



A big gamble requires superior navigational skills

October 24, 2022

INVESTMENT SUMMARY

- Based on a single mini-blockbuster facing stagnant sales, Innovent is pressing on its biopharma journey by filling its sales with biosimilars and license-in's, in addition to keeping the R&D spending. We believe the prime opportunity for Innovent to turn into a biopharma has passed and the strategy is risky;
- We expect Innovent to raise cash in 2026. But what is more important is to improve the quality of its pipeline, both in-house and license-in. We believe the fundamental of biotech is proprietary R&D leading to sustained revenue steam at high margin. Innovent seems to be deviating from such path;
- We initiate Innovent with a SELL with TP of HK\$17.

Research Team



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Innovent Biologics, Inc. (SEHK: 1801)

The courage to move forward may not end well

- Innovent's single product is facing declining sales and increase competition. Its next product, a PCSK9 Inhibitor, works in a niche market, in our view;
- Yet Innovent's R&D and sales seem to be benchmarking against BeiGene. Innovent might suffer from low profit margin in the long run;
- We initiate Innovent with a SELL rating and TP of HK\$17.

Innovent is falling behind in the domestic PD-1/L1 war

Innovent's Sintilimab (*TYVT*) was the 2nd approved domestic PD-1 drug and achieved the 2nd highest sales among domestic in 2020 and 2021. But it fell behind BeiGene's Tislelizumab in C1H22 to become No.3. We estimate Sintilimab's C1H22 sales declined 27% YoY and 22% HoH.

Signs of comprehensive but patched pipeline

Despite these setbacks, Innovent is building out its sales force. In C1H22 Innovent's salesforce increased in headcount which we deem unnecessary. Innovent is backing up this expansion with a late-stage pipeline of biosimilars and license-in's, which in our view, will move Innovent more towards a generic, instead of innovative drug maker. Such transformation will result in a distorted operational focus, in our view. Innovent's pipeline remains comprehensive, but is increasingly relying on collaboration with local biotech's.

Biosimilar strategy picked the right target

According to Roche and AbbVie, *Avastin* and *Rituxan* experienced sharp YoY declines while *Humira* was stable, thanks to biosimilar competition. Innovent makes biosimilars *BYVASDA*, *HALPRYZA* and *SULINNO* targeting these three drugs and these three contributed Rmb879mn, or 39% of revenues in C1H22, growing 94% YoY. Growth might continue in C2H22.

The DCF end game requires scale and profit margin

Our DCF exercise suggests that to justify the current valuation of biotech's, ultimate revenue size and profit margin are both important. In-house developed global blockbusters are the best vehicle to achieve this end result. We doubt Innovent's diffused focus, reliance on biosimilars and short-circuited sales of in-house drug can reach that end result.

Summary financial data

Highlights	2021A	2022E	2023E	2024E	2025E
Revenues (Rmb mn)	4,270	4,626	5,665	6,855	8,909
Non-IFRS operating income (Rmb mn)	(2,121)	(2,350)	(2,321)	(2,053)	(1,452)
IFRS EPS (Rmb)	(2.16)	(1.68)	(2.03)	(1.88)	(1.59)
Price to sales	10.7	9.9	8.0	6.6	5.1
EBITDA margin	(44.9%)	(42.3%)	(31.6%)	(21.0%)	(6.3%)
Free cash flow yield (%)	(8%)	(5.0%)	(3.4%)	(5.9%)	(2.9%)

Source: Bloomberg, Blue Lotus (as of 2022/10/21)

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Blue Lotus Capital Advisors Limited

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Bloomberg, Blue Lotus Capital Advisors Limited and subject companies. Consensus forward estimates are used in analysis. Past performance is not indicative of future results. Investors should consider this report as only a single factor in making their investment decision.

BUY

HOLD

SELL

Target Price: HK\$ 17.0

Current Price: HK\$ 30.20

RIC: (SEHK: 1801)

BBG: 1801 HK

Market cap (HK\$ mn)

38,556.4

Average daily volume (HK\$ mn)

419.3

Shares out/float (m)

1,530/852

Source: Bloomberg, Blue Lotus (as of 2022/10/21)

Key Changes

	New	Old	Diff
BLRI Recommendation	SELL		
BLRI Target Price	HK\$17		
2022E EPS (HK\$)	(1.83)		
2023E EPS (HK\$)	(2.21)		
2024E EPS (HK\$)	(2.01)		

Source: Blue Lotus (as of 2022/10/21), IFRS, Rmb=1.09HKD

BLRI vs. The Street

No. of Bloomberg Recommendations	36
Target price vs. Bloomberg mean	(66%)
1-year-fwd EPS vs. Bloomberg mean	NM
Bloomberg recommendation	4.83

Source: Bloomberg Recommendation, Blue Lotus (1=SELL,5=BUY)(as of 2022/10/21)

Price performance and volume data



Source: Bloomberg, Blue Lotus (as of 2022/10/21)

Research team



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Innovent Biologics, Inc.: Financial Summary

Fiscal year ends-31-Dec

Exhibit 1. Income statement

(RMB mn or Rmb)	2021A	2022E	2023E
Revenue	4,270	4,626	5,665
Cost of sales	(573)	(1,037)	(1,564)
Gross profit	3,697	3,589	4,101
Gross margin	86.6%	77.6%	72.4%
Other income	197	205	300
Operating expense	(6,809)	(6,558)	(7,272)
Administrative expenses	(884)	(885)	(928)
Selling and marketing expenses	(2,728)	(2,710)	(2,960)
Royalty and other related payments	(719)	(535)	(708)
Share based compensation	(904)	(619)	(850)
Operating income (IFRS)	(2,989)	(2,374)	(2,871)
Operating margin	(70.0%)	(51.3%)	(50.7%)
Operating income (non-IFRS)	(2,121)	(2,350)	(2,321)
Operating margin	(49.7%)	(50.8%)	(41.0%)
Loss/Profit before income tax	(3,051)	(2,472)	(3,007)
Pre-tax margin	(71.5%)	(53.4%)	(53.1%)
Profit/loss for the year from continuing operations	(3,138)	(2,472)	(3,007)
EPS, diluted and basic	(2.16)	(1.68)	(2.03)

Source: Innovent Biologics, Inc., Blue Lotus (2022/10/21)

Exhibit 2. Balance sheet

(RMB mn or Rmb)	2021A	2022E	2023E
Non-current assets	4,693	5,538	5,941
PPE	2,693	3,592	3,809
Right of use assets	397	539	571
Intangible assets	772	937	1,103
Equity instruments at FVOTCI	203	203	203
Deposits for acquisition of PPE	286	10	10
Other receivables	128	133	133
Other financial assets	645	612	555
Current assets	11,551	10,205	10,647
Inventories	1,347	2,194	2,978
Trade receivables	968	1,049	1,285
Prepayments and other receivables	213	231	283
Other financial assets	645	612	555
Bank balances and cash	8,377	6,118	5,547
Total assets	16,244	15,743	16,588
Current liabilities	3,050	4,578	6,214
Trade payables	195	353	532
Other payables and accrued exp.	2,052	3,342	4,535
Contract liabilities	356	519	782
Borrowings	365	365	365
Non-current liabilities	2,863	2,712	4,038
Contract liabilities	356	519	782
Borrowings	365	365	365
Government grants	295	170	233
Total liabilities	5,913	7,290	10,251
Equity	10,330	8,452	6,337
Reserves	10,330	8,452	6,337
TOTAL LIABILITIES AND EQUITY	16,244	15,743	16,588

Source: Innovent Biologics, Inc., Blue Lotus (2022/10/21)

Company Description

Innovent Biologics is a Chinese biopharma with ambitious plan to build out an R&D and commercialization platform. In 2021, product sales constituted 94% of Innovent's total revenue of Rmb4.3bn, among which Sintilimab contributed 2/3 of product sales while biosimilars contributed the remaining 1/3. We expect license-in to contribute ~10% of product sales in 2022.

Industry View

We estimate the global biologics market to grow from US\$341bn in 2021 to US\$665bn in 2030, in which China's biologics market will grow from US\$65bn to US\$200bn over the same period.

Exhibit 3. Cash flow statement

(RMB mn or Rmb)	2021A	2022E	2023E
Pre-tax profit, IFRS	(3,051)	(2,472)	(3,007)
Adjustment			
Depreciation of PPE	165	257	349
Amortization	3	77	102
Depreciation of right of assets	37	57	78
Share based compensation	904	619	850
Bank interest income	(152)	(145)	(117)
Interest on bank borrowings	77	107	130
Operating cash flows	(2,013)	(1,498)	(1,614)
Increase in inventories	(642)	(847)	(783)
Increase in trade receivables	(493)	(81)	(236)
Increase/(decrease) in prepayments	(49)	(18)	(52)
Increase in trade payables	74	158	179
Increase in other payables	1,078	1,290	1,193
Increase in contract liabilities	105	223	527
Increase in government related income	249	(124)	62
Cash used in/generated from operations	(1,689)	(897)	(724)
Net cash used in operating activities	(1,776)	(897)	(724)
Capex	(1,275)	(1,156)	(566)
Purchase of intangible assets	(742)	(243)	(268)
Net cash used in investing activities	(1,866)	(1,254)	(718)
Interest paid	(77)	(107)	(130)
New borrowings raised and repayment made	1,208	0	1,000
Issuance of ordinary shares	3,940	0	0
Net cash used in financing activities	5,005	(107)	870
Net increase in cash	1,363	(2,259)	(572)
Cash and equivalents at beginning	7,764	8,377	6,118
Cash and equivalents at end	8,377	6,118	5,547

Source: Innovent Biologics, Inc., Blue Lotus (2022/10/21)

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Recent Reports

October 21, 2022: [S.F. Express (002352 SZ, HOLD, TP RMB 55) Target Price Change]: **Raise TP for stable ASP and margin improvement;**

October 21, 2022: [Kuaishou (1024 HK, HOLD, TP HK\$49.4) Target Price Change]: **Cut TP for intensified Video Account challenge;**

October 20, 2022: [Mercari Inc. (4385 JP, SELL, TP JPY1744) Earnings Preview]: **Lack of near-term catalyst with waning GMV growth;**

October 20, 2022: [Kanzhun (BZ US, HOLD, TP US\$17.6) Rating Change]: **UG to HOLD for signs of recovery;**

October 19, 2022: [Tencent (700 HK, BUY, TP HK\$390) Earnings Preview]: **International gaming and ads show positive signs;**

October 18, 2022: [Xiaomi (1810 HK, SELL, TP HK\$8) Target Price Change]: **No escape from competitors and growing costs;**

October 18, 2022: [JD Logistics (2618 HK, HOLD, TP HK\$15) Rating Change]: **Expect weak demand in ISC service;**

October 18, 2022: [KE Holdings (BEKE US, BUY, TP US\$17.5) Target Price Change]: **Short term pain continues;**

October 18, 2022: [Xiaomi (1810 HK, SELL, TP HK\$8) Target Price Change]: **No escape from competitors and growing costs;**

October 18, 2022: [Vipshop (VIPS US, SELL, TP US\$7.5) Target Price Change]: **User and GMV downtrends continue;**

October 17, 2022: [Bilibili (BILI US, SELL, TP US\$9.1) Rating Change]: **Facing increasing difficulty, DG to SELL;**

Investment Cases at a Glance

Why is it a SELL

- **Innovent is pushing forward to become a product-sales driven biopharma despite challenging results of its selling drugs and pipeline:** Innovent has the 2nd largest employee base, behind only BeiGene (BGNE), within our innovative drug developer coverage universe, yet the highest ratio of sales marketing employees. In 2021, 50% of Innovent's employees are in sales marketing, as high as those of the generic drug makers (HENGGRUI, SinoBio) and Zai Lab, which is designed primarily as a sales organization;
- **Competition of biosimilars has consequences:** We estimate China's biosimilar market to be worth Rmb10.3bn in 2021 and grow to Rmb59bn by 2030. It would be 2.5% of China's biologics market in 2021 and 4.5% by 2030. We expect the competition of biosimilar to be quick-sanded as entry barriers are low and product/cost focused, as price competition will be severe. This will drain management's attention, in our view, to focus on innovative drug development, which operates under a totally different business model;
- **Innovent's license-in pipeline isn't great:** Unlike BGNE's partnership with Amgen, which co-develops 20 future drugs with shared cost, Innovent's partnership with Eli Lilly results in license-in of existing drugs. Ramucirumab (*CYRAMZA*) sales declined 3% YoY on constant currency in C1H22. It was first approved in 2015. In January 2022, Incyte (INCY US, NR), the collaborator of Innovent's pipeline drug Parsaclisib (IBI376), announced it would withdraw New Drug Application (NDA) from FDA. Selpercatinib (*Retsevmo*), another license-in from Lilly, received FDA approval in May 2020 but only generated revenue of US\$87mn in C1H22;
- **We are cautious on the PCSK9 market:** NMPA accepted Innovent's NDA for Tafolecimab (IBI306) in June 2022, making it the first PCSK9 (Proprotein Convertase Subtilisin/kexin Type 9) Inhibitor in China to reach the NDA stage. But we view PCSK9 Inhibitor, which regulates cholesterol, as a crowded yet niche market. Market size was Rmb0.2bn in 2021, forecasting to reach Rmb8.9bn in 2030, or 1/3 to 1/4 of the PD-1 market in China. Yet, JUSHI's JS002 (Ongericimab), HENGGRUI's SHR-1209 and Akeso's AK102 (Ebronicumab) have all entered late stage. Further, Amgen and Sanofi/Regeneron have PCSK9 Inhibitors Evolocumab (*Repatha*) and Alirocumab (*Praluent*) selling since 2015. *Repatha* further has gained NMPA approval in 2019. Lastly, the indication is not life threatening, which means old Statin-type selling drugs like Pfizer's Atorvastatin (*Lipitor*), Crestor (generic), Ezetimibe (Merck) and Leqvio (Novartis), etc., will likely persist in prescriptions;
- **Competition of PD-1/L1 market will intensify further:** CDE/NMPA continued to approve new PD-1/L1 drugs and now approved 15 in all, 11 domestically developed and 4 imported. There are 3 more approved out of China which might enter the Chinese market. Among the newly approved are the first

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October 14, 2022: [ZTO Express (ZTO US, BUY, TP US\$30) Rating Change]: **Delayed price war leads to stable pricing;**

October 14, 2022: [Agora, Inc. (API US, BUY, TP US\$6) Target Price Change]: **Cut TP for weak international expansion pace;**

October 13, 2022: [Pinduoduo (PDD US, BUY, TP US\$76.6) Target Price Change]: **GMV slowdown and more spending, cut TP to US\$77;**

October 12, 2022: [Blue Lotus Semiconductor Sector Update]: **Implications of BIS controls are mostly long term;**

October 12, 2022: [JD.com (JD US, BUY, TP US\$58) Target Price Change]: **Margin improvement under macro challenges;**

October 11, 2022: [Meituan (3690 HK, BUY, TP HK\$232) Company Update]: **Instashopping supports Meituan's growth;**

October 11, 2022: [NetEase (NTES US, HOLD, TP US\$85.8) Rating Change]: **Lack of new games, DG to HOLD;**

September 30, 2022: [Alibaba (BABA US, HOLD, TP US\$87) Target Price Change]: **Cut TP for weak retail sales and cloud demand;**

September 29, 2022: [XPeng Inc. (XPEV US, HOLD, TP US\$15) Rating Change]: **DG to HOLD due to concern over growth momentum;**

September 21, 2022: [PDT (650 HK, BUY, TP HK\$1.57) Company Update]: **Takeaways from factory visit and management Q&A;**

September 19, 2022: [Blue Lotus Multi-platforms Sector Update]: **BAT don't have advantage in government-backed cloud**

BsAb PD-1/L1, Candonilimab from Akeso, fast rising Penpulimab (*Anniko*) from also Akeso, which generated Rmb509mn in revenues in the first full year of selling, and Serplulimab (Henlius) which appeared to excel in extensive-stage small cell lung cancer (ES-SCLC), an indication from which global No.1 PD-1, *Keytruda* (Merck) and No.2, *Opdivo* (BMS) withdrew in 2020/21. According to Eli Lilly, Sintilimab's C1H22 revenue was US\$159mn, down 26% YoY and 22% HoH. The good news is revenues improved from the C4Q21 low;

- **Chinese innovative drug market is facing declining value due to NDRL:** Due to the enormous funding pressure from China's rapidly aging population, we expect pricing pressure on China's pharmaceutical market will persist. We notice out of 102 clinical trials currently conducted by Innovent, only 7 is conducted out of China. This is normal among Chinese innovative drug developers, but to embark sales and R&D expansion campaign on challenging commercialization outlooks increases Innovent's risk comparing to its peers.

What are the key catalysts for the next 3-6 months

- **Biosimilar continues to grow strongly:** Based on Roche's C3Q22 result, *Avastin* and *Rituxan* declined 29% and 18% YoY due to biosimilar competition. According to AbbVie's C2Q22 result, *Humira* sales grow 6% but international sales declined 14% YoY. Innovent has three biosimilars targeting these three drugs. Their C1H22 revenue contributed 39% of total and grew 94% YoY;
- **Inclusion of Sintilimab's new indications to NDRL:** The game to play on NDRL is to get in early and only, which can lead to sales boost before the next round. Sintilimab received two new indications in YTD22, second only to Tisleilizumab (3) from BGNE and more than Toripalimab (1) from JUNSHI and Camrelizumab (0) from HENGRUI. If Sintilimab seeks inclusion of the newly approved indication to NDRL, it can prolong its life cycle in C1H23 but the boosting effect will thin out further and further over time;
- **Approval of Tafolecimab (IBI306) by NMPA:** We currently expect Tafolecimab, Innovent's PCSK9 Inhibitor, to start selling in 2023 with first year revenue of Rmb250mn and peak revenue of Rmb1.1bn reaching in 2029.

Where can we be wrong?

- **Quantity brings out quality:** Within our coverage universe Innovent has a broad and diversified pipeline footprint spanning mAb, BsAb, small molecule, ADC, PCSK9, CAR-T and even S-protein (COVID), which differs from more conservative and focused peers like RemeGen, Akeso and LEGN. If Innovent happens to hit the jackpot with one, its aggressiveness and risk taking might pay off;
- **New collaboration partners to enter the Chinese market:** We observe there is a mismatch between the number of global pharma's and biopharmas against the number of Chinese biotech's, more so if we remove the SOE's. Despite the NDRL limitations, China today is still the 2nd biggest pharmaceutical market in the world, more important if considering >80% of it is currently occupied by

generic drugs, of which the government has explicitly sought to replace. We believe top Chinese biotech/biopharmas should all have at least 1.5 dedicated global pharma/biopharma partners. Innovent's aggressive buildouts may attract suitors.

What can change our view?

- **New drug progresses in BsAb:** Innovent has a relatively high concentration on BsAb in its early-stage, in-house pipeline (IBI389, IBI322, IBI323 and IBL363) among Chinese biotech's. In 2020, Innovent formed a collaboration in which it paid Roche for technologies in Universal CAR-T and T-Cell Bispecific Antibody. These drugs, however, are still in Phase I/II. If these efforts bears fruit, we might need to re-evaluate our case;
- **Rationalizing cash usage and smart M&A:** With Rmb5.65bn worth of net cash in C1H22, Innovent is not the most desperately situated in cash among our coverage universe and the broad universe of Chinese biotech's. We believe Innovent's value can enhance if the company can prove it can make more sensible use of cash both in preserving it for future use and in smart M&A's to enhance the quality of its pipeline.

Operating Metrics

Exhibit 4. Interim revenue table

Rmb mn., or Rmb	C2H20A	C1H21A	C2H21A	C1H22A	C2H22E	C1H23E
Revenues	2,860	1,942	2,328	2,240	2,386	2,549
Product sales	1,447	1,855	2,147	2,041	2,148	2,381
In house	1,269	1,403	1,309	1,024	950	1,000
Sintilimab (TYVYT) (in-house) (IBI308)	1,269	1,403	1,309	1,024	950	900
IBI306 (PCSK9) (in-house)	-	-	-	-	-	100
IBI310 (CTLA4) (in-house)	-	-	-	-	-	-
Biosimilars	177	452	837	879	923	969
BYVASDA® (Bevacizumab [Avastin])(IBI305)	89	226	419	440	462	485
SULINNO® (Adalimumab)	44	113	209	220	231	242
HALPRYZA® (Rituximab)	44	113	209	220	231	242
License in	-	-	-	137	274	412
PEMAZYRE® (Pemigatinib) (fr. Incyte)	-	-	-	69	137	206
Olverembatinib (fr. Ascendage)	-	-	-	34	69	103
CYRAMZA (Ramucirumab) (fr. Lilly)	-	-	-	34	69	103
License out	1,413	87	181	199	239	265
Gross margin	93%	88%	85%	79%	76%	74%

Source: Innovent Biologics, Blue Lotus (2022/10/21)

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Valuation and peer comparisons

We use WACC of 15.5% and terminal growth of 4.5% for Innovent to reflect its broad pipeline footprint but diluted focus which may result in slower growth in the future. Since Innovent currently loses money, we use basic shares to calculate EPS but we use diluted shares to calculate DCF. Based on our calculation, at the end of 2021, Innovent's Pre-IPO Plan, Post IPO ESOP, 2018 Restricted Stock and 2020 Restricted Stock plans add 164mn to its basic shares of 1,456mn.

We use a DCF to 2040 to calculate the DCF value of Innovent, We expect Innovent to achieve EBITDA breakeven in 2027, non-IFRS operating breakeven in 2028, IFRS operating and net income breakeven in 2029 and IFRS net income breakeven in 2028 but free cash flow breakeven in 2031.

Please see Sector Initiation, <Picking certainty ahead of the great consolidation>, published at the same date, for peer comparisons

We use basic shares to compute EPS because Akeso loses money. But we use diluted share to calculate DCF value per share. The difference is about 11%.

Exhibit 5. DCF valuation of Innovent

Year to Dec (RMB million)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	...	2040E
Core model assumptions															
Group revenue	4,626	5,665	6,855	8,909	10,896	13,806	16,682	19,071	22,492	26,803	31,225	34,367	39,433	...	59,174
EBIT	(2,145)	(2,021)	(1,703)	(1,052)	(845)	(194)	1,027	2,685	3,746	5,337	7,298	7,602	9,785	...	20,343
NOPAT	(2,145)	(2,021)	(1,703)	(1,052)	(845)	(194)	1,027	2,685	3,278	4,670	6,386	5,701	7,339	...	15,257
Capex, net and acquisitions	(1,399)	(834)	(1,989)	(1,192)	(3,090)	(1,824)	(4,656)	(2,386)	(6,168)	(3,271)	(3,736)	(4,030)	(3,745)	...	(2,843)
Depreciation & amortization	334	451	523	753	864	1,145	1,430	1,895	2,133	2,983	3,337	3,741	4,504	...	7,780
Change in working capital	601	890	431	50	344	415	88	106	209	18	(98)	311	260	...	117
Free operating CF	(2,609)	(1,515)	(2,737)	(1,440)	(2,727)	(458)	(2,111)	2,300	(548)	4,400	5,889	5,724	8,357	...	20,311
Discount Period	0.2	1.2	2.2	3.2	4.2	5.2	6.2	7.2	8.2	9.2	10.2	11.2	12.2		18.2
Discount Factors	97%	84%	73%	63%	55%	47%	41%	35%	31%	27%	23%	20%	17%		7%
NPV of FoCF	(2,532)	(1,273)	(1,991)	(907)	(1,487)	(216)	(863)	814	(168)	1,167	1,353	1,138	1,439		1,473
Terminal Value Calculation															
Terminal Growth rate	4.5%														
Terminal FCF	20,311														
Terminal Value (TV)	192,958														
Discount Factor	7%														
NPV of TV	13,994														
WACC	15.5%														
NPV of FOCF (Equity)	19,751														
+ Net debt, current	5,989														
+ Minorities (Market)	0														
= Enterprise value	25,740														
# of shares ('000)	1645.10														
Target price (RMB)	15.65														
Target price (HK\$)	17.05														

Source: Innovent Biologics, Blue Lotus (2022/10/21)

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Annual Income Statement

Fiscal year ends-31-Dec

Exhibit 6. Annual income statement (Report Currency: RMB)

(Rmb mn or Rmb)	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Revenue	1,048	3,844	4,270	4,626	5,665	6,855	8,909	10,896
Cost of sales	(166)	(388)	(573)	(1,037)	(1,564)	(1,987)	(2,401)	(2,993)
Gross profit	882	3,456	3,697	3,589	4,101	4,868	6,508	7,903
Gross margin	84.2%	89.9%	86.6%	77.6%	72.4%	71.0%	73.0%	72.5%
Other income	144	247	197	205	300	350	400	350
Operating expense	(2,742)	(4,013)	(6,809)	(6,558)	(7,272)	(7,880)	(9,118)	(10,406)
Administrative expenses	(255)	(437)	(884)	(885)	(928)	(1,020)	(1,192)	(1,294)
Selling and marketing expenses	(693)	(1,341)	(2,728)	(2,710)	(2,960)	(3,239)	(3,764)	(4,059)
Royalty and other related payments	(500)	(384)	(719)	(535)	(708)	(873)	(1,151)	(1,394)
Share based compensation	(148)	(403)	(904)	(619)	(850)	(960)	(1,158)	(1,308)
Operating income (IFRS)	(1,701)	(790)	(2,989)	(2,374)	(2,871)	(2,662)	(2,210)	(2,152)
Operating margin	(162.4%)	(20.6%)	(70.0%)	(51.3%)	(50.7%)	(38.8%)	(24.8%)	(19.8%)
Operating income (non-IFRS)	(1,712)	(234)	(2,121)	(2,350)	(2,321)	(2,053)	(1,452)	(1,195)
Operating margin	(163.5%)	(6.1%)	(49.7%)	(50.8%)	(41.0%)	(29.9%)	(16.3%)	(11.0%)
Loss/Profit before income tax	(1,761)	(859)	(3,051)	(2,472)	(3,007)	(2,797)	(2,379)	(2,356)
Pre-tax margin	(168.1%)	(22.3%)	(71.5%)	(53.4%)	(53.1%)	(40.8%)	(26.7%)	(21.6%)
Profit/loss for the year from continuing operations	(1,761)	(998)	(3,138)	(2,472)	(3,007)	(2,797)	(2,379)	(2,356)
EPS, diluted and basic	(1.50)	(0.74)	(2.16)	(1.68)	(2.03)	(1.88)	(1.59)	(1.56)

Source: Innovent Biologics, Blue Lotus (2022/10/21)

See the last page of the report for important disclosures

Annual Balance Sheet

Fiscal year ends-31-Dec

Exhibit 7. Annual Balance Sheet (Report Currency: RMB)

(Rmb mn or Rmb)	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Non-current assets	1,775	2,368	4,693	5,538	5,941	7,568	8,040	10,537
PPE	1,345	1,584	2,693	3,592	3,809	5,127	5,420	7,466
Right of use assets	92	327	397	539	571	769	813	1,120
Intangible assets	-	33	772	937	1,103	1,250	1,395	1,575
Equity instruments at FVOTCI	-	-	203	203	203	203	203	203
Deposits for acquisition of PPE	85	272	286	10	10	10	10	10
Other receivables	248	475	968	1,049	1,285	1,555	2,021	2,471
Other financial assets	465	357	645	612	555	376	329	151
Current assets	5,455	9,467	11,551	10,205	10,647	9,443	9,579	8,379
Inventories	359	706	1,347	2,194	2,978	3,406	3,498	3,706
Trade receivables	248	475	968	1,049	1,285	1,555	2,021	2,471
Prepayments and other receivables	152	165	213	231	283	342	445	544
Other financial assets	465	357	645	612	555	376	329	151
Bank balances and cash	4,233	7,764	8,377	6,118	5,547	3,763	3,287	1,507
Total assets	7,231	11,835	16,244	15,743	16,588	17,011	17,619	18,917
Current liabilities	1,044	1,486	3,050	4,578	6,214	7,222	7,709	8,524
Trade payables	84	121	195	353	532	676	817	1,019
Other payables and accrued expenses	885	974	2,052	3,342	4,535	5,187	5,327	5,644
Contract liabilities	42	120	356	519	782	994	1,201	1,496
Borrowings	17	255	365	365	365	365	365	365
Non-current liabilities	1,431	1,569	2,863	2,712	4,038	5,218	6,441	7,729
Contract liabilities	42	120	356	519	782	994	1,201	1,496
Borrowings	17	255	365	365	365	365	365	365
Government grants	17	46	295	170	233	201	217	209
Total liabilities	18,459	17,929	17,888	17,866	17,705	17,797	18,792	20,691
Equity	4,756	8,780	10,330	8,452	6,337	4,571	3,469	2,664
Reserves	4,756	8,780	10,330	8,452	6,337	4,571	3,469	2,664
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,231	11,835	16,244	15,743	16,588	17,011	17,619	18,917

Source: Innovent Biologics, Blue Lotus (2022/10/21)

See the last page of the report for important disclosures

Annual Cash Flow Statement

Fiscal year ends-31-Dec

Exhibit 8. Annual Cash Flow Statement (Report Currency: RMB)

(Rmb mn or Rmb)	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Pre-tax profit, IFRS	(1,761)	(859)	(3,051)	(2,472)	(3,007)	(2,797)	(2,379)	(2,356)
Adjustment								
Depreciation of PPE	74	104	165	257	349	394	597	677
Amortization	0	0	3	77	102	129	156	186
Depreciation of right of assets	-	18	37	57	78	88	133	151
Share based compensation	148	403	904	619	850	960	1,158	1,308
Bank interest income	(103)	(116)	(152)	(145)	(117)	(93)	(71)	(48)
Interest on bank borrowings	40	45	77	107	130	175	220	265
Operating cash flows before movements in working capital	(1,567)	(371)	(2,013)	(1,498)	(1,614)	(1,144)	(185)	183
Increase in inventories	(292)	(347)	(642)	(847)	(783)	(428)	(92)	(208)
Increase in trade receivables	(248)	(228)	(493)	(81)	(236)	(270)	(466)	(451)
Increase/(decrease) in prepayments	(79)	(13)	(49)	(18)	(52)	(59)	(103)	(99)
Increase in trade payables	41	36	74	158	179	144	141	201
Increase in other payables	41	36	74	158	179	144	141	201
Increase in contract liabilities	157	85	105	223	527	424	414	592
Increase in government related income	1	29	249	(124)	62	(31)	16	(8)
Cash used in/generated from operations	(1,703)	(719)	(1,689)	(897)	(724)	(713)	(135)	527
Net cash used in operating activities	(1,703)	(858)	(1,776)	(897)	(724)	(713)	(135)	527
Capex	(341)	(344)	(1,275)	(1,156)	(566)	(1,714)	(891)	(2,724)
Purchase of intangible assets	0	(33)	(742)	(243)	(268)	(275)	(301)	(366)
Net cash used in investing activities	(238)	(261)	(1,866)	(1,254)	(718)	(1,895)	(1,121)	(3,042)
Interest paid	(40)	(45)	(77)	(107)	(130)	(175)	(220)	(265)
New borrowings raised	33	355	1,208	0	1,000	1,000	1,000	1,000
Issuance of ordinary shares	2,169	4,657	3,940	0	0	0	0	0
Net cash used in financing activities	2,111	4,913	5,005	(107)	870	825	780	735
Net increase in cash	170	3,794	1,363	(2,259)	(572)	(1,784)	(476)	(1,780)
Cash and equivalent at beginning	4,525	4,233	7,764	8,377	6,118	5,547	3,763	3,287
Cash and equivalent at end	4,233	7,764	8,377	6,118	5,547	3,763	3,287	1,507

Source: Innovent Biologics, Blue Lotus (2022/10/21)

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