

BeiGene (BGNE US)

Consistently exceeding expectations

- **Product sales continued beating expectation.** In 1Q24, BeiGene recorded total product sales of US\$747mn (+18% QoQ, +82% YoY), representing 25.7% of our previous FY24 estimate. Zanubrutinib (zanu) maintained strong sales momentum, with sales increasing 18% QoQ or 131% YoY to US\$489mn. The strong performance of zanu was driven by market share gain in CLL in the US and the expansion of reimbursement coverage in the EU. According to our calculation, in 1Q24, the global market size of BTKi remained stable (+1% QoQ), while sales of zanu outperformed the competing drugs (acalabrutinib +6% QoQ and ibrutinib -7% QoQ). Zanu captured around 21% of the global BTKi market in 1Q24, improving significantly from 18% in 4Q23. As the only BTKi with superior head-to-head clinical data vs ibrutinib and the broadest indication coverage, we forecast zanu to realize US\$2.2bn sales in FY24 (+69% YoY) and US\$4.8bn peak sales by 2031E.
- **Patent dispute approaching resolution.** In Jun 2023, Pharmacyclics (a subsidiary of Abbvie) filed a complaint in the US District Court against BeiGene, alleging that BRUKINSA infringes Pharmacyclics' US Patent No. 11,672,803 issued on Jun 13, 2023 (the "803 patent"). On May 1, 2024, the US Patent and Trademark Office (USPTO) granted BeiGene's PGR petition and is expected to issue a final decision on the validity of the "803 patent" within 12 months. We believe this indicates that this patent dispute is nearing resolution and zanu will continue its market share gain in the US.
- **On the path to profitability.** BeiGene consistently improved its operating margins, benefiting from the rapid growth in product revenue. Its GP margin (vs product sales) increased to 83.3% in 1Q24 (vs 82.7% in FY23), driven by a growing proportion of sales from high-margin zanu and economies of scale. The SG&A ratio (vs product sales) decreased to 57% in 1Q24 from 69% in FY23, and the R&D ratio (vs product sales) also shrank to 62% from 81% in FY23. In 1Q24, BeiGene narrowed its net loss to US\$251mn (vs US\$368mn in 4Q23), which was better than our expectation. With the strong sales momentum and the improving operating margin, we expect BeiGene to break even in FY26E.
- **Efficient clinical progress of the next wave of blockbusters.** We believe sonrotoclax (BCL-2) and BGB-16673 (BTK CDAC) will become blockbusters. We expect updated Ph1 data of sonrotoclax at the EHA and ASH meetings this year. BeiGene has initiated a global Ph3 study of sonrotoclax + zanu vs venetoclax + obinutuzumab in 1L CLL in late 2023. We expect the data readout of the Ph2 trials of sonrotoclax in R/R MCL (global study) and R/R CLL (China study) in 2025E. Moreover, sonrotoclax has potential to extend indications to AML, MDS and MM. BeiGene has started the expansion cohorts of BGB-16673 (BTK CDAC) in R/R MCL (with registration potential) and R/R CLL. We expect BeiGene to start a Ph3 study for BTK CDAC in R/R CLL by end-2024. Updated Ph1 data will be released at EHA meeting in Jun.
- **Maintain BUY.** Considering zanu's strong growth, tisle's launch in the EU/US, sonrotoclax and BTK CDAC's blockbuster potential, and a robust early-stage pipeline, BeiGene remains our top recommendation. We raised our DCF-based TP from US\$268.20 to US\$269.73 (WACC: 9.64%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)					
Net profit (US\$ mn)	1,416	2,459	3,255	4,532	5,888
EPS (Reported) (US\$)	(2,003.8)	(881.7)	(804.1)	(68.0)	395.1
Consensus EPS (US\$)	(19.43)	(8.45)	(7.71)	(0.65)	3.79
R&D expenses (US\$ mn)	na	na	(8.25)	(3.30)	2.98
CAPEX (US\$ mn)	(1,641)	(1,779)	(1,785)	(1,813)	(2,061)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$269.73
(Previous TP)	US\$248.52)
Up/Downside	59.9%
Current Price	US\$168.64

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Stock Data

Mkt Cap (US\$ mn)	17,584.6
Avg 3 mths t/o (US\$ mn)	21.5
52w High/Low (US\$)	244.60/129.52
Total Issued Shares (mn)	104.3

Source: FactSet

Shareholding Structure

Amgen	19.6%
Baker Bros	11.0%

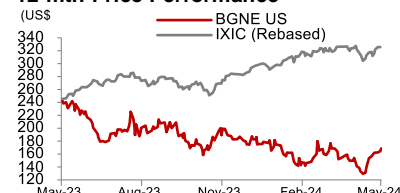
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Share Performance

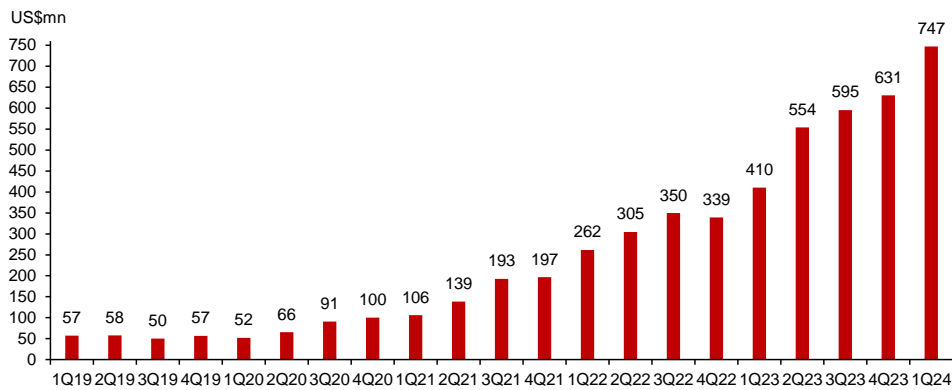
	Absolute	Relative
1-mth	12.6%	11.4%
3-mth	14.7%	12.2%
6-mth	-15.3%	-28.5%

Source: FactSet

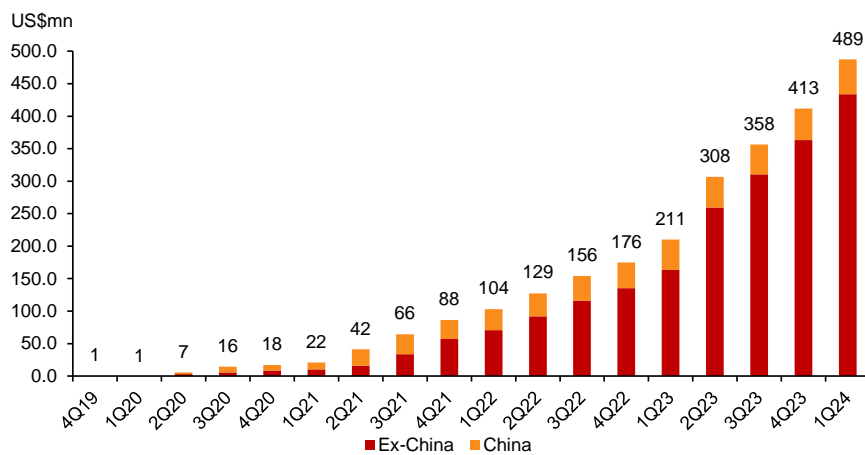
12-mth Price Performance



Source: FactSet

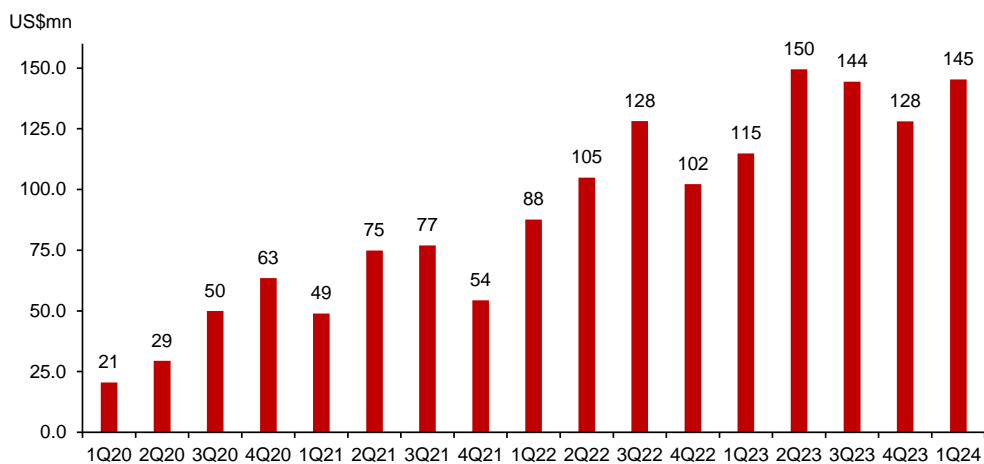
Figure 1: Quarterly product sales of BeiGene (1Q19-1Q24)

Source: Company data, CMBIGM

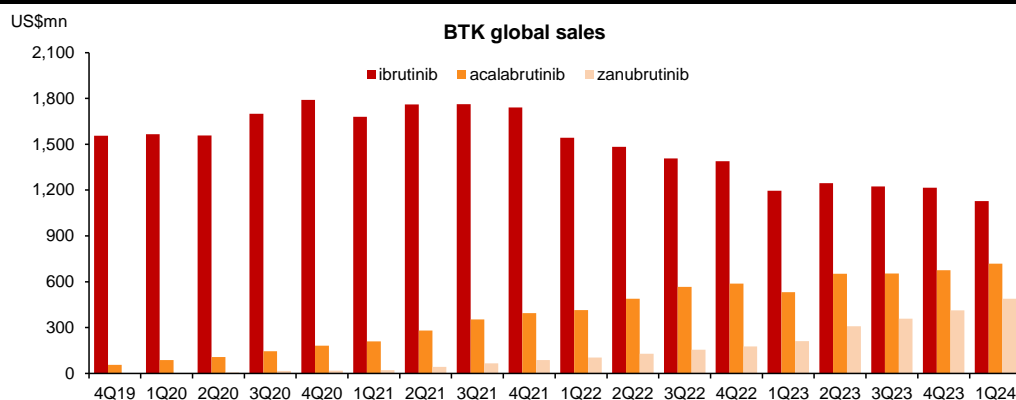
Figure 2: Zanubrutinib quarterly sales (4Q19-1Q24)

Source: Company data, CMBIGM

Note: Zanubrutinib was originally approved in Nov 2019 in the US.

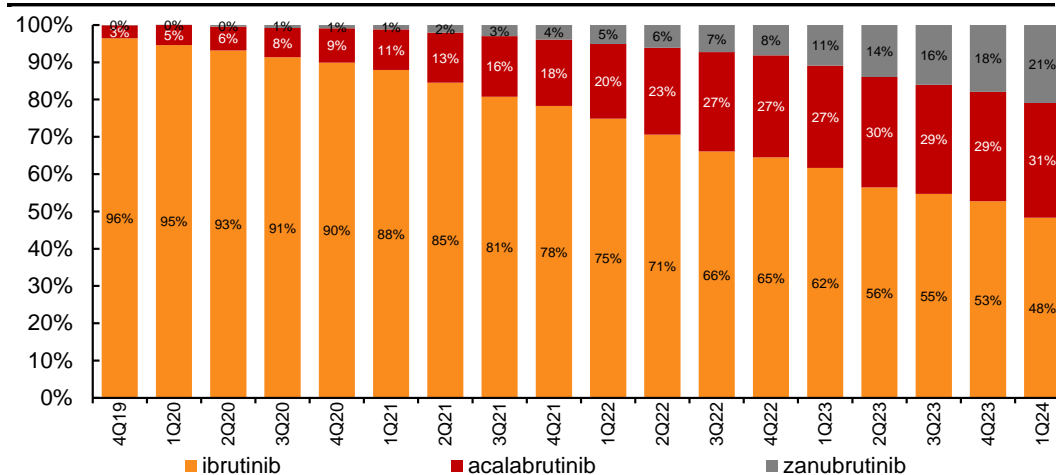
Figure 3: Tislelizumab quarterly sales (1Q20-1Q24)

Source: Company data, CMBIGM

Figure 4: Global sales of major BTK inhibitors (4Q19-1Q24)

Source: Company data, CMBIGM

Note: sales of pirtobrutinib, orelabrutinib, tirabrutinib and olmutibib are not included due to current limited market share.

Figure 5: Market share of major BTK inhibitors (4Q19-1Q24)

Source: Company data, CMBIGM.

Note: sales of pirtobrutinib, orelabrutinib, tirabrutinib and olmutibib are not included in calculation due to limited market share currently.

Figure 6: Risk-adjusted DCF valuation

DCF valuation (US\$ mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	-827	-67	462	1,203	1,711	2,451	2,935	3,305	3,568	3,791	3,958	4,113
Tax rate	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	-827	-67	392	1,023	1,454	2,083	2,495	2,809	3,033	3,222	3,365	3,496
+ D&A	95	101	107	113	118	124	128	133	137	141	145	148
- Change in working capital	-4	-182	-191	-219	-21	-140	-101	-77	-26	-8	12	16
- Capex	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
FCFF	-937	-348	109	717	1,351	1,866	2,322	2,664	2,944	3,155	3,322	3,460
Terminal value	53,667											
PV of enterprise (US\$ mn)	26,539											
Net debt (US\$ mn)	-1,586											
Equity value (US\$ mn)	28,125											
No. of ADS (mn)	104											
DCF per ADS (US\$)	269.73											
Terminal growth rate	3.0%											
WACC	9.64%											
Cost of equity	13.0%											
Cost of debt	4.0%											
Equity beta	1.00											
Risk-free rate	3.0%											
Market risk premium	10.0%											
Target debt to asset ratio	35.0%											
Effective corporate tax rate	15.0%											

Source: CMBIGM estimates

Figure 7: Sensitivity analysis (US\$)

Terminal growth rate	WACC				
	8.64%	9.14%	9.64%	10.14%	10.64%
4.0%	381.73	337.84	301.92	272.03	246.80
3.5%	353.78	315.97	284.51	257.97	235.30
3.0%	330.78	297.67	269.73	245.88	225.30
2.5%	311.52	282.12	257.01	235.36	216.53
2.0%	295.17	268.75	245.96	226.14	208.77

Source: CMBIGM estimates

Figure 8: CMBIGM estimates revision

US\$ mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,255	4,532	5,888	2,902	4,044	5,319	12%	12%	11%
Gross profit	2,713	3,789	4,940	2,413	3,383	4,460	12%	12%	11%
Operating profit	-827	-67	462	-1,113	-226	816	NA	NA	-44%
Net profit	-804	-68	395	-1,090	-225	696	NA	NA	-45%
EPS (US\$ per ADS)	(7.71)	(0.65)	3.79	(10.45)	(2.16)	6.68	NA	NA	-46%
Gross Margin	83.35%	83.60%	83.90%	83.15%	83.65%	83.85%	+0.20 ppt	-0.05 ppt	+0.05 ppt

Source: Company data, CMBIGM estimates

Figure 9: CMBIGM estimate vs consensus

US\$ mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,255	4,532	5,888	3,136	3,977	4,930	4%	14%	19%
Gross profit	2,713	3,789	4,940	2,641	3,394	4,223	3%	12%	17%
Operating profit	-827	-67	462	-1,070	-599	-86	N/A	N/A	N/A
Net profit	-804	-68	395	-937	-387	275	N/A	N/A	N/A
EPS (US\$ per ADS)	(7.71)	(0.65)	3.79	(8.25)	(3.30)	2.98	N/A	N/A	N/A
Gross margin	83.35%	83.60%	83.90%	84.23%	85.34%	85.65%	-0.88 ppt	-1.74 ppt	-1.75 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	1,176	1,416	2,459	3,255	4,532	5,888
Cost of goods sold	(165)	(286)	(380)	(542)	(743)	(948)
Gross profit	1,011	1,129	2,079	2,713	3,789	4,940
Operating expenses	(2,450)	(2,919)	(3,287)	(3,540)	(3,855)	(4,479)
SG&A expense	(990)	(1,278)	(1,505)	(1,752)	(2,039)	(2,414)
R&D expense	(1,459)	(1,641)	(1,779)	(1,785)	(1,813)	(2,061)
Others	(1)	(1)	(4)	(4)	(4)	(4)
Other income	0	(171)	382	23	(1)	3
Pre-tax profit	(1,439)	(1,961)	(826)	(804)	(68)	465
Income tax	25	(43)	(56)	0	0	(70)
Minority interest	0	0	0	0	0	0
Net profit	(1,413)	(2,004)	(882)	(804)	(68)	395
Adjusted net profit	(1,413)	(2,004)	(882)	(804)	(68)	395

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	7,614	5,207	4,203	3,906	4,088	4,436
Cash & equivalents	4,376	3,870	3,172	2,770	2,621	2,632
Account receivables	483	173	358	400	559	726
Inventories	243	282	416	491	663	832
Financial assets at FVTPL	2,242	665	3	3	3	3
Other current assets	271	217	255	243	243	243
Non-current assets	1,032	1,172	1,602	1,707	1,806	1,899
PP&E	588	846	1,324	1,430	1,528	1,621
Deferred income tax	110	0	0	0	0	0
Intangibles	47	41	57	57	57	57
Other non-current assets	287	286	221	221	221	221
Total assets	8,646	6,379	5,805	5,614	5,894	6,335
Current liabilities	1,600	1,469	1,810	1,923	2,071	2,217
Short-term borrowings	428	329	688	688	688	688
Account payables	262	295	315	428	576	722
Tax payable	21	25	23	23	23	23
Other current liabilities	888	820	784	784	784	784
Non-current liabilities	803	527	458	758	758	458
Long-term borrowings	202	209	198	498	498	198
Deferred income	220	42	0	0	0	0
Other non-current liabilities	381	276	260	260	260	260
Total liabilities	2,403	1,996	2,268	2,680	2,829	2,675
Share capital	11,191	11,541	11,599	11,799	11,999	12,199
Retained earnings	(4,966)	(7,080)	(7,962)	(8,766)	(8,834)	(8,439)
Other reserves	18	(77)	(99)	(99)	(99)	(99)
Total shareholders equity	6,243	4,383	3,537	2,933	3,065	3,660
Minority interest	0	0	0	0	0	0
Total equity and liabilities	8,646	6,379	5,805	5,613	5,894	6,335

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,439)	(1,961)	(826)	(804)	(68)	465
Depreciation & amortization	46	66	88	95	101	107
Tax paid	25	(43)	(56)	0	0	(70)
Others	68	441	(363)	196	18	9
Net cash from operations	(1,299)	(1,497)	(1,157)	(514)	51	511
Investing						
Capital expenditure	(263)	(325)	(562)	(200)	(200)	(200)
Acquisition of subsidiaries/ investments	(2,191)	(17)	(17)	0	0	0
Net proceeds from disposal of short-term investments	3,147	1,564	673	0	0	0
Others	(52)	(144)	(34)	0	0	0
Net cash from investing	641	1,077	60	(200)	(200)	(200)
Financing						
Net borrowings	423	351	684	300	0	0
Proceeds from share issues	3,443	0	0	0	0	0
Others	(229)	(370)	(268)	0	0	(300)
Net cash from financing	3,637	(19)	416	300	0	(300)
Net change in cash						
Cash at the beginning of the year	1,390	4,383	3,875	3,183	2,770	2,621
Exchange difference	14	(69)	(8)	0	0	0
Cash at the end of the year	4,383	3,875	3,186	2,770	2,621	2,632
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	280.8%	20.4%	73.7%	32.4%	39.2%	29.9%
Gross profit	324.6%	11.7%	84.1%	30.5%	39.6%	30.4%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	86.0%	79.8%	84.5%	83.4%	83.6%	83.9%
Adj. net profit margin	(120.2%)	(141.5%)	(35.9%)	(24.7%)	(1.5%)	6.7%
Return on equity (ROE)	(28.0%)	(37.7%)	(22.3%)	(24.9%)	(2.3%)	11.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(1.0)	(0.9)	(0.7)	(0.5)	(0.5)	(0.5)
Current ratio (x)	4.8	3.5	2.3	2.0	2.0	2.0
Receivable turnover days	84.3	84.6	39.4	45.0	45.0	45.0
Inventory turnover days	367.3	334.4	335.5	330.5	325.5	320.5
Payable turnover days	547.1	355.0	293.0	288.0	283.0	278.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	44.5
P/E (diluted)	ns	ns	ns	ns	ns	44.5
P/B	32.6	51.6	64.7	77.9	74.6	62.5

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

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