Pharmaron Beijing (300759 CH)

A one-stop CXO with accelerated growth potential

BUY (Initiate)

Target Price	**RMB38.08**
Up/Downside	**21.7%**
Current Price	**RMB31.30**

China Healthcare

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Founded in 2004, Pharmaron Beijing (Pharmaron) has emerged as a pioneer and now stands as one of the leading China-based CXOs with globally recognized capabilities. The Company provides comprehensive services to global clients, covering all drug R&D stages. Leveraging its one-stop service model, Pharmaron is well-positioned to capitalize on the growing global demand for outsourced pharmaceutical R&D. We initiate our coverage on Pharmaron with a BUY rating and a TP of RMB38.08.

- **One of the established one-stop CXOs worldwide.** As the Top2 outsourced service provider in China for discovery and preclinical CRO services, Pharmaron has strategically expanded its service portfolio to small-molecule CDMO, clinical development, and biologics and CGT, transforming itself into an end-to-end, one-stop CXO platform. By enabling seamless continuity across different R&D phases, one-stop CXO platforms can reduce the operational risks, time delays, and cost inefficiencies. We believe that one-stop CXOs will continue to enjoy pronounced competitive advantages in the global market, particularly in an environment where biopharma sponsors increasingly prioritize efficiency, speed, and reliability.
- **A vibrant ecosystem built on synergistic business segments.** 1) Lab services have been the backbone of Pharmaron. New bookings of lab services increased by >15% YoY in 2024, with a similar trend in 9M25, supporting growth of this segment. 2) Small molecule CDMO services is highly complementary to lab services. Given the commercial-stage projects obtained in 2024 and its rich pipeline dominated (>95%) by early-phase projects, the CDMO segment is poised to see increasing commercial demand in the near future. New orders for this segment grew strongly by over 35% YoY in 2024, followed by ~20% YoY growth in 9M25, enabling the segment to be the fastest driver for the Company. 3) Pharmaron Clinical was established in 2021 to unify its global clinical teams. The lower-than-peer revenue per employee and GPM level of this business suggest potential for productivity improvement. 4) As demand for complex modalities accelerates worldwide, biologics and CGT business within Pharmaron's one-stop platform is expected to drive both diversification and value growth in the long run.
- **Benefiting from favourable global demand recovery.** Deeply integrated in the global pharmaceutical R&D value chain, Pharmaron's business is directly and materially impacted by macro trends in the global life sciences sector. In view of both funding and pharma investment, global client demand has meaningfully recovered. Global innovative drug funding rose 22.5% YoY in 2H25, with an extraordinary 215.4% YoY increase in China, per PharmCube (医药魔方). As the US Fed is expected to continue its rate cut, we believe funding growth is highly likely to extend into 2026. Beyond funding, the total R&D spending among global Top10 firms returned to positive growth of 5.3% YoY in 1H25, with a stabilized trend in leading biotech companies.
- **Initiate at BUY.** Our TP of RMB38.08 is based on a 10-year DCF model with WACC of 9.32% and terminal growth of 2.0%. We forecast Pharmaron's revenue to grow by 14.2%/ 14.8%/ 16.3% YoY and adjusted net profit to increase by 12.3%/ 17.8%/ 18.7% YoY in 2025E/ 26E/ 27E, respectively.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	11,538	12,276	14,022	16,092	18,710
YoY growth (%)	12.4	6.4	14.2	14.8	16.3
Adjusted net profit (RMB m	1,903	1,607	1,804	2,126	2,523
YoY growth (%)	3.8	(15.6)	12.3	17.8	18.7
EPS (Adjusted) (RMB)	1.07	0.91	1.01	1.16	1.37
Consensus EPS (RMB)	na	na	0.98	1.20	1.45
P/E (Adjusted) (x)	29.1	34.5	30.8	27.0	22.8

Source: Company data, Bloomberg, CMBIGM estimates

Stock Data

Mkt Cap (RMB mn)	55,657.5
Avg 3 mths t/o (RMB mn)	644.4
52w High/Low (RMB)	35.90/22.06
Total Issued Shares (mn)	1778.2

Source: FactSet

Shareholding Structure

HK investors	19.3%
De Facto Controllers	17.7%

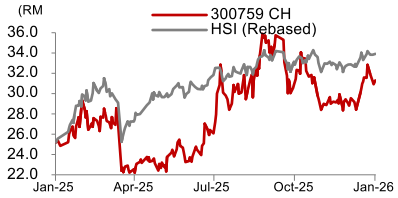
Source: HKEX

Share Performance

	Absolute	Relative
1-mth	7.9%	4.5%
3-mth	1.1%	-2.1%
6-mth	20.3%	13.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

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Investment Thesis

One of the established one-stop CXOs worldwide

Founded in 2004, Pharmaron has emerged as a pioneer and now stands as one of the leading China-based CXOs with globally recognized capabilities. The Company initially commenced operations by offering laboratory chemistry services and has since evolved into one of the Top2 outsourced service providers in China for discovery and preclinical CRO services. Over time, Pharmaron has strategically expanded its service portfolio to encompass small-molecule CDMO, clinical development, and biologics and cell and gene therapy (CGT) CDMO offerings, thereby transforming itself into an end-to-end, one-stop CXO platform. Pharmaron is one of the only two established one-stop CXO service providers (the other one is WuXi AppTec) in China.

By enabling seamless continuity across different R&D phases, one-stop CXO platforms can reduce the operational risks, time delays, and cost inefficiencies typically associated with transferring projects between multiple vendors. We believe that one-stop CXOs will continue to enjoy pronounced competitive advantages in the global market, particularly in an environment where global clients increasingly prioritize efficiency, speed, and reliability.

A vibrant ecosystem built on synergistic business segments

1) Lab services. Since establishment, lab services have been the backbone of Pharmaron, generating 57.4% of the Company's total revenue in 2024. Pharmaron is one of the leaders in the global lab services market, ranking Top4 in terms of revenue. More importantly, Pharmaron has delivered the fastest revenue growth among all global leaders. From 2020 to 2024, Pharmaron's lab services revenue posted a CAGR of 21.2%, significantly outpacing WuXi AppTec's 10.1%, Charles River's 7.5%, and Labcorp's 6.2%. As the Top2 China-based CRO in providing lab services, Pharmaron has continued to enhance its lab services capacities and capabilities. With major facilities put into operations after 2021, the Ningbo Campus has become the core R&D center for Pharmaron in the Yangtze River Delta region. Driven by rising client demand in complex novel modalities such as PROTAC, oligonucleotides, peptides, bispecific antibodies, ADC, and CGT, bioscience services are embarking on a fast track of growth, with the share in lab services revenue steadily increasing from 41.33% in 2020 to over 55% in 1H25.

Demand recovery indicates sustainable growth for lab services going forward. New bookings of Pharmaron's lab services increased by more than 15% YoY in 2024, with a similar trend in 2025, indicating that the improving demand momentum is continuing. Given the typical time lag between new signings and revenue recognition, we expect the encouraging order growth over the past two years to effectively support the growth of Pharmaron's lab services in the near future.

2) Small molecule CDMO. Combining the rapid capacity expansion, the small molecule CDMO business has been serving as a key growth driver to Pharmaron. The segment grew at a revenue CAGR of 29.1% in 2018-24, faster than the CAGR of 27.1% for the Company's total. Small molecule CDMO services is highly complementary to the lab services, with 81.47% of revenue originated from customers using its discovery services in 2024. Harnessing the competitive strength of Pharmaron's one-stop service platform, we anticipate that its small molecule CDMO business is well positioned to capture market share in the long run. Pharmaron has been actively expanding its small molecule capacities, enabling the Company to tap the high-value commercial manufacturing business. Via self-building and M&As, Pharmaron added large-scale small molecule capacity in Shaoxing and Ningbo. Note that the Company has already obtained commercial-stage API and DP projects in 2024. Additionally, Pharmaron's rich and growing pipeline dominated (>95%) by early-phase projects indicate increasing commercial-stage demand in the near future.

Pharmaron's small molecule CDMO segment has experienced strong client demand. New orders signed in 2024 grew strongly by over 35% YoY, followed by ~20% YoY growth in 9M25. Given the strong order growth, we expect the segment to continue to be the fastest driver for the Company through 2025 and beyond.

3) Clinical development services. Pharmaron provides integrated clinical CRO services across both international and domestic markets, empowering clients to efficiently navigate global drug development pathways and accelerate market access. Previously, Pharmaron prioritized scale over efficiency for this segment in the past, with the growth in revenue outpacing that in revenue per employee. Pharmaron established Pharmaron Clinical in 2021 to unify its global clinical teams and streamline service delivery. The lower-than-peer revenue per employee and GPM level within Pharmaron's clinical CRO business suggest that the Company has abundant potential to improve output productivity, contributing to the overall enhancement of the Company's bottom line going forward.

4) Biologics and Cell & Gene Therapy (CGT) services. Pharmaron's Biologics and CGT services represent a strategically positioned, emerging segment designed to anchor the Company's long-term evolution into a fully integrated global CXO leader. As demand for complex modalities accelerates worldwide, this high-potential business is expected to drive both diversification and value growth. Given Pharmaron's comprehensive one-stop platform, there is abundant market potential for Pharmaron's biologics and CGT business as a China-based service provider.

Benefiting from favorable global trends

Deeply integrated in the global pharmaceutical R&D value chain, Pharmaron's business trajectory is directly and materially impacted by macro trends in the global life sciences sector. In view of both funding and pharma investment, global client demand has meaningfully recovered from the cyclical trough.

According to VBdata (动脉橙), global healthcare funding increased by 8.6% YoY in 2025 with a 29.4% YoY increase in 2H25, marking the first meaningful recovery since 2021. Specifically, global innovative drug funding rose 22.5% YoY in 2H25, with an extraordinary 215.4% YoY increase in China, according to PharmCube (医药魔方).

As the US Fed. is expected to continue its rate cut, we believe funding growth is highly likely to extend into 2026. Beyond funding, R&D investment by multinational drug-makers remains a critical and stable source of funding for global drug innovation. Encouragingly, the total R&D spending among global Top10 firms returned to positive growth of 5.3% YoY in 1H25, with a stabilized trend in leading biotech companies.

Initiate at BUY with TP of RMB38.08

We derive a TP of RMB38.08 on a 10-year DCF valuation with WACC of 9.32% and terminal growth rate of 2.0%. Backed by the sustainable growth of new bookings in 2024 and 2025, we anticipate a robust recovery in Pharmaron's revenue growth following the cyclical trough in 2024, forecasting its revenue to reach RMB14.0bn/ 16.1bn/ 18.7bn in 2025E/ 26E/ 27E, representing 14.2%/ 14.8%/ 16.3% YoY growth for respective years with a CAGR of 15.1%. Additionally, we project that its adjusted net profit will maintain stronger momentum, reaching RMB1.8bn/ 2.1bn/ 2.5bn in 2025E/ 26E/ 27E, representing YoY growth of 12.3%/ 17.8%/ 18.7%, respectively, and a CAGR of 16.2%.

Investment risks

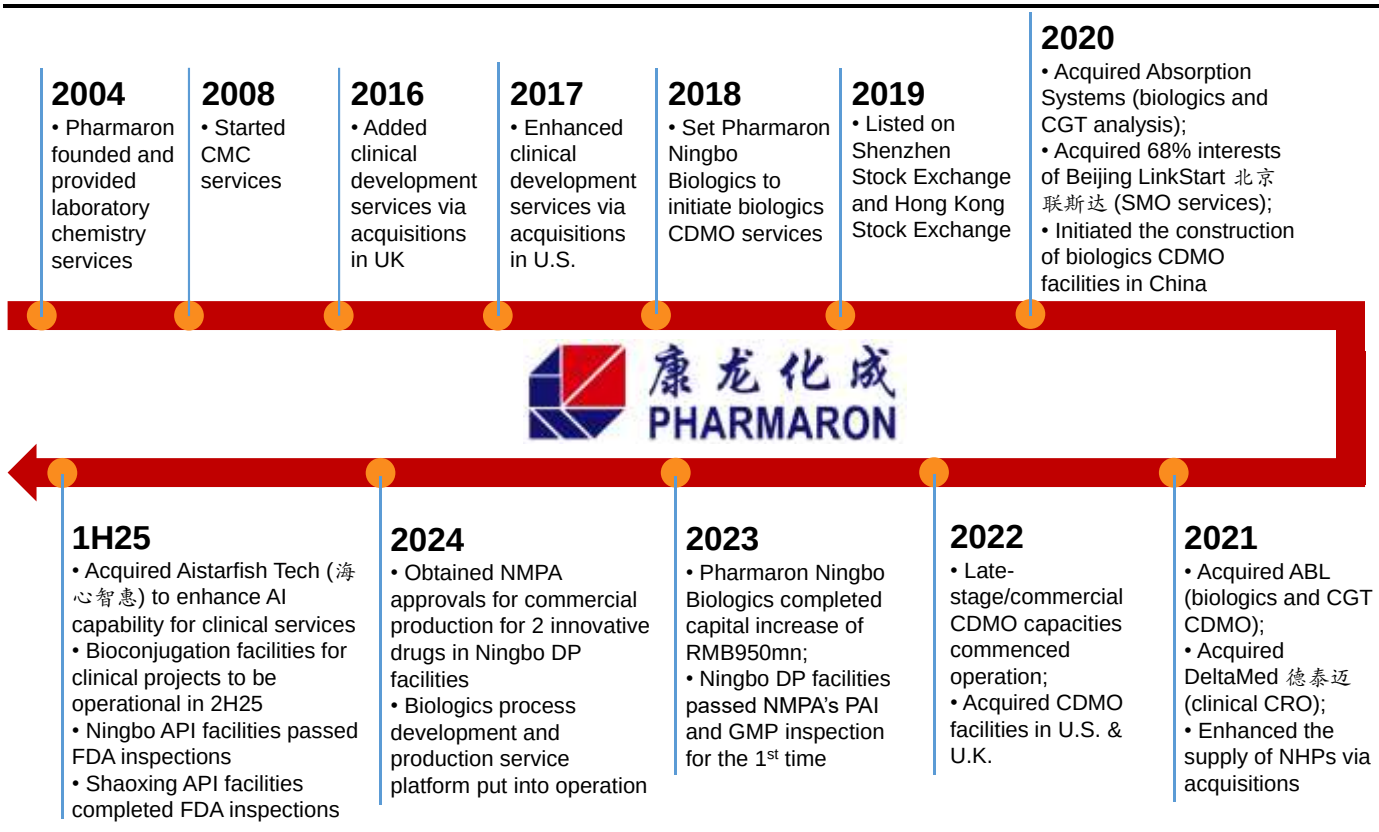
Uncertainties in the demand recovery trend, slower-than-expected margin improvement of clinical development and biologics and CGT services, and geopolitical uncertainties.

One of the established one-stop CXOs worldwide

An established one-stop CXO platform

Founded in 2004, Pharmaron has emerged as a pioneer and now stands as a leading China-based CXO with globally recognized capabilities. The Company initially commenced operations by offering laboratory chemistry services and has since evolved into one of the Top2 outsourced service providers in China for discovery and preclinical CRO services. Over time, Pharmaron has strategically expanded its service portfolio to encompass small-molecule CDMO, clinical development, and biologics and cell and gene therapy (CGT) CDMO offerings, thereby transforming itself into a fully integrated, end-to-end CXO platform. Pharmaron pursues a dual-track growth strategy that synergistically combines organic expansion with targeted M&As. Notably, M&A activities have played a pivotal role in accelerating the Company's capabilities in clinical development and biologics & CGT services, enabling rapid scale-up and service diversification. Leveraging its comprehensive, one-stop service model, Pharmaron is well positioned to capitalize on the robust and growing global demand for outsourced pharmaceutical R&D through serving both domestic and international clients with high-quality, integrated solutions.

Figure 1: Business development history of Pharmaron

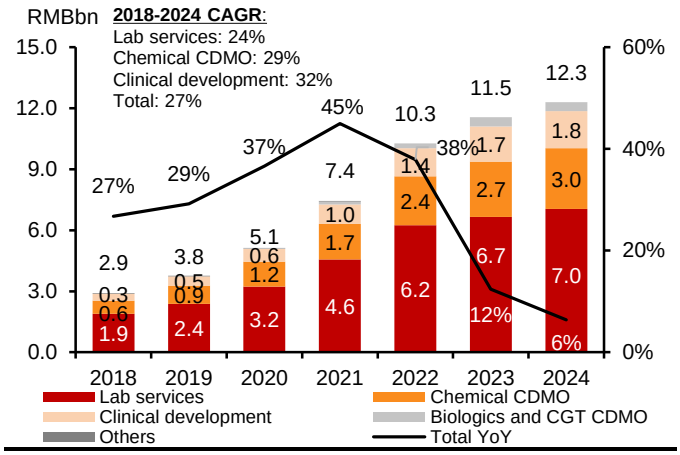


Source: Company data, CMBIGM

Laboratory services act as the cornerstone of Pharmaron's business, while other complementary segments have exhibited markedly faster growth in recent years. Between 2016 and 2021, revenue from the small molecule CDMO segment and the clinical development segment grew at CAGRs of 40% and 45%, respectively, outpacing the CAGR of 32% recorded by the laboratory services segment over the same period. Consequently, the contribution of laboratory services to total company revenue declined from 71% in 2016

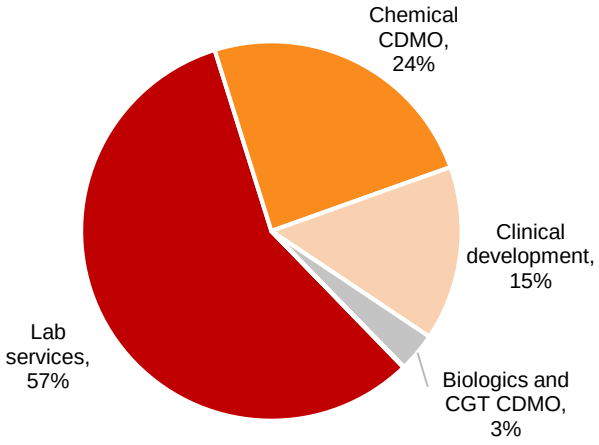
to 61% in 2021. Despite this relative moderation in revenue share, we believe that Pharmaron's laboratory services retain substantial growth potential, underpinned by strong global competency, high client trust, technological depth, and continued demand for early-stage R&D outsourcing. We anticipate that laboratory services segment will maintain its role as a foundational pillar of the Company's integrated CXO platform.

Figure 2: Revenue and YoY growth of Pharmaron



Source: Company data, CMBIGM

Figure 3: Revenue mix of Pharmaron (2024)



Source: Company data, CMBIGM

Building one-stop capability is the main trend of global CXO industry

By enabling seamless continuity across different R&D phases, one-stop CXO platforms can reduce the operational risks, time delays, and cost inefficiencies typically associated with transferring projects between multiple services vendors. We view "one-stop capability" as the ability of a single CXO provider to deliver fully integrated services spanning drug discovery, preclinical development, clinical trial execution, and commercial-scale manufacturing. Leveraging the competitive advantages in lower labor and manufacturing costs, abundant scientific talent, and sufficient access to capital, leading China-based CXOs have systematically expanded their service footprints to achieve this integrated model. In contrast, many overseas CXO peers have historically maintained a more specialized business focus, concentrating on individual segments of the drug R&D value chain. However, this divergence is gradually narrowing as global consolidation reshapes the international CXO landscape. High-profile transactions, such as ICON's acquisition of PRA Health Sciences and Thermo Fisher's purchase of PPD, underscore a strategic shift among global players toward building vertically integrated, one-stop capabilities.

Establishing an integrated CXO platform demands significant financial investment, sustained execution over time, and, critically, a forward-looking management vision aligned with long-term industry trends. Given these barriers to entry, we believe that one-stop CXOs will continue to enjoy pronounced competitive advantages in the global market, particularly in an environment where global clients increasingly prioritize efficiency, speed, and reliability. In China, besides WuXi AppTec, Pharmaron is the one of the only two established one-stop CXO service providers in China. On the global stage, Thermo Fisher's successful integration of PPD (clinical CRO) and Patheon (CDMO) exemplifies the viability and strategic rationale of this model, reinforcing the broader industry trajectory toward end-to-end service.

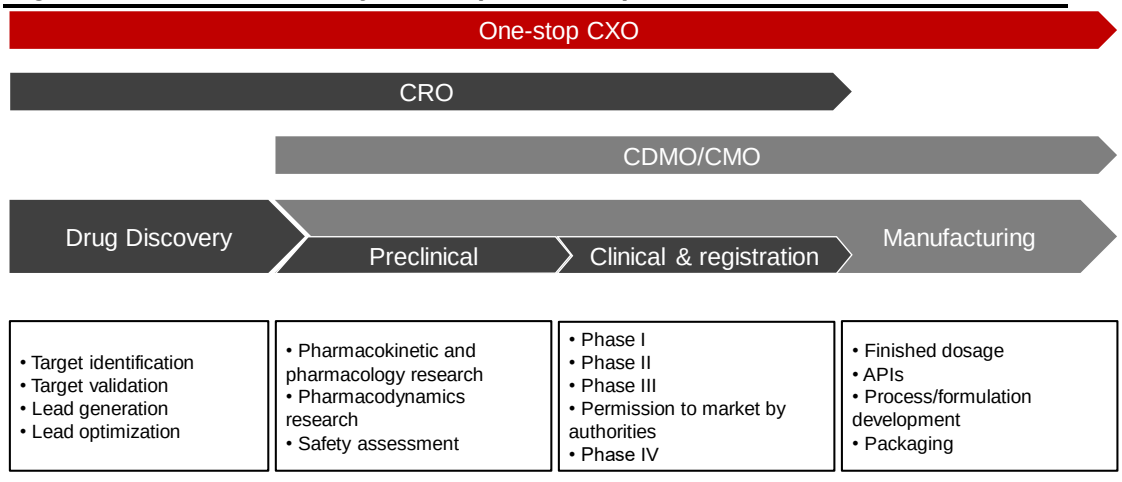
Figure 4: Major services offered by leading Chinese and overseas CXOs

Company	Ticker	CXO-related revenue (2024, US$mn)	Major services offered				
			Lab services	Clinical CRO	Chemical C(D)MO	Biologics C(D)MO	CGT C(D)MO
Domestic companies							
Wuxi AppTec 药明康德	603259 CH/ 2359 HK	5,510	√	√ (divested in 2025)	√		√ (divested in 2025)
Wuxi Bio 药明生物	2269 HK	2,622				√	
Pharmaron 康龙化成	300759 CH/ 3759 HK	1,724	√	√	√	√	√
Tigermed 泰格医药	300347 CH/ 3347 HK	927	√	√			
Asymchem 凯莱英	002821 CH/ 6821 HK	815			√		
Jiuzhou 九洲药业	603456 CH	725			√		
Porton 博腾股份	300363 CH	423			√		
Haoyuan Chemexpress 皓元医药	688131 CH	319	√		√		
Joinn 昭衍新药	603127 CH/ 6127 HK	283	√				
Viva 维亚生物	1873 HK	279	√		√		
PharmaBlock 药石科技	300725 CH	237	√		√		
Medicilon 美迪西	688202 CH	146	√				
ChemPartner 睿智医药	300149 CH	136	√			√	
Hitgen 成都先导	688222 CH	60	√				
Obio Tech 和元生物	688238 CH	35					√
Overseas companies							
IQVIA	IQV US	15,405		√			
Thermo Fisher	TMO US	13,601	√	√	√	√	√
ICON	ICLR US	8,282		√			
Lonza	LONN SW	7,465			√	√	√
LabCorp (incl. Fortrea)	LH US	5,619	√	√			
Catalent	Not listed	4,381			√	√	√
Charles River	CRL US	4,050	√				√
Samsung Bio	207940 KS	2,565				√	
Medpace	MEDP US	2,109		√			
Siegfried	SFZN SW	1,295			√		

Source: Company data, CMBIGM

Note: Biologics C(D)MO excludes CGT C(D)MO. CXO revenue as % of Thermo Fisher's total revenue in 2024 was based on approximate data for LTM through 2Q24 disclosed on its 2024 investor day. Fiscal year of Catalent ended in Jun. US$/RMB = 7.1217.

Figure 5: Services offered by one-stop CXO companies

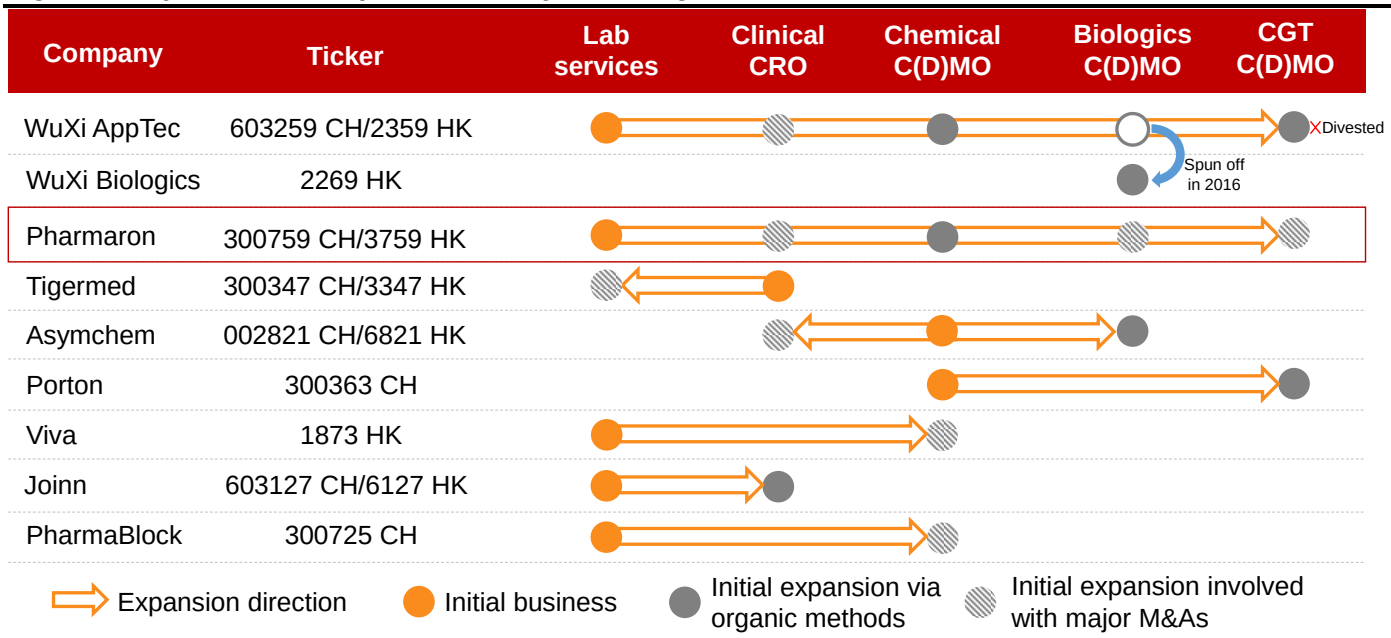


Source: F&S, CMBIGM

M&As have played a pivotal role in enabling China-based CXOs to establish integrated, one-stop service platforms. In fact, the global CXO market remains highly fragmented, presenting substantial opportunities for strategic consolidation. Multiple evidence indicates that leading domestic CXOs have consistently leveraged M&A as a core growth lever to broaden their service offerings and accelerate capability development. For example, Pharmaron executed two transformative acquisitions: the 2016 acquisition of Quotient Bioresearch (for GBP10mn), which marked its strategic entry into clinical CRO services, and the 2021 acquisition of Allergan Biologics Limited (ABL) for RMB999mn, through which it gained critical capabilities in biologics and CGT CDMO. Similarly, WuXi AppTec has maintained an active M&A track record throughout its evolution. A landmark transaction was its 2008 acquisition of AppTec (for US$163mn), a US-based lab service company. Looking ahead, we anticipate that China-based CXOs will continue to pursue M&A-driven expansion, supported by growing earnings and favorable capital market conditions that have enabled these companies to accumulate substantial financial resources.

These acquisitions are expected to extend service scope across the drug R&D value chain as well as to enhance global footprint. Overall, M&A remains a cornerstone of strategic development for Chinese CXOs seeking to build globally competitive, end-to-end platforms in an increasingly integrated and internationalized pharmaceutical outsourcing ecosystem.

Figure 6: Major business expansion history of leading China-based CXOs



Source: Company data, CMBIGM

In our view, the most significant competitive advantage of a one-stop CXO platform lies in its ability to create highly efficient cross-selling opportunities across complementary service segments. Such synergy not only enhances client retention but also increases customer lifetime value by streamlining workflows and reducing external coordination costs. Supporting evidence can be found in both domestic and global markets. In 2024, 81.5% of Pharmaron's small molecule CDMO revenue was derived from existing clients of the Company's drug discovery services. Similarly, in the global market, Charles River, a global leader in drug safety assessment, has reported that roughly 50% of clients utilizing its discovery services subsequently opt to continue collaboration with the Company for nonclinical safety and toxicology studies.

Figure 7: Cross-sell synergies of one-stop CXO platforms

Company	Synergy	Details
Pharmaron	Lab service to CDMO	**~81.5%** of small molecule revenue came from existing customers of discovery services in 2024
	Lab services to CGT	**~25%** of biologics and CGT products bioanalytical services revenue originated from existing customers of preclinical and safety assessment services in 2023
WuXi AppTec	Discovery to preclinical	**~70%** of WuXi AppTec's new customers were supported by discovery and preclinical platform in 2024
	Discovery to CDMO	**~45%** (370+ out of 820+ projects) ongoing IND projects were jointly supported by WuXi Biology and WuXi Chemistry platforms (2025 Investor Day)
	R to D	308 clients with "D" opportunities generated from >1,000 active clients in "R" stage (2H24 – 1H25)
	Preclinical to clinical	**~9%** (13 out of 140+ projects) projects converted from preclinical platform to WuXi Clinical/SMO platform (2H22-1H23)
Charles River	Discovery to preclinical	**>50%** of clients using discovery services continue to use its drug safety assessment services (2023 Investor Day)
Thermo Fisher	Clinical + CDMO	Launched "Accelerato Drug Development" in 2024 to combine its clinical services (PPD) with its CDMO services (Patheon)

Source: Company data, CMBIGM

A leading CXO player with expanding global presence

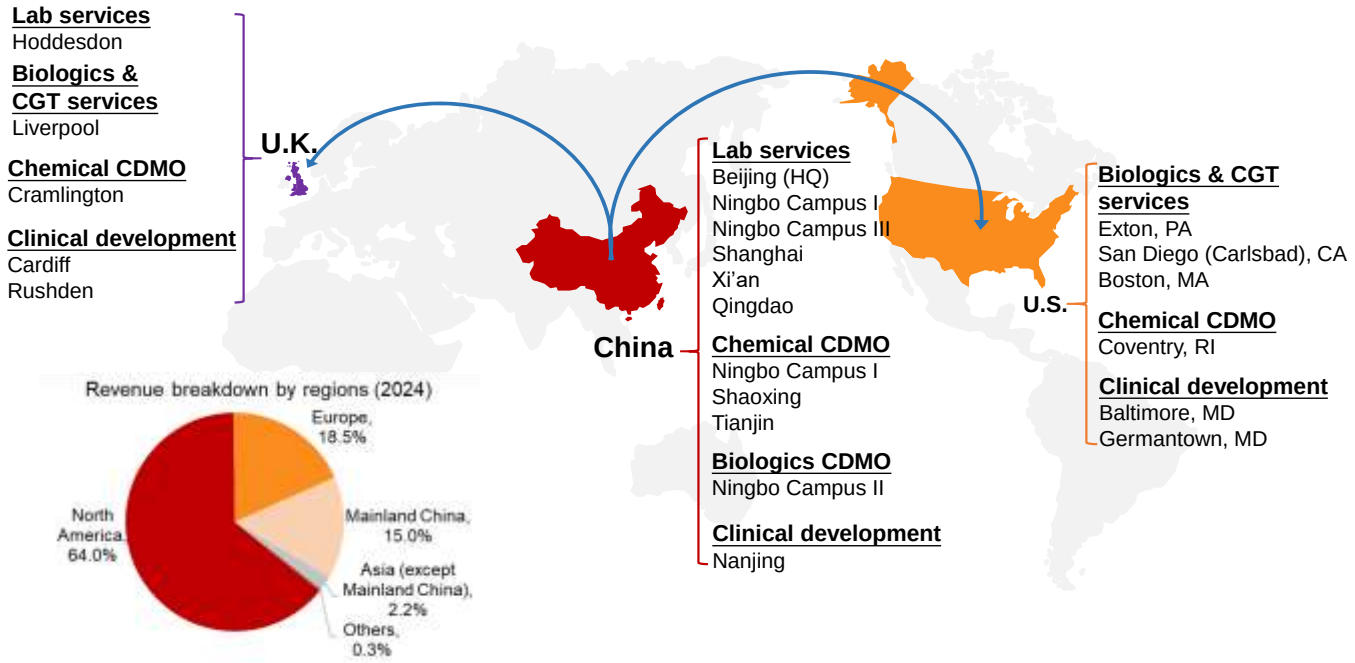
Pharmaron has successfully built a globally integrated service network covering China, the US, and the UK. This strategic geographic diversification enables the Company to respond more rapidly to evolving client demands, accommodate a wide spectrum of regulatory and operational requirements, as well as proactively mitigate geopolitical and supply chain risks. Reflecting its strong international positioning, 85% of Pharmaron's revenue in 2024 was generated from clients outside China.

Pharmaron's overseas expansion has been primarily executed through an M&A strategy, designed to accelerate entry into high-value service domains, particularly clinical development, biologics, and CGT. In 2016, Pharmaron acquired Quotient Bioresearch for GBP10mn, subsequently rebranded as Pharmaron UK, thereby establishing a multidisciplinary hub in the UK offering laboratory research, CMC development, and clinical trial services. In 2017, Pharmaron entered the US clinical development market through two complementary acquisitions: Eceleron (rebranded as Pharmaron ABS) for US$5mn and SNBL Clinical Pharmacology Center (rebranded as Pharmaron CPC) for US$25mn. These transactions provided critical infrastructure, expertise and customer connection in early-phase clinical studies.

Pharmaron further enhanced its global capabilities in advanced modalities through two key acquisitions: Absorption Systems in 2020 for US$138mn and Allergan Biologics Limited (ABL) in 2021 for US$119mn. These deals significantly expanded Pharmaron's analytical and CDMO capacities in biologics and CGT, reinforcing its position as a fully integrated, end-to-end CXO platform with global reach.

Through this disciplined, acquisition-led internationalization strategy, Pharmaron has not only diversified its revenue base but also strengthened its ability to serve global clients across the entire drug research and development lifecycle.

Figure 8: Global R&D and manufacturing network of Pharmaron (as of 1H25)

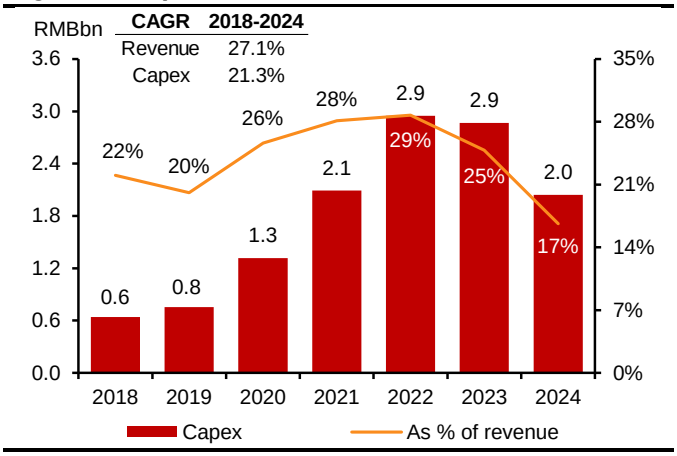


Source: Company data, CMBIGM

To strengthen its competitive positioning in the global CXO market, Pharmaron has proactively scaled up its operations through substantial capex investment and a robust expansion of its workforce. Since 2015, the Company has maintained a capex-to-revenue ratio above 20%, with capacity and technical capability building-out of the small-molecule CDMO segment being a key investment direction. Pharmaron ranks top among China-based CXOs in terms of capex amount, reflecting its strong determination to enhance global competency.

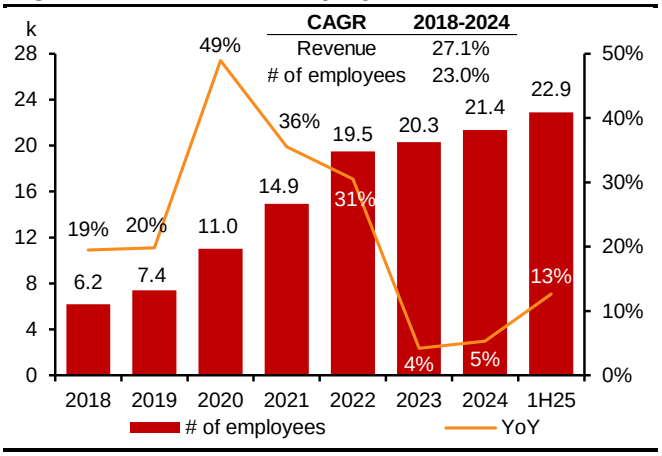
By the end of 2024, Pharmaron employed 21,370 personnel globally, with a CAGR of 23.0% in headcount between 2018 and 2024. Over the same period, the Company achieved a revenue CAGR of 27.1%, outpacing its workforce expansion. This divergence underscores a meaningful improvement in operational efficiency and productivity, driven by economies of scale, enhanced asset utilization, and the integration of service platforms.

Figure 9: Capex of Pharmaron



Source: Company data, CMBIGM

Figure 10: Number of employees of Pharmaron



Source: Company data, CMBIGM

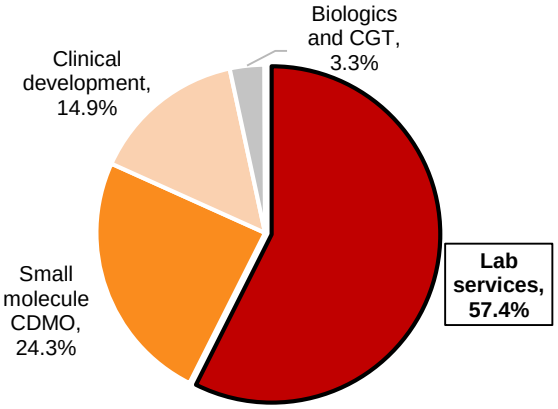
Lab service is the cornerstone of Pharmaron

Lab service is a fundamental business of Pharmaron

Since establishment, lab services have been the backbone of Pharmaron, supporting the Company to expand its service spectrum. Lab services include lab chemistry and bioscience services. Lab chemistry services contain medicinal chemistry, synthetic chemistry, analytical and purification chemistry, and computer-aided drug design (CADD). Bioscience services include in vitro and in vivo DMPK/ADME, in vitro biology and in vivo pharmacology, safety assessment.

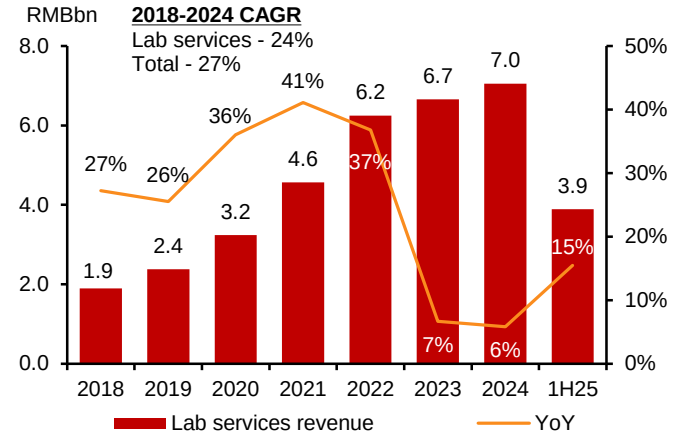
Lab services still contribute the most revenue to Pharmaron. Revenue of lab services increased at a CAGR of 24.5% in 2018-24, only slightly slower than Pharmaron's overall revenue CAGR of 27.1% in the same period. Lab services generated 57.4% of Pharmaron's total revenue in 2024, compared with 65.2% in 2018. With resilient business growth and abundant synergies to be explored with other segments, we believe Pharmaron's lab services will continue to serve as the core of Pharmaron.

Figure 11: Revenue mix of Pharmaron (2024)



Source: Company data, CMBIGM

Figure 12: Pharmaron's lab services revenue



Source: Company data, CMBIGM

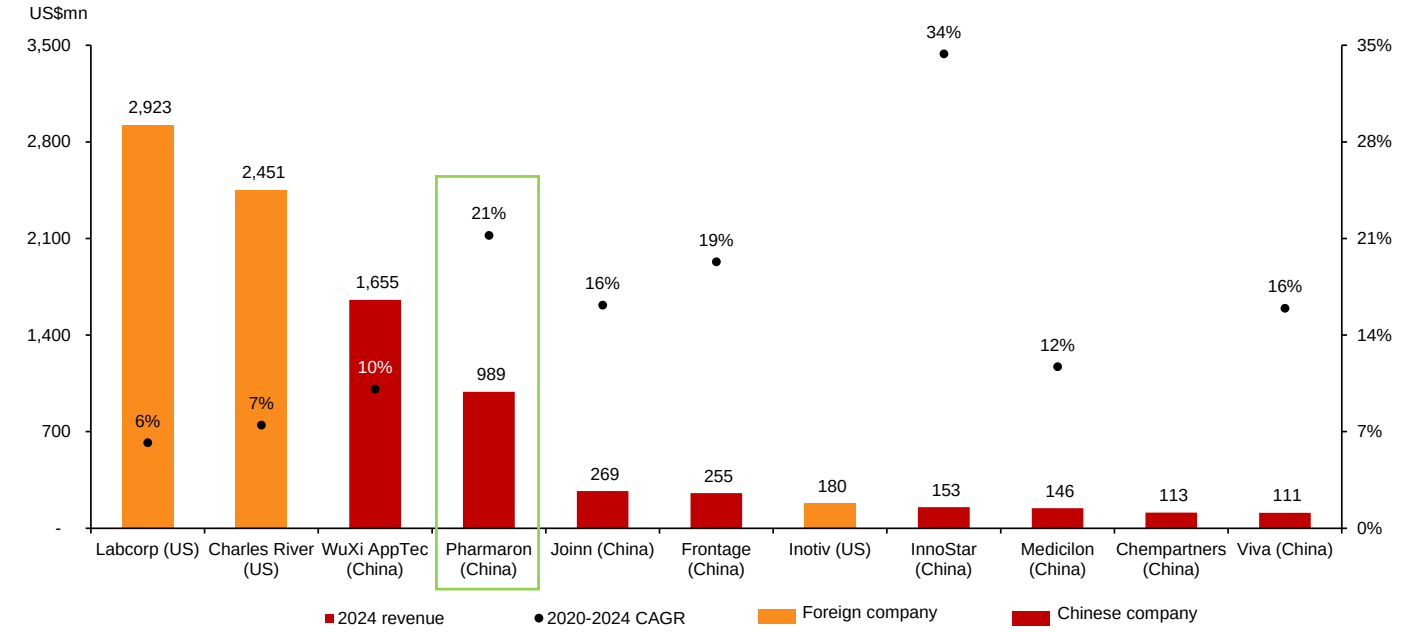
Pharmaron ranking Top4 in global lab services market

Pharmaron is one of the global leaders in the global lab services market, ranking Top4 in terms of lab services revenue. The global lab services market is highly competitive, with numerous providers competing for outsourced R&D contracts from pharmaceutical companies. In the US, Charles River and Labcorp are the obvious leaders in the laboratory R&D outsourcing sector. With an annual revenue of more than US$2bn, both companies have been dedicated to the laboratory services space for decades and have established extensive and deep collaborative relationships with leading global pharmaceutical companies.

China's preclinical laboratory services industry started later than its counterparts in Europe and the US. However, thanks to the deep pool of skilled professionals in China and continuous improvements in delivery quality and efficiency, several Chinese service providers have emerged as significant power in the global market. Among them, Pharmaron and WuXi AppTec, with revenue of US$989mn and US$1,655mn in 2024, respectively, are rapidly closing the gap with their Western competitors while leaving all other Chinese peers far behind.

More importantly, Pharmaron has delivered the fastest revenue growth in lab services among all global leaders, underscoring its strong global competitiveness. From 2020 to 2024, Pharmaron's lab services revenue posted a CAGR of 21.2%, significantly outpacing WuXi AppTec's 10.1%, Charles River's 7.5%, and Labcorp's 6.2%, as well as the growth rates of numerous smaller domestic competitors during the same period.

Figure 13: Global peer comparison on lab services revenue



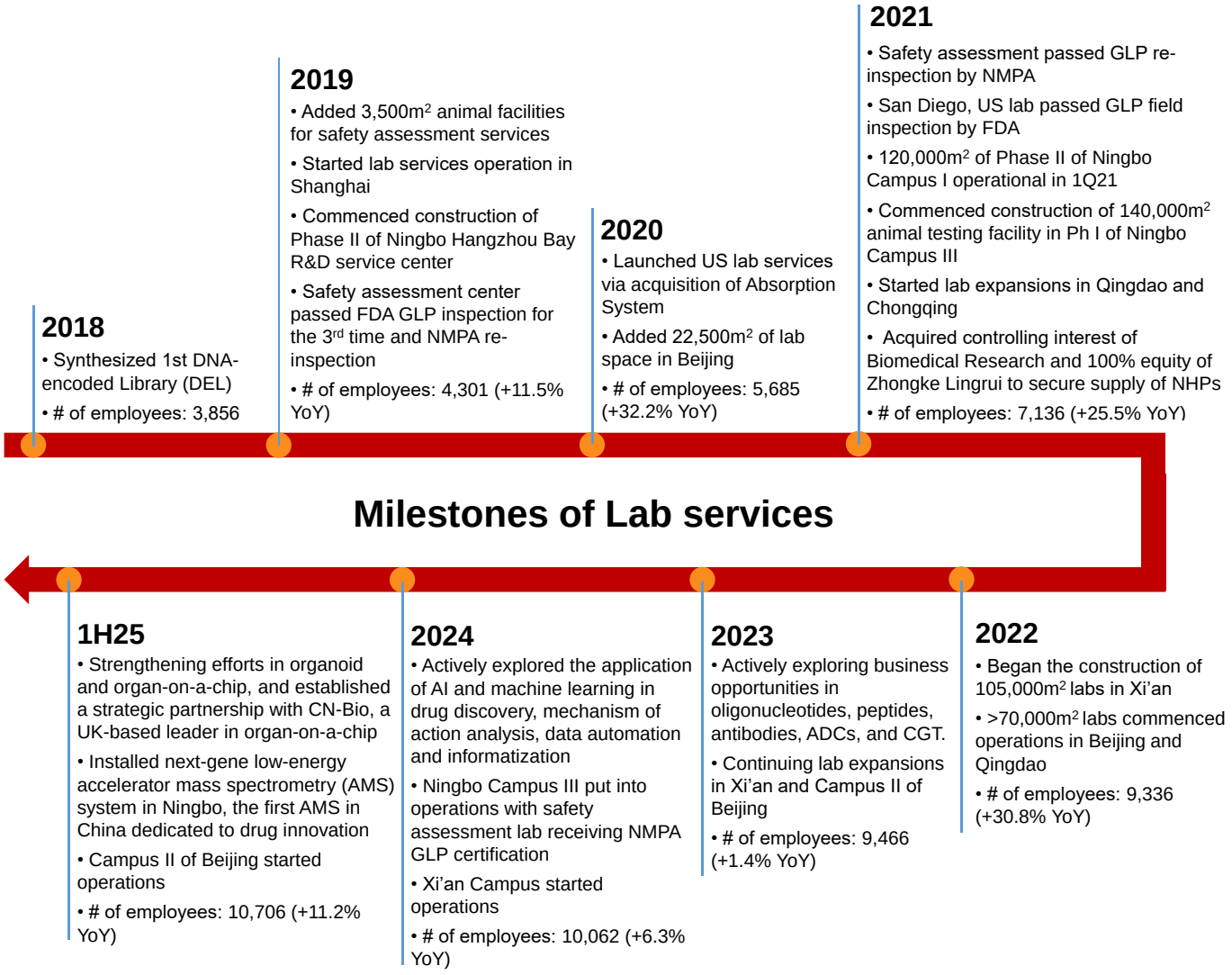
Source: Company data, CMBIGM

Note: Revenue data refer to biopharma laboratory services for Labcorp, discovery and safety assessment for Charles River and Inotiv, drug discovery services + lab testing services + WuXi Biology for WuXi AppTec, non-clinical studies services for Joinn and InnoStar, chemistry + PKPD services for Chempartners, and total business for Frontage, Medicilon and Viva.

Continuously enhancing lab services capacities and capabilities

As the Top2 China-based CROs in providing lab services, Pharmaron has continued to enhance its lab services capacities and capabilities. The Company started the construction of its Ningbo Hangzhou Bay R&D service center (Ningbo Campus) in 2017, which has become the core R&D center for Pharmaron in the Yangtze River Delta region. Specifically, 120,000m^2 of Phase II of Ningbo Campus I was operational in 1Q21 and the 140,000m^2 animal testing facility in Ph I of Ningbo Campus III commenced operations in 2024, both significantly enhancing Pharmaron's service capacities in lab services. The Company has also completed the expansion of its facilities in Beijing, Xi'an, and Qingdao as of 1H25. In the meantime, Pharmaron is actively exploring the application of AI and machine learning in its lab services, aiming to transform its R&D platform to a more efficient and smarter platform for global customers. In addition, the Company is proactively exploring business opportunities in oligonucleotides, peptides, antibodies, ADCs, and CGT, new modalities with exceptional growth potential.

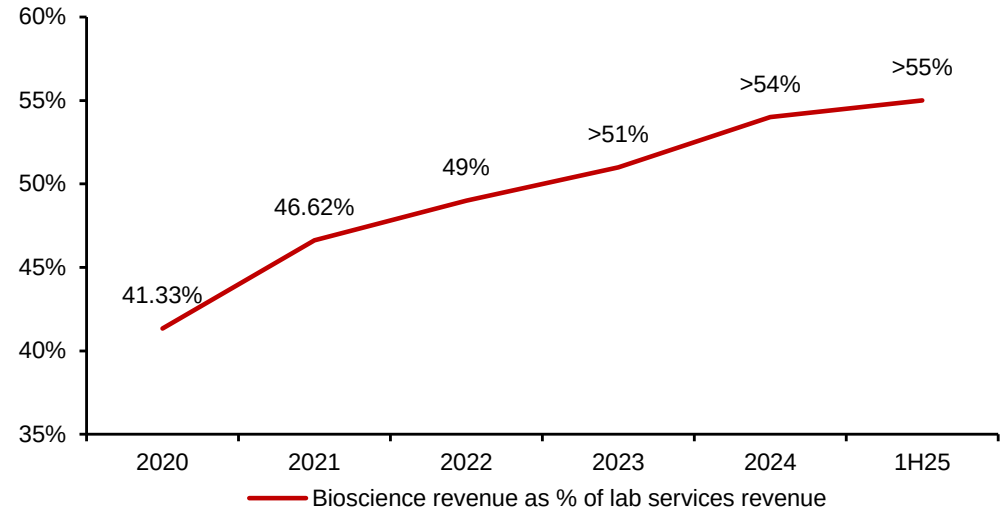
Figure 14: Capacity and capability expansion of Pharmaron's lab services



Source: Company data, CMBIGM

Bioscience services are embarking on a fast track of growth. Driven by rising client demand, Pharmaron's bioscience services have assumed an increasingly prominent role within its lab services segment, with their share of lab services revenue steadily increasing from 41.33% in 2020 to over 55% in 1H25. Laboratory chemistry projects naturally extend client needs into the Company's bioscience offerings, enabling clients to access an integrated services ranging from compound design to preclinical testing, thereby accelerating R&D efficiency. The rapid and sustained growth in biosciences services reflects the evolving outsourcing demands driven by the increasing complexity of drug design and drug discovery in complex novel modalities such as PROTAC, oligonucleotides, peptides, bispecific antibodies, ADC, and CGT. Pharmaron's competitive moat, comprising technology, capacity, and synergy between chemistry and bioscience, will continue to capture market opportunities, reinforcing its leading position in these specialized segments, in our view.

Figure 15: Bioscience revenue as % of lab services revenue

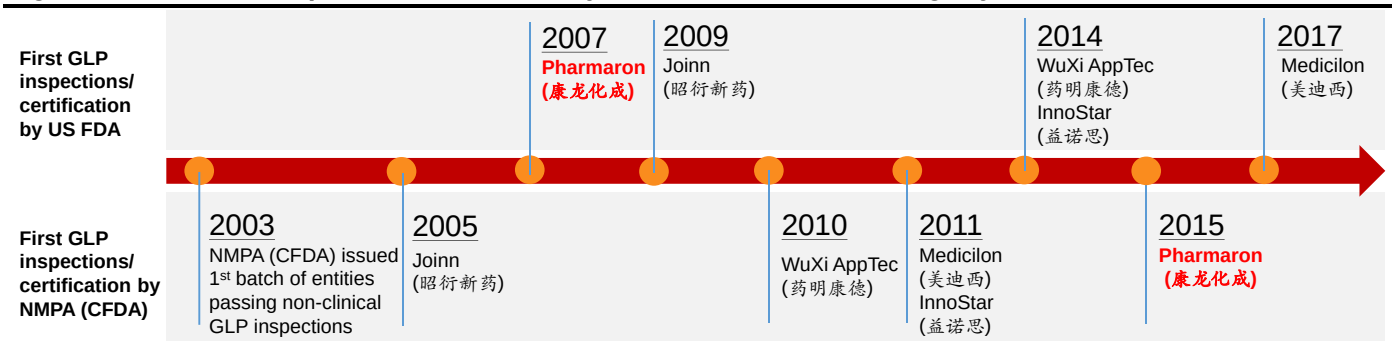


Source: Company data, CMBIGM

Drug Safety Assessment (DSA) services play a critical role in the R&D of all innovative therapeutics, serving as a regulatory and scientific cornerstone for evaluating candidate compounds' toxicity and safety profiles. Within Pharmaron's lab services portfolio, DSA has emerged as a strategically significant offering, underpinned by rigorous quality standards and internationally recognized regulatory compliance. Pharmaron's DSA capabilities are certified by leading global regulatory authorities, including FDA, EMA, and NMPA. Specifically, the Company successfully passed FDA GLP inspection for its safety assessment facilities as early as 2007, making it one of the first Chinese CROs to achieve this milestone. Subsequently, in 2015, Pharmaron received GLP certification from NMPA for its DSA operations, further solidifying its domestic regulatory standing.

To date, Pharmaron remains among a select group of Chinese CROs with GLP certifications from both FDA and NMPA, emphasizing its commitment to global quality standards and enhancing its credibility in the market. This regulatory distinction not only differentiates Pharmaron in a competitive landscape but also positions it as a trusted partner for integrated cross-border drug development programs.

Figure 16: First GLP inspection/certification by US FDA and NMPA among key China-based DSA CROs



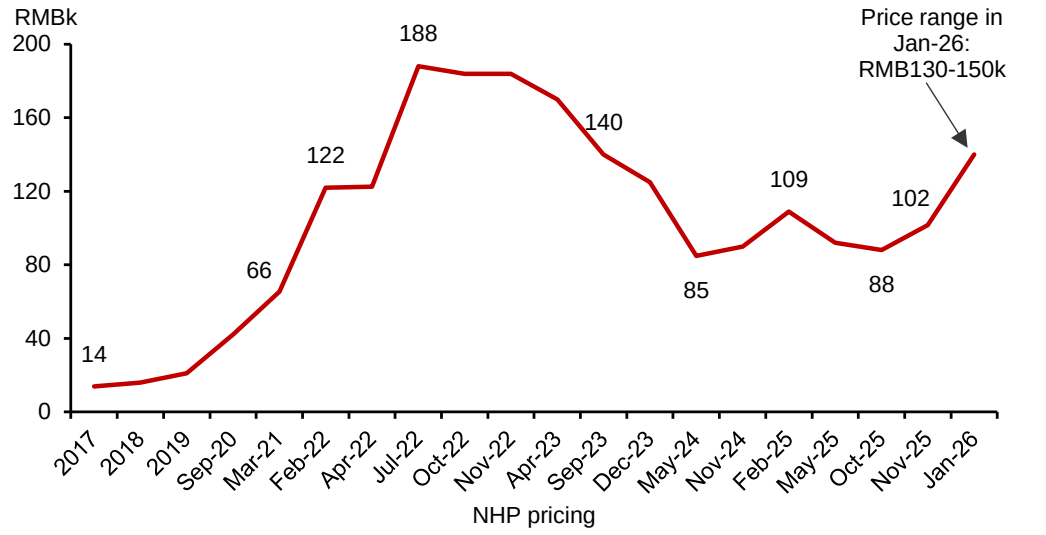
Source: Company data, FDA, NMPA, CMBIGM

Research models, including rodents and non-human primates, are critical assets to non-clinical DSA sector, while the cost of research models pose significant impacts on the profitability of non-clinical DSA sector. Given the growing number of biological drug

development projects, the prices of non-human primates (NHPs) have increased significantly, especially during the COVID pandemic. According to data from F&S and China's National Institutes for Food and Drug Control (NIFDC), the average price of representative NHP research models has rocketed by more than ten-fold from 2017 to reach above RMB180,000 in 2022. As R&D demand substantially deteriorated since 2022, NHP pricing dropped accordingly and has been maintained at around RMB80-110k in 2025, with obvious uptick to RMB130-150k in Jan 2026.

To hedge the volatile pricings as well as secure a stable supply of NHPs, Pharmaron actively expands its NHP breeding capability by acquisitions. The Company acquired 50.01% stake of Zhaoqing Chuangyao (肇庆创药) for RMB110mn and 100% stake of Zhongke Lingrui (中科灵瑞) for RMB206mn in 2021, which brought the total stock of non-human primates of Pharmaron to near 10,000 as of 2021. Based on our estimates, Pharmaron ranked No.3 in terms of stock of non-human primates in China's CXO industry. The abundant supply of non-human primates will substantially increase Pharmaron's fulfillment capabilities on DSA services, enhancing the overall competitiveness of Pharmaron's lab services in the global market.

Figure 17: Historical prices of representative NHP research models in China

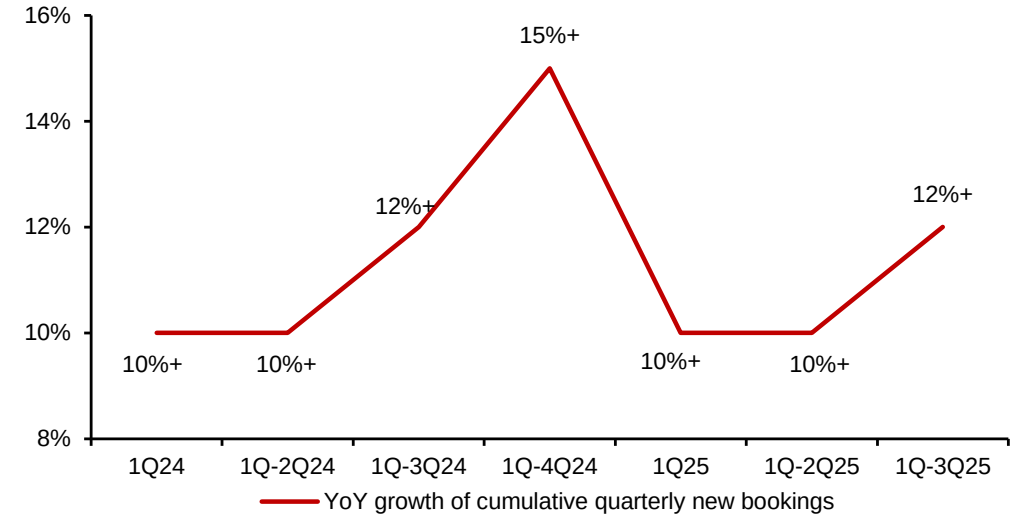


Source: Company data, CMBIGM

Note: Historical prices during 2017 and Sep-20 were based on F&S data while prices after that were based on procurement announcements disclosed on CCGP (中国政府采购网). Price range in Jan-26 is based on public information.

Demand recovery indicates sustainable growth for lab services going forward. Backed by its widely-recognized reputation in global R&D outsourcing sector and riding on the R&D demand recovery trend since 2024, Pharmaron's lab services have been experiencing encouraging growth in new bookings. Specifically, new bookings of Pharmaron's lab services segment increased by more than 15% YoY in 2024, with growth accelerating significantly in the second half of the year. A similar trend emerged in 2025 compared to 2024, indicating that the improving demand momentum is continuing. Given the typical time lag between new signings and revenue recognition, we expect the encouraging order growth over the past two years to effectively support earnings growth of Pharmaron's lab services in the near future.

Figure 18: Trend of new bookings of Pharmaron's lab services



Source: Company data, CMBIGM

Small molecule CDMO serving as a key growth driver

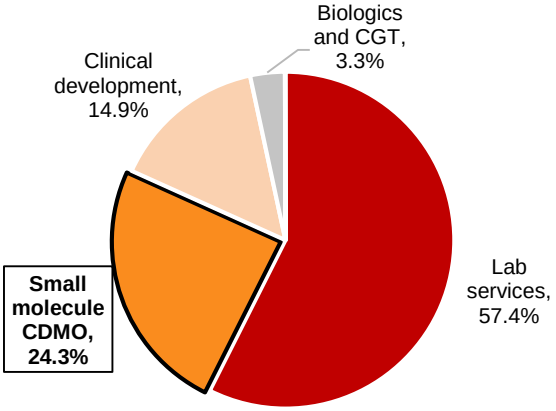
The key growth driver for Pharmaron

Via small molecule CDMO (CMC) business, Pharmaron provides its customers with APIs process development and manufacturing, material science/ pre-formulation, formulation development and manufacturing, and analytical development services, covering R&D stages from pre-clinical to clinical development to commercial manufacturing for small molecule drugs, oligonucleotides, peptides, linkers and payloads. Pharmaron's manufacturing facilities can produce cGMP-compliant APIs and drug products to support clinical trials in China, US and EU markets, enabling the global strategy of clients' products.

Combining the rapid capacity expansion to enable efficient fulfillments of client contract, the small molecule business has been serving as a key growth driver to Pharmaron. The segment grew at a revenue CAGR of 29.1% in 2018-24, faster than the CAGR of 27.1% for the Company as a whole during the same period. As a result, small molecule segment has contributed a bigger portion of overall revenue to Pharmaron, accounting for 24.3% of total revenue in 2024, compared with 22.2% in 2018.

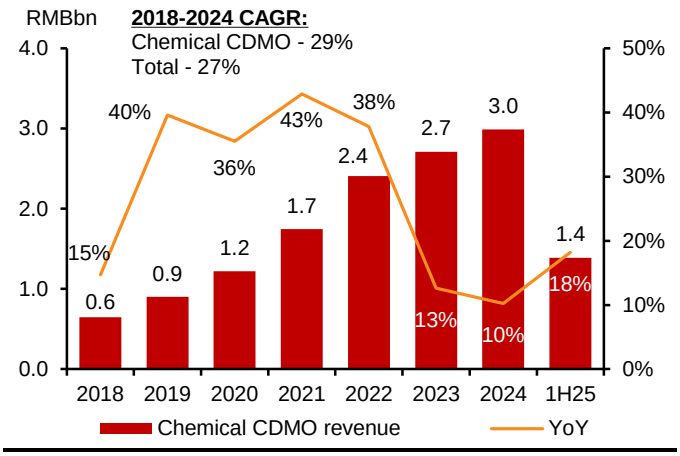
Small molecule CDMO services is highly complementary to the lab services of Pharmaron. According to the Company, 81.47% of the small molecule services revenue was originated from customers using its discovery services in 2024. As a natural extension of the discovery and preclinical services provided by Pharmaron, the small molecule services allow the Company to reduce cost and accelerate speed of R&D activities for clients and enhance customer stickiness, thus increasing the lifetime value of individual customer.

Figure 19: Revenue mix of Pharmaron (2024)



Source: Company data, CMBIGM

Figure 20: Revenue and YoY revenue growth of CDMO segment



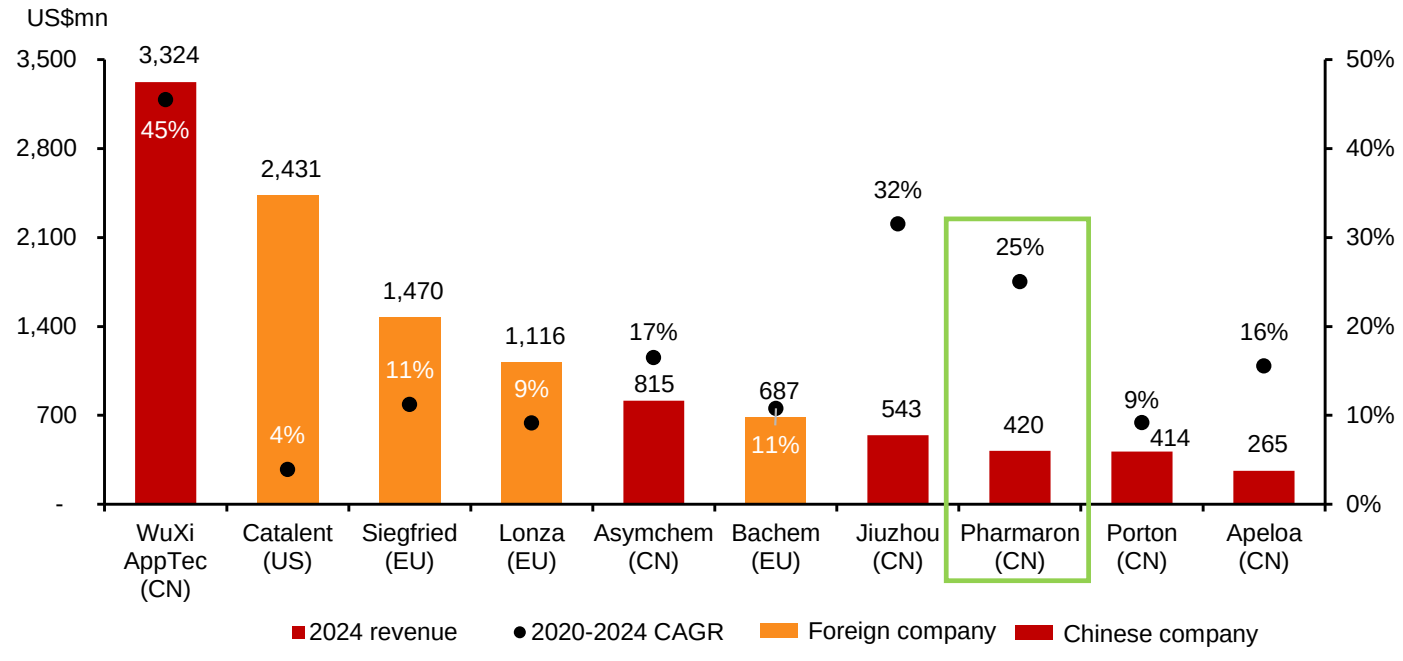
Source: Company data, CMBIGM

Pharmaron set to capture opportunities in global small molecule sector

Pharmaron's small molecule business has substantial growth potential in the global market. Leveraging the Company's strong early-stage R&D service capabilities, Pharmaron can effectively channel clients into its small molecule CDMO offerings. Moreover, as a China-based CXO company serving global markets, Pharmaron's small molecule CDMO business can efficiently capitalize on the broad pool of specialized talents and the well-established upstream and downstream supply chains in China, thereby enhancing the competitiveness in the global industry.

Currently in the early stage of business development, the small molecule CDMO business of Pharmaron is growing faster than most leading rivals worldwide. From 2020 to 2024, revenue from Pharmaron's small molecule CDMO segment grew at a strong CAGR of 25.1%, markedly outpacing the CAGR of 9.2% in Lonza and the CAGR of 16.5% in Asymchem. Note that small molecule CDMOs in Europe and the US typically focus more on drug product (formulation) services, whereas Chinese CDMOs tend to specialize in intermediates and active pharmaceutical ingredient (API) manufacturing. As such, we expect Pharmaron, along with other China-based small molecule players, will continue to benefit from such complementary setup between domestic and international markets. Harnessing the competitive strength of Pharmaron's one-stop service platform, we anticipate that its small molecule CDMO business, with an increasingly important role in the global pharmaceutical supply chain, is well positioned to capture market share in the long run.

Figure 21: Global peer comparison on small molecule revenue



Source: Company data, CMBIGM

Note: Revenue data refer to small molecule D&M + TIDES business for WuXi AppTec, non-biological services for Catalent, small molecule segment for Lonza, non-CGT business for Porton, CDMO services for Jiuzhou, R&D and manufacturing services on innovative drugs for Apeloa, and total business for Siegfried, Bachem and Asymchem.

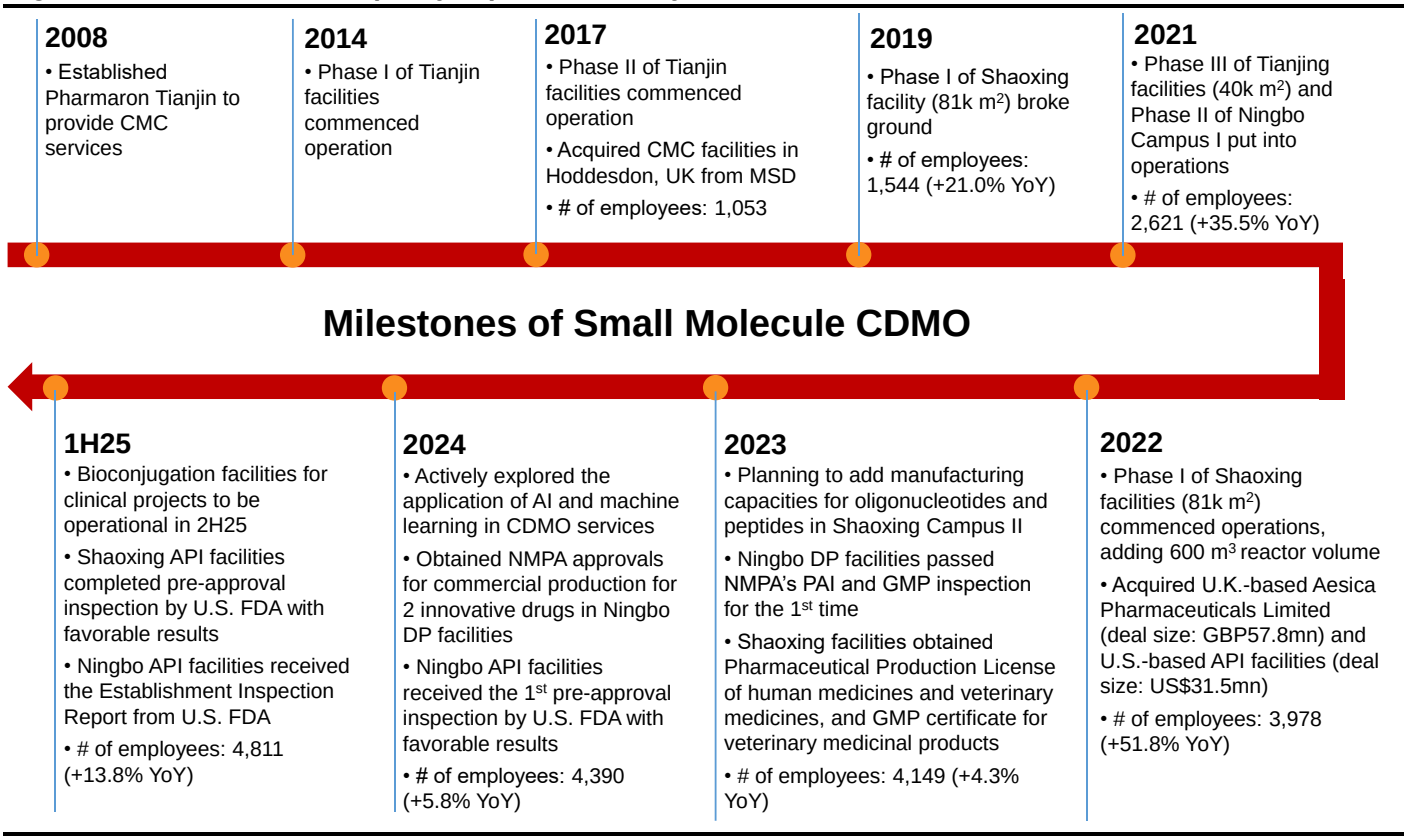
Continuous capacity expansion to enable commercial manufacturing

Pharmaron has been actively expanding its small molecule capacities, enabling the Company to tap into the high-value commercial manufacturing business. The Company initiated its CMC services to step into small molecule areas in 2008 with its first main manufacturing facilities in Tianjin commencing operation in 2014. After that, Pharmaron added large-scale small molecule capacity in Shaoxing and Ningbo, which can support commercial manufacturing demand from clients. Pharmaron's commercial manufacturing capabilities are also enhanced via M&As. The Company acquired UK-based manufacturing facilities from Recipharm and US-based facilities from Noramco in early 2022.

Originating as a discovery-phase laboratory services provider, Pharmaron has developed a deep and diversified global client base over time. This established footprint allows the Company to effectively cross-sell and migrate clients from early-stage R&D into its small-

molecule CDMO platform, creating a seamless end-to-end value proposition. Concurrently, the ongoing expansion of its GMP-compliant production infrastructure has positioned the Company to capture high-value commercial-stage projects, particularly those requiring late-phase and commercial manufacturing support. Specifically, the Company obtained NMPA approvals for the commercial production for 2 Class-1 innovative drugs in its Ningbo DP facilities. In addition, Ningbo API facilities received the 1st pre-approval inspection by US FDA with favorable results. We expect the Company to win more commercial-stage projects going forward. Supported by the world-class capabilities and capacities in clinical and commercial manufacturing, Pharmaron is set to become another major player in small molecule areas in the world, in our view.

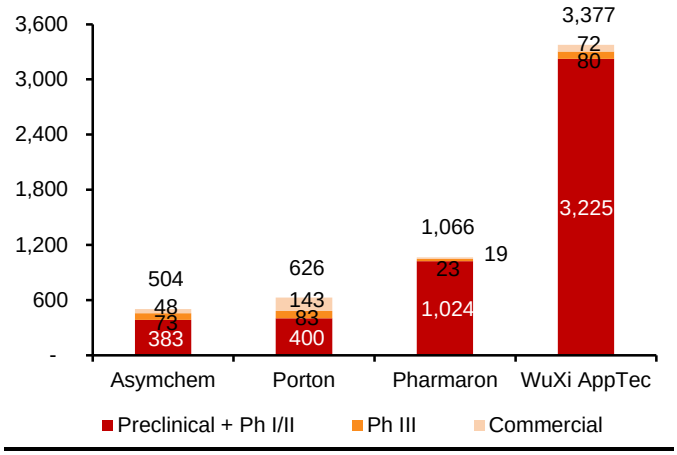
Figure 22: Small molecule capacity expansion history of Pharmaron



Source: Company data, CMBIGM

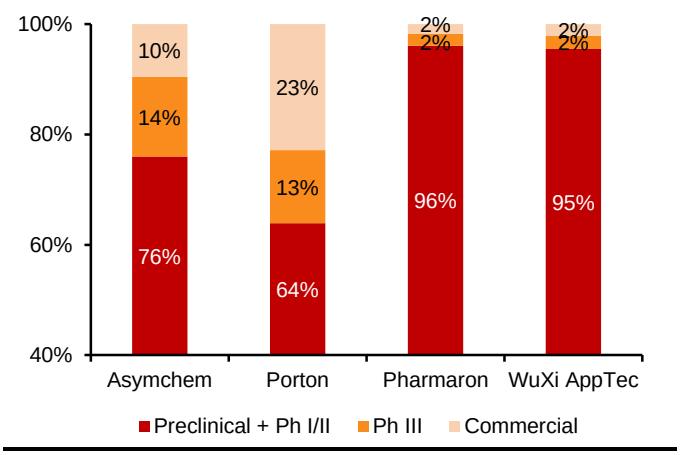
The rich and growing pipeline of Pharmaron's small molecule business indicate surging commercial-stage demand from clients in the near future. Project pipeline of Pharmaron CDMO business is currently dominated by early-phase projects, possessing a big potential via funnel effect. When early-phase projects advance to later stage, Pharmaron will have large-volume and high-value-added late-stage projects in a cost-efficient way. We have observed the same project advancement pattern in WuXi AppTec, the largest small molecule company in the world. Benefiting from the big pool of early-phase (including pre-clinical and phase I/II) projects, WuXi AppTec has seen continuously increasing number of commercial-stage projects in recent years. Note that early-stage projects accounted for more than 95% of project pipeline in both Pharmaron and WuXi AppTec. We expect Pharmaron to replicate a similar growth path to WuXi AppTec for the small molecule business going forward.

Figure 23: Pipeline of leading China-based small molecules (2024)



Source: Company data, CMBIGM
Note: Number of Ph III projects includes projects at NDA application stage.

Figure 24: Pipeline breakdown of leading China-based small molecules (2024)

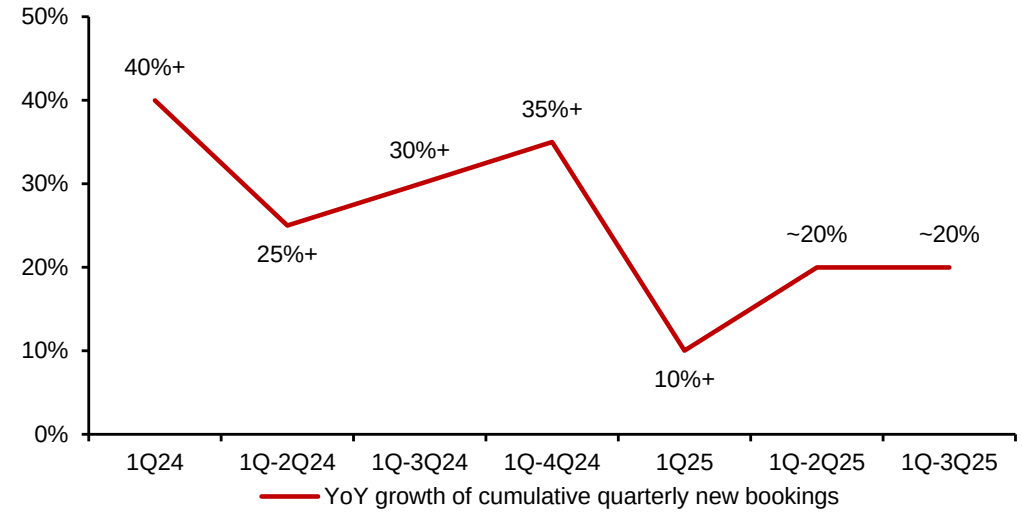


Source: Company data, CMBIGM

Pharmaron is actively enhancing its capabilities in the fields of peptides and ADCs. In the peptide space, the Company has established an automated peptide synthesis platform in 2024, with supporting capabilities in peptide analytics and purification. It has also delivered GMP-compliant production projects in the year. Additionally, Pharmaron is currently building dedicated peptide manufacturing facilities within its Shaoxing manufacturing site, which will further strengthen its peptide production and supply capacity in this emerging field. Leveraging the Company's rich experiences in peptide R&D and a solid client base, Pharmaron's integrated "peptide R&D + manufacturing" solution is set to become a new driver of revenue growth, in our view. In the ADC field, Pharmaron has developed a comprehensive end-to-end platform covering antibody preparation, payload synthesis, linker synthesis, bioconjugation, and biological testing. The platform has already served a number of global clients, demonstrating the encouraging demand from global market. To meet growing client demand for clinical-stage manufacturing, the Company is currently constructing a GMP bioconjugation suite, with planned commissioning in the near future. Leveraging its technical expertise in both small and large molecules, Pharmaron possesses distinct interdisciplinary synergies in developing its ADC businesses.

The efficient addition of manufacturing capacity and service capabilities have been a key enabler of accelerated order intake. Against the backdrop of sustained global demand for CDMO services in the past two years, Pharmaron's small molecule segment has attracted increasing customer interest and experienced strong client demand. Order momentum in this segment has been particularly notable: new orders signed in 2024 grew strongly by over 35% YoY. Despite this elevated base, new orders in the first three quarters of 2025 have continued to expand at approximately 20% YoY. Given this strong order growth trajectory, we expect the segment to continue to be the fastest driver for the Company through 2025 and beyond.

Figure 25: Trend of new bookings of Pharmaron's small molecule business



Source: Company data, CMBIGM

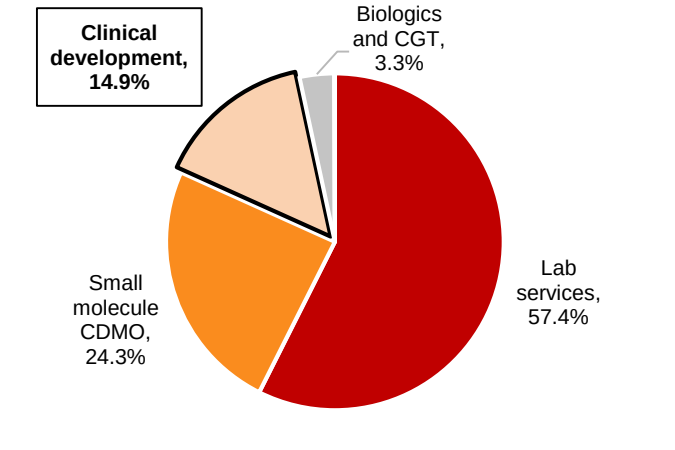
Clinical CRO to explore opportunities in fragmented market

Growing clinical CRO business with a global vision

Pharmaron provides integrated clinical CRO services across both international and domestic markets, empowering clients to efficiently navigate global drug development pathways and accelerate market access. The Company's overseas clinical development capabilities are anchored by specialized offerings from its international subsidiaries: radiolabelled science services are delivered through its UK-based operations, while early-phase clinical trial execution is supported by its US team. In China, Pharmaron offers a comprehensive suite of clinical development services, encompassing full-cycle clinical research and site management organization (SMO) solutions. Its clinical research services cover regulatory affairs and product registration, medical strategy and affairs, medical monitoring, clinical operations, data management, biostatistics, bioanalysis, pharmacovigilance, and quantitative pharmacology. Complementing this, its SMO services include clinical research coordinator (CRC) deployment, hospital feasibility assessment and site selection, rapid study start-up (SSU), recruitment and management of healthy volunteers and patient populations, quality assurance and associated training programs, and post-marketing clinical studies.

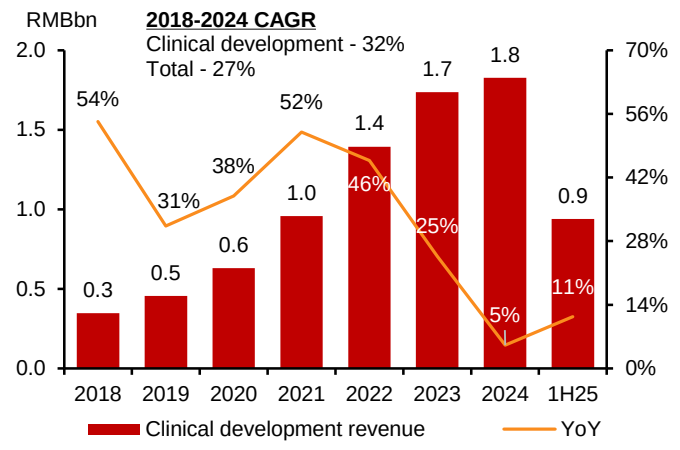
Although the clinical segment remains smaller regarding revenue compared to the Company's lab services and small-molecule CDMO businesses, it has emerged as a fast-growing business for Pharmaron. From 2018 to 2024, clinical services revenue expanded at a CAGR of 31.9%, outpacing the Company's overall pace. Reflecting this momentum, the clinical business contributed 14.9% of total revenue in 2024, up from 11.9% in 2018. As Pharmaron continues to integrate its clinical service offerings (i.e., enhancing operational synergies, geographic coverage, and therapeutic expertise), the segment is well-positioned to grow ahead of the broader clinical CRO sector average with meaningful margin expansion in the near to medium term.

Figure 26: Revenue mix of Pharmaron (2024)



Source: Company data, CMBIGM

Figure 27: Revenue and YoY revenue growth of clinical development segment



Source: Company data, CMBIGM

Chinese clinical CROs as an emerging power in global market

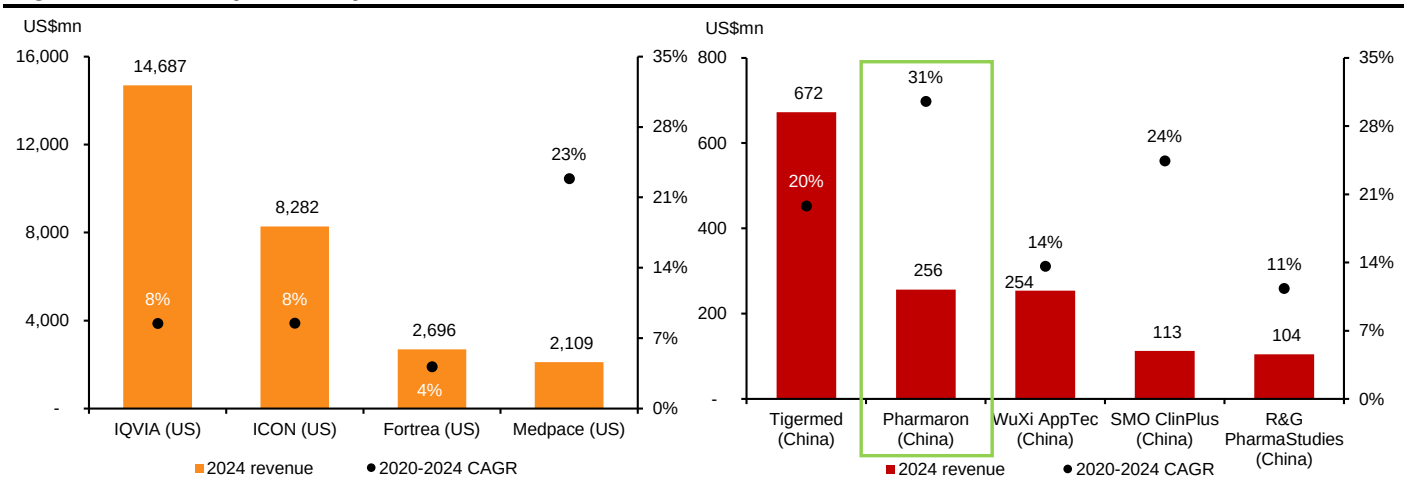
The global clinical CRO market represents a substantial segment of the pharmaceutical R&D ecosystem with the rapid rise of Chinese players. Clinical development constitutes the most time- and capital-consuming phase of the whole drug discovery and development process. According to a study published in *JAMA*, Phase I–III clinical trials collectively account for approximately 68% of total drug R&D expenditures, underscoring the critical

role of clinical trials. This sizable addressable market has fostered the emergence of several global clinical CRO leaders, most of which are rooted in North America and Europe. Prominent names in this sector include IQVIA and ICON, which generated clinical-related revenues of US$14.7bn and US$8.3bn, respectively, in 2024.

In contrast, China's clinical CRO sector remains in a relatively early stage of maturity. Even the largest domestic players currently operate only at a fraction of the revenue scale of their Western counterparts. Nevertheless, Chinese clinical CRO companies are growing at markedly faster rates than their global peers. At the same time, leading Chinese CROs, such as Pharmaron, WuXi AppTec, and Tigermed are strategically expanding beyond domestic borders by establishing operational footprints and client engagements in North American and European markets.

Driven by the explosive development of domestic pharmaceutical innovation capabilities as well as the well-integrated service capabilities of China-based clinical outsourcing providers, we believe the Chinese clinical CRO industry retains significant long-term growth potential, both domestically and as an emerging force in the global clinical development landscape.

Figure 28: Global peer comparison on clinical CRO revenue



Source: Company data, CMBIGM

Note: Clinical CRO revenue refers to the combined revenue of Technology & Analytics Solutions and Research & Development Solutions for IQVIA and revenue excluding Frontage for Tigermed, clinical segment revenue for Pharmaron and WuXi AppTec, and total company revenue for ICON, Fortrea, Medpace, SMO ClinPlus and R&G PharmaStudies.

Acquisition plays a critical role in clinical business expansion for Pharmaron

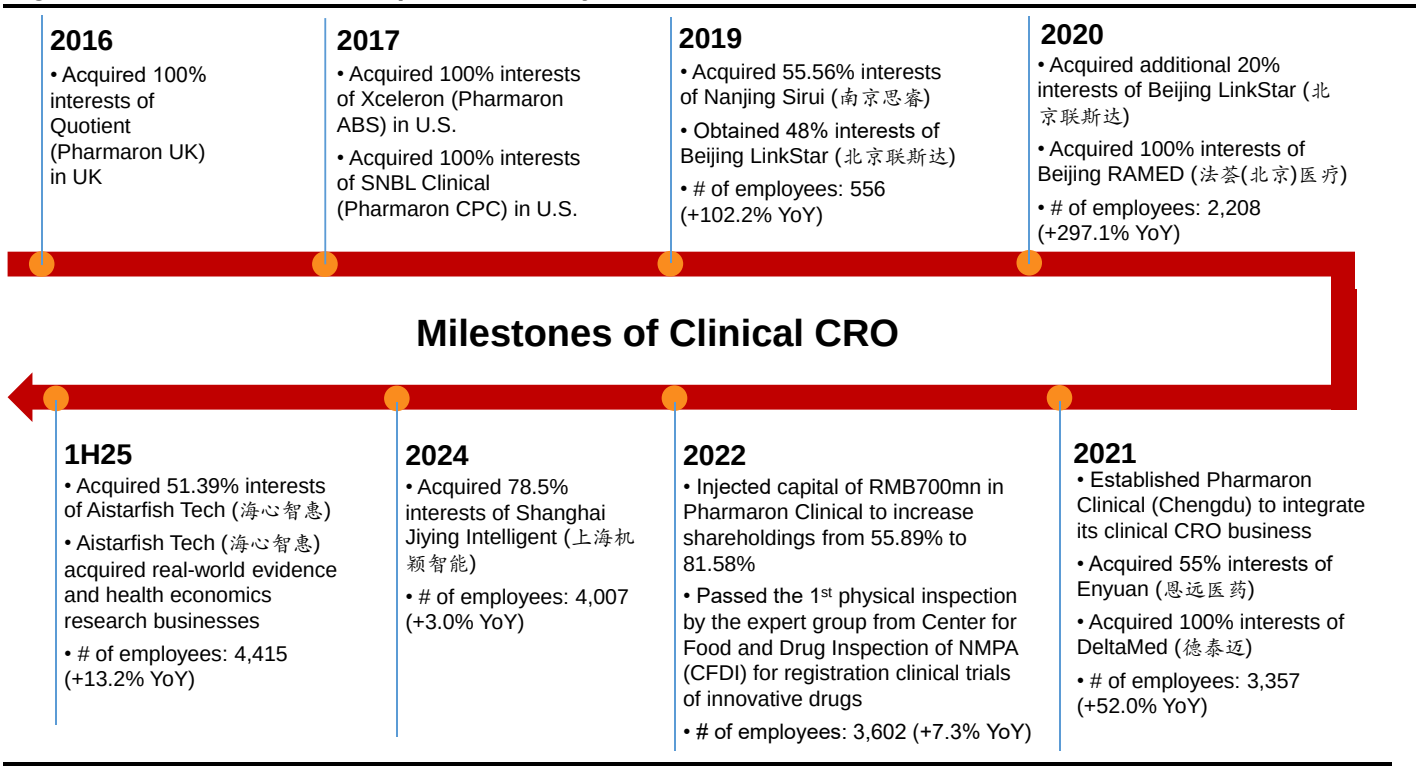
For any newcomer in the experience-based clinical CRO areas, M&A strategy provides a rapid and effective channel to assemble a qualified team and build clinical capabilities. The expansion of Pharmaron's clinical business is indeed characterized by a series of strategic acquisitions. The Company acquired Quotient, a UK-based clinical CRO, in 2017 to add clinical capabilities into its platform. Since that, Pharmaron continues to enhance its clinical services with ambiguous acquisitions in both international and domestic markets. By now, Pharmaron has largely completed the establishment of its full-suite clinical business which includes all major clinical service categories, from clinical operations to SMO to data management, etc. The Company set up Pharmaron Clinical in May 2021 to optimize team structure and integrate clinical services. Additionally, Pharmaron completed two major acquisitions in 2024 and 2025 to enhance its AI application in clinical CRO field, positioning itself as a leader to embrace technological advancement.

Strategic M&As act as a key catalyst for building clinical capability. In the expertise-intensive clinical CRO sector, inorganic expansion represents a highly effective pathway for new entrants to rapidly assemble seasoned talent, acquire established processes, and build end-to-end clinical development capabilities. Pharmaron's expansion in clinical services exemplifies this strategy, with a disciplined series of targeted acquisitions both internationally and domestically.

Pharmaron's entry into clinical CRO field began with the acquisition of Quotient BioClinical, a UK-based clinical CRO, in 2017, marking the Company's initial integration of clinical trial capabilities into its end-to-end R&D platform. Since then, the Company has pursued a deliberate M&A strategy to broaden its service offerings across the clinical value chain. Today, Pharmaron has largely completed the build-out of a comprehensive, full-service clinical business encompassing all core functional areas.

To enhance operational efficiency and service integration, Pharmaron formally established Pharmaron Clinical in May 2021 to unify its global clinical teams and streamline service delivery. Most recently, the Company executed two remarkable acquisitions in 2024 and 2025 to advance its AI and data science capabilities in clinical development, underscoring Pharmaron's strategic commitment to technological innovation and positioning itself at the forefront of AI application within the global clinical CRO landscape.

Figure 29: Clinical business expansion history of Pharmaron



Source: Company data, CMBIGM

Figure 30: M&A history of Pharmaron on clinical CRO business

Year	Acquired target	Interests acquired	Country of target	Total considerations	Capability
2016	Quotient (Pharmaron UK)	100%	UK	GBP10mn	Clinical-stage radiolabeled science services
2017	Xceleron (Pharmaron ABS)	100%	US	US$5mn	Clinical-stage radiolabeled science services
2017	SNBL Clinical (Pharmaron CPC)	100%	US	US$25mn	Early clinical services
2019	Nanjing Sirui (南京思睿)	55.65%	China	RMB150mn	Clinical CRO services
2019	Beijing LinkStar (北京联斯达)	48%	China	RMB120mn	SMO services
2020	Beijing LinkStar (北京联斯达)	20%	China	RMB60mn	SMO services
2020	Beijing RAMED (法荟(北京)医疗)	100%	China	RMB45mn	Clinical services for medical device
2021	Enyuan (恩远医药)	55%	China	RMB55mn	Quantitative pharmacology and clinical operations services
2021	DeltaMed (德泰迈)	100%	China	RMB275mn	Pharmacovigilance, medical affairs, and medical monitoring services
2024	Shanghai Jiying Intelligent (上海机颖智能)	78.5%	China	RMB43mn	Data analysis and AI algorithms in clinical trials
2025	Aistarfish Tech (海心智惠)	51.39%	China	RMB185mn	Digital case management for cancer patients
2025	Business on real-world evidence and health economics research		China	RMB35mn	Real-world evidence and health economics research

Source: Company data, CMBIGM

Efficiency improvement is central to watch

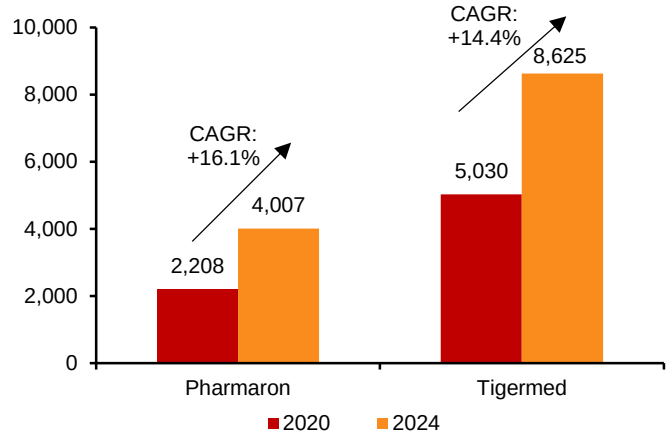
Pharmaron prioritized scale over efficiency for its clinical CRO business in the past. Pharmaron's clinical team grew from 2,208 in 2020 to 4,007 in 2024, representing a CAGR of 16.1%, which well outpaced a CAGR of 14.4% seen in Tigermed in the same period. This reflected the aggressive investment of Pharmaron in human capital to build end-to-end clinical capabilities, particularly in light of rising demand for global clinical trial execution in China.

However, the scale expansion of Pharmaron's clinical CRO services has yet translated to proportional productivity gains, indicating potential space for efficiency improvement. In 2024, IQVIA, the largest clinical CRO provider in the world, achieved RMB1,254k in revenue per employee at a CAGR of 2.3% in 2020-24, reflecting its mature, high-value service offerings and strong global competency. Domestically, Tigermed posted revenue per employee of RMB578k in 2024 with a CAGR of 3.6% in 2020-24, indicating a more significant productivity improvement amid continued capacity expansion. In contrast, Pharmaron's revenue per employee remained nearly flat at RMB462k in 2024, lower than both Tigermend and IQVIA.

Profitability trends further highlight the productivity disparities between Pharmaron and its competitors. As a mature player in global clinical CRO sector, IQVIA has maintained a stable gross profit margin (GPM) at around 35% since 2017, indicative of a highly optimized and diversified service portfolio with pricing power. Tigermed's GPM peaked at 53% in 2020 but declined to 36% by 2024, mainly reflecting the increased competition and pricing pressure in Chinese market post pandemic. In comparison, Pharmaron's GPM trajectory has been more volatile, rising to 25% in 2018 before declining to as low as 13% in 2024.

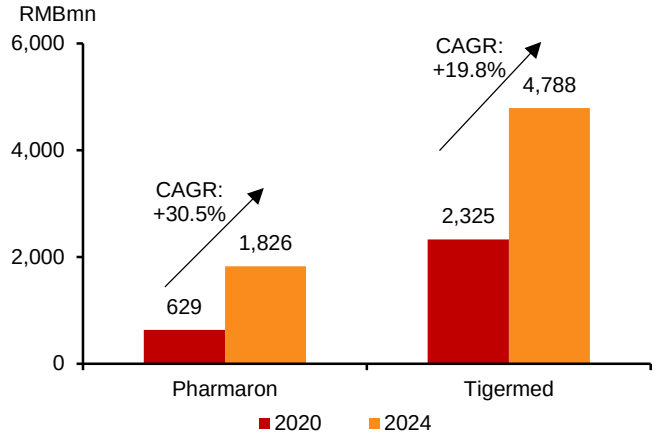
As the Company started to integrate its clinical services, the lower revenue per employee as well as the mediocre GPM level within Pharmaron's clinical CRO business suggest that the Company has abundant potential to improve output productivity, contributing to the overall enhancement of the Company's bottom-line going forward.

Figure 31: Comparison of team size of leading clinical CROs



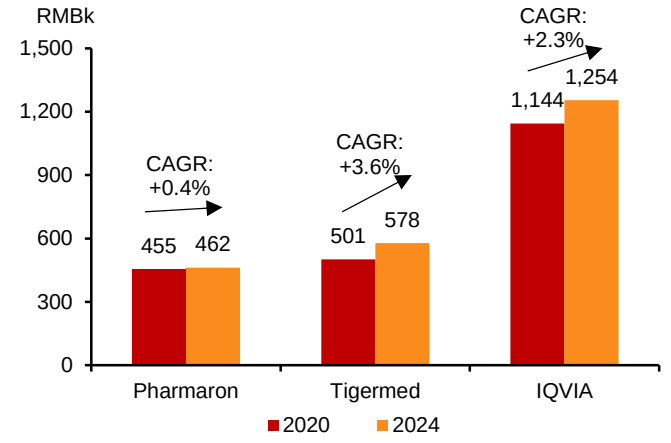
Source: Company data, CMBIGM
Note: Data of Tigermed excludes data of Frontage.

Figure 32: Comparison of revenue of leading clinical CROs



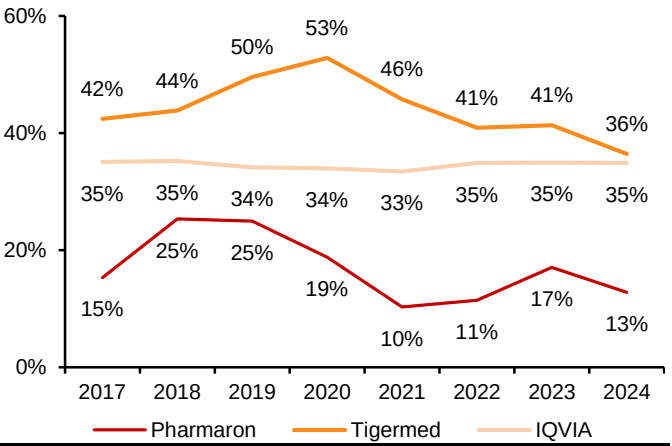
Source: Company data, CMBIGM
Note: Data of Tigermed excludes data of Frontage.

Figure 33: Comparison of revenue per employee of leading clinical CROs



Source: Company data, CMBIGM
Note: Data of Tigermed excludes data of Frontage.

Figure 34: Comparison of gross profit margin of leading clinical CROs



Source: Company data, CMBIGM
Note: Data of Tigermed excludes data of Frontage.

Biologics and CGT CDMO as mid- and long-term play

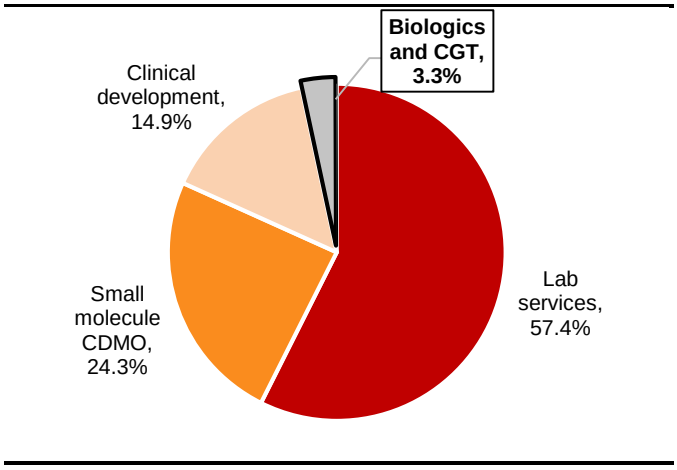
The global ambition in biologics and CGT sectors

Pharmaron's Biologics and Cell & Gene Therapy (CGT) services represent a strategically positioned, emerging segment designed to anchor the Company's long-term evolution into a fully integrated global CXO leader. This business encompasses end-to-end capabilities across two core domains: (1) biologics discovery and CDMO services, and (2) CGT lab services and Gene Therapy CDMO services. The Company has established a globally coordinated service network with targeted capacity deployment across key geographic areas: an advanced analytical platform for CGT therapies in the US, dedicated gene therapy CDMO facilities in the UK, and end-to-end biologics CDMO capacities in Ningbo, China. This tri-regional footprint enables seamless cross-border collaboration to support clients throughout the entire product R&D lifecycle.

First established in 2018, Biologics and CGT services segment generated revenue of RMB408mn in 2024, accounting for 3.3% of Pharmaron's total revenue. While the segment remains in a deliberate investment phase, characterized by insignificant revenue contribution and negative gross margins due to upfront capital expenditures and scale ramp-up, it has already demonstrated compelling traction. Pharmaron has supported many CGT programs spanning preclinical to commercial stages, delivering critical services including analytical characterization, toxicology studies, and CDMO solutions to clients. Notably, the Company completed its first fully integrated project for an innovative bispecific antibody in 2024, marking a significant milestone in platform validation.

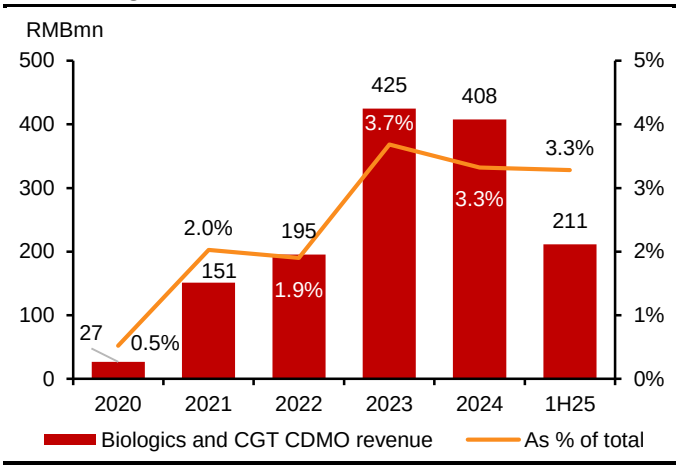
Over the long term, the Biologics and CGT segment is poised to serve as one of the cornerstones of Pharmaron's one-stop global CXO strategy. As demand for complex modalities accelerates worldwide, this high-potential business is expected to drive both diversification and value growth, reinforcing the Company's competitive positioning at the forefront of next-generation therapeutics development.

Figure 35: Revenue mix of Pharmaron (2024)



Source: Company data, CMBIGM

Figure 36: Revenue trend of biologics and CGT CDMO segment



Source: Company data, CMBIGM

Rapidly enhancing biologics and CGT capabilities

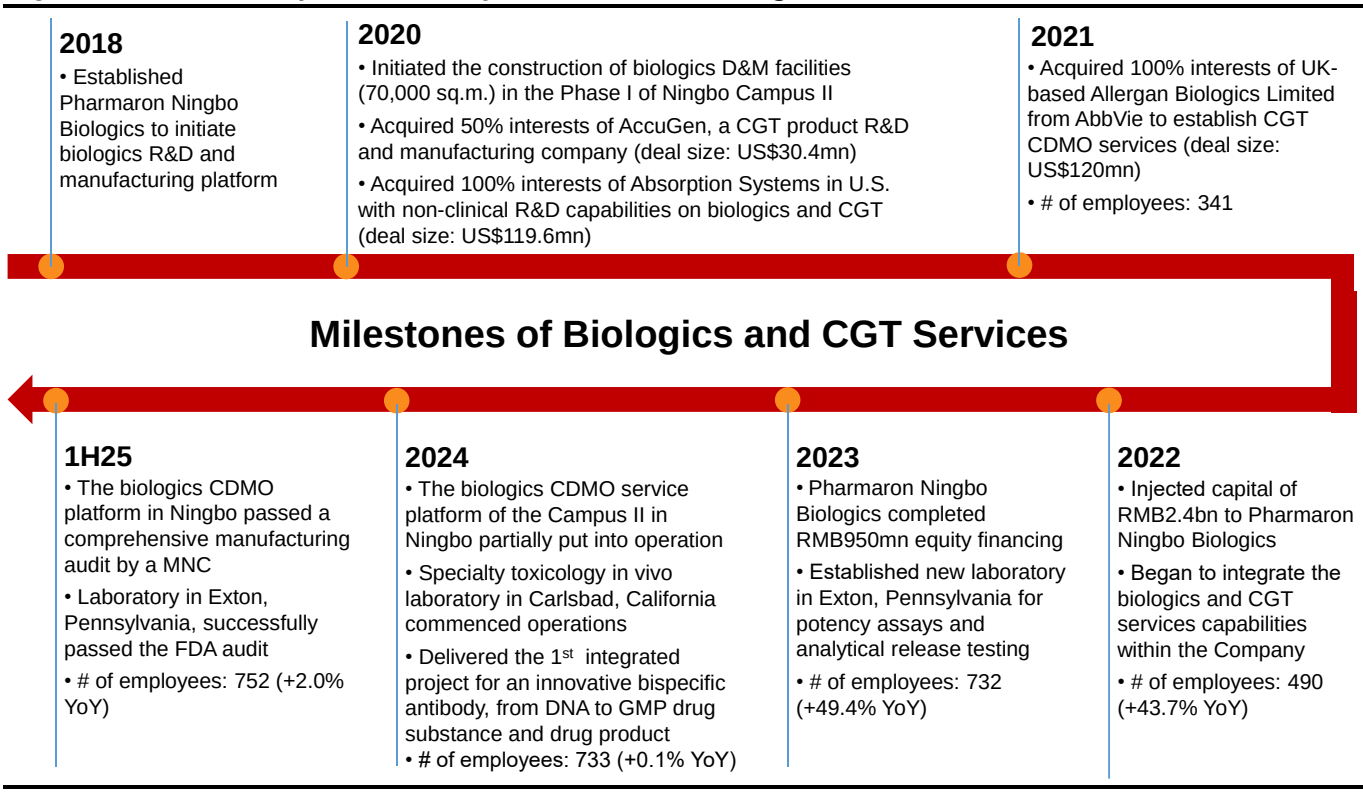
Similar to its approach in clinical development, Pharmaron has leveraged a disciplined M&A strategy to rapidly establish and scale its biologics and CGT capabilities. The Company executed two transformative overseas acquisitions to secure solid foundations in these high-growth modalities. In 2020, Pharmaron acquired US-based Absorption

Systems for RMB942mn, significantly enhancing its non-clinical R&D platform for biologics and CGT. This was followed in 2021 by another acquisition of Allergan Biologics Limited (ABL) in the UK for RMB999mn, which added integrated drug development and manufacturing (D&M) capabilities for cell and gene therapies and other advanced biologics. Together, these acquisitions have provided Pharmaron with technologies, infrastructure, talent and direct relationships with global innovators, laying a robust foundation for long-term growth in complex therapeutics.

Complementing its international expansion, Pharmaron has been concurrently developing state-of-the-art biologics CDMO facilities in Ningbo, China, strategically capitalizing on the region's cost-competitive labor and superior manufacturing efficiency. The biologics site began partial commercial operations in 2024 and successfully passed a comprehensive manufacturing audit by a MNC client in 1H25, a critical validation of its GMP compliance and technical readiness.

With both overseas and domestic assets now closely integrated, Pharmaron is beginning to realize meaningful synergies across its global biologics and CGT network. This end-to-end, multi-continent platform positions the Company to offer clients flexible, scalable, and cost-efficient development pathways, while reinforcing its strategic pivot toward next-generation therapeutic modalities.

Figure 37: Business expansion history of Pharmaron's biologics and CGT services



Source: Company data, CMBIGM

Abundant growth opportunities as a China-based service provider

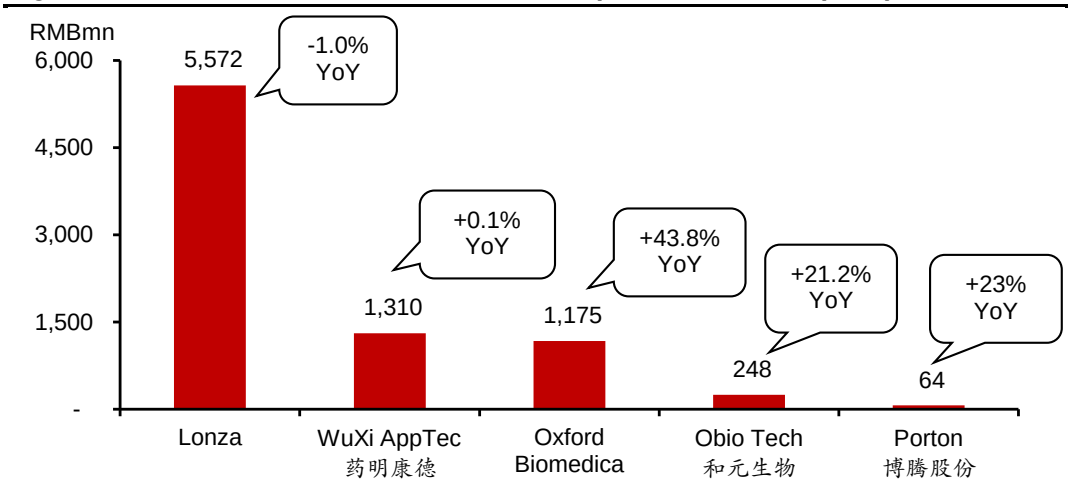
There is abundant market potential for Pharmaron's biologics and CGT business as a China-based service provider. Pharmaron's biologics and CGT business were originated from its UK and US sites through the acquisitions of Absorption Systems and Allergan Biologics Limited (ABL). However, significant growth opportunities exist for Pharmaron within the Chinese market as it deploys dedicated biologics facilities in Ningbo, China.

Pharmaron can leverage its established discovery and preclinical platforms to accelerate the expansion of its biologics and CGT business in China. Pharmaron has established itself as a top China-based provider of discovery and preclinical services in the global market, allowing the Company to convert existing clients to its emerging biologics and CGT CDMO platforms. The Company has demonstrated strong synergies between its lab services and small molecule CDMO platforms. We anticipate similar synergistic benefits will materialize between these foundational services and the Company's expanding biologics and CGT offerings. Furthermore, Pharmaron's well-established business segments generate substantial cash flow, which provides robust financial support for the early-stage development of its nascent biologics and CGT CDMO services.

The global biologics and CGT CDMO markets remain underpenetrated by China-based service providers. Apart from WuXi Biologics, there are limited established biologics CDMO providers in China. The rapidly growing demand for biologics R&D as well as the high off-shore manufacturing demand from global pharmaceutical companies presents ample room for other China-based CDMO operators to expand. Given Pharmaron's comprehensive one-stop platform, it is well-positioned to distinguish its biologics CDMO services amidst new entrants.

The recent global clinical development of CGT programs progressing at a slower pace than anticipated, such as interim setbacks such as safety signals, manufacturing complexities, and regulatory review delays, have temporarily disrupted order visibility and revenue recognition timelines for CGT service providers worldwide. However, we maintain that these near-term headwinds do not undermine the fundamental strategic value of CGT as a next-generation, potentially curative therapeutic modality. As a cornerstone of precision medicine and definitive treatment paradigms, CGT has already demonstrated compelling clinical efficacy in hematologic malignancies, rare diseases, and inherited disorders. Critically, ongoing advancements in manufacturing processes combined with increasingly well-defined regulatory pathways in key jurisdictions, are set to systematically enhance both the R&D efficiency and patient accessibility of CGT modalities. Therefore, China-based CXOs that possess integrated end-to-end capabilities, global operational reach, and deep technical expertise are uniquely positioned to capture long-term value from the CGT sector.

Figure 38: Revenue of selected CDMO service provider for CGT (2024)



Source: Company data, CMBIGM
Note: CGT CDMO revenue for WuXi AppTec refers to revenue in 2023 since the Company discontinued to disclose financial data for this segment after 1H24.

Benefiting from global demand recovery

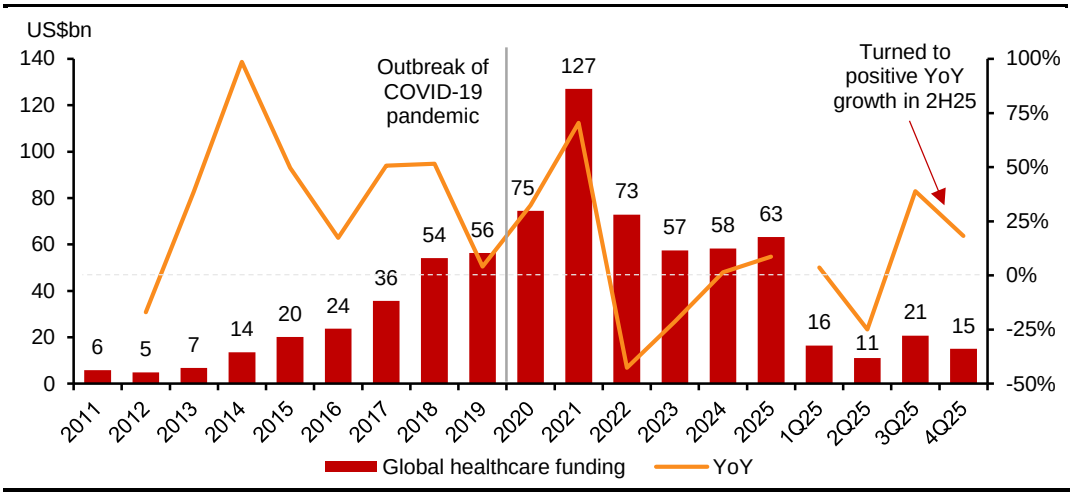
As one of the leading CXOs in the global market, Pharmaron has cultivated deep partnerships with pharmaceutical innovators worldwide over its more than two-decade operating history. In 1H25 alone, the Company served over 2,600 global clients, including all of the Top 20 pharmaceutical companies and a broad base of biotech firms. Consequently, macro trends in the global life sciences industry exert a direct and material influence on Pharmaron's business trajectory. Two pivotal industry indicators, namely biotech funding and large pharma spending (R&D and capex), have been widely accepted and closely monitored as leading signs of client demand for outsourcing services. Our analysis indicates that, from the perspective of both funding availability and big pharma investment intensity, global pharmaceutical R&D demand has meaningfully recovered from the cyclical trough. Deeply integrated in the global pharmaceutical R&D value chain, Pharmaron is well positioned to benefit from such demand recovery.

Funding recovery materalized in 2H25

Global healthcare funding experienced a pronounced rebound in 2H25. According to data from VBdata (动脉橙), global healthcare funding in 2025 increased by 8.6% YoY to US$63.2bn, marking the first meaningful recovery since 2021. Notably, the recovery was substantially materialized in 2H25. The funding in 1H25 saw a 10.1% YoY decline, largely attributable to heightened policy uncertainty following the US Trump administration's initiation of a global tariff campaign and its renewed push for a "Most Favored Nation" drug pricing model in 2Q25. These policy volatilities dampened investor confidence and constrained capital allocation to life sciences ventures during the first half of the year. However, sentiment began to stabilize in the latter half of 2025 as market participants gained greater clarity on the US policy measures. Along with the US Federal Reserve's resumption of interest rate cuts in Sep 2025, risk appetite among investors improved. As a result, healthcare financing in 2H25 surged by 29.4% YoY, fully reversing the earlier-year contraction and signaling a meaningful restoration of confidence in the sector.

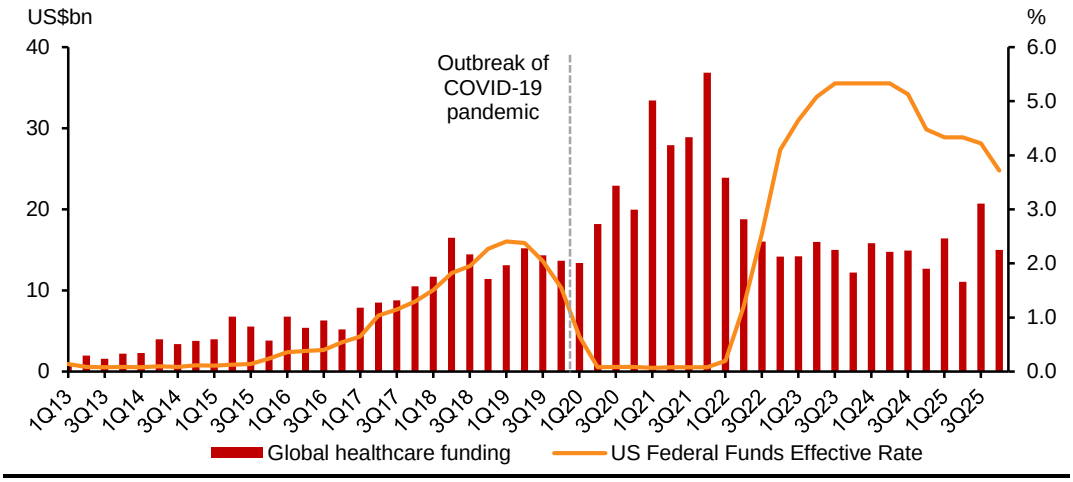
While the sustainability of the funding rebound remains subject to macroeconomic and geopolitical uncertainties, we view the sharp inflection in funding momentum in 2H25 as clear evidence that market expectations for the global pharmaceutical ecosystem have materially improved as 2025 unfolded. As US Federal Reserve is expected to continue its rate cut, we believe that funding growth is highly likely to extend into 2026.

Figure 39: Trend of global healthcare funding (annual)



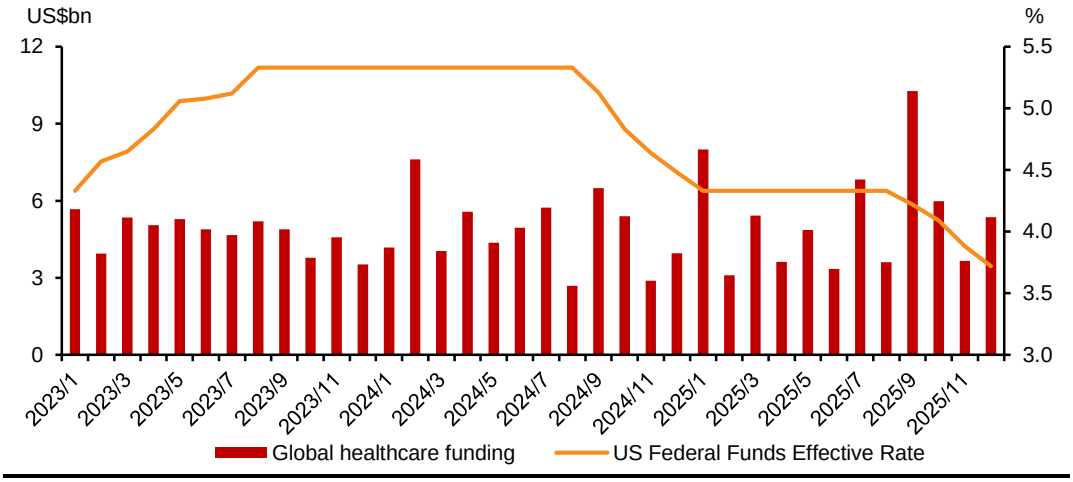
Source: VBdata, CMBIGM

Figure 40: Trend of global healthcare funding (quarterly) and US Federal Funds Effective Rate



Source: FRED, VBdata, CMBIGM

Figure 41: Trend of global healthcare funding (monthly) and US Federal Funds Effective Rate



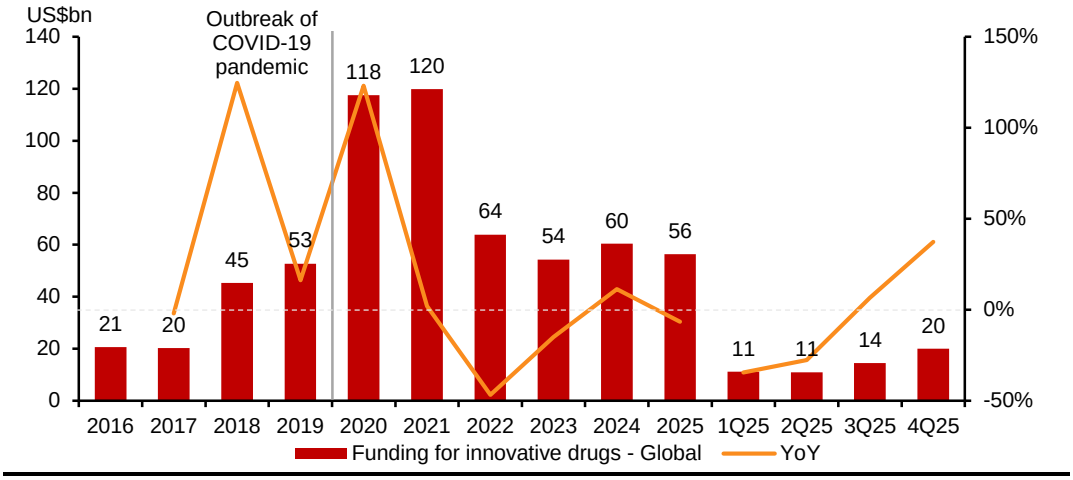
Source: FRED, VBdata, CMBIGM

Within the innovative drug segment, global financing activity also booked a notable recovery in 2H25. According to PharmCube (医药魔方), global innovative drug funding rose 22.5% YoY in 2H25. However, such rebound followed a steep 31.2% YoY decline in 1H25, resulting in an overall 6.5% YoY decrease for full-year 2025. While this marks a step-back from the 11.2% YoY growth recorded in 2024, the pronounced acceleration for innovative drug funding in 2H25 underscores a significant restoration of investor sentiment across the global pharmaceutical ecosystem.

Notably, China's recovery trajectory substantially outpaced the global average in 2025. Innovative drug financing in China surged by 127.3% YoY in 2025, driven overwhelmingly by an extraordinary 215.4% YoY increase in 2H25. This explosive rebound was primarily fuelled by the strong momentum of Chinese pharmaceutical companies' international expansion, as evidenced by a rapidly-growing number and deal size of out-licensing and M&A deals with MNC and leading foreign biotech companies.

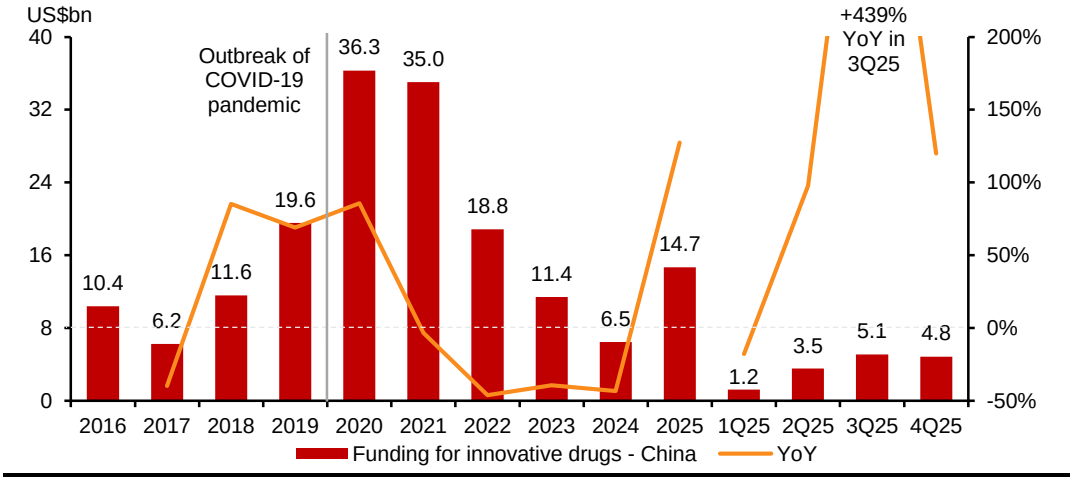
The accelerating global recognition of China's R&D capabilities, particularly in modalities such as ADCs, bispecific antibodies, and cell therapies, has enhanced the credibility and valuation prospects of domestic innovative pipeline. We believe this trend will not only support a return to sustainable, healthy growth in China's domestic innovative drug financing, but also will serve as a meaningful tailwind for the broader global pharmaceutical funding environment in 2026 and beyond.

Figure 42: Trend of global funding for innovative drugs



Source: PharmCube, CMBIGM

Figure 43: Trend of China's funding for innovative drugs



Source: PharmCube, CMBIGM

Stable investment for innovation from MNC and biotech companies

Beyond funding from VC/PEs, R&D investment by multinational drug-makers remains a critical and stable source of funding for global drug innovation. Historically, big pharma companies have been the dominant contributor to industry-wide R&D expenditure. Our analysis of 10 representative MNC companies shows that their combined R&D spending reached US$123.5bn in 2023, up 22.8% YoY, significantly outpacing the 4.4% CAGR observed over the 2010–2023. R&D investment from MNC companies slowed down slightly in 2024, with a 1.9% YoY decline attributed to headwinds from the US Inflation Reduction Act (IRA) and post-pandemic deceleration in medicine sales. Encouragingly, the R&D spending trend reversed decisively in 1H25, with aggregate R&D expenditure among these 10 firms returning to positive growth of 5.3% YoY. For biotech sector, R&D spending

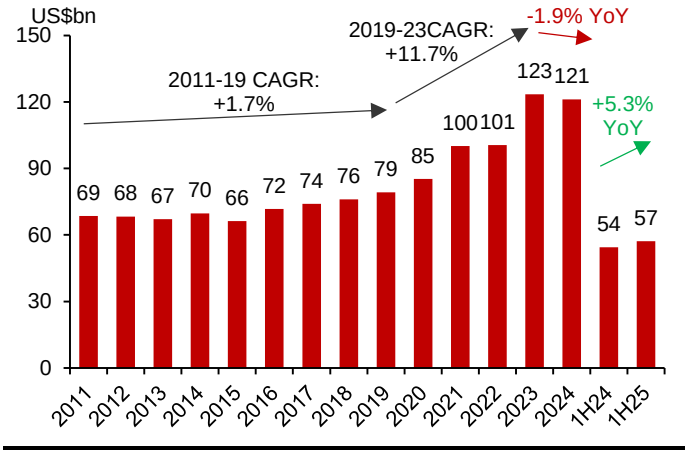
from 10 leading biotech companies have been largely stabilized with a decline of 1.9% in 1H25, following 13.5% YoY growth in 2024. Critically, the absolute scale of R&D spending from MNC companies continues to dwarf that of biotech firms, providing a crucial stabilizing force against macro-driven volatility in biotech financing cycles.

Amid the broader cost-control initiatives that frequently occurred in the past 3 years, leading pharma companies have explicitly prioritized R&D efficiency and innovation intensity. For instance, Pfizer announced a company-wide, multi-year cost optimization program in 3Q23, targeting US$7.2bn in cumulative savings by end-2027. With that being said, management at Pfizer committed to reinvest a portion of these savings into R&D productivity, which was already reflected in its financials: Pfizer's R&D expenses grew 10.8% YoY in 1H25, a marked acceleration from a decline of 6.6% in 2023 and slight growth of 1.3% in 2024. Similarly, Sanofi launched its cost-reduction plan in 2023, aiming to achieve EUR2bn in savings by end-2025. Despite this, the Company increased its R&D spending by 9.9% in 2024 and 8.6% YoY in 1H25, both faster than the 0.3% YoY growth booked in 2023. These examples underscore that cost rationalization is being leveraged to enhance, not curtail, innovation capacity. We therefore expect Big Pharma's R&D intensity to remain resilient or even expand going forward.

Interestingly, MNC companies exhibit even stronger appetite for capex investment than for R&D spending. In 1H25, the same 10 pharma companies reported aggregate capex growth of 16.4% YoY, significantly exceeding the CAGR of 6.0% in 2010-24. However, this trend is not uniform among top pharmaceutical companies, as cost optimization programs appear to have temporarily constrained capex at certain MNC firms. Capex of Pfizer declined by 25.5%/ 11.9% YoY in 2024/ 1H25, respectively, while Sanofi's capex fell 24.7% YoY in 1H25. There examples of capex deteriorations, which were accompanied by the robust commercial manufacturing demand, has heightened Big Pharma's reliance on external partners to support large-scale manufacturing.

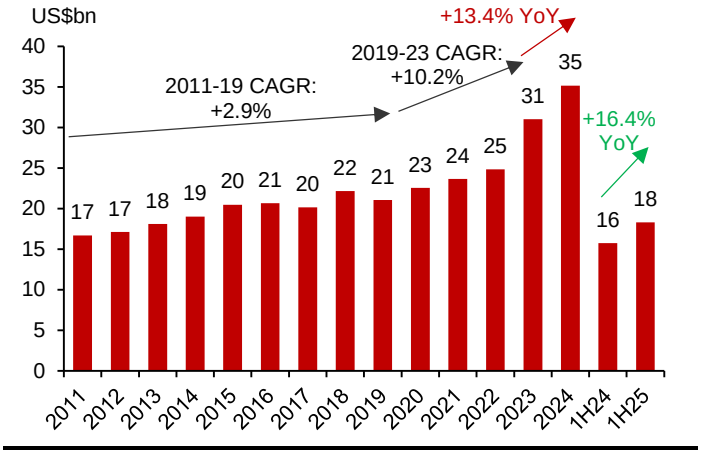
Concurrently, multiple global pharmaceutical leaders announced major long-term investment plans in the US in 2025, in response to the US Trump's administration's push for domestic pharmaceutical manufacturing. These announcements signal a potential structural shift toward US capacity expansion and global supply chain rebalancing. However, considering that facility construction in the US typically spans multiple years, there remains considerable uncertainties around the execution of these capacity expansion initiatives. In the medium term, we do not anticipate a material negative impact on C(D)MO demand from MNC companies, as the interim gap between internal capacity constraints and surging commercial needs is likely to sustain robust outsourcing momentum. For the long run, global population aging is expected to generate consistent upward pressure on drug production capacities, positioning C(D)MOs as long-term beneficiaries of this demographic shift.

Figure 44: R&D expenses of global Top10 pharma



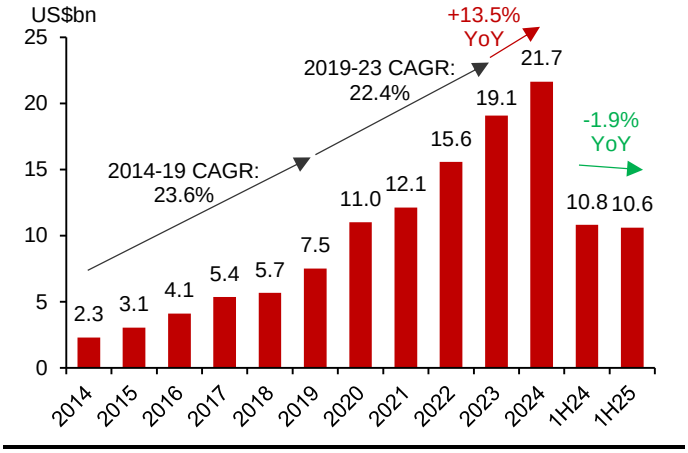
Source: Company data, CMBIGM
Note: We select 10 MNC pharmaceutical companies with top rankings in market cap, revenue and R&D expenses. These companies include Pfizer (PFE US, BUY), J&J (JNJ US, NR), Roche (ROG SW, NR), Novartis (NOVN SW, NR), GSK (GSK LN, NR), Sanofi (SAN FP, NR), Astrazeneca (AZN LN, NR), Eli Lilly (LLY US, NR), Novo Nordisk (NVO US, NR), and Merck & Co (MRK US, NR).

Figure 45: Capex of global Top10 pharma



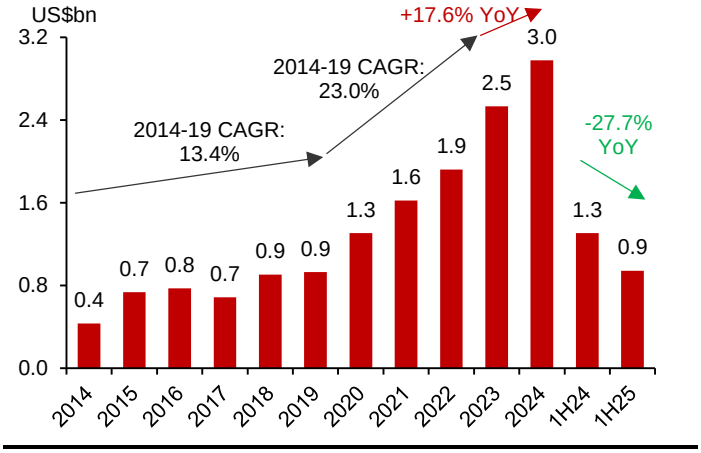
Source: Company data, CMBIGM

Figure 46: R&D expenses of 10 global leading biotech



Source: Company data, CMBIGM
Note: We select 10 biotech companies with top rankings in market cap, revenue and R&D expenses. These companies include Regeneron (REGN US, NR), Moderna (MRNA US, NR), Alnylam (ALNY US, NR), Incyte (INCY US, NR), Genmab (GMAB US, NR), Beigene (ONC US, BUY), BioNtech (BNTX US, NR), Neurocrine (NBIX US, NR), Sarepta (SRPT US, NR), and Ionis (IONS US, NR).

Figure 47: Capex of 10 global leading biotech



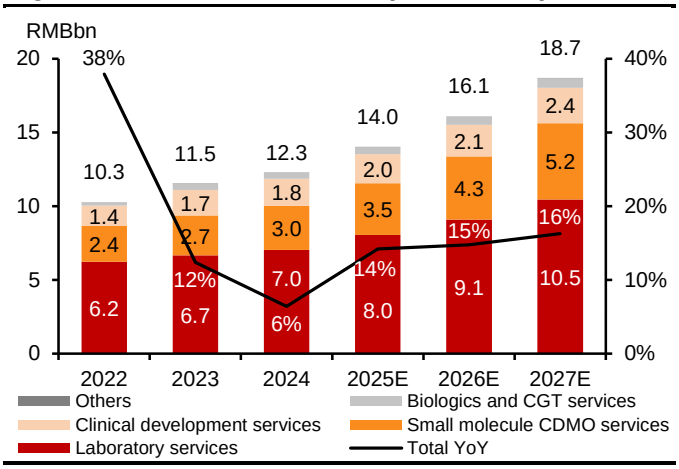
Source: Company data, CMBIGM

Financial analysis

Expect revenue to grow at CAGR of 15.1% in 2024-27E

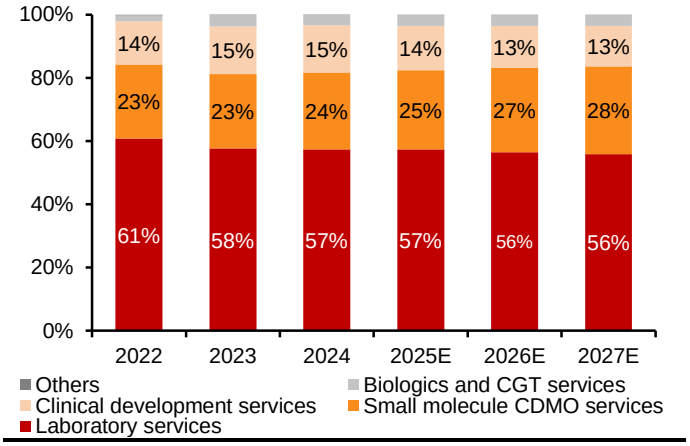
Backed by the sustainable growth of new bookings in 2024 and 2025, we anticipate a robust recovery in Pharmaron's revenue growth following the cyclical trough in 2024, forecasting its revenue to reach RMB14.0bn/ 16.1bn/ 18.7bn in 2025E/ 26E/ 27E, representing 14.2%/ 14.8%/ 16.3% YoY growth for respective years with a CAGR of 15.1%. Major growth drivers include: 1) resilient growth in Lab services segment supported by the meaningful recovery in global biotech funding, which will restore pipeline activities and early-stage R&D outsourcing demand; 2) accelerated momentum in small molecule CDMO segment, driven by an inflection of commercial manufacturing demand with Pharmaron's maturing capacities as well as continuous advancement of clinical-stage programs in its pipeline; 3) rebound in clinical development segment as the domestic market stabilizes; and 4) steady contribution from biologics and CGT services segment, bolstered by Pharmaron's growing recognition as a trusted, high-quality domestic supplier within the global market.

Figure 48: Revenue forecasts (2022-2027E)



Source: Company data, CMBIGM estimates

Figure 49: Revenue split by segments (2022-2027E)

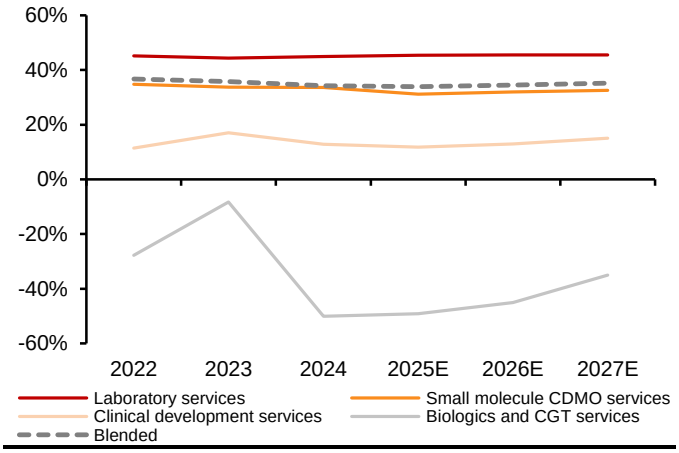


Source: Company data, CMBIGM estimates

Profitability posied for improvement

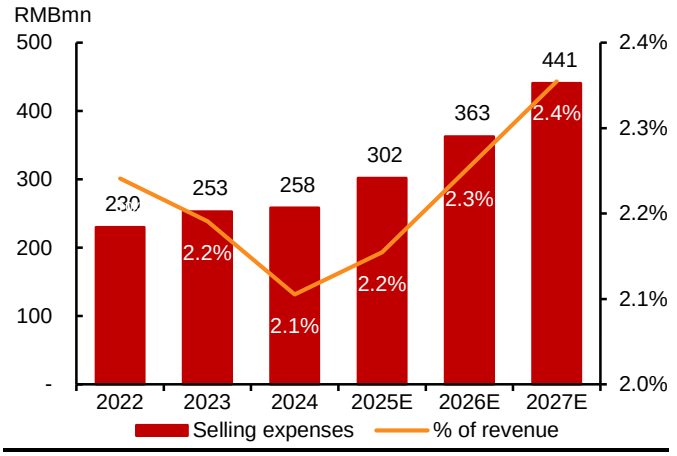
We expect the gross profit margin (GPM) of Pharmaron to continuously increase in 2025-27E, driven by the steady productivity in both lab services and small molecule CDMO segments as well as the expected GPM rebound in clinical development and biologics and CGT services segments. We project GPM of Pharmron to be on an upward trend, reaching 33.9%/ 34.5%/ 35.2% in 2025E/ 26E/ 27E. At the same time, we anticipate that the operating expenses as % of revenue to be well controlled as the Company effectively manages the marketing and admin expenses. Specifically, we expect the selling and marketing expenses as % of revenue to be 2.2%/ 2.3%/ 2.4% in 2025E/ 26E/ 27E and admin expenses as % of revenue to be 12.2%/ 12.3%/ 12.5% in 2025E/ 26E/ 27E. Specifically, we think the Company will still need to maintain the intensity on R&D investments to keep enhancing its competency in the global market. Thus, we expect R&D expenses as % of revenue to be 3.7%/ 3.8%/ 4.0% in 2025E/ 26E/ 27E.

Figure 50: Gross profit margin forecasts (2022-2027E)



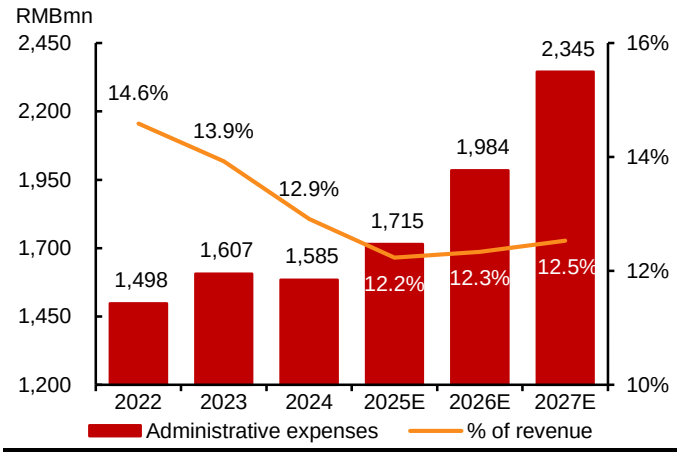
Source: Company data, CMBIGM estimates

Figure 51: Selling and marketing expenses forecasts (2022-2027E)



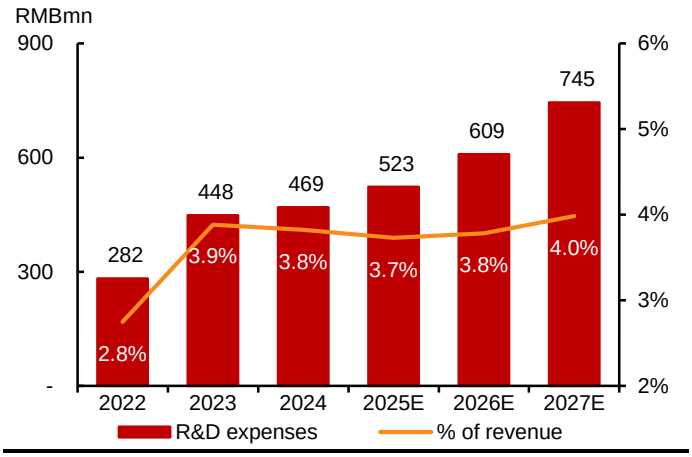
Source: Company data, CMBIGM estimates

Figure 52: Admin expenses forecasts (2022-2027E)



Source: Company data, CMBIGM estimates

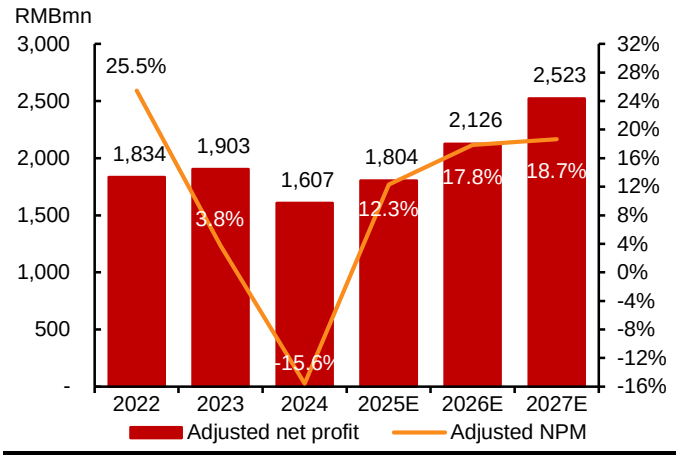
Figure 53: R&D expenses forecasts (2022-2027E)



Source: Company data, CMBIGM estimates

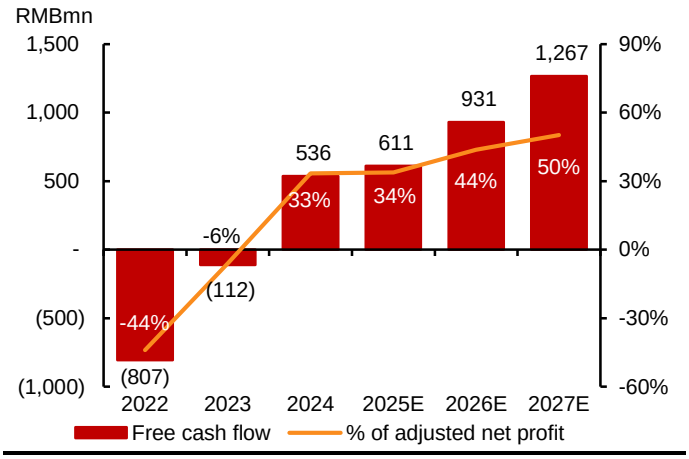
We project that Pharmaron's adjusted net profit will maintain stronger momentum, reaching RMB1.8bn/ 2.1bn/ 2.5bn in 2025E/ 26E/ 27E, representing YoY growth of 12.3%/ 17.8%/ 18.7%, respectively, and a CAGR of 16.2%.

Figure 54: Adjusted net profit forecasts (2022-2027E)



Source: Company data, CMBIGM estimates

Figure 55: Free cash flow forecasts (2022-2027E)



Source: Company data, CMBIGM estimates

Figure 56: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	14,022	16,092	18,710	14,018	16,094	18,579	0.03%	-0.01%	0.71%
Gross profit	4,749	5,550	6,590	4,867	5,738	6,797	-2.42%	-3.26%	-3.04%
Operating profit	2,074	2,424	2,843	2,107	2,556	3,102	-1.57%	-5.18%	-8.36%
Adjusted net profit	1,804	2,126	2,523	1,712	2,099	2,550	5.39%	1.30%	-1.05%
Adjusted EPS (RMB)	1.01	1.16	1.37	0.983	1.196	1.454	3.22%	-3.21%	-5.52%
Gross margin	33.87%	34.49%	35.22%	34.72%	35.65%	36.58%	-0.85ppt	-1.16ppt	-1.36ppt
Operating margin	14.79%	15.06%	15.19%	15.03%	15.88%	16.70%	-0.24ppt	-0.82ppt	-1.50ppt
Adjusted net margin	12.87%	13.21%	13.49%	12.21%	13.04%	13.73%	+0.65ppt	+0.17ppt	-0.24ppt

Source: Bloomberg, CMBIGM estimates

Figure 57: P&L forecasts (2022-2027E)

(YE 31 Dec) RMBmn	2022	2023	2024	2025E	2026E	2027E
Revenue	**10,266**	**11,538**	**12,276**	**14,022**	**16,092**	**18,710**
YoY	*37.9%*	*12.4%*	*6.4%*	*14.2%*	*14.8%*	*16.3%*
Cost of services	(6,498)	(7,414)	(8,073)	(9,272)	(10,542)	(12,120)
% of revenue	*-63.3%*	*-64.3%*	*-65.8%*	*-66.1%*	*-65.5%*	*-64.8%*
Gross profit	**3,768**	**4,124**	**4,203**	**4,749**	**5,550**	**6,590**
GPM	*36.71%*	*35.75%*	*34.24%*	*33.87%*	*34.49%*	*35.22%*
Business taxes	(67)	(83)	(110)	(135)	(171)	(217)
% of revenue	*-0.6%*	*-0.7%*	*-0.9%*	*-1.0%*	*-1.1%*	*-1.2%*
Selling expenses	(230)	(253)	(258)	(302)	(363)	(441)
% of revenue	*-2.2%*	*-2.2%*	*-2.1%*	*-2.2%*	*-2.3%*	*-2.4%*
Administrative expenses	(1,498)	(1,607)	(1,585)	(1,715)	(1,984)	(2,345)
% of revenue	*-14.6%*	*-13.9%*	*-12.9%*	*-12.2%*	*-12.3%*	*-12.5%*
R&D expenses	(282)	(448)	(469)	(523)	(609)	(745)
% of revenue	*-2.8%*	*-3.9%*	*-3.8%*	*-3.7%*	*-3.8%*	*-4.0%*
Finance cost	(177)	(5)	(143)	(189)	(96)	(62)
% of revenue	*-1.7%*	*0.0%*	*-1.2%*	*-1.3%*	*-0.6%*	*-0.3%*
Other income & expenses	152	109	453	(18)	300	300
% of revenue	*1.5%*	*0.9%*	*3.7%*	*-0.1%*	*1.9%*	*1.6%*
Pre-tax profit	**1,666**	**1,838**	**2,091**	**1,867**	**2,627**	**3,081**
PBTM	*16.2%*	*15.9%*	*17.0%*	*13.3%*	*16.3%*	*16.5%*
Income tax expense	(314)	(256)	(377)	(339)	(473)	(555)
Income tax rate	*-18.9%*	*-13.9%*	*-18.0%*	*-18.2%*	*-18.0%*	*-18.0%*
Net profit	**1,352**	**1,582**	**1,714**	**1,528**	**2,154**	**2,526**
Minority interests	22	19	79	84	108	126
Net profit to shareholders	**1,375**	**1,601**	**1,793**	**1,612**	**2,262**	**2,653**
YoY	*-17.2%*	*16.5%*	*12.0%*	*-10.1%*	*40.4%*	*17.3%*
NPM	*13.4%*	*13.9%*	*14.6%*	*11.5%*	*14.1%*	*14.2%*
Adjusted net profit	**1,834**	**1,903**	**1,607**	**1,804**	**2,126**	**2,523**
YoY	*25.5%*	*3.8%*	*-15.6%*	*12.3%*	*17.8%*	*18.7%*
Adjusted NPM	*17.9%*	*16.5%*	*13.1%*	*12.9%*	*13.2%*	*13.5%*

Source: Company data, CMBIGM estimates

Valuation

We derive a TP of RMB38.08 on a 10-year DCF valuation with WACC of 9.32% and terminal growth rate of 2.0%. We are confident in the long-term prospects of Pharmaron as a leader in global pharmaceutical outsourcing services industry, backed by its established, yet still growing one-stop service platform.

Figure 58: Risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBIT	2,056	2,724	3,143	3,866	4,697	5,636	6,679	7,814	9,025	10,289
Tax rate	18.18%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
EBIT*(1-tax rate)	1,683	2,233	2,577	3,170	3,851	4,621	5,476	6,407	7,401	8,437
+ D&A	1,155	1,265	1,365	1,638	1,941	2,271	2,623	2,991	3,365	3,735
- Change in working capital	-258	-385	-487	-584	-692	-810	-935	-1,066	-1,200	-1,332
- Capex	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000
FCFF	**579**	**1,114**	**1,455**	**2,224**	**3,100**	**4,083**	**5,164**	**6,332**	**7,566**	**8,840**
Terminal value										**123,261**

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)	50,586
Total PV (RMB mn)	71,994
Net debt (RMB mn)	3,755
Minority interest (RMBmn)	520
Equity value (RMB mn)	67,719
# of shares (mn)	1,778
Price per share (RMB per share)	**38.08**

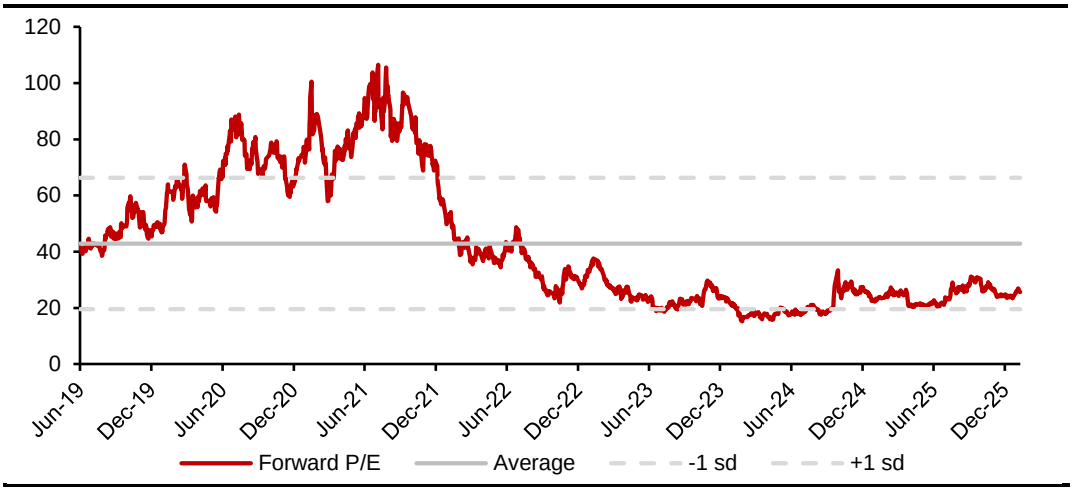
Source: CMBIGM estimates

Figure 59: Sensitivity analysis of DCF model

		WACC				
		8.32%	**8.82%**	**9.32%**	**9.82%**	**10.32%**
Terminal growth rate	**4.00%**	64.33	56.15	49.56	44.12	39.58
	3.50%	58.50	51.61	45.95	41.21	37.19
	2.00%	46.55	41.99	**38.08**	34.70	31.76
	2.50%	49.85	44.69	40.32	36.58	33.34
	2.00%	46.55	41.99	38.08	34.70	31.76

Source: CMBIGM estimates

Figure 60: 12-month forward P/E of Pharmaron (A share)



Source: Bloomberg, CMBIGM
Note: As of 19 Jan 2026

Figure 61: Global peer valuation

Company	Ticker	Rating	Mkt Cap	Revenue CAGR	Net income CAGR	P/E (x)			PEG (x)	PB (x)	ROE	Div. yield
			US$bn	24-27E	24-27E	25E	26E	27E	25E	25E	25E	25E
Overseas												
Thermo Fisher	TMO US	BUY	232.5	5.1%	6.2%	27.3	25.1	22.7	4.4	4.4	16.2%	0.3%
Danaher	DHR US	NR	166.7	4.3%	6.1%	30.6	27.9	25.5	5.0	3.3	10.2%	0.5%
Samsung Bio	207940 KS	NR	60.4	16.3%	27.1%	53.5	47.5	41.7	2.0	7.7	15.3%	0.0%
Lonza	LONN SW	NR	48.6	11.9%	15.6%	33.2	28.1	23.6	2.1	4.0	11.2%	0.9%
IQVIA	IQV US	NR	40.5	5.5%	6.0%	20.0	18.3	16.5	3.3	6.4	29.9%	0.0%
LabCorp	LH US	NR	22.5	5.7%	8.5%	16.6	15.5	14.1	1.9	2.6	16.2%	1.1%
Sartorius	SRT GR	NR	19.5	7.4%	18.8%	40.7	35.2	28.6	2.2	4.6	11.5%	0.4%
Medpace	MEDP US	NR	17.2	13.2%	9.5%	41.3	37.2	33.4	4.4	nm	nm	0.0%
ICON	ICLR US	NR	13.9	0.7%	-1.6%	14.0	13.8	12.6	nm	1.5	8.8%	0.0%
Charles River	CRL US	NR	10.8	1.6%	3.7%	21.5	20.5	18.9	5.8	3.1	12.9%	0.0%
Bachem	BANB SW	NR	6.2	23.8%	21.5%	40.8	27.2	22.9	1.9	3.4	8.6%	1.4%
Overseas average				**8.7%**	**11.0%**	**30.9**	**26.9**	**23.7**	**3.3**	**4.1**	**14.1%**	**0.4%**
China												
WuXi AppTec	603259 CH	BUY	44.1	12.6%	14.3%	24.1	21.9	19.3	1.7	4.1	15.4%	1.8%
WuXi Bio	2269 HK	BUY	20.1	17.2%	18.1%	27.5	21.4	18.0	1.5	2.8	12.5%	0.0%
WuXi XDC	2268 HK	BUY	11.1	37.9%	35.4%	53.2	38.5	28.9	1.5	7.3	0.2%	0.0%
Pharmaron	300759 CH	BUY	7.5	15.1%	16.2%	30.8	27.0	22.8	1.9	3.6	11.7%	0.6%
Tigermed	300347 CH	BUY	7.2	9.3%	24.8%	41.6	39.7	32.2	1.7	2.4	5.8%	0.8%
Asymchem	002821 CH	NR	5.3	15.3%	24.1%	32.5	27.4	23.1	1.3	2.1	6.7%	1.5%
Joinn	603127 CH	NR	4.2	-2.2%	nm	nm	nm	nm	nm	3.7	2.4%	0.1%
China average				**15.0%**	**22.2%**	**35.0**	**29.3**	**24.1**	**1.6**	**3.7**	**7.8%**	**0.7%**

Source: Bloomberg, CMBIGM
Note: Data of Thermo Fisher, WuXi AppTec, WuXi Bio, WuXi XDC and Pharmaron are based on the latest CMBIGM forecasts, while data of other companies are based on Bloomberg consensus as of 19 Jan 2026. Market cap as of 19 Jan 2026.

Risks to our rating and target price

1) Uncertainties in the recovery trend of global biotech funding and demand from biotech clients;

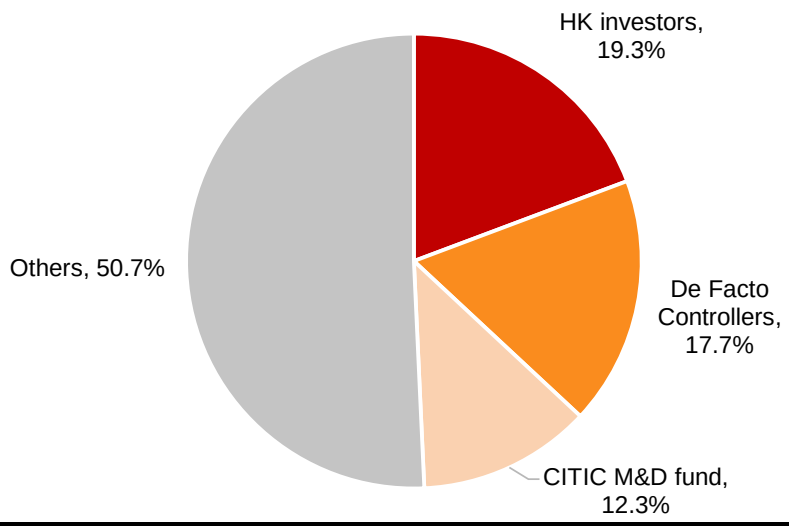
2) Uncertainties in the demand trend of global mid- and large-size pharmaceutical companies amid the challenging macro and geopolitical environment;

3) Slower-than-expected margin improvement of clinical development and biologics and CGT servcies;

4) Pharmaron's incompetency in obtaining customers contracts due to various factors, such as the lack of necessary technologies and human resources and customer's concerns on working with China-based CXOs amid geopolitical uncertainties.

Appendix

Figure 62: Shareholder structure of Pharmaron



Source: Company data, CMBIGM
Note: Data as of 22 Jan 2026.

Figure 63: Management profile of Pharmaron

Name	Position	Responsibility and experience
Dr. Boliang Lou (**樓柏良**)	Co-founder, Chairman, Chief executive officer, and Executive Director	•Primarily responsible for the overall management, strategic planning and corporate development of Pharmaron. • Over 30 years of experience in the life sciences and biotech industry. • Previously worked at several life sciences and biotech companies such as Cytel Corporation, Ontogen Corporation and Advanced SynTech (formerly known as Helios Pharmaceuticals, Inc.). • Obtained a master's degree and a doctorate degree in science at the Shanghai Institute of Organic Chemistry (中国科学院上海有机化学所) and conducted post-doctoral research at the University of Montreal in Canada.
Mr. Xiaoqiang Lou (楼小强)	Co-founder, Chief operating officer , President, and Executive Director	• Primarily responsible for the overall operations of the business of Pharmaron. • Previously worked in sales and management roles at various electronics companies. • Obtained a bachelor's and a master's degree in material science and engineering from Beijing University of Aeronautics and Astronautics (北京航空航天大学) and a master's degree in business administration from the China-Europe International Business School (中欧国际工商学院).
Ms. Bei Zheng (郑北)	Co-founder, Executive vice president, and Executive Director	• Primarily responsible for the administration and asset management of Pharmaron. • Received a master's degree in law from Peking University (北京大学)
Dr. Hua Yang (阳华)	Chief scientific officer	• Primarily responsible for the construction and improvement of Pharmaron's integrated services platform as well as the formulation of scientific development strategies. • Previously served in various roles, including assistant director at AstraZeneca R&D Montreal. • Obtained a doctorate degree at the University of Manchester in England and conducted post-doctoral research at the University of Montreal in Canada.
Mr. Shingchung (Gilbert) Li (李承宗)	Chief financial officer and Secretary of the Board	• Primarily responsible for the overall financial function of Pharmaron. • Previously served at various roles in accounting and financial areas, including assistant manager of KPMG. • Obtained a bachelor's degree in business administration from the Hong Kong University of Science and Technology and a master's degree in business administration from the China Europe International Business School (中欧国际工商学院). • A member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants and a Chartered Financial Analyst.

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**10,266**	**11,538**	**12,276**	**14,022**	**16,092**	**18,710**
Cost of goods sold	(6,498)	(7,414)	(8,073)	(9,272)	(10,542)	(12,120)
Gross profit	**3,768**	**4,124**	**4,203**	**4,749**	**5,550**	**6,590**
Operating expenses	**(2,077)**	**(2,390)**	**(2,422)**	**(2,675)**	**(3,127)**	**(3,748)**
Selling expense	(230)	(253)	(258)	(302)	(363)	(441)
Admin expense	(1,498)	(1,607)	(1,585)	(1,715)	(1,984)	(2,345)
R&D expense	(282)	(448)	(469)	(523)	(609)	(745)
Others	(67)	(83)	(110)	(135)	(171)	(217)
Operating profit	**1,692**	**1,734**	**1,781**	**2,074**	**2,424**	**2,843**
Gain/loss on financial assets at FVTPL	68	19	2	37	100	100
Investment gain/loss	75	45	542	(30)	100	100
Net Interest income/(expense)	**(177)**	**(5)**	**(143)**	**(189)**	**(96)**	**(62)**
Other income/expense	9	45	(90)	(24)	100	100
Pre-tax profit	**1,666**	**1,838**	**2,091**	**1,867**	**2,627**	**3,081**
Income tax	(314)	(256)	(377)	(339)	(473)	(555)
After tax profit	**1,352**	**1,582**	**1,714**	**1,528**	**2,154**	**2,526**
Minority interest	22	19	79	84	108	126
Net profit	**1,375**	**1,601**	**1,793**	**1,612**	**2,262**	**2,653**
Adjusted net profit	**1,834**	**1,903**	**1,607**	**1,804**	**2,126**	**2,523**
Gross dividends	357	357	354	322	452	531

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**6,536**	**10,874**	**7,608**	**8,559**	**11,188**	**13,067**
Cash & equivalents	1,497	5,919	1,690	2,289	4,358	5,532
Account receivables	1,882	2,242	2,414	2,659	3,052	3,548
Inventories	1,041	1,013	1,117	1,223	1,391	1,599
Financial assets at FVTPL	745	622	1,120	1,120	1,120	1,120
Other current assets	1,037	684	810	810	810	810
Contract assets	333	394	458	458	458	458
Non-current assets	**13,957**	**15,602**	**16,319**	**17,167**	**18,102**	**18,937**
PP&E	5,665	6,497	7,809	8,967	10,017	10,968
Right-of-use assets	950	776	560	390	219	49
Deferred income tax	59	153	193	193	193	193
Intangibles	803	789	791	742	694	645
Goodwill	2,688	2,781	2,761	2,761	2,761	2,761
Long-term investments	630	723	649	649	649	649
Other non-current assets	3,162	3,884	3,557	3,467	3,570	3,673
Total assets	**20,493**	**26,477**	**23,927**	**25,727**	**29,291**	**32,004**
Current liabilities	**3,912**	**3,654**	**4,224**	**4,818**	**5,493**	**6,211**
Short-term borrowings	663	577	765	1,265	1,765	2,265
Account payables	406	412	477	571	746	964
Tax payable	188	238	219	219	219	219
Other current liabilities	1,823	1,686	1,928	1,928	1,928	1,928
Contract liabilities	832	741	835	835	835	835
Non-current liabilities	**5,740**	**9,584**	**5,481**	**5,481**	**5,481**	**5,481**
Long-term borrowings	713	4,308	4,377	4,377	4,377	4,377
Bond payables	3,741	3,892	0	0	0	0
Obligations under finance leases	761	585	401	401	401	401
Other non-current liabilities	525	799	702	702	702	702
Total liabilities	**9,653**	**13,239**	**9,705**	**10,298**	**10,974**	**11,691**
Share capital	1,191	1,787	1,778	1,778	2,965	2,965
Capital surplus	5,254	5,222	5,008	5,008	5,008	5,008
Retained earnings	4,152	5,205	6,443	7,732	9,542	11,664
Other reserves	(49)	343	390	390	390	390
Total shareholders equity	**10,549**	**12,557**	**13,619**	**14,909**	**17,905**	**20,027**
Minority interest	291	681	604	520	412	286
Total equity and liabilities	**20,493**	**26,477**	**23,927**	**25,727**	**29,291**	**32,004**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,666**	**1,838**	**2,091**	**1,867**	**2,627**	**3,081**
Depreciation & amortization	766	1,009	1,145	1,155	1,265	1,365
Tax paid	(314)	(256)	(377)	(339)	(473)	(555)
Change in working capital	(367)	64	(117)	(258)	(385)	(487)
Others	392	100	(166)	186	(104)	(138)
Net cash from operations	**2,143**	**2,754**	**2,577**	**2,611**	**2,931**	**3,267**
Investing						
Capital expenditure	(2,950)	(2,865)	(2,041)	(2,000)	(2,000)	(2,000)
Acquisition of subsidiaries/ investments	(3,358)	(2,113)	(3,197)	(2,000)	(2,000)	(2,000)
Net proceeds from disposal of short-term investments	4,096	2,720	3,227	2,000	2,000	2,000
Others	3	7	(13)	0	0	0
Net cash from investing	**(2,209)**	**(2,251)**	**(2,024)**	**(2,000)**	**(2,000)**	**(2,000)**
Financing						
Dividend paid	(405)	(458)	(548)	(512)	(549)	(592)
Net borrowings	(23)	3,612	(3,771)	500	500	500
Proceeds from share issues	224	971	11	0	1,187	0
Others	(1,213)	(209)	(488)	0	0	0
Net cash from financing	**(1,417)**	**3,915**	**(4,797)**	**(12)**	**1,138**	**(92)**
Net change in cash						
Cash at the beginning of the year	2,770	1,360	5,789	1,690	2,289	4,358
Exchange difference	73	11	78	0	0	0
Cash at the end of the year	**1,360**	**5,789**	**1,623**	**2,289**	**4,358**	**5,532**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	37.9%	12.4%	6.4%	14.2%	14.8%	16.3%
Gross profit	40.7%	9.4%	1.9%	13.0%	16.9%	18.7%
Operating profit	15.8%	2.5%	2.7%	16.5%	16.9%	17.3%
Net profit	(17.2%)	16.5%	12.0%	(10.1%)	40.4%	17.3%
Adj. net profit	25.5%	3.8%	(15.6%)	12.3%	17.8%	18.7%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	36.7%	35.7%	34.2%	33.9%	34.5%	35.2%
Operating margin	16.5%	15.0%	14.5%	14.8%	15.1%	15.2%
Adj. net profit margin	17.9%	16.5%	13.1%	12.9%	13.2%	13.5%
Return on equity (ROE)	13.3%	13.9%	13.7%	11.3%	13.8%	14.0%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.3	0.2	0.3	0.2	0.1	0.1
Current ratio (x)	1.7	3.0	1.8	1.8	2.0	2.1
Receivable turnover days	55.3	65.2	69.2	69.2	69.2	69.2
Inventory turnover days	48.4	50.6	48.1	48.1	48.1	48.1
Payable turnover days	66.9	58.0	50.4	50.4	50.4	50.4

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	26.9	34.6	30.9	34.5	25.4	21.7
P/E (diluted)	27.0	34.7	31.0	34.5	25.4	21.7
P/B	3.4	4.2	3.9	3.6	3.1	2.8
P/CFPS	17.3	20.1	21.5	21.3	19.6	17.6
Div yield (%)	1.0	0.6	0.6	0.6	0.8	0.9

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

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