UOBKayHian

Company – Results | Greater China

Thursday, 20 August 2026

Sino Biopharmaceutical (1177 HK)

1H26: Results In Line; Innovative Products Continue To Drive Growth

Highlights

- Sino Biopharm reported satisfactory 1H26 results, with revenue up 10.6% yoy to Rmb19.44b; underlying net profit was Rmb3.34b, up 8.1% yoy, or 92.3% yoy if excluding the Sinovac LS dividend received in 1H25.
- Embracing AI, the company has achieved breakthroughs in its AI-driven drug discovery and significantly enhanced operating efficiency. Maintaining its double-digit 2026 revenue growth target, it expects innovative drugs sales and out-licensing income to further boost earnings in 2026.
- Maintain BUY and target price of HK$7.20.

1H26 Results

Year to 31 Dec (Rmbm)	1H25	1H26	YoY%
Revenue	17,575	19,444	10.6
Sale of industrial product	17,248	18,222	5.6
Out-licensing	44	975	2,101.9
Others	282	247	(12.4)
Gross profit	14,494	16,148	11.4
Selling expense	(6,450)	(5,260)	(18.4)
G&A expense	(1,094)	(969)	(11.3)
R&D expense	(3,188)	(3,080)	(3.4)
EBIT	3,408	6,612	94.0
Net profit to shareholders	3,389	3,435	1.4
Adj. net profit to shareholders	3,088	3,339	8.1
Adj. net profit to shareholder excluding Sinovac LS dividend	1,736	3,339	92.3
Adjusted EPS (Rmb)	0.17	0.19	8.2
Ratios (%)	1H25	1H26	ppt chg yoy
GP margin	82.5	83.0	0.6
Selling expense as % of revenue	36.7	27.1	(9.6)
G&A expense as % of revenue	6.2	5.0	(1.2)
R&D expense as % of revenue	18.1	15.8	(2.3)
OP margin	19.4	34.0	14.6
Net profit margin	19.3	17.7	(1.6)
Adj. net profit margin	17.6	17.2	(0.4)

Source: Sino Biopharm, UOB Kay Hian

Analysis

- **1H26 results satisfactory.** Sino Biopharmaceutical (Sino Biopharm, or SBP Group) reported 1H26 revenue of Rmb19.44b, up 10.6% yoy, of which Rmb975m came from out-licensing (1H25: Rmb44m). Adjusted net profit rose 8.1% yoy to Rmb3.34b, or 92.3% yoy if excluding the Sinovac LS dividend received in 1H25. The interim dividend was raised 40% yoy to 7 HK cents per share.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	28,866	31,834	36,236	38,796	42,163
EBITDA	6,490	7,431	8,481	8,772	9,609
Operating profit	5,169	6,219	7,087	7,361	8,184
Net profit (rep./act.)	1,920	2,343	2,579	2,688	2,983
Net profit (adj.)	3,457	4,541	5,017	5,355	5,902
EPS	18.9	25.2	27.9	29.7	32.8
PE (x)	21.8	16.3	14.8	13.8	12.6
P/B (x)	2.4	2.4	2.4	2.3	2.2
EV/EBITDA (x)	15.3	13.3	11.7	11.3	10.3
Dividend yield (%)	1.6	2.2	2.4	2.6	2.9
Net margin (%)	12.0	14.3	13.8	13.8	14.0
Net debt/(cash) to equity (%)	18.8	27.2	30.6	26.4	24.6
Interest cover (x)	n.m.	n.m.	n.m.	n.m.	n.m.
ROE (%)	6.2	7.5	8.3	8.4	9.1
Consensus net profit	n.a	n.a	4,180	4,507	5,002
UOBKH/Consensus (x)	n.a	n.a	1.20	1.19	1.18

Source: Sino Biopharm, Bloomberg, UOB Kay Hian

Analyst(s)

Carol Dou
carol.dou@uobkh.com
+ 852 22366749

Sunny Chen
sunny.chen@uobkh.com
+ 852 2826 4857

BUY (Maintained)

Share Price	HK$4.79
Target Price	HK$7.20
Upside	50.31%

Stock Data

Sector	Health Care
Bloomberg ticker	1177 HK
Shares issued (m)	18,683
Market cap (HK$m)	89,491
Market cap (US$m)	11,412
3-mth avg daily t'over (US$m)	59

Price Performance (%)

52-week high/low				HK$9.12/HK$4.19
1mth	3mth	6mth	1yr	YTD
(3.8)	(8.6)	(26.6)	(35.2)	(22.5)

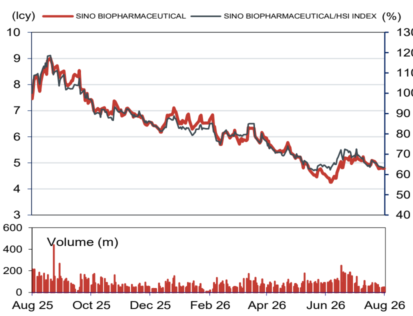
Major Shareholders (%)

Tse Family	46.64

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	1.75
FY26 Net Cash/Share (Rmb)	(0.52)

Price Chart



Source: Bloomberg

Company Description

Sino Biopharmaceutical is a leading pharmaceutical provider in China. It offers a broad range of drugs in the therapeutic areas of cardio cerebral vascular diseases, hepatitis, oncology, analgesic, respiratory, and diabetic medicines etc.

- **Innovative drugs and out-licensing reached 45.2% of revenue.** Sales of innovative drugs and out-licensing rose 44.3% yoy to Rmb8.79b in 1H26, taking their share of revenue to 45.2% from 34.7% in 1H25; innovative drug sales alone grew 29.2% yoy to Rmb7.81b, or 40.2% of revenue. By therapeutic area, oncology revenue rose 20.4% yoy to Rmb8.06b, or 41.4% of revenue, and surgery/analgesia rose 3.4% yoy to Rmb3.21b, or 16.5%. Four national Class 1/2 innovative drugs and four new indications have been approved by the NMPA so far in 2026.
- **AI integration enhanced operating efficiency.** Gross margin rose 0.6ppt yoy to 83.0% in 1H26. Selling and distribution costs fell 18.4% yoy to Rmb5.26b, cutting the selling expense ratio 9.6ppt yoy to 27.1%, while the G&A ratio fell 1.2ppt yoy to 5.0% and R&D expense fell 3.4% yoy to Rmb3.08b, or 15.8% of revenue (1H25: 18.1%). Together, these lifted EBIT 94.0% yoy to Rmb6.61b and the operating margin 14.6ppt yoy to 34.0%. According to management, by actively advancing AI integration in its overall operations, the company has significantly improved its operating and achieved breakthroughs in AI-driven drug discovery. It targets to maintain its gross margin at over 80% and selling expense ratio at below 35% in 2026.
- **Maintaining double-digit 2026 revenue growth target,** Sino Biopharm expects innovative drugs and out-licensing revenue to bring in about 50% of total revenue in 2026. This is supported by boosting sales growth of innovative drugs and increasing out-licensing income (the US$200m upfront payment from AstraZeneca is expected to be booked in 2H26). We believe this is highly achievable as the company has launched an increasing number of new products and it also took Mainland China commercialisation rights from GSK for Bepirovirsen (May 26) and Trelegy Ellipta and Anoro Ellipta (Jul 26), whose China sales will be booked as its revenue.
- **Out-licensing income becomes a new source of revenue stream.** In Mar 26, Sino Biopharm granted Sanofi an exclusive global licence for rovadicitinib, entitling it to a US$135m upfront payment and up to US$1.53b in aggregate plus double-digit royalties, and in Jul 26 licensed TQC3721 to AstraZeneca for a US$200m upfront and up to US$1.9b in aggregate. Management is confident that its strong pipeline will attract more BD deals and expects out-licensing to become a recurring revenue stream.
- **Pipeline entering its harvest season.** Focusing on first-in-class and best-in-class drug candidates, the company aims to invest approximately 19% of its total revenue in R&D. It has cumulatively obtained marketing approval for 20 national Class 1/2 innovative drugs and expects to launch 30 more innovative products over 2026-30. The robust pipeline supports its bright long-term growth outlook.

Valuation/Recommendation

- **Maintain BUY and target price of HK$7.20,** based on SOTP valuation, comprising: a) HK$2.73/share at 8x 2026F PE for existing drugs; and b) NAV-derived pipeline value of HK$4.47/share (10.5% WACC, 3.3% perpetual growth rate).

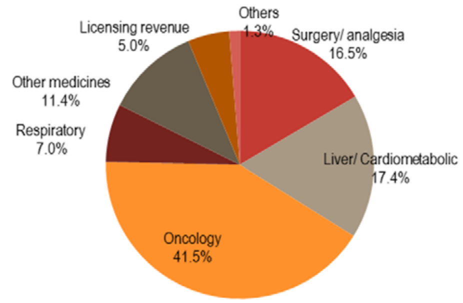
Earnings Revision/Risk

- **Risks** include: a) worse-than-expected policy risks including anti-corruption campaign and price pressure from the volume-based procurement programme etc, b) possible delay or failure in R&D and new product launches, and c) intensifying market competition.

Share Price Catalyst

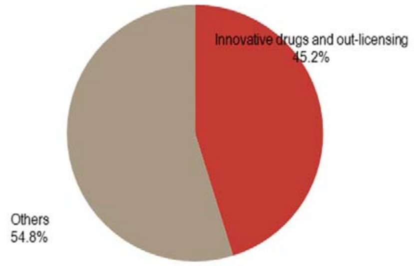
- a) Approval and launch of new innovative drugs and indications, b) further out-licensing deals, and c) faster-than-expected ramp-up of the three in-licensed GSK products in China.

Revenue By Segment (1H26)



Source: Sino Biopharm, UOB Kay Hian

Innovative Drug Contribution (1H26)



Source: Sino Biopharm, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	31,834	36,236	38,796	42,163
EBITDA	7,431	8,481	8,772	9,609
Deprec. & amort.	1,212	1,393	1,411	1,425
EBIT	6,219	7,087	7,361	8,184
Associate contributions	(151)	(151)	(151)	(151)
Total other non-op. income	520	400	440	484
Net interest income/(expense)	355	306	314	322
Pre-tax profit	6,943	7,642	7,964	8,839
Tax	(1,629)	(1,793)	(1,868)	(2,073)
Minorities	(2,971)	(3,270)	(3,408)	(3,782)
Net profit	2,343	2,579	2,688	2,983
Net profit (adj.)	4,541	5,017	5,355	5,902

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	8,931	8,954	9,059	9,256
Other LT assets	32,613	33,806	33,835	33,905
Cash/ST investment	7,627	5,952	6,682	6,653
Other current assets	26,838	29,799	30,008	31,752
Total assets	76,010	78,511	79,584	81,565
ST debt	8,395	8,195	7,995	7,795
Other current liabilities	16,804	19,340	20,514	22,558
LT debt	7,584	7,384	7,184	6,984
Other LT liabilities	1,140	1,277	1,383	1,491
Shareholders' equity	30,671	31,439	32,195	33,048
Minority interest	11,415	10,875	10,313	9,689
Total liabilities & equity	76,010	78,511	79,584	81,565

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	8,218	8,087	7,294	7,268
Pre-tax profit	6,943	7,642	7,964	8,839
Tax	(1,192)	(1,745)	(1,846)	(2,014)
Deprec. & amort.	1,212	1,393	1,411	1,425
Working capital changes	2,555	2,047	1,025	285
Non-cash items	-	-	-	-
Other operating cashflows	(1,300)	(1,250)	(1,259)	(1,267)
Investing	(5,129)	(3,604)	(135)	(240)
Capex (growth)	(1,303)	(1,441)	(1,522)	(1,627)
Proceeds from sale of assets	-	-	-	-
Others	(3,826)	(2,163)	1,387	1,387
Financing	965	(6,157)	(6,431)	(7,056)
Dividend payments	(5,100)	(5,620)	(5,902)	(6,536)
Issue of shares	-	-	-	-
Proceeds from borrowings	6,344	(400)	(400)	(400)
Loan repayment	-	-	-	-
Others/interest paid	(278)	(137)	(128)	(120)
Net cash inflow (outflow)	4,054	(1,674)	729	(28)
Beginning cash & cash equivalent	3,573	7,627	5,952	6,682
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	7,627	5,952	6,682	6,653

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	82.1	82.1	82.2	82.2
Pre-tax margin	21.8	21.1	20.5	21.0
Net margin	7.4	7.1	6.9	7.1
ROA	3.3	3.3	3.4	3.7
ROE	7.5	8.3	8.4	9.1
Growth				
Turnover	10.3	13.8	7.1	8.7
Gross profit	11.0	13.9	7.1	8.7
Pre-tax profit	31.6	10.1	4.2	11.0
Net profit	22.0	10.1	4.2	11.0
Net profit (adj.)	31.4	10.5	6.7	10.2
EPS	33.5	10.5	6.7	10.2
Leverage				
Debt to total capital	34.3	33.1	32.0	30.9
Debt to equity	52.1	49.6	47.1	44.7
Net debt/(cash) to equity	27.2	30.6	26.4	24.6
Interest cover	n.m.	n.m.	n.m.	n.m.