

# BeiGene (BGNE US)

## Strong sales continued in 2Q22

BeiGene maintained strong sales growth momentum in 2Q22, with the product revenue reaching US\$304.5mn (+120 YoY, +16% QoQ), mainly driven by fast sales ramp-up of zanubrutinib (BTK) and tislelizumab (PD-1). Sales of zanubrutinib increased 203% YoY or 23% QoQ to US\$128.7mn in 2Q22, largely driven by the strong sales in the US. Tislelizumab continued to break its record, with the sales in 2Q22 reaching US\$104.9mn (+40% YoY, +20% QoQ). BeiGene continued to optimize its cost efficiency, with the SG&A expenses as percentage of product sales significantly decreased to 109% in 2Q22, compared with 168% in 1Q21 and 156% in 2021. We believe the trend will continue thanks to the fast growing product sales and economies of scale. As of 2Q22, BeiGene has sufficient cash balance of US\$6.7bn, providing a strong support for the Company's R&D activities and global expansion.

■ **Zanubrutinib to expand its labels in the overseas market.** Zanubrutinib demonstrated its superiority versus ibrutinib in r/r CLL/SLL in its global head-to-head Ph3 ALPINE trial, with an ORR by IRC of 80.4% vs 72.9% ( $p=0.0264$ ). FDA has extended the PDUFA date of zanubrutinib's sNDA for CLL to Jan 2023 to allow more time to review the additional data. With the approval of the CLL indication, we believe the global sales of zanubrutinib will further accelerate in 2023 and beyond. BeiGene plans to release the final results of the ALPINE trial, including PFS data in 2H22E. If the PFS results are positive, zanubrutinib will be further proved to be the global best-in-class BTK inhibitor, which will enable zanubrutinib to gain more market share in the global BTK inhibitor market.

■ **Tislelizumab is becoming one of the best-selling PD-1 antibodies in China.** Tislelizumab has been approved in China for nine indications with large indications such as 1L nsq-/sq-NSCLC and 2L HCC currently covered by NRDL. We expect tislelizumab to expand its NRDL coverage late this year via simplified renewal procedures with a small price cut to add four additional indications (1L NPC, 2L ESCC, 2L NSCLC, MSI-H/dMMR solid tumors). The sNDA of 1L GC indication is currently under review by CDE, with approval expected in 1H23. In addition, the BLA of 2L ESCC in the US was deferred because of FDA's inability to conduct on-site inspections due to COVID-19 related travel restrictions. BeiGene and Novartis plan to file BLAs for 1L GC, 1L HCC, 1L ESCC, and localized ESCC in the US next year. The BLAs are all supported by Ph3 MRCTs with patients enrolled from the US, including NCT03777657 (1L GC), NCT03783442 (1L ESCC) and NCT03412773 (1L HCC). BeiGene plans to release results of the Ph3 trial of tislelizumab vs sorafenib in 1L HCC in 3Q22E.

■ **Maintain BUY.** The commercial assets zanubrutinib and tislelizumab will maintain the strong sales momentum driven by label expansion and BeiGene's strong commercial capabilities. The core clinical-stage assets ociperlimab (TIGIT) and BGB-11417 (Bcl-2) will release additional Ph1 data and initiate new pivotal trials in 2H22E. We revised our DCF-based TP from US\$248.52 to US\$252.55 (WACC: 9.20%, terminal growth rate: 3.0%).

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (US\$ mn)	308.9	1,176.3	1,430.0	2,190.4	3,410.4
Net profit (US\$ mn)	(1,600.5)	(1,413.4)	(1,623.4)	(1,148.0)	(219.0)
EPS (Reported) (US\$)	(19.13)	(15.23)	(15.69)	(11.10)	(2.12)
Consensus EPS (US\$)	na	na	(12.76)	(10.00)	(5.23)
R&D expenses (US\$)	(1,294.9)	(1,459.2)	(1,503.0)	(1,533.1)	(1,548.4)
CAPEX (US\$ mn)	(117.5)	(262.9)	(320.0)	(100.0)	(100.0)

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>US\$252.55</b>
(Previous TP)	US\$248.52)
<b>Up/Downside</b>	<b>29.9%</b>
<b>Current Price</b>	<b>US\$194.47</b>

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### Stock Data

Mkt Cap (US\$ mn)	22,028
Avg 3 mths t/o (US\$ mn)	47.69
52w High/Low (US\$)	426.56/118.18
Total Issued Shares (mn)	103

Source: Bloomberg

### Shareholding Structure

Amgen	18.5%
Baker Bros	11.4%

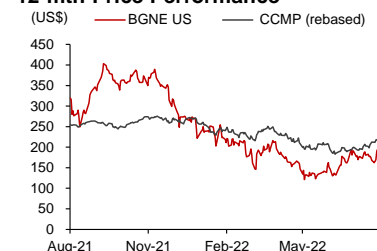
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	7.4%	-3.6%
3-mth	32.0%	26.7%
6-mth	-13.1%	-3.2%

Source: FactSet

### 12-mth Price Performance



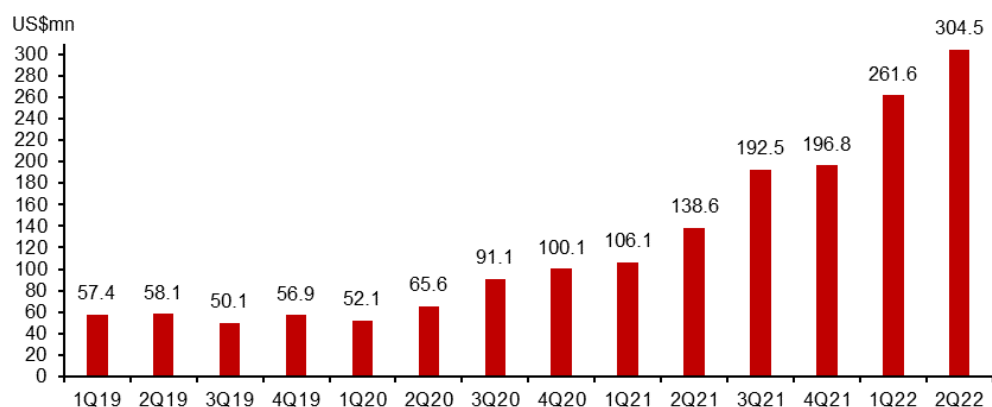
Source: FactSet

### Auditor: Ernst & Young

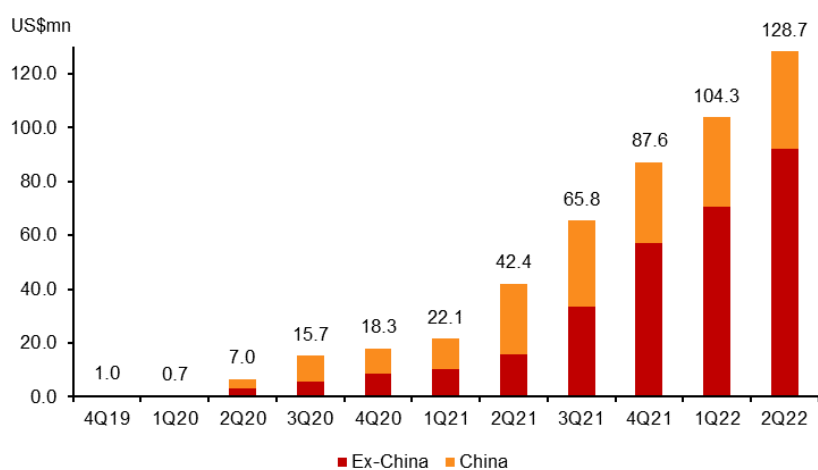
Web-site: <https://www.beigene.com>

### Related report:

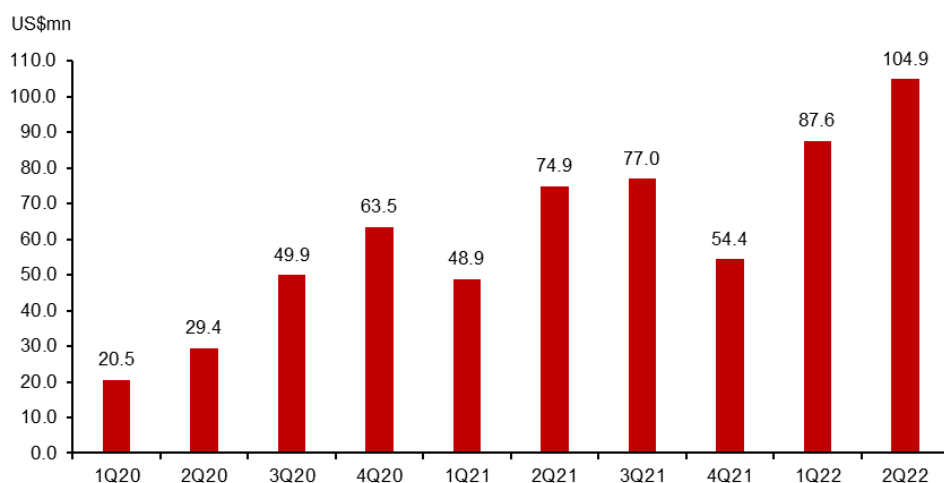
- Positive on the US BLA approval of tislelizumab despite the deferral – 18 Jul 2022
- Harvest season for a global leading biopharma company – 17 Jun 2022

**Figure 1: Quarterly product sales of BeiGene (1Q19 – 2Q22)**


Source: Company data, CMBIGM.

**Figure 2: Zanubrutinib quarterly sales (4Q19 – 2Q22)**


Source: Company data, CMBIGM. Notes: Zanubrutinib was originally approved in Nov 2019 in the US.

**Figure 3: Tislelizumab quarterly sales (1Q20 – 2Q22)**


Source: Company data, CMBIGM. Notes: In 1Q and 4Q21, sales of tislelizumab was impacted by the negative adjustments totalling US\$45.6mn for distributor channel inventory compensation due to price cuts of tislelizumab for additional indications included in NRDL.

**Figure 4: Risk-adjusted DCF valuation**

DCF Valuation (US\$ mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(1,622)	(1,139)	(206)	49	828	1,535	2,146	2,745	3,102	3,253	3,399	3,520	3,567	3,660
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,622)	(1,139)	(206)	42	704	1,305	1,824	2,333	2,636	2,765	2,889	2,992	3,032	3,111
+ D&A	67	70	72	74	76	78	79	81	82	84	85	86	87	88
- Change in working capital	270	(87)	(110)	(146)	(142)	(97)	(84)	(67)	(22)	15	20	26	39	31
- Capex	(320)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
<b>FCFF</b>	<b>(1,604)</b>	<b>(1,256)</b>	<b>(344)</b>	<b>(130)</b>	<b>538</b>	<b>1,185</b>	<b>1,720</b>	<b>2,247</b>	<b>2,597</b>	<b>2,764</b>	<b>2,893</b>	<b>3,004</b>	<b>3,057</b>	<b>3,130</b>
<b>Terminal value</b>														<b>52,027</b>
PV of enterprise (US\$ mn)	21,742													
Net debt (US\$ mn)	(4,389)													
Equity value (US\$ mn)	<b>26,131</b>													
No. of ADS (mn)	103													
<b>DCF per ADS (US\$)</b>	<b>252.55</b>													
<b>Terminal growth rate</b>	<b>3.0%</b>													
<b>WACC</b>	<b>9.20%</b>													
Cost of Equity	11.5%													
Cost of Debt	4.5%													
Equity Beta	0.9													
Risk Free Rate	2.5%													
Market Risk Premium	10.0%													
Target Debt to Asset ratio	30.0%													
Effective Corporate Tax Rate	15.0%													

Source: CMBIGM estimates

**Figure 5: Sensitivity analysis (US\$)**

Terminal growth rate	WACC				
	8.20%	8.70%	9.20%	9.70%	10.20%
4.0%	362.92	318.28	282.47	253.17	228.79
3.5%	335.37	297.33	266.20	240.31	218.48
3.0%	313.13	280.05	<b>252.55</b>	229.37	209.60
2.5%	294.78	265.56	240.94	219.95	201.87
2.0%	279.40	253.24	230.94	211.75	195.08

Source: CMBIGM estimates

**Figure 6: CMBIGM estimates revision**

US\$ mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	1,430	2,190	3,410	1,398	2,206	3,340	2%	-1%	2%
Gross Profit	1,110	1,722	2,750	1,086	1,734	2,697	2%	-1%	2%
Operating Profit	(1,632)	(1,149)	(216)	(1,656)	(1,137)	(269)	NA	NA	NA
Net profit	(1,623)	(1,148)	(219)	(1,648)	(1,136)	(272)	NA	NA	NA
EPS (US\$ per ADS)	(15.7)	(11.1)	(2.1)	(16.0)	(11.0)	(2.7)	NA	NA	NA
Gross Margin	77.62%	78.60%	80.64%	77.68%	78.57%	80.76%	-0.06 ppt	+0.02 ppt	-0.11 ppt

Source: Company data, CMBIGM estimates

**Figure 7: CMBIGM estimate vs consensus**

US\$ mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	1,430	2,190	3,410	1,408	2,120	2,891	2%	3%	18%
Gross Profit	1,110	1,722	2,750	1,144	1,743	2,356	-3%	-1%	17%
Operating Profit	(1,632)	(1,149)	(216)	(1,618)	(1,293)	(887)	N/A	N/A	N/A
Net Profit	(1,623)	(1,148)	(219)	(1,613)	(1,238)	(878)	N/A	N/A	N/A
EPS (US\$ per ADS)	(15.7)	(11.1)	(2.1)	(12.8)	(10.0)	(5.2)	N/A	N/A	N/A
Gross Margin	77.62%	78.60%	80.64%	81.26%	82.21%	81.51%	-3.64 ppt	-3.62 ppt	-0.86 ppt

Source: Company data, Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec (US\$ mn)</b>						
<b>Revenue</b>	<b>428</b>	<b>309</b>	<b>1,176</b>	<b>1,430</b>	<b>2,190</b>	<b>3,410</b>
Cost of goods sold	(71)	(71)	(165)	(320)	(469)	(660)
<b>Gross profit</b>	<b>(71)</b>	<b>238</b>	<b>1,011</b>	<b>1,110</b>	<b>1,722</b>	<b>2,750</b>
<b>Operating expenses</b>	<b>(1,317)</b>	<b>(1,896)</b>	<b>(2,450)</b>	<b>(2,742)</b>	<b>(2,871)</b>	<b>(2,966)</b>
SG&A expense	(388)	(600)	(990)	(1,238)	(1,337)	(1,417)
R&D expense	(927)	(1,295)	(1,459)	(1,503)	(1,533)	(1,548)
Others	(1)	(1)	(1)	(1)	(1)	(1)
Other income	16	39	0	8	1	(3)
<b>Pre-tax profit</b>	<b>(1,372)</b>	<b>(1,618)</b>	<b>(1,439)</b>	<b>(1,623)</b>	<b>(1,148)</b>	<b>(219)</b>
Income tax	(7)	18	25	0	0	0
<b>Net profit</b>	<b>(1,379)</b>	<b>(1,601)</b>	<b>(1,413)</b>	<b>(1,623)</b>	<b>(1,148)</b>	<b>(219)</b>
Minority interest	(2)	(4)	0	0	0	0
<b>Adjusted net profit</b>	<b>(1,377)</b>	<b>(1,597)</b>	<b>(1,413)</b>	<b>(1,623)</b>	<b>(1,148)</b>	<b>(219)</b>
BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec (US\$ mn)</b>						
<b>Current assets</b>	<b>1,173</b>	<b>4,961</b>	<b>7,614</b>	<b>5,833</b>	<b>4,818</b>	<b>4,780</b>
Cash & equivalents	618	1,382	4,376	2,777	1,512	2,155
Account receivables	71	60	483	281	414	588
Inventories	29	89	243	263	379	524
Financial assets at FVTPL	365	3,269	2,242	2,242	2,242	1,242
Other current assets	91	160	271	270	270	270
<b>Non-current assets</b>	<b>440</b>	<b>640</b>	<b>1,032</b>	<b>1,278</b>	<b>1,308</b>	<b>1,336</b>
PP&E	242	358	588	840	871	899
Deferred income tax	38	66	110	110	110	110
Intangibles	6	5	47	47	47	47
Other non-current assets	153	211	287	280	280	280
<b>Total assets</b>	<b>1,612</b>	<b>5,601</b>	<b>8,646</b>	<b>7,111</b>	<b>6,126</b>	<b>6,117</b>
<b>Current liabilities</b>	<b>310</b>	<b>1,075</b>	<b>1,600</b>	<b>1,688</b>	<b>1,851</b>	<b>2,061</b>
Short-term borrowings	0	335	428	428	428	428
Account payables	122	232	262	351	514	723
Tax payable	13	20	21	21	21	21
Other current liabilities	174	488	888	888	888	888
<b>Non-current liabilities</b>	<b>166</b>	<b>656</b>	<b>803</b>	<b>803</b>	<b>803</b>	<b>803</b>
Long-term borrowings	83	184	202	202	202	202
Deferred income	0	0	220	220	220	220
Other non-current liabilities	83	473	381	381	381	381
<b>Total liabilities</b>	<b>477</b>	<b>1,732</b>	<b>2,403</b>	<b>2,491</b>	<b>2,654</b>	<b>2,864</b>
Share capital	2,926	7,415	11,191	11,191	11,191	11,191
Retained earnings	(1,956)	(3,553)	(4,966)	(6,590)	(7,738)	(7,957)
Other reserves	(8)	7	18	18	18	18
<b>Total shareholders equity</b>	<b>962</b>	<b>3,869</b>	<b>6,243</b>	<b>4,619</b>	<b>3,471</b>	<b>3,252</b>
Minority interest	16	0	0	0	0	0
<b>Total equity and liabilities</b>	<b>1,455</b>	<b>5,601</b>	<b>8,646</b>	<b>7,111</b>	<b>6,126</b>	<b>6,116</b>
CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec (US\$ mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>(1,372)</b>	<b>(1,618)</b>	<b>(1,439)</b>	<b>(1,623)</b>	<b>(1,148)</b>	<b>(219)</b>
Depreciation & amortization	19	32	46	67	70	72
Tax paid	(7)	18	25	0	0	0
Others	182	285	68	270	(87)	(110)

<b>Net cash from operations</b>	<b>(1,178)</b>	<b>(1,283)</b>	<b>(1,299)</b>	<b>(1,286)</b>	<b>(1,165)</b>	<b>(257)</b>
<b>Investing</b>						
Capital expenditure	(90)	(118)	(263)	(320)	(100)	(100)
Acquisition of subsidiaries/ investments	(1,169)	(5,690)	(2,191)	0	0	0
Net proceeds from disposal of short-term investments	1,882	2,751	3,147	0	0	1,000
Others	(69)	(112)	(52)	0	0	0
<b>Net cash from investing</b>	<b>554</b>	<b>(3,168)</b>	<b>641</b>	<b>(320)</b>	<b>(100)</b>	<b>900</b>
<b>Financing</b>						
Net borrowings	67	434	423	0	0	0
Proceeds from share issues	0	4,232	3,443	0	0	0
Others	18	537	(229)	0	0	0
<b>Net cash from financing</b>	<b>86</b>	<b>5,203</b>	<b>3,637</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	741	621	1,390	4,383	2,777	1,512
Exchange difference	(10)	18	14	0	0	0
<b>Cash at the end of the year</b>	<b>193</b>	<b>1,390</b>	<b>4,383</b>	<b>2,777</b>	<b>1,512</b>	<b>2,155</b>
<b>GROWTH</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Revenue	na	(27.9%)	280.8%	21.6%	53.2%	55.7%
Gross profit	na	(434.6%)	324.6%	9.8%	55.1%	59.7%
Net profit	na	16.1%	(11.7%)	14.9%	(29.3%)	(80.9%)
Adj. net profit	na	16.0%	(11.5%)	14.9%	(29.3%)	(80.9%)
<b>PROFITABILITY</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Gross profit margin	(16.6%)	77.1%	86.0%	77.6%	78.6%	80.6%
Adj. net profit margin	(321.5%)	(517.0%)	(120.2%)	(113.5%)	(52.4%)	(6.4%)
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.8)	(1.1)	(1.0)	(1.0)	(0.9)	(0.9)
Current ratio (x)	3.8	4.6	4.8	3.5	2.6	2.3
Receivable turnover days	47.7	77.6	84.3	80.0	80.0	80.0
Inventory turnover days	114.8	304.4	367.3	300.0	295.0	290.0
Payable turnover days	604.4	915.5	547.1	400.0	400.0	400.0
<b>VALUATION</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
P/E	n/m	n/m	n/m	n/m	n/m	n/m
P/B	112.0	58.3	64.1	56.6	75.3	80.4

Note: The calculation of net cash includes financial assets. Source: Company data, CMBIGM estimates

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**NOT RATED** : Stock is not rated by CMBIGM

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