Trinity Delta Lighthouse

HUTCHMED

Takeda licenses fruquintinib in $1.13bn ex-China deal

24 January 2023

- HUTCHMED has signed an exclusive licence agreement with Takeda Pharmaceutical for worldwide development and commercialisation rights to fruquintinib in all indications outside of mainland China, Hong Kong, and Macau. Deal terms include an upfront payment of $400m and up to $730m in potential future regulatory, development, and commercial milestones, plus tiered royalties on annual net sales.
- This deal aligns with HUTCHMED's financially disciplined strategy and focus on accelerating its path to profitability (November 2022 Lighthouse) in which partnerships are key to ex-China commercialisation. Takeda's international scale, expertise, and global oncology and gastro-intestinal presence, means it is an ideal partner to maximise fruquintinib's potential blockbuster opportunity in refractory metastatic colorectal cancer (mCRC) and in further indications across the US, Europe, Japan, and RoW (ex-China).
- The first marketing authorisation applications in US, Europe and Japan are expected to complete in 2023. The rolling new drug application (NDA) for fruquintinib for the treatment of ≥3L refractory mCRC has been initiated in the US and is planned to complete in H123, at which point the review clock will start. We conservatively assume an FDA approval decision during H124, based on a Standard Review, although a six-month Priority Review could be granted. Regulatory submissions to the European EMA and the PMDA in Japan will follow completion of the US filing.
- Fruquintinib (Elunate) has been marketed in China for 3L mCRC since 2018 in collaboration with partner Eli Lilly. Data for Q422 indicates it has captured a 44% market share. Elunate is one of HUTCHMED's three commercial products in China that collectively are expected to deliver China revenue of $160-190m in FY22.

Trinity Delta view: The global (ex-China) licensing deal with Takeda for fruquintinib development and commercial rights is significant on several fronts. It is the first major partnership agreement under the new strategy, providing external validation for fruquintinib, a substantial near-term opportunity ex-China. With a potential FDA approval decision in H124, fruquintinib remains on track to become the first HUTCHMED asset to be approved ex-China, thus executing a near-term deal was also key to ensure commercial success and the timing should provide partner Takeda with ample time for commercial preparations. The deal could also facilitate and potentially accelerate a broader development and commercial opportunity for fruquintinib, with HUTCHMED sharing the downstream economics, while also freeing up internal bandwidth. This, coupled with that $400m upfront payment boosting end-June 2022 cash and equivalents of >$800m, will enable more internal resources to be directed towards advancing other late-stage assets. We currently value HUTCHMED at $5.51bn ($31.89 per ADS), £4.6bn and HK$43.1bn (531p or HK$49.83 per share); we intend to revisit our forecasts once the Takeda deal closes following antitrust review and FY22 results report, likely in early-March.

Price (US ADS)	$18.35
(UK share)	297.5p
(SEHK share)	HK$27.60
Market Cap	US$3.17bn
	£2.57bn
	HK$23.86bn
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 commercialising 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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