Jielun Zhu – CFO, I-Mab Biopharma, China



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I-Mab Biopharma CFO Jielun Zhu recaps the exciting milestones for the company over the past year since our last interview in May 2019, including most notably their NASDAQ IPO in January 2020, as well as shares some insights on the NASDAQ IPO experience.

Jielun, could you start by highlighting some of the key milestones since we last met I-Mab Biopharma in May 2019?

I-Mab Biopharma IPOed on NASDAQ in January 2020 but in terms of the preparations leading up to the IPO, the bulk of the hard work and investment occurred in 2019. Looking back, 2019 was an incredibly important year for us as a company not only because of our ultimately successful IPO preparations, which positions us today as a publicly-traded company in the US in 2020, but also the achievements we made in terms of our pipeline, our various business development efforts and in general, our overall footprint.

To briefly outline our clinical pipeline, we have been able to establish a very well-balanced portfolio comprising eight clinical-stage assets and nine preclinical assets. In total, our 17 programs constitute a rich and broad effort to work on different targeted pathways while maintaining our focus on the two therapeutic areas of immuno-oncology and auto-immune diseases. We believe our fundamental core competency is the deep understanding and expertise that our teams have within the immunology space. Our scientists and discovery teams are considered some of the best in

China in terms of their understanding of disease pathology and different drug pathways that could be targeted. Their efforts have now been validated by our trifecta of internally-developed drug candidates: TJC4, our anti-CD47 monoclonal antibody; TJD5, our proprietary anti-CD73 monoclonal antibody, and TJM2, our proprietary anti-GM-CSF antibody, all of which have either started or finished Phase I trials in the US. All of them have highly differentiated clinical profiles and the potential to be 'Best-In-Class' in their own categories. These proprietary and globally competitive assets represent our own cutting-edge innovation capabilities and they will be some of the most important growth drivers for I-Mab in the longer term.

To complement what we have called our 'Global' portfolio, we also have a China portfolio comprising five clinical assets in late-stage development where the development risks are lower. In particular, we have two Phase III or Phase III-ready programs currently in progress in China. Our most advanced program is TJ202, an anti-CD38 monoclonal antibody, currently being developed in two parallel registrational trials for multiple myeloma patients in mainland China and Taiwan. One of them is expected to finish by end-2020 and we plan to file for NDA in China in H2 2021 and expect to receive NDA approval from NMPA in H1 2022. This means that within the next 24 months, we will become a commercial-stage biotech company.

We also have TJ101, our in-licensed highly-differentiated long-acting growth hormone, for which we are currently filing for IND for Phase III registrational trials in China. We plan to initiate the registrational trials by end-2020 or early-2021. Our China portfolio and in particular these two later-stage assets represent the ability of I-Mab to generate revenues in the near future.

From your perspective as CFO, since you joined in August 2018, how have you found your 1.5 years with I-Mab Biopharma, and in particular, do you have any learnings to share regarding the NASDAQ IPO experience?

2018 was a momentous year for the innovative Chinese biotechs because that was the year Hong Kong launched its Chapter 18A biotech board allowing pre-profit biotech companies to IPO. That was also the year when we began to see a burst of funding activity related to the Chinese biotech scene. As a result, many of my peers in the banking and professional services sectors – like me – were very encouraged by the development of the Chinese biotech sector. We realized that while China was so behind the US in terms of biotech development, the depth and breadth of talent in the world and in China meant that China would catch up extremely quickly. For instance, many of the senior R&D management and/or researchers in American and European pharma companies

were – and still are – ethnically Chinese. In the past few years, many of them have returned to China to establish their own biotechs. With the right funding levels and the right sets of policies, there was no reason for them not to succeed.

In the past two to three years, we have seen the convergence of policies, funding and talent, with the Chinese regulator, the National Medical Products Administration (NMPA) accelerating its regulatory processes for innovative treatments and becoming more service-oriented and open-minded towards global innovations. Many more funding sources and avenues for investing in pre-revenue and pre-profit companies have also opened up. Today biotech companies have the option to IPO on HKEX, NASDAQ and also the STAR Board in Shanghai.

I joined I-Mab specifically because during my interactions with Chinese biotechs as a banker in Hong Kong, I became very impressed by I-Mab founder Dr Jingwu Zang and his team. I thought they had the potential to become a great company and in fact, around the time I joined in 2018, I-Mab had just closed its USD 220 million Series C fundraising round with support from a great set of investors in China so clearly I was not the only one convinced of I-Mab's potential.

For me, the key learnings do not relate so much to the IPO as most aspects – including the amount of hard work needed and the ups and downs of preparing a company for IPO – were pretty much expected. But what have been a pleasant surprise has been the opportunity for me to be exposed to many of the daily operational and business issues faced by biotech executives. I have been fortunate to work closely with everyone on the I-Mab management team. This is the kind of operational exposure that I would never have been able to receive if I stayed on the banking or research or legal side. It has been really eye-opening for me to see how biotechs have to make important strategic decisions at critical junctures in order to continue to grow.

As you mentioned, with the establishment of the HKEX Chapter 18A board, many Chinese biotechs have opted to IPO in Hong Kong but it is still rather new. Based on your background on the financial services side in Hong Kong, how do you evaluate the level of biotech expertise in Hong Kong versus New York?

I-Mab was considering both HKEX and NASDAQ as potential IPO options and one of the factors that played into our decision to ultimately IPO on NASDAQ was the established group of extremely sophisticated biotech-focused sell-side and buy-side analysts working in NASDAQ, often with decades of biotech exposure. Many are extremely specialized in biotech, including in specific therapeutic areas, and they keep up with all the latest business and scientific developments in

their areas of expertise, including attending medical conferences, company earning calls and so on. It is difficult to beat that level of specialized expertise and knowledge.

This was one of the main reasons we thought NASDAQ was a good match for us. As highlighted, we have a number of very innovative and globally competitive assets in fairly early stages. In order for that potential to be assessed and valued correctly, we wanted to place them on a platform with the right levels of specialist knowledge and experience, and also a platform where our peer companies – with similar levels of early-stage cutting-edge innovations – have also IPOed. Different capital markets have their own emphasis in terms of the development stages of drug assets and development risks associated. The NASDAQ has been working with biotech companies for over five decades. I doubt it will take 40 years or ten or even five years for Hong Kong or mainland China to operate at a comparable level but it will take some time to build that ecosystem locally.

I-Mab raised USD 114.5 million during its NASDAQ IPO. Was this in line with expectations? How will the funds be allocated?

I want to highlight that our IPO was important not only as a fundraising exercise but also a strategic milestone marking, as our Chairman and founder Dr. Zang has said, the transition of our company from I-Mab 1.0 to I-Mab 2.0. Before the IPO, we might have been seen as a mostly Chinese company working on interesting science and products, but now we are evidently a globally-ready and serious biotech looking to make a difference for patients across the world.

What we raised was in line with our expectations and certain benchmarks in terms of NASDAQ biotech IPOs – a USD 100 million IPO for a NASDAQ biotech IPO is respectable – and more importantly, it was pretty much what we needed for our plans. We were planning for around USD 100 million so USD 115 million gave us additional runway in terms of cash flow. The IPO itself and our positioning on a public equity trading platform also means that we can now do more things in terms of employee equity incentives and equity tie-ups with other companies. Finally, our share price also provides an indication of our performance. That said, because of the current COVID-19 situation, a lot of share price fluctuations generally are due to market-driven volatility so we do not want to be distracted by that. What is positive is that so far our share price seems to be relatively less impacted by the virus-related volatility compared to some of our peers.

In terms of funding allocation, a little over half – 55 percent – is earmarked for our clinical programs, mainly the key assets I highlighted earlier: our TJC4 and TJD5 in our global pipeline and our TJ202 and TJ101 in our China pipeline.

Around 20 to 25 percent would be invested in the local manufacturing facility we are currently planning. This is another important step for us to take in order to fully transition from a clinical R&D-focused biotech to a global fully integrated commercial biopharma company. The ability to optimize and rationalize our manufacturing footprint is a key factor in building a competitive commercial portfolio. For large molecule drugs like antibodies, manufacturing is a significant cost item so possessing our own manufacturing capabilities would mean that we could better control this cost.

The remaining funds will be invested in different areas, including strategic equity investments in other early-stage companies, potentially some small-scale M&A as well as general corporate activities like the replenishment of working capital.

As you highlighted, I-Mab has a China portfolio that is pretty advanced and you expect the company to reach the commercial stage in the next year or two. Any ideas in terms of how I-Mab will price your products?

There are two levels in terms of pricing. The first level is that for innovative drugs, pricing is more an art rather than a science. The art can be perfected by looking at comparable products. For instance, for our anti-CD38 monoclonal antibody, there is already an existing competitor in the Chinese market, a drug by Janssen approved late-2019. Observing this product's performance in the Chinese market gives us a baseline, and then we factor in other aspects like our product profile, clinical differentiation, advantages and disadvantages, patient and physician behavior and so on.

On the second level, we also have to understand the reimbursement systems in place in China, which are quite fragmented across different government levels and public insurance schemes. We have to understand how different payers organize their own funding capabilities and how they prioritize the reimbursement of even highly innovative drugs. Here, we can take lessons from the PD-1/PD-L1 market, which have been extremely hot categories over the past couple of years. Last year, there was a tendering process for the different PD-1/PD-L1 manufacturers in China and the dynamics we observed in terms of the price cuts needed to receive reimbursement have been very instructive. As more innovative drugs are launched in China, there will be more examples for us to study.

Are there any expectations for a Chinese company like I-Mab to be pricing its drugs more competitively for the Chinese market in comparison to multinationals?

A local company can potentially be more flexible with pricing compared to a multinational for two reasons. Firstly, we do not have to adhere to any global pricing methodologies or considerations and we would not be affected by the typical concerns relating to the presence of pricing differentials between markets, such as parallel imports, for instance.

Secondly, once we have established our local manufacturing capabilities, we would typically gain a cost advantage over multinationals that have to import products from elsewhere. This gives us more room to maneuver when it comes to pricing so that we can secure reimbursement.

As for your global portfolio – where, as you have highlighted, many trials are being conducted in the US – how does I-Mab plan to develop its footprint in more developed markets like the US and Europe?

Our business strategy for our Global portfolio is to look for partnership opportunities once we complete Phase I and perhaps even Phase IIa studies – once we prove that our compounds work in terms of both efficacy and safety. We do not think we are in the position to run large-scale US or global Phase III trials for oncology now or even in the near future. These require investments to the tune of hundreds of millions of dollars as well as a lot of coordination and experience. These partnership opportunities can be in the form of straightforward out-licensing with upfront and milestone payments coupled with royalties; co-development structures; or even the retention of some rights for certain markets in the US and Europe.

We have strong confidence in many of our proprietary programs that they have significant potential to become breakthrough therapies, which would open doors for the acceleration of clinical trials and regulatory approval processes. For our anti-CD47 monoclonal antibody product, we are already in discussion with a number of Big Pharma players.

A final message on behalf of I-Mab to our global audience?

With the current COVID-19 situation, it is even more important to be resilient and focus on our mission. We cannot get distracted by things outside of our control. As our Chairman has consistently expressed, I-Mab is very focused on our mission and the milestones that we have set for ourselves, and we will do everything to advance our pipeline and achieve our targets on time

and within budget.

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