

I-Mab BioPharma (IMAB US)

Lemzoparlimab showed encouraging data on MDS

I-Mab recorded RMB88.0mn revenue in 2021, mainly from licensing and collaboration revenue from AbbVie and CSPC. R&D expenses were RMB1.2bn in 2021 as compared to RMB984.7mn in 2020. Administrative expenses were RMB899.9mn (+123% YoY), primarily due to the team expansion for the preparation of product commercialization. Net loss in 2021 was RMB2.3bn (including RMB621.9mn share-based compensation expense). I-Mab had a strong cash position of RMB4.3bn as of end-2021. Considering upcoming milestone payments and potential out-license opportunities, I-Mab has sufficient cash balance to support future R&D activities.

- **Encouraging results of lemzoparlimab (CD47) for 1L MDS.** In a phase 2 trial (NCT04202003), 70+ patients with newly diagnosed MDS or AML have been dosed with lemzoparlimab at 30 mg/kg in combo with AZA. An interim analysis of 22 MDS patients who had a median treatment duration ≥ 4 months demonstrated encouraging preliminary results with ORR and CR rates comparable to that of magrolimab. In a previous study, magrolimab recorded 91% ORR and 42% CR in 33 MDS patients ([link](#)). I-Mab expects to present the detailed results in 2H22. With comparable efficacy to magrolimab and better safety profile, we expect lemzoparlimab to become an FIC & BIC CD47 antibody. I-Mab is planning to start a registrational trial in MDS this year.
- **Multiple assets to be ready for commercialization in the next three years.** For the 7 assets in phase 2/3 trials, I-Mab expects to complete three near-term BLA filings and product launches during 2023-2025 in China, including felzartamab (CD38), eftansomatropin alfa (long-acting growth hormone), and potentially lemzoparlimab (CD47). With a new local manufacturing plan for felzartamab, I-Mab aims to file NDA for felzartamab for treatment of 3L MM in 2022. Additionally, the Company is in negotiation to in-license a pre-BLA product in the hematologic malignancy space, aiming to further expand its hematologic product portfolio. As for the manufacturing facilities, the Phase One facility with 6,000L capacity in Hangzhou will become operational in around Jun 2022, and the construction of the Phase Two facility (32,000L) may be completed by 2024.
- **Uliledlimab (CD73) to release key results in mid-2022.** A phase 2 basket trial of uliledlimab (CD73) in combo with toripalimab (NCT04322006) in solid tumor patients is ongoing in China. I-Mab expects to release the preliminary data from this study at the 2022 ASCO meeting, which could be a catalyst for the license-out deal of uliledlimab.
- **Maintain BUY.** To alleviate the US delisting risks, I-Mab has accelerated its listing process in HKEx, and plans to hire an accounting firm subject to inspection by the PCAOB to perform the audit from 2022. We maintain our DCF-based TP unchanged at US\$103.60 (WACC: 9.4%, terminal growth rate: 4.0%).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	1,543	88	794	1,270	2,040
Net profit (RMB mn)	471	(2,332)	(1,198)	(774)	(187)
EPS (RMB per ADS)	8.07	(30.69)	(14.99)	(9.68)	(2.34)
Consensus EPS (RMB per ADS)	N/A	N/A	(8.91)	(9.00)	(8.94)
R&D expenses (RMB mn)	(985)	(1,213)	(1,000)	(1,000)	(1,000)
Admin expenses (RMB mn)	(402)	(900)	(700)	(735)	(772)
Capex (RMB mn)	(8)	(100)	(100)	(100)	(100)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$103.60**
 (Previous TP **US\$103.60**)
 Up/Downside **+446.70%**
 Current Price **US\$18.95**

China Healthcare Sector

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Mkt. Cap. (US\$ mn)	1,515
Avg. 3mths t/o (US\$ mn)	22.01
52W High/Low (US\$)	85.40/12.00
Total Issued Shares (mn)	80

Source: Bloomberg

Shareholding Structure

Hillhouse Capital	8.99%
GIC	5.89%
Tasly Pharma	5.44%
Founder	5.40%
Genexine	4.62%
Rowe Price	4.17%
Others	65.49%

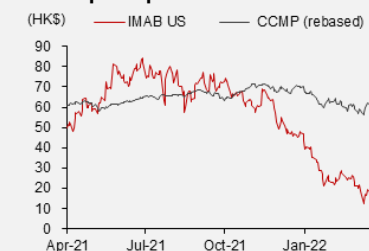
Source: Bloomberg, Wind

Share performance

	Absolute	Relative
1-mth	-23.3%	-27.0%
3-mth	-60.4%	-56.9%
6-mth	-73.9%	-73.8%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

Auditor: PWC

Web-site: www.i-mabbiopharma.com

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Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(1,198)	(774)	(187)	1,443	2,349	3,717	4,349	5,078	5,688	6,608	6,758	7,158	7,210	7,616
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,198)	(774)	(187)	1,227	1,997	3,159	3,696	4,316	4,835	5,617	5,744	6,084	6,128	6,474
+ D&A	34	49	61	70	77	82	86	89	92	94	95	96	97	98
- Change in working capital	(533)	(35)	(102)	(796)	(375)	(311)	(256)	(189)	(156)	(142)	(122)	(106)	(91)	(27)
- Capex	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	(1,797)	(860)	(328)	401	1,599	2,831	3,426	4,116	4,671	5,469	5,618	5,974	6,035	6,445
Terminal value														122,997
FCF + Terminal value	(1,797)	(860)	(328)	401	1,599	2,831	3,426	4,116	4,671	5,469	5,618	5,974	6,035	129,442
PV of enterprise (RMB mn)	50,978													
Net debt (RMB mn)	(1,645)													
Equity value (RMB mn)	52,622													
Equity value (US\$ mn)	8,280													
No. of ADS	79,924,675													
DCF per share (US\$)	103.60													
Terminal growth rate	4.0%													
WACC	9.4%													
Cost of Equity	12.0%													
Cost of Debt	4.0%													
Equity Beta	0.86													
Risk Free Rate	3.0%													
Market Risk Premium	10.5%													
Target Debt to Asset ratio	30.0%													
Effective Corporate Tax Rate	15.0%													

Source: CMBIGM estimates

Figure 2: Sensitivity analysis (US\$)

		WACC				
		8.4%	8.9%	9.4%	9.9%	10.4%
Terminal growth rate	5.0%	162.66	138.45	119.78	104.97	92.95
	4.5%	146.44	126.61	110.88	98.12	87.58
	4.0%	133.86	117.15	103.60	92.42	83.04
	3.5%	123.82	109.43	97.55	87.60	79.15
	3.0%	115.63	103.01	92.44	83.47	75.78

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	794	1,270	2,040	923	1,018	1,717	-13.94%	24.68%	18.83%
Gross Profit	794	1,247	1,961	891	931	1,509	-10.82%	34.02%	29.94%
Operating Profit	(1,206)	(775)	(185)	(1,071)	(1,088)	(997)	N/A	N/A	N/A
Net profit	(1,198)	(774)	(187)	(967)	(1,125)	(1,128)	N/A	N/A	N/A
EPS (RMB)	(14.99)	(9.68)	(2.34)	(8.91)	(9.00)	(8.94)	N/A	N/A	N/A
Gross Margin	100.00%	98.25%	96.12%	96.50%	91.41%	87.91%	+3.50 ppt	+6.85 ppt	+8.22 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Statements

Income statement

YE Dec 31 (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,543	88	794	1,270	2,040
Cost of sales	0	(46)	0	(22)	(79)
Gross profit	1,543	42	794	1,247	1,961
Administrative expenses	(402)	(900)	(700)	(735)	(772)
R&D expenses	(985)	(1,213)	(1,000)	(1,000)	(1,000)
Selling expenses	0	0	0	(87)	(274)
Other gains/losses	304	(285)	(300)	(200)	(100)
Operating profit	460	(2,356)	(1,206)	(775)	(185)
Finance costs, net	23	21	8	1	(2)
Pre-tax profit	483	(2,335)	(1,198)	(774)	(187)
Income tax	(12)	3	0	0	0
Minority interests and others	0	0	0	0	0
Attributable net profit (Net loss)	471	(2,332)	(1,198)	(774)	(187)

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21E	FY22E	FY23E	FY24E
Profit before tax	471	(2,335)	(1,198)	(774)	(187)
Depreciation and amortization, etc.	22	14	34	49	61
Change in working capital	(241)	328	(533)	(35)	(102)
Tax paid	0	3	0	0	0
Others	182	976	0	0	0
Net cash from operating activities	434	(1,014)	(1,697)	(760)	(228)
Capex	(8)	(100)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	12	0	0	0	0
Other investing activities	(206)	0	0	0	0
Net cash from investing activities	(202)	(100)	(100)	(100)	(100)
Net proceeds from shares	3,518	0	0	0	0
Net bank borrowing	(50)	0	0	0	0
Proceeds from issuance of convertible promissory notes	0	0	0	0	0
Other financing activities	(28)	0	0	0	0
Net cash from financing activities	3,440	0	0	0	0
FX changes	(107)	(121)	0	0	0
Net change in cash	3,672	(1,114)	(1,797)	(860)	(328)
Cash at the beginning of the year	1,193	4,759	3,524	1,726	866
Cash at the end of the year	4,759	3,524	1,726	866	539

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	990	848	914	965	1,004
PP&E	25	46	112	163	202
Operating lease right of use assets	15	113	113	113	113
Intangible assets	120	120	120	120	120
Goodwill	163	163	163	163	163
Other non-current assets	667	407	407	407	407
Current assets	5,344	4,782	2,924	2,110	1,912
Inventories	0	27	0	7	26
Trade and bills receivables	130	33	0	39	150
Prepayments, other receivables	195	191	191	191	191
Other financial assets	259	1,007	1,007	1,007	1,007
Cash and bank balances	4,759	3,524	1,726	866	539
Current liabilities	576	624	31	42	70
Short-term borrowings	0	0	0	0	0
Advance from customers	0	0	0	0	0
Other payables and accruals	561	593	0	11	39
Operating lease liabilities, current	8	31	31	31	31
Other current liabilities	8	0	0	0	0
Non-current liabilities	131	418	418	418	418
Convertible promissory notes	0	0	0	0	0
Onshore convertible loans	6	82	82	82	82
Other non-current liabilities	125	336	336	336	336
Total net assets	5,627	4,588	3,390	2,616	2,429
Minority interest	0	0	0	0	0
Shareholders' equity	5,627	4,588	3,390	2,616	2,429

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Profit & loss ratios (%)					
Gross margin	100	100	85	86	87
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 (%)	3	N/A	N/A	N/A	N/A
Balance sheet ratios					
Current ratio (x)	9	8	95	51	27
Trade receivables turnover	N/A	90	90	90	90
Trade payables turnover days	N/A	180	180	180	180
Total debt to asset ratio (%)	11	19	12	15	17
Returns (%)					
ROE	8	(51)	(35)	(30)	(8)
ROA	7	(41)	(31)	(25)	(6)
Per share data					
EPS (RMB)	8.07	(30.69)	(14.99)	(9.68)	(2.34)
DPS (RMB)	0	0	0	0	0
BVPS (RMB)	96.47	60.40	42.41	32.73	30.40

Source: Company data, CMBIGM estimates

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