HUTCHMED (China) (13 HK)

1H26: Satisfactory Results, New Wave Of Product Approvals To Fuel Growth

BUY (Maintained)

Share Price	HK$17.95
Target Price	HK$26.00
Upside	+44.8%

Highlights

- HUTCHMED reported satisfactory 1H26 results with total revenue flat from 1H25, and net earnings reaching US$15.9m. Its core business – oncology/immunology revenue rebounded significantly by 13.2% yoy driven by sustained overseas growth and a continued sales recovery in China.
- It keeps its 2026 revenue target for oncology/immunology unchanged at US$330m-450m. Seeing smooth R&D progress, we expect a new wave of market approvals to fuel growth for HUTCHMED in the years ahead.
- Maintain BUY with an unchanged target price of HK$26.00.

1H26 Results

Year to 31 Dec (US$m)	1H25	1H26	yoy % chg
Revenue	277.7	278.3	0.2%
Oncology/Immunology	143.4	162.3	13.2%
Other Ventures	134.2	116.0	-13.6%
Gross profit	110.1	126.1	14.6%
Selling expense	(13.9)	(14.7)	5.8%
G&A expense	(27.8)	(31.8)	14.6%
R&D expense	(72.0)	(78.8)	9.4%
Operating profit (EBIT)	(3.5)	0.9	-124.7%
Finance income (cost), net	18.1	25.1	38.6%
Profit attributed to shareholders	455.0	15.9	-96.5%
Adjusted Net Profit	455.0	15.9	-96.5%
Ratios (%)	1H25	1H26	yoy ppt chg
GP margin	39.7%	45.3%	5.7
Selling expense	5.0%	5.3%	0.3
G&A expense	10.0%	11.4%	1.4
R&D expense	25.9%	28.3%	2.4
EBIT Margin	-1.3%	0.3%	1.6
Net margin	163.8%	5.7%	(158.1)
Adj. Net Margin	163.8%	5.7%	(158.1)

Source: HUTCHMED, UOB Kay Hian

Analysis

- **1H26 results in line.** HUTCHMED (China)'s (HUTCHMED) 1H26 revenue amounted to US$278.3m, flat from 1H25. Adjusted net earnings were US$15.9m, down 96.5% yoy, primarily reflecting the non-recurrence of a one-off gain from the partial equity divestment in Shanghai Hutchison Pharmaceuticals recorded in 1H25. The results are in line with our estimates.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	630.2	548.5	621.4	730.9	903.8
EBITDA	(31.6)	(27.2)	10.3	44.6	87.4
Operating profit	(43.7)	(39.2)	(11.3)	21.8	63.3
Net profit (rep./act.)	37.7	456.9	39.7	67.8	103.1
Net profit (adj.)	37.7	456.9	39.7	67.8	103.1
EPS (US$ cent)	4.3	52.3	4.5	7.8	11.8
PE (x)	52.9	4.4	50.3	29.4	19.4
P/B (x)	2.6	1.6	1.5	1.5	1.4
EV/EBITDA (x)	(492.9)	(574.0)	1,519.9	349.4	178.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	6.0	83.3	6.4	9.3	11.4
Net debt/(cash) to equity (%)	(9.4)	n.a.	n.a.	n.a.	n.a.
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	6.1	53.1	4.5	7.4	10.7
Consensus net profit	-	-	56.6	77.3	109.9
UOBKH/Consensus (x)	-	-	0.70	0.88	0.94

Source: HUTCHMED, Bloomberg, UOB Kay Hian

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Stock Data

GICS sector	Health Care
Bloomberg ticker:	13 HK
Shares issued (m):	872.3
Market cap (HK$m):	15,668.4
Market cap (US$m):	1,998.3
3-mth avg daily t'over (US$m):	9.2

Price Performance (%)

52-week high/low: HK$30.70/HK$15.57

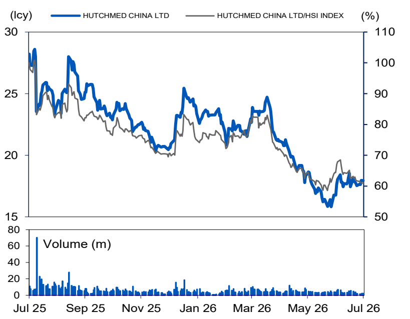
1mth	3mth	6mth	1yr	YTD
7.0	(15.1)	(23.2)	(38.8)	(12.9)

Major Shareholders	%
Hutchison Healthcare	38.11

Balance Sheet Metrics

FY26 NAV/Share (US$)	1.49
FY26 Net Cash/ Share (US$)	0.02

Price Chart



Source: Bloomberg

Company Description

Founded in 2000, HUTCHMED (China) is an innovative commercial-stage biopharmaceutical company committed to the R&D of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases.

- **Revenue from oncology products regained momentum.** Total revenue amounted to US$162.3m in 1H26, up 13.2% yoy. The significant recovery was mainly due to strong sales growth of ELUNATE (+40% yoy), SULANDA (+45% yoy), and ORPATHYS (+48% yoy), and also the ex-US sales of FRUZAQLA (+70% yoy). The company expects the oncology/immunology business to continue to deliver solid growth in 2026. Given the limited sales scale of Tazemetostat, Ipsen's voluntary withdrawal of the product in China has no significant impact on its revenue outlook. Moreover, HUTCHMED has been scaling down its non-core logistics distribution business - other ventures, to optimise working capital.
- **Gross margin improved substantially,** up 5.7ppt to 45.3% in 1H26, mainly due to the lower cost of sales related to the distribution business. R&D expenses/revenue rose 2.4ppt to 28.3% in 1H26, as the company initiated global trials for its antibody-targeted therapy conjugate (ATTC) programmes and remained committed to ongoing investment in R&D to deliver sustained innovation. Selling and administrative expenses increased 11.7% yoy, reflecting a strong performance of the oncology/immunology business.
- **Confident to achieve 2026 oncology/immunology sales target of US$330m-450m.** Management reaffirmed its 2026 revenue guidance for the oncology/immunology portfolio at US$330m-450m, representing 16-58% yoy growth. The company remains confident in the sustained commercial momentum across China and the continued global expansion of FRUZAQLA. Furthermore, management expects that FRUZAQLA's strong sales performance will trigger significant near-term commercial milestones, reinforcing its confidence in achieving the revenue target.
- **Seeing significant progress in Savolitinib, Fruquintinib, Sovleplenib, and ATTC candidates.** HUTCHMED received two NDA approvals, eg Savolitinib for gastric cancer, and Fruquintinib +TYVYT for 2L Renal Cell Carcinoma (RCC), from NMPA in 1H26 and have three NDAs under regulatory review. It expects to receive NMPA approval for Sovleplenib for immune thrombocytopenia (ITP) and wAIHA in 2027. Moreover, its ATTC platform shows significant promise. HMPL-A251 and HMPL-A580 are under global Phase I trials, followed by HMPL-A830 in 2H26. The company is in talks with MNCs, seeking out-licensing opportunities for these ATTC candidates in an effort to accelerate their global development. We believe the rich pipeline will bring a new wave of innovative product launches in the next few years. Moreover, with ample cash in hand, the company is also pursuing suitable acquisition targets to enrich its pipeline and product portfolio to sustain long-term growth.

Valuation/Recommendation

- **Maintain BUY and target price of HK$26.00** (HCM US/BUY/Target: US$16.63/ADS; HCM UK/BUY/Target: GBp250.00), based on the DCF model with WACC of 10.5% and terminal growth rate of 3.5%.

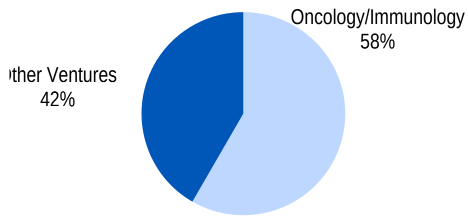
Earnings Revision/Risk

- **Risks:** a) Rising geopolitical risks, b) intensifying competition, c) risks in R&D and possible delays/failures in new product launches, d) policy uncertainties, and e) risks in business collaboration and M&As.

Share Price Catalyst

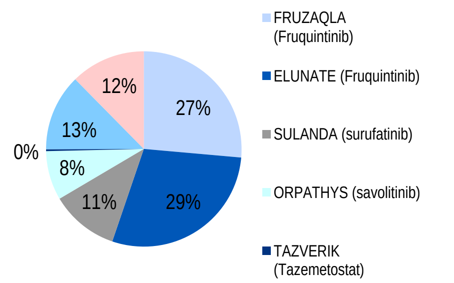
- a) Strong R&D performance, b) new product launches, and c) potential BD/M&A deals.

Segmental Revenue (1H26)



Source: HUTCHMED, UOB Kay Hian

O/I Revenue (1H26)



Source: HUTCHMED, UOB Kay Hian

Potential Near-Term Market Approvals

Product	Expected indication approval	Market	Time of NDA/BLA filing	Estimated time of approval
Fruquintinib + Sintilimab	2L RCC	China	Jun-25	May-26
	2L pMMR EMC	China	2028	2029
Savolitinib + Osimertinib	2/3L NSCLC (MET+, EGFRm, EGFR TKI-refractory)	Swiss	2025	Feb-26
Savolitinib + Osimertinib	2/3L NSCLC (MET+, EGFRm, EGFR TKI-refractory)	Global	2026	2027
Savolitinib	3L GC (MET+)	China	Dec-25	Jun-26
Savolitinib + Osimertinib	1L, MET+/EGFRm NSCLC	China	2027	2028
Tazemetostat	2L FL	Global	2027	2028
Sovleplenib	2L ITP	China	Feb-26	2027
Sovleplenib	2L wAIHA	China	Apr-26	2027
Fanregratinib (HMLP-453)	IHCC	China	Dec-25	2027
Ranosidenib (HMLP-306)	AML	China	2027	2028
Surufatinib	1L PDAC	China	2028	2029
HMPL-760	r/r DLBCL	China	2029	2030

Note: 1L: First-Line; 2L: Second-Line; 3L: Third-Line; 2/3L: Second- or Third-Line; RCC: Renal Cell Carcinoma; pMMR: Mismatch Repair Proficient; EMC: Epithelial-Myoepithelial Carcinoma; NSCLC: Non-Small Cell Lung Cancer; MET: Mesenchymal-to-Epithelial Transition; EGFRm: Epidermal Growth Factor Receptor Mutation; EGFR TKI: Epidermal Growth Factor Receptor Tyrosine Kinase Inhibitor; GC: Gastric Cancer; FL: Follicular Lymphoma; ITP: Immune Thrombocytopenia; wAIHA: Warm Autoimmune Hemolytic Anemia; IHCC: Intrahepatic Cholangiocarcinoma; AML: Acute Myeloid Leukemia; PDAC: Pancreatic Ductal Adenocarcinoma; DLBCL: diffuse large B-cell lymphoma
Source: HUTCHMED, UOB Kay Hian

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	548.5	621.4	730.9	903.8
EBITDA	(27.2)	10.3	44.6	87.4
Deprec. & amort.	12.0	21.6	22.8	24.1
EBIT	(251.3)	(259.8)	(277.9)	(316.3)
Total other non-operating income	490.8	11.0	11.0	11.0
Net interest income/(expense)	47.0	47.0	47.0	47.0
Pre-tax profit	498.7	46.7	79.8	121.3
Tax	(63.6)	(7.0)	(12.0)	(18.2)
Minorities	(0.8)	-	-	-
Net profit	456.9	39.7	67.8	103.1
Net profit (adj.)	456.9	39.7	67.8	103.1

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	94.6	83.0	70.1	55.9
Other LT assets	91.1	89.1	89.1	89.1
Cash/ST investment	71.3	170.8	228.4	309.0
Other current assets	1,496.0	1,450.0	1,481.2	1,530.4
Total assets	1,753.1	1,793.0	1,868.7	1,984.4
ST debt	25.0	22.4	22.4	22.4
Other current liabilities	290.8	280.9	288.8	301.4
LT debt	68.2	72.1	72.1	72.1
Other LT liabilities	117.9	126.6	126.6	126.6
Shareholders' equity	1,237.9	1,277.6	1,345.5	1,448.6
Minority interest	13.3	13.3	13.3	13.3
Total liabilities & equity	1,753.1	1,793.0	1,868.7	1,984.4

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	(64.7)	32.9	20.4	43.5
Pre-tax profit	457.7	39.7	67.8	103.1
Tax	-	-	-	-
Deprec. & amort.	12.0	21.6	22.8	24.1
Working capital changes	41.1	(9.0)	(23.2)	(36.7)
Other operating cashflows	(575.5)	(19.4)	(47.0)	(47.0)
Investing	(29.4)	101.8	40.0	40.0
Capex (growth)	(9.9)	(9.9)	(9.9)	(9.9)
Investments	71.9	(0.2)	-	-
Proceeds from sale of assets	49.9	49.9	49.9	49.9
Others	(141.3)	62.1	-	-
Financing	7.8	(35.3)	(2.9)	(2.9)
Dividend payments	-	-	-	-
Proceeds from borrowings	(2.9)	(2.9)	(2.9)	(2.9)
Loan repayment	-	-	-	-
Others/interest paid	10.7	(32.4)	-	-
Net cash inflow (outflow)	(86.2)	99.5	57.5	80.6
Beginning cash & cash equivalent	154.0	71.3	170.8	228.4
Changes due to forex impact	3.6	-	-	-
Ending cash & cash equivalent	71.3	170.8	228.4	309.0

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	38.7	40.0	41.0	42.0
Pre-tax margin	90.9	7.5	10.9	13.4
Net margin	83.3	6.4	9.3	11.4
ROA	36.9	3.2	5.2	7.6
ROE	53.1	4.5	7.4	10.7
Growth				
Turnover	(13.0)	13.3	17.6	23.7
Gross profit	(24.6)	17.1	20.6	26.7
Pre-tax profit	(45,148.9)	(90.6)	70.8	52.0
Net profit	1,111.0	(91.3)	70.8	52.0
Net profit (adj.)	1,111.0	(91.3)	70.8	52.0
EPS	1,110.9	(91.3)	70.8	52.0
Leverage				
Debt to total capital	7.0	6.9	6.6	6.1
Debt to equity	7.5	7.4	7.0	6.5
Net debt/(cash) to equity	0.0	1.0	1.0	1.0
Interest cover (x)	n.a.	n.a.	n.a.	n.a.