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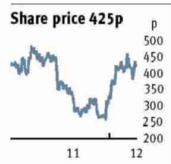
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PHARMACEUTICALS & BIOTECHNOLOGY

**HUTCHISON CHINA**  
**MEDITECH (HCM)**

## Hutchison China delivers again

**A** combination of an increase in sales of Chinese medical products and a major partnership agreement with AstraZeneca helped Hutchison China Meditech record its maiden profit last year. The \$20m (£12.5m) deal means Hutchison's drug development programme is now self-funded, but it's the sales growth of home-produced medicine that reflected the company's commercial expansion in mainland China.



Sales in the company's healthcare division climbed by 17 per cent to \$271m (£171m) last year and produced an 11 per cent higher operating profit of \$14m, as the business benefited from organic growth in nine core products, including six over-the-counter (OTC) brands. But it was sales of prescription medicines that was the key driver, with revenues here up 30 per cent to \$92.4m, reflecting the company's growing presence in China and expansion of its distribution network. Hutchison's OTC product range also posted double-digit sales growth, helped in part by acquisitions, but this unit suffered from rising raw materials costs and discounting to maintain market share.

Hutchinson now has six products in clinical trials, with two in Phase I trials and one in Phase IIb. Broker Charles Stanley expects an operating profit of \$6.7m in 2012.

**China's economy has been in sharp focus lately because of growth fears, but healthcare spending continues to rise and Hutchison China looks well-placed.**

**Buy**

Ord Price: 425p Market Value: £220m

Touch: 415-435p 12-Month High: 488p Low: 172p

Dividend Yield: nil PE Ratio: 490

Net Asset Value: 125¢\* Net Cash: \$3.6m\*\*

\*Includes intangible assets of \$23m, or 45¢ a share

\*\*Net of convertible preference shares of \$20.1m

£1=\$1.58

| Year to 31 Dec | Turnover (\$m) | Pre-tax profit (\$m) | Earnings per share (¢) | Dividend per share (¢) |
|----------------|----------------|----------------------|------------------------|------------------------|
| 2009           | 111            | -5.0                 | -17.1                  | nil                    |
| 2010           | 135            | -2.6                 | -13.3                  | nil                    |
| 2011           | 167            | 4.8                  | 1.4                    | nil                    |
| % change       | +24            | -                    | -                      | -                      |

Last IC view: Buy, 450p, 1 Aug 2011