

WuXi Biologics (2269 HK)

Pre-IND and late-stage demand rebounded

WuXi Biologics (WuXi Bio) reported 1H25 revenue of RMB9.95bn, up by 16.1% YoY. During the period, adj. attributable net profit came in at RMB2.39bn with YoY growth of 6.2%. Revenue in 1H25 accounted for 46.6% of our full-year forecast, exceeding the historical average of ~43%. However, adj. attributable net profit represented 42.9% of our full-year estimates, falling short of the historical average of ~50%. The solid performance in 1H25 was primarily driven by robust growth from both the pre-IND and late-stage/commercial services, reflecting strong and growing customer demand. In 1H25, the Company added record-high 86 new projects, 70% of which involve complex modalities such as ADCs and bispecific antibodies. As of 1H25, the Company's backlog grew 18.9% YoY to US\$20.34bn, returning to positive growth territory. On the back of strong demand, mgmt. raised its full-year guidance, and now expecting revenue growth of 14–16% YoY (up from 12–15%) and continued improvement in net profit margin.

■ **Late-stage demand demonstrated encouraging momentum.** Revenue from PhIII and commercial manufacturing services grew by 24.9% YoY in 1H25, an impressive rebound compared to +12.8%/-3.2% YoY growth in 2023/24. In 1H25, WuXi Bio added five PhIII projects (including two transferred from external sources) and three commercial-stage projects (all internally developed). With continued progress in the Company's pipeline and a record number of PPQ projects, we believe commercial-stage revenue will continue to grow at a rapid pace. PPQ is a regulatory prerequisite for commercial manufacturing, and serves as a key leading indicator of commercialization demand. Specifically in 1H25, the Company completed 12 PPQ projects and expects to finish 25 in 2025, representing a 56% YoY increase. Based on current project advancement, mgmt. expects the number of PPQ projects to reach 27 in 2026. To support the anticipated upcoming commercial production, WuXi Bio plans to maintain high intensity of capex investment, with capex target of RMB5.3bn for 2025 and around RMB6bn annually in the coming years.

■ **Margin expansion on the horizon.** WuXi Bio's GPM improved by 3.7ppts YoY and 0.2ppts QoQ to 42.73% in 1H25, driven by faster growth in the high-margin pre-IND services, steady increases in utilization rates at domestic facilities, ramp-up of overseas capacity, execution of the WBS Strategy, and reduced cost of share-based compensation. Notably, the Company's flagship overseas facility in Ireland successfully completed four PPQ runs and recently secured its first EMA-approved commercial project. Specifically, mgmt. expects the Ireland facility to reach GPM breakeven in 2H25. Looking ahead, mgmt. sees the Company's overall GPM to reach 50% within three years, approaching the peak seen during the pandemic.

■ **Maintain BUY.** To reflect the positive demand trend, we raise our DCF-based TP from HK\$30.94 to HK\$35.60 (WACC: 9.32%, terminal growth: 2%). We forecast WuXi Bio's revenue to grow by 15.3%/ 18.4%/ 17.9% YoY and adj. attributable net profit to increase by 7.6%/ 28.8%/ 18.9% YoY in 2025E/ 26E/ 27E, respectively.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	17,034	18,675	21,523	25,487	30,058
YoY growth (%)	11.6	9.6	15.3	18.4	17.9
Adjusted net profit (RMB m)	4,699	4,784	5,147	6,627	7,877
YoY growth (%)	(4.6)	1.8	7.6	28.8	18.9
EPS (Adjusted) (RMB)	1.13	1.17	1.26	1.63	1.94
Consensus EPS (RMB)	na	na	1.11	1.29	1.53
P/E (Adjusted) (x)	25.0	24.0	22.3	17.3	14.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$35.60
(Previous TP)	HK\$30.94)
Up/Downside	16.3%
Current Price	HK\$30.62

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Stock Data

Mkt Cap (HK\$ mn)	124,993.7
Avg 3 mths t/o (HK\$ mn)	1,399.5
52w High/Low (HK\$)	33.60/10.26
Total Issued Shares (mn)	4082.1

Source: FactSet

Shareholding Structure

WuXi Biologics Holdings	12.5%
BlackRock	5.8%

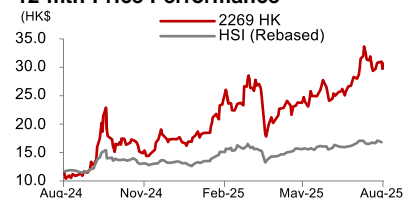
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	7.3%	5.8%
3-mth	26.8%	19.3%
6-mth	26.0%	13.0%

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	21,523	25,487	30,058	21,371	24,852	29,193	0.71%	2.56%	2.96%
Gross profit	9,312	11,282	13,606	8,969	10,629	12,719	3.83%	6.15%	6.98%
Operating profit	6,773	8,092	9,872	6,180	7,412	8,969	9.59%	9.18%	10.07%
Adjusted net profit	5,147	6,627	7,877	5,565	6,470	7,588	-7.52%	2.43%	3.80%
Adjusted EPS (RMB)	1.26	1.63	1.94	1.36	1.58	1.85	-6.69%	3.35%	4.73%
Gross margin	43.27%	44.27%	45.27%	41.97%	42.77%	43.57%	+1.30ppt	+1.50ppt	+1.70ppt
Operating margin	31.47%	31.75%	32.84%	28.92%	29.83%	30.72%	+2.55ppt	+1.93ppt	+2.12ppt
Adjusted net margin	23.91%	26.00%	26.21%	26.04%	26.03%	25.99%	-2.13ppt	-0.03ppt	+0.21ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	21,523	25,487	30,058	21,305	24,600	28,057	1.03%	3.61%	7.13%
Gross profit	9,312	11,282	13,606	8,995	10,503	12,117	3.53%	7.42%	12.29%
Operating profit	6,773	8,092	9,872	5,890	6,956	8,112	14.99%	16.34%	21.70%
Adjusted net profit	5,147	6,627	7,877	4,856	5,547	6,480	5.98%	19.46%	21.56%
Adjusted EPS (RMB)	1.26	1.63	1.94	1.11	1.29	1.53	13.70%	26.20%	26.81%
Gross margin	43.27%	44.27%	45.27%	42.22%	42.70%	43.19%	+1.04ppt	+1.57ppt	+2.08ppt
Operating margin	31.47%	31.75%	32.84%	27.65%	28.28%	28.91%	+3.82ppt	+3.47ppt	+3.93ppt
Adjusted net margin	23.91%	26.00%	26.21%	22.79%	22.55%	23.10%	+1.12ppt	+3.45ppt	+3.11ppt

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	6,499	7,541	9,344	10,887	12,575	14,400	16,345	18,390	20,507	22,662
Tax rate	17.17%	18.59%	18.59%	18.59%	18.59%	18.59%	18.59%	18.59%	18.59%	18.59%
EBIT*(1-tax rate)	5,383	6,139	7,607	8,863	10,237	11,723	13,307	14,971	16,694	18,449
+ D&A	1,221	1,381	1,548	1,781	2,030	2,294	2,569	2,852	3,137	3,419
- Change in working capital	-978	-1,155	-1,287	-1,480	-1,687	-1,907	-2,136	-2,370	-2,608	-2,842
- Capex	-5,300	-6,000	-6,000	-5,400	-4,860	-4,374	-3,937	-3,543	-3,189	-2,870
FCFF	327	366	1,868	3,763	5,720	7,736	9,803	11,909	14,035	16,156
Terminal value										225,278
Terminal growth rate	2.00%									
WACC	9.32%									
Cost of Equity	12.50%									
Cost of Debt	4.00%									
Equity Beta	1.05									
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)	92,453									
Total PV (RMB mn)	129,344									
Net debt (RMB mn)	-8,465									
Minority (RMBmn)	4,495									
Equity value (RMB mn)	133,313									
# of shares (mn)	4,071									
Price per share (RMB per share)	32.75									
Price per share (HK\$ per share)	35.60									

Source: CMBIGM estimates. HK\$/RMB=0.92

Figure 4: Sensitivity analysis of DCF model

		WACC				
		8.32%	8.82%	9.32%	9.82%	10.32%
Terminal growth rate	4.00%	58.37	51.28	45.55	40.84	36.90
	3.50%	53.31	47.34	42.42	38.31	34.83
	2.00%	42.94	38.99	35.60	32.67	30.11
	2.50%	45.80	41.33	37.54	34.29	31.48
	2.00%	42.94	38.99	35.60	32.67	30.11

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	21,523	25,487	30,058
Cost of goods sold	(8,545)	(10,206)	(11,025)	(12,211)	(14,205)	(16,452)
Gross profit	6,724	6,828	7,651	9,312	11,282	13,606
Operating expenses	(1,810)	(2,159)	(2,325)	(2,539)	(3,190)	(3,734)
Selling expense	(163)	(294)	(474)	(584)	(666)	(756)
Admin expense	(1,270)	(1,495)	(1,674)	(1,747)	(2,018)	(2,320)
R&D expense	(683)	(786)	(766)	(870)	(1,005)	(1,155)
Others	305	417	588	662	499	496
Operating profit	4,914	4,669	5,325	6,773	8,092	9,872
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
Net Interest income/(expense)	(64)	(158)	(158)	(167)	(114)	(90)
Others	508	(337)	(333)	77	(200)	(200)
Pre-tax profit	5,358	4,174	4,834	6,683	7,778	9,582
Income tax	(808)	(603)	(889)	(1,242)	(1,446)	(1,781)
After tax profit	4,550	3,571	3,945	5,440	6,332	7,801
Minority interest	(130)	(171)	(589)	(837)	(1,013)	(1,287)
Net profit	4,420	3,400	3,356	4,603	5,319	6,514
Adjusted net profit	4,925	4,699	4,784	5,147	6,627	7,877
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	18,470	21,198	23,573	24,679	28,001	33,077
Cash & equivalents	6,395	9,670	8,279	11,498	13,164	16,389
Account receivables	5,610	6,293	6,241	7,046	8,133	9,345
Inventories	2,281	1,766	1,522	1,821	2,118	2,453
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	1,885	2,155	2,459
Non-current assets	31,095	35,377	33,404	37,483	42,102	46,553
PP&E	24,171	27,378	26,070	30,383	35,234	39,919
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	2,344	2,170	1,996
Total assets	49,564	56,576	56,977	62,162	70,103	79,630
Current liabilities	9,319	7,636	8,621	8,908	9,408	9,972
Short-term borrowings	1,321	576	2,435	2,435	2,435	2,435
Account payables	3,269	2,756	2,778	3,065	3,565	4,129
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	3,050	3,050	3,050
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	412	412	412
Total liabilities	13,351	12,558	11,500	11,958	12,459	13,023
Share capital	0	0	0	0	0	0
Capital surplus	35,047	40,331	41,819	45,708	52,135	59,812
Total shareholders equity	35,047	40,332	41,819	45,709	52,135	59,812
Minority interest	1,166	3,686	3,658	4,495	5,509	6,796
Total equity and liabilities	49,564	56,576	56,977	62,162	70,103	79,630

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	5,358	4,174	4,834	6,683	7,778	9,582
Depreciation & amortization	801	1,169	1,437	1,221	1,381	1,548
Tax paid	(586)	(783)	(1,092)	(1,242)	(1,446)	(1,781)
Change in working capital	(974)	(896)	(801)	(978)	(1,155)	(1,287)
Others	943	1,003	839	690	843	897
Net cash from operations	5,542	4,668	5,217	6,374	7,402	8,959
Investing						
Capital expenditure	(5,868)	(4,046)	(3,930)	(5,300)	(6,000)	(6,000)
Acquisition of subsidiaries/ investments	(281)	0	0	0	0	0
Others	241	817	(12)	3,900	351	328
Net cash from investing	(5,908)	(3,228)	(3,942)	(1,400)	(5,649)	(5,672)
Financing						
Net borrowings	(174)	(705)	490	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(2,418)	2,666	(3,240)	(1,755)	(86)	(62)
Net cash from financing	(2,592)	1,961	(2,750)	(1,755)	(86)	(62)
Net change in cash						
Cash at the beginning of the year	9,003	6,395	9,670	8,279	11,498	13,164
Exchange difference	350	(126)	84	0	0	0
Cash at the end of the year	6,395	9,670	8,279	11,498	13,164	16,389
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	48.4%	11.6%	9.6%	15.3%	18.4%	17.9%
Gross profit	39.2%	1.5%	12.1%	21.7%	21.2%	20.6%
Operating profit	39.5%	(5.0%)	14.0%	27.2%	19.5%	22.0%
Net profit	30.5%	(23.1%)	(1.3%)	37.2%	15.5%	22.5%
Adj. net profit	48.5%	(4.6%)	1.8%	7.6%	28.8%	18.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	44.0%	40.1%	41.0%	43.3%	44.3%	45.3%
Operating margin	32.2%	27.4%	28.5%	31.5%	31.8%	32.8%
Adj. net profit margin	32.3%	27.6%	25.6%	23.9%	26.0%	26.2%
Return on equity (ROE)	13.1%	9.0%	8.2%	10.5%	10.9%	11.6%
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	2.8	3.0	3.3
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)	23.9	25.0	24.0	22.3	17.3	14.6
P/B	3.2	2.7	2.5	2.3	2.0	1.7
P/CFPS	21.2	25.1	22.1	18.0	15.5	12.8

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

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