

WuXi Biologics surges 37 per cent in Hong Kong debut

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Shares in WuXi Biologics Inc rose by 37 per cent in their trading debut in Hong Kong on Tuesday, making it the largest new listing so far this year.

The Chinese contract drug research and development company raised HK\$3.98 billion (US\$510 million) after pricing its initial public offering at the top end of the marketed range, with its IPO price set at HK\$20.60 a share. The shares closed at HK\$28.25.

WuXi Biologics's debut has also come under the spotlight due to its stellar lineup of shareholders, which included high profile firms such as Boyu Capital founded by Jiang Zemin's grandson, and Yunfeng, an investment firm owned by Alibaba chairman Jack Ma Yun.

Chris Chen, chief executive officer of the Wuxi based company, said the strong performance exceeded expectation.

He said he was pleased to see increased investor interests in the biologics industry, which produces drugs from genetically modified living organisms. Such medicines are used to treat a myriad of diseases including cancer and HIV.



He said that WuXi Biologics, a platform which provides medical engineering services from the initial stage of conceptualisation all the way to commercialisation, looked to become “the Alibaba in the healthcare space”.

“For example, a professor in Hong Kong University has a great idea for the next type of drugs. If someone can give him the money ..., we take that idea and make it into a drug,” he said.

According to Chen, the company plans to use about 45 per cent of its IPO proceeds to pay all its outstanding loans and debt, and another 45 per cent to expand its “state-of-the-art” facilities in Shanghai and nearby Wuxi in eastern China. The remaining 10 per cent will be used for working capital.

WuXi Biologics is no stranger to the market as its former parent company WuXi PharmaTech was once listed on the New York Stock Exchange before it was privatised in 2015.

Chen said the privatisation was part of a long-term strategy for the then parent company to spin off three separate entities with dedicated focuses, which later became WuXi Biologics, WuXi NextCODE and WuXi Apptech.

WuXi Biologics’ revenue jumped 77 per cent in 2016, while profits more than tripled last year as it expanded business and launched new projects, according to the listing prospectus.

According to a stock exchange filing on Monday, strong demand from retail investors – who would have impacted first day trading in Hong Kong share offerings – resulted in an oversubscription of 37.5 times the number of shares available to Hong Kong investors.

Underwriters allocated 30 per cent of the IPO to retail investors, as fewer shares became available for institutions.

Chen said WuXi Biologics currently generated revenue by facilitating research and development of biological drugs. He added that the company is currently facilitating the development of 127 drugs, which is one of the largest pipelines globally in the field.

Given that drugs take a long time to be developed, he said the first official product of the company would be rolled out next year, which will be used to treat HIV, and a batch of cancer-related medicines will be available by 2019 to 2020.

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