

CSPC Pharmaceutical (1093 HK)

Large-scale BD out-licensing deals likely in near term

- **Business sequentially recovered in 1Q.** CSPC reported total revenue of RMB7.0bn in 1Q25, including RMB718mn from out-licensing (BD) income. Excluding the impact from BD, core revenue reached RMB6.3bn (+1% QoQ), representing 22% of our previous FY25 estimates. Excluding the BD impact, core net profit reached RMB868mn (+58% QoQ), accounting for 27% of our FY25 estimates. Sales of finished drugs (excluding BD income) declined 5% QoQ and decreased 37% YoY, mainly due to a 21% QoQ decline in CNS products. This was driven by channel compensation following NRDL price cuts for NBP. Management continues to guide for full-year stability in NBP sales in FY25. Oncology product sales were down 7% QoQ. In 1Q25, selling expenses declined by 19% QoQ to RMB1.7bn, mainly due to the VBP of core products such as Duomeisu and Jinyouli. Mgmt expects revenue from newly launched products to partially offset the decline in legacy products.
- **Three large-scale BD deals expected in 2025.** Following the out-licensing of two assets in late 2024—lipoprotein(a) and a MAT2A inhibitor—CSPC has completed two additional BD agreements in 2025, involving a ROR1 ADC and an irinotecan liposome. Mgmt indicated that three more large-scale out-licensing deals are expected in 2025, each with potential deal value exceeding US\$5bn. These include an out-licensing of CSPC's EGFR ADC and two key technology platforms, with deal anticipated as early as June. CSPC has eight core technology platforms, incl. nanoparticle formulation, ADC, siRNA, antibody/fusion proteins, etc. Backed by robust internal R&D capabilities, evidenced by RMB 5.2bn in R&D spending in FY24, CSPC has built a rich pipeline of 40–50 assets with BD potential, according to Mgmt. Notable candidates include EGFR ADC, PD-1/IL-15 bsAb, GFRAL mAb, ActRII mAb, and B7-H3 ADC, in our view. Thus, we expect sustainable BD income in the future.
- **EGFR ADC (SYS6010): a near-term BD catalyst.** SYS6010, CSPC's leading ADC candidate, is currently in global Ph3 development. In China, two pivotal studies are ongoing: a Ph3 trial comparing SYS6010 to chemotherapy in 2L EGFR TKI-resistant NSCLC, and a Ph1b/3 trial evaluating SYS6010 + osimertinib versus osimertinib alone in 1L EGFR-mutant NSCLC, with the Ph3 portion expected to initiate by late 2025 or early 2026. In the US, CSPC plans to initiate two Ph3 trials in 2H25: one in 3L EGFR-mutant NSCLC (with ORR as primary endpoint), and another in 2L+ EGFR wild-type NSCLC, including IO-resistant patients, comparing SYS6010 to docetaxel. At AACR, SYS6010 monotherapy demonstrated a median PFS of 7.6 months in EGFR-mutant nsq-NSCLC patients post-TKI and chemotherapy, an encouraging signal in this treatment setting. Notably, in five IO-resistant EGFR wild-type NSCLC patients with moderate to high EGFR expression, SYS6010 (4.8mg/kg) achieved an 80% ORR (4/5 PRs).
- **Maintain BUY.** CSPC's BD deals will be a key sustainable driver of earnings growth. Considering the positive contribution of three potential large scale BD deals in near term, we expect CSPC's revenue and net profit to grow by 5.8%/30.4% YoY in 2025. We revise our TP from HK\$5.71 to HK\$10.08 (WACC 9.49%, terminal growth 2.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	31,450	29,009	30,698	30,123	31,027
YoY growth (%)	1.7	(7.8)	5.8	(1.9)	3.0
Net profit (RMB mn)	6,072.7	4,338.8	5,656.8	5,307.8	5,669.5
YoY growth (%)	(2.6)	(28.6)	30.4	(6.2)	6.8
EPS (Reported) (RMB)	0.49	0.37	0.49	0.46	0.49
P/E (x)	15.0	20.2	15.2	16.2	15.1
Net gearing (%)	(37.3)	(23.5)	(27.7)	(32.4)	(35.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$10.08
 (Previous TP) HK\$5.71
Up/Downside 24.4%
Current Price HK\$8.10

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Stock Data

Mkt Cap (HK\$ mn)	96,529.4
Avg 3 mths t/o (HK\$ mn)	896.1
52w High/Low (HK\$)	8.10/4.34
Total Issued Shares (mn)	11917.2

Source: FactSet

Shareholding Structure

Massive Giant Group Ltd	10.6%
Cai Dongchen	10.4%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	32.1%	25.5%
3-mth	72.0%	69.4%
6-mth	59.8%	33.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	7,408	6,957	7,406	8,072	8,759	9,459	10,169	10,881	11,588	12,341	13,143
Tax rate	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
EBIT*(1-tax rate)	5,761	5,411	5,760	6,278	6,812	7,357	7,909	8,462	9,012	9,598	10,222
+ D&A	1,114	1,114	1,114	1,214	1,318	1,423	1,530	1,637	1,743	1,857	1,977
- Change in working capital	-273	240	-320	-349	-379	-409	-440	-470	-501	-534	-568
- Capex	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500
FCFF	5,103	5,266	5,054	5,644	6,251	6,871	7,499	8,129	8,755	9,421	10,131
Terminal value											137,945
Terminal growth rate	2.00%										
WACC	9.49%										
Cost of Equity	13.00%										
Cost of Debt	3.50%										
Equity Beta	1.00										
Risk Free Rate	2.50%										
Market Risk Premium	10.50%										
Target Debt to Asset ratio	35.00%										
Effective Corporate Tax Rate	15.00%										
Terminal value (RMB mn)	22,917										
Total PV (RMB mn)	53,433										
Net debt (RMB mn)	-9,408										
Minority interests (RMB mn)	1,587										
Equity value (RMB mn)	61,254										
# of shares (mn)	11,544										

DCF per share (in HK\$) 10.08

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

		WACC				
		8.49%	8.99%	9.49%	9.99%	10.49%
Terminal growth rate	3.00%	12.96	11.86	10.94	10.15	9.46
	2.50%	12.27	11.30	10.48	9.76	9.14
	2.00%	11.68	10.82	10.08	9.43	8.86
	1.50%	11.18	10.41	9.73	9.13	8.60
	1.00%	10.75	10.04	9.42	8.87	8.38

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates: New vs Old

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	30,698	30,123	31,027	29,473	29,636	30,525	4.2%	1.6%	1.6%
Gross profit	21,469	20,843	21,738	20,517	20,579	21,192	4.6%	1.3%	2.6%
Operating profit	7,408	6,957	7,406	5,908	6,222	6,398	25.4%	11.8%	15.7%
Attributable net profit	5,643	5,295	5,655	4,479	4,724	4,874	26.0%	12.1%	16.0%
EPS (RMB)	0.49	0.46	0.49	0.39	0.41	0.42	26.3%	12.3%	16.3%
Gross margin	69.94%	69.19%	70.06%	69.61%	69.44%	69.43%	+0.33ppt	-0.25ppt	+0.64ppt
Operating margin	24.13%	23.10%	23.87%	20.05%	20.99%	20.96%	+4.09ppt	+2.1ppt	+2.91ppt
Net margin	18.38%	17.58%	18.23%	15.20%	15.94%	15.97%	+3.18ppt	+1.64ppt	+2.26ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	30,698	30,123	31,027	30,056	31,089	32,898	2.1%	-3.1%	-5.7%
Gross profit	21,469	20,843	21,738	20,932	21,683	22,984	2.6%	-3.9%	-5.4%
Operating profit	7,408	6,957	7,406	6,510	6,491	7,010	13.8%	7.2%	5.6%
Attributable net profit	5,643	5,295	5,655	5,257	5,247	5,700	7.3%	0.9%	-0.8%
EPS (RMB)	0.49	0.46	0.49	0.45	0.45	0.49	7.9%	1.2%	0.6%
Gross margin	69.94%	69.19%	70.06%	69.64%	69.74%	69.86%	+0.29ppt	-0.55ppt	+0.2ppt
Operating margin	24.13%	23.10%	23.87%	21.66%	20.88%	21.31%	+2.47ppt	+2.22ppt	+2.56ppt
Net margin	18.38%	17.58%	18.23%	17.49%	16.88%	17.33%	+0.89ppt	+0.7ppt	+0.9ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	30,937	31,450	29,009	30,698	30,123	31,027
Cost of goods sold	(8,680)	(9,273)	(8,711)	(9,229)	(9,281)	(9,289)
Gross profit	22,256	22,177	20,299	21,469	20,843	21,738
Selling expense	(10,337)	(9,141)	(8,662)	(7,897)	(7,875)	(8,128)
Admin expense	(1,173)	(1,190)	(1,080)	(1,024)	(1,026)	(1,059)
R&D expense	(3,987)	(4,830)	(5,191)	(5,506)	(5,343)	(5,515)
Others	815	421	346	366	359	370
Operating profit	7,574	7,437	5,712	7,408	6,957	7,406
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	33	(21)	(89)	(100)	(100)	(100)
Net Interest income/(expense)	(25)	(26)	(44)	(34)	(32)	(16)
Pre-tax profit	7,582	7,389	5,579	7,273	6,825	7,290
Income tax	(1,350)	(1,317)	(1,240)	(1,617)	(1,517)	(1,620)
Minority interest	141	199	11	14	13	14
Net profit	6,232	6,073	4,339	5,657	5,308	5,670
Gross dividends	2,097	2,726	2,597	2,821	2,647	2,828
Net dividends	9	(4)	(26)	30	(6)	7

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,957	26,745	21,888	24,805	27,078	29,488
Cash & equivalents	10,298	12,015	6,777	8,900	11,361	13,443
Account receivables	4,631	6,542	6,048	6,400	6,280	6,468
Inventories	2,555	3,139	3,130	3,316	3,335	3,338
Prepayment	0	0	0	0	0	0
ST bank deposits	3,575	1,077	1,307	1,307	1,307	1,307
Other current assets	2,898	3,972	4,626	4,882	4,795	4,932
Non-current assets	17,813	19,537	22,501	22,887	23,272	23,658
PP&E	9,582	10,417	11,374	12,007	12,640	13,273
Deferred income tax	113	187	250	250	250	250
Intangibles	1,908	2,199	2,610	2,527	2,444	2,361
Goodwill	1,395	1,226	1,128	964	800	636
Financial assets at FVTPL	2,126	2,387	2,334	2,334	2,334	2,334
Other non-current assets	2,689	3,122	4,804	4,804	4,804	4,804
Total assets	41,770	46,282	44,389	47,692	50,351	53,147
Current liabilities	8,958	10,183	9,634	10,127	10,152	10,132
Short-term borrowings	153	450	392	364	337	309
Account payables	6,864	8,404	7,409	7,850	7,894	7,901
Tax payable	262	379	138	138	138	138
Other current liabilities	1,679	948	1,695	1,776	1,784	1,785
Non-current liabilities	1,170	1,082	889	889	889	889
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,170	1,082	889	889	889	889
Total liabilities	10,128	11,264	10,523	11,016	11,040	11,021
Share capital	10,899	10,899	11,033	11,033	11,033	11,033
Other reserves	19,298	22,304	21,232	24,053	26,701	29,528
Total shareholders equity	30,198	33,203	32,265	35,086	37,733	40,561
Minority interest	1,444	1,815	1,602	1,590	1,577	1,565
Total equity and liabilities	41,770	46,282	44,389	47,692	50,351	53,147

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,582	7,389	5,579	7,273	6,825	7,290
Depreciation & amortization	1,048	1,114	1,114	1,114	1,114	1,114
Tax paid	(1,335)	(1,309)	(1,240)	(1,617)	(1,517)	(1,620)
Change in working capital	798	(3,032)	(207)	(273)	240	(320)
Others	(467)	16	0	0	0	0
Net cash from operations	7,627	4,179	5,246	6,498	6,663	6,464
Investing						
Capital expenditure	(2,220)	(1,624)	(1,500)	(1,500)	(1,500)	(1,500)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(4,576)	2,231	(5,000)	0	0	0
Net cash from investing	(6,796)	607	(6,500)	(1,500)	(1,500)	(1,500)
Financing						
Dividend paid	(2,097)	(2,726)	(2,597)	(2,821)	(2,647)	(2,828)
Net borrowings	486	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(14)	(200)	(600)	0	0	0
Others	(279)	626	(754)	(54)	(54)	(54)
Net cash from financing	(1,904)	(2,301)	(3,951)	(2,875)	(2,701)	(2,882)
Net change in cash						
Cash at the beginning of the year	9,060	10,298	12,015	6,777	8,900	11,361
Exchange difference	14	5	0	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	8,001	12,015	6,810	8,900	11,361	13,443
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	11.0%	1.7%	(7.8%)	5.8%	(1.9%)	3.0%
Gross profit	5.3%	(0.4%)	(8.5%)	5.8%	(2.9%)	4.3%
Operating profit	11.5%	(1.8%)	(23.2%)	29.7%	(6.1%)	6.5%
Net profit	9.6%	(2.6%)	(28.6%)	30.4%	(6.2%)	6.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	71.9%	70.5%	70.0%	69.9%	69.2%	70.1%
Operating margin	24.5%	23.6%	19.7%	24.1%	23.1%	23.9%
Return on equity (ROE)	22.2%	19.2%	13.3%	16.8%	14.6%	14.5%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.4)	(0.2)	(0.3)	(0.3)	(0.4)
Current ratio (x)	2.7	2.6	2.3	2.4	2.7	2.9
Receivable turnover days	87.7	120.5	131.4	131.4	131.4	131.4
Inventory turnover days	107.4	123.5	131.2	131.2	131.2	131.2
Payable turnover days	319.6	349.4	367.1	367.1	367.1	367.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	14.5	15.0	20.2	15.2	16.2	15.1
P/E (diluted)	14.5	15.0	20.2	15.2	16.2	15.1
P/B	2.8	2.5	2.6	2.3	2.2	2.0
P/CFPS	11.6	21.1	16.6	13.2	12.8	13.2
Div yield (%)	2.4	3.1	3.0	3.3	3.1	3.3

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

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