Morgan Stanley | RESEARCH

UPDATE

August 3, 2026 12:30 PM GMT

WuXi AppTec Co Ltd | Asia Pacific

2Q26 a Strong Beat – Significant Lift to Full-Year Guidance

AlphaSignals Earnings Reaction

Strengthens our thesis	Meaningful upside	Meaningful revision higher
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- WXAT lifted its full-year revenue growth guidance (continuous basis) to 35-39% (from 18-22%), which translates to a revenue range of Rmb58.5-60.5bn.
- WXAT reported 1H26 revenue and net profit of Rmb28.9bn (+38.9%, +48.0% YoY continuous) and Rmb11.1bn (+29.4% YoY), beating our estimates by 15% and 12%.
- These imply 2Q26 revenue and net profit of Rmb16.5bn (+47.7% YoY) and Rmb6,429mn (+35.3% YoY), beating our estimates by 29% and 23%.
- Adjusted net profit (mainly excluding partial stake sale of WuXi XDC and sale of CRO business) was up 83.2% in 1H26 and 91.7% YoY in 2Q26.
- 2Q26 segment revenue trends (YoY): small molecule R +11%, small molecule D&M +67%, TIDES +75%, Testing +35%, Biology +12% YoY.

We reiterate WuXi AppTec A-shares as our Top Pick (Insight Report).

We attribute the strong beat and guidance raise to the following factors:

1) Commercial contracts: That's the main plank of our thesis. These high-volume, durable contracts are a major contributor to small molecule D&M growth and backlog. In 2Q, WXAT added another six commercial contracts (year-to-date +12), taking its total to 95 – a majority within market exclusivity window and patent protection. Its backlog increased a further 25% YoY and 11% QoQ, to Rmb66.4bn.

2) TIDES sequential acceleration: Full-year revenue guidance is lifted from 40% to 45% (1Q +6%, 2Q +75% YoY).

3) US revenue: 1H26 US revenue was up 62% YoY and contributed 77% of WXAT's total, up from 71% in 1H25. This could partially alleviate investment concerns about geopolitics, in our view.

4) Chemistry gross margin: It expanded 7.4ppt YoY in 1H26, to 56.4% (adjusted basis), driven by higher utilization levels as projects rolled forward to later stages. Full-year capex guidance has been raised to Rmb7.5-8.5bn (Rmb6.5-7.5bn before), while full-year adjusted net margin would be stable.

MORGAN STANLEY ASIA LIMITED+

Laurence Tam
Equity Analyst
Laurence.Tam@morganstanley.com +852 2239-1753

Marco Wong
Research Associate
Marco.Wong@morganstanley.com +852 3963-2021

WuXi AppTec Co Ltd (603259.SS, 603259 CG)
Top Pick

China Healthcare | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	Rmb153.00
Up/downside to price target (%)	19
Shr price, close (Aug 3, 2026)	Rmb128.50
52-Week Range	Rmb135.17-87.09
Sh out, dil, curr (mn)	2,565
Mkt cap, curr (mn)	Rmb375,726
EV, curr (mn)	Rmb330,339
Avg daily trading value (mn)	Rmb4,989

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	6.63	6.28	6.97	7.89
Prior EPS (Rmb)**	-	-	-	-
Revenue, net (Rmb mn)	45,456	54,044	62,379	71,431
EBITDA (Rmb mn)	26,568	24,673	27,540	30,111
ModelWare net inc (Rmb mn)	19,195	18,300	20,298	22,968
P/E	13.8	20.4	18.4	16.3
P/BV	3.3	4.1	3.5	3.1
RNOA (%)	51.4	46.3	49.1	55.2
ROE (%)	32.7	23.0	22.0	21.6
EV/EBITDA	8.3	12.9	11.1	9.6
Div yld (%)	1.9	1.5	1.7	1.9
FCF yld ratio (%)**	5.3	4.4	5.3	6.1
Leverage (EOP) (%)	(44.6)	(50.6)	(57.0)	(62.7)

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

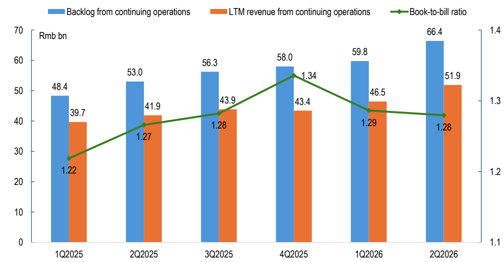
5) New modalities: These contributed a third of Testing and Biology revenues in 1H26.

See inside for book-to-bill trend.

Supporting Charts

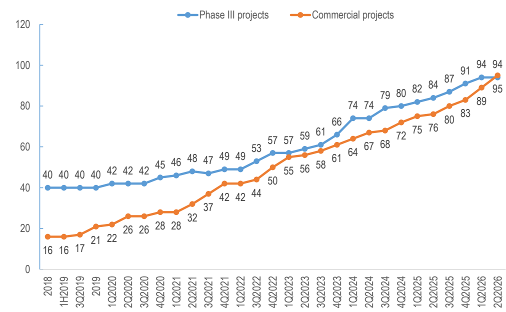
We track book-to-bill for CDMOs on a quarterly basis (revenue divided by backlog). For manufacturing-focused CDMOs, the number of novel drug commercial contracts is a major driver of backlog and revenue.

Exhibit 1: WuXi's book-to-bill ratio has been trending at >1.20 (1Q2025-2Q2026)



Source: Company data; Morgan Stanley Research.

Exhibit 2: Cumulative number of commercial and Phase 3 projects in WuXi's portfolio



Source: Company data; Morgan Stanley Research.

Valuation Methodology and Risks

WuXi AppTec Co Ltd (2359.HK)

Our H-share price target is derived from our A-share price target. We assume an HKD:RMB exchange rate of 1.10. For the A-shares, we use a discounted cash flow methodology, assuming a WACC of 10% and a terminal growth rate of 4%.

Risks to Upside

- Continual rise in outsourcing propensity from MNCs for blockbuster drugs;
- New drug targets and leads emerging at a much faster pace with the help of AI, leading to demand for wet lab services;
- Margins expansion from higher utilization rates.

Risks to Downside

- Missed expectations for end-market sales of significant commercial contracts, e.g., loss of exclusivity.
- Volatility in VC/PE funding;
- Sino-US relations.

WuXi AppTec Co Ltd (603259.SS)

Base case, discounted cash flow methodology. Key assumptions: a WACC of 10% and terminal growth rate of 4%.

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(as of July 31, 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	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

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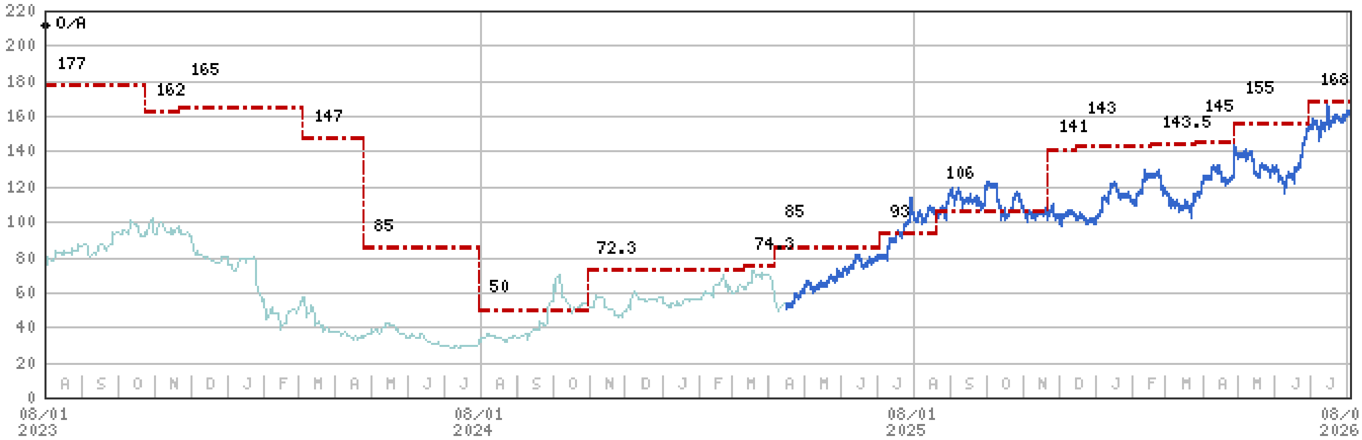
Stock Price, Price Target and Rating History (See Rating Definitions)

WuXi AppTec Co Ltd (2359.HK) - As of 08/03/26 GMT in HKD
Industry : China Healthcare



Stock Rating History: 8/1/21 : O/A

Price Target History: 7/15/21 : 200; 8/13/21 : 207; 11/3/21 : 211; 4/14/22 : 191; 5/11/22 : 178; 8/4/22 : 155; 8/8/22 : 177; 10/24/23 : 162; 11/22/23 : 165; 3/4/24 : 147; 4/24/24 : 85; 7/31/24 : 50; 10/30/24 : 72.3; 3/11/25 : 74.3; 4/5/25 : 85; 7/3/25 : 93; 8/19/25 : 106; 11/21/25 : 141; 12/15/25 : 143; 2/16/26 : 143.5; 3/25/26 : 145; 4/27/26 : 155; 6/29/26 : 168

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
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

WuXi AppTec Co Ltd (603259.SS) - As of 08/03/26 GMT in CNY
Industry : China Healthcare

Stock Rating History: 8/1/21 : O/A

Price Target History: 7/15/21 : 182; 8/13/21 : 188; 11/3/21 : 192; 4/14/22 : 174; 5/11/22 : 152; 8/4/22 : 142; 8/8/22 : 153; 1/30/23 : 171; 10/24/23 : 167; 11/22/23 : 168; 3/4/24 : 151; 4/24/24 : 86; 7/31/24 : 59.8; 10/30/24 : 73.1; 3/11/25 : 76.4; 4/5/25 : 87; 7/3/25 : 92; 8/19/25 : 105; 11/21/25 : 128; 12/15/25 : 130; 2/16/26 : 132; 3/25/26 : 135; 4/27/26 : 145; 6/29/26 : 153

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 View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: China Healthcare

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/03/2026)

Alexis Yan, CFA		
3SBio (1530.HK)	O (08/01/2025)	HK$16.51
Adicon Holdings Ltd (9860.HK)	O (08/03/2023)	HK$3.27
Aier Eye Hospital Group (300015.SZ)	U (07/08/2024)	Rmb9.06
Alibaba Health Information Technology (0241.HK)	U (05/28/2025)	HK$3.62
Angelalign Technology Inc (6699.HK)	E (03/17/2023)	HK$94.25
APT Medical Inc (688617.SS)	O (10/21/2025)	Rmb220.85
Beauty Farm Medical and Health Industry (2373.HK)	O (01/21/2026)	HK$18.73
Beijing Tiantan Biological Products Corp (600161.SS)	O (05/27/2024)	Rmb12.93
China Medical System (0867.HK)	E (05/16/2025)	HK$11.84
China Resources Boya Bio-pharmaceutical (300294.SZ)	E (05/27/2024)	Rmb15.91
CSPC Pharmaceutical Group (1093.HK)	O (08/15/2012)	HK$8.47
Dian Diagnostics Group Co Ltd (300244.SZ)	U (07/20/2026)	Rmb17.61
Fosun Pharmaceutical (2196.HK)	O (09/08/2025)	HK$16.55
Fosun Pharmaceutical (600196.SS)	O (09/08/2025)	Rmb23.15
Guangzhou Kingmed Diagnostics (603882.SS)	U (07/08/2024)	Rmb27.51
Gushengtang Holdings Ltd (2273.HK)	O (07/08/2024)	HK$29.32
Hansoh Pharmaceutical Group Co Ltd (3692.HK)	O (07/16/2019)	HK$31.50
Huadong Medicine Co Ltd (000963.SZ)	U (05/06/2024)	Rmb28.57
Hygeia Healthcare Holdings Co., Ltd. (6078.HK)	O (07/30/2020)	HK$9.94
Imeik Technology Development Co Ltd (300896.SZ)	U (01/21/2026)	Rmb105.95
JD Health International Inc. (6618.HK)	E (05/28/2025)	HK$39.80
Jiangsu Hengrui (600276.SS)	O (07/01/2025)	Rmb53.00
Jiangsu Hengrui (1276.HK)	O (07/01/2025)	HK$56.70
Jinxin Fertility Group Ltd (1951.HK)	U (07/14/2025)	HK$2.22
MicroPort Scientific Corp. (0853.HK)	E (09/25/2023)	HK$6.76
Mindray Bio-Medical (300760.SZ)	O (07/15/2020)	Rmb156.89
Nanjing Leads Biolabs Co Ltd (9887.HK)	E (09/02/2025)	HK$56.95
Peijia Medical Ltd (9996.HK)	O (06/18/2020)	HK$4.00
Ping An Healthcare and Technology (1833.HK)	E (05/28/2025)	HK$7.80
Shandong Weigao (1066.HK)	E (07/10/2020)	HK$3.41
Shanghai United Imaging Healthcare Co (688271.SS)	E (02/21/2025)	Rmb116.45
Shenzhen Edge Medical (2675.HK)	O (02/16/2026)	HK$38.00
Shenzhen New Industries (300832.SZ)	O (05/28/2024)	Rmb47.95
Sichuan Kelun Pharmaceutical Co Ltd (002422.SZ)	U (05/16/2025)	Rmb41.33
Simcere Pharmaceutical Group (2096.HK)	E (05/16/2025)	HK$12.19
Sino Biopharmaceutical (1177.HK)	O (04/09/2019)	HK$4.95
Zylox-Tonbridge Medical Technology Co. (2190.HK)	O (08/05/2021)	HK$18.50
Jack Lin		
Abbisko Cayman Ltd (2256.HK)	O (11/17/2021)	HK$9.95
Akeso, Inc. (9926.HK)	O (05/28/2020)	HK$91.85
Duality Biotherapeutics Inc (9606.HK)	O (05/22/2025)	HK$180.50
Everest Medicines Ltd (1952.HK)	E (03/15/2024)	HK$24.78
HUTCHMED (China) Ltd (0013.HK)	E (05/29/2026)	HK$18.09
HUTCHMED (China) Ltd (HCM.O)	E (05/29/2026)	US$11.13
InnoCare Pharma Ltd (9969.HK)	O (05/29/2026)	HK$13.19
Innovent Biologics Inc (1801.HK)	O (03/03/2026)	HK$86.00
Insilico Medicine (3696.HK)	O (02/03/2026)	
Keymed Biosciences Inc. (2162.HK)	O (08/10/2021)	
RemeGen Co., Ltd. (9995.HK)	E (05/08/2024)	
VISEN Pharmaceuticals (2561.HK)	O (04/29/2025)	
Zai Lab Ltd (ZLAB.O)	O (12/14/2023)	
Zai Lab Ltd (9688.HK)	O (12/14/2023)	
Laurence Tam		
Acrobiosystems Co Ltd (301080.SZ)	O (09/11/2025)	

Apeloa Pharmaceutical Co Ltd (000739.SZ)	O (02/28/2025)	Rmb20.11
Asymchem Laboratories. Inc (002821.SZ)	E (08/01/2025)	Rmb146.92
Asymchem Laboratories. Inc (6821.HK)	E (06/06/2023)	HK$109.00
Beijing Tongrentang (600085.SS)	U (11/03/2014)	Rmb26.11
Beijing Tongrentang Chinese Medicine (3613.HK)	O (01/14/2015)	HK$6.87
China National Accord Medicines Corp Ltd (000028.SZ)	U (07/25/2022)	Rmb21.10
China Resources Pharmaceutical Group Ltd (3320.HK)	O (06/16/2022)	HK$4.87
China Resources Sanjiu Medical & Pharma (000999.SZ)	O (08/30/2019)	Rmb26.16
China Traditional Chinese Medicine (0570.HK)	U (01/17/2025)	HK$1.47
DaShenLin Pharmaceutical (603233.SS)	O (07/25/2022)	Rmb18.50
Dong E E Jiao Co. (000423.SZ)	O (05/16/2024)	Rmb55.40
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$16.30
Hangzhou Tigermed Consulting (300347.SZ)	O (08/01/2025)	Rmb49.63
Jiangzhong Pharmaceutical Co. Ltd. (600750.SS)	O (02/08/2024)	Rmb26.36
Joinn Laboratories China Co Ltd (603127.SS)	E (06/06/2023)	Rmb41.05
Joinn Laboratories China Co Ltd (6127.HK)	E (02/26/2024)	HK$22.72
Jointown Pharmaceutical Group (600998.SS)	U (07/26/2021)	Rmb5.15
LBX Pharmacy Chain (603883.SS)	O (03/14/2022)	Rmb12.95
Medtide (3880.HK)	E (08/06/2025)	HK$22.08
Nanjing King-friend Biochemical (603707.SS)	O (02/28/2025)	Rmb8.18
Pharmaron (3759.HK)	O (09/25/2024)	HK$22.70
Pharmaron (300759.SZ)	E (09/25/2024)	Rmb36.07
Shandong Xinhua Pharmaceutical Co Ltd (000756.SZ)	U (02/28/2025)	Rmb13.75
Shanghai Pharmaceutical (601607.SS)	E (08/17/2021)	Rmb16.81
Shanghai Pharmaceutical (2607.HK)	O (08/17/2021)	HK$11.99
Shenzhen Hepalink Pharmaceutical (002399.SZ)	U (06/16/2023)	Rmb9.71
Sinopharm Group (1099.HK)	O (02/10/2023)	HK$17.46
Tasly Pharmaceutical Group Co. Ltd (600535.SS)	E (07/19/2024)	Rmb15.90
The United Laboratories (3933.HK)	E (06/13/2017)	HK$9.05
Tofflon Science & Technology Group (300171.SZ)	E (09/11/2025)	Rmb12.22
WuXi AppTec Co Ltd (603259.SS)	O (01/17/2019)	Rmb128.50
WuXi AppTec Co Ltd (2359.HK)	O (01/17/2019)	HK$162.90
WuXi Biologics Cayman Inc (2269.HK)	O (07/17/2017)	HK$38.80
WuXi XDC Cayman Inc. (2268.HK)	O (12/22/2023)	HK$52.15
Yantai Dongcheng Biochemicals Co Ltd (002675.SZ)	E (02/28/2025)	Rmb12.95
Yifeng Pharmacy Chain Co Ltd (603939.SS)	O (07/25/2022)	Rmb22.71
Yixintang Pharmaceutical (002727.SZ)	E (07/25/2022)	Rmb11.79
Yunnan Baiyao Group (000538.SZ)	O (10/11/2021)	Rmb52.29
Zhangzhou Pientzehuang Pharmaceutical (600436.SS)	U (01/21/2022)	Rmb138.11
Zhejiang Hisun Pharmaceutical Co. Ltd. (600267.SS)	U (06/01/2023)	Rmb11.42
Zhejiang Huahai Pharmaceutical Co. Ltd. (600521.SS)	O (06/01/2023)	Rmb16.77
Zhejiang Jiuzhou Pharmaceutical Co Ltd (603456.SS)	E (02/28/2025)	Rmb14.74
Zhejiang Medicine Co. Ltd. (600216.SS)	E (02/28/2025)	Rmb12.26

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.