



Sincere Pharmaceutical Group [2096.HK]

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Issue Particulars	
Industry sector	Pharmaceutical
Listing category	Mainboard
Major Shareholders	Mr. Ren(78.1%)
Total new shares issued (mn)	260.6
Issue price (HK\$)	12.10-13.70
Total share offer size (HK\$mn)	3,153-3,570
Shares offered for Placement (mn)	234.5
Shares offered for IPO (mn)	26.1
FY20 profit forecast(RMB mn)	480
FY20 P/E(x)	57.3-64.8
Market cap. of shares (HK\$mn)	31,529-35,698
Total outstanding shares (new + existing shares)(mn)	2,605.7
NAV per share(HK\$)	1.83-1.99
Board Lot (shares)	1,000
Sponsors	Morgan Stanly, CICC

Time Table	
IPO open	13-Oct-2020
IPO close	19-Oct-2020
Results announcement date	23-Oct-2020
Cheques refunded	23-Oct-2020
Dealing of shares	27-Oct-2020

Financial Data			
FYE 31 Dec (Rmb mn)	FY18	FY19	1H20
Revenue	4,514	5,037	1,925
Cost of goods sold	(771)	(888)	(388)
Gross profit	3,743	4,148	1,537
Other revenue	158	107	37
R&D cost	(447)	(716)	(454)
Selling & distribution Cost	(2,222)	(2,016)	(629)
Admin Cost	(290)	(352)	(193)
Finance cost	(11)	(81)	(69)
Associate	(2)	(8)	(4)
Taxation	(195)	(78)	(40)
Non-controlling interest	--	--	(1)
Net Profit	734	1,004	185

Clawback Structure	
Over subscription for IPO (x)	% of IPO for the total share offer
15-50	30%
50-100	40%
Over 100	50%

Business

Sincere Pharmaceutical (SP) is a company engaged in the R&D and production of pharmaceuticals and currently are primarily focused on generic pharmaceuticals. SP diversified product portfolio includes 10 major products (including 7 generic pharmaceuticals, 2 category I innovative pharmaceuticals and 1 new formulation drug), which accounted for around 80% of total revenue in the past few years.

Generic pharmaceuticals contributed a substantial portion of its revenue, but the proportion declined from 60.7% in FY17 to 35.5% in 1H20. On the other hand, category I innovative pharmaceuticals and new formulation drug proportion rose from 24.4% to 43.4% during the same period.

In terms of revenue distribution, its oncology product portfolio currently comprises six products, including major products: Endostar, Jepaso, Jiebaoli and Sinofuan, accounting for 26.2%-32.7% of the Group's revenue in recent years. For the Central Nervous System Products, its proportion in total revenue dropped from 33.3% in FY17 to 9.9% in 1H20.

In fact, Bicun, a major product for Central Nervous System Products, was included in the Control List in 2019 and subsequently removed from the NRDL in 2020. Hence, Bicun sales decreased from Rmb1,197mn in 2018 to Rmb937mn in 2019, and further decreased from RMB573mn in 1H19 to RMB178mn in 1H20. Hence, it also caused SP overall net profit fell in 1H20.

Owing to (i) the outbreak of COVID-19; (ii) sales decrease of Bicun as a result of its exclusion from NRDL starting Jan 2020; (iii) R&D cost increases; (iv) Endostar sales decreases given the drop of its pricing level due to renewing its inclusion in the latest version of the NRDL; and (v) a decrease in sales of Softan and Jiebaoli as either did not win or ineligible in the bidding processes under the centralized drug procurement. Its FY20 forecast profit dropped to Rmb480mn.

Although SP earnings fell sharply in 2020, due to impact of NRDL list change on its existing portfolio, its long term prospect will support by inhouse and collaborations R&D product. Besides, cornerstone investors including Hillhouse, OrbiMeds subscribed more than 40% offered. Subscribe.

Use Of Proceeds

• Research and development	60%
• Reinforcement of sales and marketing capabilities	10%
• Investment in companies in pharm or biotech sector	10%
• Repayment of certain outstanding bank loans	10%
• Working capital and general corporate purposes	10%

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