NOMURA

China healthcare

Global Markets Research
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EQUITY: HEALTH CARE & PHARMACEUTICALS

Overseas marketing trip takeaways

Investors we met were largely positive regarding recent developments in the China healthcare sector, driven by solid fundamentals

We met around 40 investors in the course of our overseas marketing trip in Europe and Japan over the past two weeks. The majority of these investors are generalists who showed a keen interest in the recent developments within the China healthcare sector.

AIDD, CRDMO and Biotech are the key areas of interest for them

The China healthcare sector of late has attracted increased interest from investors, partly due to their strong share price performance during the third quarter driven by upbeat fundamentals, mainly due to revenues generated from overseas businesses such as CRDMO services and out-licensing deals. Investors we met largely think that China's healthcare sector is one of the few bright spots in the China equity market, in terms of financial performance and outlook.

The fund inflows associated with "AI investment theme rotation" since June also explain the investors' increased appetite for defensive sectors such as healthcare; we also noticed increased excitement about healthcare (especially drug discovery and life sciences) potentially becoming a major frontier for AI applications. Therefore, unsurprisingly, during our marketing trip, one of the FAQs from investors was how we viewed AI development in drug discovery (AIDD). We understand this enthusiasm, considering China has made rapid strides in both AI model development and drug discovery; however, we shared our conservative view regarding this trending investment narrative: currently AI is mostly applied in the pre-clinical stage (a small portion of the entire drug development process, both in terms of time and cost) and whether AI can help identify novel targets is yet to be validated.

Regarding China CRDMO and biotech innovations which we favor as part of our key sector themes, investors in general agreed with us on the rising competitiveness of Chinese players in these two areas: some of their top-down questions included: what is the Chinese government's stance on new drug development and what are the implications of the current geopolitical situation for the life sciences sector? We updated them on the recently released 15th five-year development plan for the sector (see our report: *China healthcare - The 15th Five-Year plan for the sector released*), which highlights internationalization and innovation as the sector's key direction in the coming years. We also shared with them the positive development of cross-Pacific collaboration (see our reports: *China healthcare - News reports US considering approval of licensing deals with China...*)

Investors followed up on the current supply-demand dynamics prevalent in CRDMO, especially on the peptides front, where we believe Chinese players will capitalize on the robust global demand. Regarding the China out-licencing trend, overseas investors have become less skeptical about the quality of these assets, due to increasingly more positive clinical developments (good data readout) and signing of higher-value deals in China. They were interested to know whether this trend would be sustainable as such deals have recorded another high in 2026 (YTD), from the 2025 peak. We believe that as long as China's scientific and clinical resources remain strong, novel drug developments in the country will continue.

Wuxi Apptec and Innovent are our preferred names in the sector

We reiterated Wuxi Apptec (2359 HK/603259 CH, Buy) and Innovent (1801 HK, Buy) as our sector top picks. Investors acknowledged Wuxi Apptec's strong financial performance and competitive positioning; apart from the known geopolitical concerns, they specifically wanted to understand whether it is still a good time to add to positions (since the share price has nearly doubled YTD). We think much of Wuxi Apptec's share price gain has been driven by earnings growth rather than valuation (which remains largely stable at 20x

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forward P/E), which we believe still makes it an attractive investment case, considering we expect 2027E consensus growth would be around 20% y-y.

Many foreign investors appeared less familiar with Innovent, compared to Wuxi Apptec. Our rationale behind recommending Innovent is driven by our long-term perspective (highlighted to investors that it might see short-term pressures due to the upcoming biosimilar VBP in 4Q26), including its proven commercial capability and research efficiency (evidenced by three big out-licensing deals with MNCs during the last 12 months). We think it is one of the attractive candidates among Chinese pharmas/biotechs regarding overseas potential in coming years.

The other key issues we discussed with investors included: (1) Why did Hengrui (600276 CH/1276 HK, Buy) report such weak 2Q results (admittedly, the underlying reason is quite complex). (2) When could medical device names such as Mindray (300760 CH, Buy) see pick up in growth (we have not seen any clear signal as yet though).

Appendix A-1

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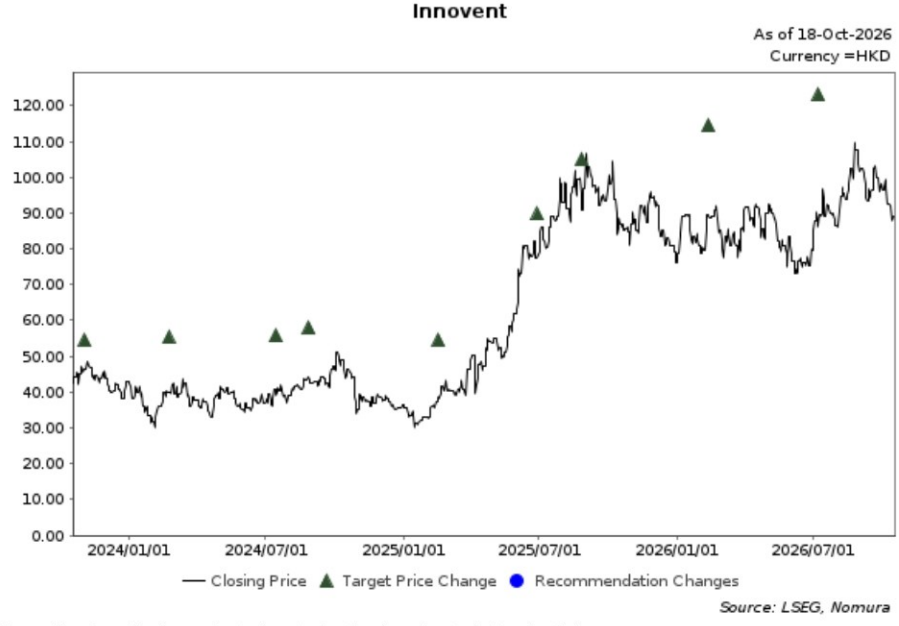
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Subject issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Innovent	1801 HK	HKD 89.05	16-Oct-2026	Buy	N/A	
Wuxi Apptec	2359 HK	HKD 196.20	16-Oct-2026	Buy	N/A	
Wuxi Apptec	603259 CH	CNY 144.30	16-Oct-2026	Buy	N/A	

Innovent (1801 HK) **HKD 89.05 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



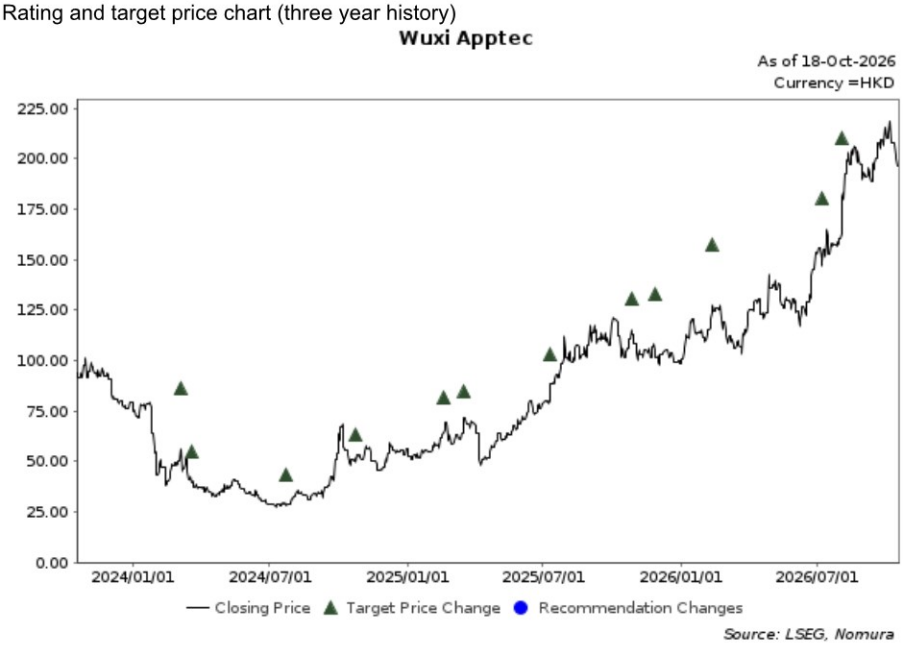
Date	Rating	Target price	Closing price
09-Jul-26		123.17	86.35
12-Feb-26		114.64	89.05
27-Aug-25		105.08	91.00
29-Jun-25		89.80	77.35
17-Feb-25		54.60	38.50
28-Aug-24		58.09	44.10
15-Jul-24		55.87	39.10
23-Feb-24		55.31	39.80
03-Nov-23		54.51	46.20

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of HKD123.17 is based on DCF model (discount back to end-2026), assuming WACC of 10.3% and a terminal growth of 4.0%. The benchmark index for the stock is Hang Seng Index.
Risks that may impede the achievement of the target price Downside risks include: (1) intensifying competition for GLP-1 drugs, (2) VBP on biosimilars and (3) IBI363 clinical development setback.

Wuxi Apptec (2359 HK) **HKD 196.20 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



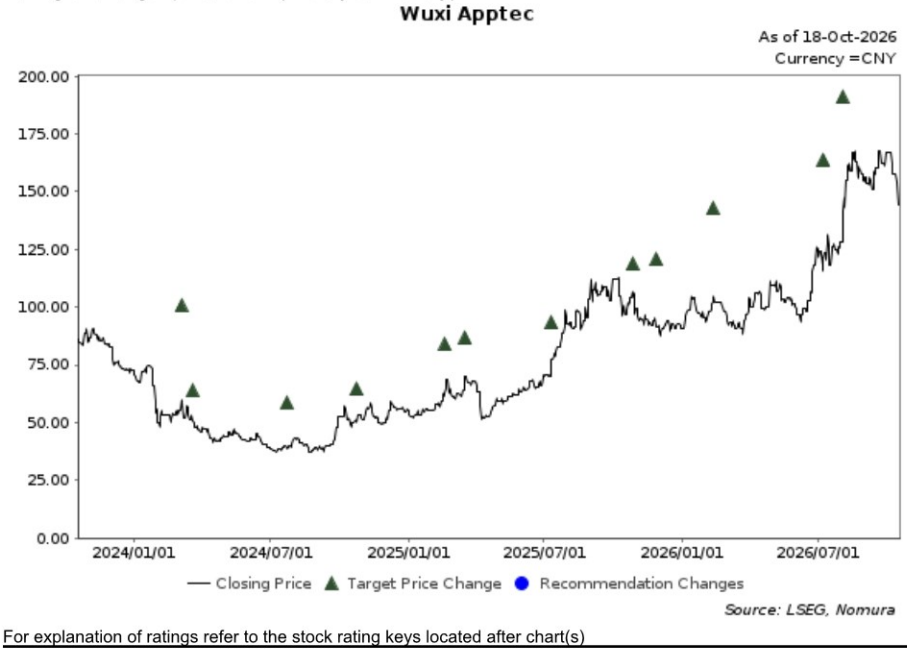
Date	Rating	Target price	Closing price
03-Aug-26		209.99	162.90
09-Jul-26		180.22	149.00
11-Feb-26		157.07	123.90
28-Nov-25		132.80	101.20
27-Oct-25		130.63	115.00
10-Jul-25		102.77	79.80
18-Mar-25		84.59	71.93
19-Feb-25		81.70	63.73
24-Oct-24		63.12	49.66
23-Jul-24		43.45	28.78
19-Mar-24		54.56	39.32
04-Mar-24		86.23	56.22

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We derive our target price of HKD209.99 based on DCF model, assuming WACC of 10.1% and terminal growth of 3.5%. The benchmark index for the stock is Hang Seng Index.
Risks that may impede the achievement of the target price Downside risks include: (1) growth slowdown due to potential higher competition or lower demand. (2) geopolitical tensions: the company was included on US Department of Defense's updated 1260H list, which it filed a law suit against

Wuxi Apptec (603259 CH) **CNY 144.30 (16-Oct-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
03-Aug-26		191.09	128.50
09-Jul-26		164.00	121.07
11-Feb-26		142.93	102.14
28-Nov-25		120.85	91.19
27-Oct-25		118.83	106.64
11-Jul-25		93.49	77.15
18-Mar-25		86.89	69.68
19-Feb-25		83.93	62.50
24-Oct-24		64.84	50.14
23-Jul-24		58.65	39.20
19-Mar-24		63.75	50.81
04-Mar-24		100.74	60.00

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value the company at CNY191.09 based on DCF model with WACC of 10.1% and terminal growth rate of 3.5%. The benchmark index for the stock is SHSZ 300.
Risks that may impede the achievement of the target price Downside risks include: (1) growth slowdown due to potential higher competition or lower demand. (2) geopolitical tensions: the company was included on US Department of Defense's updated 1260H list, which it filed a law suit against

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