Hansoh Pharmaceutical Group Company (3692 HK)

1H26: Results Beat; Expects To Launch Five New Products In 2027

Highlights

- Driven by strong revenue growth of innovative products, Hansoh Pharma's 1H26 revenue rose 11.7% yoy to Rmb8.30b and net profit grew 35.8% yoy to Rmb4.26b. The robust earnings growth was significantly ahead of market estimate.
- Management keeps its double-digit revenue growth target for 2026 unchanged and indicates the new wave of new product launches will support robust revenue growth of the company from 2027 onwards.
- Maintain BUY and target price of HK$45.00.

1H26 Results

Year to 31 Dec (Rmbm)	1H25	1H26	YoY%
Revenue	7,434	8,304	11.7
Innovative medicines	6,145	7,092	15.4
Generic drugs	1,289	1,212	-5.9
Gross profit	6,773	7,633	12.7
Selling expense	-1,818	-1,861	2.3
Admin expense	-343	-326	-4.8
R&D expense	-1,441	-1,739	20.7
Operating profit	3,688	5,009	35.8
Net profit to shareholders	3,135	4,258	35.8
Adjusted net profit	3,135	4,258	35.8
Ratios (%)	1H25	1H26	ppt chg yoy
GP margin %	91.1	91.9	0.8
Selling expense %	24.5	22.4	-2.0
Admin expense %	4.6	3.9	-0.7
R&D expense %	19.4	20.9	1.6
OP margin %	49.6	60.3	10.7
Adjusted net profit margin%	42.2	51.3	9.1

Source: Hansoh Pharma, UOB Kay Hian

Analysis

- **1H26 results beat.** Hansoh Pharmaceutical Group Company's (Hansoh Pharma) revenue grew 11.7% yoy to Rmb8.30b and net profit rose 35.8% yoy to Rmb4.26b in 1H26, with basic EPS up 33.1% yoy to Rmb0.70. The company declared an interim dividend of 28.50 HK cents/share (up 23.1% yoy), representing a 35.3% payout ratio.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	12,261	15,028	17,307	19,744	22,354
EBITDA	5,467	6,918	8,118	9,382	10,760
Operating profit	5,092	6,554	7,723	8,961	10,313
Net profit (rep./act.)	4,372	5,555	6,562	7,614	8,764
Net profit (adj.)	4,372	5,555	6,562	7,614	8,764
EPS	73.5	93.6	108.3	125.7	144.7
PE (x)	37.0	29.1	25.1	21.6	18.8
P/B (x)	5.6	4.6	4.2	3.7	3.2
EV/EBITDA (x)	32.8	25.9	22.1	19.1	16.7
Dividend yield (%)	1.1	1.4	1.4	1.6	1.9
Net margin (%)	35.7	37.0	37.9	38.6	39.2
Net debt/(cash) to equity (%)	(27.1)	(25.9)	(33.3)	(40.8)	(47.6)
Interest cover (x)	817.4	2,187.9	2,567.4	2,967.2	3,402.8
ROE (%)	16.1	17.3	17.5	18.0	18.3
Consensus net profit	n.a	n.a	5,904	6,470	7,434
UOBKH/Consensus (x)	n.a	n.a	1.11	1.18	1.18

Source: Hansoh Pharma, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$31.74
Target Price	HK$45.00
Upside	41.8%

Stock Data

Sector	Health Care
Bloomberg ticker	3692 HK
Shares issued (m)	6,064.2
Market cap (HK$m)	192,476.1
Market cap (US$m)	24,553.0
3-mth avg daily t'over (US$m)	51.1

Price Performance (%)

52-week high/low: HK$44.22/HK$28.06

1mth	3mth	6mth	1yr	YTD
(1.6)	(6.6)	(7.2)	(15.7)	(12.0)

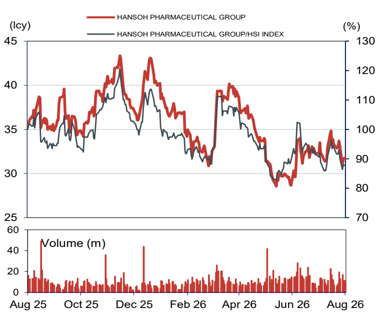
Major Shareholders (%)

Ms. Zhong Huijuan	64.3
Mr. Cen Junda	15.2

Balance Sheet Metrics

FY26 NAV/Share (HK$)	6.5
FY26 Net Debt/Share (HK$)	2.2

Price Chart



Source: Bloomberg

Company Description

Founded in 1995, Hansoh Pharmaceutical Group Company is a leading R&D-driven pharmaceutical company in China.

- **Innovative medicines continued to drive growth.** Revenue from innovative medicines grew 15.4% yoy to Rmb7.09b, which the company attributes primarily to a 21.6% yoy growth in innovative medicine product sales. Generics fell 5.9% yoy to Rmb1.21b on continued Group Purchasing Organisation price pressure. By therapeutic area, oncology rose 20.8% yoy to Rmb5.47b, or 65.9% of revenue, while non-oncology declined 2.5% yoy to Rmb2.83b.
- **Gross margin increased 0.8ppt yoy to 91.9% in 1H26.** The selling and distribution expense ratio fell 2.0ppt yoy to 22.4% and the administrative expense ratio fell 0.7ppt yoy to 3.9%. R&D expenses rose 20.7% yoy to Rmb1.74b, lifting the R&D expense ratio by 1.6ppt yoy to 20.9%.
- **Smooth R&D progress.** Ameile (Aumolertinib) won a fifth China indication and became the first China-developed EGFR-TKI approved in the EU. XINYUE (Inebilizumab) secured a third indication, generalised myasthenia gravis, in Mar 26. HS-20093 (B7-H3 ADC) met its primary endpoints in the pivotal Phase 3 ARTEMIS-008 (small cell lung cancer, overall survival) and ARTEMIS-011 (osteosarcoma, progression-free survival) trials. Filings for olatorepatide in weight management and HS-10568 in secondary hyperparathyroidism were accepted in Jun 26.
- **Maintains double-digit revenue growth in 2026.** Management continues to guide for double-digit growth in both drug sales and business development income, with Ameile's sales projected to reach Rmb10b by 2030. The company also targets a 30% yoy increase in R&D spending for 2026, driven by 10 new molecules entering clinical trials and a growing pipeline of candidates advancing into Phase III. To reward shareholders, management has set a target payout ratio of approximately 35% for 2026.
- **Expects market launch of five new innovative products in 2027.** Hansoh Pharma indicates that the new wave of new product launches will support robust revenue growth of the company from 2027 onwards. Management expects HS-20093 (B7-H3 ADC, osteosarcoma and small cell lung cancer), HS-20089 (B7-H4 ADC, ovarian cancer), HS-20094 (dual GLP-1/GIP receptor agonist, diabetes and obesity), HS-20117 (bispecific EGFR/c-MET antibody, NSCLC) and HS-20137 (IL-23p19 mAb, severe plaque psoriasis) to reach the market and drive growth in 2027 and beyond.
- **Out-licensing continues to build the second revenue stream.** In Jun 26, Hansoh Pharma granted Avere Therapeutics an exclusive licence to HS-20118, a cyclic peptide IL-23 receptor antagonist, worldwide excluding Mainland China, Hong Kong, Macau and Taiwan. That follows the agreements signed since Dec 24 with Merck, Regeneron, Roche and Glenmark. Out-licensing continues to build the second revenue stream of the company.

Valuation/Recommendation

- **Maintain BUY and target price of HK$45.00** based on SOTP valuation, comprising: a) HK$21.04/share at 14x 2027F PE for existing drugs; and b) NAV-derived pipeline value of HK$23.96/share (10.5% WACC, 4% terminal growth rate).

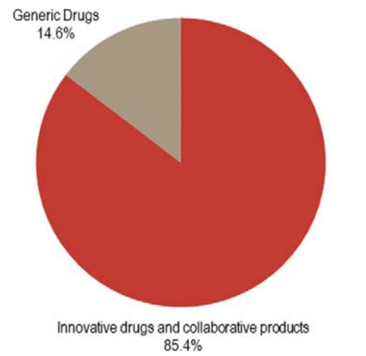
Earnings Revision/Risk

- **Risks** include: a) Rising geopolitical risks, b) possible failure in business collaboration and new product launches, and c) rising competition.

Share Price Catalyst

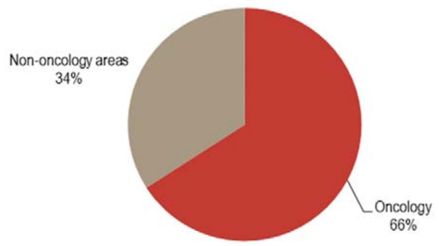
- a) Read-outs and approvals across the HS-20093/HS-20089/HS-20094 cohort, b) further out-licensing deals, and c) sustained double-digit growth in innovative medicine revenue.

Revenue Contribution Of Generic And Innovative Drugs (1H26)



Source: Hansoh Pharma, UOB Kay Hian

Revenue By Segment (1H26)



Source: Hansoh Pharma, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	15,028	17,307	19,744	22,354
EBITDA	6,918	8,118	9,382	10,760
Deprec. & amort.	364	395	421	446
EBIT	6,554	7,723	8,961	10,313
Associate contributions	0	0	0	0
Net interest income/(expense)	(3)	(3)	(3)	(3)
Pre-tax profit	6,551	7,720	8,958	10,310
Tax	(995)	(1,158)	(1,344)	(1,547)
Minorities	0	0	0	0
Net profit	5,555	6,562	7,614	8,764
Net profit (adj.)	5,555	6,562	7,614	8,764

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	2,758	2,691	2,604	2,497
Other LT assets	1,587	1,694	1,795	1,890
Cash/ST investment	9,176	13,182	18,347	24,309
Other current assets	26,379	26,827	27,407	28,028
Total assets	39,900	44,394	50,153	56,725
ST debt	0	0	0	0
Other current liabilities	4,395	4,633	5,075	5,548
LT debt	0	0	0	0
Other LT liabilities	141	141	141	141
Shareholders' equity	35,364	39,620	44,938	51,036
Minority interest	0	0	0	0
Total liabilities & equity	39,900	44,394	50,153	56,725

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	3,863	6,764	7,901	9,067
Pre-tax profit	6,551	7,720	8,958	10,310
Tax	(995)	(1,158)	(1,344)	(1,547)
Deprec. & amort.	364	395	421	446
Working capital changes	2,322	(210)	(138)	(148)
Non-cash items	0	0	0	0
Other operating cashflows	(4,379)	17	4	6
Investing	(444)	(435)	(435)	(435)
Capex (growth)	(304)	(304)	(304)	(304)
Proceeds from sale of assets	0	0	0	0
Others	(140)	(131)	(131)	(131)
Financing	(2,016)	(2,324)	(2,301)	(2,671)
Dividend payments	(2,013)	(2,306)	(2,297)	(2,665)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(3)	(17)	(4)	(6)
Net cash inflow (outflow)	1,403	4,006	5,165	5,962
Beginning cash & cash equivalent	7,773	9,176	13,182	18,347
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	9,176	13,182	18,347	24,309

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	90.0	90.6	90.6	90.6
Pre-tax margin	43.6	44.6	45.4	46.1
Net margin	37.0	37.9	38.6	39.2
ROA	15.5	15.6	16.1	16.4
ROE	17.3	17.5	18.0	18.3
Growth				
Turnover	22.6	15.2	14.1	13.2
Gross profit	21.3	15.9	14.1	13.2
Pre-tax profit	28.8	17.8	16.0	15.1
Net profit	27.1	18.1	16.0	15.1
Net profit (adj.)	27.1	18.1	16.0	15.1
EPS	27.3	15.8	16.0	15.1
Leverage				
Debt to total capital	0	0	0	0
Debt to equity	0	0	0	0
Net debt/(cash) to equity	(25.9)	(33.3)	(40.8)	(47.6)
Interest cover	2,187.9	2,567.4	2,967.2	3,402.8