CMB International Securities | Equity Research | Company Update

I-Mab BioPharma (IMAB US)

Expect rich R&D catalysts

- **Ulilediimab (TJD5, anti-CD73 mAb) to have US Ph1 trial readout in 1H21E.** I-Mab is currently conducting clinical trials of ulilediimab in the US and China in parallel. In China, ulilediimab is evaluated in a phase 1/2 clinical trial in combination with Junshi's toripalimab (anti-PD-1 mAb) in patients with advanced solid tumors, including lung cancer. In the US, I-Mab is conducting a Ph1 clinical trial of ulilediimab in combination with Roche's atezolizumab (anti-PD-L1 mAb) in patients with advanced solid tumors. We expect the data of US Ph1 trial to probably be released in 1H21E which could provide as preliminary "proof-of-concept" data. We expect ulilediimab to achieve a sizable out-licensing deal in 2021E, based on I-Mab's proven records in the transaction of lemzoparlimab (anti-CD47 mAb) last year.
- **TJ210 (MOR210, anti-C5aR1 mAb) had first patient dosed in US Phase 1 Study.** In pre-clinical studies, TJ210 has demonstrated specific inhibitory effect on the interaction between C5a and C5aR1, which exerts anti-tumor activity with immune checkpoint inhibitors. In Jan 2021, I-Mab announced that the first patient was dosed in a phase 1 dose escalation study to evaluate the safety, tolerability, pharmacokinetics (PK) and pharmacodynamics (PD) of TJ210 monotherapy in patients with relapsed or refractory advanced solid tumors in the US. I-Mab also plans to evaluate TJ210 in combination with immune checkpoint inhibitors in future clinical studies.
- **Speed up the development of lemzoparlimab (TJC4, anti-CD47 mAb).** In the US, I-Mab is progressing a combination trial, studying lemzoparlimab in combination with Rituxan and Keytruda in dose expansion cohorts in NHL and advanced solid tumors, respectively. We expect the data readout of the combination trial to be available in 2021E. In China, I-Mab will soon complete its ongoing phase 1/2a dose escalation trial assessing lemzoparlimab as monotherapy for patients with r/r AML/MDS. In Jan 2021, I-Mab received IND approval from NMPA to advance a Phase 2 trial of lemzoparlimab in combination with azacitidine (AZA) in untreated AML/MDS. The planned study builds upon the ongoing phase 1/2a monotherapy dose escalation trial and will potentially lead to a registrational study in China. Furthermore, we expect significant clinical synergies between I-Mab's lemzoparlimab and AbbVie's Venclexta (Venetoclax, a Bcl-2 inhibitor) and other transformative therapies.
- **Reiterate BUY with TP raised to US$71.10.** We expect I-Mab to file BLA of TJ202 (CD38 mAb) as a mono-therapy for 3L MM in 2H21E. We raised the PoS (probability of success) of TJC4 and TJD5 to reflect these assets' faster-than-expect progress. Lift our DCF-based TP from US$52.57 to US$71.10 (WACC: 10.25%, terminal growth rate: 3.0%).
- **Risks:** Delay in R&D process; Competition from peers.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	54	30	1,400	1,533	806
Net profit (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

BUY (Maintain)

Target Price	**US$71.10**
(Previous TP	US$52.57)
Up/Downside	**+30.72%**
Current Price	**US$54.39**

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Mkt. Cap. (US$ mn)	3,834
Avg. 3mths t/o (US$ mn)	10.89
52W High/Low (US$)	59.14/9.30
Total Issued Shares (mn)	70

Source: Bloomberg

Shareholding Structure

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

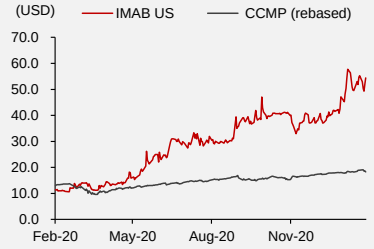
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	33.4%	31.2%
3-mth	33.2%	14.0%
6-mth	80.1%	45.3%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

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

Related report:

1. Lemzoparlimab, a highly differentiated anti-CD47 mAb with superior safety and efficacy – 17 Nov 2020
2. Promising Phase 1 data of anti-CD47 antibody at the 2020 SITC Annual Meeting - 10 Nov 2020
3. Global strategic partnership with AbbVie – 7 Sep 2020
4. Innovation for biologics – 26 Aug 2020

Fast progress of highly-differentiated innovative pipelines

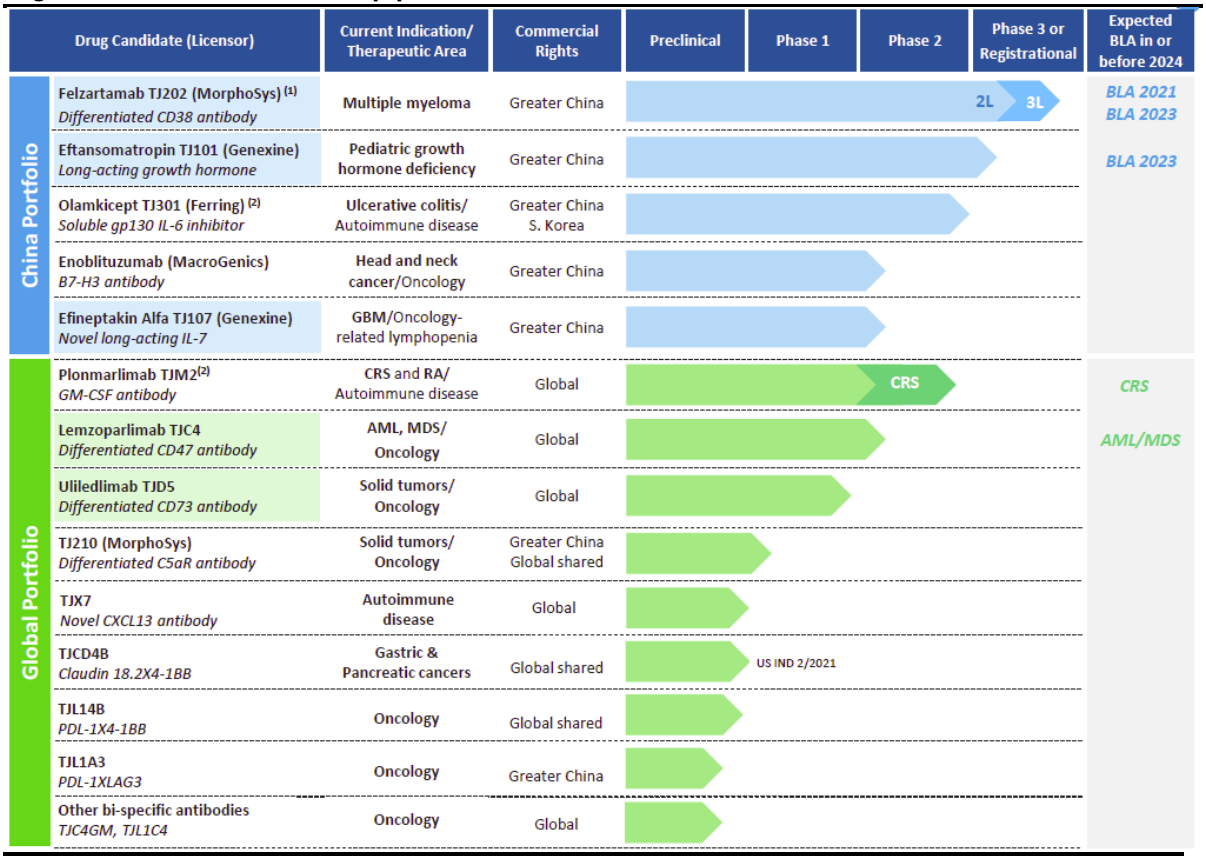
Risk-balanced fast-to-market China strategy & fast-to-PoC global strategy

I-Mab is an innovation-driven global biopharma company focused on the discovery, development and commercialization of novel and highly differentiated biologics for immuno-oncology and autoimmune diseases. To date, I-Mab has a globally competitive pipeline of more than 15 clinical and pre-clinical stage drug candidates driven by its internal R&D and in-licensing efforts. I-Mab has built a risk-balanced pipeline portfolio on two pillars: 1) a fast-to-market China strategy, focusing on seeking opportunities to in-license the development and commercialization rights of investigational drugs from global biopharmaceutical companies, and 2) a fast-to-PoC (proof of concept) global strategy, focusing on advancing its own novel or differentiated biologics towards clinical validation in the US.

The Company is progressing from a clinical stage biotech company into a fully integrated global biopharmaceutical company with cutting-edge R&D capabilities, a world-class GMP manufacturing facility and commercial capability. Meanwhile, leveraging its strong business development capabilities, I-Mab has completed several successful in-licensing and out-licensing deals.

We would like to highlight that, in Sep 2020, I-Mab reached a US$2.94bn deal with AbbVie for the development and commercialization of lemzoparlimab (TJC4, anti-CD47 mAb) and two lemzoparlimab based BsAb candidates in ex-Greater China regions. I-Mab retains all rights to develop and to commercialize lemzoparlimab in Greater China. We expect the two partners to expand the collaboration to additional transformative therapies. We see potential significant clinical synergies between I-Mab's lemzoparlimab and AbbVie's Venclexta (Venetoclax, a Bcl-2 inhibitor) in treating AML and MDS.

Figure 1: I-Mab's IO focused pipeline



Source: Company presentation, CMBIS
Notes: 1. TJ202 has two ongoing registrational trials, a monotherapy trial (3L) and a combination therapy trial (2L) in relapsed or refractory multiple myeloma in Greater China. 2. TJ301 and TJM2 (excluding CRS and COVID19) are managed by I Mab Biopharma (Hangzhou) Limited, a subsidiary majority owned and controlled by I Mab Biopharma.

I-Mab has strong proven record of execution in R&D. We expect the Company to deliver multiple milestones in 2021.

Figure 2: I-Mab's upcoming milestones and catalysts

	Lemzoparlimab TJC4	Timing
Data	China AML Ph 1 data readout	1H 2021
Enrollment	China AML Ph 2 trial start	1H 2021
Enrollment	NHL China trial start	1H 2021
Enrollment	US Solid tumor combo dose expansion start	Early 2021
Data	US Solid tumor combo data readout	2021
	Uliledlimab TJD5	
Data	US Ph 1 combo trial data readout	1H 2021
Enrollment	China combo trial start	Early 2021
	Felzartamab TJ202	
Data	3L MM data readout	2021
Regulatory	3L MM BLA submission	2021
Enrollment	SLE Ph 1b trial start	2H 2021
Enrollment	Combo with C4 IND	2H 2021
	Eftansomatropin TJ101	
Enrollment	Ph 3 trial start	Early 2021
	Efineptakin TJ107	
Enrollment	GBM Ph 2 trial start	Early 2021
	Early stage and other assets	
Data	TJ301 China Ph2 UC data readout	Early 2021
Data	TJM2 US COVID-19 trial interim readout	2021
Enrollment	TJ210 US Ph 1 trial start	Early 2021
Enrollment	CD4B US IND approval	1H 2021
Enrollment	CD4B China IND approval	2021
	Corporate milestones	
Manufacturing	US R&D Center to open in San Diego	2021
Commercialization	Commercial team ramp up	2021

Source: Company presentation, CMBIS

Uliledlimab (TJD5, anti-CD73 mAb) to have US Ph1 trial readout in 1H21

Uliledlimab (TJD5) is a potential highly differentiated CD73 antibody internally developed by I-Mab. The key differentiation of uliledlimab is related to its novel epitope, which works through a unique intra-dimer binding mode, resulting in a complete inhibition of the enzymatic activity and avoiding the aberrant pharmacological property known as the "hook effect". In preclinical studies, uliledlimab displayed complete inhibition of soluble CD73 enzymatic activity (IC50= 0.22 nM) without the "hook effect" in contrast to the comparator molecule, which at higher concentrations caused a paradoxical rebound of enzymatic activity.

I-Mab is currently conducting clinical trials of uliledlimab in the US and China in parallel. In China, uliledlimab is evaluated in a phase 1/2 clinical trial in combination with Junshi's toripalimab (anti-PD-1 mAb) in patients with advanced solid tumors, including lung cancer. In the US, I-Mab is conducting a Ph1 clinical trial of uliledlimab in combination with Roche's atezolizumab (anti-PD-L1 mAb) in patients with advanced solid tumors. We expect the data of US Ph1 trial to probably be released in 1H21E which could provide as preliminary "proof-of-concept" data. We expect uliledlimab to achieve a sizable out-licensing deal in 2021E, based on I-Mab's proven records in the transaction of lemzoparlimab (anti-CD47 mAb) last year.

Recently, the initial data from Phase 1 trial of AB680, a small molecule CD73 inhibitor, provided as the first proof-of-concept clinical data for CD73 target. In Jan 2021, Arcus Biosciences (RCUS US) released the preliminary data of the dose-escalation portion of the phase 1/1b study of AB680 in combination with nab-paclitaxel plus gemcitabine (NP/Gem) and zimberelimab (anti-PD-1 mAb) as a

first-line treatment in patients with metastatic pancreatic ductal adenocarcinoma (PDAC). According to the preliminary efficacy results, 88% (15/17) of patients experienced at least some shrinkage of their lesions, and 41% ORR (7/17) was observed for the AB680 combination across all dose-escalation cohorts, including one patient who converted to a complete response for both target and non-target lesions since the efficacy DCO. For comparison, Abraxane (nab-paclitaxel) in combination with gemcitabine as a first-line treatment for metastatic pancreatic cancer shows 23% ORR and 48% DCR in the registrational Ph3 trial.

MEDI-9447 from MedImmune (a subsidiary of AstraZeneca) is the most advanced CD73 antibody globally which is under Phase 2 trials. Besides, BMS-986179 from Bristol-Myers Squibb, NZV-930 (from Novartis) and CPI-006 (from Corvus) have entered Phase 1 clinical trials. These CD73 antibodies are tested as a single agent or in combination with PD-(L)1 antibodies and other targeted therapies. To date, ulilediimab and Akeso Bio's AK119 are the only two CD73 antibodies that have entered into clinical phase in China.

Figure 3: CD73 antibody candidates under development

Product	Company	US status	China status
BMS-986179	BMS	Phase 1/2a in solid tumors (mono or combo Nivolumab)	N/A
MEDI9447 (Oleclumab)	AstraZeneca	Phase 2 in NSCLC or RCC (+ Durvalumab); Phase 2 in NSCLC after PD-(L)1 therapies (+Durvalumab); Phase 1b/2 in EGFRm NSCLC (+osimertinib / AZD4635); Phase 2 in prostate cancer (+ AZD4635); Phase 1/2 in TNBC (+ Paclitaxel + Carboplatin + Durvalumab); Phase 1b/2 in pancreatic cancer (+ chemo +/- Durvalumab); Phase 1 in bladder cancer (+/- Durvalumab); Phase 1 in sloid tumors (mono or combo Durvalumab);	N/A
NZV-930 (SRF-373)	Novartis / Surface Oncology	Phase 1/1b in advanced cancers (+ PDR001 and/or NIR178); Phase 1/1b in solid tumors (+ KAZ954)	N/A
CPI-006	Corvus	Phase 1/1b in advanced cancers (mono or + Ciforadenant / Pembrolizumab)	N/A
Ulilediimab (TJD5, TJ004309)	**I-Mab**	**Phase 1 in advanced cancers (+ Atezolizumab)**	**Phase 1/2 in solid tumors (mono or +PD-1)**
AK119	Akeso	N/A	Phase 1a in COVID-19 (healthy volunteers); Phase 1 in solid tumors (combo PD-1)

Source: Clinicaltrials.gov, Insight, CMBIS

TJ210 (C5aR1) had first patient dosed in US Phase 1 Study

TJ210 (MOR210) is a potential best-in-class anti-C5aR1 antibody. TJ210 is a monoclonal antibody developed by MorphoSys that is directed against complement factor C5a receptor 1 (C5aR1). In Nov 2018, MorphoSys and I-Mab entered into an exclusive strategic collaboration and licensing agreement to develop and commercialize TJ210 in Greater China and South Korea.

In pre-clinical studies, TJ210 has demonstrated specific inhibitory effect on the interaction between C5a and C5aR1, which exerts anti-tumor activity with immune checkpoint inhibitors. Furthermore, in vitro activity of blocking the C5a/C5aR pathway observed at very high C5a concentrations implies a long duration of action. TJ210 also demonstrated a good safety profile with no observed adverse effects up to the highest dose tested in non-clinical safety studies.

In Jan 2021, I-Mab announced that the first patient was dosed in a phase 1 dose escalation study to evaluate the safety, tolerability, pharmacokinetics (PK) and pharmacodynamics (PD) of TJ210 monotherapy in patients with relapsed or refractory advanced solid tumors in the US. I-Mab also plans to evaluate TJ210 in combination with immune checkpoint inhibitors in future clinical studies.

We noticed a significant transaction in C5 targeting therapies. In Dec 2020, AstraZeneca announced the acquisition of Alexion Pharmaceuticals (ALXN US) with US$39bn. Alexion is a biotech company focused on C5 therapies, with core products including two approved anti-complement component 5 (C5) monoclonal antibodies, Soliris (eculizumab) and Ultomiris (ravulizumab). Such M&A indicated large commercial potential in C5 inhibitors, in our view.

Speed up the development of lemzoparlimab (TJC4, anti-CD47 mAb)

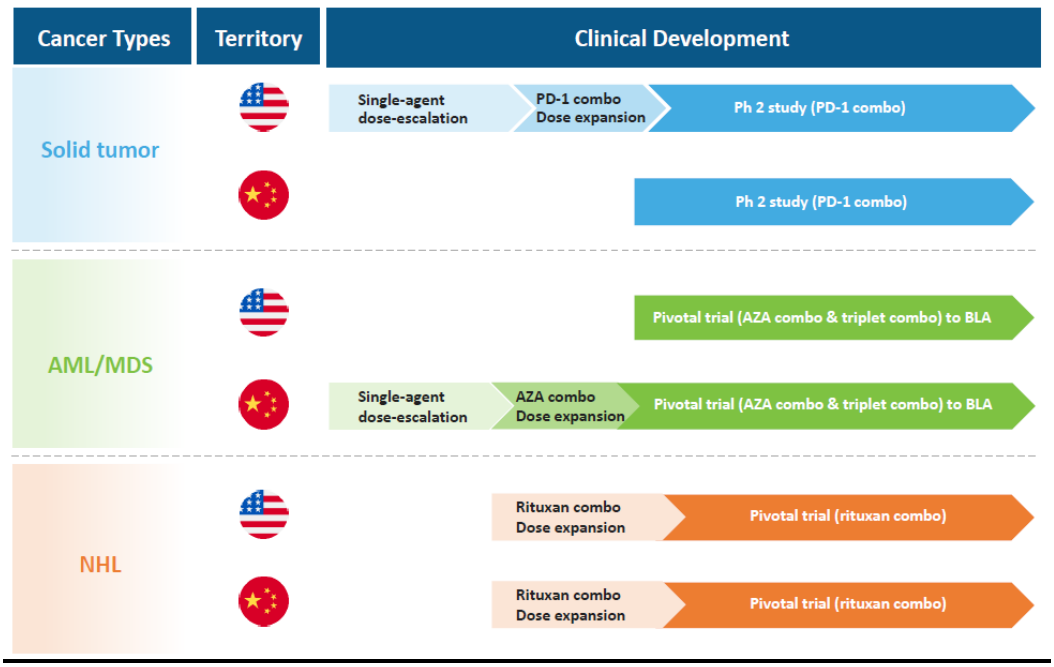
I-MAB is conducting two phase 1 trials of lemzoparlimab in China and the US in parallel. In the US, the Company is progressing a combination trial (NCT03934814), studying lemzoparlimab in combination with Rituxan and Keytruda in dose expansion cohorts in NHL and advanced solid tumors, respectively. We expect the data readout of the combination trial to be available in 2021E.

In China, I-Mab will soon complete its ongoing phase 1/2a dose escalation trial (NCT04202003) assessing lemzoparlimab as monotherapy for patients with r/r acute myeloid leukemia (AML) or myelodysplastic syndrome (MDS).

On 21 Jan 2021, I-Mab received IND approval from NMPA to advance a Phase 2 trial of lemzoparlimab in combination with azacitidine (AZA) in untreated AML or MDS. The planned study builds upon the ongoing phase 1/2a monotherapy dose escalation trial and will potentially lead to a registrational study in China.

Recall that I-Mab reached a broad, global collaboration agreement with AbbVie for the development and commercialization of lemzoparlimab in Sep 2020. We expect significant clinical synergies between I-Mab's lemzoparlimab and AbbVie's Venclexta (Venetoclax, a Bcl-2 inhibitor) and other transformative therapies. We expect the Company to start such combo trials in 2021E. In addition, I-Mab also plans to explore the combination synergies between lemzoparlimab and TJ202 (anti-CD38 mAb).

Figure 4: Clinical Development Plan of lemzoparlimab in US & China



Source: Company presentation, CMBIS

In Nov 2020, I-Mab reported promising phase 1 data of lemzoparlimab 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. 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, oo dose-limiting toxicity and no clinical or laboratory evidence of hemolytic anemia were observed. 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. 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 were very encouraging efficacy signals.

Figure 5: Competition landscape in CD47 biological therapies

Product	Molecule	Company	US status	China status
Hu5F9-G4 (Magrolimab)	CD47 mAb	Forty Seven / Gilead	Phase 3 in 1L higher-risk MDS (+ Azacitidine); Phase 1b in AML (+ Azacitidine); Phase 1/2 in DLBCL (+ Rituximab); Phase 1/2 in Colorectal cancer (+ Cetuximab); Phase 1 in Ovarian cancer (+ Avelumab)	N/A
TTI-621	CD47 WT SIRPα fusion protein	Trillium Therapeutics	Phase 1	N/A
TTI-662	CD47 WT SIRPα fusion protein	Trillium Therapeutics	Phase 1	N/A
ALX148	CD47 high affinity SIRPα fusion protein	ALX Oncology	Phase 1/2 in higher risk MDS (+ Azacitidine)	N/A
AO-176	CD47 mAb	Arch Oncology	Phase 1/2 in r/r MM	N/A
TG-1801 (NI-1701)	CD47/CD19 BsAb	TG Therapeutics / Novimmune	Phase 1	N/A
IBI188	CD47 mAb	Innovent	Phase 1a for dose escalation	Phase 1a for dose escalation Phase 1b/3 in 1L MDS; Phase 1b/2 in r/r AML
SHR1603	CD47 mAb	Hengrui Medicine	N/A	Phase 1
IMM01	CD47 mAb-Trap fusion protein	Immune Onco	N/A	Phase 1
Lemzoparlimab (TJC4, TJ011133)	**CD47 mAb**	**I-Mab**	**Phase 1 (mono and combo PD-1 / CD20)**	**Phase 2 in r/r AML/MDS (combo azacitidine)**
HX009	PD-1/CD47 BsAb	HanX Biopharma	N/A	Phase 1
IMM0306	CD47/CD20 BsAb	Immune Onco	N/A	Phase 1
IBI322	CD47/PD-L1 BsAb	Innovent	N/A	Phase 1
AK117	CD47 mAb	Akeso Biopharma	N/A	Phase 1
MIL95	CD47 mAb	Mabworks Biotech	N/A	Phase 1
ZL-1201	CD47 mAb	ZaiLab	Phase 1	IND approval
IMM2505	CD47/PD-L1 BsAb	Immune Onco	Patent obtained	Pre-clinical
JMT601	CD47/CD20 BsAb	JMT-Bio	N/A	Pre-clinical

Source: Insight, Clinicaltrials.gov, CMBIS

TJ101 (long-acting rhGH) to start registrational Ph3 study soon

TJ101 (eftansomatropin) is a highly differentiated growth hormone replacement therapy because of its advantages over a daily regimen in terms of injection frequency (weekly vs. daily) and superior safety profile (natural protein-based vs. pegylated rhGH), especially in pediatric patients.

TJ101 has received NMPA's approval to advance a pivotal Phase 3 trial in China in Sep 2020. We expect this trial to complete first patient enrollment soon. The Phase 3 trial is a multi-center, randomized, open-label, active-controlled clinical study to assess eftansomatropin in growth hormone deficiency in pediatric patients (PGHD). The primary objective is to demonstrate non-inferiority of eftansomatropin administered in subcutaneous injection, compared to the active control Norditropin® (somatropin), a daily rhGH marketed in China.

To date, GeneScience's Jintrolong (金赛增) is the only marketed long-acting pegylated rhGH in China. TJ101 is the only Fc-based long-acting rhGH drug candidate in China. Fc-fusion protein can avoid certain safety concerns, such as such as potential renal toxicity, cellular vacuolation and formation of anti-polyethylene glycol antibodies induced by long-term use of pegylated drugs. Besides I-Mab, several other companies in China are also developing long-acting rhGH products, including Anhui Anke Biotechnology, Xiamen Amoytop Biotech, Generon Pharmaceutical Technology and Visen Pharmaceuticals (维昇药业).

It's worth noting that, in Jan 2021, Visen Pharmaceutical announced a US$150mn series B financing. This round of financing was led by Sequoia China with participation from OrbiMed, Sherpa Healthcare Partners, Cormorant, HBM Healthcare Investments, Pivotal bioVenture Partners China, Logos Capital, and CDG Capital, as well as its existing investors. Visen Phamarceutical's core asset is lonapegsomatropin (ACP-001) licensed from Ascendis Pharma, which is a weekly growth hormone product under phase 3 study in China.

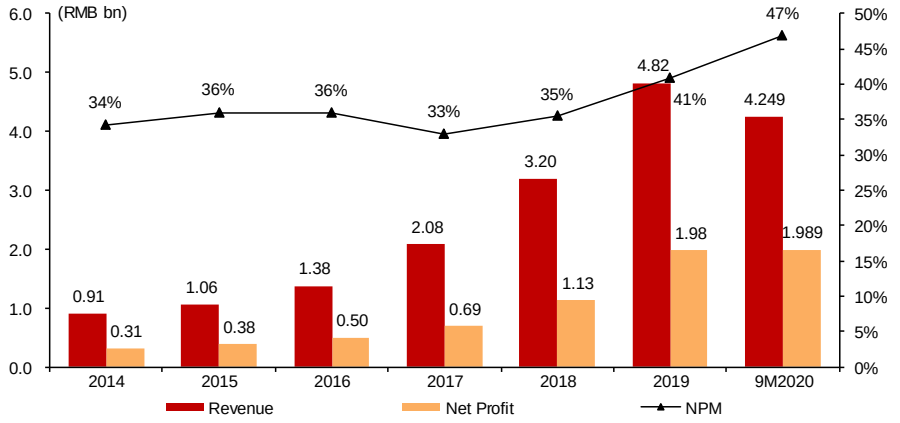
Figure 6: Competitive landscape of long-acting growth hormone products

Drugs[1]	Drug Form	Company	Global Status	China Status
Jintrolong	PEGylated GH	GeneScience	N/A	Approved (2014)
NNC0195-0092	PEGylated hGH	Novo Nordisk	Phase 3	N/A
Lonapegsomatropin（ACP-001)	TransCon hGH	Ascendis	BLA/MAA submitted	N/A
		Visen	N/A	Phase 3
Eftansomatropin TJ101[2]	Hy-Fc (Fc fusion protein)	I-Mab	N/A	Phase 3
Eftansomatropin GX-H9[2]		Genexine	Phase 3	N/A
PEG-rhGH	PEGylated GH	Anhui Anke	N/A	Phase 2/3
Y-shaped pegylated somatropin	PEGylated hGH	Xiamen Amoytop	N/A	Phase 2/3
Somatrogon	hGH-CTP	OPKO/Pfizer	Phase 3	N/A

Source: F&S, CMBIS
Notes:
(1) Competing investigational biologics that are prior to Phase 2 clinical trials are not included in this table.
(2) TJ101 and GX-H9 are the same investigational drug. I-Mab has the development and commercialization rights for TJ101 in Greater China pursuant to a partnership agreement with Genexine.

We are positive on the fast demand growth in rhGH therapies in China. As the largest player in China's rhGH market, GeneScience (金赛药业) has recorded a strong 52% revenue growth CAGR in 2016-2019, mainly driven by short-acting growth hormone products.

Figure 7: Strong growth in GeneScience, the largest rhGH player in China



Source: WIND, CMBIS

Raise DCF-based TP to US$71.10

We expect I-Mab to file BLA of TJ202 (anti-CD38 mAb) as a mono-therapy for treatment of 3L MM in 2H21E. Given the rich progresses of Company's pipeline assets and I-Mab's excellent clinical execution, we raised the PoS (probability of success) of TJC4 and TJD5. Thus, our DCF-based TP is lifted from US$52.57 to US$71.10 (WACC: 10.25%, terminal growth rate: 3.0%).

Figure 8: Risk-adjusted DCF valuation

DCF Valuation (in Rmb mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(674)	(1,157)	(1,386)	2,856	1,480	1,861	2,781	3,399	3,821	4,350	4,887	5,462	6,091	6,705	7,449
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(674)	(1,157)	(1,386)	2,428	1,258	1,581	2,364	2,889	3,248	3,697	4,154	4,643	5,177	5,699	6,332
+ D&A	35	46	51	56	60	63	66	68	70	72	73	74	75	76	77
- Change in working capital	(579)	205	72	(353)	(357)	(349)	(265)	(208)	(108)	(161)	(169)	(171)	(179)	(188)	(197)
- Capx	(100)	(100)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)
FCFF	**(1,318)**	**(1,006)**	**(1,343)**	**2,051**	**881**	**1,215**	**2,085**	**2,669**	**3,130**	**3,528**	**3,978**	**4,467**	**4,994**	**5,508**	**6,131**
Terminal value															**87,139**
FCF + Terminal value	**(1,318)**	**(1,006)**	**(1,343)**	**2,051**	**881**	**1,215**	**2,085**	**2,669**	**3,130**	**3,528**	**3,978**	**4,467**	**4,994**	**5,508**	**93,271**

Present value of enterprise (RMB mn)	31,632
Net debt (RMB mn)	(3,453)
Equity value (RMB mn)	35,085
Equity value (US$ mn)	5,012
No. of ADS	70,495,716
DCF per share (US$)	**71.10**

Terminal growth rate	**3.0%**
WACC	**10.25%**
Cost of Equity	13.0%
Cost of Debt	4.5%
Equity Beta	1.0
Risk Free Rate	2.5%
Market Risk Premium	10.5%
Target Debt to Asset ratio	30.0%
Effective Corporate Tax Rate	15.0%

Source: CMBIS estimates

Figure 9: Sensitivity analysis (US$)

		WACC				
		9.25%	9.75%	10.25%	10.75%	11.25%
Terminal growth rate	2.0%	79.35	72.08	65.79	60.32	55.51
	2.5%	83.03	75.09	68.28	62.38	57.23
	3.0%	87.30	78.54	**71.10**	64.71	59.17
	3.5%	92.32	82.55	74.34	67.36	61.36
	4.0%	98.29	87.26	78.10	70.40	63.85

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

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