

## Company Report

### I-Mab (IMAB US)

#### Mixed CD73 data in ASCO, more data to reveal by YE22E

■ In ASCO 2022, Co. presented a mixed data readout of its CD73 mAb uliledlimab across cohorts from an ongoing Ph2 China study

■ The results showed positive efficacy signals in treatment-naïve NSCLC pts while lower response to heavily treated pts

■ We think Co.'s MoA-differentiated pipeline will provide unique opportunity to add alpha. Maintain BUY with TP cut to USD72

#### A mixed ph2 data readout of uliledlimab in ASCO 2022

The early data of uliledlimab (ULI) in ASCO 2022 is from an ongoing ph1/2 trial (n=221, NCT04322006), which evaluated safety and efficacy of ULI in combination with toripalimab (TOR) for advanced solid tumor. As of data cut-off on Mar 29, 2022, out of 48 efficacy evaluable NSCLC (mainly stage 4 disease) patients (pts) across three cohorts, cohort #3 (19 treatment-naïve pts) showed 5 PR (26% ORR) and 9 SD (73.7% DCR), while cohort #1 & #2 with heavily treated pts (who failed SoC or SoC+ICI) showed a lower clinical response with 1PR and 12 SD. Safety profile remained sound with no dose limiting toxicities observed in both monotherapy and combination therapy. Co. highlighted the results showed a potential correlation between high tumoral expression of CD73 (≥35% expression level) and the observed clinical response, which CD73 could potentially be a novel predictive biomarker. Co. expects more maturing ph2 data on cohort #3 (efficacy and biomarker) by YE22 and plans to start ph3 trial in 2023 with a companion diagnostic kit. We think ULI's early data was largely in line with our expectation and thus maintain our projection on ULI (RMB2.3bn risk adj. global peak sales and 15% PoS). We think its upcoming ph2 data updates on cohort #3 by YE22E should shed more lights on its prospects.

#### Major catalysts in 2022-23E

1) **lemzoparlimab (CD47)**: a) data update from the ongoing ph1 combo study w/ αCD20 for nHL in 22E; b) preliminary data readout from combo study w/ αPD-1 in the U.S for solid tumor in 22E; c) full data analysis from combo study with AZA in China for MDS in 22E; d) Initiation of 1-2 registrational trials in China in 22E; 2) **uliledlimab (CD73)**: a) more ph2 data on cohort #3 by YE22E; b) initiation of ph2 combo study w/ αPD-1 in the U.S for non-NSCLC solid tumors in 22E, and ph3 trial for NSCLC in China in 23E.

#### Maintain BUY, SOTP-based TP revised down to USD72

We cut SOTP-based TP from USD106 to USD72 as we applied higher WACC (from 10.0% to 12.3%) to reflect broad-based risk-on sentiment and valuation reset weighing on biotech sector (IBB index down 33% from 52wk high). But we retain a 20% equity premium to reflect its greater BD potential. **Investment risks**: clinical delay/failure, lower-than-expected sales, regulatory risks, NRDL-driven price cut risk.

| 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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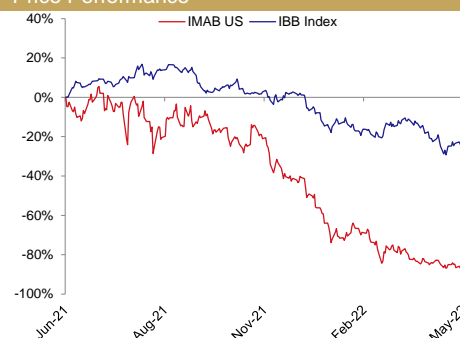
### WHAT'S NEW

Company updates, TP revision

### BUY

|   |               |
|---|---------------|
| Previous                                      | BUY           |
| Price (May 27, 2022)                          | USD8.3        |
| 12-month Target Price (Potential up/downside) | USD72 (+767%) |
| Previous                                      | USD106        |

#### Price Performance



Source: Bloomberg

| %       | 1m     | 6m     | 12m    |
|---------|--------|--------|--------|
| IMAB US | (39.9) | (87.0) | (89.7) |
| IBB     | (1.9)  | (23.3) | (20.6) |

Sources: Bloomberg

|                             |        |
|-----------------------------|--------|
| Pharmaceutical & Healthcare |        |
| NASDAQ (May 27, 2022)       | 12,131 |
| IBB (May 27, 2022)          | 119.5  |

|                                  |          |
|----------------------------------|----------|
| Key Data                         |          |
| 52-week range (USD)              | 8.1-85.4 |
| Market cap (USD mn)              | 683      |
| Avg. daily traded value (USD mn) | 20.1     |
| BVPADS (USD)                     | 8.4      |

|                        |       |
|------------------------|-------|
| Shareholding Structure |       |
| Management             | 22.1% |
| C-Bridge entities      | 15.5% |
| Hillhouse              | 8.7%  |
| T. Rowe Price          | 6.6%  |
| GIC                    | 5.7%  |
| Tasly                  | 5.3%  |
| Genexine               | 4.5%  |
| Free float             | 31.6% |

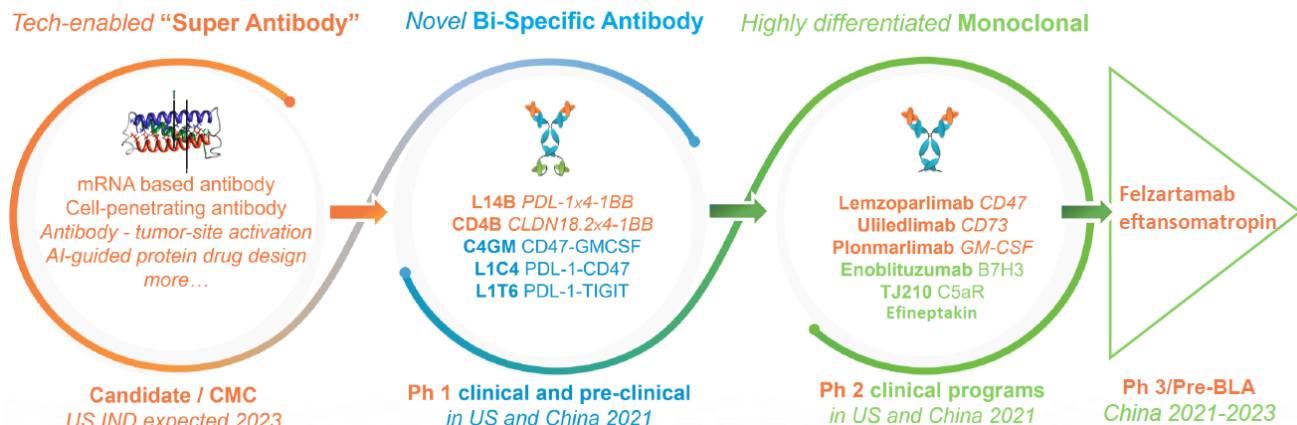
Sources: Company data, Bloomberg

#### Related Research

1. I-Mab (IMAB US) – A safety concern on CD47 drug class may be easing (BUY) (April 19, 2022)
2. I-Mab (IMAB US) – R&D pipeline progress remains on track (BUY) (February 22, 2022)
3. I-Mab (IMAB US) – Positive lemzoparlimab combo data in nHL at ASH21 (BUY) (December 15, 2021)
4. I-Mab (IMAB US) – Continuously unlock value through collaboration deals (BUY) (December 1, 2021)

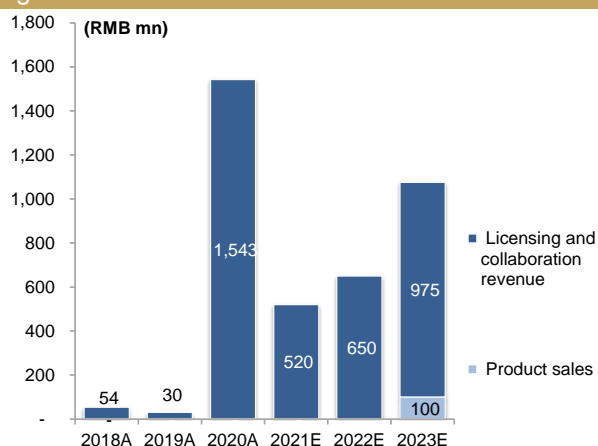
## Focus charts

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



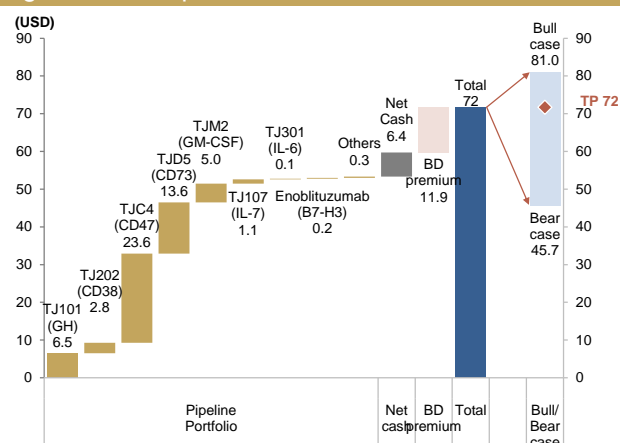
Source: Company data

Figure 2: Revenue forecast and breakdown



Sources: Company data, CMS (HK) estimates

Figure 3: rNAV per share breakdown



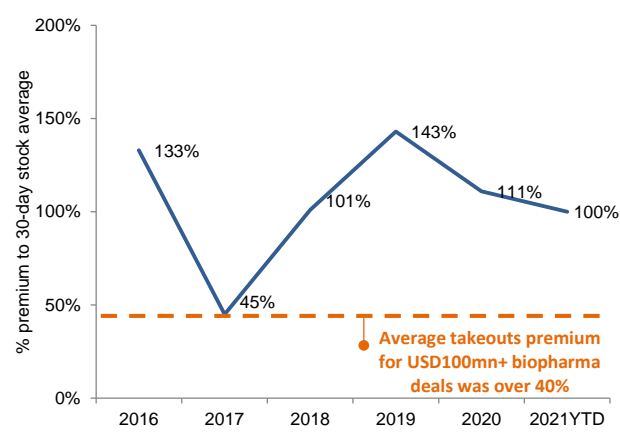
Sources: Company data, CMS (HK) estimates

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 (+toripali) | More data on ph2 cohort #3   | Data     | YE22E    |
|                         |        | Solid tumor (+pembro)   | Ph2 study initiation (US)    | Study    | 2022E    |
|                         |        | Solid tumor (+PDX)      | Ph3 study initiation (China) | Study    | 2023E    |
| Felzartamab (TJ202)     | CD38   | 3L MM                   | Topline data readout         | Data     | 2022E    |
|                         |        | 3L MM                   | BLA filing                   | Reg.     | 2022E    |
|                         |        | 2L MM (+tenalidomide)   | 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

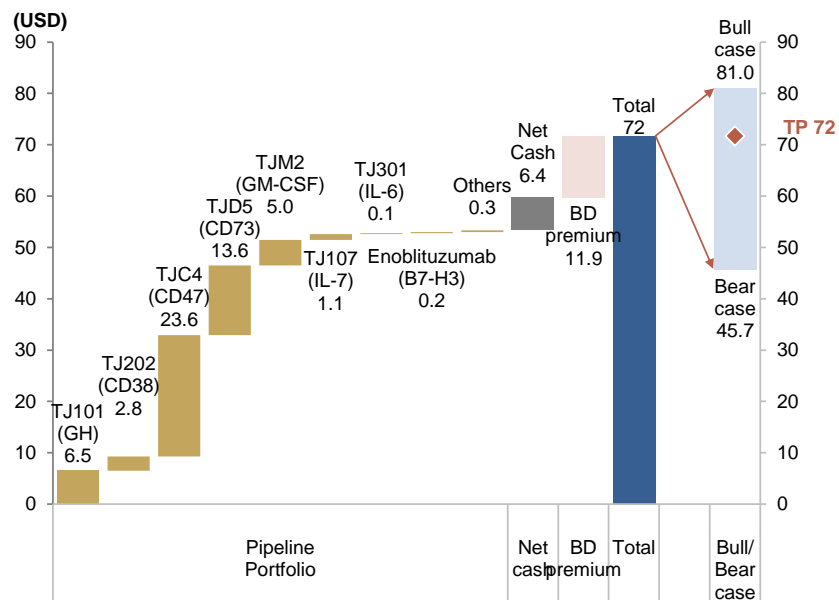
We arrived at our SOTP-based TP using a risk adjusted NPV (rNPV) approach w WACC at 12.3% (prior 10.0%), with sensitivities on the peak sales and the probability of success (PoS) of various molecules. We detail below our assumption and valuation results.

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 (Previous) | rNPV (Revised) | Δ (% chg)   |
|--|------------------|--------------------|--------------------|----------------------------------|-------------|-----------------|--------------------|---------------------|-----------------|----------------|-------------|
| <b>Pipeline valuation (rNPV)</b>   |                  |                    |                    |                                  |             |                 |                    |                     | <b>30,971</b>   | <b>20,211</b>  | <b>-35%</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***) | 3,674           | 2,458          | -33%        |
| 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%)           | 1,617           | 1,061          | -34%        |
| Eftansomatropin Alfa (TJ101)   | Long-acting rhGH | Reg                | Genexine           | PGHD                             | 2024        | 1,453           | 90%                | CH(100%)            | 12,908          | 8,959          | -31%        |
| Felzartamab (TJ202) +/- CD47(TJC4)                                       | CD-38 mAb        | Reg                | MorphoSys          | Multiple myeloma (3L, 2L and 1L) | 2023        | 652             | 90%                | CH(100%)            | 8,664           | 5,144          | -41%        |
| Plonmarlimab (TJM2)  | GM-CSF mAb       | P2                 |                    | CRS (severe COVID-19, CAR-T)     | 2023        | 827             | 40%                | WW(100%)            | 3,023           | 1,894          | -37%        |
| Efineptakin Alfa (TJ107)   | IL-7 Long-acting | P2                 | Genexine           | Lymphopenia/CPI booster          | 2025        | 315             | 40%                | CH(100%)            | 665             | 430            | -35%        |
| Olamkicept (TJ301)   | IL-6 inhibitor   | P2                 | Ferring            | Ulcerative Colitis (UC)          | 2026        | 37              | 20%                | CH(100%)            | 80              | 51             | -36%        |
| Enoblituzumab  | B7-H3 mAb        | P2                 | MacroGenics        | Solid tumors                     | 2026        | 83              | 10%                | CH(100%)            | 140             | 88             | -37%        |
| Others (C5aR mAb, BsAbs, etc.)   |                  |                    |                    |                                  |             |                 |                    |                     | 201             | 127            | -37%        |
| <b>Net cash</b>  |                  |                    |                    |                                  |             |                 |                    |                     | 2,438           | 2,438          | 0%          |
| <b>Valuation (RMB mn)</b>  |                  |                    |                    |                                  |             |                 |                    |                     | <b>33,409</b>   | <b>22,649</b>  | <b>-32%</b> |
| No of shares (mn)  |                  |                    |                    |                                  |             |                 |                    |                     | 134             | 134            | 0%          |
| <b>Valuation per share (RMB)</b>   |                  |                    |                    |                                  |             |                 |                    |                     | <b>249</b>      | <b>169</b>     | <b>-32%</b> |
| <b>Valuation per ADR share (USD) (10ADS:23common shares; 6.5RMB/USD)</b> |                  |                    |                    |                                  |             |                 |                    |                     | <b>88</b>       | <b>60</b>      | <b>-32%</b> |
| <b>BD premium</b>  |                  |                    |                    |                                  |             |                 |                    |                     | 20%             | 20%            | 0 ppt       |
| <b>TP (USD)</b>  |                  |                    |                    |                                  |             |                 |                    |                     | <b>106</b>      | <b>72</b>      | <b>-32%</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                    | 1.1 |
| Equity risk premium (%) | 8.8 |

**CAPM unleveraged discount rate**

**12.7**

**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 (%)**

**12.3**

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 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>   |
| <b>(+/-) Finance expense - net</b>    | <b>28</b>      | <b>23</b>    | <b>95</b>      | <b>76</b>      | <b>49</b>      |
| <b>(+/-) Others, net</b>              | <b>(4)</b>     | <b>304</b>   | <b>-</b>       | <b>-</b>       | <b>-</b>       |
| <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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