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CMB International Global Markets | Equity Research | Company Update

WuXi Biologics (2269 HK)

Guidance raised; biosimilars to be new driver

WuXi Bio reported strong 1H26 results, with revenue up 18.4% YoY to RMB11.8bn, and adj. attributable net profit rising 38.4% YoY to RMB3.3bn. Revenue would grow by 23.4% YoY on a USD basis. Gross profit margin expanded 3.5ppts YoY to 46.2%, driven by operating leverage, improved capacity utilization and WBS, partly offset by ~3ppts FX drag. Momentum was broad-based, with total backlog rising 23.4% YoY to US$25.1bn, led by the 30% YoY growth within three-year backlog. The Company added 169 integrated projects (123 organic) and 16 "Win-the-Molecule" projects in 1H26, with PhIII/ commercial projects reaching 78/ 28. Headcount increased by 17.2% YoY in 1H26, the highest since 1H23, indicating strong service demand ahead. Mgmt. raised its 2026 revenue growth guidance to 15-18% YoY (previously 13-17% YoY) on a reported basis and 20-23% YoY (previously 16-20% YoY) on a constant FX basis, and maintained revenue CAGR target at 20% over the next three years, with M side at 30%.

- **Scaling up global capacity.** In China, where R&D capacity has already been full and M capacity is expected to be fully utilized next year, WuXi Bio plans to invest ~RMB3bn over the coming years through a build-plus-acquire strategy (acquisitions at roughly half the cost of greenfield builds). For example, Chengdu microbial site (15,000L, expandable to 60,000L) is on track for GMP release by end-2026 with seven peptide projects (including one late stage project) already secured. And the Company has recently announced RMB190mn acquisition of Transcenta's Hangzhou manufacturing base. In Singapore, DP facility is expected to commence operations in 2027, potentially contributing US$300–500mn of DP revenue in the future. In the US, MFG11 in Worcester has been upsized to 36,000L with operation scheduled in 2029E. Additionally, DP business, currently ~10% of revenue and growing ~40% YoY in 1H26, will be a key investment focus. DP production lines are set to quadruple within three years, targeting a 20% revenue contribution within five years. Overall, the Company plans capex of RMB7.1bn for 2026E and RMB8.0bn for 2027E.
- **Biosimilars to be a new pillar of M business.** WuXi Bio now holds 17 biosimilar projects with 20 committed projects over the next three years, 80% of which come from global Top10 biosimilar players. With ~70 biologics losing patent protection over the next five years and FDA moving to ease comparative efficacy study requirements, the Company's WuXia TrueSite cell-line platform (8+ g/L titers; 30–50% lower production costs) gives it a decisive edge in this cost-sensitive segment. Mgmt. expected those 20 committed projects alone to contribute ~US$1bn of M revenue by 2030-31E, enough to double current size of M business. Given biosimilars' faster D-to-M cycles and steep post-launch ramp-ups, we see them as a high-potential engine for WuXi Bio's long-term growth on M side.
- **Maintain BUY.** To reflect the increase in full-year guidance and our positive outlook of sector demand, we raise our forecasts and expect revenue to grow by 17.1%/ 18.3%/ 19.1% YoY and adj. attributable net profit to increase by 16.5%/ 20.6%/ 21.2% YoY in 2026E/ 27E/ 28E, respectively. Thus, we raise our DCF-based TP from HK$39.0 to HK$60.0 (WACC: 9.32%, terminal growth: 2.00%, both unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	18,675	21,790	25,524	30,195	35,969
YoY growth (%)	9.6	16.7	17.1	18.3	19.1
Adjusted net profit (RMB m	4,784	5,640	6,568	7,921	9,597
YoY growth (%)	1.8	17.9	16.5	20.6	21.2
EPS (Adjusted) (RMB)	1.17	1.40	1.58	1.91	2.32
Consensus EPS (RMB)	na	na	1.55	1.85	2.21
P/E (Adjusted) (x)	37.7	31.5	27.9	23.1	19.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$60.00**
(Previous TP	HK$39.00)
Up/Downside	**18.2%**
Current Price	**HK$50.75**

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Stock Data

Mkt Cap (HK$ mn)	210,358.4
Avg 3 mths t/o (HK$ mn)	1,354.0
52w High/Low (HK$)	52.20/29.70
Total Issued Shares (mn)	4145.0

Source: FactSet

Shareholding Structure

WuXi Biologics Holdings	8.7%
BlackRock	5.7%

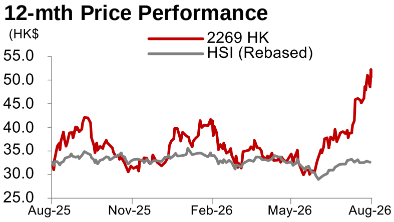
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	29.8%	26.3%
3-mth	47.6%	47.3%
6-mth	32.6%	36.3%

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	25,524	30,195	35,969	24,974	29,033	33,387	2.20%	4.00%	7.73%
Gross profit	11,755	14,208	17,284	11,358	13,494	15,618	3.50%	5.29%	10.67%
Operating profit	8,709	10,813	13,245	8,396	10,417	12,260	3.73%	3.80%	8.04%
Adjusted net profit	6,568	7,921	9,597	6,697	7,859	8,927	-1.91%	0.78%	7.50%
Adjusted EPS (RMB)	1.58	1.91	2.32	1.62	1.90	2.16	-2.09%	0.60%	7.31%
Gross margin	46.05%	47.05%	48.05%	45.48%	46.48%	46.78%	+0.58ppt	+0.58ppt	+1.28ppt
Operating margin	34.12%	35.81%	36.82%	33.62%	35.88%	36.72%	+0.50ppt	-0.07ppt	+0.10ppt
Adjusted net margin	25.73%	26.23%	26.68%	26.81%	27.07%	26.74%	-1.08ppt	-0.84ppt	-0.06ppt

Source: 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	25,524	30,195	35,969	25,376	30,089	35,548	0.58%	0.35%	1.18%
Gross profit	11,755	14,208	17,284	11,526	13,873	16,627	1.99%	2.42%	3.95%
Operating profit	8,709	10,813	13,245	8,053	9,863	11,962	8.14%	9.64%	10.72%
Adjusted net profit	6,568	7,921	9,597	6,197	7,467	9,042	5.99%	6.08%	6.14%
Adjusted EPS (RMB)	1.58	1.91	2.32	1.55	1.85	2.21	2.50%	3.07%	4.76%
Gross margin	46.05%	47.05%	48.05%	45.42%	46.11%	46.77%	+0.63ppt	+0.95ppt	+1.28ppt
Operating margin	34.12%	35.81%	36.82%	31.73%	32.78%	33.65%	+2.38ppt	+3.03ppt	+3.17ppt
Adjusted net margin	25.73%	26.23%	26.68%	24.42%	24.82%	25.44%	+1.31ppt	+1.42ppt	+1.24ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	8,219	10,237	12,691	14,977	17,526	20,333	23,385	26,663	30,133	33,754
Tax rate	16.68%	14.68%	14.68%	14.68%	14.68%	14.68%	14.68%	14.68%	14.68%	14.68%
EBIT*(1-tax rate)	6,847	8,734	10,828	12,778	14,952	17,347	19,952	22,748	25,708	28,797
+ D&A	1,300	1,523	1,719	1,977	2,254	2,547	2,853	3,166	3,483	3,796
- Change in working capital	-175	-1,412	-1,707	-1,963	-2,238	-2,529	-2,833	-3,144	-3,459	-3,770
- Capex	-7,100	-8,000	-6,000	-5,400	-4,860	-4,374	-3,937	-3,543	-3,189	-2,870
FCFF	**873**	**845**	**4,839**	**7,392**	**10,108**	**12,990**	**16,035**	**19,227**	**22,544**	**25,954**
Terminal value										**361,896**

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%

Terminal value (RMB mn)	148,521
Total PV (RMB mn)	211,785
Net debt (RMB mn)	-11,604
Minority (RMBmn)	7,023
Equity value (RMB mn)	216,366
# of shares (mn)	4,145
Price per share (RMB per share)	52.20
Price per share (HK$ per share)	**60.00**

Source: CMBIGM estimates
Note: HK$/RMB=0.87

Figure 4: Sensitivity analysis of DCF model (HK$)

		WACC				
		8.32%	**8.82%**	**9.32%**	**9.82%**	**10.32%**
Terminal growth rate	**4.00%**	98.03	86.18	76.61	68.73	62.14
	3.50%	89.59	79.60	71.39	64.51	58.68
	2.00%	72.29	65.67	**60.00**	55.09	50.81
	2.50%	77.06	69.58	63.24	57.80	53.10
	2.00%	72.29	65.67	60.00	55.09	50.81

Source: CMBIGM estimates

Risks:

1) Uncertainties in the recovery trend of global biotech funding and demand from biotech clients; 2) uncertainties in the demand trend of global mid- and large-size pharmaceutical companies amid the challenging macro and geopolitical environment; 3) slower-than-expected progress of PhIII and commercial projects, leading to slower revenue growth in the future; 4) WuXi Bio's incompetency in obtaining customers contracts due to various factors, such as the lack of necessary technologies and customer's concerns of working with WuXi Bio amid geopolitical uncertainties.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**17,034**	**18,675**	**21,790**	**25,524**	**30,195**	**35,969**
Cost of goods sold	(10,206)	(11,025)	(11,772)	(13,769)	(15,987)	(18,684)
Gross profit	**6,828**	**7,651**	**10,019**	**11,755**	**14,208**	**17,284**
Operating expenses	**(2,159)**	**(2,325)**	**(2,527)**	**(3,046)**	**(3,395)**	**(4,040)**
Selling expense	(294)	(474)	(609)	(699)	(797)	(950)
Admin expense	(1,495)	(1,674)	(1,704)	(1,931)	(2,134)	(2,470)
R&D expense	(786)	(766)	(853)	(959)	(1,074)	(1,208)
Others	417	588	640	544	611	588
Operating profit	**4,669**	**5,325**	**7,492**	**8,709**	**10,813**	**13,245**
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
Net Interest income/(expense)	**(158)**	**(158)**	**(143)**	**(89)**	**(143)**	**(122)**
Others	(337)	(333)	(92)	(79)	(200)	(200)
Pre-tax profit	**4,174**	**4,834**	**7,257**	**8,541**	**10,470**	**12,923**
Income tax	(603)	(889)	(1,524)	(1,425)	(1,537)	(1,898)
After tax profit	**3,571**	**3,945**	**5,733**	**7,116**	**8,933**	**11,025**
Minority interest	(171)	(589)	(825)	(1,232)	(1,787)	(2,205)
Net profit	**3,400**	**3,356**	**4,908**	**5,884**	**7,146**	**8,820**
Adjusted net profit	**4,699**	**4,784**	**5,640**	**6,568**	**7,921**	**9,597**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**21,198**	**23,573**	**28,135**	**30,478**	**33,989**	**42,642**
Cash & equivalents	9,670	8,279	9,214	11,121	12,649	18,899
Account receivables	6,293	6,241	8,853	8,630	9,961	11,571
Inventories	1,766	1,522	1,381	1,698	1,971	2,304
ST bank deposits	340	1,907	5,587	5,587	5,587	5,587
Financial assets at FVTPL	1,234	524	932	932	932	932
Other current assets	1,896	5,101	2,169	2,510	2,888	3,349
Non-current assets	**35,377**	**33,404**	**35,561**	**42,861**	**49,338**	**53,619**
PP&E	27,378	26,070	27,739	33,763	40,464	44,969
Deferred income tax	236	444	501	501	501	501
Investment in JVs & assos	1,394	1,267	1,152	1,152	1,152	1,152
Intangibles	512	442	467	413	360	306
Goodwill	1,530	1,530	1,530	3,030	3,030	3,030
Financial assets at FVTPL	1,519	1,133	2,051	2,051	2,051	2,051
Other non-current assets	2,809	2,517	2,122	1,951	1,781	1,611
Total assets	**56,576**	**56,977**	**63,697**	**73,339**	**83,327**	**96,260**
Current liabilities	**7,636**	**8,621**	**8,308**	**8,568**	**9,139**	**9,834**
Short-term borrowings	576	2,435	874	874	874	874
Account payables	2,756	2,778	3,287	3,548	4,119	4,814
Tax payable	619	648	791	791	791	791
Other current liabilities	3,530	2,576	2,973	2,973	2,973	2,973
Lease liabilities	155	184	382	382	382	382
Non-current liabilities	**4,922**	**2,879**	**2,350**	**4,350**	**4,550**	**4,750**
Long-term borrowings	1,571	201	169	2,169	2,369	2,569
Obligations under finance leases	2,259	2,120	1,679	1,679	1,679	1,679
Deferred income	258	318	341	341	341	341
Other non-current liabilities	834	240	160	160	160	160
Total liabilities	**12,558**	**11,500**	**10,657**	**12,917**	**13,689**	**14,584**
Share capital	0	0	0	0	0	0
Capital surplus	40,331	41,819	47,248	53,398	60,829	70,662
Total shareholders equity	**40,332**	**41,819**	**47,249**	**53,398**	**60,829**	**70,662**
Minority interest	3,686	3,658	5,791	7,023	8,810	11,015
Total equity and liabilities	**56,576**	**56,977**	**63,697**	**73,339**	**83,327**	**96,260**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**4,174**	**4,834**	**7,257**	**8,541**	**10,470**	**12,923**
Depreciation & amortization	1,169	1,437	1,448	1,300	1,523	1,719
Tax paid	(783)	(1,092)	(1,400)	(1,425)	(1,537)	(1,898)
Change in working capital	(896)	(801)	(1,731)	(175)	(1,412)	(1,707)
Others	1,003	839	767	567	697	747
Net cash from operations	**4,668**	**5,217**	**6,341**	**8,808**	**9,741**	**11,784**
Investing						
Capital expenditure	(4,046)	(3,930)	(3,685)	(7,100)	(8,000)	(6,000)
Acquisition of subsidiaries/ investments	0	0	0	(1,500)	0	0
Others	817	(12)	598	1,799	377	354
Net cash from investing	**(3,228)**	**(3,942)**	**(3,087)**	**(6,801)**	**(7,623)**	**(5,646)**
Financing						
Net borrowings	(705)	490	(1,629)	2,000	200	200
Proceeds from share issues	0	0	0	0	0	0
Others	2,666	(3,240)	(535)	(2,099)	(789)	(88)
Net cash from financing	**1,961**	**(2,750)**	**(2,164)**	**(99)**	**(589)**	**112**
Net change in cash						
Cash at the beginning of the year	6,395	9,670	8,279	9,214	11,121	12,649
Exchange difference	(126)	84	(155)	0	0	0
Cash at the end of the year	**9,670**	**8,279**	**9,214**	**11,121**	**12,649**	**18,899**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	11.6%	9.6%	16.7%	17.1%	18.3%	19.1%
Gross profit	1.5%	12.1%	30.9%	17.3%	20.9%	21.7%
Operating profit	(5.0%)	14.0%	40.7%	16.2%	24.2%	22.5%
Net profit	(23.1%)	(1.3%)	46.3%	19.9%	21.5%	23.4%
Adj. net profit	(4.6%)	1.8%	17.9%	16.5%	20.6%	21.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	40.1%	41.0%	46.0%	46.1%	47.1%	48.1%
Operating margin	27.4%	28.5%	34.4%	34.1%	35.8%	36.8%
Adj. net profit margin	27.6%	25.6%	25.9%	25.7%	26.2%	26.7%
Return on equity (ROE)	9.0%	8.2%	11.0%	11.7%	12.5%	13.4%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Current ratio (x)	2.8	2.7	3.4	3.6	3.7	4.3
Receivable turnover days	127.5	122.5	126.4	123.4	120.4	117.4
Inventory turnover days	72.4	54.4	45.0	45.0	45.0	45.0
Payable turnover days	107.7	91.6	94.0	94.0	94.0	94.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E (adjusted)	39.1	37.7	31.5	27.9	23.1	19.1
P/B	4.1	3.9	3.3	3.0	2.6	2.2
P/CFPS	38.8	34.1	27.6	20.5	18.5	15.3

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

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