China / Hong Kong Company Update

# BeiGene Ltd

**Bloomberg: 6160 HK Equity | Reuters: 6160.HK**

**Refer to important disclosures at the end of this report**

DBS Group Research . Equity

30 Jun 2022

## BUY

**Last Traded Price (29 Jun 2022):** HK$100.20 (**HSI :** 21,997)
**Price Target 12-mth:** HK$166 (66% upside) (Prev HK$244)


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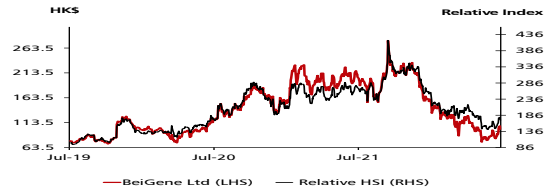
## What's New

- Negatives largely priced in after correction by 63% from historical high in Sep 2021 and the stock now trades at c.9.6x FY22F EV/sales, close to trough valuation
- Sales generated from US market to drive growth in the coming three years
- Maintain BUY as market ignores two positives: 1) unlike most Chinese peers, BeiGene can penetrate the US – one of the few markets where prices can be raised; 2) maintain its US listing while many peers will be delisted

**Price Relative**




**Forecasts and Valuation**

| FY Dec (US$m) | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|
| Turnover | 1,176 | 1,352 | 2,184 | 2,893 |
| EBITDA | (1,393) | (1,348) | (842) | (513) |
| Pre-tax Profit | (1,439) | (1,443) | (955) | (644) |
| Net Profit | (1,413) | (1,418) | (936) | (631) |
| Net Pft (Pre Ex) (core profit) | (1,429) | (1,418) | (936) | (631) |
| Net Profit Gth (Pre-ex) (%) | 12.6 | 0.8 | 34.0 | 32.5 |
| EPS (US$) | (1.17) | (1.06) | (0.70) | (0.47) |
| EPS (HK$) | (9.19) | (8.34) | (5.50) | (3.71) |
| Core EPS (US$) | (1.18) | (1.06) | (0.70) | (0.47) |
| Core EPS (HK$) | (9.30) | (8.34) | (5.50) | (3.71) |
| EPS Gth (%) | 20.4 | 9.3 | 34.0 | 32.5 |
| Core EPS Gth (%) | 21.3 | 10.3 | 34.0 | 32.5 |
| Diluted EPS (HK$) | (9.19) | (8.34) | (5.50) | (3.71) |
| DPS (HK$) | 0.00 | 0.00 | 0.00 | 0.00 |
| BV Per Share (HK$) | 40.61 | 28.38 | 22.87 | 19.16 |
| PE (X) | nm | nm | nm | nm |
| P/Cash Flow (X) | nm | nm | nm | nm |
| P/Free CF (X) | nm | nm | nm | nm |
| EV/EBITDA (X) | nm | nm | nm | nm |
| Net Div Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Book Value (X) | 2.5 | 3.5 | 4.4 | 5.2 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH |
| ROAE(%) | (28.0) | (25.6) | (21.5) | (17.7) |
| Earnings Rev (%): | | n/a | new | new |
| Consensus EPS (US$) | | (1.26) | (0.94) | (0.58) |
| Other Broker Recs: | | B:16 | S:0 | H:1 |

*Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters*

# Penetration into the US is a big plus

## Investment Thesis

**Penetration into the US where drug prices can be raised.** While many countries have been lowering drug prices, the prices in the US have been rising by 4-10% p.a. in 2016-20. Thus, entry into the US market is crucial for sales growth. Including US patients in clinical trials is essential to gain approval. BeiGene has the largest number of clinical trials (phases 2 & 3) that include US patients at 22 vs 1 to 6 for major Chinese peers. We expect sales generated from US to rise from 6% in 2020 to c.50% in 2024F.

**Two imminent catalysts in Jul and Oct 2022.** We expect BeiGene to obtain US approval to launch Tislelizumab to treat Esophageal squamous cell carcinoma in Jul, and Zanubrutinib to treat chronic lymphocytic leukemia/small lymphocytic lymphoma in Oct. More than 10% of patients in those clinical trials are from the US with 7-54% improvement in efficacy vs competing drugs.

**Delisting risk much lower than other Chinese peers listed in the US.** The US government wants to delist those Chinese companies where financial reports cannot be fully inspected. BeiGene is one of the few peers that have changed their principal auditor to an US firm and the US authorities can inspect its financials which reduces risk of being delisted.

## Valuation:

Our TP is based on the net present value estimates of key products. We lowered our TP by 32% to HK$166 as 1) we assumed a higher WACC of 11.3% from 9.6% to discount projected free cash flows due to global interest rate hikes and tightened clinical trial standards; 2) lowered our 10-year free cash flow projection by 6% due to price cuts in China.

## Where we differ:

We highlight that among Chinese peers, BeiGene has the 1) strongest ability to penetrate the US market; 2) lowest risk of being delisted.

## Key Risks to Our View:

Failure at clinical trials; price cuts due to competition.

**At A Glance**

| | |
|---|---|
| Issued Capital (m shrs) | 1,335 |
| Mkt Cap (HKm/US$m) | 133,767 / 17,048 |
| Major Shareholders (%) | |
| Amgen Inc | 18.3 |
| HHLR Advisors, Ltd. | 10.9 |
| Capital International Investors | 7.7 |
| Free Float (%) | 63.0 |
| 3m Avg. Daily Val. (US$m) | 14.44 |
| GICS Industry: Health Care / Pharmaceuticals, Biotechnology | |

## WHAT'S NEW

### Penetration into the US market to grow

**Net loss in 2022F expanded by 153% and TP slashed by 32%.** We expand net loss in 2022F by 153% to US$1.42bn, similar to the net loss of US$1.41bn recorded in 2021A. After our communication with the company, we believe BeiGene needs to maintain its operating expenditure (marketing, admin, R&D) in 2022F at a similar level as 2021A at c.US$2.5bn to support over 35 ongoing clinical trials and marketing of three key products globally (Tislelizumab, Zanubrutinib, Pamiparib).

We also slashed our TP by 32% to HK$166. Reasons:

1) Our TP is derived from net present value (NPV) estimates of major products. A major reason for the TP cut is that we revised up the weighted average cost of capital ("WACC") used to discount free cash flows for the next 10 years from 9.6% to 11.3% because: a) interest rate hikes globally; b) National Medical Products Administration (NMPA) has been tightening the requirements of clinical trials since 2021 which will increase the time and cost of clinical trials in the long run. For example, in Dec 2021, unless the drug developer states that the new drug is not suitable for children, NMPA requires clinical trials of a new drug to include children.

As BeiGene's ability to export is stronger than Chinese peers, we believe its WACC should be lower than them, but higher than global peers. The mid-point between the average Chinese peers and global peers (see the table "WACC of Chinese and global peers") is 11.3%. We define peers as companies developing drugs with the same targets. A "target" is a molecule in the body, usually a protein, that is intrinsically associated with a particular disease process, which could be addressed by a drug to produce the desired therapeutic effect.

Weighted average cost of capital of Chinese and global peers

| | Targets | | | | | |
|---|---|---|---|---|---|---|
| | BTK | PD1/PDL1 | PARP | TIGIT | TIM-3 | WACC |
| BeiGene (6160 HK) | Y | Y | Y | Y | Y | **11.6%** |
| Global peers | | | | | | |
| AstraZeneca (AZN LN) | Y | Y | Y | | | 9.4% |
| Merck (MRK US) | Y | Y | | Y | | 6.4% |
| Bristol-Myers Squibb (BMY US) | | Y | | Y | Y | 6.4% |
| GSK (GSk LN) | | Y | Y | | Y | 5.8% |
| Roche (ROG SW) | | Y | | Y | | 7.1% |
| Eli Lilly (LLY US) | Y | Y | | | | 8.4% |
| Novartis (NOVN SW) | | Y | | | Y | 8.1% |
| Pfizer (PFE US) | | Y | Y | | | 7.7% |
| AbbVie (ABBV US) | Y | | Y | | | 7.6% |
| Average | | | | | | 7.4% |
| | | | | | | |
| Chinese peers | | | | | | |
| Jiangsu Hengrui (600276 CH) | Y | Y | | | | 13.4% |
| Sinobiopharm (1177 HK) | Y | Y | | | | 12.4% |
| Innovent (1801 HK) | | Y | | Y | | 18.4% |
| Junshi (1877 HK) | | Y | | Y | | 14.3% |
| Zai Labs (9688 HK) | | Y | Y | | | 17.7% |
| Average | | | | | | 15.2% |

*Source: Bloomberg Finance L.P., DBS HK*

2) We lower our expected sum of free cash flows in next 10 years from US$13bn (2020F-29F) to US$12bn (2022F-31F), down 6%. The change is mainly because we have factored in price cuts of 10-50% in 2022 and 2024 for products sold in China. Since 2018, the National Healthcare Security Administration has organised six rounds of National tenders for drugs, and the average price cut has been 53%. This will continue as the government targets to raise the percentage of drugs procured for public medical institutes through the provincial /National tender platform from 75% in 2020 to 90% in 2025.

**Negatives largely price in.** After correcting by 63% from its all-time share price peak in Sep 2022, BeiGene is now trading at 9.6x enterprise value or EV (market cap minus net cash or add net debt) to FY22F sales, very close to its historical trough (see the chart :BeiGene's EV / Revenue"), and we believe the negatives are largely priced in.

BeiGene's EV / Revenue


*Source: Bloomberg Finance L.P.*

**Maintain BUY for two positives that are not priced in.** We maintain BUY because:

1) BeiGene has the strongest ability to penetrate the US market among Chinese peers. Entry into the US market is important as it is easier to raise price there. While many countries have been lowering drug prices, drug prices in the US have been rising by 4-10% p.a. in 2016-20.

Chinese pharmaceutical companies' penetration into the US market seems more difficult after the US Food & Drug Administration (FDA) rejected the application for launch of two innovative drugs by Innovent (1801 HK) and Hutchmed (13 HK) in 1H22 (see: U.S. FDA declines to approve two more China-tested drugs | Reuters). A major reason for the rejection is that US patients were not included in their clinical trials. Thus, the key is to include the US as one of its clinical trial locations. BeiGene has largest number of clinical trials running in the US or with the US being one of the locations for the trial, in both phases 2 and 3 (see the table: "Major Chinese biotech companies: number of clinical trials conducted in U.S."). In terms of number of drugs and indications involved, it is also the largest.

Among the BeiGene's clinical trials carried out in the US, six have demonstrated superior efficacy or safety over major competing drugs based on available clinical data (see the table "Superiority of BeiGene major products"). The yellow highlights are areas where the drugs are superior.

Four drugs are said to address two targets and are potentially promising, namely, TIGIT and TIM-3 (see the table "BeiGene clinical trial on TIGIT and TIM-3"). The target is a molecule in the body, usually a protein, that is intrinsically associated with a particular disease process, which could be addressed by a drug to produce the desired therapeutic effect. These drugs are potentially promising because they could be much better than competing drugs for a particular indication. The TIM-3 protein appears in multiple cells (e.g. T-cells, dendritic cells, macrophages, myeloid-derived suppressors cells, natural killer cells). As a result, the drug should be able to find this protein easily in the human body, making it easier to have an impact on the disease. For TIGIT, in Roche (ROG SW)'s phase 2 clinical trial for 1st line treatment of metastatic non-small cell lung cancer with high expression of PD-L1, it showed much higher objective response rate ("ORR") relative to competing therapy (anti-PD-L1 monotherapy, 69% vs 24.1%),

Other than the trials above, trials involving the US as a location, completed and pending for U.S. FDA approval in 2022 are crucial for share price performance. BeiGene has two: A) Tislelizumab (PD1 antibody) for 2nd line treatment of Esophageal squamous cell carcinoma (ESCC). The U.S. FDA is committed to respond in Jul; and B) Zanubrutinib for treatment of chronic lymphocytic leukemia / small lymphocytic lymphoma (CLL/SLL). The U.S. FDA is committed to

respond in Oct. We believe these drugs are likely to obtain the approvals. Firstly, unlike Sintilimab by Innovent and Surufatinib by Hutchmed, which solely relied on clinical data from China, BeiGene has included US persons in its trials. Thus, we believe there is high chance of obtaining approval from the U.S. FDA (see the table: "BeiGene: geographic breakdown of patients' number in two clinical trials including U.S."). Secondly, based on available clinical data, these drugs have demonstrated better efficacy over direct competitors in the targeted indications. In terms of ORR in 2nd line treatment of ESCC, Tislelizumab is higher than Pembrolizumab developed by Merck (MRK US) (20% vs 13%). In terms of ORR in treatment of CLL/SLL, Zanubrutinib is higher than Ibrutinib developed by AbbVie (ABBV US) (95% vs 89%).

**Major Chinese biotech companies: number of clinical trials (phase 2 & 3) conducted in the US**

| | | Number of trials involving US | | Number of drug/biologic | | Number of indications | |
|---|---|---|---|---|---|---|---|
| Ticker | Name | Clinical trial (Ph II) | Clinical trial (Ph III) | Clinical trial (Ph II) | Clinical trial (Ph III) | Clinical trial (Ph II) | Clinical trial (Ph III) |
| 6160 HK Equity | BEIGENE LTD-ADR | 9 | 13 | 7 | 7 | 9 | 12 |
| 1801 HK Equity | INNOVENT BIOLOGICS INC | 2 | 1 | 2 | 1 | 2 | 1 |
| 1177 HK Equity | SINO BIOPHARMACEUTICAL | n/a | n/a | 0 | 2 | 1 | 3 |
| 1877 HK Equity | SHANGHAI JUNSHI BIOSCIENCE-H | 2 | 3 | 0 | 4 | 0 | 4 |
| 9939 HK Equity | KINTOR PHARMACEUTICAL LTD | 3 | 2 | 4 | 1 | 4 | 1 |
| 9926 HK Equity | AKESO INC | 1 | 1 | 1 | 1 | 1 | 1 |
| 2137 HK Equity | BRII BIOSCIENCES LTD | 0 | 2 | 0 | 1 | 0 | 1 |
| 9995 HK Equity | REMEGEN CO LTD-H | 2 | 0 | 2 | 0 | 2 | 0 |
| 867 HK Equity | CHINA MEDICAL SYSTEM HOLDING | 2 | 2 | 4 | 4 | 5 | 5 |
| 9966 HK Equity | ALPHAMAB ONCOLOGY | 1 | 0 | 2 | 0 | 2 | 0 |
| 9969 HK Equity | INNOCARE PHARMA LTD | 3 | 0 | 3 | 0 | 3 | 0 |
| 6855 HK Equity | ASCENTAGE PHARMA GROUP INTER | 6 | 0 | 9 | 0 | 6 | 0 |
| 2171 HK Equity | CARSGEN THERAPEUTICS HOLDING | 1 | 0 | 1 | 0 | 1 | 0 |
| IMAB US Equity | I-MAB-SPONSORED ADR | 1 | 1 | 1 | 1 | 1 | 1 |
| 600276 CH Equity | JIANGSU HENGRUI MEDICINE C-A | 1 | 3 | 1 | 3 | 1 | 3 |
| 600196 CH Equity | SHANGHAI FOSUN PHARMACEUTI-A | 1 | 2 | 1 | 1 | 1 | 2 |
| 000963 CH Equity | HUADONG MEDICINE CO LTD-A | 2 | 1 | 2 | 1 | 2 | 1 |
| 603087 CH Equity | GAN & LEE PHARMACEUTICALS -A | 0 | 2 | 0 | 1 | 0 | 2 |
| 002653 CH Equity | HAISCO PHARMACEUTICAL GROU-A | 0 | 1 | 0 | 1 | 0 | 1 |
| 002019 CH Equity | YIFAN PHARMACEUTICAL CO LT-A | 1 | 2 | 1 | 1 | 1 | 1 |

*Source: Annual reports, companies' websites, corporate presentations of the companies above, DBS HK*

## Superiority of BeiGene's major products

| Drug | Combo with | Indication | Clinical phase | Competing drug | Stage of competing drug | Objective response rate % (7) | | Complete response % (8) | | Overall survival (months) (9) | | Adverse event level 3 or above - % in total trial patients (10) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Competitor | Beigene | Competitor | Beigene | Competitor | Beigene | Competitor | Beigene |
| Zanubrutinib | (Mono) | 1L & R/R WM (1) | 3 | Ibrutinib | Launched | 93 | 94 | 19 | 28 | 93 | 97 | 63 | 58 |
| Zanubrutinib | (Mono) | R/R CLL/SLL (2) | 3 | Ibrutinib | Launched | 63 | 78 | | 2 | 92 | 97 | 51 | 56 |
| Zanubrutinib | Venetoclax (Bcl-2 inhibitor) | 1L CLL/SLL (3) | 3 | Ibrutinib + Venetoclax | Clinical trial Ph2 | 87 | 97 | 69 | 13 | 96 | | ~51 | 37 |
| Zanubrutinib | (Mono) | R/R MZL (4) | 2 | Ibrutinib | Launched | 58 | 68 | 10 | 26 | ~85 | 95 | 71 | 40 |
| Zanubrutinib | Obinutuzumab (anti-CD20) | R/R FL (5) | 2 | Acalabrutinib + Rituximab | Clinical trial Ph1 | 39 | 72 | 8 | 39 | | 85 | | >14 |
| Tislelizumab | Chemotherapy | 1L advanced ESCC (6) | 3 | Pembrolizumab + Chemotherapy | Clinical trial Ph3 | 45 | 47 | | 0 | 26 | | 72 | 87 |

*Source: https://ashpublications.org , https://ascopost.com , https://aacrjournals.org , American Society of Clinical Oncology*

*1L & R/R WM (1): 1st line treatment for Waldenstrom macroglobulinemia. 1st line therapy is the one accepted as the best treatment. Subsequent treatment(s) may be used (i.e. 2nd line, 3rd line). R/R refers to relapsed / refractory.*

*R/R CLL/SLL (2): relapsed / refractory chronic lymphocytic leukaemia / small lymphocytic lymphoma*

*1L CLL/SLL (3): 1st line treatment for chronic lymphocytic leukaemia / small lymphocytic lymphoma*

*R/R MZL (4): relapsed / refractory marginal zone lymphoma*

*R/R FL (5): relapsed / refractory follicular lymphoma*

*1L advanced ESCC (6): 1st line treatment for advanced Esophageal Squamous-Cell Carcinoma*

*Objective response rate % (7): The proportion of patients with tumor size reduction of a predefined amount and for a minimum time period. Response duration usually is measured from the time of initial response until documented tumor progression.*

*Complete response % (8): The disappearance of all signs of cancer in response to treatment. This does not always mean the cancer has been cured.*

*Overall survival (months) (9): The length of time from either the date of diagnosis or the start of treatment for a disease, such as cancer, that patients diagnosed with the disease are still alive. In a clinical trial, measuring the overall survival is one way to see how well a new treatment works*

*Adverse event level 3 or above - % in total trial patients (10): Severe or medically significant but not immediately life threatening; hospitalization of prolongation of hospitalization indicated; disabling; limiting self-care ADL. Above level 3 is life threatening.*

## BeiGene: clinical trials on TIGIT and TIM-3

| Drug | Combo with | Indication | Clinical phase | Target 1 | Target 2 |
|---|---|---|---|---|---|
| Ociperlimab | Tislelizumab | 1L PD-L1 high advanced NSCLC (1) | 3 | TIGIT | PD1 |
| Ociperlimab | Tislelizumab + Chemotherapy | 1L NSCLC | 2 | TIGIT | PD1 |
| Ociperlimab | Tislelizumab + Concurrent Chemoradiotherapy | LA NSCLC (2) | 2 | TIGIT | PD1 |
| Surzebiclimab | Tislelizumab | Advanced solid tumors | 2 | TIM-3 | PD1 |

*Source: https://ascopubs.org , https://www.cancernetwork.com , https://www.annalsofoncology.org*

*1L PD-L1 high advanced NSCLC (1): 1st line treatment for advanced non-small cell lung cancer with high expression of PD-L1*

*LA NSCLC (2): locally advanced non-small cell lung cancer*

## BeiGene: geographic breakdown of the number of patients in two clinical trials including the US

| Tislelizumab (mono) - 2L ESCC | Patient number | Percentage |
|---|---|---|
| Asia (excluding Japan) | 354 | 69% |
| Japan | 50 | 10% |
| US/EU | 108 | 21% |
| **Total** | **512** | **100%** |

| Zanubrutinib (mono) - CLL/SLL | Patient number | Percentage |
|---|---|---|
| Australia | 33 | 30% |
| Austria | 4 | 4% |
| Belgium | 1 | 1% |
| Chinese Taipei | 1 | 1% |
| Czech Republic | 5 | 5% |
| France | 5 | 5% |
| Italy | 10 | 9% |
| New Zealand | 12 | 11% |
| Poland | 5 | 5% |
| Russia | 6 | 6% |
| Sweden | 8 | 7% |
| UK | 7 | 6% |
| US | 12 | 11% |
| **Total** | **109** | **100%** |

*Source: https://ascopubs.org/doi/abs/10.1200/JCO.21.01926; https://haematologica.org/article/view/haematol.2020.259432*

2) Investors are concerned that Chinese companies listed in the US stock market will be delisted. BeiGene is one of the few Chinese companies that should be able to remain listed and keep this equity raising platform.

After the Holding Foreign Companies Accountable Act was effective in 2020 in the US, the US Securities & Exchange Commission (SEC) can delist companies located in a foreign jurisdiction if it thinks the Public Company Accounting Oversight Board in the US is unable to inspect or investigate the financials. As of 21 June 2022, 150 companies have been identified for possible delisting (see: SEC.gov | Holding Foreign Companies Accountable Act ("HFCAA") ), including BeiGene.

We believe BeiGene can avoid delisting in the U.S. stock market as it has changed its principal auditor for financial statements to be filed with the U.S. SEC from EY China to EY U.S. in Mar 2022. As of 22 Jun 2022, it is one of the very few Chinese biotech companies listed in the US to change its principal auditor to a US-based auditor (see the table: "Principal auditor of major Chinese biotech listed in the U.S."). By doing this, its principal auditor will be directly under the supervision of the Public Company Accounting Oversight Board in the US and its financials can be inspected and investigated completely by the regulatory bodies in the US. The principal auditor can review the audit working papers prepared by the local auditor(s) in China. This satisfies the U.S. SEC's requirement to maintain its listing status. Many US companies listed in the US, with business exposure in China have adopted the same practice, e.g. Texas Instruments (TXN US), Wynn Resorts (WYNN US). If BeiGene is delisted after the auditor change, those US companies would have to be delisted too. This is very unlikely. As such, BeiGene should be able to keep its fund-raising platform in the US stock market which is important for future growth.

## Principal auditor of major Chinese biotech companies listed in the US

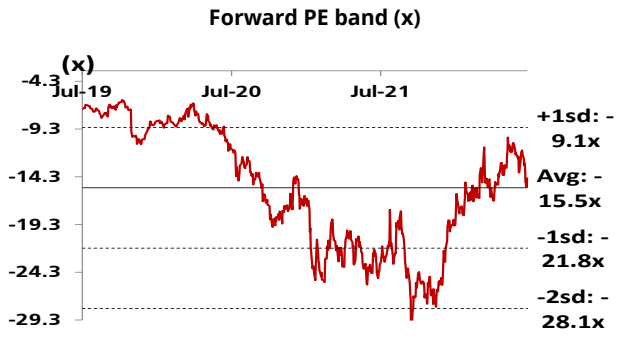
| Biotech Company | | Principal auditor for financial statements to be filed with U.S. SEC | | |
|---|---|---|---|---|
| | | FY2021 financial statement | Current | Status as of 24 June 2022 |
| BeiGene, Ltd. | BGNE US | EY China | EY US | Changed |
| Zai Lab Limited | ZLAB US | Deloitte China | KPMG US | Changed |
| Legend Biotech Corporation | LEGN US | EY China | EY US | Changed |
| HUTCHMED (China) Limited | HCM US | PwC China | PwC China | Evaluating |
| CASI Pharmaceuticals, Inc. | CASI US | KPMG China | KPMG China | Evaluating |
| Connect Biopharma | CNTB US | PwC China | PwC China | Evaluating |
| Adagene Inc. | ADAG US | PwC China | PwC China | Evaluating |
| I-Mab | IMAB US | PwC China | PwC China | Evaluating |
| Sinovac Biotech Ltd. | SVA US | Grant Thornton China | Grant Thornton China | Evaluating |
| Green Vision Biotechnology Corp. | GVBT US | Centurion ZD HK | Centurion ZD HK | No annoucement |
| BeyondSpring Inc. | BYSI US | EY China | EY China | No annoucement |
| JRSIS Health Care Corporation | JRSS US | Centurion ZD HK | Centurion ZD HK | No annoucement |
| Gracell Biotechnologies Inc. | GRCL US | PwC China | PwC China | No annoucement |
| Burning Rock Biotech Limited | BNR US | EY China | EY China | No annoucement |
| Genetron Holdings Limited | GTH US | PwC China | PwC China | No annoucement |

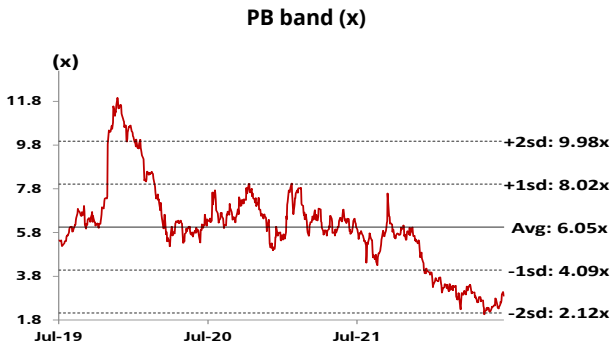
*Source: www.sec.gov, Annual reports and websites of the companies above*

### Company Background

Established in 2010, BeiGene is an innovative drug company focusing on discovery, development and commercialisation of anti-tumour drugs. Its R&D pipeline covers both targeted therapy drugs and immunotherapy drugs. The company gained the US FDA's approval to launch its first internally derived product (Zanubrutinib) in November 2019 and China NMPA approval to launch its PD-1 drug in December 2019. It also has several other drugs in different stages of clinical development. With R&D and manufacturing sites in China, it aims to serve cancer patients on a global basis. BeiGene was listed on NASDAQ in 2016 and the HK Exchange in 2018.<br/>

## Historical PE and PB band




*Source: Thomson Reuters, DBS HK*

## Key Assumptions

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Sales & admin expenses | 600.2 | 990.1 | 1,081.8 | 1,746.9 | 2,025.2 |
| R&D expenses | 1,294.9 | 1,459.2 | 1,459.2 | 1,000.0 | 1,000.0 |

*Source: Company, DBS HK*

## Segmental Breakdown (US$ m)

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Revenues (US$ m) | | | | | |
| Tislelizumab (PD-1 anti-body) | 223 | 163 | 208 | 239 | 182 |
| Zanubrutinib | 1 | 42 | 370 | 1,072 | 1,766 |
| Pamiparib | N/A | 10 | 64 | 74 | 77 |
| In licensed products | 8 | 58 | 168 | 257 | 326 |
| Others | 77 | 903 | 542 | 542 | 542 |
| Total | 309 | 1,176 | 1,352 | 2,184 | 2,893 |
| Gross profit (US$ m) | | | | | |
| Total | 238 | 1,011 | 1,122 | 1,812 | 2,401 |
| Gross profit Margins (%) | | | | | |
| Total | 77.1 | 86.0 | 83.0 | 83.0 | 83.0 |

*Source: Company, DBS HK*

**Income Statement (US$ m)**

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Revenue | 309 | 1,176 | 1,352 | 2,184 | 2,893 |
| Cost of Goods Sold | (71) | (165) | (230) | (371) | (492) |
| **Gross Profit** | **238** | **1,011** | **1,122** | **1,812** | **2,401** |
| Other Opng (Exp)/Inc | (1,896) | (2,450) | (2,542) | (2,748) | (3,026) |
| **Operating Profit** | **(1,658)** | **(1,439)** | **(1,419)** | **(935)** | **(625)** |
| Other Non Opg (Exp)/Inc | 0 | 0 | 0 | 0 | 0 |
| Associates & JV Inc | 0 | 0 | 0 | 0 | 0 |
| Net Interest (Exp)/Inc | 2 | (16) | (24) | (19) | (19) |
| Dividend Income | 0 | 0 | 0 | 0 | 0 |
| Exceptional Gain/(Loss) | 37 | 16 | 0 | 0 | 0 |
| **Pre-tax Profit** | **(1,618)** | **(1,439)** | **(1,443)** | **(955)** | **(644)** |
| Tax | 18 | 25 | 25 | 19 | 13 |
| Minority Interest | 4 | 0 | 0 | 0 | 0 |
| Preference Dividend | 0 | 0 | 0 | 0 | 0 |
| **Net Profit** | **(1,597)** | **(1,413)** | **(1,418)** | **(936)** | **(631)** |
| Net Profit before Except. | (1,634) | (1,429) | (1,418) | (936) | (631) |
| EBITDA | (1,626) | (1,393) | (1,348) | (842) | (513) |
| Growth | | | | | |
| Revenue Gth (%) | (27.9) | 280.8 | 15.0 | 61.5 | 32.5 |
| EBITDA Gth (%) | (72.7) | 14.3 | 3.3 | 37.5 | 39.1 |
| Opg Profit Gth (%) | 72.7 | (13.2) | (1.3) | (34.1) | (33.2) |
| Net Profit Gth (%) | (68.3) | 11.5 | (0.3) | 34.0 | 32.5 |
| Margins & Ratio | | | | | |
| Gross Margins (%) | 77.1 | 86.0 | 83.0 | 83.0 | 83.0 |
| Opg Profit Margin (%) | (536.7) | (122.3) | (105.0) | (42.8) | (21.6) |
| Net Profit Margin (%) | (517.0) | (120.2) | (104.9) | (42.8) | (21.8) |
| ROAE (%) | (66.1) | (28.0) | (25.6) | (21.5) | (17.7) |
| ROA (%) | (44.3) | (19.8) | (17.8) | (13.5) | (10.0) |
| ROCE (%) | (53.8) | (23.3) | (20.9) | (16.5) | (12.8) |
| Div Payout Ratio (%) | N/A | N/A | N/A | N/A | N/A |
| Net Interest Cover (x) | NM | (91.3) | (59.4) | (48.1) | (32.1) |

*Source: Company, DBS HK*

**Balance Sheet (US$ m)**

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Net Fixed Assets | 406 | 644 | 836 | 1,007 | 1,159 |
| Invts in Associates & JVs | 0 | 0 | 0 | 0 | 0 |
| Other LT Assets | 234 | 388 | 370 | 412 | 455 |
| Cash & ST Invts | 4,651 | 6,618 | 5,020 | 3,543 | 2,438 |
| Inventory | 89 | 243 | 279 | 450 | 597 |
| Debtors | 60 | 483 | 555 | 897 | 1,188 |
| Other Current Assets | 160 | 270 | 270 | 270 | 270 |
| Total Assets | 5,601 | 8,646 | 7,330 | 6,580 | 6,107 |
| ST Debt | 335 | 428 | 470 | 470 | 470 |
| Creditors | 232 | 262 | 302 | 487 | 645 |
| Other Current Liab | 508 | 910 | 910 | 910 | 910 |
| LT Debt | 184 | 202 | 222 | 222 | 222 |
| Other LT Liabilities | 473 | 601 | 601 | 601 | 601 |
| Shareholder's Equity | 3,869 | 6,243 | 4,825 | 3,889 | 3,258 |
| Minority Interests | 0 | 0 | 0 | 0 | 0 |
| Total Cap. & Liab. | 5,601 | 8,646 | 7,330 | 6,580 | 6,107 |
| Non-Cash Wkg. Capital | (430) | (176) | (107) | 221 | 500 |
| Net Cash/(Debt) | 4,132 | 5,988 | 4,327 | 2,850 | 1,745 |
| Debtors Turn (avg days) | 77.6 | 84.3 | 140.2 | 121.4 | 131.5 |
| Creditors Turn (avg days) | 1,664.3 | 755.5 | 650.7 | 517.1 | 543.6 |
| Inventory Turn (avg days) | 553.3 | 507.3 | 601.6 | 478.1 | 502.6 |
| Asset Turnover (x) | 0.1 | 0.2 | 0.2 | 0.3 | 0.5 |
| Current Ratio (x) | 4.6 | 4.8 | 3.6 | 2.8 | 2.2 |
| Quick Ratio (x) | 4.4 | 4.4 | 3.3 | 2.4 | 1.8 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH | CASH |
| Net Debt/Equity ex MI (X) | CASH | CASH | CASH | CASH | CASH |
| Capex to Debt (%) | 22.7 | 41.8 | 38.0 | 38.0 | 38.0 |
| Z-Score (X) | NA | NA | NA | NA | NA |

*Source: Company, DBS HK*

**Cash Flow Statement (US$ m)**

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Pre-Tax Profit | (1,618) | (1,439) | (1,443) | (955) | (644) |
| Dep. & Amort. | 32 | 45 | 72 | 93 | 112 |
| Tax Paid | 18 | 25 | 25 | 19 | 13 |
| Assoc. & JV Inc/(loss) | 0 | 0 | 0 | 0 | 0 |
| (Pft)/ Loss on disposal of FAs | 0 | 0 | 0 | 0 | 0 |
| Chg in Wkg.Cap. | 151 | (118) | (69) | (327) | (279) |
| Other Operating CF | 135 | 187 | 41 | (24) | (24) |
| Net Operating CF | (1,283) | (1,299) | (1,374) | (1,194) | (823) |
| Capital Exp.(net) | (118) | (263) | (263) | (263) | (263) |
| Other Invts.(net) | (2,941) | 912 | 0 | 0 | 0 |
| Invts in Assoc. & JV | 0 | 0 | 0 | 0 | 0 |
| Div from Assoc & JV | 0 | 0 | 0 | 0 | 0 |
| Other Investing CF | (110) | (9) | (24) | (19) | (19) |
| Net Investing CF | (3,168) | 641 | (287) | (282) | (282) |
| Div Paid | 0 | 0 | 0 | 0 | 0 |
| Chg in Gross Debt | 0 | 0 | 63 | 0 | 0 |
| Capital Issues | 4,232 | 50 | 0 | 0 | 0 |
| Other Financing CF | 971 | 3,587 | 0 | 0 | 0 |
| Net Financing CF | 5,203 | 3,637 | 63 | 0 | 0 |
| Currency Adjustments | 18 | 7 | 0 | 0 | 0 |
| Chg in Cash | 769 | 2,986 | (1,598) | (1,477) | (1,105) |
| Opg CFPS (US$) | (1.32) | (0.98) | (0.98) | (0.65) | (0.41) |
| Free CFPS (US$) | (1.29) | (1.29) | (1.23) | (1.09) | (0.81) |

*Source: Company, DBS HK*

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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