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It's a case of glass half-full

Martin Waller Tempus



Hutchison China MediTech

The China-based pharmaceuticals developer had two announcements out yesterday and it is a moot point which is the better news.

The company sells medicines into the Chinese market, but the main interest is with its MediPharma side, which takes unproven compounds and links with Big Pharma to take these to market.

It has alliances with Nestlé and AstraZeneca, and with Janssen, part of Johnson & Johnson, to develop an anti-inflammatory drug. This partner has selected the drug to go forward into testing, which triggers a \$6 million milestone payment to Hutchison China.

This is a significant development; the company could be in line for another \$90.5 million if the drug succeeds, plus royalties thereafter.

The second announcement creates a fourth partnership — a cancer drug to be developed with Eli Lilly for the Chinese market — alone for now. This is further along in development than the Janssen compound; Hutchison China gets an upfront payment of \$4 million to \$6 million and another potential \$86.5 million, plus whatever comes in if the compound can be sold elsewhere. I doubt there is another deal imminent, but there are other

compounds within the company's portfolio in due course.

I selected the shares as one of my picks of the year because such alliances and milestone payments would provide the impetus for further positive newsflow and share price gains. They have not disappointed: they added another 37½p to 617½p, against the 415p at which I tipped them at the start of 2013. Nervous investors might think about taking a few profits, though I think the shares have further to run.