Trinity Delta Lighthouse

Hutchison China MediTech (Chi-Med)

Progress suggests that 2020 will be a decisive year

4 March 2020

- Chi-Med reported its FY19 results and pipeline update. The Innovation Platform net loss was $133.2m (up from $104.4m in FY18). The China Commercial Platform saw consolidated sales up 7% (+11% CER) to $189m, with net income up 9% (+13% CER) to $47.4m. Group net loss was $106m (up from $74.8m). The recent $110m (net) equity raise means the cash runway extends to mid-2022 on current plans. All clinical programmes, China Oncology and Global Innovation, appear to be progressing as expected
- 2020 should be transformative for the prospects of the three leading assets, with fruquintinib availability on the China NRDL, potential NDA approval and China launch of surufatinib in non-pancreatic NET, and China NDA filings of surufatinib (pancreatic NET) and savolitinib (MET exon14/del NSCLC).
- Elunate (fruquintinib), launched by Eli Lilly in China in late-2018, posted in-market sales of $17.6m for its first full year. In January 2020, it became available through the NRDL and January/February sales were $6.6m; which suggests sales (and thus Chi-Med manufacturing and royalty receipts) are set to rise materially in its current sole indication of 3L colorectal cancer (CRC).
- Savolitinib is strengthening its position in EGFR NSCLC patients with MET driven disease who have developed resistance to first-line agents. An interim analysis of the global SAVANNAH study of the savolitinib + osimertinib (Tagrisso) combination in 2L/3L c-Met+ EGFR/T790M NSCLC, is expected in mid-2020, and is a prelude to regulatory interactions. The MET exon14/del NSCLC indication could be submitted in China within a matter of months.
- Surufatinib will be Chi-Med's first wholly owned asset approved in China, and planning for the required commercial infrastructure is well advanced. Two pivotal Phase III trials were halted early at the interim analysis due to efficacy in 2019/20. China approval for non-pancreatic NET is expected during 2020, with a sales team of 300-350 people being established. The global registration clinical trial pathway is being finalised.

Trinity Delta view: 2020 should be a decisive year as Elunate's commercial traction starts to translate into meaningful revenues, and further product launches and regulatory filings are made. The impressive success of Chi-Med's discovery programmes has generated a substantial pipeline of highly selective tyrosine kinase inhibitors (TKIs), purposefully designed to be first- or best-in-class. There are over 30 trials underway worldwide, with eight oncology programmes in development for the Chinese market (China Oncology) and five for global markets (Global Innovation). Visibility on likely launch timings should improve during the year, and efforts to replenish the earlier-stage pipeline appear very promising, with the next wave of compounds progressing well. We currently value Chi-Med at $5.21bn ($37.73/ADS) or £4.01bn (580p/share), although we will be updating our forecasts and rNPV based model following these results.

Price (US ADS) (UK share)	$24.78 380p
Market Cap	$3.42bn £2.62bn
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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