

Hutchison China MediTech (Chi-Med)

Proposed listing in Hong Kong and global offering

15 April 2019

- Chi-Med has submitted an application to The Stock Exchange of Hong Kong (SEHK) to apply for its shares to be listed in its home market, on the Main Board of the SEHK, during Q319. This listing would be alongside its current listings on the AIM market in London and the NASDAQ Global Select Market in New York.
- In connection with this proposed listing, Chi-Med intends to undertake a global offering primarily to support the late-stage clinical development of its global and China pipeline and to advance its pipeline of clinical-stage drug candidates. At this stage, the size and structure of the global offering are yet to be determined.
- During the global offering, Chi-Med's majority shareholder CK Hutchison Holdings Limited will also look to reduce its shareholding from 60.2% to below 50% through the secondary sale of a portion of its shares.
- While CK Hutchison will remain a committed shareholder of Chi-Med, it believes Chi-Med needs full flexibility to pursue its own strategic goals to maximise its potential. The reduction in its shareholding will improve liquidity in Chi-Med shares, and also means Chi-Med will no longer be a consolidated subsidiary from a financial accounting perspective, so CK Hutchison would not need to consolidate losses from Chi-Med above the operating profit line.
- Associated with the offering, Chi-Med is also proposing a share split so that one share listed on AIM London will be subdivided into 10, and at the same time the ADS ratio will be altered so that each ADS will be worth 5 shares instead of 0.5 shares (i.e. the value of the ADS will be unaffected by the proposed share split).

Price (US ADS) (UK share)	\$31.20 4,750p
Market Cap	\$4.12bn £3.16bn
Exchanges	NASDAQ AIM London
Sector	Healthcare
Company codes	HCM HCM.L
Corporate client	Yes

Company description:

Hutchison China MediTech is a Hong Kong headquartered biopharma with an established Commercial Platform in China, and a diverse pipeline of first-in-class/best-in-class selective oral tyrosine kinase inhibitors (Innovation Platform). Its pipeline, discovered in-house, is in development for the China and global oncology markets.

Trinity Delta view: The additional listing of Chi-Med in Hong Kong should boost the company's liquidity, increase its access to capital, and further raise its profile in its home market. This is a timely move which makes particular sense given the progression of the company, the rapidly evolving healthcare market in China, and the new SEHK listing rules for biotech companies in Hong Kong.

Although Chi-Med has not given any indication of the size of the primary capital offering, we would estimate that it would be looking to raise in the order of \$200m to \$250m based on the company's expected cash burn over the next two years. This would allow the Chi-Med to maintain its focus on maximising the value of its broad pipeline, which currently has eight compounds in clinical development in over 30 clinical trials in China and around the world. On top of the primary raise, the secondary placement of CK Hutchison-owned shares will be c\$300m based on the current share price.

We value Chi-Med at \$4.74bn (\$35.57/ADS) or £3.65bn (£54.72/share) and with the rich news flow for 2019 and beyond, we anticipate clinical, regulatory, and commercial catalysts that will unlock further value.

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