招银国际
CMB INTERNATIONAL
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Pharmaron Beijing (300759 CH)

Landmark CDMO deal to fuel future growth

Pharmaron reported 2025 financial results, with revenue growing by 14.8% YoY to RMB14.10bn, and non-IFRS adj. net profit increasing by 13.0% YoY to RMB1.82bn. Both revenue and profit growth meaningfully accelerated compared to 2024. The Company's 2025 revenue and adj. net profit came in 0.5% and 0.7% higher than our estimates, respectively, aligning with our expectations. Looking ahead, mgmt. expects revenue to grow by 12-18% YoY in 2026. It is worth noting that this guidance incorporates a negative impact of 3ppts from FX.

- **Global customer demand continued to expand.** Driven by the penetration of strategic clients within the lab services and deliveries of CDMO projects, revenue from global Top20 pharma clients surged by 29.4% YoY, far exceeding the Company's overall growth. Similarly, revenue from European clients grew by 27.4% YoY, also well above the Company's average, primarily driven by effective go-to-market strategies and steady advancement of CDMO pipeline. Newly signed orders increased by over 14% YoY, extending the robust growth trend following a >20% YoY increase in 2024. As the core business, lab services saw its new bookings grow by ~12% YoY in 2025. Meanwhile, small molecule CDMO also showed encouraging momentum, delivering ~13% YoY growth in new orders. During the year, the segment added 24 PhIII and 15 PPQ & commercialization projects, continuously elevating its commercial manufacturing potential going forward. Furthermore, the growth of new orders in clinical development segment outpaced the Company's average, indicating a stabilization and early recovery in clinical demand from domestic clients and the Company's expanding market share.
- **Pivotal breakthroughs in small molecule CDMO commercial services.** In Mar 2026, Pharmaron announced a commercial DP agreement with Eli Lilly for the oral GLP-1 drug, Orforglipron, a potential blockbuster. Under this agreement, Eli Lilly will invest US$200mn in Pharmaron to support the build-out of technical capabilities, with the potential to further expand collaboration scope. The milestone partnership will not only generate significant incremental revenue in the future (despite limited contribution for 2026), but also signifies that Pharmaron's CDMO platform fully complies with the stringent quality systems of top-tier pharma companies. Consequently, this will serve as a powerful endorsement for Pharmaron to continuously expand in global market. Beyond the breakthrough in DP services, Pharmaron's CDMO business has also established its commercial API capabilities. Its API facilities in Shaoxing and Ningbo have both passed the FDA inspections, while its first innovative API project in the US was approved in 4Q25. Given the DP partnership with Eli Lilly and other pipeline advancements, we expect the small molecule CDMO business to grow at a faster pace than the Company's other business lines over the next three years.
- **Maintain BUY.** We raise our DCF-based TP from RMB38.08 to RMB39.00 (WACC of 9.32%; terminal growth of 2.0%), to reflect a more positive trend of global demand on R&D and manufacturing outsourcing. We forecast Pharmaron's revenue to grow by 16.4%/ 15.9%/ 14.9% YoY and adj. net profit to increase by 18.7%/ 17.7%/ 16.5% YoY in 2026E/ 27E/ 28E, respectively.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	12,276	14,095	16,410	19,019	21,855
YoY growth (%)	6.4	14.8	16.4	15.9	14.9
Adjusted net profit (RMB m	1,607	1,816	2,156	2,537	2,955
YoY growth (%)	(15.6)	13.0	18.7	17.7	16.5
EPS (Adjusted) (RMB)	0.91	1.03	1.17	1.38	1.61
Consensus EPS (RMB)	na	na	1.19	1.45	1.78
P/E (Adjusted) (x)	30.8	27.1	23.8	20.3	17.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB39.00**
(Previous TP	RMB38.08)
Up/Downside	**39.4%**
Current Price	**RMB27.98**

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Stock Data

Mkt Cap (RMB mn)	51,407.2
Avg 3 mths t/o (RMB mn)	678.9
52w High/Low (RMB)	35.90/22.06
Total Issued Shares (mn)	1837.3

Source: FactSet

Shareholding Structure

HK investors	20.0%
De Facto Controllers	18.2%

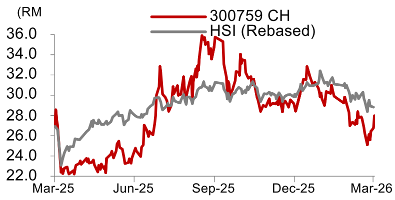
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	-5.5%	1.6%
3-mth	-1.6%	1.8%
6-mth	-21.7%	-15.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New FY26E	FY27E	FY28E	Old FY26E	FY27E	FY28E	Diff (%) FY26E	FY27E	FY28E
Revenue	16,410	19,019	21,855	16,092	18,710	na	1.98%	1.65%	na
Gross profit	5,871	6,964	8,199	5,550	6,590	na	5.78%	5.67%	na
Operating profit	2,439	2,853	3,311	2,424	2,843	na	0.65%	0.36%	na
Non-IFRS net profit	2,156	2,537	2,955	2,126	2,523	na	1.38%	0.53%	na
Non-IFRS EPS (RMB)	1.17	1.38	1.61	1.16	1.37	na	1.34%	0.49%	na
Gross margin	35.78%	36.62%	37.52%	34.49%	35.22%	na	+1.29ppt	+1.39ppt	na
Operating margin	14.86%	15.00%	15.15%	15.06%	15.19%	na	-0.20ppt	-0.19ppt	na
Net margin	13.14%	13.34%	13.52%	13.21%	13.49%	na	-0.08ppt	-0.15ppt	na

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM FY26E	FY27E	FY28E	Consensus FY26E	FY27E	FY28E	Diff (%) FY26E	FY27E	FY28E
Revenue	16,410	19,019	21,855	16,152	18,605	22,019	1.60%	2.23%	-0.75%
Gross profit	5,871	6,964	8,199	5,746	6,774	8,135	2.18%	2.81%	0.79%
Operating profit	2,439	2,853	3,311	2,553	3,103	4,034	-4.46%	-8.06%	-17.91%
Non-IFRS net profit	2,156	2,537	2,955	2,107	2,567	3,181	2.30%	-1.19%	-7.09%
Non-IFRS EPS (RMB)	1.17	1.38	1.61	1.19	1.45	1.78	-1.41%	-5.05%	-9.48%
Gross margin	35.78%	36.62%	37.52%	35.58%	36.41%	36.95%	+0.20ppt	+0.21ppt	+0.57ppt
Operating margin	14.86%	15.00%	15.15%	15.81%	16.68%	18.32%	-0.94ppt	-1.68ppt	-3.17ppt
Net margin	13.14%	13.34%	13.52%	13.04%	13.80%	14.45%	+0.09ppt	-0.46ppt	-0.92ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)		2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT		2,739	3,153	3,611	4,352	5,179	6,085	7,058	8,082	9,132	10,183
Tax rate		18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
EBIT*(1-tax rate)		2,246	2,585	2,961	3,568	4,246	4,990	5,788	6,627	7,489	8,350
+ D&A		1,278	1,400	1,486	1,761	2,060	2,380	2,713	3,052	3,388	3,709
- Change in working capital		-200	-475	-516	-611	-715	-826	-942	-1,060	-1,176	-1,288
- Capex		-2,500	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000
FCFF		**823**	**1,510**	**1,931**	**2,718**	**3,591**	**4,543**	**5,559**	**6,619**	**7,700**	**8,771**
Terminal value											**122,306**
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%										
PV of terminal value (RMB mn)	50,194										
Total PV (RMB mn)	73,836										
Net debt (RMB mn)	1,621										
Minority interest (RMBmn)	566										
Equity value (RMB mn)	71,649										
# of shares (mn)	1,837										
Price per share (RMB per share)	**39.00**										

Source: CMBIGM estimates

Figure 4: Sensitivity analysis of DCF model

		WACC				
		8.32%	**8.82%**	**9.32%**	**9.82%**	**10.32%**
Terminal growth rate	**4.00%**	64.26	56.38	50.01	44.77	40.38
	3.50%	58.66	52.02	46.55	41.97	38.09
	2.00%	47.18	42.78	**39.00**	35.73	32.87
	2.50%	50.35	45.37	41.15	37.52	34.39
	2.00%	47.18	42.78	39.00	35.73	32.87

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**11,538**	**12,276**	**14,095**	**16,410**	**19,019**	**21,855**
Cost of goods sold	(7,414)	(8,073)	(9,185)	(10,539)	(12,055)	(13,656)
Gross profit	**4,124**	**4,203**	**4,910**	**5,871**	**6,964**	**8,199**
Operating expenses	**(2,390)**	**(2,422)**	**(2,765)**	**(3,432)**	**(4,111)**	**(4,888)**
Selling expense	(253)	(258)	(306)	(406)	(509)	(628)
Admin expense	(1,607)	(1,585)	(1,736)	(2,104)	(2,495)	(2,922)
R&D expense	(448)	(469)	(576)	(720)	(853)	(1,024)
Others	(83)	(110)	(146)	(203)	(254)	(314)
Operating profit	**1,734**	**1,781**	**2,145**	**2,439**	**2,853**	**3,311**
Gain/loss on financial assets at FVTPL	19	2	66	100	100	100
Investment gain/loss	45	542	(102)	100	100	100
Net Interest income/(expense)	**(5)**	**(143)**	**(156)**	**(94)**	**(74)**	**(56)**
Other income/expense	45	(90)	(40)	100	100	100
Pre-tax profit	**1,838**	**2,091**	**1,913**	**2,646**	**3,079**	**3,556**
Income tax	(256)	(377)	(358)	(476)	(554)	(640)
After tax profit	**1,582**	**1,714**	**1,555**	**2,169**	**2,525**	**2,916**
Minority interest	19	79	109	108	126	146
Net profit	**1,601**	**1,793**	**1,664**	**2,278**	**2,651**	**3,061**
Adjusted net profit	**1,903**	**1,607**	**1,816**	**2,156**	**2,537**	**2,955**
Gross dividends	357	354	366	456	530	612

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**10,874**	**7,608**	**7,778**	**9,336**	**10,745**	**12,560**
Cash & equivalents	5,919	1,690	1,017	2,295	3,015	4,088
Account receivables	2,242	2,414	2,722	2,990	3,465	3,981
Inventories	1,013	1,117	1,472	1,485	1,699	1,924
Financial assets at FVTPL	622	1,120	714	714	714	714
Other current assets	684	810	1,387	1,387	1,387	1,387
Contract assets	394	458	466	466	466	466
Non-current assets	**15,602**	**16,319**	**19,316**	**21,238**	**22,538**	**23,752**
PP&E	6,497	7,809	8,933	10,463	11,371	12,193
Right-of-use assets	776	560	499	342	186	29
Deferred income tax	153	193	263	263	263	263
Intangibles	789	791	1,197	1,134	1,072	1,009
Goodwill	2,781	2,761	3,586	3,586	3,586	3,586
Long-term investments	723	649	640	640	640	640
Other non-current assets	3,884	3,557	4,199	4,810	5,421	6,033
Total assets	**26,477**	**23,927**	**27,094**	**30,574**	**33,283**	**36,313**
Current liabilities	**3,654**	**4,224**	**8,364**	**8,944**	**9,658**	**10,384**
Short-term borrowings	577	765	1,265	1,765	2,265	2,765
Account payables	412	477	607	687	901	1,127
Tax payable	238	219	207	207	207	207
Other current liabilities	1,686	1,928	5,324	5,324	5,324	5,324
Contract liabilities	741	835	961	961	961	961
Non-current liabilities	**9,584**	**5,481**	**2,991**	**2,991**	**2,991**	**2,991**
Long-term borrowings	4,308	4,377	1,772	1,772	1,772	1,772
Bond payables	3,892	0	0	0	0	0
Obligations under finance leases	585	401	379	379	379	379
Other non-current liabilities	799	702	840	840	840	840
Total liabilities	**13,239**	**9,705**	**11,355**	**11,935**	**12,650**	**13,376**
Share capital	1,787	1,778	1,779	2,966	2,966	2,966
Capital surplus	5,222	5,008	4,950	4,950	4,950	4,950
Retained earnings	5,205	6,443	7,679	9,501	11,622	14,071
Other reserves	343	390	656	656	656	656
Total shareholders equity	**12,557**	**13,619**	**15,064**	**18,073**	**20,194**	**22,643**
Minority interest	681	604	674	566	440	294
Total equity and liabilities	**26,477**	**23,927**	**27,094**	**30,574**	**33,283**	**36,313**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,838**	**2,091**	**1,913**	**2,646**	**3,079**	**3,556**
Depreciation & amortization	1,009	1,145	1,270	1,278	1,400	1,486
Tax paid	(256)	(377)	(358)	(476)	(554)	(640)
Change in working capital	64	(117)	(10)	(200)	(475)	(516)
Others	100	(166)	406	(106)	(126)	(144)
Net cash from operations	**2,754**	**2,577**	**3,221**	**3,140**	**3,324**	**3,741**
Investing						
Capital expenditure	(2,865)	(2,041)	(2,669)	(2,500)	(2,000)	(2,000)
Acquisition of subsidiaries/ investments	(2,113)	(3,197)	(5,120)	(3,000)	(3,000)	(3,000)
Net proceeds from disposal of short-term investments	2,720	3,227	3,409	2,500	2,500	2,500
Others	7	(13)	6	0	0	0
Net cash from investing	**(2,251)**	**(2,024)**	**(4,374)**	**(3,000)**	**(2,500)**	**(2,500)**
Financing						
Dividend paid	(458)	(548)	(531)	(549)	(604)	(668)
Net borrowings	3,612	(3,771)	1,096	500	500	500
Proceeds from share issues	971	11	17	1,187	0	0
Others	(209)	(488)	(204)	0	0	0
Net cash from financing	**3,915**	**(4,797)**	**377**	**1,138**	**(104)**	**(168)**
Net change in cash						
Cash at the beginning of the year	1,360	5,789	1,623	1,017	2,295	3,015
Exchange difference	11	78	(4)	0	0	0
Cash at the end of the year	**5,789**	**1,623**	**843**	**2,295**	**3,015**	**4,088**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	12.4%	6.4%	14.8%	16.4%	15.9%	14.9%
Gross profit	9.4%	1.9%	16.8%	19.6%	18.6%	17.7%
Operating profit	2.5%	2.7%	20.4%	13.7%	17.0%	16.1%
Net profit	16.5%	12.0%	(7.2%)	36.9%	16.4%	15.5%
Adj. net profit	3.8%	(15.6%)	13.0%	18.7%	17.7%	16.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.7%	34.2%	34.8%	35.8%	36.6%	37.5%
Operating margin	15.0%	14.5%	15.2%	14.9%	15.0%	15.2%
Adj. net profit margin	16.5%	13.1%	12.9%	13.1%	13.3%	13.5%
Return on equity (ROE)	13.9%	13.7%	11.6%	13.7%	13.9%	14.3%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.2	0.3	0.1	0.1	0.1	0.0
Current ratio (x)	3.0	1.8	0.9	1.0	1.1	1.2
Receivable turnover days	65.2	69.2	66.5	66.5	66.5	66.5
Inventory turnover days	50.6	48.1	51.4	51.4	51.4	51.4
Payable turnover days	58.0	50.4	51.6	51.6	51.6	51.6

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E (ajusted)	26.1	30.8	27.1	23.8	20.3	17.4
P/B	3.7	3.5	3.1	2.8	2.5	2.2
P/CFPS	18.0	19.2	15.3	16.4	15.5	13.7
Div yield (%)	0.7	0.7	0.7	0.9	1.0	1.2

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

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