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## BeyondSpring (NASDAQ:BYSI)

April 14, 2022

### Neutral Rated; Cash Now at \$74M – China is Next

*BeyondSpring reported 4Q21 results, spending \$64M last year and ending the period with \$74M in cash. BeyondSpring announced it received a Complete Response Letter (CRL) from the FDA for the New Drug Application (NDA) seeking approval of plinabulin in combination with granulocyte colony-stimulating factor (G-CSF) for the prevention of chemotherapy-induced neutropenia (CIN).*

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### Investment Highlights

**China Next?** BeyondSpring has entered into a commercialization and co-development partnership between Jiangsu Hengrui Pharmaceuticals Co., Ltd. “Hengrui” and Wanchunbulin, BeyondSpring’s China subsidiary, for plinabulin in Greater China. Hengrui pays all the commercialization costs for all indications of plinabulin, and half of clinical development costs for new indications. Wanchunbulin supplies plinabulin, retaining manufacturing rights. Wanchunbulin stands to receive all proceeds from sales of plinabulin products and pay Hengrui a pre-determined percentage of such sales. Wanchunbulin received 200M RMB (est. US\$30M) upfront, and is eligible to receive up to 1.1B RMB (est. US\$170M) in regulatory and sales milestones. The Company will supply Plinabulin, retaining manufacturing rights. The Company will receive all proceeds from sales of Plinabulin and pay Hengrui a pre-determined percentage of such sales.

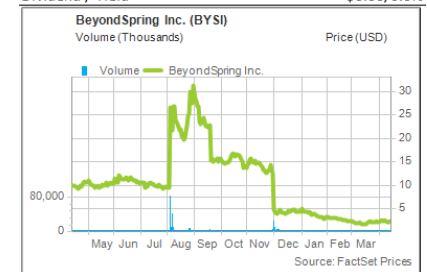
**Regulatory Update: Management Stated:** “ongoing discussions with China NMPA on the NDA review of the Plinabulin and G-CSF combination for the prevention of chemotherapy-induced neutropenia (CIN). “We are also moving forward to target an NDA filing in China by year-end for Plinabulin in the non-small cell lung cancer (NSCLC) indication. In addition, we are continuing our discussions with the FDA regarding the clinical and regulatory pathway for Plinabulin in CIN and NSCLC in the U.S. Above all, we remain committed to bringing Plinabulin to market to help many patients in need.”

**What Happened?** BeyondSpring received a Complete Response Letter (CRL) regarding Plinabulin application for approval. It appears a second trial is required. The FDA’s CRL indicated that the results of the single registrational trial (106 Phase 3) was not sufficiently robust to demonstrate benefit and that a second well controlled trial would be required to satisfy the substantial evidence requirement to support the CIN indication.

**Capital On Hand.** The company closed the year with \$74M. 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.** We maintain therapeutic models for Plinabulin (out to the year 2030) in the US & China. For modeling purposes, we use a 30% probability of success in our therapeutic models which is in addition to our 30% risk rate (r) in our Free Cash Flow to the Firm (FCFF), discounted EPS, and Sum-Of-The-Parts (SOP) models. These metrics suggest the stock is currently at fair-value.

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



Please find Important Disclosures beginning on Page 3.

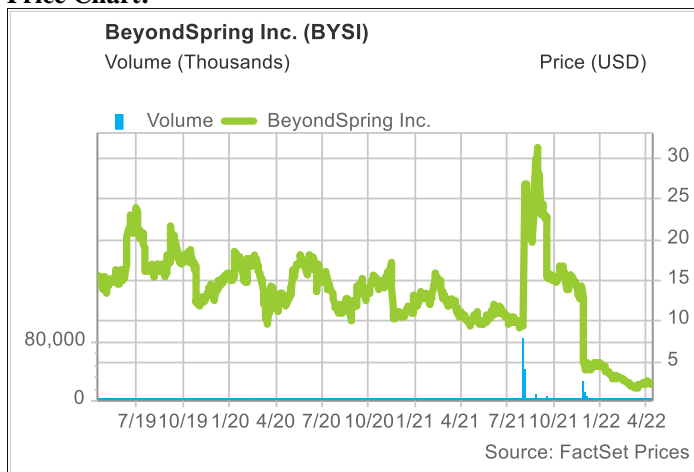
**Exhibit 1. Income Statement**

BeyondSpring Pharmaceuticals: Income Statement (\$'000)															
: YE December 31	2020A	1Q21A	2Q21A	3Q21A	4Q21A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue:</b>															
Revenue from NSCLC (US)	-	-	-	-	-	-	-	-	6,455	13,234	20,349	27,814	35,640	43,841	52,432
Revenue from Chemotherapy-Related Neutropenia (US)	-	-	-	-	-	-	-	-	32,786	67,218	103,358	141,269	181,019	222,675	266,308
Revenue from NSCLC (China)	-	-	-	-	-	-	2,580	13,314	16,488	19,852	23,414	27,183	31,170	32,167	33,197
Revenue from Chemotherapy-Related Neutropenia (China)	-	-	-	-	-	-	27,404	18,452	27,955	37,646	47,528	57,604	67,876	78,349	79,132
<b>Total Product Sales</b>	<b>180</b>	<b>-</b>	<b>338</b>	<b>337</b>	<b>676</b>	<b>1,351</b>	<b>29,984</b>	<b>31,766</b>	<b>83,684</b>	<b>137,949</b>	<b>194,648</b>	<b>253,870</b>	<b>315,705</b>	<b>377,032</b>	<b>431,069</b>
<b>Total royalties, collaborative revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue</b>	<b>180</b>	<b>-</b>	<b>338</b>	<b>337</b>	<b>676</b>	<b>1,351</b>	<b>29,984</b>	<b>31,766</b>	<b>83,684</b>	<b>137,949</b>	<b>194,648</b>	<b>253,870</b>	<b>315,705</b>	<b>377,032</b>	<b>431,069</b>
<b>Expenses:</b>															
Costs of Goods Sold		-					2,998	3,177	8,368	13,795	19,465	25,387	31,570	37,703	43,107
<b>%COGS</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
Research and Development	41,793	13,704	11,332	8,459	3,393	36,888	29,510	29,215	28,923	28,634	28,348	28,064	27,783	27,506	27,231
<b>%R&amp;D</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
General and Administrative	22,598	2,928	8,985	10,227	8,563	30,703	32,238	33,850	34,527	35,218	35,922	36,640	37,373	38,121	38,883
<b>%SG&amp;A</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<b>Total Expenses</b>	<b>64,391</b>	<b>16,632</b>	<b>20,317</b>	<b>18,686</b>	<b>11,956</b>	<b>67,591</b>	<b>64,747</b>	<b>66,242</b>	<b>71,819</b>	<b>77,646</b>	<b>83,734</b>	<b>90,091</b>	<b>96,727</b>	<b>103,329</b>	<b>109,221</b>
Operating Income (Loss)	(64,211)	(16,632)	(19,979)	(18,349)	(11,280)	(66,240)	(34,763)	(34,476)	11,865	60,303	110,914	163,778	218,978	273,703	321,848
Foreign exchange gain (loss), net	355	(74)	75	38	192	231									
Interest income	(85)	64	29	27	-	120									
Interest expense	116	(21)	(22)	(20)	(24)	(87)									
Loss on disposal of property and equipment	4	1	3	749	(655)	98									
Net loss on equity method investment															
<b>Total Other Income</b>	<b>390</b>	<b>(30)</b>	<b>85</b>	<b>794</b>	<b>511</b>	<b>1,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(63,821)</b>	<b>(16,662)</b>	<b>(19,894)</b>	<b>(17,555)</b>	<b>(10,257)</b>	<b>(64,368)</b>	<b>(34,763)</b>	<b>(34,476)</b>	<b>11,865</b>	<b>60,303</b>	<b>110,914</b>	<b>163,778</b>	<b>218,978</b>	<b>273,703</b>	<b>321,848</b>
Non Controlling Interest															
Income tax benefit	(2,848)	(578)	(586)	(2,588)	(277)	(4,029)	(1,738)	(3,448)	2,136	16,885	32,165	49,133	70,073	90,322	106,210
<b>Tax Rate</b>	<b>2%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>18%</b>	<b>28%</b>	<b>29%</b>	<b>30%</b>	<b>32%</b>	<b>33%</b>	<b>33%</b>
<b>GAAP Net Income (Loss)</b>	<b>(60,973)</b>	<b>(16,084)</b>	<b>(19,308)</b>	<b>(20,143)</b>	<b>(8,644)</b>	<b>(64,179)</b>	<b>(33,025)</b>	<b>(31,028)</b>	<b>9,730</b>	<b>43,418</b>	<b>78,749</b>	<b>114,645</b>	<b>148,905</b>	<b>183,381</b>	<b>215,638</b>
Net loss attributable to noncontrolling interests				1,773											
<b>GAAP Net Income (Loss)</b>	<b>(60,973)</b>	<b>(16,084)</b>	<b>(19,308)</b>	<b>(18,370)</b>	<b>(8,644)</b>	<b>(64,179)</b>	<b>(33,025)</b>	<b>(31,028)</b>	<b>9,730</b>	<b>43,418</b>	<b>78,749</b>	<b>114,645</b>	<b>148,905</b>	<b>183,381</b>	<b>215,638</b>
<b>GAAP-EPS</b>	<b>(2.03)</b>	<b>(0.58)</b>	<b>(0.49)</b>	<b>(0.47)</b>	<b>(0.09)</b>	<b>(1.64)</b>	<b>(0.84)</b>	<b>(0.79)</b>	<b>0.25</b>	<b>1.10</b>	<b>1.98</b>	<b>2.87</b>	<b>3.71</b>	<b>4.55</b>	<b>5.33</b>
GAAP-EPS (Dil)	(2.03)	(0.58)	(0.49)	(0.47)	(0.09)	(1.64)	(0.84)	(0.79)	0.25	1.10	1.98	2.87	3.71	4.55	5.33
Wgtd Avg Shrs (Bas) - '000s	29,984	27,732	39,010	39,024	39,063	39,023	39,161	39,318	39,475	39,633	39,792	39,951	40,112	40,272	40,434
Wgtd Avg Shrs (Dil) - '000s	29,984	27,732	39,010	39,024	39,063	39,023	39,161	39,318	39,475	39,633	39,792	39,951	40,112	40,272	40,434

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
- Rating Change – Neutral – December 1, 2021 – Price Target NA
- Update – Neutral – January 3, 2022 – Price Target NA
- Update – Neutral – April 14, 2022 – Price Target NA

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- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
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Current as of... 7-Apr-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	74%	4	13%
Market Perform (Neutral)	11	26%	0	0%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>42</b>	<b>100%</b>	<b>4</b>	<b>10%</b>

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