uSMART Securities 盈立证券

RECOMMENDATION (BUY)

VIVA Biotech Holdings (1873.HK)

September 3, 2025

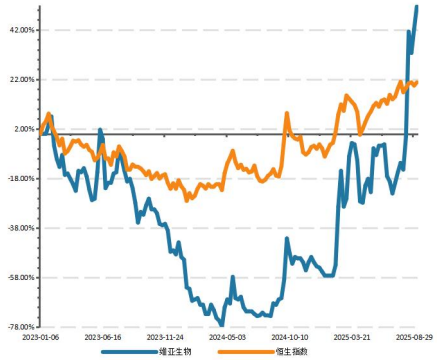
AI-Powered Drug Development, CDMO Commercial Products Set for Imminent Boom

Hang Seng Index	25,343.43
Hang Seng Composite Index	3,890.56
Hang Seng Healthcare Index	4,615.09
Target Price (HKD)	4.0
Upside/Downside	41.3%
Market Consensus (HKD)	3.04

Market Data

Close	2.83
52-week High/Low	2.89/0.41
Market Cap (HKDbn)	60.23
Free-float Market Cap (HKDbn)	60.23

Relative Performance



Source：Wind, uSMART.

Relevant Research

Deeply Engaged in AI-driven drug R&D Revolution， Viva Starts a New Era of Globalized CRDMO Business, April 23, 2025.

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Based on the Interim Report, we maintain the BUY rating with the target price of 4.0 HKD. Our viewpoints are as follows:

- **Comments on Operations**

In 2025H1, the company reported revenue of CNY 831.9 million (down 15.3% YoY), while adjusted net profit reached CNY 183.5 million (up 9.1% YoY). In terms of revenue, the decline was primarily due to reduced income from the CDMO arm. During this period, the company focused on preparing for the launch of new commercial projects in its CDMO arm and has already initiated PPQ (Process Performance Qualification) production. These projects are expected to achieve commercial launch in 2026 and 2027, providing strong support for the rapid growth of the CDMO arm in the future. Meanwhile, the CRO arm resumed growth. In terms of profits, the Company's gross profit margin significantly improved to 40.8%. Specifically, the gross margin of the CRO arm slightly increased to 45.4%, while that of the CDMO segment rose substantially to 35.9%. The net margin also saw a significant year-on-year improvement to 17.9%. Overall, the company showed stable operations and strong potential for future growth.

- **CRO Arm Resumed Growth, with AI-Powered Projects Contributing 10% of Revenue**: Benefiting from the recovery in global biotech investment and the buoyant BD transaction landscape for innovative drugs domestically, the company's CRO revenue has resumed growth. The cumulative number of CRO clients increased to 1,669, with overseas revenue accounting for 85.0% (up 4.9% YoY) and domestic revenue representing 15.0% (up 46.6% YoY). New molecular modalities contributed 15.0% of CRO revenue, growing 19.0% YoY, emerging as a new driver for CRO growth. By 2025H1, AIDD has cumulatively participated in 175 projects, with the number of clients adopting CADD/AIDD reaching 67. Revenue from AI-empowered projects accounted for nearly 10% of CRO revenue. The company has established notable collaborations for end-to-end AI-driven discovery solutions in specific niches and entered strategic partnerships with domestic pharmaceutical companies. Regarding technological platform development, AI capabilities now cover the entire workflow of FIC drug discovery. Through end-to-end integration, these capabilities are progressively transforming the paradigm of drug discovery.

- **Promising CDMO Commercialized Projects with Significantly Enhanced Profitability**: The company's CDMO arm generated revenue of CNY 409.0 million in 2025H1 (down 31.4% YoY). The decline was primarily attributed to the following factors: Temporary impact on generic drug revenue due to facility upgrades aimed at meeting FDA audit requirements for new commercialized projects; Volatility in the supply chain caused by geopolitical factors in Southeast Asia and the India-Pakistan region; New commercialized CDMO projects are scheduled to delivery and will generate revenue in 2025H2. In terms of production capabilities, the company has steadily expanded its production capabilities, which are sufficient to support the production needs of new commercialized products over the next two years. Additionally, the company restructured its CMC operations in 2025H1, sharpening its focus on synthesis and analysis services. Efforts to strengthen BD for overseas clients, coupled with cost reduction, efficiency improvements, and customer portfolio optimization, have driven a notable increase in profitability

- **Risk Disclosure:** Intensifying competition in CRDMO; Slower developments in AI; Delays in commercialized projects; Risks associated with EFS; Valuation recovery falling short.

Earnings Forecast

	2023A	2024A	2025E	2026E	2027E	2028E
Revenue (CNY million)	2156	1987	1912	2176	2478	2820
Revenue YoY	(9.4%)	(7.8%)	(3.8%)	13.8%	13.9%	13.8%
Gross profit (CNY million)	738	687	765	898	1054	1237
Gross profit YoY	(9.6%)	(6.9%)	11.4%	17.4%	17.4%	17.4%
Gross margin	34.3%	34.6%	40.0%	41.3%	42.5%	43.9%
Net profit (CNY million)	(100)	222	312	374	447	535
Net profit YoY	80.2%	322%	40.5%	19.9%	19.5%	19.7%
Net margin	(4.6%)	11.2%	16.3%	17.2%	18.0%	19.0%
Adjusted net profit (CNY million)	209	315	356	415	485	569
Diluted EPS (CNY)	0.09	0.09	0.16	0.18	0.21	0.25

Source: Corporate financial statements, uSMART.

1. CRO Segment Resumed Growth with Rapid Advancements in AI-Driven Drug Discovery

Viva Biotech Holdings is a globally leading structure-based drug discovery (SBDD) service provider, dedicated to offering comprehensive one-stop solutions for innovative drug enterprises worldwide, spanning from early-stage SBDD to commercialized drug production. The company's operations are divided into three segments: CRO, CDMO, and VBI. In 2025H1, the CRO arm delivered outstanding performance, achieving revenue of CNY 422.8 million (up 9.6% YoY), marking a return to growth. Gross profit reached CNY 194.6 million (up 13.4% YoY), with a gross margin of 45.4%, reflecting improvement over previous years. Through a series of effective measures to enhance operational efficiency, the company has maintained high profitability in its CRO business. As of now, Viva Biotech Holdings employs 1,098 R&D personnel in its CRO segment, with staffing levels remaining stable.

At the same time, the number of clients in the company's CRO business has grown to 1,669 (up 13.9% YoY), including all top ten global pharmaceutical companies. Revenue from the top ten clients accounted for 25.9% of CRO revenue, reflecting a healthy client concentration level. Overseas revenue represented 85.0% of revenue (up 4.9% YoY), while domestic revenue accounted for 15.0% of revenue (up 46.6% YoY). The strong growth in domestic revenue was driven by robust BD transaction activities in China's innovative drug sector. Since 2025, the company's service fee structure has shifted to primarily cash payments, with equity payments falling below CNY 1 million, indicating healthy cash flow.

Figure 1: CRO R&D Personnel

Source: Corporate financial statements, uSMART.

Figure 2: CRO Clients

Source: Corporate financial statements, uSMART.

In 2025H1, the company delivered 8,023 new protein structures (cumulative deliveries exceeding 90,739) and 89 new independent drug targets (cumulative research covering over 2,187 targets). Additionally, new molecular modalities (including peptides, antibodies, XDC, PROTAC/molecular glues, etc.) accounted for approximately 15.0% of CRO revenue during the period (up 19% YoY). This demonstrates that new molecular modalities are gradually becoming a key driver of CRO revenue growth. Notably, the company's utilization of synchrotron radiation source decreased to 834 hours, reflecting improved R&D and operational efficiency.

Figure 3: Cumulative Protein Structures Delivered

Source: Corporate financial statements, uSMART.

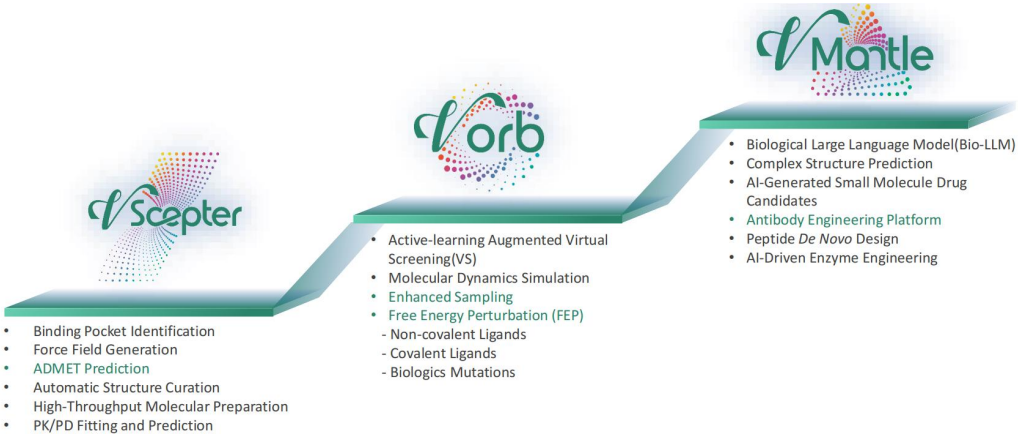
Figure 4: Cumulative Drug Targets Researched

Source: Corporate financial statements, uSMART.

The company recognizes the critical role of AI in drug discovery. The improved efficiency and success rates through a combined dry/wet experiment approach, drives continuous growth in the number and scale of new projects. As of 2025H1, AIDD has been applied in 175 projects, with 67 clients purchasing CADD/AIDD. AI-enabled projects have contributed to nearly 10.0% of the revenue of CRO segment, and the company has reached well-known collaboration cases on packaged AI discovery solutions in certain niche segments, along with strategic partnerships with domestic pharmaceutical companies. For technology platform development and expansion, through years of accumulation and development, Viva's AI technology is now empowering its entire drug discovery platform. Its current AI capabilities cover the full workflow of FIC drug discovery, gradually transforming the logic of drug discovery through end-to-end capability integration. Focusing on New Target, Novel MOA and New Modality, Viva has developed unique AI capabilities, advancing its one-stop innovative drug R&D service platform from "AI-assisted" to "AI-driven" development.

Furthermore, in May 2025, the company successfully held the "Enchantment of Drug Discovery" launch event, where it unveiled its self-developed AIDD platform for the first time. The event provided in-depth insights into the platform's unique advantages, its disruptive innovation to traditional drug discovery workflows, and its three core functional modules of V-Scepter, V-Orb and V-Mantle. Through case demonstrations, the company further showcased the platform's boundless potential in real-world applications, preparing itself for obtaining AI-related orders in the future.

Figure 5: Three Core Modules of Viva's AIDD



Source: Corporate financial statements, uSMART.

2. CDMO Segment: Fully Prepared for Commercialization, Poised for Growth

Viva's acquisition of Langhua serves as a strategic foothold for its entry into the CDMO business. In 2025H1, the company's CDMO business generated revenue of CNY 409.0 million (down 31.4% YoY). Gross profit reached CNY 147.5 million (down 14.2% YoY), while the gross margin significantly improved to 35.9%. The main reasons for such a decline are as follows: (i) to better meet FDA audit requirements for new commercialization projects, upgrades were made to existing workshops, temporarily affecting revenue from generic drug products during the Reporting Period; (ii) the supply chain business (intermediates and formulations) experienced fluctuations due to geopolitical factors in Southeast Asia, India and Pakistan; and (iii) new CDMO commercialization projects, based on client schedules, are set to commence delivery and generate revenue in the second 2025H2. As of 2025H1, the company had served a total of 905 clients, with the top ten clients accounting for 68.3% of its total revenue and a 100.0% retention rate of top ten clients. In addition to revenue contribution from its existing commercialization projects, Viva's CDMO business has two important new commercialization projects currently in the process performance qualification (PPQ) stage, which are expected to be commercially launched in 2026 and 2027 respectively, providing a new growth driver to its CDMO business in the future.

With respect to production capacity, the company's current available total capacity has reached 860 cubic meters, which is sufficient to support the production needs of new commercialization projects over the next two years. Additionally, the company is constructing a new production capacity of 400 cubic meters to meet future demand for increased volume of commercial production of new molecules. The civil engineering work and internal fire control facilities have been completed. For equipment procurement, it is in process of equipment selection, while procurement for certain equipment has started. This endeavor will provide sufficient assurance for the company's revenue growth with the launch of new products and release of reserved capacity.

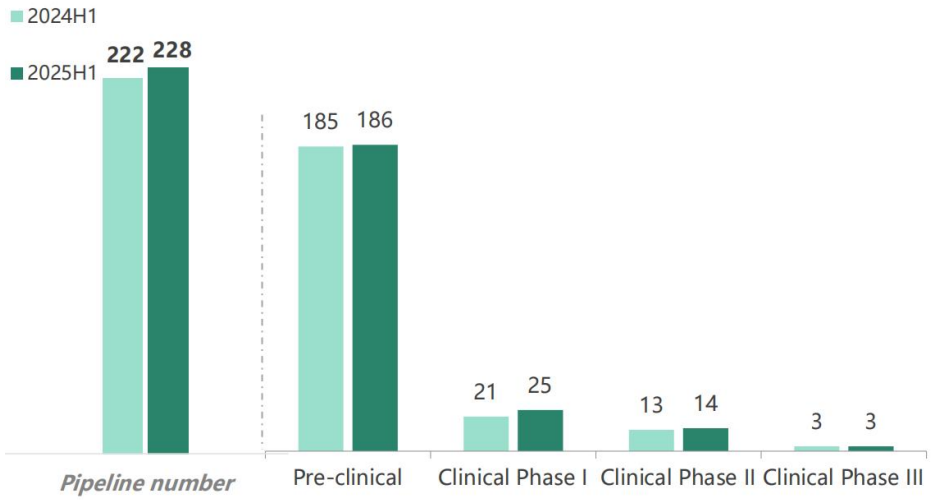
3. Viva Realized Partial Investment Returns and Participated in the Establishment of a CNY-denominated fund.

Viva operates the EFS business through its subsidiary VBI. The company achieved investment exits from various portfolio companies, realizing corresponding investment returns and generating total proceeds of nearly CNY 76.5 million. As of 2025H1, the company had invested in a total of 93 portfolio companies. 8 of them completed or were close to a new round of financing, raising approximately USD 293.6 million in total. The R&D efforts of the portfolio companies were advancing smoothly, with the total number of pipeline projects reaching close to 228, of which 186 pipelines are in the preclinical stage and 42 pipelines are in the clinical stage. So far, the company has successfully realized 18 investment exits or partial exits. Furthermore, the company may have several potential exits of portfolio companies, which are expected to be gradually realized in the future.

Viva has successfully invested in a series of high-quality assets, including portfolio companies such as Haya, Mediar, Nerio, Full-Life, Absci, Dogma, Arthrosi, Basking, Cybrexa and FuseBio. In the future, as these portfolio companies continue to develop successfully, secure ongoing financing, and realize exits, the initial investments will gradually enter the harvesting phase, providing sustained cash returns and investment income for the company.

In addition, on May 28, 2025, Hangzhou Viva Zongchen (a wholly-owned subsidiary of the company) participated as a limited partner in the establishment and investment of a CNY-denominated fund, and is expected to contribute CNY 25.0 million. The fund aims to seek investment with a focus on biopharmaceutical businesses to incubate and develop high quality pharmaceutical ventures, and further enable the company to seek potential strategic partners and create synergies.

Figure 6: Progress of Pipelines of Viva's Incubated Companies



Source: Corporate financial statements, uSMART.

4. Financial Forecast

Table 1: Viva's Consolidated Statement and Forecast

	2022A	2023A	2024A	2025H1	2025E	2026E	2027E	2028E
Revenue (CNY million)	2380	2156	1987	832	1912	2176	2478	2820
-Drug Discovery Services (including VBI)	895	845	811	423	912	1026	1155	1299
-CDMO and Commercialization Services	1485	1311	1176	409	1000	1150	1323	1521
Cost of sales (CNY million)	(1564)	(1417)	(1285)	(492)	(1147)	(1278)	(1424)	(1583)
-Drug Discovery Services	(498)	(481)	(454)	(231)	(502)	(554)	(612)	(675)
-CDMO and Commercialization Services	(1066)	(936)	(831)	(262)	(645)	(724)	(812)	(908)
Gross profit	816	738	687	339	765	898	1054	1237
-Drug Discovery Services	397	364	357	192	410	472	543	624
-CDMO and Commercialization Services	418	375	330	147	355	426	511	613
Gross margin	34.3%	34.3%	34.6%	40.8%	40.0%	41.3%	42.5%	43.9%
-Drug Discovery Services	44.4%	43.1%	44.0%	45.4%	45.0%	46.0%	47.0%	48.0%
-CDMO and Commercialization Services	28.1%	28.6%	28.1%	35.9%	35.5%	37.0%	38.6%	40.3%
Other income and gains (CNY million)	68	87	82	25	76	87	99	113
Selling and distribution expenses (CNY million)	(131)	(133)	(112)	(58)	(96)	(109)	(124)	(141)
Administrative expenses (CNY million)	(274)	(277)	(252)	(126)	(229)	(261)	(297)	(338)
R&D expenses (CNY million)	(136)	(128)	(88)	(40)	(76)	(87)	(99)	(113)
Fair value gain on financial assets FVTPL (CNY million)	(364)	(12)	84	53	50	50	50	50
Net impairment losses on financial assets (CNY million)	(9.4)	(8.1)	(6)	0	(8)	(8)	(8)	(8)
Other expenses (CNY million)	(254)	(322)	(45)	(3)	(48)	(54)	(62)	(71)
Financial costs (CNY million)	(185)	(177)	(54)	(19)	(67)	(76)	(87)	(99)
Fair value gain on financial liabilities FVTPL (CNY million)	10	174	0	0	0	0	0	0
EBT (CNY million)	(459)	(56)	296	172	367	440	526	630
Income tax expense (CNY million)	(45)	(44)	(74)	(23)	(55)	(66)	(79)	(95)
Net profit (CNY million)	(504)	(100)	222	149	312	374	447	535
Net profit margin	(21.2%)	(4.6%)	11.2%	17.9%	16.3%	17.2%	18.0%	19.0%
Amortization of acquired assets (CNY million)	48	48	48	24	48	48	48	48
Impairment losses on Property, Plant, and Equipment (CNY million)	5	0	31	0	0	0	0	0
Subsidiary's share incentive expenses (CNY million)	0	0	12	11	12	12	12	12
Transaction costs of restructuring (CNY million)	0	37	2	0	0	0	0	0
Interest expenses of convertible bonds (CNY million)	140	124	0	0	0	0	0	0
Fair value gain on	(10)	0	0	0	0	0	0	0

convertible bonds (CNY million)								
Loss on repurchase of convertible bonds (CNY million)	45	223	0	0	0	0	0	0
Foreign exchange loss (CNY million)	146	51	0	0	0	0	0	0
Adjusted net profit (CNY million)	(134)	209	315	183	356	415	485	569
Diluted EPS (CNY)	(0.08)	0.09	0.09	0.06	0.16	0.18	0.21	0.25

Source：Corporate financial statements, uSMART.

Ratings and related definitions

Company short-term ratings

Stock ratings of Buy, Hold and Sell have a time horizon of 6 months from the publishing date of the initiation or subsequent rating/price target change report issued for the subject company's stock.

Buy - The subject company's stock price should outperform the typical benchmark market index (eg. HSI) by 20% or above.
Hold - The subject company's stock price should outperform the typical benchmark market index by 5-20%.
Neutral - The subject company's stock price change is within ±5% compared to the benchmark index.
Rating Suspended - No judgment is made on the company's stock performance in the next 12 months.

Company long-term ratings

A - The company's long-term growth potential is above the industry comparable average level.
B - The company's long-term growth potential is in line with the industry comparable average level.
C - The company's long-term growth potential is below the industry comparable average level.

Sector ratings and definitions

Over the 6-month period from the publishing date of the initiation or subsequent rating/price target change, the performance of the industry index relative to the concurrent market benchmark (HSI) is used as the standard:

Overweight - The industry fundamentals are favorable, and the industry index outperforms the benchmark by more than 10%.
Neutral - The industry fundamentals are stable, and the industry index moves within ±5% of the benchmark.
Underweight - The industry fundamentals are weak, and the industry index is expected to underperform the benchmark by more than -10%.

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