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Hutchison China MediTech

Company update

R&D progress results in valuation uplift

Pharma & biotech

The long standing investment case for China Healthcare remains in place as it taps into the growing domestic demand for healthcare. However, it is the progress in the MediPharma R&D unit that has resulted in our raising our valuation substantially, from $1,021m to $1,477m (1,154p to 1,818p a share). Assuming this progress in the clinical pipeline continues as expected, we should see further material uplifts in valuation. The next 12-18 months could be the defining period as Hutchison China MediTech transitions into a fully-fledged pharmaceutical business.

Year end	Revenue ($m)	PBT* ($m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/12	22.4	1.9	1.7	0.0	N/A	N/A
12/13	46.0	11.0	17.0	0.0	N/A	N/A
12/14e	81.5	(2.2)	(8.1)	0.0	N/A	N/A
12/15e	130.3	11.7	16.0	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.

China Healthcare a key element of the valuation

The prospects for the China Healthcare division remain attractive as it taps into one of the fastest growing healthcare markets in the world. Despite periodic economic and political uncertainties, the commercial opportunities in China are compelling. Demographics, rising living standards and supportive government initiatives mean that demand for healthcare in China is set to continue outpacing other markets.

Solid progress across MediPharma's clinical pipeline

The progress being achieved across the clinical pipeline means the MediPharma R&D unit is starting to add significant value, as detailed in our previous note. The results from across the tyrosine kinase-based oncology clinical programmes are encouraging, suggesting useful clinical utility and attractive safety profiles. These result in higher valuations as the greater visibility on the commercial potential and reducing risk profiles translate into higher contributions in our rNPV models.

Property profits more than fund capacity expansion

The appreciation in land values has benefited China Healthcare's production sites, which are now in prime residential locations. The growth in production volumes and tighter regulations in China mean new, larger and modern factories are needed. Fortunately, the compensation formulae mean these property windfalls should be more than sufficient to fund the building of dedicated manufacturing facilities.

Valuation: Increased to $1,477m (1,818p a share)

Updating our sum-of-the-parts model for the progress in the R&D pipeline sees our valuation rising from $1,021m (1,154p a share) to $1,477m (1,818p a share), excluding property windfalls. We value MediPharma, using an rNPV, at $865m (1064p a share); placing China Healthcare on a peer rating gives $583m (717per share); with Consumer Products adding $38m (46p a share). Continued progress in the R&D pipeline should see further material uplifts in our valuation.

20 January 2015

Price	**1,323p**
Market cap	**£702m**
	$1.53/£
Net cash ($m) at June 2014	1.0
Shares in issue	53.1m
Free float	29.6%
Code	HCM
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(5.2)	21.9	94.5
Rel (local)	(5.9)	16.0	100.8
52-week high/low	1,530p		633p

Business description

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

Next events

FY14 results	February 2015
Various clinical trial results	Q2 15
H115 results	July 2015
Licensing deals	Unknown

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Update: MediPharma R&D unit is coming to the fore

Previously the investment case for Hutchison China MediTech was largely supported by the China Healthcare division; however, as expected, the progress in MediPharma's development pipeline means the valuation is increasingly driven by the prospects for this division. Updating our rNPV model for the latest clinical newsflow results in raising our valuation from $1,021m (1,154p a share) to $1,485m (1,828p a share). Assuming the clinical programmes continue to deliver as expected, even to our conservative forecasts, we see potential for further uplifts in valuation.

Hutchison China MediTech is essentially a holding company with three distinct business units:

- **Hutchison MediPharma**, the research and development unit. It researches oral small molecules for both the global and domestic Chinese markets;
- **China Healthcare**, which comprises of the prescription and over-the-counter (OTC) commercial operations in China; and
- **Consumer Products**, which is developing a range of healthy living products across Asia.

In each unit there are a number of joint ventures, which is a typical structure in the Chinese domestic market. Historically, the joint ventures were consolidated in the group accounts on a proportional basis, but the IASB rule change (IFRS 11) means two of the largest (Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan) are now treated as equity investments, with the consolidated attributable net profit reported in the accounts. Operationally nothing changed, with Hutchison China MediTech continuing to exercise day-to-day control of these joint ventures. However, this does mean it is more difficult to appreciate the size of the revenues China Healthcare generates and, in turn, the marketing and distribution infrastructure that is now in place.

Hutchison MediPharma

Hutchison MediPharma is the R&D unit that discovers and develops innovative drugs for both the global and 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).

The updated status of the MediPharma pipeline is detailed in Exhibit 1 overleaf.

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 five programmes in clinical trials for a variety of cancers targeting both the domestic Chinese and 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 that is in pre-clinical development.

We expect continued newsflow on the pipeline, including Phase II data, over the next 12-18 months.

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 and shows high potency at low doses. Encouraging results from Phase I studies in breast, colorectal, gastric and non-small cell lung cancer (NSCLC). Overall response rate of 38% (46% in 4mg/day group) compares well with current VEGFR inhibitors. Progression-free survival in NSCLC was 5.9 months and in colorectal cancer 6.0 months. Results from a Phase Ib study showed median PFS of 5.3 months, with 62% overall survival at 9 months. Phase II and III studies in CRC were initiated in Q2 and Q414 respectively. A Phase II study in NSCLC was also initiated in in Q214, with a Phase Ib continuation study in gastric cancer initiated in Q414. If the Phase II/III programmes confirm activity, it will be developed for global markets. In October 2013 Eli Lilly signed a deal to co-fund development for the Chinese market. This is worth up to $86.5m in upfront fees and milestones, with tiered royalties (initially mid-teens) on net sales.
Sulfatinib (HMPL-012)	VEGFR/FGFR	Sulfatinib is an oral small molecule that 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, as well as colorectal and breast cancer. Phase I results confirmed preliminary anti-tumour activity and showed it was well tolerated up to 300mg daily. 2013 reformulation has demonstrated good safety, PK and strong efficacy, particularly in neuro-endocrine tumours (NET) – overall response in 29.4% with 100% disease control. A China Phase Ib initiated in Q414 and US NET studies are in preparation for mid-2015 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.
Small-molecule novel target		
Savolitinib (formerly known as Volitinib or HMPL-504) partnered with AstraZeneca (AZ6094)	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 has very promising Phase I (in Australia) results (presented at ASCO in June 2014). 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 2014 (another $5m milestone). 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-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 that is being evaluated as a best-in-class agent with improved isoform selectivity, potency and PK properties. If results are encouraging (we view this as a higher-risk project), the IND submission could be in H215.
HMPL-523	SYK	SYK (spleen tyrosine kinase) is involved in activating signals within B-cells and its suppression might modulate autoimmune diseases. HMPL-523 is the lead candidate in a preclinical inflammation programme evaluating it in rheumatoid arthritis (RA), multiple sclerosis and lupus. It may also have utility in certain cancer types. A Phase I single ascending dose study (in Australia) began in mid-14 and has so far shown linear PK and no safety issues It is expected to conclude in Q115. Fostamatinib (AZ's first-in-class compound) reported disappointing results in pivotal RA Phase III trials in June 2013.
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 disappointing results. In light of this outcome, the future pathway for HMPL-004 has yet to be clarified. 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

China Healthcare

Our investment thesis for Hutchison China MediTech has centred on the prospects for China Healthcare and, to a large extent, this still remains the case. The commercial opportunities in mainland China are compelling. Despite the periodic economic and political uncertainties, per capita income continues to rise, which with supportive government policies (improving healthcare is a strategic priority and state medical insurance schemes such as the Urban Employees Resident and Rural Cooperative Medical schemes are being improved), results in a disproportionate increase in healthcare demand. China Healthcare taps directly into this growth potential. Over the past 12 years, It has built a broad OTC and Rx (prescription-only drugs) TCM distribution network that reaches across China. The aim is to continue building this sizeable sales and manufacturing infrastructure to harness the considerable opportunities that currently exist.

China Healthcare's operations consist of two pharmaceutical TCM joint ventures and a much smaller health and infant nutrition business, together with a drug distribution and marketing JV.

- **Hutchison Baiyunshan** (HBYS) is a 50/50 joint venture with Guangzhou Baiyunshan that is principally focused on OTC TCM.
- **Shanghai Hutchison Pharmaceuticals** (SHPL) is a 50/50 joint venture with Shanghai Pharmaceuticals and focuses on prescription TCM.
- **Hutchison Sinopharm** (HSP) is a joint venture with Sinopharm, China's largest distributor of pharmaceutical and healthcare products, which is 51% owned (and so consolidated).
- **Hutchison Healthcare** (HHL) is a small wholly-owned infant nutritional business, mainly selling supplements under the Zhi Ling Tong brand.

Our forecasts for the China Healthcare division are detailed in Exhibit 2. We use conservative assumptions throughout. For instance, we forecast China Healthcare's underlying revenue growth at 14-15% pa over the next five years.

Exhibit 2: China Healthcare

Year-end 31 December ($m)	2011	2012	2013	2014e	2015e	2016e	2017e	2018e
Hutchison Baiyunshan (HBYS)	159.9	178.2	200.8	247.0	277.1	310.0	347.1	388.8
OTC distribution	11.4	50.5	51.6	48.0	54.5	61.0	68.0	75.0
Shanghai Hutchison Pharmaceuticals (SHPL)	92.4	116.5	138.2	155.0	174.0	200.1	230.1	264.0
Hutchison Sinopharm (HSP)	-	-		48.0	85.0	107.0	133.8	166.6
Hutchison Healthcare (HHL)	7.3	5.3	4.0	3.5	3.9	4.2	4.7	5.1
Turnover	**271.0**	**350.5**	**394.6**	**501.5**	**594.4**	**682.3**	**783.7**	**899.6**
% change	17.2%	29.3%	12.6%	27.1%	18.5%	14.8%	14.9%	14.8%
Operating profit/loss	**36.2**	**40.9**	**48.1**	**50.0**	**58.0**	**67.1**	**77.1**	**88.0**
Operating margin	13.4%	11.7%	12.2%	10.0%	9.8%	9.8%	9.8%	9.8%
% change	11.5%	12.9%	17.6%	4.1%	16.0%	15.5%	14.9%	14.2%
Attributable profit	**14.0**	**15.5**	**18.6**	**22.0**	**25.3**	**29.2**	**33.5**	**38.4**
% change	10.2%	10.7%	20.0%	18.4%	15.1%	15.1%	14.9%	14.6%

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

Hutchison China MediTech's property assets have benefited from an appreciation in land values as both the existing HBYS and SHPL manufacturing sites are in what have become prime residential locations. For instance, HBYS owns use rights to 86,100m^2 of land that has a book value of $5.3m (as of December 2013), with SHPL owning 58,000m^2 of land with a book value of $3.6m. Clearly auction values will vary, but recent transactions suggest the value of the HBYS sites is around $200m, with current policy meaning that Hutchison China MediTech's share of the proceeds would be around $80m. The SHPL site is further behind and so values are less certain. Were such values realised, the compensation would comfortably pay for the required expansion of the production capacities for both businesses and leave a potentially sizeable windfall profit. We have not included these windfalls in our forecasts.

Consumer Products

Consumer Products consists mainly of early stage businesses that also taps into the growing consumer trend towards healthy living and capitalises on exploiting synergies with the broader Hutchison Whampoa group. Consumer Products is formed of three operating units:

- Hutchison Hain Organic is a joint venture with Hain Celestial. The natural and organic foods proposition is still in its infancy in Asia, but it is expected to develop over the coming decade.
- Sen was a small wholly-owned beauty care business based on botanical products.
- There is also a wholly-owned distribution business that opportunistically sells non-organic health related products through the existing Asian distribution network.

Our forecasts for the Consumer Products division are detailed in Exhibit 3.

Exhibit 3: Consumer Products

Year-end 31 December ($m)	2011	2012	2013	2014e	2015e	2016e	2017e	2018e
Hutchison Hain	6.5	8.3	10.2	11.5	13.4	16.1	19.3	23.2
HCP	1.1	1.8	1.8	1.3	1.6	1.9	2.3	2.7
Sen	0.0	0.1	0.5	0.3	0.0	0.0	0.0	0.0
Turnover	**7.6**	**10.2**	**12.5**	**13.1**	**15.0**	**18.0**	**21.6**	**25.9**
% change	46.2%	34.2%	22.5%	4.6%	14.8%	20.2%	20.1%	19.8%
Operating profit/loss	**(0.8)**	**(1.3)**	**(0.5)**	**0.5**	**0.8**	**1.1**	**1.5**	**2.0**
Discontinued operations	(2.6)	(7.2)	(2.0)	1.8				
Minority interests	(0.6)	(1.7)	(0.6)	1.3	0.4	0.5	0.7	1.0
Attributable profit	**(2.8)**	**(6.8)**	**(1.9)**	**1.0**	**0.4**	**0.6**	**0.8**	**1.0**

Source: Hutchison China MediTech, Edison Investment Research

Valuation

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 and applying current exchange rates results in our valuation rising from $1,020.7m (1,153.6p a share) – ex-property windfall – to $1,484.9m (1,827.8p a share). 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	864.7	1,064.4	487.1	550.5
China Healthcare	P/E multiple	582.7	717.2	505.4	571.1
Consumer products	Sales multiple	37.5	46.2	35.6	40.2
Net debt end 2014e		(7.6)	(9.4)	(7.3)	(8.2)
Hutchison China MediTech total		**1,477.3**	**1,818.4**	**1,020.7**	**1,153.6**

Source: Edison Investment Research

Using a 23.0x 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 $582.7m (717.2p per share). Our NPV model values the MediPharma clinical projects at $864.7m (1,064.4p 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. Consumer Products is still a developing business and we have used a simple 2.5x sales multiple of 2015 forecast sales to give $37.5m (46.2 p a share). When the group net debt has been netted out, the result is our valuation of $1,477.3m (1,818.4p 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 $864.7m (equivalent to 1,064.4p a share). Clearly, it is the quickly progressing tyrosine kinase inhibitors that have added most value, notably fruquintinib (HMPL-013) and savolitinib (HMPL-504), with more expected as clinical data are presented over the next 12 months. The partnered programmes (savolitinib with AstraZeneca and fruquintinib with Eli Lilly) offer the prospect of potentially meaningful news flow over the coming 12 months. Sulfatinib (HMPL-012) and SYK (HMPL-523) are programmes that could add significant incremental value. For instance, we have raised our rNPV for savolitinib and sulfatinib (from 91p and 36p to 504p and 117p respectively) as early clinical feedback suggests both are likely to have utility in a number of additional cancers.

The encouraging results seen with savolitinib in a number of cancers, including PRCC (papillary renal cell carcinoma), were again highlighted by AstraZeneca in its recent R&D day and will be examined in a number of global Phase II/III combination studies. The added reassurance from AstraZeneca and its broad development programme leads us to raise our success probabilities from 18% to 42%, with the peak sales forecast up from $1,250m to $2,150m. Despite the upgrade in our valuation from 91p to 504p, we are maintaining a conservative stance and have not included the possibility that savolitinib could achieve a break-through therapy designation for PRCC and could be approved rapidly (on the basis of a relatively small Phase II trial).

Exhibit 5: Hutchison MediPharma rNPV valuation

	Launch timings	Peak sales ($m)	Success probability	rNPV ($m)	rNPV (p)
HMPL-004	2017	500	5%	12.4	15.3
Sulfatinib (HMPL-012)	2018	750	26%	95.1	117.1
Fruquitinib (HMPL-013)	2017	850	60%	242.0	297.8
Epitinib (HMPL-813)	2017	600	18%	54.5	67.1
Theliatinib (HMPL-309)	2017	550	11%	30.7	37.7
Savolitinib (HMPL-504)	2017/8	2,150	42%	409.2	503.7
HMPL-689	2020	300	2%	1.9	2.4
HMPL-523	2018	1,000	9%	37.0	45.5
				882.8	1,086.6
R&D costs				(18.1)	(22.3)
				864.7	1,064.4

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

The effect of the de-risking of clinical projects as they progress into the later stages is highlighted by the increase in fruquintinib (we increase our likelihood of success from 35% to 60%) as it moves into Phase III trials, which, when combined with greater visibility on the sales potential (we raise our peak sales estimates from $450m to $850m), results in the rNPV rising from 80p to 298p.

Later stage projects generally have a higher current value as these have been de-risked through the standard stages of clinical development, which include establishing proof-of-concept (generally Phase II) and then efficacy confirmed in a large Phase III programme. Even modest success in these elements of the development pipeline should result in further material uplifts in our valuation.

Financials

For 2014, we expect group revenues to be $81.3m, boosted by the sales of the newly-formed Hutchison Sinopharm (this 51% joint venture is consolidated) and MediPharma revenues of $16.9m but conscious of the fact that milestone payments are subject to timing (the phasing of such payments clearly have a material effect on the reported figures). We expect China Healthcare sales to rise by 27.1% to $501.5m as this business continues to grow strongly. We forecast the operating line to show a loss of around $2.2m, with China Healthcare's contribution of $22m effectively offset by the increased R&D spend in MediPharma, with a reported pre-tax loss of $3.7m and attributable net loss of $3.8m.

Exhibit 6: Financial summary

US$'000s	2012	2013	2014e	2015e	2016e	2017e	2018e
Year end December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue	22,367	45,970	81,475	130,316	157,726	185,140	227,677
Cost of Sales	(12,754)	(22,208)	(65,058)	(97,545)	(119,828)	(142,166)	(153,267)
Gross Profit	9,613	23,762	16,417	32,771	37,898	42,973	74,410
R&D	(11,900)	(12,237)	(15,750)	(18,000)	(22,700)	(26,800)	(26,800)
S,G&A	(13,578)	(11,312)	(12,404)	(14,543)	(16,354)	(18,489)	(19,332)
Share of JV associates	17,147	10,900	10,319	12,985	17,040	21,017	22,422
EBITDA	4,561	13,481	822	14,713	17,484	20,301	52,299
Operating Profit (before amort. and except.)	3,061	12,518	(678)	13,213	15,884	18,701	50,699
Intangible Amortisation	(1,500)	(963)	(1,500)	(1,500)	(1,600)	(1,600)	(1,600)
Exceptionals	11,476	0	0	0	0	0	0
Operating Profit	13,037	11,555	(2,178)	11,713	14,284	17,101	49,099
Net Interest	(1,160)	(1,485)	(1,525)	(1,522)	(1,604)	(1,494)	(1,292)
Profit Before Tax (norm)	1,901	11,033	(2,203)	11,691	14,281	17,207	49,407
Profit Before Tax (FRS 3)	11,877	10,070	(3,703)	10,191	12,681	15,607	47,807
Tax	(1,116)	(1,050)	(1,600)	(1,600)	(2,000)	(2,200)	(2,600)
Discontinued operations	(7,221)	(1,978)	2,000	0	0	0	0
Minority interests	98	(1,127)	(500)	(1,600)	(3,100)	(3,500)	(4,000)
Net income (norm)	883	8,856	(4,303)	8,491	9,181	11,507	42,807
Net income (FRS 3)	3,638	5,915	(3,803)	6,991	7,581	9,907	41,207
Average Number of Shares Outstanding (m)	51.9	52.1	53.1	53.1	53.1	53.1	53.1
EPS - normalised (c)	1.7	17.0	(8.1)	16.0	17.3	21.7	80.6
EPS- normalised fully diluted (c)	1.7	17.0	(8.1)	16.0	17.3	21.7	80.6
EPS - IFRS (c)	7.0	11.4	(7.2)	13.2	14.3	18.7	77.6
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)	43.0	51.7	20.1	25.1	24.0	23.2	32.7
EBITDA Margin (%)	20.4	29.3	1.0	11.3	11.1	11.0	23.0
Operating Margin (before GW and except.) (%)	13.7	27.2	-0.8	10.1	10.1	10.1	22.3
BALANCE SHEET							
Fixed Assets	115,142	118,633	114,777	115,419	119,753	128,208	136,221
Intangible Assets	400	407	407	407	407	407	407
Tangible Assets	4,842	6,536	7,661	8,917	10,211	11,650	13,241
Investments including JV	109,900	111,690	106,709	106,094	109,135	116,151	122,573
Current Assets	44,600	67,034	67,543	75,942	81,413	85,467	121,509
Stocks	1,600	1,420	2,420	3,420	2,584	1,916	1,381
Debtors	11,100	16,766	19,248	21,033	19,197	17,529	15,994
Cash	30,800	46,863	43,890	49,504	57,646	64,037	102,148
Other	1,100	1,985	1,985	1,985	1,985	1,985	1,985
Current Liabilities	(35,607)	(78,434)	(49,945)	(50,345)	(49,545)	(48,645)	(47,445)
Creditors	(3,183)	(4,163)	(4,163)	(4,163)	(4,163)	(4,163)	(4,163)
Short term borrowings	(10,892)	(51,508)	(24,608)	(24,608)	(24,608)	(24,608)	(24,608)
Other	(21,532)	(22,763)	(21,174)	(21,574)	(20,774)	(19,874)	(18,674)
Long Term Liabilities	(53,510)	(18,363)	(45,763)	(47,363)	(50,463)	(53,963)	(57,963)
Long term borrowings	(26,923)	0	(26,900)	(26,900)	(26,900)	(26,900)	(26,900)
Other long term liabilities	(26,587)	(18,363)	(18,863)	(20,463)	(23,563)	(27,063)	(31,063)
Net Assets	70,625	88,870	86,612	93,652	101,157	111,067	152,321
CASH FLOW							
Operating Cash Flow	(10,207)	4,071	(304)	7,920	10,076	8,659	40,920
Net Interest	(800)	0	0	2,000	1,960	1,921	1,882
Tax	(400)	(1,181)	(1,600)	(1,600)	(2,000)	(2,200)	(2,600)
Capex	(4,600)	(2,500)	(2,625)	(2,756)	(2,894)	(3,039)	(3,191)
Acquisitions/disposals	(6,500)	0	0	0	0	0	0
Financing	600	7	1,556	0	0	0	0
Dividends	0	0	0	0	0	0	0
Other	2,000	2,000	0	50	1,000	1,050	1,100
Net Cash Flow	(19,907)	2,397	(2,973)	5,614	8,142	6,391	38,112
Opening net debt/(cash)	(12,769)	7,015	4,645	7,618	2,004	(6,138)	(12,529)
HP finance leases initiated	0	0	0	0	0	0	0
Other	123	(27)	0	0	0	0	0
Closing net debt/(cash)	7,015	4,645	7,618	2,004	(6,138)	(12,529)	(50,640)

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

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