

WuXi AppTec (603259 CH)

1Q26 results: small molecule D&M fuelling overall growth

WuXi AppTec released better-than-expected 1Q26 financial results. Revenue grew by 28.8% YoY to RMB12.4bn with continuing operations revenue increasing by 39.4% YoY, while adj. non-IFRS attributable net profit surged 71.7% YoY to RMB4.6bn. 1Q26 revenue/ adj. net profit represent 24.1%/ 25.6% of our full-year forecasts, respectively, significantly higher than the historical average of 18-20%. As of 1Q26, backlog for continuing operations grew by 23.6% YoY (+29% YoY if excl. FX fluctuations) to RMB59.8bn, with new orders signed in 1Q26 growing by over 25%. Mgmt. maintained full-year guidance, projecting 2026 revenue to reach RMB51.3-53.0bn, with revenue from continuing operations to grow by 18-22% YoY. Adj. net profit margin is expected to remain stable. Mgmt. indicated plans to raise the guidance in due course based on future business developments.

■ **CRDMO model to capture global blockbuster opportunities.** Within this model, drug discovery and development services continuously funnel projects to downstream. The Company delivered +420,000 new compounds over the past 12 months, converted 83 projects from R to D, and added nine new PhIII and commercial projects in 1Q26. This funnel model, which covers a wide range of therapeutic areas and a large customer base globally, allows the Company to identify industry trends and build capacity in advance. As a result, this approach has enabled WuXi AppTec to capitalize on commercial opportunities for multiple global blockbuster products, including oral COVID-19 drugs and peptides/ small-molecule GLP-1 drugs. Benefiting from oral GLP-1 drugs, revenue from small molecule D&M surged by 80.1% YoY in 1Q26, creating a new growth engine for the Company. As a natural extension of CRDMO model, TIDES saw 1Q26 revenue growth impacted by the pacing of product deliveries, resulting in a modest 6.1% YoY increase. However, based on a robust backlog, mgmt. expects full-year revenue for this segment to grow by ~40%, reflecting mgmt's confidence in the TIDES business.

■ **Continued capacity expansion.** Driven by growing global demand, WuXi AppTec plans to bring the construction of new Changzhou site ahead of schedule, which will house both small molecule and TIDES capacity. Mgmt. targets the total solid-phase synthesis reactor volume to reach 130k liters by the end of 2026, up from 100k liters at the end of 2025. Despite the uncertainties from the Middle East, the strategic cooperation agreement signed with the Saudi government last Oct is proceeding as planned, a key component of the Company's long-term strategy to build global capabilities and capacity. Mgmt. forecasts 2026 capex to be RMB6.5-7.5bn, representing a YoY increase of 17.3-35.4%. We believe that WuXi AppTec's mature global CRDMO network and ongoing expansions will further reinforce its leading position in the global pharmaceutical outsourcing industry.

■ **Maintain BUY.** To factor into the strong momentum of small molecule D&M business, we lift our earnings forecasts, expecting revenue to grow by 15.2%/ 16.3%/ 14.8% YoY (for continuing operations: 20.6%/ 16.3%/ 14.8% YoY) and adj. net profit to grow by 26.2%/ 18.0%/ 15.8% YoY in 2026E/ 27E/ 28E, respectively. Hence, we raise our DCF-based TP from RMB133.00 to RMB143.00 (WACC: 9.39%, terminal growth: 2.00%; both unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	39,241	45,456	52,361	60,875	69,896
YoY growth (%)	(2.7)	15.8	15.2	16.3	14.8
Adjusted net profit (RMB m)	10,583	14,957	18,877	22,276	25,806
YoY growth (%)	(2.5)	41.3	26.2	18.0	15.8
EPS (Adjusted) (RMB)	3.67	5.23	6.33	7.47	8.65
Consensus EPS (RMB)	na	na	5.71	6.76	7.89
P/E (Adjusted) (x)	30.1	21.1	17.5	14.8	12.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB143.00
(Previous TP)	RMB133.00)
Up/Downside	29.3%
Current Price	RMB110.57

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Stock Data

Mkt Cap (RMB mn)	329,914.0
Avg 3 mths t/o (RMB mn)	3,526.0
52w High/Low (RMB)	112.85/58.25
Total Issued Shares (mn)	2983.8

Source: FactSet

Shareholding Structure

HK investors	22.9%
Ge Li and concerted parties	16.4%

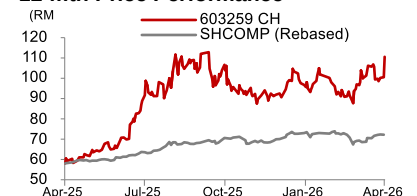
Source: Company report

Share Performance

	Absolute	Relative
1-mth	14.0%	9.4%
3-mth	15.5%	17.6%
6-mth	6.4%	4.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	52,361	60,875	69,896	51,695	59,809	67,824	1.29%	1.78%	3.06%
Gross profit	26,263	30,507	34,819	25,079	28,690	32,146	4.72%	6.33%	8.32%
Operating profit	20,903	24,732	28,748	19,788	23,016	26,221	5.64%	7.46%	9.64%
Non-IFRS net profit	18,877	22,276	25,806	17,930	20,808	23,639	5.28%	7.06%	9.16%
Non-IFRS EPS (RMB)	6.33	7.47	8.65	6.01	6.97	7.92	5.28%	7.06%	9.16%
Gross margin	50.16%	50.11%	49.82%	48.51%	47.97%	47.40%	+1.64ppt	+2.14ppt	+2.42ppt
Operating margin	39.92%	40.63%	41.13%	38.28%	38.48%	38.66%	+1.64ppt	+2.14ppt	+2.47ppt
Net margin	36.05%	36.59%	36.92%	34.68%	34.79%	34.85%	+1.37ppt	+1.80ppt	+2.07ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	52,361	60,875	69,896	52,187	60,400	68,754	0.33%	0.79%	1.66%
Gross profit	26,263	30,507	34,819	25,105	29,272	33,684	4.61%	4.22%	3.37%
Operating profit	20,903	24,732	28,748	19,964	23,345	27,292	4.70%	5.94%	5.34%
Non-IFRS net profit	18,877	22,276	25,806	16,836	19,648	22,983	12.12%	13.38%	12.28%
Non-IFRS EPS (RMB)	6.33	7.47	8.65	5.71	6.76	7.89	10.88%	10.52%	9.67%
Gross margin	50.16%	50.11%	49.82%	48.11%	48.46%	48.99%	+2.05ppt	+1.65ppt	+0.82ppt
Operating margin	39.92%	40.63%	41.13%	38.25%	38.65%	39.70%	+1.67ppt	+1.98ppt	+1.43ppt
Net margin	36.05%	36.59%	36.92%	32.26%	32.53%	33.43%	+3.79ppt	+4.06ppt	+3.49ppt

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	22,103	25,932	29,948	33,382	36,876	40,367	43,785	47,055	50,098	52,837
Tax rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	18,788	22,042	25,456	28,375	31,345	34,312	37,217	39,997	42,583	44,911
+ D&A	2,970	3,461	3,897	4,228	4,545	4,840	5,107	5,336	5,523	5,661
- Change in working capital	(337)	(1,843)	(1,971)	(2,138)	(2,299)	(2,448)	(2,583)	(2,699)	(2,793)	(2,863)
- Capex	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
FCFF	14,420	16,660	20,382	23,465	26,591	29,705	32,741	35,634	38,313	40,709
Terminal value										562,267
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)	229,279									
Total PV (RMB mn)	391,221									
Net debt (RMB mn)	(35,469)									
Equity value (RMB mn)	426,689									
# of shares (mn)	2,984									
Price per share (RMB per share)	143.00									

Source: CMBIGM estimates

Figure 4: Sensitivity analysis of DCF model (RMB)

		WACC				
		8.39%	8.89%	9.39%	9.89%	10.39%
Terminal growth rate	3.00%	185.75	169.54	155.91	144.29	134.28
	2.50%	175.32	161.10	148.99	138.55	129.46
	2.00%	166.53	153.89	143.00	133.53	125.22
	1.50%	159.01	147.65	137.78	129.12	121.46
	1.00%	152.51	142.21	133.18	125.20	118.10

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	40,341	39,241	45,456	52,361	60,875	69,896
Cost of goods sold	(23,729)	(22,965)	(23,801)	(26,098)	(30,368)	(35,077)
Gross profit	16,612	16,277	21,655	26,263	30,507	34,819
Operating expenses	(5,318)	(5,164)	(4,949)	(5,360)	(5,775)	(6,071)
Selling expense	(701)	(745)	(807)	(903)	(1,020)	(1,136)
Admin expense	(2,879)	(2,879)	(2,661)	(2,803)	(2,954)	(3,043)
R&D expense	(1,441)	(1,239)	(1,119)	(1,237)	(1,317)	(1,372)
Others	(297)	(301)	(361)	(416)	(484)	(521)
Operating profit	11,294	11,112	16,706	20,903	24,732	28,748
Gain/loss on financial assets at FVTPL	(38)	187	(137)	200	200	200
Investment gain/loss	234	604	8,588	600	600	600
Net interest income/(expense)	338	787	(398)	872	936	947
Other income/expense	4	(1,150)	(853)	400	400	400
Pre-tax profit	11,832	11,540	23,906	22,975	26,868	30,895
Income tax	(2,132)	(1,972)	(4,573)	(3,446)	(4,030)	(4,634)
After tax profit	9,700	9,568	19,333	19,529	22,838	26,261
Minority interest	(94)	(117)	(182)	(184)	(216)	(248)
Net profit	9,607	9,450	19,151	19,344	22,622	26,013
Adjusted net profit	10,854	10,583	14,957	18,877	22,276	25,806
Gross dividends	2,882	2,835	6,755	5,803	6,787	7,804

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	30,422	38,690	61,677	71,718	85,303	101,770
Cash & equivalents	13,764	18,322	35,131	44,729	55,588	69,110
Account receivables	7,922	8,044	7,281	8,827	10,262	11,783
Inventories	4,736	5,400	8,993	7,891	9,182	10,606
Prepayment	244	226	247	247	247	247
Financial assets at FVTPL	11	1,234	5,806	5,806	5,806	5,806
Other current assets	3,746	5,464	4,218	4,218	4,218	4,218
Non-current assets	43,247	41,636	41,444	46,235	50,584	54,548
PP&E	17,190	18,784	20,000	24,340	28,188	31,601
Deferred income tax	367	473	531	531	531	531
Investment in JVs & assos	2,216	2,326	2,145	2,145	2,145	2,145
Intangibles	1,864	1,575	1,281	1,148	1,016	883
Goodwill	1,821	972	864	864	864	864
Financial assets at FVTPL	8,626	8,943	8,131	8,931	9,731	10,531
Other non-current assets	11,164	8,562	8,492	8,275	8,109	7,992
Total assets	73,669	80,326	103,121	117,953	135,887	156,318
Current liabilities	14,756	16,226	19,235	20,342	22,225	24,198
Short-term borrowings	3,667	1,243	5,986	6,986	7,986	8,986
Account payables	1,645	1,764	2,450	2,556	3,439	4,413
Tax payable	1,374	1,211	2,763	2,763	2,763	2,763
Other current liabilities	8,070	12,008	8,037	8,037	8,037	8,037
Non-current liabilities	3,396	5,014	3,638	3,638	3,638	3,638
Long-term borrowings	687	2,960	1,819	1,819	1,819	1,819
Bond payables	0	0	0	0	0	0
Obligations under finance leases	1,099	547	455	455	455	455
Other non-current liabilities	1,610	1,508	1,364	1,364	1,364	1,364
Total liabilities	18,152	21,240	22,873	23,980	25,863	27,836
Share capital	2,969	2,888	2,984	2,984	2,984	2,984
Capital surplus	28,401	24,338	33,077	46,618	62,454	80,663
Other reserves	23,753	31,407	43,651	43,651	43,651	43,651
Total shareholders equity	55,122	58,633	79,712	93,253	109,089	127,298
Minority interest	395	453	535	720	935	1,183
Total equity and liabilities	73,669	80,326	103,121	117,953	135,887	156,318

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	11,832	11,540	23,906	22,975	26,868	30,895
Depreciation & amortization	2,288	2,769	3,387	2,832	3,274	3,659
Tax paid	(2,132)	(1,972)	(4,573)	(3,446)	(4,030)	(4,634)
Change in working capital	(105)	(926)	(94)	(337)	(1,843)	(1,971)
Others	1,504	996	(5,423)	(1,495)	(1,559)	(1,570)
Net cash from operations	13,387	12,407	17,203	20,529	22,710	26,379
Investing						
Capital expenditure	(5,517)	(4,003)	(5,538)	(7,000)	(7,000)	(7,000)
Acquisition of subsidiaries/ investments	(22)	0	0	0	0	0
Net proceeds from disposal of short-term investments	(2,321)	(2,013)	132	0	0	0
Others	299	498	3,461	0	0	0
Net cash from investing	(7,561)	(5,518)	(1,945)	(7,000)	(7,000)	(7,000)
Financing						
Dividend paid	(2,756)	(3,085)	(4,992)	(4,931)	(5,851)	(6,857)
Net borrowings	178	3,320	3,563	1,000	1,000	1,000
Proceeds from share issues	247	196	7,046	0	0	0
Others	(1,610)	(4,264)	(4,493)	0	0	0
Net cash from financing	(3,941)	(3,832)	1,124	(3,931)	(4,851)	(5,857)
Net change in cash						
Cash at the beginning of the year	7,984	10,001	13,445	35,131	44,729	55,588
Exchange difference	132	388	(370)	0	0	0
Cash at the end of the year	10,001	13,445	29,456	44,729	55,588	69,110
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	2.5%	(2.7%)	15.8%	15.2%	16.3%	14.8%
Gross profit	13.2%	(2.0%)	33.0%	21.3%	16.2%	14.1%
Operating profit	21.4%	(1.6%)	50.3%	25.1%	18.3%	16.2%
Net profit	9.0%	(1.6%)	102.6%	1.0%	16.9%	15.0%
Adj. net profit	15.5%	(2.5%)	41.3%	26.2%	18.0%	15.8%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	41.2%	41.5%	47.6%	50.2%	50.1%	49.8%
Operating margin	28.0%	28.3%	36.8%	39.9%	40.6%	41.1%
Adj. net profit margin	26.9%	27.0%	32.9%	36.1%	36.6%	36.9%
Return on equity (ROE)	18.9%	16.6%	27.7%	22.4%	22.4%	22.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)
Current ratio (x)	2.1	2.4	3.2	3.5	3.8	4.2
Receivable turnover days	63.2	74.3	61.5	61.5	61.5	61.5
Inventory turnover days	80.0	80.6	110.4	110.4	110.4	110.4
Payable turnover days	75.6	74.6	75.5	75.5	75.5	75.5
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E (adjusted)	29.9	30.1	21.1	17.5	14.8	12.8
P/B	5.8	5.4	3.9	3.5	3.0	2.6
P/CFPS	24.2	25.7	18.4	16.1	14.5	12.5
Div yield (%)	0.9	0.9	2.1	1.8	2.1	2.4

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

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