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BeOne Medicines (ONC US)

A trajectory of rising profitability

BeOne's strong sales momentum and improving cost efficiency continue to drive profitability. We see substantial upside for Zanubrutinib (Zanu) to gain market share in the US$12bn CLL market* driven by new patient prescriptions. The development of Zanu and Sonro oral fixed-duration regimens in 1L CLL and the BTK CDAC in BTK-resistant CLL should solidify BeOne's leadership in haematology. We maintain our BUY rating on BeOne, with a revised target price of US$392.43.

- **Strong sales growth continued in 3Q25, mainly driven by Zanu.** BeOne reported total revenue of US$3.81bn for 9M25 (+43% YoY), achieving 73% of our prior full-year estimate and broadly in line with our expectations. In 3Q25 alone, Zanu generated US$1.04bn in sales, +10% QoQ, continuing to outperform ibrutinib (-5% QoQ) and acalabrutinib (+5% QoQ). Zanu leads in new patient prescriptions across both 1L and RR CLL settings in the US, and has become the top-selling BTKi globally by revenue. As of 4Q24, BeOne noted that Zanu accounted for approximately 25% of new CLL prescriptions in the US across all lines of therapy. We expect Zanu to continue to gain share from legacy BTK inhibitors and alternative treatment regimens.
- **Profitability continues to improve on strong operational leverage**. After recording its first-ever GAAP profit of US$1mn in 1Q25, BeOne extended its profitability trajectory with 3Q25 net income rising to US$125mn, supported by robust topline expansion and improved operating leverage. Operating efficiency continued to strengthen, with the SG&A-to-sales ratio reduced to 37.9% (vs 41.3% in 2Q25 and 48.5% in FY24) and the R&D-to-sales ratio declining to 37.5% (vs 40.3% in 2Q25 and 51.7% in FY24). Management maintained its FY25 revenue guidance at the upper end of US$5.3bn, while we expect an outperformance, with CMBI projecting FY25 revenue of US$5.44bn and full-year net profit of US$372mn.
- **Advancing R&D to strengthen leadership in hematology.** BeOne is expanding its CLL portfolio across all therapy lines, strengthening its position in the US$12bn market. In 1L CLL, with Ph3 trial of fixed-duration Z+S (Zanu + Sonrotoclax) vs V+O fully enrolled, BeOne plans to initiate another Ph3 trial of Z+S vs A+V (Acalabrutinib + Venetoclax) which is also an oral fixed-duration regimen. In the recently reported Ph3 BRUIN CLL-314 trial, Pirto showed an 18-month PFS rate of 83.3% in 2L CLL (link), which is largely comparable to 81.7% for Zanu in ALPINE study, though data is not mature. Among high-risk 2L CLL patients with del(17p), Pirto reported an ORR of 80.6%, also similar to Zanu's 83.3%. We wait to see Pirto's readout of another Ph3 BRUIN CLL-313 in 1L CLL (vs B+R), which LLY claims to have shown "one of the most compelling effect sizes" in PFS (link). Based on Pirto's data to date, we believe physicians will primarily position Pirto in the post-BTK setting. In this context, BeOne has initiated a head-to-head Ph3 trial of its BTK CDAC vs Pirto.
- **Maintain BUY.** BeOne has proved its capability to generate sustained profitability in the past three quarters. With US$4.1bn cash on hand, we think BeOne may accelerate the clinical studies of CDK4i and other pipelines. Considering the strong earnings, we raise our earnings forecast and DCF-based TP from US$359.47 to US$392.47 (WACC: 9.64%, terminal growth rate: 3.5%).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	2,459	3,810	5,436	6,644	7,778
Net profit (US$ mn)	(881.7)	(644.8)	372.4	918.9	1,345.7
EPS (Reported) (US$)	(8.45)	(6.12)	3.37	8.30	12.16
R&D expenses (US$ mn)	(1,779)	(1,953)	(2,150)	(2,126)	(2,256)

Source: Company data, Bloomberg, CMBIGM estimates. *Note: as per BeOne's earning slides, Evaluate Pharma projects the global CLL market to reach US$12bn in 2028.

BUY (Maintain)

Target Price	**US$392.43**
(Previous TP	US$359.47)
Up/Downside	**22.6%**
Current Price	**US$319.97**

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Stock Data

Mkt Cap (US$ mn)	35,407.2
Avg 3 mths t/o (US$ mn)	35.7
52w High/Low (US$)	351.13/174.72
Total Issued Shares (mn)	110.7

Source: FactSet

Shareholding Structure

Amgen	17.1%
Baker Bros	8.0%

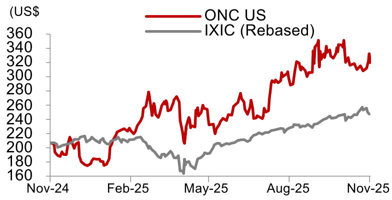
Source: ar

Share Performance

	Absolute	Relative
1-mth	-6.3%	-7.2%
3-mth	7.3%	-0.9%
6-mth	37.8%	6.2%

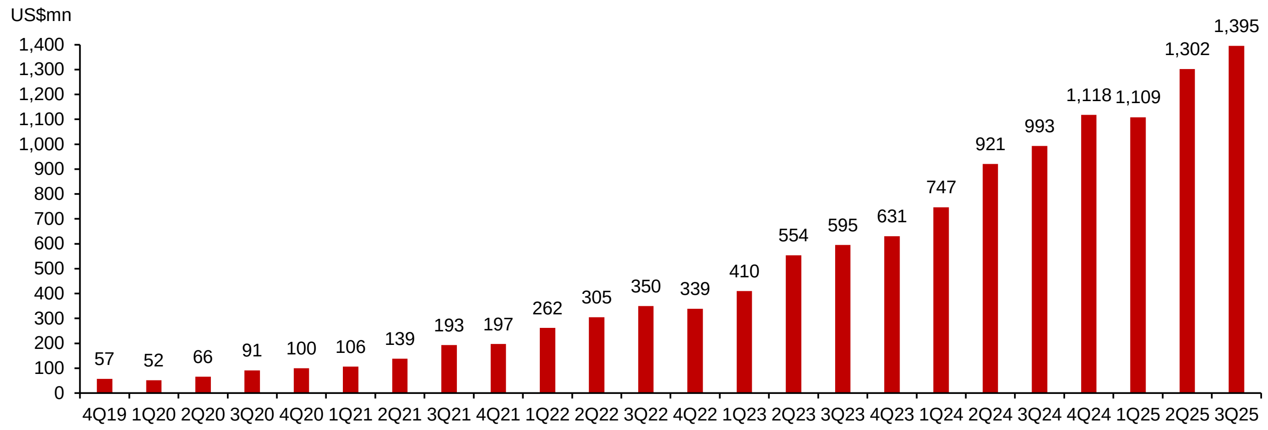
Source: FactSet

12-mth Price Performance



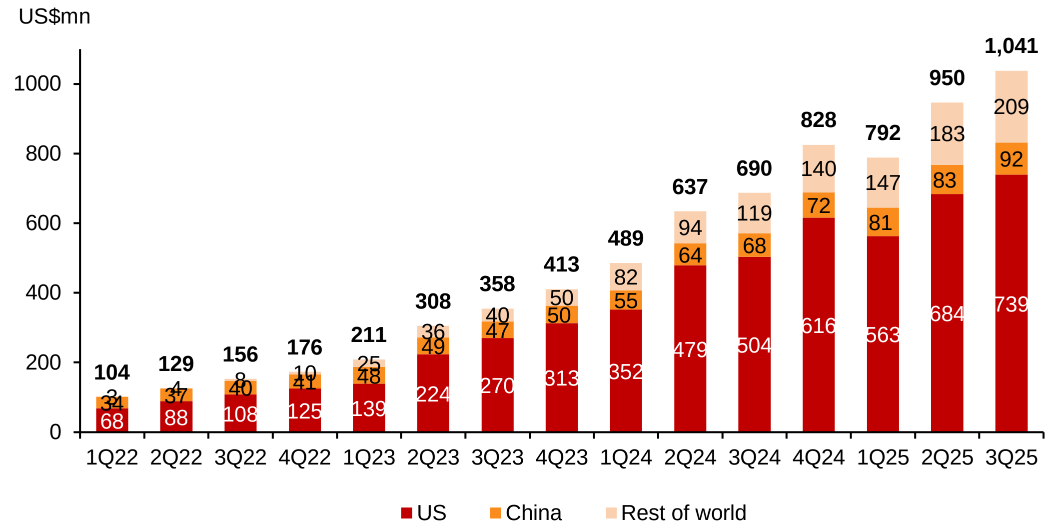
Source: FactSet

Figure 1: Quarterly product sales of BeOne



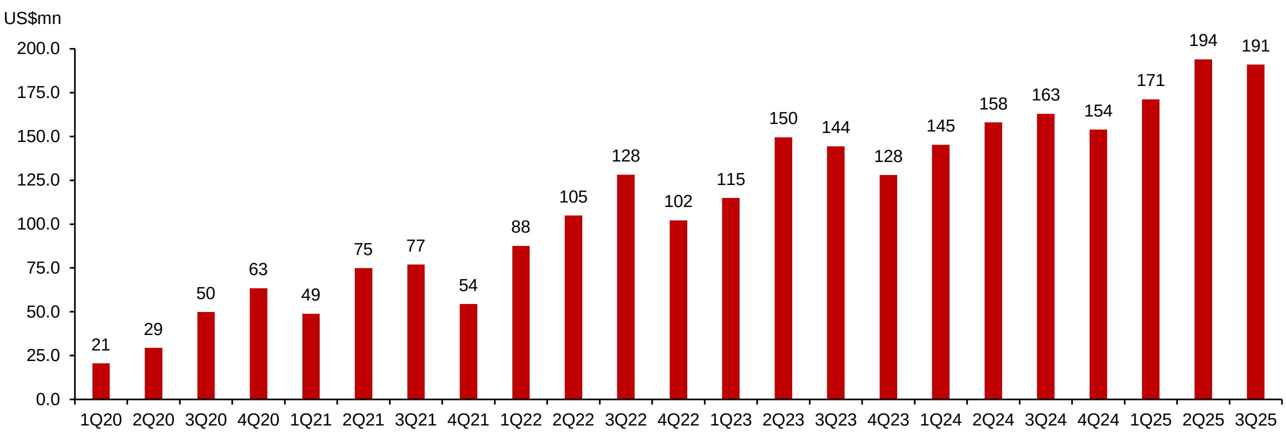
Source: Company data, CMBIGM

Figure 2: Zanubrutinib quarterly sales



Source: Company data, CMBIGM

Figure 3: Tislelizumab quarterly sales



Source: Company data, CMBIGM

Figure 4: Risk-adjusted DCF valuation

DCF valuation (US$ mn)	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	**409**	**1,043**	**1,548**	**2,186**	**2,600**	**3,460**	**4,091**	**4,657**	**4,869**	**5,008**	**5,136**
Tax rate	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
EBIT*(1-tax rate)	348	887	1,316	1,858	2,210	2,941	3,478	3,959	4,138	4,257	4,366
+ D&A	175	177	179	181	183	185	186	188	189	190	191
- Change in working capital	-80	-197	-176	-143	11	-191	-138	-119	-36	-8	10
- Capex	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
FCFF	**242**	**666**	**1,119**	**1,696**	**2,204**	**2,735**	**3,326**	**3,827**	**4,091**	**4,239**	**4,366**
Terminal value											**73,600**

PV of enterprise (US$ mn)	41,149
Net debt (US$ mn)	-2,276
Equity value (US$ mn)	**43,425**
No. of ADS (mn)	111
DCF per ADS (US$)	**392.43**
Terminal growth rate	**3.5%**
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 5: Sensitivity analysis (US$)

	WACC				
Terminal growth rate	**8.64%**	**9.14%**	**9.64%**	**10.14%**	**10.64%**
4.5%	559.81	494.60	442.24	399.30	363.48
4.0%	514.97	460.10	415.12	377.61	345.87
3.5%	478.85	431.72	**392.43**	359.19	330.73
3.0%	449.14	407.97	373.15	343.35	317.58
2.5%	424.26	387.79	356.57	329.58	306.03

Source: CMBIGM estimates

Figure 6: CMBIGM estimates: New vs Old

	NEW			OLD			Diff (%)		
US$ mn	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**
Revenue	5,436	6,644	7,778	5,245	6,389	7,466	4%	4%	4%
Gross profit	4,710	5,760	6,759	4,570	5,571	6,525	3%	3%	4%
Operating profit	409	1,043	1,548	362	1,035	1,523	13%	1%	2%
Net profit	372	919	1,346	332	912	1,324	12%	1%	2%
EPS (US$)	3.37	8.30	12.16	2.98	8.20	11.91	13%	1%	2%
Gross margin	86.65%	86.70%	86.90%	87.12%	87.20%	87.40%	-0.47 ppt	-0.50 ppt	-0.50 ppt

Source: Company data, CMBIGM estimates

Figure 7: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ mn	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**
Revenue	5,436	6,644	7,778	5,247	6,224	7,112	4%	7%	9%
Gross profit	4,710	5,760	6,759	4,536	5,415	6,200	4%	6%	9%
Operating profit	409	1,043	1,548	331	857	1,343	24%	22%	15%
Net profit	372	919	1,346	297	757	1,311	25%	21%	3%
EPS (US$)	3.37	8.30	12.16	2.75	6.40	9.05	23%	30%	34%
Gross margin	86.65%	86.70%	86.90%	86.45%	87.00%	87.17%	+0.20 ppt	-0.30 ppt	-0.27 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Revenue	**1,416**	**2,459**	**3,810**	**5,436**	**6,644**	**7,778**
Cost of goods sold	(286)	(380)	(594)	(726)	(884)	(1,019)
Gross profit	**1,129**	**2,079**	**3,216**	**4,710**	**5,760**	**6,759**
Operating expenses	**(2,919)**	**(3,287)**	**(3,784)**	**(4,301)**	**(4,717)**	**(5,212)**
SG&A expense	(1,278)	(1,505)	(1,831)	(2,150)	(2,591)	(2,956)
R&D expense	(1,641)	(1,779)	(1,953)	(2,150)	(2,126)	(2,256)
Others	(1)	(4)	0	0	0	0
Other income	(171)	382	35	29	38	35
Pre-tax profit	**(1,961)**	**(826)**	**(533)**	**438**	**1,081**	**1,583**
Income tax	(43)	(56)	(112)	(66)	(162)	(237)
Minority interest	0	0	0	0	0	0
Net profit	**(2,004)**	**(882)**	**(645)**	**372**	**919**	**1,346**
Adjusted net profit	**(2,004)**	**(882)**	**(645)**	**372**	**919**	**1,346**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Current assets	**5,207**	**4,203**	**3,992**	**4,763**	**5,841**	**7,430**
Cash & equivalents	3,870	3,172	2,627	3,294	4,093	5,442
Account receivables	173	358	676	730	902	1,056
Inventories	282	416	495	547	653	739
Financial assets at FVTPL	665	3	0	0	0	0
Other current assets	217	255	193	193	193	193
Non-current assets	**1,172**	**1,602**	**1,929**	**1,955**	**1,978**	**1,998**
PP&E	846	1,324	1,578	1,604	1,627	1,648
Deferred income tax	0	0	0	0	0	0
Intangibles	41	57	51	51	51	51
Other non-current assets	286	221	300	300	300	300
Total assets	**6,379**	**5,805**	**5,921**	**6,718**	**7,819**	**9,429**
Current liabilities	**1,469**	**1,810**	**2,215**	**2,240**	**2,321**	**2,386**
Short-term borrowings	329	688	852	852	852	852
Account payables	295	315	405	430	511	576
Tax payable	25	23	26	26	26	26
Other current liabilities	820	784	932	932	932	932
Non-current liabilities	**527**	**458**	**374**	**374**	**74**	**(126)**
Long-term borrowings	209	198	166	166	(134)	(334)
Deferred income	42	0	0	0	0	0
Other non-current liabilities	276	260	207	207	207	207
Total liabilities	**1,996**	**2,268**	**2,589**	**2,614**	**2,395**	**2,259**
Share capital	11,541	11,599	12,088	12,488	12,888	13,288
Retained earnings	(7,080)	(7,962)	(8,607)	(8,234)	(7,316)	(5,970)
Other reserves	(77)	(99)	(149)	(149)	(149)	(149)
Total shareholders equity	**4,383**	**3,537**	**3,332**	**4,104**	**5,423**	**7,169**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**6,379**	**5,805**	**5,921**	**6,718**	**7,818**	**9,429**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**(1,961)**	**(826)**	**(533)**	**438**	**1,081**	**1,583**
Depreciation & amortization	66	88	172	175	177	179
Tax paid	(43)	(56)	(112)	(66)	(162)	(237)
Others	441	(363)	332	320	203	224
Net cash from operations	**(1,497)**	**(1,157)**	**(141)**	**867**	**1,299**	**1,749**
Investing						
Capital expenditure	(325)	(562)	(493)	(200)	(200)	(200)
Acquisition of subsidiaries/ investments	(17)	(17)	(22)	0	0	0
Net proceeds from disposal of short-term investments	1,564	673	3	0	0	0
Others	(144)	(34)	(36)	0	0	0
Net cash from investing	**1,077**	**60**	**(548)**	**(200)**	**(200)**	**(200)**
Financing						
Net borrowings	351	684	877	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Others	(370)	(268)	(684)	0	(300)	(200)
Net cash from financing	**(19)**	**416**	**193**	**0**	**(300)**	**(200)**
Net change in cash						
Cash at the beginning of the year	4,383	3,875	3,186	2,627	3,294	4,093
Exchange difference	(69)	(8)	(52)	0	0	0
Cash at the end of the year	**3,875**	**3,186**	**2,639**	**3,294**	**4,093**	**5,442**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	20.4%	73.7%	55.0%	42.7%	22.2%	17.1%
Gross profit	11.7%	84.1%	54.7%	46.5%	22.3%	17.3%
Net profit	na	na	na	na	146.8%	46.4%
Adj. net profit	na	na	na	na	146.8%	46.4%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	79.8%	84.5%	84.4%	86.6%	86.7%	86.9%
Adj. net profit margin	(141.5%)	(35.9%)	(16.9%)	6.9%	13.8%	17.3%
Return on equity (ROE)	(37.7%)	(22.3%)	(18.8%)	10.0%	19.3%	21.4%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(0.7)	(0.5)	(0.6)	(0.6)	(0.7)
Current ratio (x)	3.5	2.3	1.8	2.1	2.5	3.1
Receivable turnover days	84.6	39.4	49.5	49.5	49.5	49.5
Inventory turnover days	334.4	335.5	279.9	274.9	269.9	264.9
Payable turnover days	355.0	293.0	221.2	216.2	211.2	206.2

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	95.1	38.5	26.3
P/E (diluted)	ns	ns	ns	95.1	38.5	26.3
P/B	97.9	122.8	131.4	112.1	84.9	64.2

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

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