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UPDATE

August 20, 2026 01:16 AM GMT

Jiangsu Hengrui | Asia Pacific

Takeaways from 2Q26 Earnings Call

MORGAN STANLEY ASIA LIMITED+
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Jiangsu Hengrui (1276.HK, 1276 HK)

Top Pick

China Healthcare | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	HK$92.00
Up/downside to price target (%)	67
Shr price, close (Aug 19, 2026)	HK$54.95
52-Week Range	HK$95.20-51.30
Sh out, dil, curr (mn)	225
Mkt cap, curr (mn)	Rmb348,292.7
EV, curr (mn)	Rmb307,221.7
Avg daily trading value (mn)	HK$268

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	1.16	1.34	1.55	1.89
EPS (Rmb)§	1.32	1.41	1.65	1.98
Revenue, net (Rmb mn)	31,629.4	35,069.8	40,988.9	48,547.2
EBITDA (Rmb mn)	8,954.3	10,855.0	13,032.3	15,624.8
ModelWare net inc (Rmb mn)	7,711.1	8,874.3	10,263.0	12,521.0
P/E	54.8	35.1	30.4	24.9
P/BV	6.9	4.5	4.0	3.5
RNOA (%)	29.8	34.7	38.5	40.3
ROE (%)	16.9	14.5	14.8	16.0
EV/EBITDA	83.8	27.8	22.7	18.4
Div yld (%)	0.3	0.3	0.3	0.4
FCF yld ratio (%)**	2.0	2.2	2.1	3.3
Leverage (EOP) (%)	(67.9)	(68.5)	(67.5)	(69.1)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology
e = Morgan Stanley Research estimates

Key Takeaways

- Mgmt expects innovative drug sales to accelerate in 2H26 on easing policy impact and hospital entries. The 2Q slowdown was due to a decline in mature oncology drugs.
- Hengrui recently received US$600mn upfront from the BMS deal and will start to book partial revenue in 2H26. Mgmt expects total BD revenue to increase YoY in FY26.
- Kailera generated Rmb820mn fair value gain in 2Q, while BraveHeart's fair value gain post the recent NASDAQ listing will be booked in 3Q. Its cost base is Rmb240mn.
- Overall, Hengrui continues to expect 10+ drug/indication approvals, ~20 NDA submissions, ~25 Ph3 readouts and ~20 NMEs to move to the clinic per year.
- In AIDD, Hengrui has expanded capability from 0 to 1 in novel target discoveries. Its RIPTAC, CD3-CD2, AOC & DAC candidates are all entering the clinic.

2Q26 First Read - Slowdown Partially Expected (19 Aug 2026)

Key catalysts in 2H26-1H27 by therapeutic:

In oncology, ***SHR-A2009 (HER3 ADC)*** will present China Ph3 details in 1L EGFRm NSCLC as ESMO; its BLA has been accepted for approval in 2028. Multiple combo trials in early lines are underway, including 1L EGFRm NSCLC (Ph3). ***SHR-4849 (DLL3 ADC w/ IDEAYA)*** will have data from global Ph1/2 in SCLC and NEC in 2H26.

In immunology, ***SHR-1139 (IL-23p19/IL-36)*** will have Ph2 data in PsO presented at EADV, with Ph3 start expected in 2H26. ***HRS-2173 (IFNAR1-TACI)*** will start US enrolment for Ph2 in 2H26.

In metabolism, ***ribupatide (GLP-1/GIP)*** is on track for China approval in 1H27, while overseas (under Kailera) Ph2b data in high-dose is expected in mid-2027 followed by global Ph3 readout in 2028. Oral ribu will advance to global Ph3 in 1H27. ***HRS-7535 (oral SM GLP-1)*** will read global Ph2 data in 2027, China NDA is in preparation; ***HRS-4729 (GLP-1/GIP/GGG inj.)*** has moved to Ph2 in China and Ph1 overseas.

In cardiovascular, ***HRS-1893 (myosin)*** is expected to initiate global Ph3 in oHCM in 2H26 and nHCM in 1H27, triggering milestones to Hengrui. China NDA for oHCM may be filed in 1H27 and Ph3 in nHCM will start in 1H27. ***Lp(a) (partnered w/ MRK)*** will have Ph2 data presented at ESC and enter Ph3 in 2H26. ***Lp(a) and APOC3 siRNA*** candidates will have Ph1 data presented at AHA (Nov) and ESC (Aug), respectively.

Valuation Methodology and Risks

Jiangsu Hengrui (1276.HK)

- DCF: We assume a WACC of 8.2% (CoE 8.1%) and terminal growth of 3.5%, RMB/HKD conversion of 1.13x.
- No A-H difference in base and bear cases, and a 10% A-H premium for bull case
- SOTP cross-check: 1) generics - 10x 2025e P/E, in line with Chinese pharma peers with relatively large exposure to generics or legacy drugs; 2) innovative drugs' domestic potential - 3.0-3.5x P/peak sales - within the 2030e P/S range of leading Chinese biotech players.

Risks to Upside

- Greater-than-expected out-licensing deals and collaboration revenue
- Innovative drug approvals coming earlier than expected
- Drug sales growing faster than expected

Risks to Downside

- VBP impact on loversol, sevoflurane, and butorphanol worse than expected
- Significant setbacks in pipeline progress; market expectations missed

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(as of July 31, 2026)

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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	

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Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
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INDUSTRY COVERAGE: China Healthcare

COMPANY (TICKER)	RATING (AS OF)	PRICE* (08/19/2026)
Alexis Yan, CFA		
3SBio (1530.HK)	O (08/01/2025)	HK$16.69
Adicon Holdings Ltd (9860.HK)	O (08/03/2023)	HK$3.64
Aier Eye Hospital Group (300015.SZ)	U (07/08/2024)	Rmb8.43
Alibaba Health Information Technology (0241.HK)	U (05/28/2025)	HK$3.26
Angelalign Technology Inc (6699.HK)	E (03/17/2023)	HK$91.10
APT Medical Inc (688617.SS)	O (10/21/2025)	Rmb228.49
Beauty Farm Medical and Health Industry (2373.HK)	O (01/21/2026)	HK$18.15
Beijing Tiantan Biological Products Corp (600161.SS)	O (05/27/2024)	Rmb12.27
China Medical System (0867.HK)	E (05/16/2025)	HK$11.70
China Resources Boya Bio-pharmaceutical (300294.SZ)	E (05/27/2024)	Rmb14.89
CSPC Pharmaceutical Group (1093.HK)	O (08/15/2012)	HK$8.69
Dian Diagnostics Group Co Ltd (300244.SZ)	U (07/20/2026)	Rmb19.42
Fosun Pharmaceutical (2196.HK)	O (09/08/2025)	HK$16.74
Fosun Pharmaceutical (600196.SS)	O (09/08/2025)	Rmb23.63
Guangzhou Kingmed Diagnostics (603882.SS)	U (07/08/2024)	Rmb27.96
Gushengtang Holdings Ltd (2273.HK)	O (07/08/2024)	HK$27.08
Hansoh Pharmaceutical Group Co Ltd (3692.HK)	O (07/16/2019)	HK$32.98
Huadong Medicine Co Ltd (000963.SZ)	U (05/06/2024)	Rmb28.50
Hygeia Healthcare Holdings Co., Ltd. (6078.HK)	O (07/30/2020)	HK$9.69
Imeik Technology Development Co Ltd (300896.SZ)	U (01/21/2026)	Rmb94.30
JD Health International Inc. (6618.HK)	E (05/28/2025)	HK$38.90
Jiangsu Hengrui (600276.SS)	O (07/01/2025)	Rmb52.66
Jiangsu Hengrui (1276.HK)	O (07/01/2025)	HK$54.95
Jinxin Fertility Group Ltd (1951.HK)	U (07/14/2025)	HK$2.09
MicroPort Scientific Corp. (0853.HK)	E (09/25/2023)	HK$6.40
Mindray Bio-Medical (300760.SZ)	O (07/15/2020)	Rmb150.63
Nanjing Leads Biolabs Co Ltd (9887.HK)	E (09/02/2025)	HK$70.45
Peijia Medical Ltd (9996.HK)	O (06/18/2020)	HK$4.83

Ping An Healthcare and Technology (1833.HK)	E (05/28/2025)	HK$7.13
Shandong Weigao (1066.HK)	E (07/10/2020)	HK$3.48
Shanghai United Imaging Healthcare Co (688271.SS)	E (02/21/2025)	Rmb108.65
Shenzhen Edge Medical (2675.HK)	O (02/16/2026)	HK$36.16
Shenzhen New Industries (300832.SZ)	O (05/28/2024)	Rmb53.66
Sichuan Kelun Pharmaceutical Co Ltd (002422.SZ)	U (05/16/2025)	Rmb44.97
Simcere Pharmaceutical Group (2096.HK)	E (05/16/2025)	HK$12.17
Sino Biopharmaceutical (1177.HK)	O (04/09/2019)	HK$4.79
Zylox-Tonbridge Medical Technology Co. (2190.HK)	O (08/05/2021)	HK$19.50
Jack Lin		
Abbisko Cayman Ltd (2256.HK)	O (11/17/2021)	HK$10.20
Akeso, Inc. (9926.HK)	O (05/28/2020)	HK$89.30
Duality Biotherapeutics Inc (9606.HK)	O (05/22/2025)	HK$181.50
Everest Medicines Ltd (1952.HK)	E (03/15/2024)	HK$23.80
HUTCHMED (China) Ltd (0013.HK)	E (05/29/2026)	HK$19.43
HUTCHMED (China) Ltd (HCM.O)	E (05/29/2026)	US$12.59
InnoCare Pharma Ltd (9969.HK)	O (05/29/2026)	HK$14.27
Innovent Biologics Inc (1801.HK)	O (03/03/2026)	HK$98.25
Insilico Medicine (3696.HK)	O (02/03/2026)	HK$39.42
Keymed Biosciences Inc. (2162.HK)	O (08/10/2021)	HK$77.05
RemeGen Co., Ltd. (9995.HK)	E (05/08/2024)	HK$77.95
VISEN Pharmaceuticals (2561.HK)	O (04/29/2025)	HK$19.98
Zai Lab Ltd (ZLAB.O)	O (12/14/2023)	US$26.72
Zai Lab Ltd (9688.HK)	O (12/14/2023)	HK$20.32
Laurence Tam		
Acrobiosystems Co Ltd (301080.SZ)	O (09/11/2025)	Rmb85.75
Apeloa Pharmaceutical Co Ltd (000739.SZ)	O (02/28/2025)	Rmb22.09
Asymchem Laboratories. Inc (002821.SZ)	E (08/01/2025)	Rmb170.59
Asymchem Laboratories. Inc (6821.HK)	E (06/06/2023)	HK$126.50
Beijing Tongrentang (600085.SS)	U (11/03/2014)	Rmb24.06
Beijing Tongrentang Chinese Medicine (3613.HK)	O (01/14/2015)	HK$6.48
China National Accord Medicines Corp Ltd (000028.SZ)	U (07/25/2022)	Rmb19.94
China Resources Pharmaceutical Group Ltd (3320.HK)	O (06/16/2022)	HK$4.86
China Resources Sanjiu Medical & Pharma (000999.SZ)	O (08/30/2019)	Rmb24.61
China Traditional Chinese Medicine (0570.HK)	U (01/17/2025)	HK$1.38
DaShenLin Pharmaceutical (603233.SS)	O (07/25/2022)	Rmb17.91
Dong E E Jiao Co. (000423.SZ)	O (05/16/2024)	Rmb51.74
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$29.36
Hangzhou Tigermed Consulting (300347.SZ)	O (08/01/2025)	Rmb51.78
Jiangzhong Pharmaceutical Co. Ltd. (600750.SS)	O (02/08/2024)	Rmb23.99
Joinn Laboratories China Co Ltd (603127.SS)	E (06/06/2023)	Rmb49.80
Joinn Laboratories China Co Ltd (6127.HK)	E (02/26/2024)	HK$25.38
Jointown Pharmaceutical Group (600998.SS)	U (07/26/2021)	Rmb4.95
LBX Pharmacy Chain (603883.SS)	O (03/14/2022)	Rmb13.09
Medtide (3880.HK)	E (08/06/2025)	HK$22.40
Nanjing King-friend Biochemical (603707.SS)	O (02/28/2025)	Rmb8.08
Pharmaron (3759.HK)	O (09/25/2024)	HK$31.44
Pharmaron (300759.SZ)	E (09/25/2024)	Rmb48.45
Shandong Xinhua Pharmaceutical Co Ltd (000756.SZ)	U (02/28/2025)	Rmb14.09
Shanghai Pharmaceutical (601607.SS)	E (08/17/2021)	Rmb16.37
Shanghai Pharmaceutical (2607.HK)	O (08/17/2021)	HK$11.53
Shenzhen Hepalink Pharmaceutical (002399.SZ)	U (06/16/2023)	Rmb10.25
Sinopharm Group (1099.HK)	O (02/10/2023)	HK$16.74
Tasly Pharmaceutical Group Co. Ltd (600535.SS)	E (07/19/2024)	Rmb15.24

The United Laboratories (3933.HK)	E (06/13/2017)	HK$8.69
Tofflon Science & Technology Group (300171.SZ)	E (09/11/2025)	Rmb13.31
WuXi AppTec Co Ltd (603259.SS)	O (01/17/2019)	Rmb164.00
WuXi AppTec Co Ltd (2359.HK)	O (01/17/2019)	HK$202.00
WuXi Biologics Cayman Inc (2269.HK)	O (07/17/2017)	HK$47.90
WuXi XDC Cayman Inc. (2268.HK)	O (12/22/2023)	HK$68.05
Yantai Dongcheng Biochemicals Co Ltd (002675.SZ)	E (02/28/2025)	Rmb13.34
Yifeng Pharmacy Chain Co Ltd (603939.SS)	O (07/25/2022)	Rmb23.97
Yixintang Pharmaceutical (002727.SZ)	E (07/25/2022)	Rmb11.55
Yunnan Baiyao Group (000538.SZ)	O (10/11/2021)	Rmb49.75
Zhangzhou Pientzehuang Pharmaceutical (600436.SS)	U (01/21/2022)	Rmb127.30
Zhejiang Hisun Pharmaceutical Co. Ltd. (600267.SS)	U (06/01/2023)	Rmb13.79
Zhejiang Huahai Pharmaceutical Co. Ltd. (600521.SS)	O (06/01/2023)	Rmb17.15
Zhejiang Jiuzhou Pharmaceutical Co Ltd (603456.SS)	E (02/28/2025)	Rmb16.35
Zhejiang Medicine Co. Ltd. (600216.SS)	E (02/28/2025)	Rmb13.93

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* Historical prices are not split adjusted.