

21 September 2022

HBM Healthcare Investments

Switzerland

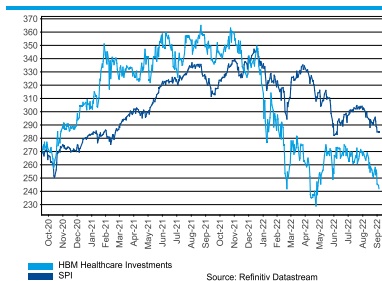
Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Closing price as of 20-Sep-22	CHF 242.00
Target price	CHF 292.00
High/Low (12M)	CHF 363.00/229.00
Market cap.	CHF mn 1,682
Enterprise value	CHF mn 1,650
Free float	83.0%
Avg. daily turnover	CHF mn 0.66

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-9.5	-9.0	-10.7
rel. SMI	-3.8	-9.6	1.9
rel. STOXX Europe 600	-1.8	-8.1	0.6
rel. SXXP Financial Serv.	-1.9	-10.7	7.2

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11th Baader Investment Conference: According to CFO Erwin Troxler “HBM is confident and prepared for further turbulence”

Our conclusion

- The CFO Erwin Troxler presented at our Baader Investment Conference and his message was loud, clear and very positive. **Despite the challenging environment, HBM is confident in its investment strategy, which has resulted in more than 60 trade sales and IPOs in the last 10 years** (including the acquisitions of Sierra Oncology, Biohaven and Turning Point in the first half of 2022).
- **In our view, HBM is highly undervalued.** Our 12-month forward TP is based on the net asset development, and stands at CHF 292.00 per share. HBM shares trade currently at 14% discount to the NAV, thus offering in our opinion a good entry point into the stock.

Facts & Analysis

- **Our view is that HBM is an excellent, long-term, position to hold in a portfolio,** especially of those investors' seeking exposure to a highly diversified portfolio of private and listed healthcare companies with value increasing potential.
- **The investment team is highly experienced** with specialized sector expertise and proven track record.
- **The balance sheet is healthy** (CHF 167mn in cash as of 30-Jun-22). HBM generates cash flow through milestone payments and trade sales. Portfolio companies are typically acquired at significant premiums over the prices traded.
- **The dividend policy is highly attractive.** It targets a withholding tax-exempt distribution yield of 3-5% p.a. (in Aug-2022: CHF 9.70 per share was paid).
- **Outlook:** We believe that HBM is well positioned to navigate the volatile market environment. Of the current holdings, 45% are profitable and 24% have products in the market. Therefore, cash is not a problem in the mid-term. Moreover, several holdings have near term catalysts and the market will continue to reward companies with positive operational developments.

Key financials

CHF mn	2020/21	2021/22	2022/23E	2023/24E	CAGR (%)
Sales	911.3	-37.5	197.3	248.1	-35.2
EBIT adj.	752.9	-75.2	149.3	194.0	-36.4
EPS adj. (CHF)	108.31	-11.22	21.08	27.52	-36.7

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2020/21	2021/22	2022/23E	2023/24E
EV/Sales	1.7	-48.5	8.4	6.7
EV/EBIT adj.	2.0	-24.2	11.1	8.5
P/E adj.	2.3	-	11.5	8.8

HBM Healthcare Investments

Key data

FY 31 Mar.	2018/19	2019/20	2020/21	2021/22	2022/23E	2023/24E
Share data						
EPS reported (CHF)	29.97	26.08	108.30	-11.22	21.08	27.52
EPS adjusted (CHF)	29.97	26.07	108.31	-11.22	21.08	27.52
Dividend (CHF)	7.03	7.50	7.72	12.51	9.70	9.99
Book value (CHF)	189.00	206.99	310.18	285.15	283.19	303.32
Free cash flow (CHF)	14.24	4.41	34.30	-22.07	6.86	10.37
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	1,763.4	1,892.2	1,682.1	1,682.1
Enterprise value (CHF mn)	994.1	1,297.2	1,512.9	1,817.5	1,649.6	1,654.7
Valuation						
P/E adj. (x)	5.5	7.7	2.3	-	11.5	8.8
P/BV (x)	0.9	1.0	0.8	1.0	0.9	0.8
FCF/EV (%)	9.9	2.4	15.7	-8.4	2.9	4.4
FCF yield (%) (FCF/Mcap.)	8.7	2.2	13.5	-8.1	2.8	4.3
Dividend yield (%)	4.3	3.7	3.0	4.6	4.0	4.1
EV/Sales (x)	3.8	5.6	1.7	-48.5	8.4	6.7
EV/EBITDA adj. (x)	4.8	7.1	2.0	-24.2	11.1	8.5
EV/EBIT adj. (x)	4.8	7.1	2.0	-24.2	11.1	8.5
EV/CE (x)	0.8	1.0	0.7	0.9	0.8	0.8
ROCE/WACC adj. (x)	-	-	-	-	-	-
Key company data						
Sales growth (%)	75.0	-11.7	291.9	-104.1	-626.1	25.8
EBITDA adj. growth (%)	79.8	-12.6	312.4	-110.0	-298.4	30.0
EBITDA adj. margin (%)	79.3	78.5	82.6	200.7	75.7	78.2
EBIT adj. margin (%)	79.3	78.5	82.6	200.7	75.7	78.2
Net adj. margin (%)	78.4	77.5	82.3	207.9	74.3	77.1
Free cash flow margin (%)	37.2	13.1	26.1	409.0	24.2	29.0
Payout ratio (%)	23.4	28.8	7.1	-111.5	46.0	36.3
Gearing (%) (net debt/equity)	-10.4	-6.9	-11.7	-3.8	-1.7	-1.3
Net debt/EBITDA (x)	-0.6	-0.5	-0.3	1.0	-0.2	-0.1
Equity ratio (x) (equity/total assets)	85.0	90.7	84.8	91.2	90.4	90.7
Capital employed (CHF mn)	1,230.9	1,336.5	2,067.1	1,920.5	1,947.8	2,092.9
ROCE adj. (%)	17.0	13.7	36.4	-3.9	7.7	9.3
Income statement (CHF mn)						
Turnover	263.4	232.5	911.3	-37.5	197.3	248.1
EBITDA	208.9	182.6	752.9	-75.2	149.3	194.0
EBITDA adj.	208.9	182.6	752.9	-75.2	149.3	194.0
EBIT	208.9	182.6	752.9	-75.2	149.3	194.0
EBIT adj.	208.9	182.6	752.9	-75.2	149.3	194.0
EBT	206.6	180.1	750.4	-78.0	146.5	191.3
Net profit after minorities	206.6	180.1	750.4	-78.0	146.5	191.3
Net profit adj.	206.6	180.1	750.4	-78.0	146.5	191.3
Balance sheet (CHF mn)						
Non-current assets	1,262	1,347	2,105	1,947	1,948	2,093
thereof goodwill	-	-	-	-	-	-
Current assets	269	229	429	225	201	201
Total assets	1,532	1,576	2,535	2,172	2,178	2,323
Shareholders' equity	1,303	1,430	2,149	1,982	1,968	2,108
Total equity and liabilities	1,532	1,576	2,535	2,172	2,178	2,323
Net debt	-135	-98	-251	-75	-33	-27
Cash flow (CHF mn)						
Cash flow from operations	-37.1	-58.0	-55.4	-167.1	-148.9	-30.9
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	13.7	196.6	103.0
of which investment in fixed assets	-	-	-	-	-	-
Free cash flow	98.1	30.5	237.7	-153.4	47.7	72.1
Dividends paid	-48.4	-51.8	-53.5	-87.0	-67.4	-69.4
Cash flow from financing activities	-56.7	-54.9	-33.6	-42.7	-70.1	-72.2
Change in cash position	48.3	-44.2	205.0	-205.5	-22.4	-0.1

Source: Company data, Baader Helvea Equity Research

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
HBM Healthcare Investments	30-May-22	Add	CHF	292.00	267.00	27-May-22	Leonildo Delgado, Ph.D.
HBM Healthcare Investments	10-Feb-22	Buy	CHF	370.00	294.50	09-Feb-22	Leonildo Delgado, Ph.D.

HBM Healthcare Investments

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