Sino Biopharmaceutical (1177 HK)

Innovation Continues To Fuel Growth

BUY (Maintained)	
Share Price	HK$5.19
Target Price	HK$7.20
Upside	+38.7%
Previous TP	HK$7.70

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Highlights

- Despite weak generics, Sino Biopharm's innovative drug revenue and out-licensing income will drive double-digit revenue growth in 1H26. 1H26 adjusted net earnings may fluctuate sharply due to the absence of a Rmb1.35b special dividend from associate Sinovac LS in 1H25, while we still expect double-digit earnings growth for 2026.
- Backed by new in-licensed products and strong R&D, Sino Biopharm should see steady revenue and earnings growth in 2027.
- Maintain BUY, with target price trimmed to HK$7.20 on generic drug policy headwinds.

Analysis

- **Licence fee income becomes new growth driver.** Sino Biopharmaceutical (Sino Biopharm) has entered into two major out-licensing agreements. The collaboration with Sanofi and AstraZeneca on Rovadicitnib (a potential global first-in-class JAK/ROCK inhibitor) and TQC3721 (PDE3/4 inhibitor) respectively, will bring in a total upfront income of US$335m. According to management, the US$135m was received from Sanofi and will likely be recognised as revenue in 1H26, while approximately 90% of US$200m from AstraZeneca may be recognised at 2H26 revenue based on the progress of the collaborations. The out-licensing income will likely contribute to over 5% of total revenue in 2026.

Major Collaborations (2026 YTD)

Date	Partner	Assets	Upfront	Milestones	Total deal value	Royalties
Out-licensing						
Mar-26	Sanofi	Rovadicitnib (JAK/ROCK inhibitor)	US$135m	US$1.395b	US$1.53b	up to double-digit tiered royalties
Jul-26	AstraZeneca	TQC3721 (PDE3/4)	US$200m	US$1.9b	US$2.1b	Tiered royalties ranging up to double-digit percentages based on the annual net sales.
	Total		US$335m	US$3.295b	US$3.63b	
In-licensing						
May-26	GSK	Bepirovirsen (Hepatitis B): obtained Mainland China commercial rights				
Jul-26	GSK	In-licensed Mainland China's commercial rights of two innovative respiratory products: Trelegy Ellipta (全再樂 for asthma and COPD) and Anoro Ellipta (歐樂欣, for COPD).				

Source: Sino Biopharm, UOB Kay Hian

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 (Fen)	19	25	28	30	33
PE (x)	24.3	18.2	16.5	15.4	14.0
P/B (x)	2.6	2.7	2.6	2.6	2.5
EV/EBITDA (x)	15.8	13.8	12.1	11.7	10.7
Dividend yield (%)	1.4	2.0	2.2	2.3	2.6
Net margin (%)	12.0	14.3	13.8	13.8	14.0
Net debt/(cash) to equity (%)	18.8	n.a.	n.a.	n.a.	n.a.
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	8.5	10.7	11.6	11.9	12.9
Consensus net profit	-	-	4,164	4,451	4,959
UOBKH/Consensus (x)	-	-	1.20	1.20	1.19

Source: Sino Biopharm, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Health Care
Bloomberg ticker:	1177 HK
Shares issued (m):	18,760.7
Market cap (HK$m):	96,267.0
Market cap (US$m):	13,558.7
3-mth avg daily t'over (US$m):	62.7

Price Performance (%)

52-week high/low: HK$9.12/HK$4.19

1mth	3mth	6mth	1yr	YTD
17.4	(7.2)	(21.7)	(22.4)	(16.0)

Major Shareholders

	%
Tse Family	46.64

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	1.75
FY26 Net Debt/ Share (Rmb)	0.36

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 continue to support double-digit revenue growth and further margin improvement in 2026.** Management continues to target a double-digit revenue growth in 2026, backed by a potential 20% yoy increase in innovative drug sales. We believe that sales growth of generic products will remain under downward pressure due to the tightened anti-corruption campaign. We expect innovative products to contribute over 50% of total revenue, and forecast further gross margin improvement and enhanced operating efficiency.
- **2027 catalysts.** The company recently obtained Mainland China commercial rights of three innovative products - Bepirovirsen (Hepatitis B),Trelegy Ellipta (全再樂, for asthma and COPD) and Anoro Ellipta (歐樂欣, for COPD), from GSK. To be launched in China in 4Q26, Bepirovirsen is expected to generate sales revenue of Rmb1b in 2027 and with potential peak sales of Rmb4b. With a strong presence in China's respiratory market, Sino Biopharm expects the two respiratory products to bring in total sales of over Rmb1b in 2027. Moreover, with its aggressive business collaboration and M&A strategy, along with its continued R&D efforts, Sino Biopharm has significantly strengthened its innovative pipelines. The company expects to launch 4-5 innovative products per year during 2026-28, including multiple blockbuster products with global first-in-class/best-in-class potential.
- **Actively seeking business collaboration opportunities**. Sino Biopharm has been actively pursuing out-licensing opportunities for its innovative pipeline. Aside from the recent deals with Sanofi and AstraZeneca, its newly-acquired LaNova Medicines has not only brought Sino Biopharm advanced antibody discovery and antibody-drug conjugate technology platforms, but also future milestone payment from the out-licensing project of LM-299/MK-2010 (PD-1/VEGF bispecific antibody) with Merck & Co. With strengthened innovation capability and an enhanced R&D portfolio, management expects out-licensing to become a source of recurring revenue, boosting earnings growth for the company in the years ahead.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$7.20**, based on SOTP valuation, comprising: a) HK$2.75/share at 8x 2027F PE for existing drugs; and b) NAV-derived pipeline value of HK$4.36/share (10.5% WACC, 3.3% perpetual growth rate).

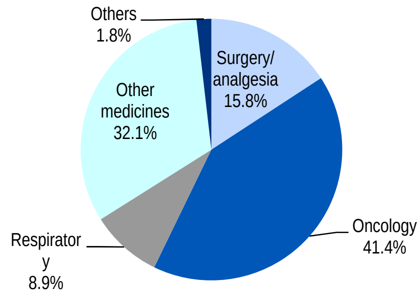
Earnings Revision/Risk

- We have fine-tuned our revenue growth estimates from 12.7%/11.2% to 13.8%/7.1% yoy for 2026/2027 respectively to factor in the significant increase in upfront income in 2026.
- **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

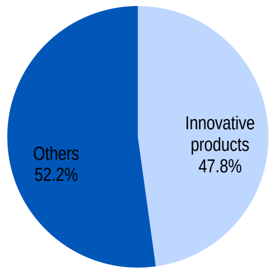
- a) Strong R&D performance and continued business development efforts, and b) continuous new product launches to generate new revenue streams.

Revenue By Segment (2025)



Source: Sino Biopharm, UOB Kay Hian

Innovative Drug Contribution (2025)



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	(19,907)	(22,670)	(24,518)	(26,483)
Total other non-operating 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	8,972	9,077	9,274
Other LT assets	32,613	32,671	32,701	32,771
Cash/ST investment	7,627	9,487	10,216	10,188
Other current assets	26,838	27,381	27,590	29,333
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

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	8,218	8,071	7,294	7,268
Profit fo the year	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	2,031	1,025	285
Other operating cashflows	(1,109)	(1,059)	(1,068)	(1,076)
Investing	(5,129)	(54)	(135)	(240)
Capex (growth)	(1,303)	(1,441)	(1,522)	(1,627)
Investments	(5,196)	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	1,370	1,387	1,387	1,387
Financing	965	(6,157)	(6,431)	(7,056)
Dividend payments	(5,100)	(5,620)	(5,902)	(6,536)
Proceeds from borrowings	6,344	(400)	(400)	(400)
Loan repayment	-	-	-	-
Others/interest paid	(278)	(137)	(128)	(120)
Net cash inflow (outflow)	4,054	1,860	729	(28)
Beginning cash & cash equivalent	3,573	7,627	9,487	10,216
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	7,627	9,487	10,216	10,188

Key Metrics

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	4.5	4.8	4.9	5.4
ROE	10.7	11.6	11.9	12.9
Growth				
Turnover	10.3	13.8	7.1	8.7
EBITDA	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	n.a.	n.a.	n.a.	n.a.
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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