# WuXi AppTec (2359 HK)

## 1H26: Results Beat; 2026 Guidance Raised Sharply

**BUY** (Maintained)

| | |
|---|---|
| Share Price | HK$181.10 |
| Target Price | HK$220.00 |
| Upside | 21.5% |
| Previous TP | HK$170.00 |

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### Highlights

- WuXi AppTec delivered strong 1H26 results, with total revenue and adjusted non-IFRS net profit expanding 38.9% yoy and 83.2% yoy respectively, beating market estimates and its growth guidance.
- Its backlog for continuing operations increased 25.2% yoy to Rmb66.43b at end-Jun 26. The company has raised its 2026 revenue target sharply from Rmb51.3b-53.0b to Rmb58.5b-60.5b, with continuing operations revenue growing 35-39% yoy (vs 18-22% previously).
- Maintain BUY and raise target price to HK$220.00 on the rosy growth outlook.

**1H26 Results**

| Year to 31 Dec (Rmbm) | 2Q25 | 2Q26 | yoy % chg | 1H25 | 1H26 | yoy % chg |
|---|---|---|---|---|---|---|
| Revenue | 11,144.7 | 16,461.7 | 47.7% | 20,799.3 | 28,897.5 | 38.9% |
| *Chemistry business (WuXi Chemistry)* | 8,910.4 | 14,366.2 | 61.2% | 16,301.4 | 24,986.0 | 53.3% |
| *Testing business (WuXi Testing)* | 1,001.4 | 1,353.3 | 35.1% | 1,885.9 | 2,480.6 | 31.5% |
| *Biology business (WuXi Biology)* | 644.5 | 723.7 | 12.3% | 1,251.6 | 1,391.9 | 11.2% |
| *Discontinued Operations* | 537.8 | 0.0 | -100.0% | 1,273.8 | 0.0 | -100.0% |
| *Others* | 50.6 | 18.5 | -63.4% | 86.6 | 39.0 | -54.9% |
| Gross profit | 5,032.2 | 9,114.1 | 81.1% | 9,112.2 | 15,382.1 | 68.8% |
| Selling expenses | (200.3) | (208.7) | 4.2% | (394.4) | (390.8) | -0.9% |
| G&A | (684.9) | (865.7) | 26.4% | (1,247.7) | (1,575.5) | 26.3% |
| R&D | (290.0) | (338.1) | 16.6% | (514.4) | (605.0) | 17.6% |
| Operating profit (EBIT) | 6,289.3 | 7,497.8 | 19.2% | 9,116.0 | 12,962.6 | 42.2% |
| Finance income (cost), net | 346.2 | 422.3 | 22.0% | 274.6 | 407.6 | 48.4% |
| Profit attributed to shareholders | 4,615.4 | 6,428.7 | 39.3% | 8,287.3 | 11,080.2 | 33.7% |
| Adjusted Net Profit | 3,637.1 | 6,973.1 | 91.7% | 6,314.8 | 11,570.5 | 83.2% |
| Ratios (%) | 2Q25 | 2Q26 | yoy ppt chg | 1H25 | 1H26 | yoy ppt chg |
| GP margin | 45.2% | 55.4% | 10.2 | 43.8% | 53.2% | 9.4 |
| Selling expense | 1.8% | 1.3% | (0.5) | 1.9% | 1.4% | (0.5) |
| Admin expense | 6.1% | 5.3% | (0.9) | 6.0% | 5.5% | (0.5) |
| R&D Expense | 2.6% | 2.1% | (0.5) | 2.5% | 2.1% | (0.4) |
| EBIT Margin | 56.4% | 45.5% | (10.9) | 43.8% | 44.9% | 1.0 |
| Net margin | 41.4% | 39.1% | (2.4) | 39.8% | 38.3% | (1.5) |
| Adj. Net Margin | 32.6% | 42.4% | 9.7 | 30.4% | 40.0% | 9.7 |

*Source: WuXi AppTec, UOB Kay Hian*

### Analysis

- **Strong 1H26 beat.** WuXi AppTec reported much stronger-than-expected 1H26 results, with total revenue up 38.9% yoy to Rmb28.90b and revenue from continuing operations up 48.0% yoy, well ahead of its original 2026 growth guidance. Adjusted net earnings (excluding share-based compensation expenses, fair value gains/losses from investments and forex-related gains/losses) soared 83.2% yoy to Rmb11.57b in 1H26.

**Key Financials**

| Year to 31 Dec (Rmbm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 39,241 | 45,456 | 59,191 | 68,849 | 79,586 |
| EBITDA | 13,311 | 25,794 | 28,490 | 34,072 | 39,574 |
| Operating profit | 10,838 | 22,868 | 25,275 | 30,141 | 35,019 |
| Net profit (rep./act.) | 9,353 | 19,195 | 21,495 | 25,749 | 30,127 |
| Net profit (adj.) | 10,583 | 14,957 | 22,780 | 26,530 | 30,908 |
| EPS (Fen) | 365.7 | 513.4 | 772.5 | 899.6 | 1,048.1 |
| PE (x) | 42.7 | 30.4 | 20.2 | 17.3 | 14.9 |
| P/B (x) | 7.7 | 5.6 | 4.8 | 4.0 | 3.3 |
| EV/EBITDA (x) | 37.5 | 19.4 | 17.5 | 14.7 | 12.6 |
| Dividend yield (%) | 0.6 | 1.5 | 1.4 | 1.7 | 2.0 |
| Net margin (%) | 27.0 | 32.9 | 38.5 | 38.5 | 38.8 |
| Net debt/(cash) to equity (%) | (14.8) | (26.6) | (30.3) | (38.3) | (45.6) |
| Interest cover (x) | n.a. | n.a. | n.a. | n.a. | n.a. |
| ROE (%) | 16.4 | 27.7 | 24.7 | 24.7 | 24.1 |
| Consensus net profit | - | - | 20,749 | 23,983 | 27,394 |
| UOBKH/Consensus (x) | - | - | 1.04 | 1.07 | 1.10 |

*Source: WuXi AppTec, Bloomberg, UOB Kay Hian*

**Stock Data**

| | |
|---|---|
| GICS sector | Health Care |
| Bloomberg ticker: | 2359 HK |
| Shares issued (m): | 490.3 |
| Market cap (HK$m): | 494718.9 |
| Market cap (US$m): | 63097.9 |
| 3-mth avg daily t'over (US$m): | 109.8 |

**Price Performance (%)**

52-week high/low HK$186.60/HK$96.70

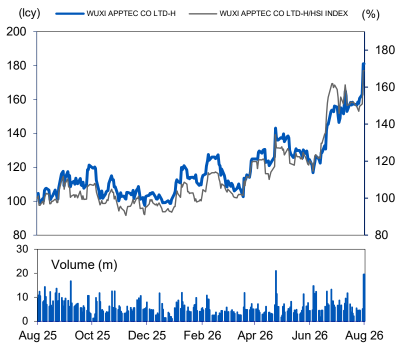
| 1mth | 3mth | 6mth | 1yr | YTD |
|---|---|---|---|---|
| 16.0 | 31.8 | 62.9 | 78.1 | 83.5 |

| **Major Shareholders** | **%** |
|---|---|
| Management team | 16.69 |

**Balance Sheet Metrics**

| | |
|---|---|
| FY26 NAV/Share (Rmb) | 32.39 |
| FY26 Net Cash/ Share (Rmb) | 9.81 |

**Price Chart**




*Source: Bloomberg*

**Company Description**

A global leading CRO/CDMO company.

- **Revenue rose 38.9% yoy in 1H26, implying a 47.7% yoy jump in 2Q26.** Total revenue rose 38.9% yoy to Rmb28.90b, while revenue from continuing operations surged 48.0% yoy as discontinued operations contributed nothing in 1H26. 2Q26 revenue amounted to Rmb16.46b, up 47.7% yoy and 32.4% qoq. WuXi Chemistry contributed Rmb24.99b (or 86.5%) of total revenue, up 53.3% yoy, as the small molecule development and manufacturing business grew 72.7% yoy to Rmb14.99b. The oligo and peptide (TIDES) business rose 44.3% yoy to Rmb7.26b, a sharp acceleration from 6.1% yoy in 1Q26, and is guided to grow about 45% yoy in 2026. WuXi Testing and WuXi Biology jumped 31.5% and 11.2% yoy respectively.
- **Gross margin improved significantly by 9.4ppt in 1H26.** Gross profit expanded 68.8% yoy to Rmb15.38b and gross margin widened 9.4ppt yoy to 53.2%. 2Q26 gross margin reached 55.4%, up 10.2ppt yoy and 5.0ppt qoq. We attribute the improvement mainly to: a) a rising proportion of late-stage clinical and commercial projects, and b) a higher utilisation rate of the capacity added last year. WuXi Chemistry's gross margin rose 7.5ppt yoy to 55.8% and WuXi Testing's increased 11.3ppt yoy to 37.7%, while WuXi Biology's edged down 0.1ppt yoy to 34.7% on adverse currency moves.
- **2026 guidance raised sharply as backlog growth accelerated to 25.2% yoy.** WuXi AppTec has raised its 2026 total revenue target to Rmb58.5b-60.5b (from Rmb51.3b-53.0b), with continuing operations revenue now expected to grow 35-39% yoy (from 18-22%). It has also lifted 2026 capex to Rmb7.5b-8.5b to bring the new Changzhou site on stream ahead of schedule, and 2026 adjusted free cash flow to Rmb13.5b-14.5b, while guiding for a stable and resilient adjusted non-IFRS net margin. Backlog for continuing operations reached Rmb66.43b at end-Jun 26, up 25.2% yoy and an acceleration from 23.6% yoy at end-Mar 26. The key drivers behind the stronger growth outlook are: a) resilient customer demand, b) the CRDMO business model's ability to advance an increasing number of projects from early to late stage R&D and commercial manufacturing, and c) the company's proven track record of execution excellence.
- **Taking legal actions against DOD 1260H designation.** The company strongly objects to the United States Department of Defense's (DOD) decision to designate it as a "Chinese military company" under Section 1260H of the National Defense Authorization Act on 8 Jun 26. In response, it filed a motion for a preliminary injunction with the US District Court for the District of Columbia on 29 June to challenge this erroneous designation. Following the hearing held on 22 July, the Court has yet to issue a ruling on the motion. The ruling is expected to come in the next few weeks and it may take months for the company to remove itself from the 1260H list.

## Valuation/Recommendation

- **Maintain BUY and raise target price to HK$220.00** (603259 CH/BUY/ Target: Rmb189.20), based on 21.0x 2027F PE (or 0.8x PEG). The strong 1H26 results and robust growth outlook will continue supporting upward momentum in the company's share price.

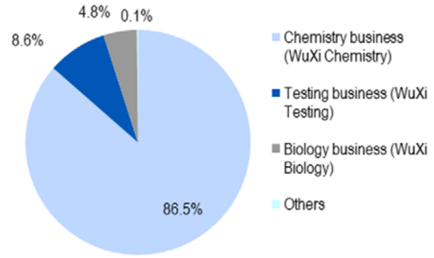
## Earnings Revision/Risk

- **Earnings revision:** We raised our 2026 revenue and adjusted net profit growth forecasts from 14.6% and 17.4% yoy to 30.2% and 52.3% yoy respectively, based on the company's new guidance range.
- **Risks:** Worse-than-expected geopolitical risks and intensifying competition.

## Share Price Catalyst

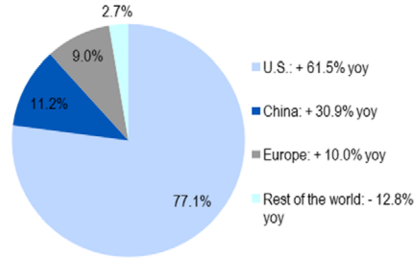
- a) Stronger-than-expected financial results.
- b) Increasing market demand for CRDMO services.

### Segmental Revenue (1H26)




Source: WuXi AppTec, UOB Kay Hian

### Regional Revenue (1H26)




Source: WuXi AppTec, UOB Kay Hian

## Profit & Loss

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Net turnover | 45,456 | 59,191 | 68,849 | 79,586 |
| EBITDA | 25,794 | 28,490 | 34,072 | 39,574 |
| Deprec. & amort. | 2,926 | 3,215 | 3,931 | 4,555 |
| EBIT | 22,868 | 25,275 | 30,141 | 35,019 |
| Associate contributions | - | - | - | - |
| Net interest income/(expense) | 453 | 453 | 453 | 453 |
| Pre-tax profit | 631 | 951 | 1,365 | 1,920 |
| Tax | 23,951 | 26,679 | 31,958 | 37,392 |
| Minorities | (4,573) | (5,094) | (6,102) | (7,139) |
| Net profit | (183) | (90) | (107) | (126) |
| Net profit (adj.) | 19,195 | 21,495 | 25,749 | 30,127 |

## Balance Sheet

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 27,863 | 32,063 | 34,550 | 36,416 |
| Other LT assets | 13,581 | 13,648 | 13,712 | 13,773 |
| Cash/ST investment | 29,456 | 36,843 | 51,824 | 70,352 |
| Other current assets | 32,221 | 37,839 | 41,343 | 45,346 |
| Total assets | 103,121 | 120,393 | 141,429 | 165,887 |
| ST debt | 5,987 | 5,987 | 5,987 | 5,987 |
| Other current liabilities | 13,249 | 15,691 | 17,248 | 19,093 |
| LT debt | 2,274 | 2,274 | 2,274 | 2,274 |
| Other LT liabilities | 1,364 | 1,364 | 1,364 | 1,364 |
| Shareholders' equity | 79,712 | 94,453 | 113,824 | 136,312 |
| Minority interest | 535 | 625 | 732 | 858 |
| Total liabilities & equity | 103,121 | 120,393 | 141,429 | 165,887 |

## Cash Flow

| Year to 31 Dec (Rmbm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 16,426 | 21,858 | 28,074 | 32,884 |
| Pre-tax profit | 23,951 | 26,679 | 31,958 | 37,392 |
| Tax | (4,573) | (5,094) | (6,102) | (7,139) |
| Deprec. & amort. | 3,361 | 3,668 | 4,384 | 5,008 |
| Working capital changes | (453) | (453) | (453) | (453) |
| Other operating cashflows | (8,420) | (3,176) | (1,947) | (2,158) |
| Investing | 2,560 | 234 | 234 | 234 |
| Capex (growth) | (1,167) | (7,809) | (6,809) | (6,809) |
| Investments | (5,058) | (7,809) | (6,809) | (6,809) |
| Proceeds from sale of assets | 3,635 | - | - | - |
| Others | 256 | - | - | - |
| Financing | - | - | - | - |
| Dividend payments | 1,123 | (6,663) | (6,285) | (7,547) |
| Proceeds from borrowings | (2,835) | (6,755) | (6,377) | (7,639) |
| Loan repayment | - | - | - | - |
| Others/interest paid | 3,568 | - | - | - |
| Net cash inflow (outflow) | - | - | - | - |
| Beginning cash & cash equivalent | 390 | 92 | 92 | 92 |
| Changes due to forex impact | 16,382 | 7,387 | 14,981 | 18,529 |
| Ending cash & cash equivalent | 13,434 | 29,456 | 36,843 | 51,824 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| Gross margin | 47.0 | 50.0 | 50.5 | 50.5 |
| Pretax margin | 52.7 | 45.1 | 46.4 | 47.0 |
| Net margin | 42.2 | 36.3 | 37.4 | 37.9 |
| ROA | 29.0 | 28.7 | 30.2 | 30.9 |
| ROE | 39.6 | 38.5 | 39.3 | 39.2 |
| | | | | |
| Growth | | | | |
| Turnover | 15.8 | 30.2 | 16.3 | 15.6 |
| Gross profit | 33.5 | 38.4 | 17.5 | 15.6 |
| Pre-tax profit | 109.3 | 11.4 | 19.8 | 17.0 |
| Net profit | 105.2 | 12.0 | 19.8 | 17.0 |
| Net profit (adj) | 41.3 | 52.3 | 16.5 | 16.5 |
| EPS | 40.4 | 50.5 | 16.5 | 16.5 |
| | | | | |
| Leverage | | | | |
| Debt to total capital | 9.4 | 8.0 | 6.8 | 5.7 |
| Debt to equity | 10.4 | 8.7 | 7.3 | 6.1 |
| Net debt to equity | 1.0 | 1.0 | 1.0 | 1.0 |
| Interest cover (x) | n.a. | n.a. | n.a. | n.a. |

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