

Pharmaron Beijing (300759 CH)

1Q26 results: a strong start driven by CDMO services

Pharmaron reported 1Q26 results, with revenue growing 15.5% YoY to RMB3.58bn and adj. non-IFRS attributable net profit increasing 16.2% YoY to RMB406mn. 1Q26 revenue/ adj. net profit accounted for 21.8%/ 18.8% of our full-year estimates, largely in line with historical ranges. New orders in 1Q26 surged over 30% YoY, a significant acceleration from the 14% YoY growth recorded in 2025. Mgmt. maintained full-year revenue growth guidance of 12%-18%.

- **Demand accelerated in 1Q26.** Total new orders grew by >30% YoY in 1Q26, including >20% and >50% YoY growth for lab services and small molecule CDMO, respectively, both significantly outpacing their 2025 growth rates. This encouraging order momentum was primarily driven by: 1) Successful strategic expansion with MNC clients, with 1Q26 revenue from Top 20 global pharmaceutical companies soaring 47.98% YoY; 2) A recovery in domestic demand, as revenue from Chinese clients grew 43.4% YoY, coupled with a strong out-licensing trend where Pharmaron has been playing a critical role; 3) Continued rapid revenue growth from new modalities; and 4) The signing of a major DP (Drug Product) contract in the small molecule CDMO segment, alongside the progression of other pipeline projects into later stages.
- **Strong demand in small molecule CDMO.** The segment generated revenue of RMB866mn in 1Q26, up 25.0% YoY, significantly outperforming other segments. Notably, the Company secured a commercial DP contract for Eli Lilly's oral small molecule GLP-1 drug, Orforglipron, in 1Q26. Serving over 1,000 projects annually with a broad coverage of promising targets and molecules, Pharmaron is well-positioned to capture major manufacturing orders in the future. As current capacity is highly utilized, the Company will continue to advance the PhII construction at Shaoxing site and plan for new capacity expansions. Mgmt. expects capex for 2026 to be ~RMB3.0bn (+12.4% YoY), with a strategic focus on bolstering CDMO capacity for late-stage projects and new modalities. Based on current demand and capacity planning, mgmt. expects the small molecule CDMO segment to consistently outpace the Company's overall growth in the coming years.
- **Clinical services targeting loss reduction this year.** Revenue from clinical services increased by 11.8% YoY, accelerating from the 7.1% YoY growth in 2025. However, segment GPM came in at 7.1% in 1Q26, down 4.7ppts YoY, primarily due to revenue mix changes and pricing competition in China market. Regarding new orders, SMO pricing has shown recoveries, while CRO price pressure has moderated compared to last year. Nevertheless, given the long conversion cycle of clinical programs, the Company is still executing low-priced orders secured last year. Mgmt. expects the segment to remain in a loss-reduction phase throughout 2026, with performance likely to improve next year as higher-priced orders set to be converted into revenue.
- **Maintain BUY.** Our DCF-based TP is maintained at RMB39.00 (WACC of 9.32%; terminal growth of 2.0%; both unchanged). We forecast Pharmaron's revenue to grow by 16.5%/ 16.2%/ 14.9% YoY and adj. net profit to increase by 18.8%/ 17.8%/ 16.1% YoY in 2026E/ 27E/ 28E, respectively.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	12,276	14,095	16,426	19,084	21,930
YoY growth (%)	6.4	14.8	16.5	16.2	14.9
Adjusted net profit (RMB m)	1,607	1,816	2,158	2,541	2,950
YoY growth (%)	(15.6)	13.0	18.8	17.8	16.1
EPS (Adjusted) (RMB)	0.91	1.03	1.17	1.38	1.61
Consensus EPS (RMB)	na	na	1.14	1.39	1.70
P/E (Adjusted) (x)	32.8	28.9	25.3	21.5	18.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB39.00
(Previous TP)	RMB39.00)
Up/Downside	31.1%
Current Price	RMB29.75

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Stock Data

Mkt Cap (RMB mn)	54,659.2
Avg 3 mths t/o (RMB mn)	797.6
52w High/Low (RMB)	35.90/22.34
Total Issued Shares (mn)	1837.3

Source: FactSet

Shareholding Structure

HK investors	21.8%
De Facto Controllers	17.6%

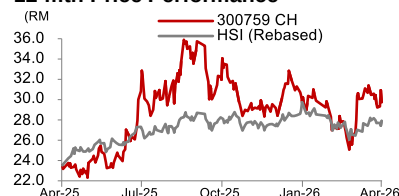
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	12.6%	7.6%
3-mth	-1.6%	5.4%
6-mth	-12.6%	-11.8%

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	16,426	19,084	21,930	16,410	19,019	21,855	0.10%	0.34%	0.34%
Gross profit	5,837	6,921	8,139	5,871	6,964	8,199	-0.59%	-0.61%	-0.73%
Operating profit	2,467	2,882	3,333	2,439	2,853	3,311	1.15%	1.02%	0.66%
Non-IFRS net profit	2,158	2,541	2,950	2,156	2,537	2,955	0.09%	0.18%	-0.18%
Non-IFRS EPS (RMB)	1.17	1.38	1.61	1.17	1.38	1.61	0.09%	0.18%	-0.18%
Gross margin	35.53%	36.27%	37.11%	35.78%	36.62%	37.52%	-0.24ppt	-0.35ppt	-0.40ppt
Operating margin	15.02%	15.10%	15.20%	14.86%	15.00%	15.15%	+0.16ppt	+0.10ppt	+0.05ppt
Net margin	13.14%	13.31%	13.45%	13.14%	13.34%	13.52%	+0.00ppt	-0.02ppt	-0.07ppt

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	16,426	19,084	21,930	16,275	18,792	21,769	0.93%	1.56%	0.74%
Gross profit	5,837	6,921	8,139	5,802	6,834	8,062	0.60%	1.27%	0.95%
Operating profit	2,467	2,882	3,333	2,480	3,030	3,657	-0.52%	-4.88%	-8.86%
Non-IFRS net profit	2,158	2,541	2,950	2,055	2,516	3,106	4.99%	1.00%	-5.02%
Non-IFRS EPS (RMB)	1.17	1.38	1.61	1.14	1.39	1.70	3.47%	-0.57%	-5.77%
Gross margin	35.53%	36.27%	37.11%	35.65%	36.37%	37.04%	-0.12ppt	-0.10ppt	+0.08ppt
Operating margin	15.02%	15.10%	15.20%	15.24%	16.12%	16.80%	-0.22ppt	-1.02ppt	-1.60ppt
Net margin	13.14%	13.31%	13.45%	12.63%	13.39%	14.27%	+0.51ppt	-0.07ppt	-0.82ppt

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	2,767	3,182	3,633	4,432	5,340	6,354	7,465	8,658	9,912	11,199
Tax rate	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
EBIT*(1-tax rate)	2,241	2,578	2,943	3,590	4,325	5,146	6,046	7,013	8,029	9,071
+ D&A	1,301	1,493	1,665	1,998	2,368	2,771	3,200	3,648	4,104	4,556
- Change in working capital	-203	-484	-518	-621	-736	-861	-995	-1,134	-1,276	-1,416
- Capex	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
FCFF	340	586	1,090	1,967	2,957	4,056	5,252	6,527	7,857	9,211
Terminal value										128,434
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)										52,709
Total PV (RMB mn)										73,314
Net debt (RMB mn)										1,099
Minority interest (RMBmn)										566
Equity value (RMB mn)										71,650
# of shares (mn)										1,837
Price per share (RMB per share)										39.00

Source: CMBIGM estimates

Figure 4: Sensitivity analysis of DCF model (RMB)

		WACC				
		8.32%	8.82%	9.32%	9.82%	10.32%
Terminal growth rate	4.00%	65.44	57.21	50.57	45.10	40.54
	3.50%	59.56	52.63	46.93	42.16	38.13
	2.00%	47.51	42.92	39.00	35.60	32.64
	2.50%	50.83	45.65	41.25	37.49	34.24
	2.00%	47.51	42.92	39.00	35.60	32.64

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	16,426	19,084	21,930
Cost of goods sold	(7,414)	(8,073)	(9,185)	(10,589)	(12,163)	(13,791)
Gross profit	4,124	4,203	4,910	5,837	6,921	8,139
Operating expenses	(2,390)	(2,422)	(2,765)	(3,370)	(4,039)	(4,806)
Selling expense	(253)	(258)	(306)	(390)	(491)	(608)
Admin expense	(1,607)	(1,585)	(1,736)	(2,106)	(2,504)	(2,943)
R&D expense	(448)	(469)	(576)	(721)	(856)	(1,028)
Others	(83)	(110)	(146)	(154)	(188)	(227)
Operating profit	1,734	1,781	2,145	2,467	2,882	3,333
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)	(87)	(60)	(40)
Other income/expense	45	(90)	(40)	100	100	100
Pre-tax profit	1,838	2,091	1,913	2,681	3,122	3,593
Income tax	(256)	(377)	(358)	(509)	(593)	(683)
After tax profit	1,582	1,714	1,555	2,171	2,529	2,911
Minority interest	19	79	109	109	126	146
Net profit	1,601	1,793	1,664	2,280	2,656	3,056
Adjusted net profit	1,903	1,607	1,816	2,158	2,541	2,950
Gross dividends	357	354	366	456	531	611

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	10,874	7,608	7,778	9,869	11,382	13,377
Cash & equivalents	5,919	1,690	1,017	2,818	3,625	4,872
Account receivables	2,242	2,414	2,722	2,992	3,477	3,995
Inventories	1,013	1,117	1,472	1,492	1,714	1,944
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	20,714	21,922	22,956
PP&E	6,497	7,809	8,933	10,939	12,755	14,397
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	3,810	3,421	3,033
Total assets	26,477	23,927	27,094	30,583	33,303	36,333
Current liabilities	3,654	4,224	8,364	8,951	9,674	10,404
Short-term borrowings	577	765	1,265	1,765	2,265	2,765
Account payables	412	477	607	694	916	1,146
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	11,942	12,665	13,395
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	9,503	11,627	14,072
Other reserves	343	390	656	656	656	656
Total shareholders equity	12,557	13,619	15,064	18,075	20,199	22,644
Minority interest	681	604	674	566	439	294
Total equity and liabilities	26,477	23,927	27,094	30,583	33,303	36,333

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,838	2,091	1,913	2,681	3,122	3,593
Depreciation & amortization	1,009	1,145	1,270	1,301	1,493	1,665
Tax paid	(256)	(377)	(358)	(509)	(593)	(683)
Change in working capital	64	(117)	(10)	(203)	(484)	(518)
Others	100	(166)	406	(113)	(140)	(160)
Net cash from operations	2,754	2,577	3,221	3,156	3,398	3,898
Investing						
Capital expenditure	(2,865)	(2,041)	(2,669)	(3,000)	(3,000)	(3,000)
Acquisition of subsidiaries/ investments	(2,113)	(3,197)	(5,120)	(3,500)	(2,500)	(2,500)
Net proceeds from disposal of short-term investments	2,720	3,227	3,409	4,000	3,000	3,000
Others	7	(13)	6	0	0	0
Net cash from investing	(2,251)	(2,024)	(4,374)	(2,500)	(2,500)	(2,500)
Financing						
Dividend paid	(458)	(548)	(531)	(543)	(591)	(651)
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	1,144	(91)	(151)
Net change in cash						
Cash at the beginning of the year	1,360	5,789	1,623	1,017	2,818	3,625
Exchange difference	11	78	(4)	0	0	0
Cash at the end of the year	5,789	1,623	843	2,818	3,625	4,872
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	12.4%	6.4%	14.8%	16.5%	16.2%	14.9%
Gross profit	9.4%	1.9%	16.8%	18.9%	18.6%	17.6%
Operating profit	2.5%	2.7%	20.4%	15.0%	16.8%	15.6%
Net profit	16.5%	12.0%	(7.2%)	37.0%	16.5%	15.1%
Adj. net profit	3.8%	(15.6%)	13.0%	18.8%	17.8%	16.1%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.7%	34.2%	34.8%	35.5%	36.3%	37.1%
Operating margin	15.0%	14.5%	15.2%	15.0%	15.1%	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%	13.8%	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	0.0	0.0	(0.0)
Current ratio (x)	3.0	1.8	0.9	1.1	1.2	1.3
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 (adjusted)	27.7	32.8	28.9	25.3	21.5	18.5
P/B	4.0	3.7	3.3	2.9	2.6	2.4
P/CFPS	19.1	20.4	16.3	17.3	16.1	14.0
Div yield (%)	0.7	0.7	0.7	0.8	1.0	1.1

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

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