WuXi AppTec (2359 HK)

Enabling AIDD And AI4S Through Operational Excellence

Highlights

- During its Investor Day, WuXi AppTec highlighted how it is leveraging its operational excellence to capture the tremendous market opportunities arising from the AIDD and AI4S trends.
- Its end-to-end CRDMO platform precisely bridges the gap from AI design to physical implementation. The company has started to address AIDD/AI4S demand, and expects to further expand service capacity and enhance operational excellence to meet the strong market demand.
- Maintain BUY with a target price of HK$220.00.

Analysis

- **Expecting AIDD trend to boost market demand in the long term.** During its Investor Day, WuXi AppTec noted that AI-based drug discovery and development (AIDD) and AI-for-science (AI4S) are driving exponential growth in drug metabolism and pharmacokinetics (DMPK) assay throughput demand. AI can design molecular structures efficiently but still requires wet lab capacity, such as WuXi AppTec's, to perform complex synthesis delivery and biological validation. Moreover, AIDD/AI4S clients are showing increased demand for DMPK services and generating high-quality, high-throughput experimental data for training AI models and achieving wet-dry lab closed loops has emerged as a new application. WuXi AppTec believes AIDD is playing a growing role in the evolution of drug discovery and development, and will support strong long-term service demand for the company.
- **Seeing strong demand from AIDD customers.** WuXi AppTec's biology business has started to address AI4S/AIDD demand, by providing high-throughput, diversified, customised, and integrated wet lab services to respond swiftly to AIDD/AI4S clients' needs. The company believes its end-to-end CRDMO platform precisely bridges the gap from AI design to physical implementation. WuXi AppTech has seen the monthly assay plate requirement from a leading AIDD client reach 5,000 compared with around 10 from a traditional biotech. Management notes that service demand from AIDD customers, while still small in scale, is growing rapidly.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	39,241	45,456	61,399	71,426	82,574
EBITDA	13,311	25,794	31,055	37,089	43,078
Operating profit	10,838	22,868	27,840	33,158	38,523
Net profit (rep./act.)	9,353	19,195	23,562	28,180	32,950
Net profit (adj.)	10,583	14,957	24,847	28,961	33,731
EPS (Fen)	365.7	513.4	842.5	982.0	1,143.8
PE (x)	45.0	32.1	19.5	16.8	14.4
P/B (x)	8.1	5.9	5.0	4.1	3.4
EV/EBITDA (x)	37.7	19.5	16.2	13.5	11.7
Dividend yield (%)	0.6	1.4	1.5	1.7	2.0
Net margin (%)	27.0	32.9	40.5	40.5	40.8
Net debt/(cash) to equity (%)	(14.8)	(26.6)	(31.3)	(39.8)	(47.4)
Interest cover (x)	49.6	84.2	132.6	158.4	184.0
ROE (%)	16.4	27.7	26.7	26.3	25.3
Consensus net profit	-	-	24,694	28,907	33,350
UOBKH/Consensus (x)	-	-	0.95	0.97	0.99

Source: WuXi AppTec, Bloomberg, UOB Kay Hian

Analyst(s)

Carol Dou
carol.dou@uobkh.com
+ 852 22366749

Sunny Chen
sunny.chen@uobkh.com
+ 852 2826 4857

BUY (Maintained)

Share Price	HK$193.60
Target Price	HK$220.00
Upside	13.6%

Stock Data

Sector	Health Care
Bloomberg ticker	2359 HK
Shares issued (m)	541.5
Market cap (HK$m)	532,166.7
Market cap (US$m)	67,876.7
3-mth avg daily t'over (US$m)	145.2

Price Performance (%)

52-week high/low				HK$219.20/HK$96.70
1mth	3mth	6mth	1yr	YTD
(11.4)	7.7	41.3	84.4	96.1

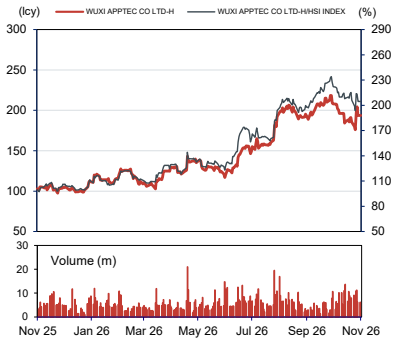
Major Shareholders (%)

Management team	16.35

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	33.10
FY26 Net Cash/Share (Rmb)	55.73

Price Chart



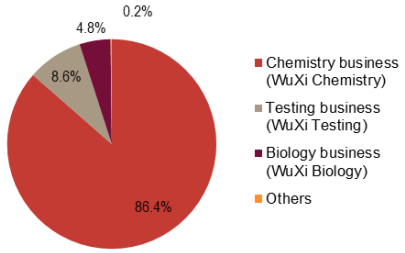
Source: Bloomberg

Company Description

A global leading CRO/CDMO company.

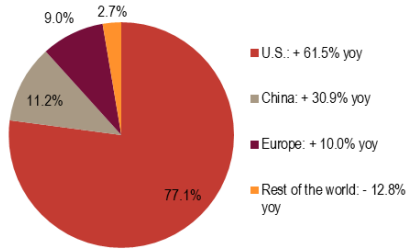
- **Well prepared to embrace market demand and facilitate accelerated innovation.** WuXi AppTec has been upgrading its web-lab service capacity, automation efficiency and global manufacturing network to facilitate the accelerated innovation. It plans to complete the upgrading of DMPK system in Nanjing by the end of 2026, and add 92,000sqm to the existing WX Testing preclinical lab capacity by the end of 2027. Its Singapore small molecule plants and TIDES plant will commence operations in 1Q27 and 1Q28, respectively. The Middletown, Delaware base (WuXi AppTec's largest US facility) will commence oral solid dosage production in Q426, with sterile injectables following in Q427; the Swiss Couvet base's new spray drying plant will be operational in Q426. The company's integrated CRDMO platform has accumulated extensive capabilities for the R&D and manufacturing of complex modalities with high-quality and superior efficiency, enabling the new wave of global pharmaceutical innovation through operational excellence.
- **Proven financial track record; expects sustainable growth momentum in the years ahead.** Since its listing on the Hong Kong Stock Exchange in 2018, WuXi AppTec has become a CDMO industry leader, expanding its business scale roughly 8x, from Rmb7.9b in 2018 to an estimated Rmb61.0b-61.9b in 2026. It is still sustaining a rapid revenue growth of 40-42% yoy in continuing operations in 2026. During these years, it has further deepened its partnership with customers, and achieved approximately 13x increase in backlog from US$5.9b in 2018 to US$76.7b as at end-3Q26, representing a CAGR of ~40%. Management expect most of the current backlogs to be translated into revenue in the next 18 months. Moreover, with significantly improving operating efficiency, its net margin surged from 18.1% in 2018 to 40.4% in 9M26. We also estimate its EPS to expand by around 10x from Rmb0.88 in 2018 to Rmb8.43 in 2026. Riding the accelerating wave of AIDD drug innovation, we expect WuXi AppTec to continue growing rapidly in the years ahead.

Segmental Revenue (9M26)



Source: WuXi AppTec, UOB Kay Hian

Regional Revenue (1H26)



Source: WuXi AppTec, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a target price of HK$220.00** (603259 CH/BUY/Target: Rmb187.00), based on 19.0x 2027F PE (or 0.6x PEG). The strong 9M26 results and robust growth outlook will continue supporting upward momentum in the company's share price.

Earnings Revision/Risk

- **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.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**45,456**	**61,399**	**71,426**	**82,574**
EBITDA	25,794	31,055	37,089	43,078
Deprec. & amort.	2,926	3,215	3,931	4,555
EBIT	22,868	27,840	33,158	38,523
Associate contributions	453	453	453	453
Net interest income/(expense)	631	951	1,365	1,920
Pre-tax profit	**23,951**	**29,244**	**34,975**	**40,896**
Tax	(4,573)	(5,584)	(6,678)	(7,808)
Minorities	(183)	(98)	(117)	(137)
Net profit	**19,195**	**23,562**	**28,180**	**32,950**
Net profit (adj.)	14,957	24,847	28,961	33,731

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	38,439	55,167	75,721
Other current assets	32,221	38,126	41,676	45,734
Total assets	**103,121**	**122,276**	**145,105**	**171,644**
ST debt	5,987	5,987	5,987	5,987
Other current liabilities	13,249	15,498	17,021	18,832
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	96,519	117,709	142,298
Minority interest	535	634	751	888
Total liabilities & equity	**103,121**	**122,276**	**145,105**	**171,644**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**16,426**	**23,454**	**30,435**	**35,630**
Pre-tax profit	23,951	29,244	34,975	40,896
Tax	(4,573)	(5,584)	(6,678)	(7,808)
Deprec. & amort.	3,361	3,668	4,384	5,008
Working capital changes	(8,420)	(3,655)	(2,027)	(2,247)
Non-cash items	-	-	-	-
Other operating cashflows	2,107	(218)	(218)	(218)
Investing	**(1,167)**	**(7,809)**	**(6,809)**	**(6,809)**
Capex (growth)	(5,058)	(7,809)	(6,809)	(6,809)
Proceeds from sale of assets	256	-	-	-
Others	3,635	-	-	-
Financing	**1,123**	**(6,663)**	**(6,898)**	**(8,268)**
Dividend payments	(2,835)	(6,755)	(6,990)	(8,360)
Issue of shares	-	-	-	-
Proceeds from borrowings	3,568	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	390	92	92	92
Net cash inflow (outflow)	**16,382**	**8,983**	**16,728**	**20,554**
Beginning cash & cash equivalent	**13,434**	**29,456**	**38,439**	**55,167**
Changes due to forex impact	(360)	-	-	-
Ending cash & cash equivalent	**29,456**	**38,439**	**55,167**	**75,721**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	47.0	52.7	53.2	53.2
Pre-tax margin	52.7	47.6	49.0	49.5
Net margin	42.2	38.4	39.5	39.9
ROA	20.9	20.9	21.1	20.8
ROE	27.7	26.7	26.3	25.3
Growth				
Turnover	15.8	35.1	16.3	15.6
Gross profit	33.5	51.3	17.4	15.6
Pre-tax profit	109.3	22.1	19.6	16.9
Net profit	105.2	22.8	19.6	16.9
Net profit (adj.)	41.3	66.1	16.6	16.5
EPS	40.4	64.1	16.6	16.5
Leverage				
Debt to total capital	9.4	7.9	6.6	5.5
Debt to equity	10.4	8.6	7.0	5.8
Net debt/(cash) to equity	(26.6)	(31.3)	(39.8)	(47.4)
Interest cover	84.2	132.6	158.4	184.0

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