HUTCHMED

A sharper focus on the path to profitability

21 November 2022

- HUTCHMED has reviewed its strategic and corporate priorities considering the challenging market conditions affecting the global biopharmaceutical sector. The company has outlined a renewed focus on accelerating its path to profitability and ensuring long-term sustainability, with near-term value creation from its most advanced in-house pipeline assets at its centre. HUTCHMED is maintaining its global vision, although the ex-China commercial strategy will now primarily be achieved through partnerships.
- Fruquintinib represents a valuable ex-China partnering opportunity. Global registrations are being pursued following positive readout of the pivotal FRESCO-2 multi-regional clinical trial (MRCT) in ≥3L refractory metastatic colorectal cancer (mCRC). HUTCHMED intends to initiate a rolling US FDA filing around YE22, followed by EU and Japan filings in H123. Given the size of this indication and the prospect of approvals from H124, we view fruquintinib as a natural candidate for ex-China commercial partnership(s).
- Fruquintinib is one of three products marketed in China that are collectively expected to deliver China revenue of $160-190m for FY22. Of the other assets, a US/EU deal may also be possible for surufatinib, although regulatory requirements for a Phase III MRCT are yet to be determined and potential approval/launch timelines are further off. AstraZeneca already holds global savolitinib rights, with Phase III development progressing well.
- HUTCHMED plans to advance its next wave of haem-oncology programmes (sovleplenib, amdizalisib, tazemetostat) through registration studies and regulatory filings. However, pipeline reprioritisation will impact earlier stage assets. We currently ascribe little value to the early-stage pipeline given the limited visibility on development plans, timelines, and indications. A more detailed update on R&D and business development plans for specific assets, as well as on the progress of the organisational streamlining and redeployment is expected in due course.

Trinity Delta view: HUTCHMED has taken a pragmatic and financially disciplined approach to ensuring that the company is well positioned to exploit potential opportunities for near-term value creation despite various challenging external factors. In our view, the fundamentals of the business are sound (September 2022 Outlook) with an attractive pipeline from a partner, as well as patient, physician, and payer perspective (September 2022 Pipeline Review). HUTCHMED's focus on achieving sustainable profitability could be expedited by leveraging the commercial traction underway in China with ex-China partnerships, given the potential for a first international launch in late-2024. HUTCHMED is well funded with cash resources of c $826m at end-June 2022 and a three-plus year runway which, with these new strategic initiatives, is likely to be extended further through cost savings and potential non-dilutive financing from partners. We intend to revisit our forecasts once management discloses further details on its precise plans. Our HUTCHMED valuation is currently $5.51bn ($31.89 per ADS), £4.6bn and HK$43.1bn (531p or HK$49.83 per share).

Price (US ADS)	$10.77
(UK share)	184.2p
(SEHK share)	HK$17.36
Market Cap	US$1.94bn
	£1.63bn
	HK$15.01bn
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).

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