

I-Mab BioPharma (IMAB US)

I-Mab expands portfolio through cutting-edge mRNA and AI technology platforms

■ **I-Mab enters into collaborations with Immorna and Neox biotech.** On 9 Jul 2021, I-MAB announced to collaborate with Immorna and neoX Biotech to strengthen its next-generation innovation pipeline. I-Mab will be developing novel anti-cancer antibody therapeutics through Immorna's pioneering self-replicating mRNA platform. Moreover, I-Mab will work with neoX Biotech for up to 10 novel biologics programs using neoX's proprietary artificial intelligence algorithm. Together with previous collaboration with Complix for cell-penetrating antibody platform and Affinity for masking antibody platform in Mar 2021, we believe I-Mab is gearing up for global competition of next generation antibody enabled by transformative technologies. Limited by the huge molecular weight of antibodies, conventional antibodies can only act on the protein targets on the cell membrane or soluble extracellular targets. By integrating above mentioned platforms, I-Mab aims to develop next-generation innovative antibodies acting on intracellular targets.

■ **Fruitful progress in novel pipelines.** TJ-CD4B (ABL111, Claudin 18.2/4-1BB BsAb): The only clinical-stage bispecific antibody that binds to Claudin 18.2 and 4-1BB, finished first patient dosed in US phase 1 clinical trial for solid tumors in Jun 2021. China sites will also join the dose expansion part of this study. Preclinical studies have demonstrated superior CLDN18.2-dependent immune activation with TJ-CD4B compared to 4-1BB monoclonal antibodies. The anti-tumor activity is achieved locally at the tumor site with no hepatotoxicity or systemic side effects that are commonly seen with 4-1BB monoclonal antibodies when used alone. TJ-L14B (ABL503, PD-L1/4-1BB BsAb): Results of the preclinical studies was just accepted for publication by the Journal for ImmunoTherapy of Cancer (JITC). TJ-L14B's Ph1 study in solid tumors was initiated in the US in Apr 2021. Felzartamab (TJ202/MOR202, CD38 mAb): Felzartamab was granted approval for Ph1b clinical trial for SLE in China in Jun 2021. We expect I-Mab to file NDA of Felzartamab in combination with dexamethasone for 3L MM by the end-2021E. Uliledlimab (TJD5, CD73 mAb): Uliledlimab presented promising preliminary efficacy and tolerability from a US Ph1 trial in ASCO 2021 Meeting, showing 1 CR, 2 PR and 3 SD cases in 13 efficacy-evaluable patients (ORR=23%, DCR=46%). All of these responded patients have high correlation to PD-L1 and CD73 expression. I-Mab is also conducting a Ph1/2 trial in China evaluating uliledlimab in combination with toripalimab (PD-1 mAb) in advanced or metastatic cancers.

■ **Maintain BUY.** We like I-Mab given its highly innovative and differentiated pipelines with large global potential. Given the promising preliminary clinical data on Uliledlimab, we lift our DCF-based TP from US\$86.53 to US\$101.67 (WACC: 9.74%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	30	1,543	941	1,354	1,269
Net profit (RMB mn)	(1,452)	580	(551)	(455)	(623)
EPS (RMB per ADS)	N/A	8.07	(7.17)	(5.92)	(8.10)
Consensus EPS (RMB per ADS)	N/A	N/A	(8.38)	(7.12)	(8.96)
R&D expenses (RMB mn)	(840)	(985)	(1,000)	(1,050)	(1,103)
Capex (RMB mn)	(12)	(80)	(80)	(80)	(80)

Source: Company data, CMBIS estimates

BUY (Maintain)

Target Price **US\$101.67**
(Previous TP **US\$86.53**)
Up/Downside **+33.19%**
Current Price **US\$76.33**

China Healthcare Sector

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

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

Jonathan Zhao
(852) 6359 1614
jonathanzhao@cmbi.com.hk

Mkt. Cap. (US\$ mn) 5,871
Avg. 3mths t/o (US\$ mn) 41.22
52W High/Low (US\$) 85.40/27.50
Total Issued Shares (mn) 77
Source: Bloomberg

Shareholding Structure

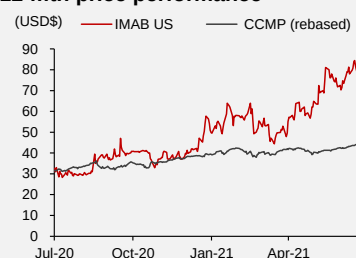
Founders 3%
Pre-IPO investors 68%
Other public shareholders 29%
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	6.3%	1.9%
3-mth	53.8%	46.7%
6-mth	49.8%	34.0%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

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

Related report:

1. Uliledlimab disclosed promising data from the US phase I study – 21 May 2021
2. Multiple important clinical readouts in 2021 – 31 Mar 2021

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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)	(455)	(623)	591	2,377	3,334	4,124	5,115	5,942	6,789	7,339	7,860	8,335	8,714	9,150
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(551)	(455)	(623)	502	2,021	2,834	3,506	4,348	5,051	5,771	6,238	6,681	7,084	7,407	7,778
+ D&A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- Change in working capital	(330)	(189)	18	(431)	(736)	(492)	(388)	(333)	(200)	(274)	(207)	(186)	(174)	(161)	(147)
- Capex	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)
FCFF	(961)	(724)	(685)	(9)	1,205	2,262	3,038	3,935	4,770	5,417	5,951	6,414	6,831	7,166	7,550
Terminal value															115,471
FCF + Terminal value	(961)	(724)	(685)	(9)	1,205	2,262	3,038	3,935	4,770	5,417	5,951	6,414	6,831	7,166	123,022
Present value of enterprise (RMB mn)	46,489														
Net debt (RMB mn)	(3,792)														
Equity value (US\$ mn)	7,820														
No. of ADS	76,916,392														
DCF per share (US\$)	101.67														
Terminal growth rate	3.0%														
WACC	9.74%														
Cost of Equity	12.5%														
Cost of Debt	4.0%														
Equity Beta	0.90														
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				
		8.74%	9.24%	9.74%	10.24%	10.74%
Terminal growth rate	2.0%	113.55	102.87	93.68	85.72	78.77
	2.5%	119.18	107.41	97.40	88.78	81.31
	3.0%	125.78	112.69	101.67	92.27	84.19
	3.5%	133.66	118.89	106.62	96.27	87.46
	4.0%	143.19	126.27	112.43	100.92	91.22

Source: Company data, CMBIS estimates

Figure 3: CMBIS estimates revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	941	1,354	1,269	941	1,317	1,198	0.00%	2.87%	5.92%
Gross Profit	941	1,276	1,210	941	1,245	1,152	0.00%	2.46%	5.05%
Operating Profit	(572)	(472)	(636)	(572)	(487)	(666)	N/A	N/A	N/A
Net profit	(551)	(455)	(623)	(551)	(471)	(653)	N/A	N/A	N/A
EPS (RMB)	(7.17)	(5.92)	(8.10)	(7.69)	(6.57)	(9.11)	N/A	N/A	N/A
Gross Margin	100.00%	94.20%	95.34%	100.00%	94.58%	96.13%	+0.00 ppt	-0.38 ppt	-0.79 ppt

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	941	1,354	1,269	740	1,190	1,198	27.09%	13.85%	5.95%
Gross Profit	941	1,276	1,210	676	1,070	1,041	39.15%	19.27%	16.27%
Operating Profit	(572)	(472)	(636)	(851)	(736)	(895)	N/A	N/A	N/A
Net profit	(551)	(455)	(623)	(852)	(759)	(821)	N/A	N/A	N/A
EPS (RMB)	(7.17)	(5.92)	(8.10)	(8.38)	(7.12)	(8.96)	N/A	N/A	N/A
Gross Margin	100.00%	94.20%	95.34%	91.33%	89.92%	86.88%	+8.67 ppt	+4.28 ppt	+8.46 ppt

Source: Company data, CMBIS estimates

Financial Statements

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	30	1,543	941	1,354	1,269	Profit before tax	(1,452)	483	(551)	(455)	(623)
Cost of sales	0	0	0	(79)	(59)	Depreciation and amortization, etc.	16	0	0	0	0
Gross profit	30	1,543	941	1,276	1,210	Change in working capital	185	(133)	(330)	(189)	18
Administrative expenses	(655)	(402)	(463)	(532)	(612)	Tax paid	0	(12)	0	0	0
R&D expenses	(840)	(985)	(1,000)	(1,050)	(1,103)	Others	384	0	0	0	0
Selling expenses	0	0	(50)	(165)	(131)	Net cash from operating activities	(868)	338	(881)	(644)	(605)
Fair value change of warrants	6	0	0	0	0	Capex	(12)	(80)	(80)	(80)	(80)
Operating profit	(1,459)	156	(572)	(472)	(636)	Net proceeds from disposal of short-term investments	(32)	0	0	0	0
Finance costs, net	28	23	21	17	13	Other investing activities	257	0	0	0	0
Other income (expenses), net	(20)	413	0	0	0	Net cash from investing activities	212	(80)	(80)	(80)	(80)
Pre-tax profit	(1,452)	592	(551)	(455)	(623)	Net proceeds from shares	184	3,652	0	0	0
Income tax	0	(12)	0	0	0	Net bank borrowing	(30)	0	0	0	0
Minority interests	0	0	0	0	0	Proceeds from issuance of convertible promissory notes	0	0	0	0	0
Net profit (Net loss)	(1,452)	580	(551)	(455)	(623)	Other financing activities	(1)	0	0	0	0
						Net cash from financing activities	153	3,652	0	0	0
						FX changes	15	0	0	0	0
						Net change in cash	(503)	3,910	(961)	(724)	(685)
						Cash at the beginning of the year	1,681	1,193	4,759	3,798	3,073
						Cash at the end of the year	1,193	4,759	3,798	3,073	2,388

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	376	990	1,070	1,150	1,230	Profit & loss ratios (%)					
PP&E	30	25	105	185	265	Gross margin	100	100	80	81	82
Operating lease right of use assets	16	15	15	15	15	EBITDA margin	N/A	N/A	(60.80)	(34.84)	(50.11)
Intangible assets	149	120	120	120	120	Net margin	N/A	N/A	(58.58)	(33.62)	(49.09)
Goodwill	163	163	163	163	163	Effective tax rate (%)	N/A	N/A	N/A	N/A	N/A
Other non-current assets	18	667	667	667	667						
Current assets	1,361	5,344	4,252	3,655	2,943	Balance sheet ratios					
Inventories	0	0	0	26	19	Current ratio (x)	2	9	37	67	66
Trade and bills receivables	0	130	0	102	81	Trade receivables turnover	N/A	N/A	90	90	90
Prepayments, other receivables	136	195	195	195	195	Trade payables turnover days	N/A	N/A	180	180	180
Other financial assets	0	0	0	0	0	Total debt to asset ratio (%)	38	11	5	4	4
Cash and bank balances	1,137	4,759	3,798	3,073	2,388						
Current liabilities	588	576	116	54	45	Returns (%)					
Short-term borrowings	50	0	0	0	0	ROE	(136)	8	(11)	(10)	(16)
Advance from customers	0	0	0	0	0	ROA	(84)	7	(10)	(9)	(15)
Other payables and accruals	274	561	100	39	29						
Operating lease liabilities, current	7	8	8	8	8	Per share data					
Other current liabilities	258	8	8	8	8	EPS (RMB)	N/A	8.1	(7.2)	(5.9)	(8.1)
Non-current liabilities	80	131	131	131	131	DPS (RMB)	0.0	0.0	0.0	0.0	0.0
Convertible promissory notes	68	0	0	0	0	BVPS (RMB)	N/A	96.5	66.0	60.1	52.0
Onshore convertible loans	7	6	6	6	6						
Deferred subsidy income	4	0	0	0	0						
Total net assets	1,069	5,627	5,076	4,621	3,998						
Minority interest	0	0	0	0	0						
Shareholders' equity	1,069	5,627	5,076	4,621	3,998						

Source: Company data, CMBIS estimates

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CMB International Securities Limited

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

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