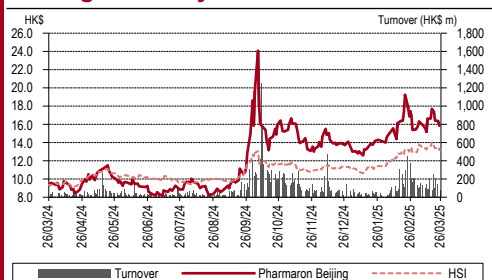


# BUY

**13% ↑ side**
**Target price: HK\$18.00**
**3759 HK Price: HK\$15.90**
**TP basis: DCF**
**Sector rating: OVERWEIGHT**
**Forecast Revisions (%)**

Year ended 31 Dec	25E	26E	27E
Revenue	0.9	0.9	0
Core EPS	2.6	8.7	0

*Source: BOCI Research estimates*
**Trading Summary**


(%)	YTD	1M	3M	12M
Absolute	12.8	(8.6)	13.4	69.5
Relative to HSI	(3.7)	(7.4)	(2.9)	20.0
Shares outstanding (m)				1,787
Free float (%)				90
Market cap. (HK\$ m)				28,409
3M avg. daily turnover (HK\$ m)				109
Net debt/equity (%) (2025E)				21
Major shareholder (%)				
HKSCC NOMINEES LIMITED				17
Shenzhen Xinzhong Kangcheng				17
PHARMARON HOLDINGS LIMITED				11

*Source: Company data, FactSet, BOCI Research*
*Prices as of 26 March 2025*
**BOCI Research Limited**  
**Healthcare: Contract Research**  
**Organization**
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# Pharmaron Beijing

*Consecutive quarterly improvement in 2024, guides for double-digit growth in 2025*

**Pharmaron delivered steady growth in 2024, with consecutive quarterly improvements and full-year revenue reaching RMB12.3bn, up 6.4% YoY. Strong performance in CMC and lab services drove the recovery, while clinical CRO faced margin pressures, and biologics and CGT remained in the investment phase. Looking ahead to 2025, Pharmaron expects 10-15% revenue growth, supported by robust order momentum, a recovering biopharma industry, and improving margins in key segments.**

**Key Factors for Rating**

- Consecutive quarterly improvement in 2024.** In 2024, Pharmaron achieved revenue of RMB12.3bn, up 6.4% YoY. 2H24 revenue reached RMB6.7bn, up 13% YoY, while 4Q24 revenue climbed to RMB3.5bn, marking a 16.1% YoY and 7.6% QoQ increase. The company's revenue has increased for three consecutive quarters, signalling definite signs of recovery. Attri.NP rose 12% YoY to RMB1.8bn, whereas non-IFRS Adj.NP declined 15.6% YoY to RMB1.6bn. Adj.NP in 4Q24 was RMB499m, up 1.7% YoY and 20% QoQ.
- Core business segment resilient.** Lab services revenue increased 5.8% YoY to RMB7.0bn, with new orders up over 15%, particularly in biosciences. CMC services revenue rose 10% YoY to RMB3.0bn, with new orders surging over 35% and growing large-scale commercial production projects. The ramp-up of new capacity in Shaoxing contributed to a notable margin recovery in 2H24. Clinical CRO revenue reached RMB1.8bn, up 5% YoY, with 1,062 ongoing clinical CRO projects, though profit margins were under pressure due to intensified domestic competition. Large molecule and CGT services revenue declined 4% YoY to RMB408m, as the segment is still in its investment phase, leading to higher depreciation and operational costs.
- Overseas client visits record high.** Overseas customer visits reached a record high in 2024, and new orders grew by over 20%. With the continued recovery of the biopharmaceutical industry, the CMC business remains a key growth driver, with new orders increasing over 35% and breakthroughs in commercial drug manufacturing.
- Looking ahead to 2025.** Pharmaron expects revenue to grow 10-15% YoY, with faster growth in adj.NP, driven primarily by CMC and clinical CRO. As over 80% of revenue comes from early-stage services, achieving this growth will depend on securing new POs in 2025. The company has seen strong PO growth at the beginning of the year, particularly in lab services and CMC, alongside a continued moderate recovery among overseas customers.

**Investment Summary**

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMB m)	11,538	12,276	13,911	15,819	13,813
Reported net profit (RMB m)	1,601	1,793	2,048	2,537	2,340
Core EPS (RMB)	0.810	0.707	0.988	1.264	1.153
Fully diluted EPS (RMB)	0.810	0.707	0.988	1.264	1.153
Core P/E (x)	18.3	21.0	15.0	11.7	12.9
Fully diluted P/E (x)	18.3	21.0	15.0	11.7	12.9
EV/EBITDA (x)	9.3	9.5	8.5	6.7	6.4
P/B (x)	2.1	1.9	1.7	1.5	1.4
DPS (RMB)	0.202	0.200	0.231	0.287	0.264
Yield (%)	1.4	1.3	1.6	1.9	1.8
ROE (%)	12.4	9.6	12.1	13.7	11.1

*Source: Company data, BOCI Research estimates*

### Key Risks for Rating

- 1) Slower-than-expected new capacity ramp-up; 2) uncertainty in global biopharma recovery; 3) geopolitical tension; and 4) FX fluctuation.

### Valuation

- We fine-tuned our earnings forecasts. Maintain DCF-TP of HK\$18 and **BUY**.

**Figure 1. Pharmaron Results 2024 vs 2023**

(RMB m)	2024 Actual	2023 Actual	YoY (%)
<b>Revenue</b>	<b>12,276</b>	<b>11,538</b>	<b>6</b>
Lab service	7,047	6,660	6
CMC (small molecule CDMO) services	2,989	2,711	10
Clinical CRO	1,826	1,737	5
Biologics and CGT	408	425	(4)
<b>Cost of sales</b>	<b>(8,127)</b>	<b>(7,443)</b>	<b>9</b>
<b>Gross profit</b>	<b>4,149</b>	<b>4,095</b>	<b>1</b>
Lab service	3,128	2,929	7
CMC (small molecule CDMO) services	988	904	9
Clinical CRO	234	296	(21)
Biologics and CGT	(204)	(35)	479
<b>Gross profit margin (%)</b>	<b>33.8</b>	<b>35.5</b>	<b>(2)</b>
Lab (%)	44.4	44.0	0
Clinical service CRO (%)	12.8	17.1	(4)
CMC (%)	33.1	33.4	0
Biologics and CGT (%)	(50.1)	(8.3)	-
Selling and distribution expenses	(258)	(253)	2
Admin expenses	(1,664)	(1,672)	0
R&D costs	(469)	(448)	5
<b>Expenses as % of revenue</b>			
Selling and distribution expenses	2.1	2.2	0
Admin expenses	13.6	14.5	(1)
R&D costs	3.8	3.9	0
<b>Operating income (EBIT)</b>	<b>1,916</b>	<b>1,857</b>	<b>3</b>
OPM (%)	15.6	16.1	0
Finance cost	(244)	(182)	34
Share of profit / (loss) of associates	(123)	(2)	5,814
Impairment losses on financial and contract assets, net of reversal	(116)	(36)	225
Other expenses	(68)	(38)	79
(Other income) and gains	727	239	205
<b>Profit before tax</b>	<b>2,091</b>	<b>1,838</b>	<b>14</b>
Income tax expense	(377)	(256)	47
Effective tax rate (%)	18.0	13.9	4
<b>Net profit</b>	<b>1,714</b>	<b>1,582</b>	<b>8</b>
<b>Net profit attributable to shareholders</b>	<b>1,793</b>	<b>1,601</b>	<b>12</b>
Net profit margin (%)	14.6	13.9	1
NCI	(79)	(19)	310
NCI as % of net profit (%)	(0.6)	(0.2)	0

Source: Company data, BOCI Research

**Figure 2. Pharmaron Results 4Q24 vs 4Q23 and 3Q24**

(RMB m)	4Q24 Actual	4Q23 Actual	YoY (%)	3Q24 Actual	QoQ (%)
<b>Revenue</b>	<b>3,459</b>	<b>2,978</b>	<b>16</b>	<b>3,213</b>	<b>8</b>
Lab service	1,828	1,591	15	1,847	(1)
CMC (small molecule CDMO) services	1,012	797	27	801	26
Clinical CRO	520	475	9	463	12
Biologics and CGT	97	114	(16)	100	(3)
<b>Cost of sales</b>	<b>(2,261)</b>	<b>(1,943)</b>	<b>16</b>	<b>(2,109)</b>	<b>7</b>
<b>Gross profit</b>	<b>1,197</b>	<b>1,035</b>	<b>16</b>	<b>1,104</b>	<b>8</b>
Lab service	830	679	22	837	(1)
CMC (small molecule CDMO) services	396	284	39	276	43
Clinical CRO	62	66	(6)	67	(7)
Biologics and CGT	(71)	(13)	459	(67)	6
<b>Gross profit margin (%)</b>	<b>34.6</b>	<b>34.8</b>	<b>0</b>	<b>34.4</b>	<b>0</b>
Lab (%)	45.4	42.7	3	45.3	0
Clinical service CRO (%)	11.9	13.9	(2)	14.4	(3)
CMC (%)	39.1	35.6	3	34.5	5
Biologics and CGT (%)	(73.5)	(11.1)	(62)	(67.1)	(6)
<b>Selling and distribution expenses</b>	<b>(72)</b>	<b>(59)</b>	<b>22</b>	<b>(64)</b>	<b>13</b>
<b>Admin expenses</b>	<b>(400)</b>	<b>(408)</b>	<b>(2)</b>	<b>(423)</b>	<b>(5)</b>
<b>R&amp;D costs</b>	<b>(137)</b>	<b>(152)</b>	<b>(10)</b>	<b>(124)</b>	<b>10</b>
<b>Expenses as % of revenue</b>					
Selling and distribution expenses	2.1	2.0	0	2.0	0
Admin expenses	11.6	13.7	(2)	13.2	(2)
R&D costs	4.0	5.1	(1)	3.9	0
<b>Operating income (EBIT)</b>	<b>665</b>	<b>416</b>	<b>60</b>	<b>493</b>	<b>35</b>
<b>OPM (%)</b>	<b>19.2</b>	<b>14.0</b>	<b>5</b>	<b>15.4</b>	<b>4</b>
<b>Finance cost</b>	<b>(50)</b>	<b>(48)</b>	<b>5</b>	<b>(55)</b>	<b>(9)</b>
<b>Share of profit / (loss) of associates</b>	<b>(69)</b>	<b>(13)</b>	<b>420</b>	<b>(24)</b>	<b>195</b>
<b>Impairment losses on financial and contract assets, net of reversal</b>	<b>(91)</b>	<b>(18)</b>	<b>395</b>	<b>(3)</b>	<b>3071</b>
<b>Other expenses</b>	<b>1</b>	<b>(14)</b>	<b>-</b>	<b>(35)</b>	<b>-</b>
<b>(Other income) and gains</b>	<b>14</b>	<b>59</b>	<b>(77)</b>	<b>18</b>	<b>(24)</b>
<b>Profit before tax</b>	<b>469</b>	<b>517</b>	<b>(9)</b>	<b>395</b>	<b>19</b>
<b>Income tax expense</b>	<b>(124)</b>	<b>(70)</b>	<b>79</b>	<b>(109)</b>	<b>14</b>
<b>Effective tax rate (%)</b>	<b>26.5</b>	<b>13.5</b>	<b>13</b>	<b>27.5</b>	<b>(1)</b>
<b>Net profit</b>	<b>345</b>	<b>447</b>	<b>(23)</b>	<b>286</b>	<b>21</b>
<b>Net profit attributable to shareholders</b>	<b>372</b>	<b>462</b>	<b>(20)</b>	<b>308</b>	<b>20</b>
<b>Net profit margin (%)</b>	<b>10.7</b>	<b>15.5</b>	<b>(5)</b>	<b>9.6</b>	<b>1</b>
<b>NCI</b>	<b>(27)</b>	<b>(15)</b>	<b>80</b>	<b>(22)</b>	<b>20</b>
<b>NCI as % of net profit (%)</b>	<b>(0.8)</b>	<b>(0.5)</b>	<b>0</b>	<b>(0.7)</b>	<b>0</b>

Source: Company data, BOCI Research

**Income Statement (RMB m)**

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
<b>Revenue</b>	<b>11,538</b>	<b>12,276</b>	<b>13,911</b>	<b>15,819</b>	<b>13,813</b>
Cost of sales	(7,443)	(8,127)	(8,959)	(9,925)	(8,676)
Operating exp.	(2,238)	(2,233)	(2,621)	(2,998)	(2,469)
<b>EBITDA</b>	<b>2,830</b>	<b>3,024</b>	<b>3,560</b>	<b>4,210</b>	<b>4,026</b>
Depr & amortisation	973	1,108	1,229	1,315	1,357
<b>Operating profit (EBIT)</b>	<b>1,857</b>	<b>1,916</b>	<b>2,331</b>	<b>2,895</b>	<b>2,668</b>
Net interest inc./(exp.)	(182)	(244)	(269)	(269)	(269)
Other gains/(losses)	201	487	300	300	300
<b>Pre-tax profit</b>	<b>1,838</b>	<b>2,091</b>	<b>2,362</b>	<b>2,927</b>	<b>2,699</b>
Tax on profit	(256)	(377)	(354)	(439)	(405)
Min. int./others	19	79	40	50	46
<b>Net profit</b>	<b>1,601</b>	<b>1,793</b>	<b>2,048</b>	<b>2,537</b>	<b>2,340</b>
<b>Core net profit</b>	<b>1,436</b>	<b>1,251</b>	<b>1,748</b>	<b>2,237</b>	<b>2,040</b>
EPS (RMB)	0.903	1.013	1.157	1.434	1.322
Core EPS (RMB)	0.810	0.707	0.988	1.264	1.153
DPS (RMB)	0.202	0.200	0.231	0.287	0.264
Revenue YoY %	12.4	6.4	13.3	13.7	(12.7)
EBIT YoY %	4.3	3.2	21.7	24.2	(7.8)
EBITDA YoY %	12.5	6.9	17.7	18.3	(4.4)
Core net profit YoY%	11.6	(12.9)	39.7	28.0	(8.8)
Fully diluted EPS YoY%	11.6	(12.8)	39.7	28.0	(8.8)

Source: Company data, BOCI Research estimates

**Cash-flow Statement (RMB m)**

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
<b>Pre-tax profit</b>	<b>1,838</b>	<b>2,091</b>	<b>2,362</b>	<b>2,927</b>	<b>2,699</b>
Depr. & amortisation	973	1,108	1,229	1,315	1,357
Net interest expenses	182	244	269	269	269
Chg. in working capital	97	(93)	(61)	(300)	(381)
Tax paid	(256)	(377)	(354)	(439)	(405)
Other operating activ's	2	123	0	0	0
<b>CF from operations</b>	<b>2,836</b>	<b>3,096</b>	<b>3,445</b>	<b>3,771</b>	<b>3,540</b>
CAPEX	(2,619)	(1,977)	(1,759)	(894)	(469)
Decr./ (incr.) in invest.	0	0	0	0	0
Other investing activ's	0	0	0	0	0
<b>CF from investing</b>	<b>(2,619)</b>	<b>(1,977)</b>	<b>(1,759)</b>	<b>(894)</b>	<b>(469)</b>
Net incr. in debt	0	0	0	0	0
Dividends paid	(357)	(357)	(354)	(410)	(507)
Other financing activ's	(182)	(244)	(269)	(269)	(269)
<b>CF from financing</b>	<b>(540)</b>	<b>(601)</b>	<b>(623)</b>	<b>(678)</b>	<b>(776)</b>
Change in cash	(322)	518	1,064	2,198	2,295
Cash at start of year	1,360	5,703	1,535	2,598	4,796
Free cash flow to firm	217	1,119	1,687	2,877	3,071
Free cash flow to equity	35	875	1,418	2,608	2,802

Source: Company data, BOCI Research estimates

**Balance Sheet (RMB m)**

As at 31 Dec	2023	2024	2025E	2026E	2027E
<b>Cash &amp; cash equiv.</b>	<b>5,791</b>	<b>1,623</b>	<b>2,687</b>	<b>4,885</b>	<b>7,180</b>
Receivables	2,242	2,414	2,655	2,974	3,330
Inventories	365	487	319	354	309
Other current assets	2,476	3,085	3,085	3,085	3,085
<b>Total current assets</b>	<b>10,874</b>	<b>7,608</b>	<b>8,745</b>	<b>11,297</b>	<b>13,904</b>
Fixed assets	9,852	10,944	11,697	11,500	10,834
Intangible assets	2,997	2,986	2,986	2,986	2,986
Other long term assets	2,753	2,389	2,166	1,943	1,720
<b>Total long-term assets</b>	<b>15,602</b>	<b>16,319</b>	<b>16,848</b>	<b>16,428</b>	<b>15,540</b>
<b>Total assets</b>	<b>26,477</b>	<b>23,927</b>	<b>25,594</b>	<b>27,725</b>	<b>29,443</b>
Creditors	412	477	490	543	475
Short-term debt	913	1,197	1,197	1,197	1,197
Other current liabs.	2,330	2,550	2,550	2,550	2,550
<b>Total current liabs.</b>	<b>3,654</b>	<b>4,224</b>	<b>4,237</b>	<b>4,290</b>	<b>4,222</b>
Long-term borrowings	4,893	4,779	4,779	4,779	4,779
Other long-term liabs.	4,691	702	702	702	702
Share capital	1,787	1,778	1,778	1,778	1,778
Reserves/others	10,769	11,841	13,535	15,662	17,495
<b>Shareholders' equity</b>	<b>12,557</b>	<b>13,619</b>	<b>15,313</b>	<b>17,441</b>	<b>19,274</b>
M.I./Pref. shr/Oth	681	604	563	514	468
<b>Total liabs. &amp; equity</b>	<b>26,477</b>	<b>23,927</b>	<b>25,594</b>	<b>27,725</b>	<b>29,443</b>
Per share (RMB)					
Book value	7.0	7.6	8.6	9.8	10.8
Tangible assets	5.4	6.0	6.9	8.1	9.1
Net debt/(cash)	0.0	2.4	1.8	0.6	Net cash

Source: Company data, BOCI Research estimates

**Key Ratios**

Year ended 31 Dec	2023	2024	2025E	2026E	2027E
<b>Profitability (%)</b>					
EBITDA margin	24.5	24.6	25.6	26.6	29.1
EBIT margin	16.1	15.6	16.8	18.3	19.3
Pre-tax margin	15.9	17.0	17.0	18.5	19.5
Net profit margin	13.9	14.6	14.7	16.0	16.9
<b>Liquidity (x)</b>					
Current ratio	3.0	1.8	2.1	2.6	3.3
Interest coverage	10.2	7.9	8.7	10.8	9.9
Net debt to equity (%)	0.1	30.6	20.7	6.1	NM
Quick ratio	2.9	1.7	2.0	2.6	3.2
<b>Valuation (x)</b>					
P/E	16.4	14.7	12.8	10.4	11.2
Core P/E	18.3	21.0	15.0	11.7	12.9
Core P/E @ target price	20.7	23.8	17.0	13.3	14.6
P/B	2.1	1.9	1.7	1.5	1.4
P/FCF	122.2	23.7	15.7	9.2	8.6
EV/EBITDA	9.3	9.5	8.5	6.7	6.4
<b>Activity ratios</b>					
Inventory days	17.8	19.1	16.4	12.4	13.9
Accounts receivables days	65.2	69.2	66.5	64.9	83.3
Accounts payables days	12.9	13.2	12.7	11.9	13.4
<b>Returns (%)</b>					
Dividend payout ratios	22.3	19.8	20.0	20.0	20.0
Return on equity	12.4	9.6	12.1	13.7	11.1
Return on assets	6.8	6.2	8.0	9.2	7.9
Return on capital employed	11.5	9.8	11.1	12.6	10.7

Source: Company data, BOCI Research estimates

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BUY : Stock with expected total absolute return (including dividends) > 10% over the next twelve months

HOLD : Stock with expected total absolute return (including dividends) between -10% to +10% over the next twelve months

SELL : Stock with expected total absolute return (including dividends) < -10% over the next twelve months

OVERWEIGHT : Sector expected to outperform the market benchmark over the next twelve months

NEUTRAL : Sector expected to perform in-line with market benchmark over the next twelve months

UNDERWEIGHT : Sector expected to underperform the market benchmark over the next twelve months

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