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STOCKS NEWS EUROPE-Hutchison Chi-Med jumps on Astra deal

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Shares in Hutchison China MediTech (Chi-Med) leap 23.5 percent higher as AstraZeneca, Britain's second biggest drugmaker, strikes a global deal to co-develop a novel cancer treatment from the firm. AstraZeneca will pay Chi-Med \$20 million upfront for the global licensing, co-development and commercialisation agreement covering Volitinib -- an inhibitor of the c-Met receptor tyrosine kinase that is about to enter initial Phase I clinical tests.

Hong Kong-based Chi-Med will get up to \$120 million if the cancer drug is developed successfully, plus possible "significant" future commercial sale milestones and up to double-digit percentage royalties on net sales.

"Chi-Med's drug development business MediPharma receives a significant technological validation today, as well as demonstrating that it can contribute to the group with non-dilutive financing," says Panmure Gordon in a note.

"A global licensing deal with a Pharma major also illustrates the company's business development capability and attractiveness of its science and assets," the broker adds.

Panmure says although the up-front payment of \$20 million should be received by Chi-Med this week, it is not any making changes to its forecasts for the company at this stage because it suspects that the payment will be amortised over the duration of the development period.

"Current levels represent an attractive entry level to this stock and we re-iterate our Buy recommendation and 600 pence price target," the broker says.

To see more on the deal, please click on
Reuters messaging rm://jon.hopkins.thomsonreuters.com@reuters.net