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Hutchison China MediTech

FY14 results update

FY14 results highlight the opportunities

Pharma & biotech

The next 12-18 months should be the defining period as Hutchison China MediTech transitions into a fully-fledged pharmaceutical business. Solid FY14 results confirm the continuing growth at China Healthcare, with the infrastructure largely in place to commercialise the flow of products due over the medium term. The pipeline at the MediPharma R&D unit is still progressing well, with material clinical results due during the coming year. We are raising our valuation from $1,477m (1,818p a share) to $1,634m (2,012p a share), with further uplifts likely if pipeline progress continues.

Year end	Revenue ($m)	PBT* ($m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/13	46.0	11.0	17.0	0.0	N/A	N/A
12/14	91.8	7.8	8.7	0.0	N/A	N/A
12/15e	157.0	11.3	15.3	0.0	N/A	N/A
12/16e	186.5	15.1	18.8	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments. 2012 results reflect the IFRS 11 restatement.

MediPharma's clinical pipeline in the spotlight

The MediPharma R&D unit is starting to add significant value as the clinical pipeline progresses. There are seven programmes undergoing a total of 16 clinical trials, of which 10 have been deemed Breakthrough Therapy indications. The two lead compounds, fruquintinib and savolitinib (AZD6094), are on track for their first New Drug Applications (NDA) in 2016, with other programmes set to report important trial results during 2015. The rising visibility on the pipeline's commercial potential and reducing risk profiles translate into higher contributions in our rNPV models.

China Healthcare growing faster than the market

China Healthcare FY14 revenues (unconsolidated) grew by 29% from $394.6m to $509.4m, with Shanghai Hutchison Pharmaceuticals sales rising by 12% from $138.2m to $154.7m and Hutchison Baiyunshan (including distribution products) up 19% from $252.5m to $300.8m. The recently-formed Hutchison Sinopharm third-party products unit posted maiden sales of $50.2m and is set to grow further following the commercialisation contracts won for Merck Serono's Concor and AstraZeneca's Seroquel. Operating profit increased by 19% from $48.1m to $57.2m, with net attributable profit up 21% from $18.6m to $22.6m. China Healthcare has restructured its sales operations in preparation for further third-party prescription drug sales contracts and the expected flow of MediPharma products.

Valuation: Increased to $1,634m (2,012p a share)

Updating our sum-of-the-parts model for the FY14 results and the progress in the R&D pipeline sees our valuation rising from $1,477m (1,818p a share) to $1,634m (2,012p a share), excluding property windfalls. We value MediPharma using an rNPV at $942m (1,160p a share); placing China Healthcare on a peer rating gives $648m (797p per share), with Consumer Products adding $39m (48p a share). Assuming progress in the R&D pipeline continues as expected, we should see further material uplifts in our valuation.

5 March 2015

Price	**1,350p**
Market cap	**£717m**
	$1.53/£
Net debt ($m) at Dec 2014	2.1m
Shares in issue	53.1m
Free float	30.9%
Code	HCM
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	0.8	(7.4)	64.6
Rel (local)	(0.5)	(11.2)	62.2
52-week high/low		1,530p	750p

Business description

Hutchison China MediTech is a primarily China-based healthcare group focused on researching, developing and selling pharmaceuticals and health-related consumer products.

Next events

Various clinical trial results	Q2/Q315
H115 results	July 2015
Licensing deals	Before end-2015

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Exhibit 1: Hutchison MediPharma's key revenue opportunities

Project/partner	Mechanism	Status/notes
Small-molecule validated target		
Fruquintinib (HMPL-013)/Eli Lilly	VEGFR inhibitor	Fruquintinib is an oral small molecule that is highly selective for VEGFR 1, 2 and 3 with high potency at low doses. Encouraging results from Phase I studies in breast, colorectal (CRC) gastric and non-small cell lung cancer (NSCLC). Overall response rate of 38% (46% in 4mg/day group) compares well with current VEGFR inhibitors. PFS in NSCLC of 5.9 mths and in CRC 6.0 mths. Phase Ib study had median PFS of 5.3 months, with 62% overall survival at nine months. Phase II (PoC) and III (registration) studies in CRC due to read-out in H115 and late-2016. Ph II (PoC) NSCLC study read-out in mid-2015. Ph Ib study with paclitaxel in gastric cancer initiated in Q414. If these programmes confirm activity, it will be submitted for Chinese approval in 2016 and likely developed for global markets. In Oct 2013 Eli Lilly signed a deal to co-fund development for the Chinese market, worth up to $86.5m in upfront fees and milestones, with tiered royalties (initially mid-teens), with an option for global development.
Sulfatinib (HMPL-012)	VEGFR/FGFR	Sulfatinib selectively inhibits VEGFR and FGFR (fibroblast growth factor receptors). Preclinical results show a higher potency than existing VEGF drugs, with promising activity in hepatocellular carcinoma, colorectal and breast cancer. Highest activity in neuroendocrine tumours (NET). Phase I results confirmed preliminary anti-tumour activity and well tolerated up to 300mg daily. 2013 reformulation has demonstrated good safety, PK and strong efficacy in NET – overall response in 32% with 100% disease control. China Phase Ib initiated in Q414 and Ph III (registration) study due to start end-2015. US NET studies are in preparation for H215 start. Sulfatinib is to be partnered for non-China markets.
Epitinib (HMPL-813)	EGFR	Epitinib is a highly potent oral small molecule inhibitor of EGFR. Results from a Phase I study in 19 patients with NSCLC or breast cancer showed it was well tolerated at doses of up to 160mg daily. Unlike currently available EGFR inhibitors, epitinib can cross the blood-brain barrier and reach effective concentrations. 30-40% of glioblastoma have EGFR-activating mutations. The continuing Phase I studies will examine glioblastoma patients (both primary and secondary). The study initiated in Q414 and is expected to enrol c 30 patients. A positive outcome could suggest a global clinical programme.
Theliatinib (HMPL-309)	Wild-type EGFR	Theliatinib is an oral small molecule EGFR inhibitor that has shown potent preclinical activity against tumours with EGFR-activating mutations and those without (known as wild-type). Clinical activity against wild-type tumours could address a significant cancer population. Data so far shows that while MTD has not yet been reached, theliatinib has achieved effective plasma concentrations. Safety and PK results are good and dose escalation is continuing. Phase Ib studies in wild-type EGFR tumours are expected to begin in Q115. A positive outcome would suggest global development.
HMPL-689	PI3K delta	PI3K delta activation is associated with many diseases in allergy, inflammation and oncology, and has become a proven target for B-cell malignancies. HMPL-689 is a novel PI3K delta inhibitor being evaluated as a best-in-class agent with improved isoform selectivity, potency and PK properties. Differentiated by sparing PI3K gamma and being materially more potent on the whole-blood level. If results are confirmed (we still value this as a higher-risk project), Phase I trials could start in late-2015.
Small-molecule novel target		
Savolitinib (formerly known as Volitinib or HMPL-504) partnered with AstraZeneca (AZD6094)	Selective c-Met	Savolitinib is an oral small molecule that targets the c-Met signalling pathway (also known as hepatocyte growth factor receptor, HGFR). Savolitinib promising Phase I (Australia) results (ASCO June 14). A Phase I/II trial started in China in June 2013 ($5m milestone). Encouraging results in PRCC (papillary renal cell carcinoma) drove a global Phase II study that started in May 14 (another $5m milestone) and reports end-15. A Phase I/II study in NSCLC in combination with AZD9291 initiated in August 2014. Six Phase Ib/II in other tumour types will be underway in Q115. AstraZeneca has raised savolitinib's profile and is guiding to possible launches as early as 2017. AstraZeneca paid an initial $20m in December 2011 for savolitinib, with up to $120m in development milestones, unspecified commercial milestones and double-digit royalties on sales. AstraZeneca will fund global development and share costs for development in the Chinese market.
HMPL-523	SYK	SYK (spleen tyrosine kinase) activates signals within B-cells and its suppression may modulate autoimmune diseases. HMPL-523 is in a clinical programme evaluating sizeable markets such as rheumatoid arthritis (RA), multiple sclerosis and lupus. It may also have utility in certain cancer types. A Phase I dose study (in Australia) began in mid-14, with linear PK and no safety issues to date, is expected to conclude mid-2015. Fostamatinib (AZ's first-in-class compound) reported disappointing results in pivotal RA Phase III trials in June 2013. Likely to be out-licensed globally post-Phase I results.
HMPL-453	Selective FGFR	The FGF signalling pathway is increasingly implicated in tumour genesis and drug resistance. A number of small molecule FGFR inhibitors are in early-stage development with greater selectivity being the goal. Phase I trials expected to start in mid-2015 (likely in Australia), with a partner sought from mid-2016. AstraZeneca is working in this field with AZ4547 (which entered Phase III for gastric cancer in 2014), although the evidence and commercial potential is rated as low.
Janssen	Novel inflammation target	This novel kinase is the lead candidate from a collaboration with Janssen (part of J&J) initiated in June 2010 in inflammation and immunology. A $6m development milestone was triggered in October 2013, with additional milestones of up to $90.5m payable (plus royalties) on successful progress to market.
Botanicals multi-target		
HMPL-004/Nestlé Health Sciences (NSP)	Ulcerative colitis and Crohn's disease	HMPL-004 is andrographolide, an oral anti-inflammatory derived from a herb used extensively in China. Identified through targeted screening, it works on a number of inflammatory pathways (both cytokine- and interleukin-mediated). Global Phase III registration trials (NATRUL 3, 4, & 5) for UC underway. NATRUL 3 compares 1,800mg/day and 2,400mg/day vs placebo in 420 patients. The NATRUL 3 eight-week induction study started in April 2013 and the NATRUL 4 52-week maintenance study started in July 2013. An interim analysis of NATRUL 3 in August 2014 produced surprising results, potentially due to poor patient selection criteria distorting the placebo arm. Nutrition Science Partners (NSP) is a 50:50 JV with Nestlé, funded by the initial capital injection and milestones on clinical progress.

Source: Hutchison China MediTech, Edison Investment Research

Update: Progress across all business units

The solid FY14 results, coupled with the upbeat statement, highlight the progress that Hutchison China MediTech is achieving, particularly in China Healthcare and MediPharma. Hutchison China MediTech has two inter-linked pharmaceutical businesses, as well as a small consumer operation:

- **Hutchison MediPharma**, the research and development unit. It researches oral small molecules for both the global and domestic Chinese markets;
- **China Healthcare**, which has a 3,000 sales person commercial platform marketing and supplying prescription and over-the-counter (OTC) products across China; and
- **Consumer Products**, which is developing a range of health related products across Asia.

Hutchison MediPharma

Hutchison MediPharma is the R&D unit that discovers and develops innovative drugs for both the global and the domestic Chinese markets using a three-pronged approach:

- compounds that are either first-in-class or best-in-class are to be developed in collaboration with a multinational partner to target global markets (eg savolitinib with AstraZeneca);
- compounds with best-in-class potential, but that ultimately may not be sufficiently differentiated or superior to current class leaders, are developed, at a lower cost, for the domestic Chinese market either alone or in collaboration (eg fruquintinib with Eli Lilly); and
- botanical products, which exploit the rich source of pharmacologically active compounds provided by TCM that target global markets (eg the Nutrition Science Partners joint venture with Nestlé Health Science).

Hutchison MediPharma is entering a particularly interesting period as a number of projects are at key points in the development process, where success should result in material value creation. There are seven programmes in clinical trials, of which five address a variety of cancers targeting both the domestic Chinese and the global markets. One of these, fruquintinib, is partnered with Eli Lilly for China; while savolitinib is partnered with AstraZeneca for global markets, with the remaining three as yet unpartnered. A fourth collaboration, with Janssen (part of Johnson & Johnson), has a drug candidate in the latter stages of preclinical development. The updated pipeline status is detailed in Exhibit 1 above.

The benefits of carrying out a major part of the clinical development in China is highlighted by the rapid enrolment of the required 71 patients (from April to August 2014) in the **fruquintinib** Phase II proof-of-concept study (PoC) in colorectal cancer (CRC). This means the data read-out is expected in H115, with initial indications suggesting a high probability of success. The high confidence led to the 420-patient Phase III registration trial starting recruitment in December 2014, which is now due to complete in early-2016 (suggesting a possible first launch in late-2017). The non-small cell lung cancer (NSCLC) PoC trial is expected to complete enrolment of its 90 patients shortly, with read-out in Q2/315. These should trigger development milestones from Eli Lilly and could lead to the taking-up of the option for global development.

AZD6094 (savolitinib) continues to progress well, with eight indications being studied. The most advanced is papillary renal cell carcinoma (PRCC), where there are no approved treatments currently. The global Phase II trial started in May 2014 and is due to complete in mid-2015 and report by year end. The target of submitting for US approval during 2016 is on track, suggesting a first launch in 2017 is feasible. AZD6094 is also being studied alone and in combination with other agents for NSCLC and gastric cancers.

Phase I trials in China have shown that **sulfatinib** has highly promising activity in neuroendocrine tumours (NET). The Objective Response Rate (ORR) in 22 patients who achieved greater than

30% tumour shrinkage was 32%, with 100% Disease Control Rate (meaning no progression of disease) in 17 patients who remain evaluable. A US IND has been submitted, with a bridging study due to start in early-2015, which suggests a US Phase II PoC trial can start in H215. A Phase III registration study is scheduled to start in China by year end.

HMPL-523 is a Syk inhibitor being evaluated for a range of auto-immune indications such as rheumatoid arthritis (RA) and lupus. The Phase I study in Australia has now successfully dosed nine patient cohorts and is expected to complete during 2015. We believe the clinical package to date has generated a deal of partnering interest and this, coupled with costs of the extensive development programmes that would be required, suggests HMPL-523 will be out-licensed earlier rather than later. The size of the potential addressable markets (the global RA market is forecast to be worth around $38bn in 2017) implies a sizeable deal could arise during the next 12-18 months.

HMPL-689 is a PI3K delta inhibitor being developed for a broad range of indications, including various haematological malignancies. It is highly selective and spares PI3K gamma, thereby minimising the immune suppression seen with AbbVie/Infinity's duvelisib.

China Healthcare

Sales within China Healthcare's operations grew by 29% from $394.6m to $509.4; of which own-products consisted of $409.5m (up 19%) and the increasingly important third-party drug distribution and commercialisation business was $99.9m (from $51.6m). Operating profit increased by 18.9% from $48.1m to $57.2m. Attributable net profit rose by 21% from $18.6m to $22.6m. China Healthcare now has around 3,000 salespeople covering the 600 largest cities in China, of which circa 1,700 are focused on cardiovascular prescription products. The AstraZeneca deal to commercialise Seroquel in China allows the creation of an emerging detailing capability in CNS. The historic performance and our forecasts are detailed in Exhibit 2.

Exhibit 2: China Healthcare

Year-end 31 December ($m)	2011	2012	2013	2014	2015e	2016e	2017e	2018e
Hutchison Baiyunshan (HBYS)	159.9	178.2	200.8	251.2	281.8	315.2	353.1	395.4
OTC distribution (NYGB/HBYS)	11.4	50.5	51.6	49.7	56.4	63.2	70.4	77.7
Shanghai Hutchison Pharmaceuticals (SHPL)	92.4	116.5	138.2	154.7	173.7	199.7	229.7	266.4
Hutchison Sinopharm (HSP)	-	-		50.2	109.4	131.3	157.6	197.0
Hutchison Healthcare (HHL)	7.3	5.3	4.0	3.6	4.0	4.4	4.8	5.3
Turnover	**271.0**	**350.5**	**394.6**	**509.4**	**625.3**	**713.8**	**815.6**	**941.8**
% change	17.2%	29.3%	12.6%	29.1%	22.8%	14.2%	14.3%	15.5%
Operating profit/loss	**36.2**	**40.9**	**48.1**	**57.2**	**61.0**	**70.3**	**83.0**	**97.6**
Operating margin	13.4%	11.7%	12.2%	11.2%	9.8%	9.9%	10.2%	10.4%
% change	11.5%	12.9%	17.6%	18.9%	6.6%	15.3%	18.1%	17.5%
Attributable profit	**14.0**	**15.5**	**18.6**	**22.6**	**26.0**	**30.0**	**35.4**	**41.8**
% change	10.2%	10.7%	20.0%	21.3%	15.3%	15.2%	18.1%	18.1%

Source: Hutchison China MediTech, Edison Investment Research. Note: HHL is 100%-owned and HSP is 51%-owned; both are consolidated in the group accounts. HBYS and SHPL are 50%-owned, but not consolidated in the accounts.

Over the past two years the commercial infrastructure has been strengthened by the creation of GSP (Good Supply Practice) units that are licensed to sell and distribute third-party products. During 2014 the sales teams were reorganised and trained to sell a broader range of products, including Merck Serono's Concor (beta-blocker), AstraZeneca's Seroquel (anti-psychotic), and six products for Shanghai Pharmaceuticals. The margins on these third-party products approach those achieved on China Healthcare's existing own product portfolio. These sales teams will be used to commercialise the MediPharma pipeline products in China when they are approved.

The organic growth over the past five years has led to manufacturing capacity constraints and two new large-scale factories are under construction. The Shanghai Hutchison Pharmaceuticals (SHPL) factory is on a 78,000m^2 plot some 40km south of Shanghai (cost of c $90m), while the Hutchison Baiyunshan (HYBS) facility is on a 230,000m^2 site in Bozhou, Anhui (cost of c $40m). Both facilities are scheduled to be ready by the end of 2015 and have more than three times the current capacity.

The compensation payments for the existing SHPL factory site should be close to the new factory cost, while those for the HYBS sites are estimated to be around $200-220m. If such values were realised it would result in material windfall profits, but we have not included these in our forecasts.

Consumer Products

Consumer Products is a small division and consists mainly of early-stage businesses that also tap into the growing consumer trend towards healthy living and capitalise on exploiting synergies with the broader Hutchison Whampoa group. FY14 revenues grew by 6% from $12.5m to $13.2m, with Hutchison Hain Organic sales rising by 14% from $10.2m to $11.5m. The net attributable profit swung from a net loss of $1.9m to a profit of $1.3m. Our forecasts for the Consumer Products division are detailed in Exhibit 3.

Exhibit 3: Consumer products

Year-end 31 December ($m)	2011	2012	2013	2014	2015e	2016e	2017e	2018e
Hutchison Hain	6.5	8.3	10.2	11.5	13.8	16.6	20.0	23.9
Other	1.1	1.9	2.3	1.7	1.8	2.1	2.6	3.1
Turnover	**7.6**	**10.2**	**12.5**	**13.2**	**15.6**	**18.8**	**22.6**	**27.0**
% change	46.2%	34.2%	22.5%	5.9%	18.0%	20.2%	20.1%	19.8%
Operating profit/loss	**(0.8)**	**(1.3)**	**0.1**	**0.6**	**1.0**	**1.4**	**1.7**	**2.3**
Discontinued operations	(2.6)	(7.2)	(2.0)	2.0				
Minority interests	(0.6)	(1.7)	(0.6)	1.3	0.4	0.5	0.7	1.0
Attributable profit	**(2.8)**	**(6.8)**	**(1.3)**	**1.3**	**0.6**	**0.9**	**1.0**	**1.3**

Source: Hutchison China MediTech, Edison Investment Research

Valuation

Historically, the investment case hinged on the prospects for the China Healthcare division as it tapped into one of fastest-growing healthcare markets in the world. However, progress across a number of pipeline projects means the R&D unit should increasingly add material value over the coming year. Assuming the clinical programmes deliver as expected, the investment thesis shifts significantly and will be driven by MediPharma's developments.

Hutchison China MediTech's business diversity means the best approach is a sum-of-the-parts valuation (Exhibit 4). We use earnings-based multiples for China Healthcare, a risk-adjusted NPV model for MediPharma, and a simple sales multiple for the consumer businesses. Updating the model results in our valuation rising from $1,477.3m (1,818.4p a share) to $1,627.5m (2,003.2p a share) – ex-property windfall. The major part of the increase is attributable to the progress seen in the MediPharma clinical pipeline as programmes advance and visibility increases.

Exhibit 4: Sum-of-the-parts valuation

Business unit	Method	New value ($m)	New value per share (p)	Previous value ($m)	Previous value per share (p)
Hutchison MediPharma	rNPV	942.1	1,159.6	864.7	1,064.4
China Healthcare	P/E multiple	647.8	797.4	582.7	717.2
Consumer products	Sales multiple	39.1	48.1	37.5	46.2
Net debt/cash end 2015e		5.4	6.7	(7.6)	(9.4)
Hutchison China MediTech total		**1,634.4**	**2,011.7**	**1,477.3**	**1,818.4**

Source: Edison Investment Research Note: $1.53/£.

Our NPV model values the MediPharma clinical projects at $942.1m (1,159.6p a share). We believe this will be the business unit that is likely to add yet more value over the coming 12 months as the tyrosine kinase inhibitors maintain their clinical progress. Using a 24.9x multiple (in line with the sector average for comparable domestic Chinese companies) on China Healthcare's 2015 forecast net attributable profit results in a valuation of $647.8m (797.4p per share). Consumer Products is still a developing business and we have used a simple 2.5x sales multiple of 2015 forecast sales to

give $39.1m (48.1p a share). When the group net cash (FY15e) has been taken into account, the result is our valuation of $1,634.4m (2,011.7p a share).

Hutchison MediPharma contributes the largest element (see Exhibit 5) with our risk-adjusted DCF-based calculation of the clinical projects alone giving a value of $942.1m (equivalent to 1,159.6p a share). The quickly progressing tyrosine kinase inhibitors continue to add most value, notably fruquintinib (HMPL-013) and savolitinib (HMPL-504). However, the incremental increases in our revised valuation have seen contributions from sulfatinib, HMPL-523, and HMPL-689, as the developments discussed earlier are factored in. Additionally, a post-hoc analysis of the NATRUL-3 results suggests that the trial failure was possibly due to poor patient selection criteria, which resulted in a higher than expected placebo-arm response. Consequently HMPL-004 may still have a role and we have, conservatively, adjusted our success probabilities upwards as a result.

Exhibit 5: Hutchison MediPharma rNPV valuation

	Launch timings	Peak sales ($m)	Success probability (%)	rNPV ($m)	rNPV (p)
HMPL-004	2018	500	12	29.1	35.8
Sulfatinib (HMPL-012)	2017	750	30	110.7	136.3
Fruquitinib (HMPL-013)	2017	850	60	274.1	338.4
Epitinib (HMPL-813)	2018	600	18	53.4	65.7
Theliatinib (HMPL-309)	2018	550	11	30.0	36.9
Savolitinib (HMPL-504)	2017/8	2,150	42	409.9	504.7
HMPL-689	2020	300	3	2.9	3.6
HMPL-523	2018	1,500	12	58.0	71.4
				969.0	**1192.7**
R&D costs				(26.9)	(33.1)
				942.1	**1159.6**

Source: Edison Investment Research. Note: $1.53/£.

Looking ahead, it is the partnered programmes (savolitinib with AstraZeneca and fruquintinib with Eli Lilly) that we believe offer the prospect of potentially meaningful newsflow over the coming 12 months, with sulfatinib (HMPL-012) and SYK (HMPL-523) programmes that could also add significant incremental value.

Financials

FY14 results were ahead of our expectations, boosted by the level of the operating margin at China Healthcare and the recognition of a clinical milestone at MediPharma. As a result we have revisited our model, with the revisions resulting in an increase in FY16 and FY17 consolidated Group revenues of 18% and 20%, with operating profit up 6% and 3% respectively.

The financial position at group level remains solid, with FY14 cash of $51.1m offset by short-term borrowings of $26.3m and long-term borrowings of $26.9m. In addition, there is a total of $77.0m (December 2014) in cash and cash equivalent balances and $22.6m in debt held at the joint venture (JV) level, which is being used to fund the construction of the two new large-scale factories. The expenditure on the manufacturing facilities at JV level was $50.2m during FY14, resulting in a net cash outflow of $43.8m. The cost of the Shanghai Hutchison Pharmaceuticals factory is expected to be c $90m in total and the Hutchison Baiyunshan facility around $40m. Both are on track to complete construction, receive GMP certification and start commercial production by end-2015. The property compensation for relinquishing the current Shanghai premises should be close to $90m and is progressing to plan, while the Guangzhou compensation is expected to be $200-220m but has run into issues with the local government that are being negotiated.

Exhibit 6: Financial summary

US$'000s	2013	2014	2015e	2016e	2017e	2018e
Year end December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	45,970	91,813	157,016	186,456	221,933	269,268
Cost of Sales	(22,208)	(72,049)	(116,412)	(137,174)	(165,303)	(213,063)
Gross Profit	23,762	19,764	40,604	49,282	56,630	56,205
R&D	(12,237)	(13,285)	(26,800)	(33,300)	(39,800)	(30,800)
S,G&A	(11,312)	(12,112)	(15,173)	(17,496)	(20,724)	(25,213)
Share of JV associates	10,937	15,202	14,255	18,336	22,872	25,762
EBITDA	13,481	10,630	14,386	18,422	20,578	27,554
Operating Profit (before amort. and except.)	12,518	9,365	12,886	16,822	18,978	25,954
Intangible Amortisation	(963)	(1,265)	(1,500)	(1,600)	(1,600)	(1,600)
Exceptionals	0	0	0	0	0	0
Operating Profit	11,555	8,100	11,386	15,222	17,378	24,354
Net Interest	(1,485)	(1,516)	(1,549)	(1,762)	(1,664)	(1,480)
Profit Before Tax (norm)	11,033	7,849	11,337	15,060	17,314	24,474
Profit Before Tax (FRS 3)	10,070	6,584	9,837	13,460	15,714	22,874
Tax	(1,050)	(1,343)	(1,600)	(2,000)	(2,200)	(2,600)
Discontinued operations	(1,978)	2,034	0	0	0	0
Minority interests	(1,127)	(1,901)	(1,600)	(3,100)	(3,500)	(4,000)
Net income (norm)	8,856	4,605	8,137	9,960	11,614	17,874
Net income (FRS 3)	5,915	5,374	6,637	8,360	10,014	16,274
Average Number of Shares Outstanding (m)	52.1	53.1	53.1	53.1	53.1	53.1
EPS - normalised (c)	17.0	8.7	15.3	18.8	21.9	33.7
EPS- normalised fully diluted (c)	17.0	8.7	15.3	18.8	21.9	33.7
EPS - IFRS (c)	11.4	10.2	12.5	15.7	18.9	30.6
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	51.7	21.5	25.9	26.4	25.5	20.9
EBITDA Margin (%)	29.3	11.6	9.2	9.9	9.3	10.2
Operating Margin (before GW and except.) (%)	27.2	10.2	8.2	9.0	8.6	9.6
BALANCE SHEET						
Fixed Assets	118,633	124,808	127,879	134,726	146,316	159,010
Intangible Assets	407	2,619	2,619	2,619	2,619	2,619
Tangible Assets	6,536	8,918	11,333	13,845	16,561	19,494
Investments including JV	111,690	113,271	113,926	118,263	127,135	136,897
Current Assets	67,034	94,130	99,697	104,848	107,007	114,339
Stocks	1,420	4,405	5,405	5,984	6,447	6,818
Debtors	16,766	37,009	34,079	33,658	33,121	32,492
Cash	46,863	51,125	58,622	63,615	65,848	73,438
Other	1,985	1,591	1,591	1,591	1,591	1,591
Current Liabilities	(78,434)	(69,185)	(69,625)	(68,825)	(67,925)	(66,725)
Creditors	(4,163)	(20,427)	(20,427)	(20,427)	(20,427)	(20,427)
Short term borrowings	(51,508)	(26,282)	(26,282)	(26,282)	(26,282)	(26,282)
Other	(22,763)	(22,476)	(22,916)	(22,116)	(21,216)	(20,016)
Long Term Liabilities	(18,363)	(54,864)	(56,464)	(59,564)	(63,064)	(67,064)
Long term borrowings	0	(26,923)	(26,923)	(26,923)	(26,923)	(26,923)
Other long term liabilities	(18,363)	(27,941)	(29,541)	(32,641)	(36,141)	(40,141)
Net Assets	88,870	94,889	101,486	111,185	122,334	139,560
CASH FLOW						
Operating Cash Flow	4,034	11,700	11,012	8,144	5,778	11,741
Net Interest	0	(1,191)	2,000	1,960	1,921	1,882
Tax	(1,181)	(908)	(1,600)	(2,000)	(2,200)	(2,600)
Capex	(2,500)	(3,729)	(3,915)	(4,111)	(4,317)	(4,533)
Acquisitions/disposals	0	(689)	0	0	0	0
Financing	7	2,801	0	0	0	0
Dividends	0	0	0	0	0	0
Other	2,000	(5,362)	0	1,000	1,050	1,100
Net Cash Flow	2,360	2,622	7,497	4,993	2,232	7,591
Opening net debt/(cash)	7,015	4,645	2,080	(5,417)	(10,410)	(12,643)
HP finance leases initiated	0	0	0	0	0	0
Other	(27)	(57)	0	0	0	(0)
Closing net debt/(cash)	4,682	2,080	(5,417)	(10,410)	(12,643)	(20,233)

Source: Hutchison China MediTech accounts, Edison Investment Research. Note: 2012 results reflect the IFRS 11 restatement.

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