

Hutchison China MediTech (Chi-Med)

General Atlantic invests \$100m at 10% premium

25 June 2020

- General Atlantic, a global growth [equity investor](#), has invested \$100m in Hutchison China MediTech (Chi-Med) via a private placement. The new shares, in the form of 4.0m ADS (each equivalent to 5 ordinary shares) are priced at \$25.00 per ADS, a 10.4% premium to the prior 30 day volume weighted average price. The fund raise could increase to \$200m as it includes a warrant, valid for 18 months, to purchase an additional \$100m of ADS at a price of \$30.00 (a 32.5% premium to the prior average price).
- A total of 20.0m new shares (4.0m ADS) will be issued and listed on AIM in two tranches: the first, of 18.7m shares, will be admitted on 3 July and with the second, of 1.3m shares, admitted on 6 July. The total number of shares in issue will then be 710.6m. If the warrant is exercised in full, a further 16.7m shares (3.3m ADS) would be issued within 18 months.
- There are no material costs associated with the raise. The funds will be employed in their entirety for continued development of the clinical pipeline and building of the global commercial infrastructure.
- 2020 is set to be a busy year despite COVID-19. Over 30 trials are underway, with eight oncology programmes in clinical development for the China market and five for global markets. The three leading assets are progressing well.
- In China, fruquintinib is on the NRDL for mCRC, potential NDA approval and China launch of surufatinib in non-pancreatic NET is anticipated, the NDA has been accepted for savolitinib (MET exon14/del NSCLC), with NDA filing of surufatinib (pancreatic NET) expected soon. Globally, the rolling US NDA submission for surufatinib in NET will start in late-2020, and fruquintinib is expected to start enrolling the pivotal FRESCO-2 mCRC study in mid-2020.
- On a related note, earlier in June Chi-Med announced that the Guangzhou government had agreed a Land Compensation Agreement worth \$95m to cover the remaining 34 years land use rights for Plot 2. The rights belonged to Hutchison Whampoa Guangzhou Baiyunshan ("HBYS"), the 50:50 JV with Guangzhou Baiyunshan. Chi-Med is expected to receive its share (post taxes) over a period spanning H220 and H121.

Price (US ADS)	\$25.00
(UK share)	418p
Market Cap	\$3.45bn £2.88bn
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.

Trinity Delta view: The equity raise at a 10% premium is a valuable validation of Chi-Med's progress. The clinical pipeline continues to deliver, with the next wave of product candidates preparing to enter the clinic. Commercial traction in China is beginning to translate into meaningful revenues, with further product launches and regulatory filings due in the near-term. The infrastructure is being established to support the global development pipeline. Looking over the next few years, we see a number of value inflection points arising, and Chi-Med is well-funded to maintain its investment. Updating our current valuation of \$4.56bn (\$32.99/ADS) or £3.51bn (508p/share) for the new funds raised, and factoring in dilution, translates into a new Chi-Med valuation of \$4.69bn (\$33.00/ADS) or £3.61bn (508p/share). We intend to revisit our model following H120 interims in July.

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