

I-Mab (IMAB US)

Ph2 data of lemozoparlimab (CD47) in 1L MDS released

■ **Encouraging efficacy of lemozoparlimab in 1L MDS.** I-Mab announced positive Ph2 (NCT04202003) data of lemozoparlimab in combination with azacitidine (AZA) in patients with newly diagnosed higher risk MDS at ESMO 2022 ([link](#)). A total of 53 patients were enrolled as of 31 Mar 2022. Top-line data showed that for patients who received initial dose of over six months (n=15), the ORR and CRR were 86.7% and 40%, respectively. As a cross-trial comparison, the efficacy of lemozoparlimab was better than that of magrolimab (CD47 from Gilead; 75% ORR and 33% CRR; [link](#)) and comparable to IBI-188 (CD47 from Innovent; 85.7% ORR and 39% CRR; [link](#)). The improvements on haemoglobin/platelet and transfusion were observed in lemozoparlimab's trial. 9 of 29 patients (31%) with blood transfusion dependence at baseline became transfusion independent at the time of analysis. Furthermore, the majority of CR patients showed a reduction in MDS-related gene mutation burdens, including TP53, TET2 and RUNX1, with 56% achieving MRD negativity.

■ **Satisfying safety profile of lemozoparlimab, while more data required to make cross-trial comparisons.** 40% patients in lemozoparlimab's trial had Grade≥3 anemia (TRAEs), while Grade≥3 anemia occurred in 47% patients (TEAEs) in magrolimab's trial mentioned above. 11.3% patients in lemozoparlimab's trial discontinued due to TEAEs and Grade 5 TEAEs occurred in 5.7% patients. In comparison, 6.3% patients in magrolimab's trial discontinued due to AEs and 60-day mortality was 2%. In lemozoparlimab's trial, 74% patients had Grade≥3 anemia at baseline, while the anemia baseline status was not released in magrolimab's trial. It is hard to make direct comparison of safety profile between the two drug candidates due to the differences in data release (TRAE or TEAE) and the cross-trial variance. Innovent has not yet released the detailed safety data of IBI-181 + AZA in MDS, while it is notable that AK117 (CD47 from Akeso) could be better off in safety with 29.7% patients having anemia (any Grade) in its Ph1/2 trial NCT04900350. Moreover, preliminary results showed AK117 realized 60% CR in the five MDS patients who received 30mg/kg Q2W AK117 and AZA for at least four months. More data is required to make cross-trial comparisons of different CD47 antibodies.

■ **Maintain BUY.** I-Mab expects to initiate a Ph3 trial in 1L MDS patients in China in 2H22E, while the Company will collaborate with AbbVie in developing a new pre-IND anti-CD47 antibody overseas (led by AbbVie). We maintain our DCF-based TP unchanged at US\$43.06 (WACC: 10.0%, terminal growth rate: 2.0%).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	1,543	88	71	22	785
Net profit (RMB mn)	470.9	(2,331.5)	(1,732.4)	(1,342.5)	(372.7)
EPS (Reported) (RMB)	8.07	(30.69)	(20.85)	(16.15)	(4.48)
R&D expenses (RMB)	(985)	(1,213)	(800)	(600)	(550)
Admin expenses (RMB mn)	(402)	(900)	(600)	(550)	(500)
CAPEX (RMB mn)	(8)	(30)	(20)	(20)	(20)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$43.06
 (Previous TP US\$43.06)
Up/Downside 671.7%
Current Price US\$5.58

China Healthcare

Jill WU, CFA
 (852) 3900 0842
 jillwu@cmbi.com.hk

Andy WANG
 (852) 3657 6288
 andywang@cmbi.com.hk

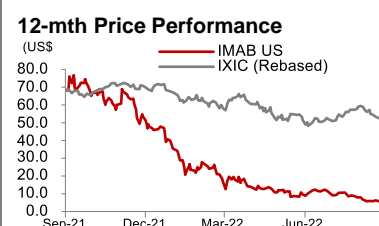
Stock Data
 Mkt Cap (US\$ mn) 463.7
 Avg 3 mths t/o (US\$ mn) 8.9
 52w High/Low (US\$) 76.57/5.58
 Total Issued Shares (mn) 83.1
 Source: FactSet

Shareholding Structure
 C-Bridge 15.5%
 T.Rowe Price 8.9%
 Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-30.1%	-24.7%
3-mth	-41.4%	-45.1%
6-mth	-66.7%	-64.7%

Source: FactSet



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

Related report:

- Strong cash balance to fund business operations – 1 Sep 2022
- Amendment on the deal regarding anti-CD47 antibodies with AbbVie – 18 Aug 2022
- Ulidlimab (CD73) showed preliminary efficacy in treatment-naïve advanced NSCLC patients – 30 May 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	(1,732)	(1,342)	(373)	95	1,473	2,418	2,837	3,282	3,682	4,277	4,312	4,505	4,474	4,742
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,732)	(1,342)	(373)	80	1,252	2,055	2,411	2,790	3,129	3,635	3,666	3,829	3,803	4,031
+ D&A	25	26	27	28	28	29	29	29	30	30	30	30	30	30
- Change in working capital	60	(4)	(33)	(302)	(377)	(212)	(165)	(124)	(95)	(82)	(41)	(32)	(24)	(16)
- Capex	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
FCFF	(1,667)	(1,340)	(398)	(214)	884	1,852	2,256	2,675	3,044	3,563	3,634	3,807	3,789	4,025
Terminal value														51,378
FCF + Terminal value	(1,667)	(1,340)	(398)	(214)	884	1,852	2,256	2,675	3,044	3,563	3,634	3,807	3,789	55,403
PV of enterprise (RMB mn)	21,796													
Net debt (RMB mn)	(1,775)													
Equity value (RMB mn)	23,571													
Equity value (US\$ mn)	3,578													
No. of ADS	83,098,842													
DCF per share (US\$)	43.06													
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%	58.03	52.00	46.88	42.48	38.67
	2.5%	54.95	49.51	44.84	40.80	37.28
	2.0%	52.30	47.35	43.06	39.32	36.04
	1.5%	50.01	45.46	41.49	38.00	34.92
	1.0%	48.00	43.79	40.09	36.83	33.92

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	71	22	785	358	637	890	-80%	-96%	-12%
Gross Profit	71	20	764	313	583	791	-77%	-97%	-3%
Operating Profit	(1,743)	(1,340)	(360)	(1,240)	(1,091)	(744)	N/A	N/A	N/A
Net profit	(1,732)	(1,342)	(373)	(1,586)	(1,372)	(759)	N/A	N/A	N/A
EPS (RMB)	(20.85)	(16.15)	(4.48)	(12.61)	(10.84)	(4.83)	N/A	N/A	N/A
Gross Margin	100.00%	89.13%	97.27%	87.50%	91.53%	88.82%	+12.50 ppt	-2.40 ppt	+8.45 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	71	22	785
Cost of goods sold	0	0	(46)	0	(2)	(21)
Gross profit	30	1,543	42	71	20	764
Operating expenses	(1,482)	(1,060)	(2,376)	(1,803)	(1,362)	(1,137)
Selling expense	0	0	0	0	(10)	(74)
Admin expense	(655)	(402)	(900)	(600)	(550)	(500)
R&D expense	(840)	(985)	(1,213)	(800)	(600)	(550)
Others	13	328	(263)	(403)	(203)	(12)
Pre-tax profit	(1,452)	483	(2,335)	(1,732)	(1,342)	(373)
Income tax	0	(12)	3	0	0	0
Others	(33)	0	0	0	0	0
Net profit	(1,452)	471	(2,332)	(1,732)	(1,342)	(373)

BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Current assets	1,361	5,344	4,782	3,054	1,920	1,563
Cash & equivalents	1,137	4,759	3,524	1,857	717	319
Account receivables	0	130	33	0	4	41
Inventories	0	0	27	0	1	6
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	819	814	808	801
PP&E	30	25	46	50	54	57
Intangibles	149	120	120	120	120	120
Goodwill	163	163	163	163	163	163
Financial assets at FVTPL	0	665	352	352	352	352
Other non-current assets	35	17	139	129	119	109
Total assets	1,738	6,334	5,601	3,869	2,727	2,364
Current liabilities	588	576	624	624	825	835
Short-term borrowings	50	0	0	0	200	200
Account payables	274	561	593	593	595	604
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	1,042	1,243	1,252
Capital surplus	389	7,701	9,101	9,101	9,101	9,101
Retained earnings	(2,494)	(2,023)	(4,355)	(6,087)	(7,430)	(7,802)
Other reserves	3,174	(51)	(186)	(186)	(186)	(186)
Total shareholders equity	1,069	5,627	4,560	2,827	1,485	1,112
Total equity and liabilities	1,738	6,334	5,601	3,869	2,727	2,364

CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(1,452)	471	(2,332)	(1,732)	(1,342)	(373)
Depreciation & amortization	10	13	14	15	16	17
Tax paid	0	0	0	0	0	0
Change in working capital	185	(241)	389	60	(4)	(33)
Others	389	191	950	10	10	10
Net cash from operations	(868)	434	(979)	(1,647)	(1,320)	(378)
Investing						
Capital expenditure	(12)	(8)	(30)	(20)	(20)	(20)
Acquisition of subsidiaries/ investments	0	0	(6)	0	0	0
Net proceeds from disposal of short-term investments	225	(194)	(691)	0	0	0
Net cash from investing	212	(202)	(727)	(20)	(20)	(20)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	(30)	(50)	0	0	200	0
Proceeds from share issues	183	3,490	594	0	0	0
Net cash from financing	153	3,440	594	0	200	0
Net change in cash						
Cash at the beginning of the year	1,681	1,193	4,759	3,524	1,857	717
Exchange difference	15	(107)	(129)	0	0	0
Cash at the end of the year	1,193	4,759	3,524	1,857	717	319
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	(44.2%)	5,042.2%	(94.3%)	(19.5%)	(68.5%)	3,414.6%
Gross profit	(44.2%)	5,042.2%	(97.3%)	70.4%	(71.9%)	3,735.5%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	100.0%	100.0%	47.3%	100.0%	89.1%	97.3%
Return on equity (ROE)	(95.8%)	14.1%	(45.8%)	(46.9%)	(62.3%)	(28.7%)
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Current ratio (x)	2.3	9.3	7.7	4.9	2.3	1.9
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/B	na	1.9	6.8	1.1	2.2	2.9

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.