

BUY**43%** ↑ **side**

Target price: HK\$56.00

1801 HK

Price: HK\$39.05

TP basis: DCF

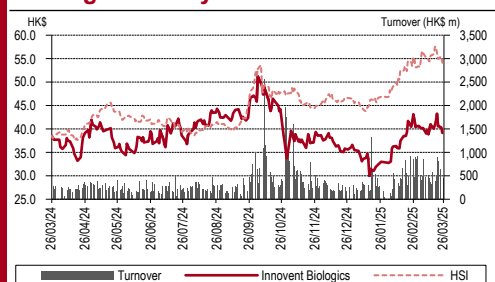
Sector rating: **OVERWEIGHT**

Forecast Revisions (%)

Year ended 31 Dec	25E	26E	27E
Revenue	12.3	4.0	0
Core EPS	(56.0)	(77.1)	0

Source: BOCI Research estimates

Trading Summary



(%)	YTD	1M	3M	12M
Absolute	6.7	(9.3)	9.1	1.3
Relative to HSI	(8.9)	(8.1)	(6.6)	(28.3)
Shares outstanding (m)				1,490
Free float (%)				54
Market cap. (HK\$ m)				58,189
3M avg. daily turnover (HK\$ m)				448
Net debt/equity (%) (2025E)				NM
Major shareholder (%)				
Temasek				8
Yu De-Chao Michael				7
BlackRock Inc				5

Source: Company data, FactSet, BOCI Research

Prices as of 26 March 2025

Innovent Biologics Inc

Profitability inflection point emerges

In 2024, Innovent delivered strong 52% YoY revenue growth, driven by the continued expansion of core product sales and a 146% surge in licensing income. The company achieved its first full-year profitability, with both Non-IFRS net profit and EBITDA turning positive. Key milestones are expected in 2025-2026, including regulatory approvals for IBI362, IBI112, and data readouts for IBI363, IBI343 and IBI3009. Maintain **BUY**.

Key Factors for Rating

- Revenue growth driven by product sales and licensing fee.** In 2024, Innovent achieved total revenue of RMB9.4bn, up 52% YoY, primarily driven by strong sales growth of core products and increased licensing income. Product revenue reached RMB8.2bn, up 44% YoY, mainly fueled by the continued expansion of sintilimab (PD-1) and biosimilars. Additionally, licensing income surged 146% YoY to RMB1.1bn, mainly supported by RMB690m from IASO Bio. Innovent granted global rights for DLL3 ADC (IBI3009) to Roche, with the potential for significant milestone payments and future royalties.
- 2024 marks the first full-year profitability.** Innovent's profitability significantly improved in 2024, with IFRS net loss narrowing by 91% to RMB95m, while Non-IFRS net profit excluding share-based compensation and FX impact turned positive at RMB332m, marking the first full-year profitability in company history. EBITDA (Non-IFRS) also turned positive at RMB412m, compared to a loss of RMB600m in 2023. GPM improved by 2.3ppts YoY to 84%. Operating efficiency also improved, with the sales expense ratio decreasing from 54.1% to 52.8% and the administrative expense ratio improving from 13.1% to 8.8%, contributing to overall profitability enhancement. R&D expenses remained a key focus, reaching RMB2.7bn and accounting for 32.6% of revenue, in line with the company's innovation-driven strategy and pipeline advancement.
- Key milestones over the next 1-2 years.** **IBI362** (Mazdutide, GLP-1/GCGR) is expected to receive China NDA approval for obesity in 2Q25 and T2D in 2H25, with data readouts from the head-to-head study vs semaglutide near YE2025 to early-2026, and new PhIII studies planned in 2025. **IBI363** (PD-1/IL-2) is scheduled to readout data at ASCO. **IBI343** (CLDN18.2 ADC) will see key developments, including PhIII data readout for 3L GC and PhI data for 2L PDAC, with a global PhIII trial planned in 2025. **IBI112** (IL-23p19) is expected to gain China approval near YE2025. **IBI311** (IGF-1Ri) is projected to commence commercial launch for TED in 2H25. **IBI3009** (DLL3 ADC) is expected to release global PhI/II data in 2026.

Investment Summary

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMB m)	6,206	9,422	11,765	13,850	17,703
Reported net profit (RMB m)	(1,028)	(54)	31	350	1,814
Core EPS (RMB)	(0.711)	(0.212)	0.013	0.209	1.109
Fully diluted EPS (RMB)	(0.711)	(0.212)	0.013	0.209	1.109
Core P/E (x)	NM	NM	2,832.0	174.4	32.9
Fully diluted P/E (x)	NM	NM	2,832.0	174.4	32.9
EV/EBITDA (x)	NM	NM	166.6	73.0	20.8
P/B (x)	4.7	4.5	4.5	4.4	3.9
DPS (RMB)	0	0	0	1.000	2.000
Yield (%)	0	0	0	2.7	5.5
ROE (%)	NM	NM	0.2	2.6	12.6

Source: Company data, BOCI Research estimates

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Key Risks for Rating

- Slower-than-expected commercial ramp-up; challenges in global expansion; intensifying market competition; and breakdown of key partnerships.

Valuation

- We raised our revenue forecasts for 2025/26 by 12%/4%, respectively, reflecting higher-than-expected licensing income. However, we adjusted expense projections upward, considering the company's increased investments in global clinical trials and commercial activities to support its expansion. Overall, we maintain our TP of HK\$56 and **BUY** rating.

Figure 1. Innovent Results 2024 vs 2023

(RMB m)	2024	2023	YoY (%)
Revenue	9,422	6,206	52
Sales of pharmaceutical products	8,228	5,728	44
License Fee (upfront, royalties, and milestone)	1,100	447	146
Research and development service fee income	94	30	209
COGS	(1,510)	(1,136)	33
Gross profit	7,912	5,070	56
GPM (%)	84.0	81.7	2.3
Other income	536	552	(3)
R&D expenses	(2,681)	(2,228)	20
Administrative expenses	(738)	(750)	(2)
Direct selling and marketing expenses	(4,347)	(3,101)	40
Royalties and other related payments	(902)	(671)	34
Operating expenses in % to pharma sales (%)			
R&D expenses	32.6	38.9	(6.3)
Administrative expenses	9.0	13.1	(4.1)
Direct selling and marketing expenses	52.8	54.1	(1.3)
Payments under collaboration arrangement	11.0	11.7	(0.7)
EBIT (Operating profit)	(220)	(1,127)	(80)
OPM (%)	(2.3)	(18.2)	NM
Finance costs	(68)	(99)	(31)
Other gains and losses	250	81	208
Share of results of an associate	(41)	-	-
EBT (Profit before income tax)	(79)	(1,144)	(93)
Income tax expense/credit	(16)	116	-
Net profit	(95)	(1,028)	(91)
Net profit attributable to shareholders	(95)	(1,028)	(91)
Net margin (%)	(1.0)	(16.6)	16
Non-controlling interest	-	-	-
Non-IFRS adjustments			
Share-based compensation expenses	557	574	(3)
Net foreign exchange gains	(130)	(61)	114
Non-IFRS profit for the year	332	(515)	-
Adjusted net profit margin (%)	3.5	(8.3)	12

Source: Company data, BOCI Research

Income Statement (RMB m)

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Revenue	6,206	9,422	11,765	13,850	17,703
Cost of sales	(1,136)	(1,510)	(1,850)	(2,137)	(2,678)
Operating exp.	(6,650)	(8,232)	(9,928)	(11,351)	(12,940)
EBITDA	(1,304)	(44)	328	740	2,482
Depr & amortisation	276	276	341	377	398
Operating profit (EBIT)	(1,580)	(320)	(14)	362	2,084
Net interest inc./(exp.)	354	32	40	40	40
Other gains/(losses)	81	250	10	10	10
Pre-tax profit	(1,144)	(38)	36	412	2,134
Tax on profit	116	(16)	(5)	(62)	(320)
Min. int./others	0	0	0	0	0
Net profit	(1,028)	(54)	31	350	1,814
Core net profit	(1,028)	(54)	31	350	1,814
EPS (RMB)	(0.659)	(0.058)	0.019	0.215	1.115
Core EPS (RMB)	(0.711)	(0.212)	0.013	0.209	1.109
DPS (RMB)	0	0	0	1.000	2.000
Revenue YoY %	36.2	51.8	24.9	17.7	27.8
EBIT YoY %	NM	NM	NM	NM	475.4
EBITDA YoY %	NM	NM	NM	125.8	235.7
Core net profit YoY%	NM	NM	NM	1,031.8	417.8
Fully diluted EPS YoY%	NM	NM	NM	1,523.9	430.0

Source: Company data, BOCI Research estimates

Balance Sheet (RMB m)

As at 31 Dec	2023	2024	2025E	2026E	2027E
Cash & cash equiv.	10,052	7,508	7,439	7,965	10,368
Receivables	1,006	1,184	1,479	1,741	2,225
Inventories	968	822	1,007	1,163	1,458
Other current assets	1,402	758	853	938	1,094
Total current assets	13,428	10,273	10,778	11,807	15,145
Fixed assets	4,290	5,280	5,639	5,661	5,463
Intangible assets	1,270	1,283	1,283	1,283	1,283
Other long term assets	1,421	3,634	3,634	3,634	3,634
Total long-term assets	7,199	11,330	11,689	11,711	11,513
Total assets	20,627	21,603	22,467	23,519	26,659
Creditors	373	358	438	506	634
Short-term debt	1,220	414	414	414	414
Other current liabs.	2,884	3,597	4,350	4,983	6,181
Total current liabs.	4,477	4,369	5,202	5,903	7,229
Long-term borrowings	2,400	2,417	2,417	2,417	2,417
Other long-term liabs.	1,223	1,699	1,699	1,699	1,699
Share capital	0	0	0	0	0
Reserves/others	12,527	13,118	13,149	13,499	15,313
Shareholders' equity	12,528	13,118	13,149	13,499	15,313
M.I./Pref. shr/Oth	0	0	0	0	0
Total liabs. & equity	20,627	21,603	22,467	23,519	26,659
Per share (RMB)					
Book value	7.7	8.1	8.1	8.3	9.4
Tangible assets	6.9	7.3	7.3	7.5	8.7
Net debt/(cash)	Net cash	Net cash	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	(1,144)	(79)	36	412	2,134
Depr. & amortisation	385	276	341	377	398
Net interest expenses	99	68	60	60	60
Chg. in working capital	403	905	258	199	390
Tax paid	33	1,070	596	948	2,883
Other operating activ's	372	(1,186)	(701)	(1,110)	(3,303)
CF from operations	148	1,054	590	886	2,563
CAPEX	(1,119)	(1,265)	(700)	(400)	(200)
Decr./(incr.) in invest.	807	0	0	0	0
Other investing activ's	(687)	100	100	100	100
CF from investing	(999)	(1,165)	(600)	(300)	(100)
Net incr. in debt	387	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing activ's	2,201	(68)	(60)	(60)	(60)
CF from financing	2,587	(68)	(60)	(60)	(60)
Change in cash	1,736	(179)	(70)	526	2,403
Cash at start of year	9,163	10,052	7,508	7,439	7,965
Free cash flow to firm	(851)	(112)	(10)	586	2,463
Free cash flow to equity	(592)	(179)	(70)	526	2,403

Source: Company data, BOCI Research estimates

Key Ratios

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Profitability (%)					
EBITDA margin	NM	NM	2.8	5.3	14.0
EBIT margin	NM	NM	NM	2.6	11.8
Pre-tax margin	NM	NM	0.3	3.0	12.1
Net profit margin	NM	NM	0.3	2.5	10.2
Liquidity (x)					
Current ratio	3.0	2.4	2.1	2.0	2.1
Interest coverage	NM	NM	NM	6.0	34.7
Net debt to equity (%)	NM	NM	NM	NM	NM
Quick ratio	2.8	2.2	1.9	1.8	1.9
Valuation (x)					
P/E	NM	NM	1,917.2	169.4	32.7
Core P/E	NM	NM	2,832.0	174.4	32.9
Core P/E @ target price	NM	NM	4,061.2	250.1	47.2
P/B	4.7	4.5	4.5	4.4	3.9
P/FCF	NM	NM	NM	121.6	25.0
EV/EBITDA	NM	NM	166.6	73.0	20.8
Activity ratios					
Inventory days	385.0	216.3	180.4	185.4	178.6
Accounts receivables days	46.5	42.4	41.3	42.4	40.9
Accounts payables days	20.5	14.1	12.3	12.4	11.8
Returns (%)					
Dividend payout ratios	NM	NM	0	0	0
Return on equity	NM	NM	0.2	2.6	12.6
Return on assets	NM	NM	NM	1.3	7.1
Return on capital employed	NM	NM	0.5	2.9	12.7

Source: Company data, BOCI Research estimates

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