

WuXi AppTec (603259 CH)

To navigate macro uncertainties with a good start in 1Q25

WuXi AppTec reported impressive 1Q25 financial results. Revenue increased by 21.0% YoY to RMB9.65bn, with revenue from continuing operations rising by 23.1% YoY to RMB9.39bn. Adjusted non-IFRS net profit surged by 40.0% YoY to RMB2.68bn. Both revenue and net profit continued the quarterly improvement trend seen throughout 2024, which further accelerated significantly in 1Q25. As of the end of 1Q25, the Company's backlog grew by 47.1% YoY to RMB52.33bn. Despite ongoing macro uncertainties, mgmt. has reaffirmed its full-year guidance, projecting a 10–15% YoY increase in revenue from continuing operations and expansion in the adjusted non-IFRS net profit margin.

■ **TIDES business gained momentum with strong growth.** WuXi AppTec's TIDES business experienced strong growth 1Q25, with revenue soaring 187.6% YoY to RMB2.24bn, an acceleration from the 70.1% growth in 2024. According to mgmt., the growth was driven by the ramp-up of new capacities and contributions from oral GLP-1 programs. TIDES backlog more than doubled, increasing by 105.5% YoY as of 1Q25, providing a solid foundation for sustained growth. The Company remains on track to expand its peptide capacity to over 100k liters by the end of 2025. Hence, Mgmt. continued to expect TIDES revenue to grow more than 60% YoY in 2025.

■ **Early-stage business remained under pressure with signs of moderate recovery.** Revenue from Biology segment grew 8.2% YoY in 1Q25, marking a second consecutive quarter of positive growth, indicating a recovery in client demand for drug discovery services. In Chemistry segment, small-molecule drug discovery revenue declined 7.1% YoY, an improvement from the 28.7% YoY drop in 2024. Testing segment remained affected by pricing pressure. Lab testing revenue slid 4.9% YoY (vs. -8.0% YoY in 2024), with safety assessment revenue falling 7.8% YoY (vs. -13.0% YoY in 2024). Mgmt. noted that pricing appeared to have reached a trough, although a meaningful recovery will still take time.

■ **Strengthening shareholder returns amid market uncertainties.** WuXi AppTec's Board of Directors has proposed a series of shareholder return initiatives, including maintaining a 30% annual cash dividend payout ratio, issuing a one-time RMB1bn special dividend in 2025, introducing the interim dividend plan in 2025, and repurchasing and cancelling RMB1bn A-shares (announced on March 17). In addition, the Company announced a second RMB1bn A-share repurchase and cancellation plan on April 8, which has now commenced. Combined, the proposed dividends and share repurchase programs total nearly RMB6bn, equivalent to 62% of 2024 attributable net profit, underscoring WuXi AppTec's strong commitment to shareholder return.

■ **Maintain BUY.** Due to the macro uncertainties such as the US-China trade war, we revise down forecasts and now expect revenue from continuing operation business to grow by 13.3%/14.9%/15.9% YoY and adjusted non-IFRS net income to grow by 9.7%/17.5%/15.9% YoY in 2025E/ 26E/ 27E, respectively (previously: 14.4%/15.2%/16.3% and 11.7%/19.0%/+16.1% YoY). We thus cut our DCF-based TP from RMB94.05 to RMB77.22 (WACC: 9.42%, terminal growth: 2.00%; both unchanged). Our estimates are higher than Bloomberg consensus, reflecting our confidence in earnings resilience.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	40,341	39,241	42,974	49,386	57,220
YoY growth (%)	2.5	(2.7)	9.5	14.9	15.9
Adjusted net profit (RMB m)	10,854	10,583	11,610	13,645	15,809
YoY growth (%)	15.5	(2.5)	9.7	17.5	15.9
EPS (Adjusted) (RMB)	3.70	3.67	4.02	4.72	5.47
Consensus EPS (RMB)	na	na	3.99	4.50	5.09
P/E (Adjusted) (x)	16.3	16.5	15.0	12.8	11.0

Source: Company data, Bloomberg, CMBIGM estimates. Estimates refer to continuing operations.

BUY (Maintain)

Target Price	RMB77.22
(Previous TP)	RMB94.05)
Up/Downside	27.7%
Current Price	RMB60.45

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Stock Data

Mkt Cap (RMB mn)	174,410.4
Avg 3 mths t/o (RMB mn)	2,670.3
52w High/Low (RMB)	70.00/36.87
Total Issued Shares (mn)	2885.2

Source: FactSet

Shareholding Structure

Ge Li and concerted parties	20.5%
HK investors	21.9%

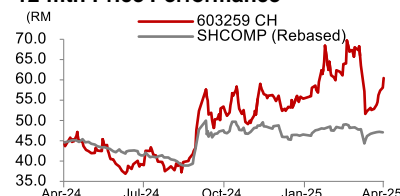
Source: Company report

Share Performance

	Absolute	Relative
1-mth	-10.8%	-9.1%
3-mth	9.2%	8.0%
6-mth	13.0%	13.0%

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	42,974	49,386	57,220	43,367	49,961	58,103	-0.91%	-1.15%	-1.52%
Gross Profit	18,655	21,543	25,051	19,400	22,542	26,362	-3.84%	-4.43%	-4.97%
Operating Profit	13,371	15,222	17,785	13,516	15,739	18,450	-1.08%	-3.28%	-3.60%
Non-IFRS net profit	11,610	13,645	15,809	11,823	14,075	16,339	-1.80%	-3.06%	-3.25%
Non-IFRS EPS (RMB)	4.02	4.72	5.47	4.09	4.87	5.66	-1.80%	-3.06%	-3.25%
Gross Margin	43.41%	43.62%	43.78%	44.73%	45.12%	45.37%	-1.32ppt	-1.50ppt	-1.59ppt
Operating Margin	31.11%	30.82%	31.08%	31.17%	31.50%	31.75%	-0.05ppt	-0.68ppt	-0.67ppt
Net Margin	27.02%	27.63%	27.63%	27.26%	28.17%	28.12%	-0.25ppt	-0.54ppt	-0.49ppt

Source: Company data, CMBIGM estimates

Note: CMBIGM estimates refer to continuing operations of WuXi AppTec.

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	42,974	49,386	57,220	42,785	48,223	54,264	0.44%	2.41%	5.45%
Gross Profit	18,655	21,543	25,051	18,365	20,866	23,579	1.58%	3.24%	6.24%
Operating Profit	13,371	15,222	17,785	13,440	15,259	17,241	-0.52%	-0.24%	3.16%
Non-IFRS net profit	11,610	13,645	15,809	11,516	12,983	14,694	0.82%	5.10%	7.59%
Non-IFRS EPS (RMB)	4.02	4.72	5.47	3.99	4.50	5.09	0.76%	4.92%	7.61%
Gross Margin	43.41%	43.62%	43.78%	42.92%	43.27%	43.45%	+0.49ppt	+0.35ppt	+0.33ppt
Operating Margin	31.11%	30.82%	31.08%	31.41%	31.64%	31.77%	-0.30ppt	-0.82ppt	-0.69ppt
Net Margin	27.02%	27.63%	27.63%	26.92%	26.92%	27.08%	+0.10ppt	+0.71ppt	+0.55ppt

Source: Company data, Bloomberg, CMBIGM estimates

Note: CMBIGM estimates refer to continuing operations of WuXi AppTec.

Figure 3: Valuation on risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	15,346	16,022	18,585	20,072	21,477	22,766	23,904	24,860	25,606	26,118
Tax rate	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%	15.22%
EBIT*(1-tax rate)	13,009	13,583	15,756	17,017	18,208	19,300	20,265	21,076	21,708	22,142
+ D&A	2,961	3,465	3,770	4,034	4,276	4,489	4,669	4,809	4,905	4,954
- Change in working capital	843	-1,199	-1,465	-1,568	-1,662	-1,745	-1,815	-1,869	-1,907	-1,926
- Capex	-7,500	-6,500	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000	-5,000
FCFF	9,314	9,349	13,061	14,482	15,822	17,045	18,119	19,016	19,707	20,171
Terminal value										277,283

Terminal growth rate	2.00%
WACC	9.42%
Cost of Equity	12.00%
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)	112,708
Total PV (RMB mn)	204,986
Net debt (RMB mn)	-18,015
Equity value (RMB mn)	223,001
# of shares (mn)	2,888
Price per share (RMB per share)	77.22

Source: CMBIGM estimates

Figure 4: Sensitivity analysis of DCF model

		WACC				
		8.42%	8.92%	9.42%	9.92%	10.42%
Terminal growth rate	3.00%	98.99	90.72	83.74	77.78	72.62
	2.50%	93.74	86.46	80.24	74.87	70.19
	2.00%	89.30	82.81	77.22	72.34	68.04
	1.50%	85.50	79.66	74.57	70.10	66.14
	1.00%	82.21	76.91	72.24	68.12	64.43

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	39,355	40,341	39,241	42,974	49,386	57,220
Cost of goods sold	(24,677)	(23,729)	(22,965)	(24,319)	(27,844)	(32,169)
Gross profit	14,678	16,612	16,277	18,655	21,543	25,051
Operating expenses	(5,372)	(5,318)	(5,164)	(5,285)	(6,320)	(7,266)
Selling expense	(732)	(701)	(745)	(859)	(1,037)	(1,202)
Admin expense	(2,826)	(2,879)	(2,879)	(2,793)	(3,358)	(3,891)
R&D expense	(1,614)	(1,441)	(1,239)	(1,289)	(1,531)	(1,717)
Others	(200)	(297)	(301)	(343)	(394)	(456)
Operating profit	9,306	11,294	11,112	13,371	15,222	17,785
Gain/loss on financial assets at FVTPL	770	(38)	187	200	200	200
Investment gain/loss	188	234	604	1,500	200	200
Net Interest income/(expense)	248	338	787	433	472	492
Other income/expense	106	4	(1,150)	275	400	400
Pre-tax profit	10,618	11,832	11,540	15,778	16,494	19,078
Income tax	(1,716)	(2,132)	(1,972)	(2,696)	(2,819)	(3,260)
After tax profit	8,903	9,700	9,568	13,082	13,675	15,818
Minority interest	(89)	(94)	(117)	(161)	(168)	(194)
Net profit	8,814	9,607	9,450	12,921	13,508	15,623
Adjusted net profit	9,399	10,854	10,583	11,610	13,645	15,809
Gross dividends	2,644	2,882	2,835	3,876	4,052	4,687

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	23,997	30,422	38,690	39,516	46,557	57,023
Cash & equivalents	7,986	13,764	18,322	21,764	26,884	35,001
Account receivables	6,047	7,922	8,044	7,653	8,795	10,190
Inventories	5,669	4,736	5,400	5,367	6,145	7,099
Prepayment	291	244	226	226	226	226
Financial assets at FVTPL	2	11	1,234	1,234	1,234	1,234
Other current assets	4,003	3,746	5,464	3,273	3,273	3,273
Non-current assets	40,693	43,247	41,636	47,568	50,872	52,421
PP&E	14,171	17,190	18,784	23,733	27,178	28,819
Deferred income tax	492	367	473	473	473	473
Investment in JVs & assos	1,203	2,216	2,326	2,326	2,326	2,326
Intangibles	1,785	1,864	1,575	1,410	1,246	1,081
Goodwill	1,822	1,821	972	972	972	972
Financial assets at FVTPL	8,954	8,626	8,943	10,518	10,918	11,318
Other non-current assets	12,265	11,164	8,562	8,135	7,758	7,431
Total assets	64,690	73,669	80,326	87,085	97,428	109,443
Current liabilities	14,499	14,756	16,226	14,779	15,500	16,385
Short-term borrowings	3,874	3,667	1,243	243	243	243
Account payables	1,659	1,645	1,764	2,183	2,904	3,788
Tax payable	882	1,374	1,211	1,211	1,211	1,211
Other current liabilities	8,084	8,070	12,008	11,143	11,143	11,143
Non-current liabilities	3,264	3,396	5,014	5,014	5,014	5,014
Long-term borrowings	279	687	2,960	2,960	2,960	2,960
Bond payables	502	0	0	0	0	0
Obligations under finance leases	984	1,099	547	547	547	547
Other non-current liabilities	1,499	1,610	1,508	1,508	1,508	1,508
Total liabilities	17,764	18,152	21,240	19,793	20,514	21,399
Share capital	2,961	2,969	2,888	2,888	2,888	2,888
Capital surplus	26,512	28,401	24,338	33,383	42,838	53,774
Other reserves	17,118	23,753	31,407	30,407	30,407	30,407
Total shareholders equity	46,590	55,122	58,633	66,678	76,133	87,069
Minority interest	337	395	453	613	781	975
Total equity and liabilities	64,690	73,669	80,326	87,085	97,428	109,443

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	10,618	11,832	11,540	15,778	16,494	19,078
Depreciation & amortization	1,718	2,288	2,769	2,897	3,351	3,606
Tax paid	(1,716)	(2,132)	(1,972)	(2,696)	(2,819)	(3,260)
Change in working capital	(298)	(105)	(926)	843	(1,199)	(1,465)
Others	294	1,504	996	(1,762)	(626)	(647)
Net cash from operations	10,616	13,387	12,407	15,060	15,201	17,311
Investing						
Capital expenditure	(9,966)	(5,517)	(4,003)	(7,500)	(6,500)	(5,000)
Acquisition of subsidiaries/ investments	(161)	(22)	0	0	0	0
Net proceeds from disposal of short-term investments	82	(2,321)	(2,013)	0	0	0
Others	355	299	498	1,326	0	0
Net cash from investing	(9,690)	(7,561)	(5,518)	(6,174)	(6,500)	(5,000)
Financing						
Dividend paid	(1,598)	(2,756)	(3,085)	(3,444)	(3,581)	(4,195)
Net borrowings	1,668	178	3,320	(1,000)	0	0
Proceeds from share issues	150	247	196	0	0	0
Others	(1,497)	(1,610)	(4,264)	(1,000)	0	0
Net cash from financing	(1,278)	(3,941)	(3,832)	(5,444)	(3,581)	(4,195)
Net change in cash						
Cash at the beginning of the year	8,175	7,984	10,001	18,322	21,764	26,884
Exchange difference	161	132	388	0	0	0
Cash at the end of the year	7,984	10,001	13,445	21,764	26,884	35,001
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	71.8%	2.5%	(2.7%)	9.5%	14.9%	15.9%
Gross profit	76.6%	13.2%	(2.0%)	14.6%	15.5%	16.3%
Operating profit	110.9%	21.4%	(1.6%)	20.3%	13.9%	16.8%
Net profit	72.9%	9.0%	(1.6%)	36.7%	4.5%	15.7%
Adj. net profit	83.2%	15.5%	(2.5%)	9.7%	17.5%	15.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	37.3%	41.2%	41.5%	43.4%	43.6%	43.8%
Operating margin	23.6%	28.0%	28.3%	31.1%	30.8%	31.1%
Adj. net profit margin	23.9%	26.9%	27.0%	27.0%	27.6%	27.6%
Return on equity (ROE)	20.7%	18.9%	16.6%	20.6%	18.9%	19.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Current ratio (x)	1.7	2.1	2.4	2.7	3.0	3.5
Receivable turnover days	49.7	63.2	74.3	65.0	65.0	65.0
Inventory turnover days	85.6	80.0	80.6	80.6	80.6	80.6
Payable turnover days	75.5	75.6	74.6	74.6	74.6	74.6
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E (adjusted)	18.9	16.3	16.5	15.0	12.8	11.0
P/B	3.8	3.2	3.0	2.6	2.3	2.0
P/CFPS	16.7	13.2	14.1	11.6	11.5	10.1
Div yield (%)	1.5	1.6	1.6	2.2	2.3	2.7

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

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