

I-Mab BioPharma (IMAB US)

Appointment of a globally renowned oncologist to lead the R&D organization

■ **Appointment of internationally renowned liver cancer oncologist as President and board director.** Dr Andrew Zhu will lead I-Mab's R&D organization, focusing on enhancing the clinical development of pipeline assets, replacing the role of Dr Joan Shen who will step down to pursue other interests. Dr Zhu was a former Professor of Medicine at Harvard Medical School and served as Director of Liver Cancer Research at Massachusetts General Hospital (MGH) Cancer Center. Prior to joining I-Mab, Dr Zhu was Director of Cancer Center at the Jiahui International Hospital in Shanghai. Dr Zhu will be based in Shanghai and report directly to the Company's Founder and Chairman Dr Jingwu Zang. Dr Zhu has served as a member of I-Mab's Scientific Advisory Board since this Jun, and thus, he is familiar with the Company's pipelines and R&D strategies.

■ **Dr Zhu has a strong background in clinical development of innovative oncology drugs.** Dr Zhu has led and participated in more than 50 global clinical trials working with large MNCs, including Merck, Eli Lilly, Roche and Bayer. Besides leading the development of numerous early-stage novel drugs for liver cancer, he has also led several pivotal studies that led to FDA approval, i.e. pembrolizumab's KEYNOTE-224 trial and ramucirumab's REACH-2 trial for advanced liver cancer, and led the successful development of the first IDH-1 inhibitor (Ivosidenib) for cholangiocarcinoma. Dr Zhu has also served on the committee to establish many global HCC Clinical Trial Design and Practice Guidelines, i.e. NCCN Guidelines for Hepatobiliary Cancers, and ASCO Guidelines on Systemic Therapy for Advanced HCC. We believe Dr Zhu's strong background will further accelerate I-Mab's pipeline development.

■ **Strengthened management team to further accelerate business progress.** I-Mab recently appointed Mr. John Long as CFO and announced the plan of pursuing dual listing on HKEx. I-Mab has assembled a Commercialization Executive Council which plans and oversees the Company's commercialization activities. The key members of the CEC are composed of Mr. Jielun Zhu (Chief Strategy Officer), Mr. Yifei Zhu (Chief Commercial Officer), Dr. Weimin Tang (Chief Business Officer), Dr. Andrew Zhu (President) and Mr. John Long (CFO).

■ **Maintain BUY.** We like I-Mab's coming catalysts. For anti-CD47 mAb, I-Mab plans to initiate two registrational trials in 2022 (one for NHL, the other for MDS). For anti-CD38 mAb, the Company is in discussion with CDE to submit the BLA application for 3L MM by the year-end. For anti-CD73 mAb, data readout of phase 2 trial in China and the announcement of the potential out-licensing deal are expected in 1H21E. 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)	(12.75)	(10.03)
Consensus EPS (RMB per ADS)	N/A	N/A	(11.12)	(8.80)	(7.64)
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 **+115.38%**
 Current Price **US\$48.10**

China Healthcare Sector

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Mkt. Cap. (US\$ mn)	3,754
Avg. 3mths t/o (US\$ mn)	31.74
52W High/Low (US\$)	85.40/39.02
Total Issued Shares (mn)	78

Source: Bloomberg

Shareholding Structure

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

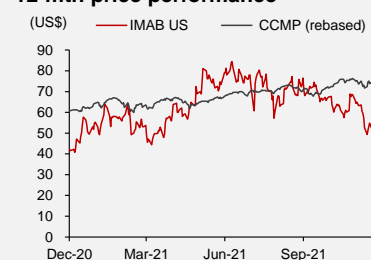
Source: Bloomberg

Share performance

	Absolute	Relative
1-mth	-29.9%	-26.6%
3-mth	-34.7%	-37.2%
6-mth	-37.7%	-42.6%

Source: Bloomberg

12-mth price performance



Source: Bloomberg

Auditor: PWC

Web-site: www.i-mabbiopharma.com

Related report:

1. Strategic cooperation with Jumpcan accelerates commercialization for long-acting rhGH – 30 Nov 2021
2. Promising clinical results of lemozoparlimab in NHL – 8 Nov 2021
3. Partnership with Sinopharm to prepare for commercialization in China – 29 Oct 2021
4. CD73 confirmed as a promising target for cancer immunotherapy – 21 Sep 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	623	1,049	1,171	-12.46%	-19.69%	6.53%
Gross Profit	546	837	1,218	610	991	1,053	-10.54%	-15.59%	15.63%
Operating Profit	(1,360)	(993)	(778)	(1,116)	(959)	(1,001)	N/A	N/A	N/A
Net profit	(1,340)	(981)	(772)	(1,135)	(914)	(984)	N/A	N/A	N/A
EPS (RMB)	(17.42)	(12.74)	(10.03)	(11.12)	(8.80)	(7.64)	N/A	N/A	N/A
Gross Margin	100.00%	99.31%	97.61%	97.86%	94.48%	89.93%	+2.14 ppt	+4.83 ppt	+7.69 ppt

Source: Company data, Bloomberg, CMBIS estimates

Financial Statements

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	30	1,543	546	843	1,247
Cost of sales	0	0	0	(6)	(30)
Gross profit	30	1,543	546	837	1,218
Administrative expenses	(655)	(402)	(650)	(550)	(578)
R&D expenses	(840)	(985)	(1,200)	(1,260)	(1,323)
Selling expenses	0	0	0	(19)	(96)
Other gains/losses	(15)	304	(55)	0	0
Operating profit	(1,480)	460	(1,360)	(993)	(778)
Finance costs, net	28	23	19	12	7
Pre-tax profit	(1,452)	483	(1,340)	(981)	(772)
Income tax	0	(12)	0	0	0
Minority interests and others	(33)	0	0	0	0
Attributable net profit (Net loss)	(1,485)	471	(1,340)	(981)	(772)

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit before tax	(1,452)	471	(1,340)	(981)	(772)
Depreciation and amortization, etc.	16	22	29	45	58
Change in working capital	185	(241)	(330)	(109)	(39)
Tax paid	0	0	0	0	0
Others	384	182	0	0	0
Net cash from operating activities	(868)	434	(1,642)	(1,044)	(753)
Capex	(12)	(8)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	(32)	12	0	0	0
Other investing activities	257	(206)	0	0	0
Net cash from investing activities	212	(202)	(100)	(100)	(100)
Net proceeds from shares	184	3,518	0	0	0
Net bank borrowing	(30)	(50)	0	0	0
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

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	376	990	1,061	1,116	1,158
PP&E	30	25	96	151	193
Operating lease right of use assets	16	15	15	15	15
Intangible assets	149	120	120	120	120
Goodwill	163	163	163	163	163
Other non-current assets	18	667	667	667	667
Current assets	1,361	5,344	3,472	2,339	1,537
Inventories	0	0	0	2	10
Trade and bills receivables	0	130	0	10	52
Prepayments, other receivables	136	195	195	195	195
Other financial assets	88	259	259	259	259
Cash and bank balances	1,137	4,759	3,017	1,873	1,020
Current liabilities	588	576	116	18	30
Short-term borrowings	50	0	0	0	0
Advance from customers	0	0	0	0	0
Other payables and accruals	274	561	100	3	15
Operating lease liabilities, current	7	8	8	8	8
Other current liabilities	258	8	8	8	8
Non-current liabilities	80	131	131	131	131
Convertible promissory notes	68	0	0	0	0
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

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Profit & loss ratios (%)					
Gross margin	100	100	100	85	86
EBITDA margin	N/A	N/A	N/A	N/A	N/A
Net margin	N/A	N/A	N/A	N/A	N/A
Effective tax rate (%)	N/A	N/A	N/A	N/A	N/A
Balance sheet ratios					
Current ratio (x)	2	9	30	128	52
Trade receivables turnover	N/A	N/A	90	90	90
Trade payables turnover days	N/A	N/A	180	180	180
Total debt to asset ratio (%)	38	11	5	4	6
Returns (%)					
ROE	(136)	8	(31)	(30)	(30)
ROA	(84)	7	(30)	(28)	(29)
Per share data					
EPS (RMB)	N/A	8.07	(17.42)	(12.75)	(10.03)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	N/A	96.47	55.70	42.95	32.93

Source: Company data, CMBIS estimates

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