

BeiGene (BGNE US)

Strong sales momentum maintained in 3Q22

- Strong sales growth continued.** BeiGene continued strong sales momentum in 3Q22, similar to 2Q22, with the product revenue in 3Q22 reaching US\$349.5mn (+15% QoQ in 3Q22 vs +16% QoQ in 2Q22). Sales of zanubrutinib (BTK) in 3Q22 increased to US\$155.5mn with a QoQ growth rate of 21% (vs +23% QoQ in 2Q22), mainly driven by the strong sales in the overseas markets. Tislelizumab (PD-1) also maintained strong growth in 3Q22, with sales increased by 22% QoQ, reaching US\$128.2mn (vs +20% QoQ growth rate in 2Q22). The gross margin on product sales increased to 78.1% in 3Q22 from 76.6% in 2Q22, mainly due to a proportionally higher sales mix of zanubrutinib and tislelizumab (73.2% in 3Q22 vs 68.4% in 2Q22), compared to lower margin sales of in-licensed products.
- Continued to improve cost efficiency.** BeiGene continued to improve its cost efficiency, with the SG&A expenses as a percentage of product sales significantly decreasing to 92% in 3Q22 (vs 109% in 2Q22, 113% in 1Q21, and 156% in FY2021). We believe the trend will continue thanks to the fast growing product sales and economies of scale. Net loss in 3Q22 was US\$557.6mn, compared to US\$571.4mn in the prior quarter. As of 3Q22, BeiGene has a sufficient cash balance of US\$5.1bn, providing a strong support for the Company's R&D activities and global expansion.
- Near-term approval of zanubrutinib for large indications in the overseas markets.** BeiGene recently reported superior PFS results of the Ph3 trial APLINE assessing zanubrutinib vs ibrutinib for the treatment of r/r CLL (*CMBI report*), which supports the best-in-class potential of the drug. The detailed data of the APLINE trial will be released at an upcoming conference. The BLA of zanubrutinib for CLL/SLL in Europe has received a positive CHMP opinion for approval, and in the US, we believe the sBLA will be approved by FDA in Jan 2023. Additionally, zanubrutinib was recently approved in Europe for MZL, which marks the first and only approved BTK inhibitor for MZL in Europe.
- Tislelizumab may add new indications to NRDL with moderate price reduction.** With five indications already covered by China NRDL, including large indications such as 1L nsq/sq-NSCLC and 2L HCC, we expect the Company to expand tislelizumab's NRDL coverage via simplified renewal procedures with a relatively small price cut to add four additional indications (1L NPC, 2L ESCC, 2L NSCLC, MSI-H/dMMR solid tumors). The sBLA of 1L GC and 1L ESCC is under review by CDE, and the sBLA filing of 1L HCC is in discussion with CDE. For BLA of 2L ESCC in the US, BeiGene is scheduling with FDA regarding the site inspections. Additionally, we expect the Novartis and BeiGene to file US BLAs of tislelizumab for 1L GC, 1L ESCC and 1L HCC in 2023E.
- Maintain BUY.** We anticipate zanubrutinib and tislelizumab to maintain strong sales momentum in the rest of 2022 and beyond. For BGB-11417 (Bcl-2), one of the Company's core clinical-stage assets, BeiGene has started Ph2 trials in r/r MCL and r/r CLL/SLL, and will release additional Ph1 data at the upcoming ASH meeting. We revised our DCF-based TP from US\$253.13 to US\$255.56 (WACC: 9.20%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (US\$ mn)	309	1,176	1,491	2,364	3,267
Net profit (US\$ mn)	(1,601)	(1,413)	(2,110)	(1,344)	(674)
EPS (Reported) (US\$)	(19.1)	(15.2)	(20.3)	(13.0)	(6.5)
R&D expenses (US\$ mn)	(1,295)	(1,459)	(1,678)	(1,879)	(1,973)
CAPEX (US\$ mn)	(118)	(263)	(320)	(100)	(100)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$255.56
(Previous TP)	US\$253.13)
Up/Downside	35.9%
Current Price	US\$188.80

China Healthcare

Jill WU, CFA

(852) 3900 0842
jillwu@cmbi.com.hk

Andy WANG

(852) 3657 6288
andywang@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	21,709
Avg 3 mths t/o (US\$ mn)	37.36
52w High/Low (US\$)	392.30/118.18
Total Issued Shares (mn)	104

Source: Bloomberg

Shareholding Structure

Amgen	18.5%
Baker Bros	11.4%

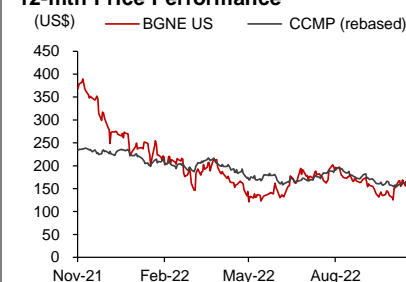
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	44.2%	36.8%
3-mth	-1.3%	14.1%
6-mth	31.4%	38.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

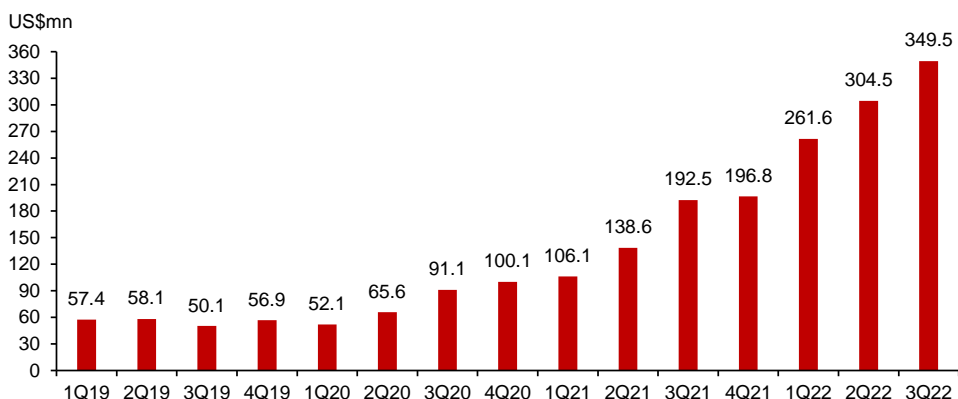
Auditor: Ernst & Young

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

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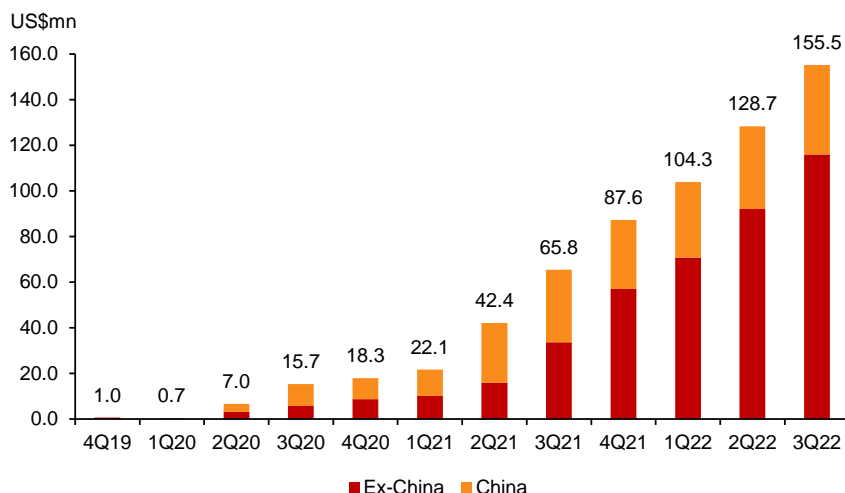
- Superior PFS vs ibrutinib in r/r CLL further supports the best-in-class potential of zanubrutinib ([link](#)) – 14 Oct 2022
- Strong sales continued in 2Q22 ([link](#)) – 8 Aug 2022
- Positive on the US BLA approval of tislelizumab despite the deferral ([link](#)) – 18 Jul 2022
- Harvest season for a global leading biopharma company ([link](#)) – 17 Jun 2022

Figure 1: Quarterly product sales of BeiGene (1Q19 – 3Q22)



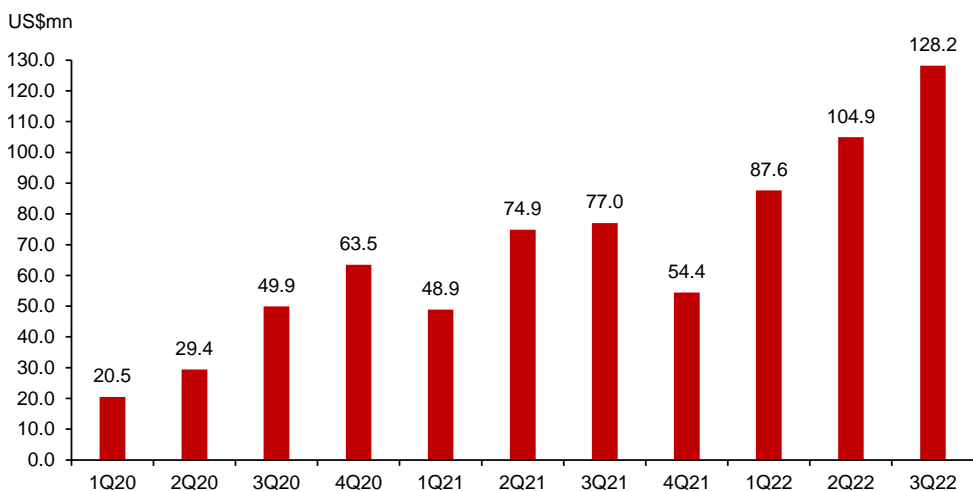
Source: Company data, CMBIGM.

Figure 2: Zanubrutinib quarterly sales (4Q19 – 3Q22)



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

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



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	(2,158)	(1,365)	(677)	(33)	618	1,283	2,015	2,726	3,229	3,517	3,692	3,866	3,963	4,107
Tax rate	0%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(2,158)	(1,365)	(677)	(33)	525	1,090	1,713	2,317	2,745	2,989	3,139	3,286	3,369	3,491
+ D&A	(33)	70	72	74	76	78	79	81	82	84	85	86	87	88
- Change in working capital	255	(111)	(124)	(164)	(110)	(110)	(103)	(85)	(44)	(4)	23	32	50	43
- Capex	(320)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	(2,256)	(1,506)	(829)	(222)	391	958	1,589	2,213	2,683	2,969	3,147	3,304	3,406	3,522
Terminal value														58,532
PV of enterprise (US\$ mn)	22,629													
Net debt (US\$ mn)	(3,887)													
Equity value (US\$ mn)	26,516													
No. of ADS (mn)	104													
DCF per ADS (US\$)	255.56													
Terminal growth rate	3.0%													
WACC	9.20%													
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%	378.58	328.91	289.14	256.64	229.66
3.5%	347.68	305.40	270.88	242.21	218.09
3.0%	322.72	286.02	255.56	229.94	208.12
2.5%	302.14	269.77	242.54	219.37	199.46
2.0%	284.88	255.94	231.32	210.17	191.84

Source: CMBIGM estimates

Figure 6: CMBIGM estimates revision

US\$ mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	1,491	2,364	3,267	1,416	2,379	3,300	5%	-1%	-1%
Gross Profit	1,188	1,898	2,621	1,087	1,863	2,576	9%	2%	2%
Operating Profit	(1,808)	(1,365)	(777)	(1,655)	(1,007)	(390)	NA	NA	NA
Net profit	(2,110)	(1,344)	(674)	(1,757)	(1,017)	(404)	NA	NA	NA
EPS (US\$ per ADS)	(20.3)	(13.0)	(6.5)	(16.9)	(9.8)	(3.9)	NA	NA	NA
Gross Margin	79.65%	80.31%	80.23%	76.77%	78.33%	78.06%	+2.88 ppt	+1.98 ppt	+2.17 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	1,491	2,364	3,267	1,411	2,105	2,798	6%	12%	17%
Gross Profit	1,188	1,898	2,621	1,157	1,762	2,306	3%	8%	14%
Operating Profit	(1,808)	(1,365)	(777)	(1,650)	(1,300)	(862)	N/A	N/A	N/A
Net Profit	(2,110)	(1,344)	(674)	(1,681)	(1,219)	(850)	N/A	N/A	N/A
EPS (US\$ per ADS)	(20.3)	(13.0)	(6.5)	(12.6)	(9.0)	(5.7)	N/A	N/A	N/A
Gross Margin	79.65%	80.31%	80.23%	82.03%	83.69%	82.43%	-2.38 ppt	-3.38 ppt	-2.20 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (US\$ mn)						
Revenue	428	309	1,176	1,491	2,364	3,267
Cost of goods sold	(71)	(71)	(165)	(303)	(465)	(646)
Gross profit	(71)	238	1,011	1,188	1,898	2,621
Operating expenses	(1,317)	(1,896)	(2,450)	(2,996)	(3,263)	(3,399)
SG&A expense	(388)	(600)	(990)	(1,317)	(1,383)	(1,424)
R&D expense	(927)	(1,295)	(1,459)	(1,678)	(1,879)	(1,973)
Others	(1)	(1)	(1)	(1)	(1)	(1)
Other income	16	39	0	(302)	20	104
Pre-tax profit	(1,372)	(1,618)	(1,439)	(2,110)	(1,344)	(674)
Income tax	(7)	18	25	0	0	0
Minority interest	(2)	(4)	0	0	0	0
Net profit	(1,379)	(1,601)	(1,413)	(2,110)	(1,344)	(674)
Adjusted net profit	(1,377)	(1,597)	(1,413)	(2,110)	(1,344)	(674)
BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (US\$ mn)						
Current assets	1,173	4,961	7,614	5,428	4,231	3,727
Cash & equivalents	618	1,382	4,376	3,875	2,389	2,064
Account receivables	71	60	483	292	453	638
Inventories	29	89	243	249	376	513
Financial assets at FVTPL	365	3,269	2,242	742	742	242
Other current assets	91	160	271	270	270	270
Non-current assets	440	640	1,032	1,278	1,308	1,336
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
Total assets	1,612	5,601	8,646	6,706	5,539	5,063
Current liabilities	310	1,075	1,600	1,670	1,847	2,045
Short-term borrowings	0	335	428	428	428	428
Account payables	122	232	262	333	510	708
Tax payable	13	20	21	21	21	21
Other current liabilities	174	488	888	888	888	888
Non-current liabilities	166	656	803	903	903	903
Long-term borrowings	83	184	202	302	302	302
Deferred income	0	0	220	220	220	220
Other non-current liabilities	83	473	381	381	381	381
Total liabilities	477	1,732	2,403	2,573	2,751	2,949
Share capital	2,926	7,415	11,191	11,191	11,191	11,191
Retained earnings	(1,956)	(3,553)	(4,966)	(7,076)	(8,421)	(9,094)
Other reserves	(8)	7	18	18	18	18
Total shareholders equity	962	3,869	6,243	4,133	2,788	2,115
Minority interest	16	0	0	0	0	0
Total equity and liabilities	1,455	5,601	8,646	6,706	5,539	5,063

CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,372)	(1,618)	(1,439)	(2,110)	(1,344)	(674)
Depreciation & amortization	19	32	46	67	70	72
Tax paid	(7)	18	25	0	0	0
Others	182	285	68	455	(111)	(124)
Net cash from operations	(1,178)	(1,283)	(1,299)	(1,588)	(1,386)	(725)
Investing						
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	1,500	0	500
Others	(69)	(112)	(52)	0	0	0
Net cash from investing	554	(3,168)	641	1,180	(100)	400
Financing						
Net borrowings	67	434	423	300	0	0
Proceeds from share issues	0	4,232	3,443	0	0	0
Others	18	537	(229)	(200)	0	0
Net cash from financing	86	5,203	3,637	100	0	0
Net change in cash						
Cash at the beginning of the year	741	621	1,390	4,383	3,875	2,389
Exchange difference	(10)	18	14	(200)	0	0
Cash at the end of the year	621	1,390	4,383	3,875	2,389	2,064
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	na	(27.9%)	280.8%	26.8%	58.5%	38.2%
Gross profit	na	na	324.6%	17.4%	59.9%	38.1%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	(16.6%)	77.1%	86.0%	79.6%	80.3%	80.2%
Adj. net profit margin	(321.5%)	(517.0%)	(120.2%)	(141.5%)	(56.9%)	(20.6%)
Return on equity (ROE)	na	(66.3%)	(28.0%)	(40.7%)	(38.8%)	(27.5%)
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(1.1)	(1.0)	(0.9)	(0.9)	(0.7)
Current ratio (x)	3.8	4.6	4.8	3.3	2.3	1.8
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
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/B	112.0	58.3	64.1	61.7	91.5	120.6

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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