CSPC Innovation Pharmaceutical Co (300765 CH)

1H26: Achieves Breakeven; Smooth BD And R&D Progress Bolster Long-Term Prospects

Highlights

- CSPC Innovation reported a revenue increase of 208.7% yoy and an adjusted net profit of Rmb1,225.9m in 1H26 (vs 1H25: -Rmb41.1m), supported by the recognition of 70% of AstraZeneca's US$420m upfront payment.
- Robust out-licensing income and biopharma sales will drive revenue and earnings for 2026. With steady R&D progress, we expect a growing pipeline of innovative product launches to support sustainable earnings growth from 2028 onward.
- Maintain BUY and raise target price to Rmb57.00.

1H26 Results

Year to 31 Dec (Rmbm)	2Q25	2Q26	yoy % chg	1H25	1H26	yoy % chg
Revenue	578	2,576	345.9	1,050	3,240	208.7
Functional foods and ingredients	560	446	-20.3	933	951	1.9
Pharmaceutical business	57	2,103	3,582.6	94	2,262	2,319.5
Others	(39)	26	-166.7	23	26	13.0
Gross profit	212	2,213	944.0	400	2,487	521.0
Selling expense	(60)	(90)	50.5	(125)	(160)	27.8
G&A expense	(22)	(32)	46.8	(41)	(62)	51.5
R&D expense	(215)	(390)	81.6	(455)	(664)	45.7
EBIT	(27)	1,690	6,305.3	(154)	1,571	1,121.5
Net profit	24	1,355	5,509.7	(3)	1,261	46,025.7
Adj. net profit	(11)	1,337	12,823.6	(41)	1,226	3,079.6
% of sales	2Q25	2Q26	yoy ppt chg	1H25	1H26	yoy ppt chg
Gross profit	36.7	85.9	49.2	38.2	76.7	38.6
Selling expense	10.3	3.5	(6.8)	11.9	4.9	(7.0)
G&A expense	3.8	1.3	(2.6)	3.9	1.9	(2.0)
R&D expense	37.2	15.2	(22.1)	43.4	20.5	(22.9)
EBIT	-4.7	65.6	70.3	-14.7	48.5	63.1
Net profit	4.2	52.6	48.4	-0.3	38.9	39.2
Adjusted net profit	-1.8	51.9	53.7	-3.9	37.8	41.8

Source: CSPC Innovation, UOB Kay Hian

Analysis

- **1H26 revenue surged 208.7% yoy as the AstraZeneca upfront payment was recognised.** CSPC Innovation Pharmaceutical's (CSPC Innovation) 1H26 revenue rose 208.7% yoy to Rmb3,240.2m and net profit was Rmb1,261.2m, vs a net loss of Rmb2.7m in 1H25; adjusted net profit was Rmb1,225.9m, vs an adjusted net loss of Rmb41.1m. The results beat market estimates.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	1,981	2,158	4,451	3,344	3,822
EBITDA	(70)	(424)	1,536	(47)	275
Operating profit	(280)	(640)	1,301	(303)	(1)
Net profit (rep./act.)	54	(241)	1,659	(23)	186
Net profit (adj.)	42	(294)	1,659	(23)	186
EPS (Fen)	3.0	(21.0)	118.1	(1.6)	13.2
PE (x)	1,472.9	(211.8)	37.6	(2,754.1)	335.6
P/B (x)	16.7	23.4	14.4	14.5	13.9
EV/EBITDA (x)	(881.5)	(145.1)	40.1	(1,300.2)	223.9
Dividend yield (%)	0.0	-	-	-	-
Net margin (%)	2.1	(13.6)	37.3	(0.7)	4.9
Net debt/(cash) to equity (%)	(23.0)	(28.7)	(18.2)	(23.4)	(22.3)
Interest cover (x)	n.m.	n.m.	n.m.	n.m.	n.m.
ROE (%)	1.2	(7.5)	47.4	(0.5)	4.2
Consensus net profit	-	-	487	511	855
UOBKH/Consensus (x)	-	-	3.41	-0.04	0.22

Source: CSPC Innovation, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb44.40
Target Price	Rmb57.00
Upside	28.4%
Previous TP	Rmb41.00

Stock Data

Sector	Health Care
Bloomberg ticker	300765 CH
Shares issued (m)	1,405
Market cap (Rmbm)	62,364
Market cap (US$m)	9,249
3-mth avg daily t'over (US$m)	99.9

Price Performance (%)

52-week high/low				Rmb60.00/Rmb22.50
1mth	3mth	6mth	1yr	YTD
16.1	48.7	32.2	(13.3)	23.1

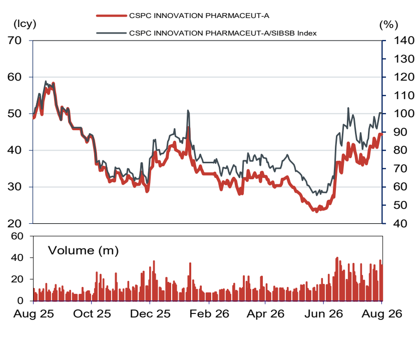
Major Shareholders (%)

CSPC NBP Pharmaceutical Co., Ltd.	73.83

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	3.1
FY26 Net Cash/Share (Rmb)	0.6

Price Chart



Source: Bloomberg

Company Description

CSPC Innovation Pharmaceutical Co is a producer of functional raw materials and health food that is transforming itself into a leading drug innovator in China.

- **Biopharmaceutical revenue rose to 69.8% of total revenue in 1H26.** Biopharmaceutical revenue reached Rmb2,262.5m in 1H26, up 2,319.5% yoy, lifting the segment to 69.8% of total revenue from 8.9% a year ago. Sales of biopharma products rose 87.1% yoy to Rmb174.9m on Enlonstobart injection (PD-1) and Enyitan (Omalizumab biosimilar); out-licensing income reached Rmb2,087.6m, as Megalith Biopharma recognised 70% of AstraZeneca's US$420m upfront payment and milestone income of US$10m from Corbus in 1H26. Caffeine and functional foods brought in Rmb951.5m, or 29.4% of total revenue, up 1.9% yoy in 1H26.
- **Gross margin rose 38.6ppt yoy to 76.7% in 1H26.** This is a mixed bag: The biopharmaceutical gross margin was 97.2% (+30.8ppt yoy) while the functional foods and ingredients gross margin fell to 29.3% (-6.4ppt yoy). Selling expense fell to 4.9% of sales (-7.0ppt yoy) and G&A expense to 1.9% (-2.0ppt yoy), although G&A rose 51.5% yoy on higher personnel costs and depreciation after Megalith capitalised construction in progress. R&D expense rose 45.7% yoy to Rmb663.6m in 1H26. With a strong cash position of Rmb2,251m, the company expects to increase its R&D investment in the next few years. We estimate its R&D expense to reach Rmb1.2b in 2026 and Rmb1.5b in 2027.
- **Smooth BD and R&D progress support a strong long-term outlook.** Aside from AstraZeneca's US$420m upfront payment and Corbus' US$10m milestone income received in 1H26, the company entered into a global siRNA collaboration with AZ, under which Megalith Biopharma is entitled to a US$30m upfront payment (received in Aug 26) and up to US$1.74b in future milestones. Moreover, the company has nurtured a growing number of late-stage pipeline, eg Ulsinumab was approved in May 26 and launched in June; Secukinumab and Pertuzumab are under NMPA review; SYS6010 (EGFR ADC) won breakthrough therapy designation for 2L oesophageal squamous cell carcinoma in May 26. Data on SYS6010, SYS6002 (Nectin-4 ADC) and SYS6043 (B7H3 ADC) was presented at the 2026 American Society of Clinical Oncology (ASCO) Annual Meeting. The smooth BD and R&D progress bodes well for robust out-licensing income and continued new product launches in the next few years.
- **Remain optimistic on revenue and earnings growth in 2026.** We believe caffeine and functional foods will deliver relatively steady revenue in 2026, while Enlonstobart, Omalizumab biosimilar and Ulsinumab will continue to boost biopharmaceutical product sales in 2026 and the years ahead. The remaining 30% of AstraZeneca's US$420m upfront payment (or Rmb858.2m) and the US$30m siRNA upfront payment received in Aug 26 have yet to be recognised as revenue.

Valuation/Recommendation

- **Maintain BUY with a higher target price of Rmb57.00**, based on our DCF model assuming WACC of 10.0% and terminal growth rate of 4.5%. Our target price factors in the slower recognition of out-licensing income and the impact of a weaker US dollar. The strong results and robust pipeline will support continued upward share price momentum.

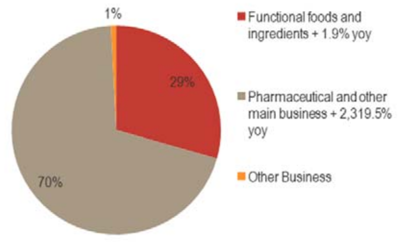
Earnings Revision/Risk

- **Risks:** a) Possible geopolitical tensions could further weaken market sentiment, b) policy risks (eg anti-corruption campaign and GPO tenders), c) intensifying competition, d) risks in R&D and new product launches, e) risks in business collaboration, and f) weaker-than-expected sales growth of biopharmaceutical products.

Share Price Catalyst

- a) Smooth R&D progress (eg, ESMO 2026 data presentation on SYS6010, SYS6090, and SYS6043), and successful new product launches.
- b) Potential significant BD deals.
- c) Successful Hong Kong listing.

Segmental Revenue (1H26)



Source: CSPC Innovation, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	2,158	4,451	3,344	3,822
EBITDA	(424)	1,536	(47)	275
Deprec. & amort.	216	235	256	276
EBIT	(640)	1,301	(303)	(1)
Associate contributions	-	-	-	-
Net interest income/(expense)	7	7	7	7
Pre-tax profit	(552)	1,336	(266)	36
Tax	(58)	(60)	40	(5)
Minorities	368	383	204	155
Net profit	(241)	1,659	(23)	186
Net profit (adj.)	(294)	1,659	(23)	186

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	2,798	3,074	2,891	3,006
Other LT assets	625	322	322	322
Cash/ST investment	769	1,573	1,794	1,789
Other current assets	2,084	3,325	3,144	3,135
Total assets	6,276	8,294	8,151	8,252
ST debt	4	537	537	537
Other current liabilities	2,705	3,210	3,293	3,363
LT debt	-	250	250	250
Other LT liabilities	772	225	225	225
Shareholders' equity	2,667	4,326	4,304	4,490
Minority interest	128	(255)	(459)	(614)
Total liabilities & equity	6,276	8,294	8,151	8,252

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	(196)	1,457	286	380
Pre-tax profit	(552)	1,336	(266)	36
Tax	(58)	(60)	40	(5)
Deprec. & amort.	216	235	256	276
Working capital changes	204	(48)	263	79
Non-cash items	-	-	-	-
Other operating cashflows	(7)	(7)	(7)	(7)
Investing	(339)	(1,436)	(65)	(385)
Capex (growth)	(356)	(512)	(72)	(392)
Proceeds from sale of assets	39	-	-	-
Others	(21)	(924)	7	7
Financing	424	783	-	-
Dividend payments	(28)	-	-	-
Issue of shares	-	-	-	-
Proceeds from borrowings	(0)	783	-	-
Loan repayment	-	-	-	-
Others/interest paid	452	-	-	-
Net cash inflow (outflow)	(110)	804	221	(5)
Beginning cash & cash equivalent	859	769	1,573	1,794
Changes due to forex impact	20	-	-	-
Ending cash & cash equivalent	769	1,573	1,794	1,789

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	38.4	66.0	49.4	51.8
Pre-tax margin	(25.6)	30.0	(8.0)	1.0
Net margin	(11.2)	37.3	(0.7)	4.9
ROA	(3.9)	22.8	(0.3)	2.3
ROE	(7.5)	47.4	(0.5)	4.2
Growth				
Turnover	8.9	106.3	(24.9)	14.3
Gross profit	(0.4)	254.6	(43.7)	19.8
Pre-tax profit	149.2	(342.3)	(119.9)	(113.7)
Net profit	(548.8)	(788.1)	(101.4)	(920.6)
Net profit (adj.)	(795.3)	(663.5)	(101.4)	(920.6)
EPS	(795.3)	(663.5)	(101.4)	(920.6)
Leverage				
Debt to total capital	0.1	15.4	15.5	14.9
Debt to equity	0.1	18.2	18.3	17.5
Net debt/(cash) to equity	(28.7)	(18.2)	(23.4)	(22.3)
Interest cover	n.m.	n.m.	n.m.	n.m.