

# 3SBio (1530 HK)

## The journey of globalization has just begun

3SBio reported 1H25 revenue of RMB4.4bn, down 0.8% YoY, primarily due to a slowdown of TPIAO but partially offset by strong growth in the alopecia franchise. During the period, attributable net profit rose 24.6% YoY to RMB1.1bn, thanks to a 49% YoY reduction in finance costs. While legacy products remain under pressure, a number of new drugs are expected to launch in 2025–2026E, including 608 (IL-17A) and 613 (IL-1 $\beta$ ) etc., which should help drive product sales. In addition, we believe 707 (PD-1/VEGF) has the potential to become a global blockbuster. Pfizer is expected to aggressively advance 707's global clinical development, potentially initiating Phase 3 trials for 707 both as monotherapy and in combination with chemotherapy, in our view. Pfizer is also likely to explore combination regimens involving 707 and PDL1V (PD-L1 ADC), Padcev (Nectin-4 ADC), and SV (IB6 ADC). We believe the initiation of global trials for 707 could serve as a key catalyst for 3SBio's earnings upside.

- **Expected Pfizer to accelerate global development of 707.** The drug has already entered a Ph3 trial in first-line NSCLC in China, and Phase 2 data in mCRC is scheduled to be presented at ESMO in October. During its 2Q25 earnings call, Pfizer's mgmt indicated that they plan to announce global Ph3 development strategies for 707 later in 2025E, following the initiation of execution. Additionally, Pfizer is preparing to launch Phase 1 or 2 combination studies of 707 with its ADCs. Given Pfizer's strong clinical execution capabilities, we believe 707 has the potential to outpace competing assets in clinical development—particularly in colorectal cancer and in combination studies with ADCs.
- **More innovative pipelines entering global development stage.** 1) 705 (PD-1/HER2) entered Ph2 in HER2+ solid tumor in China. 2) 706 (PD-1/PD-L1) has obtained IND clearance in China and the US, and initiated Ph2 trials in GI cancers and NSCLC in China. 3) First-in-class pipelines SPGL008 (B7-H3 Ab/ IL-15 fusion protein) and SSS59 (MUC17/CD3/CD28) entered Ph1 in solid tumors in China, both featuring proprietary engineering to enhance efficacy and safety. For example, SPGL008 employs an attenuated IL-15 to reduce toxicity. SSS59 lowers CD3 affinity to mitigate cytokine release, while boosting CD28 signaling to preserve T-cell activation. We expect further clinical readouts across these pipelines. With differentiated MOA and leading global development timelines, these pipelines may offer meaningful out-licensing potential and reinforce 3SBio's global innovation strategy.
- **Alopecia franchise sustains growth while TPIAO under pressure.** Sales of alopecia franchise reached RMB690mn (+24% YoY) in 1H25. The minoxidil foam formulation launched last year successfully drove sales growth of Mandi. However, TPIAO revenue declined 4.2% YoY to RMB2.4bn, amid rising competition from TPO-RAs and NRDL regulation pressure. Given its large revenue base, TPIAO may remain under pressure.
- **Maintain BUY.** We remain positive on 707's global potential given the strong clinical trial execution of Pfizer and the promising combination potential with Pfizer's ADCs. We maintain our target price largely unchanged at HK\$37.58 based on an 11-year DCF model.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	7,816	9,108	17,528	9,557	9,883
YoY growth (%)	13.8	16.5	92.4	(45.5)	3.4
Net profit (RMB mn)	1,586	2,218	9,295	2,700	2,831
YoY growth (%)	(16.9)	39.8	319.2	(71.0)	4.9
EPS (Reported) (RMB)	0.64	0.86	3.80	1.09	1.14
P/E (x)	43.2	31.8	7.2	25.2	24.1
Net gearing (%)	(0.4)	(13.1)	(29.5)	(33.2)	(36.9)

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

<b>Target Price</b>	<b>HK\$37.58</b>
(Previous TP)	HK\$37.67)
<b>Up/Downside</b>	<b>25.4%</b>
<b>Current Price</b>	<b>HK\$29.96</b>

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### Stock Data

Mkt Cap (HK\$ mn)	72,870.7
Avg 3 mths t/o (HK\$ mn)	1,347.5
52w High/Low (HK\$)	33.55/5.52
Total Issued Shares (mn)	2432.3

Source: FactSet

### Shareholding Structure

TMF (Cayman) Ltd.	22.8%
Decade Sunshine	19.6%

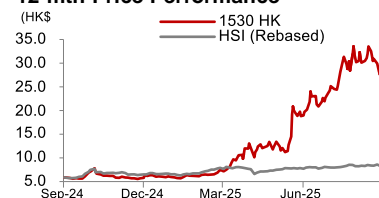
Source: HKEX

### Share Performance

	Absolute	Relative
1-mth	-0.8%	-5.1%
3-mth	59.2%	44.7%
6-mth	308.2%	265.5%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	17,528	9,557	9,883	18,576	11,385	12,110	-5.6%	-16.1%	-18.4%
Gross profit	16,202	8,203	8,499	17,166	9,878	10,398	-5.6%	-17.0%	-18.3%
Operating profit	11,442	3,371	3,512	11,632	3,857	3,996	-1.6%	-12.6%	-12.1%
Net profit	9,244	2,645	2,768	9,325	3,000	3,119	-0.9%	-11.8%	-11.2%
EPS (RMB)	3.80	1.09	1.14	3.84	1.23	1.28	-0.9%	-11.9%	-11.3%
Gross margin	92.43%	85.83%	85.99%	92.41%	86.77%	85.87%	+0.02ppt	-0.94ppt	+0.13ppt
Operating margin	65.28%	35.27%	35.53%	62.62%	33.88%	33.00%	+2.66ppt	+1.39ppt	+2.53ppt
Net margin	52.74%	27.68%	28.01%	50.20%	26.35%	25.76%	+2.54ppt	+1.33ppt	+2.25ppt

Source: Company data, CMBIGM estimates

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	11,080	3,006	3,126	3,589	4,304	5,521	6,868	7,990	9,086	10,134	11,111
Tax rate	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
EBIT*(1-tax rate)	9,086	2,465	2,563	2,943	3,529	4,527	5,631	6,552	7,450	8,310	9,111
+ D&A	386	402	417	431	445	458	470	482	493	504	514
- Change in working capital	-878	-73	-45	-237	-418	-459	-388	-386	-338	-294	-228
- Capex	-850	-800	-750	-700	-680	-680	-680	-680	-680	-680	-680
FCFF	7,744	1,994	2,185	2,437	2,876	3,846	5,033	5,968	6,925	7,840	8,717
Terminal value											132,570

Terminal growth rate	3.00%
WACC	9.77%
Cost of Equity	12.98%
Cost of Debt	4.50%
Equity Beta	0.95
Risk Free Rate	3.00%
Market Risk Premium	10.50%
Target Debt to Asset ratio	35.00%
Effective Corporate Tax Rate	15.00%

Terminal value (RMB mn)	47,535
Total PV (RMB mn)	78,232
Net debt (RMB mn)	-6,682
Minority interests (RMB mn)	2,652
Equity value (RMB mn)	82,262
Equity value (HK\$ mn)	91,402
# of shares (mn)	2,432
Price per share (HK\$ per share)	37.58

Source: CMBIGM estimates

Figure 3: Sensitivity analysis

		WACC				
		8.77%	9.27%	9.77%	10.27%	10.77%
Terminal growth rate	4.00%	51.04	45.86	41.59	38.02	35.00
	3.50%	47.63	43.16	39.42	36.26	33.55
	3.00%	44.81	40.89	37.58	34.74	32.28
	2.50%	42.44	38.96	35.99	33.41	31.17
	2.00%	40.42	37.30	34.60	32.25	30.18

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	17,528	9,557	9,883	16,354	11,734	12,910	7.2%	-18.5%	-23.4%
Gross profit	16,202	8,203	8,499	14,653	10,177	11,212	10.6%	-19.4%	-24.2%
Operating profit	11,442	3,371	3,512	9,258	3,861	4,206	23.6%	-12.7%	-16.5%
Attributable net profit	9,244	2,645	2,768	5,920	3,045	3,538	56.1%	-13.1%	-21.8%
EPS (RMB)	3.80	1.09	1.14	2.92	1.14	1.30	30.1%	-4.5%	-12.2%
Gross margin	92.43%	85.83%	85.99%	89.60%	86.73%	86.85%	+2.83ppt	-0.91ppt	-0.86ppt
Operating margin	65.28%	35.27%	35.53%	56.61%	32.90%	32.58%	+8.67ppt	+2.36ppt	+2.95ppt
Net margin	52.74%	27.68%	28.01%	36.20%	25.95%	27.41%	+16.54ppt	+1.73ppt	+0.61ppt

Source: Company data, Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	6,866	7,816	9,108	17,528	9,557	9,883
Cost of goods sold	(1,194)	(1,174)	(1,280)	(1,326)	(1,355)	(1,384)
<b>Gross profit</b>	<b>5,672</b>	<b>6,642</b>	<b>7,828</b>	<b>16,202</b>	<b>8,203</b>	<b>8,499</b>
Selling expense	(2,581)	(3,006)	(3,351)	(3,356)	(3,473)	(3,663)
Admin expense	(393)	(481)	(502)	(559)	(555)	(565)
R&D expense	(694)	(795)	(1,327)	(1,155)	(1,145)	(1,139)
Others	413	(139)	(89)	309	340	380
<b>Operating profit</b>	<b>2,417</b>	<b>2,221</b>	<b>2,560</b>	<b>11,442</b>	<b>3,371</b>	<b>3,512</b>
Share of (losses)/profits of associates/JV	(34)	(30)	349	0	0	0
<b>Net Interest income/(expense)</b>	<b>(103)</b>	<b>(212)</b>	<b>(191)</b>	<b>(106)</b>	<b>(79)</b>	<b>(60)</b>
<b>Pre-tax profit</b>	<b>2,280</b>	<b>1,978</b>	<b>2,718</b>	<b>11,336</b>	<b>3,292</b>	<b>3,452</b>
Income tax	(371)	(392)	(501)	(2,040)	(593)	(621)
Minority interest	(7)	37	127	52	54	62
<b>Net profit</b>	<b>1,909</b>	<b>1,586</b>	<b>2,218</b>	<b>9,295</b>	<b>2,700</b>	<b>2,831</b>

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>9,751</b>	<b>9,193</b>	<b>9,347</b>	<b>13,749</b>	<b>14,847</b>	<b>16,204</b>
Cash & equivalents	2,152	2,611	2,143	6,304	7,339	8,660
Account receivables	1,312	1,095	1,305	1,189	1,259	1,302
Inventories	713	778	795	804	810	817
Prepayment	505	1,132	741	1,090	1,076	1,062
Financial assets at FVTPL	4,861	3,303	3,769	3,769	3,769	3,769
Other current assets	208	274	594	594	594	594
<b>Non-current assets</b>	<b>12,258</b>	<b>14,432</b>	<b>14,866</b>	<b>15,330</b>	<b>15,728</b>	<b>16,060</b>
PP&E	4,114	4,692	4,993	5,335	5,660	5,970
Intangibles	1,578	1,554	1,685	1,825	1,915	1,955
Goodwill	4,140	4,199	4,253	4,253	4,253	4,253
Other non-current assets	2,426	3,986	3,935	3,917	3,900	3,883
<b>Total assets</b>	<b>22,009</b>	<b>23,625</b>	<b>24,213</b>	<b>29,079</b>	<b>30,575</b>	<b>32,264</b>
<b>Current liabilities</b>	<b>1,844</b>	<b>3,728</b>	<b>5,464</b>	<b>3,101</b>	<b>2,691</b>	<b>2,380</b>
Short-term borrowings	413	2,112	2,244	1,744	1,344	1,044
Account payables	250	212	180	175	178	182
Tax payable	112	33	50	50	50	50
Other current liabilities	1,069	1,371	2,990	1,132	1,119	1,104
<b>Non-current liabilities</b>	<b>4,801</b>	<b>3,384</b>	<b>713</b>	<b>713</b>	<b>713</b>	<b>713</b>
Long-term borrowings	1,902	1,463	38	38	38	38
Bond payables	0	1,226	0	0	0	0
Deferred income	423	412	390	390	390	390
Other non-current liabilities	2,477	283	285	285	285	285
<b>Total liabilities</b>	<b>6,645</b>	<b>7,111</b>	<b>6,176</b>	<b>3,814</b>	<b>3,404</b>	<b>3,093</b>
Share capital	0	0	0	0	0	0
Other reserves	9,468	10,752	12,942	20,119	21,971	23,909
<b>Total shareholders equity</b>	<b>12,926</b>	<b>14,034</b>	<b>15,436</b>	<b>22,613</b>	<b>24,465</b>	<b>26,403</b>
Minority interest	2,438	2,480	2,600	2,652	2,706	2,768
<b>Total equity and liabilities</b>	<b>22,009</b>	<b>23,625</b>	<b>24,213</b>	<b>29,079</b>	<b>30,575</b>	<b>32,264</b>

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	2,280	1,978	2,718	11,336	3,292	3,452
Depreciation & amortization	398	351	413	386	402	417
Tax paid	(346)	(471)	(506)	(2,040)	(593)	(621)
Change in working capital	31	(162)	566	(878)	(73)	(45)
Others	(228)	386	11	(149)	(208)	(266)
<b>Net cash from operations</b>	<b>2,134</b>	<b>2,083</b>	<b>3,201</b>	<b>8,654</b>	<b>2,821</b>	<b>2,936</b>
<b>Investing</b>						
Capital expenditure	(975)	(704)	(963)	(850)	(800)	(750)
Others	(2,748)	(641)	(394)	255	286	326
<b>Net cash from investing</b>	<b>(3,723)</b>	<b>(1,345)</b>	<b>(1,358)</b>	<b>(595)</b>	<b>(514)</b>	<b>(424)</b>
<b>Financing</b>						
Dividend paid	(417)	(225)	(555)	(2,773)	(794)	(831)
Net borrowings	1,928	1,188	(1,264)	(500)	(400)	(300)
Others	(748)	(1,316)	(434)	(626)	(79)	(60)
<b>Net cash from financing</b>	<b>763</b>	<b>(353)</b>	<b>(2,253)</b>	<b>(3,899)</b>	<b>(1,272)</b>	<b>(1,190)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	2,868	2,152	2,611	2,143	6,304	7,339
Exchange difference	109	75	(59)	0	0	0
<b>Cash at the end of the year</b>	<b>2,152</b>	<b>2,611</b>	<b>2,143</b>	<b>6,304</b>	<b>7,339</b>	<b>8,660</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	7.6%	13.8%	16.5%	92.4%	(45.5%)	3.4%
Gross profit	7.5%	17.1%	17.9%	107.0%	(49.4%)	3.6%
Operating profit	22.5%	(8.1%)	15.3%	346.9%	(70.5%)	4.2%
Net profit	17.3%	(16.9%)	39.8%	319.2%	(71.0%)	4.9%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	82.6%	85.0%	86.0%	92.4%	85.8%	86.0%
Operating margin	35.2%	28.4%	28.1%	65.3%	35.3%	35.5%
Return on equity (ROE)	15.2%	11.8%	15.0%	48.9%	11.5%	11.1%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.2)	(0.0)	(0.1)	(0.3)	(0.3)	(0.4)
Current ratio (x)	5.3	2.5	1.7	4.4	5.5	6.8
Receivable turnover days	71.5	56.2	48.1	48.1	48.1	48.1
Inventory turnover days	214.5	231.6	224.3	221.3	218.3	215.3
Payable turnover days	73.3	71.7	55.9	55.9	55.9	55.9
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	35.0	43.2	31.8	7.2	25.2	24.1
P/E (diluted)	36.9	43.9	32.3	7.2	25.2	24.1
P/B	4.4	4.0	3.7	2.6	2.5	2.3
Div yield (%)	0.3	0.8	0.8	4.2	1.2	1.2

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

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**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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