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BeiGene (BGNE US)

Sales exceeding expectations and achieving non-GAAP profitability

BUY (Maintain)

- **Product sales continued beating expectations.** In 2Q24, BeiGene recorded total product sales of US$921mn (+23% QoQ, +66% YoY). The 1H24 total product sales reached US$1.67bn, representing 51.4% of our previous FY24 estimate, beating our expectations. Zanubrutinib (zanu) maintained strong sales momentum, increasing 30% QoQ or 107% YoY to US$637mn. The strong performance of zanu was driven by continuous market share gains in CLL in the US, especially in new patient prescriptions in both 1L and RR CLL (~40% market share, close to acalabrutinib), and the expansion of reimbursement coverage in Europe. According to our calculation, in 2Q24, the global market size of BTKi recorded a +9% QoQ increase, driven by the strong sales of zanu (+30% QoQ) and acalabrutinib (+10% QoQ), while sales of ibrutinib declined 1% QoQ. Zanu captured around 24% of the global BTKi market in 2Q24, improving significantly from 20% in 1Q24. As the only BTKi with superior head-to-head clinical data vs ibrutinib and the broadest indication coverage, we forecast zanu to gain market share and realize US$2.6bn sales in FY24 (+102% YoY) and US$5.6bn peak sales by 2031E.
- **Achieved non-GAAP profitability, with GAAP breakeven around the corner.** BeiGene consistently improved its operating margins, benefiting from the rapid growth in product revenue. Its GP margin (vs product sales) increased to 85.0% in 2Q24 (vs 83.3% in 1Q24), driven by a growing proportion of sales from high-margin zanu and economies of scale. The SG&A ratio (vs product sales) continued to decrease to 48% in 2Q24 (vs 57% in 1Q24 and 69% in FY23), and the R&D ratio (vs product sales) also shrank to 49% from 62% in 1Q24. In 2Q24, BeiGene narrowed its net loss to US$120mn (vs US$251mn in 1Q24). Without the impact from share-based compensation, depreciation and amortization, the Company recorded quarterly profitability of US$48mn (vs loss of US$147mn in 1Q24), a major milestone in the Company's history. BeiGene has arrived around the corner of profitability. With the strong sales momentum and the improving operating margin, we expect BeiGene to break even in FY25E.
- **Efficient clinical progress of the next wave of blockbusters.** We believe sonrotoclax (BCL-2) and BGB-16673 (BTK CDAC) will become blockbusters. BeiGene has initiated a strong 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, fully enrolled) and R/R CLL (China study) in 2025E, which could lead to NDA filings if positive. Ph3 trials of sonrotoclax in R/R CLL and R/R MCL are expected to start in 4Q24 and 1Q25, respectively. BeiGene has started the expansion cohorts of BGB-16673 in R/R MCL and R/R CLL with registration potential. We expect BeiGene to start a Ph3 study for BTK CDAC in R/R CLL in 4Q24/1Q25. Additionally, BGB-43395 (CDK4i) is expected to release the first Ph1 data at the SABCS meeting in Dec 2024, with initiation of pivotal trial to follow.
- **Maintain BUY.** Considering the Company's near-term profitability, strong product growth momentum, 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$269.73 to US$288.93 (WACC: 9.79%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US$ mn)	1,416	2,459	3,869	5,491	6,993
Net profit (US$ mn)	(2,003.8)	(881.7)	(600.5)	53.4	561.9
EPS (Reported) (US$)	(19.43)	(8.45)	(5.76)	0.51	5.39
R&D expenses (US$mn)	(1,641)	(1,779)	(1,996)	(2,087)	(2,447)
CAPEX (US$ mn)	(325)	(562)	(400)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

Target Price	**US$288.93**
(Previous TP	US$269.73)
Up/Downside	**57.9%**
Current Price	**US$183.03**

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Stock Data

Mkt Cap (US$ mn)	19,085.1
Avg 3 mths t/o (US$ mn)	9.7
52w High/Low (US$)	213.59/129.52
Total Issued Shares (mn)	104.3

Source: FactSet

Shareholding Structure

Amgen	19.3%
Baker Bros	10.9%

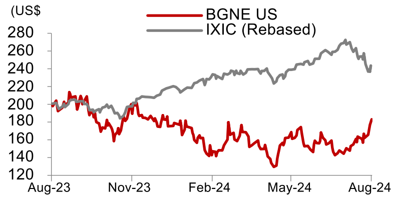
Source: ar

Share Performance

	Absolute	Relative
1-mth	26.6%	39.9%
3-mth	8.5%	6.5%
6-mth	24.5%	19.5%

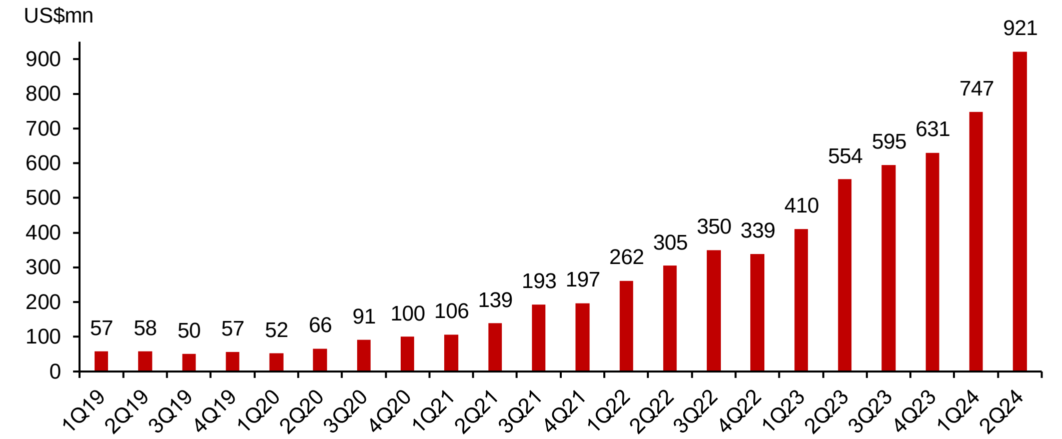
Source: FactSet

12-mth Price Performance



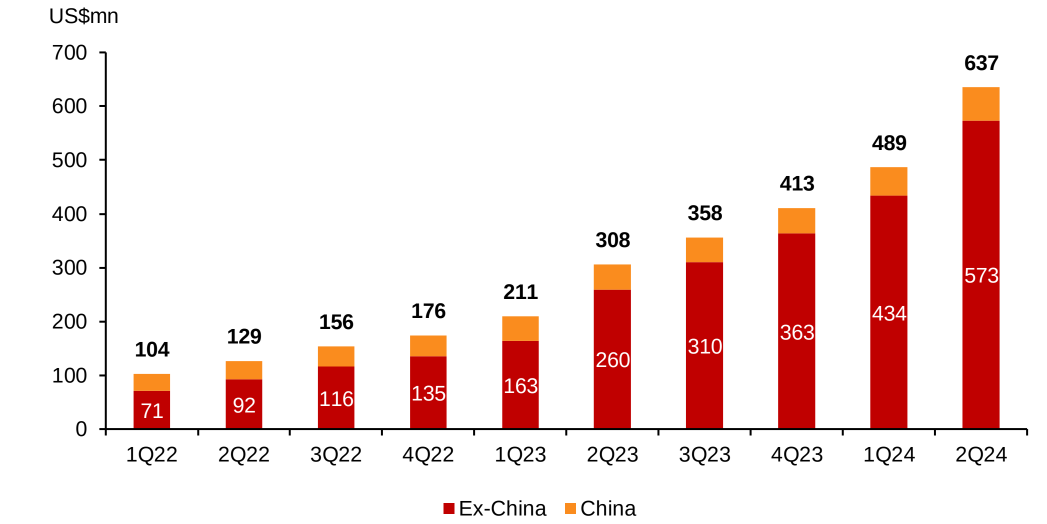
Source: FactSet

Figure 1: Quarterly product sales of BeiGene (1Q19-2Q24)



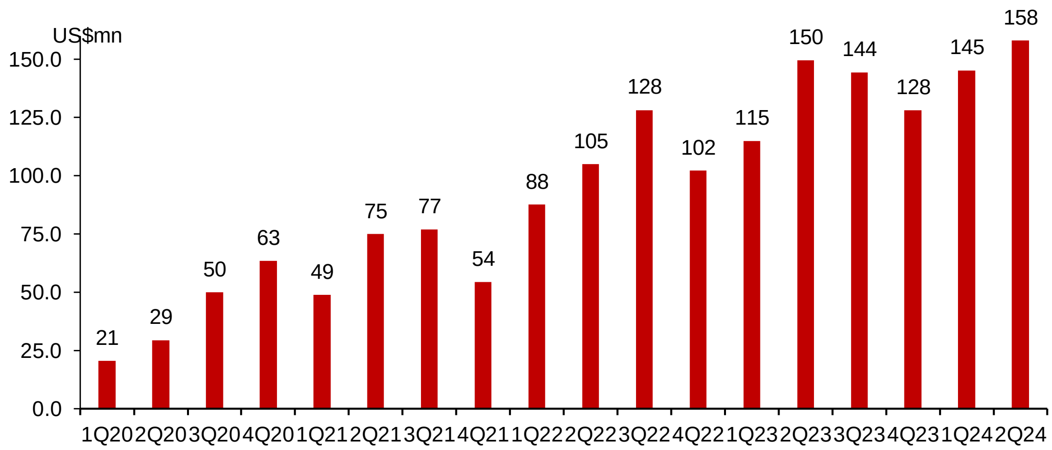
Source: Company data, CMBIGM

Figure 2: Zanubrutinib quarterly sales (1Q22-2Q24)



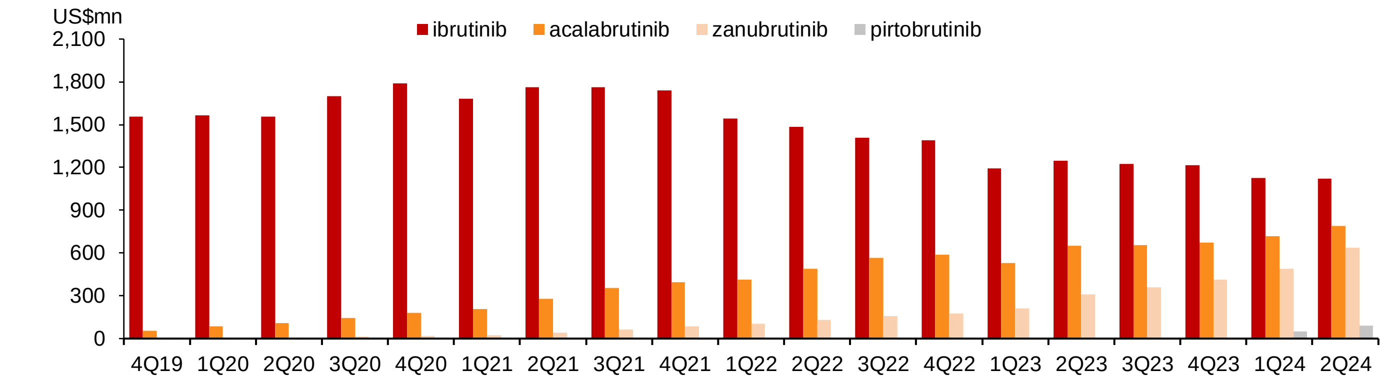
Source: Company data, CMBIGM
Note: Zanubrutinib was originally approved in Nov 2019 in the US.

Figure 3: Tislelizumab quarterly sales (1Q20-2Q24)



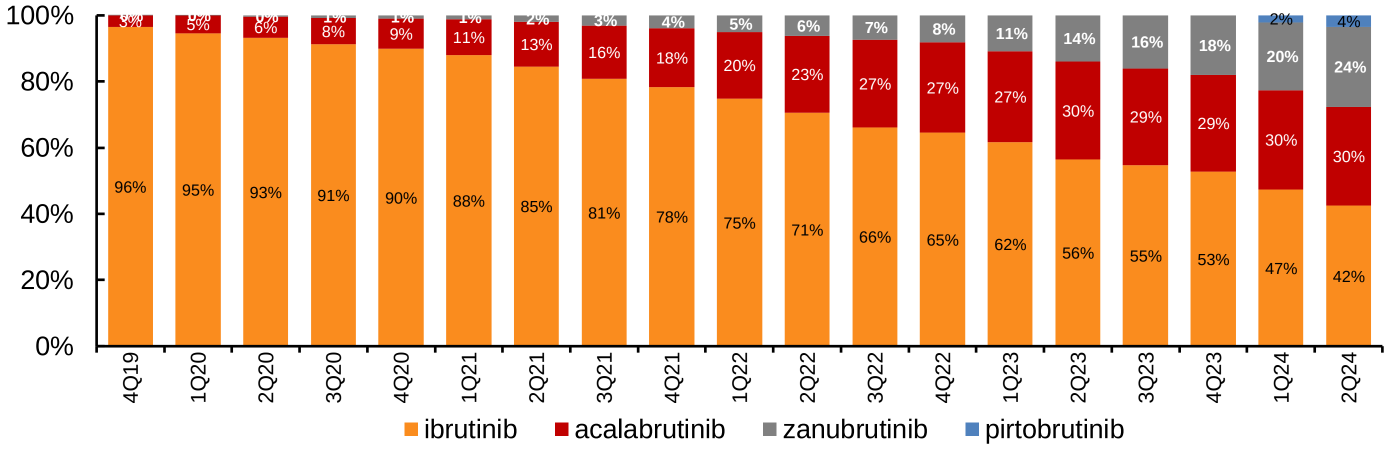
Source: Company data, CMBIGM

Figure 4: Global sales of major BTK inhibitors (4Q19-2Q24)



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 (4Q19-2Q24)



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	**-623**	**66**	**657**	**1,518**	**2,044**	**2,871**	**3,505**	**3,977**	**4,257**	**4,444**	**4,307**	**4,198**
Tax rate	*0%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
EBIT*(1-tax rate)	-623	56	559	1,291	1,737	2,440	2,979	3,381	3,619	3,777	3,661	3,569
+ D&A	107	113	118	123	128	133	137	141	144	148	151	154
- Change in working capital	-81	-231	-209	-227	-5	-145	-148	-104	-19	17	126	106
- Capex	-400	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
FCFF	**-997**	**-262**	**268**	**987**	**1,661**	**2,227**	**2,768**	**3,217**	**3,544**	**3,742**	**3,739**	**3,628**
Terminal value												**55,048**

PV of enterprise (US$ mn)	28,503
Net debt (US$ mn)	-1,625
Equity value (US$ mn)	**30,128**
No. of ADS (mn)	104
DCF per ADS (US$)	**288.93**

Terminal growth rate	**3.0%**
WACC	**9.79%**
Cost of equity	13.0%
Cost of debt	4.5%
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$)

	WACC				
Terminal growth rate	**8.79%**	**9.29%**	**9.79%**	**10.29%**	**10.79%**
4.0%	400.44	356.69	320.63	290.43	264.80
3.5%	373.24	335.29	303.52	276.56	253.41
3.0%	350.74	317.31	**288.93**	264.58	243.48
2.5%	331.82	301.97	276.35	254.15	234.75
2.0%	315.69	288.73	265.38	244.97	227.01

Source: CMBIGM estimates

Figure 8: CMBIGM estimates revision

	New			Old			Diff (%)		
US$ mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,869	5,491	6,993	3,255	4,532	5,888	19%	21%	19%
Gross profit	3,293	4,679	5,972	2,713	3,789	4,940	21%	23%	21%
Operating profit	-623	66	657	-827	-67	462	NA	NA	42%
Net profit	-600	53	562	-804	-68	395	NA	NA	42%
EPS (US$ per ADS)	(5.76)	0.51	5.39	(7.71)	(0.65)	3.79	NA	NA	42%
Gross Margin	85.12%	85.20%	85.40%	83.35%	83.60%	83.90%	+1.76 ppt	+1.60 ppt	+1.50 ppt

Source: Company data, CMBIGM estimates

Figure 9: CMBIGM estimate vs consensus

	CMBIGM			Consensus			Diff (%)		
US$ mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	3,869	5,491	6,993	3,628	4,452	5,254	7%	23%	33%
Gross profit	3,293	4,679	5,972	3,068	3,803	4,481	7%	23%	33%
Operating profit	-623	66	657	-631	81	520	N/A	N/A	26%
Net profit	-600	53	562	-593	-67	415	N/A	N/A	36%
EPS (US$ per ADS)	(5.76)	0.51	5.39	(4.72)	(0.63)	3.83	N/A	N/A	41%
Gross margin	85.12%	85.20%	85.40%	84.57%	85.42%	85.28%	+0.55 ppt	-0.22 ppt	+0.12 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**	**3,869**	**5,491**	**6,993**
Cost of goods sold	(165)	(286)	(380)	(576)	(813)	(1,021)
Gross profit	**1,011**	**1,129**	**2,079**	**3,293**	**4,679**	**5,972**
Operating expenses	**(2,450)**	**(2,919)**	**(3,287)**	**(3,916)**	**(4,613)**	**(5,315)**
SG&A expense	(990)	(1,278)	(1,505)	(1,920)	(2,526)	(2,867)
R&D expense	(1,459)	(1,641)	(1,779)	(1,996)	(2,087)	(2,447)
Others	(1)	(1)	(4)	0	0	0
Other income	0	(171)	382	22	(3)	4
Pre-tax profit	**(1,439)**	**(1,961)**	**(826)**	**(600)**	**63**	**661**
Income tax	25	(43)	(56)	0	(9)	(99)
Minority interest	0	0	0	0	0	0
Net profit	**(1,413)**	**(2,004)**	**(882)**	**(600)**	**53**	**562**
Adjusted net profit	**(1,413)**	**(2,004)**	**(882)**	**(600)**	**53**	**562**

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US$ mn)						
Current assets	**7,614**	**5,207**	**4,203**	**4,249**	**4,691**	**5,219**
Cash & equivalents	4,376	3,870	3,172	3,008	3,043	3,214
Account receivables	483	173	358	473	677	862
Inventories	243	282	416	522	725	897
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**	**1,895**	**1,982**	**2,064**
PP&E	588	846	1,324	1,617	1,704	1,786
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**	**6,144**	**6,673**	**7,282**
Current liabilities	**1,600**	**1,469**	**1,810**	**1,949**	**2,125**	**2,273**
Short-term borrowings	428	329	688	688	688	688
Account payables	262	295	315	454	630	778
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**	**2,907**	**3,083**	**2,930**
Share capital	11,191	11,541	11,599	11,899	12,199	12,399
Retained earnings	(4,966)	(7,080)	(7,962)	(8,563)	(8,509)	(7,947)
Other reserves	18	(77)	(99)	(99)	(99)	(99)
Total shareholders equity	**6,243**	**4,383**	**3,537**	**3,237**	**3,590**	**4,352**
Minority interest	0	0	0	0	0	0
Total equity and liabilities	**8,646**	**6,379**	**5,805**	**6,144**	**6,673**	**7,282**

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US$ mn)						
Operating						
Profit before taxation	**(1,439)**	**(1,961)**	**(826)**	**(600)**	**63**	**661**
Depreciation & amortization	46	66	88	107	113	118
Tax paid	25	(43)	(56)	0	(9)	(99)
Others	68	441	(363)	219	69	(9)
Net cash from operations	**(1,299)**	**(1,497)**	**(1,157)**	**(275)**	**235**	**671**
Investing						
Capital expenditure	(263)	(325)	(562)	(400)	(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**	**(400)**	**(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	3,008	3,043
Exchange difference	14	(69)	(8)	0	0	0
Cash at the end of the year	**4,383**	**3,875**	**3,186**	**3,008**	**3,043**	**3,214**
GROWTH	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
YE 31 Dec						
Revenue	280.8%	20.4%	73.7%	57.4%	41.9%	27.3%
Gross profit	324.6%	11.7%	84.1%	58.4%	42.1%	27.6%
Net profit	na	na	na	na	na	952.4%
Adj. net profit	na	na	na	na	na	952.4%
PROFITABILITY	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
YE 31 Dec						
Gross profit margin	86.0%	79.8%	84.5%	85.1%	85.2%	85.4%
Adj. net profit margin	(120.2%)	(141.5%)	(35.9%)	(15.5%)	1.0%	8.0%
Return on equity (ROE)	(28.0%)	(37.7%)	(22.3%)	(17.7%)	1.6%	14.1%
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	2.3
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	357.4	34.0
P/E (diluted)	ns	ns	ns	ns	357.4	34.0
P/B	35.4	56.0	70.2	76.7	69.1	57.0

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

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