Sino Biopharmaceutical (1177 HK)

US$7b Boehringer Ingelheim Deal To Boost Growth In 2027

Highlights

- Sino Biopharm and BI have entered into a US$7b strategic collaboration, with upfront and near-term milestone payment of US$358m, plus double-digit royalties.
- This marks the two parties' second oncology collaboration and Sino Biopharm's third MNC out-licensing deal in 2026, with total licensing value for the year exceeding US$10b.
- Most of the upfront payment expected to be recognised next year, and this will significantly boost revenue and earnings growth in 2027.
- Maintain BUY and raise target price to HK$7.50.

Analysis

- **Entered into US$7b collaboration with Boehringer Ingelheim.** Sino Biopharmaceutical (Sino Biopharm) has entered into a strategic option and license agreement with Boehringer Ingelheim (BI) on six preclinical asset programmes. The total deal value amounts to US$7b, including US$358m in upfront and near-term milestone income. The six pre-clinical oncology assets span antibody-drug conjugates (ADCs) and T-cell engager (TCEs). Pursuant to the agreement, Sino Biopharmaceutical (Sino Biopharm) is responsible for early research through global phase 1 clinical trials; upon achieving the agreed clinical milestones, Boehringer Ingelheim has the right to exercise its options (subject to an additional option exercise fee) to obtain exclusive global rights (excluding Mainland China, Hong Kong, and Macau) for the development, manufacturing, and commercialisation of four projects, and exclusive global rights for two projects.
- **Strong BD momentum supports global development of its innovative pipeline**. This new out-licensing deal is the second collaboration between the two parties in oncology. Ytd, Sino Biopharmaceutical has completed three out-licensing deals with MNCs (Sanofi, AstraZeneca, and BI), with the total deal value exceeding US$10b. The robust business development (BD) momentum has not only brought in significant cash flow and lifted revenue, but also provided strong support for the global development of its innovative pipeline and created long-term value gains. The company is actively seeking BD opportunities for its innovative assets and is expecting more BD deals in the years ahead.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	28,866	31,834	36,236	40,503	43,945
EBITDA	6,490	7,431	8,481	9,682	10,526
Operating profit	5,169	6,219	7,087	8,272	9,095
Net profit (rep./act.)	1,920	2,343	2,579	2,995	3,291
Net profit (adj.)	3,457	4,541	5,017	5,662	6,209
EPS	18.9	25.2	27.9	31.5	34.5
PE (x)	25.3	19.0	17.2	15.2	13.9
P/B (x)	2.7	2.8	2.7	2.7	2.6
EV/EBITDA (x)	17.7	15.4	13.5	11.8	10.9
Dividend yield (%)	1.4	1.9	2.1	2.4	2.6
Net margin (%)	12.0	14.3	13.8	14.0	14.1
Net debt/(cash) to equity (%)	18.8	27.2	30.6	25.7	23.3
Interest cover (x)	n.m.	n.m.	n.m.	n.m.	n.m.
ROE (%)	6.2	7.5	8.3	9.4	10.0
Consensus net profit	n.a	n.a	4,814	4,983	5,445
UOBKH/Consensus (x)	n.a	n.a	1.04	1.14	1.14

Source: Sino Biopharm, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$5.63
Target Price	HK$7.50
Upside	33.3%
Previous TP	HK$7.20

Stock Data

Sector	Health Care
Bloomberg ticker	1177 HK
Shares issued (m)	18,683.0
Market cap (HK$m)	105,091.6
Market cap (US$m)	13,396.2
3-mth avg daily t'over (US$m)	52.4

Price Performance (%)

52-week high/low				HK$7.48/HK$4.19
1mth	3mth	6mth	1yr	YTD
1.4	15.1	3.4	(19.5)	(9.0)

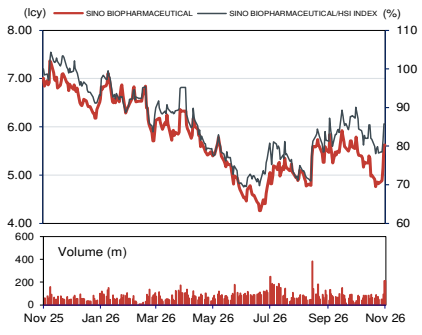
Major Shareholders (%)

Tse Family	42.7

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	1.7
FY26 Net Cash/Share (Rmb)	-0.5

Price Chart



Source: Bloomberg

Company Description

Sino Biopharmaceutical is a leading pharmaceutical provider in China. It offers a broad range of drugs in the therapeutic areas of cardio cerebral vascular diseases, hepatitis, oncology, analgesic, respiratory, and diabetic medicines etc.

- **Targets double-digit revenue growth in 2026.** Sino Biopharm expects innovative drugs and out-licensing revenue to bring in about 50% of total revenue in 2026. This is supported by strong sales growth of innovative drugs and increasing out-licensing income (the US$200m upfront payment from AstraZeneca is expected to be booked in 2H26). We believe this is highly achievable as the company has launched an increasing number of new products, and has also taken Mainland China commercialisation rights from GSK for Bepirovirsen (May 26) as well as Trelegy Ellipta and Anoro Ellipta (Jul 26), whose China sales will be booked as its revenue. In addition, the company acquired an additional 5% stake in CT Tianqing in Sep 26, bringing its indirect equity interest in the subsidiary to 65%, which offers immediate earnings accretion and long-term strategic value for the company.
- **Out-licensing income expected to boost revenue growth in 2027.** Management expects most of the US$358m in upfront and near-term milestone payment to be booked as revenue next year. Moreover, LaNova's LM-299/MK-2010 (PD-1/VEGF bispecific) is expected to enter global phase 3 trial in 1H27, which will trigger a significant milestone income. We believe the upfront and milestone payment will significantly boost revenue growth for 2027. Assuming 70% of the US$358m is recognised in 2027, we estimate the incremental revenue will support a total revenue growth of approximately 12% yoy, up from our previously estimated 7% yoy. We also estimate a stronger growth rate in adjusted net earnings, as increasing out-licensing income should improve margins.
- **Innovative pipeline drives bright long-term outlook.** Focusing on first-in-class and best-in-class drug candidates, the company invests approximately 19% of its total revenue in R&D. It has nurtured a growing innovative pipeline, including bispecifics, tri-specifics, and ADCs with differentiated technologies, to support continued new product launches and BD programmes in the next few years. It expects to advance around 20 preclinical assets to Investigational New Drug stage per year and launch 30 more innovative products over 2026-30. The robust pipeline bodes well for a bright long-term growth outlook for the company.

Valuation/Recommendation

- **Maintain BUY and raise target price to HK$7.50,** based on SOTP valuation, comprising: a) HK$2.87/share at 8x 2026F PE for existing drugs; and b) NAV-derived pipeline value of HK$4.62/share (10.5% WACC, 3.3% perpetual growth rate).

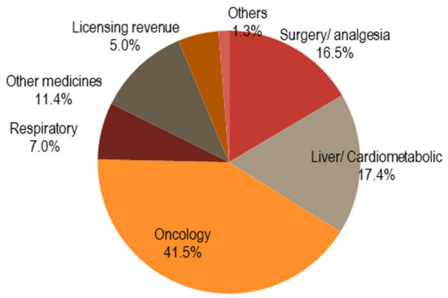
Earnings Revision/Risk

- **Risks** include: a) worse-than-expected policy risks including anti-corruption campaign and price pressure from the volume-based procurement programme etc, b) possible delay or failure in R&D and new product launches, and c) intensifying market competition.

Share Price Catalyst

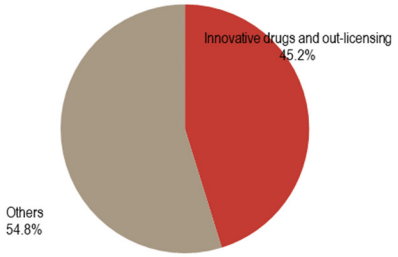
- a) Approval and launch of new innovative drugs and indications, b) further out-licensing deals, and c) stronger-than-expected 2026 results.

Revenue By Segment (1H26)



Source: Sino Biopharm, UOB Kay Hian

Innovative Drug Contribution (1H26)



Source: Sino Biopharm, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**31,834**	**36,236**	**40,503**	**43,945**
EBITDA	7,431	8,481	9,682	10,526
Deprec. & amort.	1,212	1,393	1,411	1,431
EBIT	6,219	7,087	8,272	9,095
Associate contributions	(151)	(151)	(151)	(151)
Net interest income/(expense)	355	306	314	322
Pre-tax profit	**6,943**	**7,642**	**8,874**	**9,750**
Tax	(1,629)	(1,793)	(2,082)	(2,287)
Minorities	(2,971)	(3,270)	(3,797)	(4,172)
Net profit	**2,343**	**2,579**	**2,995**	**3,291**
Net profit (adj.)	4,541	5,017	5,662	6,209

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	8,931	8,954	9,113	9,359
Other LT assets	32,613	33,806	33,902	33,972
Cash/ST investment	7,627	5,952	6,861	6,980
Other current assets	26,838	29,799	30,534	32,212
Total assets	**76,010**	**78,511**	**80,410**	**82,522**
ST debt	8,395	8,195	7,995	7,795
Other current liabilities	16,804	19,340	21,164	23,194
LT debt	7,584	7,384	7,184	6,984
Other LT liabilities	1,140	1,277	1,427	1,547
Shareholders' equity	30,671	31,439	32,391	33,441
Minority interest	11,415	10,875	10,249	9,560
Total liabilities & equity	**76,010**	**78,511**	**80,410**	**82,522**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**8,218**	**8,087**	**8,093**	**8,036**
Pre-tax profit	6,943	7,642	8,874	9,750
Tax	(1,192)	(1,745)	(1,997)	(2,227)
Deprec. & amort.	1,212	1,393	1,411	1,431
Working capital changes	2,555	2,047	1,064	349
Non-cash items	-	-	-	-
Other operating cashflows	(1,300)	(1,250)	(1,259)	(1,267)
Investing	**(5,129)**	**(3,604)**	**(188)**	**(296)**
Capex (growth)	(1,303)	(1,441)	(1,575)	(1,683)
Proceeds from sale of assets	-	-	-	-
Others	(3,826)	(2,163)	1,387	1,387
Financing	**965**	**(6,157)**	**(6,996)**	**(7,621)**
Dividend payments	(5,100)	(5,620)	(6,467)	(7,101)
Issue of shares	-	-	-	-
Proceeds from borrowings	6,344	(400)	(400)	(400)
Loan repayment	-	-	-	-
Others/interest paid	(278)	(137)	(128)	(120)
Net cash inflow (outflow)	**4,054**	**(1,674)**	**909**	**118**
Beginning cash & cash equivalent	**3,573**	**7,627**	**5,952**	**6,861**
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	**7,627**	**5,952**	**6,861**	**6,980**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	82.1	82.1	82.6	82.6
Pre-tax margin	21.8	21.1	21.9	22.2
Net margin	7.4	7.1	7.4	7.5
ROA	3.3	3.3	3.8	4.0
ROE	7.5	8.3	9.4	10.0
Growth				
Turnover	10.3	13.8	11.8	8.5
Gross profit	11.0	13.9	12.5	8.5
Pre-tax profit	31.6	10.1	16.1	9.9
Net profit	22.0	10.1	16.1	9.9
Net profit (adj.)	31.4	10.5	12.8	9.7
EPS	33.5	10.5	12.8	9.7
Leverage				
Debt to total capital	34.3	33.1	31.9	30.6
Debt to equity	52.1	49.6	46.9	44.2
Net debt/(cash) to equity	27.2	30.6	25.7	23.3
Interest cover	n.m.	n.m.	n.m.	n.m.

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