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Hutchison China's perfect timing



Chinese-focused healthcare products group **Hutchison China MediTech (HCM)** looks like it's in the right market at the right time. That's because

the Chinese government is pushing forward a national healthcare plan that has lifted healthcare spending six-fold between 2005 and 2011 to \$89.5bn (£59bn), which is generating decent demand for Hutchison.

The healthcare division looks especially well-paced – it targets the cardiovascular and cold and 'flu markets with traditional Chinese botanical drugs, and last year net attributable profits there grew 11 per cent to \$15.5m. The drug research and development unit boasts impressive prospects, too, and has now signed major drug programmes with AstraZeneca and Nestlé Health Science. In 2012, the deal with Nestlé produced a one-off joint-venture (JV) gain of \$11.5m and the unit reported a net profit of \$2.8m. Still, the group's overall performance was hit by a \$7.2m restructuring charge at the consumer products division as Hutchison scaled down loss-making operations – so revenues there fell 9 per cent and it generated a net loss of \$3.6m.

Adjust for the JV gain and Panmure Gordon reckons Hutchison would have generated a loss per share of 8.9¢. It expects that to narrow to a loss per share of 2.77¢ in 2013, improving to positive earnings of 16.05¢ in 2014.

The shares have jumped 20 per cent since September. But Hutchison is focused on growth, has plenty of cash to support development, and analysts expect earnings growth to take off relatively quickly.

Speculative buy

Ord Price: 454p Market Value: £236m				
Touch: 450-457p 12-Month High: 455p Low: 350p				
Dividend Yield: nil PE Ratio: 52				
Net Asset Value: 136¢* Net Cash: \$23.9m				
*Includes intangible assets of \$23.9m, or 46¢ a share				
£1=\$1.52				
Year to	Turnover	Pre-tax	Earnings	Dividend

31 Dec	(\$m)	profit (\$m)	per share (¢)	per share (¢)
2008	87.0	-14.8	-35.0	nil
2009	111	-5.00	-17.1	nil
2010	135	-2.60	-13.3	nil
2011	165	6.22	4.07	nil
2012	195	10.9	13.2	nil
% change	+18	+75	+224	-
Last IC view: Buy, 455p, 10 Jan 2013				