

# I-Mab BioPharma (IMAB US)

## Diversified and highly-differentiated pipeline

I-Mab reported attributable net loss of RMB1,076.5mn in 1H21 vs RMB582.9mn in 1H20. Total revenue was RMB17.8mn in 1H21 due to collaboration income from Abbvie. R&D expenses increased 34% YoY to RMB593.0mn in 1H21, mainly due to increased CRO service fees, especially for lemparlimab (TJC4), uliledlimab (TJD5) and eftansomatropin alfa (TJ101). Administrative expenses jumped 63% YoY to RMB451.5mn in 1H21 primarily due to RMB222mn share-based compensation expense and RMB70mn one-time expenses.

- Remarkable R&D progress YTD. TJM2 (Plonmarlimab, GM-CSFmAb):** Interim analysis of its phase 2/3 clinical trial for the treatment of CRS in patients with severe COVID-19 in the US showed promising results. Compared to placebo, TJM2 resulted in a higher MVF rate (83.6% vs. 76.7%), a lower mortality rate (4.9% vs. 13.3%), higher recovery rates (80.3% vs. 70.0%) by Day 30. **TJ-107 (Efineptakin alfa, long-acting rhIL-7):** TJ-107 is the global first and only long-acting hIL-7 being developed as a T lymphocyte-booster for cancer-related immunotherapy. I-Mab's partner, Genexine, has released positive data for TJ-107 in TNBC (ORR 27.8% in combination with Keytruda) and GBM (83.3% 1-yr OS rate). I-Mab is conducting a Ph 2 for GBM in China with FPI in Feb 2021, and is initiating a Ph2 for TNBC in combination with Keytruda in China. **Uliledlimab (TJD5, CD73 mAb):** Uliledlimab presented promising preliminary efficacy and tolerability from a US Ph1 trial in ASCO 2021 Meeting, showing 1 CR, 2 PR and 3 SD cases in 13 efficacy-evaluable patients (ORR=23%, DCR=46%). All of these responded patients have high correlation to PD-L1 and CD73 expression. We expect I-Mab to cooperate with MNC to further develop this molecule in overseas markets.
- Impressive series BD deals for super antibodies.** I-Mab has reached collaboration deals with Complix, Affinity, Immorna and neoX, respectively, for transformative technologies such as an mRNA-based antibody, masked antibody, cell-penetrating antibody and AI-guided cytokine drugs to develop next-generation innovative antibodies acting on intracellular targets. We believe I-Mab is gearing up for global competition of next generation antibody.
- Maintain BUY.** We like I-Mab given its highly innovative and differentiated pipelines with significant global potential. We expect I-Mab to file its first BLA to the NMPA for Felzartamab (TJ202/MOR202, CD38 mAb) in combination with dexamethasone for 3L MM by the end-2021E. We maintain our DCF-based TP largely unchanged at US\$101.37 (WACC: 9.74%, terminal growth rate: 3.0%).

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	30	1,543	322	1,874	1,518
Net profit (RMB mn)	(1,452)	580	(1,405)	(515)	(706)
EPS (RMB per ADS)	N/A	8.07	(19.70)	(6.70)	(9.17)
Consensus EPS (RMB per ADS)	N/A	N/A	(8.04)	(6.66)	(8.32)
R&D expenses (RMB mn)	(840)	(985)	(1,100)	(1,155)	(1,213)
Capex (RMB mn)	(12)	(8)	(100)	(100)	(100)

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price	US\$101.37
(Previous TP)	US\$101.67
Up/Downside	+41.16%
Current Price	US\$71.81

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Mkt. Cap. (US\$ mn)	5,527
Avg. 3mths t/o (US\$ mn)	43.39
52W High/Low (US\$)	85.40/32.62
Total Issued Shares (mn)	77

Source: Bloomberg

### Shareholding Structure

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

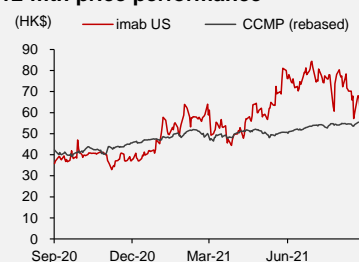
Source: Bloomberg

### Share performance

	Absolute	Relative
1-mth	-8.0%	-11.9%
3-mth	-10.2%	-19.5%
6-mth	12.3%	-0.4%

Source: Bloomberg

### 12-mth price performance



Source: Bloomberg

### Auditor: PWC

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

### Related report:

- I-Mab expands portfolio through cutting-edge mRNA and AI technology platforms – 14 Jul 2021
- Uliledlimab disclosed promising data from the US phase I study – 21 May 2021
- Multiple important clinical readouts in 2021 – 31 Mar 2021

## Valuation

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	(1,515)	(515)	(706)	130	2,340	3,267	4,880	5,788	6,398	7,199	7,762	8,228	8,572	8,794	9,083
Tax rate	0%	0%	0%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIT*(1-tax rate)	(1,515)	(515)	(706)	110	1,989	2,777	4,148	4,920	5,438	6,119	6,598	6,994	7,287	7,475	7,721
+ D&A	51	70	83	92	98	101	104	106	107	107	108	108	108	109	109
- Change in working capital	(330)	(338)	92	(400)	(762)	(482)	(362)	(321)	(159)	(234)	(165)	(144)	(132)	(119)	(106)
- Capx	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
<b>FCFF</b>	<b>(1,894)</b>	<b>(882)</b>	<b>(631)</b>	<b>(298)</b>	<b>1,225</b>	<b>2,297</b>	<b>3,790</b>	<b>4,604</b>	<b>5,286</b>	<b>5,892</b>	<b>6,440</b>	<b>6,858</b>	<b>7,163</b>	<b>7,365</b>	<b>7,624</b>
Terminal value															116,590
<b>FCF + Terminal value</b>	<b>(1,894)</b>	<b>(882)</b>	<b>(631)</b>	<b>(298)</b>	<b>1,225</b>	<b>2,297</b>	<b>3,790</b>	<b>4,604</b>	<b>5,286</b>	<b>5,892</b>	<b>6,440</b>	<b>6,858</b>	<b>7,163</b>	<b>7,365</b>	<b>124,214</b>
PV of enterprise (RMB mn)	47,274														
Net debt (RMB mn)	(2,859)														
Equity value (RMB mn)	50,133														
Equity value (US\$ mn)	7,797														
No. of ADS	76,916,392														
<b>DCF per share (US\$)</b>	<b>101.37</b>														
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%	113.59	102.69	93.31	85.16	78.04
	2.5%	119.27	107.28	97.06	88.26	80.61
	3.0%	125.95	112.61	101.37	91.78	83.52
	3.5%	133.89	118.87	106.37	95.82	86.82
	4.0%	143.52	126.32	112.24	100.51	90.61

Source: Company data, CMBIS estimates

Figure 3: CMBIS estimates revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	322	1,874	1,518	941	1,354	1,269	-65.83%	38.40%	19.60%
Gross Profit	322	1,714	1,426	941	1,276	1,210	-65.83%	34.34%	17.87%
Operating Profit	(1,479)	(527)	(713)	(572)	(472)	(636)	N/A	N/A	N/A
Net profit	(1,405)	(515)	(706)	(551)	(455)	(623)	N/A	N/A	N/A
EPS (RMB)	(19.70)	(6.70)	(9.17)	(7.17)	(5.92)	(8.10)	N/A	N/A	N/A
Gross Margin	100.00%	91.43%	93.97%	100.00%	94.20%	95.34%	+0.00 ppt	-2.77 ppt	-1.37 ppt

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	322	1,874	1,518	772	1,239	1,295	-58.38%	51.30%	17.16%
Gross Profit	322	1,714	1,426	736	1,147	1,143	-56.34%	49.44%	24.74%
Operating Profit	(1,479)	(527)	(713)	(885)	(759)	(910)	N/A	N/A	N/A
Net profit	(1,405)	(515)	(706)	(852)	(727)	(797)	N/A	N/A	N/A
EPS (RMB)	(19.70)	(6.70)	(9.17)	(8.04)	(6.66)	(8.32)	N/A	N/A	N/A
Gross Margin	100.00%	91.43%	93.97%	95.33%	92.58%	88.26%	+4.67 ppt	-1.14 ppt	+5.71 ppt

Source: Company data, 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	322	1,874	1,518	Profit before tax	(1,452)	471	(1,515)	(515)	(706)
Cost of sales	0	0	0	(161)	(91)	Depreciation and amortization, etc.	16	22	51	70	83
<b>Gross profit</b>	<b>30</b>	<b>1,543</b>	<b>322</b>	<b>1,714</b>	<b>1,426</b>	Change in working capital	185	(241)	(330)	(338)	92
Administrative expenses	(655)	(402)	(650)	(550)	(633)	Tax paid	0	0	0	0	0
R&D expenses	(840)	(985)	(1,100)	(1,155)	(1,213)	Others	384	182	0	0	0
Selling expenses	0	0	(50)	(535)	(294)	<b>Net cash from operating activities</b>	<b>(868)</b>	<b>434</b>	<b>(1,794)</b>	<b>(782)</b>	<b>(531)</b>
Fair value change of warrants	6	0	0	0	0	Capex	(12)	(8)	(100)	(100)	(100)
<b>Operating profit</b>	<b>(1,459)</b>	<b>156</b>	<b>(1,479)</b>	<b>(527)</b>	<b>(713)</b>	Net proceeds from disposal of short-term investments	(32)	12	0	0	0
Finance costs, net	28	23	18	11	8	Other investing activities	257	(206)	0	0	0
Other income (expenses), net	(20)	413	55	0	0	<b>Net cash from investing activities</b>	<b>212</b>	<b>(202)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
<b>Pre-tax profit</b>	<b>(1,452)</b>	<b>592</b>	<b>(1,405)</b>	<b>(515)</b>	<b>(706)</b>	Net proceeds from shares	184	3,518	0	0	0
Income tax	0	(12)	0	0	0	Net bank borrowing	(30)	(50)	0	0	0
Minority interests	0	0	0	0	0	Proceeds from issuance of convertible promissory notes	0	0	0	0	0
<b>Net profit (Net loss)</b>	<b>(1,452)</b>	<b>580</b>	<b>(1,405)</b>	<b>(515)</b>	<b>(706)</b>	Other financing activities	(1)	(28)	0	0	0
						<b>Net cash from financing activities</b>	<b>153</b>	<b>3,440</b>	<b>0</b>	<b>0</b>	<b>0</b>
						FX changes	15	(107)	0	0	0
						<b>Net change in cash</b>	<b>(503)</b>	<b>3,672</b>	<b>(1,894)</b>	<b>(882)</b>	<b>(631)</b>
						Cash at the beginning of the year	1,681	1,193	4,759	2,864	1,982
						<b>Cash at the end of the year</b>	<b>1,193</b>	<b>4,759</b>	<b>2,864</b>	<b>1,982</b>	<b>1,351</b>

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>376</b>	<b>990</b>	<b>1,039</b>	<b>1,069</b>	<b>1,086</b>	<b>Profit &amp; loss ratios (%)</b>					
PP&E	30	25	83	122	147	Gross margin	100	100	100	85	86
Operating lease right of use assets	16	15	6	(3)	(12)	EBITDA margin	N/A	N/A	(461.17)	(24.34)	(41.51)
Intangible assets	149	120	120	120	120	Net margin	N/A	N/A	(471.24)	(27.48)	(46.49)
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						
<b>Current assets</b>	<b>1,361</b>	<b>5,344</b>	<b>3,319</b>	<b>2,753</b>	<b>1,997</b>	<b>Balance sheet ratios</b>					
Inventories	0	0	0	53	30	Current ratio (x)	2	9	29	29	33
Trade and bills receivables	0	130	0	264	161	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	0	0	0	0	0	Total debt to asset ratio (%)	38	11	6	6	6
Cash and bank balances	1,137	4,759	2,864	1,982	1,351						
<b>Current liabilities</b>	<b>588</b>	<b>576</b>	<b>116</b>	<b>95</b>	<b>61</b>	<b>Returns (%)</b>					
Short-term borrowings	50	0	0	0	0	ROE	(136)	8	(37)	(14)	(24)
Advance from customers	0	0	0	0	0	ROA	(84)	7	(35)	(13)	(23)
Other payables and accruals	274	561	100	79	45						
Operating lease liabilities, current	7	8	8	8	8	<b>Per share data</b>					
Other current liabilities	258	8	8	8	8	EPS (RMB)	N/A	8.1	(19.7)	(6.7)	(9.2)
<b>Non-current liabilities</b>	<b>80</b>	<b>131</b>	<b>131</b>	<b>131</b>	<b>131</b>	DPS (RMB)	0.0	0.0	0.0	0.0	0.0
Convertible promissory notes	68	0	0	0	0	BVPS (RMB)	N/A	96.5	53.5	46.8	37.6
Onshore convertible loans	7	6	6	6	6						
Deferred subsidy income	4	0	0	0	0						
<b>Total net assets</b>	<b>1,069</b>	<b>5,627</b>	<b>4,112</b>	<b>3,597</b>	<b>2,891</b>						
Minority interest	0	0	0	0	0						
<b>Shareholders' equity</b>	<b>1,069</b>	<b>5,627</b>	<b>4,112</b>	<b>3,597</b>	<b>2,891</b>						

Source: Company data, CMBIS estimates

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