

WuXi AppTec (603259 CH)

Rising demand for small molecule D&M business

WuXi AppTec reported strong 3Q25 results, with revenue increasing by 15.3% YoY (including 19.7% YoY growth for continuing operations) and adj. non-IFRS net profit surging by 42.0% YoY. Revenue from continuing operations in 9M25 accounted for 73.8% of our full-year forecast, in line with historical average of 72%, while adj. non-IFRS net profit in 9M25 represented 85.7% of our full-year forecast, significant higher than the historical average of 72%. WuXi AppTec delivered strong operational execution, despite ongoing macro uncertainties. As such, mgmt. further raised its full-year guidance for 2025, expecting total revenue to be RMB43.5-44.0bn (previously: RMB42.5-43.5bn) with revenue from continuing operations to grow by 17-18% (previously: 13-17%). Mgmt. continued to expect adj. non-IFRS net profit margin to expand in 2025.

- **Encouraging demand growth in small molecule D&M business.** As of Sept 2025, WuXi AppTec's backlog from continuing operations reached RMB 59.88bn with a strong YoY growth of 41.2%, accelerated from 37.2% YoY as of Jun 2025. In contrast, backlog for TIDES services grew by 17.1% YoY as at end-Sept 2025, slowing from 48.8% YoY seen as at end-Jun 2025. The divergence underscored the small molecule D&M business as a primary growth driver for backlog in 3Q25. With that, mgmt. expected accelerated revenue growth for this segment in 2026. Mgmt. noted that the Company's pipeline included multiple promising products targeting areas such as GLP-1, PCSK9, pain, neurology, and autoimmune diseases. Given that small molecule D&M accounted for 46% of total revenue in 2024, we believe it will become a key driver for the Company's overall growth. To meet the rising customer demand, WuXi AppTec is actively expanding manufacturing capacity in China, Singapore, the US, and Switzerland.
- **Early-stage demand showing more signs of recovery, though a full rebound will take time.** In the Chemistry segment, revenue from drug discovery services declined 2.0% YoY in 3Q25, though sequential QoQ improvements were seen. Notably, the safety assessment services posted 5.9% YoY and 13.2% QoQ revenue growth in 3Q25, a significant rebound from the 7.8% decline in 2Q25, suggesting a recovery in client demand and improved pricing dynamics. Within the Biology segment, revenue grew 5.9% YoY in the quarter, consistent with the pace observed in 1H25. Mgmt. indicated that early signs of demand recovery are emerging, supported by a rebound in China's capital markets, robust global BD activity, and US interest rate cuts. However, a broad-based industry recovery will still take time. Given the high sensitivity to macroeconomic conditions, we believe early-stage businesses within WuXi AppTec should have relatively high visibility over the next two years, as market conditions normalize.
- **Maintain BUY.** We raise our DCF-based TP from RMB118.79 to RMB123.35 (WACC: 9.39%, terminal growth: 2.00%; both unchanged), to factor in our improved outlook on the macro environment. We now expect revenue to grow by 12.8%/ 10.7%/ 14.2% YoY (for continuing operations: 18.0%/ 15.0%/ 14.2% YoY) and adjusted non-IFRS net profit to grow by 19.6%/ 10.2%/ 13.3% YoY in 2025E/ 26E/ 27E, respectively.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	40,341	39,241	44,279	48,999	55,973
YoY growth (%)	2.5	(2.7)	12.8	10.7	14.2
Adjusted net profit (RMB m)	10,854	10,583	12,654	13,950	15,805
YoY growth (%)	15.5	(2.5)	19.6	10.2	13.3
EPS (Adjusted) (RMB)	3.70	3.67	4.24	4.68	5.30
Consensus EPS (RMB)	na	na	4.90	5.14	6.01
P/E (Adjusted) (x)	28.8	29.1	25.1	22.8	20.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB123.35
(Previous TP)	RMB118.79)
Up/Downside	15.7%
Current Price	RMB106.64

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Stock Data

Mkt Cap (RMB mn)	307,677.8
Avg 3 mths t/o (RMB mn)	6,323.8
52w High/Low (RMB)	112.85/49.00
Total Issued Shares (mn)	2885.2

Source: FactSet

Shareholding Structure

HK investors	24.4%
Ge Li and concerted parties	18.4%

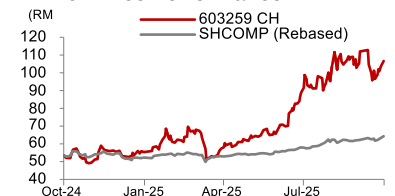
Source: Company report

Share Performance

	Absolute	Relative
1-mth	3.6%	-0.8%
3-mth	20.0%	7.9%
6-mth	85.9%	53.3%

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	44,279	48,999	55,973	44,375	50,952	58,999	-0.22%	-3.83%	-5.13%
Gross profit	20,708	22,220	25,602	19,828	23,120	27,065	4.43%	-3.89%	-5.41%
Operating profit	15,890	16,203	18,476	14,878	16,519	19,273	6.80%	-1.91%	-4.14%
Non-IFRS net profit	12,654	13,950	15,805	12,296	14,459	16,832	2.92%	-3.52%	-6.10%
Non-IFRS EPS (RMB)	4.24	4.68	5.30	4.17	4.90	5.70	1.80%	-4.56%	-7.12%
Gross margin	46.77%	45.35%	45.74%	46.90%	45.38%	45.87%	-0.13ppt	-0.03ppt	-0.13ppt
Operating margin	35.89%	33.07%	33.01%	35.19%	32.42%	32.67%	+0.70ppt	+0.65ppt	+0.34ppt
Net margin	28.58%	28.47%	28.24%	29.08%	28.38%	28.53%	-0.50ppt	+0.09ppt	-0.29ppt

Source: Company data, CMBIGM estimates

Note: Our revenue estimates refer to total revenue, and the previous estimates are adjusted to total revenue accordingly

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	44,279	48,999	55,973	44,057	50,428	57,512	0.50%	-2.83%	-2.68%
Gross profit	20,708	22,220	25,602	19,586	22,705	26,061	5.73%	-2.14%	-1.76%
Operating profit	15,890	16,203	18,476	16,260	17,477	20,005	-2.28%	-7.29%	-7.64%
Non-IFRS net profit	12,654	13,950	15,805	14,797	15,003	17,142	-14.48%	-7.02%	-7.80%
Non-IFRS EPS (RMB)	4.24	4.68	5.30	4.90	5.14	6.01	-13.50%	-9.11%	-11.82%
Gross margin	46.77%	45.35%	45.74%	44.46%	45.03%	45.31%	+2.31ppt	+0.32ppt	+0.43ppt
Operating margin	35.89%	33.07%	33.01%	36.91%	34.66%	34.78%	-1.02ppt	-1.59ppt	-1.77ppt
Net margin	28.58%	28.47%	28.24%	33.59%	29.75%	29.81%	-5.01ppt	-1.28ppt	-1.57ppt

Source: Bloomberg, CMBIGM estimates

Note: Our revenue estimates refer to total revenue, and the previous estimates are adjusted to total revenue accordingly

Figure 3: Risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	21,983	17,003	19,276	22,361	25,715	29,315	33,126	37,101	41,182	45,300
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)	18,637	14,415	16,342	18,957	21,800	24,852	28,083	31,453	34,912	38,404
+ D&A	2,918	3,411	3,807	4,379	4,992	5,640	6,317	7,012	7,713	8,408
- Change in working capital	617	-886	-1,300	-1,495	-1,705	-1,926	-2,157	-2,395	-2,634	-2,871
- Capex	-3,750	-7,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000	-6,000
FCFF	18,421	9,940	12,849	15,840	19,087	22,566	26,243	30,070	33,992	37,940
Terminal value										524,023

Terminal growth rate	2.00%
WACC	9.39%
Cost of Equity	11.95%
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)	213,684
Total PV (RMB mn)	344,386
Net debt (RMB mn)	-23,671
Equity value (RMB mn)	368,058
# of shares (mn)	2,984
Price per share (RMB per share)	123.35

Source: CMBIGM estimates

Figure 4: Sensitivity analysis of DCF model

		WACC				
		8.42%	8.92%	9.39%	9.92%	10.42%
Terminal growth rate	3.00%	162.85	147.92	135.38	124.72	115.54
	2.50%	153.13	140.06	128.93	119.36	111.05
	2.00%	144.94	133.33	123.35	114.69	107.10
	1.50%	137.93	127.52	118.48	110.57	103.59
	1.00%	131.87	122.45	114.19	106.92	100.46

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	44,279	48,999	55,973
Cost of goods sold	(24,677)	(23,729)	(22,965)	(23,964)	(26,779)	(30,372)
Gross profit	14,678	16,612	16,277	20,708	22,220	25,602
Operating expenses	(5,372)	(5,318)	(5,164)	(4,818)	(6,017)	(7,126)
Selling expense	(732)	(701)	(745)	(775)	(907)	(1,064)
Admin expense	(2,826)	(2,879)	(2,879)	(2,548)	(3,212)	(3,837)
R&D expense	(1,614)	(1,441)	(1,239)	(1,129)	(1,494)	(1,763)
Others	(200)	(297)	(301)	(365)	(404)	(462)
Operating profit	9,306	11,294	11,112	15,890	16,203	18,476
Gain/loss on financial assets at FVTPL	770	(38)	187	68	200	200
Investment gain/loss	188	234	604	5,669	200	200
Net interest income/(expense)	248	338	787	2	571	549
Other income/expense	106	4	(1,150)	357	400	400
Pre-tax profit	10,618	11,832	11,540	21,985	17,574	19,826
Income tax	(1,716)	(2,132)	(1,972)	(3,421)	(3,163)	(3,569)
After tax profit	8,903	9,700	9,568	18,564	14,411	16,257
Minority interest	(89)	(94)	(117)	(213)	(166)	(187)
Net profit	8,814	9,607	9,450	18,351	14,245	16,070
Adjusted net profit	9,399	10,854	10,583	12,654	13,950	15,805
Gross dividends	2,644	2,882	2,835	5,505	4,274	4,821

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,997	30,422	38,690	48,326	56,182	66,842
Cash & equivalents	7,986	13,764	18,322	30,420	36,814	45,439
Account receivables	6,047	7,922	8,044	7,885	8,726	9,968
Inventories	5,669	4,736	5,400	5,289	5,910	6,703
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	48,539	52,396	54,907
PP&E	14,171	17,190	18,784	23,013	27,012	29,614
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	12,209	12,609	13,009
Other non-current assets	12,265	11,164	8,562	8,135	7,758	7,431
Total assets	64,690	73,669	80,326	96,865	108,578	121,749
Current liabilities	14,499	14,756	16,226	17,707	19,282	21,017
Short-term borrowings	3,874	3,667	1,243	3,243	4,243	5,243
Account payables	1,659	1,645	1,764	2,111	2,686	3,421
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	22,721	24,297	26,031
Share capital	2,961	2,969	2,888	9,888	9,888	9,888
Capital surplus	26,512	28,401	24,338	37,183	47,155	58,404
Other reserves	17,118	23,753	31,407	26,407	26,407	26,407
Total shareholders equity	46,590	55,122	58,633	73,478	83,450	94,699
Minority interest	337	395	453	666	832	1,018
Total equity and liabilities	64,690	73,669	80,326	96,865	108,578	121,749

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	10,618	11,832	11,540	21,985	17,574	19,826
Depreciation & amortization	1,718	2,288	2,769	2,854	3,298	3,644
Tax paid	(1,716)	(2,132)	(1,972)	(3,421)	(3,163)	(3,569)
Change in working capital	(298)	(105)	(926)	617	(886)	(1,300)
Others	294	1,504	996	(7,009)	(726)	(704)
Net cash from operations	10,616	13,387	12,407	15,026	16,096	17,897
Investing						
Capital expenditure	(9,966)	(5,517)	(4,003)	(5,750)	(7,000)	(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	2,326	0	0
Net cash from investing	(9,690)	(7,561)	(5,518)	(1,424)	(7,000)	(6,000)
Financing						
Dividend paid	(1,598)	(2,756)	(3,085)	(5,504)	(3,702)	(4,272)
Net borrowings	1,668	178	3,320	2,000	1,000	1,000
Proceeds from share issues	150	247	196	7,000	0	0
Others	(1,497)	(1,610)	(4,264)	(5,000)	0	0
Net cash from financing	(1,278)	(3,941)	(3,832)	(1,504)	(2,702)	(3,272)
Net change in cash						
Cash at the beginning of the year	8,175	7,984	10,001	18,322	30,420	36,814
Exchange difference	161	132	388	0	0	0
Cash at the end of the year	7,984	10,001	13,445	30,420	36,814	45,439
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	71.8%	2.5%	(2.7%)	12.8%	10.7%	14.2%
Gross profit	76.6%	13.2%	(2.0%)	27.2%	7.3%	15.2%
Operating profit	110.9%	21.4%	(1.6%)	43.0%	2.0%	14.0%
Net profit	72.9%	9.0%	(1.6%)	94.2%	(22.4%)	12.8%
Adj. net profit	83.2%	15.5%	(2.5%)	19.6%	10.2%	13.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	37.3%	41.2%	41.5%	46.8%	45.3%	45.7%
Operating margin	23.6%	28.0%	28.3%	35.9%	33.1%	33.0%
Adj. net profit margin	23.9%	26.9%	27.0%	28.6%	28.5%	28.2%
Return on equity (ROE)	20.7%	18.9%	16.6%	27.8%	18.2%	18.0%
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)	(0.4)
Current ratio (x)	1.7	2.1	2.4	2.7	2.9	3.2
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) (x)	33.3	28.8	29.1	25.1	22.8	20.1
P/B (x)	6.7	5.6	5.2	4.3	3.8	3.3
P/CFPS	29.5	23.4	24.8	21.2	19.8	17.8
Div yield (%)	0.8	0.9	0.9	1.7	1.3	1.5

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

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