HUTCHMED

FY23 results point to strong financials and fundamentals

29 February 2024

- HUTCHMED management have described 2023 as an 'exceptional year'. The company made significant progress in executing on its strategy to become sustainably profitable from FY25, and on advancing its pipeline. The latter has 15+ registration/registration-intent studies in progress with seven drug candidates, but it was the FDA approval and US launch of first global product FRUZAQLA (fruquintinib) that was the standout achievement.
- The Takeda fruquintinib deal for global ex-China rights made a major contribution to FY23 revenues. Receipt of the $400m upfront and a $35m US approval milestone (with $280m and $32m recognised in FY23, respectively) helped HUTCHMED achieve the upper end of its $450-550m FY23 Oncology/Immunology segment guidance. Impressively, FRUZAQLA generated $15.1m of in-market sales post US approval in November 2023.
- FY23 consolidated Oncology/Immunology segment revenues grew +228% CER to $528.6m (FY22: $163.8m), which included product-related revenues of $164.2m (FY22: $124.6m), R&D services of $52.4m (FY22: $24.2m), and $312m (FY22: $15m) from partnering income. In-market oncology product sales grew +35% CER to $231.6m (FY22: $167.1m). Total FY23 revenues were $838m (+102% CER, FY22: $426.4m), including Other Ventures income of $309.4m (+18%, FY22: $262.6m). End-FY23 cash was $886m, boosted by Takeda income (end-H123: $856m, end-FY22: $631m).
- Completion of several large late-stage trials and the impact of the portfolio optimisation reduced R&D expenses considerably, by 22% to $302.0m (FY22: $386.9m). Restructuring of US operations contributed to lower SG&A of $133.2m (FY22: $136.1m) despite expansion of oncology hospital and physician coverage in China. Net income from Other Items of $82.4m (vs $46.9m) reflected higher interest income on the Takeda upfront. Net income was $100.8m (FY22: Net Loss $360.8m), likely a temporary profit until FY25.
- HUTCHMED's outlook is for continued strong product revenue growth, coupled with reduced expenses. FY24 Oncology/Immunology consolidated revenue guidance is $300-$400m, driven by targeted 30-50% growth in marketed product sales and royalties.

Trinity Delta view: HUTCHMED's path to profitability continues to be supported by solid commercial execution in China, the prospect of additional approvals and launches in China and globally, and a solid balance sheet. Several pipeline assets could reach the market by 2025, including other global fruquintinib launches by Takeda (Europe and Japan regulatory decisions in advanced mCRC are anticipated in 2024); fruquintinib indication expansion in China (2L gastric cancer filed; potential 2024-25 filings for 2L EMC and 2L RCC); potential China approval of the first immunology asset sovleplenib in 2L immune thrombocytopenia (ITP) (under priority review in China), in which there is growing interest, and potential for global savolitinib filings by partner AstraZeneca in Tagrisso-refractory NSCLC around end-2024. Our last published valuation was $5.74bn/ £4.78bn/ HK$44.75bn, or $32.95/ADS and 549p/HK$51.40 per share.

Price (US ADS)	$15.21
(UK share)	244.0p
(SEHK share)	HK$24.20
Market Cap	US$2.75bn
	£2.17bn
	HK$21.08bn
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.

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