

WuXi Biologics (2269 HK)

Strong demand to drive growth acceleration in 2025

WuXi Bio reported impressive 2024 results, highlighted by a 9.6% YoY increase in revenue and a 9.0% YoY rise in adj. net profit (before deducting minority interests). Both revenue and profit growth approached the upper limit of the previously provided guidance of 5-10% growth. Non-COVID revenue experienced solid growth of 13.1% YoY, reflecting sustained underlying demand. Mgmt projects revenue growth of 12-15% YoY for 2025, with revenue from continuing operations (excl. Ireland vaccine business) expected to increase by 17-20% YoY.

- **Solid earnings recovery in 2H24.** Revenue growth accelerated considerably in 2H24, reaching 18.3% YoY, a significant increase from the 7.7% YoY growth observed in 1H24. Non-COVID revenue grew by 13.1% YoY overall, with 2H24 growth surging to 18.3% YoY, highlighting a strong recovery. Growth momentum was broad-based across all business segments, with the pre-IND segment showing the most notable acceleration—up 54.2% YoY in 2H24, compared to 9.2% YoY in 1H24.
- **Sustained robust customer demand.** By end-2024, backlog (excl. the Ireland vaccine project) grew 5.1% YoY to US\$18.5bn, reflecting continued strong customer demand. The Company secured 151 new projects in 2024, marking a 14.4% YoY increase and setting a new record for annual project additions. WuXi Bio's total project pipeline expanded to 817 projects, including 21 commercial projects (+3 in 2024) and 66 Ph3 projects (+10 in 2024). Mgmt emphasized that WuXi Bio's new and total projects represent approximately 50% and 40% of global market, respectively, reinforcing its strong competitive position worldwide. Demand for commercial manufacturing is expected to rise, supported by 16 PPQ projects completed in 2024, with 24 additional PPQs anticipated in 2025. To support its international expansion, the Company plans to increase Capex by 53.8% in 2025, reaching RMB6.0bn.
- **Profitability on track for recovery.** In 2024, WuXi Bio enabled discovery services for 7 global projects, securing the rights to US\$140mn in near-term payments, with half expected to be recognized in 2025. These payments carry a GPM of roughly 90%, significantly boosting profitability. Currently, WuXi Bio has enabled over 50 projects with the potential for milestone payments and sales royalties. Furthermore, the on-going ramp-up of overseas capacity, coupled with the continued execution of WBS initiatives, is expected to further enhance profitability. Notably, GPM improved by 4.3ppts YoY and 3.5ppts HoH in 2H24. Mgmt anticipates further profitability improvements for the year. We forecast the Company's adj. net profit margins to expand by 60/ 26/ 23bps in 2025E/ 26E/ 27E, respectively.
- **Maintain BUY.** To reflect the positive demand trend, we raise our DCF-based TP from HK\$24.24 to HK\$30.94 (WACC: 9.64%, terminal growth: 2%). We forecast WuXi Bio's revenue to grow by 14.4%/ 16.3%/ 17.5% YoY and attributable adj. net profit to increase by 16.3%/ 16.3%/ 17.3% YoY in 2025E/ 26E/ 27E, respectively. We raise our forecasts on revenue by 3.3%/3.9% and attributable adj. net profit by 3.9%/4.4% in 2025E/ 26E, respectively. Our 2025E/ 26E/ 27E estimates of revenue are 5.0%/ 7.2%/ 9.2% higher than consensus.

Earnings Summary

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|-----------------------------|--------|--------|--------|--------|--------|
| Revenue (RMB mn) | 17,034 | 18,675 | 21,371 | 24,852 | 29,193 |
| YoY growth (%) | 11.6 | 9.6 | 14.4 | 16.3 | 17.5 |
| Adjusted net profit (RMB m) | 4,699 | 4,784 | 5,565 | 6,470 | 7,588 |
| YoY growth (%) | (4.6) | 1.8 | 16.3 | 16.3 | 17.3 |
| EPS (Adjusted) (RMB) | 1.13 | 1.17 | 1.36 | 1.58 | 1.85 |
| Consensus EPS (RMB) | na | na | 1.04 | 1.19 | 1.47 |
| P/E (Adjusted) (x) | 21.6 | 20.8 | 18.0 | 15.5 | 13.2 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

| | |
|---------------|------------|
| Target Price | HK\$30.94 |
| (Previous TP) | HK\$24.24) |
| Up/Downside | 18.1% |
| Current Price | HK\$26.20 |

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn) | 106,950.9 |
| Avg 3 mths t/o (HK\$ mn) | 1,198.0 |
| 52w High/Low (HK\$) | 28.50/10.26 |
| Total Issued Shares (mn) | 4082.1 |

Source: FactSet

Shareholding Structure

| | |
|-------------------------|-------|
| WuXi Biologics Holdings | 14.2% |
| BlackRock | 4.5% |

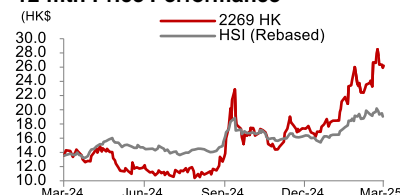
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 10.3% | 11.7% |
| 3-mth | 50.1% | 28.4% |
| 6-mth | 89.0% | 60.4% |

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 | 21,371 | 24,852 | 29,193 | 20,687 | 23,919 | na | 3.31% | 3.90% | na |
| Gross Profit | 8,969 | 10,629 | 12,719 | 8,562 | 10,019 | na | 4.75% | 6.08% | na |
| Operating Profit | 6,180 | 7,412 | 8,969 | 5,476 | 6,528 | na | 12.86% | 13.54% | na |
| Adjusted net profit | 5,565 | 6,470 | 7,588 | 5,358 | 6,195 | na | 3.87% | 4.43% | na |
| Adjusted EPS (RMB) | 1.36 | 1.58 | 1.85 | 1.30 | 1.51 | na | 4.23% | 4.32% | na |
| Gross Margin | 41.97% | 42.77% | 43.57% | 41.39% | 41.89% | na | +0.58ppt | +0.88ppt | na |
| Operating Margin | 28.92% | 29.83% | 30.72% | 26.47% | 27.29% | na | +2.45ppt | +2.54ppt | na |
| Adjusted net margin | 26.04% | 26.03% | 25.99% | 25.90% | 25.90% | na | +0.14ppt | +0.13ppt | na |

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

| RMB mn | CMBIGM | | | Consensus | | | Diff (%) | | |
|---------------------|--------|--------|--------|-----------|--------|--------|----------|----------|----------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 21,371 | 24,852 | 29,193 | 20,360 | 23,176 | 26,740 | 4.97% | 7.23% | 9.17% |
| Gross Profit | 8,969 | 10,629 | 12,719 | 8,469 | 9,796 | 11,479 | 5.90% | 8.50% | 10.80% |
| Operating Profit | 6,180 | 7,412 | 8,969 | 5,316 | 6,229 | 7,583 | 16.25% | 18.99% | 18.27% |
| Adjusted net profit | 5,565 | 6,470 | 7,588 | 4,595 | 5,304 | 6,069 | 21.11% | 21.98% | 25.03% |
| Adjusted EPS (RMB) | 1.36 | 1.58 | 1.85 | 1.04 | 1.19 | 1.47 | 30.42% | 32.26% | 25.95% |
| Gross Margin | 41.97% | 42.77% | 43.57% | 41.60% | 42.27% | 42.93% | +0.37ppt | +0.50ppt | +0.64ppt |
| Operating Margin | 28.92% | 29.83% | 30.72% | 26.11% | 26.88% | 28.36% | +2.81ppt | +2.95ppt | +2.36ppt |
| Adjusted net margin | 26.04% | 26.03% | 25.99% | 22.57% | 22.89% | 22.70% | +3.47ppt | +3.15ppt | +3.30ppt |

Source: Bloomberg, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

| DCF Valuation (in RMB mn) | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E | 2034E |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|----------------|
| EBIT | 5,645 | 6,873 | 8,433 | 9,825 | 11,348 | 12,993 | 14,747 | 16,591 | 18,499 | 20,441 |
| Tax rate | 18.39% | 18.39% | 18.39% | 18.39% | 18.39% | 18.39% | 18.39% | 18.39% | 18.39% | 18.39% |
| EBIT*(1-tax rate) | 4,607 | 5,609 | 6,883 | 8,018 | 9,261 | 10,604 | 12,035 | 13,540 | 15,097 | 16,682 |
| + D&A | 1,321 | 1,476 | 1,608 | 1,850 | 2,109 | 2,383 | 2,669 | 2,962 | 3,258 | 3,552 |
| - Change in working capital | -934 | -996 | -1,221 | -1,404 | -1,601 | -1,809 | -2,026 | -2,249 | -2,473 | -2,696 |
| - Capex | -6,000 | -5,000 | -5,000 | -4,500 | -4,050 | -3,645 | -3,281 | -2,952 | -2,657 | -2,391 |
| FCFF | -1,006 | 1,089 | 2,270 | 3,964 | 5,719 | 7,533 | 9,398 | 11,301 | 13,225 | 15,146 |
| Terminal value | | | | | | | | | | 202,212 |
| Terminal growth rate | 2.00% | | | | | | | | | |
| WACC | 9.64% | | | | | | | | | |
| Cost of Equity | 13.00% | | | | | | | | | |
| Cost of Debt | 4.00% | | | | | | | | | |
| Equity Beta | 1.10 | | | | | | | | | |
| Risk Free Rate | 2.00% | | | | | | | | | |
| Market Risk Premium | 10.00% | | | | | | | | | |
| Target Debt to Asset ratio | 35.00% | | | | | | | | | |
| Effective Corporate Tax Rate | 15.00% | | | | | | | | | |
| Terminal value (RMB mn) | 80,560 | | | | | | | | | |
| Total PV (RMB mn) | 115,117 | | | | | | | | | |
| Net debt (RMB mn) | -7,455 | | | | | | | | | |
| Minority (RMBmn) | 4,397 | | | | | | | | | |
| Equity value (RMB mn) | 118,175 | | | | | | | | | |
| # of shares (mn) | 4,107 | | | | | | | | | |
| Price per share (RMB per share) | 28.77 | | | | | | | | | |
| Price per share (HK\$ per share) | 30.94 | | | | | | | | | |

Source: CMBIGM estimates. HK\$/RMB=0.93

Figure 4: Sensitivity analysis of DCF model

| | | WACC | | | | |
|----------------------|-------|-------|-------|-------|--------|--------|
| | | 8.64% | 9.14% | 9.64% | 10.14% | 10.64% |
| Terminal growth rate | 4.00% | 49.28 | 43.61 | 38.98 | 35.12 | 31.87 |
| | 3.50% | 45.34 | 40.50 | 36.48 | 33.08 | 30.18 |
| | 2.00% | 37.07 | 33.78 | 30.94 | 28.47 | 26.30 |
| | 2.50% | 39.38 | 35.68 | 32.53 | 29.81 | 27.44 |
| | 2.00% | 37.07 | 33.78 | 30.94 | 28.47 | 26.30 |

Source: CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|---------|----------|----------|----------|----------|----------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 15,269 | 17,034 | 18,675 | 21,371 | 24,852 | 29,193 |
| Cost of goods sold | (8,545) | (10,206) | (11,025) | (12,402) | (14,223) | (16,475) |
| Gross profit | 6,724 | 6,828 | 7,651 | 8,969 | 10,629 | 12,719 |
| Operating expenses | (1,810) | (2,159) | (2,325) | (2,789) | (3,216) | (3,750) |
| Selling expense | (163) | (294) | (474) | (521) | (581) | (653) |
| Admin expense | (1,270) | (1,495) | (1,674) | (1,894) | (2,152) | (2,470) |
| R&D expense | (683) | (786) | (766) | (856) | (970) | (1,111) |
| Others | 305 | 417 | 588 | 481 | 487 | 483 |
| Operating profit | 4,914 | 4,669 | 5,325 | 6,180 | 7,412 | 8,969 |
| Share of (losses)/profits of associates/JV | 0 | 0 | 0 | 0 | 0 | 0 |
| Net interest income/(expense) | (64) | (158) | (158) | (139) | (114) | (90) |
| Others | 508 | (337) | (333) | (200) | (200) | (200) |
| Pre-tax profit | 5,358 | 4,174 | 4,834 | 5,841 | 7,098 | 8,679 |
| Income tax | (808) | (603) | (889) | (1,074) | (1,305) | (1,596) |
| After tax profit | 4,550 | 3,571 | 3,945 | 4,767 | 5,792 | 7,083 |
| Minority interest | (130) | (171) | (589) | (739) | (927) | (1,169) |
| Net profit | 4,420 | 3,400 | 3,356 | 4,028 | 4,866 | 5,914 |
| Adjusted net profit | 4,925 | 4,699 | 4,784 | 5,565 | 6,470 | 7,588 |
| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 18,470 | 21,198 | 23,573 | 23,674 | 27,804 | 33,534 |
| Cash & equivalents | 6,395 | 9,670 | 8,279 | 10,488 | 13,165 | 17,109 |
| Account receivables | 5,610 | 6,293 | 6,241 | 6,996 | 7,931 | 9,076 |
| Inventories | 2,281 | 1,766 | 1,522 | 1,849 | 2,121 | 2,456 |
| ST bank deposits | 304 | 340 | 1,907 | 1,907 | 1,907 | 1,907 |
| Financial assets at FVTPL | 2,015 | 1,234 | 524 | 524 | 524 | 524 |
| Other current assets | 1,864 | 1,896 | 5,101 | 1,910 | 2,157 | 2,462 |
| Non-current assets | 31,095 | 35,377 | 33,404 | 38,083 | 41,607 | 44,999 |
| PP&E | 24,171 | 27,378 | 26,070 | 31,070 | 34,916 | 38,629 |
| Deferred income tax | 223 | 236 | 444 | 444 | 444 | 444 |
| Investment in JVs & assos | 1,582 | 1,394 | 1,267 | 1,267 | 1,267 | 1,267 |
| Intangibles | 549 | 512 | 442 | 383 | 324 | 264 |
| Goodwill | 1,530 | 1,530 | 1,530 | 1,530 | 1,530 | 1,530 |
| Financial assets at FVTPL | 1,086 | 1,519 | 1,133 | 1,133 | 1,133 | 1,133 |
| Other non-current assets | 1,955 | 2,809 | 2,517 | 2,255 | 1,994 | 1,732 |
| Total assets | 49,564 | 56,576 | 56,977 | 61,757 | 69,411 | 78,533 |
| Current liabilities | 9,319 | 7,636 | 8,621 | 8,956 | 9,413 | 9,978 |
| Short-term borrowings | 1,321 | 576 | 2,435 | 2,435 | 2,435 | 2,435 |
| Account payables | 3,269 | 2,756 | 2,778 | 3,113 | 3,570 | 4,135 |
| Tax payable | 774 | 619 | 648 | 648 | 648 | 648 |
| Other current liabilities | 3,805 | 3,530 | 2,576 | 2,576 | 2,576 | 2,576 |
| Lease liabilities | 149 | 155 | 184 | 184 | 184 | 184 |
| Non-current liabilities | 4,033 | 4,922 | 2,879 | 2,879 | 2,879 | 2,879 |
| Long-term borrowings | 1,462 | 1,571 | 201 | 201 | 201 | 201 |
| Obligations under finance leases | 1,490 | 2,259 | 2,120 | 2,120 | 2,120 | 2,120 |
| Deferred income | 238 | 258 | 318 | 318 | 318 | 318 |
| Other non-current liabilities | 844 | 834 | 240 | 240 | 240 | 240 |
| Total liabilities | 13,351 | 12,558 | 11,500 | 11,834 | 12,292 | 12,857 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital surplus | 35,047 | 40,331 | 41,819 | 45,525 | 51,795 | 59,183 |
| Total shareholders equity | 35,047 | 40,332 | 41,819 | 45,526 | 51,795 | 59,184 |
| Minority interest | 1,166 | 3,686 | 3,658 | 4,397 | 5,324 | 6,493 |
| Total equity and liabilities | 49,564 | 56,576 | 56,977 | 61,757 | 69,411 | 78,533 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 5,358 | 4,174 | 4,834 | 5,841 | 7,098 | 8,679 |
| Depreciation & amortization | 801 | 1,169 | 1,659 | 1,321 | 1,476 | 1,608 |
| Tax paid | (586) | (783) | (889) | (1,074) | (1,305) | (1,596) |
| Change in working capital | (974) | (896) | (377) | (934) | (996) | (1,221) |
| Others | 943 | 1,003 | 990 | 1,115 | 1,152 | 1,201 |
| Net cash from operations | 5,542 | 4,668 | 6,218 | 6,269 | 7,424 | 8,671 |
| Investing | | | | | | |
| Capital expenditure | (5,868) | (4,046) | (3,900) | (6,000) | (5,000) | (5,000) |
| Acquisition of subsidiaries/ investments | (281) | 0 | 0 | 0 | 0 | 0 |
| Others | 241 | 817 | 1,545 | 335 | 339 | 335 |
| Net cash from investing | (5,908) | (3,228) | (2,355) | (5,665) | (4,661) | (4,665) |
| Financing | | | | | | |
| Net borrowings | (174) | (705) | 0 | 0 | 0 | 0 |
| Proceeds from share issues | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | (2,418) | 2,666 | (1,876) | (1,772) | (86) | (62) |
| Net cash from financing | (2,592) | 1,961 | (1,876) | (1,772) | (86) | (62) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 9,003 | 6,395 | 9,670 | 11,656 | 10,488 | 13,165 |
| Exchange difference | 350 | (126) | 0 | 0 | 0 | 0 |
| Cash at the end of the year | 6,395 | 9,670 | 11,656 | 10,488 | 13,165 | 17,109 |

| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------|-------|---------|--------|-------|-------|-------|
| YE 31 Dec | | | | | | |
| Revenue | 48.4% | 11.6% | 9.6% | 14.4% | 16.3% | 17.5% |
| Gross profit | 39.2% | 1.5% | 12.1% | 17.2% | 18.5% | 19.7% |
| Operating profit | 39.5% | (5.0%) | 14.0% | 16.1% | 19.9% | 21.0% |
| Net profit | 30.5% | (23.1%) | (1.3%) | 20.0% | 20.8% | 21.5% |
| Adj. net profit | 48.5% | (4.6%) | 1.8% | 16.3% | 16.3% | 17.3% |

| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------------|-------|-------|-------|-------|-------|-------|
| YE 31 Dec | | | | | | |
| Gross profit margin | 44.0% | 40.1% | 41.0% | 42.0% | 42.8% | 43.6% |
| Operating margin | 32.2% | 27.4% | 28.5% | 28.9% | 29.8% | 30.7% |
| Adj. net profit margin | 32.3% | 27.6% | 25.6% | 26.0% | 26.0% | 26.0% |
| Return on equity (ROE) | 13.1% | 9.0% | 8.2% | 9.2% | 10.0% | 10.7% |

| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------------------|-------|-------|-------|-------|-------|-------|
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | (0.1) | (0.1) | (0.1) | (0.2) | (0.2) | (0.2) |
| Current ratio (x) | 2.0 | 2.8 | 2.7 | 2.6 | 3.0 | 3.4 |
| Receivable turnover days | 125.1 | 127.5 | 122.5 | 119.5 | 116.5 | 113.5 |
| Inventory turnover days | 84.8 | 72.4 | 54.4 | 54.4 | 54.4 | 54.4 |
| Payable turnover days | 148.8 | 107.7 | 91.6 | 91.6 | 91.6 | 91.6 |

| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------|-------|-------|-------|-------|-------|-------|
| YE 31 Dec | | | | | | |
| P/E (adjusted) | 20.6 | 21.6 | 20.8 | 18.0 | 15.5 | 13.2 |
| P/B | 2.8 | 2.3 | 2.2 | 2.0 | 1.8 | 1.5 |
| P/CFPS | 18.4 | 21.8 | 16.1 | 16.0 | 13.5 | 11.6 |

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

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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
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