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BeyondSpring (NASDAQ:BYSI)

August 4, 2021

BUY: Positive Top-Line Results

BeyondSpring announced positive top-line data from the DUBLIN-3 (registration) trial of Plinabulin in combination with Docetaxel in 2nd / 3rd line NSCLC with EGFR (wild type).

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Investment Highlights

The Data

- The study met its primary endpoint, showing a statistically significant improvement in overall survival (OS) for the combination vs. docetaxel.
- The study also met its key secondary endpoints showing statistically significant improvement for the combination against docetaxel alone in ORR, PFS, and 24- and 36-month OS rates, and significant reduction in incidence of Grade 4 neutropenia.
- Next Steps: BeyondSpring plans to seek U.S. FDA and China NMPA approval for plinabulin in combination with docetaxel in NSCLC based on the demonstrated clinical benefit and safety profile.

Multiple Projected Catalysts:

- Mid-2021 (DUBLIN-3): Top-line overall survival (OS) data expected in pivotal Phase 3 non-small cell lung cancer (NSCLC) study. (completed)
- 2022: (Big Ten Cancer Research Consortium, Investigator Initiated study): Phase 2 Data expected in plinabulin + nivolumab + ipilimumab in checkpoint inhibitor-resistant SCLC.
- 2022: (MD Anderson investigator led study): Phase 1 Data expected in plinabulin + PD-1/PD-L1 inhibitors + radiation in PD-1/PD-L1-failed patients in seven cancers, including bladder cancer, melanoma, Merkel cell cancer, MSI-H Cancers (of any histology), NSCLC, renal cell cancer, and SCLC.

Capital On Hand. The company closed 1Q21 with \$90.6M. Management believes it has “sufficient cash to support its clinical trials and submit NDAs in the U.S. and China for Plinabulin for the treatment of NSCLC and CIN, as well as to advance its immuno-oncology pipeline and its ubiquitination protein degradation research platform.”

Valuation. Our therapeutic models for Plinabulin go out to the year 2030. For modeling purposes, we use a 30% risk rate (r) in our Free Cash Flow to the Firm (FCFF), discounted EPS, and Sum-Of-The-Parts (SOP) models. Our price target is derived from these three models, equally weighted, and averaged to the nearest whole number. The result is a one-year price target of \$39.00 per share.

Risks to our thesis include: (1) clinical trial; (2) commercial; (3) employee; (4) financial; (5) intellectual property; (6) partnership; and (7) regulatory.



Exhibit 1. Income Statement

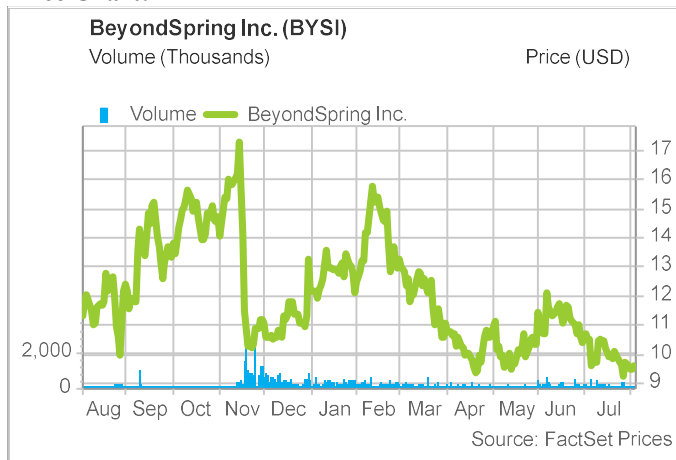
BeyondSpring Pharmaceuticals: Income Statement (\$'000)															
: YE December 31	2020A	1Q21E	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue:															
Revenue from NSCLC (US)	-	-	-	-	-	-	17,200	35,263	54,222	74,111	94,964	116,817	139,708	163,674	188,754
Revenue from Chemotherapy-Related Neutropenia (US)	-	-	-	-	-	-	131,041	179,106	229,502	282,315	385,869	395,554	405,482	415,660	426,093
Revenue from NSCLC (China)	-	1,610	1,680	1,820	1,890	7,001	36,123	44,735	53,861	63,525	73,753	84,570	87,276	90,069	92,951
Revenue from Chemotherapy-Related Neutropenia (China)	-	11,649	12,155	13,168	13,675	50,648	76,731	103,331	130,455	158,112	186,309	215,053	217,204	219,376	221,570
Total Product Sales	180	13,259	13,836	14,989	15,565	57,648	261,095	362,435	468,041	578,064	740,894	811,994	849,670	888,778	929,368
Total royalties, collaborative revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	180	13,259	13,836	14,989	15,565	57,648	261,095	362,435	468,041	578,064	740,894	811,994	849,670	888,778	929,368
Expenses:															
Costs of Goods Sold		1,326	1,384	1,499	1,557	5,765	26,109	36,244	46,804	57,806	74,089	81,199	84,967	88,878	92,937
%COGS	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Research and Development	41,793	5,060	5,280	5,720	5,940	22,000	17,600	17,424	17,250	17,077	16,906	16,737	16,570	16,404	16,240
%R&D	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
General and Administrative	22,598	5,717	5,966	6,463	6,712	24,858	26,101	27,406	27,954	28,513	29,083	29,665	30,258	30,863	31,481
%SG&A	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Total Expenses	64,391	12,103	12,629	13,682	14,208	52,623	69,810	81,073	92,008	103,397	120,079	127,602	131,795	136,145	140,658
Operating Income (Loss)	(64,211)	1,156	1,206	1,307	1,357	5,026	191,284	281,362	376,033	474,667	620,815	684,393	717,875	752,633	788,711
Foreign exchange gain (loss), net	355	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	(85)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	116	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of property and equipment	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss on equity method investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income	390	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(63,821)	1,156	1,206	1,307	1,357	5,026	191,284	281,362	376,033	474,667	620,815	684,393	717,875	752,633	788,711
Non Controlling Interest															
Income tax benefit	(2,848)	58	60	65	68	251	9,564	28,136	67,686	132,907	180,036	205,318	229,720	248,369	260,274
Tax Rate	2%	5%	5%	5%	5%	5%	5%	10%	18%	28%	29%	30%	32%	33%	33%
GAAP Net Income (Loss)	(60,973)	1,098	1,146	1,241	1,289	4,774	181,720	253,226	308,347	341,760	440,779	479,075	488,155	504,264	528,436
Net loss attributable to noncontrolling interests															
GAAP Net Income (Loss)	(60,973)	1,098	1,146	1,241	1,289	4,774	181,720	253,226	308,347	341,760	440,779	479,075	488,155	504,264	528,436
GAAP-EPS	(2.03)	0.03	0.04	0.04	0.04	0.15	5.74	7.97	9.66	10.67	13.70	14.84	15.06	15.49	16.17
GAAP-EPS (Dil)	(2.03)	0.03	0.03	0.03	0.03	0.12	4.73	6.57	7.97	8.80	11.30	12.23	12.42	12.77	13.33
Wgt'd Avg Shrs (Bas) - '000s	29,984	31,479	31,511	31,542	31,574	31,527	31,653	31,780	31,907	32,035	32,163	32,292	32,421	32,551	32,682
Wgt'd Avg Shrs (Dil) - '000s	29,984	38,175	38,213	38,251	38,289	38,232	38,385	38,539	38,693	38,848	39,004	39,160	39,317	39,474	39,633

Source: Company reports and Dawson James

Source: Dawson James estimates, company reports

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

Initiated – Buy – August 16, 2019 – Price Target \$39.00
 Update – Buy – August 27, 2019 – Price Target \$39.00
 Update – Buy – September 24, 2019 – Price Target \$39.00
 Update – Buy – February 24, 2020 – Price Target \$39.00
 Update – Buy – June 18, 2021 – Price Target \$39.00
 Update – Buy – August 4, 2021 – Price Target \$39.00

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Ratings Definitions:

- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

As of: 3-Aug-21

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	71%	4	16%
Market Perform (Neutral)	10	29%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	35	100%	4	11%

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