

CSPC Innovation Pharmaceutical Co (300765 CH)

3Q26: Swings Back To A Net Loss; Late-Stage Pipeline Gathers Pace

Highlights

- CSPC Innovation's 9M26 revenue rose 149.6% yoy to Rmb3,976.5m and net profit was Rmb1,209.9m, vs a net loss of Rmb24.0m in 9M25. 3Q26 revenue rose 35.5% yoy on a US\$25m AstraZeneca milestone, but the adjusted net loss widened 211.7% yoy to Rmb73.8m.
- With SYS6010 meeting its Phase 3 primary endpoint and the DP303c NDA accepted, we expect new launches to support earnings growth from 2028 onward.
- Maintain BUY and lower target price to Rmb50.00, reflecting its weaker 3Q26 earnings.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	3Q26	yoy % chg	9M25	9M26	yoy % chg
Revenue	543	736	35.5	1,593	3,976	149.6
Functional foods and ingredients	485	481	-0.9	1,419	1,433	1.0
Pharmaceutical business	81	281	248.1	174	2,544	1,359.2
Gross profit	232	347	49.8	632	2,834	348.3
Selling expense	(77)	(87)	13.3	(202)	(247)	22.3
G&A expense	(23)	(33)	45.2	(64)	(96)	49.2
R&D expense	(228)	(307)	34.5	(683)	(970)	42.0
EBIT	(108)	(64)	40.3	(262)	1,507	675.8
Net profit	(21)	(51)	-141.0	(24)	1,210	5,130.8
Adj. net profit	(24)	(74)	-211.7	(65)	1,152	1,877.4
% of sales	3Q25	3Q26	yoy ppt chg	9M25	9M26	yoy ppt chg
Gross profit	42.6	47.2	4.5	39.7	71.3	31.6
Selling expense	14.1	11.8	(2.3)	12.7	6.2	(6.5)
G&A expense	4.2	4.5	0.3	4.0	2.4	(1.6)
R&D expense	42.0	41.7	(0.3)	42.9	24.4	(18.5)
EBIT	-19.9	-8.7	11.1	-16.4	37.9	54.3
Net profit	-3.9	-7.0	(3.1)	-1.5	30.4	31.9
Adjusted net profit	-4.4	-10.0	(5.7)	-4.1	29.0	33.0

Source: CSPC Innovation, UOB Kay Hian

Analysis

- 3Q26 revenue rose 35.5% yoy, but the quarter swung back to a net loss.** CSPC Innovation Pharmaceutical's (CSPC Innovation) 3Q26 revenue rose 35.5% yoy to Rmb736.2m, including the US\$25m first R&D milestone under the AstraZeneca peptide licence. The net loss widened 141.0% yoy to Rmb51.3m, and the adjusted net loss widened 211.7% yoy to Rmb73.8m.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	1,981	2,158	4,767	3,057	3,793
EBITDA	(70)	(424)	1,554	(286)	199
Operating profit	(280)	(640)	1,319	(542)	(77)
Net profit (rep./act.)	54	(241)	1,024	(281)	180
Net profit (adj.)	42	(294)	1,024	(281)	180
EPS	3.0	(21.0)	72.9	(20.0)	12.8
PE (x)	1,268.5	(182.4)	52.5	(190.9)	298.5
P/B (x)	14.4	20.1	14.6	15.8	15.0
EV/EBITDA (x)	(757.7)	(124.7)	34.1	(185.0)	265.4
Dividend yield (%)	0.1	-	-	-	-
Net margin (%)	2.1	(13.6)	21.5	(9.2)	4.7
Net debt/(cash) to equity (%)	(23.0)	(28.7)	(21.2)	(25.1)	(20.0)
Interest cover (x)	n.m.	n.m.	31.1	n.m.	n.m.
ROE (%)	1.2	(7.5)	32.2	(7.9)	5.1
Consensus net profit	-	-	1,412	140	747
UOBKH/Consensus (x)	-	-	0.72	-2.02	0.24

Source: CSPC Innovation, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb38.24
Target Price	Rmb50.00
Upside	30.8%
Previous TP	Rmb57.00

Stock Data

Sector	Health Care
Bloomberg ticker	300765 CH
Shares issued (m)	1,405
Market cap (Rmbm)	53,712
Market cap (US\$m)	8,056
3-mth avg daily t'over (US\$m)	145.1

Price Performance (%)

52-week high/low		Rmb51.78/Rmb22.50		
1mth	3mth	6mth	1yr	YTD
(13.2)	(1.7)	26.9	11.0	6.0

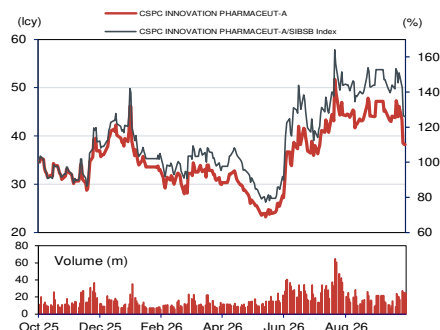
Major Shareholders (%)

CSPC NBP Pharmaceutical Co., Ltd.	73.83
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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 64.0% of total revenue in 9M26.** The 3Q26 pharmaceutical revenue surged by 248% yoy to Rmb281m. Operating loss narrowed 40.3% yoy to Rmb64.4m, as gross profit rose 49.8% yoy. The total gross margin rose 4.5ppt yoy to 47.2% in 3Q26, more than offsetting a 34.5% yoy rise in R&D expenses to Rmb306.7m. Given the robust upfront payment and milestone income from AstraZeneca, biopharmaceutical revenue reached Rmb2.54b in 9M26, accounting for 64% of total revenue. Gross margin rose 31.6ppt yoy to 71.3% in 9M26.
- **R&D expenses rose 42.0% yoy in 9M26 as more programmes entered Phase 3.** R&D expenses reached Rmb970.3m, or 24.4% of sales (-18.5ppt yoy). G&A expenses rose 49.2% yoy on higher depreciation and higher personnel costs. A finance expense of Rmb48.6m, against net finance income in 9M25, reflects exchange losses from renminbi appreciation and higher interest expense. Operating cash inflow was Rmb2.6b in 9M26, and cash and bank wealth-management products totalled Rmb2.46b at end-Sep 26.
- **The late-stage pipeline picked up the pace in 3Q26.** SYS6010 (EGFR ADC) met the primary endpoint of its China Phase 3 trial against platinum-based chemotherapy in EGFR-mutant NSCLC after EGFR-TKI failure in Aug 26 and won two breakthrough therapy designations in Sep 26. The NDA for DP303c (HER2 ADC) in HER2-positive metastatic breast cancer was accepted in Jul 26. SYS6043 (B7H3 ADC) won breakthrough therapy designation in platinum-resistant ovarian cancer and started a Phase 3 trial in first-line triple-negative breast cancer in Oct 26; at ESMO 2026 it showed confirmed objective response rates (ORRs) of 53.7%, 75.0% and 69.6% in HR+/HER2-, triple-negative and HER2+ breast cancer respectively. SYS6090 (PD-1/IL-15) received FDA fast track designation in MSS/pMMR colorectal cancer in Aug 26.
- **We remain optimistic on 2026 revenue and earnings growth outlook.** 9M26 revenue reached 89.3% of our 2026 forecast of Rmb4,451.4m. The remaining US\$126m of the peptide upfront has yet to be recognised, and contract liabilities rose to Rmb239.7m at end-September as Megalith received AstraZeneca upfront payments; the US\$30m siRNA upfront was collected in Aug 26. We expect Enlonstobart, the Omalizumab biosimilar and Ulsinumab to keep lifting biopharmaceutical product sales. Meanwhile, smooth BD and R&D progress bodes well for robust out-licensing income and new product launches in the next few years.

Valuation/Recommendation

- **Maintain BUY with a lower target price of Rmb50.00**, based on our DCF model, assuming WACC of 10.6% and terminal growth rate of 4.5%. Our target price factors in the relatively weak 3Q26 results.

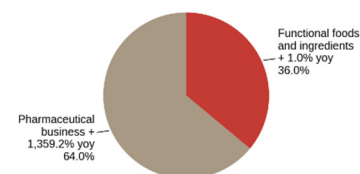
Earnings Revision/Risk

- **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, NDA approval of DP303c and an NDA filing for SYS6010), and successful new product launches.
- b) Potential significant BD deals.
- c) Successful Hong Kong listing.

Segmental Revenue (9M26)



Source: CSPC Innovation, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	2,158	4,767	3,057	3,793
EBITDA	(424)	1,554	(286)	199
Deprec. & amort.	216	235	256	276
EBIT	(640)	1,319	(542)	(77)
Associate contributions	-	-	-	-
Net interest income/(expense)	7	(50)	-	-
Pre-tax profit	(552)	1,364	(441)	28
Tax	(58)	(68)	(71)	(73)
Minorities	368	(272)	230	225
Net profit	(241)	1,024	(281)	180
Net profit (adj.)	(294)	1,024	(281)	180

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	(196)	1,444	27	280
Pre-tax profit	(552)	1,364	(441)	28
Tax	(58)	(68)	(71)	(73)
Deprec. & amort.	216	235	256	276
Working capital changes	204	(70)	300	66
Non-cash items	-	-	-	-
Other operating cashflows	(7)	(17)	(17)	(17)
Investing	(339)	(1,426)	44	(417)
Capex (growth)	(356)	(512)	27	(434)
Proceeds from sale of assets	39	-	-	-
Others	(21)	(914)	17	17
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)	802	71	(137)
Beginning cash & cash equivalent	859	769	1,571	1,642
Changes due to forex impact	20	-	-	-
Ending cash & cash equivalent	769	1,571	1,642	1,505

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	2,798	3,074	2,792	2,949
Other LT assets	625	322	322	322
Cash/ST investment	769	1,571	1,642	1,505
Other current assets	2,084	3,388	3,090	3,130
Total assets	6,276	8,355	7,846	7,906
ST debt	4	537	537	537
Other current liabilities	2,705	3,252	3,254	3,360
LT debt	-	250	250	250
Other LT liabilities	772	225	225	225
Shareholders' equity	2,667	3,691	3,410	3,590
Minority interest	128	400	170	(55)
Total liabilities & equity	6,276	8,355	7,846	7,906

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	38.4	66.4	47.4	51.6
Pre-tax margin	(25.6)	28.6	(14.4)	0.7
Net margin	(11.2)	21.5	(9.2)	4.7
ROA	(3.9)	14.0	(3.5)	2.3
ROE	(7.5)	32.2	(7.9)	5.1
Growth				
Turnover	8.9	120.9	(35.9)	24.1
Gross profit	(0.4)	282.2	(54.2)	35.3
Pre-tax profit	149.2	(347.3)	(132.3)	(106.4)
Net profit	(548.8)	(524.5)	(127.5)	(164.0)
Net profit (adj.)	(795.3)	(447.7)	(127.5)	(164.0)
EPS	(795.3)	(447.7)	(127.5)	(164.0)
Leverage				
Debt to total capital	0.1	17.6	18.8	18.0
Debt to equity	0.1	21.3	23.1	21.9
Net debt/(cash) to equity	(28.7)	(21.2)	(25.1)	(20.0)
Interest cover	n.m.	31.1	n.m.	n.m.

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