

10 February 2022

HBM Healthcare Investments

Switzerland

Other financials

On the lookout for buying opportunities amid the global stock market slide

In this 29-page report we look into HBM and discuss its strategy, risks and opportunities. We update our model to reflect changes in the portfolio. Finally, given the recent de-rating of the biotech sector, we increase our rating to Buy (from Add) on a slightly increased TP of CHF 370 (26% upside).

- **HBM's strategy** of investing in private and public companies has been crucial to its long-term outperformance of healthcare indices and peers. Over the 5- and 10-year periods before COVID, its share returned 239% and 461%, way ahead of the Nasdaq Biotechnology index (74% and 372%).
- **Portfolio composition.** The emphasis is on biotech companies with market cap. below CHF 2bn (50%). HBM invests mainly in profitable companies (43%) or in companies with products in the market (28%). The fund seeks further diversification in terms of geography, currency and disease areas.
- **2021 saw the biotech market sinking** from its peak on 8 February. The XBI ETF index (tracks small- and mid-cap biotechs) plummeted 44%. HBM continued to show resilience to market downturns as shown by its outperformance of both the XBI ETF and Nasdaq Biotechnology.
- **We increase our rating to Buy and raise the TP to CHF 370.** Given the historical performance, the shielding effect from private equities and the multiple portfolio catalysts, we see a substantial potential for the stock in the long-term. For funds, given their 5% historical contribution to gains, we carry the last reported fair value. For public equities, we estimate an appreciation of 12%, (vs. 47% consensus), which in our opinion better reflects current market sentiment. For private equities, we derive 17% (Prob. = 50%) asset value appreciation, justified by their 70% contribution to gains over the years. Finally, we take the January-2022 share-price-to-NAV discount of 5% to derive our TP.

	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Sales (CHF mn)	232.5	911.3	267.0	411.6	465.0
EBITDA (CHF mn)	182.6	752.9	216.7	361.3	414.7
EBIT reported (CHF mn)	182.6	752.9	216.7	361.3	414.7
EBIT adjusted (CHF mn)	182.6	752.9	216.7	361.3	414.7
Net income (CHF mn)	180.1	750.4	214.2	358.8	412.2
EPS reported (CHF)	26.08	108.30	30.79	51.57	59.25
EPS adjusted (CHF)	26.07	108.31	30.79	51.57	59.25
DPS (CHF)	7.50	7.72	12.50	7.95	8.19
Dividend yield (%)	3.7	2.6	4.2	2.7	2.8
P/E adjusted (x)	7.7	2.7	9.6	5.7	5.0
P/BV (x)	1.0	0.9	0.9	0.8	0.7
EV/Sales (x)	5.6	2.0	7.1	4.6	4.0
EV/EBITDA (x)	7.1	2.4	8.7	5.2	4.4
EV/EBIT (x)	7.1	2.4	8.7	5.2	4.4
Net debt/EBITDA (x)	-0.5	-0.3	-0.7	-0.5	-0.5

Source: Company data, Baader Helvea Equity Research

Buy (prev. Add)

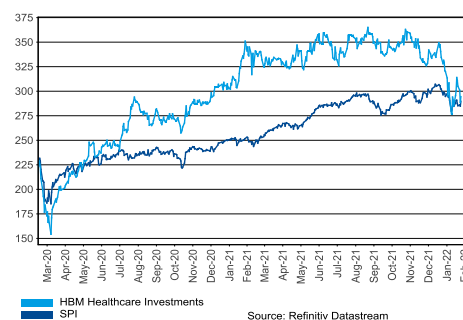
Closing price as of 09-Feb-22	CHF 294.50
High/Low (12M)	365.00/277.00
Target price (prev. CHF 355.00)	CHF 370.00
Upside to target price (%)	25.6
Expected dividend yield (%)	4.2
Total return potential (%)	29.8

Reuters/Bloomberg	HBMN.S/HBMN SE
Avg. daily turnover (CHF mn)	1.50
Free float (%)	83.0
Market cap. (CHF mn)	2,049
No. of shares issued (mn)	7.0

Events

Annual general meeting	Jun-2022
4Q	May-2022
Shareholders	Nogra Pharma Invest 15-20%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-12.0	-18.4	-17.5
rel. SPI	-7.9	-16.1	-16.5
rel. STOXX Europe 600	-9.3	-16.5	-18.1
rel. SXXP Financial SVS	-7.9	-12.9	-13.5

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HBM Healthcare Investments

INVESTMENT STORY

A private equity portfolio that shields against market downturn

HBM Healthcare Investments is the only large healthcare-focused fund to invest in a diversified portfolio of public and private companies as well as private equity funds. Over the past five years to end-2021, the fund delivered a total share return of 316% (33% p.a.), largely outperforming global healthcare indices and European peers.

- **A well-diversified portfolio.** HBM actively invests in human medicine, biotechnology, medical technology and diagnostics sectors and related areas with market capitalizations below CHF 2bn. The investments are well diversified in terms of geography and currency (only 50% exposure to USD). Over the years and as result of the maturation of the portfolio, HBM focuses on companies with lead products already on the market or in an advanced stage of development. Given HBM's long-term experience and track record, portfolio companies benefit from active guidance on their strategic directions.
- **Share price outperformance against healthcare indices.** Over the years, HBM has consistently outperformed global healthcare indices, Nasdaq Biotechnology Index (NBI) and the WSCI World Health Care Index (MXWO0HC), against which it benchmarks itself. While the MSCI World Health Care mainly captures the large segment, the Nasdaq Biotechnology is a barometer on the health of large-cap biotech stocks. We note that in the 5- and 10-year periods prior to COVID, HBM's share returned 239% (28% p.a.) and 461% (19% p.a.), while the Nasdaq Biotechnology returned only 74% (12% p.a.) and 372% (17% p.a.) respectively-
- **The biotech sector took a breather in 2021.** Since its peak on 8 February 2021 to end January 2022, the S&P Biotechnology Select Industry Index (XBI ETF, equally weighted and generally believed to represent the performance of typical mid-to-small cap biotech stocks) lost 44%. At the same time, as it has been norm, HBM continued to show resilience even in bearish markets, as shown by its large outperformance of the XBI ETF and Nasdaq Biotechnology Index. According to HBM, the positive returns in 2021 were due to: **1)** the share performance of its largest listed investments, where the Chinese Cathay Biotech stood out with its 143% increase (to over CHF 11bn; from 8 Feb to 31 Dec-21) in the market cap, thereby compensating for the market-related decline of share prices of other public holdings and **2)** value contributions from the portfolio of private companies, which saw their value increase against the backdrop of their operational success.

Performance of the biotech sector since January 2021

%	MSCI ACWI HEALTH CARE	NASDAQ BIOTECHNOLOGY	SPDR S&P BIOTECH ETF	HBM HEALTHCARE INVS.	MSCI WORLD
1-Jan-2021 to 31-Dec-2021	20	2	-18	11	24
8-Feb-2021 to 31-Dec-2021	15	-12	-35	1	17
8-Feb-2021 to 31-Jan-2022	8	-20	-44	-12	13
Jan-2022	-6	-11	-18	-15	-4

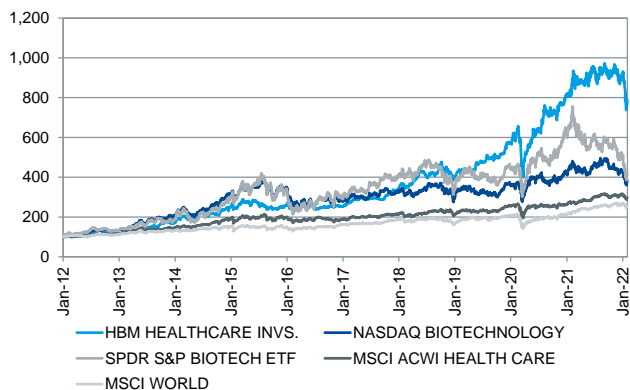
Source: Refinitiv Datastream, Baader Helvea Equity Research

- **Comparison to healthcare-focused investment funds.** Over the years, HBM also outperformed other actively managed European healthcare funds such as BB Biotech, The Biotech Growth Trust, Worldwide Healthcare Trust and Polar Capital Global Healthcare Trust. In the last 5 years, HBM's shares total returns (including dividend reinvestments) reached 316%, its peers delivered between 65% and 80% returns. We note that although all these funds target healthcare companies, HBM is the most diversified and targets both public companies and also private equities. In our view, the outperformance of major biotech/healthcare indices and peers over a significant period of time shows the efficiency of the private/public equities combination.

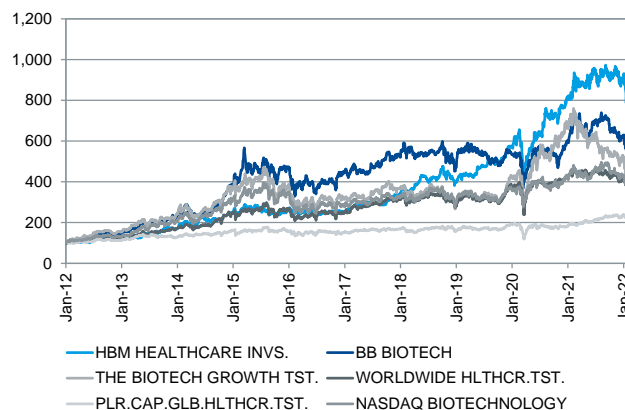
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TOTAL SHARE PERFORMANCE OVER THE YEARS

Vs. global healthcare indices



Vs. healthcare-focused investment funds (including dividends)

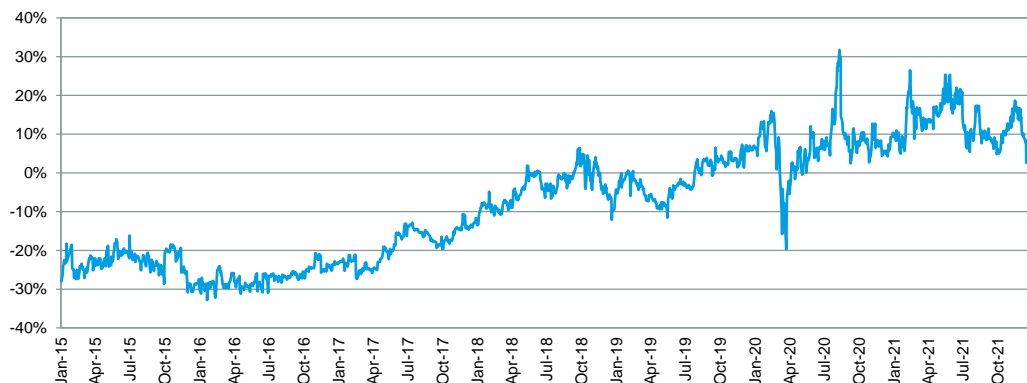


Source: Refinitiv Datastream, Baader Helvea Equity Research

- Key contributors to net asset gains.** The number of IPOs and trade sales from the private equity portfolio has accelerated in recent years. Since 2017, HBM reported 27 exits with an average return of 1.9x (excluding Cathay). Based on gains and losses from the different investments, we calculate that since 2012 private companies contributed 73% to the total gains observed in the net asset value, followed by public companies (23%) and funds (5%).
- Upside potential of the private equity portfolio.** We see a substantial upside potential from private equities, accounting for 25% of HBM assets as of end-December 2021. It is noteworthy that HBM conservatively values the private positions at acquisition costs in the investment currency, except when a portfolio company:
 - is valued higher or lower in connection with a new round of financing with a third-party lead investor,
 - is performing below expectations, leading to a write-down in steps of 25, 50, 75 or 100% and
 - has significant revenues and profits, in which case an appropriate price/sales or price/earnings multiple is applied.
 Typically, negative events are reflected in the valuations as they occur. Positive developments (i.e. good clinical data, partnering deals, etc.) will only be reflected in the valuations if there is a “liquidity event” (financing round with third-party investor, IPO or trade sale).
- Share price-to-NAV premium (discount) could be an indicator of investors’ trust in HBM.** The above-market performance of HBM and the resilience shown in bearish market periods helped to gain investors’ confidence in the stock and narrow share price-to-NAV premium (discount). The stock went from trading at -28% discount to NAV in 2016, to trading at a small premium since 2019. The start of the COVID pandemic led to a short-lived discount in 1H20, but the stock went back to an average 10% premium. Since the beginning of 2022, and given that most small, public biotech companies (especially newly listed) are trading below their average 2021 values, HBM traded at a discount of 5% at the end of January.

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HBM's share price to NAV premium (discount) development, including dividend reinvestment



Source: Company data, Baader Helvea Equity Research

- Positive outlook.** In our view and despite the current volatility (likely caused by a combination of factors such as the recent valuation bubble, fear of interest rates and inflation, discussion of pricing reforms and IP protection in the USA, etc.) that punishes growth equity sectors such as small- and mid-sized biotech and healthcare, the fundamental outlook for the sector remains positive. The still untapped demand for medical treatments offers attractive investment opportunities and biotech companies can overcome bearish markets, presuming they continue to generate operational value such as positive clinical readouts, drug approvals and launches.
- Multiple portfolio catalysts expected in 2022 and beyond.** In our view, positive outcomes in key events expected for both the public and private companies could lead to financing rounds at higher valuations, some IPOs (later in 2H22), and potentially even trade sales. Therefore, we see potential in HBM's strategy, which could continue to generate considerable added value in the years to come and also lead to a long-term share price-to-NAV premium.
- Consensus expectation for HBM's public portfolio.** The Top 10 companies account for 73% of the public portfolio and 48% of the total net asset value. We looked at consensus TP (whenever five or more analysts cover the stock, otherwise we took the most recent closing value) and calculated an average upside of 41% (47% for the overall portfolio). In our opinion, and as discussed earlier, we see significant upside for companies in the portfolio, especially those expecting positive development in 2022. However, we believe that consensus TP could still be inflated from the valuation bubble observed in 2020/21. In case companies fail to deliver value throughout the year, it is possible that we even see further devaluation of some of the public equities.

Top 10 public holdings

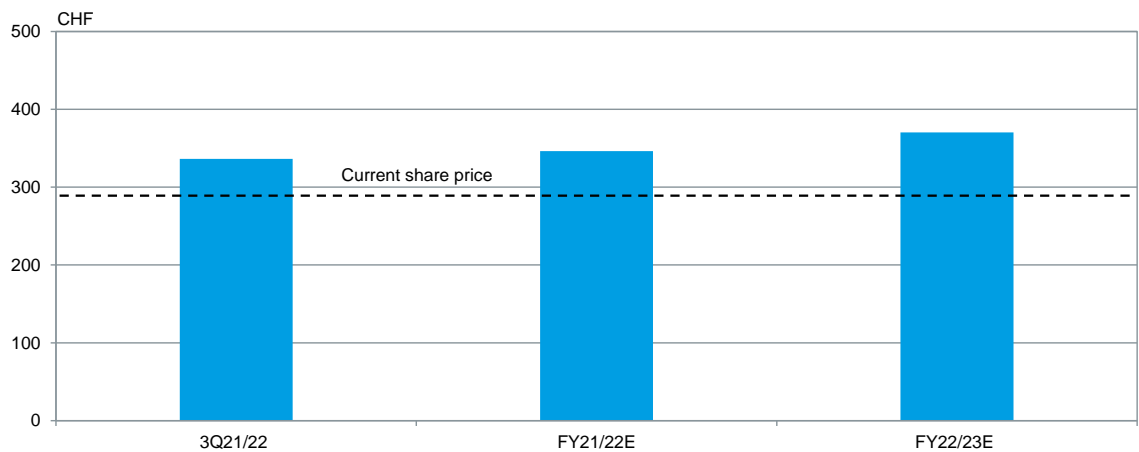
Holdings	Investment currency	Ownership (%)	Total public (%)	Current value (CHF mn)	Value at consensus TP (CHF mn)	Share price (CHF)	Consensus TP (CHF)	Upside (%)
Cathay Biotech 1)	CNY	7.1	63.3	707.3	707.3	22.5	22.5	0
Harmony Biosciences	USD	7.8	15.8	176.9	304.2	30.9	53.1	72
Biohaven Pharmaceuticals	USD	0.5	3.6	40.6	53.9	112.3	149.1	33
Monte Rosa Therapeutics 2)	USD	3.9	3.0	33.5	100.6	9.7	29.0	200
SpringWorks Therapeutics	USD	1.0	2.5	28.3	59.8	48.4	102.5	112
Y-mAbs Therapeutics	USD	4.3	2.5	27.8	83.3	8.1	24.3	200
Turning Point Therapeutics	USD	1.3	2.5	27.6	82.8	29.8	89.4	200
HUTCHMED China	HKD	0.5	2.3	25.8	77.5	5.1	15.4	200
BioAtla	USD	4.0	2.3	25.6	76.7	8.2	24.7	200
Pacira BioSciences	USD	1.0	2.2	24.8	33.7	57.2	77.8	36
Total public	CHF mn			1,118.2	1,579.8			41

Source: Company data, Refinitiv Datastream, Baader Helvea Equity Research

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- **Strong cash position.** Considering the substantial cash position of 10% of net assets (around CHF 226mn), the sizeable portion of liquid public positions, the flexibility of HBM's permanent capital structure and the careful investment process, the fund feels prepared to tackle the current challenging macro-economic and financial environment. HBM does not feel pressured to sell portfolio positions while the market is depressed; however, HBM will be looking for buying opportunities currently discounted by the market.

We increase our rating to Buy and raise the TP to CHF 370 per share (26% upside). Our valuation is based on the net asset development of HBM's investments, namely private and public companies and funds. Our valuation model, although conservative for all assets, still sees a substantial medium and long-term potential for the stock. For funds, we carry the last reported fair value (as of December-2021). For public equities, and since in our view consensus does not reflect current market conditions, we use the 5-year pre-COVID CAGR of 12% observed for the Nasdaq biotechnology Index. For private companies, we base our valuation on the median gains of 34% (risk adjusted 50% given the current market) observed since 2012. Finally, we conservatively use the January-2022 share-price-to-NAV discount of 5%. **We then derive our 12-month forward TP of CHF 370 per share.**

Per share basis valuation cascade of HBM

Source: Baader Helvea Equity Research

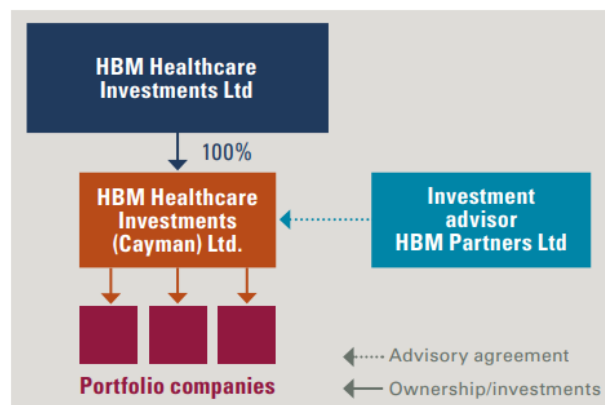
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PORTFOLIO OF PRIVATE AND PUBLIC COMPANIES

Fund profile

- HBM Healthcare Investments is a closed-ended, healthcare-dedicated investment company founded in 2001 and listed in the Swiss Stock Exchange since 2008. The fund has a holding structure comprising HBM Healthcare Investments Ltd, Zug, and its subsidiary HBM Healthcare Investments (Cayman) Ltd. The latter is the holder of all investments.
- HBM implemented a 3-5% p.a. capital redistribution policy (withholding tax-exempt par value repayment) in 2012. The dividends are drawn out of net assets and not out of the free cash flow as typically done. As a consequence, a decline in net asset value during market downturns would be amplified by dividend payments.
- Finally, HBM reports results on a quarterly basis and publishes the net asset value per share twice a month, providing a high level of transparency to its investors.

Group structure



Source: Company data

Allocation of assets

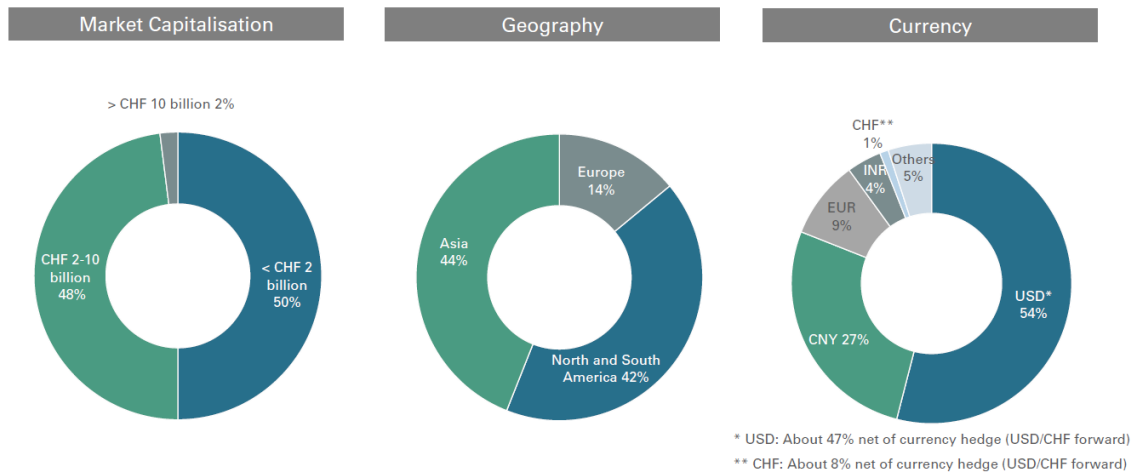
HBM's portfolio is predominantly focused on small- and mid-cap companies, with a market capitalization below CHF 2bn.

- HBM's portfolio of small- and mid-cap is mainly made of biotech companies with a global orientation towards the U.S., but increasing allocation in emerging markets such as China and India.
- On the one hand, small- and mid-cap companies tend to outperform large-cap stocks, which typically suffer from declining R&D outputs. However, since most biotech companies often only have a couple of projects in development, their failure could often lead to write-offs. While the risk profile of mid- and small-cap companies is therefore high, **HBM relies on two key elements to mitigate those risks: 1) a team of experienced professionals and proven track record able to assess clinical development risks, and 2) a private equities portfolio, where HBM can claim Board presence.**
- While investment in third-party private equity funds comprises 9% of the assets, 16% constitute public companies. Public companies originating from the private equity portfolio represent currently 50%, and private companies made up the remaining 25% of the investments.

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- Investments are also well diversified currency-wise. **The fund has a high exposure to the USD (54%), followed by Chinese Yuan (27%), mainly due to its position in Cathay Biotech.** Euro-denominated investments account for 9% and exposure to the Swiss franc is currently limited to 1% with investments in private companies (Numab Therapeutics and Polyneuron Pharmaceuticals) and participations in third-party funds.

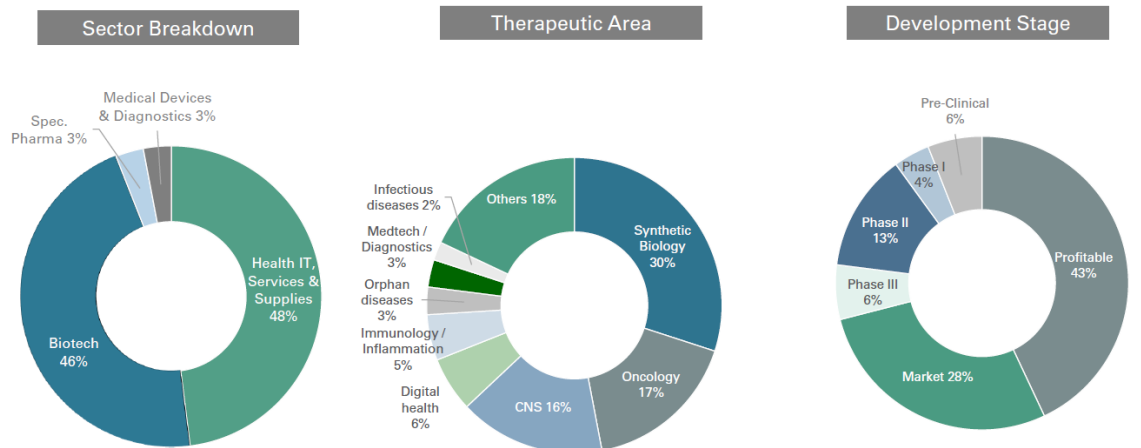
Portfolio breakdown by market cap, geography and currency (as of 31 December 2021)



Source: Company data

HBM's portfolio has a clear focus on biotech companies, although it is well-balanced in terms of the therapeutic areas and the development stages of drug candidates.

Portfolio breakdown by sector, therapy and development stage (as of 31 December 2021)



Source: Company data

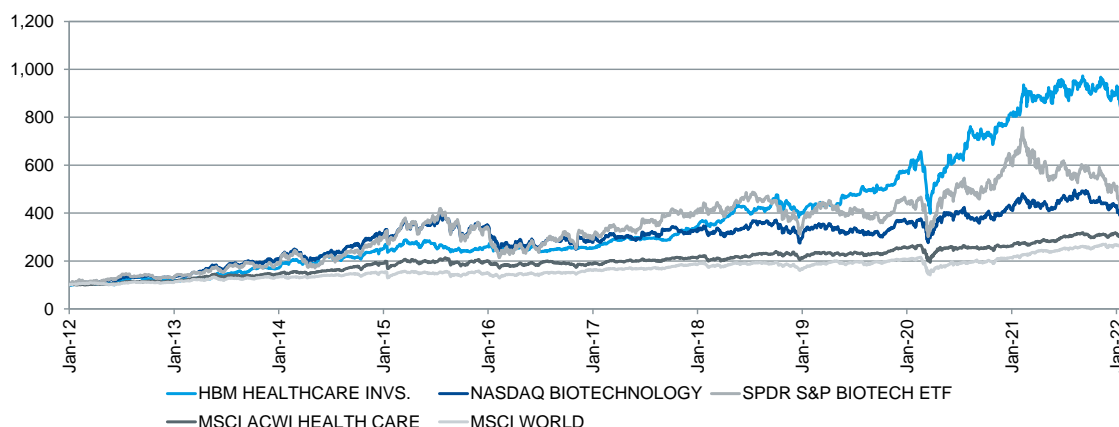
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TRACK RECORD OF OUTPERFORMING THE MARKET

HBM's share price performance continuously outpaced global healthcare indices

- Over the years, HBM gradually developed expertise in investing in private and public companies with an exit-driven strategy, leading to an impressive performance over time. **Since its inception, HBM's share price performance has regularly outpaced global healthcare indices such as the Nasdaq Biotechnology and the MSCI World Healthcare.**

Share performance vs. global healthcare indices



Source: Company data, Baader Helvea Equity Research

- At the 5- and 10-year periods prior to COVID, HBM's share returned a total of 239% and 461% respectively, way ahead of the Nasdaq Biotechnology (74 and 372%), the SPDR S&P Biotech ETF (139% and 384%) and the MSCI World Healthcare (75% and 185%).
- The last 12 months have seen a volatile market for all involved in biotechnology investing. We note that HBM's shares depreciated by 3%, but still performed better than the Nasdaq Biotechnology Index (-8%) and the SPDR S&P Biotech ETF (-30%).
- The first weeks of January 2022 served as a reminder that equity markets, valued at historical high levels, remain susceptible to volatility and profit-taking.** Investors reacted to the threat of higher interest rates (Federal Reserve's latest monetary policy meeting), leading to poor performance of long duration growth equities subsectors such as small and mid-sized biotech and healthcare.

There are, however, some developments of which the sector stands to benefit over the next few quarters:

- US Democratic Senator Manchin announced mid-December that he would block President Biden's attempt to introduce near-term reforms to drug pricing.
- After a quiet year for M&As, big Pharma is aggressively moving towards acquisitions. The performance in shares of small- and mid-sized companies (SPDR S&P Biotech ETF now trades approx. 45% below its peak reached mid-February 2021) makes potential deals more attractive.
- Remarkably, the FDA approved a record high 60 novel drugs in 2021, indicating that innovation within the biopharma industry remains robust.

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Performance comparison

%	Jan-22	12-month ^a	5Y-pre-COVID ^b	10Y-pre-COVID ^c
HBM Healthcare Inv.	-15	-3	239	461
Nasdaq Biotech Index	-11	-8	74	372
SPDR S&P Biotech ETF	-18	-30	139	384
MSCI World HC index	-6	13	75	183
MSCI WORLD	-4	20	55	133
CAGR				
HBM Healthcare Inv.	n.a.	n.a.	28	19
Nasdaq Biotech Index	n.a.	n.a.	12	17
SPDR S&P Biotech ETF	n.a.	n.a.	19	17
MSCI World HC index	n.a.	n.a.	12	11
MSCI WORLD	n.a.	n.a.	9	9

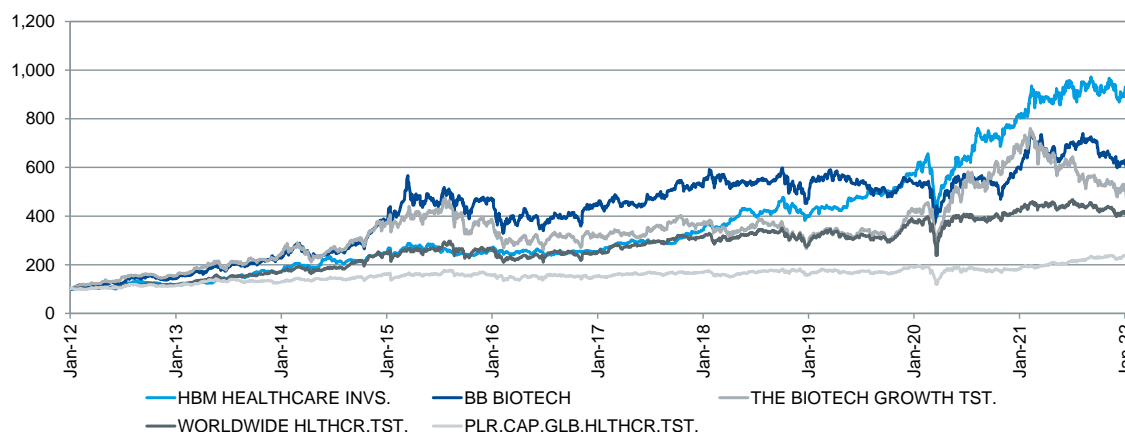
Note: a) 1 Jan-21 to 31-Jan-22, b) 1-Jan-14 to 31-Dec-19, c) 1-Jan-09 to 31-Dec-19

Source: Company data, Refinitiv Datastream, Baader Helvea Equity Research

Returns vs. healthcare-focused funds

- **HBM's track record is one of the best in its sector.** Over the last 5 years, HBM shares total return reached 316% (incl. distributions, reinvested in security). Looking at more recent shares' total return, in 2021, HBM outperformed most of its peers despite the challenging biotech market, boasting a 15% total return. HBM was only outperformed by the UK-based Polar Capital Global Healthcare Trust, which, however, over the longer period of 5 years, ranked worst in the sector.
- **Part of this performance is related to HBM's strategy of investing mainly in private companies or in companies originating from its private equity portfolio,** which in our view has helped to sustain its superior performance compared to its peers.

Share price performance vs. healthcare-focused investment funds (including dividends)



Source: Refinitiv Datastream, Baader Helvea Equity Research

HBM compared to healthcare peers

	Invest. currency (IC)	Mkt. cap. (IC mn)	Holdings	Dividend (%)	Expense ratio	Share TR 2021	5Y share TR
HBM HEALTHCARE INVS.	CHF	2,057	99	3-5	0	15	316
BB BIOTECH N	CHF	4,274	32	5	1	8	79
THE BIOTECH GROWTH TST.	GBP	489	84	0	1	-25	69
WORLDWIDE HLTHCR.TST.	GBP	2,362	88	1	1	-3	77
PLR.CAP.GLB.HLTHCR.TST.	GBP	349	46	1	1	28	65

Source: Company data, Baader Helvea Equity Research

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Discount to NAV has shrunk and turned into a premium

A significant part of the positive return over the last years is supported by the reduction in the gap between HBM's net asset value per share and the price per share.

- Since 2009, HBMN shares have been trading at a discount to NAV, with significant improvement since 2016, boosting share price performance over NAV gains. Investors' increasing confidence in HBM's ability to reap value from its private portfolio is likely to have contributed to this change in view and the gradual reduction of the discount to NAV.
- Back in 2016, HBM shares used to trade at a -28.2% discount to net asset value, showing the moderate investor appetite for the shares as the biotech sector corrected from its 2015 rally. During 2016, the Nasdaq Biotech Index lost 20% and HBM's net asset value declined 6.1%.
- In the subsequent years, HBM share price-to-NAV discount gradually improved to turn into a positive premium in 2019. The above-peers returns over the last 5 years (316%), and excellent resilience in 2018 market downturn (9.9% NAV growth, -8.9% Nasdaq Biotech Index decline) clearly attracted investors' attention and installed lasting trust in HBM's growth strategy, reflected by the narrowing discount to NAV.
- In 1H20, HBM saw the premium turning back into a discount for a short period of time, which coincided with the beginning of the COVID-19 pandemic. At year-end 2020, however, HBM reported a 9.5% share price premium to net asset value. 2021 was a difficult year for the biotech market and for all the players involved. HBM was not exception and despite clearly outperforming the Nasdaq Biotech Index, the share price premium narrowed to 5.7%.
- At the end of January 2021, HBM traded at 5% discount to NAV. However, **based on HBM's excellent track record, and derived from previous market downturns, we expect the premium to grow back to at least 0%.**

HBM's share price to NAV premium (discount) development, including dividend reinvestment



Source: Company data, Baader Helvea Equity Research

- We show below how HBM's share price and the different components of NAV developed over the last five years. We use reported values, not adjusted for dividend reinvestment.

Share price and NAV development (not adjusted for dividends)

		FY16/17	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22*
Share price premium to NAV (+) / discount (-)	%	-28.4	-13.6	-11.0	-8.9	7.5	0.9
Share price	CHF	111.4	144.0	168.8	190.0	332.5	339.0
Cash and cash equivalents (net liabilities from market hedging)	CHF mn	77.0	72.4	176.2	224.2	327.0	226.0
Other assets (net other liabilities)	CHF mn	-78.0	-85.9	-104.0	-130.4	-244.7	-221.9
Private equity	CHF mn	122.5	288.4	409.6	550.4	446.2	604.5
Funds	CHF mn	151.8	125.6	132.6	156.0	216.6	206.0
Public equities	CHF mn	813.6	750.0	688.2	629.9	1,404.2	1,523.5
NAV	CHF mn	1,086.9	1,150.5	1,302.6	1,430.1	2,149.2	2,338.1
Shares outstanding		7.0	6.9	6.9	6.9	7.0	7.0
NAV per share	CHF	155.6	166.6	189.8	208.5	309.2	336.1

* HBM's financial year starts and ends in March. The data shown for FY21/22 correspond to 9M21

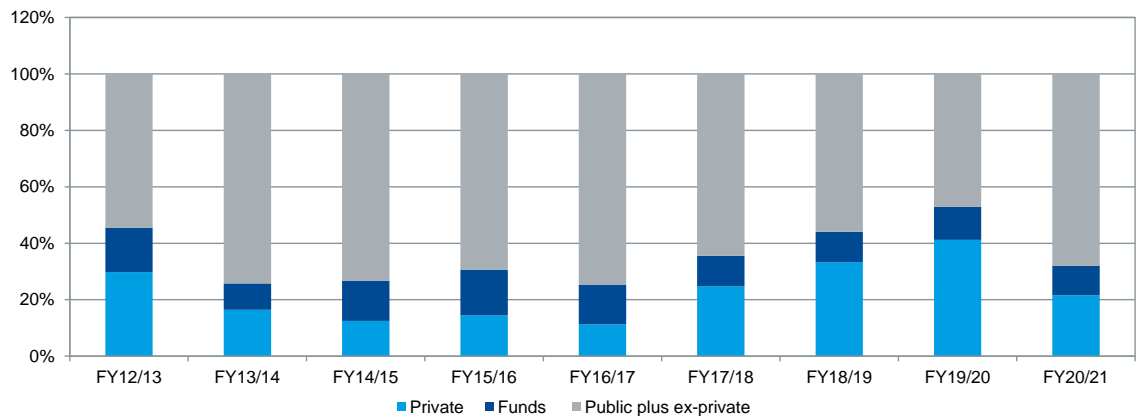
Source: Company data, Baader Helvea Equity Research

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PRIVATE EQUITY IS THE MAIN DRIVER OF THE NET ASSET VALUE GAINS

- HBM's exposure to private equities has gradually increased since 2013, after a strategy adjustment to avoid pre-clinical high-risk assets, and focus on more mature projects and maturation of the portfolio. This resulted in an improved return on investment over the years.

Evolution of asset allocation over time



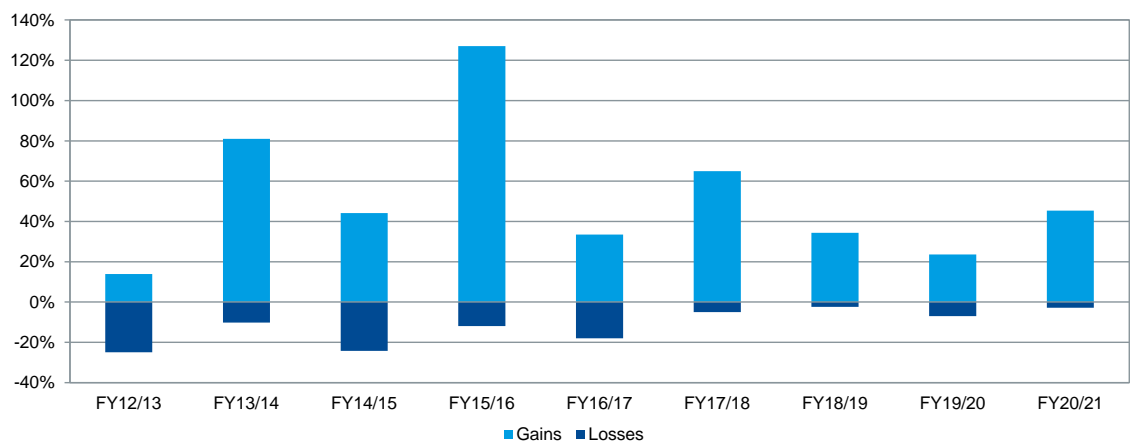
Source: Company data, Baader Helvea Equity Research

- In our opinion, we see the private equities not only acting as an anchor, but first and foremost driving HBM's performance. In order to identify the main contributors to HBM's historical performance, we looked separately at the performance of HBM public and private equities, including or excluding exit gains.

Private portfolio performance

- Because of the limited transparency, we refer to the historical trends since 2012 as disclosed by HBM. On average, losses (write-downs) reached a median value of 10% over the years, with a record high 25% and 24% in FY12 and FY14 respectively. Ever since, we note rapidly improving figures, likely because of focus on less risky phase II/III assets and maturation of the portfolio.

Gains and losses as percentage of the private equity value (excluding Cathay Biotech)



Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

- Based on the historical trend, we see a substantial upside potential from private equities supported by trade sales and IPOs. **Based on the latest 27 exits within HBM's private equities portfolio since 2017, we calculate an average return of 1.9x**, excluding the return obtained on Cathay as it is clearly an outlier.
- If the average exit multiple of this subset of companies would be used to extrapolate the potential value of the current private equities portfolio, we would obtain a potential net asset value of CHF 1,154mn (90% upside to last reported value).
- However, as it is extremely unlikely that HBM might successfully exit its whole private equities in the foreseeable future, **we prefer tracking the median annual private assets gains since 2012, which we estimate 34%, after write-downs (44% median gains less 10% median write-downs).**

Latest IPOs from private equity portfolio (as of 31 December 2021)

Company	Year of IPO	Amount invested private (USD)	Multiple to IPO price	Amount invested at IPO (USD)	Post IPO performance
Instil Bio	2021	12.5	3.10x	6.0	-10%
Monte Rosa Therapeutics	2021	14.0	2.44x	8.0	7%
Longboard	2021	10.0	2.20x	8.0	-69%
Werewolf Therapeutics	2021	5.0	2.00x	2.4	-24%
Ambrx	2021	20.0	1.56x	14.0	-50%
Connect Biopharma	2021	10.0	1.55x	5.1	-65%
Pyxis Oncology	2021	6.0	1.53x	2.4	-29%
IO Biotech	2021	23.2	1.47x	4.6	-49%
Cathay	2020	38.0	14.02x	0.0	40%
Harmony Biosciences	2020	36.4	2.96x	3.9	136%
BioAtla	2020	11.5	2.69x	17.6	4%
iTeos Therapeutics	2020	7.9	2.42x	10.0	150%
Seer	2020	2.8	2.40x	0.1	23%
C4 Therapeutics	2020	4.0	2.22x	5.7	75%
ALX Oncology	2020	5.0	2.00x	7.6	16%
Galecto	2020	11.8	1.48x	5.0	-78%
Arcutis	2020	15.0	1.46x	7.6	34%
SpringWorks Therapeutics	2019	12.0	1.90x	3.2	264%
Turning Point Therapeutics	2019	10.0	1.54x	4.5	185%
Viebia Bio (Acquired by Horizon for USD 3.1bn)	2019	20.0	1.19x	9.5	179%
Principia (Acquired by Sanofi for USD 3.7bn)	2019	12.0	1.18x	7.2	488%
Homology	2018	4.0	2.11x	6.0	-70%
Aplinyx	2018	6.5	1.95x	2.0	-83%
Y-mAbs	2018	23.3	1.71x	9.4	9%
ARMO Biosciences (Acquired by Eli Lilly for USD 1.6bn)	2018	12.0	1.38x	10.0	194%
AnaptysBio	2017	7.0	2.02x	2.3	140%
Advanced Accelerator Applications (Acquired by Novartis for USD 3.9bn)	2017	43.5	1.17x	4.8	413%
Average multiple (without Cathay)			1.91x		

Source: Company data, Baader Helvea Equity Research

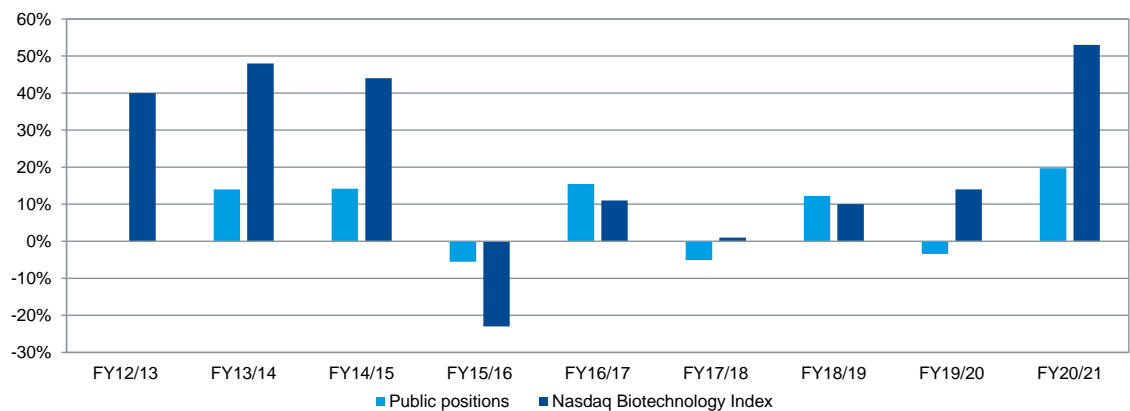
HBM Healthcare Investments

Public portfolio performance

We exclude gains from private equity and ex-private positions from the public equities portfolio gains to provide a comparable basis against the Nasdaq Biotech index.

- We see the performance largely affected by the general market sentiment. In FY15/16, at the time of the most pronounced Biotech market derating, HBM's public portfolio declined 6%, a similar trend was observed for the Nasdaq Biotech index (-23%).
- A comparable evolution occurred since COVID-19 outbreak. Looking at FY20/21, we see the performance of HBM's public equities further tracking the healthcare index.

Estimated HBM public equities performance versus the Nasdaq Biotechnology Index

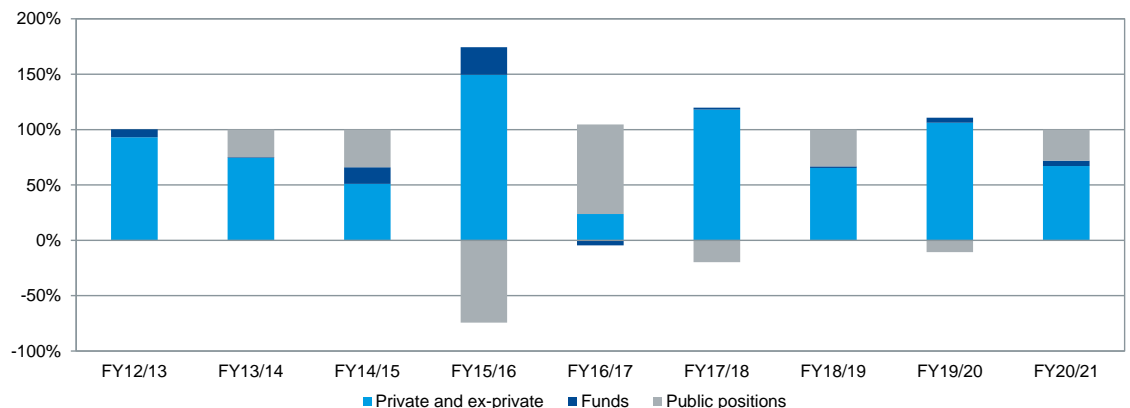


Source: Company data, Baader Helvea Equity Research

Private and ex-private equity positions accounted for 73% gains on the net asset value since 2012

- We analyzed the evolution over time of the main contributors to HBM net asset value gain/losses. We find the data relevant to better assess the potential evolution of the NAV in a base-case scenario.
- We find that private equities significantly contributed to HBM's net asset value gains since 2012, especially in market downturns (FY15/16) when public equities declined substantially. On average, we calculated a median private equities gains of 73% of the HBM net asset value gains since 2012, followed by public equity and fund gains of 23% and 5% respectively.

Relative contributions to HBM net asset value gains/losses



Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

FINANCIALS

- **Assets:** As of end-December 2021, HBM disclosed a net asset value at CHF 2,339mn and CHF 2,590mn total assets, of which CHF 226mn cash and cash equivalents and CHF 2,334mn non-current assets, which corresponds to the net asset value of its subsidiary HBM Healthcare Investments.
- **Cash and cash equivalents:** Historically, HBM always kept approximately CHF 200mn in cash and cash equivalents in the balance sheet, which allows to cover its liabilities without affecting investments. In FY20, however, the balance sheet registered approximately CHF 430mn (including proceeds from short sale of SPDR S&P Biotech ETF, net of liability CHF 327mn). The reason is likely the CHF 120mn performance fee the fund paid to its management, board and advisors due to results obtained in FY19. In 3Q21, HBM reported CHF 226mn (9% of total assets) and therefore we keep the cash position at constant 9% in our model and forecast period. In our view, the size of cash depends on the timing of investment decisions, hence, can vary substantially.
- **Management fee** is a fixed component paid on a quarterly basis as 0.75% of net assets plus 0.75% of the company market capitalization. In our model, we take the last reported value of CHF 26mn and keep it stable over time.
- **Performance fee** amounts to 15 percent of the value growth achieved over and above the high water mark. It is calculated on an annual basis on net assets reported and the number of shares outstanding. It is paid out at the end of the financial year, presuming value growth has exceeded the high water mark by more than five percent. In our forecast model, we use the average fee paid in the last 5 years (excluding FY20).
- **Dividends:** HBM aims at paying a withholding tax-exempt distribution yield of 3-5% p.a. from par value repayment. In FY21, the company paid a total of CHF 12.5 per share dividend, from which CHF 9.0 ordinary dividend and CHF 3.0 were a one-time anniversary payment. In our model, for the future, we grow the dividend by 3% p.a.
- **Liabilities:** At the group level, financial liabilities amounted to CHF 150mn because of two straight bonds with par value of CHF 50mn and CHF 100mn, maturing in July 2023 and July 2027. According to HBM, these liabilities were purchased during the low interest rate period. They compensate for the unpredictability of returns from the portfolio.

HBM Healthcare Investments

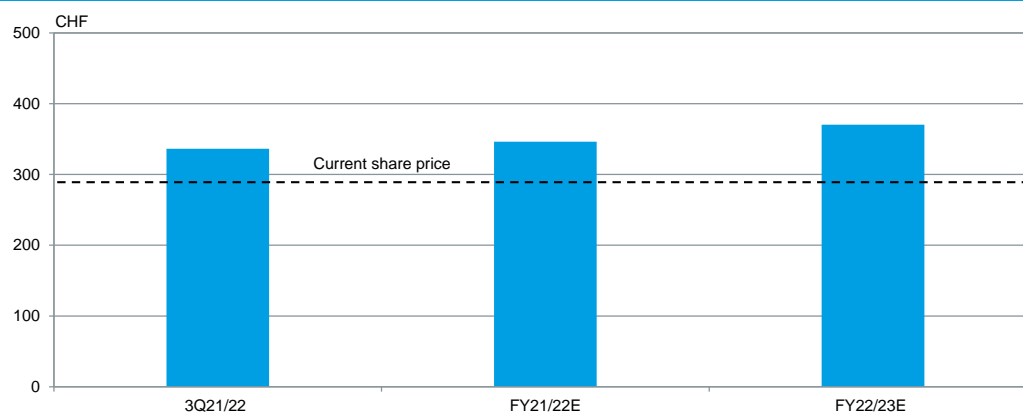
VALUATION

We increase our rating to BUY and raise the TP to CHF 370 per share (26% upside)

Our TP is based on the net asset evolution of the private and public equity portfolios as well as funds

- Historically, the contribution of funds to the total gains in the net asset value of the fund was only 5%, opposed to 25% gains from public portfolio and 73% from private and ex-private positions. Therefore, for funds, we carry the most recently reported fair value (as of end-2021).
- For the public equities portfolio, we see the performance tracking healthcare indices. Additionally, the consensus target prices suggest an upside of 47% (41% for the Top 10 holdings), which in our opinion is too inflated and likely still reflects the valuation bubble observed for growth companies in 2019 and 2020. We estimate analysts will adjust their valuations in 2022 to reflect the current bearish market. Consequently, we take instead the 5-year pre-COVID CAGR of 12% observed for the Nasdaq Biotechnology Index to derive our 12-month forward gains for the public companies.
- For private equities, we base our forecast on the median gains of 34%, observed since 2012. We risk adjust the median gains by 50% to reflect current market volatility, which leads to a CAGR of 17% used in our model.
- Finally, and since it is unclear for how long the biotech market will remain weak, we use the end-January share price-to-NAV discount of 5% to derive our TP.

Per share basis valuation cascade of HBM



Source: Baader Helvea Equity Research

12-month forward valuation of HBM

		3Q21/22	FY21/22E	FY22/23E
Cash	CHF mn	226.0	227.7	245.6
Other assets	CHF mn	76.8	20.2	20.2
Private equities	CHF mn	604.5	604.5	707.3
Funds	CHF mn	206.0	206.0	206.0
Public equities	CHF mn	1,523.5	1,523.5	1,706.3
Liabilities	CHF mn	-298.7	-173.2	-173.2
Net asset value	CHF mn	2,338.1	2,408.7	2,712.1
Shares outstanding	mn	7.0	7.0	7.0
Net asset value per share	CHF	336.3	346.2	389.8
Share price premium (discount)	%	0	0	-5
Target price	CHF		346.2	370.4
Upside	%			26

Source: Company data, Baader Helvea Equity Research

Target price sensitivity as function of the share price-to-NAV premium (discount)

Premium (discount)	-10%	-5%	0%	5%	10%
Target price (CHF)	350.9	370.4	389.8	409.3	428.8

Source: Baader Helvea Equity Research

HBM Healthcare Investments

Valuation of the public equity portfolio

- We use consensus target prices (whenever five or more analysts cover the stock), but we set a cut-off to a maximum of 200% upside to reduce dependency on single companies. When less than five analysts cover the stock, we take the share price of the last trading day.
- Among the 39 disclosed positions, consensus expects an average share price appreciation of 47% (73% for the Top 10 companies in the portfolio) which, in our opinion, reflects a too bullish view given the current state of the market. We thus present HBM's public equities calculated 12-month forward net asset value based on the 5Y-pre-COVID historical growth of 12% observed for the Nasdaq Biotechnology Index.

Public equity value development

Holdings	Investment currency	Ownership (%)	% Total public	Current value (CHF mn)	Value at consensus TP (CHF mn)	Share price (CHF)	Consensus TP (CHF)	Upside (%)	Abs. contrib. (CHF mn)	Contrib. to upside (%)
Cathay Biotech	CNY	7.1	46.4	707.3	707.3	22.5	22.5	0	0.0	0
Harmony Biosciences	USD	7.8	11.6	176.9	304.2	30.9	53.1	72	127.3	18
Biohaven Pharmaceuticals	USD	0.5	2.7	40.6	53.9	112.3	149.1	33	13.3	2
Monte Rosa Therapeutics	USD	3.9	2.2	33.5	100.6	9.7	29.0	200	67.1	9
SpringWorks Therapeutics	USD	1.0	1.9	28.3	59.8	48.4	102.5	112	31.6	4
Y-mAbs Therapeutics	USD	4.3	1.8	27.8	83.3	8.1	24.3	200	55.6	8
Turning Point Therapeutics	USD	1.3	1.8	27.6	82.8	29.8	89.4	200	55.2	8
HUTCHMED China	HKD	0.5	1.7	25.8	77.5	5.1	15.4	200	51.7	7
BioAtla	USD	4.0	1.7	25.6	76.7	8.2	24.7	200	51.2	7
Pacira BioSciences	USD	1.0	1.6	24.8	33.7	57.2	77.8	36	8.9	1
Zogenix	USD	2.4	1.3	19.9	23.4	24.2	28.4	18	3.5	0
Ambrx Biopharma	USD	6.2	1.3	19.9	19.9	4.6	4.6	0	0.0	0
Argenx	EUR	0.1	1.3	19.6	19.6	247.0	247.0	0	0.0	0
Argenx (ADR)	USD	0.1	1.3	19.2	28.8	237.1	356.4	50	9.7	1
ChemoCentryx	USD	0.8	1.2	18.4	49.2	22.5	60.1	167	30.8	4
Arcutis	USD	1.9	1.2	18.0	53.9	13.4	40.2	200	35.9	5
BioInvent	SEK	6.6	1.2	17.8	17.8	4.1	4.1	0	0.0	0
Laurus Labs	INR	0.5	1.2	17.8	24.1	5.9	7.9	35	6.3	1
Instil Bio	USD	0.8	1.1	16.5	16.5	9.8	9.8	0	0.0	0
Zymeworks	USD	2.1	1.0	14.9	44.6	7.7	23.2	200	29.7	4
IO Biotech	USD	8.4	0.9	14.1	14.1	6.8	6.8	0	0.0	0
Iovance	USD	0.5	0.9	13.6	34.5	12.9	32.6	153	20.9	3
BeiGene	HKD	0.1	0.9	13.2	24.2	15.9	29.2	84	11.0	2
Rocket Pharmaceuticals	USD	0.9	0.8	11.5	34.6	14.1	42.3	200	23.0	3
ALX Oncology	USD	1.4	0.7	11.4	34.2	13.4	40.1	200	22.8	3
Dishman Carbogen	INR	2.4	0.6	9.5	9.5	2.4	2.4	0	0.0	0
Index Pharmaceuticals	SEK	9.9	0.6	9.3	9.3	0.2	0.2	0	0.0	0
Longboard Pharmaceuticals	USD	11.1	0.5	8.4	8.4	3.9	3.9	0	0.0	0
Nicox	EUR	7.0	0.5	8.0	8.0	2.5	2.5	0	0.0	0
Aurobindo Pharma	INR	0.1	0.5	7.4	10.5	7.7	10.9	42	3.1	0
Pyxis Oncology	USD	2.2	0.5	7.2	7.2	7.9	7.9	0	0.0	0
Mirati Therapeutics	USD	0.1	0.5	7.0	13.8	100.5	197.5	97	6.8	1
Guangzhou Baiyunshan Pharmaceutical	HKD	0.2	0.5	6.9	6.9	4.2	4.2	0	0.0	0
Werewolf Therapeutics	USD	2.3	0.4	6.8	20.4	7.8	23.5	200	13.6	2
Affimed	USD	1.1	0.4	6.7	20.1	3.4	10.3	200	13.4	2
Solara Active	INR	1.4	0.4	6.4	6.4	12.0	12.0	0	0.0	0
Insmed	USD	0.2	0.4	5.9	15.8	19.0	51.2	169	9.9	1
Jubilant Pharmova	INR	0.5	0.4	5.7	8.2	6.6	9.5	43	2.4	0
Harbour BioMed	HKD	0.8	0.4	5.7	17.0	0.6	1.8	200	11.4	2
Others				58.7	58.7			0	0.0	0
Total public	CHF mn			1,523.5	2,239.3			47	715.8	100
CAGR	%			12.0						
12-month forward fair value	CHF mn			1,706.3						

Source: Company data, Refinitiv Datastream, Baader Helvea Equity Research

HBM Healthcare Investments

Companies contributing more than 5% of the total consensus upside

Holdings	Contribution (%)	Therapeutic area	Key products	Upcoming catalysts
Harmony Biosciences	18	Neurological	Pitolisant Wakix	Phase I/II
Monte Rosa Therapeutics	9	Oncology, inflammatory, others	Pre-clinical	IND-filling
Y-mAbs Therapeutics	8	Oncology	Naxitamab, Omburtamab, Nivatrotamab	US drug approval
Turning Point Therapeutics	8	Oncology	Repotrectinib, Elzovantinib, TPX-0046, TPX-0131	Phase I/II
HUTCHMED China	7	Oncology	Surufatinib, Fruquintinib, Savolitinib	US drug approval
BioAtla	7	Oncology	BA3011, BA3021, BA3071	Phase I/II
Total	57			

Source: Company data, Baader Helvea Equity Research

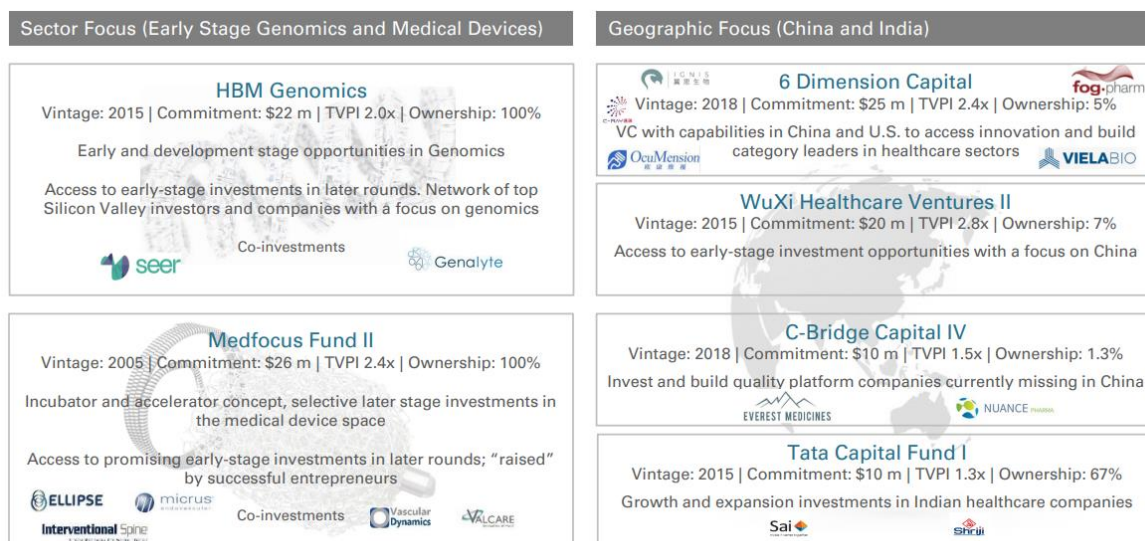
- **Harmony Biosciences stands out with 18% contribution to consensus upside.** Harmony is the second biggest holding and accounts for 11.6% of the public companies (and 7.6% of the total investments). The company is a commercial-stage biotech founded in 2017 in the U.S., and focused on developing treatments for rare, neurological disorders.
- Harmony received FDA approval for its first commercial product – Wakix (Pitolisant), in August 2019. Wakix is a first-in-class medication for the treatment of excessive daytime sleepiness in adult patients with Narcolepsy (USD 2bn market opportunity). The drug is also the first and only treatment approved for patients with narcolepsy that is not scheduled as a controlled substance by the US Drug Enforcement Administration (DEA).
- Wakix generated USD 160mn net sales in its first year of launch (2020) and has since been showing quarter over quarter growth. Due to its differentiated mechanism of action, Harmony is evaluating the expansion of the clinical utility of Wakix to Prader-willi Syndrome (phase 2; topline data expected in 1H22), Myotonic Dystrophy (phase 2; topline data expected in 2H22), Idiopathic Hypersomnia (phase 3 registrational study) and pediatric narcolepsy (phase 3 registrational study).

Valuation of funds

- HBM has investments in healthcare-dedicated funds, granting access to private equities across non-core geographies such as Asia and India. Interestingly, in 2018, the Shanghai-based 6-Dimensions Capital co-led the USD 250mn Series A financing in the US-based Viela Bio, likely facilitating HBM's later participation in the company pre-IPO.
- HBM's participation in funds is therefore a straightforward sourcing tool for new private equity investments, providing exposure to geographies typically difficult to cover for Europe-based investors.
- Due to their limited visibility, and only 5% historical contribution to net asset gains, we carry those assets at reported fair value.

HBM Healthcare Investments

Strategic investments in third-party private equity funds



Selected funds (based on quarterly numbers), data as of 31 December 2021

Source: Company data

Funds value development

	Investment currency (IC)	Total commitment (IC mn)	Cumul. payments (IC mn)	Cumul. repayments (IC mn)	Current value (CHF mn)
HBM Genomics	USD	23.9	23.9	0.0	38.0
6 Dimensions Capital	USD	25.0	25.0	26.0	37.4
WuXi Healthcare Ventures II	USD	20.0	20.0	4.0	33.6
MedFocus Fund II	USD	26.0	26.0	25.0	21.4
120 Capital	USD	25.0	13.8	0.0	12.1
HBM BioCapital II	EUR	42.0	46.1	21.8	12.0
C-Bridge Healthcare Fund IV	USD	10.0	9.7	0.2	11.8
Hatteras Venture Partners III	USD	10.0	10.2	2.9	6.1
Tata Capital HBM Fund I	USD	10.0	9.9	6.9	5.7
Galen Partners V	USD	10.0	10.4	8.8	5.2
LYZZ Capital Fund II	USD	15.0	5.1	0.0	5.0
BioMedInvest II	CHF	10.0	10.0	3.9	3.2
Tata Capital Healthcare Fund II	USD	20.0	4.5	0.4	3.1
BioVeda China IV	USD	5.0	4.0	0.9	3.1
HBM Genomics II	USD	15.0	3.3	0.0	2.7
C-Bridge Healthcare Fund V	USD	15.0	2.7	0.5	1.8
BioMedInvest I	CHF	26.0	26.0	27.6	1.7
Nordic Biotech	DKK	31.0	31.0	221.7	1.3
Others					0.8
Total funds	CHF mn				206.0
CAGR	%				0
12-month forward value	CHF mn				206.0

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

Valuation of the private equities portfolio

- Based on the historical trend, we see a substantial upside potential from private equities supported by trade sales and IPOs. Based on the latest 27 trade sales and IPOs within HBM's private equities portfolio since 2017, we calculate an average return of 1.9x, excluding the return obtained on Cathay as it is clearly an outlier.
- If the average exit multiple of this subset of companies would be used to extrapolate the potential value of the whole private equities portfolio (excluding Cathay), we would obtain a potential net asset value of CHF 1,154mn.
- However, as it is extremely unlikely that HBM might successfully exit its whole private equities in the foreseeable future, we prefer to use the median gains of 34% (risk adjusted 50%) registered for the private equity portfolio since 2012. The risk adjustment leads to an estimated growth of 17%, which in our view best reflect the market volatility.

Private equity value development

Private companies	Investment currency (IC)	Amt. invested in reporting period (IC mn)	Ownership (%)	Current value (IC mn)	Current value (CHF mn)
Swixx BioPharma	EUR	34.8	26.3	141.7	147.0
Neurelis	USD	24.4	10.6	56.2	51.3
ConnectRN	USD	13.9	21.7	52.1	47.5
NiKang Therapeutics	USD	20.0	5.3	25.2	23.0
BioShin	USD	8.0	4.1	22.6	20.7
Tata 1mg	INR	971.2	4.0	1,632.7	20.1
Fangzhou (Jianke)	USD	19.9	5.4	19.7	18.0
Nuance Pharma	USD	14.0	3.9	18.7	17.0
Numab Therapeutics	CHF	17.0	6.4	17.0	17.0
SAI Life Sciences	INR	449.0	5.7	1,343.9	16.5
Adrenomed	EUR	11.7	10.5	15.8	16.4
Farmalatam	USD	14.8	5.1	17.7	16.2
Valo Health	USD	15.0	1.3	15.0	13.7
Sphingotec	EUR	13.0	14.2	10.7	11.2
Upstream Bio	USD	11.0	4.2	11.0	10.0
Neuron23	USD	8.0	2.2	10.8	9.9
Genalyte (BaseHealth)	USD	7.5	3.4	10.2	9.3
Karius	USD	10.0	3.9	10.0	9.1
River Renal	USD	10.0	12.5	10.0	9.1
Odyssey Therapeutics	USD	10.0	5.0	10.0	9.1
Shape Memory Medical	USD	8.8	16.8	8.8	8.0
Cure Everlife Holdings	USD	8.9	10.1	8.7	7.9
Valcare	USD	5.4	7.5	8.1	7.4
Acrivon Therapeutics	USD	8.0	3.6	8.0	7.3
VISEN Pharmaceuticals	USD	7.5	0.6	7.5	6.8
Dren Bio	USD	7.4	7.8	7.4	6.8
Arrakis Therapeutics	USD	7.0	4.6	7.0	6.4
eGenesis Bio	USD	7.0	2.0	7.0	6.4
Mineralys Therapeutics	USD	6.7	10.7	6.7	6.1
Cardialen	USD	6.5	17.8	6.5	5.9
FogPharma	USD	5.0	1.9	5.0	4.6
Aculys Pharma	USD	5.0	5.0	5.0	4.6
Fore Biotherapeutics (NovellusDx)	USD	4.9	9.3	4.9	4.4
1000Farmacie	EUR	4.0	14.6	4.0	4.2
Ignis Therapeutics	USD	4.2	1.2	4.2	3.8
Mahzi Therapeutics	USD	4.0	5.2	4.0	3.7
Vascular Dynamics	USD	12.5	13.1	3.1	2.9
MicroOptx	USD	3.0	8.3	3.0	2.7
Freenome Holdings	USD	3.0	0.2	3.0	2.7
Polyneuron Pharmaceuticals	CHF	9.9	16.1	2.5	2.5
C Ray Therapeutics	USD	2.0	1.6	2.0	1.8
Antiva Biosciences	USD	1.5	1.8	1.5	1.4
Others					3.8
Total private companies	CHF mn				604.5
CAGR (Prob. adj. 50%)	%				17
12-month forward value	CHF mn				707.3

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

Portfolio catalysts in 2022 and beyond

With a disclosed portfolio of 39 public and 42 private companies, we believe HBM will benefit from enough news flow in the next quarters. Recent and expected developments include:

- **Cathay Biotech** is a Shanghai-based white biotech chemicals manufacturer and the largest holding in HBM's portfolio. Due to its large contribution to the NAV, Cathay's share performance will continue to have significant impact on the results of HBM. Cathay is profitable and operationally very successful and on a growth trajectory. In 2021, despite the weak market, Cathay's shares developed strongly and positively. The company is on track to surpass sales levels of 2019 coupled with higher profitability. According to Bloomberg, consensus analysts expect revenues for 2022 of approx. CNY 3,136mn (USD ~490mn); this would translate to an EPS of CNY 1.98 vs. 1.29 per share respectively.
- **BioShin**, a company focused on the discovery, development and commercialization of novel, life-improving treatments for patients with neuro-immune diseases in China and the Asia-Pacific region, will be fully acquired by Biohaven as part of Biohaven's strategic partnership with Pfizer. Upon completion of the transaction, HBM will receive Biohaven shares equivalent to approximately USD 23mn in exchange for its USD 8mn investment in BioShin.
- **Argenx and ChemoCentryx** each benefited from an FDA market approval. Argenx was granted approval for VYVGARTTM for the treatment of the chronic neuromuscular autoimmune disease myasthenia gravis, characterized by weakness and rapid fatigability of the skeletal muscles, and ChemoCentryx for TAVNEOSTM for the treatment of ANCA-associated vasculitis, an inflammatory disease of the blood vessels.

Various companies in the private equity portfolio are about to close financing rounds, which should have a positive impact on the book value of the corresponding investments.

- **Swixx Biopharma and ConnectRN** recently concluded financing rounds at higher valuation on the back of their operational development. Swixx Biopharma signed an agreement for distribution of Sanofi's prescription drugs in Eastern Europe and expects to double its 2022 sales to over EUR 600mn. ConnectRN increased its 2021 revenue organically by more than 240% and expects further growth in 2022.

Expected catalysts for the public portfolio, including important clinical results and expected drug approvals in the U.S.

Company	Portfolio	% total NAV	Catalyst
Y-mAbs Therapeutics	Public, ex-private	1.2	US drug approval
HUTCHMED China	Public	1.1	US drug approval
Argenx	Public	0.8	US drug approval
Biohaven Pharmaceuticals	Public	1.7	Phase III
Biohaven Pharmaceuticals	Public	1.7	Phase III
SpringWorks Therapeutics	Public, ex-private	1.2	Phase III
Pacira Biosciences	Public, ex-private	1.1	Phase III
Arcutis	Public, ex-private	0.8	Phase III
Arcutis	Public, ex-private	0.8	Phase III
Argenx	Public	0.8	Phase III
Argenx	Public	0.8	Phase III
BeiGene	Public	0.6	Phase III
BeiGene	Public	0.6	Phase III
Iovance	Public	0.6	Phase III
Harmony Biosciences	Public, ex-private	7.6	Phase I/II
Harmony Biosciences	Public, ex-private	7.6	Phase I/II
SpringWorks Therapeutics	Public, ex-private	1.2	Phase I/II
SpringWorks Therapeutics	Public, ex-private	1.2	Phase I/II
SpringWorks Therapeutics	Public, ex-private	1.2	Phase I/II
Turning Point Therapeutics	Public, ex-private	1.2	Phase I/II
Turning Point Therapeutics	Public, ex-private	1.2	Phase I/II
Turning Point Therapeutics	Public, ex-private	1.2	Phase I/II
BioAtla	Public, ex-private	1.1	Phase I/II
BioAtla	Public, ex-private	1.1	Phase I/II
BioAtla	Public, ex-private	1.1	Phase I/II
Instil Bio	Public, ex-private	0.7	Phase I/II
Zymeworks	Public	0.6	Phase I/II
Zymeworks	Public	0.6	Phase I/II
Zymeworks	Public	0.6	Phase I/II
ALX Oncology	Public, ex-private	0.5	Phase I/II
Longboard Pharmaceuticals	Public, ex-private	0.4	Phase I/II

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments**SWOT ANALYSIS****Strengths:**

- Well established investment strategy and excellent track record.
- Experienced professionals and team members with longstanding exposure to investment in the Healthcare sector.
- Better diversified than peers in terms of geographic and currency exposure.
- Increasing exposure to high-growth emerging markets (China, India).
- Well diversified in terms of therapeutic areas (Digital health, MedTech, biotech).
- Private equity investments are highly resilient to market downturns and conservatively carried at investment cost.
- Participation in private equity funds in China and India, enabling participation in local and international deals.
- Adequate firepower (CHF 226mn cash Dec-2021) for investing in new and undervalued opportunities.
- Excellent private equities exits (trade sales and IPOs), average 1.9x returns since 2017.

Weaknesses:

- Persistent discount to NAV.
- Mature portfolio that needs to be rebalanced.
- Mixed performance over the years.
- Size could be an obstacle to investing in small- and mid-caps.
- Public equities performance (excluding ex-private contributions) closely tracking major healthcare indices.
- HBM is a large shareholder in multiple private equities, potentially resulting in high follow-on financing requirements.

Opportunities:

- Invested in emerging and innovative therapies.
- Substantial clinical news flow from holding companies.
- Track record likely to further reduce the share price to NAV discount or increase the premium.
- Emerging markets might gain in importance in healthcare along increased spending on health services.
- Headwind linked to the discussions on drug pricing in the U.S. might abate and boost healthcare public equities performance.
- M&A activities might intensify as result of the currently undervalued biotech stocks.
- Private equities conservatively carried at investment cost by HBM and largely discounted by the market.
- Difficult market valorization of private equities investments (due to limited visibility into companies' business) resulting in large discounts and thus high potential upside.

HBM Healthcare Investments

Threats:

- Competition from listed healthcare equity funds or ETFs.
- The biotech boom coming to an end.
- Biotech financing bottlenecks in market downturn.
- Clinical development risk. HBM holdings are exposed to drug development risks typical for the pharmaceutical/biotechnology industry, including regulatory marketing authorization rejection, clinical development failures and commercial competitive risks.
- Exposed to political and regulatory policies. In the U.S. as well as in other geographies, medical agencies (FDA, EMA) might change requirements for drug reviewing and approval. Changes in drug reimbursement policies might impact holding valuations as well.
- Closing IPO and/or M&A window during market downturns might affect HBM's ability to leverage its private equities investments.
- Share price premium/discount to NAV might worsen.

HBM Healthcare Investments**APPENDIX****Management team**

- HBM Partners relies on a team of 14 investment advisors and analysts, of which eight are dedicated to private and six to public equities. Analysts are specialists in the healthcare sector with longstanding exposure to investments and are predominantly located in Zug, Switzerland. Team expertise includes various pharma/biotech specialties, from molecular biology to pharmacology or medicine, supplemented by experts in venture capital, medical affairs and operations.
- On the private equities side, the team is led since 2019 by **Dr. Matthias Fehr** who has over 20 years of experience in private and public equity investment management and research. He holds a MSc and Ph.D. in chemistry from ETH Zurich. He is a former senior sell-side analyst at Lombard Odier for biotech and medical technology industries and a former scientist at the Swiss Federal Institute of Technology.
- On the public equities side, the team is led by **Dr. Ivo Stajen** since 2019 who has over 20 years of experience in the pharma industry and in investment analysis and portfolio management. He holds a Ph.D. in biotechnology from ETH Zurich and MSc in chemistry from the University of Groningen. He worked previously as senior biotechnology analyst at Bank Sarasin and was department head at MDS Pharma Services.
- **Dr. Andreas Wicki** is HBM Partners' Chief Executive Officer since 2001. He holds a doctorate in chemistry and biochemistry. Previous engagements include chief executive of several pharmaceutical companies (1988 to 2001), investment and venture capital advisor (1993 to 2001). He is a Member of the Board of Directors at Viela Bio since 2019, Harmony Biosciences since 2017, Vitaeris Inc. since 2016, Pacira Pharmaceuticals Inc. since 2007, and Buchler GmbH since 2000.
- **Erwin Troxler** is HBM Healthcare's Chief Financial Officer since 2011. He is an economist and Swiss Certified Accountant. Since 2005, he has been working for HBM Healthcare Investments Ltd and HBM Partners Ltd, since 2011 as Chief Financial Officer. Previous engagements include Auditor at PricewaterhouseCoopers Ltd (1996 to 2002) and Julius Baer Family Office Ltd (2002 to 2005); he is Chairman of the Swiss Association of Investment Companies (SAIC) since 2004.
- **Jean-Marc LeSieur** is HBM Healthcare's (Cayman) Managing Director and Member of the Board of Directors since 2001. He has more than twenty years of experience in trust and corporate management and administration. Before joining HBM Healthcare Investments, he worked at Vontobel Private Equity Management Ltd. and is an Associate of the Chartered Institute of Bankers, ACIB (Trustee), a member of the Society of Trust and Estate Practitioners (STEP).

Board of Directors

The HBM Board has five directors, elected by an absolute majority of votes cast at the ordinary shareholders' meeting. The board has the following members:

- **Mario G. Giuliani** (2012): Member of the Compensation Committee. Member of the Board of Directors Jukka LLC since 2015, NGR (MONACO) SAM since 2015, Giuliani Group SpA since 2010, and Giuliani SpA since 1999. Member of the Investment Committee Royalty Pharma since 2001, and Mosaic Ventures LLP since 2000 as well as various other directorships within the Nogra Group. Previously executive positions and directorships at Giuliani SpA , Recordati SpA , and Nogra Group SA.
- **Hans Peter Hasler** (Chairman, first elected in 2009): Sector and marketing strategies, market approval (FDA). Hans Peter Hasler is Chairman of the Board of Directors MIAC AG since 2012. Member of the Board of Directors Minerva Neurosciences since 2017, member of the Board of Directors Shield Therapeutics plc since 2018. Since 2017 CEO of Vicarius Pharma. He held international management positions at Wyeth Pharmaceuticals, Biogen and Biogen Idec as well as Elan Corporation.

HBM Healthcare Investments

- **Dr. Rudolf Lanz** (2003): Member of the Board of Directors, Chairman of the Board of Directors Dr. Rudolf Lanz AG since 2009, Member of the Board of Directors MIAC AG since 2015, and Pearls Fashion Holding AG since 2009. He was previously Partner of The Corporate Finance Group and Head of M&A & Corporate Finance at Ernst & Young Switzerland.
- **Dr. Stella Xu** (2020): Member of the Board of Directors, Ph.D. in Immunology. Since 2017 managing director of Quan Capital Management, held various positions at Roche over 15 years, and previously worked at McKinsey & Company. Member of the Board of Directors Design Therapeutics since 2020, Walking Fish Therapeutics since 2019, NextCure (Nasdaq: NXTC) since 2018, Centrexion Therapeutics since 2017, Tempest Therapeutics since 2018, and Zidan Medical since 2018.
- **Dr. Elaine V. Jones** (2021): Member of the Board of Directors, Ph.D. in Microbiology and more than 20 years of experience investing in life sciences. She was previously Vice President at Pfizer Ventures (2008 to 2019), General Partner at EuclidSR Partners (2003 to 2008) and Vice President at S.R. One, GlaxoSmithKline's corporate fund (1999 to 2003). Chairwoman of the Board of Directors Gritstone bio (NASDAQ: GRTS) since 2020 and Mironid Ltd since 2019. Member of the Board of Directors CytomX Therapeutics (NASDAQ: CTMX) since 2019, NextCure (NASDAQ: NXTC) since 2016, Novartis Venture Fund since 2020, Ibere Pharmaceuticals (NYSE: IBER) since 2021 and Myeloid Therapeutics since 2021.

Exchange rates

Foreign to CHF

CAD	0.7348
CNY	0.1446
DKK	0.1451
EUR	1.0789
GBP	1.2554
HKD	0.1197
INR	0.0126
SEK	0.1063
USD	0.9317

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

CONSOLIDATED INCOME STATEMENT

		2019/20	2020/21	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E
Results from investment activities	CHF mn	232.5	911.3	267.0	411.6	465.0	526.0	599.4
Growth yoy	%		292	-71	54	13	13	14
Management fee	CHF mn	-20.5	-26.3	-26.3	-26.3	-26.3	-26.3	-26.3
Performance fee	CHF mn	-24.7	-120.7	-20.0	-20.0	-20.0	-20.0	-20.0
Personnel expenses	CHF mn	-3.5	-10.3	-4.0	-4.0	-4.0	-4.0	-4.0
Other operating expenses	CHF mn	-1.3	-1.1					
Operating costs	CHF mn	-50.0	-158.4	-50.3	-50.3	-50.3	-50.3	-50.3
Growth yoy	%		217	-68	0	0	0	0
EBITDA	CHF mn	182.6	752.9	216.7	361.3	414.7	475.7	549.1
Growth yoy	%		312	-71	67	15	15	15
EBIT	CHF mn	182.6	752.9	216.7	361.3	414.7	475.7	549.1
Growth yoy	%		312	-71	67	15	15	15
Finance costs	CHF mn	-2.4	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Growth yoy	%		2	0	0	0	0	0
EBT	CHF mn	180.1	750.4	214.2	358.8	412.2	473.2	546.6
Growth yoy	%		317	-71	67	15	15	16
Net result for the year	CHF mn	180.1	750.4	214.2	358.8	412.2	473.2	546.6
Growth yoy	%		317	-71	67	15	15	16
Outstanding shares, time weighted	mn	6.9	6.9	7.0	7.0	7.0	7.0	7.0
Basic EPS	CHF	26.1	108.3	30.8	51.6	59.2	68.0	78.6

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

CONSOLIDATED BALANCE SHEET

		2019/20	2020/21	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E
Cash and cash equivalents	CHF mn	224.2	429.2	227.7	245.6	275.8	320.3	385.1
Net working capital	CHF mn	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Financial assets	CHF mn	15.5	38.3	20.0	20.0	20.0	20.0	20.0
Investments	CHF mn	1,336.3	2,067.0	2,334.0	2,619.6	2,944.6	3,314.6	3,736.0
Total assets	CHF mn	1,576.2	2,534.6	2,581.9	2,885.3	3,240.5	3,655.1	4,141.3
Total current assets	CHF mn	229.2	429.3	227.9	245.7	276.0	320.5	385.3
Total non-current assets	CHF mn	1,347.0	2,105.2	2,334.0	2,619.6	2,944.6	3,314.6	3,736.0
Total liabilities	CHF mn	29.4	132.0	23.2	23.2	23.2	23.2	23.2
Debt	CHF mn	99.6	99.8	100.0	100.0	100.0	100.0	100.0
Other provisions	CHF mn	17.2	153.6	50.0	50.0	50.0	50.0	50.0
Total shareholder's equity	CHF mn	1,430.1	2,149.2	2,408.7	2,712.1	3,067.4	3,481.9	3,968.1
Total liabilities and shareholder's equity	CHF mn	1,576.2	2,534.6	2,581.9	2,885.3	3,240.5	3,655.1	4,141.3
Total current liabilities	CHF mn	29.4	310.8	98.2	98.2	98.2	98.2	98.2
Total non-current liabilities	CHF mn	116.7	74.5	75.0	75.0	75.0	75.0	75.0
Shares outstanding	mn	6.9	7.0	7.0	7.0	7.0	7.0	7.0
NAV per share	CHF	208.5	309.2	346.2	389.8	440.9	500.5	570.4

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

CASH FLOW STATEMENT

		2019/20	2020/21	2021/22E	2022/23E	2023/24E	2024/25E	2025/26E
Change in provisions for deferred tax	CHF mn			0.3	0.0	0.0	0.0	0.0
Management fee paid	CHF mn	-20.5	-26.3	-26.3	-26.3	-26.3	-26.3	-26.3
Performance fee for previous reporting period paid	CHF mn	-33.9	-26.3	-120.7	-20.0	-20.0	-20.0	-20.0
Expenses paid (personnel and other operating expenses)	CHF mn	-3.5	-2.8	-4.0	-4.0	-4.0	-4.0	-4.0
Future changes in NWC	CHF mn			0.2	0.0	0.0	0.0	0.0
Net cash from operating activities	CHF mn	-58.0	-55.4	-150.5	-50.3	-50.3	-50.3	-50.3
Change in other financial assets	CHF mn			38.3	0.0	0.0	0.0	0.0
Interest and dividend payments received	CHF mn	4.1	0.4	0.0	0.0	0.0	0.0	0.0
Net sale/purchase of investments	CHF mn	95.8	222.7	0.0	126.0	140.0	156.0	178.0
Payments received from milestones	CHF mn	29.7	4.0					
Net cash flow from financial instruments for currency hedging	CHF mn		19.1					
Net cash flow from financial instruments for market hedging	CHF mn	-48.8	45.2					
Net change of other financial instruments	CHF mn	7.6	1.7	0.0	0.0	0.0	0.0	0.0
Net cash from investing activities	CHF mn	88.5	293.1	38.3	126.0	140.0	156.0	178.0
Interest paid	CHF mn	-2.2	-2.3	-2.5	-2.5	-2.5	-2.5	-2.5
Total cash distributions to shareholders	CHF mn	-51.8	-53.5	-87.0	-55.3	-57.0	-58.7	-60.4
Net changes in net debt	CHF mn			0.2	0.0	0.0	0.0	0.0
Net change of treasury shares	CHF mn	-0.8	22.2	0.0	0.0	0.0	0.0	0.0
Net cash from financing activities	CHF mn	-54.9	-33.6	-89.2	-57.8	-59.5	-61.2	-62.9
Currency translation differences	CHF mn	-19.8	0.9	0.0	0.0	0.0	0.0	0.0
Net change of cash	CHF mn	-44.2	205.0	-201.5	17.9	30.2	44.5	64.8

Source: Company data, Baader Helvea Equity Research

Baader Helvea Equity Research

COMPANY REPORT

BAADER

Key data

HBM Healthcare Investments

Switzerland

Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

Buy

Price on 09-Feb-22 CHF 294.50

Target price CHF 370.00

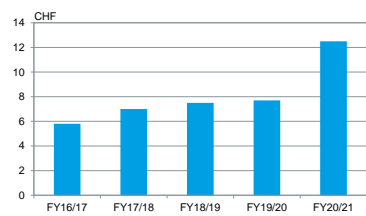
High/Low (12M) CHF 365.00/277.00

Market cap. CHF mn 2,049

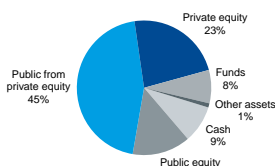
Company profile

HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors. The company holds and manages an international portfolio of companies (closed-end fund).

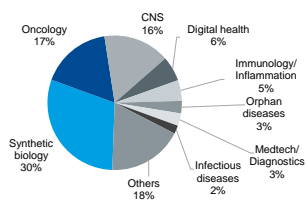
Capital distribution per share



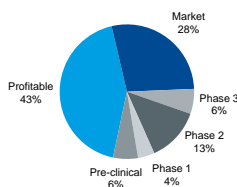
Allocation of assets (Dec-21)



Therapeutic areas (Dec-21)



Development stage (Dec-21)



Source: Company data, Refinitiv Datastream, Baader Helvea Equity Research

Analyst: Leonildo Delgado, Ph.D.
+41 43 388 9226
LDelgado@helvea.com

FY 31 Mar.	2018/19	2019/20	2020/21	2021/22E	2022/23E	2023/24E
Share data						
EPS reported (CHF)	29.97	26.08	108.30	30.79	51.57	59.25
EPS adjusted (CHF)	29.97	26.07	108.31	30.79	51.57	59.25
Dividend (CHF)	7.03	7.50	7.72	12.50	7.95	8.19
Book value (CHF)	189.00	206.99	310.18	346.23	389.84	440.90
Free cash flow (CHF)	14.24	4.41	34.30	-16.14	10.88	12.89
Avg. no. of shares (mn)	6.9	6.9	6.9	7.0	7.0	7.0
Market cap. (avg./current; CHF mn)	1,129.2	1,395.6	2,040.6	2,048.8	2,048.8	2,048.8
Enterprise value (CHF mn)	994.1	1,297.2	1,790.0	1,891.1	1,873.3	1,843.0
Valuation						
P/E adj. (x)	5.5	7.7	2.7	9.6	5.7	5.0
P/BV (x)	0.9	1.0	0.9	0.9	0.8	0.7
FCF/EV (%)	9.9	2.4	13.3	-5.9	4.0	4.9
FCF yield (%) (FCF/Mcap.)	8.7	2.2	11.6	-5.5	3.7	4.4
Dividend yield (%)	4.3	3.7	2.6	4.2	2.7	2.8
EV/Sales (x)	3.8	5.6	2.0	7.1	4.6	4.0
EV/EBITDA adj. (x)	4.8	7.1	2.4	8.7	5.2	4.4
EV/EBIT adj. (x)	4.8	7.1	2.4	8.7	5.2	4.4
EV/CE (x)	0.8	1.0	0.9	0.8	0.7	0.6
ROCE/WACC adj. (x)	-	-	-	-	-	-
Key company data						
Sales growth (%)	75.0	-11.7	291.9	-70.7	54.1	13.0
EBITDA adj. growth (%)	79.8	-12.6	312.4	-71.2	66.7	14.8
EBITDA adj. margin (%)	79.3	78.5	82.6	81.2	87.8	89.2
EBIT adj. margin (%)	79.3	78.5	82.6	81.2	87.8	89.2
Net adj. margin (%)	78.4	77.5	82.3	80.2	87.2	88.6
Free cash flow margin (%)	37.2	13.1	26.1	-42.0	18.4	19.3
Payout ratio (%)	23.4	28.8	7.1	40.6	15.4	13.8
Gearing (%) (net debt/equity)	-10.4	-6.9	-11.7	-6.5	-6.5	-6.7
Net debt/EBITDA (x)	-0.6	-0.5	-0.3	-0.7	-0.5	-0.5
Equity ratio (x) (equity/total assets)	85.0	90.7	84.8	93.3	94.0	94.7
Capital employed (CHF mn)	1,230.9	1,336.5	2,067.1	2,334.2	2,619.8	2,944.7
ROCE adj. (%)	17.0	13.7	36.4	9.3	13.8	14.1
Income statement (CHF mn)						
Turnover	263.4	232.5	911.3	267.0	411.6	465.0
EBITDA	208.9	182.6	752.9	216.7	361.3	414.7
EBITDA adj.	208.9	182.6	752.9	216.7	361.3	414.7
EBIT	208.9	182.6	752.9	216.7	361.3	414.7
EBIT adj.	208.9	182.6	752.9	216.7	361.3	414.7
EBT	206.6	180.1	750.4	214.2	358.8	412.2
Net profit after minorities	206.6	180.1	750.4	214.2	358.8	412.2
Net profit adj.	206.6	180.1	750.4	214.2	358.8	412.2
Balance sheet (CHF mn)						
Non-current assets	1,262	1,347	2,105	2,334	2,620	2,945
thereof goodwill	-	-	-	-	-	-
Current assets	269	229	429	228	246	276
Total assets	1,532	1,576	2,535	2,582	2,885	3,241
Shareholders' equity	1,303	1,430	2,149	2,409	2,712	3,067
Total equity and liabilities	1,532	1,576	2,535	2,582	2,885	3,241
Net debt	-135	-98	-251	-158	-176	-206
Cash flow (CHF mn)						
Cash flow from operations	-37.1	-58.0	-55.4	-150.5	-50.3	-50.3
of which change in working capital	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	135.2	88.5	293.1	38.3	126.0	140.0
of which investment in fixed assets	-	-	-	-	-	-
Free cash flow	98.1	30.5	237.7	-112.3	75.7	89.7
Dividends paid	-48.4	-51.8	-53.5	-87.0	-55.3	-57.0
Cash flow from financing activities	-56.7	-54.9	-33.6	-89.2	-57.8	-59.5
Change in cash position	48.3	-44.2	205.0	-201.5	17.9	30.2

HBM Healthcare Investments

Disclaimer

Important Notice and Disclosures pursuant to Art. 20 of the Regulation (EU) No 596/2014 of 16 April 2014 and the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 and pursuant to Art. 34, 36 and 37 of the Commission Delegated Regulation (EU) No 2017/565 of 25 April 2016**A. GENERAL STATEMENTS**

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This Research Document was completed at 01:55 PM (CET) on 10-02-2022.

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Applicable Key Factors

Company	Key
HBM Healthcare Investments	4, 5, 11

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
HBM Healthcare Investments	01-Mar-21	Add	CHF	355.00	325.00	26-Feb-21	Bruno Bulic, Ph.D.

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HBM Healthcare Investments

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Add	5%-20%
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