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Company Report

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

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I-Mab (IMAB US)

Positive lemzoparlimab combo data in nHL at ASH21

- **I-Mab presents positive interim ph1 data for lemzoparlimab (CD47) in combo with rituximab (CD20) in r/r nHL at ASH21**
- **Mgmt. awaits more data in 2022E to support advancement of lemzoparlimab into 1-2 potential registrational trials in China**
- **We think Co.'s MoA-differentiated pipeline will provide unique opportunity to add alpha. Reiterated BUY with TP at USD106**

Positive interim ph1 data of lemzoparlimab at ASH21

The interim results from an ongoing ph1 clincial trial (NCT03934814) of lemzoparlimab in combination with rituximab in heavily treated pts with r/r non-Hodgkin's lymphoma (nHL) showed lemzoparlimab was safe and well-tolerated at doses 20mg/kg and 30mg/kg weekly, without a priming dose. And the maximum tolerated dose was not reached. Among 7 efficacy evaluable patients, lemzoparlimab yields 100% DCR, o/w 4 achieved complete response (57%CR, o/w 1 FL-BLBCL and 3 FL) and one partial response of FL was observed (71% ORR). The preliminary data of lemzoparlimab was numerically higher than peer's results in similar settings (magrolimab: n=22, 36%CR, 50%ORR; ALX148: n=33, 21%CR, 48%ORR). Mgmt. has confidence on the strength of these preliminary efficacy and safety data along with more clinical data becoming available in the coming year to support advancement of lemzoparlimab into 1-2 potential registrational clinical trials in 2022E.

Eventful 2022E to watch

Major catalysts to watch in 2H21E/22E: 1) **lemzoparlimab**: a) follow-up data readout from the ongoing ph1 combo study w/ αCD20 inhibitor for nHL in 1H22E; b) Data readout from combo study w/ αPD-1 inhibitor in U.S for solid tumor in 1H22E; c) New top-line data readout for pts w/ AML or MDS in 22E; d) Initiation of 1-2 registrational clinical trials in China in 22E; 2) **felzartamab**: 3L MM BLA submission in 4Q21E; 3) **ulilediimab**: new data readout; 4) potential opportunities in BD territory.

Maintain BUY, SOTP-based TP of USD106

We maintain SOTP-based TP at USD106. Our main valuation method is risk-adjusted NPV, primarily consisting of lemzoparlimab (αCD47, valued at RMB12.9bn), ulilediimab (αCD73, RMB8.7bn), plonmarlimab (αGM-CSF, RMB3.0bn), eftansomatropin alfa (Long-acting rhGH, RMB3.7bn), felzartamab (αCD38, RMB1.6bn) and applied a 20% premium to equity value to reflect its greater potential in BD territory.

Investment risks

Clinical failure of core clinical assets; Worse than expected commercial launches; and pricing uncertainty in the future China NRDL negotiation; Geopolitical uncertainty.

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

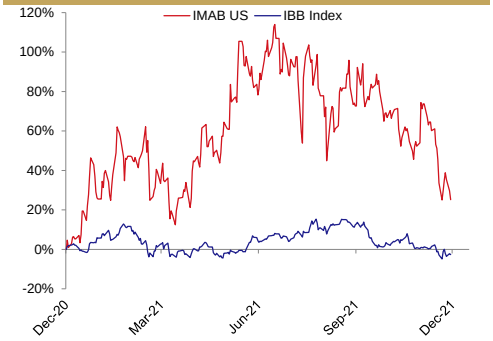
WHAT'S NEW

News updates

BUY

Previous	BUY
Price (December 14, 2021)	USD49.4
12-month Target Price (Potential up/downside)	USD106 (+115%)
Previous	USD106

Price Performance



Source: Bloomberg

%	1m	6m	12m
IMAB US	(28.2)	(29.8)	25.2
IBB	(3.5)	(6.7)	(2.6)

Sources: Bloomberg

Pharmaceutical & Healthcare	
NASDAQ (December 14, 2021)	15,238
IBB (December 14, 2021)	148.6
Key Data	
52-week range (USD)	37.8-85.4
Market cap (USD mn)	3,855
Avg. daily traded value (USD mn)	32.8
BVPADS (USD)	8.4
Shareholding Structure	
Management	27.2%
Hillhouse	11.2%
Tasly	8.1%
GIC	7.3%
Genexine	5.9%
Hony	5.1%
Free float	35.2%

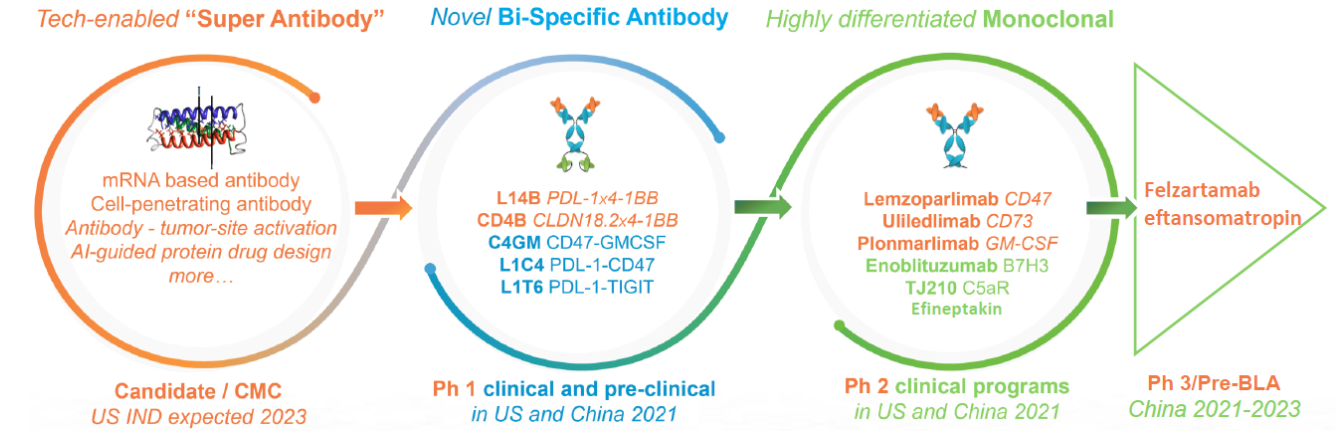
Sources: Company data, Bloomberg

Related Research

1. I-Mab (IMAB US) – Continuously unlock value through collaboration deals (BUY) (December 1, 2021)
2. I-Mab (IMAB US) – Positive CD73 data deserves more attention (BUY) (September 17, 2021)
3. I-Mab (IMAB US) – Its' the differential that makes the difference (BUY) (September 02, 2021)

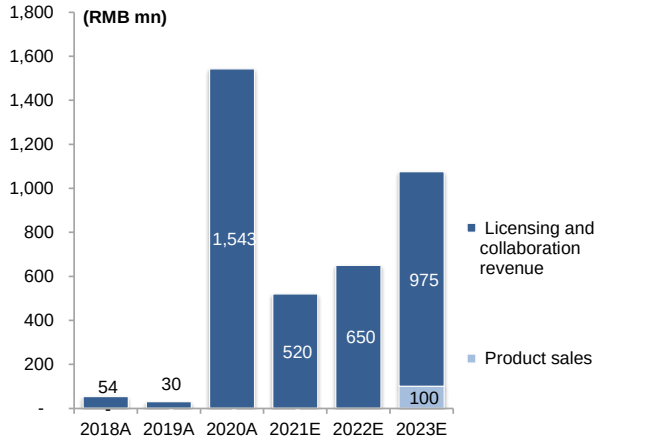
Focus charts

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



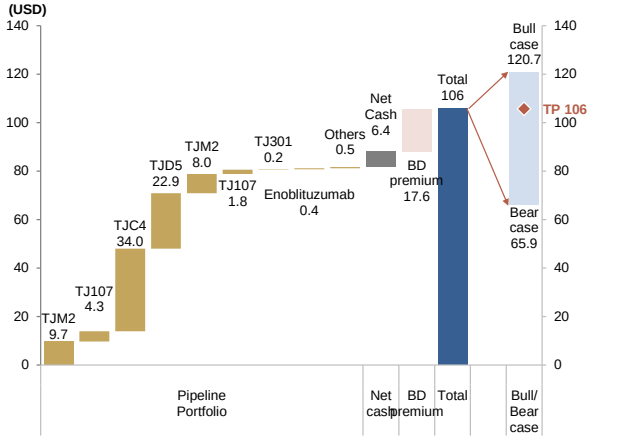
Source: Company data

Figure 2: Revenue forecast and breakdown



Sources: Company data, CMS (HK) estimates

Figure 3: rNAV per share breakdown



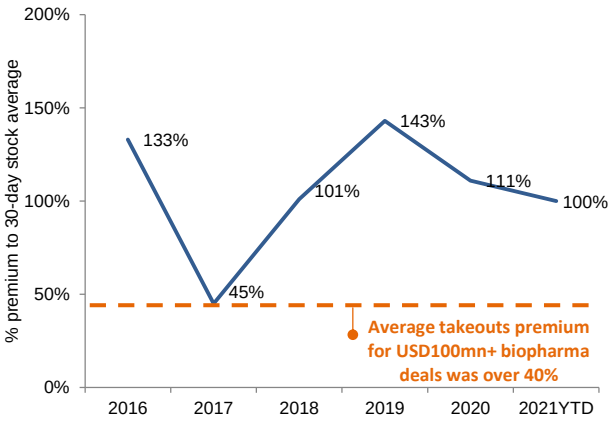
Sources: Company data, CMS (HK) estimates

Figure 4: Catalyst calendar

Products/ Pipelines	Target	Indication	21-22E Milestone / Event	Timeline	Achieved
Lemzoparlimab (TJC4)	CD47	NHL (+rituximab)	Interim data readout at ASH21	Dec, 2021	✓
		NHL (+rituximab)	Topline data readout	1H22E	
		Solid tumor (+pembro)	Preliminary data readout	1H22E	
		AML/MDS	Topline data readout	22E	
Uliledlimab (TJD5)	CD73	Advanced cancer	Ph1 data readout at ASCO	Jun, 2021	✓
		Advanced cancer	New data readout	22E	
Felzartamab (TJ202)	CD38	3L MM	Topline data readout	YE21E	
		3L MM	NDA filing	YE21E	
Eftansomatropin (TJ101)	rhGH	PGHD	Out-licensed CN right to Jumpcan	Nov, 2021	✓
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

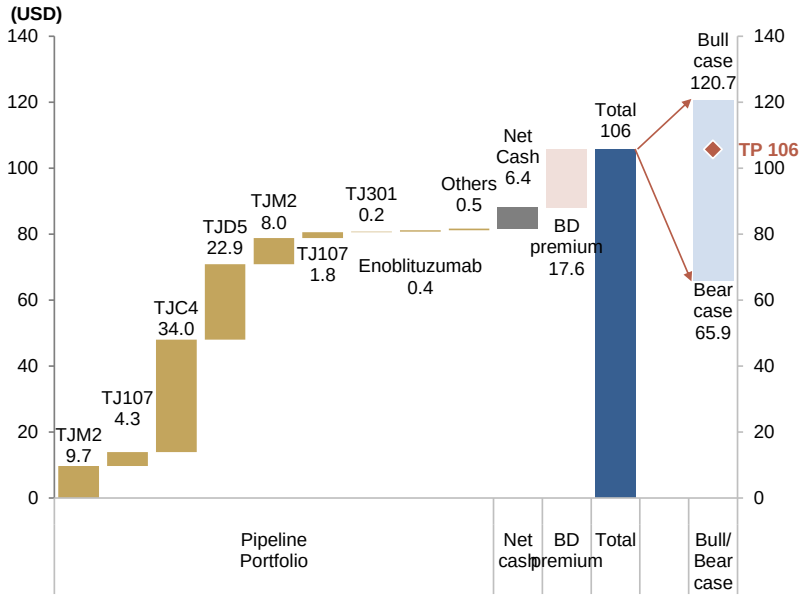
We arrived at our SOTP-based TP using a risk adjusted NPV (rNPV) approach, with sensitivities on the peak sales and the probability of success (PoS) of various molecules. We detail below our assumption and valuation results.

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	P2 (CH), P2 (U.S.)	AbbVie/(MorphoSys)	AML/MDS/nHL/Solid tumors	2025	6,432	60%(CH), 60%(U.S.)	CH(100%) / WW(R***)	12,908
Ulileclimab (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, ***"R" represents "royalties"*

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

Investment risks

Clinical failure of core clinical assets:

Company may encounter clinical development setbacks of its in-housed developed or in-licensed drug candidates. Potential clinical failure may adversely affect company's business and financial prospects.

Worse than expected commercial launches:

The actual market penetration and market share of Company's drug candidates might be smaller than expected. These may be due to lower than expected acceptance from physicians, patients or payers. Potential setbacks in commercialization process may adversely affect Company's business and financial prospects.

Pricing uncertainty in the future China NRDL negotiations:

Company may encounter pricing risks in the future China NRDL negotiations. China commercial healthcare insurance industry is still in its infancy while the government payers play a dominant role in setting reimbursement policies. A lower than expected pricing or less favorable reimbursement policy may adversely affect Company's business and financial prospects.

Geopolitical uncertainty

Company may encounter geopolitical risks when conducting international trades, collaborations or other commercial actives. Setbacks in these activities may adversely affect company's business and financial prospects.

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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