COMPANY UPDATE

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Gap between K-CAB growth story and shares

- **3Q review:** We see prescription drug sales growth and hike in K-CAB royalty income from China as positive. As for 4Q, we foresee recognition of COVID-19 vaccine product sales (deferred from 3Q) and earnings recovery at the Health & Beauty (H&B) division.
- We maintain our BUY rating, as we expect the company to ink a European rights deal for K-CAB and file for US FDA approval for K-CAB in 2025.

WHAT'S THE STORY?

3Q review: HK inno.N reported 3Q sales of KRW260.8b (up 13.7% y-y but down 0.9% q-q) and an operating profit of KRW25.9b (up 16.4% y-y and 32.5% q-q), missing consensus due to deferral of COVID-19 vaccine product sales to October.

- **Prescription drug division:** Even excluding COVID-19 vaccine products, the prescription drug division kept a structural growth—1) K-CAB prescriptions and market share kept rising both at home and abroad, with its sales in China up to a level on par with the domestic level and its royalty income from China set to hit KRW14b in 2025; and 2) infusion solution sales continued rising at a double-digit pace since the end of the medical strike.

(Continued on the next page)

HK inno.N 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	260.8	263.1	(0.9)	229.5	13.7	274.2	(4.9)	276.3	(5.6)
Operating profit	25.9	19.5	32.5	22.2	16.4	29.9	(13.4)	29.9	(13.5)
Pre-tax profit	22.7	14.2	60.1	17.9	26.7	26.7	(14.9)	24.9	(8.8)
Net profit	18.6	12.0	54.1	14.5	28.0	21.4	(13.4)	19.4	(4.5)
Margins (%)									
Operating profit	9.9	7.4		9.7		10.9		10.8	
Pre-tax profit	8.7	5.4		7.8		9.7		9.0	
Net profit	7.1	4.6		6.3		7.8		7.0	

Source: Company data, Samsung Securities estimates

Valuation

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS (KRW)	EPS growth (% y-y)	P/E (x)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
2023	829	66	45	47	1,661	25.9	26.8	310	15.0	1.0	4.0
2024	897	88	72	62	2,174	30.8	16.5	357	10.7	0.8	5.0
2025E	1,063	110	85	71	2,506	15.3	19.7	275	9.9	1.1	5.5
2026E	1,100	122	104	81	2,860	14.1	17.3	185	9.1	1.0	6.0
2027E	1,146	137	129	101	3,558	24.4	13.9	-37	4.8	0.9	7.0

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW58,000	17.4%
Current price	**KRW49,400**	
Market cap	KRW1.4t/USD1.0b	
Shares (float)	28,329,891 (52.0%)	
52-week high/low	KRW51,300/KRW32,050	
Avg daily trading value (60-day)	KRW11.4b/ USD8.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HK inno.N (%)	11.3	22.6	-0.4
Vs Kosdaq (%pts)	4.0	-2.4	-17.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	58,000	58,000	0.0%
2025E EPS	2,506	2,502	0.2%
2026E EPS	2,860	2,996	-4.5%

SAMSUNG vs THE STREET

No of estimates	14
Target price	64,643
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

- **H&B division:** The health & beauty (H&B) division posted sales of KRW15.1b (down 34.7% y-y and 24.1% q-q) and an operating loss of KRW4.7b (turning negative y-y and remaining negative q-q). Sales-volume rebound that began in September and compensation from Dongwon Systems should be reflected in 4Q earnings.

Maintaining BUY with KRW58,000 target price: We derive our target price for the stock from a sum-of-the-parts valuation that includes per-share estimates of: 1) the value of operations (KRW1.53t), based on peer average EV/EBITDA multiples (14x for the prescription drug division and 5.5x for the H&B division) applied to our forward EBITDA forecasts; and 2) the pipeline value of K-CAB (KRW394.6b). The company: 1) seeks filing for US FDA approval for K-CAB as treatment of erosive and non-erosive reflux esophagitis; 2) should have an edge in Europe (in terms of contract size and terms) if it inks a European rights deal for K-CAB; and 3) should see accelerating K-CAB prescription growth in China if its inclusion in the Chinese National Medical Insurance List as H. pylori treatment. All told, K-CAB sales growth should pick up momentum led by global partnerships. That said, there should be a time lag between the K-CAB momentum and its reflection in earnings. As K-CAB sales in the US should rise notably from 2027, we see that the company needs an additional catalyst that can fill up the void until then.

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**829**	**897**	**1,063**	**1,100**	**1,146**
Cost of goods sold	453	462	579	586	610
Gross profit	**376**	**435**	**483**	**514**	**535**
Gross margin (%)	45.4	48.5	45.5	46.8	46.7
SG&A expenses	310	347	374	393	399
Operating profit	**66**	**88**	**110**	**122**	**137**
Operating margin (%)	8.0	9.8	10.3	11.1	11.9
Non-operating gains (losses)	**-21**	**-16**	**-24**	**-18**	**-7**
Financial profit	6	6	8	11	18
Financial costs	20	17	31	28	24
Equity-method gains (losses)	1	-0	-0	0	0
Other	-7	-5	-2	-1	-1
Pre-tax profit	**45**	**72**	**85**	**104**	**129**
Taxes	-2	10	16	23	28
Effective tax rate (%)	-4.5	14.2	19.0	22.0	22.0
Profit from continuing operations	47	62	71	81	101
Profit from discontinued operations	0	0	0	0	0
Net profit	**47**	**62**	**71**	**81**	**101**
Net margin (%)	5.7	6.9	6.7	7.4	8.8
Net profit (controlling interests)	47	62	71	81	101
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	105	128	168	175	283
EBITDA margin (%)	12.6	14.3	15.9	15.9	24.7
EPS (parent-based) (KRW)	1,661	2,174	2,506	2,860	3,558
EPS (consolidated) (KRW)	1,661	2,174	2,506	2,860	3,558
Adjusted EPS (KRW)*	1,661	2,174	2,506	2,860	3,558

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**433**	**385**	**514**	**647**	**916**
Cash & equivalents	108	45	140	225	442
Accounts receivable	146	118	142	160	180
Inventories	142	177	181	204	230
Other current assets	37	45	51	57	64
Fixed assets	**1,415**	**1,504**	**1,483**	**1,450**	**1,304**
Investment assets	25	24	39	39	40
Tangible assets	277	378	352	319	172
Intangible assets	1,076	1,071	1,067	1,067	1,067
Other long-term assets	37	31	25	25	25
Total assets	**1,848**	**1,890**	**1,997**	**2,097**	**2,221**
Current liabilities	**595**	**464**	**502**	**529**	**560**
Accounts payable	68	67	86	97	109
Short-term debt	239	250	282	282	282
Other current liabilities	288	147	134	151	169
Long-term liabilities	**49**	**174**	**180**	**182**	**184**
Bonds & long-term debt	20	150	150	150	150
Other long-term liabilities	29	25	31	32	34
Total liabilities	**644**	**638**	**682**	**711**	**744**
Owners of parent equity	**1,204**	**1,251**	**1,315**	**1,386**	**1,477**
Capital stock	14	14	14	14	14
Capital surplus	516	466	466	466	466
Retained earnings	107	208	269	340	431
Other	567	563	565	565	565
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**1,204**	**1,251**	**1,315**	**1,386**	**1,477**
Net debt	310	357	275	185	-37

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**83**	**106**	**172**	**122**	**228**
Net profit	47	62	71	81	101
Non-cash profit and expenses	62	73	121	78	170
Depreciation	28	29	59	53	147
Amortization	10	10	0	0	0
Other	23	34	63	25	24
Changes in A/L from operating activities	-23	-19	-6	-14	-15
Cash flow from investments	**-34**	**-130**	**-60**	**-18**	**8**
Change in tangible assets	-36	-117	-54	-20	0
Change in financial assets	2	-1	1	-5	-5
Other	-0	-13	-8	7	14
Cash flow from financing	**-52**	**-38**	**-17**	**-19**	**-19**
Change in debt	-8	-12	11	0	0
Change in equity	0	-50	0	0	0
Dividends	-5	-6	-10	-10	-10
Other	-39	30	-18	-9	-9
Change in cash	-3	-62	95	85	217
Cash at beginning of year	111	108	45	140	225
Cash at end of year	108	45	140	225	442
Gross cash flow	**109**	**135**	**192**	**159**	**271**
Free cash flow	**47**	**-11**	**118**	**102**	**228**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-2.1	8.2	18.4	3.5	4.2
Operating profit	25.5	33.8	24.5	11.0	12.0
Net profit	23.8	30.5	15.3	14.1	24.4
Adjusted EPS**	25.9	30.8	15.3	14.1	24.4
Per-share data (KRW)					
EPS (parent-based)	1,661	2,174	2,506	2,860	3,558
EPS (consolidated)	1,661	2,174	2,506	2,860	3,558
Adjusted EPS**	1,661	2,174	2,506	2,860	3,558
BVPS	42,487	44,172	46,408	48,917	52,126
DPS (common)	350	350	350	350	350
Valuations (x)					
P/E***	26.8	16.5	19.7	17.3	13.9
P/B***	1.0	0.8	1.1	1.0	0.9
EV/EBITDA	15.0	10.7	9.9	9.1	4.8
Ratios (%)					
ROE	4.0	5.0	5.5	6.0	7.0
ROA	2.6	3.3	3.7	4.0	4.7
ROIC	4.6	4.9	5.7	6.1	7.2
Payout ratio	12.0	16.1	14.0	12.2	9.8
Dividend yield (common)	0.8	1.0	0.7	0.7	0.7
Net debt to equity	25.8	28.5	20.9	13.3	-2.5
Interest coverage (x)	3.5	6.0	12.2	13.5	15.2

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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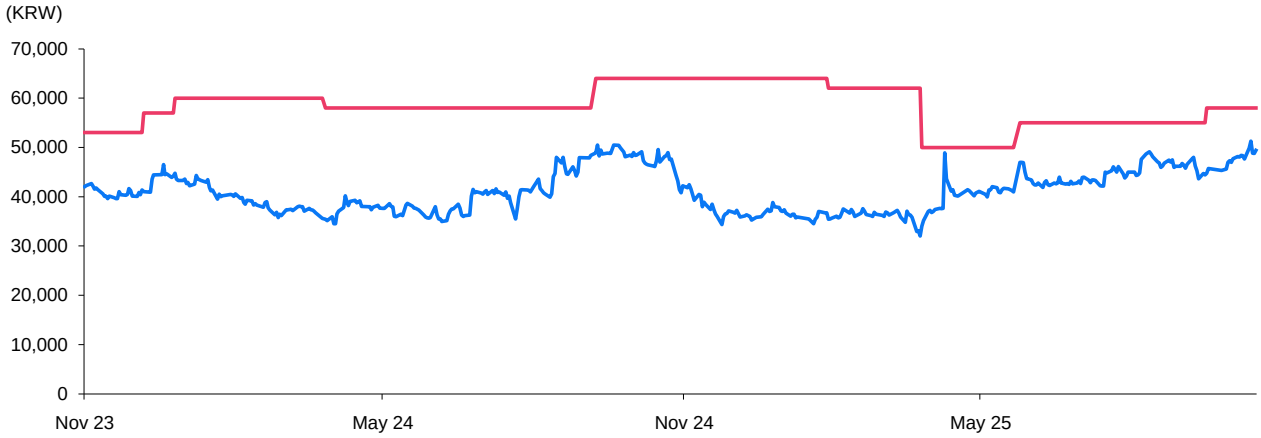
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/30	12/22	2024/1/10	4/11	9/23	2025/2/12	4/10	4/24	6/9	10/1
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	HOLD	BUY	BUY
Target price (KRW)	53000	57000	60000	58000	64000	62000	50000	50000	55000	58000
Gap* (average)	-21.65	-22.57	-34.22	-31.86	-35.49	-41.66	-25.89	-17.69	-18.63	
(max or min)**	-15.09	-18.42	-26.17	-16.55	-21.09	-39.35	-24.70	-12.70	-10.73	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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