

I-Mab BioPharma (IMAB US)

Partnership with Sinopharm to prepare for commercialization in China

■ **Partnership with Sinopharm laid a solid foundation for commercialization in China.** I-Mab recently entered into a partnership with Sinopharm to prepare the commercialization of its portfolio assets in China. I-Mab will authorize Sinopharm's 300+ subsidiaries as distributors across China to support distribution and retail allocation to terminal markets. Sinopharm will help I-Mab to establish a GSP company to manage the logistics and commercialization which is expected to receive a GSP license in mid-2022. The partnership will accelerate the commercialization and go-to-market process of I-Mab's commercial assets. Meanwhile, I-Mab is building its commercial team with a target size of 200 people before the launch of Felzartamab (anti-CD38 mAb) next year.

■ **Rapid development of diversified and highly-differentiated core assets and rich upcoming catalysts.** **Lemzoparlimab (anti-CD47 mAb):** For NHL treatment, the preliminary data of a phase 2 US trial of lemzoparlimab in combination with rituximab in NHL will be presented at ASH 2021 Meeting in mid-Dec. I-Mab also plans to initiate a registrational trial in NHL in China in 2022E. For **AML/MDS** treatment, patient enrollment of the phase 2 China trial of lemzoparlimab in combination with azacitidine is on track for completion in 4Q21E. I-Mab plans to initiate a registrational trial for MDS in China in 2022E. For **solid tumors** treatment, the data readout of the US trial of lemzoparlimab in combination with Keytruda in solid tumors is expected in early 2022E. In China, NMPA has recently approved the initiation of a phase 2 trial of lemzoparlimab in combination with toripalimab in solid tumors. **Uliledlimab (anti-CD73 mAb):** Data of a phase 2 China trial in solid tumors is expected in 1H22E, and a phase 2 trial in the US will be started in 4Q21E. We expect I-Mab to finalize a sizable license-out deal of uliledlimab with a global MNC partner in early 2022E. **Felzartamab (anti-CD38 mAb):** Felzartamab, the first drug expected to be brought to the market, is on track to submit BLA for 3L MM in China by 4Q21E. I-Mab has completed patient enrollment of a phase 3 registrational trial of felzartamab in combination with lenalidomide for 2L MM, with a target of BLA submission in 2023E. **Bispecific antibodies:** Data from preclinical studies of two bispecific antibodies, **TJ-CD4B** (targeting Claudin18.2 and 4-1BB) and **TJ-L14B** (targeting PD-L1 and 4-1BB), will be presented at the **SITC 2021 Meeting** in mid-Nov.

■ **Maintain BUY.** We like I-Mab given its highly-differentiated global FIC/BIC asset portfolio and promising long-term outlook driven by developing "super antibodies". We maintain our DCF-based TP unchanged at US\$101.37 (WACC: 9.74%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	30	1,543	322	1,874	1,518
Net profit (RMB mn)	(1,452)	580	(1,405)	(515)	(706)
EPS (RMB per ADS)	N/A	8.07	(19.70)	(6.70)	(9.17)
Consensus EPS (RMB per ADS)	N/A	N/A	(13.79)	(10.32)	(9.79)
R&D expenses (RMB mn)	(840)	(985)	(1,100)	(1,155)	(1,213)
Capex (RMB mn)	(12)	(8)	(100)	(100)	(100)

Source: Company data, Bloomberg, CMBIS estimates



BUY (Maintain)

Target Price **US\$101.37**
 (Previous TP **US\$101.37**)
 Up/Downside **+68.67%**
 Current Price **US\$60.01**

China Healthcare Sector

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Mkt. Cap. (US\$ mn)	4,625
Avg. 3mths t/o (US\$ mn)	41.51
52W High/Low (US\$)	85.40/32.62
Total Issued Shares (mn)	77

Source: Bloomberg

Shareholding Structure

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

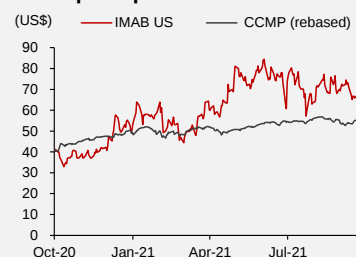
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	-13.4%	-18.4%
3-mth	-18.5%	-22.1%
6-mth	0.2%	-8.9%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

Auditor: PWC

Web-site: www.i-mabbiopharma.com

Related report:

1. CD73 confirmed as a promising target for cancer immunotherapy – 21 Sep 2021
2. Diversified and highly-differentiated pipeline – 2 Sep 2021
3. I-Mab expands portfolio through cutting-edge mRNA and AI technology platforms – 14 Jul 2021
4. Uliledlimab disclosed promising data from the US phase I study – 21 May 2021

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	(1,515)	(515)	(706)	130	2,340	3,267	4,880	5,788	6,398	7,199	7,762	8,228	8,572	8,794	9,083
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,515)	(515)	(706)	110	1,989	2,777	4,148	4,920	5,438	6,119	6,598	6,994	7,287	7,475	7,721
+ D&A	51	70	83	92	98	101	104	106	107	107	108	108	108	109	109
- Change in working capital	(330)	(338)	92	(400)	(762)	(482)	(362)	(321)	(159)	(234)	(165)	(144)	(132)	(119)	(106)
- Capex	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	(1,894)	(882)	(631)	(298)	1,225	2,297	3,790	4,604	5,286	5,892	6,440	6,858	7,163	7,365	7,624
Terminal value															116,590
FCF + Terminal value	(1,894)	(882)	(631)	(298)	1,225	2,297	3,790	4,604	5,286	5,892	6,440	6,858	7,163	7,365	124,214
PV of enterprise (RMB mn)	47,274														
Net debt (RMB mn)	(2,859)														
Equity value (RMB mn)	50,133														
Equity value (US\$ mn)	7,797														
No. of ADS	76,916,392														
DCF per share (US\$)	101.37														
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%	113.59	102.69	93.31	85.16	78.04
	2.5%	119.27	107.28	97.06	88.26	80.61
	3.0%	125.95	112.61	101.37	91.78	83.52
	3.5%	133.89	118.87	106.37	95.82	86.82
	4.0%	143.52	126.32	112.24	100.51	90.61

Source: Company data, CMBIS estimates

Figure 3: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	322	1,874	1,518	433	978	1,005	-25.78%	91.62%	50.98%
Gross Profit	322	1,714	1,426	420	915	904	-23.49%	82.70%	54.90%
Operating Profit	(1,479)	(527)	(713)	(1,369)	(1,175)	(1,252)	N/A	N/A	N/A
Net profit	(1,405)	(515)	(706)	(1,292)	(1,042)	(1,122)	N/A	N/A	N/A
EPS (RMB)	(19.70)	(6.70)	(9.17)	(13.79)	(10.32)	(9.79)	N/A	N/A	N/A
Gross Margin	100.00%	91.43%	93.97%	97.00%	93.50%	89.92%	+3.00 ppt	-4.35 ppt	+2.33 ppt

Source: Company data, Bloomberg, CMBIS estimates

Financial Statements

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	Cash flow summary	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	30	1,543	322	1,874	1,518	Profit before tax	(1,452)	471	(1,515)	(515)	(706)
Cost of sales	0	0	0	(161)	(91)	Depreciation and amortization, etc.	16	22	51	70	83
Gross profit	30	1,543	322	1,714	1,426	Change in working capital	185	(241)	(330)	(338)	92
Administrative expenses	(655)	(402)	(650)	(550)	(633)	Tax paid	0	0	0	0	0
R&D expenses	(840)	(985)	(1,100)	(1,155)	(1,213)	Others	384	182	0	0	0
Selling expenses	0	0	(50)	(535)	(294)	Net cash from operating activities	(868)	434	(1,794)	(782)	(531)
Fair value change of warrants	6	0	0	0	0	Capex	(12)	(8)	(100)	(100)	(100)
Operating profit	(1,459)	156	(1,479)	(527)	(713)	Net proceeds from disposal of short-term investments	(32)	12	0	0	0
Finance costs, net	28	23	18	11	8	Other investing activities	257	(206)	0	0	0
Other income (expenses), net	(20)	413	55	0	0	Net cash from investing activities	212	(202)	(100)	(100)	(100)
Pre-tax profit	(1,452)	592	(1,405)	(515)	(706)	Net proceeds from shares	184	3,518	0	0	0
Income tax	0	(12)	0	0	0	Net bank borrowing	(30)	(50)	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	(1,405)	(515)	(706)	Other financing activities	(1)	(28)	0	0	0
						Net cash from financing activities	153	3,440	0	0	0
						FX changes	15	(107)	0	0	0
						Net change in cash	(503)	3,672	(1,894)	(882)	(631)
						Cash at the beginning of the year	1,681	1,193	4,759	2,864	1,982
						Cash at the end of the year	1,193	4,759	2,864	1,982	1,351

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	Key ratios	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	376	990	1,039	1,069	1,086	Profit & loss ratios (%)					
PP&E	30	25	83	122	147	Gross margin	100	100	100	85	86
Operating lease right of use assets	16	15	6	(3)	(12)	EBITDA margin	N/A	N/A	(461.17)	(24.34)	(41.51)
Intangible assets	149	120	120	120	120	Net margin	N/A	N/A	(471.24)	(27.48)	(46.49)
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	3,319	2,753	1,997	Balance sheet ratios					
Inventories	0	0	0	53	30	Current ratio (x)	2	9	29	29	33
Trade and bills receivables	0	130	0	264	161	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	6	6	6
Cash and bank balances	1,137	4,759	2,864	1,982	1,351						
Current liabilities	588	576	116	95	61	Returns (%)					
Short-term borrowings	50	0	0	0	0	ROE	(136)	8	(37)	(14)	(24)
Advance from customers	0	0	0	0	0	ROA	(84)	7	(35)	(13)	(23)
Other payables and accruals	274	561	100	79	45						
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	(19.7)	(6.7)	(9.2)
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	53.5	46.8	37.6
Onshore convertible loans	7	6	6	6	6						
Deferred subsidy income	4	0	0	0	0						
Total net assets	1,069	5,627	4,112	3,597	2,891						
Minority interest	0	0	0	0	0						
Shareholders' equity	1,069	5,627	4,112	3,597	2,891						

Source: Company data, CMBIS estimates

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