

22 June 2023

HBM Healthcare Investments

Switzerland

Other financials

Sustained portfolio acquisitions amid macro headwinds. TP cut to CHF 236.00 (from 270.00) / Add reiterated

Despite the weak market environment, 4 of HBM's portfolio companies were acquired by big pharma players at significant premiums. This allowed HBM to lock in an average exit multiple of 2.1x across those positions. Despite the strong operational performance, the near-term outlook for the sector remains cloudy due to the global macro headwinds (e.g. rising inflation and interest rates) which tend to punish small- and mid-cap stocks. With macro headwinds likely to persist in the near term, and with the IPO window for R&D-stage companies largely closed, we expect negative returns from HBM's portfolio in the short term.

■ **Highlights:** The high-inflation and interest rate environment had a negative impact on the valuations of the portfolio, in some cases considerably (e.g. shares of Cathay declined by 40%). HBM's NAV fell by 7.4%, resulting in a loss of CHF 145.3mn. The costs for management fees and administration decreased to CHF 29.5mn (2021/22: CHF 37.7mn). With CHF 232mn the balance sheet remains strong, and HBM will return CHF 7.50/share to shareholders.

■ **Forecast changes:** With net losses in 2022/23, and against the backdrop of a likely sticky inflation and interest rate environment, we are lowering our 2023-25E forecasts to reflect a more cautious stance towards the biotech sector in the short term. Key changes for 2023/24E include the reduction of the results from investment activities (-133.7%), net earnings (-187.5%) and NAV/share (-8.0%).

■ **TP cut to CHF 236.00 / Add reiterated:** Our TP is based on the NAV development of HBM's investments. We keep our Add rating but lower the TP on the basis of a weak portfolio performance in the next 12 months given macro uncertainties. In the medium term, we expect HBM's portfolio to benefit from a market rebound with returns in the 10-15% p.a. (historical return of benchmark: 9.6% p.a.). HBM trades currently at a -18% discount to its NAV (historical average: -10%), thus offering an attractive entry point.

	2020/21	2021/22	2022/23	2023/24E	2024/25E
Sales (CHF mn)	911.3	-37.5	-116.5	-42.4	46.1
EBITDA (CHF mn)	752.9	-75.2	-146.1	-70.4	18.0
EBIT reported (CHF mn)	752.9	-75.2	-146.1	-70.4	18.0
EBIT adjusted (CHF mn)	752.9	-75.2	-146.1	-70.4	18.0
Net income (CHF mn)	750.4	-78.0	-145.3	-71.7	18.0
EPS reported (CHF)	108.30	-11.22	-20.98	-10.35	2.42
EPS adjusted (CHF)	108.31	-11.22	-20.98	-10.35	2.42
DPS (CHF)	7.72	12.51	9.70	7.50	6.93
Dividend yield (%)	2.8	3.8	4.9	3.8	3.5
P/E adjusted (x)	2.5	-	-	-	81.8
P/BV (x)	0.9	1.2	0.8	0.8	0.9
EV/Sales (x)	1.7	-59.2	-11.1	-31.6	28.8
EV/EBITDA (x)	2.1	-29.5	-8.8	-19.0	73.6
EV/EBIT (x)	2.1	-29.5	-8.8	-19.0	73.6
Net debt/EBITDA (x)	-0.4	1.0	0.6	0.4	-2.5

Source: Company data, Baader Helvea Equity Research

Add (prev. Add)

Closing price as of 21-Jun-23	CHF 198.00
High/Low (12M)	275.00/192.20
Target price (prev. CHF 270.00)	CHF 236.00
Upside to target price (%)	19.2
Expected dividend yield (%)	3.8
Total return potential (%)	23.0

Reuters/Bloomberg	HBMN.S/HBMN SE
Avg. daily turnover (CHF mn)	0.66
Free float (%)	82.9
Market cap. (CHF mn)	1,371
No. of shares issued (mn)	6.9

Events

Annual general meeting	May-2024
1Q	21-Jul-2023
Shareholders	Nogra Pharma Invest 15.81%

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-0.8	-4.6	-0.5
rel. SMI	2.8	-8.8	-6.6
rel. STOXX Europe 600	1.7	-6.9	-6.4
rel. SXXP Financial Serv.	1.8	-5.1	-4.2

Changes in estimates

CHF mn	2023/24E Prev.	Delta (%)	2024/25E Prev.	Delta (%)
Sales	125.7	-133.7	141.9	-67.5
EBIT adj.	84.7	-183.1	99.3	-81.8
EPS adj. (CHF)	11.80	-187.7	13.90	-82.6
DPS (CHF)	9.99	-24.9	10.29	-32.7

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HBM Healthcare Investments**INVESTMENT STORY**

HBM Healthcare is a Swiss-based, permanent capital, healthcare-dedicated investment vehicle to invest in both private and public companies. The fund was founded in 2001 and has been listed in the SIX Swiss Exchange since 2008. For the last 5Y and 10Y, HBM's portfolio delivered total returns of 12.9% and 18.1% p.a., respectively. In the same period, the Nasdaq Biotechnology Index (NBI, benchmark) lagged significantly behind with only 3.9% and 9.6% p.a., respectively. The last 12 months, however, saw HBM's portfolio underperform (-7.8%) the benchmark (-1.1%) due to macroeconomic headwinds (e.g. rising inflation and interest rates) which tend to punish small- and mid-cap stocks. With macro headwinds likely to persist in the near term, and with the IPO window for R&D-stage companies largely closed, we expect negative returns from HBM's portfolio in the short term. In the medium to long term, we expect the portfolio to benefit from the market rebound.

- **Biotech sector:** While investors' sentiment towards the biotech sector is currently low, the fundamentals remain intact. On the supply side, scientific innovation continues to drive the performance of successful biotech companies. On the demand side, regardless of where we are in the economic cycle, people continue to get sick and continue to prioritize their health over most discretionary and luxury spending. "Big pharma" companies must continually replenish their pipeline through internal (R&D) and external (M&A) investment to ensure future prospects as patent protection on existing drugs expire. With small- and mid-cap biotech valuations on the fall, this only makes M&A more attractive to the larger-cap players. Therefore, upticks in M&A are likely to serve as a key catalyst for the wider biotech sector.
- **Portfolio updates:** Despite the weak market environment, 4 of HBM's portfolio companies were acquired by big pharma players at significant premiums. This allowed HBM to lock in an average exit multiple of 2.1x on those positions: **1)** Turning Point (USD 4.1bn, 2.0x), **2)** Sierra Oncology (CHF 1.9bn, 2.2x), **3)** ChemoCentryx (USD 3.7bn, 1.9x) and **4)** Biohaven (11.6bn, 2.4x). Furthermore, HBM also reported 2 IPOs (Mineralys and Acrivon) from private companies in the portfolio. With CHF 232mn in cash and cash equivalents at the end of the reporting period, HBM intends to return CHF 7.50 (3.5% yield) per share to shareholders, free of withholding tax.
- **We updated our model following the release of the full year 2022/23 results.** With net losses of CHF 145.3mn driven primarily by the underperformance of the public equities portfolio, and against the backdrop of a likely sticky inflation and interest rate environment, we are lowering our 2023-25E forecasts to reflect a more cautious stance towards the biotech sector in the short term. Key changes for 2023/24E include the reduction of the results from investment activities (-133.7%), net earnings (-187.5%) and NAV/share (-8.0%).
- **TP cut to CHF 236.00 / Add reiterated:** Our TP is based on the NAV development of HBM's investments. We lower our TP on the basis of our expectations of a low (negative in 2023/24E) return of the portfolio in the short term given macro uncertainties. In the medium to long term, we expect the portfolio to deliver between 10-15% p.a. (historical returns of the benchmark: 9.6% p.a.).

HBM Healthcare Investments

ESTIMATE CHANGES

We updated our model following the release of the full year 2022/23 results. With net losses of CHF 145.3mn driven primarily by the underperformance of the public equities portfolio, and against the backdrop of a likely sticky inflation and interest rate environment, we are lowering our 2023-25E forecasts to reflect a more cautious stance towards the biotech sector in the short term. Key changes for 2023/24E include the reduction of the results from investment activities (-133.7%), net earnings (-187.5%) and NAV/share (-8.0%).

Key figures 2022/23 vs. Baader Helvea expectations

CHF mn	2022/23		
	Actual	Baader (E)	Diff. (%)
Results from investment activities	-116.5	-107.5	-7.8
Management fee	-27.0	-27.3	1.1
Performance fee	-1.5	0.0	-100.0
Net results	-145.3	-138.6	-4.6
EPS (CHF)	-21.0	-19.9	-4.9
DPS (CHF)	9.7	9.7	-0.1
NAV per share (CHF)	255.0	255.9	0.3

Source: Company data, Baader Helvea Equity Research

Earnings forecast changes

CHF mn	2023/24E			2024/25E			2025/26E		
	Prev.	New	Diff. (%)	Prev.	New	Diff. (%)	Prev.	New	Diff. (%)
Results from investment activities	125.7	-42.4	n.m.	141.9	46.1	-67.5	n.m.	n.m.	n.m.
Management fee	-27.3	-27.0	-1.1	-27.3	-27.0	-1.1	-27.3	-27.0	-1.1
Performance fee	-12.6	0.0	-100.0	-14.2	0.0	-100.0	-26.5	0.0	-100.0
Net results	82.0	-71.7	n.m.	96.6	16.7	-82.7	207.6	101.7	-51.0
EPS (CHF)	11.8	-10.4	n.m.	13.9	2.4	-82.6	29.9	14.7	-50.8
DPS (CHF)	10.0	7.5	-24.9	10.3	6.9	-32.7	10.6	6.9	-34.6
NAV/share (CHF)	257.7	237.1	-8.0	261.3	232.6	-11.0	280.6	240.4	-14.3

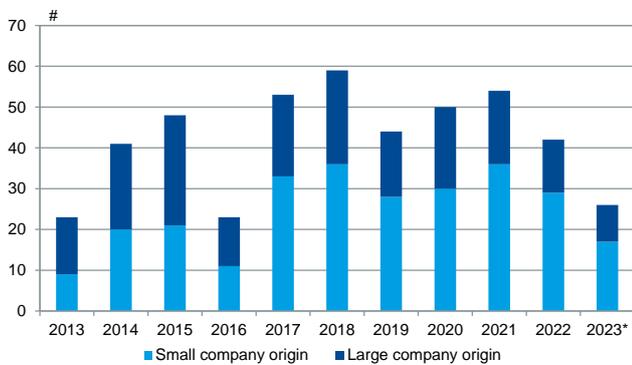
Source: Baader Helvea Equity Research

HBM Healthcare Investments

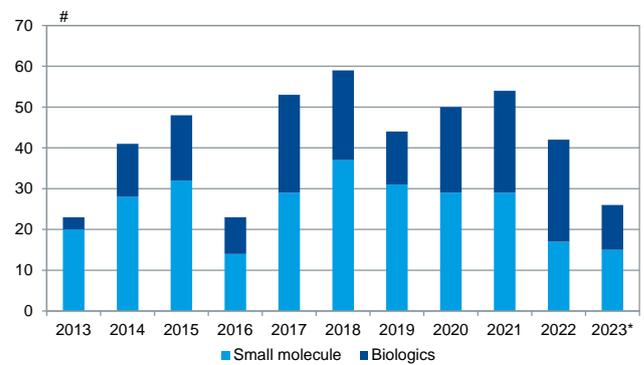
SECTOR TRENDS

While the sentiment towards the biotech sector is likely to remain low in the near term, the medium- and long-term prospects are positive. We also believe that HBM Healthcare is well-positioned to capitalize on the eventual rebound. The key arguments that support our rerating thesis include: **1)** the number of novel drug approvals is already ahead of 2022's pace, driven by small biotech companies. The level of scientific innovation will continue to drive the performance of successful biotech companies. **2)** After years of strong performance (ending in 2020), the biotech sector reached the bottom in 2022 – the market cap-weighted Nasdaq Biotechnology Index (captures large caps) and the equal weight SPDR S&P Biotech ETF (captures small caps) registered losses of -10.9% and -25.9%, respectively. We believe, therefore, that the current levels provide a low hurdle rate for future performance. **3)** Currently, a record number (39%) of small US-based biotech companies are trading below their cash balance. **4)** The IPO window for R&D-stage companies remains largely closed (ex-U.S.).

26 FDA approvals so far in 2023



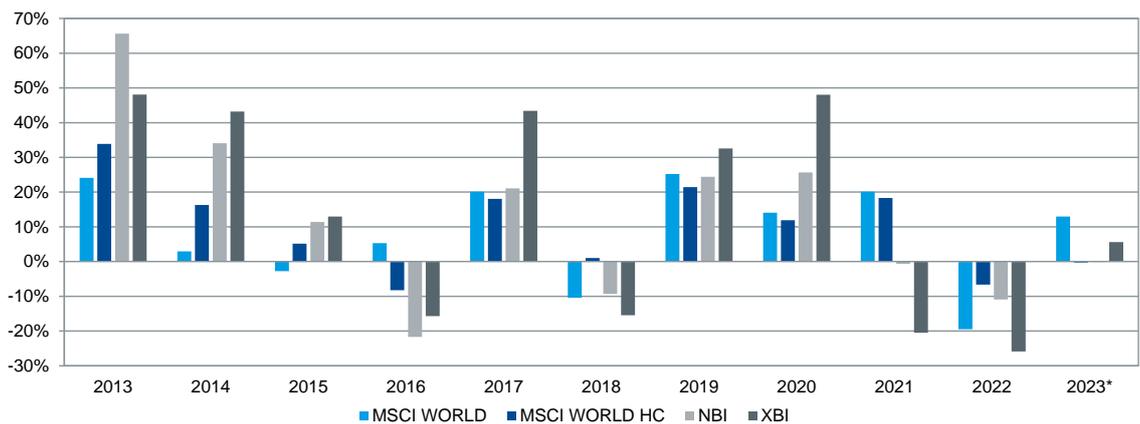
11 Biologics approved so far in 2023



* As of 01-Jun-2023

Source: Biotechnology Innovation Organization (BIO), FDA.gov, Baader Helvea Equity Research

The biotech market reached an historical bottom in 2022

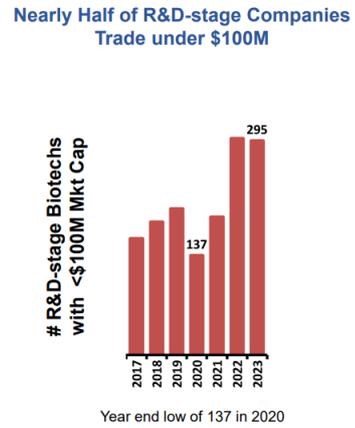
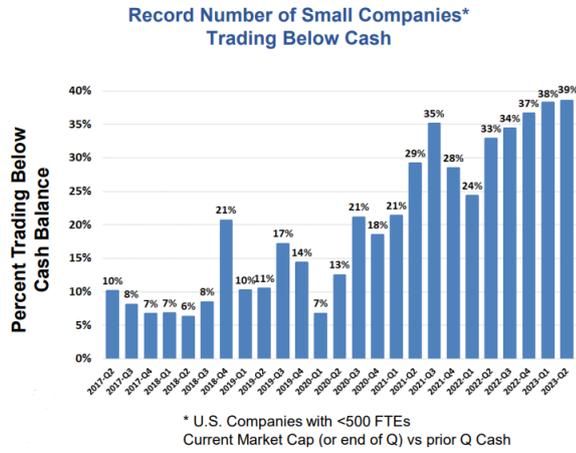


* As of 20-Jun-2023 Nasdaq Biotechnology Index (NBI), SPDR S&P Biotech ETF (XBI)

Source: Refinitiv, Baader Helvea Equity Research

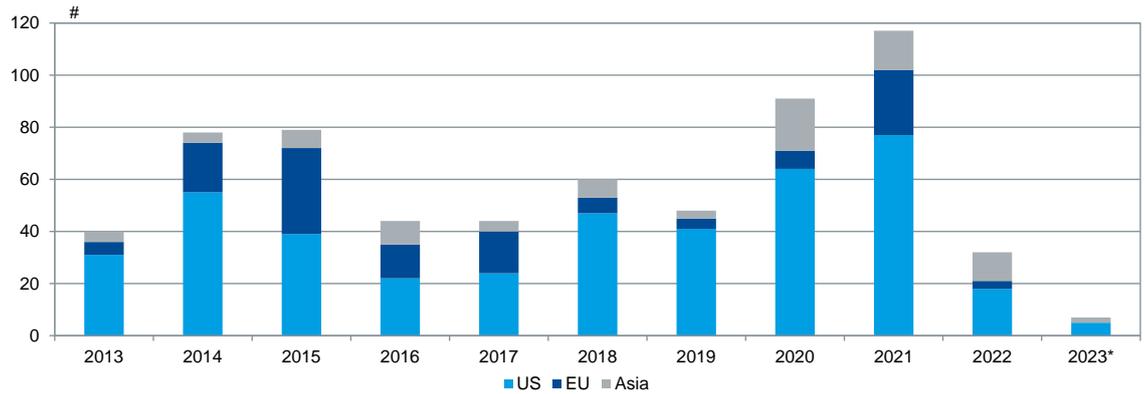
HBM Healthcare Investments

39% of small biotech companies trade under cash balance



* As of 01-Jun-2023
Source: Biotechnology Innovation Organization (BIO), Factset

IPO market largely closed (ex-US)



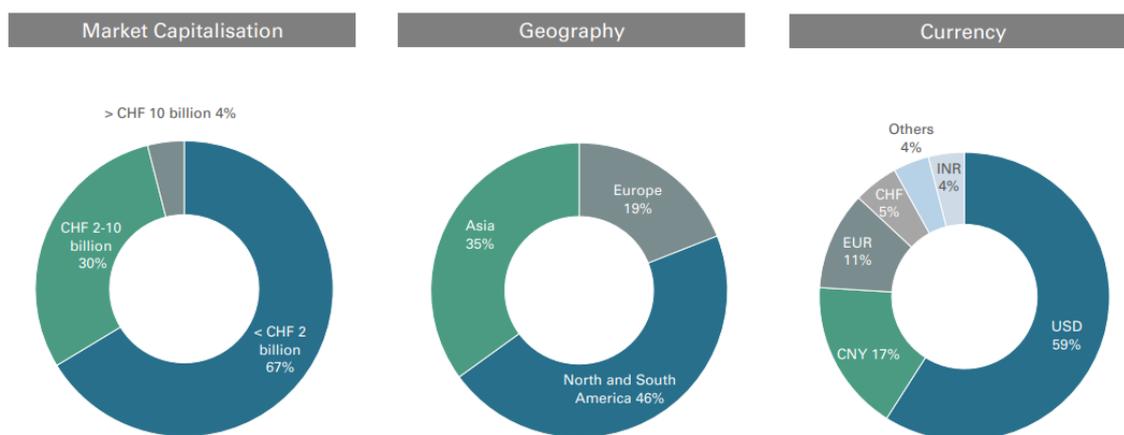
* As of 01-Jun-2023
Source: Biotechnology Innovation Organization (BIO), SEC, NASDAQ, Pitchbook, BCIQ

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PORTFOLIO OVERVIEW

HBM's portfolio is primarily focused on biotech companies with market cap below CHF 2bn. The global orientation is biased towards the U.S., but with increasing allocation to emerging markets such as China. While the risk profile of mid- and small-cap companies is high, HBM relies on two key elements to mitigate those risks: **1)** a team of experienced professionals with track record in assessing clinical development risks; **2)** a private equities portfolio, where HBM can claim Board presence.

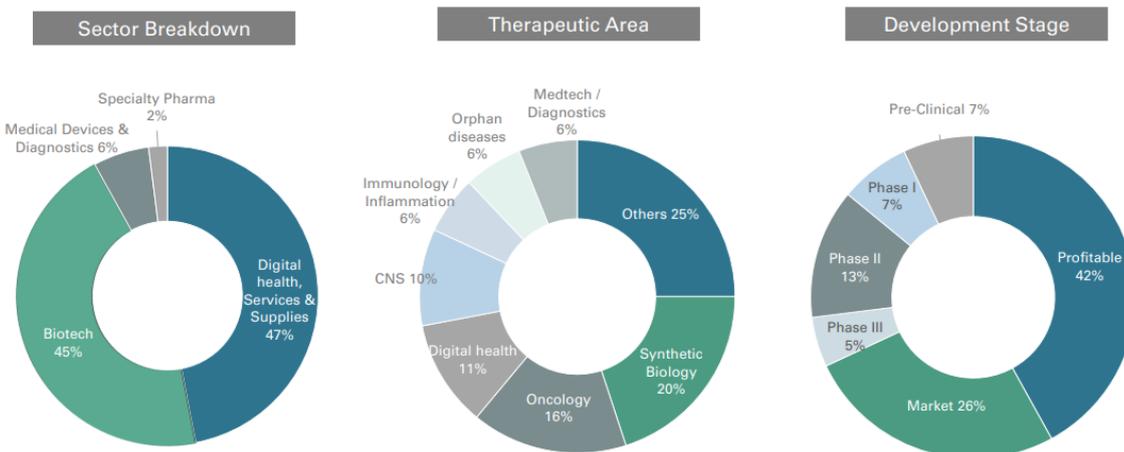
Portfolio breakdown by market cap, geography and currency



Data as of 31 March 2023, in % of investments, currency in % of total assets

Source: Company data

Portfolio breakdown by sector, therapy and development stage



Data as of 31 March 2023, in % of investments

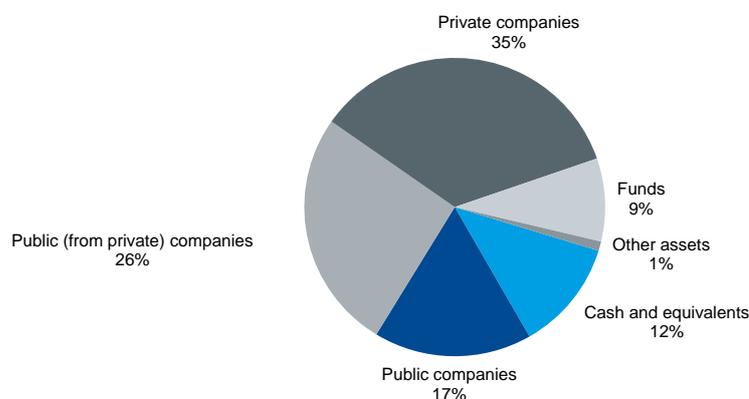
Source: Company data

Asset allocation

Of the total assets of just under CHF 2bn (as of 31-Mar-2023), 35% is invested in private companies, 43% in public companies (thereof 26% formerly private companies), 9% in funds and 1% in other assets. The share of cash and cash equivalents stands at 12%.

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Allocation of assets



Source: Company data

Largest investments

Company	Stage	Ticker	Mkt Cap (CHF mn)	Ownership (%)	Book value (CHF mn)	NAV (%)	Core business
Cathay Biotech	Profitable	688065 CH	4,791	7.1	333.0	18.9	Synthetic biology (long chain diacids, carbohydrates, special enzymes, green nylon)
Swixx BioPharma	Market	Private	625	26.3	164.2	9.3	Full representation of biopharma companies in central and eastern Europe
Harmony Biosciences	Profitable	HRMY	1,783	3.6	64.2	3.6	Drug for the treatment of narcolepsy (with and without cataplexy)
Neurelis	Market	Private	492	10.5	51.5	2.9	Nasal spray for the treatment of epileptic seizures
Fangzhou (Jianke)	Market	Private	948	5.4	50.9	2.9	China's leading B2C SmartCare service platform
ConnectRN	Market	Private	239	20.0	47.6	2.7	Provider of the nurse-centric staffing app in the US
Mineralys Therapeutics	Phase 2	MLYS	586	7.1	41.6	2.4	Developing therapies for the treatment of uncontrolled and resistant hypertension
Argenx	Market	ARGX	18,591	0.2	37.3	2.1	Drugs for the treatment of severe autoimmune diseases (MG, ITP, PV & PF, CIPD)
Seagen	Profitable	SGEN	34,748	<0.1	27.8	1.6	Antibody-based therapies for the treatment of cancer
FarmaLatam	Market	Private	53	45.9	24.1	1.4	Leading technological platform in Latin America for home healthcare
NiKang Therapeutics	Phase 1/2	Private	435	5.3	23.1	1.3	Developing small molecule oncology medicines (eg HIF2a inhibition)
Numab Therapeutics	Phase 1	Private	288	7.7	22.1	1.3	Developing bispecific antibodies for cancer and inflammation

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

Major gains/losses during the reporting period

The portfolio of private companies contributed with net gains of CHF 8.3mn. Fangzhou (Jianke) was the biggest contributor (CHF 32.7mn) due to financing rounds in preparation for a planned IPO in Hong Kong. Another key contributor was Swixx BioPharma – with its growth in sales and profit in FY22, the company decided to return some cash to shareholders. This led to an appreciation of HBM's investment by CHF 19.6mn.

The portfolio of public companies recorded a net decline in valuation of CHF 139.8mn. The major gains resulted from the acquisitions of Turning Point (CHF 40.5mn), ChemoCentryx (CHF 21.5mn), Biohaven Pharmaceuticals (CHF 20.1mn) and Sierra Oncology (CHF 15.9mn). Additionally, the IPO of the ex-private company Mineralys (CHF 24.6mn) also contributed to total gains. **The main “single-company losses”** came from Cathay Biotech (CHF 97.9mn), followed by Y-mAbs Therapeutics (CHF 24.0mn).

Acquisition of HBM's portfolio companies during the financial period 2022/23

	Date	Acquirer	Acq. price (USD bn)	Acq. price (USD)	HBM's invest. (USD mn)	Exit mult. for HBM
Turning Point Therapeutics	2022	Bristol Myers	4.1	76.0	70.0	2.0x
ChemoCentryx	2022	Amgen	3.7	52.0	29.9	1.9x
Biohaven Pharmaceuticals	2022	Pfizer	11.6	148.5	49.5	2.4x
Sierra Oncology	2022	GSK	1.9	55	18.4	2.2x

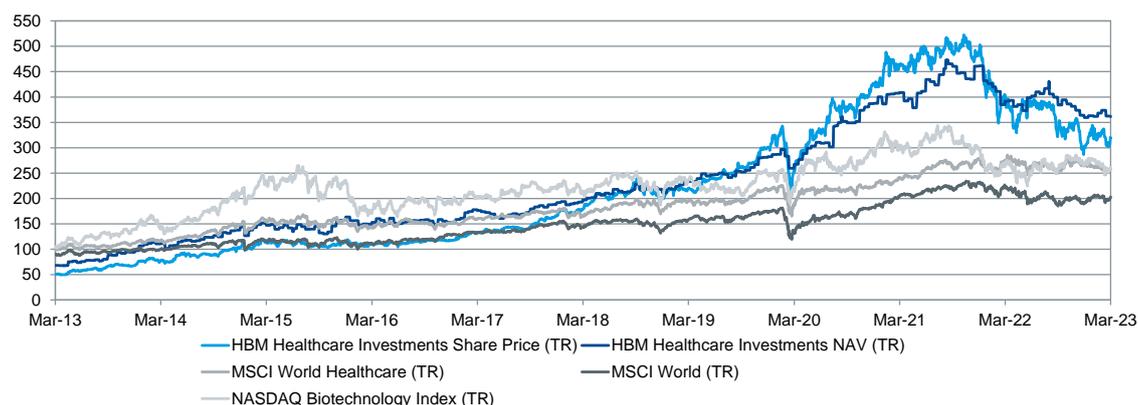
Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

HISTORICAL PERFORMANCE

Over the years, HBM's net asset value (including dividends) consistently outperformed its benchmark Nasdaq Biotechnology Index (NBI). For the last 10 years, for example, HBM's NAV delivered a total return of 18.1% p.a., ahead of only 9.6% p.a. from the benchmark. The last 12 months have seen the fund's NAV and shares underperform due to macroeconomic headwinds.

Indexed performance (total return) over 10 years (as of 31-Mar-23)



Source: Company data, Bloomberg, Baader Helvea Equity Research

Total return annualized (as of 31-Mar-23)

%	1 year*	3 years	5 years	10 years
HBM Healthcare Share (TR)	-19.6	+7.5 p.a.	+12.2 p.a.	+20.1 p.a.
HBM Healthcare NAV (TR)	-7.8	+10.6 p.a.	+12.9 p.a.	+18.1 p.a.
Nasdaq Biotech Index (TR)	-1.1	+5.5 p.a.	+3.9 p.a.	+9.6 p.a.
MSCI World Healthcare (TR)	-4.6	+10.6 p.a.	+9.2 p.a.	+10.0 p.a.
MSCI World (TR)	-7.9	+14.3 p.a.	+7.1 p.a.	+8.4 p.a.

* Performance between 01-Apr-2022 and 31-Mar-2023

Source: Company data, Bloomberg, Baader Helvea Equity Research

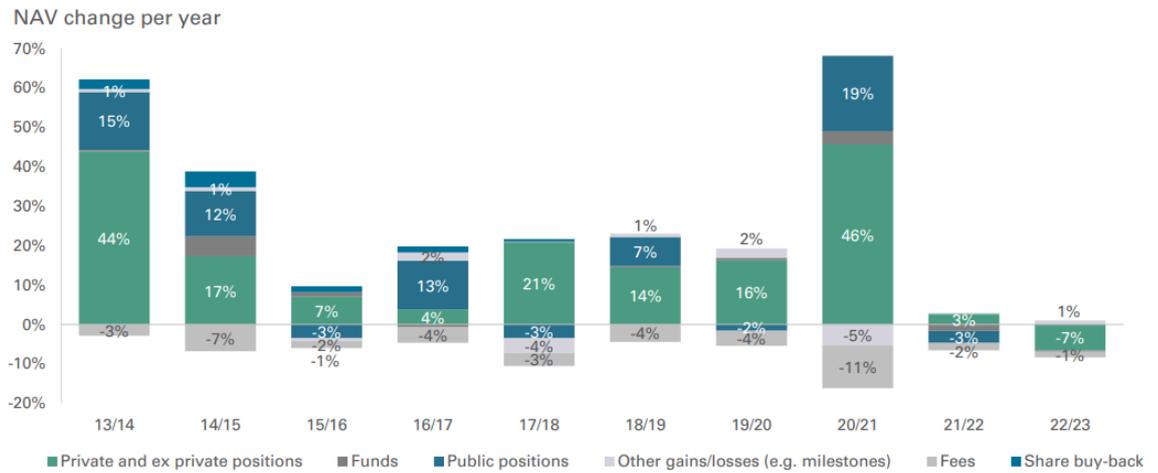
The market cap-weighted Nasdaq Biotechnology Index is not the best comparator for HBM's performance because it is primarily a barometer on the health of large-cap biotech stocks. We prefer the equal weight SPDR S&P Biotech ETF (XBI), which best captures small- and midcap stocks. Between 01-Apr-2022 and 31-Mar-2023, the XBI returned -18.3% (Source: Refinitiv Eikon), in-line with HBM's share price performance in the same period.

Private and ex-private equity positions are the biggest contributors to NAV gains

Despite the risks associated with investing in privately-held, and often illiquid companies, HBM's impressive performance over the years is a testament to the manager's expertise and competence. In fact, what sets HBM apart relative to its peers (e.g. BB Biotech), which are solely focused on public markets, is HBM's ability to pivot its allocation to public and private markets at any given time depending on where it sees the most attractive investments. The portfolio mix also contributes to reducing the volatility of the NAV in times of global economic headwinds. Private markets are relatively opaque compared to public markets as a result of longer holding periods, less frequent valuations and financial performance reporting, and a lack of observable market prices.

HBM Healthcare Investments

Contribution to net asset value (NAV) (as of March 2023)



Source: Company data

HBM has been investing in private companies for over 20 years, and its strategy has been validated by over 65 trade sales or IPOs since 2010.

Portfolio highlights over the last 3 years



Source: Company data

HBM Healthcare Investments

Peer comparison

Profile comparison: HBM Healthcare vs. BB Biotech

	HBM Healthcare	BB Biotech
Recommendation	Add	Add
Last closing price (CHF)	198.00	41.80
Target price (CHF)	236.00	47.70
Upside to target price (%)	19	14
Listing	2008	1993
Year end	31-Mar	31-Dec
Investment Manager	HBM Partners	Bellevue Asset Management
Private equity allocation (%)	35	1
Market cap (CHF bn)	1.4	2.3
Current Premium to NAV (%)	-18	+1
Total share return 5Y (% p.a.)	12.2	2.6
Total share return 10Y (% p.a.)	20.1	16.7
Total NAV return 5Y (% p.a.)	12.9	2.1
Total NAV return 10Y (% p.a.)	18.1	12.4
Holdings	~80	20-35
Management fees	0.75% net assets + 0.75% mkt cap	All-in 1.1%
Performance fees	15% of increase in NAV above high water when increase > 5%	All-in 1.1%

Source: Company data, Baader Helvea Equity Research

HBM Healthcare is our preferred pick when compared to its local peer BB Biotech (Add rating, TP CHF 47.7).

BB Biotech is a CHF 3.2bn Swiss-listed investment company that takes a highly concentrated approach, investing into 20-35 small and mid-cap companies and typically holding them for the longer term. This approach has generated strong returns over the last decade (shares: +16.7% p.a., NAV: 12.4% p.a.). However, with the SMID cap biotech sell-off and a number of BION's core larger-cap holdings falling, BB Biotech's approach has led to a sustained period of underperformance. We calculate BB Biotech has been underperforming the benchmark on a one-, three- and five-year view and thus cannot justify its historically share-to-NAV premium of 14%.

Annualized performance

%	1Y	3Y	5Y	10Y	ITD
Share	-17.4	5.8	2.6	16.7	12.6
NAV	-8.6	6.8	2.1	12.4	11.8
Benchmark (NBI)	1.8	7.9	7.5	11.8	11.0

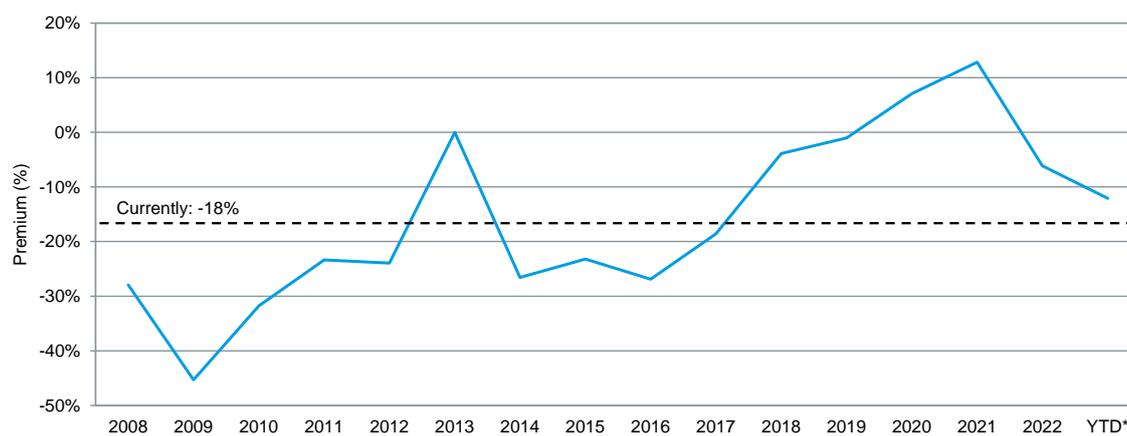
Source: BB Biotech factsheet (Mar-2023)

HBM Healthcare Investments

SHARE-TO-NAV PREMIUM

HBM's trades currently at a discount of -18%. The fact that 39% of small US-biotech companies are reportedly trading below their cash balance might explain HBM's large deviation from its **historical average discount of 10%.**

Share-to-NAV premium (annual averages)



* As of 31-Mar-2023

Source: Company data, Baader Helvea Equity Research

Historical share-to-NAV premium (discount)

10Y	-9.8%
5Y	-0.5%
3Y	0.4%
1Y	-9.1%
YTD*	-12.1%
Peak	12.8%
Current	-17.9%
Trough	-26.9%

* As of 31-Mar-2023

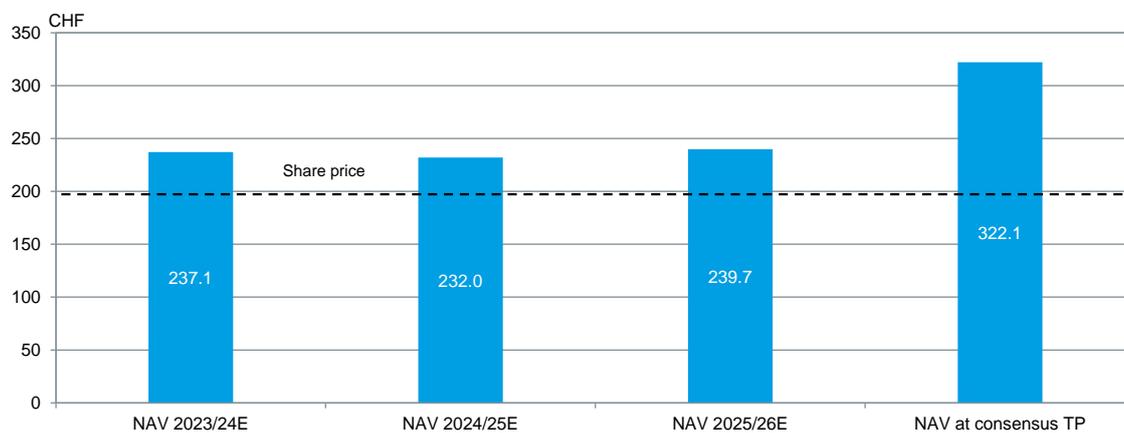
Source: Company data, Bloomberg, Baader Helvea Equity Research

HBM Healthcare Investments

VALUATION

TP cut to CHF 236.00 (from CHF 270.00) / Add reiterated

Valuation cascade for HBM



Source: Baader Helvea Equity Research

Our TP is the average NAV between 2023/24E and 2025/26E

Our forecast of the NAV assumes: **1)** portfolio performance is driven by the public companies in it, i.e. the value of private companies and funds is kept unchanged over the time; **2)** a low (negative in 2023/24E) return of the portfolio in the short term given macro uncertainties. In the medium to long term, we expect the portfolio to deliver between 10-15% p.a. (historical returns of the benchmark: 9.6% p.a.); **3)** cash and cash equivalents at around 8% of total assets.

Net asset value-based valuation of HBM Healthcare

CHF mn	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Cash	429.2	223.7	232.0	130.7	143.4	156.0
Other assets	38.5	28.1	21.0	21.0	21.0	21.0
Private companies	446.2	614.3	672.0	672.0	672.0	672.0
Funds	216.6	175.9	174.1	174.1	174.1	174.1
Public companies	1,404.2	1,130.2	847.0	774.7	730.8	771.8
Liabilities	385.4	190.2	181.3	131.3	131.3	131.3
Net asset value (NAV)	2,149.2	1,982.0	1,764.9	1,641.2	1,609.9	1,663.6
Shares outstanding (mn)	7.0	6.9	6.9	6.9	6.9	6.9
NAV/share (CHF)	309.2	285.6	255.0	237.1	232.0	239.7
TP = avg. 2023-25E (CHF)						236.3

Source: Company data, Baader Helvea Equity Research

Consensus sees an average upside potential of 30% for the portfolio of public companies

We show below our valuation of the public equities portfolio based on consensus. We use consensus target prices whenever five or more analysts cover the stock. Otherwise, we take the share price of the last trading day. Among the disclosed positions, **consensus expects an average share price appreciation of 30%. Of note, 60% of the value calculated by consensus comes from ex-private companies.**

HBM Healthcare Investments

Consensus-based valuation of the public equities portfolio

	Securities (%)	Securities (#)	Book value (CHF mn)	Cons. TP (CHF)	Value at TP (CHF mn)	Upside (%)
Ex-private						
CATHAY BIOTECH 'A'	39.3	41,455,116.0	333.0	7.0	289.2	-13
HARMONY BIOSCIENCES HLDG	7.6	2,147,943.0	64.2	56.5	121.3	89
MINERALYS THERAPEUTICS	4.9	2,905,606.0	41.6	34.6	100.6	141
PACIRA BIOSCIENCES	2.0	451,324.0	16.9	54.7	24.7	46
Y MABS THERAPEUTICS	1.8	3,297,800.0	15.1	10.9	36.0	138
MONTE ROSA THERAPEUTICS	1.2	1,464,740.0	10.4	18.7	27.4	162
ACRIVON THERAPEUTICS	0.8	568,403.0	6.6	21.4	12.2	84
LONGBOARD PHARMACEUTICALS	0.7	1,658,023.0	6.1	14.6	24.2	297
Others	2.1		18.1		18.1	
Other public						
SEAGEN	3.3	150,000.0	27.8	208.6	31.3	13
ARGENX SPN.ADR 1:1	2.2	55,000.0	18.8	418.1	23.0	23
ARGENX (BER)	2.2	55,000.0	18.6	445.9	24.5	32
NATERA	1.7	290,948.0	14.8	65.1	18.9	28
BIOINVENT INTL.	1.6	5,050,000.0	13.2	1.7	8.7	-34
Zymeworks	1.5	1,499,259.0	12.4			
INSMED	1.4	750,000.0	11.7	34.6	26.0	122
BIOMEA FUSION	1.3	375,000.0	10.6	36.4	13.7	28
BEIGENE	1.2	700,000.0	10.6	2.7	1.9	-82
TRAVERE THERAPEUTICS	1.2	500,000.0	10.3	27.3	13.7	33
ROCKET PHARMACEUTICALS	1.2	650,790.0	10.2	45.5	29.6	190
SHN.MINDRAY BMED. ELTN. 'A'	1.2	240,000.0	10.0	54.7	13.1	32
BEIGENE ADS 1:13	1.2	50,000.0	9.9	288.7	14.4	46
CHINOOK THERAPEUTICS	1.1	450,000.0	9.5	31.0	13.9	46
COGENT BIOSCIENCES	1.1	947,776.0	9.4	19.1	18.1	94
MERUS NV	1.1	550,000.0	9.3	42.8	23.5	154
AUROBINDO PHARMA	1.1	1,604,630.0	9.3	7.3	11.8	27
VICORE PHARMA HOLDING	1.0	5,374,727.0	8.7	5.4	29.3	237
CYTOKINETICS	1.0	250,000.0	8.1	54.7	13.7	70
CELLDEX THERAPEUTICS	0.9	237,760.0	7.8	61.5	14.6	87
DISHMAN CARBOGEN AMCIS	0.9	5,560,116.0	7.7	1.8	10.1	31
LAURUS LABS	0.9	2,304,700.0	7.5	3.5	8.0	6
GUANGZHOU BAIYUNSHAN PHARM.HDG.'A'	0.9	2,609,000.0	7.4	4.4	11.5	56
ZEALAND PHARMA	0.8	225,000.0	6.8	38.4	8.6	27
HUTCHMED CHINA (HKG)	0.7	2,575,000.0	6.2	0.6	1.4	-77
VIRIDIAN THERAPEUTICS ORS	0.7	250,000.0	5.8	41.9	10.5	80
Others	6.2		52.7		52.7	
Total	100.0		847.0		1,100.2	30

Source: Company data, Refinitiv, Baader Helvea Equity Research

Net asset value (NAV) using consensus TP

CHF mn	
Cash	130.7
Other assets	21.0
Private companies	672.0
Funds	174.1
Public companies	1,100.2
Liabilities	131.3
Net asset value (NAV)	2,229.3
Shares outstanding (mn)	6.9
NAV/share (CHF)	322.1

Source: Refinitiv, Baader Helvea Equity Research

HBM Healthcare Investments

PORTFOLIO CATALYSTS

We show below the key catalysts expected across HBM's portfolio of public companies. A total of 7 Phase 1, 8 Phase 2 and 11 Phase 3 clinical readouts are expected, as well as 3 drug approvals. **Positive news flow from the portfolio are expected to trigger upsides in HBM's net asset value.**

Expected catalysts for 2023

Phase I		Phase II		Phase III		Approval
BI-1808: Phase I combination study with Pembrolizumab 	MCLA-158: Phase I dose expansion update 	BMF-219: Menin inhibitor for type 2 diabetes (Covalent-111) 	RP-L102: Top-line data Phase II, Fanconi Anemia (FA) 	Elgartigimod SC: ADHERE phase III results, chronic inflammatory demyelinating polyneuropathy (CIDP) 	Afcamten: Phase III SEQUOIA readout in oHCM 	Brukinas: US Approval, Zanibrutinib, CLL/SLL
BI-1607: Phase I combination study with Trastuzumab 	RP-L301: Pyruvate Kinase Deficiency (PKD), Phase 1 Data 	Bezucastatinib, KIT D816V inhibitor, NonAdvSM, Phase II SUMMIT initial data 	VRDN-001: topline data from 3mg/kg cohort of Phase III study 	Elgartigimod SC: ADDRESS phase III results, pemphigus vulgaris and foliaceus (PV/PF) 	Savolitinib: Global phase III SAFFRON and China Phase III SACHISANOVO data readouts 	Padcev: FDA Approval: 1L metastatic urothelial cancer (mUC)
BMF-219: Menin inhibitor for AML/ALL, Phase I/II COVALENT-101 initial clinical data 		Bezucastatinib, update from Part 1 of the APEX study for AdvSM 	VRDN-002: PoC data (2mL 300mg SC formulation), TED patients 	ADVANCE-SC phase III results, primary immune thrombocytopenia (ITP) 	Arikayce: multiple phase III (ARISE study), front-line NTM-MAC 	Approval zanidatamab in 2L HER2+ BTC (biliary tract cancer)
Barzolvolimab (CDX-0159): Anti-KIT antibody cholinergic urticaria, Phase I with 3.0mg/kg 		LP352: DEEs and other refractory epilepsies (PACIFIC PoC study) 	Zanidatamab (ZW25), 1L HER2+ GEA 	AXS-12, norepinephrine reuptake inhibitor for narcolepsy, Phase III SYMPHONY topline data 	Sparsentan: top-line data from DUPLEX study for FSGS 	
Pitolisant (Wakix): Myotonic dystrophy 1 				Atrasentan: Align proteinuria data in IgAN (for accelerated filing) 	Sparsentan: top-line results from PROTECT trial for IgAN 	
				Bezucastatinib, initial lead-in data from the PEAK trial for GIST 		

--- Private / ex-private companies
-> separate colour for each company

Source: Company data

HBM Healthcare Investments

CONSOLIDATED INCOME STATEMENT

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Results from investment activities	CHF mn	263.4	232.5	911.3	-37.5	-116.5	-42.4	46.1	131.0
<i>Change yoy</i>	%	75.0	-11.7	291.9	<i>n.m.</i>	210.8	-63.7	<i>n.m.</i>	184.3
Management fee	CHF mn	-17.3	-20.5	-26.3	-34.9	-27.0	-27.0	-27.0	-27.0
Performance fee	CHF mn	-31.9	-24.7	-120.7	-1.7	-1.5	0.0	0.0	0.0
Personnel expenses	CHF mn	-3.8	-3.5	-10.3	-1.1	-1.1	-1.1	-1.1	-1.1
Other operating expenses	CHF mn	-1.5	-1.3	-1.1	0.0	0.0	0.0	0.0	0.0
OpEx	CHF mn	-54.5	-50.0	-158.4	-37.7	-29.5	-28.1	-28.1	-28.1
<i>Change yoy</i>	%	58.7	-8.3	217.0	-76.2	-21.7	-5.0	0.0	0.0
EBIT	CHF mn	208.9	182.6	752.9	-75.2	-146.1	-70.4	18.0	103.0
Finance results	CHF mn	-2.4	-2.4	-2.5	-2.7	0.8	-1.3	-1.3	-1.3
EBT	CHF mn	206.6	180.1	750.4	-78.0	-145.3	-71.7	16.7	101.7
Growth	%	81.5	-12.8	316.6	-110.4	86.4	-50.6	-123.3	507.7
Net results	CHF mn	206.6	180.2	750.4	-78.0	-145.3	-71.7	16.7	101.7
<i>Change yoy</i>	%	181.5	87.2	416.5	-10.4	186.4	49.4	-23.3	607.7
Per share data									
EPS	CHF	30.0	26.1	108.3	-11.2	-21.0	-10.4	2.4	14.7
<i>Change yoy</i>	%	81.1	-13.0	315.3	<i>n.m.</i>	87.0	-50.6	<i>n.m.</i>	507.7
DPS	CHF	7.0	7.5	7.7	12.5	9.7	7.5	6.9	6.9
<i>Change yoy</i>	%	19.6	6.7	3.0	62.0	-22.4	-22.7	-7.6	0.0
NAV/share	CHF	189.8	208.5	309.2	285.6	255.0	237.1	232.6	240.4
<i>Change yoy</i>	%	13.9	9.9	48.3	-7.7	-10.7	-7.0	-1.9	3.3

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

CONSOLIDATED BALANCE SHEET

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Cash and cash equivalents	CHF mn	268.4	224.2	429.2	223.7	232.0	130.7	143.4	156.0
Receivables	CHF mn	0.6	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Financial assets	CHF mn	32.2	15.5	38.3	28.1	21.0	21.0	21.0	21.0
Securities	CHF mn	1,230.4	1,336.3	2,067.0	1,920.5	1,693.1	1,620.7	1,576.8	1,617.9
Total assets	CHF mn	1,531.6	1,576.2	2,534.6	2,172.3	1,946.1	1,772.5	1,741.2	1,794.9
Liabilities	CHF mn	37.4	29.4	132.0	2.8	2.9	2.9	2.9	2.9
Debt	CHF mn	191.6	99.6	99.8	148.9	149.2	99.2	99.2	99.2
Other provisions	CHF mn	0.0	17.2	153.6	38.5	29.1	29.1	29.1	29.1
Total shareholder's equity	CHF mn	1,302.6	1,430.1	2,149.2	1,982.0	1,764.9	1,641.2	1,609.9	1,663.6
Total liabilities and equity	CHF mn	1,531.6	1,576.2	2,534.6	2,172.3	1,946.1	1,772.5	1,741.2	1,794.9
Balance Sheet metrics									
Net debt	CHF mn	-76.8	-124.6	-329.4	-74.8	-82.8	-31.5	-44.2	-56.8
Gearing	%	-5.9	-8.7	-15.3	-3.8	-4.7	-1.9	-2.7	-3.4
Portfolio turnover ratio p.a. (securities purchased)	%	41.0	36.1	34.0	25.2	26.3			
Portfolio turnover p.a. (securities sold)	%	54.6	42.8	44.3	30.1	31.3			
Total equity	CHF mn	1,302.6	1,430.1	2,149.2	1,982.0	1,764.9	1,641.2	1,609.9	1,663.6
Total assets	CHF mn	1,531.6	1,576.2	2,534.6	2,172.3	1,946.1	1,772.5	1,741.2	1,794.9
Equity ratio	%	85.0	90.7	84.8	91.2	90.7	92.6	92.5	92.7
ROE	%	15.9	12.6	34.9	-3.9	-8.2	-4.4	1.0	6.1

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

CASH FLOW STATEMENT

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Management fee paid	CHF mn	-17.3	-20.5	-26.3	-34.9	-27.0	-27.0	-27.0	-27.0
Performance fee for previous reporting period paid	CHF mn	-17.0	-33.9	-26.3	-128.8	0.0	0.0	0.0	0.0
Expenses paid (personnel and other operating expenses)	CHF mn	-2.8	-3.5	-2.8	-3.4	-2.6	-1.1	-1.1	-1.1
Net cash from operating activities	CHF mn	-37.1	-58.0	-55.4	-167.1	-29.5	-28.1	-28.1	-28.1
Interest and dividend payments received	CHF mn	0.7	4.1	0.4	3.4	16.0	0.0	0.0	0.0
Net sale/purchase of investments	CHF mn	176.8	95.8	222.7	97.4	89.0	30.0	90.0	90.0
Payments received from milestones	CHF mn	10.2	29.7	4.0	11.8	0.8	0.0	0.0	0.0
Net cash flow from financial instruments for currency hedging	CHF mn	0.0	0.0	19.1	-4.0	10.3	0.0	0.0	0.0
Net cash flow from financial instruments for market hedging	CHF mn	-48.4	-48.8	45.2	-95.7	0.0	0.0	0.0	0.0
Net change of other financial instruments	CHF mn	-4.1	7.6	1.7	0.9	2.5	0.0	0.0	0.0
Net cash from investing activities	CHF mn	135.2	88.5	293.1	13.7	118.7	30.0	90.0	90.0
Interest paid	CHF mn	-2.2	-2.2	-2.3	-2.4	-2.4	0.0	0.0	0.0
Financial result	CHF mn	0.0	0.0	0.0	0.0	0.0	-1.3	-1.3	-1.3
Redemption of financial liabilities	CHF mn	0.0	0.0	0.0	-50.0	0.0	0.0	0.0	0.0
Issuance of financial liabilities	CHF mn	0.0	0.0	0.0	98.9	0.0	0.0	0.0	0.0
Total cash distributions to shareholders	CHF mn	-48.4	-51.8	-53.5	-87.0	-67.2	-51.9	-48.0	-48.0
Net changes in net debt	CHF mn	0.0	0.0	0.0	0.0	0.0	-50.0	0.0	0.0
Net change of treasury shares	CHF mn	-6.1	-0.8	22.2	-2.2	-4.7	0.0	0.0	0.0
Net cash from financing activities	CHF mn	-56.7	-54.9	-33.6	-42.7	-74.3	-103.2	-49.3	-49.3
FX translation differences	CHF mn	6.9	-19.8	0.9	-9.4	-6.5	0.0	0.0	0.0
Cash flow calculated net change of cash	CHF mn	48.3	-44.2	205.0	-205.5	8.4	-101.3	12.6	12.6

Source: Company data, Baader Helvea Equity Research

Baader Helvea Equity Research

COMPANY UPDATE

BAADER

Key data

HBM Healthcare Investments

Switzerland

Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Price on 21-Jun-23 CHF 198.00

Target price CHF 236.00

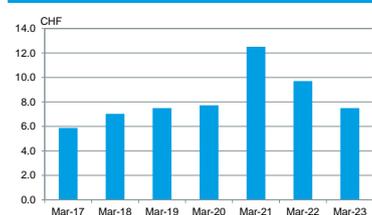
High/Low (12M) CHF 275.00/192.20

Market cap. CHF mn 1,371

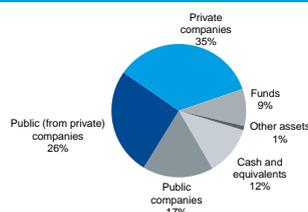
Company profile

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).

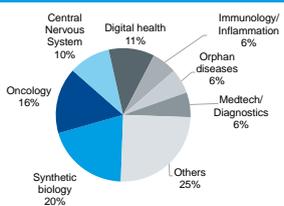
Capital distribution per share



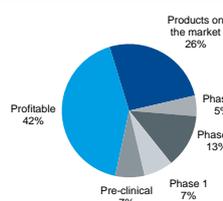
Allocation of assets (Mar-23)



Therapeutic areas (Mar-23)



Development stage (Mar-23)



Source: Company data, Refinitiv, Baader Helvea Equity Research

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FY 31 Mar.	2019/20	2020/21	2021/22	2022/23	2023/24E	2024/25E
Share data						
EPS reported (CHF)	26.08	108.30	-11.22	-20.98	-10.35	2.42
EPS adjusted (CHF)	26.07	108.31	-11.22	-20.98	-10.35	2.42
Dividend (CHF)	7.50	7.72	12.51	9.70	7.50	6.93
Book value (CHF)	208.51	309.23	285.56	255.02	237.13	232.62
Free cash flow (CHF)	4.41	34.30	-22.07	12.87	0.28	11.36
Avg. no. of shares (mn)	6.9	6.9	7.0	6.9	6.9	6.9
Market cap. (avg./current; CHF mn)	1,324.4	1,886.2	2,296.4	1,371.3	1,371.3	1,371.3
Enterprise value (CHF mn)	1,199.7	1,556.8	2,221.6	1,288.5	1,339.8	1,327.2
Valuation						
P/E adj. (x)	7.4	2.5	-	-	-	81.8
P/BV (x)	0.9	0.9	1.2	0.8	0.8	0.9
FCF/EV (%)	2.5	15.3	-6.9	6.9	0.1	5.9
FCF yield (%) (FCF/Mcap.)	2.3	12.6	-6.7	6.5	0.1	5.7
Dividend yield (%)	3.9	2.8	3.8	4.9	3.8	3.5
EV/Sales (x)	5.2	1.7	-59.2	-11.1	-31.6	28.8
EV/EBITDA adj. (x)	6.6	2.1	-29.5	-8.8	-19.0	73.6
EV/EBIT adj. (x)	6.6	2.1	-29.5	-8.8	-19.0	73.6
EV/CE (x)	0.9	0.8	1.2	0.8	0.8	-
ROCE/WACC adj. (x)	-	-	-	-	-	-
Key company data						
Sales growth (%)	-11.7	291.9	-104.1	210.8	-63.7	-208.8
EBITDA adj. growth (%)	-12.6	312.4	-110.0	94.1	-51.8	-125.6
EBITDA adj. margin (%)	78.5	82.6	200.7	125.4	166.3	39.1
EBIT adj. margin (%)	78.5	82.6	200.7	125.4	166.3	39.1
Net adj. margin (%)	77.5	82.3	207.9	124.7	169.3	39.1
Free cash flow margin (%)	13.1	26.1	409.0	-76.5	-4.6	170.7
Payout ratio (%)	28.8	7.1	-111.5	-46.3	-72.4	266.2
Gearing (%) (net debt/equity)	-8.7	-15.3	-3.8	-4.7	-1.9	-2.7
Net debt/EBITDA (x)	-0.7	-0.4	1.0	0.6	0.4	-2.5
Equity ratio (x) (equity/total assets)	90.7	84.8	91.2	90.7	92.6	92.5
Capital employed (CHF mn)	1,336.5	2,067.1	1,920.5	1,693.1	1,620.8	0.0
ROCE adj. (%)	13.7	36.4	-3.9	-8.6	-4.3	-
Income statement (CHF mn)						
Turnover	232.5	911.3	-37.5	-116.5	-42.4	46.1
EBITDA	182.6	752.9	-75.2	-146.1	-70.4	18.0
EBITDA adj.	182.6	752.9	-75.2	-146.1	-70.4	18.0
EBIT	182.6	752.9	-75.2	-146.1	-70.4	18.0
EBIT adj.	182.6	752.9	-75.2	-146.1	-70.4	18.0
EBT	180.1	750.4	-78.0	-145.3	-71.7	18.0
Net profit after minorities	180.1	750.4	-78.0	-145.3	-71.7	18.0
Net profit adj.	180.1	750.4	-78.0	-145.3	-71.7	18.0
Balance sheet (CHF mn)						
Non-current assets	1,347	2,105	1,947	1,714	1,621	1,577
thereof goodwill	-	-	-	-	-	-
Current assets	229	429	225	232	131	143
Total assets	1,576	2,535	2,172	1,946	1,772	1,741
Shareholders' equity	1,430	2,149	1,982	1,765	1,641	1,610
Total equity and liabilities	1,576	2,535	2,172	1,946	1,772	1,741
Net debt	-125	-329	-75	-83	-32	-44
Cash flow (CHF mn)						
2019/20	2020/21	2021/22	2022/23	2023/24E	2024/25E	
Cash flow from operations	-58.0	-55.4	-167.1	-29.5	-28.1	-11.3
of which change in working capital	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	88.5	293.1	13.7	118.7	30.0	90.0
of which investment in fixed assets	-	-	-	-	-	-
Free cash flow	30.5	237.7	-153.4	89.1	1.9	78.7
Dividends paid	-51.8	-53.5	-87.0	-67.2	-51.9	-48.0
Cash flow from financing activities	-54.9	-33.6	-42.7	-74.3	-103.2	0.0
Change in cash position	-44.2	205.0	-205.5	8.4	-101.3	12.6

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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Applicable Key Factors

Company	Key
HBM Healthcare Investments	4, 11

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HBM Healthcare Investments	07-Nov-22	Add	CHF	270.00	227.00	04-Nov-22	Leonildo Delgado, Ph.D.

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HBM Healthcare Investments

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Add	5 -20
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HBM Healthcare Investments

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