Innovent Biologics (1801 HK)

Strategic partnership with Takeda to develop global R&D and commercial capability

Innovent has announced a global strategic partnership with Takeda on several key oncology assets, including IBI363 (PD-1/IL-2), IBI343 (CLDN18.2 ADC), and potentially IBI3001 (EGFR/B7H3 ADC). This partnership is designed to expand Innovent's global footprint, while strengthening Takeda's solid tumor pipeline. Under the agreement, Takeda will lead global development of IBI363, with Innovent sharing 40% of the development costs. The two companies will co-commercialize IBI363 in the US, with Innovent retaining 40% of the commercial rights. For IBI343, Takeda will hold global rights outside China. Takeda will also receive an option to license IBI3001 for markets outside China. Innovent will receive a total upfront payment of US$1.2bn, including a US$100mn equity investment at HK$112.56 per share. The deal includes potential milestone payments, bringing the total value to US$11.4bn, plus additional royalties.

- **A landmark step for Innovent to expand global presence.** Innovent aims to evolve into a fully integrated biopharma organization with global R&D and commercial capabilities, targeting the advancement of at least five assets into global Ph3 MRCTs by 2030. Innovent has established a discovery research lab in the US and plans to scale its US R&D team to 100-200 by 2026. While the associated investment is expected to be substantial, we believe the long-term strategic and commercial upside could be considerable if successfully executed. As of Jun 2025, Innovent remained well-capitalized with a cash balance of US$2.1bn, providing a solid financial foundation to support its global ambitions.
- **To bolster Takeda's oncology pipeline in the solid tumor space**. In fiscal 2024, Takeda reported total revenue of US$30bn, including US$3.7bn from oncology, mainly contributed by solid tumor assets such as leuprorelin (US$0.8bn) and fruquintinib (US$0.3bn), alongside contributions from other hematology products. The partnership with Innovent is expected to bolster Takeda's oncology pipeline with next-generation immuno-oncology assets. As of Jun 2025, Takeda had a cash balance of US$2.3bn and total debt of US$29.7bn. In fiscal 2024, Takeda recorded free cash flow of US$5.1bn.
- **IBI363 and IBI343 entering into late-stage global development**. IBI363 (PD-1/IL-2) has demonstrated competitive PFS and survival benefit in IO-resistant sq- and nsq-NSCLC, as well as encouraging activity in cold tumors such as melanoma and MSS colorectal cancer (*CMBI report, link*). Innovent is conducting a global Ph3 MRCT for IBI363 in IO-resistant sq-NSCLC across the US and China, and plans to initiate a Ph3 trial in 3L MSS CRC in China in 2H25. The Company is also exploring earlier lines of therapy for IBI363, with Ph1b/2 PoC data in front-line NSCLC and CRC expected in 2026. Meanwhile, IBI343 (CLDN18.2 ADC) has entered Ph3 for 3L+ PDAC in China, in addition to its ongoing Ph3 study in 3L+ gastric cancer in Japan/China. Subject to positive PoC results, Innovent/Takeda also plan to initiate global Ph3 MRCTs in first-line GC and PDAC.
- **Maintain BUY.** We look forward to the further global development of IBI363 and IBI343. To factor in the new partnership, we revise our DCF-based TP from HK$109.48 to HK$110.62 (WACC: 9.5%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,206	9,422	16,092	18,214	19,893
YoY growth (%)	36.2	51.8	70.8	13.2	9.2
Net profit (RMB mn)	(1,027.9)	(94.6)	4,384.0	4,460.4	2,977.7
EPS (Reported) (RMB)	(0.66)	(0.06)	2.55	2.59	1.73
R&D expenses (RMB mn)	(2,228)	(2,681)	(2,560)	(3,410)	(4,367)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$110.62**
(Previous TP	HK$109.48)
Up/Downside	**29.8%**
Current Price	**HK$85.20**

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Stock Data

Mkt Cap (HK$ mn)	146,581.0
Avg 3 mths t/o (HK$ mn)	1,852.0
52w High/Low (HK$)	107.00/30.00
Total Issued Shares (mn)	1720.4

Source: FactSet

Shareholding Structure

Temasek Holdings	7.9%
Capital Group	6.9%

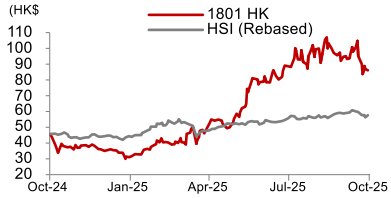
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-10.0%	-8.1%
3-mth	-2.7%	-5.2%
6-mth	62.4%	35.9%

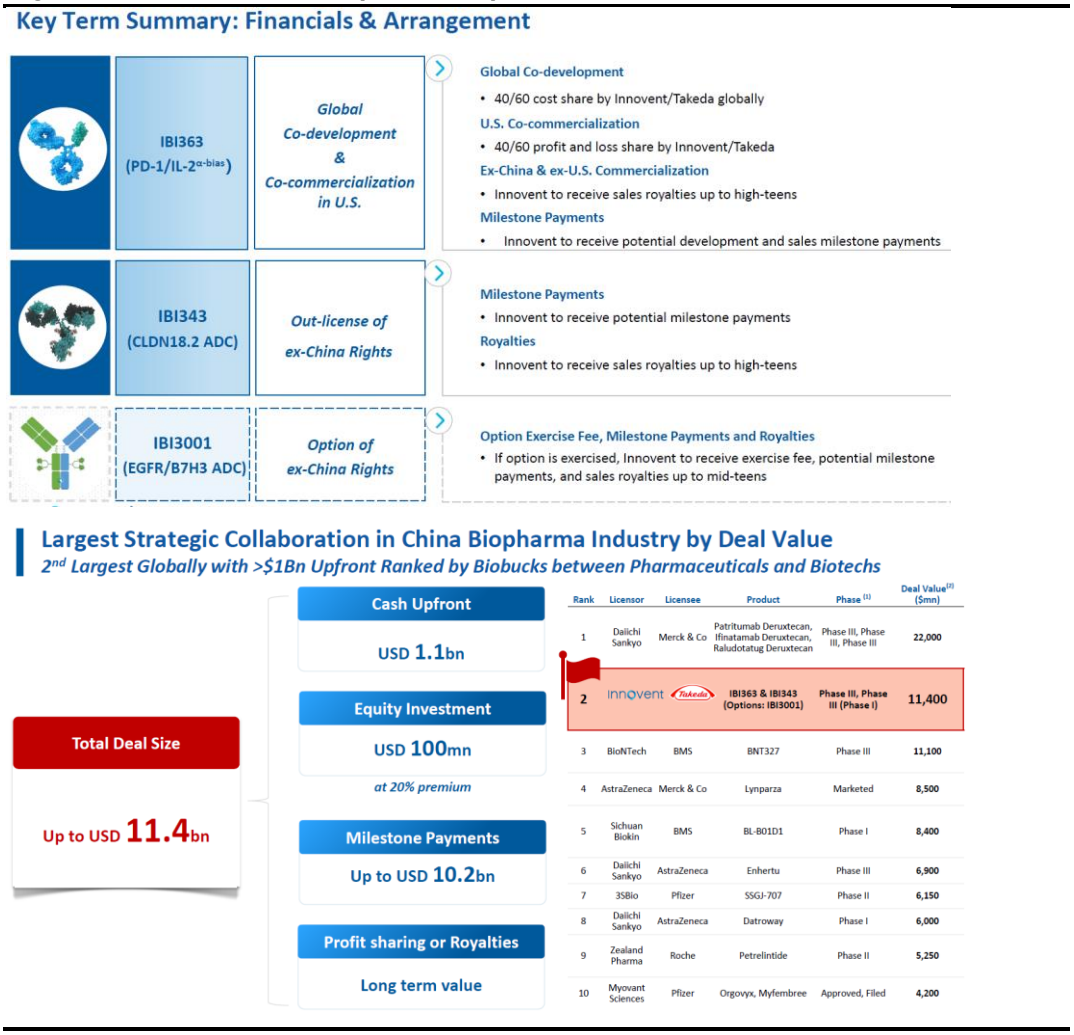
Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Innovent / Takeda partnership terms



Source: Company data, CMBIGM

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	4,744	4,746	3,111	5,085	4,203	7,371	11,023	14,294	17,688	18,847	19,591
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	4,033	4,034	2,644	4,322	3,573	6,266	9,369	12,150	15,035	16,020	16,652
+ D&A	325	326	326	326	327	327	327	327	327	328	328
- Change in working capital	(449)	(302)	(327)	(676)	(785)	(664)	(537)	(298)	(248)	(280)	(137)
- Capex	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
FCFF	**3,609**	**3,758**	**2,343**	**3,672**	**2,814**	**5,629**	**8,860**	**11,880**	**14,814**	**15,767**	**16,543**
Terminal value											**313,310**
FCF + Terminal value	**3,609**	**3,758**	**2,343**	**3,672**	**2,814**	**5,629**	**8,860**	**11,880**	**14,814**	**15,767**	**329,852**

PV of enterprise (RMB mn)	160,851
Net debt (RMB mn)	(14,238)
Equity value (RMB mn)	175,089
Equity value (HK$ mn)	190,314
No. of outstanding shares (mn)	1,720
DCF per share (HK$)	**110.62**
Terminal growth rate	**4.0%**
WACC	**9.5%**
Cost of equity	13.0%
Cost of debt	3.5%
Equity beta	1.00
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$)

		WACC				
		8.5%	9.0%	9.5%	10.0%	10.5%
Terminal growth rate	5.0%	167.80	145.21	127.73	113.83	102.52
	4.5%	151.20	132.89	118.32	106.47	96.67
	4.0%	138.30	123.03	**110.62**	100.35	91.71
	3.5%	127.98	114.97	104.21	95.16	87.47
	3.0%	119.54	108.26	98.78	90.72	83.79

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates: new vs old

	NEW			OLD			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,092	18,214	19,893	12,180	14,299	18,805	32%	27%	6%
Gross profit	14,311	16,099	17,163	10,400	12,151	15,984	38%	32%	7%
Operating profit	6,157	6,450	5,003	2,173	2,891	4,410	183%	123%	13%
Net profit	4,384	4,460	2,978	997	1,436	2,474	340%	211%	20%
EPS (RMB)	2.55	2.59	1.73	0.58	0.84	1.44	338%	209%	20%
Gross margin	88.94%	88.39%	86.28%	85.38%	84.97%	85.00%	+3.55 ppt	+3.42 ppt	+1.28 ppt

Source: Company data, CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,092	18,214	19,893	12,279	15,413	19,392	31%	18%	3%
Gross profit	14,311	16,099	17,163	10,448	13,141	16,561	37%	23%	4%
Operating profit	6,157	6,450	5,003	979	1,940	3,621	529%	232%	38%
Net profit	4,384	4,460	2,978	963	1,751	3,152	355%	155%	-6%
EPS (RMB)	2.55	2.59	1.73	0.56	1.04	1.86	355%	150%	-7%
Gross margin	88.94%	88.39%	86.28%	85.09%	85.26%	85.40%	+3.85 ppt	+3.13 ppt	+0.88 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**4,556**	**6,206**	**9,422**	**16,092**	**18,214**	**19,893**
Cost of goods sold	(931)	(1,136)	(1,510)	(1,781)	(2,115)	(2,730)
Gross profit	**3,625**	**5,070**	**7,912**	**14,311**	**16,099**	**17,163**
Operating expenses	**(5,796)**	**(6,214)**	**(7,990)**	**(9,154)**	**(10,852)**	**(13,660)**
Selling expense	(2,591)	(3,101)	(4,347)	(5,564)	(6,002)	(7,097)
Admin expense	(835)	(750)	(738)	(835)	(1,010)	(1,328)
R&D expense	(2,871)	(2,228)	(2,681)	(2,560)	(3,410)	(4,367)
Others	502	(136)	(224)	(195)	(429)	(867)
Pre-tax profit	**(2,170)**	**(1,144)**	**(79)**	**5,158**	**5,248**	**3,503**
Income tax	(9)	116	(16)	(774)	(787)	(525)
Minority interest	0	0	0	0	0	0
Net profit	**(2,179)**	**(1,028)**	**(95)**	**4,384**	**4,460**	**2,978**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**11,507**	**13,428**	**10,273**	**19,983**	**25,166**	**28,966**
Cash & equivalents	9,163	10,052	7,508	16,696	21,498	24,822
Account receivables	575	1,006	1,184	1,650	1,868	2,040
Inventories	1,429	968	822	878	1,043	1,346
Financial assets at FVTPL	3	918	376	376	376	376
Other current assets	337	484	383	383	383	383
Non-current assets	**6,082**	**7,199**	**11,330**	**11,304**	**11,279**	**11,253**
PP&E	3,411	4,290	5,280	5,286	5,292	5,298
Intangibles	1,198	1,270	1,283	1,283	1,283	1,283
Other non-current assets	1,472	1,639	4,768	4,736	4,704	4,673
Total assets	**17,589**	**20,627**	**21,603**	**31,287**	**36,445**	**40,219**
Current liabilities	**3,499**	**4,477**	**4,369**	**4,442**	**4,522**	**4,671**
Short-term borrowings	888	1,195	405	405	405	405
Account payables	326	373	358	430	511	660
Tax payable	3	0	0	0	0	0
Other current liabilities	2,282	2,909	3,606	3,606	3,606	3,606
Non-current liabilities	**3,360**	**3,623**	**4,116**	**4,119**	**4,123**	**4,126**
Long-term borrowings	2,215	2,327	2,412	2,412	2,412	2,412
Obligations under finance leases	99	73	5	8	12	15
Other non-current liabilities	1,046	1,223	1,699	1,699	1,699	1,699
Total liabilities	**6,859**	**8,100**	**8,485**	**8,561**	**8,645**	**8,797**
Share capital	0	0	0	0	0	0
Other reserves	10,730	12,527	13,118	22,726	27,800	31,422
Total shareholders equity	**10,730**	**12,528**	**13,118**	**22,726**	**27,800**	**31,422**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**17,589**	**20,627**	**21,603**	**31,287**	**36,445**	**40,219**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(2,162)**	**(1,261)**	**(63)**	**5,931**	**6,035**	**4,029**
Depreciation & amortization	245	276	293	294	294	294
Tax paid	(9)	116	(16)	(774)	(787)	(525)
Change in working capital	295	403	404	(449)	(302)	(327)
Others	(327)	511	703	(568)	(641)	(238)
Net cash from operations	**(1,958)**	**46**	**1,322**	**4,435**	**4,599**	**3,232**
Investing						
Capital expenditure	(897)	(1,119)	(966)	(300)	(300)	(300)
Acquisition of subsidiaries/ investments	(79)	na	na	na	na	na
Net proceeds from disposal of short-term investments	(583)	(358)	(366)	0	0	0
Others	768	478	167	484	573	463
Net cash from investing	**(790)**	**na**	**na**	**na**	**na**	**na**
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	715	418	(704)	0	0	0
Proceeds from share issues	2,131	2,255	84	4,640	0	0
Others	46	(86)	14	(71)	(71)	(71)
Net cash from financing	**2,892**	**2,587**	**(607)**	**4,569**	**(71)**	**(71)**
Net change in cash						
Cash at the beginning of the year	1,359	9,163	10,052	7,508	16,696	21,498
Exchange difference	119	(7)	13	0	0	0
Cash at the end of the year	**9,163**	**10,052**	**7,508**	**16,696**	**21,498**	**24,822**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	6.7%	36.2%	51.8%	70.8%	13.2%	9.2%
Gross profit	(3.7%)	39.8%	56.1%	80.9%	12.5%	6.6%
Net profit	na	na	na	na	1.7%	(33.2%)

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.6%	81.7%	84.0%	88.9%	88.4%	86.3%
Return on equity (ROE)	(20.7%)	(8.8%)	(0.7%)	24.5%	17.7%	10.1%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.6)	(0.4)	(0.6)	(0.7)	(0.7)
Current ratio (x)	3.3	3.0	2.4	4.5	5.6	6.2
Receivable turnover days	61.8	46.5	42.4	37.4	37.4	37.4
Inventory turnover days	544.2	385.0	216.3	180.0	180.0	180.0
Payable turnover days	102.1	112.1	88.2	88.2	88.2	88.2

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	30.6	30.1	45.1
P/B	11.1	9.7	9.7	5.9	4.8	4.3

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

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