I-Mab BioPharma (IMAB US)

Lemzoparlimab, a highly differentiated anti-CD47 mAb with superior safety and efficacy

- **Promising phase 1 data of lemzoparlimab (TJC4) at the 2020 SITC Annual Meeting.** This phase 1 is a first-in-human study (NCT03934814) in the US evaluating lemzoparlimab for the treatment of relapsed or refractory solid tumors and lymphoma. The trial includes two parts. The first part is comprised of a single agent dose escalation followed by two separate combination regimens in an escalating dose range (Part 1b with pembrolizumab; Part 1c with rituximab). The second part is a dose expansion study in the combination therapies. The data released at SITC 2020 is the single agent dose escalation in first part. Recruitment of patients for the dose escalation study of lemzoparlimab in combination with pembrolizumab or rituximab is ongoing.
- **Outstanding safety, pharmacokinetics (PK) and efficacy data among peers.** As a highly differentiated CD47 antibody designed to minimize inherent binding to normal red blood cells while preserving its strong anti-tumor activity, lemzoparlimab's initial results demonstrate differentiated safety and PK profile and efficacy signal**. Safety**: Lemzoparlimab is well tolerated as a single agent at a dose range from 1mg/kg to 30 mg/kg without introducing any priming dosing strategy. In all DLT-evaluable patients, no dose-limiting toxicities or severe hematologic adverse events were observed. As an important indicator to evaluate a CD-47 antibody, anemia occurred 30% with no >grade 3 anemia. **PK:** PK of lemzoparlimab appears to be linear at mid to high dose levels following a single dose with no significant "sink effect", which means the bioavailability of lemzoparlimab could maintain even when elevating the dose. **Efficacy**: Among the total 16 evaluable patients, one confirmed partial response (PR) was observed in a metastatic melanoma patient in the 30 mg/kg monotherapy cohort (N=3), who had failed prior systemic treatment of nivolumab and ipilimumab. Three patients achieved SD, including one subject in 1mg/kg cohort, one subject in 10mg/kg and one in 30mg/kg cohort. According to the data, lemzoparlimab achieved 33.3% ORR and 66.6% DCR in the 30 mg/kg monotherapy cohort (N=3), which is very encouraging efficacy signal.
- **Early mover advantages and significant synergies from the global strategic partnership with AbbVie.** I-Mab reached a broad, global collaboration agreement with AbbVie for the development and commercialization of lemzoparlimab. We also expect significant clinical synergies between I-Mab's lemzoparlimab and AbbVie's Venclexta (Venetoclax, a Bcl-2 inhibitor) and other transformative therapies. I-Mab is conducting a phase I trial of lemzoparlimab for AML/MDS in China which has finished 20mg/kg in dose escalation, and the trial may be finished by 1Q21. In addition, I-Mab continues to advance the Ph1 combination study of lemzoparlimab with Keytruda for the treatment of solid tumors and with Rituxan for the treatment of patients with lymphoma in the US. We expect Lemzoparlimab to enter into Phase 2 trials in the US and China by mid-2021E, indicating significant early-mover advantages for the drug.
- **Maintain BUY.** We maintain our DCF-based TP unchanged at US$52.57 (WACC: 10.6%, terminal growth rate: 3.0%).

BUY (Maintain)

Target Price	**US$52.57**
(Previous TP	US$52.57)
Up/Downside	**+40.7%**
Current Price	**US$37.23**

China Healthcare Sector

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Mkt. Cap. (US$ mn)	2,625
Avg. 3mths t/o (US$ mn)	9.71
52W High/Low (US$)	47.46/9.30
Total Issued Shares (mn)	70

Source: Bloomberg

Shareholding Structure

Founders	3%
Pre-IPO investors	68%
Other public shareholders	29%

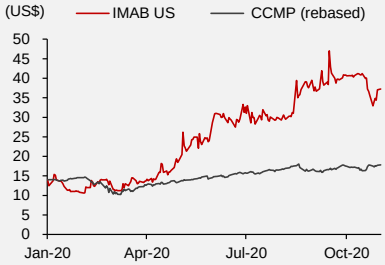
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	-8.4%	-10.4%
3-mth	24.5%	15.1%
6-mth	97.3%	49.2%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

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

Related report:

1. Promising Phase 1 data of anti-CD47 antibody at the 2020 SITC Annual Meeting - 10 Nov 2020
2. Global strategic partnership with AbbVie – 7 Sep 2020
3. Innovation for biologics – 26 Aug 2020

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	54	30	1,400	1,533	806
YoY growth (%)	365	(44)	4,567	N/A	(47)
Net loss (RMB mn)	(403)	(1,452)	204	(674)	(1,157)
EPS (RMB per ADS)	N/A	N/A	2.89	(9.56)	(16.41)
R&D expenses (RMB mn)	(426)	(840)	(900)	(1,000)	(1,050)
Capex (RMB mn)	(14)	(12)	(100)	(100)	(100)

Source: Company data, CMBIS estimates

Financial Statements

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	**54**	**30**	**1,400**	**1,533**	**806**
Cost of sales	0	0	0	(307)	(153)
Gross profit	**54**	**30**	**1,400**	**1,226**	**653**
Administrative expenses	(66)	(655)	(300)	(345)	(397)
R&D expenses	(426)	(840)	(900)	(1,000)	(1,050)
Selling expenses	0	0	0	(613)	(403)
Fair value change of warrants	61	6	0	0	0
Operating profit	**(377)**	**(1,459)**	**200**	**(732)**	**(1,197)**
Finance costs, net	(7)	28	40	58	40
Other income (expenses), net	(17)	(20)	0	0	0
Pre-tax profit	**(401)**	**(1,452)**	**240**	**(674)**	**(1,157)**
Income tax	(2)	0	(36)	0	0
Minority interests	0	0	0	0	0
Net profit (Net loss)	**(403)**	**(1,452)**	**204**	**(674)**	**(1,157)**

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before tax	**(401)**	**(1,452)**	**240**	**(674)**	**(1,157)**
Depreciation and amortization, etc.	7	16	22	35	46
Change in working capital	148	185	(74)	(579)	205
Tax paid	(2)	0	(36)	0	0
Others	(33)	384	0	0	0
Net cash from operating activities	**(281)**	**(868)**	**152**	**(1,218)**	**(906)**
Capex	(14)	(12)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	0	(32)	0	0	0
Other investing activities	24	257	0	0	0
Net cash from investing activities	**10**	**212**	**(100)**	**(100)**	**(100)**
Net proceeds from shares	1,307	184	3,652	0	0
Net bank borrowing	(19)	(30)	0	0	0
Proceeds from issuance of convertible promissory notes	60	0	0	0	0
Other financing activities	132	(1)	0	0	0
Net cash from financing activities	**1,480**	**153**	**3,652**	**0**	**0**
FX changes	60	15	0	0	0
Net change in cash	**1,208**	**(503)**	**3,704**	**(1,318)**	**(1,006)**
Cash at the beginning of the year	413	1,681	1,193	4,897	3,579
Cash at the end of the year	**1,681**	**1,193**	**4,897**	**3,579**	**2,573**

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	**339**	**376**	**455**	**520**	**574**
PP&E	28	30	108	174	228
Operating lease right of use assets	0	16	16	16	16
Intangible assets	149	149	149	149	149
Goodwill	163	163	163	163	163
Other non-current assets	0	18	18	18	18
Current assets	**2,037**	**1,361**	**5,065**	**4,226**	**2,990**
Inventories	0	0	0	101	50
Trade and bills receivables	0	0	0	378	199
Prepayments, other receivables	89	136	136	136	136
Other financial assets	256	0	0	0	0
Cash and bank balances	1,588	1,137	4,841	3,523	2,517
Current liabilities	**346**	**588**	**515**	**415**	**390**
Short-term borrowings	80	50	50	50	50
Advance from customers	14	0	0	0	0
Other payables and accruals	68	274	200	100	76
Operating lease liabilities, current	0	7	7	7	7
Other current liabilities	184	258	258	258	258
Non-current liabilities	**70**	**80**	**80**	**80**	**80**
Convertible promissory notes	67	68	68	68	68
Onshore convertible loans	0	7	7	7	7
Deferred subsidy income	3	4	4	4	4
Total net assets	**1,960**	**1,069**	**4,925**	**4,251**	**3,094**
Minority interest	0	0	0	0	0
Shareholders' equity	**1,960**	**1,069**	**4,925**	**4,251**	**3,094**

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Profit & loss ratios (%)					
Gross margin	100	100	100	80	81
EBITDA margin	N/A	N/A	N/A	(45.47)	(142.83
Net margin	N/A	N/A	N/A	(43.98)	(143.51
Effective tax rate (%)	N/A	N/A	N/A	N/A	N/A
Balance sheet ratios					
Current ratio (x)	6	2	10	10	8
Trade receivables turnover	N/A	N/A	N/A	90	90
Trade payables turnover	N/A	N/A	N/A	180	180
Total debt to asset ratio (%)	17	38	11	10	13
Returns (%)					
ROE	(21)	(136)	4	(16)	(37)
ROA	(17)	(84)	4	(14)	(32)
Per share data					
EPS (RMB)	N/A	N/A	2.9	(9.6)	(16.4)
DPS (RMB)	0.0	0.0	0.0	0.0	0.0
BVPS (RMB)	N/A	N/A	69.9	60.3	43.9

Source: Company data, CMBIS estimates

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