

## Hutchison China MediTech (Chi-Med)

### Elunate (fruquintinib) secures China NRDL listing

29 November 2019

- Fruquintinib (Elunate) has been included in the latest update of the China National Reimbursement Drug List (NRDL). NRDL inclusion will broaden fruquintinib's availability and accelerate patient access across China.
- From January 1, 2020, fruquintinib will automatically be available in all state-run hospital pharmacies in China, and patients covered by NHSA (National Healthcare Security Administration) insurance schemes will be reimbursed.
- Fruquintinib was approved in third-line colorectal cancer (3L CRC) in China in September 2018 and launched in November 2018 by Chi-Med's partner Eli Lilly. From launch to end-July 2019, the drug generated \$8.3m in royalty/manufacturing revenue for Chi-Med on c\$13.1m of in-market China sales.
- Fruquintinib's NRDL listing, as an innovative Category B drug, is associated with a c64% discount to its launch price (without patient access programme, PAP). The new price is RMB 7,938 (or \$1.18k) per four week cycle.
- At launch, fruquintinib list price was RMB 21,960 (\$3.26k) per cycle (three weeks on drug, one week off). However, while reimbursement discussions were ongoing, the PAP limited the total out-of-pocket cost to a maximum of three cycles (\$9.8k) vs expected average usage of 5.5 cycles (per FRESCO data). The PAP will run to end-2019 and be superseded when fruquintinib's NRDL inclusion becomes effective.
- In China, fruquintinib is also being evaluated in the Phase III FRUTIGA trial in 2L gastric cancer, and in earlier proof of concept studies in combination with PD-1 inhibitors. A global registration trial in 3L/4L CRC will initiate in H120.

Price (US ADS) (UK share)	\$24.30 378p
Market Cap	\$3.24bn £2.52bn
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:** Inclusion of fruquintinib in the China NRDL is an important milestone for Chi-Med. It is its first novel oncology drug commercially launched in China and securing NRDL reimbursement will significantly boost market penetration in 3L CRC. NRDL listing is associated with a c64% gross (we estimate 34% net) price discount; however, this is likely to be more than offset by higher volumes, driving both manufacturing revenue and royalties from sales growth.

Elunate is currently Chi-Med's most valuable asset, contributing \$9.47/ADS or £1.46/share to our company valuation. We forecast a \$122m peak sales opportunity in China 3L CRC, and a potential \$500m-\$1bn China sales opportunity across multiple indications, with Chi-Med eligible for minimum royalties of 15%. Outside of China, Chi-Med retains full rights to the drug.

Our Chi-Med valuation is \$5.14bn (\$38.55/ADS) or £3.95bn (£5.93/share). We anticipate various clinical, regulatory, and commercial catalysts through 2020 which will unlock further value. For H120, these include interim analysis of the surufatinib China SANET-p Phase III study; China NDA filing for savolitinib in MET exon 14m/del 1L NSCLC; and initiation of US/Europe registration studies for surufatinib (neuroendocrine tumours) and fruquintinib (3L/4L CRC).

#### Analysts

##### Franc Gregori

fgregori@trinitydelta.org  
+44 (0) 20 3637 5041

##### Mick Cooper PhD

mcooper@trinitydelta.org  
+44 (0) 20 3637 5042

##### Lala Gregorek

lgregorek@trinitydelta.org  
+44 (0) 20 3637 5043

**Mick Cooper PhD CFA**

[mcooper@trinitydelta.org](mailto:mcooper@trinitydelta.org)

+44 (0) 20 3637 5042

**Lala Gregorek**

[lgregorek@trinitydelta.org](mailto:lgregorek@trinitydelta.org)

+44 (0) 20 3637 5043

**Franc Gregori**

[fgregori@trinitydelta.org](mailto:fgregori@trinitydelta.org)

+44 (0) 20 3637 5041

### Disclaimer

Trinity Delta Research Limited ("TDRL"; firm reference number: 725161), which trades as Trinity Delta, is an appointed representative of Equity Development Limited ("ED"). The contents of this report, which has been prepared by and is the sole responsibility of TDRL, have been reviewed, but not independently verified, by ED which is authorised and regulated by the FCA, and whose reference number is 185325.

ED is acting for TDRL and not for any other person and will not be responsible for providing the protections provided to clients of TDRL nor for advising any other person in connection with the contents of this report and, except to the extent required by applicable law, including the rules of the FCA, owes no duty of care to any other such person. No reliance may be placed on ED for advice or recommendations with respect to the contents of this report and, to the extent it may do so under applicable law, ED makes no representation or warranty to the persons reading this report with regards to the information contained in it.

In the preparation of this report TDRL has used publically available sources and taken reasonable efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee or warranty as to the accuracy or completeness of the information or opinions contained herein, nor to provide updates should fresh information become available or opinions change.

Any person who is not a relevant person under section of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom should not act or rely on this document or any of its contents. Research on its client companies produced by TDRL is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. The report should be considered a marketing communication for purposes of the FCA rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. TDRL does not hold any positions in any of the companies mentioned in the report, although directors, employees or consultants of TDRL may hold positions in the companies mentioned. TDRL does impose restrictions on personal dealings. TDRL might also provide services to companies mentioned or solicit business from them.

This report is being provided to relevant persons to provide background information about the subject matter of the note. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever. The information that we provide is not intended to be, and should not in any manner whatsoever be, construed as personalised advice. Self-certification by investors can be completed free of charge at [www.fisma.org](http://www.fisma.org). TDRL, its affiliates, officers, directors and employees, and ED will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

Copyright 2019 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: [www.trinitydelta.org](http://www.trinitydelta.org)