

Mirae Asset Securities Co., Ltd.

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207940 KS · Pharma/Biotech

Samsung Biologics

Worries over competition appear overblown; end-market expansion to provide a boost

(Maintain)

Buy
 Target price
W1,100,000

 Upside
50.3%

 Current price (7/18/23)
W732,000

KOSPI	2,607.62	Market cap (Wbn)	52,099	Shares outstanding (mn)	71	Foreign ownership (%)	10.4
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Report summary

Maintain Buy and TP of W1,100,000

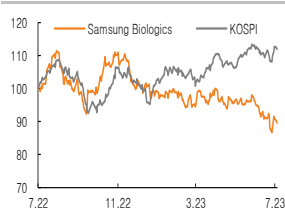
Our valuation for Samsung Biologics represents the sum of the values of its CDMO business (W69.5tr) and Samsung Bioepis (W6.8tr). The stock has come under pressure recently, as worries over intensifying competition in the antibody CDMO market have weighed on sentiment. However, we note that Samsung Biologics is targeting different markets than its competitors and that newer entrants have yet to establish solid track records. Furthermore, given the potential arrival of blockbuster antibody treatments for newer indications (e.g., Alzheimer's disease and obesity), we believe the company is well-positioned to benefit from end-market expansion.

Earnings outlook

We expect Samsung Biologics' non-consolidated 2Q23 earnings to meet consensus expectations, with revenue and operating profit coming in at W619.6bn (+23% YoY) and W230bn (+34% YoY), respectively. For 2023, we lift our revenue forecast by 4% to W2.8tr (+15% YoY) and our operating profit forecast by 6% to W1.05tr (+9% YoY). However, for Samsung Bioepis, we lower our full-year revenue forecast by 9% to W996bn (+5% YoY) and our operating profit forecast by 10% to W239bn (+3% YoY).

Key data

Price performance



(%)	1M	6M	12M
Absolute	-5.5	-7.7	-9.6
Relative	-4.9	-16.2	-17.7

Earnings and valuation metrics

(Dec.)	2021	2022	2023F	2024F	2025F
Revenue (Wbn)	1,568	2,437	2,797	3,444	4,221
OP (Wbn)	536	968	1,054	1,213	1,733
OP margin (%)	34.2	39.7	37.7	35.2	41.1
NP (Wbn)	423	687	846	969	1,359
EPS (W)	6,320	9,820	11,892	13,616	19,098
ROE (%)	13.2	12.8	11.0	11.2	13.9
P/E (x)	141.2	83.6	61.6	53.8	38.3
P/B (x)	17.5	8.0	6.4	5.7	5.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Notes: Under non-consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

Expansion of potential end-markets

Donanemab (antibody therapy for Alzheimer's disease; Eli Lilly): Application for full FDA approval filed; commercialization expected soon

On Jul. 17, Eli Lilly presented the full results of the phase 3 study for donanemab, a novel antibody therapy for the treatment of Alzheimer's disease, at the Alzheimer's Association International Conference (AAIC). According to the study, treatment with donanemab slowed cognitive decline by 35% on the Clinical Dementia Rating-Sum of Boxes (CDR-SB) compared with placebo. Based on the results, the company filed an application for full FDA approval, and a decision is expected by the end of the year. Meanwhile, the firm is also running a phase 3 trial for remternetug, a follow-on to donanemab administered via subcutaneous (SC) injection.

Previously, Eli Lilly outsourced COVID-19 antibody production to Samsung Biologics under a CMO agreement, suggesting that its production capacity is currently stretched. While the firm has recently announced sizeable investments in production facilities (2023 capex set to double to US\$3.3bn), most of the new capacity will likely be allocated to peptide drugs, such as diabetes/obesity treatment tirzepatide (Mounjaro). The commercialization of potential blockbusters donanemab and remternetug could lead to a large-scale CMO deal for Samsung Biologics.

Leqembi (antibody therapy for Alzheimer's disease; Eisai/Biogen): Fully approved by FDA; SC version also likely

On Jul. 6, Leqembi (lecanemab) was fully approved by the FDA, ushering in a new era for Alzheimer's disease treatments. In addition, the drug is covered by Medicare insurance from the Centers for Medicare & Medicaid Services (CMS). Medicare coverage is essential for the commercial success of any Alzheimer's disease treatment because around 80% of patients are Medicare beneficiaries. (Eisai/Biogen's aducanumab has been commercially unsuccessful due to its exclusion from Medicare coverage.) Leqembi is administered via intravenous infusion, but the drug is currently undergoing an open-label extension study to confirm the safety of SC administration (application for approval to be filed in Mar. 2024). Biogen has a plant in Solothurn, Switzerland with capacity of 140,000 liters, but it may still need to outsource production earlier than planned as Leqembi's market penetration accelerates.

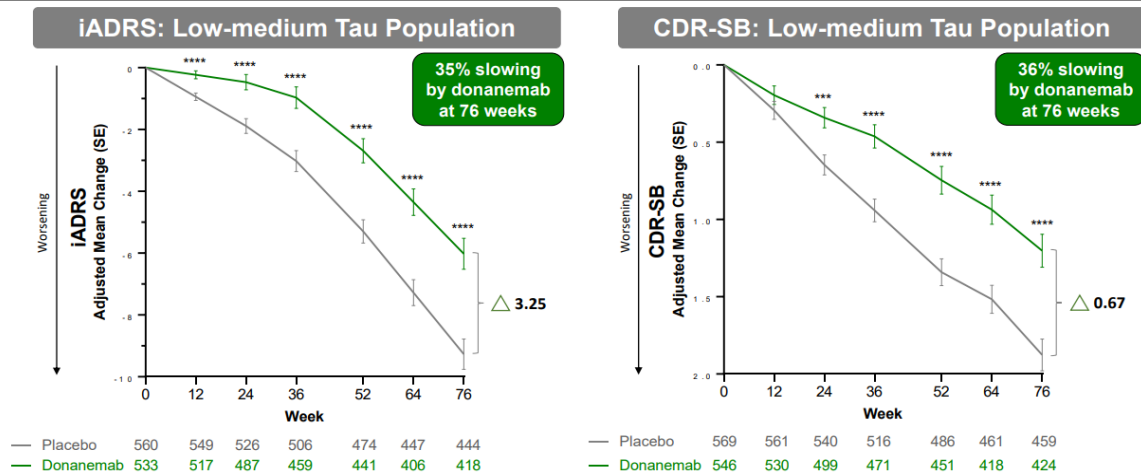
AMG-133 (Amgen): Antibody-peptide conjugate for obesity treatment, administered once every four weeks (Q4W)

AMG-133 targets the glucagon-like peptide-1 receptor (GLP-1R) and glucose-dependent insulinotropic polypeptide receptor (GIPR). A phase 2 trial for the candidate is underway. Phase 1 results showed up to a 14.5% reduction in body weight at the highest dose after 12 weeks (superior 12-week data compared to rival drugs). And thanks to its Q4W dosing regimen, AMG-133 should offer greater convenience than Eli Lilly's tirzepatide (Mounjaro) and retatrutide (phase 3) and Novo Nordisk's semaglutide (Wegovy), which require weekly injections.

Eli Lilly secures novel antibody drug asset for obesity via M&A

Eli Lilly has agreed to acquire obesity drug maker Versanis (unlisted) for US\$1.9bn. Bimagrumab, Versanis's major pipeline asset, is an activin receptor type-2B inhibitor. A phase 2 trial is underway to evaluate the safety and efficacy of the candidate as a monotherapy, as well as in combination with semaglutide (Wegovy). According to phase 1 study results, treatment with bimagrumab (Q4W dosing) resulted in an over 20% reduction in fat mass after 48 weeks. And co-administration with incretin therapies (e.g., Wegovy, Mounjaro, etc.) resulted in additive efficacy and superior-quality weight loss (i.e., fat reduction with maintenance of muscle mass). If commercialized, we expect bimagrumab to display growth alongside peptide drugs such as Wegovy and Mounjaro.

Figure 1. Donanemab (Eli Lilly): TRAILBLAZER-ALZ2 (phase 3) efficacy data



Source: Eli Lilly, Mirae Asset Securities Research

Figure 2. Leqembi (Eisai/Biogen): CMS coverage granted

CMS announces plan to ensure availability of new Alzheimer's drugs

Jun 01, 2023 | Coverage, Prescription drugs

Share

Agency outlines how people with Medicare can get these drugs if FDA grants traditional approval

WASHINGTON, D.C. – Centers for Medicare & Medicaid Services (CMS) Administrator Chiquita Brooks-LaSure announced today how people can get drugs that may slow the progression of Alzheimer's disease covered by Medicare. If the Food and Drug Administration (FDA) grants traditional approval, then Medicare will cover it in appropriate settings that also support the collection of real-world information to study the usefulness of these drugs for people with Medicare.

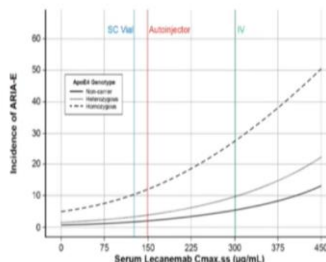
"Alzheimer's disease takes a toll on not just the people suffering from the disease but also on their loved ones and caregivers in a way that almost no other illness does. CMS has always been committed to helping people obtain timely access to innovative treatments that meaningfully improve care and outcomes for this disease," Brooks-LaSure said. "If the FDA grants traditional approval CMS is prepared to ensure anyone with Medicare Part B who meets the criteria is covered. I'm pleased to make this announcement today as part of CMS' mission to help improve the lives of Americans we serve. I hope we see more private sector partners in this work making their own announcements soon."

Source: CMS, Mirae Asset Securities Research

Figure 3. Leqembi: Potential safety benefits of SC administration (ARIA-E data)

Lower Cmax For Lecanemab SC Administration Expected to Provide Safety Benefit

- Exposure metrics (Cmax,ss, Cav,ss and Cmin,ss) are all correlated with ARIA-E
 - Following IV administration in Studies 201/301, Cmax,ss is best predictor of ARIA-E rates
- If Cmax,ss continues to predict ARIA-E with SC administration, ARIA-E risk is expected to be less after SC administration

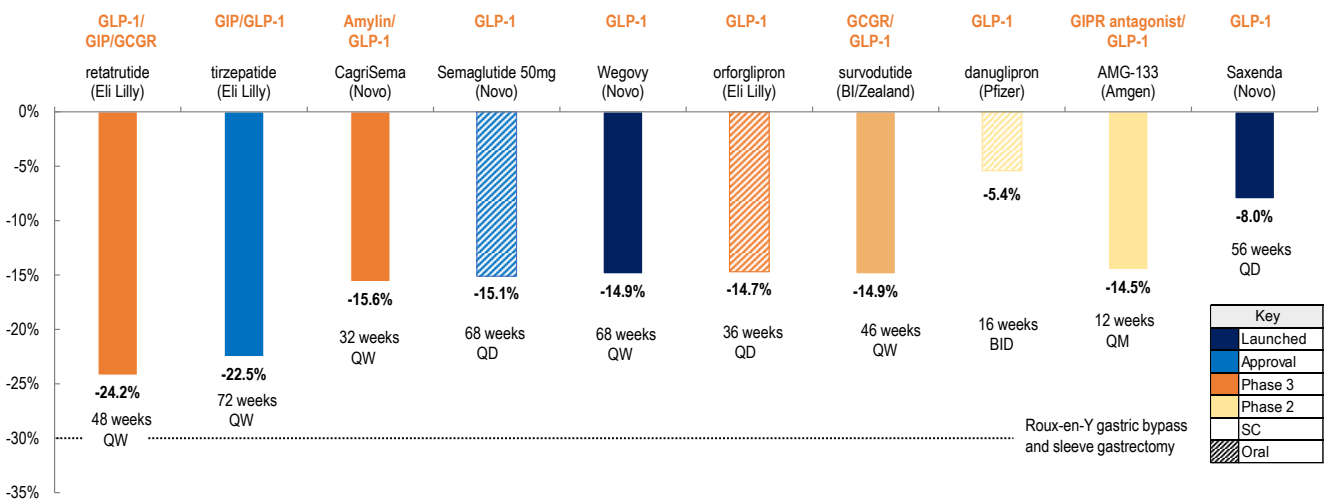


Projected ARIA-E Rates Following SC or IV Administration

ApoE4	SC Vial	AI Device	IV
Non-carriers	1.7%	2.0%	5.4%
Homozygotes	10.5%	12.1%	28.0%
Heterozygotes	3.2%	3.7%	9.8%

Source: Eisai, AAIC 2023, Mirae Asset Securities Research

Figure 4. Weight loss data of novel obesity drugs



Source: Eli Lilly, Novo Nordisk, Boehringer Ingelheim, Zealand, Pfizer, Amgen, Mirae Asset Securities Research

Worries about antibody CDMO competition are overblown

Aggressive capacity additions by competitors (i.e., WuXi Biologics and Fujifilm) have given rise to concerns over excess antibody CDMO capacity; however, we believe these worries are largely unwarranted.

WuXi Biologics: Focusing on clinical-stage CDMO projects

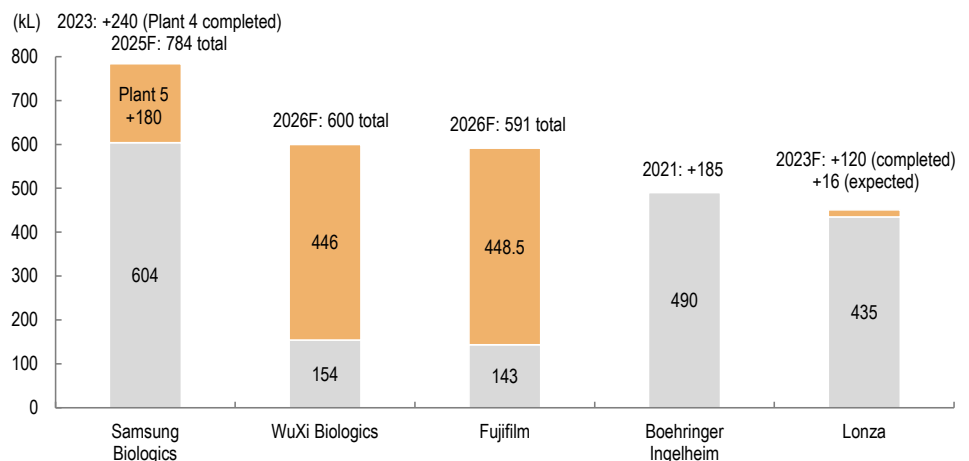
WuXi Biologics currently provides CDMO services for multiple clinical-stage CDMO projects. With this in mind, we believe any incremental commercial bioreactor capacity is likely to be set aside for existing customers (to handle the increase in orders in the event of commercialization). We thus believe that the firm is not in direct competition with Samsung Biologics, which already receives large-scale orders for commercial production from multinationals.

Fujifilm’s antibody CMO business has yet to find its footing

Fujifilm entered the commercial CMO market in 2019 by acquiring Biogen’s Denmark factory. With the business still in the early stages, we think the company will continue to experience growing pains (e.g., challenges related to long-term investments, customer relationship management issues, difficulties in communicating with regulatory authorities, and lack of a track record with large pharmas). Furthermore, Fujifilm has a heavier cost structure than Samsung Biologics, as its plants are located in Europe and the US.

Given that both WuXi Biologics and Fujifilm are expected to have multiple large-scale commercial bioreactors online by 2026, we are positive on Samsung Biologics’ recent decision to pull forward the launch date of its fifth plant by four months. We believe this move will allow the firm to leverage its plant construction expertise to widen the gap with competitors ahead of their full-fledged market entries. In addition, we expect Samsung Biologics to make progress in CDMO services for new modalities, including antibody drug conjugates, mRNA, and cell & gene therapy.

Figure 5. CDMO capacity and ramp-up plans by company



Source: Mirae Asset Securities Research

Table 1. Major CDMOs: Mammalian cell-based bioreactor capacity and expansion plans

	Current	Planned
Samsung Biologics	Korea Plant 1: 5,000L x 6 Plant 2: 15,000L x 10, 1,000L x 4 Plant 3: 15,000L x 12 Plant 4: 15,000L x 12, 10,000L x 6	Korea Plant 4: 15,000L x 12, 10,000L x 6 Plants 5, 6: TBD
Lonza	US Portsmouth: 20,000L x 5, 6,000L x 4 Hayward: 2,000L x 2, 1,000L x 2 Europe Visp: 20,000L x 8, 2,000L x 3, 1,000L x 3 Porrino: 10,000L x 4 Slough: 1,000L x 6 Singapore Tuas: 20,000L x 4, 2,000L x 2 China Guangzhou: 2,000L x 2, 1,000L x 2	US Portsmouth: 2,000L x 8
Boehringer Ingelheim	Europe Biberach: 15,000L x 16, 2,000L x 12 Vienna: 185,000L (including 9 x 15,000L) US Fremont: 15,000L x 2, 2,000L x 4 China Shanghai: 2,000L x 1, 500L x 2	
Fujifilm Diosynth	US 10,000L Denmark 120,000L	US 178,500L (including 20,000L x 8) Denmark 400,000L (20,000L x 20)
WuXi Biologics	China Wuxi MFG1: 200L, 500L, 1,000L, 2000L x 5 Wuxi MFG2: 2,000L x 7, 1,000L x 4 Shanghai MFG3: 200L, 500L x 1, 1,000L x 1, 2,000L x 2, 200L x 1, 500L x 1, 1,000L x 1 Wuxi MFG4: 2,000L x 3, 4,000L x 1, 2,000L x 3 Wuxi MFG5: 12,000L x 2, 2,000L x 2 Ireland MFG6, 7: 4,000L x 12, 1,000L x 3 US Cranbury: 6,000L Germany Wuppertal: 12,000L, 3,000L	China Hebei: 48,000L Wuxi: 120,000L, Chengdu: 48,000L Hangzhou: 20,000L Shanghai: 10,000L Singapore 120,000L US Worcester: 24,000L Germany Wuppertal: 24,000L

Notes: Recent updates are highlighted in orange.

Source: Company data, BioProcess, Mirae Asset Securities Research

Earnings outlook and valuation

2Q23 preview and 2023 outlook

[Samsung Biologics] For 2Q23, we expect non-consolidated revenue of W619.6bn (+23% YoY) and operating profit of W230bn (+34% YoY), which are in line with consensus estimates. We believe growth continued in the quarter, backed by the full utilization of Plants 1, 2, and 3 and improvements in production/operational efficiency.

For 2023, we revise up our revenue forecast by 4% to W2.79tr (+15% YoY) and our operating profit forecast by 6% to W1.05tr (+9% YoY). Our upward revisions reflect: 1) the full utilization of Plants 1, 2, and 3; 2) enhanced production/operational efficiency; and 3) the early recognition of Plant 4 revenue. We revise up our Plant 4 revenue forecast from W62bn to W147.7bn. We previously anticipated operating profit to plateau in 2023 due to increased depreciation expenses resulting from the operation of Plant 4, but now see operating profit growing 9% on earlier-than-anticipated revenue recognition.

[Samsung Bioepis] For 2023, we lower our revenue forecast by 9% to W996bn (+5% YoY) and our operating profit forecast by 10% to W239bn (+3% YoY). Our downward revisions reflect: 1) stagnant or negative growth of existing biosimilars sold by partners amid intensifying competition; and 2) downbeat expectations on the company's new biosimilar Hadlima (Humira biosimilar sold by Organon).

Organon's Hadlima is projected to bring in a modest US\$46mn in revenue in 2023 (based on the Bloomberg consensus). Humira developer AbbVie said on a conference call that biosimilars with low wholesale acquisition costs (WAC) currently make up 20% of the market. Organon/Samsung Bioepis's Hadlima has a low-WAC strategy, with the drug's US list price (based on WAC) set at 85% below that of Humira. We believe this strategy allows Hadlima to avoid direct competition with Humira in the 80% of the market consisting of high-WAC and high-rebate biosimilars and instead target the remaining 20% of the market, which focuses on smaller private insurers and some government-funded insurance programs.

For 2024, we forecast revenue and operating profit growth to recover to 12% and 21%, respectively, driven by the growth of Byooviz (Lucentis biosimilar) and Hadlima.

Valuation and outlook

We maintain our Buy rating and target price of W1,100,000. Our valuation represents the sum of the values of Samsung Biologics' CDMO business (W69.5tr) and Samsung Bioepis (W6.8tr). The stock has come under pressure recently, as worries about antibody CDMO competition have weighed on sentiment. However, the company is targeting different markets than its competitors, and newer entrants have yet to establish solid track records. Furthermore, given the potential arrival of blockbuster antibody treatments for newer indications (e.g., Alzheimer's disease and obesity), we believe the company is well-positioned to benefit from end-market expansion.

Table 2. Samsung Biologics: Valuation

(Wbn)

	Value	Notes
Samsung Biologics (CDMO)	69,468	- 2027F EBITDA (Plant 4 expected to start operating at full capacity in 2027) - Target EV/EBITDA of 35x (historical low)
Samsung Bioepis (biosimilars)	6,803	- 12MF EBITDA - Target EV/EBITDA of 21x (30% premium to Viartis at the time of its biosimilar asset sale)
Net cash	310	- 2023F
Fair value	76,582	
No. of shares issued ('000 shares)	71,174	
Fair value/share (W)	1,075,981	- Unchanged
Current price (W)	732,000	
Upside	50%	

Source: Mirae Asset Securities Research

Table 3. 2Q23 preview

(Wbn, %, %p)

	2Q22	1Q23	2Q23F			Growth	
			Mirae Asset Securities	Consensus	Diff.	YoY	QoQ
Revenue	502.0	591.0	619.6	611.8	1.3	23.4	4.8
OP	171.9	234.4	230.0	229.4	0.3	33.8	-1.9
OP margin	34.2	39.7	37.1	37.5	-0.4	2.9	-2.5
NP	101.8	182.4	182.4	173.7	5.0	79.2	0.0
Net margin	20.3	30.9	29.4	28.4	1.0	45.2	-4.6

Note: Under non-consolidated K-IFRS

Source: QuantiWise, company data, Mirae Asset Securities Research

Table 4. Earnings forecast revisions

(Wbn, %)

	Previous		Revised		% chg.	
	23F	24F	23F	24F	23F	24F
Revenue	2,690	3,141	2,798	3,444	4.0	9.7
OP	971	1,128	1,025	1,213	5.6	7.6
EBITDA	1,206	1,381	1,260	1,466	4.5	6.2

Source: Mirae Asset Securities Research

Table 5. Samsung Biologics: Quarterly/annual earnings and forecasts

(Wbn, %)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23F	3Q23F	4Q23F	2021	2022	2023F	2024F
Revenue	511.3	502.0	674.4	720.8	591.0	619.6	753.9	833.0	1,568.0	2,437.3	2,797.5	3,443.8
YoY	96.1	21.8	49.6	62.2	15.6	23.4	11.8	15.6	34.6	55.4	14.8	23.1
Plant 1	55.2	65.3	68.2	72.6	61.1	77.5	83.6	83.6	207	267	328	301
Plant 2	158.5	123.2	287.3	304.7	210.9	257.2	281.1	302.6	613	926	1,122	1,009
Plant 3	189.9	237.6	297.8	317.0	240.6	227.8	314.4	357.2	701	1,093	1,221	1,089
Plant 4							29.5	101.3			147.7	684
Services	43.0	31.4	48.4	53.4	48.0	57.0	58.0	60.0	126	176	223	270
GP	229.6	231.8	369.3	369.6	293.4	309.8	369.4	412.3	725.9	1,200.2	1,384.9	1,710.9
YoY	113.5	9.9	72.1	91.7	27.8	33.6	0.0	11.6	74.6	65.3	15.4	23.5
Gross margin	44.9	46.2	54.8	51.3	49.6	50.0	49.0	49.5	46.3	49.2	49.5	49.7
OP	176.2	171.9	311.4	308.5	234.4	230.0	279.3	310.0	536.5	968.1	1,053.7	1,213.1
YoY	137.6	3.2	86.2	139.9	33.0	33.8	-10.3	0.5	83.4	80.4	8.9	15.1
OP margin	34.5	34.2	46.2	42.8	39.7	37.1	37.0	37.2	34.2	39.7	37.7	35.2
NP	218.0	214.7	355.5	360.6	288.4	285.6	336.6	378.2	696.7	1,148.8	1,288.8	1,465.8
YoY	93.0	4.3	71.2	111.7	32.3	33.1	-5.3	4.9	59.7	64.9	12.2	13.7
Net margin	42.6	42.8	52.7	50.0	48.8	46.1	44.6	45.4	44.4	47.1	46.1	42.6
Revenue	141.3	101.8	129.6	314.1	182.4	182.4	221.0	260.7	423.2	686.8	846.4	969.1
YoY	27.6	20.3	19.2	43.6	30.9	29.4	29.3	31.3	27.0	28.2	30.3	28.1

Notes: Under non-consolidated K-IFRS; revenue figures by plant are not disclosed by the company and are therefore estimates

Source: Company data, Mirae Asset Securities Research

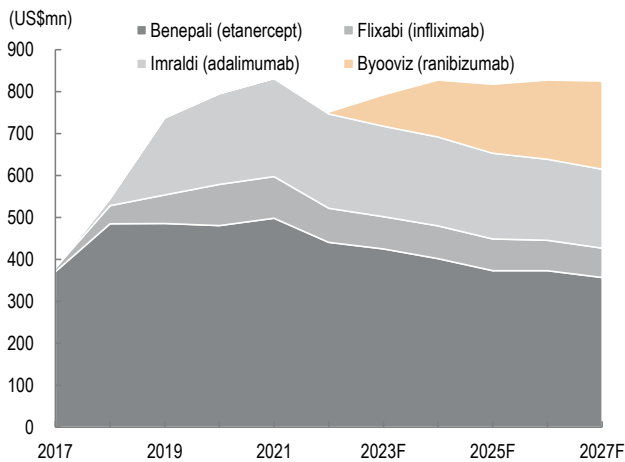
Table 6. Samsung Bioepis: Earnings and forecasts

(US\$m, Wbn, %)

	2017	2018	2019	2020	2021	2022	2023F	2024F
Benepali (etanercept)	371	485	486	481	498	441	425	402
Flixabi (infliximab)	9	43	68	98	99	81	77	78
Imraldi (adalimumab)	0	17	184	217	233	225	216	212
Byooviz (ranibizumab)						4	75	136
Renflexis (infliximab)			97	152	186	226	255	295
Ontruzant (trastuzumab)			83	134	126	122	130	150
Brenzys (etanercept)			73	66	63	75	95	110
Aybintio (bevacizumab)					36	39	47	52
Hadlima (adalimumab)					15	19	46	98
Partner revenue (total)	380	545	991	1,127	1,256	1,262	1,366	1,533
KRW value			1,156	1,330	1,437	1,640	1,708	1,916
Percentage			66.3%	58.4%	58.9%	57.7%	58.3%	58.3%
Samsung Bioepis revenue	315	369	766	777	846	946	996	1,117
YoY		17.1	107.7	1.5	8.8	11.8	5.3	12.2
OP	-104	-103	123	145	192	231	258	310
YoY		-0.8	-219.5	18.1	32.3	20.7	11.6	19.9
OP margin	-32.9	-27.9	16.0	18.7	22.7	24.5	25.9	27.7
EBITDA	-73	-60	177	203	257	278	306.9	367
YoY			-396.1	15.1	26.3	8.2	10.5	19.7
EBITDA margin			23.1	26.1	30.3	29.3	30.8	32.9

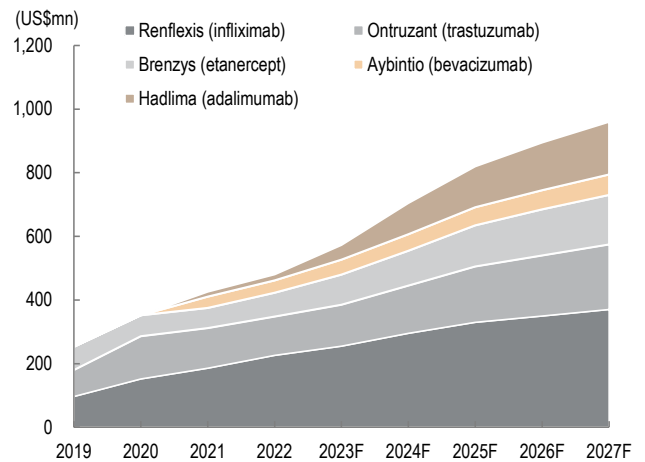
Source: FactSet, Mirae Asset Securities Research

Figure 6. Biogen (partner of Samsung Bioepis): Biosimilar revenue forecasts



Source: Bloomberg, Mirae Asset Securities Research

Figure 7. Organon (partner of Samsung Bioepis): Biosimilar revenue forecasts



Source: Bloomberg, Mirae Asset Securities Research

Figure 8. US adalimumab (original) market share and prices (WAC) of biosimilars

Figure 24. Adalimumab Volume Market Share⁵

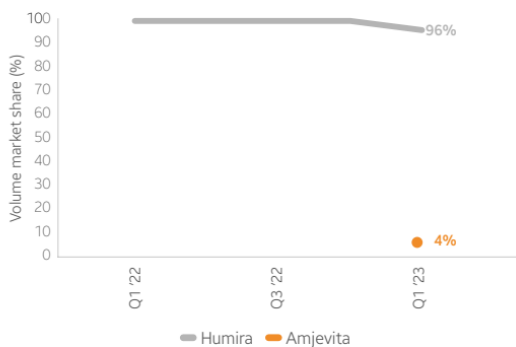


Figure 25. Adalimumab WAC Trend²



Source: Samsung Bioepis, Mirae Asset Securities Research

Table 7. CDMO players: Peer valuation table

Company	Market cap (Wtr)	Revenue (Wbn)		OP (Wbn)		OP margin (%)		NP (Wbn)		ROE (%)		P/E (x)		P/B (x)		P/S (x)		EV/EBITDA (x)	
		23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
Samsung Biologics	52.4	3,497	4,061	1,038	1,207	29.7	29.7	808	936	8.4	9.0	65.3	55.9	5.5	5.0	15.0	12.9	37.7	32.7
WuXi Biologics	28.1	3,465	4,452	1,040	1,362	30.0	30.6	941	1,207	13.1	14.1	29.4	23.2	3.9	3.3	8.1	6.3	22.2	17.0
WuXi AppTec	33.4	7,674	9,693	2,063	2,615	26.9	27.0	1,792	2,261	18.0	19.1	18.4	14.6	3.3	2.8	4.6	3.7	14.5	11.2
Genscript Biotech	5.6	1,120	1,674	-511	-327	-45.6	-19.5	-285	-180	-20.4	-14.4			4.0	4.5	5.0	3.3		
Lonza	59.5	9,731	10,961	2,068	2,557	21.3	23.3	1,594	1,969	10.3	12.4	35.7	28.3	3.7	3.5	6.1	5.4	21.4	18.0
Catalent	10.6	5,393	5,355	510	656	9.5	12.3	234	301	3.9	4.9	45.4	35.8	1.8	1.8	2.0	2.0	17.4	15.1
Avg.						8.4	14.7			5.0	7.2	32.2	25.5	3.3	3.2	5.2	4.2	18.9	15.3

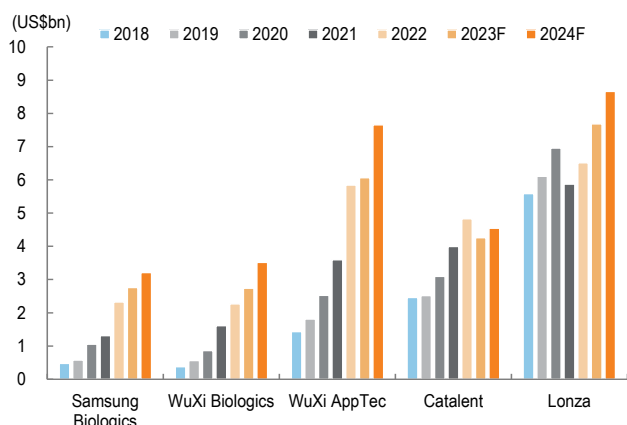
Source: Bloomberg consensus, Mirae Asset Securities Research

Table 8. Biosimilar players: Peer valuation table

Company	Market cap (Wtr)	Revenue (Wbn)		OP (Wbn)		OP margin (%)		NP (Wbn)		ROE (%)		P/E (x)		P/B (x)		P/S (x)		EV/EBITDA (x)	
		23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
Celltrion	22.2	2,559	2,901	818	964	32.0	33.3	645	762	13.6	13.9	34.9	29.9	4.7	4.1	8.9	7.9	21.8	18.6
Biocon	4.9	2,440	2,908	360	479	14.8	16.5	156	247	4.9	7.2	34.3	21.7	1.7	1.6	2.0	1.7	12.1	9.7
Viatrix	15.4	19,768	19,268	6,158	5,976	31.1	31.0	4,526	4,401	15.9	14.7	3.4	3.6	0.5	0.5	0.8	0.8	5.3	5.1
Coherus	0.5	369	657	-135	64	-36.7	9.7	-185	23							1.3	0.7		
Luye Pharma	2.2	1,142	1,280	159	191	14.0	14.9	100	134	5.3	6.6	20.5	15.4	1.1	1.0	1.9	1.7	10.7	9.2
Organon						10.1	22.2			11.6	11.7	19.6	16.3	2.1	1.9	3.2	2.8	12.6	11.0
Avg.						4.6	18.0			116.8	-31.0	23.2	16.0	2.4	2.0	3.3	2.6	12.8	10.2

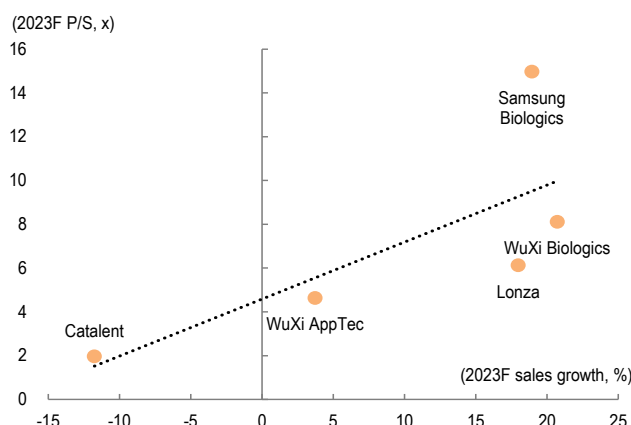
Source: Bloomberg consensus, Mirae Asset Securities Research

Figure 9. Major CDMO firms: Revenue outlook (consensus)



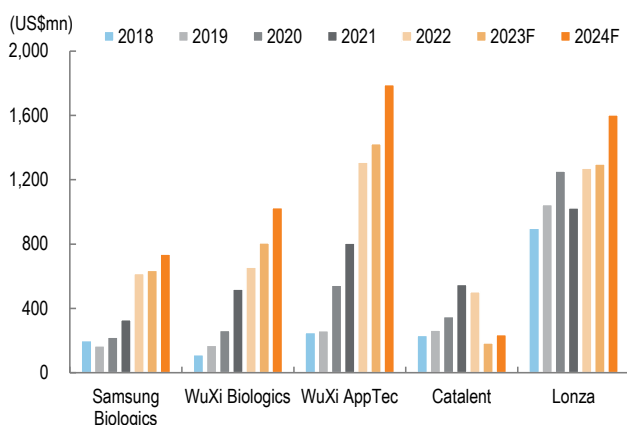
Source: FactSet, Mirae Asset Securities Research

Figure 10. 2023F sales growth-P/S matrix (consensus)



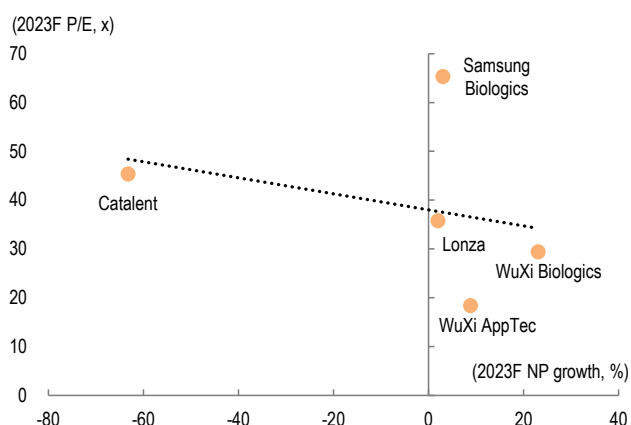
Source: FactSet, Mirae Asset Securities Research

Figure 11. Major CDMO firms: NP outlook (consensus)



Source: FactSet, Mirae Asset Securities Research

Figure 12. 2023F NP growth-P/E matrix (consensus)



Source: FactSet, Mirae Asset Securities Research

Samsung Biologics (207940 KS)

Income statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Revenue	2,437	2,797	3,444	4,221
Cost of revenue	1,237	1,413	1,733	2,000
GP	1,200	1,384	1,711	2,221
SG&A expenses	232	331	498	487
OP (adj.)	968	1,054	1,213	1,733
OP	968	1,054	1,213	1,733
Non-operating profit	-45	37	54	52
Net financial income	3	22	34	51
Net income from associates	0	0	0	0
Pretax profit	923	1,091	1,267	1,785
Income tax	236	244	298	425
Profit from continuing operations	687	846	969	1,359
Profit from discontinued operations	0	0	0	0
NP	687	846	969	1,359
Attributable to owners	687	846	969	1,359
Attributable to minority interests	0	0	0	0
Total comprehensive income	693	846	969	1,359
Attributable to owners	693	846	969	1,359
Attributable to minority interests	0	0	0	0
EBITDA	1,149	1,289	1,466	1,995
FCF	-117	561	1,451	2,041
EBITDA margin (%)	47.1	46.1	42.6	47.3
OP margin (%)	39.7	37.7	35.2	41.1
Net margin (%)	28.2	30.2	28.1	32.2

Cash flow statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Operating cash flow	831	1,261	1,551	2,041
NP	687	846	969	1,359
Non-cash income/expenses	560	442	497	636
Depreciation	173	226	243	250
Amortization	7	9	10	11
Other	380	207	244	375
Chg. in working capital	-271	195	350	420
Chg. in AR & other receivables	-161	0	0	0
Chg. in inventory	-253	-184	-330	-396
Chg. in AP & other payables	112	7	13	16
Income tax	-174	-244	-298	-425
Cash flow from investing activities	-3,224	-1,015	-673	-713
Chg. in PP&E	-948	-700	-100	0
Chg. in intangible assets	-12	0	0	0
Chg. in financial assets	-1,736	-331	-593	-713
Other	-528	16	20	0
Cash flow from financing activities	3,115	-447	37	45
Chg. in financial liabilities	403	-447	37	45
Chg. in equity	3,188	0	0	0
Dividends	0	0	0	0
Other	-476	0	0	0
Chg. in cash	719	-482	38	319
Beginning balance	39	758	276	314
Ending balance	758	276	314	633

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2022	2023F	2024F	2025F
Current assets	4,919	5,038	6,154	7,767
Cash & equivalents	758	276	314	633
AR & other receivables	0	0	0	0
Inventory	1,243	1,427	1,757	2,153
Other current assets	2,918	3,335	4,083	4,981
Non-current assets	7,246	7,996	8,730	9,533
Investments in associates	3,309	3,798	4,675	5,730
PP&E	3,084	3,558	3,415	3,165
Intangible assets	39	30	20	9
Total assets	12,166	13,034	14,883	17,300
Current liabilities	2,991	2,888	3,544	4,332
AP & other payables	1,489	1,709	2,103	2,578
Short-term financial liabilities	659	212	249	294
Other current liabilities	843	967	1,192	1,460
Non-current liabilities	1,879	2,003	2,227	2,496
Long-term financial liabilities	1,034	1,034	1,034	1,034
Other non-current liabilities	845	969	1,193	1,462
Total liabilities	4,869	4,891	5,771	6,828
Equity attributable to owners	7,297	8,143	9,112	10,471
Capital stock	178	178	178	178
Capital surplus	5,672	5,672	5,672	5,672
Retained earnings	1,453	2,299	3,268	4,628
Minority interests	0	0	0	0
Shareholders' equity	7,297	8,143	9,112	10,471

Key valuation metrics/ratios

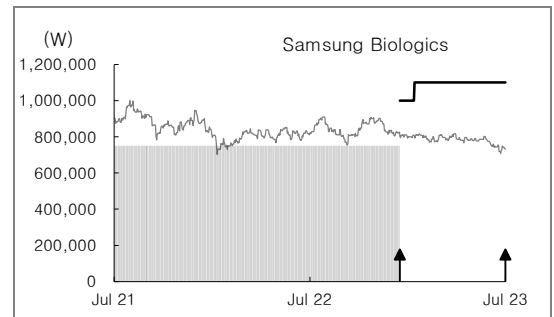
	2022	2023F	2024F	2025F
P/E (x)	83.6	61.6	53.8	38.3
P/CF (x)	46.0	40.4	35.5	26.1
P/B (x)	8.0	6.4	5.7	5.0
EV/EBITDA (x)	49.8	39.1	34.0	24.5
EPS (W)	9,820	11,892	13,616	19,098
CFPS (W)	17,829	18,108	20,594	28,027
BPS (W)	102,518	114,410	128,026	147,123
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	55.4	14.8	23.1	22.6
EBITDA growth (%)	64.9	12.2	13.7	36.1
OP growth (%)	80.4	8.9	15.1	42.9
EPS growth (%)	55.4	21.1	14.5	40.3
AR turnover (x)	0.0	0.0	0.0	0.0
Inventory turnover (x)	2.2	2.1	2.2	2.2
AP turnover (x)	30.5	27.0	27.7	26.1
ROA (%)	7.6	6.7	6.9	8.4
ROE (%)	12.8	11.0	11.2	13.9
ROIC (%)	24.4	24.5	27.3	43.3
Debt-to-equity ratio (%)	66.7	60.1	63.3	65.2
Current ratio (%)	164.5	174.4	173.6	179.3
Net debt-to-equity ratio (%)	-17.4	-20.4	-24.7	-30.8
Interest coverage ratio (x)	20.0	22.1	29.6	40.9

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
Samsung Biologics (207940)	01/30/23	Buy	1,100,000
	01/03/23	Buy	1,000,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	85.7%	10.7%	2.9%	0.7%
Investment banking services	87.5%	12.5%	0%	0%

* Based on recommendations in the last 12-months (as of March 31, 2023)

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