

# I-Mab (IMAB US)

## Strong cash balance to fund business operations

I-Mab recorded RMB51.9mn net revenue in 1H22, which included revenue recognized related to the collaboration with AbbVie and revenue from the supply of investigational products under the collaboration agreement. The R&D costs in 1H22 were RMB452.6mn, representing a 24% YoY decrease, which was primarily due to reduced demand for investigational products as the Company procured sufficient stock in 2021 and lower share-based compensation expenses. Administrative expenses decreased by 13% YoY to RMB392.5mn, mainly driven by lower share-based compensation expenses. Net loss in 1H22 was RMB1.0bn, as compared to the loss of RMB1.1bn in 1H21. I-Mab has a total cash position of US\$586mn (RMB3.9bn) as of Jun 2022 (as compared to RMB4.3bn as of Dec 2021), which is sufficient to fund the business operations for over three years.

■ **To focus on five key clinical-stage assets.** I-Mab has prioritized its resources to focus on five key clinical stage assets with 10 ongoing and planned clinical trials. The key assets include felzartamab (CD38), eftansomatropin alfa (long-acting growth hormone), lemozoparlimab (CD47), uliledlimab (CD73), and TJ-CD4B (Claudin18.2/4-1BB). I-Mab expects to file three BLAs within the next two to three years, including felzartamab, eftansomatropin alfa, and followed by lemozoparlimab. I-Mab is currently pursuing potential partnerships for felzartamab, uliledlimab and TJ-CD4B. For uliledlimab, after preliminary efficacy data in 19 advanced NSCLC patients who were previously ineligible for SoC was released in May 2022 (ORR 26%; Cohort 3 of the Ph2 trial; [link](#)), I-Mab has expanded the study, and has enrolled 47 of the 60 targeted patients in the Cohort 3. We expect a more complete Ph2 dataset of uliledlimab to be released by 4Q22.

■ **To continue development of anti-CD47 antibody partnering with AbbVie.** 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 (led by AbbVie). I-Mab may receive up to US\$1.295bn in milestone payments and tiered royalties for the new anti-CD47 antibody, and will have the exclusive right of the asset in the Greater China. For lemozoparlimab in China, I-Mab expects to initiate a registrational Ph3 trial in MDS in 2H22. Data from the Ph2 trial of lemozoparlimab + azacitidine in patients with higher risk MDS will be soon presented at the ESMO meeting in Sep 2022.

■ **Maintain BUY.** With a strong cash balance of US\$586mn on hand and a comprehensive pipeline portfolio, we think I-Mab is currently highly undervalued. We revised our DCF-based TP from US\$46.17 to 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\$46.17)

**Up/Downside** **602.4%**

**Current Price** **US\$6.13**

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#### Stock Data

Mkt Cap (US\$ mn)	509.4
Avg 3 mths t/o (US\$ mn)	9.3
52w High/Low (US\$)	77.27/5.75
Total Issued Shares (mn)	83.1

Source: FactSet

#### Shareholding Structure

C-Bridge	15.5%
T.Rowe Price	8.9%

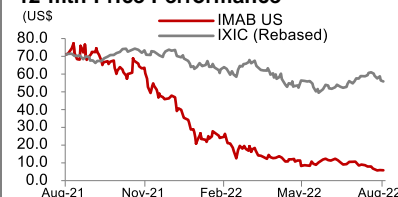
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-41.5%	-39.0%
3-mth	-29.5%	-28.4%
6-mth	-75.2%	-71.3%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

**Auditor: PWC**

**Web-site: [www.i-mabbiopharma.com](http://www.i-mabbiopharma.com)**

#### Related report:

1. Amendment on the deal regarding anti-CD47 antibodies with AbbVie – 18 Aug 2022
2. Uliledlimab (CD73) showed preliminary efficacy in treatment-naïve advanced NSCLC patients – 30 May 2022
3. 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	(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)
<b>FCFF</b>	<b>(1,667)</b>	<b>(1,340)</b>	<b>(398)</b>	<b>(214)</b>	<b>884</b>	<b>1,852</b>	<b>2,256</b>	<b>2,675</b>	<b>3,044</b>	<b>3,563</b>	<b>3,634</b>	<b>3,807</b>	<b>3,789</b>	<b>4,025</b>
Terminal value														51,378
<b>FCF + Terminal value</b>	<b>(1,667)</b>	<b>(1,340)</b>	<b>(398)</b>	<b>(214)</b>	<b>884</b>	<b>1,852</b>	<b>2,256</b>	<b>2,675</b>	<b>3,044</b>	<b>3,563</b>	<b>3,634</b>	<b>3,807</b>	<b>3,789</b>	<b>55,403</b>
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													
<b>DCF per share (US\$)</b>	<b>43.06</b>													
<b>Terminal growth rate</b>	<b>2.0%</b>													
<b>WACC</b>	<b>10.0%</b>													
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 revision**

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	71	22	785	823	17	785	-91%	31%	0%
Gross Profit	71	20	764	823	15	764	-91%	33%	0%
Operating Profit	(1,743)	(1,340)	(360)	(777)	(1,295)	(460)	N/A	N/A	N/A
Net profit	(1,732)	(1,342)	(373)	(768)	(1,292)	(462)	N/A	N/A	N/A
EPS (RMB)	(20.85)	(16.15)	(4.48)	(9.60)	(16.17)	(5.78)	N/A	N/A	N/A
Gross Margin	100.00%	89.13%	97.27%	100.00%	86.00%	97.27%	0.00 ppt	+3.13 ppt	+0.00 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	71	22	785	534	628	1,037	-87%	-96%	-24%
Gross Profit	71	20	764	497	573	921	-86%	-97%	-17%
Operating Profit	(1,743)	(1,340)	(360)	(1,207)	(1,194)	(776)	N/A	N/A	N/A
Net profit	(1,732)	(1,342)	(373)	(1,458)	(1,319)	(934)	N/A	N/A	N/A
EPS (RMB)	(20.85)	(16.15)	(4.48)	(11.55)	(12.04)	(5.17)	N/A	N/A	N/A
Gross Margin	100.00%	89.13%	97.27%	93.21%	91.19%	88.83%	+6.79 ppt	-2.06 ppt	+8.44 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

<b>CASH FLOW</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
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
<b>Net cash from operations</b>	<b>(868)</b>	<b>434</b>	<b>(979)</b>	<b>(1,647)</b>	<b>(1,320)</b>	<b>(378)</b>
<b>Investing</b>						
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
<b>Net cash from investing</b>	<b>212</b>	<b>(202)</b>	<b>(727)</b>	<b>(20)</b>	<b>(20)</b>	<b>(20)</b>
<b>Financing</b>						
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
<b>Net cash from financing</b>	<b>153</b>	<b>3,440</b>	<b>594</b>	<b>0</b>	<b>200</b>	<b>0</b>
<b>Net change in cash</b>						
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
<b>Cash at the end of the year</b>	<b>1,193</b>	<b>4,759</b>	<b>3,524</b>	<b>1,857</b>	<b>717</b>	<b>319</b>
<b>GROWTH</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
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%
<b>PROFITABILITY</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
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%)
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	2.3	9.3	7.7	4.9	2.3	1.9
<b>VALUATION</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
P/B	na	1.9	6.8	1.2	2.4	3.2

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

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