Morgan Stanley | RESEARCH

UPDATE

*September 16, 2026 02:18 PM GMT*

## Pharmaron | Asia Pacific

# Global Healthcare Conference Feedback

MORGAN STANLEY ASIA LIMITED+

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**Pharmaron (3759.HK, 3759 HK)**

**China Healthcare | China**

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **Attractive** |
| Price target | HK$36.50 |
| Up/downside to price target (%) | 25 |
| Shr price, close (Sep 16, 2026) | HK$29.10 |
| 52-Week Range | HK$34.86-14.45 |
| Sh out, dil, curr (mn) | 201 |
| Mkt cap, curr (mn) | Rmb47,726.1 |
| EV, curr (mn) | Rmb53,606.2 |
| Avg daily trading value (mn) | HK$158 |

| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| EPS (Rmb)** | 0.94 | 1.22 | 1.70 | 2.55 |
| EPS (Rmb)§ | 0.99 | 1.09 | 1.43 | 1.87 |
| Revenue, net (Rmb mn) | 14,095 | 16,952 | 20,410 | 24,647 |
| EBITDA (Rmb mn) | 3,367 | 4,014 | 6,160 | 7,896 |
| ModelWare net inc (Rmb mn) | 1,664 | 2,160 | 3,003 | 4,513 |
| P/E | 18.7 | 20.4 | 14.7 | 9.8 |
| P/BV | 2.1 | 2.5 | 2.2 | 1.8 |
| RNOA (%) | 8.9 | 9.5 | 12.8 | 18.1 |
| ROE (%) | 12.2 | 14.3 | 17.2 | 22.1 |
| EV/EBITDA | 15.7 | 12.9 | 8.0 | 5.8 |
| Div yld (%) | 1.1 | 0.0 | 0.0 | 0.0 |
| FCF yld ratio (%)** | 1.1 | (1.9) | 5.9 | 9.9 |
| Leverage (EOP) (%) | 28.5 | 18.3 | 3.9 | (13.4) |

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

## Key Takeaways

- Meetings echoed four enduring themes in China CDMOs – rising outsourcing rates, a chronic capacity shortage for small molecules, ex-China supply base, and AIDD.
- Small-molecule API capacity remains tight globally, driving outsourcing to top Chinese CDMOs – WuXi AppTec, Pharmaron, Asymchem.
- The trend is even more pronounced for complex small molecules and advanced modalities. Pharmaron has expanded into biologics, ADCs, and peptides.
- Pharmaron is also accelerating capacity expansion in the West, catering to customer demand for a diversified supply chain and regionalized manufacturing.
- AI drug discovery is a moderate driver of its business, particularly in the lab services segment. It represents ~5% of overall revenue.

**Pharmaron's project portfolio will see a significant transition to later-stage and commercial contracts in the next 3 years:** Small-molecule API reactor capacity is set to double from its current 1,200 cubic meters to 2,400 cubic meters by 2028. The goal is to achieve large-scale commercial production in the next few years. As a reference, WuXi AppTec's (China's top small-molecule CDMO) capacity reached >4,000 cubic meters by the end of 2025 (+60% YoY). Besides Lilly's orforglipron, Pharmaron has other oral GLP-1s in the pipeline as well (all integrated projects). Current utilization is "very high". The raised guide incorporated improving early-stage funding for biopharma and commercial backlog (note).

**Capex and acquisitions will be China-heavy:** About 80% of capacity will remain in China. The rest consists of commercial-scale capacity in Rhode Island US and the UK, mostly for API. Through a JV, Pharmaron also operates a site in Singapore for drug products. Acquisitions will focus on Chinese targets. Recent expansion in Shaoxing is a significant step-change (note).

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# Valuation Methodology and Risks

**Pharmaron (300759.SZ)**

Derived from discounted cash flow method using a WACC of 10.5% and a terminal growth rate of 3.0%.

**Risks to Upside**

- Recovery in domestic orders as fundraising environment improves
- Robust overseas demand as geopolitical pressure eases
- More late-stage orders with better size and margins
- Higher contribution/margins from emerging units

**Risks to Downside**

- Further loss from overseas site
- Delayed projects and elongated order confirmation/booking cycle
- Deteriorated domestic competition landscape
- Geopolitical and currency risks

**Pharmaron (3759.HK)**

Base case, discounted cash flow. Key assumptions: WACC of 10.5% and terminal growth rate of 3.0%. We use a RMB:HKD exchange rate of 1.1 and an A-H premium of ~ 28%.

**Risks to Upside**

- Recovery in domestic orders as fundraising environment improves
- Firm overseas demand as geopolitical pressure eases
- More late-stage orders with better size and margins
- Higher contribution/margins from emerging units

**Risks to Downside**

- Further loss from overseas site
- Delayed projects and elongated order confirmation/booking cycle
- Deteriorated domestic competition landscape
- Geopolitical and currency risks

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(as of August 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 | 1555 | 42% | 450 | 48% | 29% | 767 | 44% |
| Equal-weight/Hold | 1577 | 43% | 395 | 42% | 25% | 770 | 44% |
| Not-Rated/Hold | 3 | 0% | 1 | 0% | 33% | 1 | 0% |
| Underweight/Sell | 559 | 15% | 93 | 10% | 17% | 216 | 12% |
| Total | 3,694 | | 939 | | | 1754 | |

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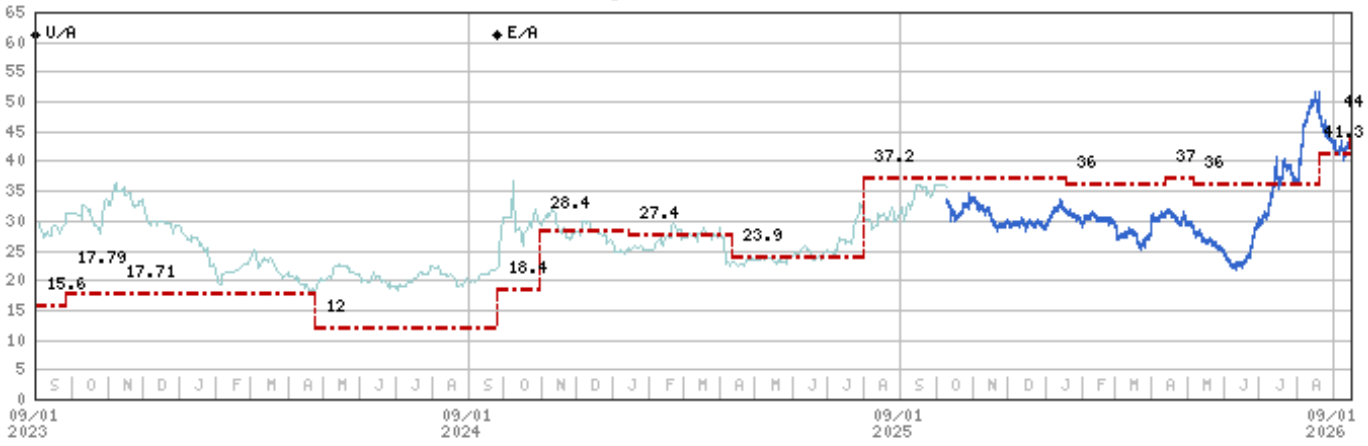
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## Stock Price, Price Target and Rating History (See Rating Definitions)

Pharmaron (300759.SZ) - As of 09/16/26 GMT in CNY
Industry : China Healthcare




Stock Rating History: 6/6/23 : U/A; 9/25/24 : E/A

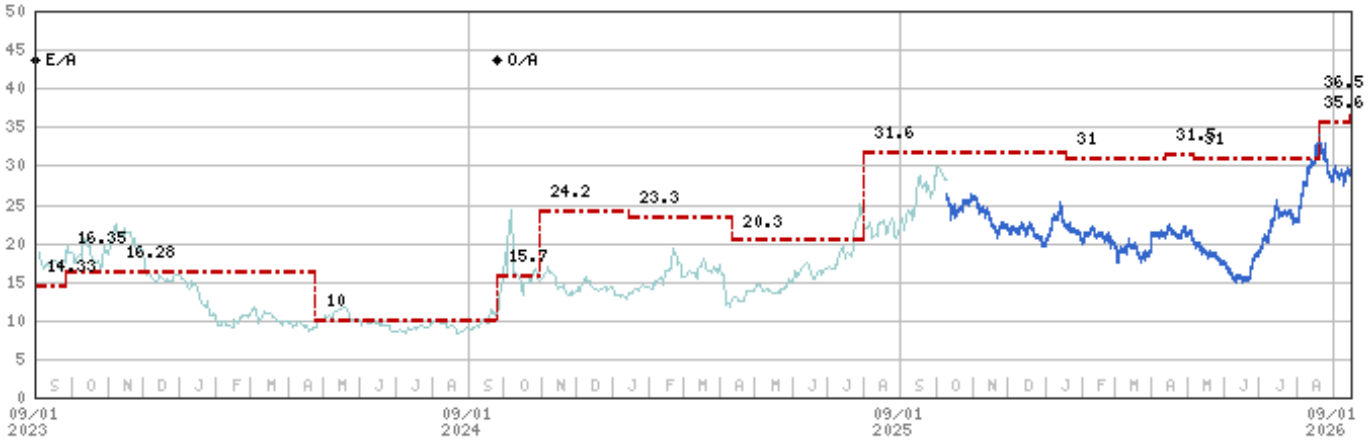
Price Target History: 6/6/23 : 27.64; 7/27/23 : 15.6; 9/27/23 : 17.79; 11/7/23 : 17.71; 4/24/24 : 12; 9/25/24 : 18.4; 10/31/24 : 28.4; 1/15/25 : 27.4; 4/11/25 : 23.9; 8/1/25 : 37.2; 1/19/26 : 36; 4/13/26 : 37; 5/6/26 : 36; 8/21/26 : 41.3; 9/15/26 : 44

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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Pharmaron (3759.HK) - As of 09/16/26 GMT in HKD
Industry : China Healthcare




Stock Rating History: 6/6/23 : E/A; 9/25/24 : O/A

Price Target History: 6/6/23 : 16.94; 7/27/23 : 14.33; 9/27/23 : 16.35; 11/7/23 : 16.28; 4/24/24 : 10; 9/25/24 : 15.7; 10/31/24 : 24.2; 1/15/25 : 23.3; 4/11/25 : 20.3; 8/1/25 : 31.6; 1/19/26 : 31; 4/13/26 : 31.5; 5/6/26 : 31; 8/21/26 : 35.6; 9/15/26 : 36.5

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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**INDUSTRY COVERAGE: China Healthcare**

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (09/16/2026) |
|---|---|---|
| **Alexis Yan, CFA** | | |
| 3SBio (1530.HK) | O (08/01/2025) | HK$15.68 |
| Adicon Holdings Ltd (9860.HK) | O (08/03/2023) | HK$3.95 |
| Aier Eye Hospital Group (300015.SZ) | U (07/08/2024) | Rmb8.00 |
| Alibaba Health Information Technology (0241.HK) | U (05/28/2025) | HK$2.92 |
| Angelalign Technology Inc (6699.HK) | E (03/17/2023) | HK$87.40 |
| APT Medical Inc (688617.SS) | O (10/21/2025) | Rmb242.85 |
| Beauty Farm Medical and Health Industry (2373.HK) | O (01/21/2026) | HK$18.09 |
| Beijing Tiantan Biological Products Corp (600161.SS) | O (05/27/2024) | Rmb12.03 |
| China Medical System (0867.HK) | E (05/16/2025) | HK$11.05 |
| China Resources Boya Bio-pharmaceutical (300294.SZ) | E (05/27/2024) | Rmb14.00 |
| CSPC Pharmaceutical Group (1093.HK) | O (08/15/2012) | HK$8.81 |
| Dian Diagnostics Group Co Ltd (300244.SZ) | U (07/20/2026) | Rmb18.51 |
| Fosun Pharmaceutical (2196.HK) | O (09/08/2025) | HK$17.14 |
| Fosun Pharmaceutical (600196.SS) | O (09/08/2025) | Rmb21.76 |
| Guangzhou Kingmed Diagnostics (603882.SS) | U (07/08/2024) | Rmb27.16 |
| Gushengtang Holdings Ltd (2273.HK) | O (07/08/2024) | HK$27.08 |
| Hansoh Pharmaceutical Group Co Ltd (3692.HK) | O (07/16/2019) | HK$34.00 |
| Huadong Medicine Co Ltd (000963.SZ) | U (05/06/2024) | Rmb26.26 |
| Hygeia Healthcare Holdings Co., Ltd. (6078.HK) | O (07/30/2020) | HK$9.68 |
| Imeik Technology Development Co Ltd (300896.SZ) | U (01/21/2026) | Rmb88.84 |
| JD Health International Inc. (6618.HK) | E (05/28/2025) | HK$34.30 |
| Jiangsu Hengrui (600276.SS) | O (07/01/2025) | Rmb43.52 |
| Jiangsu Hengrui (1276.HK) | O (07/01/2025) | HK$45.60 |
| Jinxin Fertility Group Ltd (1951.HK) | U (07/14/2025) | HK$2.13 |
| MicroPort Scientific Corp. (0853.HK) | E (09/25/2023) | HK$6.08 |
| Mindray Bio-Medical (300760.SZ) | O (07/15/2020) | Rmb158.03 |
| Nanjing Leads Biolabs Co Ltd (9887.HK) | E (09/02/2025) | HK$54.10 |
| Peijia Medical Ltd (9996.HK) | O (06/18/2020) | HK$4.82 |
| Ping An Healthcare and Technology (1833.HK) | E (05/28/2025) | HK$5.96 |
| Shandong Weigao (1066.HK) | E (07/10/2020) | HK$3.13 |
| Shanghai United Imaging Healthcare Co (688271.SS) | E (02/21/2025) | Rmb101.51 |
| Shenzhen Edge Medical (2675.HK) | O (02/16/2026) | HK$34.32 |
| Shenzhen New Industries (300832.SZ) | O (05/28/2024) | Rmb48.97 |
| Sichuan Kelun Pharmaceutical Co Ltd (002422.SZ) | O (09/03/2026) | Rmb40.52 |
| Simcere Pharmaceutical Group (2096.HK) | E (05/16/2025) | HK$11.17 |
| Sino Biopharmaceutical (1177.HK) | O (04/09/2019) | HK$5.49 |
| Zylox-Tonbridge Medical Technology Co. (2190.HK) | O (08/05/2021) | HK$20.68 |
| **Jack Lin** | | |
| Abbisko Cayman Ltd (2256.HK) | O (11/17/2021) | HK$8.24 |
| Akeso, Inc. (9926.HK) | O (05/28/2020) | HK$90.40 |
| Duality Biotherapeutics Inc (9606.HK) | O (05/22/2025) | HK$178.20 |
| Everest Medicines Ltd (1952.HK) | E (03/15/2024) | HK$25.98 |
| HUTCHMED (China) Ltd (0013.HK) | E (05/29/2026) | HK$21.32 |
| HUTCHMED (China) Ltd (HCM.O) | E (05/29/2026) | US$13.79 |
| InnoCare Pharma Ltd (9969.HK) | O (05/29/2026) | [illegible] |
| Innovent Biologics Inc (1801.HK) | O (03/03/2026) | |
| 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) | Rmb91.91 |
| Apeloa Pharmaceutical Co Ltd (000739.SZ) | O (02/28/2025) | Rmb22.59 |
| Asymchem Laboratories. Inc (002821.SZ) | E (08/01/2025) | Rmb182.48 |
| Asymchem Laboratories. Inc (6821.HK) | E (06/06/2023) | HK$164.50 |
| Beijing Tongrentang (600085.SS) | U (11/03/2014) | Rmb23.16 |
| Beijing Tongrentang Chinese Medicine (3613.HK) | O (01/14/2015) | HK$5.84 |
| China National Accord Medicines Corp Ltd (000028.SZ) | U (07/25/2022) | Rmb19.77 |
| China Resources Pharmaceutical Group Ltd (3320.HK) | O (06/16/2022) | HK$4.27 |
| China Resources Sanjiu Medical & Pharma (000999.SZ) | O (08/30/2019) | Rmb23.84 |
| China Traditional Chinese Medicine (0570.HK) | U (01/17/2025) | HK$1.27 |
| DaShenLin Pharmaceutical (603233.SS) | O (07/25/2022) | Rmb18.22 |
| Dong E E Jiao Co. (000423.SZ) | O (05/16/2024) | Rmb46.00 |
| 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$32.56 |
| Hangzhou Tigermed Consulting (300347.SZ) | O (08/01/2025) | Rmb56.80 |
| Jiangzhong Pharmaceutical Co. Ltd. (600750.SS) | O (02/08/2024) | Rmb22.16 |
| Joinn Laboratories China Co Ltd (603127.SS) | E (06/06/2023) | Rmb43.83 |
| Joinn Laboratories China Co Ltd (6127.HK) | E (02/26/2024) | HK$22.16 |
| Jointown Pharmaceutical Group (600998.SS) | U (07/26/2021) | Rmb5.01 |
| LBX Pharmacy Chain (603883.SS) | O (03/14/2022) | Rmb12.69 |
| Medtide (3880.HK) | E (08/06/2025) | HK$19.18 |
| Nanjing King-friend Biochemical (603707.SS) | O (02/28/2025) | Rmb7.37 |
| Pharmaron (3759.HK) | O (09/25/2024) | HK$29.10 |
| Pharmaron (300759.SZ) | E (09/25/2024) | Rmb43.15 |
| Shandong Xinhua Pharmaceutical Co Ltd (000756.SZ) | U (02/28/2025) | Rmb12.73 |
| Shanghai Pharmaceutical (601607.SS) | E (08/17/2021) | Rmb16.16 |
| Shanghai Pharmaceutical (2607.HK) | O (08/17/2021) | HK$10.86 |
| Shenzhen Hepalink Pharmaceutical (002399.SZ) | U (06/16/2023) | Rmb9.42 |
| Sinopharm Group (1099.HK) | O (02/10/2023) | HK$15.03 |
| Tasly Pharmaceutical Group Co. Ltd (600535.SS) | E (07/19/2024) | Rmb13.91 |
| The United Laboratories (3933.HK) | E (06/13/2017) | HK$7.68 |
| Tofflon Science & Technology Group (300171.SZ) | E (09/11/2025) | Rmb13.79 |
| WuXi AppTec Co Ltd (603259.SS) | O (01/17/2019) | Rmb157.71 |
| WuXi AppTec Co Ltd (2359.HK) | O (01/17/2019) | HK$195.10 |
| WuXi Biologics Cayman Inc (2269.HK) | O (07/17/2017) | HK$49.94 |
| WuXi XDC Cayman Inc. (2268.HK) | O (12/22/2023) | HK$74.85 |
| Yantai Dongcheng Biochemicals Co Ltd (002675.SZ) | E (02/28/2025) | Rmb12.57 |
| Yifeng Pharmacy Chain Co Ltd (603939.SS) | O (07/25/2022) | Rmb22.61 |
| Yixintang Pharmaceutical (002727.SZ) | E (07/25/2022) | Rmb10.79 |
| Yunnan Baiyao Group (000538.SZ) | O (10/11/2021) | Rmb50.84 |
| Zhangzhou Pientzehuang Pharmaceutical (600436.SS) | U (01/21/2022) | Rmb116.60 |
| Zhejiang Hisun Pharmaceutical Co. Ltd. (600267.SS) | U (06/01/2023) | Rmb11.36 |
| Zhejiang Huahai Pharmaceutical Co. Ltd. (600521.SS) | O (06/01/2023) | Rmb16.21 |
| Zhejiang Jiuzhou Pharmaceutical Co Ltd (603456.SS) | E (02/28/2025) | Rmb15.13 |
| Zhejiang Medicine Co. Ltd. (600216.SS) | E (02/28/2025) | Rmb12.41 |

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* Historical prices are not split adjusted.

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