HUTCHMED

Delivering on sharpened goals and priorities

1 August 2023

- HUTCHMED remains focused on its goal of near-term value creation and building a self-sustaining business that achieves profitability in FY25. H123 results show the twin impacts of revenue growth driven by commercial execution in China and cost reduction due to late-stage portfolio and registration study prioritisation. HUTCHMED's global partnering approach, which included the up to $1.13bn Takeda deal for global ex-China rights to fruquintinib (January 2023 Lighthouse), boosted both top and bottom lines.
- The focus Oncology/Immunology segment reported consolidated revenues of $359m (+294%, $91.1m) consisting of $100.5m (H122: $76.1m) from product sales/R&D services and $258.7m (H122: $15m) from partnering income. Total H123 revenues were $533m (+164%, H122: $202m), including Other Ventures of $173.7m (+57%, $110.9m). Portfolio optimisation reduced R&D spend by 20% to $144.6m (H122: $181.7m), while the restructuring of US operations contributed to lower SG&A of $68.3m (H122: $79.7m). Net income from Other Items of $56.9m (vs $33.9m) reflected higher interest income and FX gains. Net Income was $168.6m vs a Net Loss in H122 of $258.7m. End-H123 cash of $856m (end-FY22: $631m) includes the $400m Takeda upfront payment.
- Revenue from oncology products in China, coupled with partial recognition ($280m) of the Takeda upfront, contribute to unchanged FY23 revenue guidance of $450-550m. HUTCHMED's three approved China products - Elunate (fruquintinib), Sulanda (surufatinib), Orpathys (savolitinib) – are now all included on the NRDL and together have shown solid in-market sales growth of 16% (25% at CER), with volume growth offsetting any pricing discounts.
- HUTCHMED is also driving its pipeline, with 15+ registration/registration-intent studies in progress with seven drug candidates. Key H223 catalysts include the outcome of the FDA review of fruquintinib in advanced metastatic colorectal cancer (June 2023 Update) by or on the 30 November PDUFA goal date, and potential China NDA filings of the first haem-oncology assets, sovleplenib (a Syk inhibitor) for 2L immune thrombocytopenia (ITP) and PI3Kδ inhibitor amdizalisib in 3L follicular lymphoma, subject to positive results from ongoing registration-intent studies during H223.

Trinity Delta view: HUTCHMED's path to profitability is supported by growing traction and market share capture of its China oncology products, potential launch (by partner Takeda) of the first HUTCHMED discovered and developed drug ex-China, and a solid balance sheet. As fruquintinib is a material near-term opportunity ex-China, investors are understandably focused on its November PDUFA date, this should be followed by a European EMA decision in 2024 (Japan PDMA submission is expected this year). A second global asset, savolitinib, is completing multiple pivotal trials with potential for filing(s) in 2024. HUTCHMED is also on the cusp of first China filing(s) for its second-wave haem-oncology assets and we expect these to feature in the Q423 Capital Markets Day. Our last published valuation of US$5.5bn (US$32.01 per ADS), £4.6bn and HK$43.2bn (534p or HK$49.94 per share), does not yet reflect the interim results and business update.

Price (US ADS)	$14.07
(UK share)	223.25p
(SEHK share)	HK$23.75
Market Cap	US$2.43bn
	£1.93bn
	HK$20.57bn
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 commercialising 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.

Analysts

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

Philippa Gardner
pgardner@trinitydelta.org
+44 (0) 20 3637 5042

Philippa Gardner pgardner@trinitydelta.org
+44 (0) 20 3637 5042

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

Franc Gregori fgregori@trinitydelta.org
+44 (0) 20 3637 5041

Disclaimer

More information is available on our website: www.trinitydelta.org