

Hutchmed (13 HK)

China product sales under pressure amid competition

- **Full-year guidance cut amid 1H25 miss.** HCM's oncology/immunology product revenue reached US\$144mn in 1H25 (-15% YoY), only 36% of our prior full-year estimate. The miss was driven by declines in HCM's China revenue of key products: fruquintinib (-27%), savolitinib (-32%), and surufatinib (-50%), impacted by regorafenib and TAS-102 generic competition, regorafenib VBP, the launch of new NRDL-listed MET TKIs, and internal sales team transitions. Although fruquintinib's overseas in-market sales grew 25% YoY to US\$163mn, HCM recognized US\$43mn revenue from fruquintinib, nearly flat YoY. Despite these challenges, mgmt remains optimistic for 2H25, citing fruquintinib's EMC launch, second-line approval of savolitinib in MET+ EGFRm NSCLC, and the completion of sales team restructuring. Management also noted that sales bottomed in Q1, with growth resuming in Q2. Overall, HCM has lowered its full-year oncology/immunology revenue target to US\$270-350mn from US\$350-450mn. We maintain a conservative view towards the guidance, considering the flat QoQ overseas sales of fruquintinib, and continuous marketing competition in China.
- **Strong cash position to enable strategic flexibility.** HCM's robust cash balance of US\$1.37bn as of 1H25 offers significant flexibility to pursue strategic growth opportunities, including potential M&A and in-licensing deals. Despite a sales shortfall, HCM delivered a net profit of US\$455mn in 1H25, primarily driven by a US\$416mn gain from the sale of a 45% equity interest in Shanghai Hutchison. Operating expenses, including R&D and SG&A, were reduced to US\$281mn (-16% YoY). Excluding the impact of the equity sale, HCM reported an operating loss of US\$4mn in 1H25, vs US\$28mn loss in 1H24.
- **Indication expansion drives future growth.** Savolitinib is poised to become HCM's second globally commercial drug, supported by promising data from the SAVANNAH Ph2 trial, which showed a median PFS of 7.5 months for the oral, chemo-free combination with osimertinib in EGFR-TKI resistant MET+ NSCLC. Alongside the ongoing Ph3 SAFFRON trial, which is expected to complete enrollment by end-2025, these results are anticipated to support global regulatory filings. In China, an NDA for gastric cancer is expected by year-end. Meanwhile, fruquintinib gained approval for endometrial cancer in late 2024, and an NDA for renal cell carcinoma was submitted in Jun 2025. For surufatinib, Ph2 data in 1L pancreatic cancer is expected in 2H25, with Ph3 trial ongoing. Additionally, HCM expects to resubmit the NDA of soveplenib for ITP in China in 1H26, while the Company continues to explore out-licensing opportunities for the asset.
- **ATTC platform emerges as an innovation driver.** HCM is positioning its Antibody Targeted Therapy Conjugate (ATTC) platform as a core innovation focus, aiming to differentiate from traditional ADCs by utilizing targeted small molecule inhibitors in place of cytotoxic payloads. HCM plans to advance its first ATTC candidate, HMPL-A251, into clinics in China and the US in 2H25, with additional INDs for other ATTC assets in 2026. HCM also highlighted the potential for out-licensing opportunities related to this novel platform.
- **Maintain BUY.** In light of moderate 1H25 performance and the revised downward guidance, we revise our TP from HK\$34.03 to HK\$31.39 based on DCF valuation (WACC: 13.19%, terminal growth rate: 2.0%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	838	630	573	759	1,029
YoY growth (%)	96.5	(24.8)	(9.1)	32.5	35.7
Net profit (US\$ mn)	101.1	38.2	413.3	95.0	220.3
EPS (Reported) (US\$)	0.12	0.04	0.47	0.11	0.25
R&D expenses (US\$ mn)	(302)	(212)	(149)	(167)	(185)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$31.39
(Previous TP)	HK\$34.03)
Up/Downside	33.4%
Current Price	HK\$23.54

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Stock Data

Mkt Cap (HK\$ mn)	20,529.5
Avg 3 mths t/o (HK\$ mn)	249.2
52w High/Low (HK\$)	33.75/19.08
Total Issued Shares (mn)	872.1

Source: FactSet

Shareholding Structure

CK Hutchison Holdings	38.2%
Deutsche Bank Trust	12.6%

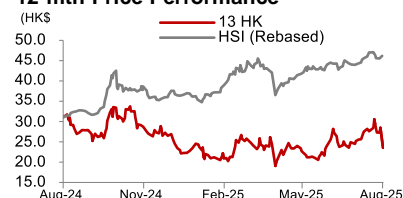
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-6.6%	-9.3%
3-mth	3.9%	-4.8%
6-mth	12.4%	-4.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Risk-adjusted DCF valuation

DCF valuation (US\$ mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	462	71	212	263	322	364	378	402	415	419	424
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	393	60	180	223	274	309	322	342	353	356	360
+ D&A	9	10	11	12	12	13	13	14	14	15	15
- Change in working capital	17	5	(45)	(53)	(19)	(24)	(20)	(8)	(11)	(5)	(1)
- Capex	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)
FCFF	401	58	128	164	249	280	297	329	339	348	356
Terminal value											3,249
PV of enterprise (US\$ mn)	2,237										
Net debt (US\$ mn)	(1,294)										
Equity value (US\$ mn)	3,531										
Equity value (HK\$ mn)	27,363										
No. of outstanding share (mn)	872										
DCF per share (HK\$)	31.39										
Terminal growth rate	2.0%										
WACC	13.19%										
Cost of equity	17.2%										
Cost of debt	4.5%										
Equity beta	1.10										
Risk-free rate	4.0%										
Market risk premium	12.0%										
Target debt to asset ratio	30.0%										
Effective corporate tax rate	15.0%										

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (HK\$)

Terminal growth rate	WACC				
	12.19%	12.69%	13.19%	13.69%	14.19%
3.0%	35.94	34.47	33.16	31.99	30.93
2.5%	35.24	33.87	32.65	31.54	30.55
2.0%	33.54	32.40	31.39	30.44	29.58
1.5%	33.08	32.00	31.02	30.13	29.31
1.0%	32.66	31.64	30.70	29.85	29.06

Source: CMBIGM estimates

Figure 3: CMBIGM estimates revision

US\$ mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	573	759	1,029	684	893	1,192	-16%	-15%	-14%
Gross profit	228	367	567	320	474	697	-29%	-23%	-19%
Operating profit	(15)	71	212	(5)	126	286	200%	-44%	-26%
Net profit	413	95	220	340	183	326	21%	-48%	-33%
EPS (US\$)	0.47	0.11	0.25	0.39	0.21	0.37	21%	-48%	-32%
Gross margin	39.88%	48.38%	55.10%	46.78%	53.08%	58.47%	-6.90 ppt	-4.70 ppt	-3.37 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimate vs consensus

US\$ mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	573	759	1,029	622	723	863	-8%	5%	19%
Gross profit	228	367	567	272	341	425	-16%	8%	34%
Operating profit	(15)	71	212	(19)	20	69	-21%	249%	207%
Net profit	413	95	220	326	58	111	27%	63%	98%
EPS (US\$)	0.47	0.11	0.25	0.37	0.06	0.10	28%	81%	142%
Gross margin	39.88%	48.38%	55.10%	43.69%	47.19%	49.20%	-3.81 ppt	+1.18 ppt	+5.90 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	426	838	630	573	759	1,029
Cost of goods sold	(311)	(384)	(349)	(344)	(392)	(462)
Gross profit	115	454	281	228	367	567
Operating expenses	(523)	(435)	(325)	(243)	(296)	(355)
Selling expense	(44)	(53)	(49)	(37)	(57)	(77)
Admin expense	(92)	(80)	(64)	(57)	(72)	(93)
R&D expense	(387)	(302)	(212)	(149)	(167)	(185)
Operating profit	(408)	18	(44)	(15)	71	212
Other income	2	13	10	0	0	0
Other expense	(14)	(8)	(5)	0	0	0
Gain/loss on financial assets at FVTPL	9	35	37	19	35	41
Other gains/(losses)	0	0	0	477	0	0
Pre-tax profit	(410)	58	(1)	481	106	253
Income tax	0	(5)	(7)	(72)	(16)	(38)
Others	50	47	46	5	5	5
Minority interest	(0)	(0)	(0)	(0)	(0)	(0)
Net profit	(360)	101	38	413	95	220

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	840	1,097	1,067	1,594	1,676	1,889
Cash & equivalents	313	284	154	702	789	952
Account receivables	98	117	156	136	124	164
Inventories	57	50	50	50	56	67
Financial assets at FVTPL	318	603	682	682	682	682
Other current assets	54	43	25	25	25	25
Non-current assets	190	183	208	151	164	177
PP&E	76	100	92	101	109	116
Deferred income tax	15	15	12	12	12	12
Investment in JVs & assos	74	48	78	13	18	23
Other non-current assets	24	19	25	25	25	25
Total assets	1,029	1,280	1,274	1,745	1,840	2,066
Current liabilities	691	403	377	434	434	439
Short-term borrowings	0	31	23	23	23	23
Account payables	71	36	43	39	39	44
Tax payable	1	3	2	2	2	2
Other current liabilities	619	333	309	370	370	370
Non-current liabilities	39	133	126	126	126	126
Long-term borrowings	18	48	59	59	59	59
Obligations under finance leases	5	3	4	4	4	4
Deferred income	0	69	48	48	48	48
Other non-current liabilities	15	13	14	14	14	14
Total liabilities	729	536	502	560	560	565
Share capital	86	87	87	87	87	87
Capital surplus	1,497	1,522	1,518	1,518	1,518	1,518
Retained earnings	(971)	(871)	(833)	(420)	(326)	(106)
Other reserves	(2)	(8)	(12)	(12)	(12)	(12)
Total shareholders equity	610	731	760	1,173	1,267	1,487
Minority interest	27	13	12	12	13	13
Total equity and liabilities	1,029	1,280	1,274	1,745	1,840	2,066

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(410)	58	(1)	481	106	253
Depreciation & amortization	9	8	12	9	10	11
Tax paid	0	(5)	(7)	(72)	(16)	(38)
Change in working capital	57	72	(59)	17	5	(45)
Others	76	85	56	0	0	0
Net cash from operations	(269)	219	0	435	105	181
Investing						
Capital expenditure	(37)	(33)	(18)	(18)	(18)	(18)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	316	(285)	(79)	0	0	0
Others	17	27	1	61	0	0
Net cash from investing	297	(291)	(96)	43	(18)	(18)
Financing						
Dividend paid	(26)	(9)	(1)	0	0	0
Net borrowings	(9)	62	6	0	0	0
Proceeds from share issues	0	5	1	0	0	0
Share repurchases	(48)	(9)	(36)	0	0	0
Others	(0)	0	0	0	0	0
Net cash from financing	(83)	49	(31)	0	0	0
Net change in cash						
Cash at the beginning of the year	378	313	284	154	702	789
Exchange difference	(9)	(6)	(3)	0	0	0
Cash at the end of the year	313	284	154	632	789	952
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	19.7%	96.5%	(24.8%)	(9.1%)	32.5%	35.7%
Gross profit	17.8%	293.3%	(38.0%)	(18.8%)	60.7%	54.6%
Operating profit	na	na	na	na	na	198.1%
Net profit	na	na	(62.2%)	982.9%	(77.0%)	132.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	27.0%	54.1%	44.6%	39.9%	48.4%	55.1%
Operating margin	(95.6%)	2.2%	(6.9%)	(2.6%)	9.4%	20.6%
Return on equity (ROE)	(45.1%)	15.1%	5.1%	42.8%	7.8%	16.0%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(1.0)	(1.1)	(1.0)	(1.1)	(1.1)	(1.0)
Current ratio (x)	1.2	2.7	2.8	3.7	3.9	4.3
Receivable turnover days	77.2	46.8	78.9	78.9	78.9	78.9
Inventory turnover days	54.2	50.8	52.7	52.7	52.7	52.7
Payable turnover days	65.9	51.0	41.2	41.2	41.2	41.2
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	25.3	68.0	6.3	27.6	11.9
P/B	4.0	3.4	3.3	2.2	2.0	1.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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