Company – Results | Greater China

Friday, 21 August 2026

CSPC Pharmaceutical Group (1093 HK)

1H26: Results Beat; Out-licensing Income Boosts Earnings Growth

Highlights

- CSPC's 1H26 revenue rose 40.1% yoy to Rmb18.6b and underlying net profit jumped 165.8% yoy to Rmb6.2b, well above our full-year growth estimates. Licence fee income surged 448.5% yoy to Rmb5.9b, serving as the key growth driver.
- CSPC expects its growth momentum to continue over the next five years, driven by rising out-licensing income and new product launches, with over 30 new product/indication approvals targeted in the next three years.
- Upgrade to BUY with a higher target price of HK$11.50.

1H26 Results

Year to 31 Dec (Rmbm)	2Q25	2Q26	YoY%	1H25	1H26	YoY%
Revenue	6,259	12,129	93.8	13,273	18,594	40.1
Finished drugs	4,747	10,836	128.3	10,248	16,061	56.7
Antibiotics	415	349	-15.9	879	650	-26.0
Vitamin C	588	516	-12.3	1,196	1,010	-15.5
Functional food and others	508	428	-15.7	951	873	-8.2
Gross profit	4,005	9,892	147.0	8,710	14,161	62.6
Selling expense	-1,389	-1,632	17.5	-3,049	-3,291	7.9
Admin expense	-173	-255	47.0	-402	-488	21.4
R&D expense	-1,380	-1,627	17.8	-2,683	-3,029	12.9
Operating profit	1,493	6,437	331.0	3,152	7,546	139.4
Finance expense	-15	-2	-84.6	-22	-13	-38.5
Net profit to shareholders	1,070	5,234	389.3	2,548	6,094	139.2
Adjusted net profit	909	5,322	485.7	2,320	6,164	165.8
Adjusted EPS (diluted, Fen)	7.95	46.61	486.4	20.29	54.07	166.5
Ratios (%)	2Q25	2Q26	ppt chg yoy	1H25	1H26	ppt chg yoy
GP margin %	64.0	81.6	17.6ppt	65.6	76.2	10.5ppt
Selling expense %	22.2	13.5	-8.7ppt	23.0	17.7	-5.3ppt
Admin expense %	2.8	2.1	-0.7ppt	3.0	2.6	-0.4ppt
R&D expense/Finished drug revenue	29.1	15.0	-14.1ppt	26.2	18.9	-7.3ppt
OP margin %	23.9	53.1	29.2ppt	23.7	40.6	16.8ppt
Adjusted net profit margin%	14.5	43.9	29.4ppt	17.5	33.2	15.7ppt

Source: CSPC, UOB Kay Hian

Analysis

- **1H26 results beat.** CSPC Pharmaceutical Group's (CSPC) 1H26 revenue rose 40.1% yoy to Rmb18.6b and underlying net profit jumped 165.8% yoy to Rmb6.2b on Rmb5.9b of licence fee income. Interim dividend amounted to 18 HK cents, up 28.5% yoy.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	29,009	26,006	31,098	31,990	33,011
EBITDA	6,735	6,102	10,667	11,480	12,277
Operating profit	5,712	4,899	9,388	10,072	10,741
Net profit (rep./act.)	4,328	3,882	7,153	7,702	8,233
Net profit (adj.)	4,683	3,534	7,380	7,936	8,474
EPS (Fen)	39.9	30.9	64.6	69.5	74.2
PE (x)	20.5	26.4	12.6	11.7	11.0
P/B (x)	3.0	2.8	2.5	2.3	2.2
EV/EBITDA (x)	14.6	16.1	9.2	8.5	8.0
Dividend yield (%)	3.0	3.2	5.9	6.3	6.8
Net margin (%)	16.1	13.6	23.7	24.8	25.7
Net debt/(cash) to equity (%)	(17.1)	(17.4)	(31.2)	(35.9)	(38.5)
Interest cover (x)	154.2	158.1	276.4	297.4	318.1
ROE (%)	13.2	11.9	20.3	19.7	19.7
Consensus net profit	-	-	7,654	5,621	6,007
UOBKH/Consensus (x)	-	-	0.96	1.41	1.41

Source: CSPC, Bloomberg, UOB Kay Hian

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BUY (Upgraded)

Share Price	HK$9.52
Target Price	HK$11.50
Upside	20.8%
Previous TP	HK$6.00

Stock Data

Sector	Health Care
Bloomberg ticker	1093 HK
Shares issued (m)	11,522
Market cap (HK$m)	109,694
Market cap (US$m)	13,985
3-mth avg daily t'over (US$m)	97.4

Price Performance (%)

52-week high/low: HK$11.63/HK$6.53

1mth	3mth	6mth	1yr	YTD
12.0	28.8	(9.5)	(8.0)	12.9

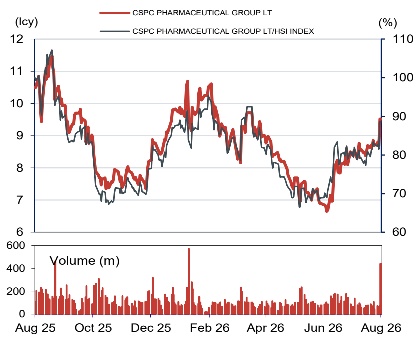
Major Shareholders (%)

Mr. Cai Dongchen	25.31

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	3.29
FY26 Net Cash/Share (Rmb)	1.01

Price Chart



Source: Bloomberg

Company Description

CSPC Pharmaceutical Group switched its core business focus from bulk medicine manufacturing to innovative drug manufacturing in 2012. It has become a leading pharmaceutical player in China.

- **Revenue rose 40.1% yoy in 1H26.** Finished drug revenue increased 56.7% yoy to Rmb16.1b, of which licence fee income surged 448.5% yoy to Rmb5.9b and product sales grew 10.8% yoy to Rmb10.2b. Among which, nervous system and cardiovascular drug sales rose 27.6% and 19.0% yoy respectively, while oncology, respiratory and other products declined 4.3%, 9.5% and 18.9% yoy. Bulk product sales fell 20.0% yoy, with vitamin C and antibiotics down 15.5% and 26.0% yoy, respectively, on lower prices.
- **Profit margin.** Gross margin expanded 10.6ppt yoy to 76.2% in 1H26, mainly on higher license fee income. SG&A expenses/revenue fell 5.7ppt yoy to 20.3%, while selling expenses rose 7.9% yoy and admin expenses 21.4% yoy on higher share-based compensation. R&D expenses rose 12.9% yoy to Rmb3.0b, or 18.9% of finished drug revenue (29.8% excluding licence fee income). Adjusted net margin rose 15.7ppt yoy to 33.2% in 1H26.
- **Out-licensing income becomes recurring revenue.** CSPC recognised Rmb5.9b in out-licensing income in 1H26, including Rmb5.7b from the Jan 26 AstraZeneca deal (received a US$1.2b upfront payment on 29 May 26). The remaining US$360m (Rmb2.5b) upfront payment will be recognised in future periods. Seeing smooth progress on the out-licensing projects, CSPC also believes it has entered harvest season for milestone income.
- **mRNA cancer vaccines in pipeline.** According to management, CSPC has various mRNA cancer vaccines in pipeline. Instead of personalised solutions, CSPC focused on R&D of general mRNA cancer vaccines. its HPV mRNA vaccine has entered Phase 2 study. The progress of its mRNA vaccines for cervical cancer and colorectal cancer are also well on track.
- **Targets to maintain positive growth for the next five years and continue seeking globalisation ambitions.** Driven by robust out-licensing income and solid growth in finished drug sales, CSPC returned to positive revenue growth in 2Q26. The company expects that the continued launch of new products and rising out-licensing revenue will sustain this momentum over the next five years. Meanwhile, CSPC remains active in pursuing globalisation opportunities through collaborations with multinational corporations and by securing overseas regulatory approvals for its existing portfolio.
- **Strong cash position.** The robust out-licensing income has generated strong operating cash flow for the company. Its cash balance amounted to Rmb14.2b as at 30 Jun 26. Beyond stepping up R&D investment, management plans to increase dividend payouts to reward shareholders. In line with this, the company declared an interim dividend of HK$0.18 per share for 2026 (up 28.5% yoy) and utilised HK$321m for share repurchases under its share award scheme in 1H26.

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of HK$11.50** to reflect the stronger-than-expected 1H26 results and brighter growth outlook for the next five years. The target price is derived based on: a) HK$6.03/share or 7x 2027F PE for existing drugs; and b) NAV-derived pipeline value of HK$5.47/share (WACC: 11.0%, terminal growth rate: 4%).

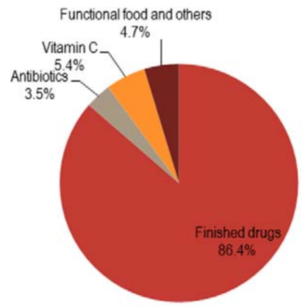
Earnings Revision/Risk

- **Earnings revision.** We have raised our 2026 revenue and adjusted net profit growth estimates from 5.0% and 4.9% yoy to 19.6% and 108.8% yoy, based on stronger-than-expected 1H26 results.
- **Risks:** a) Policy risks: eg VBP programmes, anticorruption campaign and other policies; b) intensifying market competition; c) risks in new product R&D and market approval; and d) risks in business collaborations etc.

Share Price Catalyst

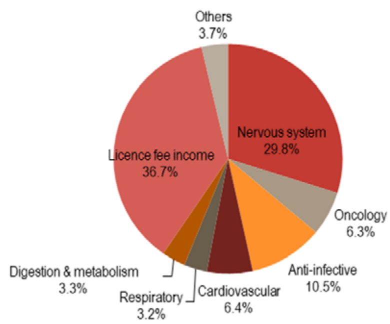
- a) Strong R&D performance and continuous business development efforts.
- b) New product launches to generate revenue streams.

Segmental Revenue (1H26)



Source: CSPC, UOB Kay Hian

Finished Drug Revenue – By Therapeutic Area (1H26)



Source: CSPC, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	26,006	31,098	31,990	33,011
EBITDA	6,102	10,667	11,480	12,277
Deprec. & amort.	1,202	1,279	1,408	1,536
EBIT	4,899	9,388	10,072	10,741
Associate contributions	(52)	(10)	(10)	(10)
Net interest income/(expense)	(39)	(39)	(39)	(39)
Pre-tax profit	4,808	9,339	10,024	10,693
Tax	(932)	(1,810)	(1,942)	(2,072)
Minorities	6	(376)	(380)	(388)
Net profit	3,882	7,153	7,702	8,233
Net profit (adj.)	3,534	7,380	7,936	8,474

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	12,153	12,855	13,428	13,874
Other LT assets	12,294	12,294	12,294	12,294
Cash/ST investment	6,090	12,003	14,925	16,805
Other current assets	16,161	13,838	14,046	14,289
Total assets	46,698	50,989	54,694	57,262
ST debt	329	329	329	329
Other current liabilities	9,849	9,479	9,560	9,663
LT debt	-	-	-	-
Other LT liabilities	1,970	1,970	1,970	1,970
Shareholders' equity	33,178	37,463	40,707	42,784
Minority interest	1,372	1,748	2,128	2,516
Total liabilities & equity	46,698	50,989	54,694	57,262

Operating Ratio

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	6,471	10,811	9,410	10,065
Pre-tax profit	4,808	9,339	10,024	10,693
Tax	(932)	(1,810)	(1,942)	(2,072)
Deprec. & amort.	1,202	1,279	1,408	1,536
Working capital changes	1,301	1,953	(128)	(139)
Non-cash items	-	-	-	-
Other operating cashflows	91	49	49	49
Investing	(4,813)	(1,991)	(1,991)	(1,991)
Capex (growth)	(1,981)	(1,981)	(1,981)	(1,981)
Proceeds from sale of assets	-	-	-	-
Others	(2,832)	(10)	(10)	(10)
Financing	(1,485)	(2,907)	(4,496)	(6,194)
Dividend payments	(2,722)	(2,868)	(4,458)	(6,155)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	(63)	-	-	-
Others/interest paid	1,300	(39)	(39)	(39)
Net cash inflow (outflow)	172	5,913	2,922	1,880
Beginning cash & cash equivalent	5,917	6,090	12,003	14,925
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	6,090	12,003	14,925	16,805

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	65.6	71.5	72.0	72.5
Pre-tax margin	18.5	30.0	31.3	32.4
Net margin	14.9	23.0	24.1	24.9
ROA	8.5	14.6	14.6	14.7
ROE	11.9	20.3	19.7	19.7
Growth				
Turnover	(10.4)	19.6	2.9	3.2
Gross profit	(16.0)	30.3	3.6	3.9
Pre-tax profit	(13.8)	94.2	7.3	6.7
Net profit	(10.3)	84.3	7.7	6.9
Net profit (adj.)	(24.5)	108.8	7.5	6.8
EPS	(22.5)	108.9	7.5	6.8
Leverage				
Debt to total capital	1.0	0.9	0.8	0.8
Debt to equity	1.0	0.9	0.8	0.8
Net debt/(cash) to equity	(17.4)	(31.2)	(35.9)	(38.5)
Interest cover	158.1	276.4	297.4	318.1

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