

WuXi AppTec (603259 CH)

Accelerated backlog growth with further guidance raise in 3Q26

WuXi AppTec (WXAT) delivered another strong quarter: 3Q26 revenue rose 38.0% YoY, with continuing-operations revenue up 43.5% YoY, while adj. non-IFRS net profit increased 61.3% YoY. Notably, backlog as of end-3Q26 reached RMB76.74bn, up 36.4% YoY, accelerating from 25.2% YoY as of end-2Q26. Per mgmt., 9M26 new bookings increased over 60% YoY, providing further fundamental support for earnings outlook. Once again, mgmt. raised 2026 revenue guidance to RMB61.0–61.9bn from RMB58.5–60.5bn and continuing-operations growth to 40–42% YoY from 35–39% YoY. Mgmt. maintained its stable adj. non-IFRS net-margin outlook, and narrowed capex guidance to RMB8.0–8.5bn from RMB7.5–8.5bn.

- **Continuously exceptional growth and pipeline expansion within WuXi Chemistry.** WuXi Chemistry remained the principal growth engine for WXAT, with 3Q26 revenue up 48.6% YoY. Small-molecule D&M revenue grew 54.5% YoY, moderating from 72.7% in 1H26 but still benefiting from high-quality molecule inflows, pipeline progression into later stages and proactive capacity deployment. Mgmt. expects Small-molecule D&M revenue to grow over 50% YoY in 2026. TIDES revenue rose 51.6% YoY, accelerating from 44.3% in 1H26 and leading mgmt. to guide up TIDES growth to ~47% in 2026. The segment added eight Phase III or commercial projects in 3Q26, bringing 9M26 additions to 23, the highest in Company's history. The start of the new Changzhou site underscores mgmt's confidence in sustained demand. Overall, WXAT now has 20 plants for small molecules and peptide projects at various stages of design preparation, construction or launch readiness.
- **Broad-based acceleration of early-stage services.** WuXi Testing's 3Q26 revenue grew 32.7% YoY, versus 31.5% in 1H26, underpinned by robust safety-assessment revenue growth of 40.6% in 9M26. WuXi Biology revenue rose 14.4% YoY in 3Q26, improving from 11.2% in 1H26. Small-molecule drug discovery within Chemistry grew 16.8% YoY, sharply above 1H26's 5.6% YoY. Together, these trends indicate improving early-stage R&D demand, with AIDD customers and new modalities providing incremental opportunities for WXAT as global biotech funding continues to recover.
- **Normal volatility of quarterly margins.** Although 3Q26 GPM and NPM declined sequentially from 2Q26, 9M26 GPM/ adj. NPM still expanded 7.6ppt/ 8.3ppt YoY, respectively. Quarterly fluctuations are normal in our view, given the project mix, delivery schedules of key projects, new-capacity ramp-up and FX movements. Mgmt. aims to share part of its efficiency gains with customers and employees rather than maximizing near-term margins. We therefore view the sequential margin moderation in 3Q26 as normal quarterly volatility, with profitability remaining resilient.
- **Maintain BUY.** To factor in the strong momentum of Chemistry segment, we raise our earnings forecasts, expecting revenue to grow by 35.1%/ 18.7%/ 15.7% YoY (for continuing operations: 41.4%/ 18.7%/ 15.7% YoY) and adj. net profit to grow by 68.4%/ 18.8%/ 14.4% YoY in 2026E/ 27E/ 28E, respectively. Hence, we raise our DCF-based TP from RMB170.00 to RMB190.00 (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	61,395	72,864	84,334
YoY growth (%)	(2.7)	15.8	35.1	18.7	15.7
Adjusted net profit (RMB mn)	10,583	14,957	25,185	29,907	34,209
YoY growth (%)	(2.5)	41.3	68.4	18.8	14.4
EPS (Adjusted) (RMB)	3.67	5.23	8.64	9.85	11.27
Consensus EPS (RMB)	na	na	7.78	9.16	10.69
P/E (Adjusted) (x)	38.6	27.0	17.0	14.4	12.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB190.00
(Previous TP	RMB170.00)
Up/Downside	34.3%
Current Price	RMB141.48

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Stock Data

Mkt Cap (RMB mn)	429,378.2
Avg 3 mths t/o (RMB mn)	7,520.0
52w High/Low (RMB)	167.96/87.62
Total Issued Shares (mn)	3034.9

Source: FactSet

Shareholding Structure

HK investors	28.5%
Ge Li and concerted parties	16.1%

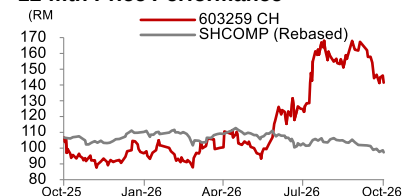
Source: Company report

Share Performance

	Absolute	Relative
1-mth	-12.9%	-7.1%
3-mth	13.5%	20.0%
6-mth	40.7%	57.6%

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	61,395	72,864	84,334	59,709	70,608	81,295	2.82%	3.20%	3.74%
Gross profit	33,718	39,389	44,272	32,667	36,115	40,973	3.22%	9.06%	8.05%
Operating profit	27,772	33,383	38,122	27,289	30,320	34,545	1.77%	10.10%	10.36%
Non-IFRS net profit	25,185	29,907	34,209	23,788	27,335	31,058	5.87%	9.41%	10.14%
Non-IFRS EPS (RMB)	8.64	9.85	11.27	8.16	9.16	10.41	5.87%	7.57%	8.29%
Gross margin	54.92%	54.06%	52.50%	54.71%	51.15%	50.40%	+0.21ppt	+2.91ppt	+2.10ppt
Operating margin	45.24%	45.81%	45.20%	45.70%	42.94%	42.49%	-0.47ppt	+2.87ppt	+2.71ppt
Net margin	41.02%	41.04%	40.56%	39.84%	38.71%	38.20%	+1.18ppt	+2.33ppt	+2.36ppt

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	61,395	72,864	84,334	60,317	72,916	85,992	1.79%	-0.07%	-1.93%
Gross profit	33,718	39,389	44,272	31,928	38,603	45,675	5.61%	2.04%	-3.07%
Operating profit	27,772	33,383	38,122	27,351	32,413	38,231	1.54%	2.99%	-0.29%
Non-IFRS net profit	25,185	29,907	34,209	22,705	26,830	31,609	10.92%	11.47%	8.22%
Non-IFRS EPS (RMB)	8.64	9.85	11.27	7.78	9.16	10.69	11.01%	7.54%	5.43%
Gross margin	54.92%	54.06%	52.50%	52.93%	52.94%	53.12%	+1.99ppt	+1.12ppt	-0.62ppt
Operating margin	45.24%	45.81%	45.20%	45.35%	44.45%	44.46%	-0.11ppt	+1.36ppt	+0.74ppt
Net margin	41.02%	41.04%	40.56%	37.64%	36.80%	36.76%	+3.38ppt	+4.25ppt	+3.81ppt

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	32,209	34,583	39,322	44,451	49,806	55,307	60,862	66,367	71,706	76,758
Tax rate	17.69%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	26,511	29,395	33,424	37,784	42,335	47,011	51,733	56,412	60,950	65,244
+ D&A	3,040	3,707	4,285	4,799	5,327	5,860	6,387	6,898	7,381	7,824
- Change in working capital	-2,011	-2,488	-2,563	-2,870	-3,186	-3,505	-3,820	-4,126	-4,414	-4,679
- Capex	-18,250	-9,000	-8,000	-8,000	-8,000	-8,000	-8,000	-8,000	-8,000	-8,000
FCFF	9,291	21,615	27,146	31,713	36,476	41,366	46,300	51,185	55,917	60,389
Terminal value										834,081
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)										340,119
Total PV (RMB mn)										556,262
Net debt (RMB mn)										-20,366
Equity value (RMB mn)										576,629
# of shares (mn)										3,035
Price per share (RMB per share)										190.00

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%	252.13	228.60	208.82	191.98	177.48
	2.50%	236.92	216.29	198.73	183.61	170.46
	2.00%	224.09	205.77	190.00	176.29	164.27
	1.50%	213.12	196.67	182.38	169.85	158.79
	1.00%	203.64	188.73	175.67	164.13	153.88

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 delivery of PhIII and commercial projects, leading to slower revenue growth in the future; 4) failure in obtaining key projects due to various factors, such as the lack of necessary technologies and customers' concerns about geopolitical uncertainties.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	40,341	39,241	45,456	61,395	72,864	84,334
Cost of goods sold	(23,729)	(22,965)	(23,801)	(27,677)	(33,475)	(40,062)
Gross profit	16,612	16,277	21,655	33,718	39,389	44,272
Operating expenses	(5,318)	(5,164)	(4,949)	(5,946)	(6,006)	(6,150)
Selling expense	(701)	(745)	(807)	(863)	(878)	(932)
Admin expense	(2,879)	(2,879)	(2,661)	(3,329)	(3,338)	(3,357)
R&D expense	(1,441)	(1,239)	(1,119)	(1,253)	(1,268)	(1,299)
Others	(297)	(301)	(361)	(501)	(522)	(562)
Operating profit	11,294	11,112	16,706	27,772	33,383	38,122
Gain/loss on financial assets at FVTPL	(38)	187	(137)	284	200	200
Investment gain/loss	234	604	8,588	4,228	600	600
Net Interest income/(expense)	338	787	(398)	(56)	486	618
Other income/expense	4	(1,150)	(853)	(75)	400	400
Pre-tax profit	11,832	11,540	23,906	32,153	35,069	39,939
Income tax	(2,132)	(1,972)	(4,573)	(5,688)	(5,260)	(5,991)
After tax profit	9,700	9,568	19,333	26,465	29,809	33,949
Minority interest	(94)	(117)	(182)	(79)	(89)	(101)
Net profit	9,607	9,450	19,151	26,386	29,719	33,847
Adjusted net profit	10,854	10,583	14,957	25,185	29,907	34,209
Gross dividends	2,882	2,835	6,755	7,916	8,916	10,154

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	30,422	38,690	61,677	66,560	81,549	103,130
Cash & equivalents	13,764	18,322	35,131	37,571	48,873	66,530
Account receivables	7,922	8,044	7,281	10,350	12,283	14,217
Inventories	4,736	5,400	8,993	8,368	10,121	12,113
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	60,987	67,090	71,666
PP&E	17,190	18,784	20,000	25,517	31,119	35,143
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	22,506	23,306	24,106
Other non-current assets	11,164	8,562	8,492	8,275	8,109	7,992
Total assets	73,669	80,326	103,121	127,548	148,640	174,796
Current liabilities	14,756	16,226	19,235	21,668	23,867	26,229
Short-term borrowings	3,667	1,243	5,986	7,986	8,986	9,986
Account payables	1,645	1,764	2,450	2,882	4,082	5,444
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	10,582	10,582	10,582
Long-term borrowings	687	2,960	1,819	1,819	1,819	1,819
Bond payables	0	0	0	6,944	6,944	6,944
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	32,250	34,450	36,812
Share capital	2,969	2,888	2,984	2,984	2,984	2,984
Capital surplus	28,401	24,338	33,077	51,548	72,351	96,044
Other reserves	23,753	31,407	43,651	40,151	38,151	38,151
Total shareholders equity	55,122	58,633	79,712	94,683	113,486	137,179
Minority interest	395	453	535	615	704	805
Total equity and liabilities	73,669	80,326	103,121	127,548	148,640	174,796

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	11,832	11,540	23,906	32,153	35,069	39,939
Depreciation & amortization	2,288	2,769	3,387	2,903	3,520	4,048
Tax paid	(2,132)	(1,972)	(4,573)	(5,688)	(5,260)	(5,991)
Change in working capital	(105)	(926)	(94)	(2,011)	(2,488)	(2,563)
Others	1,504	996	(5,423)	(4,141)	(1,109)	(1,241)
Net cash from operations	13,387	12,407	17,203	23,217	29,732	34,193
Investing						
Capital expenditure	(5,517)	(4,003)	(5,538)	(8,250)	(9,000)	(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	(10,000)	0	0
Others	299	498	3,461	0	0	0
Net cash from investing	(7,561)	(5,518)	(1,945)	(18,250)	(9,000)	(8,000)
Financing						
Dividend paid	(2,756)	(3,085)	(4,992)	(7,972)	(8,430)	(9,537)
Net borrowings	178	3,320	3,563	8,944	1,000	1,000
Proceeds from share issues	247	196	7,046	0	0	0
Others	(1,610)	(4,264)	(4,493)	(3,500)	(2,000)	0
Net cash from financing	(3,941)	(3,832)	1,124	(2,527)	(9,430)	(8,537)
Net change in cash						
Cash at the beginning of the year	7,984	10,001	13,445	35,131	37,571	48,873
Exchange difference	132	388	(370)	0	0	0
Cash at the end of the year	10,001	13,445	29,456	37,571	48,873	66,530
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	2.5%	(2.7%)	15.8%	35.1%	18.7%	15.7%
Gross profit	13.2%	(2.0%)	33.0%	55.7%	16.8%	12.4%
Operating profit	21.4%	(1.6%)	50.3%	66.2%	20.2%	14.2%
Net profit	9.0%	(1.6%)	102.6%	37.8%	12.6%	13.9%
Adj. net profit	15.5%	(2.5%)	41.3%	68.4%	18.8%	14.4%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	41.2%	41.5%	47.6%	54.9%	54.1%	52.5%
Operating margin	28.0%	28.3%	36.8%	45.2%	45.8%	45.2%
Adj. net profit margin	26.9%	27.0%	32.9%	41.0%	41.0%	40.6%
Return on equity (ROE)	18.9%	16.6%	27.7%	30.3%	28.6%	27.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)	(0.3)
Current ratio (x)	2.1	2.4	3.2	3.1	3.4	3.9
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 (diluted)	38.2	38.6	27.0	17.0	14.4	12.6
P/B	7.5	6.9	5.0	4.3	3.8	3.1
P/CFPS	31.0	32.9	23.5	17.8	14.4	12.6
Div yield (%)	0.7	0.7	1.7	1.9	2.1	2.4

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

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