

WuXi AppTec (603259 CH)

Strengthened earnings certainty drives valuation recovery

WuXi AppTec reported a YoY revenue decline of 2.73%, to RMB39.2bn, and a 2.5% decrease in adjusted non-IFRS net profit, to RMB10.6bn. However, earnings showed encouraging improvement throughout 2024, resulting in a positive revenue and profit growth in 4Q24. The TIDES business remained the primary growth engine, with full-year revenue up by 70.1% YoY. The Company's backlog as of year-end 2024 expanded significantly, growing 47% YoY to RMB49.3bn. Notably, TIDES backlog experienced a substantial 103.9% YoY increase in 2024. Fuelled by robust order book, management offered a positive outlook for 2025, forecasting 10-15% YoY revenue growth in continuing operations and further enhancement of the adjusted non-IFRS net profit margin.

■ **Strong order growth bolsters future revenue visibility.** WuXi AppTec's backlog at end-2024 grew by a significant 47% YoY, reaching RMB49.3bn. This represents an acceleration from the 35.2% growth seen at the end of 3Q24. Positive trends were evident across segments. CDMO business secured 25 new Ph3 and commercial projects in 2024 (vs 20 added in 2023). Biology segment returned to positive revenue growth in 4Q24, posting YoY and QoQ increases of 9.3% and 9.2%, respectively, signaling an improving trend in early-stage R&D demand. Furthermore, revenue from Top20 global pharma clients rose by 24.1% YoY (excl. COVID related projects), expediting from the 23.1% growth in 9M24. These metrics underscore the increasing visibility of the Company's future revenue. Given the positive outlook for future demand, the Company plans to boost capex by 75%-100% YoY in 2025 to RMB7-8bn.

■ **TIDES business sustains strong growth trajectory.** TIDES revenue in 2024 climbed 70.1% YoY, with backlog expanded by 103.9% YoY. Underlying demand for polypeptide manufacturing remains robust in the market. The Company's polypeptide capacity reached 41k liters by end-2024, with plans for a further increase exceeding 100k liters by late 2025, demonstrating WuXi AppTec's commitment to meeting the growing customer demand. Mgmt anticipates TIDES revenue growth of over 60% YoY in 2025.

■ **Ongoing commitment to shareholder returns.** Amidst macroeconomic uncertainties in 2024, WuXi AppTec strengthened its commitment to shareholder returns. The Company completed RMB4.0bn in share repurchases and cancellations in 2024 and maintained a dividend payout ratio of 30% for the year. To further enhance returns, mgmt announced a one-time special dividend of RMB1.0bn, alongside a 2025 interim dividend. Mgmt also indicated plans to repurchase RMB1.0bn of A-shares in 2025.

■ **Maintain BUY.** We raise our TP from RMB78.51 to RMB94.05 (based on a 10-year DCF model with WACC of 9.42% and terminal growth of 2.0%), to factor in the earnings recovery. We forecast the continuing operation revenue to grow by 14.4%/ 15.2%/ 16.3% YoY and adjusted non-IFRS net income to grow by 11.7%/ 19.0%/ +16.1% YoY in 2025E/ 26E/ 27E, respectively. Our 2025E/ 26E/ 27E forecasts of adjusted non-IFRS profit are 6.9%/ 14.9%/ 19.6% higher than consensus.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	40,341	39,241	43,367	49,961	58,103
YoY growth (%)	2.5	(2.7)	10.5	15.2	16.3
Adjusted net profit (RMB m)	10,854	10,583	11,823	14,075	16,339
YoY growth (%)	15.5	(2.5)	11.7	19.0	16.1
EPS (Adjusted) (RMB)	3.70	3.67	4.09	4.87	5.66
Consensus EPS (RMB)	na	na	3.79	4.20	4.63
P/E (Adjusted) (x)	18.8	19.0	17.0	14.3	12.3

Source: Company data, Bloomberg, CMBIGM estimates. Estimates refer to continuing operations

BUY (Maintain)

Target Price RMB94.05
(Previous TP) RMB78.51
Up/Downside 35.0%
Current Price RMB69.68

China Healthcare

Jill WU, CFA
(852) 3900 0842
jillwu@cmbi.com.hk

Benchen HUANG, CFA
huangbenchen@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn)	201,040.8
Avg 3 mths t/o (RMB mn)	2,228.5
52w High/Low (RMB)	69.68/36.87
Total Issued Shares (mn)	2885.2

Source: FactSet

Shareholding Structure

Ge Li and concerted parties	20.5%
HK investors	21.5%

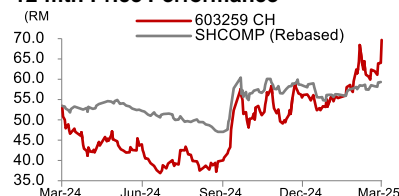
Source: Company report

Share Performance

	Absolute	Relative
1-mth	13.3%	9.9%
3-mth	24.2%	22.5%
6-mth	74.1%	37.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	43,367	49,961	58,103	43,332	49,225	na	0.08%	1.50%	na
Gross Profit	19,400	22,542	26,362	17,963	20,700	na	8.00%	8.90%	na
Operating Profit	13,516	15,739	18,450	12,358	14,332	na	9.37%	9.82%	na
Non-IFRS net profit	11,823	14,075	16,339	11,668	13,474	na	1.33%	4.46%	na
Non-IFRS EPS (RMB)	4.09	4.87	5.66	4.04	4.67	na	1.33%	4.46%	na
Gross Margin	44.73%	45.12%	45.37%	41.45%	42.05%	na	+3.28ppt	+3.07ppt	na
Operating Margin	31.17%	31.50%	31.75%	28.52%	29.12%	na	+2.65ppt	+2.39ppt	na
Net Margin	27.26%	28.17%	28.12%	26.93%	27.37%	na	+0.34ppt	+0.80ppt	na

Source: Company data, CMBIGM estimates

Note: New CMBIGM estimates refer to continuing operations of WuXi AppTec while old estimates include discontinued operations.

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	43,367	49,961	58,103	42,956	47,668	50,198	0.96%	4.81%	15.75%
Gross Profit	19,400	22,542	26,362	17,883	19,942	21,421	8.48%	13.04%	23.06%
Operating Profit	13,516	15,739	18,450	12,863	14,292	15,841	5.08%	10.12%	16.47%
Non-IFRS net profit	11,823	14,075	16,339	11,064	12,245	13,660	6.86%	14.94%	19.61%
Non-IFRS EPS (RMB)	4.09	4.87	5.66	3.79	4.20	4.63	8.13%	16.09%	22.30%
Gross Margin	44.73%	45.12%	45.37%	41.63%	41.84%	42.67%	+3.10ppt	+3.28ppt	+2.70ppt
Operating Margin	31.17%	31.50%	31.75%	29.94%	29.98%	31.56%	+1.22ppt	+1.52ppt	+0.20ppt
Net Margin	27.26%	28.17%	28.12%	25.76%	25.69%	27.21%	+1.51ppt	+2.48ppt	+0.91ppt

Source: Company data, Bloomberg, CMBIGM estimates

Note: CMBIGM estimates refer to continuing operations of WuXi AppTec.

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	14,991	16,539	19,250	21,367	23,504	25,619	27,669	29,606	31,382	32,951
Tax rate	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%
EBIT*(1-tax rate)	12,709	14,021	16,319	18,114	19,926	21,719	23,457	25,099	26,604	27,935
+ D&A	2,961	3,465	3,770	4,147	4,520	4,881	5,223	5,537	5,813	6,046
- Change in working capital	779	-1,230	-1,520	-1,672	-1,822	-1,968	-2,106	-2,232	-2,344	-2,438
- Capex	-7,500	-6,500	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000
FCFF	8,949	9,755	13,569	15,589	17,623	19,632	21,574	23,403	25,074	26,543
Terminal value										364,875

Terminal growth rate	2.00%
WACC	9.42%
Cost of Equity	12.00%
Cost of Debt	4.00%
Equity Beta	0.90
Risk Free Rate	3.00%
Market Risk Premium	10.00%
Target Debt to Asset ratio	30.00%
Effective Corporate Tax Rate	15.00%

PV of terminal value (RMB mn)	148,312
Total PV (RMB mn)	253,364
Net debt (RMB mn)	-18,246
Equity value (RMB mn)	271,610
# of shares (mn)	2,888
Price per share (RMB per share)	94.05

Source: CMBIGM estimates

Figure 4: Sensitivity analysis of DCF model

		WACC				
		8.42%	8.92%	9.42%	9.92%	10.42%
Terminal growth rate	3.00%	122.50	111.71	102.63	94.88	88.20
	2.50%	115.58	106.11	98.03	91.06	85.00
	2.00%	109.74	101.31	94.05	87.72	82.17
	1.50%	104.74	97.16	90.57	84.78	79.66
	1.00%	100.42	93.54	87.51	82.17	77.42

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	39,355	40,341	39,241	43,367	49,961	58,103
Cost of goods sold	(24,677)	(23,729)	(22,965)	(23,967)	(27,419)	(31,741)
Gross profit	14,678	16,612	16,277	19,400	22,542	26,362
Operating expenses	(5,372)	(5,318)	(5,164)	(5,884)	(6,803)	(7,912)
Selling expense	(732)	(701)	(745)	(867)	(1,024)	(1,191)
Admin expense	(2,826)	(2,879)	(2,879)	(3,253)	(3,772)	(4,387)
R&D expense	(1,614)	(1,441)	(1,239)	(1,431)	(1,624)	(1,888)
Others	(200)	(297)	(301)	(333)	(383)	(446)
Operating profit	9,306	11,294	11,112	13,516	15,739	18,450
Gain/loss on financial assets at FVTPL	770	(38)	187	200	200	200
Investment gain/loss	188	234	604	1,000	200	200
Net Interest income/(expense)	248	338	787	436	481	505
Other income/expense	106	4	(1,150)	275	400	400
Pre-tax profit	10,618	11,832	11,540	15,427	17,019	19,755
Income tax	(1,716)	(2,132)	(1,972)	(2,636)	(2,908)	(3,376)
After tax profit	8,903	9,700	9,568	12,791	14,111	16,379
Minority interest	(89)	(94)	(117)	(157)	(173)	(201)
Net profit	8,814	9,607	9,450	12,634	13,938	16,178
Adjusted net profit	9,399	10,854	10,583	11,823	14,075	16,339
Gross dividends	2,644	2,882	2,835	3,790	4,181	4,853

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,997	30,422	38,690	39,740	47,071	57,932
Cash & equivalents	7,986	13,764	18,322	21,995	27,390	35,847
Account receivables	6,047	7,922	8,044	7,723	8,897	10,347
Inventories	5,669	4,736	5,400	5,289	6,051	7,005
Prepayment	291	244	226	226	226	226
Financial assets at FVTPL	2	11	1,234	1,234	1,234	1,234
Other current assets	4,003	3,746	5,464	3,273	3,273	3,273
Non-current assets	40,693	43,247	41,636	47,068	50,372	51,921
PP&E	14,171	17,190	18,784	23,733	27,178	28,819
Deferred income tax	492	367	473	473	473	473
Investment in JVs & assos	1,203	2,216	2,326	2,326	2,326	2,326
Intangibles	1,785	1,864	1,575	1,410	1,246	1,081
Goodwill	1,822	1,821	972	972	972	972
Financial assets at FVTPL	8,954	8,626	8,943	10,018	10,418	10,818
Other non-current assets	12,265	11,164	8,562	8,135	7,758	7,431
Total assets	64,690	73,669	80,326	86,808	97,443	109,852
Current liabilities	14,499	14,756	16,226	14,707	15,413	16,297
Short-term borrowings	3,874	3,667	1,243	243	243	243
Account payables	1,659	1,645	1,764	2,111	2,817	3,701
Tax payable	882	1,374	1,211	1,211	1,211	1,211
Other current liabilities	8,084	8,070	12,008	11,143	11,143	11,143
Non-current liabilities	3,264	3,396	5,014	5,014	5,014	5,014
Long-term borrowings	279	687	2,960	2,960	2,960	2,960
Bond payables	502	0	0	0	0	0
Obligations under finance leases	984	1,099	547	547	547	547
Other non-current liabilities	1,499	1,610	1,508	1,508	1,508	1,508
Total liabilities	17,764	18,152	21,240	19,722	20,427	21,311
Share capital	2,961	2,969	2,888	2,888	2,888	2,888
Capital surplus	26,512	28,401	24,338	33,181	42,938	54,262
Other reserves	17,118	23,753	31,407	30,407	30,407	30,407
Total shareholders equity	46,590	55,122	58,633	66,476	76,233	87,557
Minority interest	337	395	453	610	783	984
Total equity and liabilities	64,690	73,669	80,326	86,808	97,443	109,852

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	10,618	11,832	11,540	15,427	17,019	19,755
Depreciation & amortization	1,718	2,288	2,769	2,897	3,351	3,606
Tax paid	(1,716)	(2,132)	(1,972)	(2,636)	(2,908)	(3,376)
Change in working capital	(298)	(105)	(926)	779	(1,230)	(1,520)
Others	294	1,504	996	(1,266)	(635)	(660)
Net cash from operations	10,616	13,387	12,407	15,201	15,596	17,805
Investing						
Capital expenditure	(9,966)	(5,517)	(4,003)	(7,500)	(6,500)	(5,000)
Acquisition of subsidiaries/ investments	(161)	(22)	0	0	0	0
Net proceeds from disposal of short-term investments	82	(2,321)	(2,013)	0	0	0
Others	355	299	498	1,326	0	0
Net cash from investing	(9,690)	(7,561)	(5,518)	(6,174)	(6,500)	(5,000)
Financing						
Dividend paid	(1,598)	(2,756)	(3,085)	(3,354)	(3,701)	(4,348)
Net borrowings	1,668	178	3,320	(1,000)	0	0
Proceeds from share issues	150	247	196	0	0	0
Others	(1,497)	(1,610)	(4,264)	(1,000)	0	0
Net cash from financing	(1,278)	(3,941)	(3,832)	(5,354)	(3,701)	(4,348)
Net change in cash						
Cash at the beginning of the year	8,175	7,984	10,001	18,322	21,995	27,390
Exchange difference	161	132	388	0	0	0
Cash at the end of the year	7,984	10,001	13,445	21,995	27,390	35,847
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	71.8%	2.5%	(2.7%)	10.5%	15.2%	16.3%
Gross profit	76.6%	13.2%	(2.0%)	19.2%	16.2%	16.9%
Operating profit	110.9%	21.4%	(1.6%)	21.6%	16.4%	17.2%
Net profit	72.9%	9.0%	(1.6%)	33.7%	10.3%	16.1%
Adj. net profit	83.2%	15.5%	(2.5%)	11.7%	19.0%	16.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	37.3%	41.2%	41.5%	44.7%	45.1%	45.4%
Operating margin	23.6%	28.0%	28.3%	31.2%	31.5%	31.8%
Adj. net profit margin	23.9%	26.9%	27.0%	27.3%	28.2%	28.1%
Return on equity (ROE)	20.7%	18.9%	16.6%	20.2%	19.5%	19.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Current ratio (x)	1.7	2.1	2.4	2.7	3.1	3.6
Receivable turnover days	49.7	63.2	74.3	65.0	65.0	65.0
Inventory turnover days	85.6	80.0	80.6	80.6	80.6	80.6
Payable turnover days	75.5	75.6	74.6	74.6	74.6	74.6
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	23.2	21.3	21.3	15.9	14.4	12.4
P/E (diluted)	23.4	21.4	21.3	15.9	14.4	12.4
P/B	4.4	3.7	3.4	3.0	2.6	2.3
P/CFPS	19.2	15.3	16.2	13.2	12.9	11.3
Div yield (%)	1.3	1.4	1.4	1.9	2.1	2.4

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.