

# *Global Premier Biologics Platforms to Enable Innovations*

*WuXi Biologics 2019 Interim Result  
(2269.HK)*

August 2019



**WuXi Biologics**  
Global Solution Provider

# Forward-Looking Statements

This presentation may contain certain “forward-looking statements” which are not historical facts, but instead are predictions about future events based on our beliefs as well as assumptions made by and information currently available to our management. Although we believe that our predictions are reasonable, future events are inherently uncertain and our forward-looking statements may turn out to be incorrect. Our forward-looking statements are subject to risks relating to, among other things, the ability of our service offerings to compete effectively, our ability to meet timelines for the expansion of our service offerings, and our ability to protect our clients’ intellectual property. Our forward-looking statements in this presentation speak only as of the date on which they are made, and we assume no obligation to update any forward-looking statements except as required by applicable law or listing rules. Accordingly, you are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. All forward-looking statements contained herein are qualified by reference to the cautionary statements set forth in this section.

## Use of Adjusted Financial Measures (Non-IFRS Measures)

We have provided adjusted net profit, net profit margin, EBITDA, EBITDA margin and diluted earnings per share for the first half of 2016 and 2017, which excludes the share-based compensation expenses, Listing expenses and foreign exchange gains or losses, and are not required by, or presented in accordance with, IFRS. We believe that the adjusted financial measures used in this presentation are useful for understanding and assessing underlying business performance and operating trends, and we believe that management and investors may benefit from referring to these adjusted financial measures in assessing our financial performance by eliminating the impact of certain unusual and non-recurring items that we do not consider indicative of the performance of our business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. You should not view adjusted results on a stand-alone basis or as a substitute for results under IFRS, or as being comparable to results reported or forecasted by other companies.



**01**

**1H 2019 Results**

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**02**

**Leading Industry Trends  
Favoring WuXi Biologics**

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**03**

**Financial Overview**

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**04**

**Summary**

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**05**

**Appendix**

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**224**

Integrated Projects

**32**

New Projects

**15**

Late Phase Projects

**US\$4.6B**

Total Backlog

**280,000L**

Capacity after 2022

**4,512/1,682**

Employees/Scientists



**¥1,607.1M**

Revenue

**¥521.5M**

Adj Net Profit

**52.4%**

Revenue YoY Growth

**75.8%**

Adj Net Profit YoY Growth

**41.8%**

Gross Profit Margin

**32.4%**

Adj Net Profit Margin



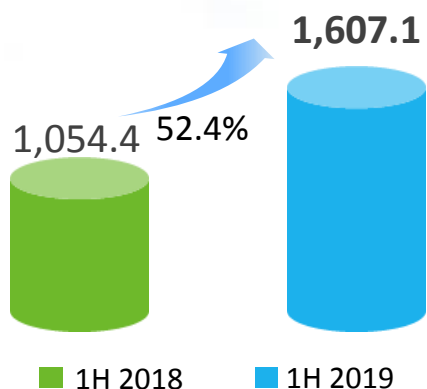
01

# 1H 2019 Results

# Financial Highlights: Record Revenue and Earnings Growth

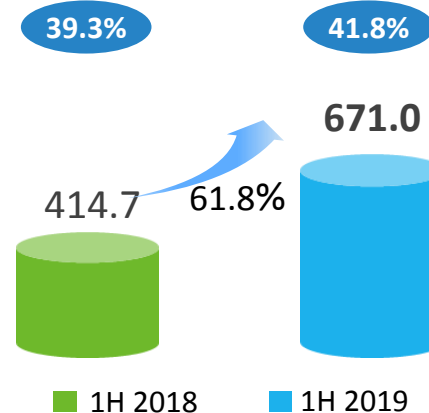
## Revenue

RMB  
(mm)



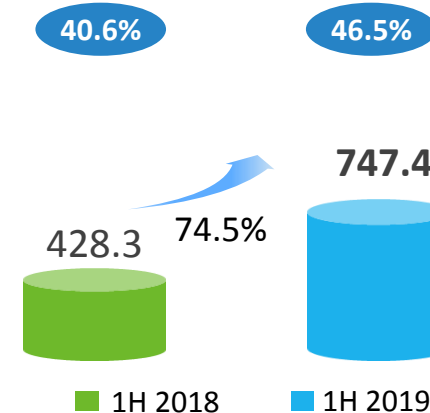
## Gross Profit

GP Margin



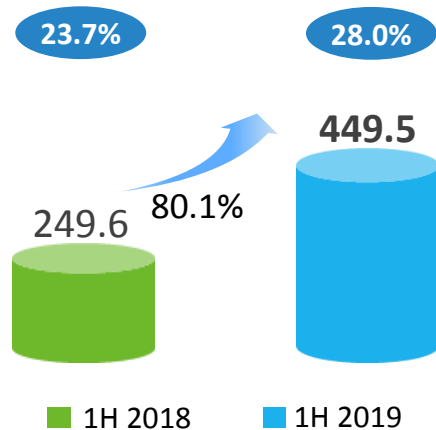
## Adj EBITDA

Adj  
EBITDA  
Margin



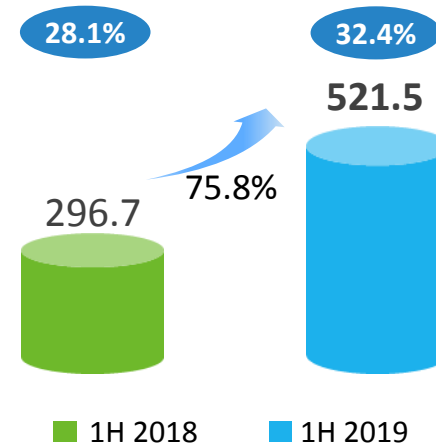
## Net Profit

NP  
Margin



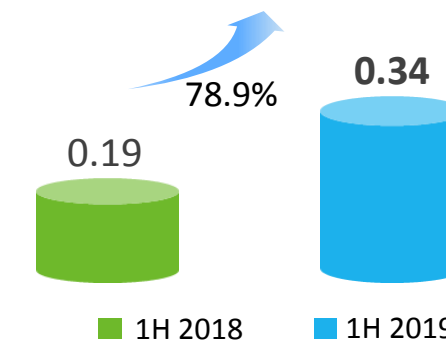
## Adj Net Profit

Adj NP  
Margin



## Diluted EPS

RMB



# Key Financials

## RMB3,029 mm Cash on Hand

- As of June 30, 2019, bank balances, cash and cash deposit amounted to RMB3,029 million in total

## NO Borrowings

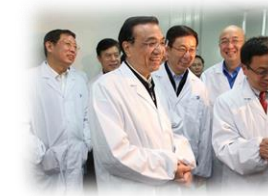
- No outstanding borrowings as of June 30, 2019,
- Maintains bank credit facilities of around US\$500 million for future cash needs
- Operating cash flow of RMB221.9 million, increased by 82% over 1H 2018

## CAPEX

- 2H 2019 CAPEX will be approximately RMB3.6 billion, and 809 million has incurred in 1H 2019
- Vaccine business has very limited cash needs from CAPEX in 2H 2019

## Our Mission

*To accelerate and transform pharmaceutical discovery, development and manufacturing in the fast growing field of biologics to benefit patients worldwide*



## Our “Follow-the-Molecule” Integrated Solution Model

*Our customers’ demand for our services increases as their biologics advance through development and ultimately to commercialization, which allows our revenue from each project to grow geometrically as the project advances through the biologics development cycle*

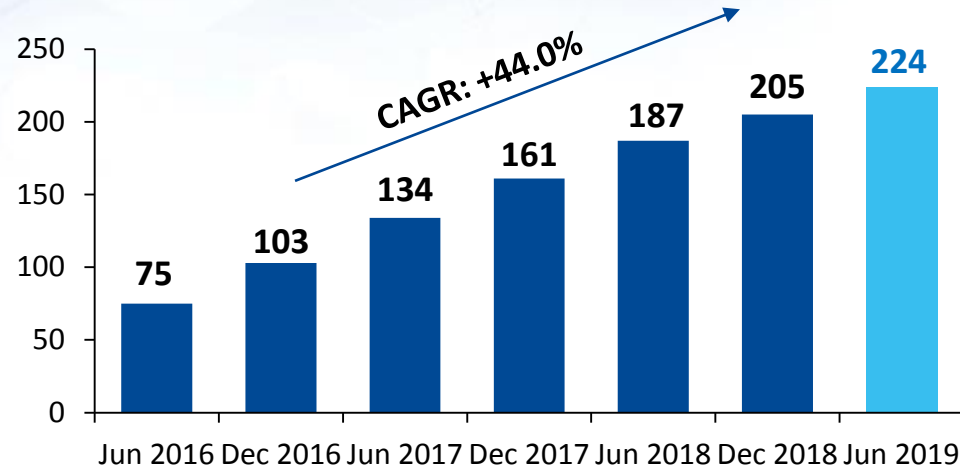
### Revenue from each project increases with its stages

Biologics Development Process	Typical Duration	Typical Revenue
<b>Pre-IND</b>		
Drug Discovery	2 Years	US\$1.5-2.5 mm (Milestone fee ranges from US\$ 10-100 mm Royalty fee ranges from 3% to 5%)
Pre-Clinical Development	2 Years	US\$4-6 mm
<b>Post-IND</b>		
Early-Phase (Phases I & II) Clinical Development	3 Years	US\$4-6 mm
Late-Phase (Phase III) Clinical Development	3-5 Years	US\$20-50 mm
Commercial Manufacturing	Annually	US\$50-100 mm annually

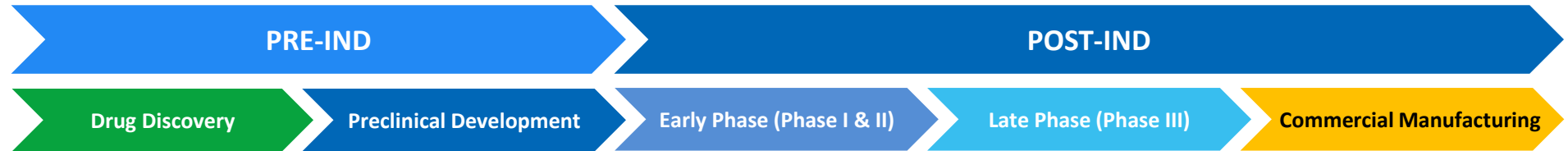
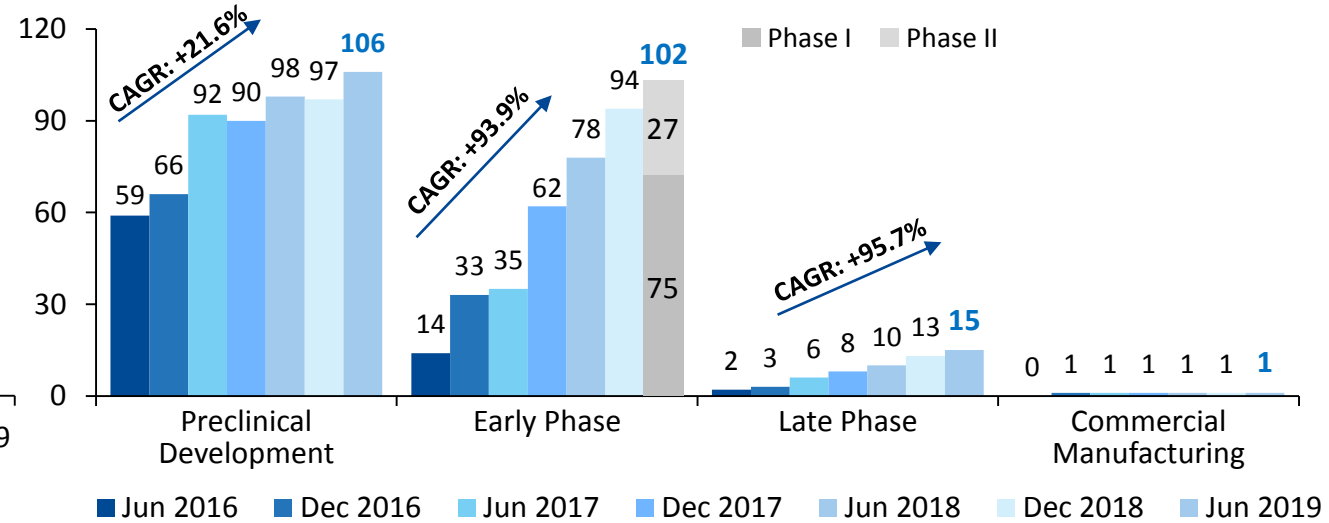


# Solid Business Progress – Growing Integrated Projects

No. of Integrated Projects <sup>(1)</sup>



Integrated Projects <sup>(1)</sup> By Phases



Typical Revenue For Stage:  
On-Going Integrated Project Numbers <sup>(1)</sup>:

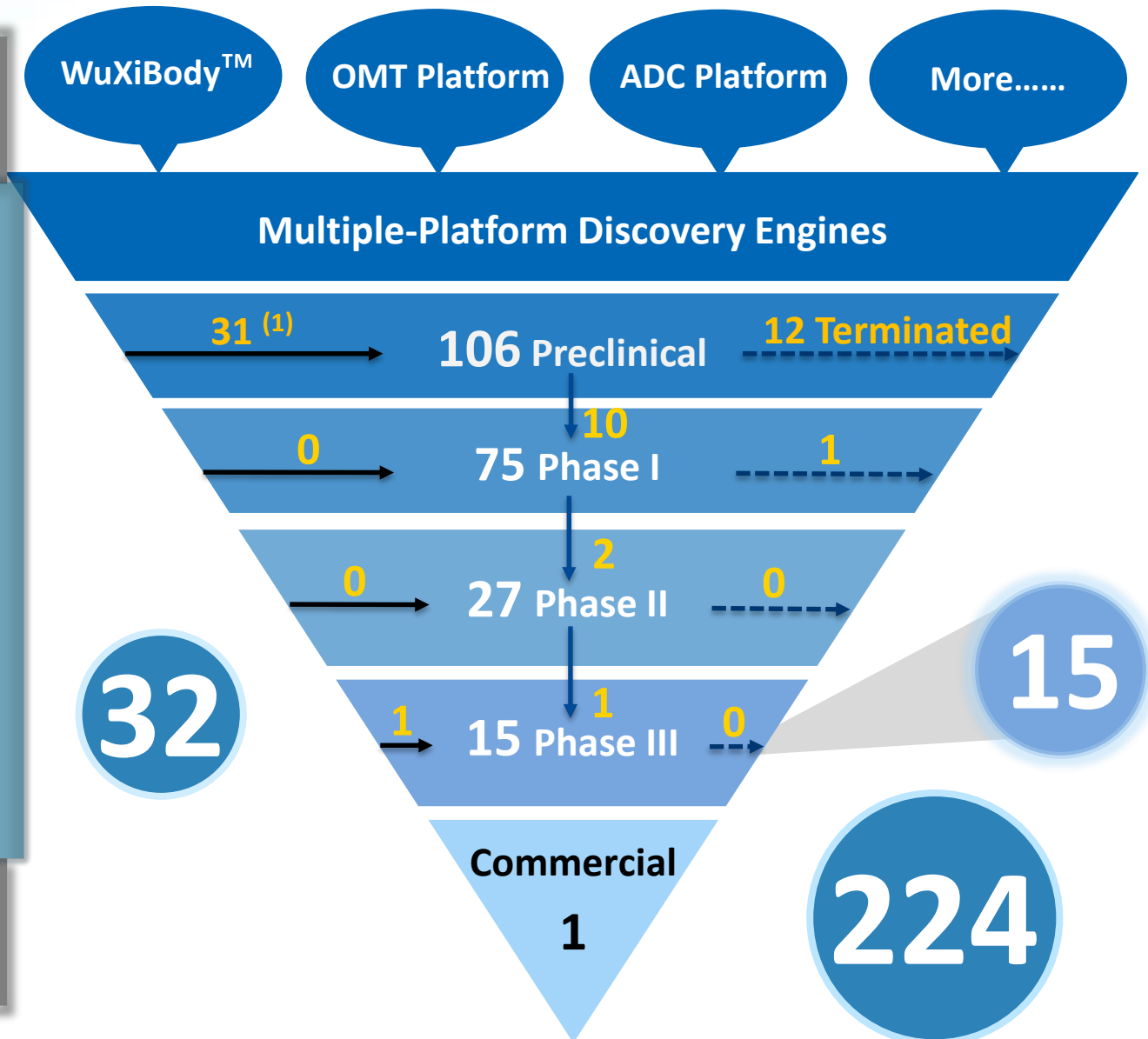


**Notes:**

1. Integrated projects are projects that require us to provide services across different stages of the biologics development process
2. Estimated value when a biologic drug reaches peak sales. A biologic drug typically reaches peak sales after a ramp-up period

# 1H 2019 Pipeline Highlights

- “Follow-the- Molecule” strategy in full motion
- Added **32** molecules into the pipeline in 1H 2019, showing no impact of trade tension
- **224** in development and manufacturing
- **1** Phase III project transferred from outside demonstrating clear industry leadership
- **US\$30.6** million milestone revenue in 1H 2019, increasing **75.9%** compared with 1H 2018



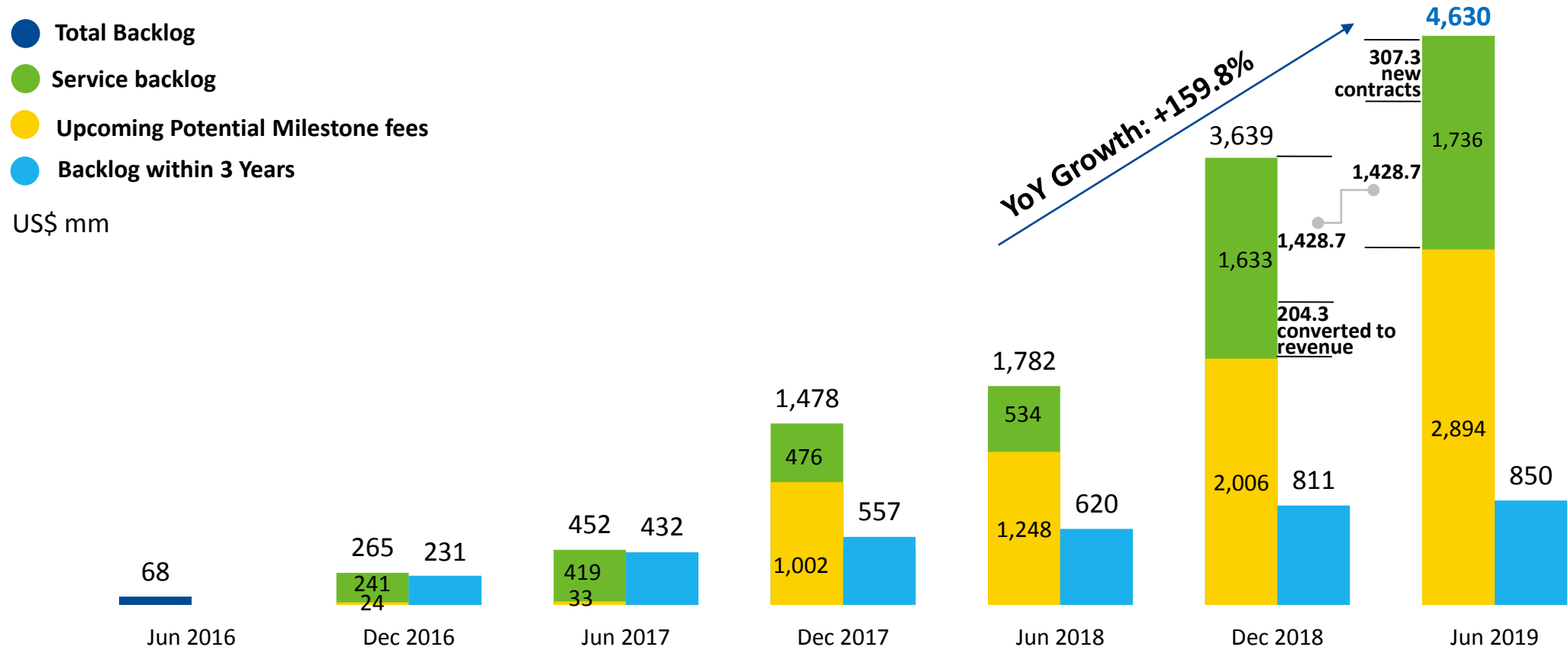
**Note:**

1. All of the project No. were compared to 2018 Q4

2. The arrows in black are the projects newly added from outside; the arrows in blue are the projects progressing from earlier stage thanks to our Follow-the-molecule strategy; the dashed arrows are terminated projects.

# Phenomenal Backlog Growth in 1H 2019

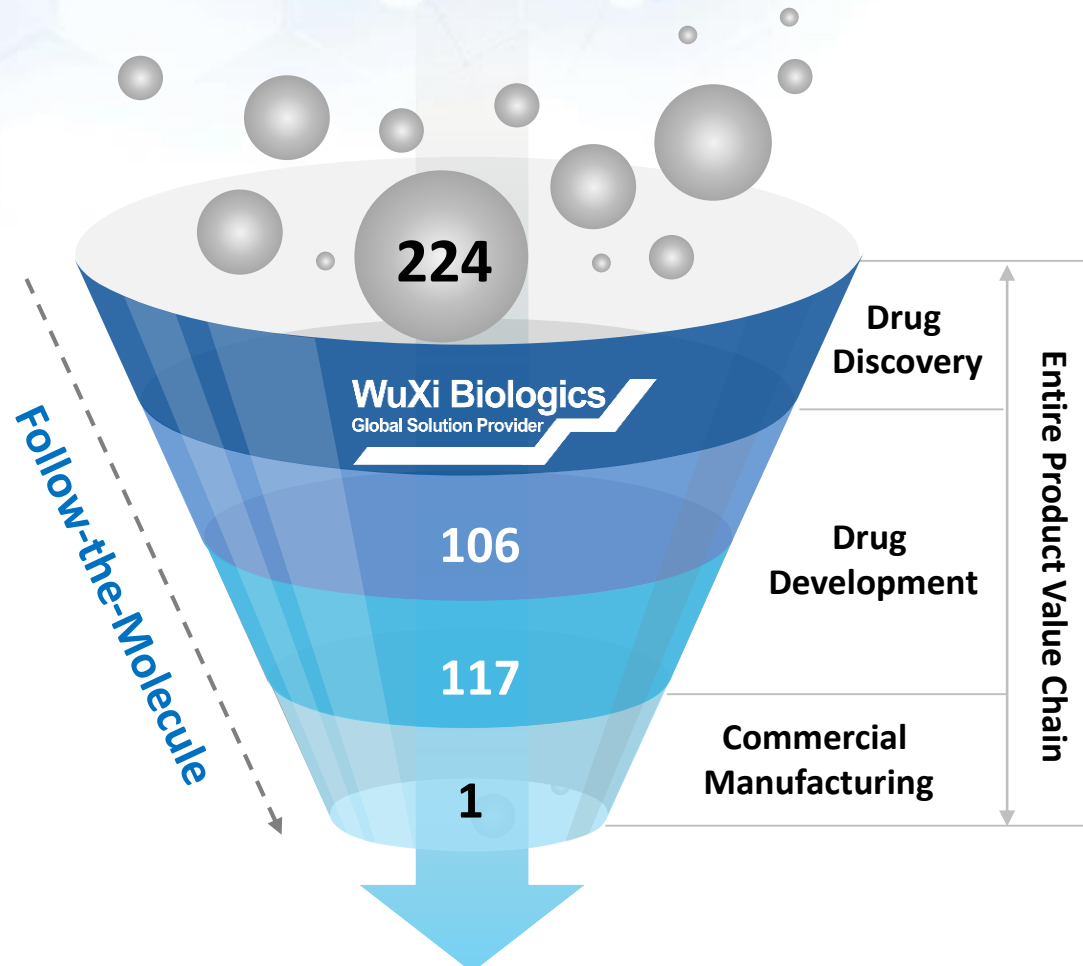
- Total backlog surged to **US\$4.6 bn**, showing that the Company continues to gain more market share
- Service backlog increased **225.1%** to **US\$1.7 bn** compared with the same period of last year, mainly attributed to signing long-term CMO contracts
- Upcoming potential milestone fees\* surged to **US\$2.9 bn**, mainly driven by adding more WuXiBody™ projects, which will continue to improve margin profile



**Disclaimer:** The upcoming potential milestone fees take a longer term to charge at various development stages. The potential to realize these milestone fees is subject to the success rate of the projects and the project progress.

**Note:** Backlog within 3 years is the backlog we expect to convert to revenue within 3 years, which includes both service backlog and upcoming potential milestone fees

# “Follow-the-Molecule” Strategy Securing Global Clients from Early Stage and Developing Long-term Partnership

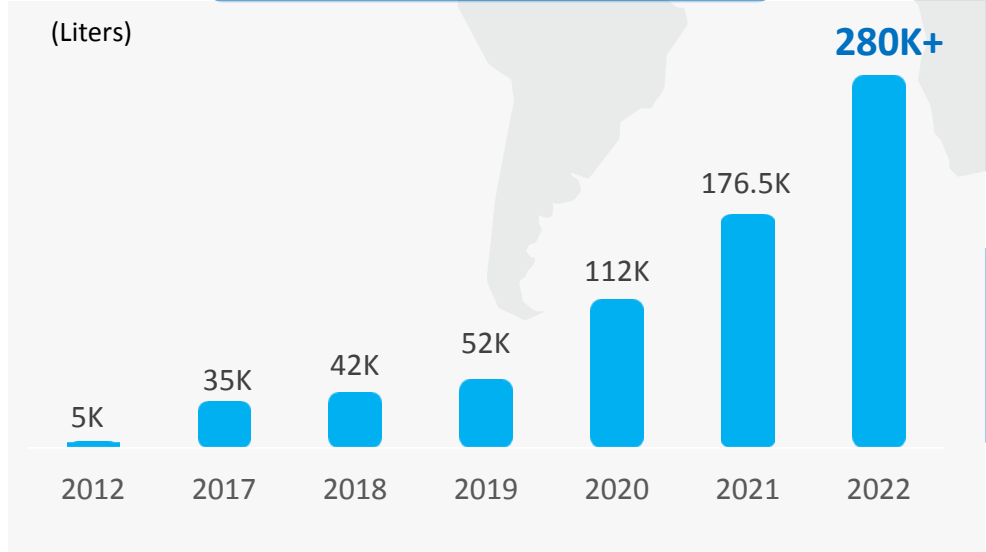


- World-class capabilities, expanding capacities, excellent track record and superb execution secured more projects globally than competitors
- Biologics projects are **sticky**, securing early stage projects to ensure high likelihood of continuing to commercialization – “Follow-the-Molecule”
- Our “**on-demand global capacity planning**” and “**global dual sourcing within WuXi Bio**” fulfill our global customers’ rapid growing demand
- Successfully signed **2 exclusive** commercial manufacturing contracts using “Global Dual Sourcing within WuXi Bio” strategy

# Global Network Ensures Success of “Follow-the-Molecule”



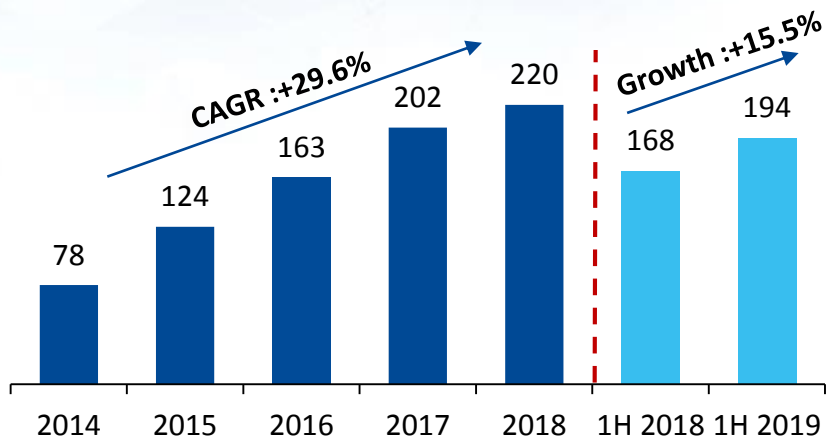
Capacity in Progress (CIP) by Year



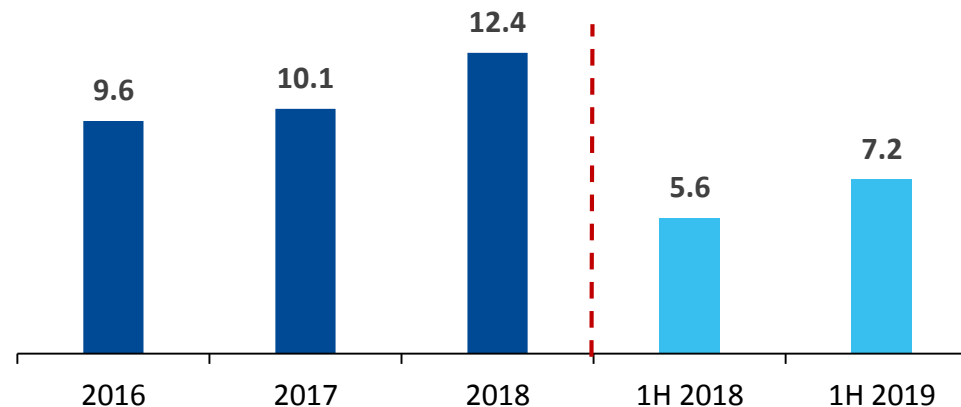
*Providing more than **280,000L** of total bioreactor capacity and a global supply chain network across **4** countries*

# “Follow-the-Molecule” Drives Customer Growth and Revenue Diversification

**Number of Customers Serviced in Each Period (1)**

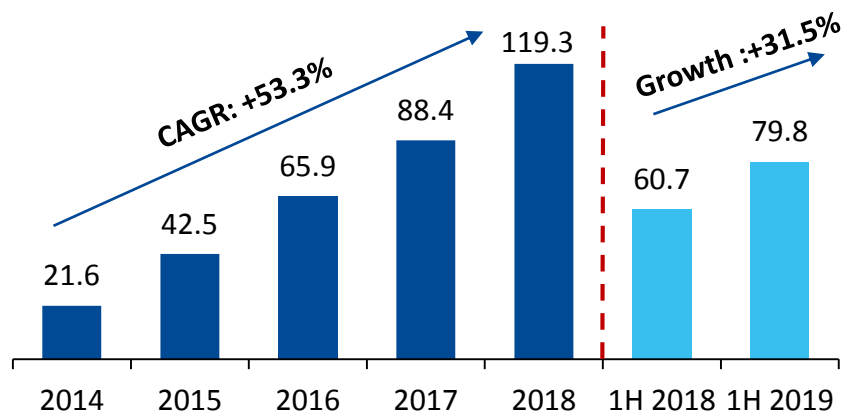


**Average Revenue per Project (RMB mm)**

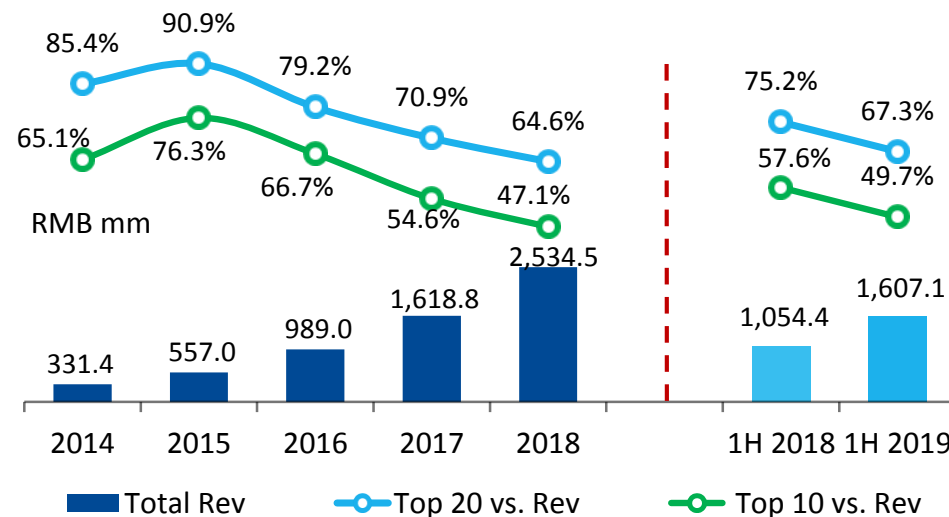


Average revenue per project grew as projects advanced along the value chain

**Average Revenue per Customer among the Top 10 Customers in Each Period (RMB mm)**



**Revenue % of the Top 20 and the Top 10 Customers**

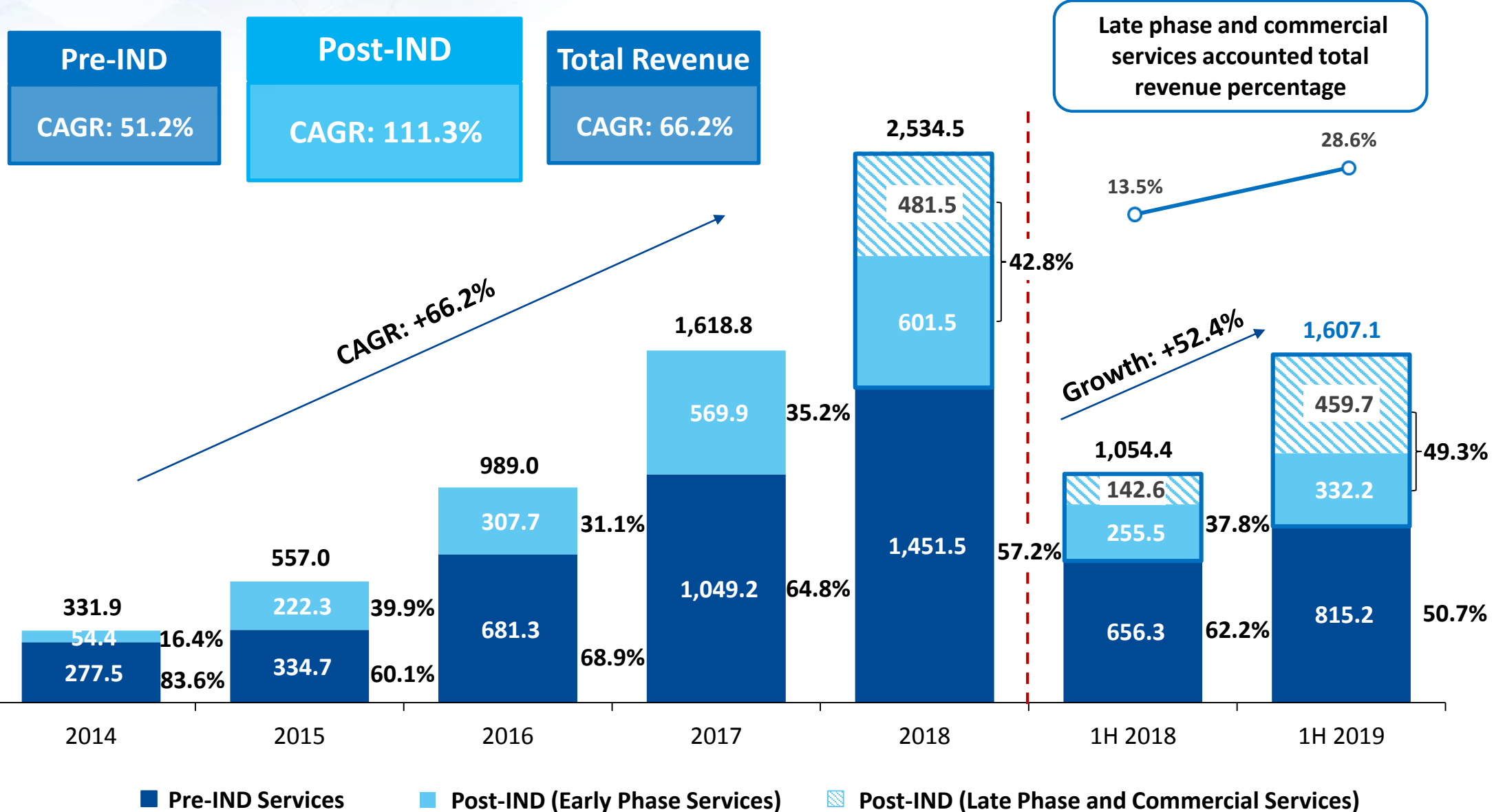


**Note:**

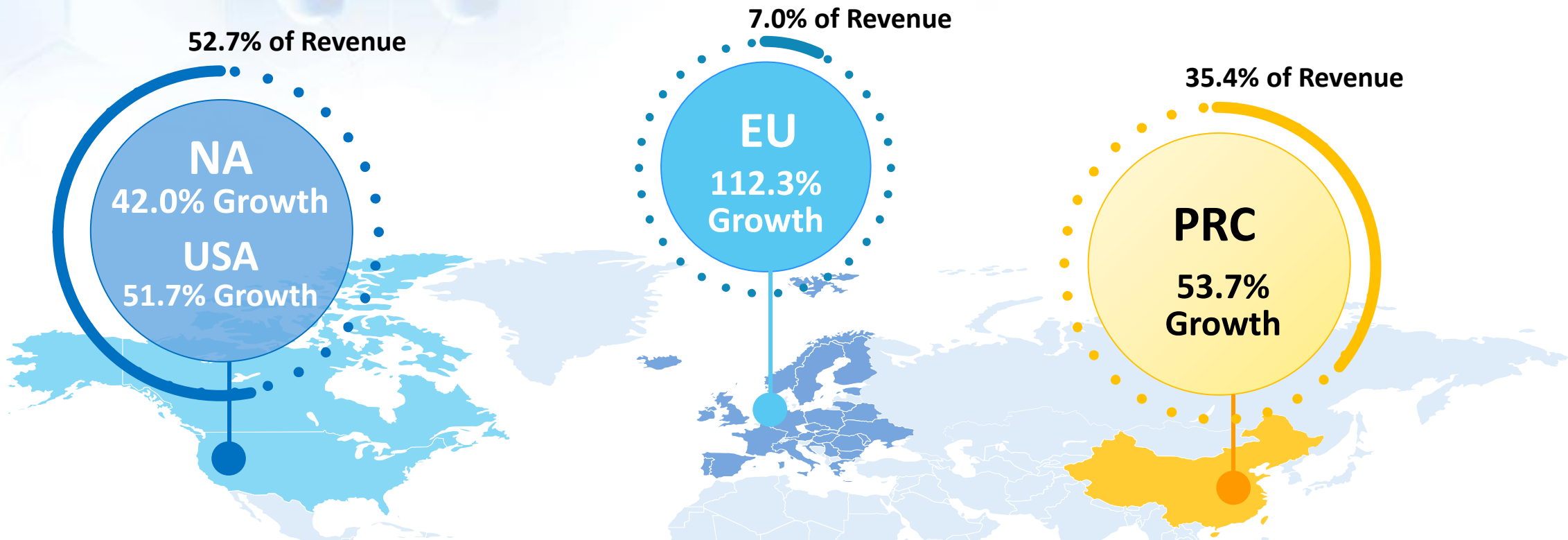
1. Number of customers refer to those who incurred revenue during the reporting period.

# Post-IND Revenue Increase Indicates Success of Strategy

(RMB mm)



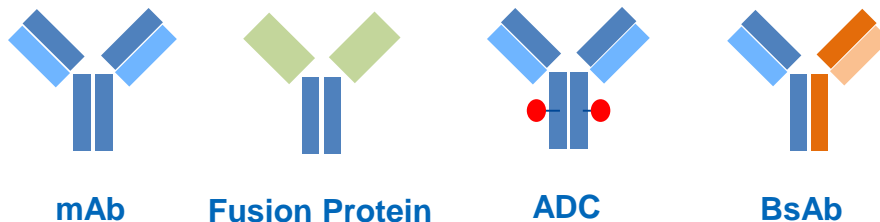
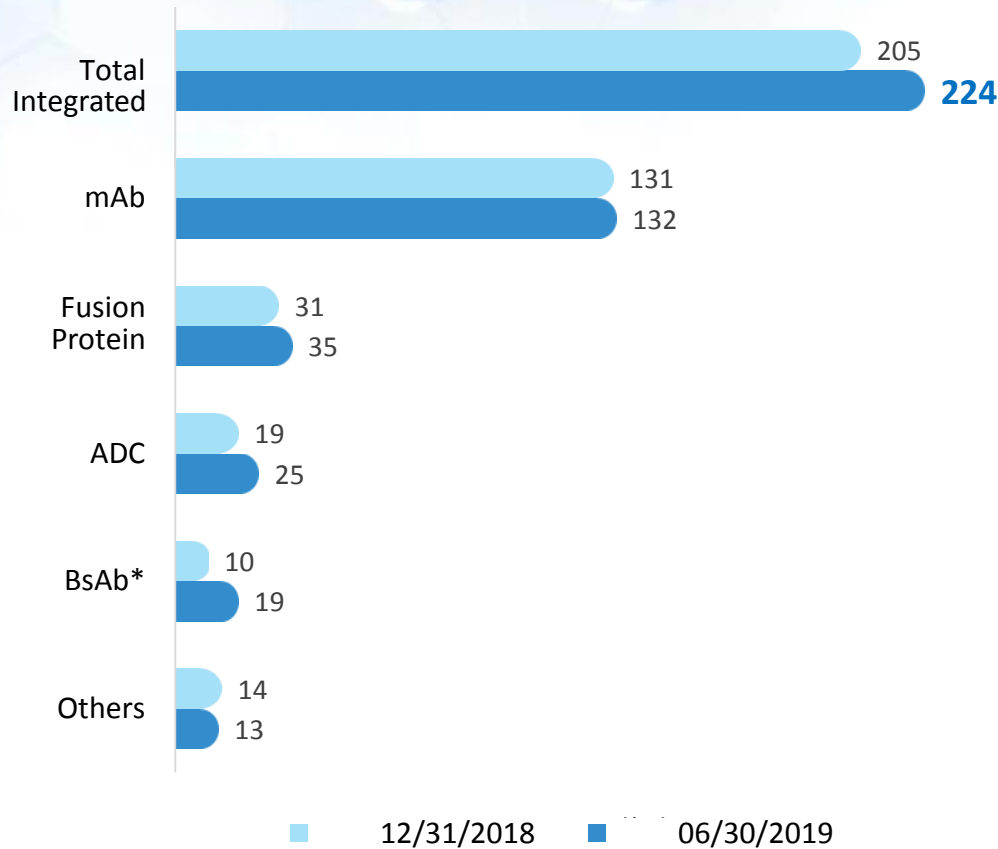
# Rapid Business Progress Across Geographic Markets



- North America (NA), China (PRC) and EU continued sustainable strong growth: **THREE** growth engines
- 53.7% growth in **China**, driven by favorable policies and the boost of investment in innovative drugs
- **USA** still maintained strong growth, up around 51.7% in 2019 1H
- Robust growth in **EU**, sustained over **185%** CAGR growth in the past five fiscal years. Exciting wave of interests of WuXiBody™, 17 projects from 10 companies in Swiss representing the largest market for WuXi Biologics in EU



# Rich Pipeline Across all Biologics Formats



58 First-in-class programs



One of the **largest** portfolios of complex proteins such as Bispecifics, Antibody Drug Conjugates (ADCs), and fusion proteins



More **ADCs** and **Bispecific** projects were added, in line with Biologics innovation trend



All demonstrating **globally** leading technical capabilities

# Impressive Talent Growth Forms the Basis for Business Success



Employees in 1H 2019 and expected to reach 5,600 employees by end of 2019

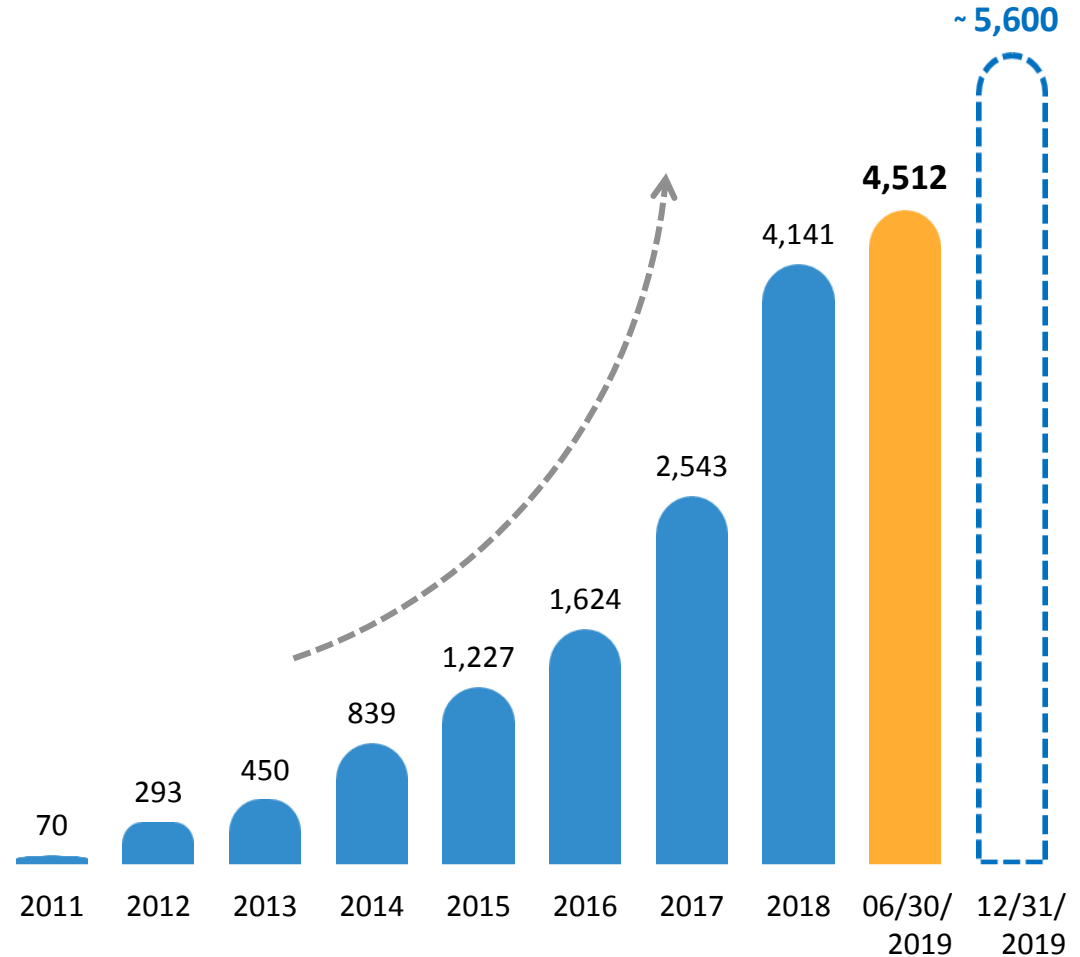


Employees possessing a Ph.D. or equivalent



One of the largest biologics development teams

## Rapid Expansion of Talent Base



**1H 2019 Talent retention rate ~95%, Key talent ~98%**

Note: As of June 30, 2019



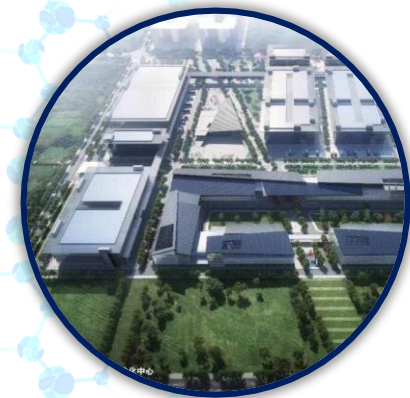
- The **FIRST** biologics biomanufacturing facility with approval from both U.S. FDA and EMA in China
- Passed a seven-day FDA surveillance inspection in April, the first routine GMP inspection since product approval

Premium Quality  
System



- Both of DP4 and MFG4 have achieved GMP release in July
- MFG4 is the first facility in China to use the industry's largest disposable bioreactor (4,000L)

MFG4 & DP4  
Online in July



- Commenced Construction of a **48,000L** Integrated Manufacturing Center for Innovative Biologics in Chengdu
- To provide a **robust** and **premier** global supply chain that can enable partners and benefit patients worldwide

Capacity Expansion  
on Track

# WuXi Bio Speed Demonstrated in Ireland



March/June Site Photo



July Site Progress Photo



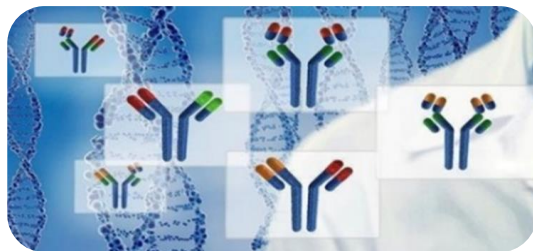
# Leading Industry Trends Favoring WuXi Biologics

# Bispecifics May Be the Next Wave – WuXiBody™ is Right on!



## Leading Edge Technology

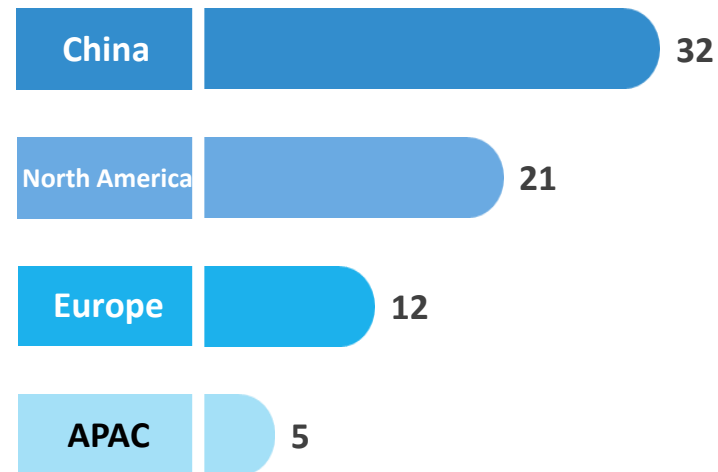
Empower to discover best or first-in-class molecules



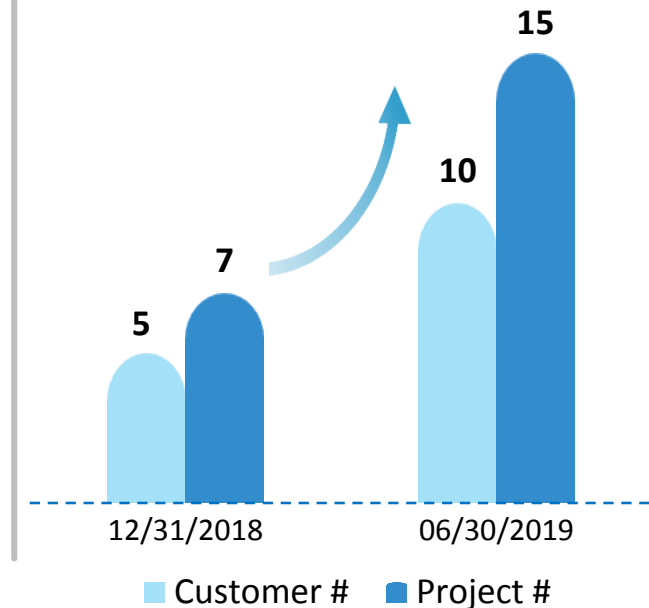
**WuXiBody™ Bispecific**  
Antibody Technology Platform



## WuXiBody™ New Leads



## Out-licensed Projects for WuXiBody™



- Strong adoption of WuXiBody™ technology since its launch in 2H 2018
- Strong interest from biotech companies in US, Europe and China.

# Leading Edge Technology of WuXiBody™

## DIFFERENTIATION

- **Universal:** almost any mAb sequence can be used to build bispecifics
- **Flexibility:** bi/tri/tetra valency based on biology

## SPEED

Minimal CMC challenges: no expression, aggregation or purification challenges – Save **6-18** months of development time

## QUALITY

- Expected **low immunogenicity:** natural sequence without complicated engineering
- Typical in vivo **half-life**, longer than typical bispecifics

## WuXiBody™ Platform

A new era in bispecifics



ablbio  
medicine for a better life

AC Immune

正大天晴  
CHIATAI TIANQING

安科生物  
ANKEBIO

天境生物  
I-MAB BIOPHARMA

OXFORD  
BioTherapeutics

Brii

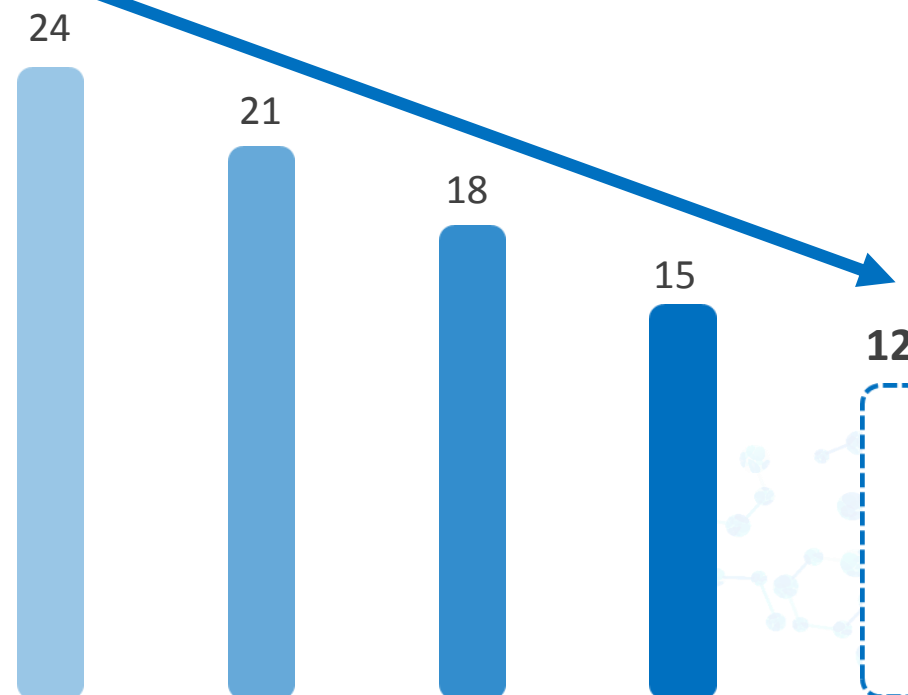
More...

# WuXi Bio Speed Expedites and Enables Our Partners!

Utilizing sophisticated technology platforms and providing integrated services for ALL the CMC activities from DNA to IND filing in the shortest timeline globally

- Faster First In Human
- Faster approval
- Reducing product development costs and save expenses

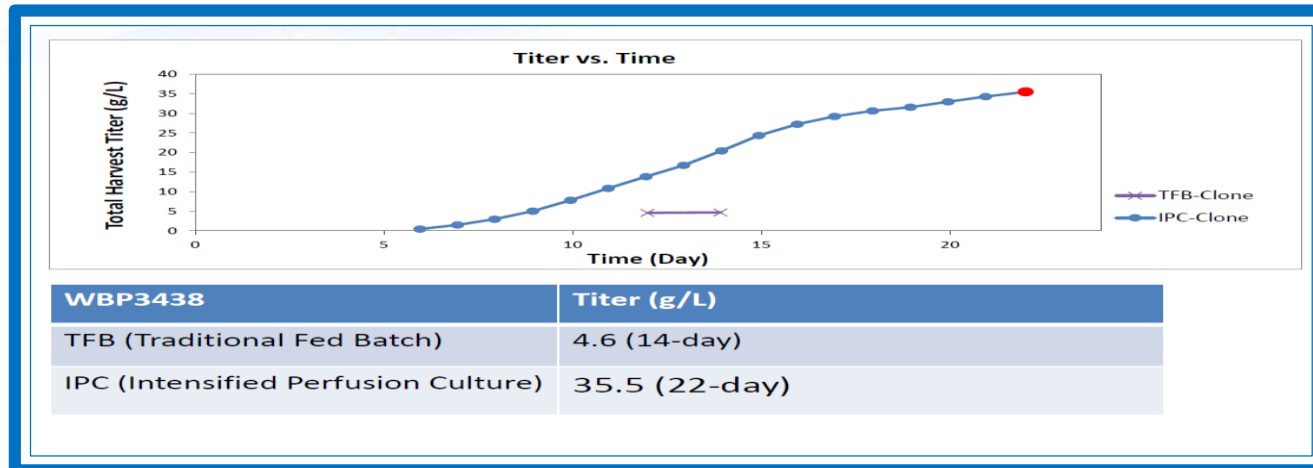
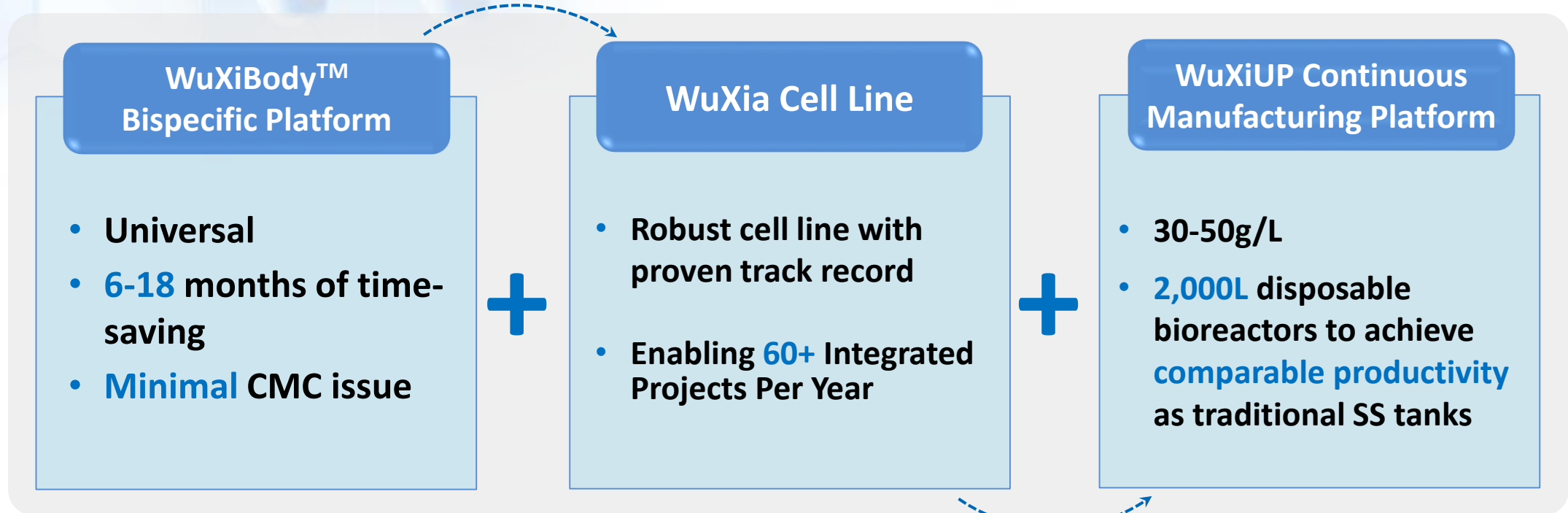
From DNA to IND (Months)



Future



# Manufacture 35g/L Process for a Bispecific: State-of-the-Art



”

- 15 WuXiUP projects
- Technology successfully scaled up to MFG scale, US IND targeted Dec 2019

“

# Continuing to Gain Market Share to Support Robust Growth

## Cutting Edge Technology

- WuXiBody™ bispecific (universal, 6-18 months of time-saving, minimal CMC issue)
- WuXia cell line (robust cell line with proven track record)
- WuXiUP continuous manufacturing platform (30-50g/L titer, 10+x)

## Best Timeline

### IND Filing Timeline

- Industry average: 18-24 months
- WuXi Bio average: 15 months
- WuXi Bio record: From 9 months to 7 months

## Excellent Track Record

- 100% projects delivered
- No customer transfer out
- Excellent customer satisfaction and high recognition

## Unparalleled Capacity

- 60+ INDs and 5 BLAs per year
- Largest scientist team in the world: ~1,700
- Largest capacity using single-use bioreactor: 280,000L after 2022

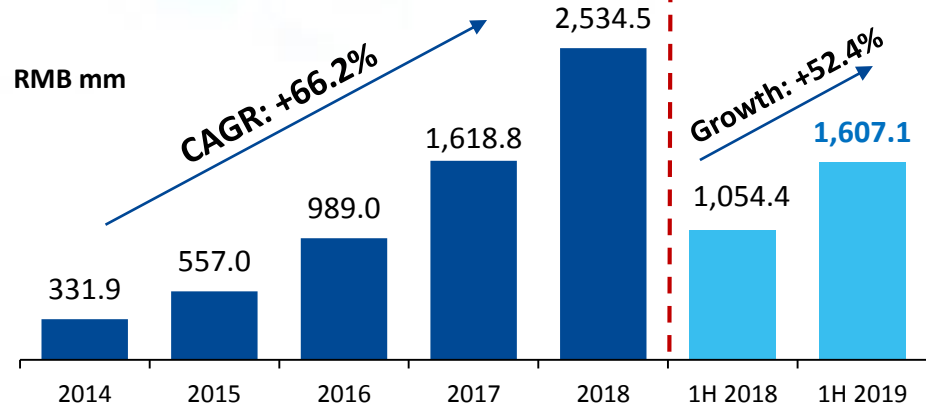


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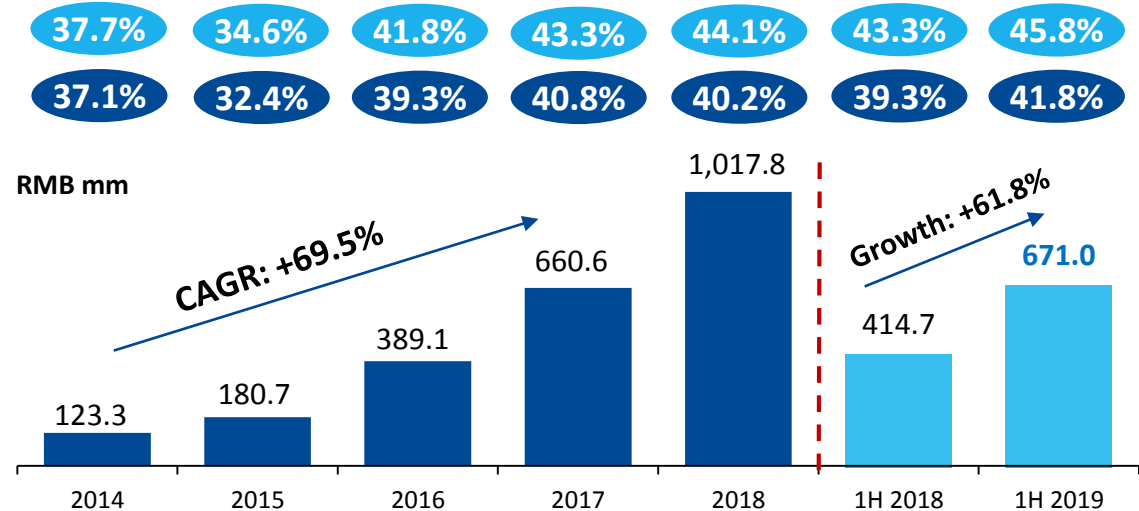
# Financial Overview

# Excellent Financial Performance

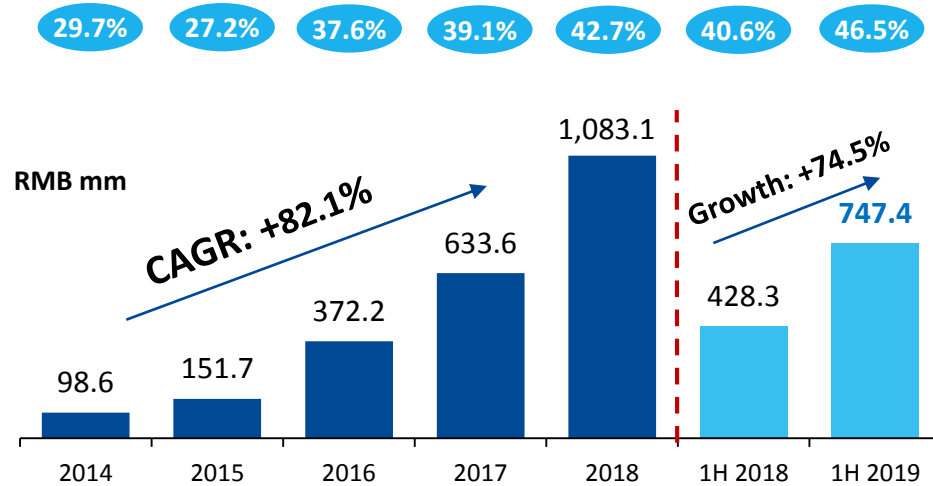
## Revenue



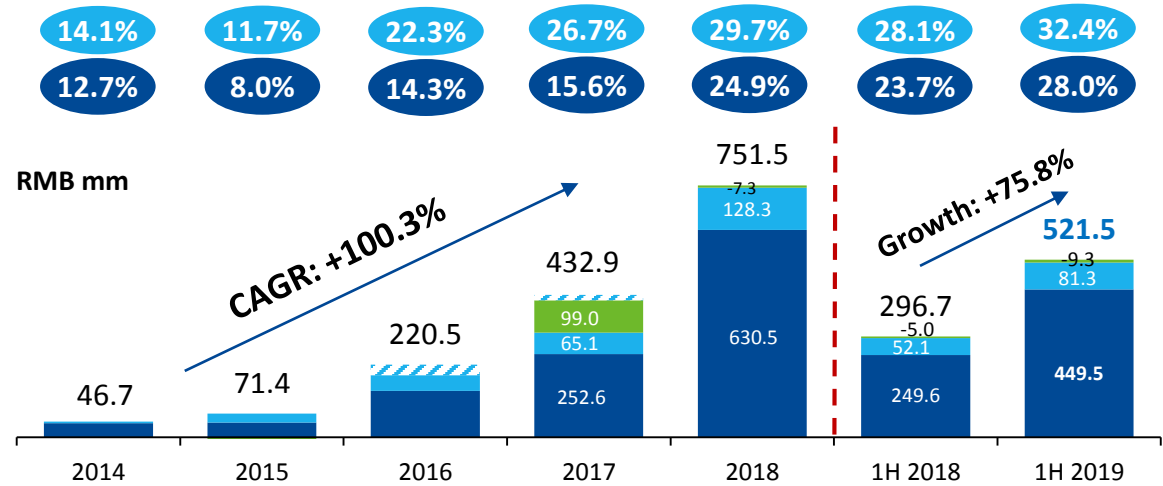
## Gross Profit



## Adjusted EBITDA (1)



## Adjusted Net Profit (2)



Legend: Unadjusted Margin % (Dark Blue), Adjusted Margin % (Light Blue), SBC Impact (Cyan), FX Impact (3) (Green), Listing Expense (Hatched)

### Notes:

- Adjusted EBITDA represents net profit before (i) interest expenses, income tax expenses, listing expenses and (ii) certain non-cash expenses, consisting of share-based compensation, amortization and depreciation and (iii) foreign exchange (gains)/losses
- Adjusted net profit excludes the share-based compensation expenses, Listing expenses and foreign exchange (gains)/losses
- Refers to foreign exchange (gains)/losses

# Robust Growth Across All Geographic Markets (1)

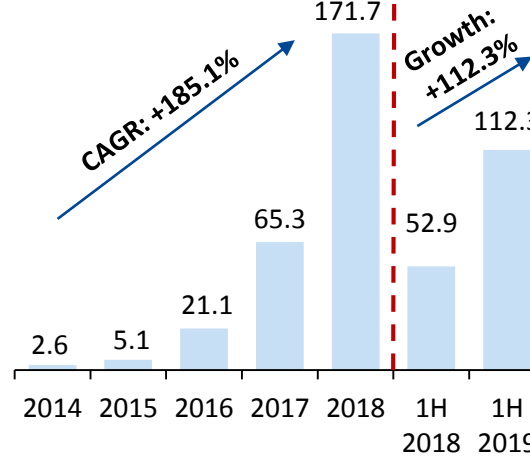
**North America**  
RMB mm



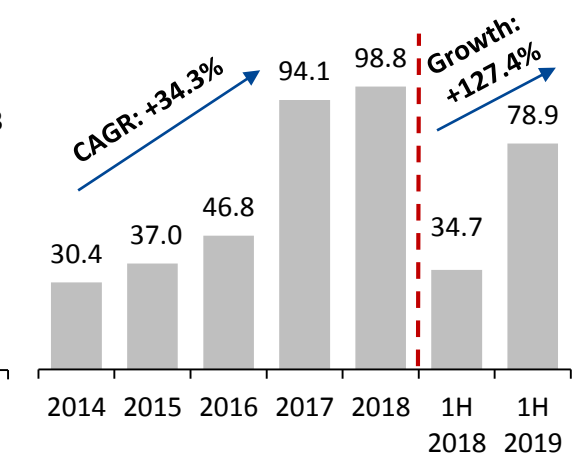
**PRC**  
RMB mm



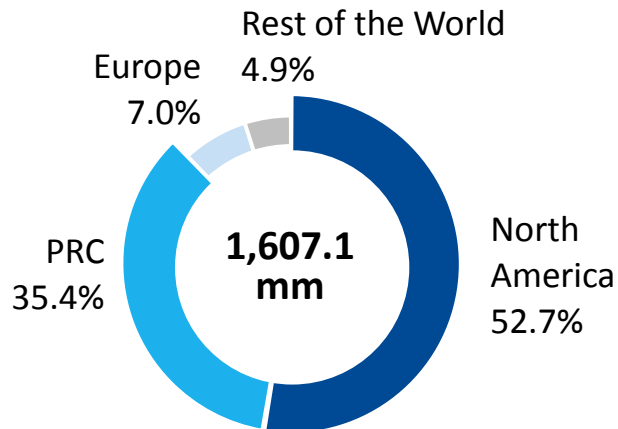
**Europe**  
RMB mm



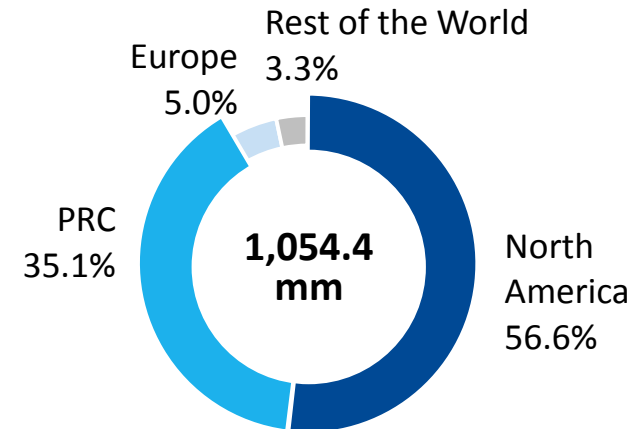
**Rest of the World (2)**  
RMB mm



**1H 2019 Revenue (RMB)**



**1H 2018 Revenue (RMB)**

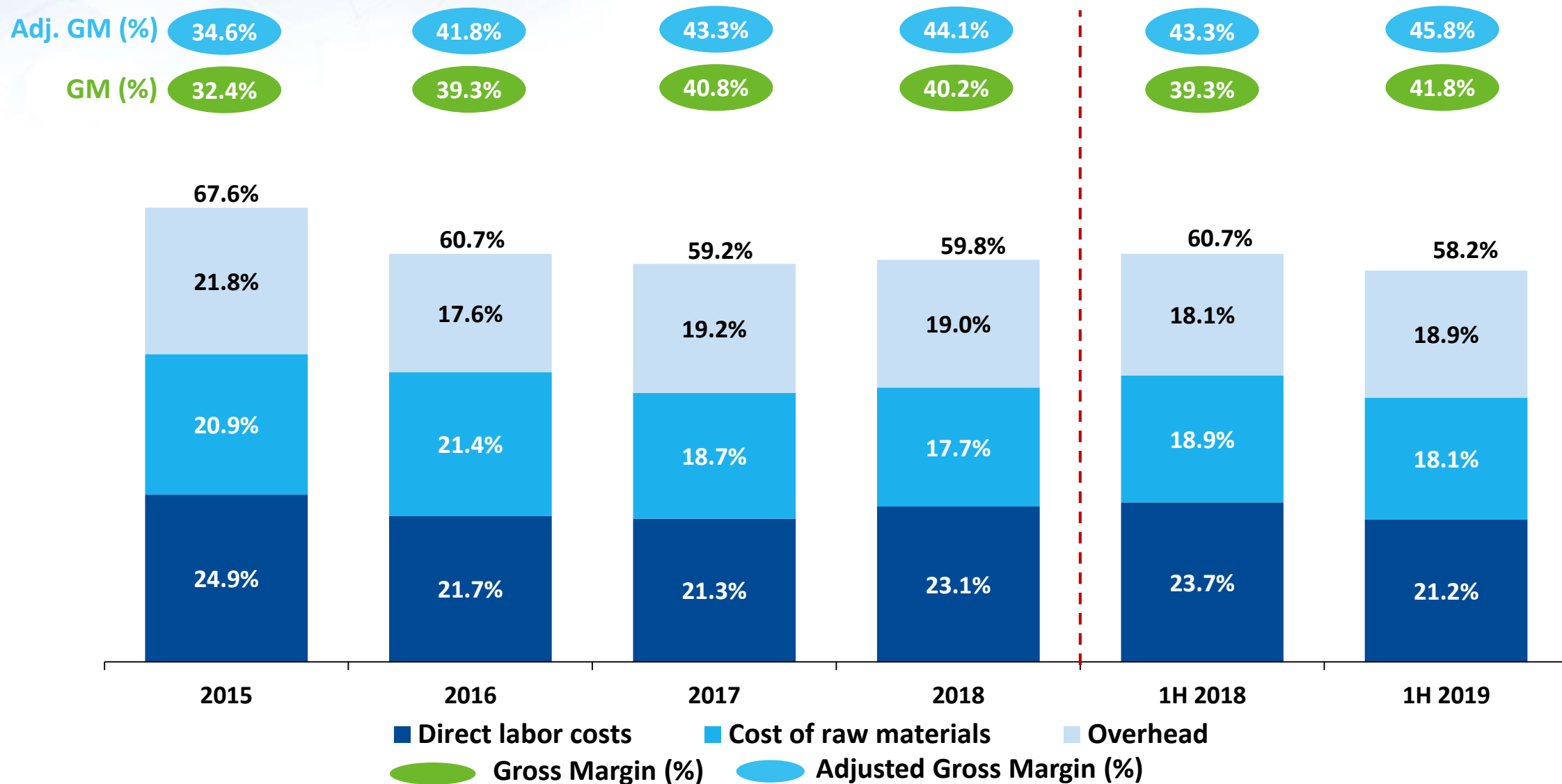


**Notes:**

1. Geographic breakdown by client headquarters
2. Rest of the world primarily includes Singapore, Japan, South Korea and Australia

# Gross Margin Snapshot

## Cost of Services as % of Revenue



**Notes:**

1. Adjusted gross margin excludes the share-based compensation expenses



04

# Summary

# What Defines WuXi Biologics

- 1 Global company with **global** operations to enable our partners' success
- 2 Envision to have the **best** corporate governance similar to leading global companies: transparency, ESG, critical roles for women
- 3 From Good to **GREAT**
- 4 “**WuXi Bio Speed**” defines how well we execute
- 5 “**WuXi Bio Quality**” defies the challenges of operating in China
- 6 Entrepreneurial, learning, continuously improving, flexible and boundary-less organization



# Strong Growth Momentum Driven by Core Competitiveness

**1**

**“Follow-the-Molecule” plus “Global Dual Sourcing within WuXi Bio” are transforming the bio industry**

**2**

**Strong technical leadership, expanding capacities, good track record and premier quality allowed us to continue to gain market share globally and in China**

**3**

**NA, EU and China all show strong growth with phenomenal growth in China and EU**

**4**

**Continue to attract and retain talents and expand globally**

**5**

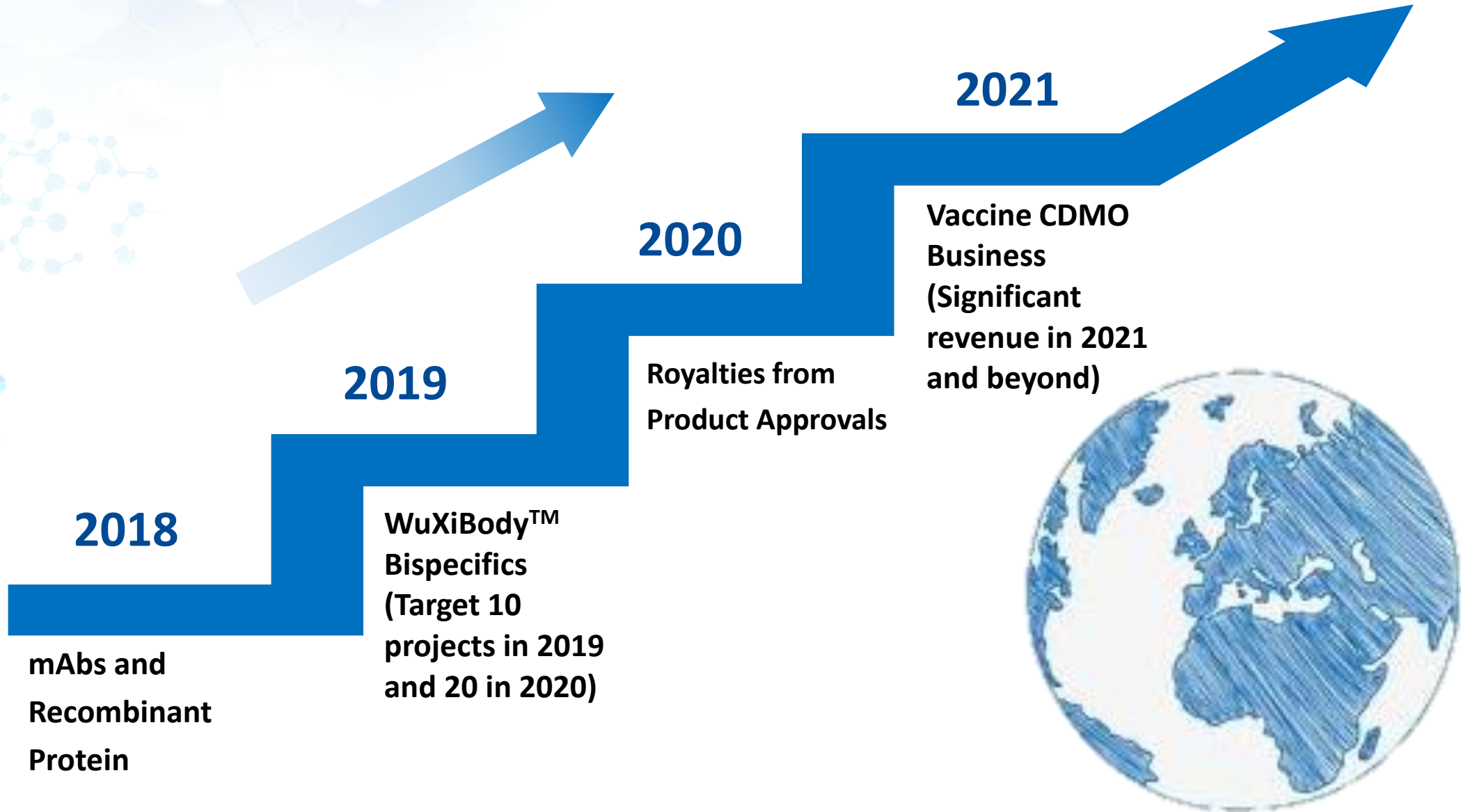
**Strong momentum on WuXiBody™, WuXia Cell line and WuXiUP will continue to drive sustainable high growth**

**6**

**Continue to build capacities: any project can start within 4 weeks**

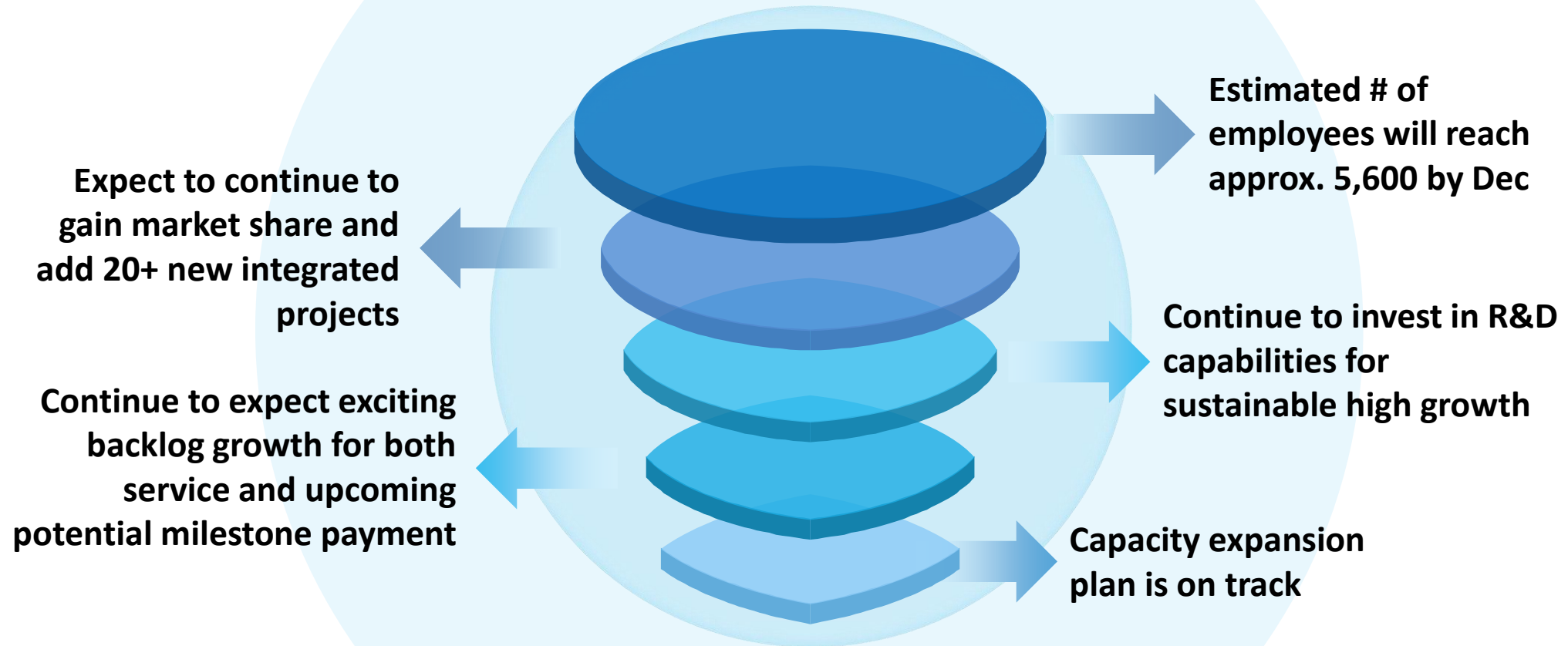
- Vaccine business will be one of the new growth engines to ensure sustained high growth for WuXi Biologics
- Historic moment for the industry: a large project secured with a large pharma, **1<sup>st</sup>** vaccine ever outsourced in the global industry
  - Vaccine manufacturing extremely difficult
  - Large pharma manufacturing in-house still faces with issues and shortages
  - No company trusts external partner before this deal
- WuXi Vaccines is the **ONLY** chosen one due to our technical strength, global premier quality and transferable skills from biologics to vaccines
- Dedicated facility for global supply of a target vaccine with a 20-year contract exceeding **US\$3 billion**
- Drivers:
  - Strong vaccine pipeline; can not handle all projects in house

# Multiple Growth Engines to Support Sustainable High Growth



# Business Momentum Remains Strong in 2H 2019

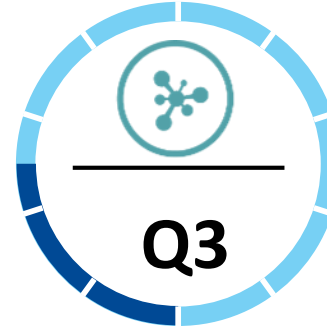
**In 2H 2019, our business momentum remains strong**



# 2019 Key Milestones and Catalysts



EMA GMP certificate  
FDA GMP inspection  
(Completed in Q1)



MFG4 Online  
DP3 and DP4 online  
1<sup>st</sup> 4,000L bioreactor in  
production  
(Achieved since July)



1<sup>st</sup> IND of WuXiBody™  
1<sup>st</sup> IND of WuXiUP



1-3 BLA filing  
packages





05

# Appendix



# First Half 2019 Financial Summary

(RMB million)	1H 2019	1H 2018	Change
<b>Revenue</b>	<b>1,607.1</b>	<b>1,054.4</b>	<b>52.4%</b>
Cost of Services	(936.1)	(639.7)	
<b>Gross Profit</b>	<b>671.0</b>	<b>414.7</b>	<b>61.8%</b>
Other Income	110.0	40.8	
<i>Including Interest Income</i>	29.6	26.3	
Other Gains and Losses	30.1	12.3	
Impairment Losses, Net of Reversal	(9.6)	(19.6)	
Selling and Marketing Expenses	(26.3)	(19.9)	
Administrative Expenses	(149.7)	(87.1)	
Research and Development Expenses	(109.1)	(56.2)	
Share of Profit of an Associate	0.3	-	
Financial Cost	(4.6)	-	
<b>Profit before Tax</b>	<b>512.0</b>	<b>285.1</b>	<b>79.6%</b>
Income Tax Expenses	(62.6)	(35.5)	
<b>Profit for the Period</b>	<b>449.5</b>	<b>249.6</b>	<b>80.1%</b>
Earnings per share – Basic (RMB)	0.37	0.21	
Earnings per share – Diluted (RMB)	0.34	0.19	

**Note:**

1. Results may not foot due to rounding

# Reconciliation for Adjusted Net Profit and Adjusted EBITDA

(RMB million)	1H 2019	1H 2018	Change
<b><u>Adjusted Net Profit Reconciliation</u></b>			
<b>Net Profit</b>	<b>449.5</b>	<b>249.6</b>	
Share-based Compensation	81.3	52.1	
Foreign Exchange Gain	(9.3)	(5.0)	
<b>Adjusted Net Profit</b>	<b>521.5</b>	<b>296.7</b>	<b>75.8%</b>
<b><u>Adjusted EBITDA Reconciliation</u></b>			
<b>EBITDA</b>	<b>675.4</b>	<b>381.1</b>	
Share-based Compensation	81.3	52.1	
Foreign Exchange Gain	(9.3)	(5.0)	
<b>Adjusted EBITDA</b>	<b>747.4</b>	<b>428.3</b>	<b>74.5%</b>

**Note:**

1. Results may not foot due to rounding