

## Company Report

### I-Mab (IMAB US)

#### A safety concern on CD47 drug class may be easing

■ FDA lifts partial clinical hold on GILD's magrolimab studies, which should ease safety concerns about CD47 drug class

■ AZ reported positive CD73 ph2 trial in Neoadj. NSCLC; we think this brightens outlook for Co.'s global 3rd clinically advanced CD73

■ We think Co.'s MoA-differentiated pipeline will provide unique opportunity to add alpha. Reiterate BUY with TP at USD106

#### GILD's CD47 trials mostly back on track

FDA had placed a partial clinical hold on the studies evaluating the combination of magrolimab + azacitidine (AZA) in late Jan due to an apparent imbalance in suspected unexpected serious adverse reactions between study arms. GILD recently announced that FDA lifted the partial clinical hold placed on those affecting studies (five studies, incl: 3 ph3 ENHANCE studies) for myelodysplastic syndrome (MDS) and acute myeloid leukemia (AML). FDA's decision based on review of the comprehensive safety data from each trial. But FDA will keep holds on two additional ph2 trials in patients with diffuse large B-cell lymphoma (DLBCL) and multiple myeloma (MM). The ongoing clinical studies evaluating magrolimab in solid tumors were not affected by clinical hold. We think this positive news should trigger rebound of investors' sentiment for the αCD47 drug class. In addition, I-Mab affirmed its ongoing CD47 trials are not impacted by GILD's CD47 hold, and expect data readout from MDS, NHL and solid tumor in 2022E.

#### AACR: AZ's PD-L1/CD73 shows positive data in Neoadj. NSCLC

In AACR 2022, AZ reported ph2 NeoCOAST study (n=84, NCT03794544) for resectable, early stage NSCLC patients. The study evaluates the combination of Imfinzi (Durvalumab, αPD-L1 mAb) with Olcumab (αCD73 mAb) or Monalizumab or Danvatirsen as neoadjuvant therapy versus Imfinzi alone. The data showed improved MPR in D+O (19.0%) or D+M (30.0%) or D+ Da (31.3%) vs. D alone (11.1%) and pCR in D+O (9.5%) or D+M (10.0%) or D+ Da (12.5%) vs. D alone (3.7%), with no new safety signals. We believe scientific attraction of CD73 and synergistic therapeutic effect with other I/O drugs should help cast more spotlight towards CD73 class. We think I-Mab's uliledlimab, the 3<sup>rd</sup> clinically global advanced αCD73 mAb, is well poised to achieve value creation along this path.

#### Maintain BUY, SOTP-based TP of USD106

We maintain SOTP-based TP at USD106 and retain a 20% premium to equity value to reflect its greater potential in BD territory. Investment risks: disappointing clinical data (own or peer), delays of R&D progress and commercial launches; and price cut risk in NRDL negotiation.

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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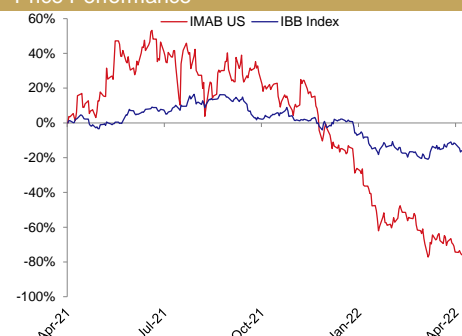
### WHAT'S NEW

Company updates

### BUY

Previous	BUY
Price (April 18, 2022)	USD12.3
12-month Target Price (Potential up/downside)	USD106 (+762%)
Previous	USD106

#### Price Performance



Source: Bloomberg

%	1m	6m	12m
IMAB US	(20.2)	(77.5)	(73.4)
IBB	(1.2)	(16.4)	(14.6)

Sources: Bloomberg

Pharmaceutical & Healthcare	
NASDAQ (April 18, 2022)	13,332
IBB (April 18, 2022)	127.1
Key Data	
52-week range (USD)	12.0-85.4
Market cap (USD mn)	1,010
Avg. daily traded value (USD mn)	22.8
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%

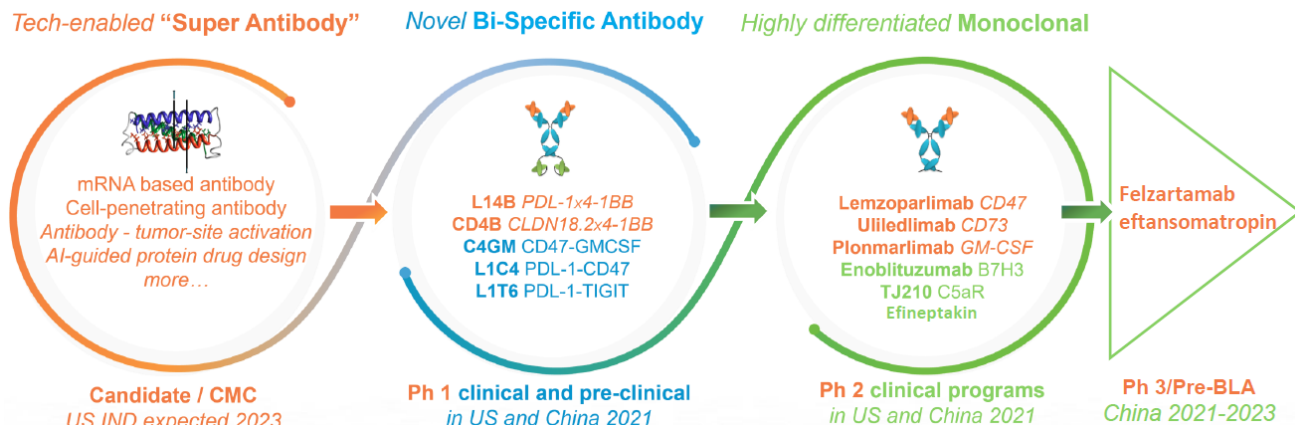
Sources: Company data, Bloomberg

#### Related Research

1. I-Mab (IMAB US) – R&D pipeline progress remains on track (BUY) (February 22, 2022)
2. I-Mab (IMAB US) – Positive lemtzoparlimab combo data in nHL at ASH21 (BUY) (December 15, 2021)
3. I-Mab (IMAB US) – Continuously unlock value through collaboration deals (BUY) (December 1, 2021)

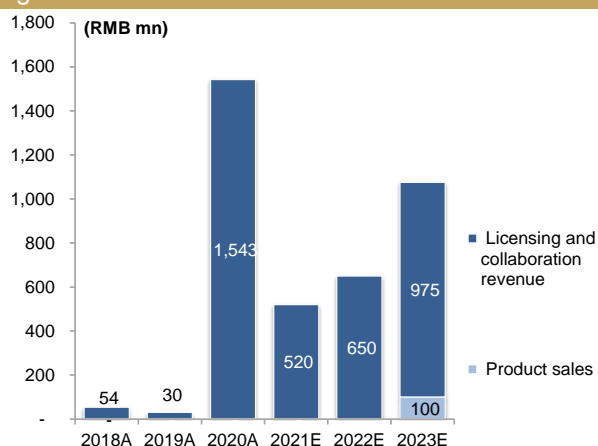
## Focus charts

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



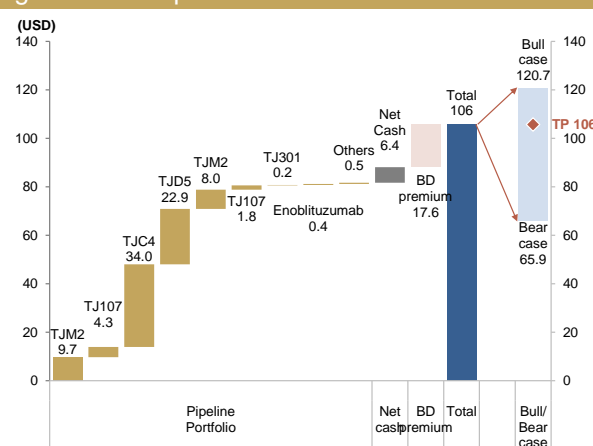
Source: Company data

Figure 2: Revenue forecast and breakdown



Sources: Company data, CMS (HK) estimates

Figure 3: rNAV per share breakdown



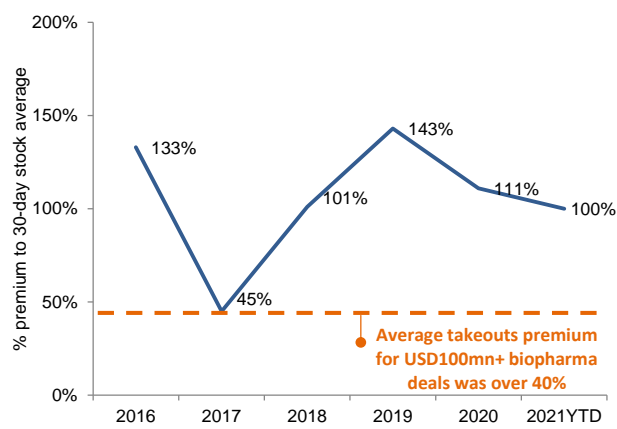
Sources: Company data, CMS (HK) estimates

Figure 4: Catalyst calendar

Candidates	Target	Indication	22-24E Milestone / Event	Timeline	Achieved
Lemzoparlimab (TJC4)	CD47	NHL (+rituximab)	Topline data readout	Data	2022E
		Solid tumor (+pembro)	Preliminary data readout	Data	2022E
		AML/MDS	Topline data readout	Data	2022E
Uiliedlimab (TJD5)	CD73	Solid tumor (+toripal)	Preliminary data readout	Data	2022E
Felzartamab (TJ202)	CD38	3L MM	Topline data readout	Data	2022E
		3L MM	BLA filing	Reg.	2022E
		2L MM (+henalidomide)	BLA filing	Reg.	2023E
Eftansomatropin (TJ101)	rhGH	PGHD	BLA filing	Reg.	2023/24E

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

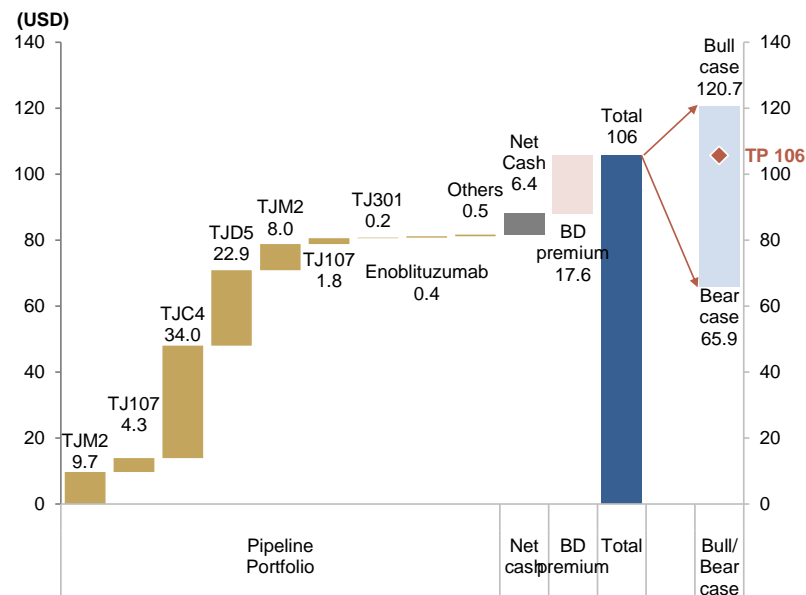
We arrived at our SOTP-based TP using a risk adjusted NPV (rNPV) approach, with sensitivities on the peak sales and the probability of success (PoS) of various molecules. We detail below our assumption and valuation results.

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
<b>Pipeline valuation (rNPV)</b>									<b>30,971</b>
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
Uiliedlimab (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	P2	MacroGenics	Solid tumors	2026	83	10%	CH(100%)	140
Others (C5aR mAb, BsAbs, etc.)									201
<b>Net cash</b>									<b>2,438</b>
<b>Valuation (RMB mn)</b>									<b>33,409</b>
No of shares (mn)									134
<b>Valuation per share (RMB)</b>									<b>249</b>
<b>Valuation per ADR share (USD) (10ADS:23common shares; 6.5RMB/USD)</b>									<b>88.1</b>
<b>BD premium</b>									<b>20%</b>
<b>TP (USD)</b>									<b>106</b>

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
<b>CAPM unleveraged discount rate</b>	<b>10.0</b>
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
<b>Post-tax cost of debt (%)</b>	<b>9.4</b>
Estimated target gearing (net debt/EV) (%)	10.0
<b>WACC (%)</b>	<b>10.0</b>

Source: CMS (HK) estimates

## Investment risks

### Clinical failure of core clinical assets:

Company may encounter clinical development setbacks of its in-house 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 activities. Setbacks in these activities may adversely affect company's business and financial prospects.

## Financial Summary

## Balance Sheet

RMB mn	2019	2020	2021E	2022E	2023E
<b>Non-current assets</b>	<b>376</b>	<b>990</b>	<b>982</b>	<b>974</b>	<b>965</b>
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
<b>Current assets</b>	<b>1,361</b>	<b>5,344</b>	<b>4,274</b>	<b>2,892</b>	<b>1,435</b>
Inventories	-	-	-	-	-
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
<b>Total assets</b>	<b>1,738</b>	<b>6,334</b>	<b>5,256</b>	<b>3,866</b>	<b>2,399</b>
<b>Current liabilities</b>	<b>588</b>	<b>576</b>	<b>576</b>	<b>576</b>	<b>579</b>
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
<b>Non-current liabilities</b>	<b>80</b>	<b>131</b>	<b>131</b>	<b>131</b>	<b>131</b>
Long-term payables	68	-	-	-	-
Contract liabilities	-	-	-	-	-
LT bank loans	-	-	-	-	-
Others	11	131	131	131	131
<b>Shareholders' funds</b>	<b>1,069</b>	<b>5,627</b>	<b>4,550</b>	<b>3,160</b>	<b>1,690</b>
<b>Minorities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liability and equity</b>	<b>1,738</b>	<b>6,334</b>	<b>5,256</b>	<b>3,866</b>	<b>2,399</b>

## Cashflow Statement

RMB mn	2019	2020	2021E	2022E	2023E
<b>Operating cash flow</b>	<b>(868)</b>	<b>434</b>	<b>(1,024)</b>	<b>(1,448)</b>	<b>(1,522)</b>
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	-	-	-	-	-
<b>Investing cash flow</b>	<b>212</b>	<b>(202)</b>	<b>85</b>	<b>66</b>	<b>39</b>
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)	-	-	-
<b>Financing cash flow</b>	<b>153</b>	<b>3,440</b>	<b>-</b>	<b>-</b>	<b>-</b>
Proceeds from IPO net of fees	184	3,481	-	-	-
Issuance of equity shares	-	-	-	-	-
Bank borrowings, net	(31)	(50)	-	-	-
Others	-	-	-	-	-
<b>Beginning cash</b>	<b>1,681</b>	<b>1,193</b>	<b>4,759</b>	<b>3,820</b>	<b>2,438</b>
Forex	15	(107)	-	-	-
<b>End cash</b>	<b>1,193</b>	<b>4,759</b>	<b>3,820</b>	<b>2,438</b>	<b>955</b>

## Profit &amp; Loss

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

## Financial Ratios

	2019	2020	2021E	2022E	2023E
<b>Growth</b>					
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.
<b>Profitability</b>					
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.
<b>Efficiency</b>					
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.
<b>Liquidity</b>					
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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