

Company Report

BeiGene, Ltd (BGNE US)

3Q rev beat and strong outlook intact

■ 3Q major products rev grew to USD334mn, topped CMS est./StreetAccount consensus by 8%/7%

■ Next key catalysts for BRUKINSA: 1) PDUFA date for CLL in Jan 20th 2023; 2) full data of ALPINE study at upcoming medical conf.

■ We maintain SOTP-based TP at USD400. Maintain BUY as our top pick on Co.'s strong growth, multiple catalysts and BD capabilities
Continuing its strong performance

BRUKINSA 3Q revenue grew 136% yoy globally to USD155.5mn (+21% qoq), led by strong growth in U.S. (+221% to USD108.1mn), ROW (USD7.9mn vs. nearly nil last year) and China (+23% to USD39.5mn). The strong BRUKINSA sales in U.S and ROW. was fuelled by 1) greater new patient share in MCL thanks to rising acceptance by clinicians and insurers in the U.S., 2) expansion globally in new geographies (i.e. EU and 6 Latin American countries) and indications; **Tislelizumab** 3Q sales grew 66% yoy (22% qoq) to USD128.2mn (~RMB878mn) driven by new patient demand from broader indication inclusion in NRDL. We reckon tislelizumab continued its lead in PD-1 sales for the second consecutive quarter, which might be the new normal for the domestic PD-1 landscape. Major **In-licensed products** delivered soft 3Q results (+7% yoy to ~USD50mn), o/w robust Amgen in-licence portfolio (USD27.5mn, +32% yoy) and weak BMS in-licensed products (USD22.4mn, -13.8% yoy). Co. remained adj. loss-making but narrower to USD349mn in 3Q (USD381mn/USD360mn in 1Q/2Q), reflecting strong sales and continuing downward trend of SG&A ratio.

Major catalysts in 4Q22E-23E

Tislelizumab: 1) release of rescheduled PDUFA date for 2L ESCC in '22/23E; 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) key data presentation for MAGNOLIA study at ASH2022 (Dec 10-14); 2) FDA sNDA approval for CLL/SLL, w/ PDUFA data on Jan 20th, 2023; 3) full data for ph3 ALPINE global head-to-head trial in r/r CLL/SLL at an upcoming medical congress.

Maintain BUY with SOTP-based TP remained at USD400

We upgraded FY22E rev forecast by ~5% but left our FY23E projection and SOTP TP unchanged. We retained 20% BD 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/23E to help restore market sentiment. **Investment risks**: clinical delay/failure, lower-than-expected sales, regulatory risks.

USD mn	2019	2020	2021	2022E	2023E
Revenue	428	309	1,176	1,434	2,014
yoy growth	116%	-28%	281%	22%	40%
Adj. EBIT	(826)	(1,474)	(1,198)	(1,441)	(1,184)
yoy growth	n.a.	n.a.	n.a.	n.a.	n.a.
Adj. net profit	(822)	(1,486)	(1,239)	(1,391)	(1,035)
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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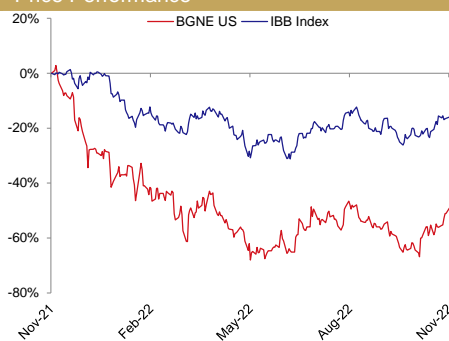
WHAT'S NEW

3Q22 results update

BUY

Previous	BUY
Price (Nov 10, 2022)	USD188.8
12-month Target Price (Potential up/downside)	USD400 (+112%)
Previous	USD400

Price Performance



Source: Bloomberg

%	1m	6m	12m
BGNE US	24.3	43.6	(50.1)
IBB	10.0	22.2	(13.0)

Sector: Pharmaceutical & Healthcare

NASDAQ (Nov 10, 2022)	11,114
IBB (Nov 10, 2022)	134

Key Data

52-week range (USD)	118-392
Market cap (USD mn)	21,755
Avg. daily value (USD mn)	37.6
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%

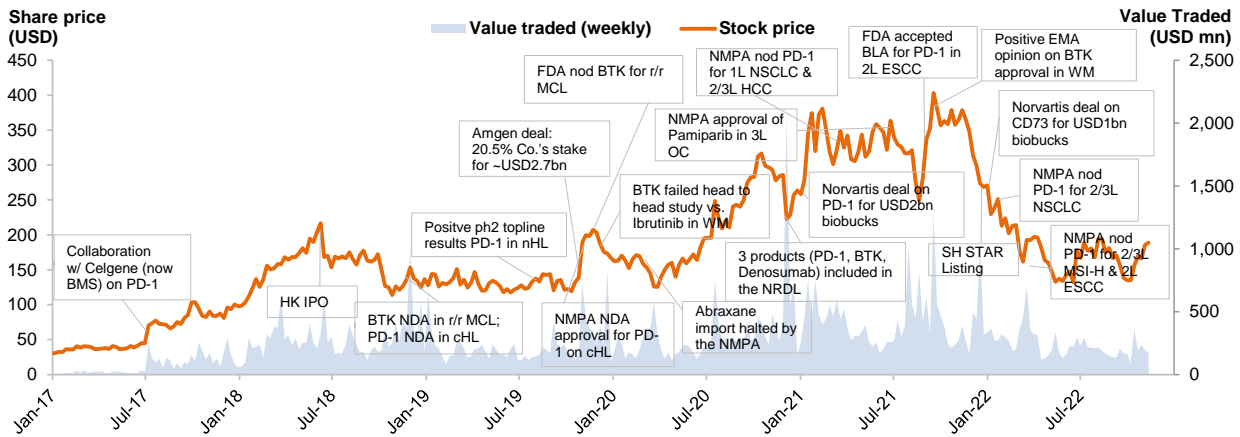
Sources: Company, Bloomberg

Related Research

- BeiGene, Ltd (BGNE US) – Positive ALPINE bodes well for Brukinsa's next PDUFA (BUY) (Oct 13, 2022)
- BeiGene, Ltd (BGNE US) – Strong 2Q results bode well for BeiGene's '22E growth (BUY) (Aug 5, 2022)
- BeiGene, Ltd (BGNE US) – 1Q22 BRUKINSA sales validates Co.'s global franchise (BUY) (May 6, 2022)

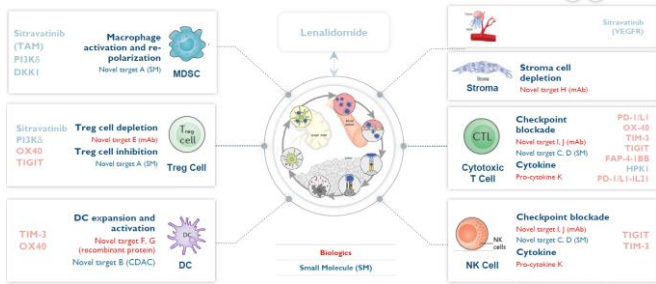
Focus charts

Figure 1: BeiGene's share price driver



Sources: Bloomberg, CMS (HK)

Figure 2: Extensive innovative pipelines for cancer immunotherapy



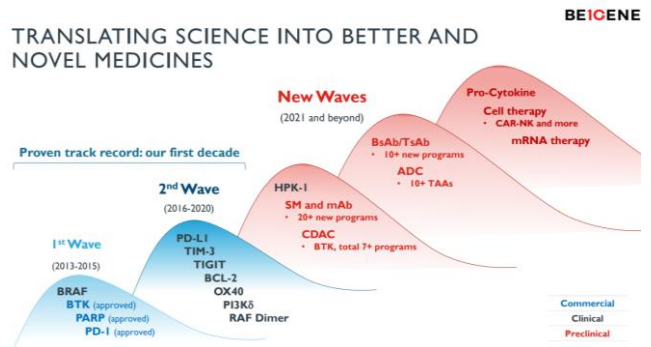
Source: Company

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 BRUKINSA in 10+ markets	Commercial	'22E	
		1L ESCC	China sBLA approval	Regulatory	'23E	
		1L GC	China sBLA approval	Regulatory	'23E	
		2L ESCC	US FDA sBLA approval (PDUFA)	Regulatory	'22E-'23E	
Tislelizumab	PD-1	1L GC/ESCC/HCC	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 MSH-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	

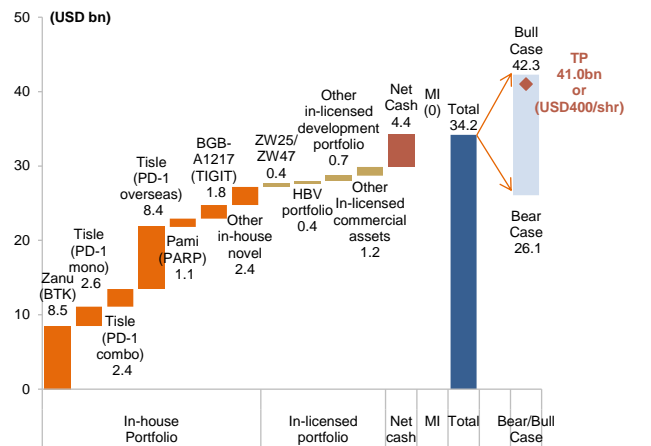
Source: CMS (HK) estimates

Figure 3: BGNE's pipeline transformation



Source: Company

Figure 5: Our SOTP-based rNPV valuation



Source: CMS (HK) estimates

Figure 6: Financials revision

(USD mn)	2022E			2023E		
Income statement	Before	After	% Change	Before	After	% Change
Consolidated revenue	1,367	1,434	4.9%	2,014	2,014	0.0%
COGS	(269)	(279)	3.8%	(376)	(372)	-1.0%
Gross profit	1,098	1,155	5.2%	1,638	1,641	0.2%
(-) Total SG&A expense	(1,367)	(1,291)	-5.6%	(1,410)	(1,410)	0.0%
(-) Research & Development cost	(1,605)	(1,605)	0.0%	(1,766)	(1,766)	0.0%
(+/-) Other income/expense, gains/losses	-	-	n.a.	-	-	n.a.
EBITDA adjusted	(1,523)	(1,390)	-8.7%	(1,131)	(1,127)	-0.3%
Total Depreciation and Amortisation	(51)	(51)	0.0%	(56)	(56)	0.0%
Stock-Based Compensation	(300)	(300)	0.0%	(350)	(350)	0.0%
EBIT adjusted	(1,574)	(1,441)	-8.5%	(1,187)	(1,184)	-0.3%
(+/-) Profit from JV&Asso.	-	-	n.a.	-	-	n.a.
(+/-) Finance (expense)/income - net	50	50	0.0%	32	34	3.8%
(+/-) Non-Other income/expense, gains/losses	-	-	n.a.	-	-	n.a.
Profit before tax	(1,825)	(1,691)	-7.3%	(1,505)	(1,500)	-0.3%
(-) Tax	-	-	n.a.	116	115	-0.4%
(+/-) Minority interest	-	-	n.a.	-	-	n.a.
Net profit attributable to shareholders (reported)	(1,825)	(1,691)	-7.3%	(1,390)	(1,385)	-0.3%
Adjusted net profit	(1,525)	(1,391)	-8.7%	(1,040)	(1,035)	-0.4%
EPS Fully diluted (USD)	(1.14)	(1.04)	-8.7%	(0.78)	(0.78)	-0.4%
Margins (%)			p.p.			p.p.
Gross Margin	80%	81%	0.2	81%	82%	0.2
Adjusted EBITDA Margin	-139%	-120%	18.3	-69%	-69%	0.4
Adjusted Net Profit Margin	-111%	-97%	14.5	-52%	-51%	0.2
Growth (% yoy)						
Consolidated revenue	16%	22%	5.7	47%	40%	-6.9
Gross profit	9%	14%	5.6	49%	42%	-7.0
Adjusted EBITDA	32%	21%	-11.6	-26%	-19%	6.9
Adjusted net profit	23%	12%	-10.7	-32%	-26%	6.2

Source: CMS estimates

Valuation summary

Figure 7: 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

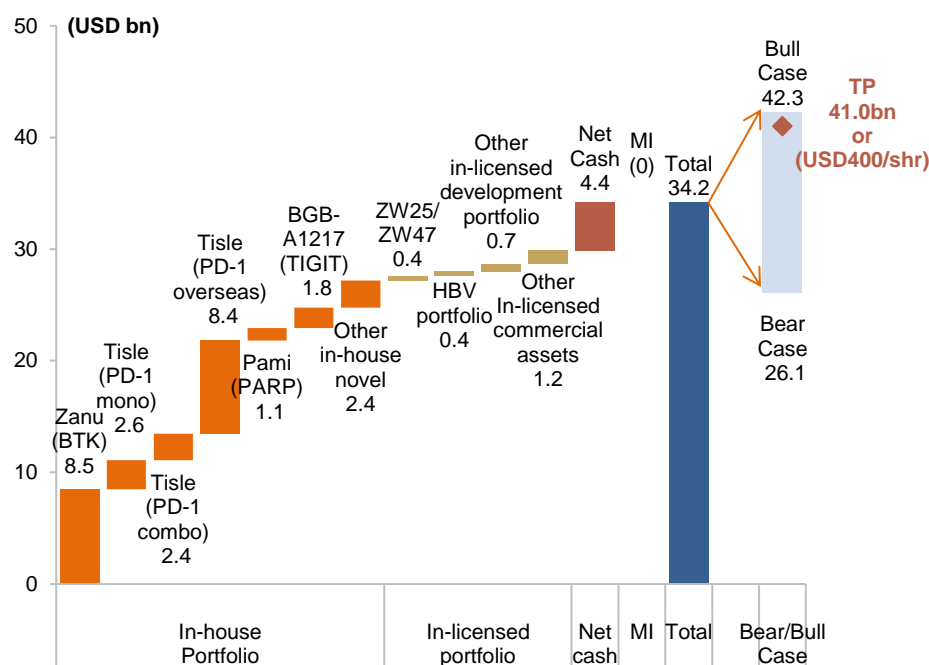
20%

TP (USD)

400

Source: CMS (HK) estimates

Figure 8: 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	857	1,005	1,149
PP&E	242	358	574	723	866
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	6,953	5,408	4,280
Inventories	29	89	45	61	82
Loan and account receivables	71	60	226	275	386
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	3,253	2,143	1,383
Total assets	1,612	5,601	7,810	6,413	5,429
Current liabilities	310	1,075	1,001	996	1,047
Trade and bills payables	122	232	158	153	204
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	6,246	4,855	3,820
Minorities	16	-	-	-	-
Total liabilities and equity	1,612	5,601	7,904	6,507	5,523

Cashflow Statement

USD mn	2019	2020	2021	2022E	2023E
Cash flow from operating	(750)	(1,283)	(1,341)	(1,476)	(1,108)
Pretax profit	(944)	(1,618)	(1,439)	(1,691)	(1,500)
Operating profit before WC chgs	(732)	(1,435)	(1,105)	(1,390)	(1,127)
Net working capital change	(18)	151	(195)	(71)	(81)
Income tax paid	-	-	(25)	-	115
Interest paid	-	-	(16)	(16)	(16)
Cash flow from investing	554	(3,168)	(388)	365	349
Purchase of PPE	(90)	(118)	(263)	(200)	(200)
Purchase/disposal of subsidiaries	(69)	(110)	-	-	-
Purchase/disposal of JV&Asso.	-	-	-	-	-
Interest received	-	-	-	65	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	3,253	2,143
Forex	(10)	18	(8)	-	-
End cash	621	1,390	3,253	2,143	1,383

Profit & Loss Statement

USD mn	2019	2020	2021	2022E	2023E
Consolidated revenue	428	309	1,176	1,434	2,014
Cost of goods sold	(71)	(71)	(165)	(279)	(372)
Gross profit	357	238	1,011	1,155	1,641
(-) Total SG&A expense	(388)	(600)	(990)	(1,291)	(1,410)
(-) R&D cost	(927)	(1,295)	(1,459)	(1,605)	(1,766)
(+/-) Other income/expense	-	-	-	-	-
(+/-) Profit from JV&Asso.	-	-	-	-	-
Adj. EBITDA	(807)	(1,442)	(1,152)	(1,390)	(1,127)
Stock-based compensation	(134)	(183)	(241)	(300)	(350)
Total depreciation & amortisation	(19)	(32)	(46)	(51)	(56)
Adj. EBIT	(826)	(1,474)	(1,198)	(1,441)	(1,184)
(+/-) Finance income - net	9	2	(16)	50	34
(+/-) Other income, gains/losses	7	37	16	-	-
Profit before tax	(944)	(1,618)	(1,439)	(1,691)	(1,500)
(-) Tax	(7)	(18)	(25)	-	115
Net profit	(951)	(1,636)	(1,464)	(1,691)	(1,385)
(+/-) Minority interest	2	4	-	-	-
Net profit to shareholders	(949)	(1,632)	(1,464)	(1,691)	(1,385)
Adjusted net profit	(822)	(1,486)	(1,239)	(1,391)	(1,035)
EPS fully diluted (USD)	(1.05)	(1.37)	(1.03)	(1.04)	(0.78)

Financial Ratios

	2019	2020	2021	2022E	2023E
Growth					
Consolidated revenue	116%	-28%	281%	22%	40%
Gross profit	111%	-33%	325%	14%	42%
Adjusted net profit	n.a.	n.a.	n.a.	n.a.	n.a.
Profitability					
Gross margin (%)	83%	77%	86%	81%	82%
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	70	70
Accounts receivable days	48	78	44	64	60
Accounts payable days	604	915	432	203	175
Cash cycle days	(442)	(534)	(239)	(70)	(45)
Liquidity					
FCF (USD mn)	(909)	(1,510)	(1,553)	(1,676)	(1,308)
Net gearing (%)	(129)	(188)	(95)	(88)	(79)

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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Hong Kong

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