

WuXi Biologics (2269 HK)

Strong demand to drive growth acceleration in 2025

WuXi Bio reported impressive 2024 results, highlighted by a 9.6% YoY increase in revenue and a 9.0% YoY rise in adj. net profit (before deducting minority interests). Both revenue and profit growth approached the upper limit of the previously provided guidance of 5-10% growth. Non-COVID revenue experienced solid growth of 13.1% YoY, reflecting sustained underlying demand. Mgmt projects revenue growth of 12-15% YoY for 2025, with revenue from continuing operations (excl. Ireland vaccine business) expected to increase by 17-20% YoY.

- **Solid earnings recovery in 2H24.** Revenue growth accelerated considerably in 2H24, reaching 18.3% YoY, a significant increase from the 7.7% YoY growth observed in 1H24. Non-COVID revenue grew by 13.1% YoY overall, with 2H24 growth surging to 18.3% YoY, highlighting a strong recovery. Growth momentum was broad-based across all business segments, with the pre-IND segment showing the most notable acceleration—up 54.2% YoY in 2H24, compared to 9.2% YoY in 1H24.
- **Sustained robust customer demand.** By end-2024, backlog (excl. the Ireland vaccine project) grew 5.1% YoY to US\$18.5bn, reflecting continued strong customer demand. The Company secured 151 new projects in 2024, marking a 14.4% YoY increase and setting a new record for annual project additions. WuXi Bio's total project pipeline expanded to 817 projects, including 21 commercial projects (+3 in 2024) and 66 Ph3 projects (+10 in 2024). Mgmt emphasized that WuXi Bio's new and total projects represent approximately 50% and 40% of global market, respectively, reinforcing its strong competitive position worldwide. Demand for commercial manufacturing is expected to rise, supported by 16 PPQ projects completed in 2024, with 24 additional PPQs anticipated in 2025. To support its international expansion, the Company plans to increase Capex by 53.8% in 2025, reaching RMB6.0bn.
- **Profitability on track for recovery.** In 2024, WuXi Bio enabled discovery services for 7 global projects, securing the rights to US\$140mn in near-term payments, with half expected to be recognized in 2025. These payments carry a GPM of roughly 90%, significantly boosting profitability. Currently, WuXi Bio has enabled over 50 projects with the potential for milestone payments and sales royalties. Furthermore, the on-going ramp-up of overseas capacity, coupled with the continued execution of WBS initiatives, is expected to further enhance profitability. Notably, GPM improved by 4.3ppts YoY and 3.5ppts HoH in 2H24. Mgmt anticipates further profitability improvements for the year. We forecast the Company's adj. net profit margins to expand by 60/ 26/ 23bps in 2025E/ 26E/ 27E, respectively.
- **Maintain BUY.** To reflect the positive demand trend, we raise our DCF-based TP from HK\$24.24 to HK\$30.94 (WACC: 9.64%, terminal growth: 2%). We forecast WuXi Bio's revenue to grow by 14.4%/ 16.3%/ 17.5% YoY and attributable adj. net profit to increase by 16.3%/ 16.3%/ 17.3% YoY in 2025E/ 26E/ 27E, respectively. We raise our forecasts on revenue by 3.3%/3.9% and attributable adj. net profit by 3.9%/4.4% in 2025E/ 26E, respectively. Our 2025E/ 26E/ 27E estimates of revenue are 5.0%/ 7.2%/ 9.2% higher than consensus.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	17,034	18,675	21,371	24,852	29,193
YoY growth (%)	11.6	9.6	14.4	16.3	17.5
Adjusted net profit (RMB m)	4,699	4,784	5,565	6,470	7,588
YoY growth (%)	(4.6)	1.8	16.3	16.3	17.3
EPS (Adjusted) (RMB)	1.13	1.17	1.36	1.58	1.85
Consensus EPS (RMB)	na	na	1.04	1.19	1.47
P/E (Adjusted) (x)	21.6	20.8	18.0	15.5	13.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$30.94
(Previous TP)	HK\$24.24)
Up/Downside	18.1%
Current Price	HK\$26.20

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Stock Data

Mkt Cap (HK\$ mn)	106,950.9
Avg 3 mths t/o (HK\$ mn)	1,198.0
52w High/Low (HK\$)	28.50/10.26
Total Issued Shares (mn)	4082.1

Source: FactSet

Shareholding Structure

WuXi Biologics Holdings	14.2%
BlackRock	4.5%

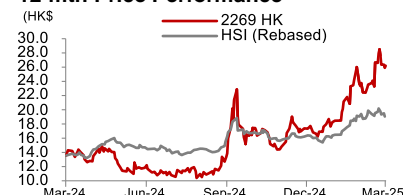
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	10.3%	11.7%
3-mth	50.1%	28.4%
6-mth	89.0%	60.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	21,371	24,852	29,193	20,687	23,919	na	3.31%	3.90%	na
Gross Profit	8,969	10,629	12,719	8,562	10,019	na	4.75%	6.08%	na
Operating Profit	6,180	7,412	8,969	5,476	6,528	na	12.86%	13.54%	na
Adjusted net profit	5,565	6,470	7,588	5,358	6,195	na	3.87%	4.43%	na
Adjusted EPS (RMB)	1.36	1.58	1.85	1.30	1.51	na	4.23%	4.32%	na
Gross Margin	41.97%	42.77%	43.57%	41.39%	41.89%	na	+0.58ppt	+0.88ppt	na
Operating Margin	28.92%	29.83%	30.72%	26.47%	27.29%	na	+2.45ppt	+2.54ppt	na
Adjusted net margin	26.04%	26.03%	25.99%	25.90%	25.90%	na	+0.14ppt	+0.13ppt	na

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	21,371	24,852	29,193	20,360	23,176	26,740	4.97%	7.23%	9.17%
Gross Profit	8,969	10,629	12,719	8,469	9,796	11,479	5.90%	8.50%	10.80%
Operating Profit	6,180	7,412	8,969	5,316	6,229	7,583	16.25%	18.99%	18.27%
Adjusted net profit	5,565	6,470	7,588	4,595	5,304	6,069	21.11%	21.98%	25.03%
Adjusted EPS (RMB)	1.36	1.58	1.85	1.04	1.19	1.47	30.42%	32.26%	25.95%
Gross Margin	41.97%	42.77%	43.57%	41.60%	42.27%	42.93%	+0.37ppt	+0.50ppt	+0.64ppt
Operating Margin	28.92%	29.83%	30.72%	26.11%	26.88%	28.36%	+2.81ppt	+2.95ppt	+2.36ppt
Adjusted net margin	26.04%	26.03%	25.99%	22.57%	22.89%	22.70%	+3.47ppt	+3.15ppt	+3.30ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	5,645	6,873	8,433	9,825	11,348	12,993	14,747	16,591	18,499	20,441
Tax rate	18.39%	18.39%	18.39%	18.39%	18.39%	18.39%	18.39%	18.39%	18.39%	18.39%
EBIT*(1-tax rate)	4,607	5,609	6,883	8,018	9,261	10,604	12,035	13,540	15,097	16,682
+ D&A	1,321	1,476	1,608	1,850	2,109	2,383	2,669	2,962	3,258	3,552
- Change in working capital	-934	-996	-1,221	-1,404	-1,601	-1,809	-2,026	-2,249	-2,473	-2,696
- Capex	-6,000	-5,000	-5,000	-4,500	-4,050	-3,645	-3,281	-2,952	-2,657	-2,391
FCFF	-1,006	1,089	2,270	3,964	5,719	7,533	9,398	11,301	13,225	15,146
Terminal value										202,212
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)	80,560									
Total PV (RMB mn)	115,117									
Net debt (RMB mn)	-7,455									
Minority (RMBmn)	4,397									
Equity value (RMB mn)	118,175									
# of shares (mn)	4,107									
Price per share (RMB per share)	28.77									
Price per share (HK\$ per share)	30.94									

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%	49.28	43.61	38.98	35.12	31.87
	3.50%	45.34	40.50	36.48	33.08	30.18
	2.00%	37.07	33.78	30.94	28.47	26.30
	2.50%	39.38	35.68	32.53	29.81	27.44
	2.00%	37.07	33.78	30.94	28.47	26.30

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	15,269	17,034	18,675	21,371	24,852	29,193
Cost of goods sold	(8,545)	(10,206)	(11,025)	(12,402)	(14,223)	(16,475)
Gross profit	6,724	6,828	7,651	8,969	10,629	12,719
Operating expenses	(1,810)	(2,159)	(2,325)	(2,789)	(3,216)	(3,750)
Selling expense	(163)	(294)	(474)	(521)	(581)	(653)
Admin expense	(1,270)	(1,495)	(1,674)	(1,894)	(2,152)	(2,470)
R&D expense	(683)	(786)	(766)	(856)	(970)	(1,111)
Others	305	417	588	481	487	483
Operating profit	4,914	4,669	5,325	6,180	7,412	8,969
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
Net interest income/(expense)	(64)	(158)	(158)	(139)	(114)	(90)
Others	508	(337)	(333)	(200)	(200)	(200)
Pre-tax profit	5,358	4,174	4,834	5,841	7,098	8,679
Income tax	(808)	(603)	(889)	(1,074)	(1,305)	(1,596)
After tax profit	4,550	3,571	3,945	4,767	5,792	7,083
Minority interest	(130)	(171)	(589)	(739)	(927)	(1,169)
Net profit	4,420	3,400	3,356	4,028	4,866	5,914
Adjusted net profit	4,925	4,699	4,784	5,565	6,470	7,588

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	18,470	21,198	23,573	23,674	27,804	33,534
Cash & equivalents	6,395	9,670	8,279	10,488	13,165	17,109
Account receivables	5,610	6,293	6,241	6,996	7,931	9,076
Inventories	2,281	1,766	1,522	1,849	2,121	2,456
ST bank deposits	304	340	1,907	1,907	1,907	1,907
Financial assets at FVTPL	2,015	1,234	524	524	524	524
Other current assets	1,864	1,896	5,101	1,910	2,157	2,462
Non-current assets	31,095	35,377	33,404	38,083	41,607	44,999
PP&E	24,171	27,378	26,070	31,070	34,916	38,629
Deferred income tax	223	236	444	444	444	444
Investment in JVs & assos	1,582	1,394	1,267	1,267	1,267	1,267
Intangibles	549	512	442	383	324	264
Goodwill	1,530	1,530	1,530	1,530	1,530	1,530
Financial assets at FVTPL	1,086	1,519	1,133	1,133	1,133	1,133
Other non-current assets	1,955	2,809	2,517	2,255	1,994	1,732
Total assets	49,564	56,576	56,977	61,757	69,411	78,533
Current liabilities	9,319	7,636	8,621	8,956	9,413	9,978
Short-term borrowings	1,321	576	2,435	2,435	2,435	2,435
Account payables	3,269	2,756	2,778	3,113	3,570	4,135
Tax payable	774	619	648	648	648	648
Other current liabilities	3,805	3,530	2,576	2,576	2,576	2,576
Lease liabilities	149	155	184	184	184	184
Non-current liabilities	4,033	4,922	2,879	2,879	2,879	2,879
Long-term borrowings	1,462	1,571	201	201	201	201
Obligations under finance leases	1,490	2,259	2,120	2,120	2,120	2,120
Deferred income	238	258	318	318	318	318
Other non-current liabilities	844	834	240	240	240	240
Total liabilities	13,351	12,558	11,500	11,834	12,292	12,857
Share capital	0	0	0	0	0	0
Capital surplus	35,047	40,331	41,819	45,525	51,795	59,183
Total shareholders equity	35,047	40,332	41,819	45,526	51,795	59,184
Minority interest	1,166	3,686	3,658	4,397	5,324	6,493
Total equity and liabilities	49,564	56,576	56,977	61,757	69,411	78,533

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	5,358	4,174	4,834	5,841	7,098	8,679
Depreciation & amortization	801	1,169	1,659	1,321	1,476	1,608
Tax paid	(586)	(783)	(889)	(1,074)	(1,305)	(1,596)
Change in working capital	(974)	(896)	(377)	(934)	(996)	(1,221)
Others	943	1,003	990	1,115	1,152	1,201
Net cash from operations	5,542	4,668	6,218	6,269	7,424	8,671
Investing						
Capital expenditure	(5,868)	(4,046)	(3,900)	(6,000)	(5,000)	(5,000)
Acquisition of subsidiaries/ investments	(281)	0	0	0	0	0
Others	241	817	1,545	335	339	335
Net cash from investing	(5,908)	(3,228)	(2,355)	(5,665)	(4,661)	(4,665)
Financing						
Net borrowings	(174)	(705)	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(2,418)	2,666	(1,876)	(1,772)	(86)	(62)
Net cash from financing	(2,592)	1,961	(1,876)	(1,772)	(86)	(62)
Net change in cash						
Cash at the beginning of the year	9,003	6,395	9,670	11,656	10,488	13,165
Exchange difference	350	(126)	0	0	0	0
Cash at the end of the year	6,395	9,670	11,656	10,488	13,165	17,109

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	48.4%	11.6%	9.6%	14.4%	16.3%	17.5%
Gross profit	39.2%	1.5%	12.1%	17.2%	18.5%	19.7%
Operating profit	39.5%	(5.0%)	14.0%	16.1%	19.9%	21.0%
Net profit	30.5%	(23.1%)	(1.3%)	20.0%	20.8%	21.5%
Adj. net profit	48.5%	(4.6%)	1.8%	16.3%	16.3%	17.3%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	44.0%	40.1%	41.0%	42.0%	42.8%	43.6%
Operating margin	32.2%	27.4%	28.5%	28.9%	29.8%	30.7%
Adj. net profit margin	32.3%	27.6%	25.6%	26.0%	26.0%	26.0%
Return on equity (ROE)	13.1%	9.0%	8.2%	9.2%	10.0%	10.7%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Current ratio (x)	2.0	2.8	2.7	2.6	3.0	3.4
Receivable turnover days	125.1	127.5	122.5	119.5	116.5	113.5
Inventory turnover days	84.8	72.4	54.4	54.4	54.4	54.4
Payable turnover days	148.8	107.7	91.6	91.6	91.6	91.6

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E (adjusted)	20.6	21.6	20.8	18.0	15.5	13.2
P/B	2.8	2.3	2.2	2.0	1.8	1.5
P/CFPS	18.4	21.8	16.1	16.0	13.5	11.6

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

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