BeyondSpring, Inc. (BYSI)
Rating: Buy

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Fundamentals Continue to Improve; Management Change's Impact on Shares Unwarranted; Reiterate Buy

Stock Data	02/28/2018
Price	$20.50
Exchange	NASDAQ
Price Target	$60.00
52-Week High	$48.49
52-Week Low	$16.55
Enterprise Value (M)	$427.3
Market Cap (M)	$468
Public Market Float (M)	5.2
Shares Outstanding (M)	22.8
3 Month Avg Volume	5,073
Short Interest (M)	0.02
Balance Sheet Metrics	
Cash (M)	$40.7
Total Debt (M)	$0.0
Total Cash/Share	$1.79

General: BYSI completed its IPO on March 9, 2017.

EPS Diluted			
Full Year - Dec	2016A	2017E	2018E
1Q	(0.12)	(2.66)A	--
2Q	(0.23)	(0.60)A	--
3Q	(0.18)	(0.68)A	--
4Q	(0.16)	(0.79)	--
FY	(0.75)	(4.41)	(4.53)

Revenue ($M)			
Full Year - Dec	2016A	2017E	2018E
1Q	0.0	0.0A	--
2Q	0.0	0.0A	--
3Q	0.0	0.0A	--
4Q	0.0	0.0	--
FY	0.0	0.0	0.0

Quarterly EPS may not add to full year due to increases in share count and rounding.

Strategic move should be viewed positively as volatility negatively impacts shares as of late. On February 21, the company announced the departure of CFO, Richard Brand who was instrumental in the company's IPO, and instillation of Amy Yang (Controller) as interim CFO. Since then, the shares have taken a significant downturn (-17.5% to Feb. 27, vs. +0.95% for NBI for same period). This is on top of the negative volatility the shares have seen as of late due to the macroeconomic environment impacting the biotech sector. We believe the weakness in the shares is not warranted and has been exacerbated by two things in particular: 1) continued low trading volume enhancing volatility; and 2) the potential negative perception of a senior management member departing at a pivotal time for the company. We discussed the change with management as well, and we believe that as the company is moving closer to pivotal data and potential commercialization of Plinabulin, it is positive. To this end, the company is now seeking a CFO candidate with broad global experience, including business development and capital markets. With China being a major part of the Plinabulin investment case, in conjunction with U.S. efforts and ongoing partnering discussions, we believe it is an opportune time to grow the management team.

Fundamentals strong and bolstered by KOL feedback. Recall that the company announced positive Phase 2 data from the ongoing Phase 2/3 portion of the 105 Study at ASCO-SITC recently. This is the first prospectively defined head to head study of Plinabulin vs. Neulasta, and the two goals that were met from the Phase 2 portion were: 1) establishment of Phase 3 dose and safety profile; and 2) the criteria satisfied for non-inferiority vs. Neulasta (duration of severe neutropenia, or DSN). Important KOL feedback came from Dr. Douglas Blayney. Dr. Blayney is an oncologist, former medical director of Stanford's cancer center, and former president of ASCO. He has served on FDA ODACs and serves as an investigator for trials of both Neulasta and Plinabulin. He was also a founding member for the NCCN guidelines for the treatment of neutropenia. Dr. Blayney discussed the lack of treatment improvement for neutropenia for about 20 years and the growing burdens to the healthcare system to treat febrile neutropenia. When asked to elaborate on Plinabulin's potential differentiation and what could get doctors to switch from Neulasta (if approved), he highlighted the following factors: 1) absence or significant reductions in bone pain (~20% of Neulasta patients experience); 2) same day dosing of Plinabulin with chemo vs. next day dosing for Neulasta; 3) absence of concern for tumor promoting effect from Neulasta; and 4) cost of the agent, supported by Plinabulin being a small molecule. Three key comments continue to resonate with us: 1) Plinabulin represents "an attractive alternative to current standard of care"; 2) the bone pain side effect is a big deal for women, including comments like "no more, I'm not taking this (Neulasta)", which has led to reductions in both Neulasta and chemotherapy dosing; and 3) believes that the Phase 2 portion data (if they hold) provides good expectation to meet the Phase 3 endpoint.

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Phase 2 portion snapshot points to positive outcome. To recap last week's data, they are consistent with Plinabulin's previously reported activity and reinforce our belief that Phase 2 data presented to date on its ability to prevent CIN act as a positive window into the upcoming 105 and 106 Phase 3 readouts. The data presented show that Plinabulin is noninferior to Neulasta and the study met the primary endpoint of duration of severe neutropenia (DSN) with a margin of 0.65 days for all three doses tested, which are as follows: 1) DSN of 0.46 days for Plinabulin 5 mg/ m 2 (23% had Grade 4 incidence); 2) DSN of 0.43 days for Plinabulin 10 mg/m2 (21% had Grade 4 incidence); 3) DSN of 0.38 days for Plinabulin 20 mg/m2 (15% had Grade 4 incidence); and 4) DSN of 0.14 days for Neulasta 6 mg (14% had Grade 4 incidence). The recommended Phase 3 dose is 20 mg/m2.

Moving towards NDA filings. BeyondSpring expects to file an NDA for Plinabulin in the neutropenia setting in China and the U.S. Recall that in October 2017 new regulatory rules in China were announced that may accelerate Plinabulin approval. The CPC Central Committee and State Council of China announced new regulatory framework in order to reform the management of clinical trials. The guidelines aim to accelerate approval of new therapies for unmet medical needs. We believe such changes favor BYSI and the development of Plinabulin and it gives us confidence that the company may meet an accelerated projected timeline for NDA filing to the CFDA in 2018 (instead of originally projected 2019) while expected filing in the U.S. remains 2019. In addition, the Plinabulin program is courting the interest of major pharmaceutical companies, which are in advanced stages of discussions for potential partnering.

Opportunity ahead of major upcoming 2018 milestones and catalysts

- 1H18 Study 106 Phase 2 first data readout of plinabulin in combination with TAC chemotherapy for breast cancer.
- 1H18 Study 103 Phase 3 interim data in NSCLC with measurable lesion .
- 2018 Phase 2 data of Plinabulin in combination with nivolumab in the second and third line for NSCLC (Fred Hutchinson Cancer Center).
- 2018 Phase 1/2 data of Plinabulin in combination with nivolumab in the second and third line for NSCLC (UCSD) .
- 1H18 Initiation of study of Plinabulin in combination with αPD-1 and αCTLA-4 for small cell lung cancer.
- 1H18 Initiation of study of Plinabulin in combination with chemotherapy for KRAS mutant positive pancreatic cancer.
- 2018 Start of BPI-002 clinical program.

Valuation and risks to price target achievement. We maintain our Buy rating with a $60 price target. Our valuation is based on our clinical net present value (NPV) model, which is currently driven by the company's lead asset, Plinabulin. This model allows us to flex multiple assumptions affecting a drug's potential commercial profile. Factors which could impede reaching our price target include failed or inconclusive clinical trials or inability of the company to secure adequate funding to progress its drugs through the development pathway.

($ in millions except per share data)

Profit & Loss	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Licensing and R&D revenue	0.0	0.0	0.0	0.0	0.0	15.0	45.0	20.0	15.0	15.0
Grant revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Product and Royalties	0.0	0.0	0.0	0.0	0.0	0.0	96.7	358.2	751.0	1,092.8
Other revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenues	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**15.0**	**141.7**	**378.2**	**766.0**	**1,107.8**
CoGS	0.0	0.0	0.0	0.0	0.0	0.0	11.6	43.0	90.1	131.1
Gross Profit	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**15.0**	**130.1**	**335.2**	**675.9**	**976.6**
Gross margin	*0%*	*0%*	*0%*	*0%*	*0%*	*100%*	*92%*	*89%*	*88%*	*88%*
G&A	0.2	1.2	1.9	10.5	11.7	15.4	27.0	33.7	47.9	69.5
R&D	1.9	6.3	10.4	89.9	102.4	140.3	189.5	269.0	417.0	675.6
Other op ex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
EBIT	**(2.1)**	**(7.5)**	**(12.4)**	**(100.4)**	**(114.1)**	**(140.8)**	**(86.4)**	**32.5**	**209.9**	**229.6**
EBIT margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*9%*	*27%*	*21%*
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
EBITDA	**(2.1)**	**(7.5)**	**(12.4)**	**(100.4)**	**(114.1)**	**(140.8)**	**(86.4)**	**32.5**	**210.9**	**231.6**
EBITDA margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*9%*	*28%*	*21%*
Non operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest Income/Other	(0.1)	0.0	0.4	6.0	0.8	0.5	0.1	0.1	0.5	0.9
Interest expense	0.8	0.5	0.0	0.0	0.0	0.0	0.0	0.0	1.5	5.1
EBT	**(3.0)**	**(8.0)**	**(12.0)**	**(94.4)**	**(113.3)**	**(140.3)**	**(86.3)**	**32.6**	**208.9**	**225.4**
EBT margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*9%*	*27%*	*20%*
Provision for taxes	0.0	0.0	0.0	0.0	0.0	0.0	(32.8)	12.4	79.4	85.7
Net Income	**(3.0)**	**(8.0)**	**(12.0)**	**(94.4)**	**(113.3)**	**(140.3)**	**(86.3)**	**32.6**	**208.9**	**225.4**
Participation of preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Source: SEC filings.	**(3.0)**	**(8.0)**	**(12.0)**	**(94.4)**	**(113.3)**	**(140.3)**	**(53.5)**	**20.2**	**130.5**	**141.8**
net margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*5%*	*17%*	*13%*
	13.9	15.2	16.1	21.4	25.0	28.0	31.0	33.2	36.0	37.0
EPS - basic	**(0.22)**	**(0.53)**	**(0.75)**	**(4.41)**	**(4.53)**	**(5.01)**	**(1.73)**	**0.61**	**3.63**	**3.83**
EPS - diluted	**(0.22)**	**(0.53)**	**(0.75)**	**(4.41)**	**(4.53)**	**(5.33)**	**(1.73)**	**0.61**	**3.63**	**3.83**

Source: SEC filings and H.C Wainwright estimates

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($ in millions except per share data)

Quarterly P&L	Q1'16A	Q2'16A	H1'16A	Q3'16A	9M'16A	Q4'16E	FY'16E	Q1'17A	Q2'17A	H1'17A	Q3'17A	9M'17A	Q4'17E	FY'17E
Licensing and R&D revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Grant revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Product and Royalties	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Revenues	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**
CoGS	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Gross Profit	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.0**
Gross margin	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*0%*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*0%*
G&A	0.43	0.50	0.93	0.54	1.47	0.46	1.9	1.04	2.80	3.84	3.33	7.18	3.35	10.5
R&D	1.49	3.19	4.67	2.74	7.41	3.02	10.4	46.75	12.19	58.93	15.29	74.22	15.64	89.9
Other op ex	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
EBITDA	**(1.9)**	**(3.7)**	**(5.6)**	**(3.3)**	**(8.9)**	**(3.5)**	**(12.4)**	**(47.8)**	**(15.0)**	**(62.8)**	**(18.6)**	**(81.4)**	**(19.0)**	**(100.4)**
EBITDA margin							*nm*							*nm*
Non operating expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Net Interest Income/Other	0.07	0.15	0.22	0.20	0.41	(0.06)	0.4	0.40	1.69	2.08	3.09	5.17	0.81	6.0
Interest expense	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
EBT	**(1.8)**	**(3.5)**	**(5.4)**	**(3.1)**	**(8.5)**	**(3.5)**	**(12.0)**	**(47.4)**	**(13.3)**	**(60.7)**	**(15.5)**	**(76.2)**	**(18.2)**	**(94.4)**
EBT margin							*nm*							*nm*
Provision for taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Participation of preferred stock														
Net Income to common	**(1.8)**	**(3.5)**	**(5.4)**	**(3.1)**	**(8.5)**	**(3.5)**	**(12.0)**	**(47.4)**	**(13.3)**	**(60.7)**	**(15.5)**	**(76.2)**	**(18.2)**	**(94.4)**
net margin							*nm*							*nm*
Source: SEC filings.														
NoSH	15.8	15.8	15.75	16.88	16.13	21.80	16.09	17.8	22.0	19.92	22.84	20.89	22.88	21.40
EPS - basic	**(0.12)**	**(0.23)**	**(0.34)**	**(0.18)**	**(0.53)**	**(0.16)**	**(0.75)**	**(2.66)**	**(0.60)**	**(3.05)**	**(0.68)**	**(3.65)**	**(0.79)**	**(4.41)**

Source: SEC filings and H.C. Wainwright estimates

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BYSI IPO was on March 9, 2017

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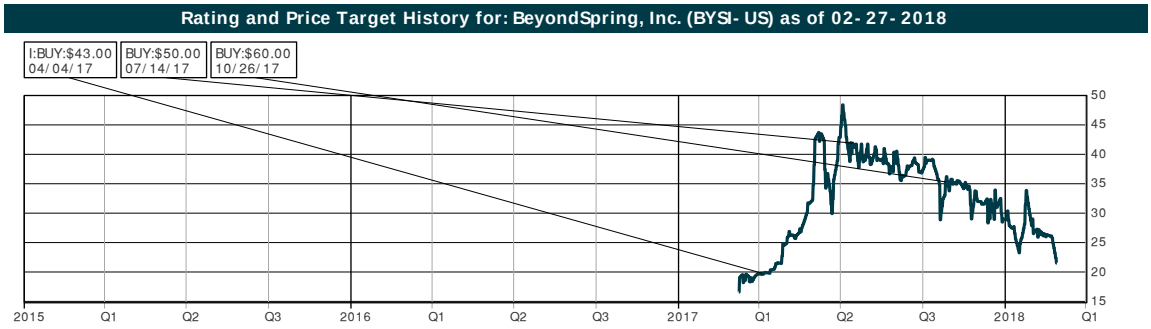
RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



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Distribution of Ratings Table as of February 28, 2018				
			IB Service/Past 12 Months	
Ratings	Count	Percent	Count	Percent
Buy	244	92.08%	92	37.70%
Neutral	13	4.91%	3	23.08%
Sell	0	0.00%	0	0.00%
Under Review	8	3.02%	1	12.50%
Total	265	100%	96	36.23%

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