

I-Mab (IMAB US)

Amendment on the deal regarding anti-CD47 antibodies with AbbVie

- Continue to collaborate with AbbVie on the global development of anti-CD47 antibody therapy.** I-Mab and AbbVie amended their original license and collaboration agreement regarding anti-CD47 antibody lemozoparlimab to include a new pre-IND stage anti-CD47 antibody (discovery work mainly led by AbbVie). There will be two options for the two parties: (1) to collaborate on the new anti-CD47 antibody, in which case I-Mab will be eligible to receive up to US\$1.295bn in milestone payments, and tiered royalties from mid-to-high single digit percentages on global net sales outside of Greater China; (2) to continue the original collaboration on anti-CD47 antibody lemozoparlimab, in which case I-Mab will be eligible to receive the remaining milestone payments and tiered royalties as previously disclosed (up to US\$1.74bn milestone payments and tiered royalties from low-to-mid teen percentages on global net sales outside of Greater China). In both cases, I-Mab has the exclusive right to develop and commercialize all licensed products in Greater China. Adding a new CD47 antibody to the original agreement provides a higher chance of success of anti-CD47 antibody therapy, in our view.
- MDS/AML Ph1b trial to be discontinued by AbbVie, not due to safety concerns.** AbbVie will discontinue the global Ph1b study of lemozoparlimab + azacitidine + venetoclax in patients with MDS/AML. This decision was not based on any specific or unexpected safety concerns. Previously, AbbVie terminated its Ph1 exploratory study of lemozoparlimab in multiple myeloma (MM), with no safety concerns raised. In the CD47 therapy field, FDA lifted the partial clinical hold on Gilead's magrolimab's trials in MDS/AML in Apr, while magrolimab's trials in DLBCL and MM remained on hold.
- I-Mab to initiate registrational Ph3 trials of lemozoparlimab in MDS in China.** I-Mab continues its commitment to develop lemozoparlimab with a near-term focus on the initiation of a Ph3 trial in MDS in China. Data from the Ph2 trial of lemozoparlimab + azacitidine in patients with higher risk MDS will be presented at the ESMO meeting in Sep 2022. To date, Ph1 and Ph2 studies of lemozoparlimab in the US and China have enrolled nearly 200 patients which has shown a good safety profile without the need for priming dosing.
- Maintain BUY.** The data readout of lemozoparlimab in Sep and the initiation of the registrational Ph3 study will be key steps of the drug's development. Additionally, we expect I-Mab to accelerate updated data on CD73 mAb in NSCLC by the end of 2022, which may accelerate the progress of potential out-license deals. Factoring in the changing dynamics in CD47 therapies, we revised down our DCF-based TP from US\$70.25 to US\$44.51 (WACC: 10.0%, terminal growth rate: 2.0%).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	1,542.7	88.0	823.4	17.3	785.5
Net profit (RMB mn)	470.9	(2,331.5)	(767.5)	(1,292.1)	(462.1)
EPS (Reported) (RMB)	8.1	(30.7)	(9.6)	(16.2)	(5.8)
R&D expenses (RMB)	(984.7)	(1,213.0)	(800.0)	(600.0)	(600.0)
Admin expenses (RMB mn)	(402.4)	(899.9)	(600.0)	(600.0)	(550.0)
CAPEX (RMB mn)	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$44.51
(Previous TP)	US\$70.25)
Up/Downside	551.7%
Current Price	US\$6.83

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Stock Data

Mkt Cap (US\$ mn)	564
Avg 3 mths t/o (US\$ mn)	8.05
52w High/Low (US\$)	80.88/6.52
Total Issued Shares (mn)	79.9
Source: FactSet	

Shareholding Structure

C-Bridge	15.5%
T.Rowe Price	8.9%

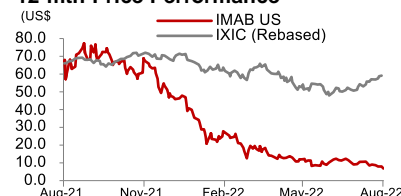
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-23.7%	-32.5%
3-mth	-46.2%	-50.2%
6-mth	-75.4%	-73.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: PWC

Web-site: www.i-mabbiopharma.com

Related report:

- Ullidlimab (CD73) showed preliminary efficacy in treatment-naïve advanced NSCLC patients – 30 May 2022
- Lemozoparlimab showed encouraging data on MDS – 31 Mar 2022

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (RMB mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(768)	(1,292)	(462)	5	1,379	2,334	2,737	3,169	3,558	4,143	4,173	4,359	4,323	4,587
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(768)	(1,292)	(462)	4	1,172	1,984	2,326	2,694	3,024	3,522	3,547	3,705	3,675	3,899
+ D&A	35	36	37	37	38	38	39	39	39	39	39	39	39	39
- Change in working capital	(533)	(4)	(33)	(308)	(383)	(216)	(167)	(126)	(97)	(83)	(42)	(33)	(24)	(17)
- Capex	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
FCFF	(1,286)	(1,280)	(479)	(287)	807	1,787	2,177	2,587	2,947	3,458	3,524	3,692	3,670	3,902
Terminal value														49,814
FCF + Terminal value	(1,286)	(1,280)	(479)	(287)	807	1,787	2,177	2,587	2,947	3,458	3,524	3,692	3,670	53,716
PV of enterprise (RMB mn)	21,280													
Net debt (RMB mn)	(2,156)													
Equity value (RMB mn)	23,436													
Equity value (US\$ mn)	3,558													
No. of ADS	79,924,675													
DCF per share (US\$)	44.51													
Terminal growth rate	2.0%													
WACC	10.0%													
Cost of Equity	12.5%													
Cost of Debt	5.0%													
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: CMBIGM estimates

Figure 2: Sensitivity analysis (US\$)

		WACC				
		9.0%	9.5%	10.0%	10.5%	11.0%
Terminal growth rate	3.0%	59.60	53.52	48.36	43.93	40.10
	2.5%	56.49	51.01	46.31	42.24	38.69
	2.0%	53.82	48.83	44.51	40.75	37.44
	1.5%	51.51	46.93	42.93	39.42	36.32
	1.0%	49.49	45.24	41.52	38.23	35.31

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	823	17	785	814	853	1,926	1%	-98%	-59%
Gross Profit	823	15	764	814	850	1,865	1%	-98%	-59%
Operating Profit	(777)	(1,295)	(460)	(1,186)	(1,097)	(221)	NA	NA	NA
Net profit	(768)	(1,292)	(462)	(1,178)	(1,096)	(224)	NA	NA	NA
EPS (RMB)	(9.60)	(16.17)	(5.78)	(14.74)	(13.72)	(2.80)	NA	NA	NA
Gross Margin	100.00%	86.00%	97.27%	100.00%	99.63%	96.80%	0.00 ppt	-13.63 ppt	+0.47 ppt

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	823	17	785	673	873	1,389	22%	-98%	-43%
Gross Profit	823	15	764	654	826	1,244	26%	-98%	-39%
Operating Profit	(777)	(1,295)	(460)	(1,287)	(1,243)	(888)	N/A	N/A	N/A
Net profit	(768)	(1,292)	(462)	(1,404)	(1,408)	(943)	N/A	N/A	N/A
EPS (RMB)	(9.60)	(16.17)	(5.78)	(12.33)	(11.66)	(6.91)	N/A	N/A	N/A
Gross Margin	100.00%	86.00%	97.27%	97.16%	94.68%	89.55%	+2.85 ppt	-8.68 ppt	+7.72 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Revenue	30	1,543	88	823	17	785
Cost of goods sold	0	0	(46)	0	(2)	(21)
Gross profit	30	1,543	42	823	15	764
Operating expenses	(1,482)	(1,060)	(2,376)	(1,591)	(1,307)	(1,226)
Selling expense	0	0	0	0	(10)	(74)
Admin expense	(655)	(402)	(900)	(600)	(600)	(550)
R&D expense	(840)	(985)	(1,213)	(800)	(600)	(600)
Others	13	328	(263)	(191)	(97)	(2)
Pre-tax profit	(1,452)	483	(2,335)	(768)	(1,292)	(462)
Income tax	0	(12)	3	0	0	0
Net profit	(1,452)	471	(2,332)	(768)	(1,292)	(462)
Others	(33)	0	0	0	0	0
Net profit to shareholders	(1,485)	471	(2,332)	(768)	(1,292)	(462)
BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Current assets	1,361	5,344	4,782	3,436	2,161	1,725
Cash & equivalents	1,137	4,759	3,524	2,238	958	479
Account receivables	0	130	33	0	4	41
Inventories	0	0	27	0	1	7
ST bank deposits	32	32	753	753	753	753
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	192	423	445	445	445	445
Non-current assets	376	990	848	833	817	800
PP&E	30	25	46	51	54	57
Intangibles	149	120	120	120	120	120
Goodwill	163	163	163	163	163	163
Financial assets at FVTPL	0	665	380	380	380	380
Other non-current assets	35	17	139	120	100	81
Total assets	1,738	6,334	5,629	4,269	2,978	2,525
Current liabilities	588	576	624	31	32	41
Short-term borrowings	50	0	0	0	0	0
Account payables	274	561	593	0	1	11
Other current liabilities	265	16	31	31	31	31
Non-current liabilities	80	131	418	418	418	418
Long-term borrowings	76	6	82	82	82	82
Deferred income	4	0	0	0	0	0
Other non-current liabilities	0	125	336	336	336	336
Total liabilities	668	707	1,042	448	449	459
Capital surplus	389	7,701	9,129	9,129	9,129	9,129
Retained earnings	(2,494)	(2,023)	(4,355)	(5,122)	(6,414)	(6,877)
Other reserves	3,174	(51)	(186)	(186)	(186)	(186)
Total shareholders equity	1,069	5,627	4,588	3,820	2,528	2,066
Total equity and liabilities	1,738	6,334	5,629	4,269	2,978	2,525
CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(1,452)	(768)	5	1,379	2,334	2,737
Depreciation & amortization	10	15	18	18	19	19
Tax paid	0	0	(1)	(207)	(350)	(411)
Change in working capital	185	(533)	(308)	(383)	(216)	(167)

Others	389	20	20	20	20	20
Net cash from operations	(868)	(1,266)	(267)	827	1,807	2,197
Investing						
Capital expenditure	(12)	(20)	(20)	(20)	(20)	(20)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Net proceeds from disposal of short-term investments	225	0	0	0	0	0
Net cash from investing	212	(20)	(20)	(20)	(20)	(20)
Financing						
Dividend paid	0	0	0	0	0	(698)
Net borrowings	(30)	0	0	0	0	0
Proceeds from share issues	183	0	0	0	0	0
Net cash from financing	153	0	0	0	0	(698)
Net change in cash						
Cash at the beginning of the year	1,681	3,524	479	193	1,000	2,787
Exchange difference	15	0	0	0	0	0
Cash at the end of the year	1,193	2,238	193	1,000	2,787	4,266
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	(44.2%)	5,042.2%	(94.3%)	835.4%	(97.9%)	4,427.5%
Gross profit	(44.2%)	5,042.2%	(97.3%)	1,879.7%	(98.2%)	5,020.8%
Net profit	260.4%	(132.4%)	(595.1%)	(67.1%)	68.3%	(64.2%)
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	100.0%	100.0%	47.3%	100.0%	86.0%	97.3%
Net profit margin	(4,950.0%)	30.5%	(2,648.7%)	(93.2%)	(7,447.8%)	(58.8%)
Return on assets (ROA)	n/m	7.4%	n/m	n/m	n/m	n/m
Return on equity (ROE)	(138.9%)	8.4%	(50.8%)	(20.1%)	(51.1%)	(22.4%)
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Current ratio (x)	2.3	9.3	7.7	112.0	67.8	41.8
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/B	na	1.9	6.8	1.1	1.7	2.1

Note: The calculation of net cash includes financial assets. Source: Company data, CMBIGM estimates

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