

# I-Mab BioPharma (IMAB US)

**BUY (Maintain)**

## Multiple important clinical readouts in 2021

- Achieved positive net profit in 2020.** I-Mab reported 2020 revenue of RMB1,543mn (vs RMB30mn in 2019), and attributable net profit of RMB471mn (vs net loss of RMB1,452mn in 2019). The Company turned profitable in 2020 mainly due to the US\$200mn upfront licensing payment from AbbVie. Thanks to the completion of IPO in Jan 2020 and a PIPE financing in Sep 2020, the Company has accumulated RMB4.8bn cash on hand by end-2020 (vs RMB1.2bn in 2019). With strong cash positioning, we expect the Company to further expedite its R&D efforts. In 2020, I-Mab's R&D cost increased 17.2% YoY to RMB985mn.
- Accelerate the development of TJC4 (lemzoparlimab, CD47 mAb) with the global collaboration with AbbVie.** In Sep 2020, I-Mab granted AbbVie a global license of lemzoparlimab valued at US\$1.94bn. In the US, I-Mab is progressing a Ph1 trial (NCT03934814), studying lemzoparlimab in combination with rituximab or pembrolizumab in NHL or advanced solid tumors, respectively. In this study, lemzoparlimab exhibited outstanding preliminary safety and efficacy profile with no DLT and no G3 anemia. The 30 mg/kg monotherapy cohort (N=3) showed 33.3% ORR and 66.6% DCR. We expect preliminary results from this on-going trial of lemzoparlimab + pembrolizumab in patients with NSCLC and ovarian cancers by 4Q21. Furthermore, topline results from the on-going NHL clinical study, involving both the US and China clinical sites, are expected by 4Q21. I-Mab is initiating a ph2 trial of lemzoparlimab combo AZA in untreated AML/MDS in 2Q21. The Company also plans to start a trial of lemzoparlimab in combo with PD-1 in selected solid tumors in 2H21, and a combination study of lemzoparlimab with felzartamab in MM in 2H21. We also expect significant clinical synergies between I-Mab's lemzoparlimab and AbbVie's Venetoclax (Venetoclax, a Bcl-2 inhibitor) and other transformative therapies.
- Rich R&D catalysts in 2021.** Felzartamab (TJ202, anti-CD38 mAb) will submit NDA to the NMPA for 3L MM in 4Q21E, becoming the first commercial asset for I-Mab. Uliledlimab (TJD5, anti-CD73 mAb) demonstrated superior safety and favorable clinical activity in solid tumors in its US ph1 trial (mono lead-in followed by combo atezolizumab). Topline results will be presented at 2021 ASCO Meeting in June. Based on superior ph1 data, we think uliledlimab is likely to achieve a sizable out-licensing deal in 2021E. TJ210 (MOR210, anti-C5aR1 mAb) had first patient dosed in a ph1 study in solid tumors in the US. I-Mab also added two clinical stage bi-specific assets, including TJ-CD4B (Claudin 18.2/4-1BB) and TJ-L14B (PD-L1/4-1BB).

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	30	1,543	941	3,804	2,429
Net profit (RMB mn)	(1,452)	580	(551)	468	(132)
EPS (RMB per ADS)	N/A	8.07	(7.69)	6.52	(1.84)
Consensus EPS (RMB per ADS)	N/A	N/A	(7.73)	(6.99)	(8.60)
R&D expenses (RMB mn)	(840)	(985)	(1,000)	(1,050)	(1,103)
Capex (RMB mn)	(12)	(100)	(100)	(100)	(100)

Source: Company data, CMBIS estimates

Target Price	US\$72.49
(Previous TP)	US\$71.10)
Up/Downside	+63.33%
Current Price	US\$44.38

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Mkt. Cap. (US\$ mn)	3,193
Avg. 3mths t/o (US\$ mn)	18.86
52W High/Low (US\$)	65.94/12.15
Total Issued Shares (mn)	72

Source: Bloomberg

### Shareholding Structure

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

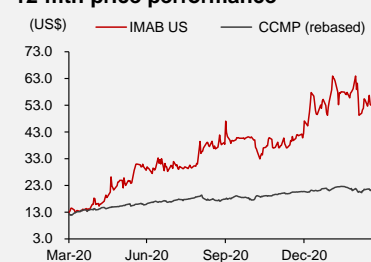
Source: Bloomberg

### Share performance

	Absolute	Relative
1-mth	-25.0%	-24.3%
3-mth	8.9%	7.1%
6-mth	15.6%	-1.8%

Source: Bloomberg

### 12-mth price performance



Source: Bloomberg

### Auditor: PWC

Web-site: [www.i-mabbiopharma.com](http://www.i-mabbiopharma.com)

### Related report:

- Expect rich R&D catalysts – 01 Feb 2021
- Lemzoparlimab, a highly differentiated anti-CD47 mAb with superior safety and efficacy – 17 Nov 2020
- Promising Phase 1 data of anti-CD47 antibody at the 2020 SITC Annual Meeting - 10 Nov 2020

- **Maintain BUY.** We expect I-Mab to file NDA of TJ202 (anti-CD38 mAb) as a mono-therapy for treatment of 3L MM in in 4Q21E. Given the rich progresses of Company's pipeline assets and I-Mab's excellent clinical execution, we raised our DCF-based TP is lifted from US\$71.10 to US\$72.49 (WACC: 10.6%, terminal growth rate: 3.0%).
- **Risks:** Delay in R&D process; Competition from peers.

## Valuation

Figure 1: 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	(551)	550	(132)	787	1,744	2,299	3,189	3,844	4,364	4,879	5,293	5,718	6,168	6,580	7,084
Tax rate	0%	15%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(551)	468	(132)	669	1,482	1,954	2,711	3,268	3,709	4,147	4,499	4,860	5,243	5,593	6,022
+ D&A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Change in working capital	(330)	(717)	294	(288)	(326)	(345)	(272)	(204)	(106)	(160)	(168)	(169)	(177)	(185)	(194)
- Capex	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
<b>FCFF</b>	<b>(981)</b>	<b>(349)</b>	<b>62</b>	<b>280</b>	<b>1,056</b>	<b>1,509</b>	<b>2,339</b>	<b>2,964</b>	<b>3,503</b>	<b>3,887</b>	<b>4,230</b>	<b>4,591</b>	<b>4,965</b>	<b>5,308</b>	<b>5,727</b>
Terminal value															77,647
<b>FCF + Terminal value</b>	<b>(981)</b>	<b>(349)</b>	<b>62</b>	<b>280</b>	<b>1,056</b>	<b>1,509</b>	<b>2,339</b>	<b>2,964</b>	<b>3,503</b>	<b>3,887</b>	<b>4,230</b>	<b>4,591</b>	<b>4,965</b>	<b>5,308</b>	<b>83,374</b>
Present value of enterprise (RMB mn)	29,642														
Net debt (RMB mn)	(3,772)														
Equity value (US\$ mn)	5,197														
No. of ADS	71,690,660														
<b>DCF per share (US\$)</b>	<b>72.49</b>														
Terminal growth rate	<b>3.0%</b>														
<b>WACC</b>	<b>10.60%</b>														
Cost of Equity	13.5%														
Cost of Debt	4.5%														
Equity Beta	1.0														
Risk Free Rate	3.0%														
Market Risk Premium	10.5%														
Target Debt to Asset ratio	30.0%														
Effective Corporate Tax Rate	15.0%														

Source: CMBIS estimates

Figure 2: Sensitivity analysis (US\$)

		WACC				
		9.60%	10.10%	10.60%	11.10%	11.60%
Terminal growth rate	2.0%	72.49	72.49	72.49	72.49	72.49
	2.5%	72.49	72.49	72.49	72.49	72.49
	3.0%	72.49	72.49	<b>72.49</b>	72.49	72.49
	3.5%	72.49	72.49	72.49	72.49	72.49
	4.0%	72.49	72.49	72.49	72.49	72.49

Source: Company data, CMBIS estimates

**Figure 3: FY20A results change**

YE Dec 31 (RMB mn)	2019A	2020A	YoY Change	CMBIS 2020E	Diff (%)
<b>Revenue</b>	<b>30</b>	<b>1,543</b>	<b>5042.2%</b>	<b>1,400</b>	<b>10.2%</b>
Cost of sales	-	-	N/A	-	N/A
<b>Gross profit</b>	<b>30</b>	<b>1,543</b>	<b>5042.2%</b>	<b>1,400</b>	<b>10.2%</b>
Administrative expenses	(655)	(402)	-38.5%	(300)	34.1%
R&D expenses	(840)	(985)	17.2%	(900)	9.4%
Selling expenses	-	-	N/A	-	N/A
Fair value change of warrants	6	-	-100.0%	-	N/A
Finance costs, net	28	23	-15.6%	40	-41.4%
Other income (expenses), net	(20)	413	-2143.5%	-	N/A
Equity in loss of an affiliate	-	(109)	N/A	-	N/A
<b>Profit (loss) before taxation</b>	<b>(1,452)</b>	<b>483</b>	<b>N/A</b>	<b>240</b>	<b>101.5%</b>
Income tax	-	(12)	N/A	(36)	-66.0%
<b>Profit (loss) for the year</b>	<b>(1,452)</b>	<b>471</b>	<b>-132.4%</b>	<b>204</b>	<b>131.1%</b>
Minority interests	-	-	N/A	-	N/A
<b>Profit (loss) attributable to shareholders</b>	<b>(1,485)</b>	<b>471</b>	<b>-131.7%</b>	<b>204</b>	<b>131.1%</b>

Source: Company data, CMBIS estimates

**Figure 4: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	941	3,804	2,429	1,400	1,533	806	-32.80%	148.16%	201.41%
Gross Profit	941	3,260	2,162	1,400	1,226	653	-32.80%	165.84%	231.07%
Operating Profit	(572)	533	(148)	200	(732)	(1,197)	N/A	N/A	N/A
Net profit	(551)	550	(132)	204	(674)	(1,157)	N/A	N/A	N/A
EPS (RMB)	(7.69)	6.52	(1.84)	(9.56)	(16.41)	(19.66)	N/A	N/A	N/A
Gross Margin	100.00%	85.70%	88.97%	100.00%	80.00%	81.00%	+0.00 ppt	+5.70 ppt	+7.97 ppt

Source: Company data, CMBIS estimates

**Figure 5: CMBIS estimates vs consensus**

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	941	3,804	2,429	889	1,048	1,014	5.87%	262.87%	139.52%
Gross Profit	941	3,260	2,162	818	946	884	15.08%	244.61%	144.47%
Operating Profit	(572)	533	(148)	(633)	(623)	(868)	N/A	N/A	N/A
Net profit	(551)	550	(132)	(693)	(690)	(742)	N/A	N/A	N/A
EPS (RMB)	(7.69)	6.52	(1.84)	(7.73)	(6.99)	(8.60)	N/A	N/A	N/A
Gross Margin	100.00%	85.70%	88.97%	92.00%	90.24%	87.17%	+8.00 ppt	-4.54 ppt	+1.80 ppt

Source: Company data, CMBIS estimates

## Financial Statements

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	30	1,543	941	3,804	2,429
Cost of sales	0	0	0	(544)	(268)
<b>Gross profit</b>	<b>30</b>	<b>1,543</b>	<b>941</b>	<b>3,260</b>	<b>2,162</b>
Administrative expenses	(655)	(402)	(463)	(532)	(612)
R&D expenses	(840)	(985)	(1,000)	(1,050)	(1,103)
Selling expenses	0	0	(50)	(1,145)	(595)
Fair value change of warrants	6	0	0	0	0
<b>Operating profit</b>	<b>(1,459)</b>	<b>156</b>	<b>(572)</b>	<b>533</b>	<b>(148)</b>
Finance costs, net	28	23	21	17	17
Other income (expenses), net	(20)	413	0	0	0
<b>Pre-tax profit</b>	<b>(1,452)</b>	<b>592</b>	<b>(551)</b>	<b>550</b>	<b>(132)</b>
Income tax	0	(12)	0	(83)	0
Minority interests	0	0	0	0	0
<b>Net profit (Net loss)</b>	<b>(1,452)</b>	<b>580</b>	<b>(551)</b>	<b>468</b>	<b>(132)</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit before tax	(1,452)	483	(551)	550	(132)
Depreciation and amortization, etc.	16	0	0	0	0
Change in working capital	185	(133)	(330)	(717)	294
Tax paid	0	(12)	0	(83)	0
Others	384	0	0	0	0
<b>Net cash from operating activities</b>	<b>(868)</b>	<b>338</b>	<b>(881)</b>	<b>(249)</b>	<b>162</b>
Capex	(12)	(100)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	(32)	0	0	0	0
Other investing activities	257	0	0	0	0
<b>Net cash from investing activities</b>	<b>212</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
Net proceeds from shares	184	3,652	0	0	0
Net bank borrowing	(30)	0	0	0	0
Proceeds from issuance of convertible promissory notes	0	0	0	0	0
Other financing activities	(1)	0	0	0	0
<b>Net cash from financing activities</b>	<b>153</b>	<b>3,652</b>	<b>0</b>	<b>0</b>	<b>0</b>
FX changes	15	0	0	0	0
<b>Net change in cash</b>	<b>(503)</b>	<b>3,890</b>	<b>(981)</b>	<b>(349)</b>	<b>62</b>
Cash at the beginning of the year	1,681	1,193	4,759	3,778	3,428
<b>Cash at the end of the year</b>	<b>1,193</b>	<b>4,759</b>	<b>3,778</b>	<b>3,428</b>	<b>3,490</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>376</b>	<b>990</b>	<b>1,090</b>	<b>1,190</b>	<b>1,290</b>
PP&E	30	25	125	225	325
Operating lease right of use assets	16	15	15	15	15
Intangible assets	149	120	120	120	120
Goodwill	163	163	163	163	163
Other non-current assets	18	667	667	667	667
<b>Current assets</b>	<b>1,361</b>	<b>5,344</b>	<b>4,232</b>	<b>4,768</b>	<b>4,400</b>
Inventories	0	0	0	179	88
Trade and bills receivables	0	130	0	706	367
Prepayments, other receivables	136	195	195	195	195
Other financial assets	0	0	0	0	0
Cash and bank balances	1,137	4,759	3,778	3,428	3,490
<b>Current liabilities</b>	<b>588</b>	<b>576</b>	<b>116</b>	<b>284</b>	<b>148</b>
Short-term borrowings	50	0	0	0	0
Advance from customers	0	0	0	0	0
Other payables and accruals	274	561	100	268	132
Operating lease liabilities, current	7	8	8	8	8
Other current liabilities	258	8	8	8	8
<b>Non-current liabilities</b>	<b>80</b>	<b>131</b>	<b>131</b>	<b>131</b>	<b>131</b>
Convertible promissory notes	68	0	0	0	0
Onshore convertible loans	7	6	6	6	6
Deferred subsidy income	4	0	0	0	0
<b>Total net assets</b>	<b>1,069</b>	<b>5,627</b>	<b>5,076</b>	<b>5,543</b>	<b>5,412</b>
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>1,069</b>	<b>5,627</b>	<b>5,076</b>	<b>5,543</b>	<b>5,412</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Profit &amp; loss ratios (%)</b>					
Gross margin	100	100	80	81	82
EBITDA margin	N/A	N/A	(60.80)	14.00	(6.11)
Net margin	N/A	N/A	(58.59)	12.29	(5.43)
Effective tax rate (%)	N/A	N/A	N/A	0	N/A
<b>Balance sheet ratios</b>					
Current ratio (x)	2	9	37	17	30
Trade receivables turnover	N/A	N/A	90	90	90
Trade payables turnover	N/A	N/A	180	180	180
Total debt to asset ratio (%)	38	11	5	7	5
<b>Returns (%)</b>					
ROE	(136)	8	(11)	8	(2)
ROA	(84)	7	(10)	8	(2)
<b>Per share data</b>					
EPS (RMB)	N/A	8.1	(7.7)	6.5	(1.8)
DPS (RMB)	0.0	0.0	0.0	0.0	0.0
BVPS (RMB)	N/A	96.5	70.8	77.3	75.5

Source: Company data, CMBIS estimates

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