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招商银行全资附属机构
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WuXi AppTec (603259 CH)

Guidance raised after exceptional 2Q26 earnings

WuXi AppTec delivered exceptionally strong results in 1H26, with growth accelerating through the year despite meaningful FX headwinds. In 1H26, total revenue rose 38.9% YoY to RMB28.9bn (2Q: +47.7% YoY), while revenue from continuing operations grew 48.0% YoY (2Q: +55.2% YoY). Adj. net profit surged 83.2% YoY to RMB11.6bn (2Q: +91.7% YoY), driving the adj. net margin to a record 40.0%. Demand visibility continued to improve, with backlog for continuing operations reaching RMB66.4bn as of 30 June. Mgmt. noted backlog/new bookings grew ~30%/ >40% YoY on a constant exchange basis. Mgmt. substantially raised full-year guidance by projecting 2026 revenue to reach RMB58.5-60.5bn (previously RMB51.3-53.0bn), with revenue from continuing operations to grow by 35-39% YoY (previously 18-22% YoY). Adj. net profit margin is expected to remain stable.

- **Broad-based growth led by Chemistry on capacity efficiency gains from late-stage and commercial projects.** Mgmt. expected for greater success from several customers' products, which we believe will be the main growth driver of the Chemistry segment in 1H26. Mgmt. emphasized that over 80% of commercial projects were converted internally from its own pipeline, and late-stage plus commercial projects now contribute more than 50% of revenue, a structural mix shift that underpins both growth durability and margin resilience. Specifically, small molecule D&M revenue jumped 72.7% YoY (2Q26: +66.9%), while TIDES revenue grew 44.3% YoY in 1H26 with 74.9% YoY growth in 2Q26, lifting full-year TIDES growth guidance to ~45% (from ~40%). Mgmt. attributed quarterly TIDES volatility to delivery scheduling and complex supply-chain planning, not underlying demand. Testing revenue rose 31.5% YoY (2Q: +35.1%), with safety assessment services up 42.8% YoY. Biology revenue steadily grew 11.2% YoY in 1H26 (2Q26: +12.3%). Mgmt. highlighted a recovery in global early-stage R&D demand over recent quarters, particularly in new modalities, and viewed AI-driven drug discovery as a positive factor for its early-stage business.
- **Capacity effectively running at full utilization.** TIDES capacity is planned to reach 130k L by end-2026, with three new workshops under construction - two in Taixing (online in 2027) and one in Singapore (online in 2028). Small molecule capacity is targeted at 5mn L by end-2026. The construction of new Changzhou site was initiated ahead of schedule to accommodate demand. The increase of capex to RMB7.5–8.5bn reflects accelerated overseas construction and the early Changzhou start, with further potential rise over coming years. With accelerating backlog, richer late-stage mix and proactive capacity additions, growth visibility remains well supported through 2H26 and beyond.
- **Maintain BUY.** To factor in the strong momentum of small molecule D&M and TIDES business as well as continuous recovery of early-stage business, we raise our earnings forecasts, expecting revenue to grow by 31.4%/ 18.3%/ 15.1% YoY (for continuing operations: 37.5%/ 18.3%/ 15.1% YoY) and adj. net profit to grow by 59.1%/ 14.9%/ 13.6% YoY in 2026E/ 27E/ 28E, respectively. Hence, we raise our DCF-based TP from RMB143.00 to RMB170.00 (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	59,709	70,608	81,295
YoY growth (%)	(2.7)	15.8	31.4	18.3	15.1
Adjusted net profit (RMB m	10,583	14,957	23,788	27,335	31,058
YoY growth (%)	(2.5)	41.3	59.1	14.9	13.6
EPS (Adjusted) (RMB)	3.67	5.23	8.16	9.16	10.41
Consensus EPS (RMB)	na	na	6.59	7.61	8.90
P/E (Adjusted) (x)	35.0	24.5	15.8	14.0	12.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB170.00**
(Previous TP	RMB143.00)
Up/Downside	**32.3%**
Current Price	**RMB128.50**

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Stock Data

Mkt Cap (RMB mn)	383,412.8
Avg 3 mths t/o (RMB mn)	6,479.7
52w High/Low (RMB)	131.50/87.62
Total Issued Shares (mn)	2983.8

Source: FactSet

Shareholding Structure

HK investors	25.9%
Ge Li and concerted parties	16.4%

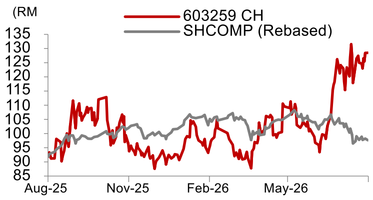
Source: Company report

Share Performance

	Absolute	Relative
1-mth	3.5%	9.9%
3-mth	17.3%	26.6%
6-mth	35.8%	45.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New FY26E	New FY27E	New FY28E	Old FY26E	Old FY27E	Old FY28E	Diff (%) FY26E	Diff (%) FY27E	Diff (%) FY28E
Revenue	59,709	70,608	81,295	52,361	60,875	69,896	14.03%	15.99%	16.31%
Gross profit	32,667	36,115	40,973	26,263	30,507	34,819	24.39%	18.38%	17.67%
Operating profit	27,289	30,320	34,545	20,903	24,732	28,748	30.55%	22.59%	20.16%
Non-IFRS net profit	23,788	27,335	31,058	18,877	22,276	25,806	26.02%	22.71%	20.35%
Non-IFRS EPS (RMB)	8.16	9.16	10.41	6.33	7.47	8.65	28.93%	22.71%	20.35%
Gross margin	54.71%	51.15%	50.40%	50.16%	50.11%	49.82%	+4.55ppt	+1.03ppt	+0.58ppt
Operating margin	45.70%	42.94%	42.49%	39.92%	40.63%	41.13%	+5.78ppt	+2.31ppt	+1.36ppt
Net margin	39.84%	38.71%	38.20%	36.05%	36.59%	36.92%	+3.79ppt	+2.12ppt	+1.28ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM FY26E	CMBIGM FY27E	CMBIGM FY28E	Consensus FY26E	Consensus FY27E	Consensus FY28E	Diff (%) FY26E	Diff (%) FY27E	Diff (%) FY28E
Revenue	59,709	70,608	81,295	53,541	65,230	75,025	11.52%	8.24%	8.36%
Gross profit	32,667	36,115	40,973	26,815	32,863	37,945	21.82%	9.90%	7.98%
Operating profit	27,289	30,320	34,545	22,821	26,806	30,842	19.58%	13.11%	12.00%
Non-IFRS net profit	23,788	27,335	31,058	19,048	22,521	25,921	24.89%	21.37%	19.82%
Non-IFRS EPS (RMB)	8.16	9.16	10.41	6.59	7.61	8.90	23.76%	20.32%	16.90%
Gross margin	54.71%	51.15%	50.40%	50.08%	50.38%	50.58%	+4.63ppt	+0.77ppt	-0.18ppt
Operating margin	45.70%	42.94%	42.49%	42.62%	41.09%	41.11%	+3.08ppt	+1.85ppt	+1.38ppt
Net margin	39.84%	38.71%	38.20%	35.58%	34.53%	34.55%	+4.26ppt	+4.19ppt	+3.65ppt

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		29,038	31,520	35,745	40,376	45,204	50,157	55,151	60,091	64,872	69,385
Tax rate		16.62%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)		24,211	26,792	30,383	34,320	38,423	42,633	46,878	51,077	55,141	58,977
+ D&A		3,026	3,624	4,155	4,487	4,801	5,089	5,344	5,557	5,724	5,838
- Change in working capital		-1,666	-2,549	-2,358	-2,547	-2,725	-2,889	-3,033	-3,155	-3,249	-3,314
- Capex		-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000
FCFF		**15,572**	**17,867**	**22,179**	**26,259**	**30,499**	**34,833**	**39,188**	**43,480**	**47,616**	**51,502**
Terminal value											**711,329**
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)	290,063										
Total PV (RMB mn)	478,700										
Net debt (RMB mn)	-28,536										
Equity value (RMB mn)	507,236										
# of shares (mn)	2,984										
Price per share (RMB per share)	**170.00**										

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%**	223.88	203.47	186.33	171.73	159.15
	2.50%	210.68	192.80	177.57	164.46	153.06
	2.00%	199.56	183.67	**170.00**	158.11	147.69
	1.50%	190.04	175.78	163.39	152.53	142.93
	1.00%	181.82	168.89	157.57	147.57	138.68

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**	**59,709**	**70,608**	**81,295**
Cost of goods sold	(23,729)	(22,965)	(23,801)	(27,042)	(34,493)	(40,322)
Gross profit	**16,612**	**16,277**	**21,655**	**32,667**	**36,115**	**40,973**
Operating expenses	**(5,318)**	**(5,164)**	**(4,949)**	**(5,378)**	**(5,795)**	**(6,428)**
Selling expense	(701)	(745)	(807)	(777)	(848)	(935)
Admin expense	(2,879)	(2,879)	(2,661)	(2,926)	(3,107)	(3,496)
R&D expense	(1,441)	(1,239)	(1,119)	(1,188)	(1,264)	(1,374)
Others	(297)	(301)	(361)	(487)	(576)	(623)
Operating profit	**11,294**	**11,112**	**16,706**	**27,289**	**30,320**	**34,545**
Gain/loss on financial assets at FVTPL	(38)	187	(137)	1,368	200	200
Investment gain/loss	234	604	8,588	455	600	600
Net Interest income/(expense)	**338**	**787**	**(398)**	**(47)**	**723**	**752**
Other income/expense	4	(1,150)	(853)	(75)	400	400
Pre-tax profit	**11,832**	**11,540**	**23,906**	**28,991**	**32,242**	**36,496**
Income tax	(2,132)	(1,972)	(4,573)	(4,819)	(4,836)	(5,474)
After tax profit	**9,700**	**9,568**	**19,333**	**24,172**	**27,406**	**31,022**
Minority interest	(94)	(117)	(182)	(100)	(114)	(129)
Net profit	**9,607**	**9,450**	**19,151**	**24,072**	**27,292**	**30,893**
Adjusted net profit	**10,854**	**10,583**	**14,957**	**23,788**	**27,335**	**31,058**
Gross dividends	2,882	2,835	6,755	7,222	8,188	9,268

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**30,422**	**38,690**	**61,677**	**67,310**	**79,883**	**97,137**
Cash & equivalents	13,764	18,322	35,131	38,797	47,280	60,969
Account receivables	7,922	8,044	7,281	10,066	11,903	13,704
Inventories	4,736	5,400	8,993	8,176	10,429	12,192
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**	**50,063**	**57,250**	**63,955**
PP&E	17,190	18,784	20,000	25,281	29,966	34,121
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	11,818	14,618	17,418
Other non-current assets	11,164	8,562	8,492	8,275	8,109	7,992
Total assets	**73,669**	**80,326**	**103,121**	**117,373**	**137,133**	**161,092**
Current liabilities	**14,756**	**16,226**	**19,235**	**21,537**	**24,078**	**26,283**
Short-term borrowings	3,667	1,243	5,986	7,986	8,986	9,986
Account payables	1,645	1,764	2,450	2,751	4,292	5,497
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**	**25,175**	**27,716**	**29,921**
Share capital	2,969	2,888	2,984	2,984	2,984	2,984
Capital surplus	28,401	24,338	33,077	49,928	69,032	90,658
Other reserves	23,753	31,407	43,651	38,651	36,651	36,651
Total shareholders equity	**55,122**	**58,633**	**79,712**	**91,563**	**108,667**	**130,293**
Minority interest	395	453	535	636	749	878
Total equity and liabilities	**73,669**	**80,326**	**103,121**	**117,373**	**137,133**	**161,092**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**11,832**	**11,540**	**23,906**	**28,991**	**32,242**	**36,496**
Depreciation & amortization	2,288	2,769	3,387	2,889	3,437	3,917
Tax paid	(2,132)	(1,972)	(4,573)	(4,819)	(4,836)	(5,474)
Change in working capital	(105)	(926)	(94)	(1,666)	(2,549)	(2,358)
Others	1,504	996	(5,423)	(1,462)	(1,346)	(1,375)
Net cash from operations	**13,387**	**12,407**	**17,203**	**23,934**	**26,948**	**31,206**
Investing						
Capital expenditure	(5,517)	(4,003)	(5,538)	(8,000)	(8,000)	(8,000)
Acquisition of subsidiaries/ investments	(22)	0	0	0	0	0
Net proceeds from disposal of short-term investments	(2,321)	(2,013)	132	(2,000)	(2,000)	(2,000)
Others	299	498	3,461	0	0	0
Net cash from investing	**(7,561)**	**(5,518)**	**(1,945)**	**(10,000)**	**(10,000)**	**(10,000)**
Financing						
Dividend paid	(2,756)	(3,085)	(4,992)	(7,268)	(7,465)	(8,516)
Net borrowings	178	3,320	3,563	2,000	1,000	1,000
Proceeds from share issues	247	196	7,046	0	0	0
Others	(1,610)	(4,264)	(4,493)	(5,000)	(2,000)	0
Net cash from financing	**(3,941)**	**(3,832)**	**1,124**	**(10,268)**	**(8,465)**	**(7,516)**
Net change in cash						
Cash at the beginning of the year	7,984	10,001	13,445	35,131	38,797	47,280
Exchange difference	132	388	(370)	0	0	0
Cash at the end of the year	**10,001**	**13,445**	**29,456**	**38,797**	**47,280**	**60,969**

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

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