

CSPC Pharmaceutical (1093 HK)

Landmark BD deal to drive long-term growth

- **Landmark US\$18.5bn+ out-licensing deal with AstraZeneca.** CSPC has entered into a strategic collaboration with AstraZeneca (AZ) to advance eight weight management and type 2 diabetes programs. This partnership complements AZ's existing pipeline which includes oral GLP1RA, injectable amylin RA and GLP-1/GCGR assets, while significantly validating CSPC's proprietary AI-driven discovery and sustained-release monthly dosing peptide platforms. The agreement grants AstraZeneca exclusive global rights (excluding Greater China) to a portfolio of innovative long-acting peptide medicines, anchored by SYH2082 (a clinical-ready long-acting GLP1R/GIPR agonist) and comprising three obesity-related preclinical assets plus four future new programs. Under the terms, CSPC will lead development through PhI completion for the initial assets. The transaction features a substantial US\$1.2bn upfront payment, potential milestones totaling up to US\$17.3bn, and double-digit royalties.
- **Sustainable out-licensing income stream.** Beyond the recent landmark partnership with AZ, CSPC has established a strong track record of business development (BD). Since late 2024, the Company has signed six out-licensing agreements covering a diverse array of assets—including an Lp(a) inhibitor, MAT2A inhibitor, ROR1 ADC, oral GLP-1, irinotecan liposome, and an AI-driven small molecule discovery platform. These transactions continuously validate CSPC's drug discovery capabilities. Furthermore, CSPC has cultivated a deep pipeline containing several late-stage or differentiated candidates which we believe hold high out-licensing potential, such as B7-H3 ADC, PD-1/IL-15 bsAb, GFRAL mAb, and ActRII mAb. In our view, CSPC is on track to generate a sustainable and recurring stream of BD income over the medium to long term.
- **Sales mildly recovered in 3Q25.** CSPC reported total revenue of RMB19.9bn for 9M25, including RMB1.54bn in out-licensing (BD) income. Excluding BD contributions, core revenue reached RMB18.4bn, down 19% YoY. However, signs of recovery emerged in 3Q25, with core revenue (ex-BD) returning to growth, increasing 4.2% QoQ. Modest sequential improvement was observed across key therapeutic areas, including neurology, oncology, anti-infectives, and cardiovascular products. Looking ahead, we expect drug sales to stabilize in 2026E. On the cost side, the selling expense ratio shrank significantly from 29.2% in 9M24 to 24.1% in 9M25. Meanwhile, R&D investment remained the Company's priority, with R&D expenses rising 7.9% YoY to RMB4.2bn in 9M25 (21.0% R&D expense ratio). We also anticipate a sustainable dividend payout, supported by upfront payments from recent BD deals.
- **Maintain BUY.** CSPC's BD deals will be a key sustainable driver of earnings growth. Considering the landmark deal with AZ, we revise up our earnings forecasts in model and adjust our DCF-based TP from HK\$11.05 to HK\$13.93 (WACC 9.34%, terminal growth 3.0%).
- **Risks:** Pipeline advancement delays; negative impact from VBP on commercial products.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	31,450	29,009	26,949	28,628	30,656
YoY growth (%)	1.7	(7.8)	(7.1)	6.2	7.1
Net profit (RMB mn)	6,072.7	4,338.8	4,945.1	6,634.5	8,514.1
YoY growth (%)	(2.6)	(28.6)	14.0	34.2	28.3
EPS (Reported) (RMB)	0.49	0.37	0.43	0.57	0.73
P/E (x)	17.3	23.2	20.1	14.9	11.6
Net gearing (%)	(37.3)	(23.5)	(30.1)	(32.6)	(35.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$13.93
(Previous TP)	HK\$11.05)
Up/Downside	45.1%
Current Price	HK\$9.60

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Stock Data

Mkt Cap (HK\$ mn)	114,405.2
Avg 3 mths t/o (HK\$ mn)	1,042.9
52w High/Low (HK\$)	11.48/4.46
Total Issued Shares (mn)	11917.2

Source: FactSet

Shareholding Structure

Cai Dongchen	11.3%
Massive Giant Group Ltd	10.6%

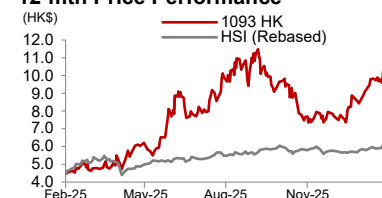
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	12.9%	6.6%
3-mth	28.5%	23.3%
6-mth	-5.0%	-12.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Out-licensing deals of CSPC

Date	Partner	Products	Upfront payment (US\$mn)	Milestone (development + sales) & royalties	Regions	Sources
2026.01.30	AstraZeneca	Weight management portfolio, (eight programs including SYH2082, based on the AI-driven peptide drug discovery platform and once-monthly dosing platform)	1,200	US\$17.3bn & royalties	Outside of Greater China	Link
2025.07.30	Madrigal	SYH2086 (Oral GLP-1 at pre-clinical stage)	120	US\$1,955mn & royalties	Global	Link
2025.6.13	AstraZeneca	AI-driven oral small molecule drug discovery platform	110	US\$1,620+3,600mn & royalties	Global	Link
2025.5.15	Cipla USA	Irinotecan liposome injection	15	US\$25+1,025mn & royalties	US	Link
2025.2.18	Radiance Biopharma	SYS6005 (ROR1 ADC)	15	US\$150+1,075mn & royalties	US, EU, UK, Switzerland, Norway, Iceland, Liechtenstein, Albania, Montenegro, North Macedonia, Serbia, Australia, and Canada.	Link
2024.12.12	BeOne	SYH2039 (MAT2A inhibitor)	150	US\$135+1,550mn & royalties	Global	Link
2024.10.7	AstraZeneca	YS2302018 (lipoprotein (a) inhibitor)	100	US\$370+1,550mn & royalties	Global	Link
2023.2.23	Corbus Pharma	SYS6002 (Nectin-4 ADC)	8	US\$130+555mn & royalties	US, EU, UK, Canada, etc	Link
2022.7.28	Elevation Oology	SYSA1801 (Claudin18.2 ADC)	27	US\$148+1,020mn & royalties	Outside of Greater China	Link
2021.8.17	Flame Biosciences	NBL-015 (Claudin 18.2 mAB)	8	US\$172.5+460mn & royalties	Outside of Greater China	Link

Source: Company data, CMBIGM

Figure 2: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	8,171	10,430	11,160	11,885	12,598	13,291	13,956	14,584	15,167	15,698
Tax rate	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
EBIT*(1-tax rate)	6,746	8,611	9,214	9,813	10,402	10,974	11,522	12,041	12,523	12,961
+ D&A	1,336	1,336	1,430	1,523	1,614	1,703	1,788	1,868	1,943	2,011
- Change in working capital	(678)	(862)	(922)	(982)	(1,041)	(1,098)	(1,153)	(1,205)	(1,253)	(1,297)
- Capex	(2,015)	(2,015)	(2,015)	(2,015)	(2,015)	(2,015)	(2,015)	(2,015)	(2,015)	(2,015)
FCFF	5,389	7,070	7,706	8,338	8,960	9,563	10,142	10,689	11,197	11,660
Terminal value										189,350
Terminal growth rate	3.00%									
WACC	9.34%									
Cost of Equity	13.00%									
Cost of Debt	3.00%									
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)	77,513									
Total PV (RMB mn)	131,856									
Net debt (RMB mn)	(12,473)									
Minority interests (RMB mn)	1,494									
Equity value (RMB mn)	142,835									
# of shares (mn)	11,522									
DCF per share (in HK\$)	13.93									

Source: CMBIGM estimates

Figure 3: Sensitivity analysis (HK\$)

		WACC				
		8.34%	8.84%	9.34%	9.84%	10.34%
Terminal growth rate	4.00%	18.86	16.97	15.43	14.16	13.09
	3.50%	17.55	15.94	14.62	13.50	12.55
	3.00%	16.48	15.09	13.93	12.94	12.08
	2.50%	15.59	14.38	13.34	12.45	11.67
	2.00%	14.85	13.77	12.84	12.03	11.31

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates: New vs Old

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	26,949	28,628	30,656	26,949	27,997	29,323	0.0%	2.3%	4.5%
Gross profit	17,712	19,505	21,736	17,712	18,378	19,487	0.0%	6.1%	11.5%
Operating profit	6,078	8,171	10,430	6,078	6,723	7,233	0.0%	21.5%	44.2%
Attributable net profit	4,907	6,583	8,449	4,907	5,397	5,830	0.0%	22.0%	44.9%
EPS (RMB)	0.43	0.57	0.73	0.43	0.47	0.51	0.0%	22.0%	44.9%
Gross margin	65.72%	68.13%	70.91%	65.72%	65.64%	66.46%	0ppt	+2.49ppt	+4.45ppt
Operating margin	22.55%	28.54%	34.02%	22.55%	24.01%	24.67%	0ppt	+4.53ppt	+9.36ppt
Net margin	18.21%	23.00%	27.56%	18.21%	19.28%	19.88%	0ppt	+3.72ppt	+7.68ppt

Source: Company data, CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	26,949	28,628	30,656	27,874	29,500	30,916	-3.3%	-3.0%	-0.8%
Gross profit	17,712	19,505	21,736	18,754	20,048	20,977	-5.6%	-2.7%	3.6%
Operating profit	6,078	8,171	10,430	5,944	6,601	6,606	2.3%	23.8%	57.9%
Attributable net profit	4,907	6,583	8,449	4,937	5,081	5,305	-0.6%	29.6%	59.3%
EPS (RMB)	0.43	0.57	0.73	0.43	0.45	0.46	-1.4%	28.4%	60.8%
Gross margin	65.72%	68.13%	70.91%	67.28%	67.96%	67.85%	-1.56ppt	+0.17ppt	+3.06ppt
Operating margin	22.55%	28.54%	34.02%	21.32%	22.38%	21.37%	+1.23ppt	+6.17ppt	+12.65ppt
Net margin	18.21%	23.00%	27.56%	17.71%	17.22%	17.16%	+0.5ppt	+5.77ppt	+10.4ppt

Source: 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	26,949	28,628	30,656
Cost of goods sold	(8,680)	(9,273)	(8,711)	(9,237)	(9,123)	(8,919)
Gross profit	22,256	22,177	20,299	17,712	19,505	21,736
Selling expense	(10,337)	(9,141)	(8,662)	(6,460)	(6,164)	(6,194)
Admin expense	(1,173)	(1,190)	(1,080)	(818)	(863)	(867)
R&D expense	(3,987)	(4,830)	(5,191)	(5,525)	(5,548)	(5,575)
Others	815	421	346	1,168	1,241	1,329
Operating profit	7,574	7,437	5,712	6,078	8,171	10,430
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Share of (losses)/profits of associates/JV	33	(21)	(89)	(53)	(100)	(100)
Net Interest income/(expense)	(25)	(26)	(44)	(36)	(35)	(18)
Pre-tax profit	7,582	7,389	5,579	5,990	8,036	10,312
Income tax	(1,350)	(1,317)	(1,240)	(1,044)	(1,401)	(1,798)
Minority interest	141	199	11	38	51	66
Net profit	6,232	6,073	4,339	4,945	6,635	8,514
Gross dividends	2,097	2,726	2,597	2,454	3,292	4,224
Net dividends	9	(4)	(26)	13	34	28

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,957	26,745	21,888	24,229	26,777	30,182
Cash & equivalents	10,298	12,015	6,777	9,671	11,655	14,403
Account receivables	4,631	6,542	6,048	5,618	5,968	6,391
Inventories	2,555	3,139	3,130	3,319	3,278	3,205
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	4,314	4,568	4,876
Non-current assets	17,813	19,537	22,501	23,180	23,859	24,538
PP&E	9,582	10,417	11,374	12,366	13,358	14,350
Deferred income tax	113	187	250	250	250	250
Intangibles	1,908	2,199	2,610	2,460	2,311	2,162
Goodwill	1,395	1,226	1,128	965	801	637
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	47,409	50,636	54,720
Current liabilities	8,958	10,183	9,634	10,155	10,031	9,817
Short-term borrowings	153	450	392	383	374	365
Account payables	6,864	8,404	7,409	7,857	7,760	7,587
Tax payable	262	379	138	138	138	138
Other current liabilities	1,679	948	1,695	1,777	1,759	1,728
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	11,043	10,920	10,706
Share capital	10,899	10,899	11,033	11,139	11,246	11,352
Other reserves	19,298	22,304	21,232	23,685	26,977	31,201
Total shareholders equity	30,198	33,203	32,265	34,825	38,223	42,554
Minority interest	1,444	1,815	1,602	1,541	1,494	1,461
Total equity and liabilities	41,770	46,282	44,389	47,409	50,636	54,720

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,582	7,389	5,579	5,990	8,036	10,312
Depreciation & amortization	1,048	1,114	1,336	1,336	1,336	1,336
Tax paid	(1,335)	(1,309)	(1,693)	(1,044)	(1,401)	(1,798)
Change in working capital	798	(3,032)	(817)	1,082	(678)	(862)
Others	(467)	16	130	0	0	0
Net cash from operations	7,627	4,179	4,535	7,363	7,293	8,989
Investing						
Capital expenditure	(2,220)	(1,624)	(2,015)	(2,015)	(2,015)	(2,015)
Acquisition of subsidiaries/ investments	0	0	(80)	0	0	0
Others	(4,576)	2,231	(1,763)	0	0	0
Net cash from investing	(6,796)	607	(3,858)	(2,015)	(2,015)	(2,015)
Financing						
Dividend paid	(2,097)	(2,726)	(3,234)	(2,454)	(3,292)	(4,224)
Net borrowings	486	0	28	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(14)	(200)	(1,579)	0	0	0
Others	(279)	626	(468)	(1)	(1)	(1)
Net cash from financing	(1,904)	(2,301)	(5,253)	(2,455)	(3,293)	(4,225)
Net change in cash						
Cash at the beginning of the year	9,060	10,298	12,015	6,777	9,671	11,655
Exchange difference	14	5	3	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	8,001	12,015	6,777	9,671	11,655	14,403
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	11.0%	1.7%	(7.8%)	(7.1%)	6.2%	7.1%
Gross profit	5.3%	(0.4%)	(8.5%)	(12.7%)	10.1%	11.4%
Operating profit	11.5%	(1.8%)	(23.2%)	6.4%	34.4%	27.6%
Net profit	9.6%	(2.6%)	(28.6%)	14.0%	34.2%	28.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	71.9%	70.5%	70.0%	65.7%	68.1%	70.9%
Operating margin	24.5%	23.6%	19.7%	22.6%	28.5%	34.0%
Return on equity (ROE)	22.2%	19.2%	13.3%	14.7%	18.2%	21.1%
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	3.1
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	16.7	17.3	23.2	20.1	14.9	11.6
P/E (diluted)	16.7	17.3	23.2	20.1	14.9	11.6
P/B	3.2	2.9	3.0	2.7	2.5	2.2
P/CFPS	13.3	24.3	22.1	13.4	13.5	10.9
Div yield (%)	2.1	2.7	2.6	2.5	3.3	4.3

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

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