

WuXi AppTec (603259 CH)

Impressive growth amid uncertain environment

WuXi AppTec reported better-than-expected 1H25 results, with revenue increasing by 20.6% YoY (including 24.2% YoY growth for continuing operations) and adj. non-IFRS net profit surging by 44.4% YoY. Revenue from continuing operations and adj. non-IFRS net profit accounted for 47.5% and 54.4%, respectively, of our full-year forecasts, both higher than the historical ranges. WuXi AppTec delivered strong operational execution, despite ongoing macro uncertainties. As such, mgmt. raised its full-year guidance for 2025, expecting revenue of continuing operations to grow by 13-17% (vs prior guidance of 10-15%) and adj. non-IFRS net profit margin to expand in 2025.

- **Robust commercial demand drives CDMO outperformance.** The robust demand for late-stage clinical and commercial manufacturing has been a key growth driver for the global CXO industry in the post-COVID era. As a global leader in the chemical drug CDMO sector, WuXi AppTec has substantially benefited from this trend. In 1H25, its TIDES revenue surged by 141.6% YoY thanks to faster-than-expected manufacturing capacity ramp-up. Mgmt raised its full-year guidance for TIDES revenue growth from 60% to 80%. Revenue from small molecule D&M grew by 17.5% YoY, marking a notable rebound from the negative growth seen in 2023/2024. In addition, the volatilities in US-China tariffs seemed to have limited impact to the Company's first half operation, in our view. Despite ongoing volatility in the global macro environment, we believe that the sustained demand for commercial drug manufacturing is likely to continue, supporting the growth of leading CDMO players like WuXi AppTec.
- **Expanding global capacity to support long-term growth.** As of end-1H25, WuXi AppTec's backlog impressively grew by 37.2% YoY, with backlog of TIDES increasing even more strongly at 48.8% YoY. The mgmt. reiterated their plan to increase the Company's peptide capacity to over 100k liters by the end of 2025 to support the demand from both existing commercial projects and growing pipelines. At the same time, capacity expansion efforts are underway at multiple sites, including Changzhou (China), Singapore, the US and Switzerland. WuXi AppTec has reaffirmed its capex target of RMB7-8bn in 2025, and anticipated possible increases in capex in the coming years.
- **Recovery in early-stage R&D still takes time.** While revenue from early-stage R&D services showed sequential improvements in 1H25 over 2024, mgmt. viewed that a meaningful recovery in early-stage R&D demand will take time. Early-stage R&D services contribute ~30% of the Company's total revenue. The global biotech financing usually serves as an early indicator of early-stage R&D demand.
- **Maintain BUY.** We raise our DCF-based TP from RMB77.22 to RMB116.56 (WACC: 9.42%, terminal growth: 2.00%; both unchanged), to factor in the upgraded guidance and the improved macro environment such as the US-China tariff. We now expect revenue from continuing operations to grow by 16.0%/ 15.9%/ 15.8% YoY and adjusted non-IFRS net profit to grow by 16.2%/ 17.6%/ 16.4% YoY in 2025E/ 26E/ 27E, respectively.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	40,341	39,241	43,981	50,952	58,999
YoY growth (%)	2.5	(2.7)	16.0	15.9	15.8
Adjusted net profit (RMB m)	10,854	10,583	12,296	14,459	16,832
YoY growth (%)	15.5	(2.5)	16.2	17.6	16.4
EPS (Adjusted) (RMB)	3.70	3.67	4.28	5.03	5.86
Consensus EPS (RMB)	na	na	4.27	4.63	5.17
P/E (Adjusted) (x)	26.7	26.9	23.1	19.6	16.8

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

BUY (Maintain)

Target Price	RMB116.56
(Previous TP)	RMB77.22)
Up/Downside	18.1%
Current Price	RMB98.69

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Stock Data

Mkt Cap (RMB mn)	284,740.5
Avg 3 mths t/o (RMB mn)	2,411.2
52w High/Low (RMB)	98.69/37.29
Total Issued Shares (mn)	2885.2

Source: FactSet

Shareholding Structure

HK investors	24.0%
Ge Li and concerted parties	20.7%

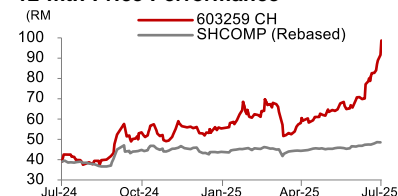
Source: Company report

Share Performance

	Absolute	Relative
1-mth	49.9%	42.2%
3-mth	63.3%	48.6%
6-mth	78.3%	60.5%

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	43,981	50,952	58,999	42,974	49,386	57,220	2.34%	3.17%	3.11%
Gross profit	19,828	23,120	27,065	18,655	21,543	25,051	6.29%	7.32%	8.04%
Operating profit	14,878	16,519	19,273	13,371	15,222	17,785	11.27%	8.52%	8.37%
Non-IFRS net profit	12,296	14,459	16,832	11,610	13,645	15,809	5.90%	5.97%	6.47%
Non-IFRS EPS (RMB)	4.28	5.03	5.86	4.02	4.72	5.47	6.48%	6.55%	7.06%
Gross margin	45.08%	45.38%	45.87%	43.41%	43.62%	43.78%	+1.67ppt	+1.76ppt	+2.09ppt
Operating margin	33.83%	32.42%	32.67%	31.11%	30.82%	31.08%	+2.71ppt	+1.60ppt	+1.58ppt
Net margin	27.96%	28.38%	28.53%	27.02%	27.63%	27.63%	+0.94ppt	+0.75ppt	+0.90ppt

Source: Company data, CMBIGM estimates

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

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	43,981	50,952	58,999	43,305	48,933	55,014	1.56%	4.13%	7.24%
Gross profit	19,828	23,120	27,065	18,777	21,412	24,178	5.60%	7.98%	11.94%
Operating profit	14,878	16,519	19,273	14,538	15,715	18,003	2.34%	5.11%	7.06%
Non-IFRS net profit	12,296	14,459	16,832	12,686	13,495	15,122	-3.08%	7.14%	11.31%
Non-IFRS EPS (RMB)	4.28	5.03	5.86	4.27	4.63	5.17	0.28%	8.73%	13.42%
Gross margin	45.08%	45.38%	45.87%	43.36%	43.76%	43.95%	+1.73ppt	+1.62ppt	+1.93ppt
Operating margin	33.83%	32.42%	32.67%	33.57%	32.12%	32.72%	+0.26ppt	+0.30ppt	-0.06ppt
Net margin	27.96%	28.38%	28.53%	29.29%	27.58%	27.49%	-1.34ppt	+0.80ppt	+1.04ppt

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	18,301	17,319	20,073	22,984	26,087	29,348	32,723	36,159	39,594	42,959
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)	15,515	14,682	17,018	19,485	22,116	24,880	27,741	30,654	33,566	36,419
+ D&A	2,960	3,548	3,985	4,464	4,954	5,450	5,940	6,416	6,865	7,277
- Change in working capital	590	-1,225	-1,499	-1,679	-1,864	-2,051	-2,235	-2,414	-2,583	-2,738
- Capex	-5,500	-8,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000
FCFF	13,566	9,005	13,503	16,269	19,206	22,279	25,447	28,656	31,848	34,958
Terminal value										480,556

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)	195,334
Total PV (RMB mn)	318,007
Net debt (RMB mn)	-16,766
Equity value (RMB mn)	334,773
# of shares (mn)	2,872
Price per share (RMB per share)	116.56

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%	153.98	139.82	127.92	117.78	109.05
	2.50%	144.82	132.40	121.83	112.72	104.80
	2.00%	137.08	126.05	116.56	108.30	101.06
	1.50%	130.47	120.56	111.95	104.40	97.74
	1.00%	124.74	115.76	107.89	100.95	94.78

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	43,981	50,952	58,999
Cost of goods sold	(24,677)	(23,729)	(22,965)	(24,545)	(27,832)	(31,934)
Gross profit	14,678	16,612	16,277	19,828	23,120	27,065
Operating expenses	(5,372)	(5,318)	(5,164)	(4,951)	(6,602)	(7,792)
Selling expense	(732)	(701)	(745)	(865)	(1,044)	(1,238)
Admin expense	(2,826)	(2,879)	(2,879)	(2,578)	(3,470)	(4,077)
R&D expense	(1,614)	(1,441)	(1,239)	(1,145)	(1,671)	(1,994)
Others	(200)	(297)	(301)	(363)	(416)	(482)
Operating profit	9,306	11,294	11,112	14,878	16,519	19,273
Gain/loss on financial assets at FVTPL	770	(38)	187	(364)	200	200
Investment gain/loss	188	234	604	3,969	200	200
Net Interest income/(expense)	248	338	787	(48)	396	411
Other income/expense	106	4	(1,150)	(181)	400	400
Pre-tax profit	10,618	11,832	11,540	18,253	17,715	20,484
Income tax	(1,716)	(2,132)	(1,972)	(2,749)	(2,657)	(3,073)
After tax profit	8,903	9,700	9,568	15,503	15,057	17,412
Minority interest	(89)	(94)	(117)	(178)	(173)	(200)
Net profit	8,814	9,607	9,450	15,325	14,884	17,212
Adjusted net profit	9,399	10,854	10,583	12,296	14,459	16,832
Gross dividends	2,644	2,882	2,835	4,598	4,465	5,163

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,997	30,422	38,690	41,567	49,111	60,864
Cash & equivalents	7,986	13,764	18,322	23,515	29,162	38,578
Account receivables	6,047	7,922	8,044	7,902	9,074	10,507
Inventories	5,669	4,736	5,400	5,417	6,142	7,047
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	47,264	51,985	54,318
PP&E	14,171	17,190	18,784	23,721	28,583	31,007
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	10,227	10,627	11,027
Other non-current assets	12,265	11,164	8,562	8,135	7,758	7,431
Total assets	64,690	73,669	80,326	88,831	101,095	115,182
Current liabilities	14,499	14,756	16,226	17,826	19,498	21,336
Short-term borrowings	3,874	3,667	1,243	3,243	4,243	5,243
Account payables	1,659	1,645	1,764	2,230	2,902	3,740
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	22,840	24,512	26,351
Share capital	2,961	2,969	2,888	2,888	2,888	2,888
Capital surplus	26,512	28,401	24,338	35,066	45,485	57,533
Other reserves	17,118	23,753	31,407	27,407	27,407	27,407
Total shareholders equity	46,590	55,122	58,633	65,361	75,780	87,828
Minority interest	337	395	453	631	804	1,004
Total equity and liabilities	64,690	73,669	80,326	88,831	101,095	115,182

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	10,618	11,832	11,540	18,253	17,715	20,484
Depreciation & amortization	1,718	2,288	2,769	2,897	3,434	3,822
Tax paid	(1,716)	(2,132)	(1,972)	(2,749)	(2,657)	(3,073)
Change in working capital	(298)	(105)	(926)	590	(1,225)	(1,499)
Others	294	1,504	996	(2,977)	(551)	(566)
Net cash from operations	10,616	13,387	12,407	16,013	16,716	19,168
Investing						
Capital expenditure	(9,966)	(5,517)	(4,003)	(7,500)	(8,000)	(6,000)
Acquisition of subsidiaries/ investments	(161)	(22)	0	0	0	0
Net proceeds from disposal of short-term investments	82	(2,321)	(2,013)	2,000	0	0
Others	355	299	498	1,326	0	0
Net cash from investing	(9,690)	(7,561)	(5,518)	(4,174)	(8,000)	(6,000)
Financing						
Dividend paid	(1,598)	(2,756)	(3,085)	(4,646)	(4,069)	(4,753)
Net borrowings	1,668	178	3,320	2,000	1,000	1,000
Proceeds from share issues	150	247	196	0	0	0
Others	(1,497)	(1,610)	(4,264)	(4,000)	0	0
Net cash from financing	(1,278)	(3,941)	(3,832)	(6,646)	(3,069)	(3,753)
Net change in cash						
Cash at the beginning of the year	8,175	7,984	10,001	18,322	23,515	29,162
Exchange difference	161	132	388	0	0	0
Cash at the end of the year	7,984	10,001	13,445	23,515	29,162	38,578
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	71.8%	2.5%	(2.7%)	12.1%	15.9%	15.8%
Gross profit	76.6%	13.2%	(2.0%)	21.8%	16.6%	17.1%
Operating profit	110.9%	21.4%	(1.6%)	33.9%	11.0%	16.7%
Net profit	72.9%	9.0%	(1.6%)	62.2%	(2.9%)	15.6%
Adj. net profit	83.2%	15.5%	(2.5%)	16.2%	17.6%	16.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	37.3%	41.2%	41.5%	45.1%	45.4%	45.9%
Operating margin	23.6%	28.0%	28.3%	33.8%	32.4%	32.7%
Adj. net profit margin	23.9%	26.9%	27.0%	28.0%	28.4%	28.5%
Return on equity (ROE)	20.7%	18.9%	16.6%	24.7%	21.1%	21.0%
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)	(0.3)
Current ratio (x)	1.7	2.1	2.4	2.3	2.5	2.9
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 (adjusted)	30.8	26.7	26.9	23.1	19.6	16.8
P/B	6.2	5.2	4.8	4.3	3.7	3.2
P/CFPS	27.3	21.6	23.0	17.7	17.0	14.8
Div yield (%)	0.9	1.0	1.0	1.6	1.6	1.8

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

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