

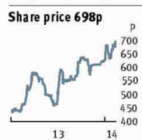
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AIM: PHARMACEUTICALS & BIOTECH

Hutchison China MediTech delivers

Full-year results from **Hutchison China MediTech (HCM)** suggest the growth story for Chinese pharmaceuticals is far from complete. Changes to accounting standards prompted a 15 per cent drop in reported pre-tax profit, although a 65 per cent rise in underlying operating profit to \$9.6m (£5.8m), and a doubling of sales helped justify the momentum behind the company's share price.



The drug development business was this year's star player, with sales of \$29.5m – nearly double what was expected.

Growth in the division was underpinned by partnerships with some of world's largest pharmaceutical companies, including AstraZeneca and Nestlé Health Science. By the end of 2013, Hutchison had received \$72m from its big-pharma partners following clinical trial triumphs for its drugs to treat cancer and inflammatory bowel disease.

The cash windfall is expected to continue, with the company expecting \$1.2bn as the drugs pass milestones in the development process.

The healthcare division had another decent year. Sales via subsidiaries and joint-venture companies grew 13 per cent to \$395m, with prescription and over-the-counter cardiovascular drug sales performing the best.

Broker Panmure Gordon expects EPS of 17¢ in 2014, up 21 per cent on 2013.

Our long-standing buy advice has paid off, with the shares up 66 per cent over the past year and now trading on 25 times expected earnings. But that rating looks justified by the growth potential both within the Chinese drugs business and the biotech research arm. HR

Buy

Ord Price: 698p Market Value: £364m

Touch: 695-700p 12-Month High: 698p Low: 434p

Dividend Yield: nil PE Ratio: 82

Net Asset Value: 171¢ Net Debt: 4.4%

Year to 31 Dec	Turnover (\$m)	Pre-tax profit (\$m)	Earnings per share (c)	Dividend per share (c)
2012	22.4	11.9	18.2	nil
2013	46.0	10.1	14.1	nil
% change	+105	-15	-23	-
Last IC view: Buy, 510p, 30 Jul 2013				£1 = \$1.66