

Kelun-Biotech (6990 HK)

Advancing next-generation ADC therapeutics: innovative strategy in oncology and beyond

Kelun-Biotech reported strong financial results for 2024, driven by milestone payments from global collaborations and the progression of its innovative pipeline. The Company recorded revenue of RMB 1.93bn, achieving 25.5% YoY growth. Licensing and collaboration agreements contributed RMB 1.86bn revenue, reflecting strong partnerships, particularly milestone payments from MSD. Product sales reached RMB 51.7mn, as the Company began generating revenue from its newly approved drugs. R&D expenses increased to RMB 1.21bn (+17.0% YoY), reflecting investments in clinical trials. The Company narrowed its net loss significantly to RMB 266.8mn, an improvement from RMB 574.1mn in 2023, as revenue growth outpaced cost expansion. Cash & financial assets totaled RMB 3.08bn at end-2024, ensuring sufficient capital for commercialization and pipeline development.

- Significant strides in commercialization.** To date, the Company already has three commercialized assets, including Sac-TMT (Trop2 ADC), A140 (cetuximab) and A167 (PD-L1). For Sac-TMT, the drug already received the NMPA's approval for TNBC (Nov 2024) and 3L EGFRm NSCLC (Mar 2025), and its NDA for 2L EGFRm NSCLC is expected to be approved in 2H25. A166 (HER2 ADC)'s NDAs were accepted for 2L and 3L HER2+ BC, with approvals expected by 2H25. The Company grew its commercial team to 360 employees by end-2024, with plans to expand to 500+ by 2Q25. We believe this year will be a critical year for validating the Company's commercialization capabilities. Given that the Company will fully leverage Kelun Pharma's industry experience and resources, combined with the Company's independently established commercialization network, we are confident in achieving the RMB 800mn to 1.0bn sales target for Sac-TMT this year.
- Sac-TMT being the only TROP2 ADC proving OS benefit in TKI-resistant EGFRm NSCLC.** We expect overwhelming China pivotal results of Sac-TMT in 3L EGFRm NSCLC to be released at this year's ASCO meeting. We believe the significant PFS and OS benefits will further confirm Sac-TMT's best-in-class position in this treatment setting. As of now, MSD has initiated 12 global Phase III clinical trials for Sac-TMT, primarily focusing on breast cancer, lung cancer, gastrointestinal tumors, and gynecologic tumors, demonstrating MSD's strong confidence in this drug.
- Second wave of innovation.** Kelun-Biotech is advancing a multi-pronged ADC strategy across oncology and non-oncology, leveraging novel payloads, bispecific ADCs, and next-generation conjugation technologies. In oncology, the Company develops differentiated ADCs targeting validated (e.g., SKB315, SKB410) and first-in-class (e.g., SKB571, SKB518, SKB535, SKB445) antigens. SKB571, its first bispecific ADC, mainly targets lung cancer, CRC and other solid tumors. Beyond cytotoxic ADCs, SKB107, a radiopharma drug conjugate (RDC), targets bone metastases by delivering targeted radiation, aiming to treat tumor-induced bone metastases and prevent skeletal-related events.
- Maintain BUY.** We remain confident about Sac-TMT's global development and commercialization in China. We raise our DCF-based TP from HK\$227.88 to HK\$299.93 (WACC: 8.84%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	1,540	1,933	1,923	2,037	2,999
YoY growth (%)	91.6	25.5	(0.5)	6.0	47.2
Net profit (RMB mn)	(574.1)	(266.8)	(825.7)	(832.7)	(562.3)
EPS (Reported) (RMB)	(2.84)	(1.20)	(3.63)	(3.66)	(2.47)
R&D expenses (RMB mn)	(1,031)	(1,206)	(1,266)	(1,330)	(1,701)
Admin expenses (RMB mn)	(182)	(163)	(196)	(235)	(314)
CAPEX (RMB mn)	(81)	(77)	(150)	(150)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$299.93**
 (Previous TP) HK\$227.88)
Up/Downside **17.6%**
Current Price **HK\$255.00**

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Stock Data

Mkt Cap (HK\$ mn)	57,953.3
Avg 3 mths t/o (HK\$ mn)	76.7
52w High/Low (HK\$)	264.20/132.50
Total Issued Shares (mn)	227.3

Source: FactSet

Shareholding Structure

Kelun Pharma	68.5%
MSD	6.1%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	19.6%	18.0%
3-mth	48.9%	28.2%
6-mth	42.9%	17.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Sac-TMT's Ph3 trials conducted by MSD (as of Mar 2025)

Indication	Indication details	Trial ID	Regimen	Primary endpoint	Region	Start date	Primary completion date (est)
NSCLC							
3L+ EGFR-m NSCLC	Previously treated nsq-NSCLC with EGFR mutations or other genomic alterations (ALK, ROS1, BRAF, NTRK, MET, RET, etc) (pre-treated with TKI, and chemo)	NCT06074588	Mono vs chemo (docetaxel or pemetrexed)	PFS, OS	US, HK, AU, Israel, etc	Nov 2023	May 2027
2L EGFR-m NSCLC	post EGFR-TKI nsq-NSCLC (pre-treated with TKI)	NCT06305754	Mono vs chemo (pemetrexed + carboplatin)	PFS, OS	--	Jun 2024	Sep 2028
1L sq-NSCLC	Maintenance treatment for 1L sq-NSCLC (pts have 4 cycles of prior Keytruda+chemo treatment)	NCT06422143	SKB264+Keytruda vs Keytruda	OS	--	Jun 2024	Jan 2029
1L NSCLC TPS ≥50%	1L PD-L1 TPS ≥50% NSCLC	NCT06170788	+ Keytruda vs Keytruda mono	OS	US, AU, Turkey	Dec 2023	Jan 2028
Adjuvant NSCLC	Adjuvant NSCLC (Stage II, IIIA, IIIB resectable NSCLC not achieving pCR)	NCT06312137	SKB264+Keytruda vs Keytruda	DFS	--	Apr 2024	Feb 2034
Gynecologic cancers							
Endometrial carcinoma	Endometrial carcinoma (post chemo and PD(L)-1)	NCT06132958	Mono vs chemo	PFS, OS	AU, Israel, etc	Dec 2023	Jan 2028
2L RR CC	Recurrent or Metastatic Cervical Cancer post PD-1	NCT06459180	Mono vs chemo	OS	US, Israel, etc	Jul 2024	Oct 2028
3L OC	Ovarian cancer (post chemo)	NCT06824467	SKB264 vs SKB264 + Bevacizumab vs Bevacizumab	AE, PFS	--	Mar 2025 (est)	Apr 2030
Breast cancer							
HR+/HER2- BC	HR+/HER2- BC (post endocrine therapies with one in combo with a CDK4/6 inhibitor)	NCT06312176	SKB264 mono vs SKB264+Keytruda vs chemo	PFS	--	Apr 2024	Jul 2027
TNBC	TNBC (who received neoadjuvant therapy and did not achieve pCR at surgery)	NCT06393374	SKB264+Keytruda vs Keytruda mono or Keytruda + capecitabine	iDFS (invasive disease-free survival)	--	Jun 2024	Dec 2030
1L TNBC	TNBC (previously untreated TNBC with PD-L1 CPS < 10)	NCT06841354	SKB264 mono vs SKB264 + Keytruda vs chemo	PFS, OS	--	Mar 2025 (est)	May 2030
Gastrointestinal cancer							
3L+ GC	3L+ GC	NCT06356311	Mono vs chemo	OS	--	May 2024	Jan 2027

Source: Company data, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	-838	-817	-516	1,115	2,317	3,433	4,756	5,790	6,468	6,863	6,739
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	-838	-817	-516	948	1,969	2,918	4,043	4,922	5,497	5,834	5,728
+ D&A	42	48	57	65	67	69	71	72	74	75	77
- Change in working capital	37	-172	-95	-100	-157	-55	13	38	49	52	58
- Capex	-150	-150	-200	-200	-100	-100	-100	-100	-100	-100	-100
FCFF	-909	-1,090	-753	713	1,779	2,832	4,026	4,932	5,520	5,861	5,763
Terminal value											123,794
FCF + terminal value	-909	-1,090	-753	713	1,779	2,832	4,026	4,932	5,520	5,861	129,557
Present value of enterprise (RMB mn)	61,872										
Net debt (RMB mn)	-839										
Equity value (RMB mn)	62,710										
No. of shares (mn)	227										
DCF per share (RMB)	275.93										
DCF per share (HK\$)	299.93										
Terminal growth rate	4.0%										
WACC	8.84%										
Cost of equity	12.0%										
Cost of debt	3.5%										

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 3: Sensitivity analysis (HK\$)

Terminal growth rate	WACC				
	7.84%	8.34%	8.84%	9.34%	9.84%
5.0%	516.37	428.32	363.45	313.74	274.49
4.5%	448.13	380.13	328.03	286.90	253.65
4.0%	397.66	343.04	299.93	265.08	236.37
3.5%	358.82	313.61	277.08	246.99	221.82
3.0%	328.00	289.70	258.15	231.76	209.39

Source: CMBIGM estimates

Figure 4: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,923	2,037	2,999	1,878	2,312	3,376	2%	-12%	-11%
Gross profit	1,453	1,662	2,497	1,511	1,885	2,752	-4%	-12%	-9%
Operating profit	-821	-801	-504	-905	-755	-118	NA	NA	NA
Net profit	-826	-833	-562	-908	-787	-180	NA	NA	NA
EPS (RMB)	(3.63)	(3.66)	(2.47)	(4.07)	(3.53)	(0.81)	NA	NA	NA
Gross margin	75.59%	81.58%	83.25%	80.50%	81.54%	81.52%	-4.91 ppt	+0.04 ppt	+1.74 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,923	2,037	2,999	1,741	2,614	4,395	10%	-22%	-32%
Gross profit	1,453	1,662	2,497	1,223	1,962	3,617	19%	-15%	-31%
Operating profit	-821	-801	-504	(636)	(182)	815	NA	NA	NA
Net profit	-826	-833	-562	(650)	(249)	718	NA	NA	NA
EPS (RMB)	(3.63)	(3.66)	(2.47)	(2.93)	(1.44)	2.72	NA	NA	NA
Gross margin	75.59%	81.58%	83.25%	70.27%	75.05%	82.31%	+5.32 ppt	+6.53 ppt	+0.95 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	804	1,540	1,933	1,923	2,037	2,999
Cost of goods sold	(277)	(781)	(659)	(469)	(375)	(502)
Gross profit	527	759	1,274	1,453	1,662	2,497
Operating expenses	(946)	(1,143)	(1,412)	(2,274)	(2,463)	(3,001)
Selling expense	0	(20)	(183)	(879)	(964)	(1,047)
Admin expense	(95)	(182)	(163)	(196)	(235)	(314)
R&D expense	(846)	(1,031)	(1,206)	(1,266)	(1,330)	(1,701)
Others	(4)	90	140	67	66	61
Operating profit	(419)	(383)	(139)	(821)	(801)	(504)
Net Interest income/(expense)	(149)	(84)	(4)	(5)	(32)	(58)
Pre-tax profit	(567)	(468)	(143)	(826)	(833)	(562)
Income tax	(49)	(106)	(124)	0	0	0
After tax profit	(616)	(574)	(267)	(826)	(833)	(562)
Minority interest	0	0	0	0	0	0
Net profit	(616)	(574)	(267)	(826)	(833)	(562)
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	332	2,807	3,493	2,339	2,612	1,979
Cash & equivalents	93	1,529	1,337	959	1,153	353
Restricted cash	26	40	7	7	7	7
Account receivables	99	215	304	161	255	402
Inventories	53	63	111	77	62	83
Financial assets at FVTPL	0	634	1,448	848	848	848
Other current assets	62	327	287	287	287	287
Non-current assets	661	702	775	964	1,066	1,209
PP&E	530	608	595	703	804	948
Right-of-use assets	117	85	163	163	163	163
Intangibles	3	1	3	3	3	3
Other non-current assets	10	8	15	15	15	15
Total assets	993	3,510	4,268	3,302	3,677	3,187
Current liabilities	4,167	1,110	810	670	1,877	1,950
Short-term borrowings	2,891	0	0	0	1,300	1,300
Account payables	243	523	447	307	214	287
Other current liabilities	787	21	9	9	9	9
Lease liabilities	82	54	42	42	42	42
Contract liabilities	164	511	312	312	312	312
Non-current liabilities	52	70	150	150	150	150
Deferred income	11	65	65	65	65	65
Other non-current liabilities	41	6	85	85	85	85
Total liabilities	4,219	1,180	959	819	2,027	2,099
Share capital	107	219	227	227	227	227
Other reserves	(3,334)	2,110	3,081	2,256	1,423	861
Total shareholders equity	(3,226)	2,329	3,309	2,483	1,650	1,088
Total equity and liabilities	993	3,510	4,268	3,302	3,677	3,187

CASH FLOW	2022A	2023A	2024E	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(567)	(468)	(143)	(826)	(833)	(562)
Depreciation & amortization	67	75	0	42	48	57
Tax paid	(49)	0	0	0	0	0
Change in working capital	35	276	0	37	(172)	(95)
Others	195	177	(287)	5	32	58
Net cash from operations	(320)	60	(430)	(742)	(925)	(542)
Investing						
Capital expenditure	(34)	(81)	(77)	(150)	(150)	(200)
Net proceeds from disposal of short-term investments	1	(623)	(793)	519	0	0
Others	1	(321)	49	0	0	0
Net cash from investing	(32)	(1,025)	(822)	369	(150)	(200)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	318	(394)	0	0	1,300	0
Proceeds from share issues	0	1,482	1,094	0	0	0
Others	(5)	1,294	(57)	(5)	(32)	(58)
Net cash from financing	313	2,382	1,037	(5)	1,268	(58)
Net change in cash						
Cash at the beginning of the year	82	93	1,529	1,337	959	1,153
Exchange difference	1	19	22	0	0	0
Cash at the end of the year	44	1,529	1,337	959	1,153	353
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	2,387.3%	91.6%	25.5%	(0.5%)	6.0%	47.2%
Gross profit	4,368.1%	44.0%	67.8%	14.1%	14.3%	50.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	65.6%	49.3%	65.9%	75.6%	81.6%	83.3%
Operating margin	(52.1%)	(24.9%)	(7.2%)	(42.7%)	(39.3%)	(16.8%)
Return on equity (ROE)	na	na	(9.5%)	(28.5%)	(40.3%)	(41.1%)
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	0.1	2.5	4.3	3.5	1.4	1.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/B	ns	18.7	15.9	21.8	32.8	49.7

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

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