Trinity Delta Lighthouse

HUTCHMED

Strategic collaboration for Tazverik in Greater China

10 August 2021

- HUTCHMED has announced a strategic collaboration with Epizyme (NASDAQ: EPZM) to develop and commercialise Tazverik (tazemetostat) for the Greater China area. HUTCHMED will pay Epizyme $25m upfront, up to $110m in clinical and regulatory milestones (across up to eight oncology indications), and up to $175m in commercialisation milestones. Royalties on net sales in Greater China (mainland China, Hong Kong, Macau, and Taiwan) are tiered, ranging from a mid-teens to low-twenties percentage. HUTCHMED also receives a four-year warrant to acquire up to $65m of Epizyme shares at $11.50/share. The upfront and early milestone payments will come from existing cash resources, with later milestones expected to be paid out of future cash flows (including Tazverik's).
- Tazverik (tazemetostat) is a highly selective methyltransferase inhibitor of EZH2, a key regulator of cancer initiation and progression, including drug resistance and immune evasion. It was FDA approved under accelerated approval for metastatic or locally advanced epithelioid sarcoma (ES) and relapsed/refractory follicular lymphoma (FL) with the relevant EZH2 mutation. The mode of action makes it particularly attractive as part of potential therapy combinations. Epizyme is developing Tazverik across four areas including lymphomas and B-cell malignancies, mutationally defined tumours, treatment-resistant tumours, and in augmenting response to immunotherapy.
- HUTCHMED will undertake the necessary clinical trials to file for approval of tazemetostat for ES, FL, and diffuse large b-cell lymphoma (DLBCL) in Greater China. It will conduct the China element of the EZH-302 global registration R^2 (Revlimid and rituximab) combination trial in second-line FL. HUTCHMED will also conduct and fund further studies in Greater China and participate in the relevant elements of any global trial programmes. HUTCHMED will manufacture and commercialise Tazverik through its newly constructed production facilities and expanding China Oncology sales team.

Trinity Delta view: HUTCHMED's investment case rests largely on the strength and depth of its late-stage pipeline for the China and global markets as well as the next product wave of haem-oncology assets approaching registration-intent trials. To date the in-house discovery platform has generated 11 clinical-stage assets, with three products approved and marketed in China in their first monotherapy indications; the first US approval is expected in H122. Cash of c S$1.2bn means HUTCHMED has funds to invest in its in-house pipeline, its increasingly global commercial operations, and in selected external product opportunities.

Clinically and commercially, the Epizyme deal adds a highly complementary, and potentially synergistic, asset to HUTCHMED's pipeline. Potential China approval of Tazverik as monotherapy (assuming positive clinical data and regulatory review) could make it the first EZH2 inhibitor marketed in China and would accelerate the build-out of HUTCHMED's China haem-oncology sales team. Its mechanism of action and clean safety profile also lends Tazverik to exploratory combination studies with several HUTCHMED pipeline assets in multiple solid/haematological tumours.

Price (US ADS)	US$42.94
(UK share)	610p
(SEHK share)	HK$66.80
Market Cap	US$7.42bn £5.21bn HK$57.7bn
Exchanges	NASDAQ AIM London SEHK
Sector	Healthcare
Company codes	HCM HCM.L 0013.HK
Corporate client	Yes

Company description:

HUTCHMED is a Hong Kong headquartered biopharma focused on discovering, developing and commercializing innovative targeted therapeutics and immunotherapies to treat cancer and autoimmune diseases. It has a diverse pipeline of first-in-class/ best-in-class selective oral TKIs in development for the China and global markets.

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