HUTCHMED (the new name for Chi-Med)

Transitioning to a global oncology player

5 March 2021

- Hutchison China MediTech's name change to HUTCHMED unifies its corporate identity and better reflect its increasing global focus. FY20 results and pipeline update shows product and clinical momentum is maintained.
- Consolidated revenues were $228m (+11.3% on $204.9m) with Oncology/ Immunology revenues of $30.2m (from $26.8m) and Other Ventures of $197.8m (+11.1% from $178.1m). Cost of Sales rose 11.7% to $188.5m (from $160.2m) and SG&A by 15.8% to $61.3m (from $52.9m). The 26.5% increase in R&D spend ($174.8m from $138.2m), highlights progress of the 10 oncology assets, six of which are in global development. Other Items were $70.9m (from $40.4m), due to the one-time land compensation gain of $28.8m. Net Loss was $125.7m ($106.0m) vs our $132.9m forecast.
- HUTCHMED's three leading assets are performing well. In China: Elunate (fruquintinib) is gaining share as benefits of NRDL inclusion accrue and the in-house China Oncology commercial organisation drives traction; Sulanda (surufatinib) was successfully launched in January 2021 for non-pancreatic NET; and savolitinib's NDA in MET exon14/del NSCLC is under regulatory review, this would mark HUTCHMED's third approval and be the first-in-class MET inhibitor in China. Globally: surufatinib has a rolling FDA NDA and Fast Track designations for pancreatic and non-pancreatic NET; fruquintinib has FDA Fast Track for advanced CRC; and savolitinib is in multiple late-stage trials. Promising data from PD-1 combinations underpin plans for registration trials including for Sulanda + toripalimab from H221.
- The next wave of innovative products is also progressing on track. HMPL-689, arguably the best-in-class PI3Kδ, could initiate China and Global registration studies within 12 months. HMPL-523, a novel Syk inhibitor, has completed enrolment in two early-stage studies, with plans for a China Phase III in ITP in H221. HMPL-453, a highly selective FGFR 1/2/3 inhibitor, is initiating a Phase II study. HMPL-306, an innovative IDH 1&2 inhibitor, is expanding its Phase I programmes. HMPL-295, the first of several MAPK inhibitors, is entering Phase I studies.

Trinity Delta view: HUTCHMED is transitioning from a development stage company into a global commercial organisation. The successful creation of a dedicated China Oncology sales platform, now marketing two products across various indications, indicates the path for global development. FY21 guidance for oncology revenues of $110-130m (FY20: $30.2m) highlights the initial trajectory of this transition, with approval of additional assets and further indications also on the horizon. The impressive success of the in-house discovery platform has generated 10 compounds undergoing over 30 clinical trials, both as monotherapy and in combinations, in China and globally. The next waves of earlier stage assets are also progressing and appear set to maintain momentum over the longer-term. We currently value Chi-Med at $6.1bn ($41.94/ADS) or £4.7bn (645p/share), although we will be updating our forecasts and valuation following the FY20 results.

Price (US ADS)	$27.86
(UK share)	414p
Market Cap	$4.05bn £3.01bn
Exchanges	NASDAQ AIM London
Sector	Healthcare
Company codes	HCM HCM.L
Corporate client	Yes

Company description:

HUTCHMED (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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