

Pharmaron Beijing (300759 CH)

Resilient demand driving accelerated growth in 3Q26

Pharmaron's earnings growth accelerated in 3Q26, with revenue rising 20.9% YoY and non-IFRS adj. net profit attributable to shareholders increasing 24.7% YoY, outpacing the growth of 17.9% and 20.3% YoY, respectively, in 1H26. Note that the growth of adj. net profit consistently exceeded that of revenue through 2026, indicating strengthening operating momentum. New bookings of 9M26 increased by more than 30% YoY, led again by the >40% YoY growth of CDMO business. Mgmt. maintained its 2026E full-year revenue growth guidance of 15–20% and expressed confidence in margin improvement in the near future.

■ **Resilient demand and business momentum across all segments.** 1) Laboratory services revenue grew 17.5% YoY in 3Q26 (vs 13.7% YoY in 1H26), while 9M26 bookings increased over 25% YoY, accelerating from 20%+ YoY in 1H26. Such growth was supported by complex small molecules and new modalities, including PROTACs, molecular glues, RIPTACs, conjugates, cyclic peptides and oligonucleotides, alongside deeper penetration among MNC and AI-enabled drug discovery customers. 2) 3Q26 CDMO revenue rose 30.1% YoY (vs 32.8% YoY in 1H26), with 9M26 bookings up over 40%, maintaining the strong momentum of 1H26. Late-stage and commercial demand remained robust, with sizable deliveries for certain European pharma clients driving the acceleration of Top-20 customer revenue in the quarter. Mgmt. expects more high-potential programs to enter late and commercial stages with production of certain key projects already well scheduled, marking its CRDMO business model to enter a harvest phase. To accommodate the rising demand, mgmt. targeted capex to reach more than RMB3.0bn in 2026E and to remain elevated in 2027E. 3) Clinical development services revenue increased 18.0% YoY in 3Q26 (vs 14.2% YoY in 1H26), with 9M26 bookings up over 25%. Mgmt. saw an inflection in China's clinical CRO market following intense competition since 2022.

■ **Margin well positioned to expand down the road.** We expect margins to trend upward for Pharmaron. Per mgmt., FX reduced 9M26 gross profit margin (GPM) by c.2ppts. Laboratory services' 3Q26 GPM declined 3.4ppts YoY, primarily reflecting RMB appreciation against the US dollar. Under constant FX, the segment GPM would be stable to slightly higher, according to mgmt. CDMO GPM expanded 1.6ppts YoY and 4.5ppts QoQ in 3Q26, demonstrating benefits from a richer mix of late-stage and large-scale projects, higher utilization and more flexible production scheduling. Small-molecule CDMO GPM exceeded 35% in 9M26, and mgmt. targets 35–40% over time, assuming successful large-project deliveries. Clinical GPM improved 2.3ppts YoY and 1.0ppt QoQ in 3Q26. China's CRO market inflection should support further margin recovery. Collectively, these trends underpin mgmt's goal for adj. net profit to outgrow revenue in the near future.

■ **Maintain BUY.** We expect Pharmaron's revenue to grow by 18.3%/ 19.5%/ 17.8% YoY and non-IFRS net profit to increase by 22.8%/ 23.8%/ 19.8% YoY in 2026E/ 27E/ 28E, respectively. Our DCF-based TP remains unchanged at RMB56.00 (WACC of 9.32%; terminal growth of 2.0%; both unchanged).

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	12,276	14,095	16,680	19,936	23,491
YoY growth (%)	6.4	14.8	18.3	19.5	17.8
Adjusted net profit (RMB m)	1,607	1,816	2,231	2,762	3,307
YoY growth (%)	(15.6)	13.0	22.8	23.8	19.8
EPS (Adjusted) (RMB)	0.91	1.03	1.21	1.50	1.80
Consensus EPS (RMB)	na	na	1.10	1.42	1.82
P/E (Adjusted) (x)	43.6	38.4	32.6	26.3	22.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	RMB56.00
(Previous TP)	RMB56.00)
Up/Downside	41.4%
Current Price	RMB39.60

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Stock Data

Mkt Cap (RMB mn)	72,756.4
Avg 3 mths t/o (RMB mn)	2,450.5
52w High/Low (RMB)	51.15/21.72
Total Issued Shares (mn)	1837.3

Source: FactSet

Shareholding Structure

HK investors	22.7%
De Facto Controllers	16.5%

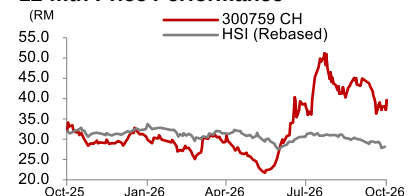
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	-8.2%	-2.0%
3-mth	5.0%	15.1%
6-mth	28.1%	42.4%

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	16,680	19,936	23,491	16,680	19,941	23,321	0.00%	-0.03%	0.73%
Gross profit	5,714	7,129	8,674	5,782	7,166	8,645	-1.18%	-0.53%	0.34%
Operating profit	2,546	3,239	3,857	2,562	3,187	3,817	-0.61%	1.63%	1.05%
Non-IFRS net profit	2,231	2,762	3,307	2,225	2,742	3,290	0.24%	0.72%	0.54%
Non-IFRS EPS (RMB)	1.21	1.50	1.80	1.21	1.49	1.79	0.24%	0.72%	0.54%
Gross margin	34.25%	35.76%	36.92%	34.66%	35.94%	37.07%	-0.41ppt	-0.18ppt	-0.14ppt
Operating margin	15.27%	16.25%	16.42%	15.36%	15.98%	16.37%	-0.09ppt	+0.26ppt	+0.05ppt
Net margin	13.37%	13.85%	14.08%	13.34%	13.75%	14.11%	+0.03ppt	+0.10ppt	-0.03ppt

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	16,680	19,936	23,491	16,687	19,876	23,651	-0.04%	0.30%	-0.68%
Gross profit	5,714	7,129	8,674	5,773	7,044	8,559	-1.02%	1.20%	1.35%
Operating profit	2,546	3,239	3,857	2,460	3,134	3,941	3.51%	3.37%	-2.14%
Non-IFRS net profit	2,231	2,762	3,307	2,004	2,595	3,316	11.32%	6.43%	-0.26%
Non-IFRS EPS (RMB)	1.21	1.50	1.80	1.10	1.42	1.82	10.08%	5.86%	-1.31%
Gross margin	34.25%	35.76%	36.92%	34.59%	35.44%	36.19%	-0.34ppt	+0.32ppt	+0.74ppt
Operating margin	15.27%	16.25%	16.42%	14.74%	15.77%	16.66%	+0.52ppt	+0.48ppt	-0.25ppt
Net margin	13.37%	13.85%	14.08%	12.01%	13.06%	14.02%	+1.36ppt	+0.80ppt	+0.06ppt

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	2,773	3,539	4,157	5,279	6,625	8,215	10,063	12,176	14,551	17,170
Tax rate	21.26%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
EBIT*(1-tax rate)	2,184	2,832	3,325	4,223	5,300	6,572	8,051	9,741	11,641	13,736
+ D&A	1,314	1,539	1,732	2,069	2,442	2,845	3,272	3,713	4,159	4,595
- Change in working capital	-249	-592	-647	-773	-912	-1,063	-1,222	-1,387	-1,554	-1,717
- Capex	-3,250	-3,500	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
FCFF	-2	279	1,410	2,519	3,830	5,354	7,100	9,067	11,246	13,615
Terminal value										189,843
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%
PV of terminal value (RMB mn)										77,910
Total PV (RMB mn)										105,462
Net debt (RMB mn)										2,002
Minority interest (RMBmn)										567
Equity value (RMB mn)										102,893
# of shares (mn)										1,837
Price per share (RMB per share)										56.00

Source: CMBIGM estimates

Figure 4: Sensitivity analysis of DCF model (RMB)

		WACC				
		8.32%	8.82%	9.32%	9.82%	10.32%
Terminal growth rate	4.00%	95.02	82.89	73.10	65.06	58.34
	3.50%	86.33	76.12	67.73	60.72	54.78
	2.00%	68.51	61.77	56.00	51.02	46.67
	2.50%	73.43	65.80	59.34	53.81	49.03
	2.00%	68.51	61.77	56.00	51.02	46.67

Source: CMBIGM estimates

Risks:

1) Lower-than-expected probabilities of success in winning late- and commercial-stage CDMO projects in the global market; 2) uncertainties in the demand recovery sustainability in early-stage R&D; 3) slower-than-expected margin recovery of clinical services; 4) geopolitical uncertainties.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	11,538	12,276	14,095	16,680	19,936	23,491
Cost of goods sold	(7,414)	(8,073)	(9,185)	(10,967)	(12,808)	(14,817)
Gross profit	4,124	4,203	4,910	5,714	7,129	8,674
Operating expenses	(2,390)	(2,422)	(2,765)	(3,167)	(3,889)	(4,817)
Selling expense	(253)	(258)	(306)	(368)	(459)	(588)
Admin expense	(1,607)	(1,585)	(1,736)	(2,015)	(2,469)	(3,026)
R&D expense	(448)	(469)	(576)	(650)	(796)	(985)
Others	(83)	(110)	(146)	(135)	(165)	(218)
Operating profit	1,734	1,781	2,145	2,546	3,239	3,857
Gain/loss on financial assets at FVTPL	19	2	66	107	100	100
Investment gain/loss	45	542	(102)	57	100	100
Net interest income/(expense)	(5)	(143)	(156)	(256)	(133)	(119)
Other income/expense	45	(90)	(40)	63	100	100
Pre-tax profit	1,838	2,091	1,913	2,518	3,406	4,037
Income tax	(256)	(377)	(358)	(535)	(681)	(807)
After tax profit	1,582	1,714	1,555	1,982	2,725	3,230
Minority interest	19	79	109	107	147	175
Net profit	1,601	1,793	1,664	2,090	2,873	3,405
Adjusted net profit	1,903	1,607	1,816	2,231	2,762	3,307
Gross dividends	357	354	366	418	575	681

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	10,874	7,608	7,778	12,066	13,316	15,681
Cash & equivalents	5,919	1,690	1,017	4,915	5,313	6,747
Account receivables	2,242	2,414	2,722	3,039	3,632	4,280
Inventories	1,013	1,117	1,472	1,545	1,805	2,088
Financial assets at FVTPL	622	1,120	714	714	714	714
Other current assets	684	810	1,387	1,387	1,387	1,387
Contract assets	394	458	466	466	466	466
Non-current assets	15,602	16,319	19,316	21,419	23,579	25,048
PP&E	6,497	7,809	8,933	11,182	13,451	15,027
Right-of-use assets	776	560	499	342	186	29
Deferred income tax	153	193	263	263	263	263
Intangibles	789	791	1,197	1,134	1,072	1,009
Goodwill	2,781	2,761	3,586	3,586	3,586	3,586
Long-term investments	723	649	640	640	640	640
Other non-current assets	3,884	3,557	4,199	4,271	4,383	4,494
Total assets	26,477	23,927	27,094	33,485	36,895	40,728
Current liabilities	3,654	4,224	8,364	12,004	13,265	14,549
Short-term borrowings	577	765	1,265	4,765	5,765	6,765
Account payables	412	477	607	747	1,007	1,291
Tax payable	238	219	207	207	207	207
Other current liabilities	1,686	1,928	5,324	5,324	5,324	5,324
Contract liabilities	741	835	961	961	961	961
Non-current liabilities	9,584	5,481	2,991	2,991	2,991	2,991
Long-term borrowings	4,308	4,377	1,772	1,772	1,772	1,772
Bond payables	3,892	0	0	0	0	0
Obligations under finance leases	585	401	379	379	379	379
Other non-current liabilities	799	702	840	840	840	840
Total liabilities	13,239	9,705	11,355	14,996	16,256	17,540
Share capital	1,787	1,778	1,779	2,965	2,965	2,965
Capital surplus	5,222	5,008	4,950	4,950	4,950	4,950
Retained earnings	5,205	6,443	7,679	9,350	11,648	14,372
Other reserves	343	390	656	656	656	656
Total shareholders equity	12,557	13,619	15,064	17,922	20,220	22,943
Minority interest	681	604	674	567	420	245
Total equity and liabilities	26,477	23,927	27,094	33,485	36,895	40,728

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,838	2,091	1,913	2,518	3,406	4,037
Depreciation & amortization	1,009	1,145	1,270	1,314	1,539	1,732
Tax paid	(256)	(377)	(358)	(535)	(681)	(807)
Change in working capital	64	(117)	(10)	(249)	(592)	(647)
Others	100	(166)	406	89	(67)	(81)
Net cash from operations	2,754	2,577	3,221	3,135	3,605	4,234
Investing						
Capital expenditure	(2,865)	(2,041)	(2,669)	(3,250)	(3,500)	(3,000)
Acquisition of subsidiaries/ investments	(2,113)	(3,197)	(5,120)	(4,000)	(3,000)	(3,000)
Net proceeds from disposal of short-term investments	2,720	3,227	3,409	4,000	3,000	3,000
Others	7	(13)	6	0	0	0
Net cash from investing	(2,251)	(2,024)	(4,374)	(3,250)	(3,500)	(3,000)
Financing						
Dividend paid	(458)	(548)	(531)	(674)	(708)	(800)
Net borrowings	3,612	(3,771)	1,096	3,500	1,000	1,000
Proceeds from share issues	971	11	17	1,186	0	0
Others	(209)	(488)	(204)	0	0	0
Net cash from financing	3,915	(4,797)	377	4,012	292	200
Net change in cash						
Cash at the beginning of the year	1,360	5,789	1,623	1,017	4,915	5,313
Exchange difference	11	78	(4)	0	0	0
Cash at the end of the year	5,789	1,623	843	4,915	5,313	6,747
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	12.4%	6.4%	14.8%	18.3%	19.5%	17.8%
Gross profit	9.4%	1.9%	16.8%	16.4%	24.8%	21.7%
Operating profit	2.5%	2.7%	20.4%	18.7%	27.2%	19.0%
Net profit	16.5%	12.0%	(7.2%)	25.6%	37.5%	18.5%
Adj. net profit	3.8%	(15.6%)	13.0%	22.8%	23.8%	19.8%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	35.7%	34.2%	34.8%	34.3%	35.8%	36.9%
Operating margin	15.0%	14.5%	15.2%	15.3%	16.2%	16.4%
Adj. net profit margin	16.5%	13.1%	12.9%	13.4%	13.9%	14.1%
Return on equity (ROE)	13.9%	13.7%	11.6%	12.7%	15.1%	15.8%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.2	0.3	0.1	0.1	0.1	0.1
Current ratio (x)	3.0	1.8	0.9	1.0	1.0	1.1
Receivable turnover days	65.2	69.2	66.5	66.5	66.5	66.5
Inventory turnover days	50.6	48.1	51.4	51.4	51.4	51.4
Payable turnover days	58.0	50.4	51.6	51.6	51.6	51.6
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E (adjusted)	36.9	43.6	38.4	32.6	26.3	22.0
P/B	5.3	4.9	4.4	3.9	3.5	3.1
P/CFPS	25.5	27.2	21.7	23.2	20.2	17.2
Div yield (%)	0.5	0.5	0.5	0.6	0.8	0.9

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

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