

HBM Healthcare Investments Buy

Switzerland | Pharma & biotech

Beta Profile:  **LOW RISK**

MCap: CHF1.7bn

Target Price: CHF415.00
Current Price: CHF246.00
Up/downside: 68.7%
Market data: 12 May 2022

Change in TP: none
Change in Sales: down nm 22E/down nm 23E
Change in Adj. EBIT: none/
Change in Adj. EPS: -91.3% 22E/-90.7% 23E

Bloomberg: HBMN SW
Free float 100.0%
Avg. daily volume (CHFm) 1.4
YTD abs performance -27.4%
52-week high/low (CHF) 365.00/229.00

A long-term investment

Why this report?

Despite the first loss reported in ten years by HBM Healthcare for the financial 2021/22 year, the fundamentals of the Healthcare sector and particularly those of biotechs remain solid. Faithful to its strategy of return for shareholders, HBM proposed a slight increase in its dividend, demonstrating its confidence in the future. Backed by solid expertise in biotech stock-picking, consistently good performances (+184% over the last five years including dividends), and the current investment portfolio, we consider the share as undervalued. HBM is trading with a discount to NAV of 15% despite its robust track record. Hence, we consider current share price as an interesting entry point for investors who seek exposure to the buoyant healthcare sector.

Key findings

- Rising inflation, surging interest rates, and geopolitical risks have put valuations of biotechs under pressure, offering M&A opportunities for large pharma companies.
- It has a well-balanced portfolio of investments in public and private companies, and a successful long-term exit strategy (IPO or trade sale).
- An attractive return (dividend yield of c. 5% plus share buyback), leading to a regular outperformance.

Deconstructing the forecasts

- We update our model with the new holdings, leading to marginal change in our valuation. Hence, we reiterate our CHF415 TP and maintain our Buy rating.

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 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.

FY to 31/03 (CHF)	03/22	03/23E	03/24E
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)	-78.1	32.1	37.6
Net financial debt (m)	-76.3	-224.7	-285.0
FCF (m)	-236.5	-7.4	-14.3
EPS adj. and ful. dil.	-11.22	4.61	5.41
Consensus EPS	30.79	51.57	59.25
Net dividend	0.00	0.00	0.00

FY to 31/03	03/22	03/23E	03/24E
P/E adj and ful. dil.	na	53.3	45.5
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
FCF yield	-10.3%	-0.4%	-0.8%
Dividend yield	0.0%	0.0%	0.0%
ND(F+IFRS16)/EBITDA	na	na	na
Gearing	-3.8%	-10.1%	-11.9%
ROIC	na	na	na
EV/IC	na	na	na

Valuation methodology

- Our valuation is based on the NAV of all investments, plus a 10% premium 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 target price of CHF415.

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.

Challenging market in 2021/22...

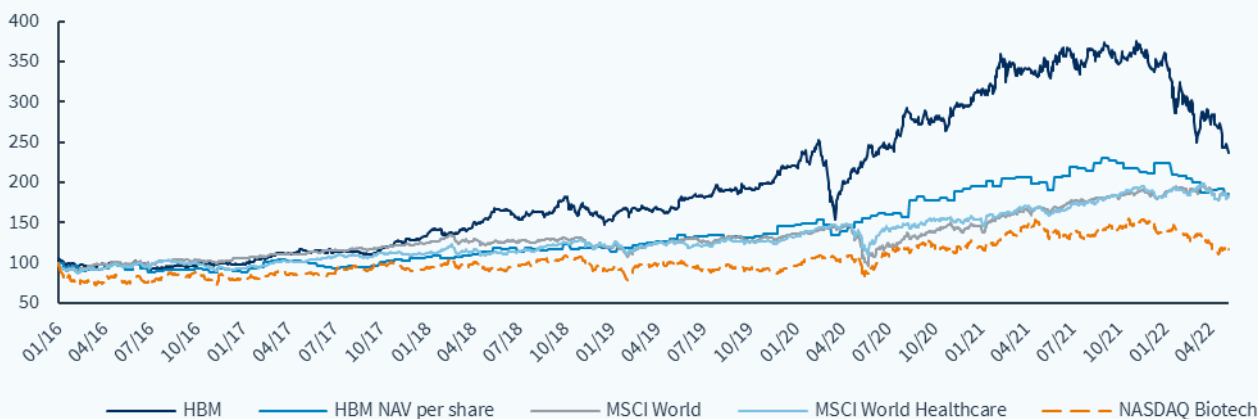
Following a ten-year cumulative increase in value (+550%) and a record net gain of CHF756.3m last year, HBM Healthcare reported a net loss of CHF78.1m for the 2021/22 financial year. The NAV per share and share price also dropped by 3.6% and 13.2% respectively, cancelling the previous premium to NAV.

During this financial year, HBM has not been spared by the downwards trend of the biotech sector triggered by an environment disrupted by economics and geopolitical uncertainties (rising inflation, interest rates surge, geopolitical risks, etc.). However, the current valuation represents an interesting entry point for a medium-term investment in a biotech fund that regularly outperforms.

Declining market valuations

During the 2021/22 financial year, the market environment was more difficult for biotech than the whole healthcare sector (MSCI Healthcare Index). However, this year HBM’s NAV fell by 3.6% while the share price declined by -13.2%. In the period, the Nasdaq Biotech index posted a performance of -11.6% and only -2.8% for the MSCI Healthcare Index.

Chart 1: Comparative performance



Source: Kepler Cheuvreux, Factset Partners

Beyond this contrasting performance for the sector, there were also some discrepancies in the performances of biotech companies in HBM Healthcare’s portfolio. Mature companies better resisted than earlier-stage companies.

Focus on the investment strategy

HBM Healthcare focuses on investments in small-cap companies with innovative platforms and original drug candidates. It is a long-only investor that prefers to invest after companies have successfully achieved their “proof of concept”. After HBM’s investment team carries out a rigorous due diligence on a company, subsequent rounds of financing are possible if it sees further value-creation potential.

Privilege investment in private companies

Reaping the hidden value from early investments in promising private companies upon exiting has proven to be a successful investment strategy for HBM Healthcare, paving the way for a strong return on investment.

In the 2021/22 financial year, HBM Healthcare pursued its strategy of favouring investment in private companies. Thus, the fund invested CHF162m in private companies, including CHF93m in 11 new private companies and CHF69 invested in existing private companies as a follow-on.

Among these investments, we can underline the USD20m investment commitment in Upstream Bio, a US company developing an antibody to treat severe asthma, or the CHF17m invested in Numab Therapeutics, a Swiss company that is developing a new class of powerful therapeutics for the treatment of severe diseases such as chronic inflammation and cancer.

Opportunity to consolidate some holdings

Against this backdrop of declining valuation of some listed companies, HBM Healthcare took the opportunity to buy new public companies and/or to strengthen some positions where the conviction on further positive developments remained solid.

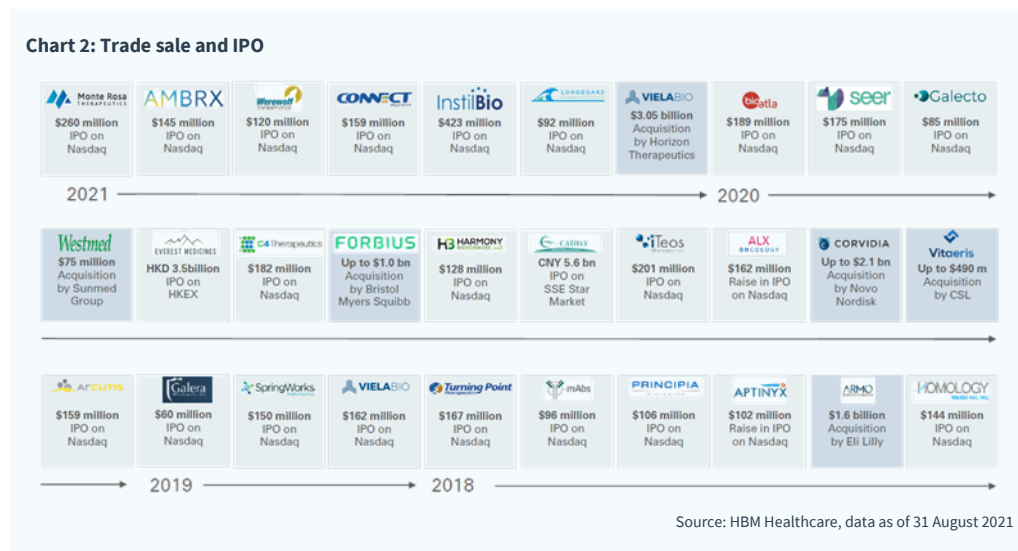
For example, HBM Healthcare doubled its stakes in Y-mAbs Therapeutics after the sharp decline in the share price. In the same way, it significantly increased its stake in Sierra Oncology after the release of positive phase III trial results (mometotinib for the treatment of myelofibrosis).

...but a solid track record and a recurrent return...

HBM has a well-balanced portfolio of investments in public and private companies, and a successful long-term exit strategy (IPO or trade sale). Shareholders also benefit from an attractive return (a dividend in the range of 5% per year and share buyback).

Proven track record...

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



This solid track record in terms of exits have strongly contributed to the sustainable performance of the fund.

... and recurrent return...

Healthcare sector’s fundamentals remain intact and are supportive for further outperformance. Despite the short-term decline in valuation for some biotechs, this sector is more resilient to economic cycles while it can offer the highest returns in the healthcare sector.

HBM Healthcare did not give any guidance in term of return of investment. However, invest in HBM Healthcare shares will give investors the opportunity to invest in innovation and growth in the healthcare sector, while they are likely to benefit from an attractive return: a dividend in the range of 3-5% per year and share buyback.

Table 1: Distribution

	03.2018	03.2019	03.2020	03.2021	03.2022
Dividend per share (CHF)	7.00	7.50	7.70	12.50*	9.70
Distribution (CHFm)	49	53	54	88	68
Distribution yield	4.9%	4.4%	4.1%	3.8%	3.5%

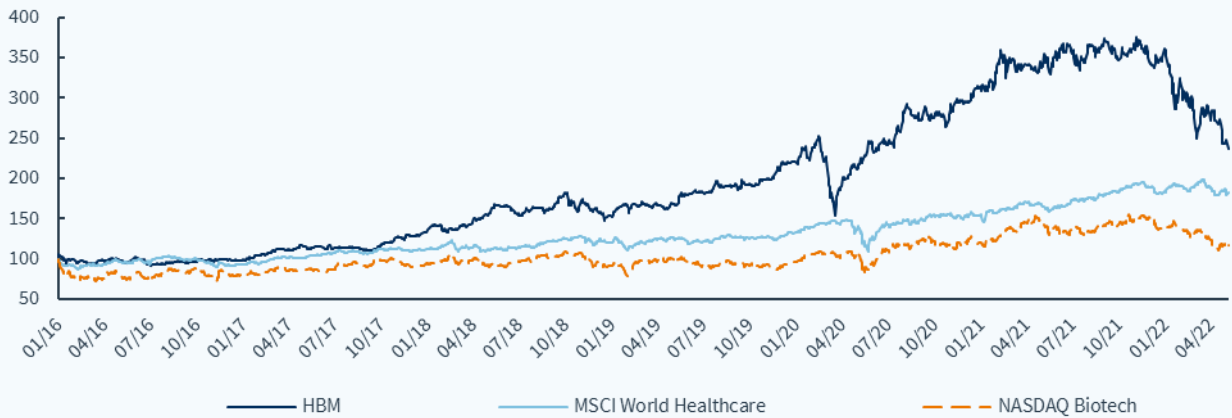
* including CHF9.50 for the ordinary payout and CHF3.00 for a one-off anniversary payment - Source: Kepler Cheuvreux, HBM Healthcare

Even for the 2021/22 financial year, where HBM Healthcare reported a loss for the first time, the board of directors proposed to the shareholder’s meeting a slight increase of CHF0.20 in cash distribution, demonstrating management’s confidence in the future.

...leading to a strong outperformance

Thanks to its active board membership in invested companies and focus on valuable exits, HBM has gradually built up a solid investment track record. It has successfully surpassed its target to deliver an annual return of at least 5% on the net assets. Thus, over the past three years, the performance of HBM Healthcare’s share price was +95%, and +184% over the last five years (including dividends) – one of the best among its peers, strengthening HBM Healthcare’s credibility among new investors.

Chart 3: A solid and consistent performance



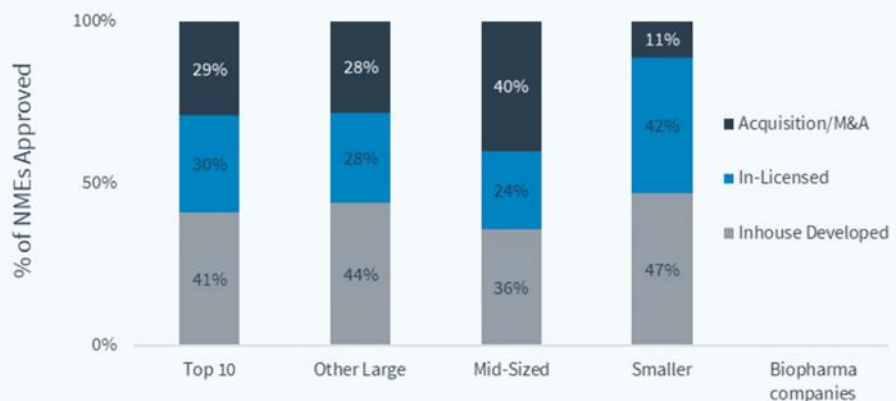
Source: Kepler Cheuvreux, Factset Partners

Since the beginning of the year, against the backdrop of rising inflation, interest rate hikes in the US and geopolitical events in Ukraine, the valuations of several biotechs have come under pressure (-16% for the Nasdaq Biotech and +1% for MSCI Healthcare Index). However, for HBM Healthcare, the rise in the share price of Cathay Biotech (largest investment of the fund) offset the decline in the share prices of the other public investments.

...while wealthy pharma companies have increased their M&A interests

One goal for a mid-sized biopharma or biotech company with generally limited cash in hand, is to sign a partnership with a large pharma company to finalise the development of its drug candidate or to get help to market the drug in different markets.

Chart 4: Origin of new drug approved by type of company (2014-18)



Source: FDA

In the pipeline of large pharma companies, over 50% of the new drugs approved have been in-licensed or acquired. Companies of all sizes use in-licensing and/or acquisitions to fuel their pipeline and get access to innovative drugs. Most of the drugs in-licensed or acquired come from smaller companies.

Large pharma companies continue to maintain robust balance sheets and can rely on significant recurring cash flow while the productivity of their internal R&D has been falling. Hence, sometimes, these large pharma companies will privilege the acquisition of a biotech rather than signing licensing deals. M&A activity tends to centre on assets in “hot” therapeutic areas such as oncology or autoimmune diseases.

After a down year in 2020, the sector has seen a rebound in the number of deals (in-licensing and M&A activity) in 2021. This trend has been confirmed since the beginning of 2022.

Following the beginning of the year, due to the decline in valuations for several biotechs, we see an increased M&A activity in the sector. Thus, YTD, already three companies from HBM Healthcare’s public portfolio were acquired by large pharma. These operations allow them to rejuvenate their pipeline.

Table 2: M&A activity in HBM Healthcare’s portfolio since the beginning of 2022

Date	Acquirer	Target	Premium
May 2022	Pfizer	Biohaven Pharmaceuticals	+78%
Apr 2022	GlaxoSmithKline	Sierra Oncology	+39%
Jan 2022	UCB	Zogenix	+66%

Source: Kepler Cheuvreux

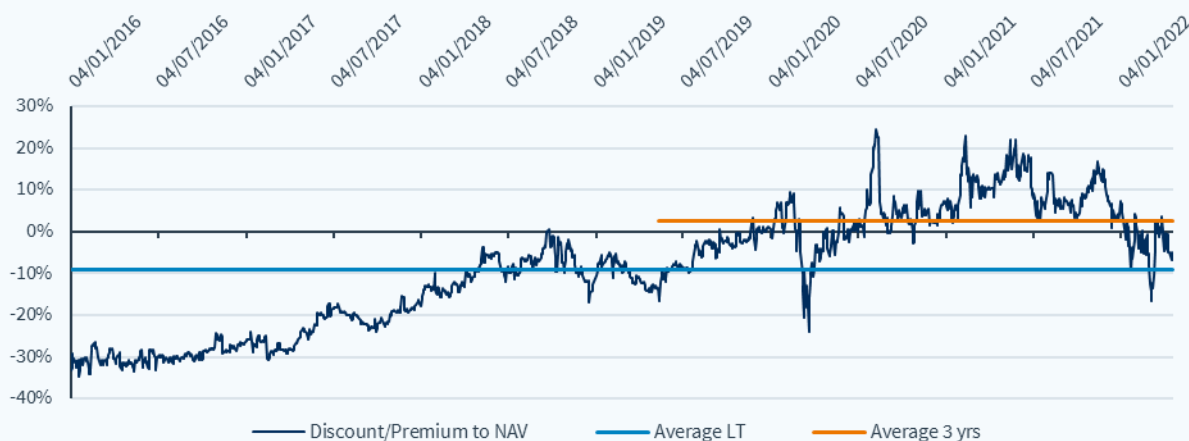
These acquisitions were often carried out with an interesting price premium compared to the last closing price prior to the operation, leading to substantial return for shareholders.

Valuation, no impact on our CHF415 TP

Premium to NAV

On a five-year basis, HBM Healthcare trades at an average discount to share of -3.5%. However, if we consider the performance of the last three years and the investment team’s focus on private companies, the average premium would be +2.7%. As of 9 May 2022, the discount to NAV was 15.0%.

Chart 5: NAV vs. share price



Source: Kepler Cheuvreux, Bloomberg

We consider there to be room for further improvement in the premium to NAV as we believe the full potential of HBM’s investments is not yet fully priced in at current valuation levels. Hence, we update our valuation model to factor in the positive development of the portfolio, including higher target prices for companies in the portfolio.

In addition, to take into account the current volatile market situation, we reduce the premium to NAV to 5% compared to 10% previously. Backed by solid expertise in biotech stock-picking, consistently good performances, and the current investment portfolio, we expect that the premium to NAV will remain in the upper range of the three-year average level (3% to 5%).

We maintain our TP of CHF415, implying 80% upside, and reiterate our Buy rating.

NAV-based pricing model: TP of CHF415

A peer comparison is not appropriate as the investment theme of each fund is different, as are their returns. Our HBM Healthcare valuation is based on the NAV of the company portfolio with a slight premium.

Except for Argenx, 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.
- Following the successful IPOs of Cathay Biotech and Harmony Biosciences (from the private portfolio), we include these investments at their market value based on the last trading price.
- Due to the lock-up period of 36 months, to calculate the NAV of the fund, HBM Healthcare values the investment in Cathay at a discount to the share price of 18% initially (and 8.25% as of March 2022). This is then reduced in a linear fashion over the term (0.5% per month from August 2020).
- For private companies and funds, we apply the last disclosed fair value reported (as of 30 December 2020), despite HBM's solid track record for exits.
- A premium to NAV of 5%, in the upper range of the three-year average level.

Accordingly, we derive a target NAV per share of CHF421. However, we keep our TP to CHF415 including a premium to NAV of 5%, leading to 80% upside to the last listed price. We consider the current level as a good entry point to play the positive trends in the healthcare sector.

Table 3: Valuation – Part I – Public portfolio

Name	Currency	HBM holding (%)	Current share price	Market cap (LC, m)	Current value (CHF)	TP (consensus)	TP range (LC)	Analysts	Valuation at TP (CHFm)
Cathay Biotech	CNY	7.1%	99.3	41,377	397.4	136.6	132-157	5.0	546.7
Harmony Biosciences	USD	6.2%	35.14	2,075	127.4	57.4	55-63	7.0	208.2
Biohaven Pharmaceuticals	USD	0.6%	140	9,874	59.3	157.3	149-170	10.0	66.6
Y-mAbs Therapeutics	USD	8.4%	10.03	438	36.6	27.0	15-63	8.0	98.6
Pacira Pharmaceuticals	USD	1.0%	60.3	2,740	26.9	80.5	54-94	13.0	35.9
Monte Rosa Therapeutics	USD	3.9%	9.42	440	16.8	27.7	15-40	8.0	49.3
Sierra Oncology	USD	3.2%	54.46	1,330	40.3	55.0	55-55	4.0	40.7
Laurus Labs	INR	0.5%	540.9	290,658	18.7	640.3	440-715	14.0	22.1
Argenx (ADR)	USD	0.1%	299.41	16,054	17.8	389.8	300-455	19.0	23.1
BiolInvent	SEK	6.8%	42	2,456	16.6	97.5	80-115	2.0	38.6
Argenx	EUR	0.1%	299.41	16,054	18.8	389.8	300-455	19.0	24.4
ChemoCentryx	USD	1.0%	17.89	1,274	13.1	71.3	34-106	8.0	52.2
Arcutis	USD	1.9%	18.9	972	17.7	52.0	36-80	8.0	48.8
Turning Point Therapeutics	USD	1.3%	26.5	1,316	16.6	99.8	38-175	11.0	62.5
Hutchmed China	HKD	0.5%	16.58	14,334	8.1	51.6	24-81	8.0	25.3
Iovance Biotherapeutics	USD	0.5%	13.67	2,148	10.6	35.5	20-79	14.0	27.5
IO Biotech	USD	8.4%	7.28	210	17.4	19.5	19-20	4.0	46.7
Dishman Carbogen	INR	3.2%	119.85	18,790	7.6	212.0	212-212	2.0	13.4
Aurobindo Pharma	INR	0.1%	584.4	342,423	10.1	809.9	666-1050	33.0	14.0
Zymeworks	USD	3.1%	5.61	324	9.8	24.3	7-45	12.0	42.4
Instil Bio	USD	0.8%	6.21	802	6.5	26.7	15-34	5.0	27.8
Vicore Pharma	SEK	6.4%	19.06	1,368	8.7	93.5	90-97	2.0	42.9
Beigene	HKD	0.1%	85.5	126,222	7.5	195.4	146-282	17.0	17.2
Longboard Pharmaceuticals	USD	11.1%	4.555	78	8.5	23.2	12-35	6.0	43.1
Ambrx Biopharma	USD	6.9%	4.18	161	10.0	14.3	6-21	4.0	34.2
ALX Oncology	USD	1.4%	9.8	399	5.6	50.0	12-80	8.0	28.7
Blueprint Medicines	USD	0.2%	53.72	3,200	7.7	103.7	68-152	16.0	14.9
Rocket Pharmaceuticals	USD	0.9%	9.23	608	5.3	57.4	30-75	12.0	32.9
Mirati Therapeutics	USD	0.2%	55.12	3,061	6.1	138.4	80-253	16.0	15.3
Index Pharmaceuticals	SEK	9.9%	1.286	685	6.8	2.7	3-3	1.0	14.2
BioAtla	USD	4.0%	2.36	88	3.3	31.0	5-68	6.0	43.8
Guangzhou Baiyunshan	HKD	0.2%	20.8	53,839	6.8	25.9	24-27	5.0	8.5
Nicox	EUR	7.0%	1.792	77	5.7	12.0	12-12	3.0	37.8
Affimed	USD	1.1%	3.24	484	4.3	12.1	7-18	9.0	15.9
Insmed	USD	0.2%	18.36	2,194	4.3	49.2	40-57	11.0	11.5
Cathay Biotech	CNY	7.1%	99.3	41,377	397.4	136.6	132-157	5.0	546.7
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Monte Rosa Therapeutics	USD	3.9%	9.42	440	16.8	27.7	15-40	8.0	49.3
Sierra Oncology	USD	3.2%	54.46	1,330	40.3	55.0	55-55	4.0	40.7
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Argenx	EUR	0.1%	299.41	16,054	18.8	389.8	300-455	19.0	24.4
Other					58.4				58.4
Total Public portfolio	I				1,043.0				1,934.1

As of 05/10/2022 - Source: Kepler Cheuvreux

The group's portfolio of investments in public companies is well-balanced thanks to more than 35 holdings. However, the valuation of the current portfolio is sensitive to any particular event concerning its strong convictions. Its three largest investments represent 56% of the public portfolio and 32% of the entire portfolio (of which 38% and 22% respectively for Cathay Biotech, the most important investment of the company).

Table 4: Valuation – Part II – Private portfolio and Funds				
Name	Currency	HBM holding	Current value (CHF)	Valuation at TP (CHFm)
Total Public portfolio	I		874.6	1,203.9
Swixx BioPharma (Amicus)	EUR	26.3%	144.6	144.6
Neurelis	USD	10.5%	51.9	51.9
ConnectRN	USD	21.7%	48.0	48.0
NiKang Therapeutics	USD	5.3%	23.3	23.3
Dren Bio	USD	7.8%	21.0	21.0
1mg	INR	3.9%	19.9	19.9
Jianke Pharmaceutical	USD	6.0%	18.2	18.2
Nuance Pharma	USD	3.7%	17.2	17.2
Numab Therapeutics	CHF	6.5%	17.0	17.0
SAI Life Sciences	INR	5.5%	16.4	16.4
FarmaLatam	USD	44.7%	16.3	16.3
Valo Health	USD	1.3%	13.8	13.8
Karius	USD	4.9%	13.8	13.8
Odyssey Therapeutics	USD	3.6%	13.1	13.1
Adrenomed	EUR	10.5%	12.9	12.9
Sphingotec	EUR	14.2%	11.0	11.0
Upstream Bio	USD	6.5%	10.1	10.1
Neuron23	USD	2.2%	10.0	10.0
Genalyte (BaseHealth)	USD	3.5%	9.4	9.4
River Renal	USD	12.5%	9.2	9.2
Mineralys Therapeutics	USD	13.3%	9.2	9.2
Aculys Pharma	USD	4.8%	9.1	9.1
Fore Biotherapeutics (NovellusDx)	USD	10.4%	8.3	8.3
Shape Memory Medical	USD	16.8%	8.1	8.1
Valcare	USD	8.0%	7.9	7.9
Cure Everlife	USD	9.3%	7.8	7.8
Acrivon Therapeutics	USD	3.6%	7.4	7.4
Visen Pharmaceuticals	USD	0.6%	6.9	6.9
Arrakis Therapeutics	USD	4.6%	6.5	6.5
eGenesis Bio	USD	2.0%	6.5	6.5
Cardialen	USD	17.8%	6.0	6.0
FogPharma	USD	1.9%	4.6	4.6
1000Farmacie	EUR	14.6%	4.1	4.1
Ignis Therapeutics	USD	1.2%	3.9	3.9
Mahzi Therapeutics	USD	5.2%	3.7	3.7
MicroOptx	USD	8.3%	2.8	2.8
Freenome Holdings	USD	0.2%	2.8	2.8
Polyneuron Pharmaceuticals	USD	16.1%	2.5	2.5
Vascular Dynamics	USD	9.1%	2.5	2.5
C Ray Therapeutics	USD	1.6%	1.8	1.8
Antiva Biosciences	USD	1.8%	1.4	1.4
<i>Other</i>			3.6	3.6
Total Private portfolio	II		614.3	614.3
HBM Genomics	USD		35.3	35.3
WuXi Healthcare Ventures II	USD		23.0	23.0
MedFocus Fund II	USD		21.9	21.9
6 Dimensions Capital	USD		21.6	21.6
120 Capital	USD		12.1	12.1
C-Bridge Healthcare Fund IV	USD		10.8	10.8
HBM BioCapital II	EUR		10.8	10.8
Tata Capital HBM Fund I	USD		5.8	5.8
LYZZ Capital Fund II	USD		5.5	5.5
C-Bridge Healthcare Fund V	USD		4.3	4.3
Hatteras Venture Partners III	USD		4.0	4.0
Galen Partners V	USD		3.8	3.8
Tata Capital Healthcare Fund II	USD		3.8	3.8
HBM Genomics II	USD		3.4	3.4
BioVeda China IV	USD		3.2	3.2
BioMedInvest II	USD		3.0	3.0
<i>Other</i>			3.4	3.4
Total Funds	III		175.9	175.9
Total investments (I + II + III)			1,833.2	2,724.3
Cash and other assets less liabilities (net)			66.0	66.0
Net Asset Value			1,899.3	2,790.4
Number of shares (m)			7.0	7.0
NAV per share (CHF)			273.0	401.1
Premium			5%	5%
Target price (CHF)			286.7	421.1

Source: Kepler Cheuvreux

Note that the “cash less liabilities” item includes, among other things, the cash available in the fund for new investment (CHF211.6m as of end-March 2022), as well as CHF150m in bond liabilities (two straight bond tranches, with a par value of CHF50m and CHF100m and maturing on 10 July 2023 and 10 July 2027, respectively).

Table 5: Sensitivity analysis

Discount to NAV	-5%	0%	5%	10%
Fair value (CHF)	381.0	401.1	421.1	441.2

Source: Kepler Cheuvreux

Despite a small difference between our theoretical TP (CHF421) and the previous calculated one, we keep our CHF415 TP. Even if we consider a 5% discount, a level below the five average discounts to NAV, the potential upside is important (more than 50% at current share price). Hence, we consider the current share price to be an interesting entry point for investors who seek exposure to the buoyant healthcare sector.

Catalysts

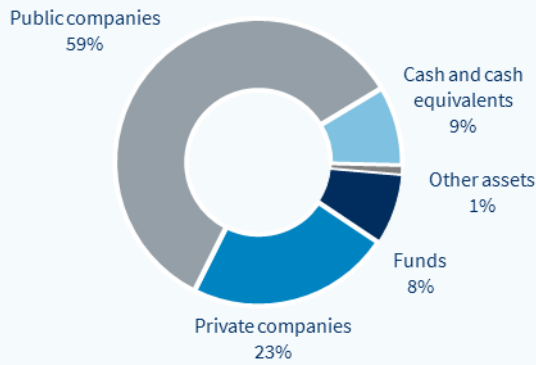
In the coming months, HBM Healthcare expects important clinical and regulatory newsflow from companies in its portfolio. We expect several outcomes of clinical trials (from phase I to phase III trials) as well as potential approval of drug candidates in the pipelines of HutchMed (surufatinib, advanced neuroendocrine tumours) and YmAbs (omburtamab, metastasis from neuroblastoma) for instance.

In addition, in the coming months Argenx is likely to unveil its marketing strategy for efgartigimob (generalised myasthenia gravis) after the release of positive data for its phase III at the beginning of May 2022.

The biotech sector is highly sensitive to clinical data. Thus, if more positive results were to come, that could translate into better valuation of biotech companies and then renewed attention from investors.

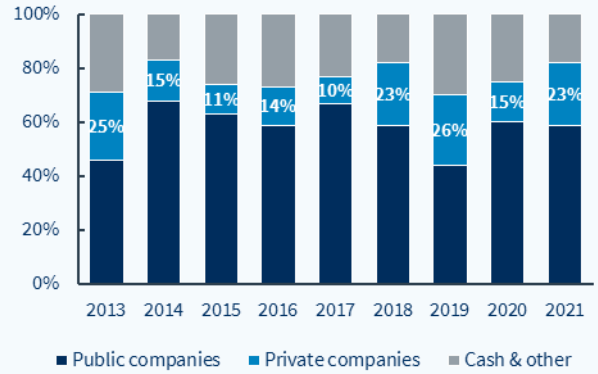
Investment case in six charts

Chart 6: Allocation of assets



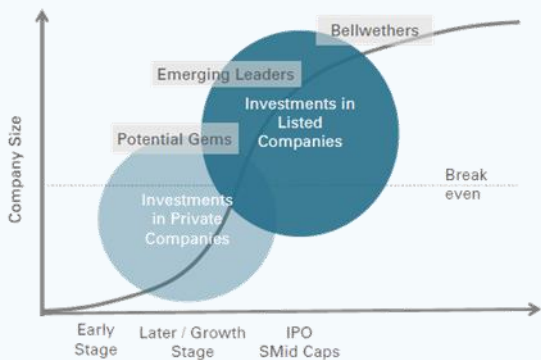
Source: HBM Healthcare

Chart 7: Asset allocation over time



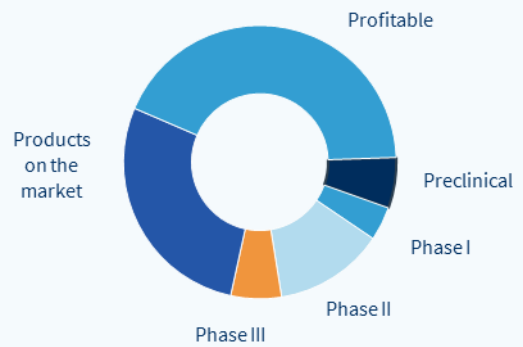
Source: Kepler Cheuvreux, HBM Healthcare

Chart 8: Investment approach



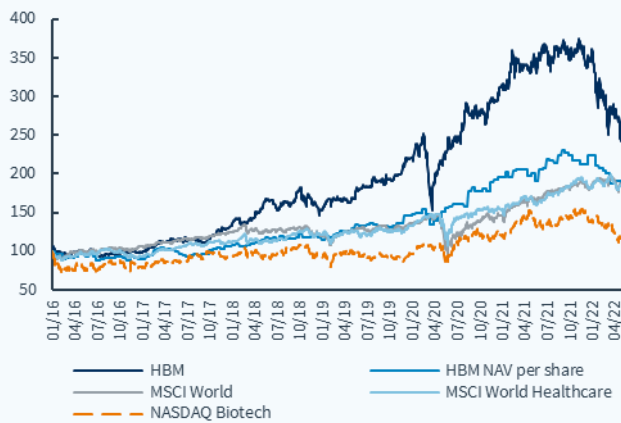
Source: HBM Healthcare

Chart 9: Development phase of portfolio companies



Source: HBM Healthcare

Chart 10: Share price performance of healthcare/biotech funds



Source: FactSet Partners, Kepler Cheuvreux

Chart 11: HBM's stock price discount/premium to NAV



Source: FactSet Partners, Kepler Cheuvreux

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 10% of the portfolio). It also has investments in healthcare-dedicated funds to diversify outside of its core expertise.

Management

Andreas Wicki, CEO
Erwin Troxler, CFO
Hans Peter Hasler, Chairman of the Board

Key shareholders

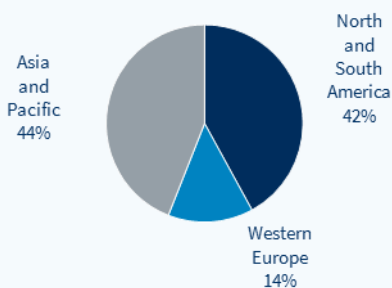
Free float	100.00%
Nogra Pharma Invest	15.00%

Key data charts

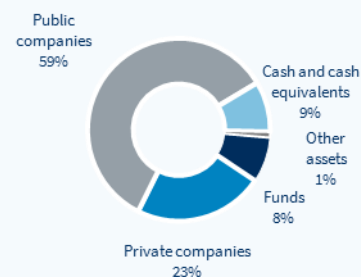
Price performance



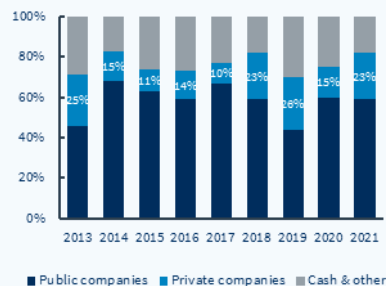
Geographic exposure



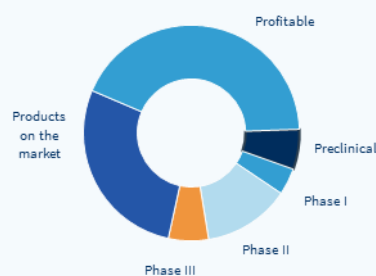
Allocation of assets



Asset allocation over time



Development phase of portfolio companies



HBM's stock price discount to NAV



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
- Important premium to NAV

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

Valuation table

Market data as of: 12 May 2022

FY to 31/03 (CHF)	03/15	03/16	03/17	03/18	03/19	03/20	03/21	03/22	03/23E	03/24E
Per share data (CHF)										
EPS adjusted	32.58	3.06	19.01	16.40	30.05	26.26	108.71	-11.22	4.61	5.41
% Change	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	313.9%	-chg	+chg	17.3%
EPS adjusted and fully diluted	32.58	3.06	19.01	16.40	30.05	26.26	108.71	-11.22	4.61	5.41
% Change	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	313.9%	-chg	+chg	17.3%
EPS reported	32.58	3.06	19.01	16.40	30.05	26.26	108.71	-11.22	4.61	5.41
% Change	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	313.9%	-chg	+chg	17.3%
EPS Consensus										59.25
Cash flow per share	30.61	-5.82	16.86	10.45	24.71	17.93	100.74	-33.99	-1.06	-2.05
Book value per share	135.46	135.09	153.51	165.71	187.23	205.56	308.93	284.90	319.83	342.98
DPS	5.50	5.50	5.80	7.00	7.50	7.70	12.50	0.00	0.00	0.00
Number of shares, YE (m)	7.9	7.6	7.1	6.9	7.0	7.0	7.0	7.0	7.0	7.0
Nbr of shares, fully diluted, YE (m)	7.9	7.6	7.1	6.9	7.0	7.0	7.0	7.0	7.0	7.0
Share price										
Latest price / year end	108.0	99.5	111.4	144.0	168.8	190.0	332.5	276.0	246.0	246.0
52 week high	112.5	111.5	113.1	144.0	184.0	253.5	351.0	365.0	275.5	
52 week low	70.3	92.0	92.0	111.3	145.0	154.2	187.0	242.0	229.0	
Average price (Year)	89.1	99.8	100.2	123.6	163.9	197.2	275.9	330.3	246.0	246.0
Enterprise value (CHFm)										
Market capitalisation	706.4	753.3	709.4	857.9	1,140.4	1,371.9	1,919.3	2,297.8	1,711.4	1,711.4
Net financial debt	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-121.7	-76.3	-224.7	-285.0
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	629.5	737.4	746.0	898.6	1,097.2	1,268.7	1,797.7	2,221.5	1,486.8	1,426.5
Valuation										
P/E adjusted	2.7	32.6	5.3	7.5	5.5	7.5	2.5	na	53.3	45.5
P/E adjusted and fully diluted	2.7	32.6	5.3	7.5	5.5	7.5	2.5	na	53.3	45.5
P/E consensus										4.2
P/BV	0.7	0.7	0.7	0.7	0.9	1.0	0.9	1.2	0.8	0.7
P/CF	2.9	na	5.9	11.8	6.6	11.0	2.7	na	na	na
Dividend yield (%)	6.2%	5.5%	5.8%	5.7%	4.6%	3.9%	4.5%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)	6.2%	5.5%	5.8%	5.7%	4.6%	3.9%	4.5%	0.0%	0.0%	0.0%
FCF yield (%)	34.4%	-5.8%	16.8%	8.5%	15.1%	9.1%	36.5%	-10.3%	-0.4%	-0.8%
ROE (%)	25.9%	2.2%	12.8%	10.2%	17.0%	13.4%	42.3%	-3.8%	1.5%	1.6%
ROIC (%)	na	na	na	na	na	na	na	na	na	na
EV/Sales	na	na	na	na	na	na	na	na	na	na
EV/EBITDA adj.	na	na	na	na	na	na	na	na	na	na
EV/EBIT adj.	na	na	na	na	na	na	na	na	na	na
EV/NOPAT	na	na	na	na	na	na	na	na	na	na
EV/IC	na	na	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	na	na

Income statement

FY to 31/03 (CHF)	03/15	03/16	03/17	03/18	03/19	03/20	03/21	03/22	03/23E	03/24E
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	0.0	-4.0	-3.5	-10.0	-1.6	-1.6	-1.6
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	0.0	-4.0	-3.5	-10.0	-1.6	-1.6	-1.6
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	-0.3	-2.1	-2.6	-2.4	-2.4	-2.4	-2.5	-2.7	-2.7	-2.7
Associates	258.6	25.2	137.1	116.2	215.5	188.6	768.8	-73.8	36.4	42.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	258.4	23.1	134.6	113.8	209.1	182.7	756.3	-78.1	32.1	37.6
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.	258.4	23.1	134.6	113.8	209.1	182.7	756.3	-78.1	32.1	37.6
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	258.4	23.1	134.6	113.8	209.1	182.7	756.3	-78.1	32.1	37.6
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	258.4	23.1	134.6	113.8	209.1	182.7	756.3	-78.1	32.1	37.6
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit adjusted	258.4	23.1	134.6	113.8	209.1	182.7	756.3	-78.1	32.1	37.6
Sales % Change										
EBITDA reported % Change					-chg	+chg	-chg	+chg	-chg	-chg
EBITDA adjusted % Change										
EBIT reported % Change					-chg	+chg	-chg	+chg	-chg	-chg
EBIT adjusted % Change										
Earnings before tax % Change	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	17.3%
Net profit from cont. op. % Change	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	17.3%
Net profit reported % Change	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	17.3%
Net profit adjusted % Change	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	17.3%
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 (%)	16.9%	179.8%	30.5%	42.7%	25.0%	29.3%	11.5%	0.0%	0.0%	0.0%
EPS reported (CHF)	32.58	3.06	19.01	16.40	30.05	26.26	108.71	-11.22	4.61	5.41
EPS adjusted (CHF)	32.58	3.06	19.01	16.40	30.05	26.26	108.71	-11.22	4.61	5.41
EPS adj and fully diluted (CHF)	32.58	3.06	19.01	16.40	30.05	26.26	108.71	-11.22	4.61	5.41
DPS (CHF)	5.50	5.50	5.80	7.00	7.50	7.70	12.50	0.00	0.00	0.00
DPS, preference shares (CHF)	5.50	5.50	5.80	7.00	7.50	7.70	12.50	0.00	0.00	0.00
EPS reported % Change	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	313.9%	-chg	+chg	17.3%
EPS adjusted % Change	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	313.9%	-chg	+chg	17.3%
EPS adj and fully diluted % Change	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	313.9%	-chg	+chg	17.3%
DPS % Change	83.3%	0.0%	5.5%	20.7%	7.1%	2.7%	62.3%	-chg		
Consensus Sales (CHFm)										465.0
Consensus EBITDA (CHFm)										414.7
Consensus EBIT (CHFm)										414.7
Consensus EPS (CHF)										59.25

Cash flow statement

Market data as of: 12 May 2022

FY to 31/03 (CHF)	03/15	03/16	03/17	03/18	03/19	03/20	03/21	03/22	03/23E	03/24E
Net profit before minorities	258.4	23.1	134.6	113.8	209.1	182.7	756.3	-78.1	32.1	37.6
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	-15.6	-67.1	-15.2	-41.3	-37.1	-58.0	-55.4	-158.4	-39.5	-51.9
Levered post tax CF before capex	242.8	-44.0	119.3	72.5	171.9	124.7	700.9	-236.5	-7.4	-14.3
% Change	-28.6%	-chg	+chg	-39.2%	137.0%	-27.5%	462.0%	-chg	+chg	-chg
Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	242.8	-44.0	119.3	72.5	171.9	124.7	700.9	-236.5	-7.4	-14.3
% Change	-28.6%	-chg	+chg	-39.2%	137.0%	-27.5%	462.0%	-chg	+chg	-chg
Acquisitions	-323.3	-395.9	-405.0	-556.5	-534.0	-515.7	-729.7	0.0	0.0	0.0
Divestments	461.7	476.5	444.9	661.6	710.8	611.6	952.4	-22.5	51.0	56.1
Dividend paid	-23.6	-42.3	-39.2	-40.8	-38.1	0.0	0.0	0.0	0.0	0.0
Share buy back	-78.9	-35.9	-29.1	-9.9	-6.1	-0.8	22.2	22.2	22.2	22.2
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-184.8	6.0	14.2	-116.9	-256.3	-263.9	-740.7	112.0	1.9	-3.7
Change in net financial debt	-93.9	35.6	-105.2	-10.1	-48.3	44.2	-205.0	124.8	-67.7	-60.3
Change in cash and cash equiv.	93.5	-25.6	104.2	4.2	45.5	-39.7	200.2	-204.0	148.4	60.3
Attributable FCF	242.8	-44.0	119.3	72.5	171.9	124.7	700.9	-236.5	-7.4	-14.3
Cash flow per share (CHF)	30.61	-5.82	16.86	10.45	24.71	17.93	100.74	-33.99	-1.06	-2.05
% Change	-22.3%	-chg	+chg	-38.0%	136.5%	-27.5%	462.0%	-chg	+chg	-chg
FCF per share (CHF)	30.61	-5.82	16.86	10.45	24.71	17.93	100.74	-33.99	-1.06	-2.05
% Change	-22.3%	-chg	+chg	-38.0%	136.5%	-27.5%	462.0%	-chg	+chg	-chg
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 (%)	34.4%	-5.8%	16.8%	8.5%	15.1%	9.1%	36.5%	-10.3%	-0.4%	-0.8%
Unlevered FCF Yield (%)	38.6%	-5.7%	16.3%	8.3%	15.9%	10.0%	39.1%	-10.5%	-0.3%	-0.8%

Balance sheet

FY to 31/03 (CHF)	03/15	03/16	03/17	03/18	03/19	03/20	03/21	03/22	03/23E	03/24E
Cash and cash equivalents	140.4	114.8	219.0	223.2	268.7	229.0	429.2	225.2	373.6	433.9
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	0.2	0.4	0.4	0.6	0.2	0.2	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	140.6	115.0	219.4	223.6	269.2	229.2	429.3	225.2	373.6	433.9
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	1,050.6	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	2,105.2	1,947.0	2,032.0	2,125.5
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	1,050.6	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	2,105.2	1,947.0	2,032.0	2,125.5
Short term debt	63.5	0.0	156.5	164.6	126.1	26.3	257.7	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	3.1	3.8	3.8	3.0	3.5	3.1	53.1	2.8	2.8	2.8
Current liabilities	66.6	3.8	160.3	167.5	129.6	29.4	310.8	2.8	2.8	2.8
Long term debt	0.0	98.9	99.1	99.2	99.4	99.6	49.8	148.9	148.9	148.9
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	50.4	0.0	0.0	0.0	0.0	17.2	24.7	38.5	28.9	21.7
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	50.4	98.9	99.1	99.2	99.4	116.7	74.5	187.5	177.8	170.6
Shareholders' equity	1,074.2	1,019.9	1,086.9	1,150.5	1,302.6	1,430.1	2,149.2	1,982.0	2,225.1	2,386.1
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	1,074.2	1,019.9	1,086.9	1,150.5	1,302.6	1,430.1	2,149.2	1,982.0	2,225.1	2,386.1
Balance sheet total	1,191.2	1,122.7	1,346.2	1,417.3	1,531.6	1,576.2	2,534.6	2,172.3	2,405.7	2,559.5
% Change	28.7%	-5.8%	19.9%	5.3%	8.1%	2.9%	60.8%	-14.3%	10.7%	6.4%
Book value per share (CHF)	135.46	135.09	153.51	165.71	187.23	205.56	308.93	284.90	319.83	342.98
% Change	27.0%	-0.3%	13.6%	7.9%	13.0%	9.8%	50.3%	-7.8%	12.3%	7.2%
Net financial debt	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-121.7	-76.3	-224.7	-285.0
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	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-121.7	-76.3	-224.7	-285.0
Net fi. debt (+IFRS16) / EBITDA (x)	na	na	na	na	na	na	na	na	na	na
Trade working capital	0.2	0.2	0.4	0.4	0.6	0.2	0.2	0.0	0.0	0.0
Net working capital	-2.9	-3.6	-3.3	-2.5	-2.9	-2.9	-53.0	-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	-2.9	-3.6	-3.3	-2.5	-2.9	-2.9	-53.0	-2.7	-2.7	-2.7
Net fin. debt / FCF (x)	-0.3	0.4	0.3	0.6	-0.3	-0.8	-0.2	0.3	30.4	19.9
Gearing (%)	-7.2%	-1.6%	3.4%	3.5%	-3.3%	-7.2%	-5.7%	-3.8%	-10.1%	-11.9%
Goodwill / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Hold	29%	22%
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Not Rated/Under Review/Accept Offer	3%	9%
Total	100%	100%

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