

Kelun-Biotech (6990 HK)

Inaugural year of commercialization

Kelun-Biotech marks 2025 as its transformational commercialization inflection year, transitioning from a clinical-stage biotech to a biopharmaceutical company with four approved products and a robust revenue trajectory. The Company reported total revenue of RMB2.06bn (+6.5% YoY), with pharmaceutical product sales contributing RMB543mn—a testament to its nascent but rapidly scaling commercial infrastructure. The strategic milestone of securing NRDL inclusion for three core assets (Sac-TMT, A167, and A140) effective Jan 2026 establishes a solid foundation for volume growth in 2026. Despite the widened net loss of RMB382.0mn in 2025 (compared to RMB266.8mn in 2024) - a natural consequence of concurrent commercial scaling and late-stage clinical trial enrolment - the Company's financial position remained strong. The Company held RMB4.6bn in cash and financial assets as of end-2025, providing ample liquidity to fund domestic commercialization and advance its pipeline.

■ **Strong proof-of-concept for sac-TMT 1L NSCLC with topline China Ph3 results.** The most value-accretive clinical development in 2025 was the success of the China Ph3 trial evaluating Sac-TMT plus pembrolizumab vs. pembrolizumab monotherapy in 1L PD-L1-positive (TPS $\geq 1\%$) NSCLC. This study achieved its primary PFS endpoint, alongside a positive OS trend, with full-data expected at the ASCO meeting in June. This represents the first Ph3 trial globally to demonstrate success for an ADC plus ICI combination in the first-line NSCLC setting - a potential paradigm shift. While the OS endpoint remains the gold standard for successful FDA approvals, sac-TMT is notably the leading TROP2 ADC globally to demonstrate positive OS benefits across multiple indications, including 2L EGFRm NSCLC, 3L EGFRm NSCLC, 2L+ TNBC, and 2L+ HR+/HER2- BC. Meanwhile, the readout of AstraZenca's AVANZAR study in 2H26 evaluating Datoway (Dato-DXd) + Durvalumab and Carboplatin in 1L wild-type NSCLC will likely serve as a critical catalyst for the broader TROP2 ADC landscape.

■ **Sac-TMT is positioned for fast-track FDA approval.** In Jan 2026, Sac-TMT was granted a Commissioner's National Priority Voucher (CNPV) by the FDA. This designation condenses the regulatory review cycle from the standard 10-to-12 months down to an ultra-fast 1-to-2-month window from the application filing date. We expect MSD to potentially submit the initial BLA for Sac-TMT in 2026 for 2L+ endometrial cancer, paving the way for a potential approval in late 2026 or early 2027. To date, MSD has initiated 17 global Ph3 trials spanning breast cancer (4 trials), lung cancer (5 trials), gynecological cancers (6 trials), gastric cancer, and urothelial carcinoma. Given the success of the China Ph3 trial of sac-TMT combined with pembrolizumab in 1L PD-L1-positive NSCLC, we believe MSD may also evaluate the combination potential of sac-TMT with its PD-1/VEGF bispecific in first-line settings.

■ **Maintain BUY.** Factoring in the additional out-licensing of the ITGB6 ADC to Crescent in late 2025, we revised our DCF-based TP from HK\$498.55 to HK\$507.11 (WACC: 8.69%, terminal growth rate: 3.5%, unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	1,933	2,058	2,127	2,747	5,866
YoY growth (%)	25.5	6.5	3.4	29.1	113.6
Net profit (RMB mn)	(266.8)	(382.0)	(689.7)	(457.6)	703.6
EPS (Reported) (RMB)	(1.21)	(1.66)	(2.96)	(1.96)	3.02
R&D expenses (RMB mn)	(1,206)	(1,320)	(1,386)	(1,425)	(2,195)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$507.11
(Previous TP)	HK\$498.55)
Up/Downside	20.5%
Current Price	HK\$421.00

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Stock Data

Mkt Cap (HK\$ mn)	98,171.3
Avg 3 mths t/o (HK\$ mn)	233.0
52w High/Low (HK\$)	577.50/242.00
Total Issued Shares (mn)	233.2

Source: FactSet

Shareholding Structure

Kelun Pharma	68.5%
MSD	6.1%

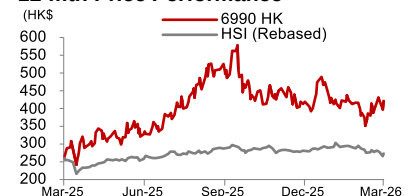
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	3.5%	9.8%
3-mth	0.4%	3.5%
6-mth	-15.5%	-10.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	-703	-436	847	2,898	5,056	7,045	8,755	9,833	10,695	10,368
Tax rate	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	-703	-436	720	2,464	4,297	5,988	7,442	8,358	9,091	8,813
+ D&A	88	96	105	107	109	111	113	114	116	118
- Change in working capital	227	39	339	269	88	135	99	57	35	-27
- Capex	-150	-200	-200	-100	-100	-100	-100	-100	-100	-100
FCFF	-538	-500	963	2,740	4,394	6,134	7,553	8,429	9,142	8,803
Terminal value										175,473
FCF + terminal value	-538	-500	963	2,740	4,394	6,134	7,553	8,429	9,142	184,276

Present value of enterprise (RMB mn) 101,341

Net debt (RMB mn) -2,719

Equity value (RMB mn) 104,060

No. of shares (mn) 233

DCF per share (RMB) 446.25

DCF per share (HK\$) 507.11

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 2: Sensitivity analysis (HK\$)

Terminal growth rate	WACC				
	7.69%	8.19%	8.69%	9.19%	9.69%
4.5%	813.53	692.26	600.18	527.94	469.82
4.0%	720.13	624.05	548.68	488.05	438.26
3.5%	649.02	570.37	507.11	455.16	411.79
3.0%	593.06	527.03	472.83	427.59	389.28
2.5%	547.87	491.31	444.09	404.13	369.90

Source: CMBIGM estimates

Figure 3: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,127	2,747	5,866	1,965	2,850	5,847	8%	-4%	0%
Gross profit	1,588	2,174	4,787	1,581	2,373	5,129	0%	-8%	-7%
Operating profit	-647	-378	907	-593	-419	1,358	9%	-10%	-33%
Net profit	-690	-458	704	-624	-477	1,105	10%	-4%	-36%
EPS (RMB)	(2.96)	(1.96)	3.02	(2.68)	(2.05)	4.74	10%	-4%	-36%
Gross margin	74.64%	79.14%	81.60%	80.47%	83.27%	87.72%	-5.82 ppt	-4.13 ppt	-6.12 ppt

Source: CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,127	2,747	5,866	2,935	4,744	7,272	-28%	-42%	-19%
Gross profit	1,588	2,174	4,787	2,245	3,839	6,002	-29%	-43%	-20%
Operating profit	-647	-378	907	-136	734	2,537	NA	NA	-64%
Net profit	-690	-458	704	-99	710	2,325	NA	NA	-70%
EPS (RMB)	(2.96)	(1.96)	3.02	(0.51)	3.11	9.40	NA	NA	-68%
Gross margin	74.64%	79.14%	81.60%	76.50%	80.93%	82.53%	-1.86 ppt	-1.79 ppt	-0.93 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	1,540	1,933	2,058	2,127	2,747	5,866
Cost of goods sold	(781)	(659)	(579)	(539)	(573)	(1,079)
Gross profit	759	1,274	1,479	1,588	2,174	4,787
Operating expenses	(1,143)	(1,412)	(1,828)	(2,235)	(2,552)	(3,879)
Selling expense	(20)	(183)	(475)	(741)	(950)	(1,397)
Admin expense	(182)	(163)	(179)	(214)	(285)	(399)
R&D expense	(1,031)	(1,206)	(1,320)	(1,386)	(1,425)	(2,195)
Others	90	140	145	106	108	111
Operating profit	(383)	(139)	(350)	(647)	(378)	907
Net Interest income/(expense)	(84)	(4)	(6)	(42)	(80)	(80)
Pre-tax profit	(468)	(143)	(356)	(690)	(458)	828
Income tax	(106)	(124)	(26)	0	0	(124)
After tax profit	(574)	(267)	(382)	(690)	(458)	704
Minority interest	0	0	0	0	0	0
Net profit	(574)	(267)	(382)	(690)	(458)	704

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	2,807	3,493	5,149	5,495	4,964	6,025
Cash & equivalents	1,529	1,337	3,244	4,019	3,497	4,445
Restricted cash	40	7	88	88	88	88
Account receivables	215	304	346	(7)	(26)	(66)
Inventories	63	111	241	164	174	328
Financial assets at FVTPL	634	1,448	935	935	935	935
Other current assets	327	287	296	296	296	296
Non-current assets	702	775	840	902	1,006	1,101
PP&E	608	595	636	742	888	1,027
Right-of-use assets	85	163	123	80	37	(6)
Intangibles	1	3	1	1	1	1
Other non-current assets	8	15	10	10	10	10
Total assets	3,510	4,268	5,989	6,397	5,970	7,127
Current liabilities	1,110	810	1,005	2,103	2,133	2,586
Short-term borrowings	0	0	0	1,300	1,300	1,300
Account payables	523	447	685	483	513	966
Other current liabilities	21	9	18	18	18	18
Lease liabilities	54	42	44	44	44	44
Contract liabilities	511	312	258	258	258	258
Non-current liabilities	70	150	117	117	117	117
Deferred income	65	65	73	73	73	73
Other non-current liabilities	6	85	44	44	44	44
Total liabilities	1,180	959	1,122	2,220	2,250	2,703
Share capital	219	227	233	233	233	233
Other reserves	2,110	3,081	4,634	3,944	3,487	4,190
Total shareholders equity	2,329	3,309	4,867	4,177	3,720	4,423
Total equity and liabilities	3,510	4,268	5,989	6,397	5,970	7,126

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(468)	(143)	(356)	(690)	(458)	828
Depreciation & amortization	75	91	81	88	96	105
Tax paid	0	0	(26)	0	0	(124)
Change in working capital	276	(481)	(52)	227	39	339
Others	177	103	6	42	80	80
Net cash from operations	60	(430)	(346)	(332)	(242)	1,227
Investing						
Capital expenditure	(81)	(77)	(150)	(150)	(200)	(200)
Net proceeds from disposal of short-term investments	(623)	(793)	530	0	0	0
Others	(321)	49	0	0	0	0
Net cash from investing	(1,025)	(822)	380	(150)	(200)	(200)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	(394)	0	0	1,300	0	0
Proceeds from share issues	1,482	1,094	1,777	0	0	0
Others	1,294	(57)	(6)	(42)	(80)	(80)
Net cash from financing	2,382	1,037	1,771	1,258	(80)	(80)
Net change in cash						
Cash at the beginning of the year	93	1,529	1,337	3,244	4,019	3,497
Exchange difference	19	22	0	0	0	0
Cash at the end of the year	1,529	1,337	3,142	4,019	3,497	4,445
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	91.6%	25.5%	6.5%	3.4%	29.1%	113.6%
Gross profit	44.0%	67.8%	16.1%	7.4%	36.9%	120.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	49.3%	65.9%	71.9%	74.6%	79.1%	81.6%
Operating margin	(24.9%)	(7.2%)	(17.0%)	(30.4%)	(13.8%)	15.5%
Return on equity (ROE)	na	(9.5%)	(9.3%)	(15.3%)	(11.6%)	17.3%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	2.5	4.3	5.1	2.6	2.3	2.3
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	122.8
P/B	29.2	24.8	17.5	20.7	23.2	19.5

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

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