

Client: Chi Med
Source: Evening Standard (Main)
Date: 15 May 2014
Page: 50
Reach: 805309
Size: 133cm2
Value: 8824.55

Citigate
Dewe Rogerson

Anthony
Hilton



CITY COMMENT

Chi-Med can be a drugs winner

WHEN AstraZeneca chief executive Pascal Soriot said this week that patients might suffer if Pfizer successfully bid for his company, he is widely thought in the industry to have been referring to a new cancer treatment called Volitinib, and the fact that the disruption caused by a takeover would delay and possibly even derail its progress to market.

The drug is at present under trial and unofficially – from people unconnected with AstraZeneca – the results are said to be sensational. Indeed, these observers suggest one reason Astra's initial defence against the bid was disappointing about drug developments is that the company plans a blockbuster announcement at the world-leading oncology conference scheduled to take place in Chicago at the end of this month.

Time will tell. But the observers say the trials so far have been so encouraging that Volitinib could be just 18 months away from becoming a multi-

billion-dollar asset for the company. If this is even half true, it is interesting not just for Astra but even more so for AIM-listed China MediTech, or Chi-Med, because this small company discovered Volitinib in the first place. Subsequently, it did a deal with Astra for its further development.

Any success on this score would also be a huge vindication of the long-term strategy pursued by Chi-Med chief executive Christian Hogg. Drug research requires long-term investment and stability.

To deliver this, Hogg has developed a business model whereby the profits from a 2700-strong army of sales reps

supplying drugs to hospitals across China are used to finance 250 scientists engaged in fundamental drugs research.

Now, after years of effort, the results are beginning to come through. Volitinib is one exciting prospect but the company also has deals with Nestlé over a treatment for Crohn's disease, Eli Lilly on a bowel treatment and one with Johnson & Johnson – any one of which, if successful, would transform the business.

Neither does it have to worry about Pfizer – it is already 70%-owned by Li Ka-shing's Hutchison Group.