

I-Mab BioPharma (IMAB US)

A significantly undervalued biotech company with solid pipeline assets

- **I-Mab is significantly undervalued given its highly differentiated pipelines.** We believe the current market cap of US\$2.2bn cannot reflect the value of I-Mab's comprehensive innovative pipeline assets, including leمزoparlimab (CD47), uliledlimab (CD73), felzartamab (CD38), eftansomatropin (TJ101, long-acting GH), efineptakin (TJ107, long-acting IL-7), plonmarlimab (GM-CSF), enoblituzumab (B7H3), TJ210 (C5aR), etc.
- **Lemzoparlimab (CD47 mAb) has best-in-class potential.** For NHL treatment, leمزoparlimab reported 71% ORR and 57% CR in its dose-escalation study (NCT03934814, [link](#)), showing better efficacy than magrolimab: 49% ORR and 21% CR ([link](#)), and ALX148: 64% ORR and 27% CR ([link](#)). Lemzoparlimab demonstrated superior safety profile with only 13% mild anemia and all TRAEs were Grade 1/2. For Magrolimab, 27% of the patients experienced anemia (15% were Grade 3) and ~7% reported other Grade 3/4 TRAEs. We expect I-Mab to release dose-expansion data in NHL in 2H22E. For MDS treatment, I-Mab expects to release Ph2 data and initiate a registrational trial in China this year. For solid tumors, data readout of the US trial of leمزoparlimab + Keytruda is expected in 1H22E. In Aug 2021, Pfizer acquired Trillium Therapeutics for US\$2.26bn, which was another blockbuster deal related to CD47/ SIRPα targeted therapies.
- **We expect a multiple billion dollar out-license deal for Uliledlimab (CD73 mAb) within 2022E.** At ASCO 2021, I-Mab released the data of US Ph1 dose escalation study of uliledlimab's in combination with atezolizumab. Uliledlimab demonstrated a linear pharmacokinetic (PK) profile and reached full receptor occupancy on B cells at the middle and high dose levels with no "hook effect." Among the 13 efficacy-evaluable patients dosed at ≥ 10 mg/kg, three patients had CR or PR (ORR = 23%) and three had SD (DCR = 46%). We expect I-Mab to release the results of its China Ph2 study in solid tumors in mid-2022E, which could be a catalyst for the license-out deal of uliledlimab, in our view.
- **Felzartamab (CD38 mAb) to submit BLA in 1Q22E.** We expect felzartamab to file BLA to the NMPA for 3L MM treatment in 1Q22E. Additionally, I-Mab has completed patient enrollment of a Ph3 registrational trial for 2L MM. Darzalex, the only approved CD38 mAb in China, was added in the NRDL at cost of approximately RMB260,000 per year. I-Mab's Felzartamab is a potential 2nd-to-market CD38 mAb in China.
- **Reiterate BUY.** As of Jun 30, 2021, I-Mab had US\$673mn cash in hand. I-Mab received c. US\$35mn upfront payment from Jumpcan in 2H21 for the out-license of TJ101 and may receive additional US\$50mn milestone payment from AbbVie in 1H22E. I-Mab has abundant cash balance to support its future R&D investments. We maintain our DCF-based TP unchanged at US\$103.60 (WACC: 9.74%, terminal growth rate: 3.0%).

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	30	1,543	546	843	1,247
Net profit (RMB mn)	(1,485)	471	(1,340)	(981)	(772)
EPS (RMB per ADS)	N/A	8.07	(17.42)	(12.74)	(10.03)
Consensus EPS (RMB per ADS)	N/A	N/A	(11.39)	(8.92)	(8.10)
R&D expenses (RMB mn)	(840)	(985)	(1,200)	(1,260)	(1,323)
Admin expenses (RMB mn)	(655)	(402)	(650)	(550)	(578)
Capex (RMB mn)	(12)	(8)	(100)	(100)	(100)

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	US\$103.60
(Previous TP)	US\$103.60)
Up/Downside	+281.16%
Current Price	US\$27.18

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Mkt. Cap. (US\$ mn)	2,172
Avg. 3mths t/o (US\$ mn)	26.74
52W High/Low (US\$)	85.40/25.90
Total Issued Shares (mn)	80

Source: Bloomberg

Shareholding Structure

Founders	6.7%
CBC Group	17.5%
Hillhouse Capital	10.8%
Other public shareholders	65.0%

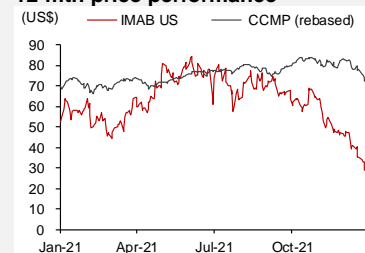
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	-42.1%	-33.0%
3-mth	-59.8%	-54.8%
6-mth	-62.9%	-59.3%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

Auditor: PWC

Web-site: www.i-mabbiopharma.com

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4. Partnership with Sinopharm to prepare for commercialization in China – 29 Oct 2021

Figure 1: Risk-adjusted DCF valuation

DCF Valuation (in RMB mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	(1,340)	(981)	(772)	(309)	1,813	3,313	5,304	6,038	6,668	7,368	8,267	8,533	8,983	9,114	8,942
Tax rate	0%	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,340)	(981)	(772)	(309)	1,541	2,816	4,509	5,132	5,668	6,262	7,027	7,253	7,635	7,746	7,601
+ D&A	29	45	58	68	75	81	85	89	91	93	95	96	97	98	98
- Change in working capital	(330)	(109)	(39)	(166)	(807)	(555)	(370)	(278)	(195)	(178)	(144)	(121)	(104)	(87)	237
- Capex	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
FCFF	(1,742)	(1,144)	(853)	(508)	709	2,242	4,124	4,843	5,465	6,078	6,877	7,129	7,528	7,657	7,835
Terminal value															119,830
FCF + Terminal value	(1,742)	(1,144)	(853)	(508)	709	2,242	4,124	4,843	5,465	6,078	6,877	7,129	7,528	7,657	127,665
PV of enterprise (RMB mn)	48,258														
Net debt (RMB mn)	(3,012)														
Equity value (RMB mn)	51,270														
Equity value (US\$ mn)	7,974														
No. of ADS	76,962,633														
DCF per share (US\$)	103.60														
Terminal growth rate	3.0%														
WACC	9.74%														
Cost of Equity	12.5%														
Cost of Debt	4.0%														
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: CMBIS estimates

Figure 2: Sensitivity analysis (US\$)

		WACC				
		8.74%	9.24%	9.74%	10.24%	10.74%
Terminal growth rate	2.0%	116.17	104.97	95.33	86.96	79.64
	2.5%	122.00	109.68	99.18	90.13	82.28
	3.0%	128.86	115.16	103.60	93.75	85.26
	3.5%	137.02	121.59	108.74	97.90	88.66
	4.0%	146.91	129.24	114.77	102.72	92.55

Source: Company data, CMBIS estimates

Figure 3: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	546	843	1,247	619	1,026	1,202	-11.82%	-17.87%	3.76%
Gross Profit	546	837	1,218	619	977	1,094	-11.82%	-14.39%	11.34%
Operating Profit	(1,360)	(993)	(778)	(1,160)	(981)	(1,008)	N/A	N/A	N/A
Net profit	(1,340)	(981)	(772)	(1,116)	(874)	(960)	N/A	N/A	N/A
EPS (RMB)	(17.42)	(12.74)	(10.03)	(11.39)	(8.92)	(8.10)	N/A	N/A	N/A
Gross Margin	100.00%	99.31%	97.61%	100.00%	95.27%	90.98%	0 ppt	+4.04 ppt	+6.64 ppt

Source: Company data, Bloomberg, CMBIS estimates

Financial Statements

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	30	1,543	546	843	1,247	Profit before tax	(1,452)	471	(1,340)	(981)	(772)
Cost of sales	0	0	0	(6)	(30)	Depreciation and amortization, etc.	16	22	29	45	58
Gross profit	30	1,543	546	837	1,218	Change in working capital	185	(241)	(330)	(109)	(39)
Administrative expenses	(655)	(402)	(650)	(550)	(578)	Tax paid	0	0	0	0	0
R&D expenses	(840)	(985)	(1,200)	(1,260)	(1,323)	Others	384	182	0	0	0
Selling expenses	0	0	0	(19)	(96)	Net cash from operating activities	(868)	434	(1,642)	(1,044)	(753)
Other gains/losses	(15)	304	(55)	0	0	Capex	(12)	(8)	(100)	(100)	(100)
Operating profit	(1,480)	460	(1,360)	(993)	(778)	Net proceeds from disposal of short-term investments	(32)	12	0	0	0
Finance costs, net	28	23	19	12	7	Other investing activities	257	(206)	0	0	0
Pre-tax profit	(1,452)	483	(1,340)	(981)	(772)	Net cash from investing activities	212	(202)	(100)	(100)	(100)
Income tax	0	(12)	0	0	0	Net proceeds from shares	184	3,518	0	0	0
Minority interests and others	(33)	0	0	0	0	Net bank borrowing	(30)	(50)	0	0	0
Attributable net profit (Net loss)	(1,485)	471	(1,340)	(981)	(772)	Proceeds from issuance of convertible promissory notes	0	0	0	0	0
						Other financing activities	(1)	(28)	0	0	0
						Net cash from financing activities	153	3,440	0	0	0
						FX changes	15	(107)	0	0	0
						Net change in cash	(503)	3,672	(1,742)	(1,144)	(853)
						Cash at the beginning of the year	1,681	1,193	4,759	3,017	1,873
						Cash at the end of the year	1,193	4,759	3,017	1,873	1,020

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	376	990	1,061	1,116	1,158	Profit & loss ratios (%)					
PP&E	30	25	96	151	193	Gross margin	100	100	100	85	86
Operating lease right of use assets	16	15	15	15	15	EBITDA margin	N/A	N/A	N/A	N/A	N/A
Intangible assets	149	120	120	120	120	Net margin	N/A	N/A	N/A	N/A	N/A
Goodwill	163	163	163	163	163	Effective tax rate (%)	N/A	N/A	N/A	N/A	N/A
Other non-current assets	18	667	667	667	667						
Current assets	1,361	5,344	3,472	2,339	1,537	Balance sheet ratios					
Inventories	0	0	0	2	10	Current ratio (x)	2	9	30	128	52
Trade and bills receivables	0	130	0	10	52	Trade receivables turnover	N/A	N/A	90	90	90
Prepayments, other receivables	136	195	195	195	195	Trade payables turnover days	N/A	N/A	180	180	180
Other financial assets	88	259	259	259	259	Total debt to asset ratio (%)	38	11	5	4	6
Cash and bank balances	1,137	4,759	3,017	1,873	1,020						
Current liabilities	588	576	116	18	30	Returns (%)					
Short-term borrowings	50	0	0	0	0	ROE	(136)	8	(31)	(30)	(30)
Advance from customers	0	0	0	0	0	ROA	(84)	7	(30)	(28)	(29)
Other payables and accruals	274	561	100	3	15						
Operating lease liabilities, current	7	8	8	8	8	Per share data					
Other current liabilities	258	8	8	8	8	EPS (RMB)	N/A	8.07	(17.42)	(12.75)	(10.03)
Non-current liabilities	80	131	131	131	131	DPS (RMB)	0.00	0.00	0.00	0.00	0.00
Convertible promissory notes	68	0	0	0	0	BVPS (RMB)	N/A	96.47	55.70	42.95	32.93
Onshore convertible loans	7	6	6	6	6						
Deferred subsidy income	4	125	125	125	125						
Total net assets	1,069	5,627	4,287	3,306	2,534						
Minority interest	0	0	0	0	0						
Shareholders' equity	1,069	5,627	4,287	3,306	2,534						

Source: Company data, CMBIS estimates

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