

Company Report

BeiGene, Ltd (BGNE US)

Positive ALPINE bodes well for Brukinsa's next PDUFA

- Co. announces positive topline results from final analysis of Brukinsa in ph3 ALPINE trial, showed superior PFS vs. Imbruvica
- The full data is expected to be presented at an upcoming medical congress; the nearest possible meeting would be ASH in mid-Dec
- We maintain SOTP-based TP at USD400. Maintain BUY as our top pick on Co.'s strong growth, multiple catalysts and BD capabilities

Positive ALPINE topline PFS results; Full data readout and PDUFA is the next major catalyst for Brukinsa

On Oct 13th, BeiGene announced positive topline results of Brukinsa from ph3 MRCT ALPINE trial (n=652, NCT03734016) for r/r CLL/SLL. The final analysis showed Brukinsa achieved superior PFS compared to J&J/AbbVie's Imbruvica. This is the new supportive evidence on top of its positive final ORR analysis reported on Apr 11th. Safety profile at the final PFS analysis were consistent with prior reports. We believe the positive ALPINE results should further underpin its upcoming sNDA approval by FDA (PDUFA data on Jan 20th, 2023) for r/r CLL/SLL, which is a major indication in lymphoma space. Co. expects to present the full results at a medical congress and for publication. We think the nearest possible major meeting would be 2022 American Society of Hematology (ASH) during Dec 10-13 at New Orleans, LA.

Major catalysts in 2H22E-23E

Tislelizumab: 1) release of rescheduled PDUFA date for 2L ESCC in '22E; 2) multiple BLA filings in U.S./EU during '22-23E, including NSCLC/ESCC/GC/HCC; 3) sBLA approval of 1L ESCC in China in '23E; **Zanubrutinib:** 1) full data for ph3 ALPINE global head-to-head trial in r/r CLL/SLL in 2H22E/23E and 2) FDA sNDA approval for CLL/SLL, w/ PDUFA data on Jan 20th, 2023; **Ociperlimab:** Ph1 data from expansion cohorts in 2H22E.

Maintain BUY with SOTP-based TP remained at USD400

We maintain FY22E/23E financial forecast and SOTP TP unchanged. We retained 20% M&A premium on top of its derived equity valuation given Co.'s BD capability (cash-rich position of USD4.3bn in YE22E and proven track records) and potential global M&A recovery in 2H22E to help restore market sentiment. **Investment risks:** clinical delay/failure, lower-than-expected sales, regulatory risks, NRDL-driven price cut risk.

| USD mn | 2019 | 2020 | 2021 | 2022E | 2023E |
|-----------------|-------|---------|---------|---------|---------|
| Revenue | 428 | 309 | 1,176 | 1,340 | 1,983 |
| yoy growth | 116% | -28% | 281% | 14% | 48% |
| Adj. EBIT | (826) | (1,474) | (1,289) | (1,453) | (1,030) |
| yoy growth | n.a. | n.a. | n.a. | n.a. | n.a. |
| Adj. net profit | (822) | (1,451) | (1,279) | (1,403) | (896) |
| yoy growth | n.a. | n.a. | n.a. | n.a. | n.a. |

Sources: Company data, CMS (HK) estimates

Note: adj. net profit excluded one-off items and SBC

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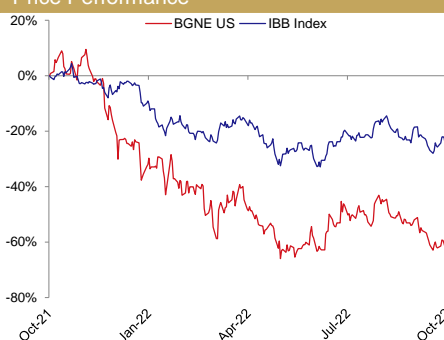
WHAT'S NEW

News update

BUY

| | |
|-----------------------------------------------|----------------|
| Previous | BUY |
| Price (Oct 12, 2022) | USD151.3 |
| 12-month Target Price (Potential up/downside) | USD400 (+165%) |
| Previous | USD400 |

Price Performance



Source: Bloomberg

| % | 1m | 6m | 12m |
|---------|-------|--------|--------|
| BGNE US | (1.9) | (19.4) | (57.4) |
| IBB | (3.8) | (10.0) | (24.4) |

Sector: Pharmaceutical & Healthcare

| | |
|-----------------------|--------|
| NASDAQ (Oct 12, 2022) | 10,417 |
| IBB (Oct 12, 2022) | 119 |

Key Data

| | |
|---------------------------|---------|
| 52-week range (USD) | 118-392 |
| Market cap (USD mn) | 17,221 |
| Avg. daily value (USD mn) | 37.0 |
| BVPS (USD) at end-FY22E | 3.6 |

Shareholding Structure

| | |
|--------------------------------|-------|
| Amgen | 20.3% |
| Directors and management | 7.5% |
| Hillhouse Capital Advisory Ltd | 13.1% |
| Baker Bros. Advisory LP | 12.9% |
| Fidelity | 9.9% |
| The Capital group | 8.0% |
| Free float | 28.3% |

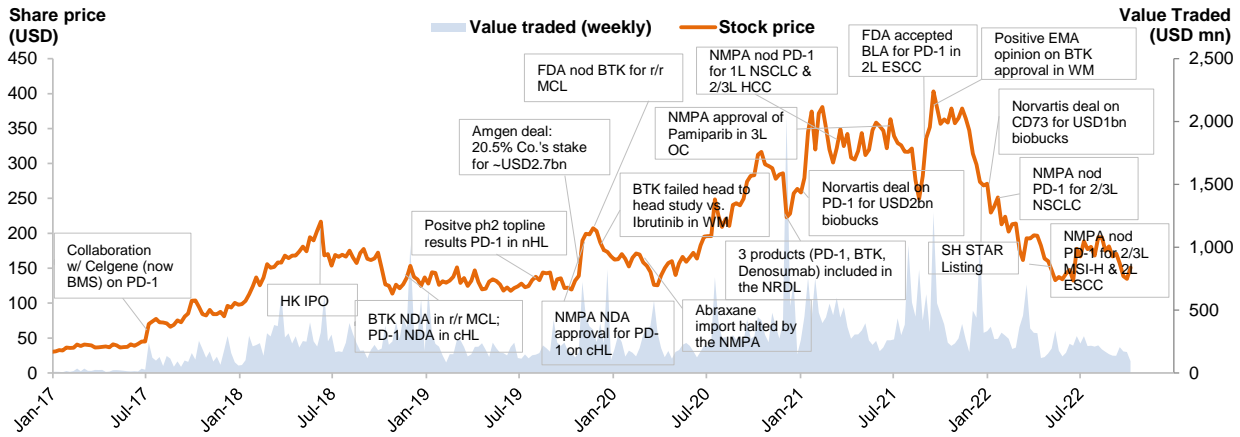
Sources: Company, Bloomberg

Related Research

1. BeiGene, Ltd (BGNE US) – Strong 2Q results bode well for BeiGene's '22E growth (BUY) (Aug 5, 2022)
2. BeiGene, Ltd (BGNE US) – 1Q22 BRUKINSA sales validates Co.'s global franchise (BUY) (May 6, 2022)
3. BeiGene, Ltd (BGNE US) – Positive trajectory remained in 4Q21 (BUY) (March 1, 2022)

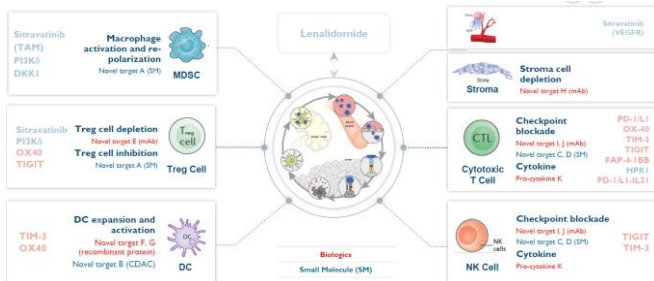
Focus charts

Figure 1: BeiGene's share price driver



Sources: Bloomberg, CMS (HK)

Figure 2: Extensive innovative pipelines for cancer immunotherapy



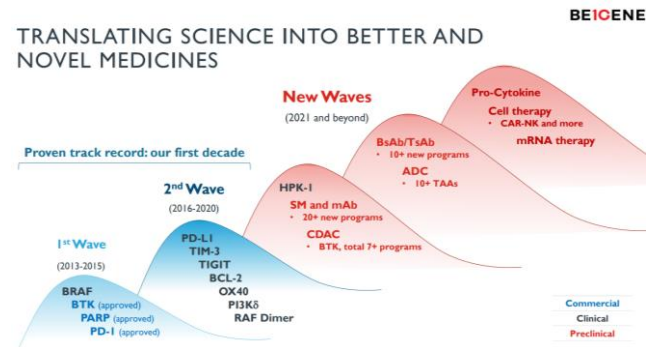
Source: Company

Figure 4: Major catalysts in 2H22E-2023E

| Candidates | Target | Indication | 22-23E Milestone / Event | Timeline | Achieved | |
|--------------|--------|--------------|----------------------------------------|------------|--------------|---|
| Zanubrutinib | BTK | r/r CLL/SLL | FDA sBLA approval (PDUFA) | Regulatory | Jan 20, 2023 | |
| | | ≥2L MZL | EMA CHMP positive opinion | Regulatory | Sep '22 | ✓ |
| | | r/r CLL/SLL | Final analysis for ph3 ALPINE data | Data | 2H22E/23E | |
| | | r/r FL | Primary analysis for ph2 ROSEWOOD | Data | Jun '22 | ✓ |
| Tislelizumab | PD-1 | r/r CLL/SLL | Updated topline results for ph3 ALPINE | Data | Apr '22 | ✓ |
| | | Hemo. | Launch BRUKINGA in 10+ markets | Commercial | '22E | |
| | | 1L ESCC | China sBLA approval | Regulatory | '23E | |
| | | 1L GC | China sBLA approval | Regulatory | '23E | |
| Tislelizumab | PD-1 | 2L ESCC | US FDA BLA approval (PDUFA) | Regulatory | '22E-'23E | |
| | | 1L GOESCOHCC | US FDA sBLA submission (by Novartis) | Regulatory | '23E | |
| | | 1L NPC | China sBLA approval | Regulatory | Jun '22 | ✓ |
| | | 2L ESCC | China sBLA approval | Regulatory | Apr '22 | ✓ |
| | | 2/3L MSI-H | China sBLA approval | Regulatory | Mar '22 | ✓ |
| Ociperlimab | TIGIT | 1L HCC | Ph3 trial topline readout | Data | Sep '22 | ✓ |
| | | Solid tumor | Initiate additional pivotal trials | Clinical | '22E | |
| Ociperlimab | TIGIT | Solid tumor | Ph1 data in various solid tumor | Data | 2H22E | |

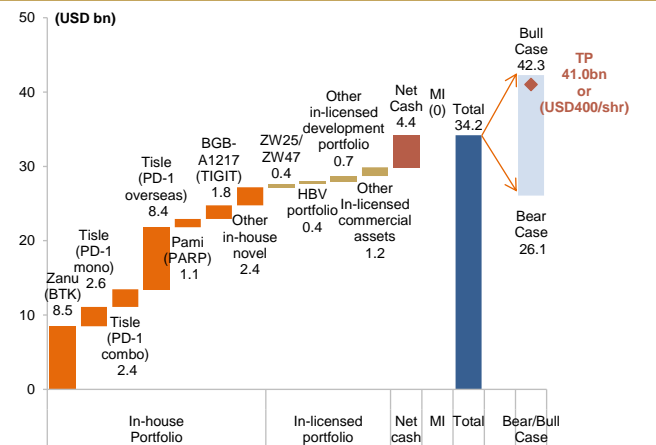
Source: CMS (HK) estimates

Figure 3: BGNE's pipeline transformation



Source: Company

Figure 5: Our SOTP-based rNPV valuation



Source: CMS (HK) estimates

Valuation summary

Figure 6: rNPV Valuation summary

Pipeline portfolio (USD mn)

| | |
|---------------------------------------------------------|-------|
| Zanubrutinib (mono and combo) | 8,478 |
| Tislelizumab (BGB-A317) mono (incl: chemo combo) | 2,606 |
| Tislelizumab (BGB-A317) combo (incl: other TKI and I/O) | 2,381 |
| Tislelizumab (BGB-A317) (ex-China rights) | 8,350 |
| Pamiparib | 1,116 |
| BGB-A1217 (TIGIT) | 1,833 |
| Other in-house novel (BCL-2, OX-40, HKP1, etc.) | 2,424 |
| ZW25 and ZW49 | 429 |
| HBV portfolio w/ Assembly | 366 |
| Other In-licensed development assets | 724 |
| Other In-licensed commercial assets | 1,159 |

Enterprise value **29,866**

Add: Net cash (end-FY22E) 4,319

Less: Minority Interest -

Derived equity value (USD mn) **34,185**

No of shares (mn) 1,332

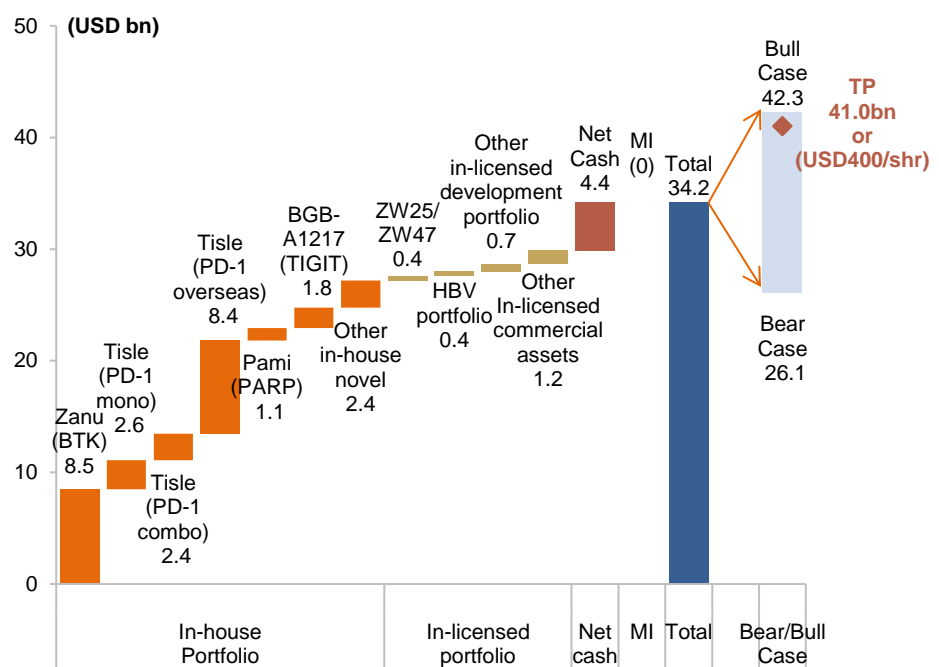
Derived equity value per share (USD) **334**

M&A premium 20%

TP (USD) **400**

Source: CMS (HK) estimates

Figure 7: BGNE's risk-adjusted NPV summary



Source: CMS (HK) estimates

Financial Summary

Balance Sheet

| USD mn | 2019 | 2020 | 2021 | 2022E | 2023E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Non-current assets | 440 | 640 | 860 | 1,012 | 1,159 |
| PP&E | 242 | 358 | 578 | 730 | 877 |
| Intangible assets | 6 | 5 | 5 | 5 | 5 |
| Prepaid lease payments | 83 | 91 | 91 | 91 | 91 |
| Deferred tax assets | 38 | 66 | 66 | 66 | 66 |
| Others | 71 | 121 | 121 | 121 | 121 |
| Current assets | 1,173 | 4,961 | 7,004 | 5,372 | 4,361 |
| Inventories | 29 | 89 | 45 | 32 | 46 |
| Loan and account receivables | 71 | 60 | 226 | 257 | 380 |
| Prepayments and other receivables | 90 | 160 | 160 | 160 | 160 |
| Short-term investments | 365 | 3,269 | 3,269 | 2,769 | 2,269 |
| Pledged bank deposits | 0 | 0 | 0 | 0 | 0 |
| Total cash and cash equivalents | 618 | 1,382 | 3,304 | 2,153 | 1,506 |
| Total assets | 1,612 | 5,601 | 7,864 | 6,383 | 5,520 |
| Current liabilities | 310 | 1,075 | 1,001 | 924 | 958 |
| Trade and bills payables | 122 | 232 | 158 | 81 | 115 |
| Other payables | 177 | 367 | 367 | 367 | 367 |
| Income tax payable | - | - | - | - | - |
| ST bank debt | - | 335 | 335 | 335 | 335 |
| Others | 11 | 14 | 14 | 14 | 14 |
| Non-current liabilities | 324 | 656 | 656 | 656 | 656 |
| Long-term payables | - | - | - | - | - |
| Contract liabilities | 157 | - | - | - | - |
| LT bank loans | 83 | 184 | 184 | 184 | 184 |
| Others | 72 | 462 | 462 | 462 | 462 |
| Shareholders' funds | 962 | 3,869 | 6,206 | 4,803 | 3,906 |
| Minorities | 16 | - | - | - | - |
| Total liabilities and equity | 1,612 | 5,601 | 7,864 | 6,383 | 5,520 |

Cashflow Statement

| USD mn | 2019 | 2020 | 2021 | 2022E | 2023E |
|-----------------------------------|--------------|----------------|----------------|----------------|--------------|
| Cash flow from operating | (750) | (1,283) | (1,291) | (1,516) | (996) |
| Pretax profit | (944) | (1,618) | (1,439) | (1,703) | (1,346) |
| Operating profit before WC chgs | (732) | (1,435) | (1,105) | (1,405) | (977) |
| Net working capital change | (18) | 151 | (195) | (96) | (103) |
| Income tax paid | - | - | 25 | - | 100 |
| Interest paid | - | - | (16) | (16) | (16) |
| Cash flow from investing | 554 | (3,168) | (388) | 366 | 349 |
| Purchase of PPE | (90) | (118) | (263) | (200) | (200) |
| Purchase/disposal of subsidiaries | (69) | (110) | - | - | - |
| Purchase/disposal of JV&Asso. | - | - | - | - | - |
| Interest received | - | - | - | 66 | 49 |
| Others | 713 | (2,939) | (125) | 500 | 500 |
| Cash flow from financing | 86 | 5,203 | 3,600 | - | - |
| Capital injection | - | 4,232 | 3,600 | - | - |
| Issuance of equity shares | 47 | 93 | - | - | - |
| Acquisition of minority interests | 4 | - | - | - | - |
| Dividends | - | - | - | - | - |
| Bank borrowings, net | 35 | 290 | - | - | - |
| Others | - | - | - | - | - |
| Beginning cash | 741 | 621 | 1,390 | 3,304 | 2,153 |
| Forex | (10) | 18 | (8) | - | - |
| End cash | 621 | 1,390 | 3,304 | 2,153 | 1,506 |

Profit & Loss Statement

| USD mn | 2019 | 2020 | 2021 | 2022E | 2023E |
|-----------------------------------|---------------|----------------|----------------|----------------|----------------|
| Consolidated revenue | 428 | 309 | 1,176 | 1,340 | 1,983 |
| Cost of goods sold | (71) | (71) | (165) | (148) | (209) |
| Gross profit | 357 | 238 | 1,011 | 1,191 | 1,774 |
| (-) Total SG&A expense | (388) | (600) | (990) | (1,340) | (1,388) |
| (-) R&D cost | (927) | (1,295) | (1,459) | (1,605) | (1,766) |
| (+/-) Other income/expense | - | - | - | - | - |
| (+/-) Profit from JV&Asso. | - | - | - | - | - |
| Adj. EBITDA | (807) | (1,442) | (1,246) | (1,405) | (977) |
| Stock-based compensation | (134) | (183) | (150) | (300) | (350) |
| Total depreciation & amortisation | (19) | (32) | (43) | (48) | (53) |
| Adj. EBIT | (826) | (1,474) | (1,289) | (1,453) | (1,030) |
| (+/-) Finance income - net | 9 | 2 | (16) | 50 | 34 |
| (+/-) Other income, gains/losses | 7 | 37 | 16 | - | - |
| Profit before tax | (944) | (1,618) | (1,439) | (1,703) | (1,346) |
| (-) Tax | (7) | 18 | 25 | - | 100 |
| Net profit | (951) | (1,601) | (1,413) | (1,703) | (1,246) |
| (+/-) Minority interest | 2 | 4 | - | - | - |
| Net profit to shareholders | (949) | (1,597) | (1,413) | (1,703) | (1,246) |
| Adjusted net profit | (822) | (1,451) | (1,279) | (1,403) | (896) |
| EPS fully diluted (USD) | (1.05) | (1.34) | (1.06) | (1.05) | (0.67) |

Financial Ratios

| | 2019 | 2020 | 2021 | 2022E | 2023E |
|----------------------------|-------|---------|---------|---------|---------|
| Growth | | | | | |
| Consolidated revenue | 116% | -28% | 281% | 14% | 48% |
| Gross profit | 111% | -33% | 325% | 18% | 49% |
| Adjusted net profit | n.a. | n.a. | n.a. | n.a. | n.a. |
| Profitability | | | | | |
| Gross margin (%) | 83% | 77% | 86% | 89% | 89% |
| Adj. net profit margin (%) | n.a. | n.a. | n.a. | n.a. | n.a. |
| ROE (%) | n.a. | n.a. | n.a. | n.a. | n.a. |
| ROA (%) | n.a. | n.a. | n.a. | n.a. | n.a. |
| Efficiency | | | | | |
| Inventory days | 115 | 304 | 149 | 96 | 68 |
| Accounts receivable days | 48 | 78 | 44 | 66 | 59 |
| Accounts payable days | 604 | 915 | 432 | 295 | 171 |
| Cash cycle days | (442) | (534) | (239) | (133) | (44) |
| Liquidity | | | | | |
| FCF (USD mn) | (909) | (1,510) | (1,553) | (1,716) | (1,196) |
| Net gearing (%) | (129) | (188) | (95) | (89) | (80) |

Sources: Company data, CMS (HK) estimates

Investment Ratings

| Industry Rating | Definition |
|-----------------|--------------------------------------------------------------------------|
| OVERWEIGHT | Expect sector to outperform the market over the next 12 months |
| NEUTRAL | Expect sector to perform in-line with the market over the next 12 months |
| UNDERWEIGHT | Expect sector to underperform the market over the next 12 months |

| Company Rating | Definition |
|----------------|---------------------------------------------------------------|
| BUY | Expect stock to generate 10%+ return over the next 12 months |
| HOLD | Expect stock to generate +10% to -10% over the next 12 months |
| SELL | Expect stock to generate loss of 10%+ over the next 12 months |

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