales ramp-ups of the innovative and biosimilar drugs, as well as positive growth in generic drugs. Keep an eye on the policy updates on biosimilar drugs centralised procurement. Post results, we have fine-tuned revenue forecasts, trimmed selling and R&D expenses assumptions, rolled over our DCF model, and derived a new TP of HK4.5. Maintain **BUY** rating.

Key Factors for Rating

- **2024 adjusted net profit beat:** Sino Biopharm reported 2024 results with revenue up 10.2% YoY to RMB28.9bn (vs. growth of 11.9% YoY in 9M24), slightly below BOCle. Adjusted net profit rose 33.5% YoY to RMB3.46bn, beating market expectation. Segment growth trends mirrored 1H24 performance with oncology/ orthopedic& analgesic/ respiratory system drugs up 22%/ 19%/ 6% YoY to RMB10.7bn/ RMB4.5bn/ RMB3.2bn, while hepatitis/ cardio-cerebral drug down 10%/ 21% YoY to RMB3.4bn/ 2.2bn. Sales of innovative drugs achieved 21.9% YoY growth to RMB12.06bn, accounting for 41.8% of total revenue (vs.37.8% in 2023), while generic drugs grew 3.1% YoY. Gross margin improved 0.6ppt to 81.5%. SBP maintained cost discipline, with SG&A expenses ratio down 0.1ppt YoY to 42.1%, while R&D expenses ratio rose 0.8ppt YoY to 16.2%.
- **Maintain double-digit growth in 2025:** The management expect double-digit growth in topline, driven by continued sales momentum for innovative/ biosimilar drugs (growth of 25%, contributing RMB3bn incremental sales) and stable/positive growth of generic drugs. SBP expects to have 22, 27, and 30+ innovative drugs by YE25, YE26, and YE27, respectively, lifting innovative drug revenue contribution to 50%, 55%, and 60%. The management anticipates that gross margin might improve slightly thanks to scale benefits from 10,000 L bioreactors that will be put into operation. R&D expenses will grow in absolute term but stabilise/decline as a percentage of revenue, per management. Although the company continues to dedicate to cost control, SG&a expenses ratio is unlikely to decline owing to the launch of new products. For BD collaboration, the management expects to achieve 5 BD deals in 2025. Moreover, the management also highlight the out-license potential of TQ05105 (JAK/ROCK inhibitor), TQC3721 (PDE3/4 inhibitor) and TDI01 (ROCK2 inhibitor), etc. In terms of shareholder returns, the management expects an additional RMB1bn share buyback for CTTQ ESOP in 2025.

Investment Summary

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMB m)	26,199	28,866	32,171	34,197	35,624
Reported net profit (RMB m)	1,847	3,500	3,276	3,553	3,864
Core EPS (RMB)	0.098	0.102	0.174	0.189	0.205
Fully diluted EPS (RMB)	0.098	0.102	0.174	0.189	0.205
Core P/E (x)	35.1	33.8	19.8	18.2	16.8
Fully diluted P/E (x)	35.1	33.8	19.8	18.2	16.8
EV/EBITDA (x)	10.9	10.8	8.8	7.9	7.1
P/B (x)	2.1	2.0	1.9	1.8	1.6
DPS (RMB)	0.050	0.056	0.052	0.057	0.062
Yield (%)	1.5	1.6	1.5	1.6	1.8
ROE (%)	6.1	6.1	9.9	10.0	10.1

Source: Company data, BOCI Research estimates

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- **Key data readouts to watch in 2025 include** (i) phase III study of anlotinib+benmelstobart (PD-L1) in 1L PD-L1+ NSCLC vs. pembrolizumab, (ii) phase III study of anlotinib+Benmelstobart in 1L sqNSCLC vs. tislelizumab, (iii) phase Ib of TQB2102 (HER2 BsAb ADC) in HER2-low breast cancer, (iv) phase III study of TQB3616 (CDK2/4/6) in 1L HR+/HER2- BC, etc.

Key Risks for Rating

- (i) Slower-than-expected ramp-up of generic pipeline drugs; (ii) intensified competition on core products; and (iii) price cut due to GPO on key generic drugs.

Valuation

- Post result, we have fine-tuned our revenue forecast, trimmed selling expenses and R&D expenses, rolled over our DCF model, and derived a new TP of HK4.5. Maintain **BUY** rating.

Figure 1. 2024 Results

	2024	2023	YoY (%)
(RMB m)	Actual	Actual	
Revenue	28,866	26,199	10.2
Oncology medicines	10,734	8,801	22
Hepatitis medicines	3,438	3,824	(10)
Respiratory system medicines	3,152	2,967	6
Cardio-cerebral medicines	2,169	2,747	(21)
Orthopedic & Analgesic medicines	4,458	3,749	19
Others Subtotal	4,915	4,111	20
Gross Profit	23,530	21,210	11
GPM (%)	82	81	1
Distribution and selling expense	(10,078)	(9,193)	10
Administrative expense	(2,082)	(1,873)	11
Other expense	(1,112)	(301)	270
R&D expense	(5,089)	(4,403)	16
EBIT (Operating profit)	5,169	5,439	(5)
OPM (%)	17.9	20.8	(3)
Operating expenses in % to revenue_(%)	42.1	42.2	(0.1)
Distribution and selling expense (%)	34.9	35.1	(0.2)
G&A expense (%)	7.2	7.2	0.1
Other expense (%)	3.9	1.1	2.7
R&D expense (%)	17.6	16.8	0.8
Other income and gains	23	992	(98)
(Finance cost)/Finance income, net	204	(495)	(141)
Share of associates/JV	(118)	(526)	(77)
Profit before tax	5,277	5,410	(2)
Income tax	(493)	(797)	(38)
Effective tax rate (%)	9	15	(5)
Net profit	6,365	5,097	25
Net profit attributable to shareholders	3,500	2,332	50
NPM (%)	12	9	3
NCI	2,865	2,765	4
NCI as % of net profit (%)	45	54	(9)

Source: Company data, BOCI Research

Figure 2. Forecast Revision

(RMB m)	New			Old		Change (%/ppts)	
	2025E	2026E	2027E	2025E	2026E	2025E	2026E
Revenue	32,171	34,197	35,624	32,768	35,063	(2)	(2)
Gross profit	26,251	27,939	29,105	26,870	28,576	(2)	(2)
Distribution and selling expense	(11,260)	(11,969)	(12,469)	(12,059)	(12,833)	(7)	(7)
Administrative expense	(2,284)	(2,394)	(2,458)	(2,228)	(2,349)	3	2
Other expense	(322)	(342)	(356)	(328)	(351)	(2)	(2)
R&D expense	(5,147)	(5,403)	(5,415)	(5,516)	(5,833)	(7)	(7)
EBIT (Operating profit)	7,238	7,831	8,407	6,739	7,211	7	9
Growth YoY (%)	40	8	7	8	7		
Profit before tax	7,007	7,600	8,266	6,903	7,465	2	2
Income tax	(1,051)	(1,140)	(1,240)	(1,173)	(1,269)	(10)	(10)
Net profit	5,956	6,460	7,026	5,729	6,196	4	4
Net profit attributable to shareholders	3,276	3,553	3,864	3,151	3,408	4	4
Growth YoY (%)	(6)	8	9	(28)	8		
NCI	2,680	2,907	3,162	2,578	2,788		
NCI as % of net profit (%)	45	45	45	45	45		
Adjusted NP	3,327	3,604	3,839	3,276	3,457	2	4
GPM (%)	81.6	81.7	81.7	82.0	81.5	(0.4)	0.2
OPM (%)	23	23	24	21	21	1.9	2.3
NPM (%)	10	10	11	10	10	0.6	0.7
Operating expenses as % to revenue							
Distribution and selling expense	35.0	35.0	35.0	36.8	36.6	(1.8)	(1.6)
G&A expense	7.1	7.0	6.9	6.8	6.7	0.3	0.3
Other expense	1.0	1.0	1.0	1.0	1.0	0.0	0.0
R&D expense	16.0	15.8	15.2	16.8	16.6	(0.8)	(0.8)

Source: BOCI Research estimates

Income Statement (RMB m)

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Revenue	26,199	28,866	32,171	34,197	35,624
Cost of sales	(4,990)	(5,336)	(5,919)	(6,258)	(6,519)
Operating exp.	(15,770)	(18,361)	(19,013)	(20,108)	(20,698)
EBITDA	6,449	6,271	8,427	9,082	9,714
Depr & amortisation	1,010	1,102	1,188	1,250	1,307
Operating profit (EBIT)	5,439	5,169	7,238	7,831	8,407
Net interest inc./(exp.)	(495)	204	(194)	(194)	(194)
Other gains/(losses)	466	(96)	(37)	(37)	53
Pre-tax profit	5,410	5,277	7,007	7,600	8,266
Tax on profit	(797)	(493)	(1,051)	(1,140)	(1,240)
Min. int./others	(2,765)	(1,285)	(2,680)	(2,907)	(3,162)
Net profit	1,847	3,500	3,276	3,553	3,864
Core net profit	1,847	1,920	3,276	3,553	3,864
EPS (RMB)	0.098	0.186	0.174	0.189	0.205
Core EPS (RMB)	0.098	0.102	0.174	0.189	0.205
DPS (RMB)	0.050	0.056	0.052	0.057	0.062
Revenue YoY %	0.7	10.2	11.4	6.3	4.2
EBIT YoY %	1.4	(5.0)	40.0	8.2	7.4
EBITDA YoY %	2.1	(2.8)	34.4	7.8	7.0
Core net profit YoY%	(10.3)	3.9	70.6	8.5	8.8
Fully diluted EPS YoY%	(10.3)	3.9	70.6	8.5	8.8

Source: Company data, BOCI Research estimates

Balance Sheet (RMB m)

As at 31 Dec	2023	2024	2025E	2026E	2027E
Cash & cash equiv.	9,452	9,570	14,137	19,160	24,639
Receivables	4,510	4,968	5,536	5,885	6,131
Inventories	1,993	2,373	2,632	2,783	2,899
Other current assets	7,850	7,775	8,056	8,228	8,349
Total current assets	23,806	24,685	30,361	36,056	42,018
Fixed assets	8,081	8,691	9,178	9,615	10,006
Intangible assets	2,909	3,061	3,187	3,308	3,423
Other long term assets	28,809	28,970	28,889	28,809	28,821
Total long-term assets	39,799	40,723	41,254	41,731	42,250
Total assets	63,605	65,408	71,615	77,787	84,268
Creditors	1,335	1,497	1,661	1,756	1,829
Short-term debt	11,207	7,614	7,614	7,614	7,614
Other current liabs.	10,065	10,445	11,549	12,190	12,684
Total current liabs.	22,607	19,556	20,824	21,560	22,128
Long-term borrowings	1,356	2,080	2,080	2,080	2,080
Other long-term liabs.	1,472	997	997	997	997
Share capital	415	414	414	414	414
Reserves/others	30,060	31,546	33,806	36,334	39,086
Shareholders' equity	30,474	31,961	34,220	36,749	39,501
M.I./Pref. shr/Oth	7,695	10,813	13,493	16,400	19,562
Total liabs. & equity	63,605	65,408	71,615	77,787	84,268
Per share (RMB)					
Book value	1.6	1.7	1.8	2.0	2.1
Tangible assets	1.5	1.5	1.6	1.8	1.9
Net debt/(cash)	0.2	0.0	Net cash	Net cash	Net cash

Source: Company data, BOCI Research estimates

Cash-flow Statement (RMB m)

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Pre-tax profit	5,410	5,277	7,007	7,600	8,266
Depr. & amortisation	1,010	1,102	1,188	1,250	1,307
Net interest expenses	318	(227)	171	171	171
Chg. in working capital	(431)	1,247	159	65	85
Tax paid	(747)	(493)	(1,051)	(1,140)	(1,240)
Other operating activ's	505	118	60	60	(30)
CF from operations	6,066	7,025	7,535	8,006	8,559
CAPEX	(1,475)	(1,772)	(1,780)	(1,788)	(1,795)
Decr./inc. in invest.	(1,046)	0	0	0	0
Other investing activ's	1,764	1,654	23	23	23
CF from investing	(757)	(119)	(1,757)	(1,765)	(1,773)
Net incr. in debt	1,910	(2,611)	0	0	0
Dividends paid	(633)	(995)	(1,016)	(1,024)	(1,113)
Other financing activ's	(7,826)	204	(194)	(194)	(194)
CF from financing	(6,549)	(3,402)	(1,210)	(1,218)	(1,306)
Change in cash	(1,240)	3,504	4,567	5,023	5,480
Cash at start of year	8,655	7,505	6,232	10,799	15,822
Free cash flow to firm	5,309	6,906	5,777	6,241	6,786
Free cash flow to equity	6,738	4,499	5,583	6,047	6,592

Source: Company data, BOCI Research estimates

Key Ratios

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Profitability (%)					
EBITDA margin	24.6	21.7	26.2	26.6	27.3
EBIT margin	20.8	17.9	22.5	22.9	23.6
Pre-tax margin	20.6	18.3	21.8	22.2	23.2
Net profit margin	7.1	12.1	10.2	10.4	10.8
Liquidity (x)					
Current ratio	1.1	1.3	1.5	1.7	1.9
Interest coverage	11.0	NM	37.3	40.4	43.4
Net debt to equity (%)	8.2	0.3	NM	NM	NM
Quick ratio	1.0	1.1	1.3	1.5	1.8
Valuation (x)					
P/E	35.1	18.5	19.8	18.2	16.8
Core P/E	35.1	33.8	19.8	18.2	16.8
Core P/E @ target price	42.7	41.1	24.1	22.2	20.4
P/B	2.1	2.0	1.9	1.8	1.6
P/FCF	14.1	12.3	11.3	10.4	9.6
EV/EBITDA	10.9	10.8	8.8	7.9	7.1
Activity ratios					
Inventory days	158.1	149.3	154.3	157.9	159.1
Accounts receivables days	63.7	59.9	59.6	61.0	61.6
Accounts payables days	20.7	17.9	17.9	18.2	18.4
Returns (%)					
Dividend payout ratios	50.9	30.0	30.0	30.0	30.0
Return on equity	6.1	6.1	9.9	10.0	10.1
Return on assets	7.3	7.3	9.0	8.9	8.8
Return on capital employed	11.0	10.0	13.2	13.0	12.8

Source: Company data, BOCI Research estimates

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