SECTOR UPDATE

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Healthcare (OVERWEIGHT)

Waiting to catch the global biotech fever

- Although the global biotech sector has rebounded as investment uncertainty has eased, Korean biotech stocks remain disconnected from their fundamental catalysts.
- With global M&A activity at record levels, companies with visible cross-border deal momentum are positioned for rerating.

(The Korean version of this report was published Jun 24, 2026)

WHAT'S THE STORY?

Why have Korea biotech stocks stalled while US peers have rallied? The US biotech sector has entered a sustained recovery since 2H25. XBI (SPDR S&P Biotech ETF) has surged 111% from its Apr 2025 low, driven mainly by three factors. First, M&A momentum has strengthened. Biopharma deal volume exceeded USD65b in 1Q26—the highest quarterly total since 2020—with 16 transactions exceeding USD1b. Big pharmaceutical companies have been aggressively acquiring late-stage or commercial assets to offset patent cliffs. Second, the June FOMC decision provided a clearer directional signal, reducing macro uncertainty. Third, regulatory risk under the Trump administration has eased, suggesting the worst-case scenario has passed. By contrast, Korean biotech stocks have underperformed over the same period. Despite material positive catalysts—including successful out-licensing deals, strategic investments by global firms, and favorable clinical readouts—share prices have failed to respond. This is not attributable to fundamentals. Rather, domestic biotech stocks continue to suffer from a valuation disconnect: the easing of the uncertainties that drove the US market higher is not being priced in by Korean investors, who remain focused elsewhere.

Should investors simply wait? Even without capital inflows, biotech stocks capable of generating momentum share three key characteristics: 1) visible or imminent cross-border deal activity; 2) clear visibility on deal or clinical timelines; and 3) a significant valuation gap between current market cap and the implied value of pipeline assets. Domestic institutional demand—particularly from the National Growth Fund—may provide short-term liquidity support, but its impact is likely to be limited to downside protection rather than multiple expansion, given its policy-driven, non-speculative mandate. The optimal strategy is to proactively identify and position in companies with tangible cross-border deal momentum.

(Continued on the next page)

Alteogen: Keytruda SC prescriptions are expanding rapidly. The option agreement the firm signed with a global pharmaceutical partner in Dec 2025 remains on track to convert into a definitive license agreement in 2026. Top-line data from Phase II trials of Enhertu SC are expected in 2H26, with additional pipeline readouts scheduled through 2027—enhancing visibility on diversification beyond the current portfolio. Global interest in SC platforms is no longer driven solely by patent-extension incentives. SC formulations have become a commercial imperative, supporting sustained demand beyond lifecycle management.

Olix Pharmaceuticals: Olix's RNAi platform demonstrates clear technical differentiation, with multiple near-term catalysts converging in 2026. Following completion of the OLX104C hair-loss trial, next-stage development is contingent on a positive data readout. Meanwhile, clinical trials for OLX702A (MARC1 RNAi; MASH) are nearing completion, with Eli Lilly's decision on whether to exercise its option rights the key variable. Crucially, preclinical data from Olix's ALK7-targeting RNAi candidate in non-human primates were set to be presented at BIO USA (Jun 22-25, 2026). ALK7 is a novel target implicated in adipocyte differentiation and lipid metabolism, positioning it as a potential next-generation mechanism beyond GLP-1 agonists. Its biological relevance has been clinically validated by Arrowhead Pharmaceuticals in human trials. Positive primate data could catalyze a strategic partnership with a global pharmaceutical player.

Hanmi Pharmaceutical: The licensing of sonefpeglutide (Phase II; short bowel syndrome) to Eli Lilly initially triggered a stock pullback, but the asset is likely to be reassessed once Lilly outlines its 2H clinical development plan. Data for efinopegdutide (Phase IIb; MASH), licensed to Merck & Co, are also likely in 2H. Beyond these milestones, the potential for additional deals within Hanmi's obesity pipeline remains a key upside driver. As Big Pharma steps up its pursuit of next-generation obesity therapies beyond GLP-1s, Hanmi Pharmaceutical stands out among Korean firms for having the broadest obesity pipeline, including HM15275 (LA-GLP/GCG/GIP; Phase II) and HM17321 (LA-UCN2; Phase I).

Kolon TissueGene: A top-line readout from one of two US Phase III trials is scheduled for Jul 2026. The primary endpoint is pain reduction, measured by WOMAC and VAS scales, which were consistently met in prior Korean Phase II/III and US Phase II trials—suggesting some probability of success. The secondary endpoint is structural improvement in cartilage, assessed by joint space width (JSW) and MRI. Meeting the primary endpoint alone should be sufficient for US FDA approval, and demand for osteoarthritis pain relief remains strong—supporting commercial value even in a base-case scenario. The key question is the secondary endpoint. While prior trials showed only indirect structural signals, this Phase III study was designed with longer observation periods and larger patient cohorts. The market's focus in on structural improvement in the data. If meaningful structural improvement is demonstrated, TG-C (TGF-β gene therapy) could establish itself as a true disease-modifying osteoarthritis drug (DMOAD), triggering rerating. The trial outcome offers an asymmetric risk-reward profile: a clear path to approval on the primary endpoint, with upside if the secondary endpoint is met.

HanAll Biopharma: Through its partnership with Immunovant (IMVT US), HanAll Biopharma is co-developing imeroprubart (IMVT-1402; FcRn inhibitor). Evaluate Omnium ranks the candidate among the top 10 global R&D pipeline assets by NPV, which it estimates at USD16.9b, with projected worldwide sales of USD5.1b by 2032. The near-term catalyst is the expected 2H26 release of Period 2 top-line data in rheumatoid arthritis (RA). In Period 1, ACR20/50/70 response rates reached

72.7%/54.5%/35.8%, respectively, with similar response rates observed even in patients who had previously failed JAK inhibitors or anti-TNF therapies. Period 2 is designed as a double-blind, randomized study. The primary endpoint is the proportion of patients who maintain an ACR20 response after continuing on 300 mg or 600 mg doses versus those switched to placebo, among responders who achieved ACR20 in Period 1.

Given the pharmacokinetic profile of once-weekly subcutaneous IMVT-1402 600 mg, switching to placebo leads to rapid loss of FcRn inhibition, causing IgG levels to rebound quickly and increasing the risk of early relapse. The sharper contrast between rapid relapse in the placebo group and sustained response in the drug-maintained group should enhance statistical separation, thereby increasing the probability of meeting the primary endpoint. Moreover, the speed of relapse itself serves as clear proof of mechanism (PoM) for FcRn inhibition. Depending on the data outcome, this trial could significantly reshape IMVT-1402's competitive positioning within the global FcRn inhibitor landscape.

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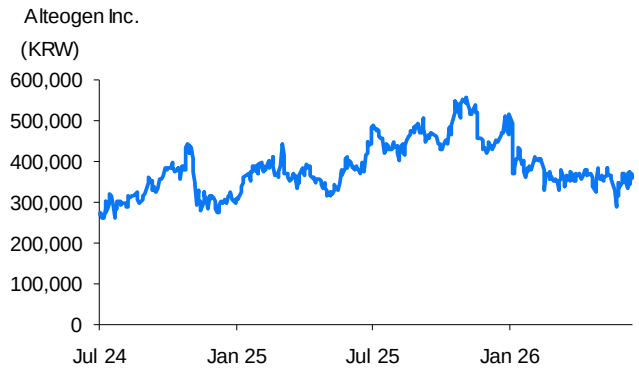
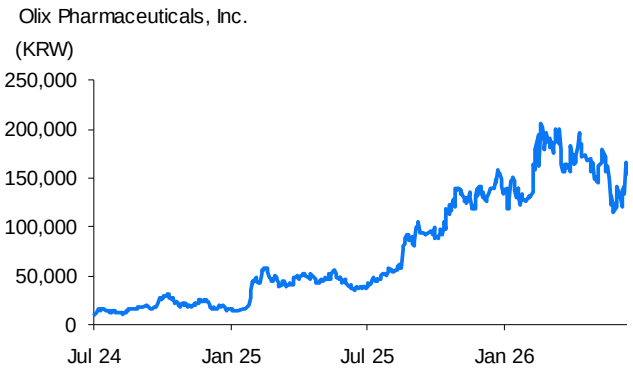
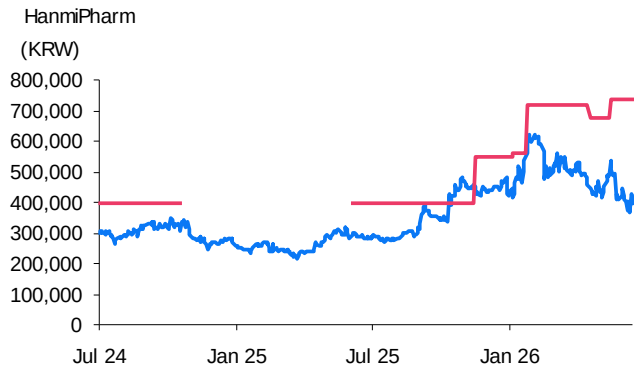
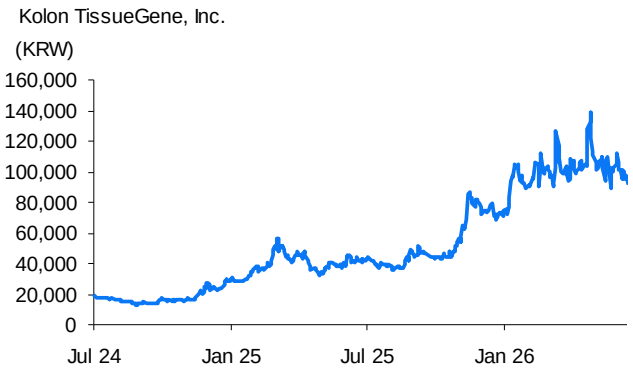
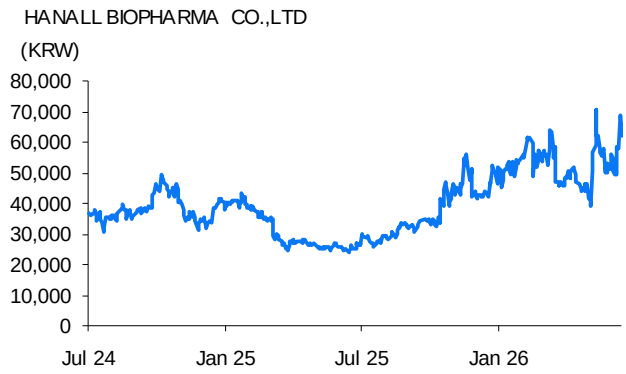
Target price changes in past two years











Rating changes over past two years (adjusted share prices)

Alteogen						
Date	2026/7/1					
Recommendation	Not Rated					
Target price (KRW)	n/a					
Gap* (average)						
(max or min)**						
Olix Pharmaceuticals						
Date	2026/7/1					
Recommendation	Not Rated					
Target price (KRW)	n/a					
Gap* (average)						
(max or min)**						
Hanmi Pharmaceutical						
Date	2024/1/11	2025/12/1	2026/1/21	2/9	5/4	6/1
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	400000	550000	560000	720000	680000	740000
Gap* (average)	-21.89	-19.38	-11.26	-26.37	-33.76	
(max or min)**	-11.75	-12.45	-1.43	-13.06	-27.79	
Kolon TissueGene						
Date	2026/7/1					
Recommendation	Not Rated					
Target price (KRW)	n/a					
Gap* (average)						
(max or min)**						
Hanall Biopharma						
Date	2026/7/1					
Recommendation	Not Rated					
Target price (KRW)	n/a					
Gap* (average)						
(max or min)**						

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 2026.06.30

BUY(85.5%)·HOLD(14.5%)·SELL(0%)

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