

HUTCHMED

Baring Private Equity Asia invests \$100m

8 April 2021

- Baring Private Equity Asia ([BPEA](#)) has invested \$100m in HUTCHMED (Hutchison China MediTech) via a private placement. The new shares, in the form of 3.28m ADS (each equivalent to five ordinary shares), are priced at \$30.50 per ADS, a 7% premium over the prior close. HUTCHMED will receive the full proceeds of the placing, which will be employed for the continued development of its clinical pipeline and building the commercial infrastructure both in China and globally.
- BPEA was founded in 1997 and is one of the largest private alternative investment firms in Asia, with US\$23 billion of assets under management. It specialises in providing growth capital for expansion or acquisition, with a particular focus on the Asia Pacific region. BPEA currently has 39 portfolio companies and takes an active interest in supporting long-term growth.
- The impressive success of the in-house discovery platform has generated 10 compounds that have progressed into the clinic: both as monotherapy and, importantly, in combinations, in China and globally. The first product wave is embarking on pivotal global studies, with the next wave progressing into proof-of-concept trials. Over the course of 2021, HUTCHMED plans to initiate 8-10 registration and registration-intent studies in 2021. Two drugs - fruquintinib (Elunate), surufatinib (Sulanda) – are already marketed in China, and are set to be joined by a third (savolitinib) assuming approval later in 2021. These three leading assets all have important clinical and regulatory news flow in the next six months in HUTCHMED's home market and globally.
- Elunate and Sulanda, together with the likely approval for savolitinib, are transforming HUTCHMED's China prospects. Receipt of the first global approval decision, for surufatinib from the FDA is also possible around year-end. Commercially, Elunate is responding well to the increased promotional focus, with combined FY21 revenues for the Oncology/Immunology business (including first Sulanda sales and a savolitinib milestone) guided to \$110m-\$130m (FY20: \$30.2m). The China commercial operation is currently 420 salespeople covering 325 cities, 2,300+ hospitals, and 20,000+ physicians, and is expected to grow to c 900 employees by end-2023.

Price (US ADS) (UK share)	\$28.51 409.5p
Market Cap	\$4.00bn £3.08bn
Exchanges	NASDAQ AIM London
Sector	Healthcare
Company codes	HCM HCM.L
Corporate client	Yes

Company description:

HUTCHMED 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: This \$100m equity raise provides a useful reminder of the progress HUTCHMED is making across multiple fronts and ensures that sufficient funding is in place to maintain momentum. 2021 will see tangible signs of the value of its R&D organisation as the Oncology/Immunology commercial operations are expected to generate \$110m-\$130m in revenues. We see scope for significant upside potential from expected increased visibility for the three lead assets, both clinically and commercially, over the next six to 18 months, as well as the progress of earlier stage programmes, particularly HMPL-689 and HMPL-523. Our valuation, updated for the raise, is \$6.37bn (\$42.80 per ADS) or £4.90bn (658p/share) vs \$6.27bn (\$43.10/ADS) or £4.83bn (663p/share) previously. This is based on conservative assumptions, with the anticipation of further value uplifts as progress is achieved.

Analysts

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

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

Lala Gregorek

lgregorek@trinitydelta.org
+44 20 3637 5043

Franc Gregori

fgregori@trinitydelta.org
+44 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 publicly 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. 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 2021 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: www.trinitydelta.org