

I-Mab BioPharma (IMAB US)

Lemzoparlimab, a highly differentiated anti-CD47 mAb with superior safety and efficacy

- Promising phase 1 data of lemzoparlimab (TJC4) at the 2020 SITC Annual Meeting.** This phase 1 is a first-in-human study (NCT03934814) in the US evaluating lemzoparlimab for the treatment of relapsed or refractory solid tumors and lymphoma. The trial includes two parts. The first part is comprised of a single agent dose escalation followed by two separate combination regimens in an escalating dose range (Part 1b with pembrolizumab; Part 1c with rituximab). The second part is a dose expansion study in the combination therapies. The data released at SITC 2020 is the single agent dose escalation in first part. Recruitment of patients for the dose escalation study of lemzoparlimab in combination with pembrolizumab or rituximab is ongoing.
- Outstanding safety, pharmacokinetics (PK) and efficacy data among peers.** As a highly differentiated CD47 antibody designed to minimize inherent binding to normal red blood cells while preserving its strong anti-tumor activity, lemzoparlimab's initial results demonstrate differentiated safety and PK profile and efficacy signal. **Safety:** Lemzoparlimab is well tolerated as a single agent at a dose range from 1mg/kg to 30 mg/kg without introducing any priming dosing strategy. In all DLT-evaluable patients, no dose-limiting toxicities or severe hematologic adverse events were observed. As an important indicator to evaluate a CD-47 antibody, anemia occurred 30% with no >grade 3 anemia. **PK:** PK of lemzoparlimab appears to be linear at mid to high dose levels following a single dose with no significant "sink effect", which means the bioavailability of lemzoparlimab could maintain even when elevating the dose. **Efficacy:** Among the total 16 evaluable patients, one confirmed partial response (PR) was observed in a metastatic melanoma patient in the 30 mg/kg monotherapy cohort (N=3), who had failed prior systemic treatment of nivolumab and ipilimumab. Three patients achieved SD, including one subject in 1mg/kg cohort, one subject in 10mg/kg and one in 30mg/kg cohort. According to the data, lemzoparlimab achieved 33.3% ORR and 66.6% DCR in the 30 mg/kg monotherapy cohort (N=3), which is very encouraging efficacy signal.
- Early mover advantages and significant synergies from the global strategic partnership with AbbVie.** I-Mab reached a broad, global collaboration agreement with AbbVie for the development and commercialization of lemzoparlimab. We also expect significant clinical synergies between I-Mab's lemzoparlimab and AbbVie's Venetoclax (Venetoclax, a Bcl-2 inhibitor) and other transformative therapies. I-Mab is conducting a phase I trial of lemzoparlimab for AML/MDS in China which has finished 20mg/kg in dose escalation, and the trial may be finished by 1Q21. In addition, I-Mab continues to advance the Ph1 combination study of lemzoparlimab with Keytruda for the treatment of solid tumors and with Rituxan for the treatment of patients with lymphoma in the US. We expect Lemzoparlimab to enter into Phase 2 trials in the US and China by mid-2021E, indicating significant early-mover advantages for the drug.
- Maintain BUY.** We maintain our DCF-based TP unchanged at US\$52.57 (WACC: 10.6%, terminal growth rate: 3.0%).

BUY (Maintain)

Target Price	US\$52.57
(Previous TP)	US\$52.57)
Up/Downside	+40.7%
Current Price	US\$37.23

China Healthcare Sector

Jill Wu, CFA
 (852) 3900 0842
 jillwu@cmbi.com.hk

Sam Hu, PhD
 (852) 3900 0882
 samhu@cmbi.com.hk

Mkt. Cap. (US\$ mn)	2,625
Avg. 3mths t/o (US\$ mn)	9.71
52W High/Low (US\$)	47.46/9.30
Total Issued Shares (mn)	70

Source: Bloomberg

Shareholding Structure

Founders	3%
Pre-IPO investors	68%
Other public shareholders	29%

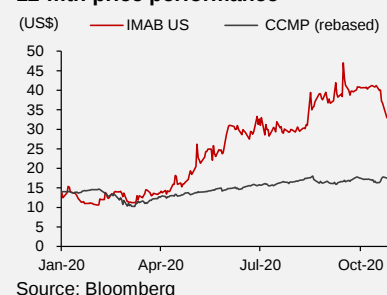
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	-8.4%	-10.4%
3-mth	24.5%	15.1%
6-mth	97.3%	49.2%

Source: Bloomberg

12-mth price performance



Auditor: PWC
Web-site: www.i-mabbiopharma.com

Related report:

- Promising Phase 1 data of anti-CD47 antibody at the 2020 SITC Annual Meeting - 10 Nov 2020
- Global strategic partnership with AbbVie - 7 Sep 2020
- Innovation for biologics - 26 Aug 2020

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	54	30	1,400	1,533	806
YoY growth (%)	365	(44)	4,567	N/A	(47)
Net loss (RMB mn)	(403)	(1,452)	204	(674)	(1,157)
EPS (RMB per ADS)	N/A	N/A	2.89	(9.56)	(16.41)
R&D expenses (RMB mn)	(426)	(840)	(900)	(1,000)	(1,050)
Capex (RMB mn)	(14)	(12)	(100)	(100)	(100)

Source: Company data, CMBIS estimates

Financial Statements

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	54	30	1,400	1,533	806
Cost of sales	0	0	0	(307)	(153)
Gross profit	54	30	1,400	1,226	653
Administrative expenses	(66)	(655)	(300)	(345)	(397)
R&D expenses	(426)	(840)	(900)	(1,000)	(1,050)
Selling expenses	0	0	0	(613)	(403)
Fair value change of warrants	61	6	0	0	0
Operating profit	(377)	(1,459)	200	(732)	(1,197)
Finance costs, net	(7)	28	40	58	40
Other income (expenses), net	(17)	(20)	0	0	0
Pre-tax profit	(401)	(1,452)	240	(674)	(1,157)
Income tax	(2)	0	(36)	0	0
Minority interests	0	0	0	0	0
Net profit (Net loss)	(403)	(1,452)	204	(674)	(1,157)

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before tax	(401)	(1,452)	240	(674)	(1,157)
Depreciation and amortization, etc.	7	16	22	35	46
Change in working capital	148	185	(74)	(579)	205
Tax paid	(2)	0	(36)	0	0
Others	(33)	384	0	0	0
Net cash from operating activities	(281)	(868)	152	(1,218)	(906)
Capex	(14)	(12)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	0	(32)	0	0	0
Other investing activities	24	257	0	0	0
Net cash from investing activities	10	212	(100)	(100)	(100)
Net proceeds from shares	1,307	184	3,652	0	0
Net bank borrowing	(19)	(30)	0	0	0
Proceeds from issuance of convertible promissory notes	60	0	0	0	0
Other financing activities	132	(1)	0	0	0
Net cash from financing activities	1,480	153	3,652	0	0
FX changes	60	15	0	0	0
Net change in cash	1,208	(503)	3,704	(1,318)	(1,006)
Cash at the beginning of the year	413	1,681	1,193	4,897	3,579
Cash at the end of the year	1,681	1,193	4,897	3,579	2,573

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	339	376	455	520	574
PP&E	28	30	108	174	228
Operating lease right of use assets	0	16	16	16	16
Intangible assets	149	149	149	149	149
Goodwill	163	163	163	163	163
Other non-current assets	0	18	18	18	18
Current assets	2,037	1,361	5,065	4,226	2,990
Inventories	0	0	0	101	50
Trade and bills receivables	0	0	0	378	199
Prepayments, other receivables	89	136	136	136	136
Other financial assets	256	0	0	0	0
Cash and bank balances	1,588	1,137	4,841	3,523	2,517
Current liabilities	346	588	515	415	390
Short-term borrowings	80	50	50	50	50
Advance from customers	14	0	0	0	0
Other payables and accruals	68	274	200	100	76
Operating lease liabilities, current	0	7	7	7	7
Other current liabilities	184	258	258	258	258
Non-current liabilities	70	80	80	80	80
Convertible promissory notes	67	68	68	68	68
Onshore convertible loans	0	7	7	7	7
Deferred subsidy income	3	4	4	4	4
Total net assets	1,960	1,069	4,925	4,251	3,094
Minority interest	0	0	0	0	0
Shareholders' equity	1,960	1,069	4,925	4,251	3,094

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Profit & loss ratios (%)					
Gross margin	100	100	100	80	81
EBITDA margin	N/A	N/A	N/A	(45.47)	(142.83)
Net margin	N/A	N/A	N/A	(43.98)	(143.51)
Effective tax rate (%)	N/A	N/A	N/A	N/A	N/A
Balance sheet ratios					
Current ratio (x)	6	2	10	10	8
Trade receivables turnover	N/A	N/A	N/A	90	90
Trade payables turnover	N/A	N/A	N/A	180	180
Total debt to asset ratio (%)	17	38	11	10	13
Returns (%)					
ROE	(21)	(136)	4	(16)	(37)
ROA	(17)	(84)	4	(14)	(32)
Per share data					
EPS (RMB)	N/A	N/A	2.9	(9.6)	(16.4)
DPS (RMB)	0.0	0.0	0.0	0.0	0.0
BVPS (RMB)	N/A	N/A	69.9	60.3	43.9

Source: Company data, CMBIS estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIS Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIS
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.