CSPC Pharmaceutical Group (1093 HK)

9M26: Results Beat; Targets Positive Revenue Growth In 2027

Highlights

- CSPC's 9M26 results beat expectations with revenue up 27.0% yoy to Rmb25.3b and underlying net profit surging 134.5% yoy to Rmb7.2b. In 3Q26, product sales grew 10.1% yoy, offsetting a 19.9% yoy fall in licence fee income.
- CSPC targets positive revenue growth in 2027, supported by continued innovative product launches and globalisation efforts. We foresee limited revenue growth visibility given the unpredictable timing of licensing income.
- Maintain BUY with a lower target price of HK$10.00 on limited 2027 growth visibility.

9M26 Results

Year to 31 Dec (Rmbm)	3Q25	3Q26	YoY%	9M25	9M26	YoY%
Revenue	**6,618**	**6,665**	**0.7**	**19,891**	**25,260**	**27.0**
- Finished drugs	5,203	5,588	7.4	15,450	21,648	40.1
Licence fee income	465	373	-19.9	1,540	6,268	307.0
Finished drugs - Others	4,737	5,215	10.1	13,910	15,381	10.6
- Bulk products	931	675	-27.5	3,006	2,336	-22.3
- Functional food and others	484	402	-16.8	1,435	1,276	-11.1
Gross profit	4,339	4,437	2.3	13,049	18,598	42.5
Selling expense	-1,748	-1,628	-6.9	-4,798	-4,919	2.5
Admin expense	-218	-231	5.9	-620	-719	15.9
R&D expense	-1,502	-1,614	7.4	-4,185	-4,643	10.9
Operating profit	**1,222**	**1,237**	**1.3**	**4,374**	**8,783**	**100.8**
Finance expense	-10	-7	-30.1	-32	-20	-35.8
Net profit to shareholders	**964**	**982**	**1.9**	**3,511**	**7,076**	**101.5**
Adjusted net profit	**759**	**1,055**	**39.0**	**3,079**	**7,220**	**134.5**
Adjusted EPS (diluted, Fen)	**6.64**	**9.25**	**39.2**	**26.93**	**63.25**	**134.8**
Ratios (%)	**3Q25**	**3Q26**	**ppt chg yoy**	**9M25**	**9M26**	**ppt chg yoy**
GP margin %	65.6	66.6	1.0	65.6	73.6	8.0
Selling expense %	26.4	24.4	-2.0	24.1	19.5	-4.6
Admin expense %	3.3	3.5	0.2	3.1	2.8	-0.3
R&D expense/Finished drug revenue	28.9	28.9	0.0	27.1	21.4	-5.6
OP margin %	18.5	18.6	0.1	22.0	34.8	12.8
Adjusted net profit margin%	11.5	15.8	4.4	15.5	28.6	13.1

Source: CSPC, UOB Kay Hian

Analysis

- **9M26 results beat.** CSPC Pharmaceutical Group's (CSPC) 9M26 revenue rose 27.0% yoy to Rmb25.3b and underlying net profit jumped 134.5% yoy to Rmb7.2b, ahead of our expectations. In 3Q26, revenue rose 0.7% yoy to Rmb6.7b and underlying net profit grew 39.0% yoy to Rmb1,055m.

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	10,869	11,698	12,511
Operating profit	5,712	4,899	9,590	10,290	10,976
Net profit (rep./act.)	4,328	3,882	7,718	8,309	8,884
Net profit (adj.)	4,683	3,534	7,945	8,544	9,125
EPS (Fen)	39.9	30.9	69.6	74.8	79.9
PE (x)	17.0	21.9	9.8	9.1	8.5
P/B (x)	2.5	2.3	2.0	1.9	1.8
EV/EBITDA (x)	11.9	13.1	7.3	6.8	6.4
Dividend yield (%)	3.6	3.8	7.7	8.2	8.8
Net margin (%)	16.1	13.6	25.5	26.7	27.6
Net debt/(cash) to equity (%)	(17.1)	(17.4)	(32.0)	(37.2)	(40.0)
Interest cover (x)	154.2	158.1	402.6	433.2	463.4
ROE (%)	13.2	11.9	21.7	20.9	20.8
Consensus net profit	-	-	8,964	5,990	6,482
UOBKH/Consensus (x)	-	-	0.89	1.43	1.41

Source: CSPC, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$7.99
Target Price	HK$10.00
Upside	25.2%
Previous TP	HK$11.50

Stock Data

Sector	Health Care
Bloomberg ticker	1093 HK
Shares issued (m)	11,522
Market cap (HK$m)	92,007
Market cap (US$m)	11,727
3-mth avg daily t'over (US$m)	103.6

Price Performance (%)

52-week high/low				HK$10.96/HK$6.53
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(10.1)	(9.3)	5.3	3.3	(5.3)

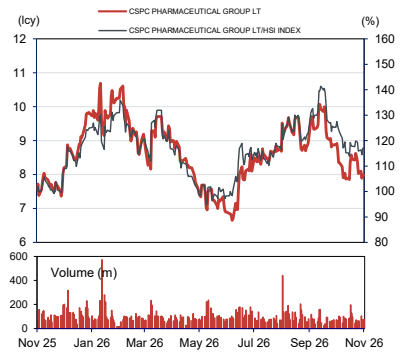
Major Shareholders (%)

Mr. Cai Dongchen	26.39

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	3.34
FY26 Net Cash/Share (Rmb)	1.06

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.

- **Product sales grew 10.1% yoy in 3Q26.** Finished drug revenue rose 7.4% yoy to Rmb5.6b in 3Q26, with product sales rising 10.1% to Rmb5.2b but licence fee income dropping 19.9% to Rmb373m. Nervous system and digestion & metabolism sales grew 32.1% and 41.4%, while oncology, respiratory, and cardiovascular fell 22.5%, 15.4% and 14.7% respectively. For 9M26, finished drug revenue rose 40.1% to Rmb21.6b, with product sales up 10.6% to Rmb15.4b and licence fee income up 307.0% to Rmb6.3b.
- **Sales of bulk products remained weak.** Bulk product sales fell 27.5% yoy in 3Q26, with vitamin C and antibiotics down 25.5% and 30.9% respectively; both segments posted quarterly losses. For 9M26, CSPC attributed the 18.9% yoy decline in vitamin C sales to lower prices caused by new industry capacity, and the 27.3% yoy decline in antibiotics sales to intensified competition and impact from the 11th national VBP. The sales of functional food and others fell 16.8% yoy in 3Q26. Management indicated that prices of bulk medicine have fallen to low levels and is expecting a gradual recovery in sales.
- **Profit margin.** Gross margin rose 1.0ppt yoy to 66.6% in 3Q26. The company has continued to improve operating efficiency, having brought the selling expenses ratio down 2.0ppt yoy to 24.4%. R&D expenses rose 7.4% yoy to Rmb1.6b, accounting for 28.9% of finished drug revenue (30.9% excluding licence fee income). Adjusted net margin rose 4.4ppt yoy to 15.8% in 3Q26.
- **Out-licensing pipeline continues to expand.** CSPC recognised US$840m (Rmb5.74b) of the US$1.2b AstraZeneca upfront as licensing fee income in 9M26, plus a US$25m development milestone in Jul 26; the remaining US$360m (Rmb2.4b) may be recognised once it ceases to be refundable. In Jul 26, its second AstraZeneca deal covered siRNA drugs for renal diseases carrying US$30m upfront (received Aug 26) and up to US$540m development and US$1.2b sales milestones. In Aug 26, the two parties agreed to set up a biologic manufacturing JV in Shijiazhuang which 51% owned by CSPC. However, the timing of the licensing income is highly uncertain. Given the unpredictable licensing fee income, we forecast only 20% of the US$1.2b upfront as 2027 revenue and 10% in 2028.
- **Targets positive revenue growth in 2027.** Given the smooth progress in R&D, CSPC is expecting over 10 innovative products in its commercial portfolio to drive positive 2027 revenue growth. Ytd it has received approval in China for seven innovative drugs, had 10 NDAs accepted, and received five Breakthrough Therapy designations. SYS6010 (EGFR ADC) met its Phase III primary endpoint in EGFR-mutant NSCLC after EGFR-TKI failure in Aug 26, and JMT101 plus Osimertinib posted positive Phase III top-line results in first-line EGFR exon 20 insertion NSCLC in Sep 26. It has also received EU approval for Amphotericin B liposomal.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$10.00** to reflect the limited visibility in licensing income. The target price is based on: a) HK$5.19/share or 6x 2027F PE for existing drugs; and b) NAV-derived pipeline value of HK$4.80/share (WACC: 11.0%, terminal growth rate: 4%).

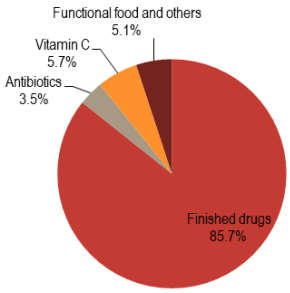
Earnings Revision/Risk

- **Earnings revision.** We maintain our 2026 revenue growth estimate unchanged at 19.6% yoy, but lift 2026 adjusted net profit growth from 108.8% yoy to 124.8% yoy on the higher-than-expected margin expansion.
- **Risks:** a) Policy risks: eg VBP programmes, anti-corruption 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

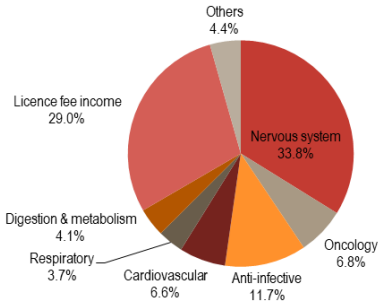
- a) Strong R&D performance and continuous business development efforts.
- b) New product launches to generate revenue streams.

Segmental Revenue (9M26)



Source: CSPC, UOB Kay Hian

Finished Drug Revenue – By Therapeutic Area (9M26)



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	10,869	11,698	12,511
Deprec. & amort.	1,202	1,279	1,408	1,536
EBIT	4,899	9,590	10,290	10,976
Associate contributions	(52)	(10)	(10)	(10)
Net interest income/(expense)	(39)	(27)	(27)	(27)
Pre-tax profit	**4,808**	**9,553**	**10,253**	**10,939**
Tax	(932)	(1,429)	(1,534)	(1,636)
Minorities	6	(406)	(410)	(419)
Net profit	**3,882**	**7,718**	**8,309**	**8,884**
Net profit (adj.)	3,534	7,945	8,544	9,125

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	12,492	15,785	17,872
Other current assets	16,161	13,770	13,987	14,239
Total assets	**46,698**	**51,411**	**55,495**	**58,279**
ST debt	329	329	329	329
Other current liabilities	9,849	9,306	9,409	9,536
LT debt	-	-	-	-
Other LT liabilities	1,970	1,970	1,970	1,970
Shareholders' equity	33,178	38,028	41,599	43,838
Minority interest	1,372	1,778	2,188	2,607
Total liabilities & equity	**46,698**	**51,411**	**55,495**	**58,279**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**6,471**	**11,288**	**10,050**	**10,750**
Pre-tax profit	4,808	9,553	10,253	10,939
Tax	(932)	(1,429)	(1,534)	(1,636)
Deprec. & amort.	1,202	1,279	1,408	1,536
Working capital changes	1,301	1,848	(114)	(125)
Non-cash items	-	-	-	-
Other operating cashflows	91	37	37	37
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)**	**(2,895)**	**(4,766)**	**(6,671)**
Dividend payments	(2,722)	(2,868)	(4,739)	(6,644)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	(63)	-	-	-
Others/interest paid	1,300	(27)	(27)	(27)
Net cash inflow (outflow)	**172**	**6,402**	**3,293**	**2,087**
Beginning cash & cash equivalent	**5,917**	**6,090**	**12,492**	**15,785**
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	**6,090**	**12,492**	**15,785**	**17,872**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	65.6	72.2	72.6	73.0
Pre-tax margin	18.5	30.7	32.1	33.1
Net margin	14.9	24.8	26.0	26.9
ROA	8.5	15.7	15.5	15.6
ROE	11.9	21.7	20.9	20.8
Growth				
Turnover	(10.4)	19.6	2.9	3.2
Gross profit	(16.0)	31.5	3.4	3.8
Pre-tax profit	(13.8)	98.7	7.3	6.7
Net profit	(10.3)	98.8	7.7	6.9
Net profit (adj.)	(24.5)	124.8	7.5	6.8
EPS	(22.5)	124.9	7.5	6.8
Leverage				
Debt to total capital	1.0	0.9	0.8	0.7
Debt to equity	1.0	0.9	0.8	0.7
Net debt/(cash) to equity	(17.4)	(32.0)	(37.2)	(40.0)
Interest cover	158.1	402.6	433.2	463.4

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