



Rating  
**Buy**

Asia  
Hong Kong

Health Care  
Health Care

Company  
**Sino  
Biopharmaceutical**

Reuters	Bloomberg	Exchange	Ticker
1177.HK	1177 HK	HSI	1177

Date  
13 June 2018

## Company Update

Price at 12 Jun 2018 (HKD)	13.32
Price target - 12mth (HKD)	18.40
52-week range (HKD)	13.57 - 4.31
HANG SENG INDEX	31,103

# Advair DPI filing represents a positive surprise

## Advair DPI likely to reach RMB2-3bn peak sales

Based on CFDA database, SBP filed for marketing approval for its Advair generic (fluticasone propionate and salmeterol) DPI (dry powder inhaler) (reference number: CYHS1700680, CYHS1700681). We conservatively estimate peak sales of RMB2-3bn. As we (and the consensus) previously have not modelled this opportunity due to technical barriers, **we now include sales estimate in our model, with RMB50m, 250m and 800m in 2019E, 2020E and 2021E respectively**, representing 0.2%/0.8%/2.1% increase of our revenue estimates, and 0.2%/0.9%/2.4% increase of EPS estimates.

- The filing represents a positive surprise to us, as we (and the consensus) previously had low expectations for filing timeline of Advair generic.
- Recall SBP also filed for its Pulmicort (budesonide **suspension**) in March, which is **different from DPI**. The only domestic DPI on the market is Sule from SBP.
- It was our belief that domestic large cap companies had not had breakthrough so far in DPI due to technical barriers on the inhaler, while Sule was the only exception. We are aware that many smaller companies, such as Changfeng Pharma, successfully developed DPI. That being said, the filing of Advair DPI indicated that SBP had succeeded, which we attribute to strategic hiring of a team of experts.
- **DPI has higher technical barriers vs. MDI (metered dose inhaler)**. While suspension does not even need inhalers, a nebulizer will do. For example, budesonide suspension is the major formulation for Symbicort sales in China. Industry experts concur AZ has done a great job in establishing more than 10,000 nebulizer centers in China, which followers (such as SBP) could use to quickly ramp up their own Symbicort generics.
- Advair is marketed in China by GSK as Seretide, with RMB1.14bn sales/7% growth in 2017. We believe the lackluster growth and seemingly small size (vs. its global sales) is due to impact from GSK event in 2013. Had that not happened, Advair sales would have easily surpassed RMB2.5-3bn range by DBE.

## Valuation & Risks

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### Key changes

TP 17.60 to 18.40 ↑ 4.5%

Source: Deutsche Bank

### Price/price relative



— Sino Biopharmaceutic — HANG SENG INDEX (Rebased)

Performance (%)	1m	3m	12m
Absolute	8.6	28.3	185.7
HANG SENG INDEX	-0.1	-1.6	21.0

Source: Deutsche Bank

### Key indicators (FY1)

ROE (%)	29.2
Net debt/equity (%)	-1.2
Book value/share (CNY)	0.93
Price/book (x)	11.7
Net interest cover (x)	490.1
Operating profit margin (%)	25.5

Source: Deutsche Bank



- Our present peak sales estimate is lower vs. previous numbers due to our expectation for a wave of COPD/Asthma generic (DPI) filing in the next few quarters from small biotech companies.

[Increase price target to HKD18.4 from HKD17.6; risks](#)

This is the second time we adjust price target in a week, both due to material progress on regulatory front. Even so, we do not believe consensus has factored in contribution from both drugs (Pulmicort and Advair generics). Our PT is based on 50x 2019E EPS, vs. 48x previously, based on that Advair generic launch was not modeled by consensus. We believe the multiple is justified, as peers are trading at 24x with 18% EPS growth in 2020E (vs. the 25% we model for SBP). And we believe SBP deserves a premium for the superior therapeutic value of its existing products and the best pipeline among HK traded names. Key risks include potential bio-unequivalence, delays in product launch, price cuts and increasing competition.



# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Sino Biopharmaceutical	1177.HK	13.32 (HKD) 12 Jun 2018	NA

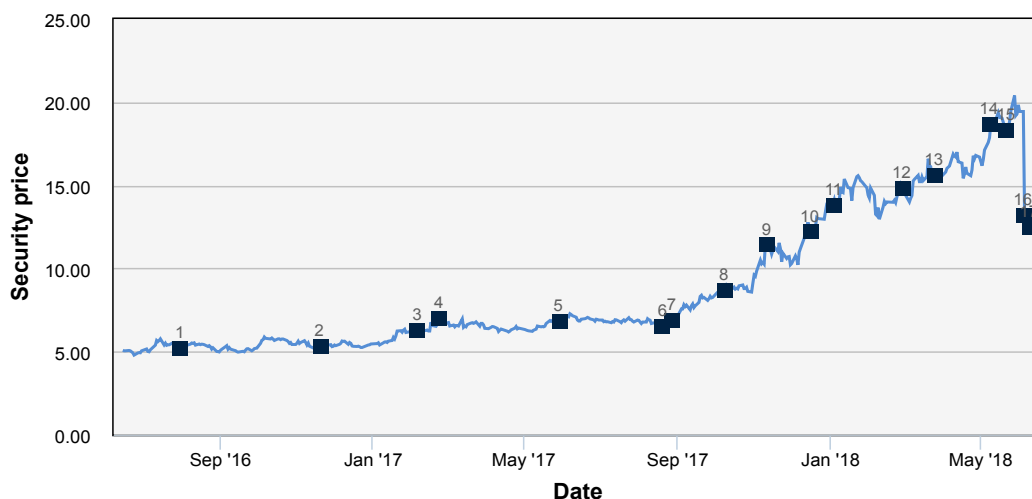
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## Historical recommendations and target price. Sino Biopharmaceutical (1177.HK)

(as of 06/12/2018)



### Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1.	07/31/2016	Buy, Target Price Change HKD 6.20	Jack Hu, Ph.D.	10.	12/17/2017	Buy, Target Price Change HKD 14.70	Jack Hu, Ph.D.
2.	11/20/2016	Buy, Target Price Change HKD 6.50	Jack Hu, Ph.D.	11.	01/05/2018	Buy, Target Price Change HKD 16.80	Jack Hu, Ph.D.
3.	02/06/2017	Buy, Target Price Change HKD 7.00	Linc Yiu**	12.	02/28/2018	Buy, Target Price Change HKD 18.10	Jack Hu, Ph.D.
4.	02/23/2017	Buy, Target Price Change HKD 7.50	Jack Hu, Ph.D.	13.	03/26/2018	Buy, Target Price Change HKD 18.80	Jack Hu, Ph.D.
5.	05/30/2017	Buy, Target Price Change HKD 7.60	Jack Hu, Ph.D.	14.	05/09/2018	Buy, Target Price Change HKD 21.00	Jack Hu, Ph.D.
6.	08/21/2017	Buy, Target Price Change HKD 8.20	Anita Wei**	15.	05/22/2018	Buy, Target Price Change HKD 24.00	Jack Hu, Ph.D.
7.	08/28/2017	Buy, Target Price Change HKD 8.90	Jack Hu, Ph.D.	16.	06/05/2018	Buy, Target Price Change HKD 15.90	Jack Hu, Ph.D.
8.	10/09/2017	Buy, Target Price Change HKD 10.00	Jack Hu, Ph.D.	17.	06/10/2018	Buy, Target Price Change HKD 17.60	Jack Hu, Ph.D.
9.	11/12/2017	Buy, Target Price Change HKD 13.00	Jack Hu, Ph.D.				



### Equity Rating Key

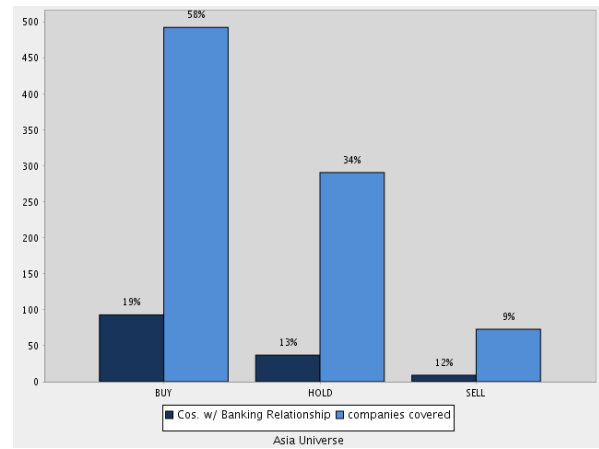
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Newly issued research recommendations and target prices supersede previously published research.

### Equity rating dispersion and banking relationships





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