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CMB International Securities | Equity Research | Company Update

I-Mab BioPharma (IMAB US)

A significantly undervalued biotech company with solid pipeline assets

- **I-Mab is significantly undervalued given its highly differentiated pipelines.** We believe the current market cap of US$2.2bn cannot reflect the value of I-Mab's comprehensive innovative pipeline assets, including lemzoparlimab (CD47), uliledlimab (CD73), felzartamab (CD38), eftansomatropin (TJ101, long-acting GH), efineptakin (TJ107, long-acting IL-7), plonmarlimab (GM-CSF), enoblituzumab (B7H3), TJ210 (C5aR), etc.

- **Lemzoparlimab (CD47 mAb) has best-in-class potential.** For NHL treatment, lemzoparlimab reported 71% ORR and 57% CR in its dose-escalation study (NCT03934814, *link*), showing better efficacy than magrolimab: 49% ORR and 21% CR (*link*), and ALX148: 64% ORR and 27% CR (*link*). Lemzoparlimab demonstrated superior safety profile with only 13% mild anemia and all TRAEs were Grade 1/2. For Magrolimab, 27% of the patients experienced anemia (15% were Grade 3) and ~7% reported other Grade 3/4 TRAEs. We expect I-Mab to release dose-expansion data in NHL in 2H22E. For MDS treatment, I-Mab expects to release Ph2 data and initiate a registrational trial in China this year. For solid tumors, data readout of the US trial of lemzoparlimab + Keytruda is expected in 1H22E. In Aug 2021, Pfizer acquired Trillium Therapeutics for US$2.26bn, which was another blockbuster deal related to CD47/ SIRPα targeted therapies.

- **We expect a multiple billion dollar out-license deal for Uliledlimab (CD73 mAb) within 2022E**. At ASCO 2021, I-Mab released the data of US Ph1 dose escalation study of uliledlimab's in combination with atezolizumab. Uliledlimab demonstrated a linear pharmacokinetic (PK) profile and reached full receptor occupancy on B cells at the middle and high dose levels with no "hook effect." Among the 13 efficacy-evaluable patients dosed at ⩾ 10 mg/kg, three patients had CR or PR (ORR = 23%) and three had SD (DCR = 46%). We expect I-Mab to release the results of its China Ph2 study in solid tumors in mid-2022E, which could be a catalyst for the license-out deal of uliledlimab, in our view.

- **Felzartamab (CD38 mAb) to submit BLA in 1Q22E**. We expect felzartamab to file BLA to the NMPA for 3L MM treatment in 1Q22E. Additionally, I-Mab has completed patient enrollment of a Ph3 registrational trial for 2L MM. Darzalex, the only approved CD38 mAb in China, was added in the NRDL at cost of approximately RMB260,000 per year. I-Mab's Felzartamab is a potential 2nd-to-market CD38 mAb in China.

- **Reiterate BUY**. As of Jun 30, 2021, I-Mab had US$673mn cash in hand. I-Mab received c. US$35mn upfront payment from Jumpcan in 2H21 for the out-license of TJ101 and may receive additional US$50mn milestone payment from AbbVie in 1H22E. I-Mab has abundant cash balance to support its future R&D investments. We maintain our DCF-based TP unchanged at US$103.60 (WACC: 9.74%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	30	1,543	546	843	1,247
Net profit (RMB mn)	(1,485)	471	(1,340)	(981)	(772)
EPS (RMB per ADS)	N/A	8.07	(17.42)	(12.74)	(10.03)
Consensus EPS (RMB per ADS)	N/A	N/A	(11.39)	(8.92)	(8.10)
R&D expenses (RMB mn)	(840)	(985)	(1,200)	(1,260)	(1,323)
Admin expenses (RMB mn)	(655)	(402)	(650)	(550)	(578)
Capex (RMB mn)	(12)	(8)	(100)	(100)	(100)

Source: Company data, Bloomberg, CMBIS estimates

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BUY (Maintain)

Target Price	**US$103.60**
(Previous TP	US$103.60)
Up/Downside	**+281.16%**
Current Price	**US$27.18**

China Healthcare Sector

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Mkt. Cap. (US$ mn)	2,172
Avg. 3mths t/o (US$ mn)	26.74
52W High/Low (US$)	85.40/25.90
Total Issued Shares (mn)	80

Source: Bloomberg

Shareholding Structure

Founders	6.7%
CBC Group	17.5%
Hillhouse Capital	10.8%
Other public shareholders	65.0%

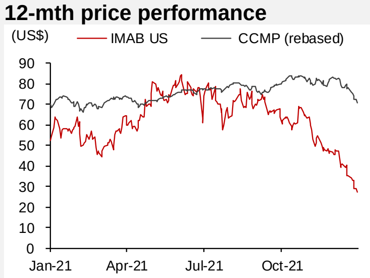
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	-42.1%	-33.0%
3-mth	-59.8%	-54.8%
6-mth	-62.9%	-59.3%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

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

Related report:

1. Appointment of a globally renowned oncologist to lead the R&D organization – 22 Dec 2021
2. Strategic cooperation with Jumpcan accelerates commercialization for long-acting rhGH – 30 Nov 2021
3. Promising clinical results of lemzoparlimab in NHL – 8 Nov 2021
4. Partnership with Sinopharm to prepare for commercialization in China – 29 Oct 2021

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	(1,340)	(981)	(772)	(309)	1,813	3,313	5,304	6,038	6,668	7,368	8,267	8,533	8,983	9,114	8,942
Tax rate	0%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,340)	(981)	(772)	(309)	1,541	2,816	4,509	5,132	5,668	6,262	7,027	7,253	7,635	7,746	7,601
+ D&A	29	45	58	68	75	81	85	89	91	93	95	96	97	98	98
- Change in working capital	(330)	(109)	(39)	(166)	(807)	(555)	(370)	(278)	(195)	(178)	(144)	(121)	(104)	(87)	237
- Capex	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	**(1,742)**	**(1,144)**	**(853)**	**(508)**	**709**	**2,242**	**4,124**	**4,843**	**5,465**	**6,078**	**6,877**	**7,129**	**7,528**	**7,657**	**7,835**
Terminal value															**119,830**
FCF + Terminal value	**(1,742)**	**(1,144)**	**(853)**	**(508)**	**709**	**2,242**	**4,124**	**4,843**	**5,465**	**6,078**	**6,877**	**7,129**	**7,528**	**7,657**	**127,665**

PV of enterprise (RMB mn)	48,258
Net debt (RMB mn)	(3,012)
Equity value (RMB mn)	51,270
Equity value (US$ mn)	7,974
No. of ADS	76,962,633
DCF per share (US$)	**103.60**
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%**
	2.0%	116.17	104.97	95.33	86.96	79.64
	2.5%	122.00	109.68	99.18	90.13	82.28
Terminal growth rate	**3.0%**	128.86	115.16	103.60	93.75	85.26
	3.5%	137.02	121.59	108.74	97.90	88.66
	4.0%	146.91	129.24	114.77	102.72	92.55

Source: Company data, CMBIS estimates

Figure 3: CMBIS estimates vs consensus

	CMBIS			Consensus			Diff (%)		
RMB mn	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**	**FY21E**	**FY22E**	**FY23E**
Revenue	546	843	1,247	619	1,026	1,202	-11.82%	-17.87%	3.76%
Gross Profit	546	837	1,218	619	977	1,094	-11.82%	-14.39%	11.34%
Operating Profit	(1,360)	(993)	(778)	(1,160)	(981)	(1,008)	N/A	N/A	N/A
Net profit	(1,340)	(981)	(772)	(1,116)	(874)	(960)	N/A	N/A	N/A
EPS (RMB)	(17.42)	(12.74)	(10.03)	(11.39)	(8.92)	(8.10)	N/A	N/A	N/A
Gross Margin	100.00%	99.31%	97.61%	100.00%	95.27%	90.98%	0 ppt	+4.04 ppt	+6.64 ppt

Source: Company data, Bloomberg, CMBIS estimates

Financial Statements

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	**30**	**1,543**	**546**	**843**	**1,247**
Cost of sales	0	0	0	(6)	(30)
Gross profit	**30**	**1,543**	**546**	**837**	**1,218**
Administrative expenses	(655)	(402)	(650)	(550)	(578)
R&D expenses	(840)	(985)	(1,200)	(1,260)	(1,323)
Selling expenses	0	0	0	(19)	(96)
Other gains/losses	(15)	304	(55)	0	0
Operating profit	**(1,480)**	**460**	**(1,360)**	**(993)**	**(778)**
Finance costs, net	28	23	19	12	7
Pre-tax profit	**(1,452)**	**483**	**(1,340)**	**(981)**	**(772)**
Income tax	0	(12)	0	0	0
Minority interests and others	(33)	0	0	0	0
Attributable net profit (Net loss)	**(1,485)**	**471**	**(1,340)**	**(981)**	**(772)**

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit before tax	**(1,452)**	**471**	**(1,340)**	**(981)**	**(772)**
Depreciation and amortization, etc.	16	22	29	45	58
Change in working capital	185	(241)	(330)	(109)	(39)
Tax paid	0	0	0	0	0
Others	384	182	0	0	0
Net cash from operating activities	**(868)**	**434**	**(1,642)**	**(1,044)**	**(753)**
Capex	(12)	(8)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	(32)	12	0	0	0
Other investing activities	257	(206)	0	0	0
Net cash from investing activities	**212**	**(202)**	**(100)**	**(100)**	**(100)**
Net proceeds from shares	184	3,518	0	0	0
Net bank borrowing	(30)	(50)	0	0	0
Proceeds from issuance of convertible promissory notes	0	0	0	0	0
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**	**(1,742)**	**(1,144)**	**(853)**
Cash at the beginning of the year	1,681	1,193	4,759	3,017	1,873
Cash at the end of the year	**1,193**	**4,759**	**3,017**	**1,873**	**1,020**

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	**376**	**990**	**1,061**	**1,116**	**1,158**
PP&E	30	25	96	151	193
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
Current assets	**1,361**	**5,344**	**3,472**	**2,339**	**1,537**
Inventories	0	0	0	2	10
Trade and bills receivables	0	130	0	10	52
Prepayments, other receivables	136	195	195	195	195
Other financial assets	88	259	259	259	259
Cash and bank balances	1,137	4,759	3,017	1,873	1,020
Current liabilities	**588**	**576**	**116**	**18**	**30**
Short-term borrowings	50	0	0	0	0
Advance from customers	0	0	0	0	0
Other payables and accruals	274	561	100	3	15
Operating lease liabilities, current	7	8	8	8	8
Other current liabilities	258	8	8	8	8
Non-current liabilities	**80**	**131**	**131**	**131**	**131**
Convertible promissory notes	68	0	0	0	0
Onshore convertible loans	7	6	6	6	6
Deferred subsidy income	4	125	125	125	125
Total net assets	**1,069**	**5,627**	**4,287**	**3,306**	**2,534**
Minority interest	0	0	0	0	0
Shareholders' equity	**1,069**	**5,627**	**4,287**	**3,306**	**2,534**

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Profit & loss ratios (%)					
Gross margin	100	100	100	85	86
EBITDA margin	N/A	N/A	N/A	N/A	N/A
Net margin	N/A	N/A	N/A	N/A	N/A
Effective tax rate (%)	N/A	N/A	N/A	N/A	N/A
Balance sheet ratios					
Current ratio (x)	2	9	30	128	52
Trade receivables turnover	N/A	N/A	90	90	90
Trade payables turnover days	N/A	N/A	180	180	180
Total debt to asset ratio (%)	38	11	5	4	6
Returns (%)					
ROE	(136)	8	(31)	(30)	(30)
ROA	(84)	7	(30)	(28)	(29)
Per share data					
EPS (RMB)	N/A	8.07	(17.42)	(12.75)	(10.03)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	N/A	96.47	55.70	42.95	32.93

Source: Company data, CMBIS estimates

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