

Kelun-Biotech (6990 HK)

Expect more important data release at ESMO 2025

Kelun Biotech reported revenue of RMB950mn in 1H25, with a net loss of RMB145mn. Product sales reached RMB310mn, of which SKB264/sac-TMT contributed RMB302mn—34% of our prior full-year estimate. SKB264 is in the early stage of its ramp-up following approvals in late-line TNBC and EGFRm NSCLC in Nov-24 and Mar-25, respectively. Management continues to target FY25 sales of RMB800~1,000mn for SKB264. We expect that both approved indications of SKB264 will be included in the NRDL starting from early 2026. In 1H25, the Company recognized RMB641mn in collaboration revenue and R&D services, including the upfront payment from out-licensing SKB378 (TSLP) to NewCo WindwardBio and milestone payment from MSD. Selling expenses as % of drug sales was 58% in 1H25, reflecting the start of commercial activities post SKB264 approval. Cash and financial assets totaled RMB4.46bn, providing sufficient capital for commercialization and pipeline development.

- **SKB264 to release important China Ph3 results at ESMO meeting.** The Company plans to release the China Ph3 results of SKB264 in 2L EGFRm NSCLC and 2L HR+/HER2- BC at ESMO meeting in September. We think SKB264 could become the first TROP2 ADC to demonstrate an OS benefit in 2L EGFRm NSCLC, reinforcing its BIC profile. Recall that Trodelvy and Dato-Dxd did not deliver OS benefit in this setting. Beyond second line, we will closely track the Ph3 AVANZAR trial of Dato-DXd in first-line wild-type NSCLC (combo with Durvalumab and Carboplatin), where readout timing could shape class expectations for moving TROP2 ADCs into the frontline.
- **Efficient clinical progress of SKB264.** In China, Kelun Biotech is actively running multiple other Ph3 trials of SKB264, including 1) 1L PD-L1–negative TNBC (NDA submission anticipated in late 2025 or early 2026), 2) 1L PD-L1–positive NSCLC (NDA expected by late 2025), 3) 1L PD-L1–negative non-squamous NSCLC (to be fully enrolled in 2025), 4) 1L EGFRm NSCLC (NDA expected in 2026) and 5) 1L HR+/HER2- BC (post CDK4/6i). Internationally, MSD has launched 14 global Ph3 trials spanning breast, lung, gastrointestinal, and gynecologic cancers—underscoring its strong conviction in SKB264. We are waiting to see if MSD will initiate a Ph3 trial in 1L NSCLC with PD-L1 <50%, which has large underlying market potential. We also expect MSD to explore combinations of SKB264 with PD-1/VEGF bispecifics.
- **Second wave of innovation.** Kelun Biotech is executing a multi-pronged ADC strategy across oncology and non-oncology, leveraging novel or dual payloads, bispecific ADCs, and next generation conjugation technologies. SKB571, its first bispecific ADC, has shown an improved hematologic safety profile and is primarily aimed at frontline treatment of lung cancer, colorectal cancer, and gastrointestinal tumors. SKB107, a radiopharmaceutical drug conjugate (RDC), has also entered clinic.
- **Maintain BUY.** We remain confident about SKB264's global development. We raise our DCF-based TP from HK\$299.93 to HK\$498.55 (WACC: 8.69%, terminal growth rate: 3.5%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	1,540	1,933	1,852	1,965	2,850
YoY growth (%)	91.6	25.5	(4.2)	6.1	45.1
Net profit (RMB mn)	(574.1)	(266.8)	(485.1)	(624.2)	(477.3)
EPS (Reported) (RMB)	(2.84)	(1.20)	(2.08)	(2.68)	(2.05)
R&D expenses (RMB mn)	(1,031)	(1,206)	(1,266)	(1,330)	(1,606)
Admin expenses (RMB mn)	(182)	(163)	(148)	(177)	(296)
CAPEX (RMB mn)	(81)	(77)	(150)	(150)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$498.55
(Previous TP) HK\$299.93
Up/Downside 15.7%
Current Price HK\$431.00

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Stock Data

Mkt Cap (HK\$ mn)	100,503.2
Avg 3 mths t/o (HK\$ mn)	308.3
52w High/Low (HK\$)	456.00/154.00
Total Issued Shares (mn)	233.2

Source: FactSet

Shareholding Structure

Kelun Pharma	68.5%
MSD	6.1%

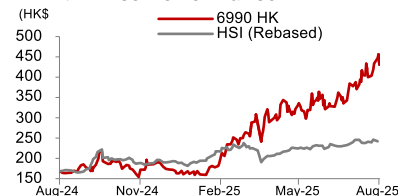
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	10.9%	9.4%
3-mth	28.3%	20.7%
6-mth	128.3%	104.8%

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)	NCT060 74588	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)	NCT063 05754	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)	NCT064 22143	SKB264+Keytruda vs Keytruda	OS	--	Jun 2024	Jan 2029
1L NSCLC TPS ≥50%	1L PD-L1 TPS ≥50% NSCLC	NCT061 70788	+ 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)	NCT063 12137	SKB264+Keytruda vs Keytruda	DFS	--	Apr 2024	Feb 2034
Gynecologic cancers							
Endometrial carcinoma	Endometrial carcinoma (post chemo and PD(L)-1)	NCT061 32958	Mono vs chemo	PFS, OS	AU, Israel, etc	Dec 2023	Jan 2028
2L RR CC	Recurrent or Metastatic Cervical Cancer post PD-1	NCT064 59180	Mono vs chemo	OS	US, Israel, etc	Jul 2024	Oct 2028
3L OC	Ovarian cancer (post chemo)	NCT068 24467	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)	NCT063 12176	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)	NCT063 93374	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)	NCT068 41354	SKB264 mono vs SKB264 + Keytruda vs chemo	PFS, OS	--	Mar 2025 (est)	May 2030
Gastrointestinal cancer							
3L+ GC	3L+ GC	NCT063 56311	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	(514)	(643)	(468)	1,308	3,414	5,566	7,780	9,675	10,851	11,871	11,662
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(514)	(643)	(468)	1,111	2,902	4,731	6,613	8,224	9,223	10,090	9,913
+ D&A	85	91	100	108	110	112	114	115	117	118	120
- Change in working capital	65	(185)	(97)	(95)	(153)	(46)	26	47	52	57	54
- Capex	(150)	(150)	(200)	(200)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	(514)	(887)	(665)	924	2,759	4,697	6,652	8,286	9,292	10,165	9,987
Terminal value											199,059
FCF + terminal value	(514)	(887)	(665)	924	2,759	4,697	6,652	8,286	9,292	10,165	209,046
Present value of enterprise (RMB mn)	103,927										
Net debt (RMB mn)	(3,028)										
Equity value (RMB mn)	106,956										
No. of shares (mn)	233										
DCF per share (RMB)	458.67										
DCF per share (HK\$)	498.55										
Terminal growth rate	3.5%										
WACC	8.69%										
Cost of equity	12.0%										
Cost of debt	3.0%										

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				
	7.69%	8.19%	8.69%	9.19%	9.69%
4.5%	811.51	686.35	591.47	517.18	457.52
4.0%	717.41	617.94	540.06	477.53	426.30
3.5%	645.75	564.10	498.55	444.85	400.12
3.0%	589.37	520.64	464.34	417.45	377.85
2.5%	543.84	484.81	435.65	394.14	358.68

Source: CMBIGM estimates

Figure 4: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	1,852	1,965	2,850	1,923	2,037	2,999	-4%	-4%	-5%
Gross profit	1,348	1,581	2,373	1,453	1,662	2,497	-7%	-5%	-5%
Operating profit	(480)	(593)	(419)	(821)	(801)	(504)	-42%	-26%	-17%
Net profit	(485)	(624)	(477)	(826)	(833)	(562)	-41%	-25%	-15%
EPS (RMB)	(2.08)	(2.68)	(2.05)	(3.63)	(3.66)	(2.47)	-43%	-27%	-17%
Gross margin	72.82%	80.47%	83.27%	75.59%	81.58%	83.25%	-2.76 ppt	-1.11 ppt	+0.01 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	1,852	1,965	2,850	1,962	3,042	4,942	-6%	-35%	-42%
Gross profit	1,348	1,581	2,373	1,436	2,382	3,999	-6%	-34%	-41%
Operating profit	(480)	(593)	(419)	(501)	(6)	930	NA	NA	NA
Net profit	(485)	(624)	(477)	(547)	(49)	788	NA	NA	NA
EPS (RMB)	(2.08)	(2.68)	(2.05)	(2.44)	(0.31)	3.51	NA	NA	NA
Gross margin	72.82%	80.47%	83.27%	73.18%	78.32%	80.92%	-0.36 ppt	+2.15 ppt	+2.35 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	1,852	1,965	2,850
Cost of goods sold	(277)	(781)	(659)	(503)	(384)	(477)
Gross profit	527	759	1,274	1,348	1,581	2,373
Operating expenses	(946)	(1,143)	(1,412)	(1,828)	(2,173)	(2,792)
Selling expense	0	(20)	(183)	(498)	(767)	(988)
Admin expense	(95)	(182)	(163)	(148)	(177)	(296)
R&D expense	(846)	(1,031)	(1,206)	(1,266)	(1,330)	(1,606)
Others	(4)	90	140	84	101	99
Operating profit	(419)	(383)	(139)	(480)	(593)	(419)
Net Interest income/(expense)	(149)	(84)	(4)	(5)	(32)	(58)
Pre-tax profit	(567)	(468)	(143)	(485)	(624)	(477)
Income tax	(49)	(106)	(124)	0	0	0
After tax profit	(616)	(574)	(267)	(485)	(624)	(477)
Minority interest	0	0	0	0	0	0
Net profit	(616)	(574)	(267)	(485)	(624)	(477)

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	332	2,807	3,493	4,522	5,029	4,505
Cash & equivalents	93	1,529	1,337	3,148	3,580	2,906
Restricted cash	26	40	7	7	7	7
Account receivables	99	215	304	149	244	379
Inventories	53	63	111	83	63	78
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	921	979	1,079
PP&E	530	608	595	703	804	948
Right-of-use assets	117	85	163	120	77	34
Intangibles	3	1	3	3	3	3
Other non-current assets	10	8	15	15	15	15
Total assets	993	3,510	4,268	5,442	6,009	5,585
Current liabilities	4,167	1,110	810	692	1,882	1,935
Short-term borrowings	2,891	0	0	0	1,300	1,300
Account payables	243	523	447	329	219	272
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	841	2,032	2,085
Share capital	107	219	227	227	227	227
Other reserves	(3,334)	2,110	3,081	4,374	3,750	3,272
Total shareholders equity	(3,226)	2,329	3,309	4,601	3,977	3,500
Total equity and liabilities	993	3,510	4,268	5,442	6,009	5,585

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(567)	(468)	(143)	(485)	(624)	(477)
Depreciation & amortization	67	75	91	85	91	100
Tax paid	(49)	0	0	0	0	0
Change in working capital	35	276	(481)	65	(185)	(97)
Others	195	177	103	5	32	58
Net cash from operations	(320)	60	(430)	(330)	(686)	(417)
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	1,777	0	0
Others	(5)	1,294	(57)	(5)	(32)	(58)
Net cash from financing	313	2,382	1,037	1,772	1,268	(58)
Net change in cash						
Cash at the beginning of the year	82	93	1,529	1,337	3,148	3,580
Exchange difference	1	19	22	0	0	0
Cash at the end of the year	44	1,529	1,337	3,148	3,580	2,906
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	2,387.3%	91.6%	25.5%	(4.2%)	6.1%	45.1%
Gross profit	4,368.1%	44.0%	67.8%	5.9%	17.2%	50.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	65.6%	49.3%	65.9%	72.8%	80.5%	83.3%
Operating margin	(52.1%)	(24.9%)	(7.2%)	(25.9%)	(30.2%)	(14.7%)
Return on equity (ROE)	na	na	(9.5%)	(12.3%)	(14.6%)	(12.8%)
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	0.1	2.5	4.3	6.5	2.7	2.3
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/B	ns	31.3	26.6	20.1	23.3	26.4

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

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