# WuXi AppTec (603259 CH)

## Guidance raised after exceptional 2Q26 earnings

**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% |

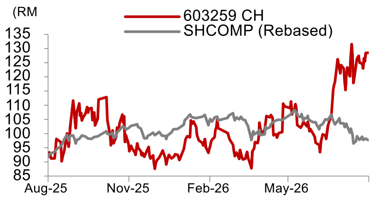
Source: Company report

**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

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

## Figure 1: Earnings revision

| | New | | | Old | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| RMB mn | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | 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

| | CMBIGM | | | Consensus | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| RMB mn | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | 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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|---|---|
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