Wednesday, December 1, 2021

Company Report

China Merchants Securities (HK) Co., Ltd.
Hong Kong Equity Research

I-Mab (IMAB US)

Continuously unlock value through collaboration deals

- **I-Mab recently struck several collaboration deals with Roche Diagnostics, Jumpcan & Sinopharm on multiple fronts, respectively**
- **We think those partnerships continued to confirm Co.'s R&D strength, and we expect there are more pipeline catalysts to come**
- **We think Co.'s MoA-differentiated pipeline will provide unique opportunity to add alpha. Reiterated BUY with TP at USD106**

Another out-licensing deal landed

On Nov 10, I-Mab has entered into a strategic collaboration agreement with Jumpcan Pharmaceutical on Co.'s eftansomatropin alfa (TJ101). TJ101 is a differentiated long-acting recombinant human growth hormone (rhGH), with longer dosing intervals (Q2W vs. peers' QW) and better safety profile. Under the pact, I-Mab receives ~RMB2bn in biobucks (o/w RMB224mn upfront payment) and will be entitled to receive tiered low double-digit royalties on net sales. Jumpcan has a well-built franchise in pediatric medicines with ~3,500 sales reps, covering over 23,000 tiered hospitals in 30 provinces and cities across China. We believe the partnership marks another critical milestone for I-Mab's to accelerate the commercialization value of its pipeline. TJ101 is currently in global ph3 registrational study, and top-line clinical data are expected to become available in 2Q23E to support BLA submission.

More collaboration to validate its R&D strength

On Nov 8, I-Mab teamed up with Roche Diagnostics to co-develop companion diagnostics (CDx) solutions for I-Mab's innovative pipeline. Mgmt. believe Roche's advanced CDx technology will accelerate the delivery of I-Mab's R&D innovation. In addition, I-Mab on Oct 26 inked strategic partnership with Sinopharm in preparation for launch of its felzartamab, a differentiated αCD38 mAb. The drug is on track to submit BLA for 3L MM treatment by 2021E. The collaboration allows I-Mab to smoothen future commercial launches, underpinned by Sinopharm's extensive distribution and retail channel in China.

Maintained BUY, SOTP-based TP of USD106

We maintained the SOTP-based TP at USD106. Other major catalysts to watch in 2H21E/22E: 1) Felzartamab: 3L MM BLA submission in 4Q21E; 2) Lemzoparlimab: the U.S and China nHL combo topline data read out in 4Q21E/1Q22E; U.S solid tumor combo w/ pembro preliminary data read out in 4Q21E/1Q22E; 3) potential opportunities in BD territory.

RMB mn	2019	2020	2021E	2022E	2023E
Revenue	30	1,543	520	650	1,075
yoy growth	-44%	5042%	-66%	25%	65%
Adjusted net profit	(1,085)	964	(577)	(690)	(570)
yoy growth	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Company data, CMS (HK) estimates

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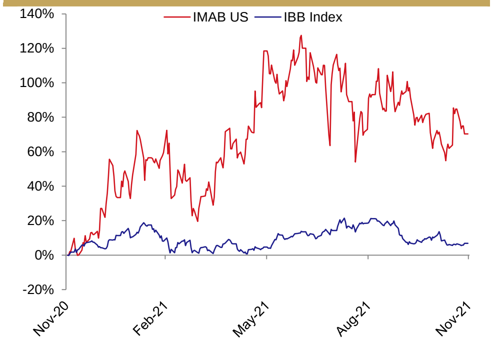
WHAT'S NEW

News updates

BUY

Previous	BUY
Price (November 30, 2021)	USD60.5
12-month Target Price (Potential up/downside)	USD106 (+75%)
Previous	USD106

Price Performance



Source: Bloomberg

%	1m	6m	12m
IMAB US	(1.2)	(22.0)	70.3
IBB	(4.2)	2.0	6.8

Sources: Bloomberg

Pharmaceutical & Healthcare	
NASDAQ (November 30, 2021)	15,538
IBB (November 30, 2021)	154.2
Key Data	
52-week range (USD)	37.0-85.4
Market cap (USD mn)	4,960
Avg. daily traded value (USD mn)	35.6
BVPADS (USD)	8.4
Shareholding Structure	
Managements	27.2%
Hillhouse	11.2%
Tasly	8.1%
GIC	7.3%
Genexine	5.9%
Hony	5.1%
Free float	35.2%

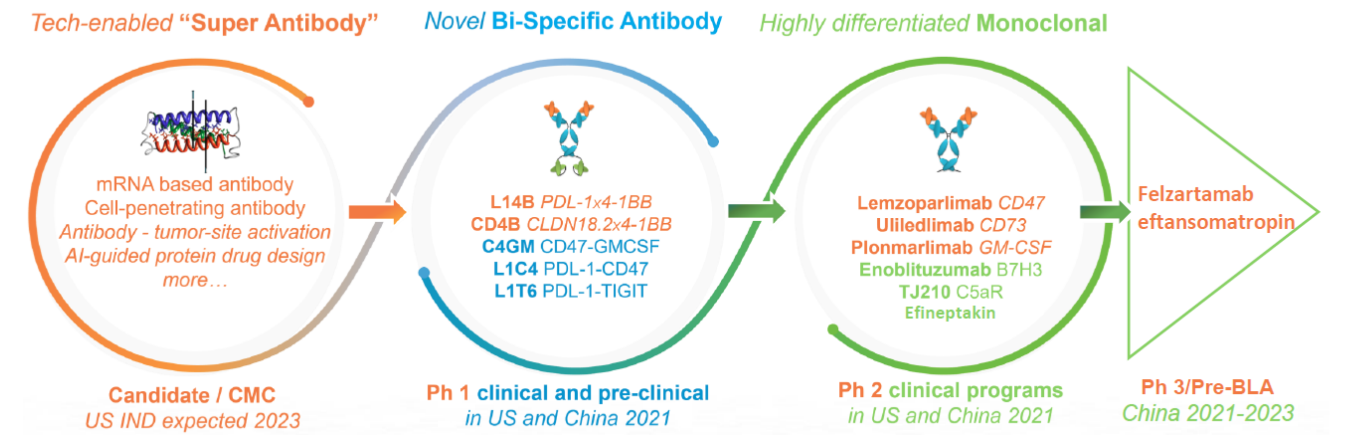
Sources: Company data, Bloomberg

Related Research

1. I-Mab (IMAB US) – Positive CD73 data deserves more attention (BUY) (September 17, 2021)
2. I-Mab (IMAB US) – Its' the differential that makes the difference (BUY) (September 02, 2021)

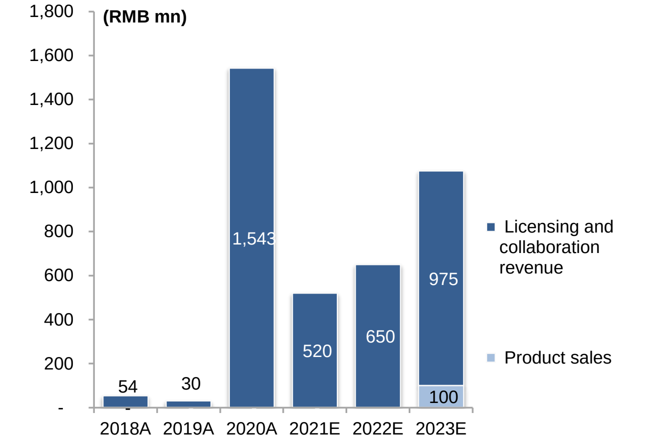
Focus charts

Figure 1: I-Mab's innovation and pipeline development in three waves



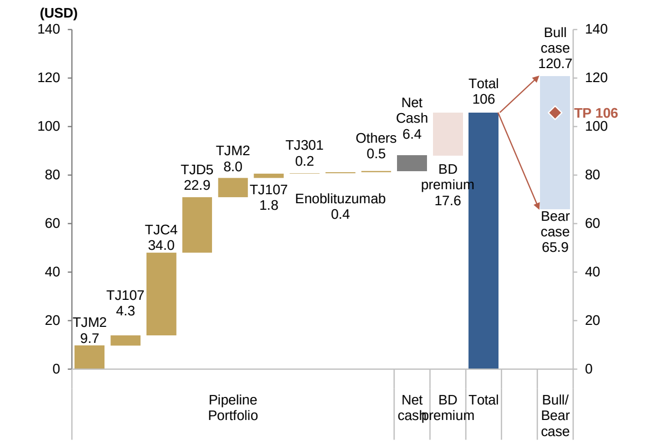
Source: Company data

Figure 2: Revenue forecast and breakdown



Sources: Company data, CMS (HK) estimates

Figure 3: rNAV per share breakdown



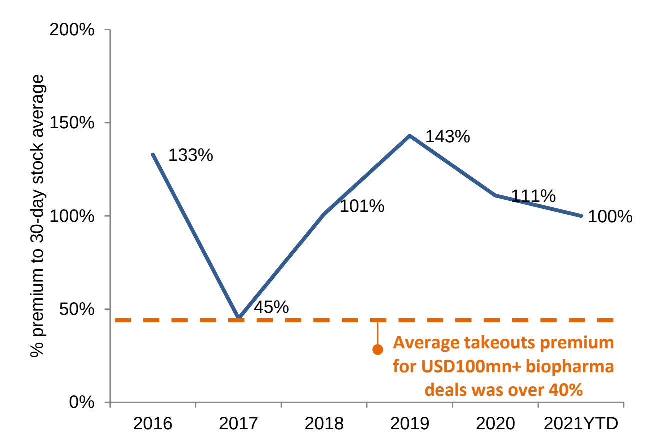
Sources: Company data, CMS (HK) estimates

Figure 4: Catalyst calendar

Products/ Pipelines	Target	Indication	21-22E Milestone / Event	Timeline	Achieved
Lemzoparlimab (TJC4)	CD47	NHL (+rituximab)	Preliminary data readout at ASH21	4Q21E	
		NHL (+rituximab)	Topline data readout	YE21E/22E	
		Solid tumor (+pembro)	Preliminary data readout	YE21E/22E	
Uliledlimab (TJD5)	CD73	Advanced cancer	Ph1 data readout at ASCO	Jun, 2021	✓
Felzartamab (TJ202)	CD38	3L MM	Topline data readout	2H21E	
		3L MM	NDA filing	2H21E	
		2L MM	NDA filing	FY23E	
Eftansomatropin (TJ101)	rhGH	PGHD	NDA filing	FY23E	
Efineptakin alfa (TJ107)	IL-7	Lymphopenia; I/O booster	Ph1b data readout at CSCO21	YE21E	
TJ301	IL-6	Ulcerative colitis	Ph2 data readout	Apr, 2021	✓
TJM2	GM-CSF	COVID-19 (CRS)	US interim data readout	Aug, 2021	✓

Sources: Company data, CMS (HK) estimates

Figure 5: The mean percentage premium to 30-day average of USD100mn+ biopharma buyouts



Source: Evaluate Pharma

Valuation Summary

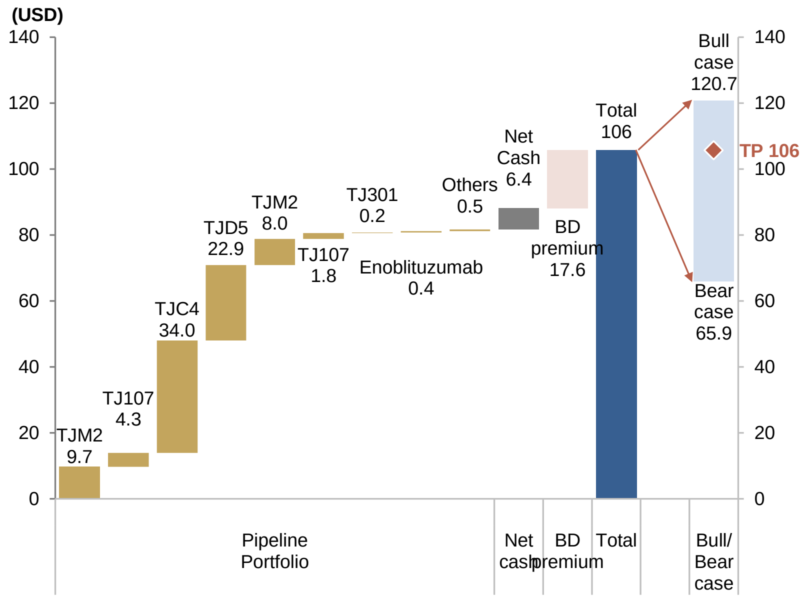
We arrived at our SOTP-based TP using a risk adjusted NPV (rNPV) approach, with sensitivities on the peak sales and the probability of success (PoS) of various molecules. We detail below our assumption and valuation results.

Figure 6: rNPV-based SOTP valuation and main assumptions

(RMB mn)	Target	R&D Status*	Partner	Major Indication	Launch date	Adj. Peak sales	PoS**	Rights	rNPV
Pipeline valuation (rNPV)									**30,971**
Lemzoparlimab (TJC4)	CD47	Reg (CH), Reg (U.S.)	AbbVie/(MorphoSys)	AML/MDS/nHL/Solid tumors	2025	6,432	60%(CH), 60%(U.S.)	CH(100%) / WW(R*)	12,908
Uliledlimab (TJD5)	CD73	P2 (CH), P2 (U.S.)	(Roche)/(Junshi)	Solid tumors (w/ PD-1/L1 combo)	2026	2,285	15%(CH), 15%(U.S.)	WW (100%)	8,664
Eftansomatropin Alfa (TJ101)	Long-acting rhGH	Reg	Genexine	PGHD	2024	1,453	90%	CH(100%)	3,674
Felzartamab (TJ202) +/-CD47(TJC4)	CD-38 mAb	Reg	MorphoSys	Multiple myeloma (3L, 2L and 1L)	2023	652	90%	CH(100%)	1,617
Plonmarlimab (TJM2)	GM-CSF mAb	P2		CRS (severe COVID-19, CAR-T)	2023	827	40%	WW(100%)	3,023
Efineptakin Alfa (TJ107)	IL-7 Long-acting	P2	Genexine	Lymphopenia/CPI booster	2025	315	40%	CH(100%)	665
Olamkicept (TJ301)	IL-6 inhibitor	P2	Ferring	Ulcerative Colitis (UC)	2026	37	20%	CH(100%)	80
Enoblituzumab	B7-H3 mAb	P1	MacroGenics	Solid tumors	2026	83	10%	CH(100%)	140
Others (C5aR mAb, BsAbs, etc.)									201
Net cash									**2,438**
Valuation (RMB mn)									**33,409**
No of shares (mn)									134
Valuation per share (RMB)									**249**
Valuation per ADR share (USD) (10ADS:23common shares; 6.5RMB/USD)									**88.1**
BD premium									**20%**
TP (USD)									**106**

Sources: Company data, CMS (HK) estimates, Notes: represents trial location, **represents the highest PoS of indication of the molecule*

Figure 7: SOTP and sensitivity analysis



Source: Company data, CMS (HK) estimates

Figure 8: WACC assumption

Cost of equity (%)	
Risk free rate (%)	3.0
Beta	0.8
Equity risk premium (%)	8.8
CAPM unleveraged discount rate	**10.0**
Cost of debt (%)	
Average spread over risk-free rate (%)	8.0
Pre-tax cost of debt (%)	11.0
Average corporate tax rate for company (%)	15.0
Post-tax cost of debt (%)	**9.4**
Estimated target gearing (net debt/EV) (%)	10.0
WACC (%)	**10.0**

Source: CMS (HK) estimates

Financial Summary

Balance Sheet

RMB mn	2019	2020	2021E	2022E	2023E
Non-current assets	**376**	**990**	**982**	**974**	**965**
PP&E	30	25	28	30	31
Intangible assets	149	120	119	117	116
Prepaid lease payments	16	15	6	(3)	(12)
Goodwill	163	163	163	163	163
Interests in JV/Asso	-	665	665	665	665
Others	18	2	2	2	2
Current assets	**1,361**	**5,344**	**4,274**	**2,892**	**1,435**
Inventories	-	-	-	-	2
Loan and account receivables	-	130	-	-	23
Prepayments and other receivables	136	423	423	423	423
Others	32	32	32	32	32
Short-term investments	56	-	-	-	-
Bank balances and cash	1,137	4,759	3,820	2,438	955
Total assets	**1,738**	**6,334**	**5,256**	**3,866**	**2,399**
Current liabilities	**588**	**576**	**576**	**576**	**579**
Trade and bills payables	-	-	-	-	3
Other payables	7	8	8	8	8
Due to a related party	274	561	561	561	561
ST bank debt	50	-	-	-	-
Others	258	8	8	8	8
Non-current liabilities	**80**	**131**	**131**	**131**	**131**
Long-term payables	68	-	-	-	-
Contract liabilities	-	-	-	-	-
LT bank loans	-	-	-	-	-
Others	11	131	131	131	131
Shareholders' funds	**1,069**	**5,627**	**4,550**	**3,160**	**1,690**
Minorities	**-**	**-**	**-**	**-**	**-**
Total liability and equity	**1,738**	**6,334**	**5,256**	**3,866**	**2,399**

Cashflow Statement

RMB mn	2019	2020	2021E	2022E	2023E
Operating cash flow	**(868)**	**434**	**(1,024)**	**(1,448)**	**(1,522)**
Pretax profit	(1,441)	471	(1,077)	(1,390)	(1,470)
Operating profit before WC chg	(1,067)	674	(1,155)	(1,448)	(1,500)
Net working capital change	199	(241)	130	-	(22)
Income tax paid	-	-	-	-	-
Interest paid	-	-	-	-	-
Investing cash flow	**212**	**(202)**	**85**	**66**	**39**
Purchase of PPE	(12)	(8)	(10)	(10)	(10)
Purchase/disposal of subsidiaries	-	-	-	-	-
Purchase/disposal of JV&Asso.	-	-	-	-	-
Interest received	-	-	95	76	49
Others	225	(194)	-	-	-
Financing cash flow	**153**	**3,440**	**-**	**-**	**-**
Proceeds from IPO net of fees	184	3,481	-	-	-
Issurance of equity shares	-	-	-	-	-
Bank borrowings, net	(31)	(50)	-	-	-
Others	-	-	-	-	-
Beginning cash	**1,681**	**1,193**	**4,759**	**3,820**	**2,438**
Forex	*15*	*(107)*	-	-	-
End cash	**1,193**	**4,759**	**3,820**	**2,438**	**955**

Profit & Loss

RMB mn	2019	2020	2021E	2022E	2023E
Consolidated revenue	**30**	**1,543**	**520**	**650**	**1,075**
Cost of goods sold	-	-	-	-	(20)
Gross profit	**30**	**1,543**	**520**	**650**	**1,055**
(–) Total SG&A expense	**(655)**	**(402)**	**(412)**	**(453)**	**(494)**
Administrative expenses	(655)	(402)	(402)	(423)	(444)
Selling and distribution costs	-	-	(10)	(30)	(50)
(–) R&D expense	**(840)**	**(985)**	**(1,280)**	**(1,664)**	**(2,080)**
(+/–) Other income/expense	**-**	**-**	**-**	**-**	**-**
(+/–) Profit from JV&Asso.	**-**	**-**	**-**	**-**	**-**
Adj. EBITDA	**(1,082)**	**672**	**(655)**	**(748)**	**(600)**
Stock-Based Compensation	(367)	(493)	(500)	(700)	(900)
Total Depreciation and amortisation	(16)	(23)	(18)	(18)	(19)
Adj. EBIT	**(1,098)**	**649**	**(673)**	**(767)**	**(619)**
(+/–) Finance expense - net	28	23	95	76	49
(+/–) Others, net	(4)	304	-	-	-
Profit before tax	**(1,441)**	**483**	**(1,077)**	**(1,390)**	**(1,470)**
(–) Tax	-	(12)	-	-	-
Net Profit	(1,441)	471	(1,077)	(1,390)	(1,470)
(+/–) Minority interest	-	-	-	-	-
Attributable net profit	**(1,441)**	**471**	**(1,077)**	**(1,390)**	**(1,470)**
Adjusted net profit	**(1,085)**	**964**	**(577)**	**(690)**	**(570)**
EPS Fully diluted (USD)	**(47.8)**	**2.3**	**(1.4)**	**(1.8)**	**(1.5)**

Financial Ratios

	2019	2020	2021E	2022E	2023E
Growth					
Consolidated revenue	(44%)	5,042%	(66%)	25%	65%
Gross profit	n.a.	5,042%	(66%)	25%	62%
Adjusted net profit	n.a.	n.a.	n.a.	n.a.	n.a.
Profitability					
Gross margin	100%	100%	100%	100%	98%
Adj. net profit margin	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	n.a.	n.a.	n.a.	n.a.	n.a.
ROA	n.a.	n.a.	n.a.	n.a.	n.a.
Efficiency					
Inventory days	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts receivable days	n.a.	n.a.	n.a.	n.a.	n.a.
Accounts payable days	n.a.	n.a.	n.a.	n.a.	n.a.
Cash cycle days	n.a.	n.a.	n.a.	n.a.	n.a.
Liquidity					
FCF (RMB mn)	(880)	426	(1,034)	(1,458)	(1,532)
Net gearing (%)	(107)	(85)	(84)	(77)	(57)

Sources: Company data, CMS (HK) estimates

Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
NEUTRAL	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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