HUTCHMED

A genuinely global R&D-driven biopharma business

3 March 2022

- FY21 results highlight the strength and breadth of the development pipeline but it is the commercial performance that demonstrates the scale of progress achieved. Since inception 20+ years ago, HUTCHMED has grown into a truly global biopharma business. There are now over 4,600 staff, of which over 1,500 are in Oncology/Immunology roles across China and the US. Eleven novel in-house compounds are progressing through trials (seven in global development), with three marketed in China and completing global registration studies. The China commercial infrastructure is performing well with c 630 oncology salespeople addressing the key 2,500 hospitals.

- Consolidated revenues of $356m (+56%, FY20: $228m) include Oncology/ Immunology sales of $119.6m (FY20: $30.2m; in line with FY21 guidance of $110-130m) and Other Ventures of $236.5m (+20%, $197.8m). Cost of Sales rose to $258.2m (from $188.5m) and SG&A to $127.1m (from $61.3m). The 71% increase in R&D spend ($299.1m from $174.8m), reflects the 13 ongoing registration trials with six oncology assets. Other Items were $133.7m (from $70.9m), due to a $82.9 one-off gain on HBYS divestment. Net Loss was $194.6m ($125.7m). End-FY21 cash was $1bn.

- Performance of the three lead assets demonstrates the momentum being generated. In China: Elunate (fruquintinib) is gaining traction with execution on an ambitious marketing strategy; Sulanda (surufatinib) is marketed for NETs of any primary tumour origin; and Orpathys' (savolitinib) launch for MET exon14/del NSCLC results in 30% royalties on AstraZeneca's net sales. Globally: surufatinib is filed for both NET forms, with launch likely in H222 subject to approval; fruquintinib's FRESCO-2 pivotal CRC trial will read out H222 (HUTCHMED owns ex-China rights); and savolitinib is completing multiple pivotal trials (HUTCHMED receives 9-18% royalties on ex-China sales). FY22 guidance is for Oncology/Immunology revenue of $160-190m.

- The next wave of innovative products is haem-oncology focused and progressing well. Amdizalisib, arguably the best-in-class PI3Kδ, received China Breakthrough Designation in September 2021 with registration studies underway. Sovleplenib, a novel Syk inhibitor, is completing China Phase III trials in ITP. HMPL-453, a highly selective FGFR 1/2/3 inhibitor, is in Phase II, while HMPL-306, an innovative IDH 1&2 inhibitor, and HMPL-295, the first of several MAPK inhibitors, are both in Phase I studies.

Trinity Delta view: Sceptics once argued that HUTCHMED's plans were too ambitious, however consistent delivery and professional execution has transitioned a promising discovery company into a global commercial organisation. The success of the China Oncology sales platform, now marketing two products across various indications, highlights the expected path for global development. The impressive historic success of the in-house discovery platform appears set to continue, with the creation of another new wave of innovative programmes. We currently value HUTCHMED at US$8.84bn (US$52.12 per ADS), £6.8bn and HK$69.0bn (802p or HK$81.30 per share).

Price (US ADS)	$26.19
(UK share)	398p
(SEHK share)	HK$41.85
Market Cap	US$4.53bn
	£3.44bn
	HK$36.18bn
Exchanges	NASDAQ
	AIM London
	SEHK
Sector	Healthcare
Company codes	HCM
	HCM.L
	0013.HK
Corporate client	Yes

Company description:

HUTCHMED is a biopharma currently focused on discovering, developing and commercializing innovative targeted therapeutics and immunotherapies for cancer and autoimmune diseases. It has a diverse pipeline of first-in-class/best-in-class selective oral tyrosine kinase inhibitors in development for China and global markets (notably the US).

Analysts

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