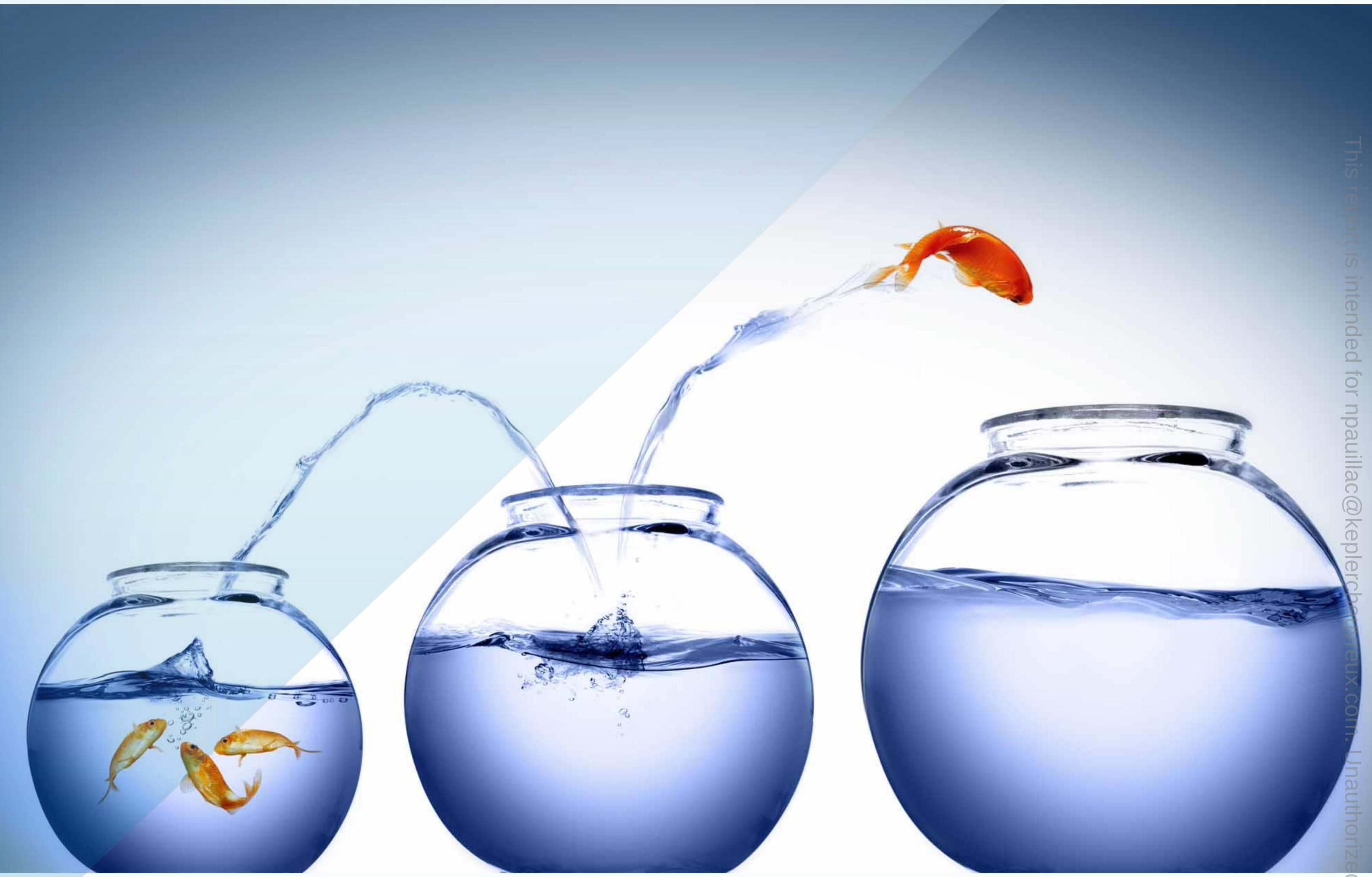
360

HBM Healthcare Investments

Equity Research from Kepler Cheuvreux

Release date: 20 November 2023
Market data as of: 20 November 2023

Switzerland | Pharma & biotech Beta Profile: DIVIDEND MCap: CHF1.2bn



Play the healthcare game

Buy

Target Price:	CHF253.00 (298.00)
Current Price:	CHF165.40
Up/downside:	53.0%
Change in TP:	-15.1%
Change in Adj. EPS:	none 23E/none 24E

What's it all about?

In a world in which the biotech market has been in a slump for the past two years, and where investors have access to high-yield bonds, we assess the positioning of HBM, an investment firm that specialises in healthcare. We examine HBM's unique position as a global investor in both private and public healthcare companies, which has allowed it to outperform most of its peers. Because of the fund's exposure to the current bear market, we also assess the potential for a sector rebound in the coming years, a rebound we believe could be driven by M&A. Finally, given the current macro environment, we reduce our targeted premium/discount to NAV from +5% to -10%. These changes lead us to cut our TP from CHF298 to CHF253. However, with c. 50% upside, a 3-5% dividend yield, and sustained news flow expected from its portfolio, we remain confident about the company's ability to deliver a significant return for investors, hence we confirm our Buy rating.

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Pharma & biotech research team
Biographies at the end of this document

360 in 1 minute

Change in Sales:	down nm 23E/down nm
Change in Adj EBIT:	none/

Bloomberg: HBMN SW	Reuters: HBMN.S
Free float	82.7%
Avg. daily volume (CHFm)	1.1
YTD abs performance	-17.7%
52-week high/low (CHF)	240.00/146.00

FY to 31/03 (CHF)	03/23	03/24E	03/25E
Sales (m)	0.0	0.0	0.0
EBITDA adj (m)	0.0	0.0	0.0
EBIT adj (m)	0.0	0.0	0.0
Net profit adj (m)	-73.4	64.7	75.3
Net financial debt (m)	-82.8	-1.1	-21.3
FCF (m)	-113.4	27.3	16.0
EPS adj. and ful. dil.	-10.55	9.30	10.83
Consensus EPS	-20.98	-10.35	2.42
Net dividend	7.50	8.30	8.60

FY to 31/03	03/23	03/24E	03/25E
P/E adj and ful. dil.	na	17.8	15.3
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
FCF yield	-6.8%	2.4%	1.4%
Dividend yield	3.1%	5.0%	5.2%
ND(F+IFRS16)/EBITDA	na	na	na
Gearing	-4.7%	-0.1%	-1.1%
ROIC	na	na	na
EV/IC	na	na	na

Key findings

- HBM Healthcare Investments AG is a Swiss investment firm that has been listed on the SIX Swiss Exchange since February 2008. Specialising in the healthcare field, the company invests in promising companies during the early stages of their development (focusing on companies with valuations below USD2bn). This strategy is further enhanced by its structure as an evergreen fund, which allows for long-term investments until the invested companies reach significant value inflection points.
- Over the last 20 years, the fund has increased its NAV from CHF88.5 per share at its IPO in 2008 to a peak of CHF345 per share in 2021, underscoring the fund's ability to identify promising companies and sustain growth, which has allowed it to deliver a 15.1% annual return over the past ten years, outpacing most healthcare indexes as well as the company's annual return guidance (at least 5% of net assets).
- However, the stock has not been spared from the effects of the ongoing bear market. Due to its exposure, the stock has suffered from both direct and indirect impacts (IPO slowdown reducing exit opportunities, deflation in biotech companies' valuations, disinterest from listed biotech companies, etc.), leading to a correction of both its NAV (c. 34% since its peak) and share price (c. 50% since its peak).
- To reflect the: 1) challenging biotech environment; 2) high bond yield environment; and 3) reduction of the annual return on investment for HBM's investors that is expected in 2023 (note that the company should still deliver a 4% annual dividend yield), we reduce our 5% premium to a 10% discount to our targeted NAV valuation.
- This adjustment and the update of our NAV valuation result in a reduction of our target price from CHF298 to CHF253, which still offers attractive c. 50% upside in addition to the 3-5% annual dividend yield. Furthermore, given the rich news flow expected from HBM's portfolio companies and the potential for a rebound in the biotech sector driven by renewed M&A activity, we maintain our Buy rating. In our view, HBM represents a unique investment opportunity for any investor eager to gain exposure to a fund that is helping to shape tomorrow's healthcare industry.

Research Framework

Investment case

- Pharma trends and dynamics remain solid, and HBM has demonstrated its ability to identify the value of promising biotechs early on. HBM has a well-balanced portfolio of public and private companies, and a successful long-term exit strategy (IPO or trade sale).
- Shareholders benefit from an attractive return (a dividend in the range of 3-5% per year and a share buyback), leading to sustainable performance. As a result, HBM's shares posted one of the best five-year performances among its peers.
- Lastly, the non-listed investments could hide interesting value, as they are valued at their acquisition cost in our model.

Catalysts

- Any exit coming from the private portfolio (IPO or trade sale).
- Increase M&A activity from large pharma companies
- Positive clinical trials in the public portfolio.

Valuation methodology

- Our valuation is based on the NAV of all investments with a 10% discount to NAV.
- We expect the NAV of HBM's public company portfolio to reach the value implied by analysts' and consensus's target prices, while the valuation of investments in private companies are included at their acquisition costs or the price of the last round of financing.
- Our valuation points to a TP of CHF253.

Risks to our rating

- Failure in clinical trials.
- Sales ramp-up of revenue-generating companies of the portfolio.
- Loss of confidence in HBM's investment team is likely to lead to a decrease of the premium to NAV.

Company description

HBM Healthcare is a Swiss investment company managed by HBM Partners. It was founded in 2001 and listed on the Swiss Stock Exchange in February 2008. Its investment focus is private and public healthcare companies, mainly in Europe and North America. The investment portfolio is made up of stakes in about 50 companies (its largest investment is less than 20% of the portfolio). It also has investments in healthcare-dedicated funds to diversify outside of its core expertise.

Management

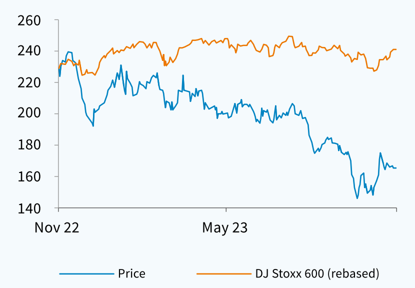
Dr Andreas Wicki, CEO
Erwin Troxler, CFO

Key shareholders

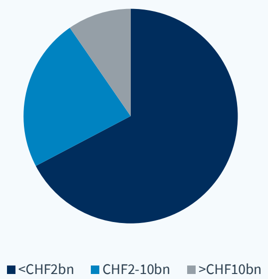
Free float	82.70%
Nogra Group	15.80%
CAAM Fund Service AB	1.04%
Boarder to Coast Pensions Partnership Ltd/UK	0.99%

Key data charts

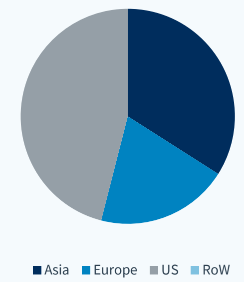
Price performance



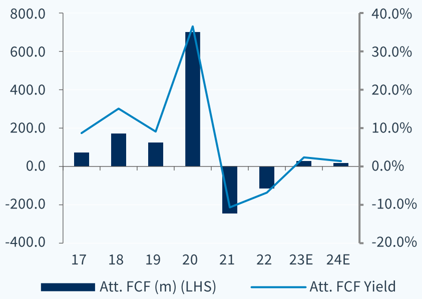
Sales split by region



Sales split by division



FCF



NAV evolution (CHF/shares)

Dividend yield (%)

SWOT analysis

Strengths

- Highly skilled investment team with long-standing expertise
- Diversified portfolio of late-stage assets, both private and public
- Active role in value creation within portfolio companies
- Listed private healthcare equity fund

Weaknesses

- Size could be an obstacle to investing in small- and mid-caps
- Mature portfolio, which needs to be rebalanced
- Mixed performance over the years

Opportunities

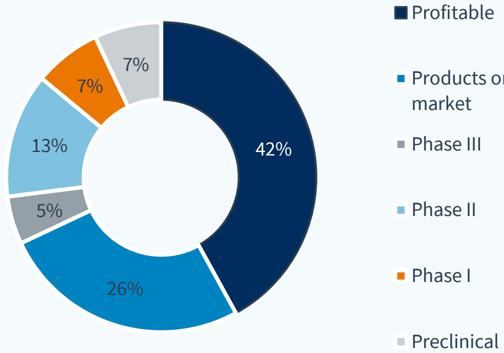
- Invested in emerging and innovative therapies
- Substantial clinical newsflow from holding companies
- Intense M&A activity in the global healthcare sector
- Favourable environment for healthcare IPOs

Threats

- Competition from listed healthcare equity funds or ETFs
- Venture is an industry that does not scale well
- The biotech boom coming to an end
- Sector rotation with healthcare outflows

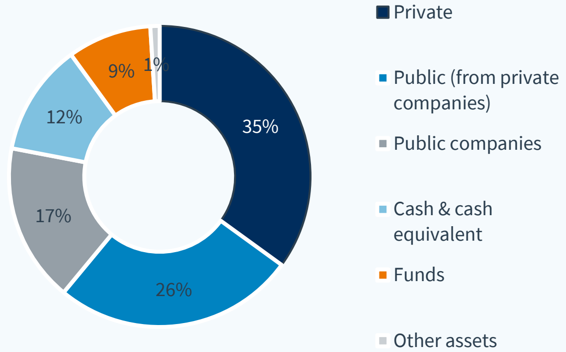
Investment case in six charts

Chart 1: Portfolio in a glance (1/3): more than 50% of the portfolio own at least one late-stage asset



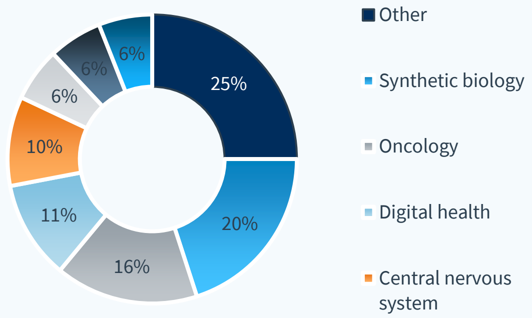
Source: Kepler Cheuvreux

Chart 2: Portfolio in a glance (2/3): A promising mix between private and public companies



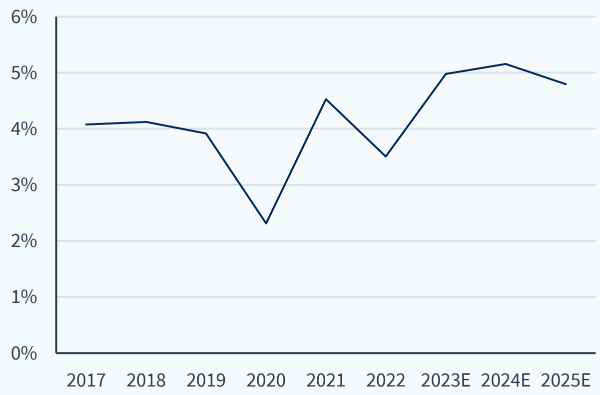
Source: Kepler Cheuvreux

Chart 3: Portfolio in a glance (3/3): well diversified



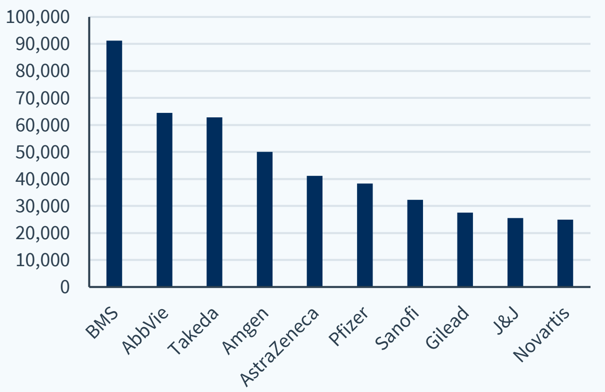
Source: Kepler Cheuvreux

Chart 4: A robust annual dividend yield (ranging from 3-5%)



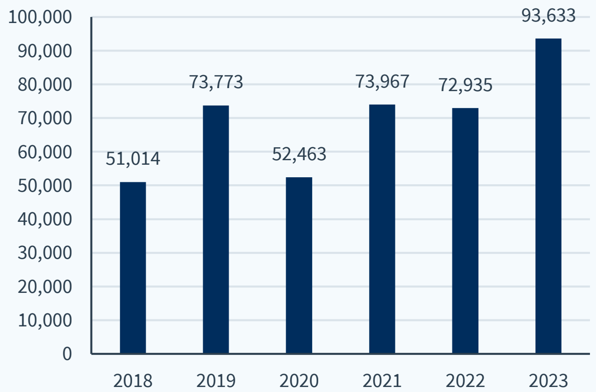
Source: Kepler Cheuvreux

Chart 5: The patent cliff is coming (big pharma's revenues facing LOE)



Source: Kepler Cheuvreux

Chart 6: In this challenging market, M&A potential is promising



Source: Kepler Cheuvreux

Contents

An ability to play the whole biotech field

HBM's investments are focused on small cap companies with innovative platforms and original drug candidates. It is also a long-only investor that prioritises investments in companies that have successfully achieved "proof of concept". After thorough due diligence conducted by a rigorous investment team, subsequent financing is possible if the value-creation potential remains intact. The fund has a well-balanced portfolio of public and private companies and a successful long-term exit strategy, either through an IPO or a trade sale.

An experienced strategy based on a meticulous investment process

HBM is a long-only investor capable of investing throughout the healthcare value chain, from suppliers to manufacturers. The portfolio is managed by a seasoned investment team with a background in life sciences. The investment focus is on private and small-cap public companies in biotechnology or medical devices that have a competitive edge over their peers.

In short, HBM's investment strategy is characterized by solid due diligence, portfolio diversification, and active lead investment in private companies.

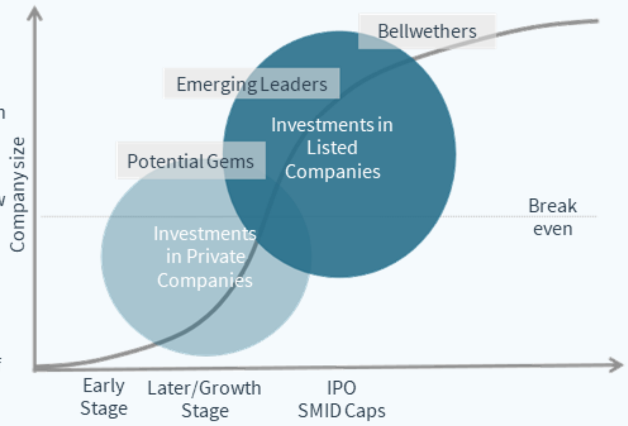
Investment approach

HBM is a versatile and strategic player in the healthcare sector, with a dual focus on both public and private companies. Private firms, often considered the hidden gems of the portfolio, made up a significant 35% of total assets in 2023. These investments are usually made at earlier stages of development and typically involve companies with valuations below USD2bn. However, a successful clinical proof of concept is a non-negotiable criterion for any investment made by HBM.

Chart 7: Overview of HBM's Investment strategy

Investment Approach

- Fundamental long with private and public healthcare investments
- Bottom-up selection of investments with solid long-term growth potential
- Diversified portfolio approach
- Sourcing of proprietary private deal flow
- Active lead/co-lead investor in private companies with board representation
- HBM takes an active role and assumes entrepreneurial responsibility together with the management team
- Maximum single position limit at time of investment up to 10% of NAV



Source: HBM Healthcare Investment, Kepler Cheuvreux

Operating as an evergreen fund, HBM has the flexibility to engage in multiple follow-on financing rounds, capping the maximum single position at 10% of the net asset value (NAV) and often requiring board representation for a more active role in its investments.

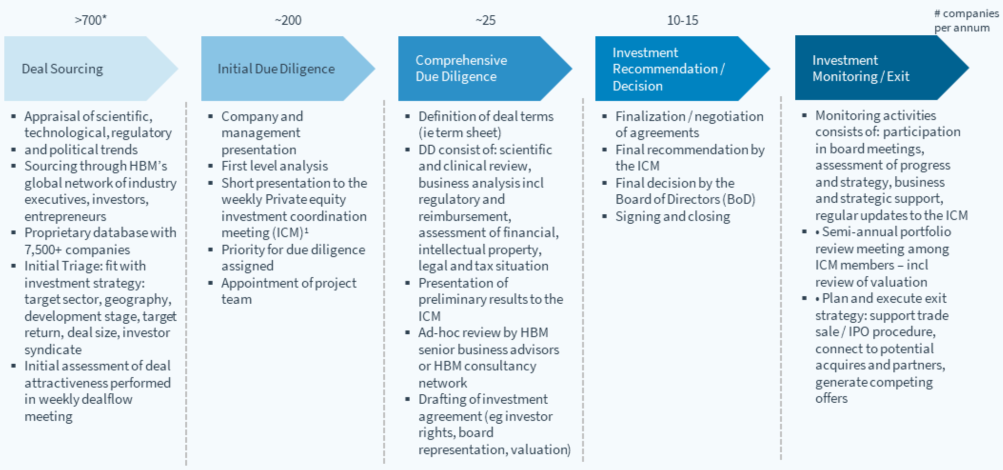
The fund predominantly targets later-stage private companies that are attractively valued and have compelling business models, including a robust product pipeline and cutting-edge technology. Initial investments often occur during the later stages of clinical development, particularly when companies are either profitable or cash flow-neutral and require expansion capital. The fund also has the flexibility to increase its investment during or after a portfolio company's IPO, provided the value proposition remains intact.

Geographically, the fund's activities span Europe, Asia, and North America. Financial prudence is a cornerstone of the fund's strategy, as it maintains sufficient short-term liquidity to meet all its commitments and holds these funds across a range of top-rated banks. Note that with board approval, the fund may also resort to debt financing, capped at 20% of net assets, and it employs strategic hedging to mitigate investment risks. While equities form the core of the investment strategy, the fund also diversifies into other financial instruments, including convertible bonds and, occasionally, debt securities and derivatives.

Private equity investment process

In recent years, HBM has gradually increased the weight of private companies in its investment portfolio. The investment process starts with an intense deal flow (more than 700 deals per year), of which only 200 deals are selected for initial due diligence. Few of these (12.5%) will proceed to a deeper due diligence round, and half of these will lead to a final investment.

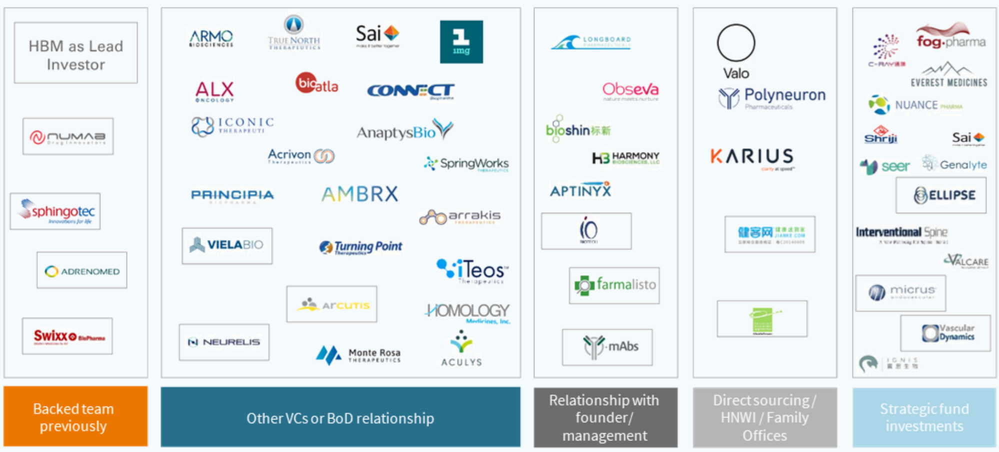
Chart 8: A challenging investment process



Source: HBM Healthcare Investment, Kepler Cheuvreux

Deal sourcing comes from other venture capital firms, board of directors' relationships, relationships with founders, or direct sourcing. These relationships have allowed HBM to identify and invest in most of its large positions.

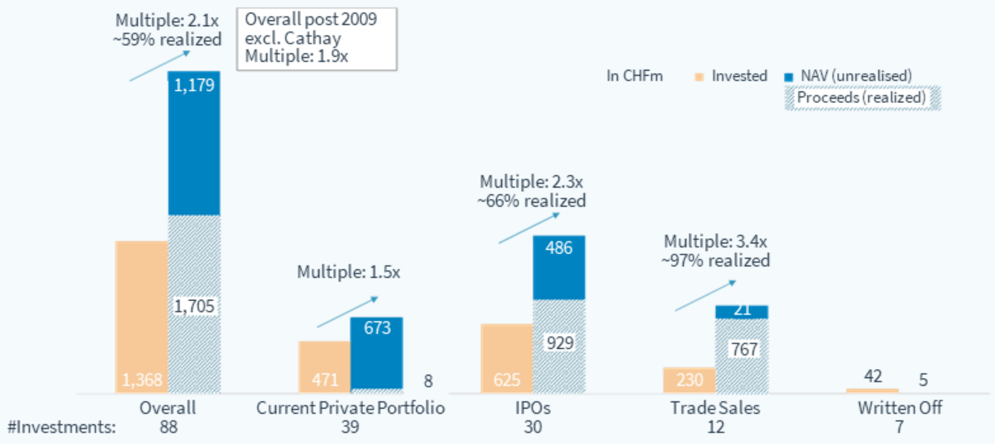
Chart 9: Overview of deal sourcing of private equity investments



Source: HBM Healthcare Investment, Kepler Cheuvreux

The amount invested by HBM can exceed CHF5m per deal, with the ability to make one or more follow-on investments.

Chart 10: Impressive exit multiple for the private portfolio



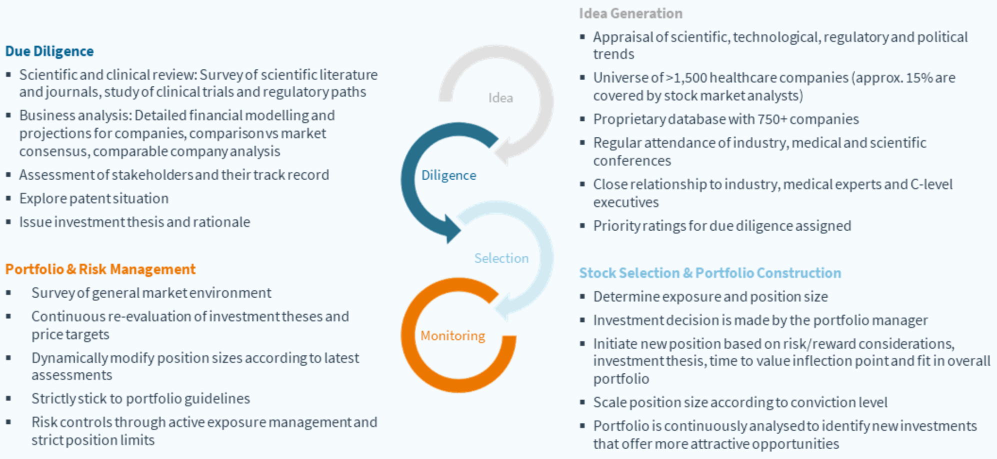
Source: HBM Healthcare Investment, Kepler Cheuvreux

These investments, valued (NAV) at their acquisition price or the value determined during the last financing round, represent the hidden value of HBM's portfolio. The real potential only emerges at the time of an exit (via an IPO or trade sale). Looking at the historical performance of the private portfolio, the company recorded an average multiple of 2.1x, above the market average that is usually between 1.5-2x depending on the stage of the investment (with series B usually delivering higher exit multiples).

Public investment process

Public investment accounts for the bulk of the current portfolio (approximately 60%) due to several successful IPOs originating from the private investment portfolio. Once listed, HBM can remain invested in these companies if the near-term value potential is still intact.

Chart 11: Overview of the public investment process



Source: HBM Healthcare Investment, Kepler Cheuvreux

The universe of potential investments in public companies encompasses more than 1,500 listed biotech or medtech companies. Before each investment, thorough due diligence is carried out, including a stakeholder assessment and intellectual property review. The portfolio construction phase assesses various exposures (geographic, therapeutic areas, stage of development) and the size of each investment made.

While it is difficult to secure a board seat in listed companies, HBM regularly reviews its entire portfolio and continuously assesses different investment opportunities.

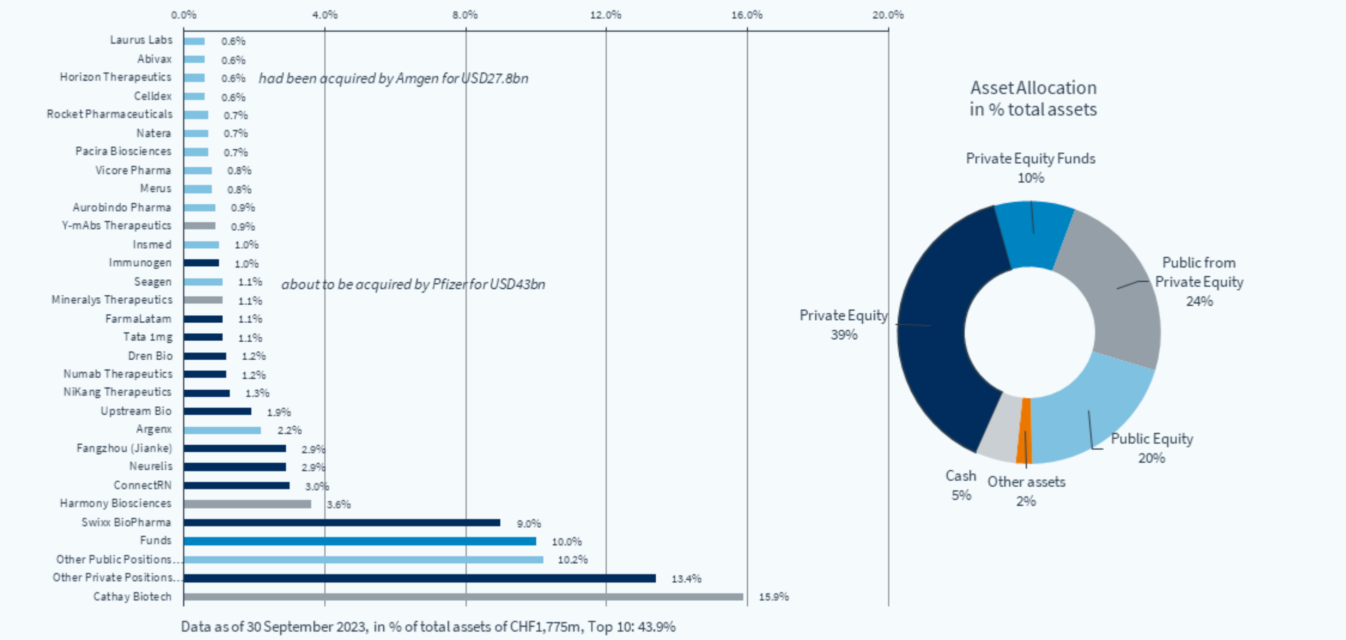
Unique exposure to the healthcare industry

Thanks to its dual role in both the private and public sectors, HBM has one of the highest exposures to private companies within our peer group, with private investments accounting for about 50% of the current NAV. Moreover, HBM's extensive network in Asia provides it with substantial exposure to this rapidly growing healthcare ecosystem, representing approximately 34% of its NAV. It is worth noting that the company has a strong track record in Asia, with investments in Cathay Biotech, Sai Lifescience, and Fangzhou (Jianke), all of which are yielding significant multiples since HBM's initial investment and are poised for realisation (harvesting has already begun with Cathay, while Fangzhou is planning its IPO in 2024). With its global approach and limited investment size, HBM offers a balanced exposure to these high-risk, high-reward investments, mitigating the risk for generalist investors looking to engage in the healthcare ecosystem while relying on HBM's expertise.

An appetite for promising small companies

HBM's investment strategy allows the company to identify and support these companies' development thanks to board participations and HBM's large network. This positioning allows HBM to differentiate itself from most of the peers we have identified (with the exception of BB Biotech, which also focuses on SMID listed companies, and CLAL Biotechnology Industries, which also has a high exposure to the private equity (PE) space.

Chart 12: Broad overview of HBM's portfolio



Source: HBM Healthcare Investment, Kepler Cheuvreux

Highest exposure to private companies in our current peer group

HBM's portfolio is distinguished by a significant emphasis on private equity, with 39% directly invested in private companies and an additional 10% allocated to private equity funds, culminating in half of the portfolio being invested in private equity. Moreover, approximately 24% of the portfolio is dedicated to public companies that were part of HBM's private investment ventures prior to their IPOs. This strategy showcases HBM's commitment to nurturing companies through critical growth phases, from private inception to public maturity.

Table 1: Overview of the portfolio breakdown (% of total NAV) of our selected peers

	Private equity	Public equity	Other assets
BB Biotech	4%	96%	0%
Biotech Growth Trust	ns	ns	ns
BlackRock Health Sciences	ns	ns	ns
International Biotechnology Trust	9%	91%	0%
Polar Capital Global Healthcare Growth Trust	0%	100%	0%
Tekla Healthcare Investors	9%	91%	0%
Tekla Healthcare Opportunities	ns	ns	ns
Worldwide Healthcare Trust	7%	90%	0%
CLAL Biotechnology industries	58%	17%	25%
HBM Healthcare	**49%**	**44%**	**7%**

Source: Kepler Cheuvreux

Because of its high exposure to private companies, HBM is also the fund with the highest exposure to small caps in our peer universe, with 70% of its portfolio comprised of companies with a market capitalisation of below CHF2bn.

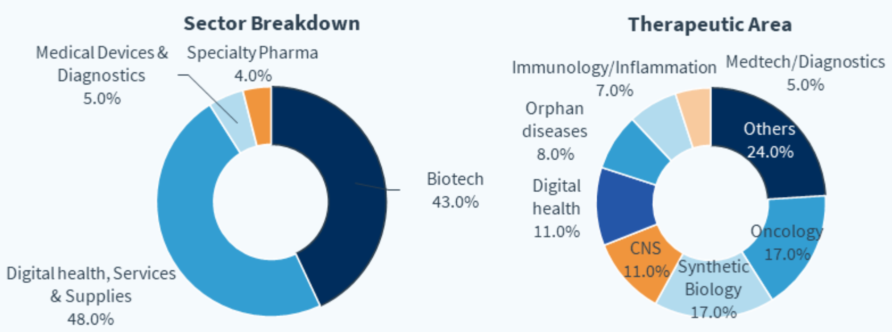
Table 2: Asset breakdown by market cap (% of total NAV)

	<CHF2bn	CHF2-10bn	>CHF10bn
BB Biotech	18%	30%	53%
Biotech growth trust	49%	13%	29%
BlackRock Health Sciences	2%	4%	90%
International Biotechnology Trust	26%	24%	41%
Polar Capital Global Healthcare Growth Trust	4%	18%	78%
Tekla Healthcare Investors	15%	18%	67%
Tekla Healthcare Opportunities	ns	ns	ns
Worldwide Healthcare Trust	5%	17%	78%
CLAL Biotechnology industries	20%	25%	53%
HBM Healthcare	**70%**	**24%**	**10%**

Source: Kepler Cheuvreux

However, as HBM has been invested in many companies for a significant period of time, more than 50% of its current portfolio is comprised of companies that are either profitable (40%) or already have one product being commercialised (27%). Note that in addition to their most advanced asset, most of the companies in which HBM has invested are highly diversified thanks to additional earlier stage development programmes. Hence, we believe that despite the current challenging market conditions for companies that are still in early development stages, HBM is well positioned to resist the current bear market.

Chart 13: Sector and therapeutic area breakdown of HBM's portfolio



Source: Kepler Cheuvreux

While remaining in line with HBM's investment strategy, the company has also diversified its portfolio:

- First, while most investors are flagging HBM as a biotech-only fund, we note that only 43% of its current portfolio is centred on pure biotech activities. This diversification allows HBM to ride the wave of new solutions to address unmet medical needs, with Fangzhou (jianke) being a great example of this kind of investment. Indeed, while Fangzhou is not directly developing any drugs, the company has developed a service platform in China designed to accommodate chronic disease management. With its tool, the company is able to offset the current hurdles in the Chinese healthcare system.

- In line with global R&D trends, which favour oncology and neurology (accounting for approximately 49% of the worldwide clinical pipeline), HBM has invested about 17% of its portfolio in oncology, with companies such as Seagen and Y-mabs Therapeutics, and around 11% in CNS diseases. However, thanks to its focus on healthcare investment, the company also stands out with its unique investments in other areas, such as synthetic biology (17% of the portfolio).

Overall, HBM's distinctive investment strategy allows it to differentiate itself from our selected peer list by investing in the premises of new technologies rather than large-scale companies.

And a global positioning

Over the years, HBM has been able to develop a large global network. From this initial network, the company has entered into collaborations with local experts, on which the fund is relying to secure its sourcing in these regions. Its network is particularly strong in Asia, where HBM has developed a strong relationship with partners.

Chart 14: A worldwide presence

Data as of 30 September 2023 (Selection)

Source: Company, Kepler Cheuvreux

Compared to our peer group, HBM boasts one of the most diverse geographic presences, balanced between the US, Asia, and Europe. This positioning differs greatly from the usual focus centred on the US region.

Table 3: Geographic breakdown of the fund's portfolio (% of total NAV)

	Asia	Europe	US	RoW
BB Biotech	0%	6%	94%	0%
Biotech Growth Trust	11%	8%	81%	0%
BlackRock Health Sciences	0%	5%	90%	5%
International Biotechnology Trust	0%	9%	90%	1%
Polar Capital Global Healthcare Growth Trust	7%	33%	61%	0%
Tekla Healthcare Investors	ns	ns	80+%	ns
Tekla Healthcare Opportunities	ns	ns	ns	ns
Worldwide Healthcare Trust	16%	18%	65%	0%
CLAL Biotechnology industries	0%	42%	0%	58%
HBM Healthcare	**34%**	**20%**	**46%**	**0%**

Source: Kepler Cheuvreux

The total market valuation of China's biopharma companies soared from USD3bn in 2016 to over USD380bn in 2021

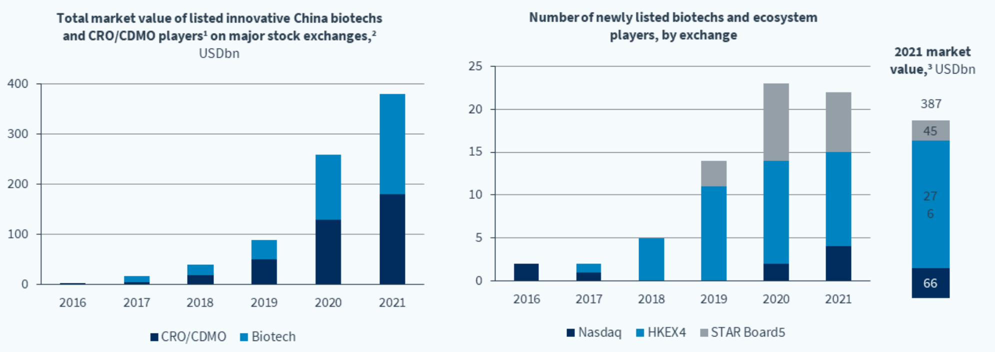
Exposure to the new biotech R&D hub?

China, the rising biotech star?

China is quickly establishing itself as a key force in the biotech industry, marking a significant shift from its traditional role as a generics powerhouse to an innovation hub. Over the past decade, the market valuation of China's biopharma companies has soared from USD3bn in 2016 to over

USD380bn in 2021,[1] reflecting a broader commitment to research and development that is now bearing fruit on the global stage.

Chart 15: China's soaring biotech sector

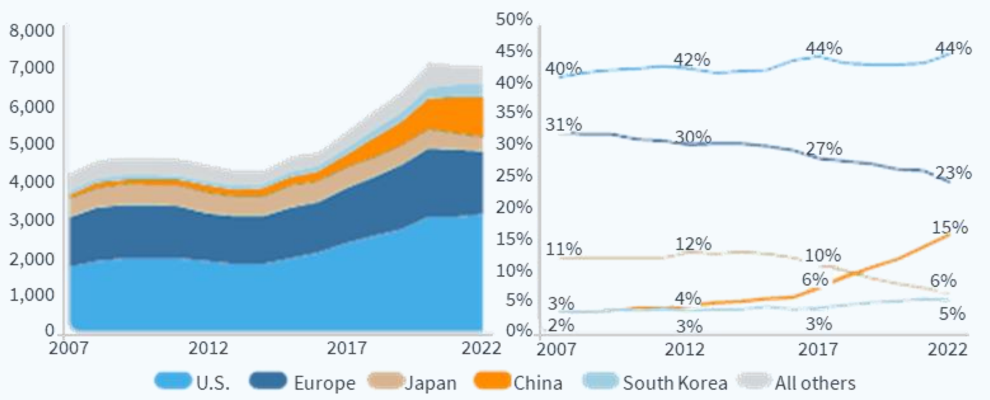


¹ Contract research organization/contract development and manufacturing. ² Biotechs and CRO/CDMOs focusing on innovative drug development. For companies listed in multiple stock markets, market cap value from the primary listing is used. ³ As of July 2021, "Hong Kong Stock Exchange". ⁴ Shanghai

Source: McKinsey & Company, Kepler Cheuvreux

Additionally, the country's share in the global innovation pipeline has seen a threefold increase, as products from China-headquartered companies represented 15% of the global R&D pipeline in 2022, up from 6% five years ago and 2% in 2007. This impressive growth bears testimony to the country's sweeping regulatory reforms, strategic bio clusters, and the repatriation of skilled talent over the past decade.

Chart 16: The ramp-up of China's biotech sector



Source: IQVIA research institute, Kepler Cheuvreux

These factors, coupled with robust capital market support, have not only accelerated drug development timelines but also fostered a fertile environment for differentiated therapies. With Chinese biotech firms now engaging in high-value cross-border deals and contributing significantly to the global innovation ecosystem, China's biotech ascendancy signals a new era of competition and collaboration in the sector, positioning it as a key player with the potential to influence global healthcare outcomes.

HBM has positioned itself as a reliable partner

By investing early in a few Chinese biotech companies (such as WuXi), HBM has been able to develop solid relationships with key players in these ecosystems.

HBM's relationship with WuXi is a great example of the company's ability to develop solid relationships. Indeed, over the years this relationship has evolved from an initial investment in the

[1] The dawn of China biopharma innovation | McKinsey

company to a long-term collaboration as WuXi developed. At present, HBM has invested (CHF20m) in the WuXi Healthcare Ventures II fund, while it also often co-invests in new companies with WuXi's venture capital arm. Beyond these investments, HBM is also invested in several Asian VC funds including Tata's fund I and II (total investment of CHF30m), 6 Dimensions Capital fund (CHF25m), and C-Bridge capital IV (CHF10m).

This presence allows HBM to capitalise on the networks and local expertise of these players, allowing it to identify more promising companies in which it can co-invest, thereby enabling it to capitalise on the strong dynamics in Asia (with a strong focus on China and India).

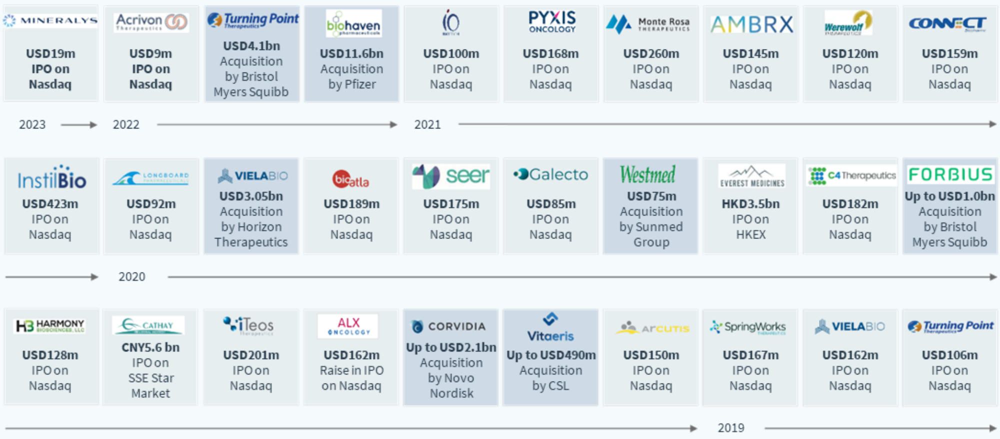
This has allowed HBM to significantly outperform the market

Thanks to wise choices and a proven track record of exits, HBM has posted an average annual performance of more than 15% over the last ten years.

An impressive track record

Over the years, HBM Healthcare has built up an excellent track record in identifying promising private healthcare companies. Over the last decade, the company has executed more than 60 trade sales and IPOs.

Chart 17: A proven track record

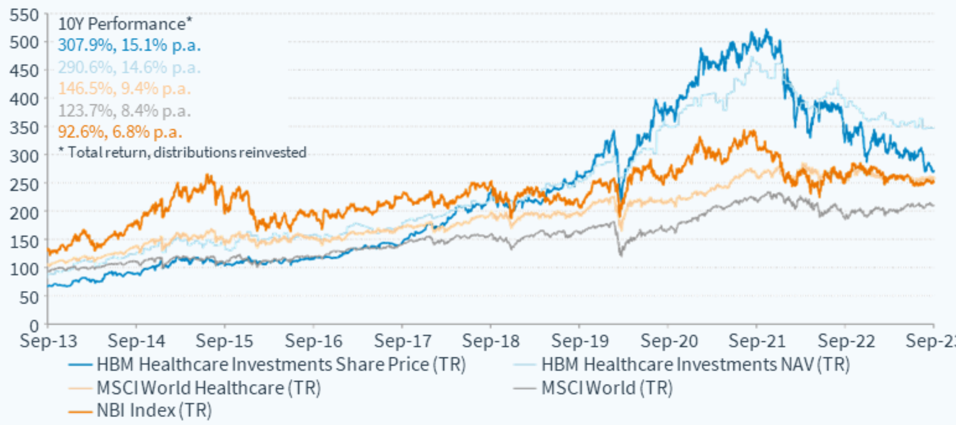


Source: HBM Healthcare Investment, Kepler Cheuvreux

Leading to a strong outperformance

Over the last 13 years, HBM saw its NAV rise from approximately CHF54/share (its historical low NAV/share recorded in October 2011) to its peak of CHF345/share (reached in August 2021), underscoring the quality of the investments made over the past decade.

Chart 18: Overview of HBM's historical performance



Source: Bloomberg, Data as of 30 September 2023, in CHF, indexed since inception (12.07.2001 = 100), distributions reinvested (HBM Healthcare Investment), Kepler Cheuvreux

Thanks to a strategy driven by active board membership in invested companies and a focus on valuable exits, HBM has consistently built up a solid track record of investment. The company targets and delivers an annual return of at least 5% of net assets (+8.8% per year over the last five-year period).

However, the stock has been hit harder than its peers this year:

Table 4: Peer performance overview*

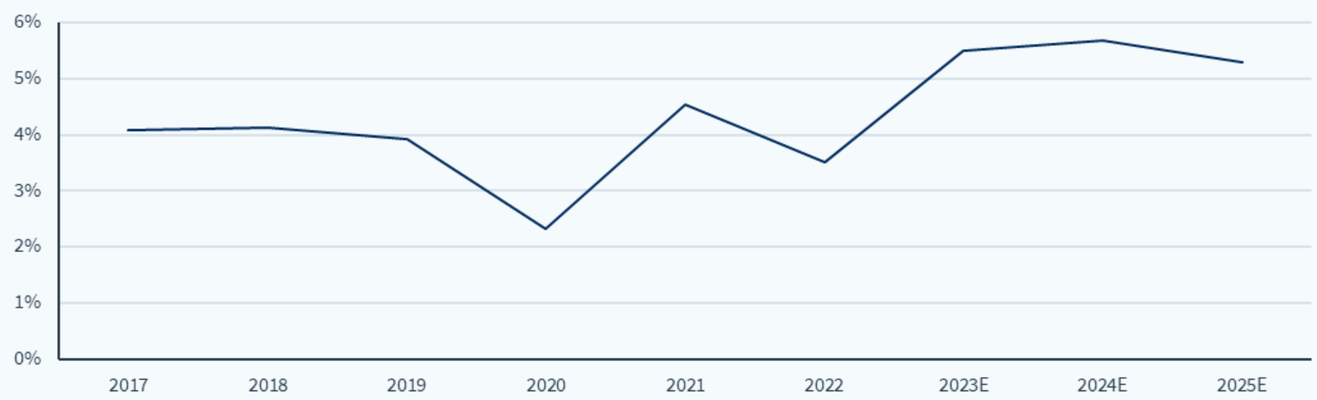
	Currency	Price (lc)	Perf. 1M	Perf. 1Y	Perf. 5Y	Perf. 10Y
BB Biotech	CHF	39.05	2%	-32%	-37%	42%
Biotech growth trust	GBp	758.00	1%	-23%	11%	83%
BlackRock Health Sciences	USD	37.33	-1%	-17%	-4%	43%
International Biotechnology Trust	GBp	576.00	-4%	-16%	-1%	101%
Polar Capital Global Healthcare Growth Trust	GBp	296.00	-5%	-9%	-9%	102%
Tekla Healthcare Investors	USD	15.23	2%	-19%	-25%	-36%
Tekla Healthcare Opportunities	USD	16.56	3%	-17%	-7%	#N/A
Worldwide Healthcare Trust	GBp	293.00	-2%	-11%	14%	147%
CLAL Biotechnology industries	NIS	45.80	6%	-37%	-86%	-94%
MedCap	SEK	300.50	18%	60%	266%	721%
HBM Healthcare	**CHF**	**166.80**	**8%**	**-26%**	**-1%**	**145%**

Data as of 11/16/23 Source: Kepler Cheuvreux

And a stable 4% dividend yield

Beyond the strong performance of HBM's investment funds, the company further rewards its long-standing investors by distributing an annual dividend. This strategic financial gesture serves as an additional layer of value for those who have invested in the company's success.

Chart 19: HBM's historical dividend yield*



*Calculated using the last trading day for each year Source: Kepler Cheuvreux

HBM maintained an average dividend yield of 4% over the past five years

In this context, it is noteworthy that HBM has maintained an impressive average dividend yield of 4% over the past five years. We believe this trend of consistent and robust dividend payouts is likely to persist in the foreseeable future, further solidifying HBM's position as a reliable investment for investors looking for exposure to the biotech field.

Table 5: Average dividend yield of our selected peer list

Company	2017	2018	2019	2020	2021	2022	Average div. yield
BB Biotech	5%	5%	5%	5%	5%	5%	5%
Biotech growth trust	0%	0%	0%	0%	0%	0%	0%
BlackRock Health Sciences	n.c	7%	6%	5%	5%	6%	6%
International Biotechnology Trust	4%	4%	4%	3%	4%	5%	4%
Polar Capital Global Healthcare Growth Trust	2%	1%	1%	0%	1%	1%	1%
Tekla Healthcare Investors	n.c	6%	7%	0%	4%	0%	4%
Tekla Healthcare Opportunities	n.c	7%	8%	7%	6%	7%	7%
Worldwide Healthcare Trust	1%	1%	1%	1%	1%	1%	1%
CLAL Biotechnology industries	0%	0%	0%	0%	0%	0%	0%
MedCap	0%	0%	0%	0%	0%	0%	0%
HBM Healthcare	**4%**	**4%**	**4%**	**2%**	**5%**	**4%**	**4%**

Source: Kepler Cheuvreux, FactSet partners

With an average dividend yield of 4% over the past six years, not only does HBM deliver a consistent return to its investors, but it also ranks as one of the most attractive dividend-paying entities in this specialised sector.

The programme aims to repurchase up to 696,000 registered shares

An ongoing share buyback programme

Following the recent decline in the share price, the company announced that it has begun acquiring some of its own shares in line with its 2022 share buyback plan. This move comes after the resolution passed at the Annual General Meeting on 10 June 2022, where the company revealed plans to initiate a new share buyback programme. The programme aims to repurchase up to 696,000 registered shares, which equates to 10% of the registered shares listed in the commercial register, with the goal of cancelling them through capital reduction. It is worth noting that the decision to actively buy back shares will depend on various factors, including business performance, liquidity, and market conditions.

This announcement underscores the company's belief that the current discounted share price represents a valuable opportunity and reaffirms its confidence in its ability to generate value in the future.

A challenging biotech environment

One initial explanation for HBM's low share price could be attributed to the overall market performance of the biotech sector. Indeed, the sector has been mired in a strong bear market for the past two years, which has dragged down the valuations of most biotech players. However, when considering the upcoming "patent cliff" that major pharmaceutical companies will face in the next decade, along with the generally low valuations and frequent cash shortages of biotech firms, we see that M&A could serve as an effective catalyst to rejuvenate the biotech market. Thanks to its strategic positioning, HBM stands to benefit from this potential uptick in M&A activity—both directly, through its well-positioned portfolio, and indirectly, as renewed M&A interest could attract investors back to the biotech space.

A sector in freefall since H1 2021

The past two years have been marked by a strong bear market for the biotech industry, with the S&P SPDR Biotech index down c. 62% and the Nasdaq Biotechnology Index (NBI) falling by c. 26% from its record high of February 2021.

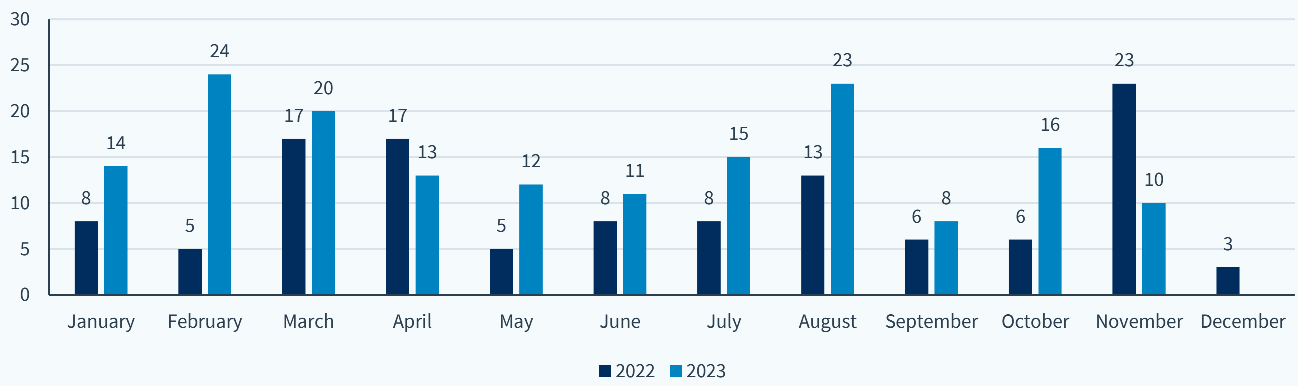
What happened?

A rapid shift in the global economy ...

Following the highs of 2020 and 2021, we have entered a new phase in the biotech cycle, which has led to a devaluation of most biotech companies over the last two years. In addition to this cyclical downturn, the biotech sector has also faced several macroeconomic headwinds, which include: 1) the Ukraine war, which has spurred inflation and disrupted numerous clinical trials; 2) a sharp increase in interest rates, which have reached levels not seen in decades; and 3) the Inflation Reduction Act (IRA), which poses a threat to the whole healthcare industry business model. These headwinds have hit biotech companies in particular because their value generation typically depends on two factors:

- Their ability to fund innovation. As most early-stage biotechs are still unprofitable, they often rely on external sources for funding. The current financial environment has shut many doors for these businesses, leading to numerous downsizings (see chart below), and probably prompting many more to implement cost-cutting plans.

Chart 20: Number of biotech companies announcing downsizing per month*

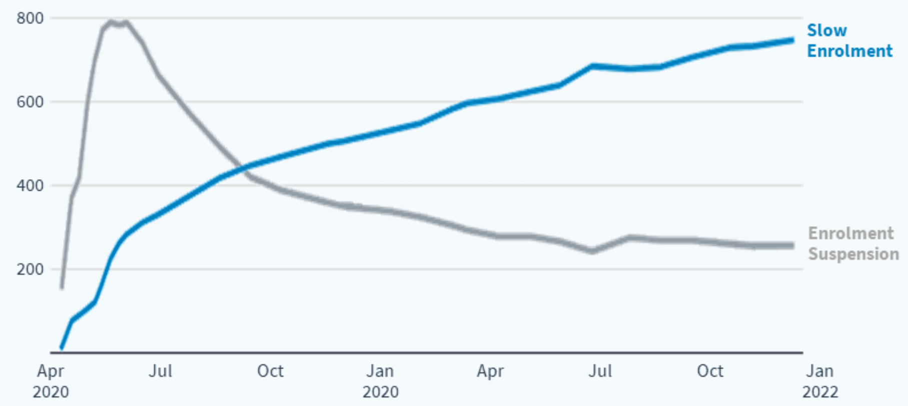


*non-exhaustive data, focus on US and European biotechs Source: Kepler Cheuvreux

Biotech business model could be resumed in a simple sentence: "Get data to raise money so you can move to your next stage"

- Their ability to advance pipeline development and achieve significant inflection points that increase their value (e.g., successful clinical studies, asset licensing, and hitting commercial milestones). Due to the COVID-19 pandemic, many hospitals shifted their focus to crisis management, deprioritising other activities, including ongoing clinical studies. This led to substantial delays in several clinical trials conducted by biotech companies, potentially necessitating unplanned bridge financing solutions to fund extended studies. It is important to note that these delays not only increase study costs but also impact future sales, as new competitors may emerge during the delay. According to some studies, potential losses could range from USD600,000 to as high as USD8m per day[2].

Chart 21: Trials identified as experiencing enrolment disruption due to Covid-19

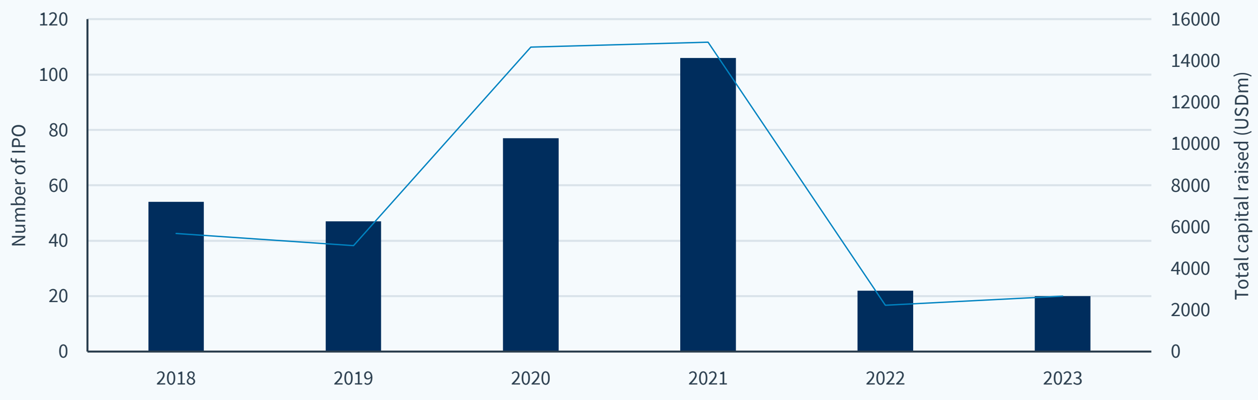


Source: GlobalData, Kepler Cheuvreux

…that has led to a lot of disappointment for investors

The IPO market can serve as a compelling indicator of the rapid shifts in macroeconomic conditions, transitioning from the abundant availability of cheap capital for nearly any biotech company in 2020-21 to the considerably more stringent environment we see today. While 2020 and 2021 broke records in both the number of IPOs completed and the volume of funds raised, the subsequent two years have witnessed some of the lowest IPO activity of the past decade. This downturn underscores the increasingly challenging financial landscape facing biotech firms, signalling that the previous era of easy capital and soaring valuations may have come to an end.

Chart 22: Biotech IPOs and subsequent fundraising (USDm) since 2018 in the US*



*Excluding division spin-off from big pharma Source: Kepler Cheuvreux

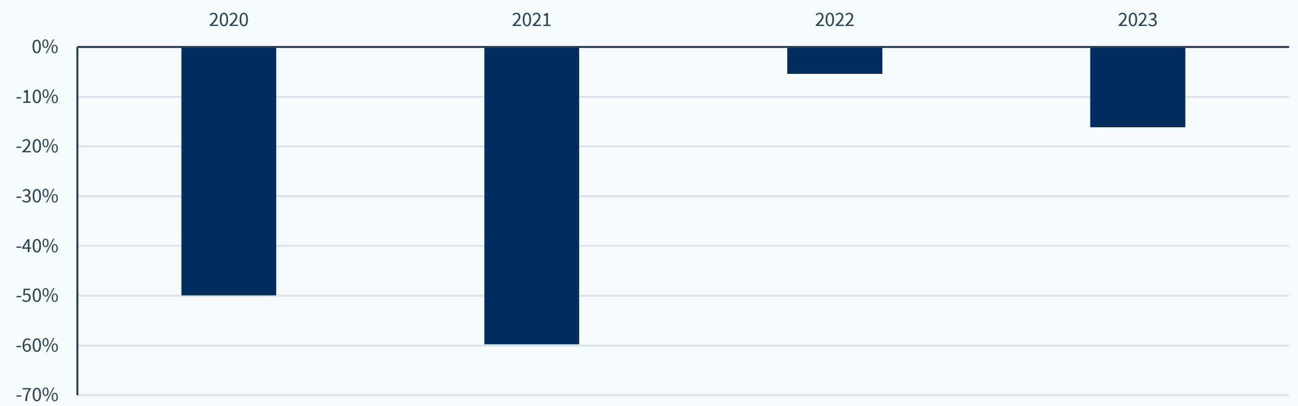
In addition to the slowdown in IPOs – as most of the companies have already been listed – the party also seems to be over given that the vast majority of the companies floated between 2020 and today are now trading below their IPO prices.

Furthermore, the post-IPO performance for most newly listed companies might have scared away most generalist investors who have invested in the biotech sector in past years. A striking majority of firms that went public between 2020 and the present are now trading below their initial offering

[2] "How to Avoid Costly Clinical Research Delays | Blog." MESM. Accessed November 6, 2023. https://www.mesm.com/blog/tips-to-help-you-avoid-costly-clinical-research-delays/.

prices, further underlining the challenging financial conditions the biotech sector faces. We note that one of the main reasons for this is that many of these companies were extremely early-stage and capitalised on market enthusiasm. Subsequent disappointments led to a need for the market to digest this massive influx of companies and to sift through them accordingly, further consolidating the bear market.

Chart 23: Average stock price performance (%) of newly listed biotech companies (performance from the IPO until today)



Source: Kepler Cheuvreux

Looking ahead, what's next for the biotech sector?

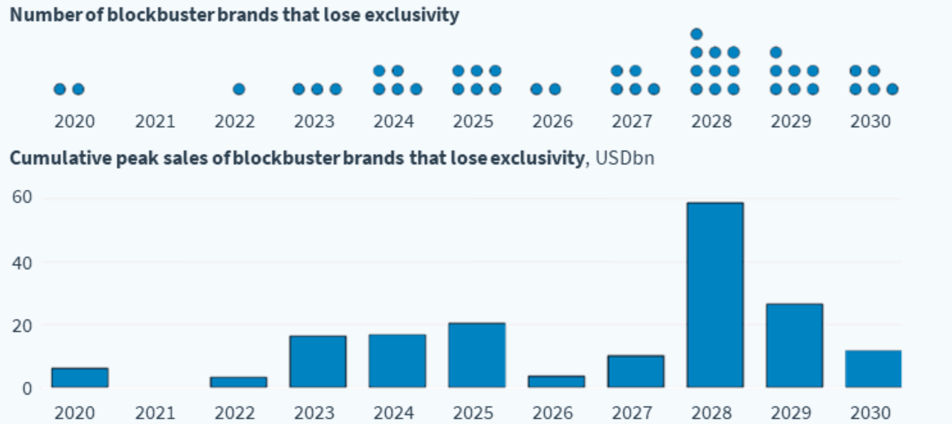
At this stage, it is almost impossible to get a clear answer to this question.

However, one observation remains constant when considering the upcoming patent cliff: many big pharma companies face the risk of losing significant revenue generators in the next decade. To offset this risk, these firms are likely to seek external growth opportunities to replenish their pipelines with promising new blockbuster drugs.

Big pharma is facing a steep patent cliff over the next five years – a potential catalyst?

With the emergence of blockbuster drugs (annual revenues exceeding USD1bn), pharmaceutical companies can generate stable income throughout the period of market exclusivity. In today's industry, a single blockbuster drug can account for a substantial portion of a company's overall revenue (for instance, Merck's Keytruda is generating c. USD20bn of annual revenues). However, at the end of this exclusivity period, companies face a steep decline in product revenue due to the loss of patent protection, which allows competitors to enter the market with substitutes for the product.

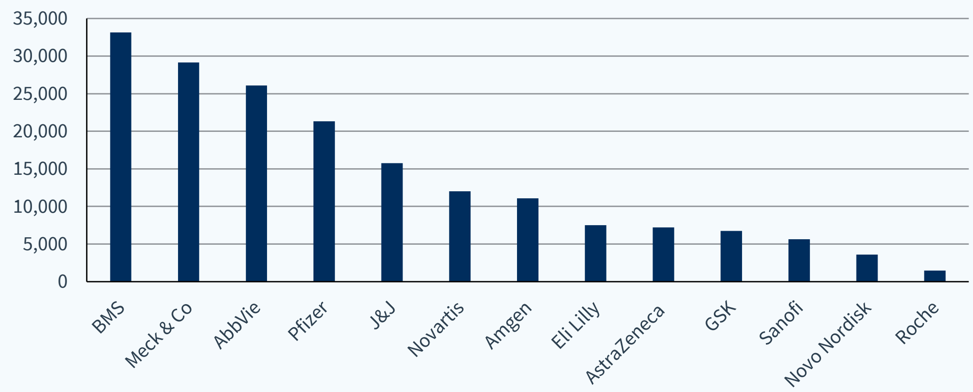
Chart 24: Overview of the patent cliff expected over the 2020-30 period



Source: McKinsey Company, Kepler Cheuvreux

Over the next decade, half of the top ten big pharma companies' revenues are at risk due to loss of exclusivity[3].

Chart 25: Estimate of big pharma's 2021 revenue at risk because of expiring patents over 2023-28 period (USDm)



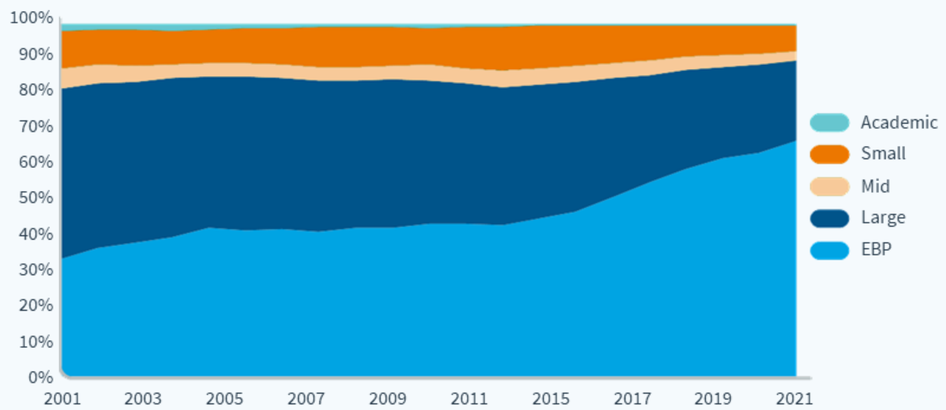
Source: Kepler Cheuvreux

This impending patent cliff exposes several of today's biggest names to significant revenue losses that will need to be replaced. This can be achieved either through the development of new in-house drugs (something AbbVie has successfully done with Skyrizi and Rinvoq as replacements for Humira LOE) or through external acquisitions.

Biotech companies: A pool of innovation for big pharma

Over the past decade, the overall R&D pipeline has grown by 85% to about 6,085 products in active development (phase I to regulatory development)[45]. This growth was driven by the rise of emerging biopharma companies' R&D efforts (companies with either annual sales of <USD500m or R&D expenses <USD200m). Over that period, emerging biopharma companies (EBP) consolidated their share of the overall pipeline to reach 65% of the overall clinical pipeline contribution[6] in 2021.

Chart 26: Share of Phase I to regulatory submission pipeline by company segment (2001–21)



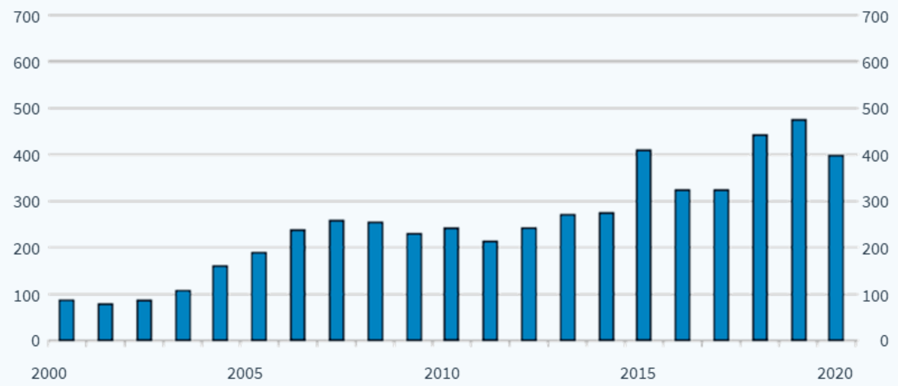
Source: IQVIA Pipeline Intelligence, December 2021; IQVIA Institute, May 2022, Kepler Cheuvreux

Big pharma companies have also benefited from the rise in biotech companies' contribution to the global R&D effort. Indeed, this large pool of small and very specialised companies offers many

[3] The Next Big Patent Cliff Is Coming, And Time Is Running Out To Pad The Fall :: Scrip (informa.com)
[4] Global Trends in R&D 2022 - IQVIA
[5] Emerging Biopharma's Contribution to Innovation - IQVIA
[6] Emerging Biopharma's Contribution to Innovation - IQVIA

opportunities for larger companies to acquire promising assets while de-risking and reducing their internal R&D expenses.

Chart 27: Annual pharmaceutical deal (M&A) count (2000-20)



Source: J. Ascher et al. 2020, Kepler Cheuvreux

Over the past two decades, licencing and M&A with biotech companies became a tool used by pharmaceutical companies to refill or empty their pipelines. The broad range of biotech companies, from small caps to large caps, allows pharmaceutical companies to strike deals that go from a couple million dollars up to multibillion-dollar deals depending on their strategy and available capital.

Several biotech companies have been able to reach big pharma status and are now active players in the never-ending consolidation of the big pharma sector. In that regard, the five biggest M&A deals in the last five years all involved biotech companies.

Table 6: Five acquisitions in the last five years in the pharmaceutical sector

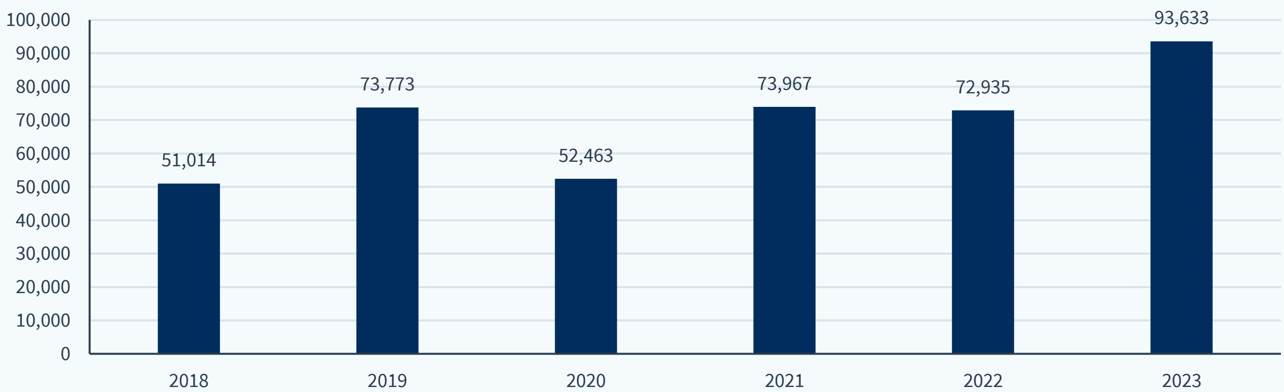
Year	Buyer	Acquired company	Total deal value USDbn
2019	BMS	Celgene	74
2019	AbbVie	Allergan	63
2018	Takeda	Shire	62
2023	Pfizer	Seagen	43
2020	AstraZeneca	Alexion Pharmaceuticals	39

Source: Kepler Cheuvreux

M&A remained subdued in H1 2023, pressured by FTC's aggressive stance

Despite the pressure on big pharma, most companies in the sector have yet to make a significant move in 2023, with the exception of the Pfizer-Seagen deal for USD43bn. Apart from Pfizer's acquisition, 2023 has already been described by many analysts as disappointing from an M&A perspective. Global activity in 2023 is projected to be in line with historical levels, and not the "big bang" that many had expected at the beginning of the year.

Chart 28: Annual M&A value involving biotech companies (USDm)*



*Note that we voluntarily excluded the seven mega deals (>USD20bn) from this calculation Source: Kepler Cheuvreux

A more aggressive FTC, you said?

One possible explanation for this low activity could be the new, more aggressive stance that the Federal Trade Commission (FTC) announced at the beginning of the year. This was confirmed by the antitrust lawsuit the agency filed regarding the USD28bn Amgen-Horizon merger.

Indeed, in May 2023, the FTC filed a lawsuit to block Amgen Inc.'s acquisition of Horizon Therapeutics. The agency argued that the deal would solidify Horizon's monopoly on its drugs, Tepezza and Krystexxa, which are used to treat thyroid eye disease and chronic refractory gout, respectively. The FTC contended that Amgen would use its portfolio of blockbuster drugs to pressure insurance companies and pharmacy benefit managers into favouring these monopoly products.

This lawsuit was significant, marking the first time the FTC has challenged a pharmaceutical merger in recent memory. The agency argues that Amgen has strong incentives to create barriers to entry for competitors to Tepezza and Krystexxa, especially if and when these competitors gain FDA approval. Stepping back, this action is part of the FTC's broader effort to scrutinise rebates and fees paid by drug manufacturers that favour high-cost drugs over lower-cost alternatives.

In the months following this lawsuit, the FTC and the Department of Justice (DOJ) released a new draft of merger guidelines in July. This update, which follows Joe Biden's 2021 executive order urging the DOJ and FTC to review their merger guidelines, aims to better reflect modern market realities. The agencies propose 13 new guidelines to evaluate the impact of mergers on competition:

- Mergers should not significantly increase concentration in highly concentrated markets.
- Mergers should not eliminate substantial competition between firms.
- Mergers should not increase the risk of coordination.
- Mergers should not eliminate a potential entrant in a concentrated market.
- Mergers should not substantially lessen competition by creating a firm that controls products or services that its rivals may use to compete.
- Vertical mergers should not create market structures that foreclose competition.
- Mergers should not entrench or extend a dominant position.
- Mergers should not further a trend toward concentration.
- When a merger is part of a series of multiple acquisitions, the agencies may examine the whole series.
- When a merger involves a multi-sided platform, the agencies examine competition between platforms, on a platform, or to displace a platform.
- When a merger involves competing buyers, the agencies examine whether it may substantially lessen competition for workers or other sellers.
- When an acquisition involves partial ownership or minority interests, the agencies examine its impact on competition.
- Mergers should not otherwise substantially lessen competition or tend to create a monopoly.

These new guidelines could further increase the complexity of biotech M&A deals, potentially challenging the dynamics of the entire sector. However, in September, the FTC and Amgen announced that they had reached a settlement, with the FTC authorising the deal to proceed. This was positive news for the sector, which had been closely watching the trial.

Moreover, at the beginning of October, a new lobbying group was formed to raise awareness about the importance of M&A in the biotech field. More than thirty leading organisations in the life sciences, including several big pharma companies such as Gilead, Novartis, Amgen, and AbbVie, have formed the Partnership for the US Life Science Ecosystem (PULSE). This coalition aims to emphasise the crucial role that pro-innovation M&A plays in advancing new treatments and cures. Given the complex regulatory landscape of the biopharmaceutical market, the coalition argues that M&A is essential for resource allocation and expertise sharing. PULSE is concerned about the

FTC's new approach to antitrust enforcement, which they believe could deter pro-innovation M&A and thus hinder the development of new treatments. The coalition plans to highlight the economic and patient benefits of M&A in the life sciences sector.

Hence, this new coalition could offset the uncertainty introduced by the FTC in our M&A outlook. It is also worth noting that the Pfizer-Seagen merger should be closely monitored, as it represents the second mega-deal that could potentially come under FTC scrutiny (so far, no lawsuits have been announced).

A glimmer of hope in October

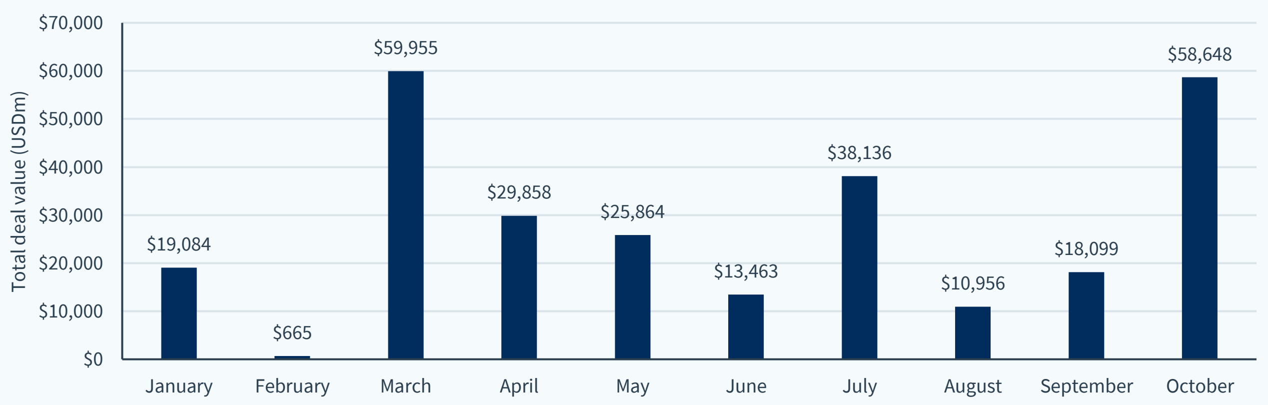
An increased deal activity…

Looking at overall deal activity (i.e M&A and licensing and collaboration agreements), we observe a sharp increase in October, driven by the two multibillion-dollar acquisitions and the historical collaboration agreement signed by Merck & Co. and Daiichi Sankyo:

- On 7 October 2023, Bristol Myers Squibb entered into an agreement to acquire Mirati Therapeutics for USD4.8bn (52% premium), a move aimed at bolstering its standing in the oncology sector. The deal centers around Mirati's lung cancer drug Krazati, which has been gaining market share and competes directly with a similar drug from Amgen. As part of the agreement, Mirati investors could receive an additional USD1bn if another of Mirati's experimental drugs, MRTX1719, gains FDA approval within seven years post-merger. The acquisition is expected to be closed by the first half of next year and will be financed through cash and debt.
- On 23 October 2023, Roche announced that it agreed to acquire Telavant, a subsidiary of Roivant Sciences, for approximately USD7.1bn. The acquisition will give Roche rights to Telavant's promising inflammatory bowel disease (IBD) treatment, code-named RVT-3101, in the US and Japan. The drug, which targets a regulatory protein known as TL1A, has shown encouraging results in mid-stage trials for ulcerative colitis. The deal also includes a "near-term" milestone payment of USD150m from Roche.

Merck & Co. and Daiichi Sankyo have entered into a global development and commercialisation collaboration focused on three of Daiichi Sankyo's DXd antibody-drug conjugate (ADC) candidates: patritumab deruxtecan, ifinatamab deruxtecan, and raludotatug deruxtecan. The partnership aims to advance these ADCs for the treatment of multiple types of cancer. Merck will pay an upfront sum of USD4bn to Daiichi Sankyo, along with USD1.5bn in continuation payments over the next 24 months. Additional payments of up to USD16.5bn are contingent upon achieving future sales milestones, taking the total potential deal value up to USD22bn.

Chart 29: Monthly total deal value signed over 2023 (USDm)*



*Our database only includes the deals with a total value >USD100m Source: Kepler Cheuvreux

While we will have to wait for further consolidation of the dynamic, this is an encouraging signal that the long-awaited M&A and licensing activity may be restarting. Thanks to its late-stage portfolio, HBM could directly benefit from this increased activity.

…paired with c. USD6bn raised by VC firms over the past three weeks

The past three weeks have been marked by a significant increase in closings at Healthcare VC funds, with close to c. USD6bn raised from five VCs. With two funds oversubscribed, these successful fundraising rounds and the commitment of historical investors can be seen as a positive signal for the biotech sector during these challenging market times.

Table 7: Recent Healthcare VC fund closing

Fund(s)	Company	Target	Latest fund close (USDm)	Date
OrbiMed Private Investments IX- OrbiMed Asia Partners V - OrbiMed Royalty & Credit Opportunities IV	OrbiMed	Innovative and growth-oriented opportunities across healthcare	4300	10/24/2023
Revelation Healthcare Fund IV	Revelation Partners	Late-stage healthcare companies	608	10/25/2023
Sofinnova Digital Medicine I	Sofinnova Partners	Digital Medicine	200	10/26/2023
Clinical Co-Development Co-Investment Fund	Abingworth	Late-stage clinical programs from pharmaceutical and biotechnology companies	356	10/30/2023
Bioluminescence Ventures	Bioluminescence Ventures	Early-stage biotech	350	11/1/2023

Source: Kepler Cheuvreux

OrbiMed raises USD4bn for its biotech fund thanks to historical shareholders' commitment

In late October, leading healthcare investment firm OrbiMed secured USD4.3bn in fundraising, marking a 23% increase from its last fundraising round in March 2021. The funds are allocated across three different investment vehicles, primarily targeting healthcare and life science start-ups. With a strong investor base comprised of pensions, sovereign wealth funds, and medical institutions – financing up to 90% of this new fundraising round – this confirms the healthcare ecosystem's opportunity to generate value for investors.

Oversubscription for Abingworth and Revelation

Additionally, two other fundraising rounds saw a strong commitment from investors, allowing both Abingworth and Revelation Partners to close their new funds with USD356m (versus an initial target of USD300m) and USD 608m (versus an initial target of USD500m), respectively. Interestingly, the management of both funds highlighted the current market situation as a great opportunity for venture capital to enter the field, as many companies are struggling to find bridge financing.

Translating this market view to HBM, the company, which also boasts a significant cash position (and investments ready to be harvested, such as Cathay Biotech), could capitalise on this market context to look for new private investment opportunities.

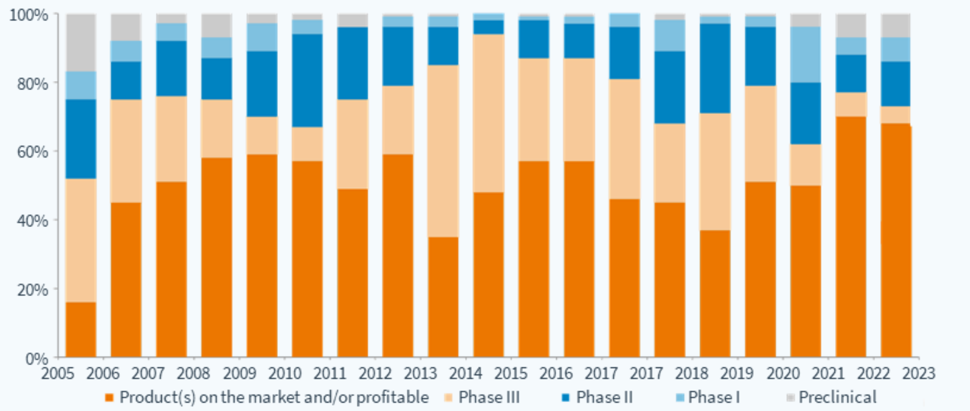
Valuation, target price, and risks

Overall, while we are compelled to cut our target price due to the re-rating in the biotech sector that directly impacts our public NAV estimates, we maintain our 5% premium target for the share-to-NAV ratio. Indeed, as outlined in this report, we believe that HBM's fundamentals remain intact and that the company should continue to perform well even in this challenging environment. Furthermore, we posit that HBM's broad pipeline, mainly composed of profitable companies, mitigates its exposure to the current challenging financial market for biotech firms. Additionally, we believe several companies in HBM's portfolio could be M&A targets in the coming year. Finally, thanks to its catalyst-rich portfolio, we expect HBM to benefit from these readouts to boost its NAV in the next quarter. Therefore, we reiterate our Buy rating, as we believe the current high discount to NAV represents a significant investment opportunity for any investor looking for exposure to the broad healthcare market while relying on the expertise of a seasoned investment team.

Fundamentals not threatened

Thanks to its rigorous investment strategy, HBM has been able to build up a broad portfolio of promising companies, of which 40% are already profitable and 27% already have a product commercialised.

Chart 30: Development stage of HBM portfolio



Data as of the end of each financial year (last column: 31 March 2023), in % of investments. Source: HBM Healthcare Investment, Kepler Cheuvreux

The number of R&D-stage biotech companies valued below the USD100m threshold has nearly doubled since its historical low in 2020

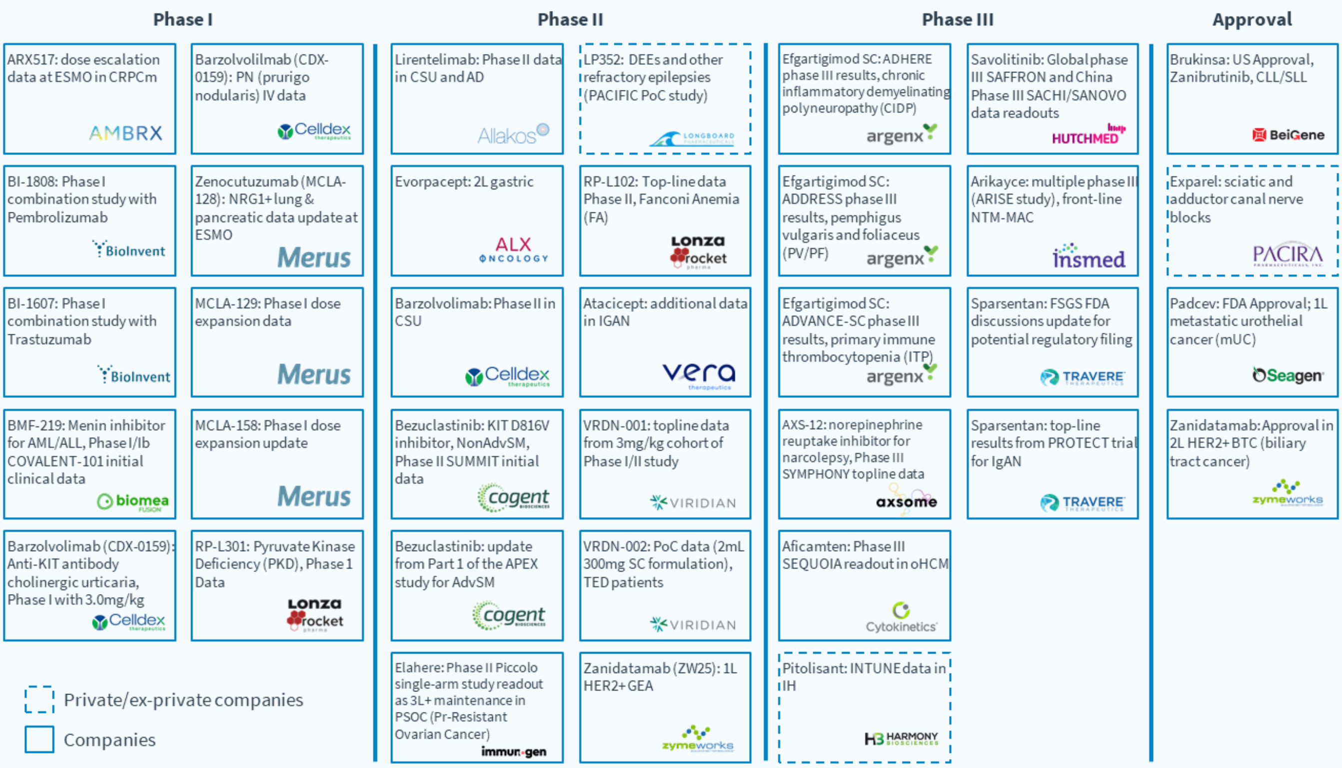
While nearly half (approximately 300 companies) of the US-listed biotech companies in the R&D stage are valued below the USD100m market cap threshold, we believe that HBM's exposure to the current re-rating (mainly related to the challenging financing situation faced by many biotech companies) remains limited. Indeed, thanks to its mature portfolio, we believe that HBM should not be too severely impacted by the ongoing re-rating of unprofitable biotech companies.

Looking at the private portfolio, HBM estimates that most of its companies are not exposed to the environment, with an estimated write down potential that would max out at CHF50m in the worst-case scenario for the whole biotech portfolio's NAV (i.e. <10% of the current NAV of CHF683m).

Multiple milestones expected from HBM's portfolio in the next six months

Looking at the next six months, HBM expects more than 40 catalysts to come through, including four phase III readouts, once again underlining the richness of HBM's portfolio.

Chart 31: Expected catalysts from HBM's portfolios over the next six months



Source: HBM Healthcare Investment, Kepler Cheuvreux

Looking at major catalysts, we are closely monitoring the readouts of the following companies:

- **Harmony Bioscience (8% of NAV of HBM's public company portfolio):** The company is gearing up for a series of significant milestones in the fourth quarter of 2023. First, following a positive End-of-Phase III meeting with the US FDA, plans are in place to initiate a Phase III study for patients with Prader-Willi Syndrome (PWS). Concurrently, the company is on track to release top-line data from its Phase II proof-of-concept trial for Myotonic Dystrophy (DM1). Additionally, in collaboration with Bioprojet, the company is preparing to submit a supplemental new drug application (sNDA) to the FDA for a pediatric narcolepsy indication.

- **Argenx (5% of NAV of HBM's public company portfolio)**: In addition to the successful Phase III CIDP results announced in July, argenx anticipates two more Phase III outcomes this year for efgartigimod SC. Specifically: 1) the Phase 3 results for ADVANCE SC in Immune Thrombocytopenia (ITP); and 2) the Phase III results for the ADDRESS study in pemphigus. It is noteworthy that the company has already released positive initial results from a prior Phase III study involving VYVGART IV for ITP in 2022. This subsequent ITP study aims to assess the SC form of the drug and, subject to successful outcomes, the company will submit a consolidated New Drug Application (NDA) package. For pemphigus, a single positive Phase III study will suffice for commercial authorisation submission.

- **Immunogen (2% of NAV of HBM's public company portfolio):** The company has a busy agenda for the latter part of 2023, with multiple regulatory submissions and data presentations planned. In the fourth quarter, the company aims to submit a Marketing Authorisation Application (MAA) to the European Medicines Agency (EMA) for ELAHERE in FRα-positive PROC, with the goal of gaining approval and launching the product in Europe. Concurrently, a supplemental Biologics License Application will be submitted to the US FDA to convert ELAHERE's accelerated approval to full approval. Additionally, the company's partner, Huadong Medicine, plans to submit an MAA for ELAHERE to China's National Medical Products Administration by the end of 2023. Finally, before the close of 2023, the company will report on the primary endpoint of objective response rate (ORR) for the PICCOLO Phase I trial in FRα-high platinum-sensitive ovarian cancer.

- **Vicore pharma (2% of NAV of HBM's public company portfolio):** The company is set to reach another pivotal moment with its AIR trial, a Phase IIa multi-centre, open-label, single-arm study that spans 24 weeks, with an additional 12-week extension to evaluate the safety and efficacy of C21 in patients with Idiopathic Pulmonary Fibrosis (IPF). Results from this significant trial are eagerly anticipated in Q4 2023. Following the outcome of the AIR trial, the company plans to initiate a Phase IIb study in the first half of 2024, further advancing the clinical development of C21.
- **Cogent Bioscience (1% of NAV of HBM's public company portfolio):** In the second half of 2023, two significant sets of clinical data related to bezuclastinib are expected to be released. First, the initial results from the SUMMIT trial, a randomised, double-blind, placebo-controlled, global Phase II study focusing on patients with non-advanced systemic mastocytosis (NonAdvSM), will be made public. This data will provide insights into the drug's safety, tolerability, and measures of clinical activity. Second, updated findings from Part 1 of the APEX trial, another global Phase II study but for patients with advanced systemic mastocytosis (AdvSM), will be presented at a scientific meeting. This update will encompass data from approximately 30 patients.
- **Allakos (<1% of HBM's public companies' portfolio NAV):** The company has several key developments slated for late 2023 and into 2024. Top-line data for the Phase II study of subcutaneous lirentelimab in patients with atopic dermatitis is anticipated between late Q4 2023 and Q1 2024. Similarly, top-line data from the Phase IIb study of subcutaneous lirentelimab in patients with Chronic Spontaneous Urticaria (CSU) is also expected in the same timeframe. Furthermore, following the completion of the single and multiple ascending dose portions of the Phase I AK006 study in healthy volunteers, the company plans to initiate a randomised, double-blind, placebo-controlled cohort in patients with CSU in Q2 2024.

Overall, all these catalysts could drive HBM's NAV up over the next few quarters, assuming positive readouts from its portfolio.

Adjusting our model to account for the current environment

While HBM's fundamentals remain unchanged (and we continue to be very confident in the company's ability to generate value), the current economic landscape has been upended since our last update on the premium/discount to NAV used in our valuation. Indeed, while HBM benefited from impressive growth in 2020-21, leading to an upgrade of our premium to NAV target to 5%, the past two years have not been as favourable for HBM, resulting in a decline in the annual return.

"Higher for longer" bound environment

The uncertain macroeconomic environment after the COVID-19 pandemic, which was rapidly followed by the invasion of Ukraine and now the conflict in the Middle East, has led to a steep increase in interest rates over the past one and a half years. During this period, the US 10-year treasury yield (US10Y) has risen from under 2% to close to 5%, greatly altering the biotech investment landscape.

Chart 32: Evolution of the US10Y treasury bound over the past two years

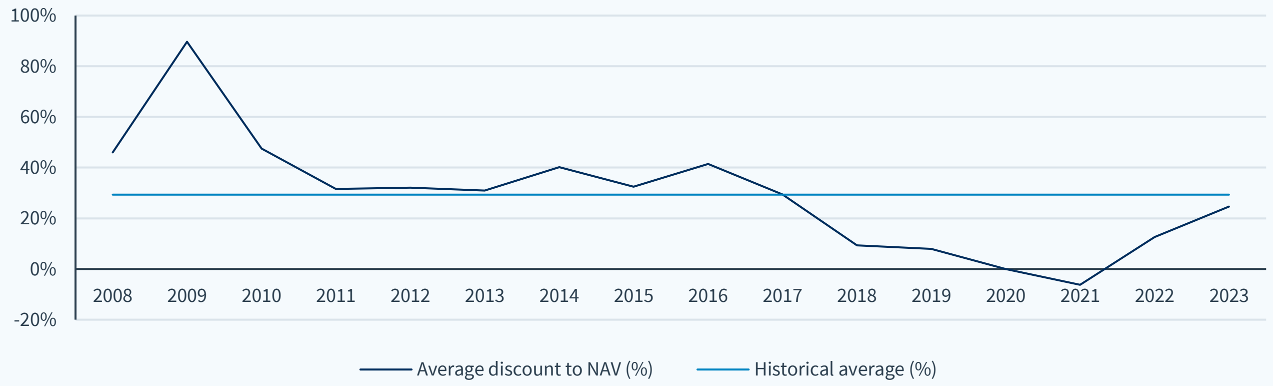
Source: Thomson Reuters, Kepler Cheuvreux

Based on our strategy team's current scenario, we believe that this high bond yield environment is set to continue, with expectations for the 10-year treasury yield to stabilise around a c. 3.50% by Q3 2024.

In this high-yield environment, we expect that funds such as HBM will face even more pressure to deliver significant returns on their investment. This is because investors might be more inclined to reduce their exposure to riskier assets and opt for safer investments that could offer returns on assets that are close to HBM's 5% target.

In this context, we expect a return to the historical discount to NAV
Looking at HBM's historical discount to NAV, we observe that despite its robust performance, the company has been trading at average discount to NAV of 29% since its IPO.

Chart 33: Evolution of the discount to NAV since IPO (average in %)



Source: Kepler Cheuvreux

Therefore, we adjust our premium to NAV target
To reflect this new environment, we are adjusting our premium to NAV target in our target price calculation, moving from a premium of 5% to a discount to NAV of 10%. This adjustment, while being well above the average discount for the stock, still underscores our confidence in HBM's ability to generate value for its investors, thanks to its robust investment strategy and consistent 4% annual dividend yield.

After these adjustments, our TP falls to CHF253

In our view, a peer comparison is not the most appropriate valuation method as the investment theme of each fund is different, as are their returns. Our valuation of HBM is based on the NAV of the company's portfolio to which we apply our targeted premium/discount to NAV (the full valuation breakdown is shown in Tables 9 and 10 below).

Except for argenx and Abivax, Kepler Cheuvreux's healthcare/biotech team does not cover any of the companies in HBM Healthcare's public portfolio. Hence, our NAV valuation is based on the following assumptions:

- For the public companies, we apply consensus target prices from Bloomberg when more than five analysts cover a stock. Otherwise, we apply valuations based on the most recent update.
- For private companies and funds, to be cautious and avoid overvaluing the stocks, we apply the last disclosed fair value reported (as of 30 September 2023), despite HBM's solid track record for exits.
- Finally, we have reduced our premium/discount target to NAV from a +5% premium to a 10% discount, which we use to set our new TP.

We derive a target NAV per share of CHF281.3, after applying our new 10% discount, resulting in a TP of CHF253.1. We have also conducted several scenario analyses to gauge the impact of applied discount/premiums, ranging from the observed 26% discount to NAV (as of 11/16/23) to our previous 5% premium to NAV target.

Table 8: TP sensitivity*

Target discount to NAV (%)	-26% (current market discount)	-20%	-15%	**-10%**	-5%	0%	5%
TP (CHF)	208.1	225.0	239.1	**253.1**	267.2	281.3	295.3
Upside	25%	35%	44%	**52%**	60%	69%	77%

*Data as of 16 November 2023 Source: Kepler Cheuvreux

Given: 1) the attractive 25% upside in our worst-case scenario; 2) the company's stable dividend yield; 3) the on-going share buyback; and 4) the significant catalysts expected in the next months from its portfolio, we believe that HBM offers a great buying opportunity for investors seeking exposure to the dynamic and fast-growing healthcare sector, and we reiterate our Buy rating on the stock.

Table 9: Valuation – Part I – Public portfolio

Name	Currency	HBM holding (%)	Current share price	Market cap (LC, m)	Current value (CHFm)	TP (consensus)	TP range (LC)	Analyst	Valuation at TP (CHFm)
Cathay Biotech	CNY	7.1%	51.89	30,272	258.3	49.0	44-69	7	243.8
Harmony Biosciences	USD	3.6%	25.20	1,476	48.2	40.8	25-56	9	77.9
Argenx (ADR)	USD	0.1%	486.99	28,770	19.5	590.5	503-628	25	23.6
Argenx	EUR	0.1%	486.99	28,770	21.2	590.5	503-628	25	25.6
Mineralys Therapeutics	USD	5.5%	6.78	279	13.5	35.0	27-45	5	69.9
Seagen	USD	0.1%	212.07	40,010	18.9	227.5	210-229	19	20.2
Immunogen	USD	0.5%	15.64	4,164	17.5	23.1	14-28	15	25.8
Insmed	USD	0.5%	24.90	3,562	16.6	41.9	35-52	12	28.0
Y-mabs Therapeutics	USD	7.6%	5.25	229	15.4	12.1	5-22	8	35.6
Aurobindo Pharma	INR	0.3%	977.05	572,491	16.8	1034.3	710-1208	30	17.7
Merus	USD	1.2%	23.97	1,383	14.5	44.6	40-49	13	27.0
Vicore Pharma	SEK	9.7%	13.76	1,537	12.6	73.2	50-97	7	67.1
Pacira Biosicence	USD	1.0%	28.56	1,326	11.5	49.1	38-58	9	19.7
Natera	USD	0.3%	52.97	6,364	13.7	71.9	37-117	15	18.6
Rocket Pharmaceuticals	USD	0.7%	21.84	1,969	12.1	51.9	37-65	14	28.9
Celldex Therapeutics	USD	0.9%	28.53	1,560	10.8	63.3	27-80	7	23.9
Horizon Therapeutics	USD	0.1%	116.3	26,632	10.3	116.5	116-117	3	10.3
Abivax	EUR	1.7%	10.42	652	7.0	19.5	18-21	8	13.2
Laurus Labs	INR	0.4%	374.00	201,445	9.2	383.3	260-490	15	9.4
Dishman Carbogen	INR	3.6%	166.30	26,073	9.9	N/A	N/A	1	9.9
Zymeworks	USD	2.2%	7.71	539	10.4	12.6	8-19	11	17.0
Beigene	HLD	0.1%	115.50	161,665	9.2	173.2	121-199	21	13.8
Ambrx Biopharma	USD	1.3%	9.45	596	7.0	23.4	9-32	9	17.4
Cogent Biosciences	USD	1.1%	7.68	661	6.5	22.1	18-27	9	18.6
Beigene (ADR)	USD	0.1%	115.50	161,665	5.8	173.2	121-199	21	8.7
Shenzhen Mindray	CNY	0.1%	288.08	349,280	8.5	393.9	320-470	40	11.6
Hutchmed China	HKD	0.3%	28.30	24,650	8.3	41.0	21-62	19	12.0
Cytokinetics	USD	0.3%	32.83	3,219	8.5	60.0	41-80	19	15.5
Mirati Therapeutics	USD	0.3%	56.21	3,943	9.3	61.3	58-72	15	10.1
BioInvent	SEK	7.7%	14.96	984	6.4	94.7	70-134	2	6.4
Guangzhou Baiyunshan	HKD	0.2%	20.75	48,901	6.2	25.1	20-27	6	7.5
Longboard Pharmaceuticals	USD	6.6%	4.88	116	5.9	19.3	11-35	7	23.2
Monte Rosa Therapeutics	USD	2.8%	3.68	184	4.6	16.5	5-26	9	20.7
Biohaven Pharmaceuticals	USD	0.4%	29.05	2,330	6.5	31.2	26-36	7	6.9
Travere Therapeutics	USD	1.0%	6.17	463	4.0	14.9	8-23	15	9.6
Cymabay therapeutics	USD	0.4%	18.00	2,041	6.7	24.4	19-35	13	9.2
Sakar Healthcare	INR	8.1%	387.65	8,297	5.7	N/A	N/A	1	5.7
IO Biotech	USD	6.0%	0.98	65	3.4	35.1	7-15	6	35.1
Polypeptide	CHF	0.9%	20.32	673	6.1	6.3	2-9	5	6.3
Other					*42.3*				*42.3*
Total Public portfolio	**I**				**728.7**				**1,093.8**

As of 16 November 2023 - Source: Bloomberg, Kepler Cheuvreux

Table 10: Valuation – Part II – Private portfolio and Funds

Name	Currency	HBM holding	Current value (CHF)	Valuation at TP (CHFm)
Total Public portfolio	**I**		**728.7**	**1,093.8**
Swixx BioPharma (Amicus)	EUR	26.3%	160.2	160.2
ConnectRN	USD	20.0%	53.1	53.1
Neurelis	USD	10.5%	51.5	51.5
Fangzhou (Jianke)	USD	5.4%	50.9	50.9
Upstream Bio	USD	7.1%	33.4	33.4
NiKang Therapeutics	USD	5.3%	23.1	23.1
Numab Therapeutics	CHF	7.7%	22.1	22.1
Dren Bio	USD	8.1%	20.8	20.8
1mg	INR	4.0%	19.7	19.7
FarmaLatam	USD	48.8%	19.6	19.6
Nuance Pharma	USD	3.7%	17.1	17.1
Valo Health	USD	1.4%	16.0	16.0
SAI Life Sciences	INR	5.4%	14.8	14.8
River Renal	USD	14.0%	12.8	12.8
Odyssey Therapeutics	USD	3.0%	12.7	12.7
Cure Everlife	USD	6.8%	11.3	11.3
Sphingotec	EUR	25.4%	11.2	11.2
ArriVent Biopharma	USD	3.0%	11.0	11.0
Fore Biotherapeutics (NovellusDx)	USD	10.3%	9.9	9.9
Neuron23	USD	2.2%	9.9	9.9
Shape Memory Medical	USD	16.0%	9.8	9.8
Aculys Pharma	USD	4.8%	9.1	9.1
Genalyte (BaseHealth)	USD	3.6%	8.9	8.9
1000Farmacie	EUR	14.6%	7.8	7.8
C Ray Therapeutics	USD	3.3%	7.3	7.3
Mahzi Therapeutics	USD	10.3%	7.3	7.3
FogPharma	USD	1.7%	6.9	6.9
Karius	USD	6.3%	6.9	6.9
Arrakis Therapeutics	USD	4.6%	6.4	6.4
Ignis Therapeutics	USD	1.5%	6.4	6.4
eGenesis Bio	USD	2.0%	4.8	4.8
ADARx Pharmaceuticals	USD	0.4%	3.7	3.7
Other			*16.2*	*16.2*
Total Private portfolio*	**II**		**682.7**	**682.7**
HBM Genomics	USD		41.9	41.9
MedFocus Fund II	USD		21.8	21.8
120 Capital	USD		17.8	17.8
6 Dimensions Capital	USD		15.0	15.0
C-Bridge Healthcare Fund IV	USD		14.1	14.1
WuXi Healthcare Ventures II	USD		12.5	12.5
C-Bridge Healthcare Fund V	USD		10.6	10.6
HBM Genomics II	USD		9.1	9.1
Tata Capital Healthcare Fund II	USD		8.7	8.7
LYZZ Capital Fund II	USD		6.2	6.2
Tata Capital HBM Fund I	USD		5.4	5.4
Other			10.4	10.4
Total Funds*	**III**		**173.4**	**173.4**
Total investments (I + II + III)			**1,584.8**	**1,949.9**
Cash and other assets less liabilities (net)*		16.6	5.8	
Net Asset Value			**1,590.6**	**1,955.7**
Number of shares (m)*			7.0	7.0
NAV per share (CHF)			**222.8**	**281.3**
Discount			-	10%
Target price (CHF)			**222.8**	**253.1**

*Based on the latest disclosed information's (HBM's H1 2023 report) Source: Kepler Cheuvreux

Valuation table

Market data as of: 20 November 2023

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
Per share data (CHF)										
EPS adjusted			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
% Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS adjusted and fully diluted			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
% Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS reported			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
% Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS Consensus										2.42
Cash flow per share			10.45	24.71	17.93	100.74	-35.24	-16.30	3.92	2.29
Book value per share			165.71	187.24	205.56	308.93	284.89	254.81	271.01	284.32
DPS	0.00	0.00	5.87	6.96	7.45	7.69	12.50	7.50	8.30	8.60
Number of shares, YE (m)			6.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Nbr of shares, fully diluted, YE (m)			6.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Share price										
Latest price / year end	102.0	99.0	144.0	168.8	190.0	332.5	276.0	214.0	165.4	165.4
52 week high	112.5	106.5	144.0	184.0	253.5	351.0	365.0	275.5	224.5	
52 week low	92.0	92.0	99.0	145.0	154.2	187.0	242.0	192.2	146.0	
Average price (Year)	100.7	98.1	120.1	163.9	197.2	275.9	330.3	238.9	165.4	165.4
Enterprise value (CHFm)										
Market capitalisation			834.1	1,140.4	1,371.9	1,919.3	2,297.8	1,662.0	1,150.7	1,150.7
Net financial debt			40.6	-43.1	-103.1	-121.7	-76.3	-82.8	-1.1	-21.3
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MV of equity affiliates (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value			874.7	1,097.3	1,268.8	1,797.6	2,221.5	1,579.2	1,149.6	1,129.4
Valuation										
P/E adjusted			7.3	5.5	7.5	2.5	na	na	17.8	15.3
P/E adjusted and fully diluted			7.3	5.5	7.5	2.5	na	na	17.8	15.3
P/E consensus										68.3
P/BV			0.7	0.9	1.0	0.9	1.2	0.9	0.6	0.6
P/CF			11.5	6.6	11.0	2.7	na	na	42.2	72.1
Dividend yield (%)	0.0%	0.0%	4.9%	4.2%	3.8%	2.8%	3.8%	3.1%	5.0%	5.2%
Dividend yield preference shares (%)	5.5%	5.9%	5.8%	4.6%	3.9%	4.5%	2.9%	4.2%	6.3%	6.7%
Share buybacks over market cap (%)			1.2%	0.5%	0.1%	-1.2%	0.1%	0.0%	0.4%	0.4%
FCF yield (%)			8.7%	15.1%	9.1%	36.5%	-10.7%	-6.8%	2.4%	1.4%
ROE (%)				17.0%	13.4%	42.3%	-3.8%	-3.9%	3.5%	3.9%
ROIC (%)	na	na	na	na	na	na	na	na	na	na
EV/Sales			na	na	na	na	na	na	na	na
EV/EBITDA adj.			na	na	na	na	na	na	na	na
EV/EBIT adj.			na	na	na	na	na	na	na	na
EV/NOPAT			na	na	na	na	na	na	na	na
EV/IC			na	na	na	na	na	na	na	na
ROIC/WACC	na	na	na	na	na	na	na	na	na	na
EV/IC over ROIC/WACC			na	na	na	na	na	na	na	na

Income statement

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
Sales	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Gross profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA reported	0.0	0.0	0.0	-4.0	-3.5	-10.0	-1.5	-1.6	-1.6	-1.7
EBITDA adjusted	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT reported	0.0	0.0	0.0	-4.0	-3.5	-10.0	-1.5	-1.6	-1.6	-1.7
EBIT adjusted	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net financial items	-2.1	-2.6	-2.4	-2.4	-2.4	-2.5	-2.7	-2.7	-2.7	-2.7
Associates	25.2	137.1	116.2	215.5	188.6	768.8	-73.8	-69.1	69.0	79.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit from continuing op.	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
Net profit from disc. activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	**23.1**	**134.6**	**113.8**	**209.1**	**182.7**	**756.3**	**-78.0**	**-73.4**	**64.7**	**75.3**
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit adjusted	**23.1**	**134.6**	**113.8**	**209.1**	**182.7**	**756.3**	**-78.0**	**-73.4**	**64.7**	**75.3**
Sales % Change										
EBITDA reported % Change				-chg	+chg	-chg	+chg	-chg	-chg	-chg
EBITDA adjusted % Change										
EBIT reported % Change				-chg	+chg	-chg	+chg	-chg	-chg	-chg
EBIT adjusted % Change										
Earnings before tax % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
Net profit from cont. op. % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
Net profit reported % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
Net profit adjusted % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
Gross profit margin (%)	na	na	na	na	na	na	na	na	na	na
EBITDA margin (%)	na	na	na	na	na	na	na	na	na	na
EBIT margin (%)	na	na	na	na	na	na	na	na	na	na
Net profit margin (%)	na	na	na	na	na	na	na	na	na	na
Tax rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payout ratio (%)			35.8%	23.2%	28.4%	7.1%	-111.4%	-71.1%	89.3%	79.4%
EPS reported (CHF)			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
EPS adjusted (CHF)			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
EPS adj and fully diluted (CHF)			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
DPS (CHF)	0.00	0.00	5.87	6.96	7.45	7.69	12.50	7.50	8.30	8.60
DPS,preference shares (CHF)	5.50	5.80	7.00	7.50	7.70	12.50	9.70	10.00	10.50	11.00
EPS reported % Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS adjusted % Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS adj and fully diluted % Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
DPS % Change			+chg	18.5%	7.0%	3.3%	62.5%	-40.0%	10.7%	3.6%
Consensus Sales (CHFm)										46.1
Consensus EBITDA (CHFm)										18.0
Consensus EBIT (CHFm)										18.0
Consensus EPS (CHF)										2.42

Cash flow statement

Market data as of: 20 November 2023

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
Net profit before minorities	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-67.1	-15.2	-41.3	-37.1	-58.0	-55.4	-167.1	-40.1	-37.4	-59.4
Levered post tax CF before capex	**-44.0**	**119.3**	**72.5**	**171.9**	**124.7**	**700.9**	**-245.2**	**-113.4**	**27.3**	**16.0**
% Change	-chg	+chg	-39.2%	137.0%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	**-44.0**	**119.3**	**72.5**	**171.9**	**124.7**	**700.9**	**-245.2**	**-113.4**	**27.3**	**16.0**
% Change	-chg	+chg	-39.2%	137.0%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
Acquisitions	-395.9	-405.0	-556.5	-534.0	-515.7	-729.7	-499.6	0.0	0.0	0.0
Divestments	476.5	444.9	661.6	710.8	611.6	952.4	597.0	-26.7	93.3	104.1
Dividend paid			-40.8	-48.4	-51.8	-53.5	-87.0	-67.2	-57.7	-59.8
Share buy back			-9.9	-6.1	-0.8	22.2	-2.2	0.0	-5.0	-5.0
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Others			-12.1	4.7	-22.0	-1.4	37.1	-12.8	0.0	0.0
Change in net financial debt			**-114.8**	**-298.9**	**-146.0**	**-890.8**	**199.8**	**220.2**	**-57.8**	**-56.2**
Change in cash and cash equiv.				45.5	-39.7	200.2	-204.0	6.8	-81.7	20.2
Attributable FCF	-44.0	119.3	72.5	171.9	124.7	700.9	-245.2	-113.4	27.3	16.0
Cash flow per share (CHF)			10.45	24.71	17.93	100.74	-35.24	-16.30	3.92	2.29
% Change				136.5%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
FCF per share (CHF)			10.45	24.71	17.93	100.74	-35.24	-16.30	3.92	2.29
% Change				136.5%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
Capex / Sales (%)	na	na	na	na	na	na	na	na	na	na
Capex / D&A (%)	na	na	na	na	na	na	na	na	na	na
Cash flow / Sales (%)	na	na	na	na	na	na	na	na	na	na
FCF / Sales (%)	na	na	na	na	na	na	na	na	na	na
FCF Yield (%)			8.7%	15.1%	9.1%	36.5%	-10.7%	-6.8%	2.4%	1.4%
Unlevered FCF Yield (%)			8.6%	15.9%	10.0%	39.1%	-10.9%	-7.0%	2.6%	1.7%

Balance sheet

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
Cash and cash equivalents			223.2	268.7	229.0	429.2	225.2	232.0	150.3	170.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.2	0.4	0.4	0.6	0.2	0.2	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets			**223.6**	**269.2**	**229.2**	**429.4**	**225.2**	**232.0**	**150.3**	**170.5**
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	2,105.2	1,947.0	1,911.5	2,035.8	2,174.6
Other non-current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current assets	**1,007.6**	**1,126.8**	**1,193.6**	**1,262.4**	**1,347.0**	**2,105.2**	**1,947.0**	**1,911.5**	**2,035.8**	**2,174.6**
Short term debt			164.6	126.1	26.3	257.7	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short term liabilities	3.8	3.8	3.0	3.5	3.1	53.1	2.8	2.8	2.8	2.8
Current liabilities			**167.6**	**129.6**	**29.4**	**310.8**	**2.8**	**2.8**	**2.8**	**2.8**
Long term debt			99.2	99.4	99.6	49.8	148.9	149.2	149.2	149.2
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term provisions	0.0	0.0	0.0	0.0	17.2	24.7	38.5	28.9	21.7	16.3
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities			**99.2**	**99.4**	**116.8**	**74.5**	**187.4**	**178.1**	**170.9**	**165.5**
Shareholders' equity			1,150.5	1,302.6	1,430.1	2,149.2	1,982.0	1,772.7	1,885.4	1,978.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity			**1,150.5**	**1,302.6**	**1,430.1**	**2,149.2**	**1,982.0**	**1,772.7**	**1,885.4**	**1,978.0**
Balance sheet total			**1,417.3**	**1,531.6**	**1,576.3**	**2,534.6**	**2,172.2**	**1,953.6**	**2,059.1**	**2,146.3**
% Change				8.1%	2.9%	60.8%	-14.3%	-10.1%	5.4%	4.2%
Book value per share (CHF)			165.71	187.24	205.56	308.93	284.89	254.81	271.01	284.32
% Change				13.0%	9.8%	50.3%	-7.8%	-10.6%	6.4%	4.9%
Net financial debt			40.6	-43.1	-103.1	-121.7	-76.3	-82.8	-1.1	-21.3
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt			40.6	-43.1	-103.1	-121.7	-76.3	-82.8	-1.1	-21.3
Net fi. debt (+IFRS16) / EBITDA (x)			na	na	na	na	na	na	na	na
Trade working capital	0.2	0.4	0.4	0.6	0.2	0.2	0.0	0.0	0.0	0.0
Net working capital	-3.6	-3.3	-2.5	-2.9	-2.9	-53.0	-2.7	-2.7	-2.7	-2.7
NWC/Sales	na	na	na	na	na	na	na	na	na	na
Inventories/sales	na	na	na	na	na	na	na	na	na	na
Invested capital	-3.6	-3.3	-2.5	-2.9	-2.9	-53.0	-2.7	-2.7	-2.7	-2.7
Net fin. debt / FCF (x)			0.6	-0.3	-0.8	-0.2	0.3	0.7	0.0	-1.3
Gearing (%)			3.5%	-3.3%	-7.2%	-5.7%	-3.8%	-4.7%	-0.1%	-1.1%
Goodwill / Equity (%)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Rating Breakdown	A	B
Buy	57%	57%
Hold	32%	33%
Reduce	8%	6%
Not Rated/Under Review/Accept Offer	3%	4%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

12 months rating history

The below table shows the history of recommendations and target prices changes issued by KEPLER CHEUVREUX research department (Equity and Credit) over a 12 months period.

Company Name	Date	Business Line	Rating	Target Price	Closing Price

Abivax (EUR)	23/02/2023 07:04	Equity Research	Buy	11.00	6.43
	20/04/2023 06:15	Equity Research	Buy	17.50	13.20
argenx (EUR)	13/11/2023 09:39	Equity Research	Buy	515.00	454.30
AstraZeneca (p)	23/01/2023 06:18	Equity Research	Hold	11,300.0	11,200.0
BB Biotech (CHF)	22/02/2023 11:01	Equity Research	Buy	75.00	55.60
	27/07/2023 05:55	Equity Research	Buy	66.00	44.10
HBM Healthcare Investments (CHF)	14/06/2023 06:32	Equity Research	Buy	298.00	206.00
Novartis (CHF)	21/04/2023 06:05	Equity Research	Buy	98.00	88.15
	03/10/2023 06:00	Equity Research	Buy	103.00	93.37
	05/10/2023 05:20	Equity Research	Buy	96.00	87.60
	08/11/2023 06:21	Equity Research	Buy	99.00	84.18
Novo Nordisk (DKK)	09/01/2023 06:25	Equity Research	Hold	453.00	483.75
	17/04/2023 05:38	Equity Research	Hold	520.00	572.30
	18/10/2023 05:00	Equity Research	Hold	715.00	713.00
Roche (CHF)	07/06/2023 05:28	Equity Research	Hold	306.00	292.15
Sanofi (EUR)	13/12/2022 06:05	Equity Research	Hold	97.00	88.52
	23/05/2023 05:05	Equity Research	Hold	101.00	100.30
	01/11/2023 06:34	Equity Research	Hold	92.00	85.70

Credit research does not issue target prices. Left intentionally blank.

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Buy: The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company's risk profile).

Hold: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

Reduce: There is an expected downside.

Accept offer: In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

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