

## 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  $\geq 3L$  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 (sovoleplnib, 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.

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).

#### Analysts

##### Lala Gregorek

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

##### Philippa Gardner

pgardner@trinitydelta.org  
+44 (0) 20 3637 5041

**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).

**Philippa Gardner**

[pgardner@trinitydelta.org](mailto:pgardner@trinitydelta.org)  
+44 (0) 20 3637 5042

**Lala Gregorek**

[lgregorek@trinitydelta.org](mailto:lgregorek@trinitydelta.org)  
+44 (0) 20 3637 5043

**Franc Gregori**

[fgregori@trinitydelta.org](mailto:fgregori@trinitydelta.org)  
+44 (0) 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](http://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 2022 Trinity Delta Research Limited. All rights reserved.

More information is available on our website: [www.trinitydelta.org](http://www.trinitydelta.org)