

# Kelun-Biotech (6990 HK)

## Long-acting TSLP mAb out-licensed via NewCo model

- SKB378 out-licensing to Windward, a candidate co-developed with Harbour Biomed.** Kelun-Biotech and Harbour Biomed have successfully out-licensed global rights (excluding China and certain Asian markets) for their co-developed TSLP mAb SKB378 to Windward, a newly established biotech company. The deal is valued at up to US\$970 mn plus royalties, including US\$45mn in upfront and near-term payments, which will be paid in cash and equity interest in Windward's parent company. Payments will be equally distributed between Kelun-Biotech and Harbour. SKB378 has the potential to treat immunological diseases, including asthma and COPD. Windward was founded by a seasoned team with a proven track record in drug discovery and development, including 15+ successful products, two IPOs, and two company sales. Concurrently, Windward has raised US\$200mn in Series A financing, led by OrbiMed, Novo Holdings, Blue Owl Healthcare, and six other co-investors.
- SKB378, a long-acting TSLP mAb.** SKB378's extended half-life allows dosing every six months, a significant improvement over the currently approved TSLP mAb, tezepelumab, which requires administration every four weeks. In Nov 2024, an IND for SKB378 was submitted to the CDE for the treatment of COPD. Its Ph1 trial in asthma in China was completed in 2023, with Ph2 trials in planning. Windward is preparing to initiate a Ph2 study in severe asthma, with initial readouts expected in 2026E, alongside additional trials for asthma and COPD.
- Growing momentum in TSLP-targeted transactions.** The TSLP-targeted therapy space continues to see active transactions. Notably, multiple deals have adopted the NewCo model. In 2024, three out of four transactions were structured under the NewCo, including partnerships between Biosion and Aclaris, Keymed and Belenos, as well as MSD and Uniquity Bio. Kelun-Biotech and Harbour's US\$970mn deal with Windward is comparable in scale to the US\$940mn Biosion/Aclaris deal and the US\$1.05bn Hengrui/Aiolos Bio transaction, even though SKB378 is at an earlier stage of development.
- Expanding TSLP therapies following initial approval.** Globally, the development of TSLP-targeted therapies is accelerating following the approval of tezepelumab (Amgen/AstraZeneca) in 2021 for asthma. Tezepelumab is also undergoing multiple Ph3 trials for severe asthma, chronic rhinosinusitis with nasal polyps (CRSwNP) and eosinophilic esophagitis (EoE), with Ph3 trials in COPD to start in 1H25. In 3Q24, Amgen reported global tezepelumab sales of US\$337mn (+85% YoY). Other TSLP-targeted therapies include: CTTQ/Aclaris' bosakitug, which entered Ph3 asthma trials in China in late 2024; Multiple Ph2 TSLP mAbs, including ecleralimab, CM326, and SHR-1905; Next-generation bsAbs, such as Pfizer's TSLP/IL-13/IL-4 trispecific antibody (PF-07275315) in Ph2 for atopic dermatitis (AD), and Sanofi's TSLP/IL-13 bsAb (lunsekimig) in Ph2 trials for asthma and CRSwNP.
- Maintain BUY.** We remain confident in SKB264's sales target of RMB800-1000mn in 2025E and anticipate potential approvals of SKB264 for 2L/3L EGFR-TKI resistant NSCLC this year. We revised our DCF-based TP from HK\$243.38 to HK\$227.88 (WACC: 10.16%, terminal growth rate: 3.0%).

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	804	1,540	1,781	1,878	2,312
YoY growth (%)	2,387.3	91.6	15.6	5.4	23.1
Net profit (RMB mn)	(616)	(574)	(246)	(908)	(787)
EPS (Reported) (RMB)	(5.74)	(2.84)	(1.10)	(4.07)	(3.53)
R&D expenses (RMB mn)	(846)	(1,031)	(1,370)	(1,438)	(1,510)
Admin expenses (RMB mn)	(95)	(182)	(140)	(168)	(202)
CAPEX (RMB mn)	(34)	(81)	(100)	(150)	(150)

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$227.88
(Previous TP)	HK\$243.38)
Up/Downside	37.8%
Current Price	HK\$165.40

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#### Stock Data

Mkt Cap (HK\$ mn)	36,858.4
Avg 3 mths t/o (HK\$ mn)	55.9
52w High/Low (HK\$)	217.80/72.50
Total Issued Shares (mn)	222.8

Source: FactSet

#### Shareholding Structure

Kelun Pharma	68.5%
MSD	6.1%

Source: Bloomberg

#### Share Performance

	Absolute	Relative
1-mth	-11.6%	-5.8%
3-mth	-14.3%	-4.4%
6-mth	24.6%	14.2%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

Figure 1: Global development landscape of TSLP-targeted therapies

Drug name	MoA	Company	Target indications	US development stage	Global development stage	China development stage
<a href="#">tezepelumab</a>	TSLP mAb	Amgen; AstraZeneca	asthma; CRSwNP; eosinophilic esophagitis (EoE); atopic dermatitis; COPD; chronic spontaneous urticaria (CSU); allergic asthma; allergic rhinitis; allergic granulomatosis with polyangiitis (AGPA); cat allergy; cough; nasal polyposis; rhinosinusitis	Approved for asthma in 2021.12	Approved for asthma	BLA filed for asthma
<a href="#">bosakitug</a>	TSLP mAb	Chia Tai Tianqing; Aclaris	asthma; atopic dermatitis; CRSwNP; COPD; nasal polyposis; rhinosinusitis	Phase II	Phase III	Phase III for asthma
<a href="#">ecleralimab</a>	TSLP antibody fragment	Novartis	asthma; COPD; allergic asthma	Phase II	Phase II	
<a href="#">CM326</a>	TSLP mAb	Keymed; CSPC	atopic dermatitis; asthma; CRSwNP; rhinosinusitis; nasal polyposis; COPD		Phase II	Phase II
<a href="#">SHR-1905</a>	TSLP mAb	Aiolos Bio (GSK); Hengrui	asthma; CRSwNP; respiratory disease; nasal polyposis; rhinosinusitis; COPD		Phase II	Phase II
<a href="#">PF-07275315</a>	TSLP/IL-13/IL-4 trispecific antibody	Pfizer	atopic dermatitis	Phase II	Phase II	Phase II
<a href="#">lunsekimig</a>	TSLP/IL-13 bsAb	Sanofi	asthma; CRSwNP	Phase II	Phase II	Phase II
<a href="#">Tavo101</a>	TSLP mAb	Tavotek	atopic dermatitis		Phase II	
<a href="#">solrikitung</a>	TSLP mAb	MSD; Uniquity	COPD; asthma; eosinophilic esophagitis (EoE); gastrointestinal disease	Phase II	Phase II	
<a href="#">AZD8630</a>	TSLP antibody fragment	Amgen; AstraZeneca	asthma	Phase II	Phase II	Phase II
<a href="#">QX008N</a>	TSLP mAb	Qyuns; Joincare	asthma; COPD		Phase II	Phase II
<a href="#">HBM9378</a>	TSLP mAb	Kelun-Biotech; Harbour; Windward Bio	asthma; COPD		Phase I	Phase I
<a href="#">MG-ZG122</a>	TSLP mAb	Mabgeek	asthma; COPD		Phase I	Phase I
<a href="#">LQ043H</a>	TSLP single-domain antibody	Novamab	asthma; bronchial asthma; COPD		Phase I	Phase I
<a href="#">GR2002</a>	TSLP mAb	Genrix Bio	asthma; atopic dermatitis; rhinosinusitis; nasal polyposis; CRSwNP; COPD		Phase I	Phase I
<a href="#">STSA-1201</a>	TSLP mAb	Staidson	asthma		Phase I	Phase I
<a href="#">GB-0895</a>	TSLP mAb	Generate	asthma; immunology		Phase I	
<a href="#">IBI3002</a>	IL-4Rα/TSLP bsAb	Innovent	asthma		Phase I	IND
<a href="#">CM512</a>	IL-13/TSLP bsAb	Keymed; Belenos	atopic dermatitis; COPD; CRSwNP; asthma		Phase I	Phase I
<a href="#">HB0056</a>	TSLP/IL-11 bsAb	Huaota	asthma; COPD; idiopathic pulmonary fibrosis (IPF); atopic dermatitis		Phase I	IND
<a href="#">CDX-622</a>	TSLP/SCF bsAb	Celldex	allergic disease	Phase I	Phase I	
<a href="#">APG333</a>	TSLP mAb	Apogee; Paragon	asthma; COPD; immunology		Phase I	

Source: PharmCube, CMBIGM

Figure 2: Transactions about TSLP-targeted therapies

Date	Licensor	Licensee	Transaction type	Drug candidate	Transaction value (US\$mn)	Upfront payment (US\$mn)	Milestone fee (US\$mn)
2025-01-10	Kelun-Biotech; Harbour	Windward Bio	China Out-Licensing, NewCo	HBM9378 (TSLP mAb)	970		
2024-11-18	Biosion/CTTQ	Aclaris	China Out-Licensing, NewCo	Bosakitug (TSLP mAb); BSI-502 (TSLP/IL-4R bsAb)	940	40	900
2024-07-09	Keymed	Belenos	China Out-Licensing, NewCo	CM512 (IL-13/TSLP bsAb); CM536 (unknown bsAb)	185	15	170
2024-05-15	MSD	Uniquity Bio	Transaction Outside of China, NewCo	Solrikitung (TSLP mAb)			
2023-12-14	Biologic Design	Teva Pharma	Deals Outside of China	TEV-56308 (IL-13/TSLP bsAb)			
2023-08-14	Hengrui	Aiolos Bio	China Out-Licensing, NewCo	SHR-1905 (TSLP mAb)	1,050	21.5	1,028.5
2021-11-22	Keymed	CSPC	Transaction in China	CM326 (TSLP mAb)	30.94	15.47	15.47

Source: PharmCube, CMBIGM

### Figure 3: Tezepelumab's development highlights

#### TEZSPIRE®

- The Company is **planning to initiate** Phase 3 studies in patients with moderate to very severe chronic obstructive pulmonary disease (COPD) and a BEC  $\geq$  150 cells/ $\mu$ l or greater. Study initiation is anticipated in **H1 2025**.
- A Phase 3 study is **ongoing** in patients with chronic rhinosinusitis with nasal polyps, with data anticipated in **H2 2024**.
- A Phase 3 study **continues to enroll** patients with eosinophilic esophagitis.
- In severe asthma:
  - The WAYFINDER Phase 3b study is **fully enrolled**.
  - The PASSAGE Phase 4 real-world effectiveness study is **fully enrolled**.
  - The SUNRISE Phase 3 study **continues to enroll** patients.

Source: Amgen slides, CMBIGM. Note: as of 30 Oct 2024

### Figure 4: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
<b>EBIT</b>	<b>-175</b>	<b>-922</b>	<b>-768</b>	<b>-129</b>	<b>1,731</b>	<b>3,193</b>	<b>4,448</b>	<b>5,666</b>	<b>6,673</b>	<b>7,324</b>	<b>7,565</b>	<b>7,388</b>
Tax rate	0%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	-175	-922	-768	-129	1,471	2,714	3,781	4,816	5,672	6,225	6,431	6,280
+ D&A	30	36	41	47	54	56	58	60	61	63	65	66
- Change in working capital	-467	-240	-161	-283	-257	-246	-194	-57	18	64	93	87
- Capex	-100	-150	-150	-200	-200	-100	-100	-100	-100	-100	-100	-100
<b>FCFF</b>	<b>-712</b>	<b>-1,277</b>	<b>-1,038</b>	<b>-565</b>	<b>1,068</b>	<b>2,424</b>	<b>3,544</b>	<b>4,719</b>	<b>5,651</b>	<b>6,253</b>	<b>6,488</b>	<b>6,334</b>
Terminal value												91,143
<b>FCF + terminal value</b>	<b>-712</b>	<b>-1,277</b>	<b>-1,038</b>	<b>-565</b>	<b>1,068</b>	<b>2,424</b>	<b>3,544</b>	<b>4,719</b>	<b>5,651</b>	<b>6,253</b>	<b>6,488</b>	<b>97,476</b>
Present value of enterprise (RMB mn)	45,484											
Net debt (RMB mn)	-728											
<b>Equity value (RMB mn)</b>	<b>46,212</b>											
No. of shares (mn)	223											
<b>DCF per share (RMB)</b>	<b>207.37</b>											
<b>DCF per share (HK\$)</b>	<b>227.88</b>											
<b>Terminal growth rate</b>	<b>3.0%</b>											
<b>WACC</b>	<b>10.16%</b>											
Cost of equity	14.0%											
Cost of debt	3.5%											
Equity beta	1.05											
Risk-free rate	3.0%											
Market risk premium	10.5%											
Target debt to asset ratio	35.0%											
Effective corporate tax rate	15.0%											

Source: CMBIGM estimates

Figure 5: Sensitivity analysis (HK\$)

Terminal growth rate	WACC				
	9.16%	9.66%	10.16%	10.66%	11.16%
4.0%	319.03	284.00	254.82	230.16	209.09
3.5%	296.74	266.17	240.34	218.26	199.19
3.0%	278.08	251.01	<b>227.88</b>	207.91	190.51
2.5%	262.22	237.98	217.05	198.83	182.83
2.0%	248.57	226.65	207.55	190.80	176.00

Source: CMBIGM estimates

Figure 6: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,781	1,878	2,312	1,809	1,028	1,598	-2%	83%	45%
Gross profit	1,425	1,511	1,885	1,446	835	1,314	-1%	81%	43%
Operating profit	-144	-905	-755	-124	-961	-898	NA	NA	NA
Net profit	-246	-908	-787	-226	-964	-931	NA	NA	NA
EPS (RMB)	(1.10)	(4.07)	(3.53)	(1.01)	(4.32)	(4.18)	NA	NA	NA
Gross margin	80.00%	80.50%	81.54%	79.97%	81.27%	82.22%	+0.03 ppt	-0.77 ppt	-0.69 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 7: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,781	1,878	2,312	1,752	1,662	2,482	2%	13%	-7%
Gross profit	1,425	1,511	1,885	1,209	1,168	1,856	18%	29%	2%
Operating profit	-144	-905	-755	(348)	(675)	(257)	NA	NA	NA
Net profit	-246	-908	-787	(386)	(692)	(332)	NA	NA	NA
EPS (RMB)	(1.10)	(4.07)	(3.53)	(1.58)	(3.14)	(1.77)	NA	NA	NA
Gross margin	80.00%	80.50%	81.54%	69.02%	70.27%	74.79%	+10.98 ppt	+10.23 ppt	+6.75 ppt

Source: Company data, Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>32</b>	<b>804</b>	<b>1,540</b>	<b>1,781</b>	<b>1,878</b>	<b>2,312</b>
Cost of goods sold	(21)	(277)	(781)	(356)	(366)	(427)
<b>Gross profit</b>	<b>12</b>	<b>527</b>	<b>759</b>	<b>1,425</b>	<b>1,511</b>	<b>1,885</b>
<b>Operating expenses</b>	<b>(789)</b>	<b>(946)</b>	<b>(1,143)</b>	<b>(1,569)</b>	<b>(2,416)</b>	<b>(2,640)</b>
Selling expense	0	0	(20)	(110)	(847)	(961)
Admin expense	(96)	(95)	(182)	(140)	(168)	(202)
R&D expense	(728)	(846)	(1,031)	(1,370)	(1,438)	(1,510)
Others	35	(4)	90	51	37	34
<b>Operating profit</b>	<b>(777)</b>	<b>(419)</b>	<b>(383)</b>	<b>(144)</b>	<b>(905)</b>	<b>(755)</b>
<b>Net Interest income/(expense)</b>	<b>(113)</b>	<b>(149)</b>	<b>(84)</b>	<b>(3)</b>	<b>(3)</b>	<b>(33)</b>
<b>Pre-tax profit</b>	<b>(890)</b>	<b>(567)</b>	<b>(468)</b>	<b>(147)</b>	<b>(908)</b>	<b>(787)</b>
Income tax	0	(49)	(106)	(99)	0	0
<b>After tax profit</b>	<b>(890)</b>	<b>(616)</b>	<b>(574)</b>	<b>(246)</b>	<b>(908)</b>	<b>(787)</b>
Minority interest	0	0	0	0	0	0
<b>Net profit</b>	<b>(890)</b>	<b>(616)</b>	<b>(574)</b>	<b>(246)</b>	<b>(908)</b>	<b>(787)</b>
<b>BALANCE SHEET</b>						
	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>298</b>	<b>332</b>	<b>2,807</b>	<b>2,929</b>	<b>1,801</b>	<b>2,189</b>
Cash & equivalents	82	93	1,529	1,490	747	990
Restricted cash	37	26	40	40	40	40
Account receivables	79	99	215	0	227	378
Inventories	79	53	63	88	75	70
Financial assets at FVTPL	0	0	634	934	334	334
Other current assets	23	62	327	377	377	377
<b>Non-current assets</b>	<b>515</b>	<b>661</b>	<b>702</b>	<b>772</b>	<b>966</b>	<b>1,075</b>
PP&E	432	530	608	677	792	901
Right-of-use assets	42	117	85	85	85	85
Intangibles	0	3	1	1	1	1
Other non-current assets	40	10	8	8	8	8
<b>Total assets</b>	<b>813</b>	<b>993</b>	<b>3,510</b>	<b>3,701</b>	<b>2,767</b>	<b>3,264</b>
<b>Current liabilities</b>	<b>3,445</b>	<b>4,167</b>	<b>1,110</b>	<b>453</b>	<b>427</b>	<b>1,711</b>
Short-term borrowings	2,388	2,891	0	0	0	1,300
Account payables	185	243	523	146	120	104
Other current liabilities	761	787	21	21	21	21
Lease liabilities	2	82	54	54	54	54
Contract liabilities	109	164	511	231	231	231
<b>Non-current liabilities</b>	<b>12</b>	<b>52</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>70</b>
Deferred income	11	11	65	65	65	65
Other non-current liabilities	1	41	6	6	6	6
<b>Total liabilities</b>	<b>3,457</b>	<b>4,219</b>	<b>1,180</b>	<b>523</b>	<b>497</b>	<b>1,782</b>
Share capital	107	107	219	219	219	219
Other reserves	(2,751)	(3,334)	2,110	2,958	2,051	1,263
<b>Total shareholders equity</b>	<b>(2,644)</b>	<b>(3,226)</b>	<b>2,329</b>	<b>3,178</b>	<b>2,270</b>	<b>1,483</b>
<b>Total equity and liabilities</b>	<b>813</b>	<b>993</b>	<b>3,510</b>	<b>3,701</b>	<b>2,767</b>	<b>3,264</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(890)	(567)	(468)	(147)	(908)	(787)
Depreciation & amortization	23	67	75	30	36	41
Tax paid	0	(49)	0	(99)	0	0
Change in working capital	279	35	276	(467)	(240)	(161)
Others	102	195	177	3	3	33
<b>Net cash from operations</b>	<b>(486)</b>	<b>(320)</b>	<b>60</b>	<b>(680)</b>	<b>(1,110)</b>	<b>(875)</b>
<b>Investing</b>						
Capital expenditure	(94)	(34)	(81)	(100)	(150)	(150)
Net proceeds from disposal of short-term investments	0	1	(623)	(300)	520	0
Others	(1)	1	(321)	(50)	0	0
<b>Net cash from investing</b>	<b>(94)</b>	<b>(32)</b>	<b>(1,025)</b>	<b>(450)</b>	<b>370</b>	<b>(150)</b>
<b>Financing</b>						
Dividend paid	0	0	0	0	0	0
Net borrowings	155	318	(394)	0	0	1,300
Proceeds from share issues	534	0	1,482	1,094	0	0
Others	(42)	(5)	1,294	(3)	(3)	(33)
<b>Net cash from financing</b>	<b>647</b>	<b>313</b>	<b>2,382</b>	<b>1,091</b>	<b>(3)</b>	<b>1,267</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	16	82	93	1,529	1,490	747
Exchange difference	(1)	1	19	0	0	0
<b>Cash at the end of the year</b>	<b>82</b>	<b>44</b>	<b>1,529</b>	<b>1,490</b>	<b>747</b>	<b>990</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	na	2,387.3%	91.6%	15.6%	5.4%	23.1%
Gross profit	na	4,368.1%	44.0%	87.7%	6.1%	24.7%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	36.5%	65.6%	49.3%	80.0%	80.5%	81.5%
Operating margin	(2,404.6%)	(52.1%)	(24.9%)	(8.1%)	(48.2%)	(32.6%)
Return on equity (ROE)	na	na	na	(8.9%)	(33.3%)	(42.0%)
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	0.1	0.1	2.5	6.5	4.2	1.3
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	ns	ns	ns	ns	ns	ns
P/B	ns	ns	12.3	10.9	15.3	23.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

# Disclosures & Disclaimers

## Analyst Certification

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