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Beijing Tongrentang | Asia Pacific

Risk Reward Update

MORGAN STANLEY ASIA LIMITED+

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Beijing Tongrentang (600085.SS, 600085 CG)

China Healthcare | China

Stock Rating	**Underweight**
Industry View	**Attractive**
Price target	**Rmb24.00**
Shr price, close (May 28, 2026)	Rmb24.88
52-Week Range	Rmb38.36-24.51

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	0.87	1.18	1.31	1.39
Prior EPS (Rmb)**	-	1.23	1.35	1.42

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
e = Morgan Stanley Research estimates

WHAT'S CHANGED

Beijing Tongrentang (600085.SS)	From	To
Price Target	Rmb25.00	**Rmb24.00**
Bull Case	Rmb38.00	**Rmb37.00**
Base Case	Rmb25.00	**Rmb24.00**
Bear Case	Rmb16.00	**Rmb15.50**

Updated Components
EPS
Investment Thesis
Bull Base Bear Scenarios

Risk Reward for Beijing Tongrentang (600085.SS) has been updated

Reason for change

Following the 1Q26 results, we cut our 2026-30 earnings estimates by 2-4% to reflect our lower revenue and GPM assumptions. Our price target and scenario values also fall by 3-4%.

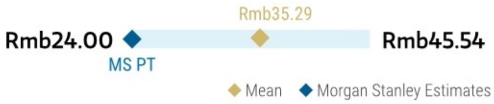
Risk Reward – Beijing Tongrentang (600085.SS)

Top TCM brand but demanding multiple

PRICE TARGET Rmb24.00

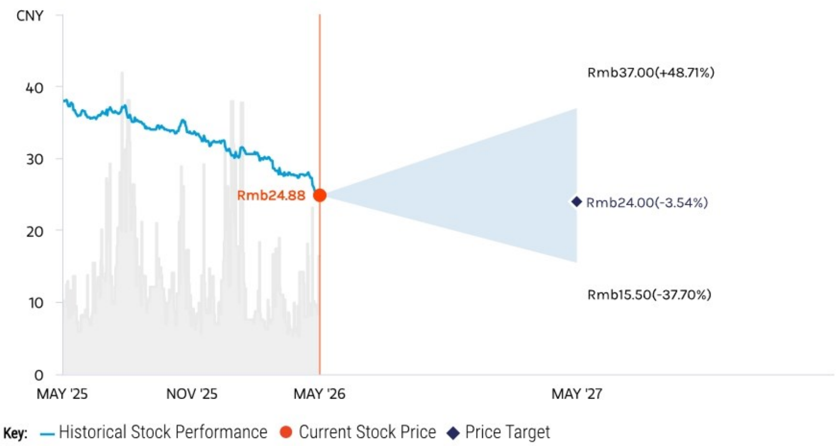
Base case, discounted cash flow methodology, assuming a cost of equity of 8.9% based on our CAPM. We assume a perpetual growth rate of 5% - we think the Tongrentang brand warrants a higher rate than peers at 4%, and we see the company taking 20 years to reach steady-state growth vs. 15 years for most peers. Optimal capital structure with 20% long-term debt.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART

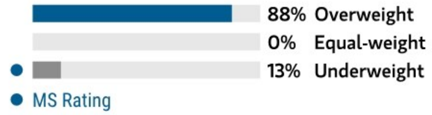


Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

- OTC sales in China have grown in the low single digits in the past few years, with cerebro-cardiovascular and tonics leading the way.
- This is a prestigious TCM name.
- Product offerings are diversified.
- However, valuation is stretched (21x on 2026e EPS) relative to earnings CAGR of 8.5% (2026-2028e); peers are trading at an average of 15x.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*
Self-help: *Negative*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb37.00

30.5x bull case 2026e EPS

Sales growth acceleration and market share expansion: Sales benefit from premium brand and expanded product portfolio; unexpected price hikes for major product series; faster store openings in retail business than expected; margin expansion.

BASE CASE Rmb24.00

20.3x base case 2026e EPS

Moderate sales growth; leading market share: Sales growth stays in the single digits; price erosion is minimal; margins remain stable; pace of new product launches remains steady.

BEAR CASE Rmb15.50

13.5x bear case 2026e EPS

Considerable slowdown in growth: Market share is lost to more competitive brands; sales growth of CCV and tonic series slows; ASP erodes because of government price cuts.

Risk Reward – Beijing Tongrentang (600085.SS)

KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Manufacturing Revenue Growth (%)	(10.0)	7.0	6.0	5.0
Retail Revenue Growth (%)	(6.7)	6.0	5.0	4.0
Minority Interest as % of Net income (%)	27.2	27.2	27.2	27.2

INVESTMENT DRIVERS

- Rollout of SOE reform with management incentives
- Rate of TCM industry growth
- Brand equity
- New products and retail business
- Margin expansion

GLOBAL REVENUE EXPOSURE

- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% Europe ex UK
- 0-10% MEA
- 0-10% North America
- 0-10% UK
- 90-100% Mainland China

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Return to high growth with new products
- Margin expansion through better cost controls and price hikes
- Core product series (CCV + tonics) growing faster than expected
- Pricing increase for core series
- Acceleration of retail business growth

RISKS TO DOWNSIDE

- Core product series (CCV + tonics) growing more slowly than expected
- Pricing cut for core series
- Slow growth of retail business

OWNERSHIP POSITIONING

Inst. Owners, % Active 86.2%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

	Low	Morgan Stanley Estimates	Mean	High
Sales / Revenue (Rmb, mn)	17,153.3	18,059.6	18,298.6	19,915.0
EBITDA (Rmb, mn)	2,397.2	3,086	2,783.8	3,195.9
Net income (Rmb, mn)	1,226.1	1,615	1,420.6	1,740.0
EPS (Rmb)	0.9	1.2	1.0	1.3

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of April 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1546	42%	467	51%	30%	709	44%
Equal-weight/Hold	1568	43%	358	39%	23%	715	44%
Not-Rated/Hold	4	0%	0	0%	0%	1	0%
Underweight/Sell	555	15%	84	9%	15%	202	12%
Total	3,673		909			1627	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Stock Rating History: 5/1/21 : U/A

Price Target History: 4/13/21 : 21.8; 5/27/21 : 24.6; 9/13/21 : 26.8; 11/10/21 : 27.8; 4/6/22 : 30.4; 6/20/22 : 31.6; 7/28/22 : 31.1; 9/6/22 : 32; 11/8/22 : 31; 6/6/23 : 35; 8/8/23 : 36; 9/21/23 : 39; 12/19/23 : 40; 2/9/24 : 37; 4/18/24 : 35; 6/5/24 : 34; 9/13/24 : 30; 12/20/24 : 29; 7/30/25 : 28; 1/8/26 : 27; 4/22/26 : 25

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
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INDUSTRY COVERAGE: China Healthcare

COMPANY (TICKER)	RATING (AS OF)	PRICE* (05/28/2026)
Alexis Yan, CFA		
3SBio (1530.HK)	O (08/01/2025)	HK$17.25
Adicon Holdings Ltd (9860.HK)	O (08/03/2023)	HK$4.24
Aier Eye Hospital Group (300015.SZ)	U (07/08/2024)	Rmb9.23
Alibaba Health Information Technology (0241.HK)	U (05/28/2025)	HK$3.64
Angelalign Technology Inc (6699.HK)	E (03/17/2023)	HK$70.70
Beauty Farm Medical and Health Industry (2373.HK)	O (01/21/2026)	HK$18.93
Beijing Tiantan Biological Products Corp (600161.SS)	O (05/27/2024)	Rmb13.07
China Resources Boya Bio-pharmaceutical (300294.SZ)	E (05/27/2024)	Rmb15.39
CSPC Pharmaceutical Group (1093.HK)	O (08/15/2012)	HK$6.96
Dian Diagnostics Group Co Ltd (300244.SZ)	E (07/12/2022)	Rmb17.80
Fosun Pharmaceutical (2196.HK)	O (09/08/2025)	HK$16.54
Fosun Pharmaceutical (600196.SS)	O (09/08/2025)	Rmb22.75
Guangzhou Kingmed Diagnostics (603882.SS)	U (07/08/2024)	Rmb26.18
Gushengtang Holdings Ltd (2273.HK)	O (07/08/2024)	HK$26.50
Hansoh Pharmaceutical Group Co Ltd (3692.HK)	O (07/16/2019)	HK$31.40
Huadong Medicine Co Ltd (000963.SZ)	U (05/06/2024)	Rmb28.82
Hygeia Healthcare Holdings Co., Ltd. (6078.HK)	O (07/30/2020)	HK$9.53
Imeik Technology Development Co Ltd (300896.SZ)	U (01/21/2026)	Rmb99.61
JD Health International Inc. (6618.HK)	E (05/28/2025)	[illegible]
Jiangsu Hengrui (600276.SS)	O (07/01/2025)	[illegible]
Jiangsu Hengrui (1276.HK)	O (07/01/2025)	[illegible]
Jinxin Fertility Group Ltd (1951.HK)	U (07/14/2025)	[illegible]
Mindray Bio-Medical (300760.SZ)	O (07/15/2020)	[illegible]
Ping An Healthcare and Technology (1833.HK)	E (05/28/2025)	[illegible]
Shandong Weigao (1066.HK)	E (07/10/2020)	[illegible]
Shanghai United Imaging Healthcare Co (688271.SS)	E (02/21/2025)	[illegible]

Shenzhen Edge Medical (2675.HK)	O (02/16/2026)	HK$53.50
Shenzhen New Industries (300832.SZ)	O (05/28/2024)	Rmb47.20
Sichuan Kelun Pharmaceutical Co Ltd (002422.SZ)	U (05/16/2025)	Rmb35.02
Simcere Pharmaceutical Group (2096.HK)	E (05/16/2025)	HK$9.76
Sino Biopharmaceutical (1177.HK)	O (04/09/2019)	HK$4.81
Clinton Ng		
APT Medical Inc (688617.SS)	O (10/21/2025)	Rmb210.59
China Medical System (0867.HK)	E (05/16/2025)	HK$10.34
MicroPort Scientific Corp. (0853.HK)	E (09/25/2023)	HK$7.40
Peijia Medical Ltd (9996.HK)	O (06/18/2020)	HK$4.90
Zylox-Tonbridge Medical Technology Co. (2190.HK)	O (08/05/2021)	HK$20.70
Jack Lin		
Abbisko Cayman Ltd (2256.HK)	O (11/17/2021)	HK$9.58
Akeso, Inc. (9926.HK)	O (05/28/2020)	HK$110.40
Duality Biotherapeutics Inc (9606.HK)	O (05/22/2025)	HK$209.20
Everest Medicines Ltd (1952.HK)	E (03/15/2024)	HK$28.74
HUTCHMED (China) Ltd (0013.HK)	U (09/22/2025)	HK$17.79
HUTCHMED (China) Ltd (HCM.O)	U (09/22/2025)	US$11.72
InnoCare Pharma Ltd (9969.HK)	E (09/11/2023)	HK$11.22
Innovent Biologics Inc (1801.HK)	O (03/03/2026)	HK$74.85
Insilico Medicine (3696.HK)	O (02/03/2026)	HK$46.32
Keymed Biosciences Inc. (2162.HK)	O (08/10/2021)	HK$57.95
Nanjing Leads Biolabs Co Ltd (9887.HK)	E (09/02/2025)	HK$60.85
RemeGen Co., Ltd. (9995.HK)	E (05/08/2024)	HK$78.95
VISEN Pharmaceuticals (2561.HK)	O (04/29/2025)	HK$22.42
Zai Lab Ltd (ZLAB.O)	O (12/14/2023)	US$18.69
Zai Lab Ltd (9688.HK)	O (12/14/2023)	HK$13.62
Laurence Tam		
Acrobiosystems Co Ltd (301080.SZ)	O (09/11/2025)	Rmb41.07
Apeloa Pharmaceutical Co Ltd (000739.SZ)	O (02/28/2025)	Rmb16.52
Asymchem Laboratories. Inc (002821.SZ)	E (08/01/2025)	Rmb117.62
Asymchem Laboratories. Inc (6821.HK)	E (06/06/2023)	HK$91.50
Beijing Tongrentang (600085.SS)	U (11/03/2014)	Rmb24.88
Beijing Tongrentang Chinese Medicine (3613.HK)	O (01/14/2015)	HK$7.01
China National Accord Medicines Corp Ltd (000028.SZ)	U (07/25/2022)	Rmb22.99
China Resources Pharmaceutical Group Ltd (3320.HK)	O (06/16/2022)	HK$4.62
China Resources Sanjiu Medical & Pharma (000999.SZ)	O (08/30/2019)	Rmb24.21
China Traditional Chinese Medicine (0570.HK)	U (01/17/2025)	HK$1.53
DaShenLin Pharmaceutical (603233.SS)	O (07/25/2022)	Rmb16.25
Dong E E Jiao Co. (000423.SZ)	O (05/16/2024)	Rmb48.86
Fu Shou Yuan International Group Ltd (1448.HK)	E (03/19/2025)	HK$2.64
Genscript Biotech Corporation (1548.HK)	O (08/14/2024)	HK$13.96
Hangzhou Tigermed Consulting (300347.SZ)	O (08/01/2025)	Rmb39.24
Jiangzhong Pharmaceutical Co. Ltd. (600750.SS)	O (02/08/2024)	Rmb23.71
Joinn Laboratories China Co Ltd (603127.SS)	E (06/06/2023)	Rmb36.46
Joinn Laboratories China Co Ltd (6127.HK)	E (02/26/2024)	HK$17.75
Jointown Pharmaceutical Group (600998.SS)	U (07/26/2021)	Rmb4.68
LBX Pharmacy Chain (603883.SS)	O (03/14/2022)	Rmb12.08
Medtide (3880.HK)	E (08/06/2025)	HK$22.10
Nanjing King-friend Biochemical (603707.SS)	O (02/28/2025)	Rmb7.98
Pharmaron (3759.HK)	O (09/25/2024)	HK$17.39
Pharmaron (300759.SZ)	E (09/25/2024)	Rmb25.02
Shandong Xinhua Pharmaceutical Co Ltd (000756.SZ)	U (02/28/2025)	Rmb13.22
Shanghai Pharmaceutical (601607.SS)	E (08/17/2021)	Rmb16.18
Shanghai Pharmaceutical (2607.HK)	O (08/17/2021)	HK$11.34

Shenzhen Hepalink Pharmaceutical (002399.SZ)	U (06/16/2023)	Rmb9.73
Sinopharm Group (1099.HK)	O (02/10/2023)	HK$16.90
Tasly Pharmaceutical Group Co. Ltd (600535.SS)	E (07/19/2024)	Rmb13.82
The United Laboratories (3933.HK)	E (06/13/2017)	HK$8.49
Tofflon Science & Technology Group (300171.SZ)	E (09/11/2025)	Rmb11.76
WuXi AppTec Co Ltd (603259.SS)	O (01/17/2019)	Rmb100.80
WuXi AppTec Co Ltd (2359.HK)	O (01/17/2019)	HK$125.50
WuXi Biologics Cayman Inc (2269.HK)	O (07/17/2017)	HK$32.38
WuXi XDC Cayman Inc. (2268.HK)	O (12/22/2023)	HK$52.80
Yantai Dongcheng Biochemicals Co Ltd (002675.SZ)	E (02/28/2025)	Rmb12.57
Yifeng Pharmacy Chain Co Ltd (603939.SS)	O (07/25/2022)	Rmb21.08
Yixintang Pharmaceutical (002727.SZ)	E (07/25/2022)	Rmb11.36
Yunnan Baiyao Group (000538.SZ)	O (10/11/2021)	Rmb48.82
Zhangzhou Pientzehuang Pharmaceutical (600436.SS)	U (01/21/2022)	Rmb121.03
Zhejiang Hisun Pharmaceutical Co. Ltd. (600267.SS)	U (06/01/2023)	Rmb10.14
Zhejiang Huahai Pharmaceutical Co. Ltd. (600521.SS)	O (06/01/2023)	Rmb16.08
Zhejiang Jiuzhou Pharmaceutical Co Ltd (603456.SS)	E (02/28/2025)	Rmb12.48
Zhejiang Medicine Co. Ltd. (600216.SS)	E (02/28/2025)	Rmb12.58

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* Historical prices are not split adjusted.