

Hutchison China MediTech (Chi-Med)

\$110m raised through ADS public offer

23 January 2020

- Chi-Med has announced that it has raised c \$110m through the issue of 4.44m American Depositary Shares (ADSs), listed on Nasdaq, at a price of \$25.00 per ADS. An additional 660k ADSs, at the same price, are to be granted to the underwriters for a 30-day option period, which could raise a further \$16.5m.
- The offer followed a book-building process led by Bank of America Securities, Goldman Sachs, and Morgan Stanley. It is expected to close on January 27, 2020.
- Following close, 22m new ordinary shares will be issued on AIM (each ADS represents five shares); after which Chi-Med's issued share capital will be 688,906,450 ordinary shares. (137,781,290 ADS equivalent).
- Chi-Med will receive all of the proceeds, net of expenses, and will use the monies to progress its extensive clinical pipeline and build up its commercialisation infrastructure.
- Hutchison Healthcare Holdings (HHHL), Chi-Med's largest shareholder (49.85%) and a subsidiary of CK Hutchison Holdings, will not take part in the offer and has agreed a 90-day lock up.
- The fund raise would allow Chi-Med to maintain its momentum in maximising the value of its broad pipeline, which currently has eight compounds in clinical development in over 30 clinical trials (both in China and around the world).

Price (US ADS)	\$25.69
(UK share)	410p
Market Cap	\$3.43bn £2.73bn
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 focused on discovering, developing and commercializing innovative targeted therapeutics and immunotherapies for the treatment of cancer and autoimmune diseases. It has a diverse pipeline of first-in-class/best-in-class selective oral tyrosine kinase inhibitors in development for the China and global markets.

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Trinity Delta view: This fund raise has been well flagged and should be welcomed. The original plan outlined in April 2019 for an additional listing in Hong Kong to raise equity finance and sell down CK Hutchison's stake (held through its HHHL subsidiary), to below the strategically important 50%, was one of several future funding options open to Chi-Med. These also included the prospect of enhanced revenues from Elunate following NRDL inclusion and near-term China approvals/launches, plus possible non-dilutive finance from non-core asset divestment. The subsequent ADS placings by CK Hutchison in June and September 2019 removed a known overhang and allowed Chi-Med to time this offer to suit its needs. Chi-Med has a sizeable clinical pipeline, generating multiple development opportunities. The funds will help expedite progress, notably with the programmes that have performed better than originally expected. We currently value Chi-Med at \$5.14bn (\$38.55/ADS) or £3.95bn (£5.93/share) pre-money, although we have flagged that recent positive developments will likely result in a review of our rNPV based model. We will also be updating our model for this raise.

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