

# BeiGene (BGNE US)

## Expect strong sales in 2023 driven by the US approval of zanubrutinib in CLL

- **Strong sales growth continued in 4Q22, mainly driven by zanubrutinib.** In 4Q22, BeiGene recorded US\$339mn product sales (-3% QoQ, +72% YoY). Zanubrutinib (BTK) maintained a strong sales momentum, with sales increasing +13% QoQ or +101% YoY to US\$176mn in 4Q22, driven by the overseas sales (especially in the US). With large indications of zanubrutinib (1L & r/r CLL) recently approved in the US, and the PFS superiority vs ibrutinib in r/r CLL expected to be added to the label in 2023E, we foresee remarkable sales growth of zanubrutinib in 2023E. We expect the sales of zanubrutinib to reach US\$1.2bn in FY23E (+106% YoY).
- **Eyes on tislelizumab's US approval in 2023 for 2L ESCC.** Tislelizumab (PD-1) sales was US\$102mn in 4Q22, compared to US\$128mn in 3Q22 (-20% QoQ, +88% YoY), and the QoQ decline in 4Q22 was mainly due to COVID-19 interruptions in China. While tislelizumab is already the No.1 PD-(L)1 mAb in China in terms of sales revenue, we believe tislelizumab will further gain market share with four new indications added to the NRDL from Mar 2023. With 1L GC (PD-L1+, HER2-) recently approved, we expect tislelizumab to be further approved in China for 1L ESCC in 1H23E and 1L HCC in 2H23E. In the US, the BLA of tislelizumab for 2L ESCC is still waiting for FDA inspections, which we view as one of the Company's major catalysts this year and remain positive towards the approval. Additionally, BeiGene expects to file BLAs of 1L GC and 1L ESCC in the US this year based on positive results from global Ph3 trials.
- **Improving cost efficiency in FY22.** The gross margin (vs product sales) maintained a trend of improvement in 2022, recording 75.1%, 76.6%, 78.1% and 78.3% in 1Q-4Q, respectively, driven by the growing proportion of high-margin BTK and PD-1 in the product sales. The SG&A ratio (vs product sales) also improved from 156% in FY21 to 101% in FY22, showing the Company's improving cost efficiency. In FY22, BeiGene recorded a net loss of US\$2.00bn, compared to US\$1.46bn loss in FY21, while the widening loss was mainly due to the US\$224mn foreign exchange loss in FY22 and US\$485mn PD-1 related upfront payment received in FY21. As of end-2022, BeiGene had a cash balance of US\$4.5bn which is sufficient to fund investments in R&D and capex.
- **Expansion of early-stage assets.** BeiGene expects to release Ph2 data in multiple indications (ESCC, HCC, NSCLC) for ociperlimab (TIGIT) in 2023. We look forward to the option execution by Novartis for ociperlimab this year (US\$600mn payment if by mid-2023, or US\$700mn if by late-2023). For BGB-11417 (Bcl-2), with Ph2 trials in CLL and MCL ongoing, BeiGene expects to initiate a pivotal trial in 1L CLL in 2H23E. Additionally, we expect the Company to release preliminary Ph1 results of BGB-16673 (BTK CDAC) and BGB-A445 (OX40) in 2023E. The Company also disclosed a few early-stage assets developed in-house that have entered Ph1 trials, including BGB-23339 (TYK2), BGB-24714 (SMAC mimetic) and BGB-B167 (CEA/4-1BB bsAb).
- **Maintain BUY.** Considering the global commercialization potential of zanubrutinib in the overseas markets, we revised our DCF-based TP from US\$255.56 to US\$290.42 (WACC: 9.90%, terminal growth rate: 3.0%).

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	1,176	1,416	2,343	3,298	4,432
Net profit (US\$ mn)	(1,413)	(2,004)	(1,259)	(542)	204
EPS (Reported) (US\$)	(15.23)	(19.43)	(12.09)	(5.20)	1.96
R&D expenses (US\$ mn)	(1,459)	(1,641)	(1,837)	(1,929)	(1,929)
SG&A expenses (US\$ mn)	(990)	(1,278)	(1,342)	(1,382)	(1,396)

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

<b>Target Price</b>	<b>US\$290.42</b>
(Previous TP)	US\$255.56)
<b>Up/Downside</b>	<b>29.3%</b>
<b>Current Price</b>	<b>US\$224.63</b>

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### Stock Data

Mkt Cap (US\$ mn)	23,394.5
Avg 3 mths t/o (US\$ mn)	234.1
52w High/Low (US\$)	274.50/121.11
Total Issued Shares (mn)	104.1

Source: FactSet

### Shareholding Structure

Amgen	18.0%
Baker Bros	11.2%

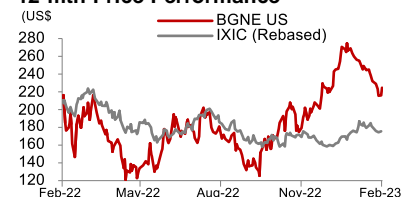
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### Share Performance

	Absolute	Relative
1-mth	-12.3%	-11.4%
3-mth	17.2%	17.2%
6-mth	30.9%	34.8%

Source: FactSet

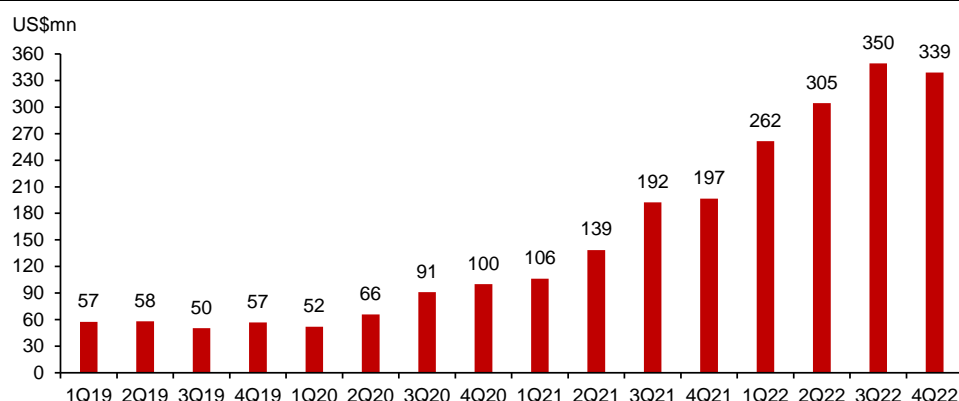
### 12-mth Price Performance



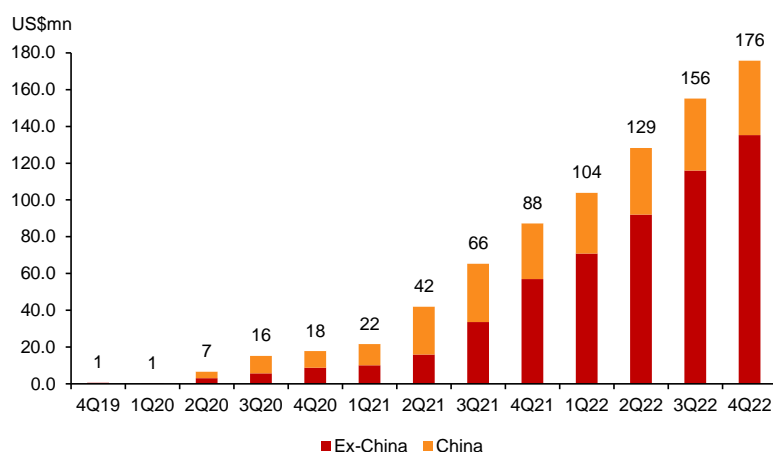
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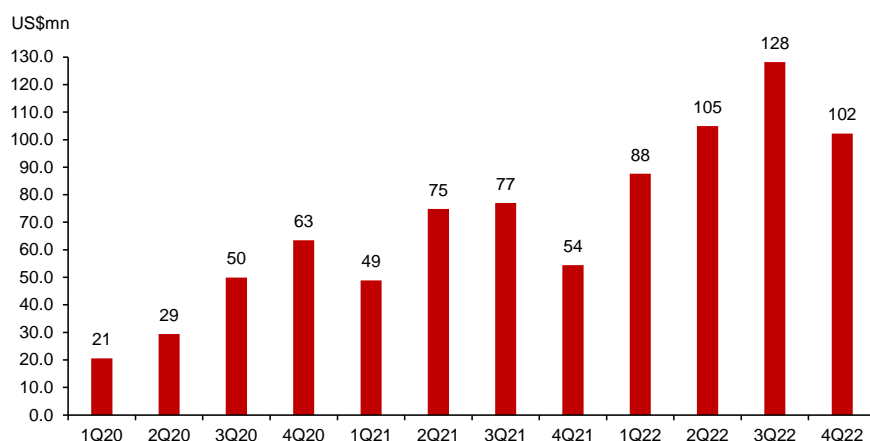
- Strong sales momentum maintained in 3Q22 ([link](#)) – 11 Nov 2022
- Superior PFS vs ibrutinib in r/r CLL further supports the best-in-class potential of zanubrutinib ([link](#)) – 14 Oct 2022
- Strong sales continued in 2Q22 ([link](#)) – 8 Aug 2022
- Positive on the US BLA approval of tislelizumab despite the deferral ([link](#)) – 18 Jul 2022
- Harvest season for a global leading biopharma company ([link](#)) – 17 Jun 2022

**Figure 1: Quarterly product sales of BeiGene (1Q19 – 4Q22)**

Source: Company data, CMBIGM.

**Figure 2: Zanubrutinib quarterly sales (4Q19 – 4Q22)**

Source: Company data, CMBIGM. Note: Zanubrutinib was originally approved in Nov 2019 in the US.

**Figure 3: Tislelizumab quarterly sales (1Q20 – 4Q22)**

Source: Company data, CMBIGM. Note: In 1Q and 4Q21, sales of tislelizumab was 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 NRDL.

Figure 4: Risk-adjusted DCF valuation

DCF Valuation (US\$ mn)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(1,287)	(553)	235	949	1,744	2,535	3,316	3,879	4,209	4,395	4,570	4,638	4,748
Tax rate	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,287)	(553)	199	807	1,483	2,155	2,818	3,297	3,577	3,736	3,885	3,942	4,036
+ D&A	69	71	73	75	77	79	80	82	83	84	85	86	87
- Change in working capital	(282)	(185)	(280)	(171)	(176)	(159)	(137)	(76)	(16)	31	46	77	69
- Capex	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	(1,601)	(767)	(107)	611	1,284	1,974	2,662	3,203	3,544	3,751	3,915	4,006	4,092
Terminal value													61,107
PV of enterprise (US\$ mn)	27,817												
Net debt (US\$ mn)	(2,429)												
Equity value (US\$ mn)	30,246												
No. of ADS (mn)	104												
DCF per ADS (US\$)	290.42												
Terminal growth rate	3.0%												
WACC	9.90%												
Cost of Equity	12.5%												
Cost of Debt	4.5%												
Equity Beta	1.0												
Risk Free Rate	2.5%												
Market Risk Premium	10.0%												
Target Debt to Asset ratio	30.0%												
Effective Corporate Tax Rate	15.0%												

Source: CMBIGM estimates

Figure 5: Sensitivity analysis (US\$)

Terminal growth rate	WACC				
	8.90%	9.40%	9.90%	10.40%	10.90%
4.0%	403.61	358.65	321.55	290.43	264.01
3.5%	376.88	337.65	304.77	276.85	252.88
3.0%	354.69	319.93	290.42	265.10	243.16
2.5%	335.97	304.78	278.02	254.84	234.60
2.0%	319.96	291.67	267.18	245.80	227.00

Source: CMBIGM estimates

Figure 6: CMBIGM estimates revision

US\$ mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	2,343	3,298	4,432	2,364	3,267	4,165	-1%	1%	6%
Gross Profit	1,893	2,659	3,510	1,898	2,621	3,280	0%	1%	7%
Operating Profit	(1,287)	(653)	185	(1,365)	(777)	(133)	NA	NA	NA
Net profit	(1,259)	(542)	204	(1,344)	(674)	(37)	NA	NA	NA
EPS (US\$ per ADS)	(12.1)	(5.2)	2.0	(13.0)	(6.5)	(0.4)	NA	NA	NA
Gross Margin	80.77%	80.64%	79.21%	78.33%	78.06%	78.06%	+2.44 ppt	+2.58 ppt	+1.15 ppt

Source: Company data, CMBIGM estimates

Figure 7: CMBIGM estimate vs consensus

US\$ mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	2,343	3,298	4,432	2,210	2,962	3,954	6%	11%	12%
Gross Profit	1,893	2,659	3,510	1,794	2,388	3,252	5%	11%	8%
Operating Profit	(1,287)	(653)	185	(1,343)	(917)	(217)	N/A	N/A	N/A
Net Profit	(1,259)	(542)	204	(1,286)	(895)	20	N/A	N/A	N/A
EPS (US\$ per ADS)	(12.1)	(5.2)	2.0	(10.1)	(6.6)	0.9	N/A	N/A	N/A
Gross Margin	80.77%	80.64%	79.21%	81.19%	80.64%	82.26%	-0.42 ppt	+0.00 ppt	-3.05 ppt

Source: Company data, Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Revenue	309	1,176	1,416	2,386	3,335	4,467
Cost of goods sold	(71)	(165)	(286)	(460)	(647)	(929)
Gross profit	238	1,011	1,129	1,926	2,689	3,538
Operating expenses	(1,896)	(2,450)	(2,919)	(3,180)	(3,312)	(3,326)
SG&A expense	(600)	(990)	(1,278)	(1,342)	(1,382)	(1,396)
R&D expense	(1,295)	(1,459)	(1,641)	(1,837)	(1,929)	(1,929)
Others	(1)	(1)	(1)	(1)	(1)	(1)
Other income	39	0	(171)	28	112	56
Pre-tax profit	(1,618)	(1,439)	(1,961)	(1,225)	(512)	268
Income tax	18	25	(43)	0	0	(40)
Minority interest	(4)	0	0	0	0	0
Net profit	(1,601)	(1,413)	(2,004)	(1,225)	(512)	228
Adjusted net profit	(1,597)	(1,413)	(2,004)	(1,225)	(512)	228

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Current assets	4,961	7,614	5,207	4,108	3,749	4,225
Cash & equivalents	1,382	4,376	3,870	2,327	2,102	2,024
Account receivables	60	483	173	485	691	1,006
Inventories	89	243	282	415	575	813
Financial assets at FVTPL	3,269	2,242	665	665	165	165
Other current assets	160	271	217	217	217	217
Non-current assets	640	1,032	1,172	1,198	1,227	1,254
PP&E	358	588	846	877	906	933
Deferred income tax	66	110	0	0	0	0
Intangibles	5	47	41	41	41	41
Other non-current assets	211	287	286	280	280	280
Total assets	5,601	8,646	6,379	5,307	4,977	5,479
Current liabilities	1,075	1,600	1,469	1,621	1,803	2,077
Short-term borrowings	335	428	329	329	329	329
Account payables	232	262	295	447	629	903
Tax payable	20	21	25	25	25	25
Other current liabilities	488	888	820	820	820	820
Non-current liabilities	656	803	527	527	527	527
Long-term borrowings	184	202	209	209	209	209
Deferred income	0	220	42	42	42	42
Other non-current liabilities	473	381	276	276	276	276
Total liabilities	1,732	2,403	1,996	2,149	2,330	2,605
Share capital	7,415	11,191	11,541	11,541	11,541	11,541
Retained earnings	(3,553)	(4,966)	(7,080)	(8,306)	(8,817)	(8,590)
Other reserves	7	18	(77)	(77)	(77)	(77)
Total shareholders equity	3,869	6,243	4,383	3,158	2,646	2,874
Minority interest	0	0	0	0	0	0
Total equity and liabilities	5,601	8,646	6,379	5,307	4,976	5,479

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
<b>Operating</b>						
Profit before taxation	(1,618)	(1,439)	(1,961)	(1,225)	(512)	268
Depreciation & amortization	32	46	66	69	71	73
Tax paid	18	25	(43)	0	0	(40)
Others	285	68	441	(292)	(184)	(279)
<b>Net cash from operations</b>	<b>(1,283)</b>	<b>(1,299)</b>	<b>(1,497)</b>	<b>(1,448)</b>	<b>(625)</b>	<b>22</b>
<b>Investing</b>						
Capital expenditure	(118)	(263)	(325)	(100)	(100)	(100)
Acquisition of subsidiaries/ investments	(5,690)	(2,191)	(17)	0	0	0
Net proceeds from disposal of short-term investments	2,751	3,147	1,564	0	500	0
Others	(112)	(52)	(144)	0	0	0
<b>Net cash from investing</b>	<b>(3,168)</b>	<b>641</b>	<b>1,077</b>	<b>(100)</b>	<b>400</b>	<b>(100)</b>
<b>Financing</b>						
Net borrowings	434	423	351	0	0	0
Proceeds from share issues	4,232	3,443	0	0	0	0
Others	537	(229)	(370)	0	0	0
<b>Net cash from financing</b>	<b>5,203</b>	<b>3,637</b>	<b>(19)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	621	1,390	4,383	3,875	2,327	2,102
Exchange difference	18	14	(69)	0	0	0
<b>Cash at the end of the year</b>	<b>1,390</b>	<b>4,383</b>	<b>3,875</b>	<b>2,327</b>	<b>2,102</b>	<b>2,024</b>
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	(27.9%)	280.8%	20.4%	68.5%	39.8%	33.9%
Gross profit	na	324.6%	11.7%	70.6%	39.6%	31.6%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	77.1%	86.0%	79.8%	80.7%	80.6%	79.2%
Adj. net profit margin	(517.0%)	(120.2%)	(141.5%)	(51.3%)	(15.3%)	5.1%
Return on equity (ROE)	(66.3%)	(28.0%)	(37.7%)	(32.5%)	(17.6%)	8.2%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	(1.1)	(1.0)	(0.9)	(0.8)	(0.7)	(0.6)
Current ratio (x)	4.6	4.8	3.5	2.5	2.1	2.0
Receivable turnover days	77.6	84.3	84.6	84.6	84.6	84.6
Inventory turnover days	304.4	367.3	334.4	329.4	324.4	319.4
Payable turnover days	915.5	547.1	355.0	355.0	355.0	355.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	na	na	na	na	na	98.8
P/E (diluted)	na	na	na	na	na	98.8
P/B	58.3	64.1	55.3	92.6	110.5	101.8

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

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