

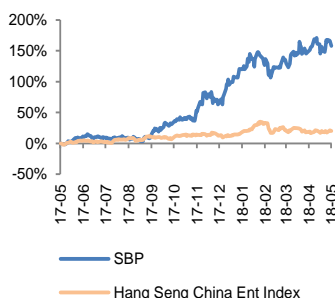
21 May 2018

BUY
Unchanged

Market Data: May, 18

Closing Price (HK\$)	19.04
Price Target (HK\$)	22.60
HSCEI	12,355
HSCCI	4,681
52-week High/Low (HK\$)	19.66/6.33
Market Cap (US\$m)	20,437
Market Cap (HK\$m)	160,416
Shares Outstanding (m)	8,425
Exchange Rate (Rmb-HK\$)	1.23

Price Performance Chart:



Source: Bloomberg

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Related Reports

"Blockbuster approvals"—SBP
INC(1177:HK) May 3 2018

"Higher target"—SBP
INC(1177:HK) March 26 2018

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持续高增长

SINO BIOPHARMACEUTICAL LIMITED (1177:HK)

Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	13,543.38	14,819.30	22,105.79	27,969.14	34,713.85
YoY (%)	-	9.42	49.17	26.52	24.11
Net income (Rmbm)	1,637.38	2,170.95	3,038.54	3,815.67	4,886.40
YoY (%)	-	32.59	39.96	25.58	28.06
EPS (Rmb)	0.22	0.29	0.36	0.45	0.58
Diluted EPS (Rmb)	0.22	0.29	0.36	0.45	0.58
ROE (%)	22.75	25.37	29.35	29.50	30.14
Debt/asset (%)	41.92	39.76	33.22	27.96	23.92
Dividend Yield (%)	-	0.49	0.58	0.73	0.93
PE (x)	69.82	52.66	42.76	34.05	26.59
PB (x)	10.71	9.06	8.29	6.65	5.31
EV/Ebitda (x)	39.72	33.24	21.99	16.85	12.95

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

2018 年一季度公司净利润同比增长 33.2%至 7.71 亿元，收入同比增长 20.4%至 46.5 亿元。北京泰德的股收购于 3 月 1 日完成，公司于北京泰德的持股比例从 33.6%提升至 57.6%。扣除北京泰德的收入并表贡献，一季度公司收入的内生增速为 11%。此外，一季度北京泰德的收入增速约为 15%。扣除北京泰德并表的影响，公司净利润的内生增速约为 29%。

核心品种表现靓丽。润众的销售增速从 2017 年的 4.8%恢复至 2018 年一季度的 6.4%。润众于 5 月 18 日通过了一致性评价，我们预计润众销售额的增速有望于 18 年提升至 10%，19 年有望达到 12%。一季度，艾速平（埃索美拉唑注射液）的销售额同比增长 188%至 1.74 亿元。我们预计艾速平有望于 18 年全年实现约 9.0 亿元销售额。晴众（替诺福韦二吡呋酯片）一季度的销售额过千万。截至 3 月底，晴众已经进入 387 家医院。由于晴众已经通过了一致性评价，我们预计晴众的销售额有望实现快速增长，于 2018 年达到约 3 亿元。此外，纳入新版国家医保目录的正面影响，泽普思（氟比洛芬凝胶贴膏）的销售额同比增长 108%，格尼可（伊马替尼胶囊）增长 35%，依尼舒（达沙替尼片）增长 47%，晴唯可（地西他宾注射剂）增长 35%。

辅助用药面临压力。由于天晴甘美和凯时（前列地尔注射液）通常被认为是辅助用药，临床使用受到限制。一季度，天晴甘美的销售额同比下降 8%，凯时同比下降 40%。然而，天晴甘美和凯时仅占公司整体销售收入约 10-15%，对整体业绩影响轻微。管理层表示，新产品于一季度贡献了公司整体收入的 14.7%。我们认为未来随着新产品销售额的快速增长，将抵消辅助用药销售下滑的影响。

重磅品种获批上市。2018 年一季度公司获得了 10 个创新药的临床批件。根据我们的统计，目前公司有 21 个创新药处于临床阶段。管理层预计未来 3 年将有 30-45 个品种获批上市。近期，公司获得了 CFDA 关于安罗替尼胶囊的上市批准。安罗替尼的 III 期临床研究 ALTER0303 数据，被写入《二零一八版 CSCO 原发性肺癌诊疗指南》，表明安罗替尼获得了国内专家的广泛认可。我们预计安罗替尼有望于 18 年达成 3 亿元销售额，其非小细胞肺癌的适应症有望于 2024 年实现 22 亿元的峰值销售额。目前，公司已经有 4 个仿制药已经通过了仿制药一致性评价，包括托妥（瑞舒伐他汀片）、依伦平（厄贝沙坦氢氯噻嗪片）、晴众（替诺福韦二吡呋酯片）和润众（恩替卡韦分散片）。已通过一致性评价的品种将快速替代原研药以及其他同品种仿制药。

维持买入评级。我们维持 2018 年的稀释每股盈利预测为 0.36 元（同比增长 24%），19 年为 0.45 元（同比增长 25%），将 2020 年的预测从 0.57 元上调至 0.58 元（同比增长 29%）。由于研发管线中创新药的数量持续增加，并且持续有重磅仿制药品种通过一致性评价，根据分部加总估值法，我们将目标价从 19.60 港币上调至 22.60 港币，对应 51 倍 18 年市盈率，以及 40 倍 19 年市盈率。

Investment Highlights:

Sino Biopharmaceutical reported 1Q18 revenue of Rmb4.7bn (+20.4% YoY) and net profit of Rmb771m (+33.2% YoY). Beijing Tide is consolidated since 1 March as Sino Biopharmaceutical's stake increased from 33.6% to 57.6%. The company's organic sales growth reached 11% YoY in 1Q18, while Beijing Tide posted 15% YoY revenue growth. Excluding the impact from the consolidation, organic net profit growth arrived at 29% YoY in 1Q18. We maintain diluted EPS forecasts at Rmb0.36 in 18E (+24% YoY) and Rmb0.45 in 19E (+25% YoY), and revise up our forecast from Rmb0.57 to Rmb0.58 in 20E (+29% YoY). We lift our target price from HK\$19.60 to HK\$22.60, and maintain our BUY rating.

Accelerated growth of core products. Sales of *Runzhong* recovered from 4.8% YoY in 2017 to 6.4% YoY in 1Q18. As *Runzhong* has recently passed equivalence evaluation, we expect sales growth to further accelerate to 10% YoY in 18E and 12% YoY in 19E. Sales of *Aisuping* (esomeprazole injection) rose 188% YoY to Rmb174m in 1Q18. We expect *Aisuping* to realise c.Rmb900m in 18E sales. *Qingzhong* recorded over Rmb10m in 1Q18 sales and had penetrated 387 hospitals by end-March. As *Qingzhong* has passed the equivalence evaluation, we expect sales to ramp up rapidly and reach Rmb300m in 18E. In addition, thanks to the inclusion in the National Reimbursement Drug List (NRDL), sales of *Zepusi* (flurbiprofen cataplasm) jumped 108% YoY in 1Q18, while sales of *Genike* (imatinib capsule) were up 35% YoY, those of *Yinishu* (dasatinib tablet) up 47% YoY, and those of *Qingweike* (decitabine injection) up 35% YoY.

Adjuvant drugs facing pressure. *Tianqing Ganmei* injection (1Q18 sales down 8% YoY) and *Kaishi* (alprostadil injection; -40% YoY) faced pressure as the two drugs are usually used as adjuvant drugs. However, they only account for 10-15% of the company's total revenue. Management reported new products contributed 14.7% of the firm's sales in 1Q18. We expect the solid growth generated by new products to offset the declining sales of adjuvant drugs.

Blockbuster approvals. In 1Q18, Sino Biopharmaceutical received clinical trial approvals for 10 innovative drugs. We estimate the firm has 21 innovative drugs in clinical trial phase. Management guided the launch of 30-45 new drugs in the next three years, which we expect to generate strong growth momentum. The company has recently received China Food and Drug Administration (CFDA) approval for anlotinib capsule. The research data of Phase-III clinical study ALTER0303 of anlotinib were included in "CSCO Guidelines on Diagnosis and Treatment of Primary Lung Cancer (2018 Edition)", indicating that anlotinib has drawn extensive attention from experts. We forecast anlotinib to contribute Rmb300m in 18E sales and achieve Rmb2.2bn in peak sales for the NSCLC indication by 2024E. To date, four generic drugs have already passed the equivalence evaluation, including *Tutuo* (rosuvastatin calcium tablet), *Yilunping* (irbesartan hydrochlorothiazide tablet), *Qingzhong* (tenofovir tablet), and *Runzhong* (entecavir tablet). We anticipate accelerating sales growth for these drugs as they substitute original drugs and competing generic drugs.

Maintain BUY. We maintain diluted EPS forecasts at Rmb0.36 in 18E (+24% YoY) and Rmb0.45 in 19E (+25% YoY), and revise up our forecast from Rmb0.57 to Rmb0.58 in 20E (+29% YoY). We lift our target price from HK\$19.60 to HK\$22.60, indicating 51x 18E PE and 40x 19E PE, and maintain BUY.

Appendix

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	13,543	14,819	22,106	27,969	34,714
Cost of Sales	(2,817)	(3,091)	(4,194)	(5,174)	(6,248)
Gross Profit	10,727	11,729	17,912	22,795	28,465
Other Income	275	643	606	463	513
Selling/General/Admi. Expenses	(6,493)	(6,905)	(10,257)	(12,810)	(15,725)
Ebitda	3,323	3,974	5,964	7,673	9,784
Ebit	3,006	3,631	5,509	7,188	9,269
Finance Costs	(77)	(78)	(56)	(43)	(38)
Profit before tax	3,203	4,196	6,059	7,609	9,744
Income tax expense	(475)	(542)	(909)	(1,141)	(1,462)
Minority interests	(1,091)	(1,483)	(2,112)	(2,652)	(3,396)
Profit for the year	1,637	2,171	3,039	3,816	4,886

Source: Company data, SWS Research

Consolidated Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	3,219	4,196	6,059	7,609	9,744
Plus: Depr. and amortisation	317	343	455	485	515
Finance cost	77	78	56	43	38
Losses from investments	(136)	(266)	(300)	(300)	(300)
Change in working capital	263	431	(1,021)	(811)	(933)
Others	(771)	(1,049)	(1,079)	(1,275)	(1,644)
CF from operating activities	2,969	3,733	4,170	5,751	7,420
Capex	(783)	(1,040)	(800)	(800)	(800)
Other CF from investing activities	(1,190)	(938)	506	533	583
CF from investing activities	(1,973)	(1,979)	(294)	(267)	(217)
Equity financing	0	0	0	0	0
Net change in liabilities	1,442	(97)	(800)	(500)	(200)
Dividend and interest paid	(459)	(528)	(806)	(985)	(1,244)
Other CF from financing activities	(585)	(721)	(1,329)	(1,669)	(2,138)
CF from financing activities	397	(1,346)	(2,936)	(3,154)	(3,582)
Net cash flow	1,393	407	940	2,330	3,620
FCFF	2,328	2,822	3,234	4,921	6,590
FCFE	3,693	2,647	2,378	4,378	6,352

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	12,732	13,780	16,020	19,443	24,305
Bank balances and cash	3,766	4,188	5,129	7,458	11,078
Trade and other receivables	1,996	2,051	3,028	3,831	4,755
Inventories	895	919	1,241	1,531	1,849
Other current assets	6,076	6,622	6,622	6,622	6,622
Long-term investment	895	1,048	1,012	912	812
PP&E	2,687	3,483	3,863	4,213	4,533
Intangible and other assets	2,069	2,624	2,589	2,553	2,518
Total Assets	18,384	20,935	23,484	27,121	32,168
Current Liabilities	5,656	5,688	5,966	6,248	6,557
Borrowings	1,369	741	741	741	741
Trade and other payables	827	929	1,206	1,488	1,798
Other current liabilities	3,460	4,019	4,019	4,019	4,019
Long-term liabilities	2,050	2,636	1,836	1,336	1,136
Total Liabilities	7,706	8,324	7,802	7,584	7,693
Minority Interests	2,773	3,402	4,184	5,167	6,424
Shareholder Equity	7,905	9,209	11,497	14,371	18,050
Share Capital	170	170	170	170	170
Reserves	7,735	9,039	11,327	14,201	17,880
Total Equity	10,678	12,611	15,681	19,537	24,475
Total Liabilities and equity	18,384	20,935	23,484	27,121	32,168

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (Rmb)					
Earnings per share	0.22	0.29	0.36	0.45	0.58
Diluted EPS	0.22	0.29	0.36	0.45	0.58
Operating CF per share	0.40	0.50	0.49	0.68	0.88
Dividend per share	-	0.08	0.09	0.11	0.14
Net assets per share	1.44	1.70	1.86	2.32	2.90
Key Operating Ratios (%)					
ROIC	18.61	19.83	26.26	28.84	30.39
ROE	22.75	25.37	29.35	29.50	30.14
Gross profit margin	79.20	79.14	81.03	81.50	82.00
Ebitda Margin	24.54	26.82	26.98	27.43	28.18
Ebit Margin	22.19	24.50	24.92	25.70	26.70
Growth rate of Revenue(YoY)	-	9.42	49.17	26.52	24.11
Growth rate of Profit(YoY)	-	32.59	39.96	25.58	28.06
Debt-to-asset ratio	41.92	39.76	33.22	27.96	23.92
Turnover rate of net assets	1.27	1.18	1.41	1.43	1.42
Turnover rate of total assets	0.74	0.71	0.94	1.03	1.08
Effective tax rate (%)	14.83	12.92	15.00	15.00	15.00
Dividend yield (%)	-	0.49	0.58	0.73	0.93
Valuation Ratios (x)					
PE	69.82	52.66	42.76	34.05	26.59
PB	10.71	9.06	8.29	6.65	5.31
EV/Sale	9.75	8.91	5.93	4.62	3.65

Source: Company data, SWS Research

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BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

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