

BeiGene (BGNE US)

Expect a productive 2024 for early pipeline assets

- **Strong sales momentum of zanubrutinib eased market concerns.** In 4Q23, BeiGene recorded total product sales of US\$631mn (+6% QoQ or +86% YoY). Zanubrutinib (zanu) maintained strong sales momentum, with revenue increasing 15% QoQ or 135% YoY to US\$413mn, mainly driven by market share gains in the US. In 4Q23, zanu sales in the US increased 16% QoQ to US\$313mn, contributing 76% of zanu's global sales. In full-year 2023, total sales of zanu reached US\$1.29bn (+129% YoY), in-line with our previous estimate of US\$1.27bn. Our calculation shows that zanu occupied 18% share in the global BTKi market in 4Q23, a strong ramp-up from 16% in 3Q23. As the only BTKi with superior clinical data vs ibrutinib and the BTKi with the broadest indication approvals, we expect zanu to continue its market share gain momentum and forecast its full-year 2024 sales to reach US\$1.9bn (+46% YoY). The market size of global BTKi grew steadily (+3% QoQ in 4Q23), with sales of zanu +15% QoQ, vs acalabrutinib +3% QoQ and ibrutinib -1% QoQ in 4Q23. Additionally, we expect zanu to receive US FDA's approval for FL in 1Q24, becoming the only BTKi approved for FL.
- **Expect the imminent validation of the next wave of blockbusters.** We believe sonrotoclax (BCL-2) and BGB-16673 (BTK CDAC) will become the next wave of blockbusters. BeiGene is rapidly advancing the clinical development of these projects. Notably, the Ph3 1L CLL study evaluating sonrotoclax + zanu vs venetoclax + obinutuzumab completed FPI in late 2023. BeiGene has also initiated a potential global pivotal study of sonrotoclax monotherapy in R/R MCL. Additionally, BeiGene has enrolled first patients of BTK CDAC's R/R MCL expansion cohort with potential for registration. We expect BeiGene to further start Ph3 studies of its BTK CDAC in CLL and MCL.
- **Anticipate a productive 2024 for early pipeline assets.** BGB-43395 (CDK4) is being evaluated in a Ph1 study in HR+/HER2- BC. BeiGene's CDK4 has combination potential with its CDK2 inhibitor and other assets. Management expects to initiate first-in-human trials for at least 10 NMEs in 2024, including pan-KRAS inhibitor, MTA cooperative PRMT5 inhibitor, EGFR degrader, CDK2 inhibitor, ADCs, and bispecific immune cell engager.
- **We foresee no need for further equity financing before reaching break-even.** BeiGene consistently improved its operating margins thanks to fast-increasing product revenue. Its FY23 GP margin (vs product sales) reached 82.7% (vs 77.2% in FY22), driven by a growing proportion of sales from high-margin zanu and economies of scale. The SG&A ratio (vs product sales) was 69% in FY23 (vs 102% in FY22), while the R&D ratio (vs product sales) was 81% in FY23 (vs 131% in FY22). As of end-2023, BeiGene had US\$2.3bn of net cash on hand. It recorded US\$882mn net loss in FY23 (vs US\$2.0bn in FY22). BeiGene saw a US\$1.9bn free cash outflow in FY23, largely from one-time capex on nearing-completion US facility construction. We forecast the company to book US\$1.1bn net loss in FY24E and US\$225mn net loss in FY25E and to turn profitable from FY26E.
- **Maintain BUY.** Considering zanu's robust global market share growth, sonrotoclax's blockbuster potential, BTK CDAC's first-in-class promise, and a robust early-stage pipeline, BeiGene remains our top recommendation. Considering the modest sales performance of tisle in China in 4Q23, we revise our DCF-based TP from US\$295.67 to US\$268.20 (WACC: 10.1%, terminal growth rate: 2.0%), indicating 67% upside potential.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	1,416	2,459	2,902	4,044	5,319
Net profit (US\$ mn)	(2,004)	(882)	(1,090)	(225)	696
EPS (Reported) (US\$)	(19.43)	(8.45)	(10.45)	(2.16)	6.68
Consensus EPS (US\$)	na	na	(6.74)	(1.64)	(1.19)
R&D expenses (US\$ mn)	(1,641)	(1,779)	(1,868)	(1,868)	(1,868)
CAPEX (US\$ mn)	(325)	(562)	(200)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$268.20
(Previous TP)	US\$295.67)
Up/Downside	67.4%
Current Price	US\$160.26

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Stock Data

Mkt Cap (US\$ mn)	16,711.2
Avg 3 mths t/o (US\$ mn)	45.3
52w High/Low (US\$)	266.78/141.80
Total Issued Shares (mn)	104.3

Source: FactSet

Shareholding Structure

Amgen	19.6%
Baker Bros	11.0%

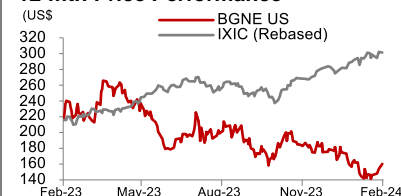
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Share Performance

	Absolute	Relative
1-mth	-1.0%	-4.4%
3-mth	-12.4%	-22.0%
6-mth	-19.2%	-31.4%

Source: FactSet

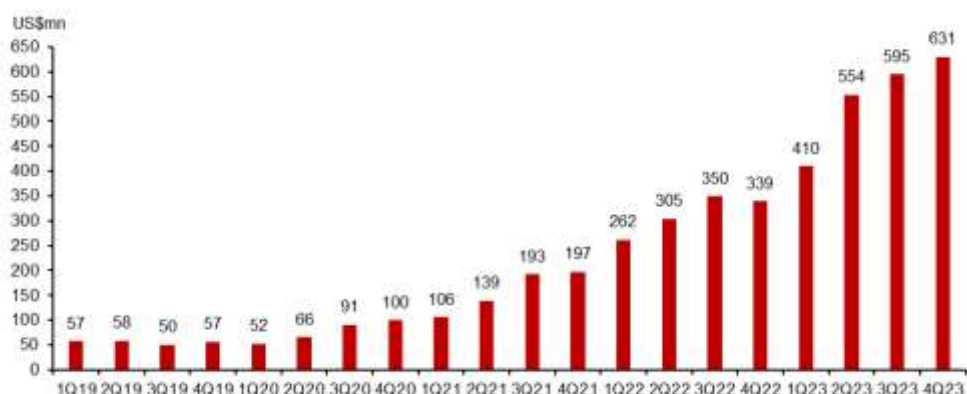
12-mth Price Performance



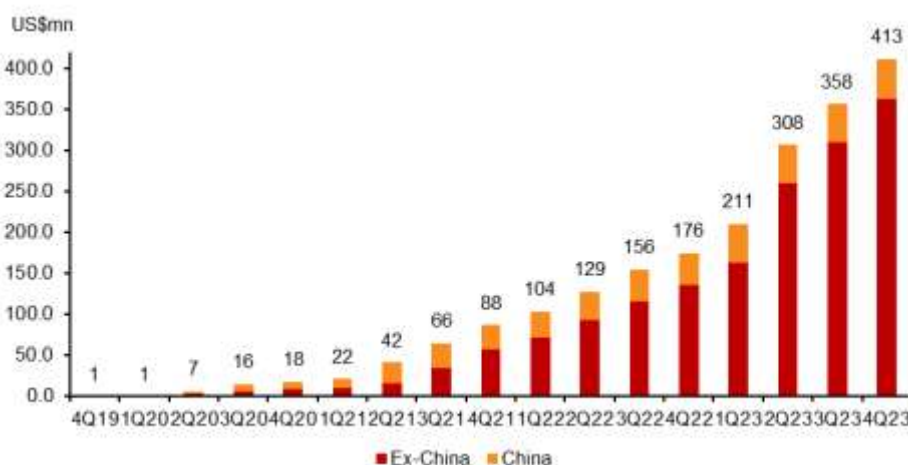
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Figure 1: Quarterly product sales of BeiGene (1Q19-4Q23)

Source: Company data, CMBIGM.

Figure 2: Zanubrutinib quarterly sales (4Q19-4Q23)

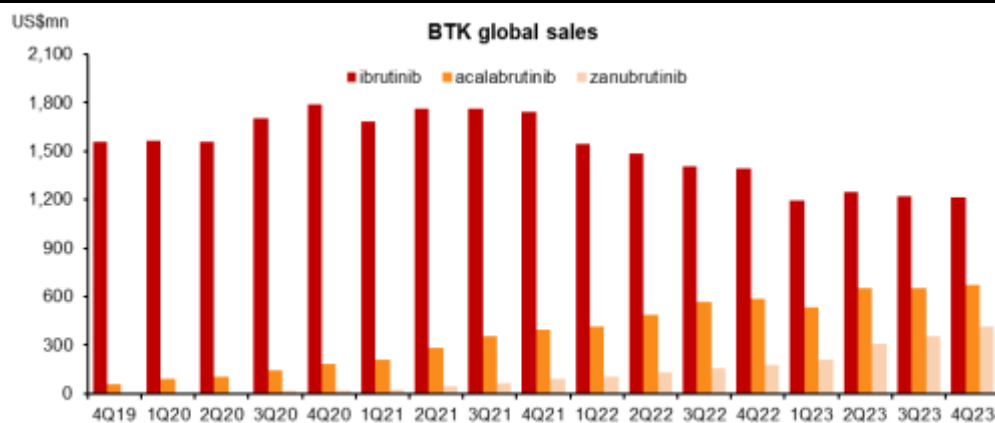
Note: Zanubrutinib was originally approved in Nov 2019 in the US.

Source: Company data, CMBIGM.

Figure 3: Tislelizumab quarterly sales (1Q20-4Q23)

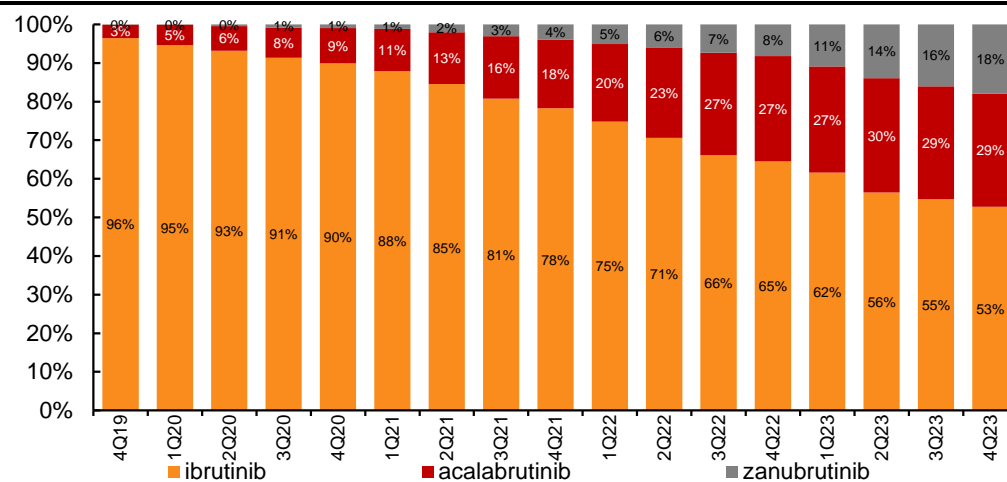
Note: In 1Q21 and 4Q21, sales of tislelizumab were impacted by the negative adjustments totalling US\$45.6mn for distributor channel inventory compensation due to price cuts of tislelizumab for additional indications included in the NRDL. The slowdown of sales growth in 4Q22 and 1Q23 was mainly due to COVID-19 interruptions in China. In 1Q23 and 4Q23, sales of tislelizumab were impacted by the negative adjustments totalling US\$13.2mn for distributor channel inventory compensation due to inclusion in the Mar 2023 and Jan 2024 NRDL lists.

Source: Company data, CMBIGM.

Figure 4: Global sales of major BTK inhibitors (4Q19-4Q23)

Notes: sales of pirtobrutinib, orelabrutinib, tirabrutinib and olmutibib not included due to limited market share currently.

Source: Company data, CMBIGM.

Figure 5: Market share of major BTK inhibitors (4Q19-4Q23)

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

Source: Company data, CMBIGM.

Figure 6: Risk-adjusted DCF valuation

DCF valuation (US\$ mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(1,113)	(226)	816	2,052	2,346	3,300	3,999	4,530	4,699	4,700	4,618	4,535
Tax rate	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,113)	(226)	694	1,744	1,994	2,805	3,399	3,851	3,994	3,995	3,925	3,855
+ D&A	95	101	107	113	118	124	128	133	137	141	145	148
- Change in working capital	44	(161)	(180)	(207)	(43)	(150)	(107)	(78)	(16)	12	26	26
- Capex	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
FCFF	(1,174)	(485)	421	1,450	1,869	2,579	3,220	3,706	3,915	3,948	3,896	3,829
Terminal value												48,096

PV of enterprise (US\$ mn)	26,618
Net debt (US\$ mn)	(1,349)
Equity value (US\$ mn)	27,967
No. of ADS (mn)	104
DCF per ADS (US\$)	268.20

Terminal growth rate	2.0%
WACC	10.12%
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	30.0%
Effective corporate tax rate	15.0%

Source: CMBIGM estimates

Figure 7: Sensitivity analysis (US\$)

Terminal growth rate	WACC				
	9.12%	9.62%	10.12%	10.62%	11.12%
3.0%	349.26	317.43	290.20	266.64	246.09
2.5%	331.91	303.25	278.48	256.87	237.86
2.0%	316.99	290.93	268.20	248.22	230.54
1.5%	304.04	280.13	259.12	240.53	223.98
1.0%	292.68	270.58	251.03	233.64	218.07

Source: CMBIGM estimates

Figure 8: CMBIGM estimates revision

US\$ mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	2,902	4,044	5,319	3,236	4,778	6,034	-10%	-15%	-12%
Gross profit	2,413	3,383	4,460	2,682	3,982	5,042	-10%	-15%	-12%
Operating profit	(1,113)	(226)	816	(779)	441	1,467	NA	NA	-44%
Net profit	(1,090)	(225)	696	(741)	393	1,274	NA	NA	-45%
EPS (US\$ per ADS)	(10.45)	(2.16)	6.68	(7.19)	3.82	12.37	NA	NA	-46%
Gross margin	83.15%	83.65%	83.85%	82.88%	83.35%	83.56%	+0.27 ppt	+0.30 ppt	+0.29 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	2,902	4,044	5,319	3,004	3,934	4,641	-3%	3%	15%
Gross profit	2,413	3,383	4,460	2,523	3,325	3,934	-4%	2%	13%
Operating profit	(1,113)	(226)	816	(906)	(426)	(309)	N/A	N/A	N/A
Net profit	(1,090)	(225)	696	(777)	(207)	(119)	N/A	N/A	N/A
EPS (US\$ per ADS)	(10.45)	(2.16)	6.68	(6.74)	(1.64)	(1.19)	N/A	N/A	N/A
Gross margin	83.15%	83.65%	83.85%	84.00%	84.52%	84.76%	-0.85 ppt	-0.87 ppt	-0.91 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	2,902	4,044	5,319
Cost of goods sold	(165)	(286)	(380)	(489)	(661)	(859)
Gross profit	1,011	1,129	2,079	2,413	3,383	4,460
Operating expenses	(2,450)	(2,919)	(3,287)	(3,526)	(3,609)	(3,643)
SG&A expense	(990)	(1,278)	(1,505)	(1,655)	(1,738)	(1,772)
R&D expense	(1,459)	(1,641)	(1,779)	(1,868)	(1,868)	(1,868)
Others	(1)	(1)	(4)	(4)	(4)	(4)
Other income	0	(171)	382	23	0	3
Pre-tax profit	(1,439)	(1,961)	(826)	(1,090)	(225)	819
Income tax	25	(43)	(56)	0	0	(123)
Minority interest	0	0	0	0	0	0
Net profit	(1,413)	(2,004)	(882)	(1,090)	(225)	696
Adjusted net profit	(1,413)	(2,004)	(882)	(1,090)	(225)	696

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	7,614	5,207	4,203	3,279	3,282	4,227
Cash & equivalents	4,376	3,870	3,172	2,232	1,947	2,571
Account receivables	483	173	358	358	499	656
Inventories	243	282	416	443	590	754
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	4,986	5,088	6,126
Current liabilities	1,600	1,469	1,810	1,881	2,008	2,149
Short-term borrowings	428	329	688	688	688	688
Account payables	262	295	315	386	513	654
Tax payable	21	25	23	23	23	23
Other current liabilities	888	820	784	784	784	784
Non-current liabilities	803	527	458	458	458	458
Long-term borrowings	202	209	198	198	198	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	2,339	2,465	2,607
Share capital	11,191	11,541	11,599	11,799	11,999	12,199
Retained earnings	(4,966)	(7,080)	(7,962)	(9,052)	(9,277)	(8,581)
Other reserves	18	(77)	(99)	(99)	(99)	(99)
Total shareholders equity	6,243	4,383	3,537	2,647	2,622	3,518
Minority interest	0	0	0	0	0	0
Total equity and liabilities	8,646	6,379	5,805	4,986	5,087	6,125

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(1,439)	(1,961)	(826)	(1,090)	(225)	819
Depreciation & amortization	46	66	88	95	101	107
Tax paid	25	(43)	(56)	0	0	(123)
Others	68	441	(363)	244	39	20
Net cash from operations	(1,299)	(1,497)	(1,157)	(751)	(85)	824
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	0	0	0
Proceeds from share issues	3,443	0	0	0	0	0
Others	(229)	(370)	(268)	0	0	0
Net cash from financing	3,637	(19)	416	0	0	0
Net change in cash						
Cash at the beginning of the year	1,390	4,383	3,875	3,183	2,232	1,947
Exchange difference	14	(69)	(8)	0	0	0
Cash at the end of the year	4,383	3,875	3,186	2,232	1,947	2,571
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	280.8%	20.4%	73.7%	18.0%	39.4%	31.5%
Gross profit	324.6%	11.7%	84.1%	16.1%	40.2%	31.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	86.0%	79.8%	84.5%	83.2%	83.7%	83.9%
Adj. net profit margin	(120.2%)	(141.5%)	(35.9%)	(37.6%)	(5.6%)	13.1%
Return on equity (ROE)	(28.0%)	(37.7%)	(22.3%)	(35.2%)	(8.6%)	22.7%
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)	(0.4)	(0.5)
Current ratio (x)	4.8	3.5	2.3	1.7	1.6	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	24.0
P/E (diluted)	ns	ns	ns	ns	ns	24.0
P/B	64.1	55.3	81.4	82.1	82.8	61.7

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

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