Ocumension Therapeutics
歐康維視生物 (1477.HK)

Business Overview

Ocumension Therapeutics ("The Company") is a China-based ophthalmic pharmaceutical platform company dedicated to identifying, developing and commercializing first- or best-in-class ophthalmic therapies. The vision is to provide a world-class pharmaceutical total solution to address significant unmet ophthalmic medical needs in China. The Company believes their platform position them well to achieve leadership in China ophthalmology, with a first-mover advantage over future competitors

Ophthalmology is a highly specialized area. In China, eye diseases are common, yet treatment rates are low, lagging significantly behind the United States. According to Frost & Sullivan, the Chinese ophthalmic pharmaceutical market is expected to expand from RMB19.4 billion in 2019 to RMB40.8 billion in 2024, at a CAGR of 16.0%. To capture significant under-tapped commercial potential in this emerging market, the Company has, since the inception, focused on building a platform integrating specialized capabilities in each major functionality involved in an ophthalmic drug's development cycle, from research and development, manufacturing to commercialization.

Basic Information

Offer Price

HK$13.16-HK$14.66

Offer Size

105,930,000 Shares, comprise of Public Offer 10,593,000 Shares and International Offer 95,337,000 Shares (subject to reallocation and Over-allotment Option)

Market Capitalization

$7.57 billion to $8.43 billion

Application Period

29 June 2020 – 3 July 2020, Noon

Listing Date

10 July 2020

Board Lot

500 shares

Major Shareholders

6 Dimensions Entities	45.37%
Summer Iris Limited	13.60%
TLS Beta Pte. Ltd	9.47%

Join Sponsors

Morgan Stanley, Goldman Sachs

Joint Bookrunners

Morgan Stanley, Goldman Sachs, UBS

Leveraging their platform, the Company has built a strategically designed ophthalmic drug portfolio that is comprehensive, innovative and validated. As of the Latest Practicable Date, it had 16 drug assets in their portfolio, covering all major front- and back-of-the-eye diseases, making the Company one of only a few pharmaceutical companies in China with such full coverage, according to Frost & Sullivan. The Company has four key drug candidates in development in China, which they believe will potentially be first- or best-in-class if approved and have significant near-term revenue potential from as early as 2022. The portfolio includes three of the ten ophthalmic drugs approved by the United States Food and Drug Administration, or the FDA, since 2015 that are not yet available in China in any formulation. Additionally, the portfolio includes three drugs that are in or near the commercial stage.

The Company has four key ophthalmic drug candidates, namely, OT-401, OT-101, OT-301 and OT-1001. Two in-licensed assets, OT-401 and OT-1001, are the same therapeutics that is already approved by the FDA in the United States. It believes these four drug candidates have potential to be first- or best-in-class addressing unmet medical needs in China and have significant near-term revenue potential.

OT-101 is a low-concentration (0.01%) atropine eye drop developed to retard, or slow down, the progression of myopia in children and adolescents. According to Frost & Sullivan, atropine is the only medication to date that has been demonstrated to be consistently effective and safe in controlling myopic progression.

OT-401 (YUTIQ), an innovative sustained-release intravitreal implant to treat chronic NIU-PS—an indication for which there is no standard of care in China—and the only FDA-approved drug with up to three years of efficacy for the indication;OT-101 is a low-concentration (0.01%) atropine eye drop to retard, or slow down, the progression of myopia. It is developing a proprietary formulation to address stability issues for low-concentration atropine solutions so that patients can benefit from the myopia-retarding properties of atropine with fewer side effects than high-concentration atropine;

OT-301 (NCX 470) is a new chemical entity designed to release both bimatoprost, an FDA-approved prostaglandin analog, or PGA, and nitrix oxide, or NO, for the treatment of open-angle glaucoma and ocular hypertension. The Company expects the dual mechanism of action to activate two independent aqueous humor outflows from the eye, which is expected to be a more effective method to lower IOP. As a novel second-generation NO-donating bimatoprost analog, OT-301 has demonstrated superior efficacy to a PGA monotherapy. According to Frost & Sullivan, glaucoma is currently considered the second-leading cause of irreversible blindness worldwide; the prevalence of glaucoma in China reached 19.6 million in 2019, and the rate of blindness is 38.3%. Subject to IND approval, The Company and Nicox plan to initiate two Phase III MRCTs of OT-301 (NCX 470) in 2020 and they plan to use data from the global trials to support a NDA submission in China. The Company plans to initiate Chinese arms of both trials in the fourth quarter of 2020 (having taken impact of the COVID-19 pandemic into consideration), subject to IND approvals from the NMPA.

OT-1001 (ZERVIATE) is the first and only FDA-approved topical ocular formulation of the antihistamine cetirizine for the treatment of ocular itching associated with allergic conjunctivitis. OT-1001 is a novel formulation of cetirizine, which is the best-selling antihistamine with a well-characterized systemic efficacy and favorable safety profile. If approved, it will be the only ophthalmic drug in China that is safe for adults as well as children aged two years and older. According to Frost & Sullivan, approximately 250.9 million people suffered from allergic conjunctivitis in China in 2019, with a CAGR of 5.1% from 2015.

Financial Highlights

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Expenses For the year ended Dec 31	2018	2019
	RMB in thousands	
Revenue	0	190
COGS	0	(10)
Gross Profit	**0**	**180**
Other income/expenses	25	3,877
Other gains and losses	(159,977)	(1,170,347)
Selling expenses	0	(2,479)
R&D expenses	(40,679)	(99,464)
Administrative expenses	(8,769)	(57,185)
Finance costs	(5)	(63)
Loss before tax	**(209,405)**	**(1,325,481)**
Income tax expense	0	0
Loss and total comprehensive expenses for the year	(209,405)	(1,325,481)
Non-IFRS adjusted net loss for the year	(46,988)	(82,430)

Use of Proceed

The company estimates that it will receive net proceeds of approximately HK$1,348.1 million after deducting the underwriting fees and expenses payable by them in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$13.91 per Offer Share.

- approximately 30%, or HK$404.43 million, will be used for OT-401 :
  - (i) approximately 12%, or HK$161.77 million, will be used to fund the continuing research and development activities of OT-401
  - (ii) approximately 3%, or HK$40.44 million, will be used for milestone payments of OT-401
  - (iii) approximately 15%, or HK$202.21 million, will be used for the commercialization of OT-401
- approximately 50%, or HK$674.05 million, will be used for other drug candidates :
  - (i) approximately 34.16%, or HK$460.52 million, to be used to fund the R&D activities:
  - (ii) approximately 5.84%, or HK$78.72 million, to be used for milestone system of in-licensed drug candidates
  - (iii) approximately 10% or HK$134.81 million will be used for further expansion of sales and marketing team in anticipation of new product launches in the coming years
- approximately 10%, or HK$134.81 million, will be will be used for the acquisition of the manufacturing facility in Suzhou :
- approximately 10%, or HK$134.81 million, will be will be used for working capital and other general corporate purposes :

Cornerstone Investors

The following tables set forth details of the cornerstone placing and approximate percentage of total number of offer shares and

percentage of total issued share capital of the company upon listing, based on different offer price scenarios.

Based on offer price of HK$13.16				
Cornerstone Investor	Investment Amount (US million)	No. of share to be subscribed	Approx. % of the total offer shares	Approx. % of the total issued share after IPO
Fidelity Investments	18	10,598,500	10.01%	1.84%
Alpha Profit Holdings Limited	15	8,832,000	8.34%	1.54%
TLS Beta Pte. Ltd	10	5,888,000	5.56%	1.02%
General Atlantic Singapore OT Pte. Ltd.	10	5,888,000	5.56%	1.02%
Lake Bleu Prime	7	4,121,500	3.89%	0.72%
BlackRock Funds	5	2,944,000	2.78%	0.51%
Boyu Capital Opportunities Master Fund	5	2,944,000	2.78%	0.51%
SCC Growth	5	2,944,000	2.78%	0.51%
Cormorant	5	2,944,000	2.78%	0.51%
OrbiMed Funds	5	2,944,000	2.78%	0.51%
Hudson Bay Master Fund LTD	5	2,944,000	2.78%	0.51%
Rock Springs Capital Management LP	5	2,944,000	2.78%	0.51%
HBM Healthcare	3	1,766,000	1.67%	0.31%
Octagon Investments	2	1,177,500	1.11%	0.20%
Total	100	58,879,500	55.60%	10.22%

Based on offer price of HK$13.91				
Cornerstone Investor	Investment Amount (US million)	No. of share to be subscribed	Approx. % of the total offer shares	Approx. % of the total issued share after IPO
Fidelity Investments	18	10,027,000	9.47%	1.74%
Alpha Profit Holdings Limited	15	8,356,000	7.89%	1.45%
TLS Beta Pte. Ltd	10	5,570,500	5.26%	0.97%
General Atlantic Singapore OT Pte. Ltd.	10	5,570,500	5.26%	0.97%
Lake Bleu Prime	7	3,899,500	3.68%	0.68%
BlackRock Funds	5	2,785,000	2.63%	0.48%
Boyu Capital Opportunities Master Fund	5	2,785,000	2.63%	0.48%
SCC Growth	5	2,785,000	2.63%	0.48%
Cormorant	5	2,785,000	2.63%	0.48%
OrbiMed Funds	5	2,785,000	2.63%	0.48%
Hudson Bay Master Fund LTD	5	2,785,000	2.63%	0.48%
Rock Springs Capital Management LP	5	2,785,000	2.63%	0.48%
HBM Healthcare	3	1,671,000	1.58%	0.29%
Octagon Investments	2	1,114,000	1.05%	0.19%
Total	100	55,703,500	52.60%	9.65%

Based on offer price of HK$14.66				
Cornerstone Investor	Investment Amount (US million)	No. of share to be subscribed	Approx. % of the total offer shares	Approx. % of the total issued share after IPO
Fidelity Investments	18	9,514,000	8.98%	1.65%
Alpha Profit Holdings Limited	15	7,928,500	7.48%	1.38%
TLS Beta Pte. Ltd	10	5,285,500	4.99%	0.92%
General Atlantic Singapore OT Pte. Ltd.	10	5,285,500	4.99%	0.92%
Lake Bleu Prime	7	3,700,000	3.49%	0.64%
BlackRock Funds	5	2,642,500	2.49%	0.46%
Boyu Capital Opportunities Master Fund	5	2,642,500	2.49%	0.46%
SCC Growth	5	2,642,500	2.49%	0.46%
Cormorant	5	2,642,500	2.49%	0.46%
OrbiMed Funds	5	2,642,500	2.49%	0.46%
Hudson Bay Master Fund LTD	5	2,642,500	2.49%	0.46%
Rock Springs Capital Management LP	5	2,642,500	2.49%	0.46%
HBM Healthcare	3	1,585,500	1.50%	0.28%
Octagon Investments	2	1,057,000	1.00%	0.18%
Total	100	52,853,500	49.86%	9.19%

Risks Factors

Risks Relating to Financial Position

- The Company has incurred significant operating losses since inception, and may continue to incur operating losses for the foreseeable future and may never become profitable. Investor may lose substantially all of the investment if their business fails.
- The Company had net operating cash outflows during the Track Record Period.
- The Company may need to raise additional capital to meet operating cash requirements, and financing may not be available on terms acceptable at all.
- The Company's results of operations, financial condition and prospects may be adversely affected by fair-value changes in Preferred Shares and the Share Purchase Option at fair value through profit or loss.

Risks Relating to the Development and Clinical Trials of Drug Candidates

- The Company may be unable to successfully complete clinical trials, obtain regulatory approval and commercialize their drug candidates, or experience significant delays in doing so.

  The Company may not be able to discover new drug candidates.
- If the Company encounter difficulties enrolling patients in clinical trials, their clinical trials could be delayed or otherwise adversely affected.

- The research and development of drug candidates involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. Investors may lose all or part of your investments if their research and development fails.
- The Company may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of drug candidates.

Risks Relating to Commercialization of Drug Candidates

- If The Company is not able to obtain, or experience delays in obtaining, required regulatory approvals, The Company will not be able to commercialize their drug candidates, and the ability to generate revenue will be materially impaired.
- The Company's future approved drugs may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success.
- The Company may not be able to effectively build and manage their sales network.
- The manufacture of pharmaceutical drugs is a highly exacting and complex process. If the Company encounters problems in manufacturing drug candidates, their business could suffer.
- If the Company's future approved drugs are listed on the NRDL, changes in pricing regulations could restrict the amount that they are able to charge for current and future approved drugs.