

BeiGene (BGNE US)

Growing non-GAAP profit

- Strong product sales.** In 3Q24, BeiGene recorded product sales of US\$993mn (+8% QoQ, +67% YoY). The 9M24 total product sales reached US\$2.66bn, representing 69% of our previous FY24 estimate. In 3Q24, sales of zanubrutinib (Zanu) increased 8% QoQ or 93% YoY to US\$690mn. The growth rate in Q3 was notably slower compared to the 30% QoQ increase in Q2, primarily due to a one-off sales order of US\$15mn in Q2 and seasonal variations. Despite this, Zanu's sales momentum remained robust, driven by strong performances in the US (+5% QoQ to US\$504mn) and the EU (+20% QoQ to US\$97mn). In the US, Zanu achieved a leading position in new patient prescriptions for 1L and R/R CLL in Q3. Zanu continued to outperform its peers globally, with sales of acalabrutinib increased by 3% QoQ in 3Q24, while sales of ibrutinib and pirtobrutinib declined by 1% and 12% QoQ, respectively. Zanu captured approximately 25% of the global BTK inhibitor market in 3Q24 (vs 20% in 1Q24). Acalabrutinib combined with venetoclax recorded a 76.5% 36-month PFS rate in the AMPLIFY trial for 1st line CLL ([link](#)), which was lower than Zanu mono's 80% 54-month PFS rate in the SEQUOIA trial ([link](#)). As a best-in-class BTK inhibitor, we anticipate Zanu to seize a leading market share.
- Continued to achieve non-GAAP profitability.** The GP margin (vs product sales) was 82.8% in 3Q24 (vs 85.0% in 2Q24). The decrease was impacted by an accelerated depreciation expense of US\$17mn due to upgrading of the production line for tislelizumab, an effect expected to dissipate in 2025. The SG&A ratio (vs product sales) decreased to 46% in 3Q24 (vs 48% in 2Q24). R&D ratio (vs product sales) was 50% in 3Q24, consistent with 49% in 2Q24, while there was US\$25mn R&D expense increase due to accelerated depreciation in 3Q. BeiGene recorded net loss of US\$121mn in 3Q24 (vs US\$120mn in 2Q24). Excluding the impacts from share-based compensation and D&A, the adjusted profit in 3Q24 reached US\$66mn, up from US\$48mn in 2Q24. In 3Q24, BeiGene generated US\$188mn positive cash inflows from operations. With the strong sales momentum and improving operating margins, we expect BeiGene to break even in FY25E.
- Efficient clinical progress in next wave of blockbusters.** BeiGene initiated a strong global Ph3 study of sonrotoclast (Bcl-2) + zanu in 1L CLL in late 2023, with full enrolment expected by 1Q25. Ph2 trial results for sonrotoclast in R/R MCL globally and R/R CLL in China are anticipated in 2H25, potentially leading to NDA filings if the outcomes are positive. Ph3 trials of sonrotoclast in R/R CLL and R/R MCL are expected to start in 1H25. BeiGene has started the expansion cohorts of BGB-16673 (BTK CDAC) in R/R CLL with registration potential, and plans to initiate a Ph3 study for BTK CDAC in R/R CLL in 1H25. In a Ph1 trial for heavily pre-treated CLL (n=49), BGB-16673 demonstrated promising early efficacy with an ORR of 78% ([link](#)), comparable to NX-5948's 77% ([link](#)). BGB-43395 (CDK4i) will release Ph1 data at the SABCS meeting in Dec 2024, with a pivotal trial expected to follow. BeiGene continues to advance multiple new molecules in the clinic, including ADCs, bi/tri-specific monoclonal antibodies, and degraders.
- Maintain BUY.** Considering BeiGene's improving margins, Zanu's strong growth momentum, and blockbuster potential of multiple innovative assets, BeiGene remains our top recommendation. Due to the slower sales growth in 3Q, we cut TP from US\$288.93 to US\$276.02 (WACC: 9.32%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	1,416	2,459	3,835	5,333	6,763
Net profit (US\$ mn)	(2,004)	(882)	(603)	52	699
EPS (Reported) (US\$)	(1.94)	(8.45)	(5.70)	0.49	6.60
R&D expenses (US\$ mn)	(1,641)	(1,779)	(1,960)	(2,027)	(2,164)
CAPEX (US\$ mn)	(325)	(562)	(500)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$276.02
(Previous TP)	US\$288.93
Up/Downside	42.5%
Current Price	US\$193.64

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Stock Data

Mkt Cap (US\$ mn)	20,507.2
Avg 3 mths t/o (US\$ mn)	26.2
52w High/Low (US\$)	246.04/129.52
Total Issued Shares (mn)	105.9

Source: FactSet

Shareholding Structure

Amgen	19.3%
Baker Bros	10.9%

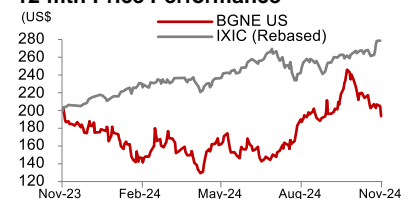
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Share Performance

	Absolute	Relative
1-mth	-18.0%	-22.0%
3-mth	3.4%	-7.8%
6-mth	19.4%	1.5%

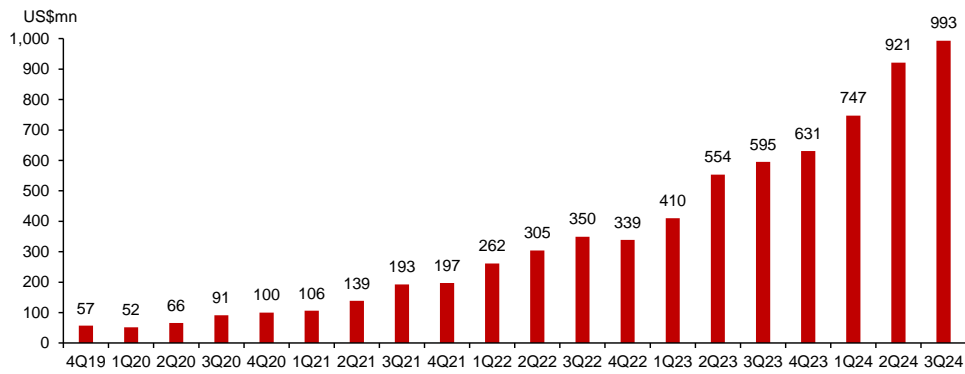
Source: FactSet

12-mth Price Performance



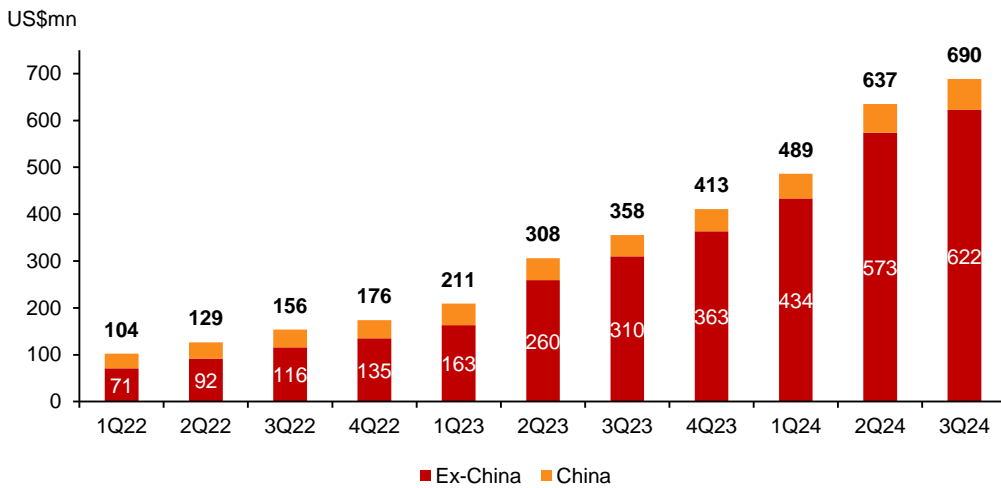
Source: FactSet

Figure 1: Quarterly product sales of BeiGene



Source: Company data, CMBIGM

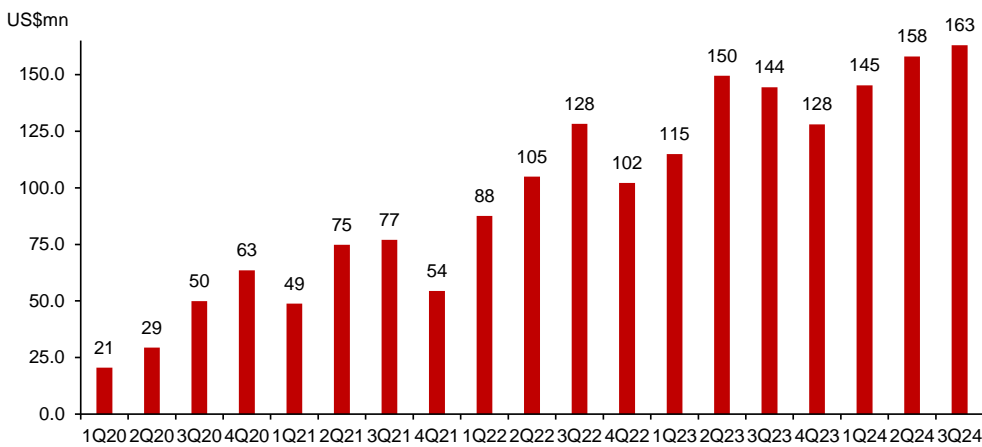
Figure 2: Zanubrutinib quarterly sales



Source: Company data, CMBIGM

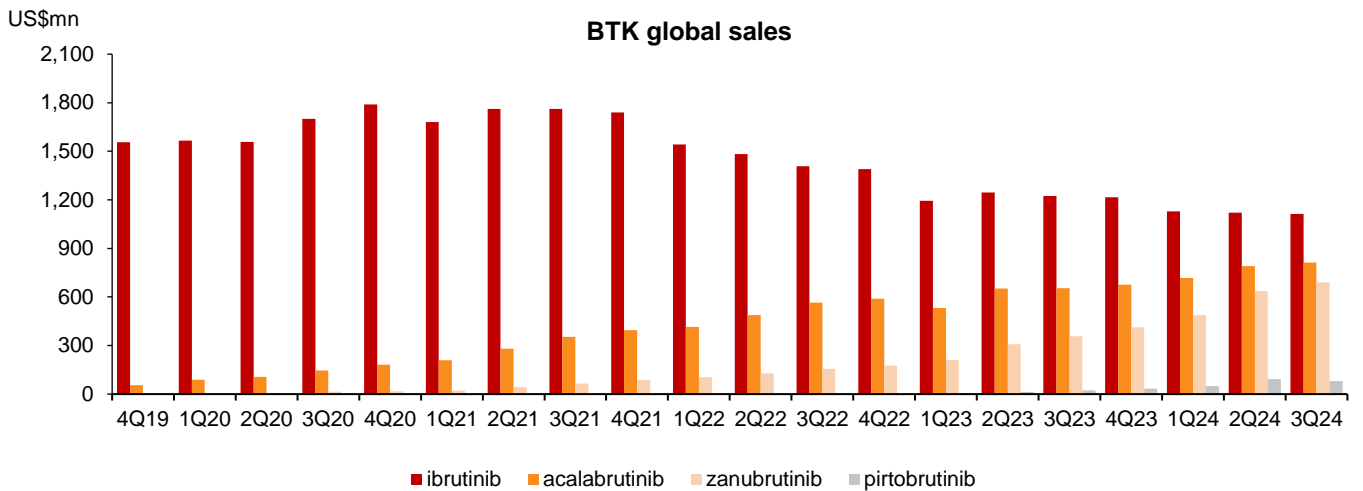
Note: Zanubrutinib was originally approved in Nov 2019 in the US.

Figure 3: Tislelizumab quarterly sales



Source: Company data, CMBIGM

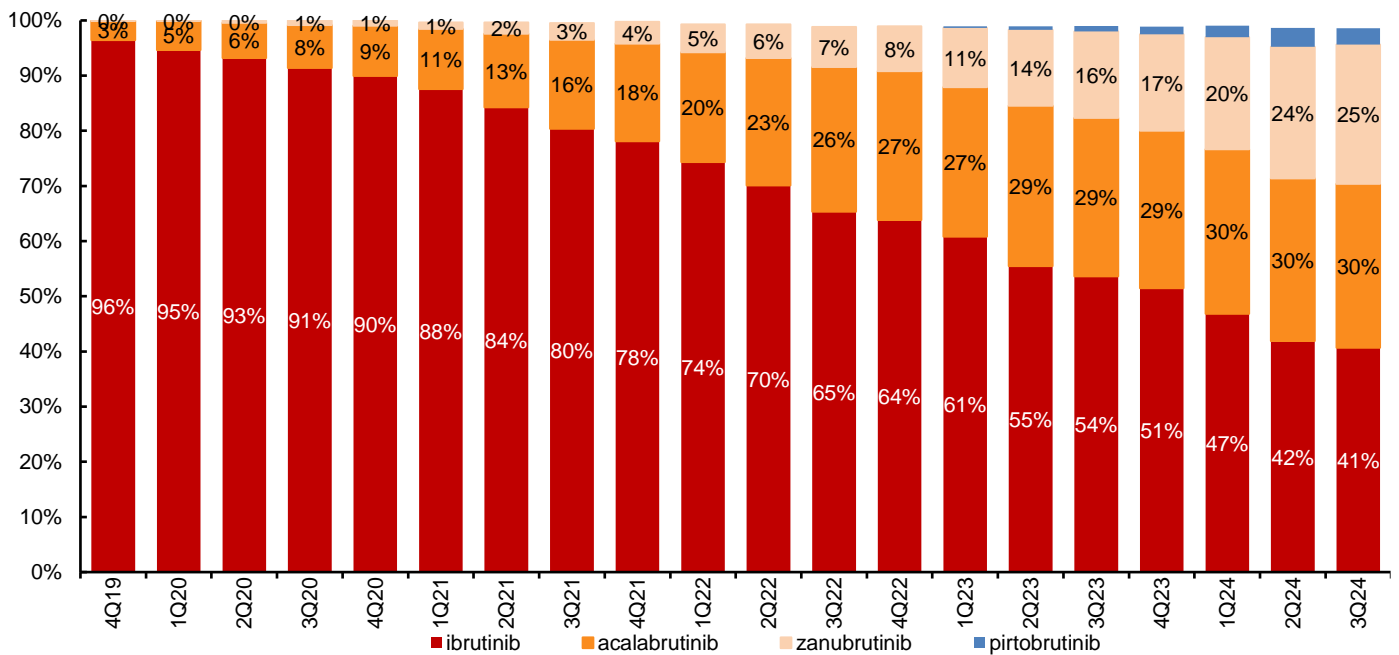
Figure 4: Global sales of major BTK inhibitors



Source: Company data, CMBIGM.

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

Figure 5: Market share of major BTK inhibitors



Source: Company data, CMBIGM.

Note: sales of 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	-598	27	798	1,471	1,974	2,731	3,474	3,953	4,153	4,149	3,798	3,506
Tax rate	-11%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	-664	27	678	1,250	1,678	2,322	2,953	3,360	3,530	3,526	3,228	2,980
+ D&A	113	119	124	128	133	137	141	145	148	151	154	157
- Change in working capital	-83	-212	-200	-190	8	-125	-116	-67	2	36	149	123
- Capex	-500	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
FCFF	-1,134	-266	402	989	1,619	2,133	2,778	3,237	3,480	3,514	3,332	3,061
Terminal value												49,923
PV of enterprise (US\$ mn)												27,555
Net debt (US\$ mn)												-1,676
Equity value (US\$ mn)												29,231
No. of ADS (mn)												106
DCF per ADS (US\$)												276.02
Terminal growth rate												3.0%
WACC												9.32%
Cost of equity												12.5%
Cost of debt												4.0%
Equity beta												0.95
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				
	8.32%	8.82%	9.32%	9.82%	10.32%
4.0%	389.65	344.74	308.35	278.26	253.00
3.5%	360.76	322.45	290.79	264.21	241.60
3.0%	337.31	303.99	276.02	252.23	231.75
2.5%	317.88	288.45	263.41	241.88	223.16
2.0%	301.54	275.19	252.53	232.85	215.61

Source: CMBIGM estimates

Figure 8: CMBIGM estimates revision

US\$ mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,835	5,333	6,763	3,869	5,491	6,993	-1%	-3%	-3%
Gross profit	3,207	4,507	5,735	3,293	4,679	5,972	-3%	-4%	-4%
Operating profit	-598	27	798	-623	66	657	NA	NA	42%
Net profit	-603	52	699	-600	53	562	NA	NA	42%
EPS (US\$ per ADS)	(5.70)	0.49	6.60	(5.76)	0.51	5.39	NA	NA	42%
Gross Margin	83.63%	84.50%	84.80%	85.12%	85.20%	85.40%	-1.49 ppt	-0.70 ppt	-0.60 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	3,835	5,333	6,763	3,658	4,531	5,494	5%	18%	23%
Gross profit	3,207	4,507	5,735	3,092	3,876	4,738	4%	16%	21%
Operating profit	-598	27	798	-605	-31	445	N/A	N/A	N/A
Net profit	-603	52	699	-532	-24	430	N/A	N/A	N/A
EPS (US\$ per ADS)	(5.70)	0.49	6.60	(3.97)	(0.05)	4.26	N/A	N/A	N/A
Gross margin	83.63%	84.50%	84.80%	84.53%	85.55%	86.24%	-0.90 ppt	-1.05 ppt	-1.44 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	3,835	5,333	6,763
Cost of goods sold	(165)	(286)	(380)	(628)	(827)	(1,028)
Gross profit	1,011	1,129	2,079	3,207	4,507	5,735
Operating expenses	(2,450)	(2,919)	(3,287)	(3,805)	(4,480)	(4,937)
SG&A expense	(990)	(1,278)	(1,505)	(1,846)	(2,453)	(2,773)
R&D expense	(1,459)	(1,641)	(1,779)	(1,960)	(2,027)	(2,164)
Others	(1)	(1)	(4)	0	0	0
Other income	0	(171)	382	55	26	25
Pre-tax profit	(1,439)	(1,961)	(826)	(543)	52	823
Income tax	25	(43)	(56)	(60)	0	(123)
Minority interest	0	0	0	0	0	0
Net profit	(1,413)	(2,004)	(882)	(603)	52	699
Adjusted net profit	(1,413)	(2,004)	(882)	(603)	52	699
BALANCE SHEET						
	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	7,614	5,207	4,203	4,344	4,760	5,425
Cash & equivalents	4,376	3,870	3,172	3,060	3,119	3,442
Account receivables	483	173	358	469	658	834
Inventories	243	282	416	569	737	903
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	1,989	2,070	2,146
PP&E	588	846	1,324	1,711	1,792	1,868
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	6,332	6,830	7,571
Current liabilities	1,600	1,469	1,810	1,990	2,136	2,278
Short-term borrowings	428	329	688	688	688	688
Account payables	262	295	315	495	641	783
Tax payable	21	25	23	23	23	23
Other current liabilities	888	820	784	784	784	784
Non-current liabilities	803	527	458	958	958	658
Long-term borrowings	202	209	198	698	698	398
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	2,948	3,094	2,936
Share capital	11,191	11,541	11,599	12,049	12,349	12,549
Retained earnings	(4,966)	(7,080)	(7,962)	(8,565)	(8,513)	(7,814)
Other reserves	18	(77)	(99)	(99)	(99)	(99)
Total shareholders equity	6,243	4,383	3,537	3,384	3,736	4,635
Minority interest	0	0	0	0	0	0
Total equity and liabilities	8,646	6,379	5,805	6,332	6,830	7,571

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,439)	(1,961)	(826)	(543)	52	823
Depreciation & amortization	46	66	88	113	119	124
Tax paid	25	(43)	(56)	(60)	0	(123)
Others	68	441	(363)	367	88	0
Net cash from operations	(1,299)	(1,497)	(1,157)	(123)	259	823
Investing						
Capital expenditure	(263)	(325)	(562)	(500)	(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	(500)	(200)	(200)
Financing						
Net borrowings	423	351	684	500	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	500	0	(300)
Net change in cash						
Cash at the beginning of the year	1,390	4,383	3,875	3,183	3,060	3,119
Exchange difference	14	(69)	(8)	0	0	0
Cash at the end of the year	4,383	3,875	3,186	3,060	3,119	3,442
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	280.8%	20.4%	73.7%	56.0%	39.1%	26.8%
Gross profit	324.6%	11.7%	84.1%	54.3%	40.5%	27.2%
Net profit	na	na	na	na	na	1,237.8%
Adj. net profit	na	na	na	na	na	1,237.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	86.0%	79.8%	84.5%	83.6%	84.5%	84.8%
Adj. net profit margin	(120.2%)	(141.5%)	(35.9%)	(15.7%)	1.0%	10.3%
Return on equity (ROE)	(28.0%)	(37.7%)	(22.3%)	(17.4%)	1.5%	16.7%
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	2.2	2.2	2.4
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	392.4	29.3
P/E (diluted)	ns	ns	ns	ns	392.4	29.3
P/B	37.4	59.2	74.3	78.8	71.4	57.5

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

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