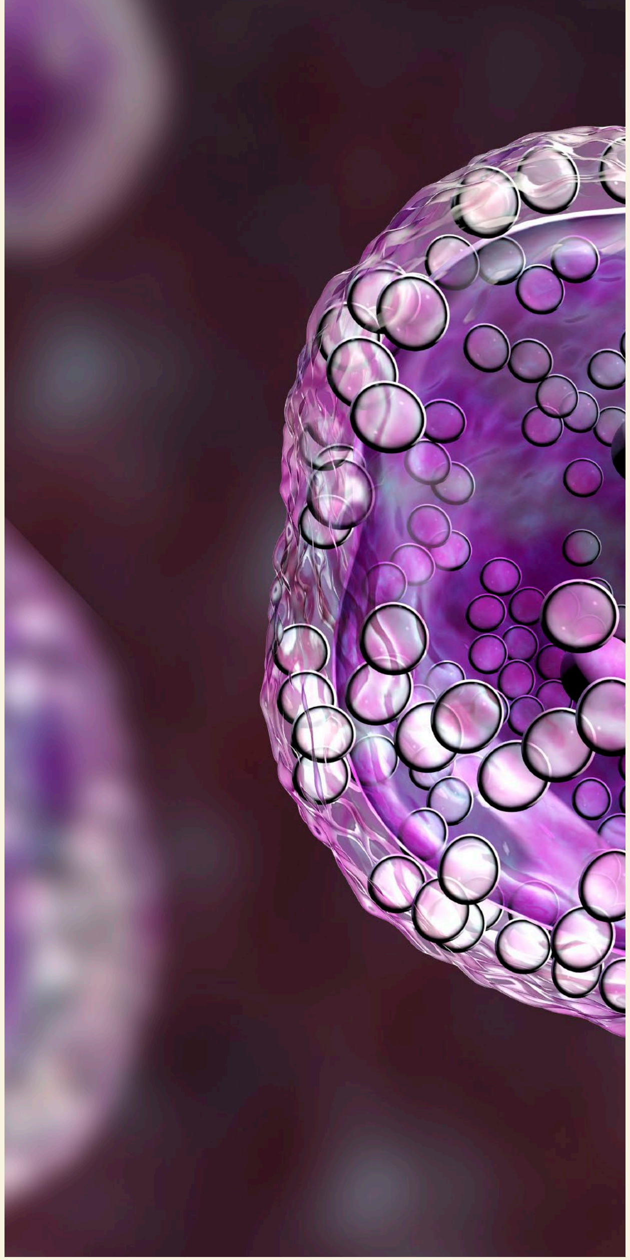
Beigene



What it does

BeiGene is a Chinese biotech company focused on immuno-oncology and molecularly targeted drugs for the treatment of cancer. The company vision is to 'transform the biopharma industry, creating impactful medicines that will be affordable and accessible to more cancer patients around the world.'

Why we own it

- BeiGene has been the poster child of a remarkable decade of progress in Chinese biotech.
- Co-CEO's Oyler and Wang believe China's vast population along with well-trained healthcare professionals can drive improvements in the global pharma industry.
- China is set to become a major oncology market. Sadly, lifestyle related cancers are rising quickly with a quarter of global cancer patients coming from China (4m v US 1.7m).
- China is the 2nd biggest pharma market, it is growing quickly, and most drugs remain generics. The government wants
- more innovative treatments which BeiGene is providing.

How it could be worth many times more

- In PD-1 drugs, BeiGene's focus on Chinese prevalent cancers (lung, liver, gastric), could garner 20% of the 1.2m patients that the treatment could be relevant for (similar number possible internationally). $15k annual price tag (50% cheaper than overseas players) implies sales of >$7bn globally.
- In BTK inhibitor drugs for B Cell malignancies. $5bn annual sales seems plausible for BeiGene's drug Brukinsa.
- Applying a net margin of 20% to the total c.$12bn in sales suggests $2.5bn of net profits.
- Beyond this, promising PARP Inhibitor has been approved and they have 20 oncology candidates that recently came with the Amgen deal. BeiGene could also move into auto-immune diseases towards the end of the decade. The company's ambitious long-term targets imply sales of over $50bn, achieved through in-house developed drugs plus partners' drugs that leverage the clinical development infrastructure.

Where we might be wrong

- Efficacy of drugs are limited.
- Government constrains pricing.

Short 10 questions

Can sales double in the next five years? 1

Yes. In-house developed drugs are now being launched and the Chinese oncology opportunity alone is vast and expanding.

Ten years and beyond? 2

The Chinese oncology market will still be immature, more of the same is likely, and sales ex-China is a huge opportunity too.

Competitive advantage? 3

Scale, expertise, vision. Not just about drug development but developing best in class infrastructure.

Is the business culture different? 4

Best from the West (Oyler) and East (Wang), combining science and business acumen.

Customers like you? Contribute to society? 5

Yes, bringing world class treatments to cancer sufferers, tackling the ticking time bomb of cancer diagnosis and spiralling healthcare costs.

Are returns worthwhile? 6

Revenue-sharing from distribution partners form the majority. In-licensing will continue to be important as time progresses.

Will they rise or fall? 7

The government backs the development of innovative drugs and so companies providing them are likely to be supported.

How is capital allocated? 8

Building infrastructure as well as developing drugs.

Could it be worth 5x as much? 9

Yes, the Chinese oncology market is in its infancy. BeiGene is building a highly scalable clinical and commercial infrastructure that could be used for other drug categories and other markets. Potential is to be the pharma company that treats more patients than anyone else.

What doesn't the market understand? 10

The importance of the infrastructure. Not just another biotech.

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