

WuXi Biologics (2269 HK)

Promising demand boding well for 2025

WuXi Bio added 151 new projects in 2024, the highest number in its history. The Company is eligible to receive US\$140mn near-term payments by enabling discovery services of 7 global projects in 2024. Overseas operation is progressing steadily with the Ireland site targeting breakeven in 2025. Management also reaffirmed its 2024 guidance, projecting 5–10% growth in both revenue and adjusted profit (before minorities), while expressing confidence that revenue growth will accelerate in 2025.

■ Surprisingly-good demand recovery lays a solid foundation for 2025.

Despite facing geopolitical disruptions in 2024, WuXi Bio achieved record-breaking 151 new project additions, with over half originating from the US. Notably, 10 Ph3 projects and 3 commercial projects were transferred from external sources, also predominantly from the US. This better-than-expected growth in project numbers highlights WuXi Biologics' strong global competitiveness and the sustained trust from its clients worldwide. The Company's pipeline now includes 817 projects, strengthening a robust funnel effect that is reflected in the increasing number of PPQ (process performance qualification) projects. In 2024, WuXi Bio completed 77 PPQ projects, increasing 26% YoY, and expects this number to grow by 31% YoY to 101 projects in 2025. This strong momentum bodes well for future growth in the Company's CMO revenue, in our view.

■ Lucrative milestone income driven by global-leading R&D capabilities.

WuXi Bio' unique CRDMO business model continues to empower early-stage R&D for client projects. By directly licensing projects to clients or through third-party out-licensing, the Company has secured substantial milestone payments. According to management, WuXi Bio enabled discovery services of 7 global projects in 2024, and is eligible for near-term payments of US\$140mn (including milestone payments). As of the end of 2024, the Company had over 50 projects eligible for milestone payments and sales royalties. Given the high-profit margin nature of milestone payments, these revenues are expected to serve as a major profit driver, in our view.

■ Steady progress in overseas operations.

As a cornerstone of WuXi Bio's global manufacturing network, the Ireland biologics facility demonstrated strong client demand trends in 2024. The site successfully completed multiple 16k-liter PPQ batch productions, supporting management's target to achieve profitability in 2025. Additionally, the Company is constructing a new 36k-liter DS (drug substance) capacity facility in the US. WuXi Bio plans to expand its total DS capacity to 491k liters, with approximately 49% located overseas, aligning with its strategy of establishing a comprehensive global production network. To support this expansion, WuXi Bio will maintain annual capex of RMB5-6bn over the next 2-3 years.

■ Maintain BUY.

To reflect the demand recovery, we raise our TP from HK\$22.88 to HK\$24.24, based on a 10-year DCF model with WACC of 9.64% and terminal growth of 2.0%. We forecast WuXi Bio's revenue to grow by +7.1%/ +13.4%/ +15.6% YoY and attributable adj. net income to increase by +0.9%/ +13.0%/ +15.6% YoY in 2024E/ 25E/ 26E, respectively.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	15,269	17,034	18,236	20,687	23,919
YoY growth (%)	48.4	11.6	7.1	13.4	15.6
Adjusted net profit (RMB m)	4,925	4,699	4,739	5,358	6,195
YoY growth (%)	48.5	(4.6)	0.9	13.0	15.6
EPS (Adjusted) (RMB)	1.18	1.13	1.15	1.30	1.51
Consensus EPS (RMB)	na	na	0.83	0.97	1.13
P/E (Adjusted) (x)	14.0	14.7	14.3	12.7	11.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$24.24
(Previous TP)	HK\$22.88)
Up/Downside	36.6%
Current Price	HK\$17.74

China Healthcare

Jill WU, CFA

(852) 3900 0842
jillwu@cmbi.com.hk

Benchen HUANG, CFA

huangbenchen@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	72,844.5
Avg 3 mths t/o (HK\$ mn)	849.8
52w High/Low (HK\$)	30.00/10.26
Total Issued Shares (mn)	4106.2

Source: FactSet

Shareholding Structure

WuXi Biologics Holdings	14.1%
BlackRock	4.5%

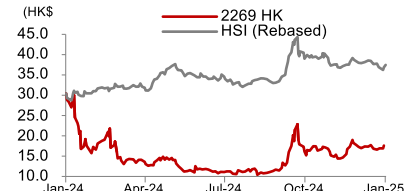
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.7%	4.1%
3-mth	13.1%	17.6%
6-mth	60.7%	45.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	18,236	20,687	23,919	18,236	20,493	23,344	0.00%	0.95%	2.46%
Gross Profit	7,456	8,562	10,019	7,456	8,400	9,615	0.00%	1.93%	4.21%
Operating Profit	4,999	5,476	6,528	4,998	5,348	6,221	0.01%	2.39%	4.94%
Adjusted net profit	4,739	5,358	6,195	4,739	5,263	5,969	0.01%	1.80%	3.79%
Adjusted EPS (RMB)	1.15	1.30	1.51	1.15	1.28	1.45	-0.01%	1.78%	3.77%
Gross Margin	40.89%	41.39%	41.89%	40.89%	40.99%	41.19%	0ppt	+0.40ppt	+0.70ppt
Operating Margin	27.41%	26.47%	27.29%	27.41%	26.10%	26.65%	0ppt	+0.37ppt	+0.64ppt
Adjusted net margin	25.99%	25.90%	25.90%	25.99%	25.68%	25.57%	0ppt	+0.22ppt	+0.33ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	18,236	20,687	23,919	17,985	20,277	22,941	1.40%	2.02%	4.26%
Gross Profit	7,456	8,562	10,019	7,245	8,367	9,600	2.92%	2.33%	4.36%
Operating Profit	4,999	5,476	6,528	4,440	5,197	6,027	12.58%	5.36%	8.31%
Adjusted net profit	4,739	5,358	6,195	3,758	4,352	5,106	26.11%	23.11%	21.33%
Adjusted EPS (RMB)	1.15	1.30	1.51	0.83	0.97	1.13	39.56%	35.07%	33.75%
Gross Margin	40.89%	41.39%	41.89%	40.28%	41.27%	41.85%	+0.61ppt	+0.12ppt	+0.04ppt
Operating Margin	27.41%	26.47%	27.29%	24.69%	25.63%	26.27%	+2.72ppt	+0.84ppt	+1.02ppt
Adjusted net margin	25.99%	25.90%	25.90%	20.90%	21.46%	22.26%	+5.09ppt	+4.43ppt	+3.64ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	4,153	5,383	6,427	7,455	8,573	9,774	11,044	12,369	13,730	15,103
Tax rate	11.36%	11.36%	11.36%	11.36%	11.36%	11.36%	11.36%	11.36%	11.36%	11.36%
EBIT*(1-tax rate)	3,682	4,772	5,697	6,608	7,600	8,664	9,790	10,965	12,171	13,388
+ D&A	1,259	1,393	1,525	1,738	1,964	2,200	2,442	2,686	2,928	3,162
- Change in working capital	57	-697	-920	-1,049	-1,185	-1,328	-1,474	-1,621	-1,767	-1,908
- Capex	-4,800	-5,000	-5,000	-4,500	-4,050	-3,645	-3,281	-2,952	-2,657	-2,391
FCFF	198	467	1,301	2,798	4,328	5,891	7,478	9,077	10,674	12,250
Terminal value										163,549
Terminal growth rate		2.00%								
WACC		9.64%								
Cost of Equity		13.00%								
Cost of Debt		4.00%								
Equity Beta		1.10								
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)										65,156
Total PV (RMB mn)										92,589
Net debt (RMB mn)										-4,261
Minority (RMBmn)										4,295
Equity value (RMB mn)										92,555
# of shares (mn)										4,106
Price per share (RMB per share)										22.54
Price per share (HK\$ per share)										24.24

Source: CMBIGM estimates. HK\$/RMB=0.93

Figure 4: Sensitivity analysis of DCF model

		WACC				
		8.64%	9.14%	9.64%	10.14%	10.64%
Terminal growth rate	4.00%	39.06	34.48	30.74	27.63	25.00
	3.50%	35.87	31.97	28.72	25.98	23.64
	2.00%	29.18	26.53	24.24	22.24	20.50
	2.50%	31.05	28.07	25.52	23.33	21.41
	2.00%	29.18	26.53	24.24	22.24	20.50

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	10,290	15,269	17,034	18,236	20,687	23,919
Cost of goods sold	(5,461)	(8,545)	(10,206)	(10,780)	(12,125)	(13,900)
Gross profit	4,829	6,724	6,828	7,456	8,562	10,019
Operating expenses	(1,306)	(1,810)	(2,159)	(2,458)	(3,086)	(3,491)
Selling expense	(125)	(163)	(294)	(513)	(623)	(697)
Admin expense	(876)	(1,270)	(1,495)	(1,643)	(1,863)	(2,107)
R&D expense	(502)	(683)	(786)	(827)	(938)	(1,037)
Others	197	305	417	525	339	349
Operating profit	3,523	4,914	4,669	4,999	5,476	6,528
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
Net interest income/(expense)	(39)	(64)	(158)	(136)	(115)	(93)
Others	509	508	(337)	(544)	100	100
Pre-tax profit	3,993	5,358	4,174	4,318	5,460	6,535
Income tax	(485)	(808)	(603)	(490)	(620)	(742)
After tax profit	3,509	4,550	3,571	3,828	4,840	5,793
Minority interest	(120)	(130)	(171)	(609)	(799)	(985)
Net profit	3,388	4,420	3,400	3,219	4,042	4,808
Adjusted net profit	3,316	4,925	4,699	4,739	5,358	6,195
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	19,530	18,470	21,198	20,380	22,903	27,231
Cash & equivalents	9,003	6,395	9,670	8,483	9,911	12,795
Account receivables	4,857	5,610	6,293	6,222	6,888	7,767
Inventories	1,687	2,281	1,766	2,137	2,404	2,756
ST bank deposits	1,148	304	340	340	340	340
Financial assets at FVTPL	976	2,015	1,234	1,234	1,234	1,234
Other current assets	1,859	1,864	1,896	1,965	2,126	2,339
Non-current assets	24,503	31,095	35,377	38,918	42,526	46,001
PP&E	18,065	24,171	27,378	31,153	34,996	38,706
Deferred income tax	221	223	236	236	236	236
Investment in JVs & assos	752	1,582	1,394	1,394	1,394	1,394
Intangibles	601	549	512	451	390	329
Goodwill	1,530	1,530	1,530	1,530	1,530	1,530
Financial assets at FVTPL	1,356	1,086	1,519	1,519	1,519	1,519
Other non-current assets	1,978	1,955	2,809	2,636	2,462	2,288
Total assets	44,033	49,564	56,576	59,298	65,428	73,232
Current liabilities	8,256	9,319	7,636	8,062	8,459	8,983
Short-term borrowings	2,122	1,321	576	576	576	576
Account payables	3,698	3,269	2,756	3,182	3,579	4,103
Tax payable	558	774	619	619	619	619
Other current liabilities	1,775	3,805	3,530	3,530	3,530	3,530
Lease liabilities	104	149	155	155	155	155
Non-current liabilities	3,071	4,033	4,922	4,922	4,922	4,922
Long-term borrowings	641	1,462	1,571	1,571	1,571	1,571
Obligations under finance leases	1,429	1,490	2,259	2,259	2,259	2,259
Deferred income	224	238	258	258	258	258
Other non-current liabilities	777	844	834	834	834	834
Total liabilities	11,326	13,351	12,558	12,984	13,381	13,905
Share capital	0	0	0	0	0	0
Capital surplus	32,278	35,047	40,331	42,019	46,953	53,248
Total shareholders equity	32,279	35,047	40,332	42,019	46,954	53,249
Minority interest	428	1,166	3,686	4,295	5,094	6,079
Total equity and liabilities	32,706	36,213	44,018	46,314	52,047	59,327

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,993	5,358	4,174	4,318	5,460	6,535
Depreciation & amortization	482	801	1,169	1,259	1,393	1,525
Tax paid	(350)	(586)	(783)	(490)	(620)	(742)
Change in working capital	(963)	(974)	(896)	57	(697)	(920)
Others	270	943	1,003	1,159	1,313	1,350
Net cash from operations	3,431	5,542	4,668	6,304	6,848	7,748
Investing						
Capital expenditure	(6,508)	(5,868)	(4,046)	(4,800)	(5,000)	(5,000)
Acquisition of subsidiaries/ investments	(2,535)	(281)	0	0	0	0
Others	(559)	241	817	301	193	201
Net cash from investing	(9,602)	(5,908)	(3,228)	(4,499)	(4,807)	(4,799)
Financing						
Net borrowings	(53)	(174)	(705)	0	0	0
Proceeds from share issues	10,978	0	0	0	0	0
Others	(2,715)	(2,418)	2,666	(2,992)	(612)	(65)
Net cash from financing	8,209	(2,592)	1,961	(2,992)	(612)	(65)
Net change in cash						
Cash at the beginning of the year	7,096	9,003	6,395	9,670	8,483	9,911
Exchange difference	(132)	350	(126)	0	0	0
Cash at the end of the year	9,003	6,395	9,670	8,483	9,911	12,795
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	83.3%	48.4%	11.6%	7.1%	13.4%	15.6%
Gross profit	90.6%	39.2%	1.5%	9.2%	14.8%	17.0%
Operating profit	91.1%	39.5%	(5.0%)	7.0%	9.5%	19.2%
Net profit	100.6%	30.5%	(23.1%)	(5.3%)	25.6%	19.0%
Adj. net profit	92.6%	48.5%	(4.6%)	0.9%	13.0%	15.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	46.9%	44.0%	40.1%	40.9%	41.4%	41.9%
Operating margin	34.2%	32.2%	27.4%	27.4%	26.5%	27.3%
Adj. net profit margin	32.2%	32.3%	27.6%	26.0%	25.9%	25.9%
Return on equity (ROE)	12.8%	13.1%	9.0%	7.8%	9.1%	9.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Current ratio (x)	2.4	2.0	2.8	2.5	2.7	3.0
Receivable turnover days	143.6	125.1	127.5	124.5	121.5	118.5
Inventory turnover days	92.6	84.8	72.4	72.4	72.4	72.4
Payable turnover days	214.8	148.8	107.7	107.7	107.7	107.7
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E (adjusted)	20.8	14.0	14.7	14.3	12.7	11.0
P/B	2.1	1.9	1.6	1.5	1.3	1.2
P/CFPS	20.3	12.6	14.9	10.9	10.0	8.9

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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