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Chi-Med posts first ever half-year pre-tax profits

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Hutchison China MediTech, the pharmaceutical and healthcare subsidiary of Hutchison Whampoa, has posted a pre-tax profit for the first time in its first-half financial results.

The Chinese firm's sales were up by 23% to $56.7 million, driven by a strong performance from its China Healthcare division, which was up by 23% to $53.1 million.

Chi-Med's drug R&D division Hutchison MediPharma reduced its operating loss by 35% to $5.2 million, benefiting from $1.9 million in consolidated revenues and $5.6 million in cash receipts from its partners Lilly and Ortho-Macneil-Janssen Pharmaceuticals, a subsidiary of Johnson & Johnson).

The R&D division's lead product HMPL-004, an oral botanical candidate for the treatment of inflammatory bowel disease, is in Phase II development. It recently completed the enrolment for a Phase IIb trial in patients with mild-to-moderate ulcerative colitis ahead of schedule.

The company now expects top line results from the trial in November as opposed to early next year as previously forecast, Chi-Med's CEO Christian Hogg told *Scrip*.

Should HMPL-004 succeed in the study, Hutchison MediPharma will look to out-license it for further development. The company wants to prove itself as a stand-alone business and to fund Phase III development would be too risky, Mr Hogg said.

Hutchison MediPharma's other clinical product HMPL-002 is currently on hold for use in non-small cell lung cancer, after missing an efficacy endpoint in a Phase II study in January.

Chi-Med will hold onto the development of the product until it receives three-year survival data that is due in two years' time.

Sales of the Baiyunshan brand of OTC medicines, including treatments for coughs, colds, angina, periodontitis and liver health, grew by 17% to $36.7 million, while prescription sales from the company's Shanghai Hutchison Pharma business were up by 40% at $13.4 million.

Chi-Med's consumer products division suffered in the half due to the weakening of the pound and euro against the dollar. Its sales dropped by 12% during the period to $1.7 million.

The group's selling expenses jumped by 27% to $19.5 million, though this was partly offset by a 13% decrease in its administrative costs to $14 million.

It posted a pre-tax profit of $317,000 for the first time since its inception, while its total loss for the period dropped by 76% to $1.2 million. Chi-Med had $39.6 million in cash and cash equivalents at the end of June, compared with $38.2 million at the end of last year.

the march of inevitability

Mr Hogg insisted that the success of Chinese companies such as Chi-Med is just the start of the country's domination over the global healthcare market.

The Chinese government recently announced its intention to invest $125 billion in Chinese healthcare over the next three years, but even before this, the country's market had grown by 20% a year for the previous 10 years.

"China's healthcare market will be the biggest in the world 20 years from now … and its current size is merely scratching the surface of what it will be in the future," Mr Hogg predicted.

And while part of this potential is due to the country's huge population and the government's intention to grow its healthcare industry, part of it is also due to China's work ethic as well as cheaper development costs. If Chi-Med had tried to build a team of 200 scientists, its current workforce size, in the UK, it would have cost it three to four times as much as in China, Mr Hogg said.

This saving has enabled Chi-Med to invest $10-15 million per year since its IPO in 2007. Since the listing, it has over-delivered on its development estimations, achieving annual growth rates higher than the 25% that it promised in 2007, he said.

Companies such as Chi-Med together with the Chinese government's backing will ensure annual growth rates of 15-20% in the country's healthcare market, he concluded.