

HBM Healthcare Investments

Switzerland | Pharma & biotech

MCap: CHF2.3bn



Q. Can the premium to NAV increase further?

HBM Healthcare Investments (HBM) shares have performed extremely well recently (+c. 90% over a rolling year), after several positive exits from its private equity portfolio (leveraging on the booming IPO market) and due to the market's increasing confidence in HBM's investment strategy, which have turned the share price discount to NAV into a premium. Currently, HBM shares trade at a 9% premium to NAV, above the two-year average premium of 5%. In this report, we try to determine whether there is room for a further increase in this premium.

See our answer inside...

Buy

Target Price: CHF415.00 (320.00)
Current Price: CHF333.00
Up/downside: 24.6%
Change in TP: 29.7%
Change in Adj. EPS: 21.1% 20E/4.7% 21E

Arsene Guekam
 Head of Biotech Research
 +33 1 70 81 57 56
 aguekam@keplercheuvreux.com

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

.Kepler Cheuvreux and the issuer have agreed that Kepler Cheuvreux will produce and disseminate investment research on the said issuer as a service to the issuer.

IMPORTANT. Please refer to [keplercheuvreux.com/disclaimer](https://www.keplercheuvreux.com/disclaimer) for "Important disclosures" and analyst certification(s).

keplercheuvreux.com

This research is the product of Kepler Cheuvreux, which is authorized and regulated by the Autorité des Marchés Financiers in France.

Q+A in 1 minute

A. While we see little room for a further improvement in the premium to NAV, there is still hidden value

- **Solid track record:** 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), which has led to sustainable performance of +132% over the last three years (including dividends) – one of the best among its peers, strengthening HBM Healthcare's credibility with new investors.
- **Successful exit strategy:** HBM focuses mainly on investments in small-cap companies with innovative platforms and original drug candidates. After HBM's investment team carries out rigorous due diligence, subsequent rounds of financing are possible if they see further value creation potential. While HBM is a long-only investor, it remains firmly focused on its exit strategy. Over the last decade, the company has carried out more than 60 trade sales and IPOs. Since 2017, the average ROI of the assets exiting the private portfolio has been over 100%.
- **Strong fundamentals:** In the OECD countries, annual expenditure in the healthcare industry amounts to c. 9% of a country's GDP, on average. Global demand for prescription drugs will sustain this strong trend over the next decade, thanks to robust fundamentals including ageing populations, lifestyle changes and the innovation cycle in the pharma/biotech sector. Innovation is the most important driver for biotech companies, which are the main investment target for HBM.
- **Hidden value:** While we see little room for further improvement in the premium to NAV, we believe that 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 and a 10% premium to NAV compared to 5% previously. We raise our TP to CHF415, implying 24% upside, and reiterate our Buy rating.

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 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.

Change in Sales: down nm 20E/down nm
Change in Adj EBIT: none/

Bloomberg: HBMN SW Reuters: HBMN.S
 Free float 100.0%
 Avg. daily volume (CHFm) 0.4
 YTD abs performance 9.2%
 52-week high/low (CHF) 351.00/201.00

FY to 31/03 (CHF)	03/21E	03/22E	03/23E
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)	753.1	190.0	215.7
Net financial debt (m)	-579.8	-580.7	-676.9
FCF (m)	703.3	52.1	157.0
EPS adj. and ful. dil.	108.25	27.31	31.00
Consensus EPS	99.24	24.63	40.01
Net dividend	8.07	8.39	8.73
FY to 31/03	03/21E	03/22E	03/23E
P/E adj and ful. dil.	3.1	12.2	10.7
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
FCF yield	30.4%	2.2%	6.8%
Dividend yield	2.4%	2.5%	2.6%
ND(F+FRS16)/EBITDA	na	na	na
Gearing	-20.7%	-19.0%	-19.7%
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.

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

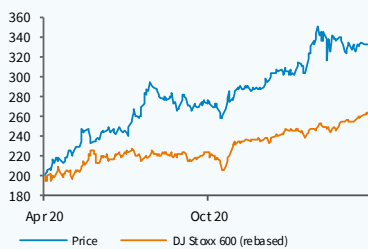
Andreas Wicki, CEO
Erwin Troxler, CFO
Hans Peter Hasler, Chairman of the Board

Key shareholders

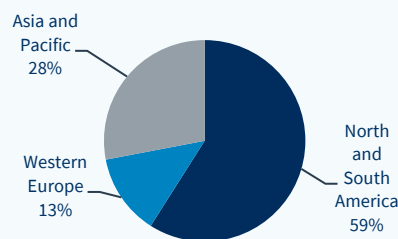
Nogra Pharma Invest 15.00%

Key data charts

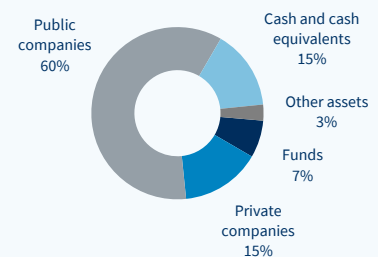
Price performance



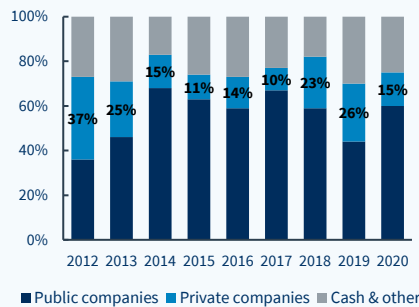
Geographic exposure



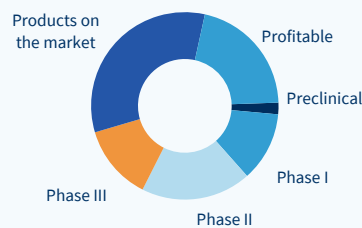
Allocation of assets



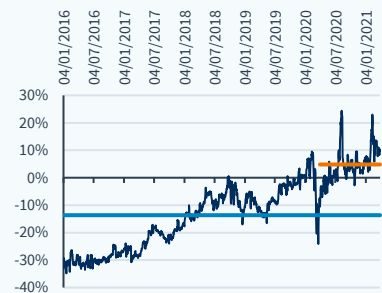
Asset allocation over time



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

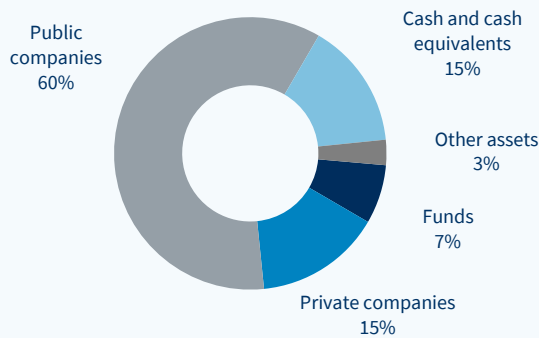
- Invested in emerging and innovative therapies
- Substantial clinical newsflow from holding companies
- Intense M&A activity in the global healthcare sector
- Favourable environment for healthcare IPOs

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

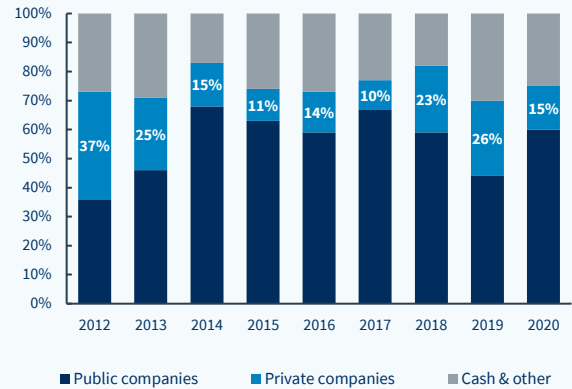
Investment case in six charts

Chart 1: Allocation of assets



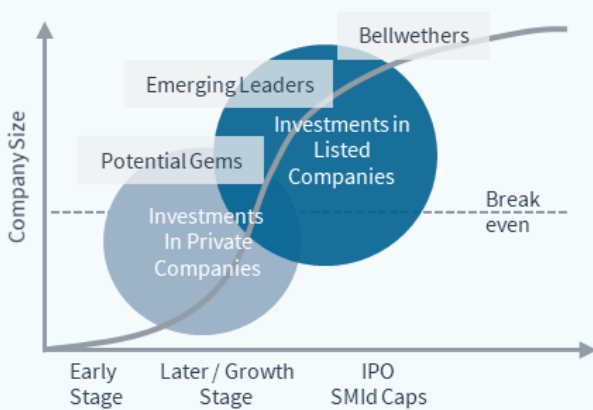
Source: HBM Healthcare

Chart 2: Asset allocation over time



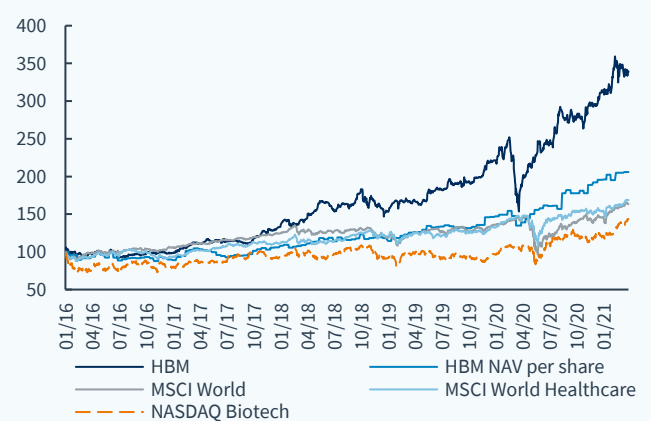
Source: HBM Healthcare

Chart 3: Investment approach



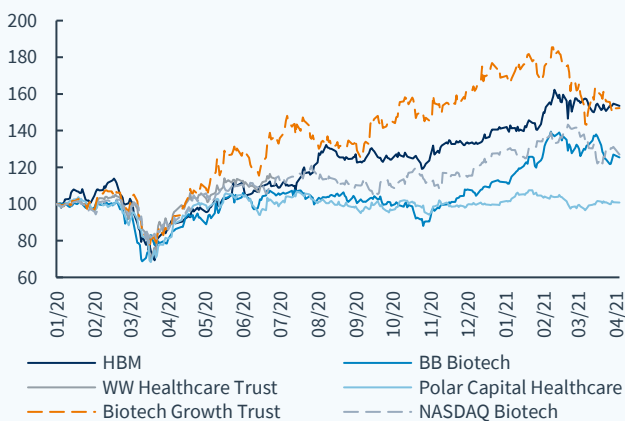
Source: HBM Healthcare

Chart 4: Share price and NAV performance versus indexes



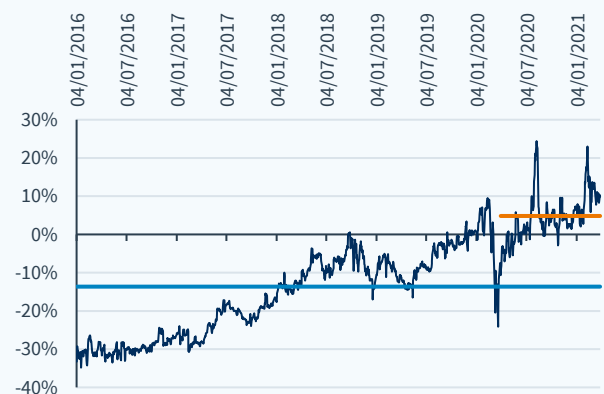
Source: Factset Partners, Kepler Cheuvreux

Chart 5: Share price performance of healthcare/biotech funds



Source: Factset Partners, Kepler Cheuvreux

Chart 6: HBM's stock price discount to NAV



Source: Factset Partners, Kepler Cheuvreux

Contents

Q+A in 1 minute	2
Investment case in six charts	4
Can the current premium to NAV increase further?	6
Discount to NAV has turned into a premium	6
Solid track record underpinned by a rigorous investment process	8
A successful exit strategy	8
A rigorous investment process	9
Strong fundamentals and underlying trends	12
Strong fundamentals primarily drive spending growth	12
Biotech is leading the drive for innovation in the pharma industry	15
Funding is not an issue	16
Investment conclusion	20
Buy, TP up from CHF320 to CHF415	20
Valuation table	24
Income statement	25
Cash flow statement	26
Balance sheet	27
Research ratings and important disclosures	28
Legal and disclosure information	30

Can the current premium to NAV increase further?

HBM Healthcare invests in promising private and listed biotech companies. Part of the recent positive share price performance (+88% over a rolling year) has been driven by the street's growing awareness of HBM's expertise in picking healthcare stocks (its investment strategy focuses on innovative platforms that have been subjected to stringent due diligence). This solid performance can also be attributed to several successful exits (via IPOs or trade sales) from the private portfolio.

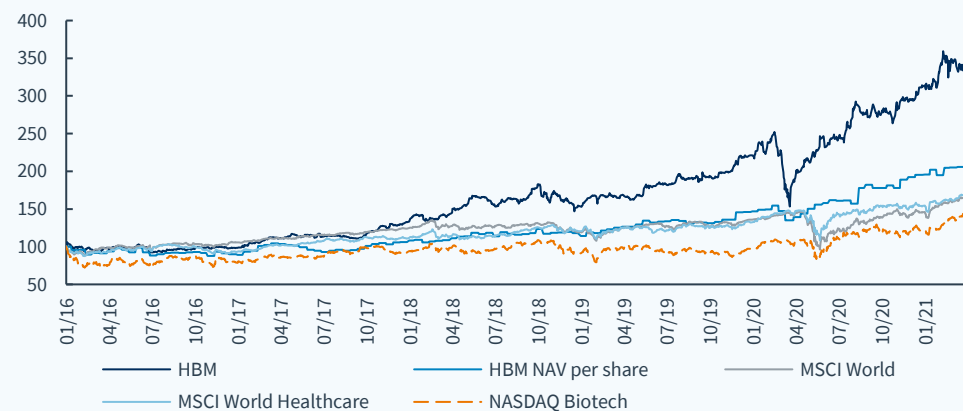
Historically, the long-term average share price discount to NAV was at 14%. However, the discount to NAV has steadily decreased over time and has turned into a premium now. HBM shares currently trade at a 9% premium to NAV, the highest level ever reached by the share, while the two-year average premium is 5%. While we consider this premium sustainable due to the company's successful investment strategy, we wonder if there is room for further improvement given the limited information available on the companies in the private portfolio.

Discount to NAV has turned into a premium

While HBM Healthcare has less exposure to the US market than its peers, its long-term performance (three to five years) is among the best in its peer group.

Accordingly (thanks to investors' increasing confidence in HBM's investment strategy over the last two years), its NAV has increased by +44%, while its share price has increased by 102%, surpassing both the MSCI World (+31%) and the MSCI World Healthcare indexes (+35%).

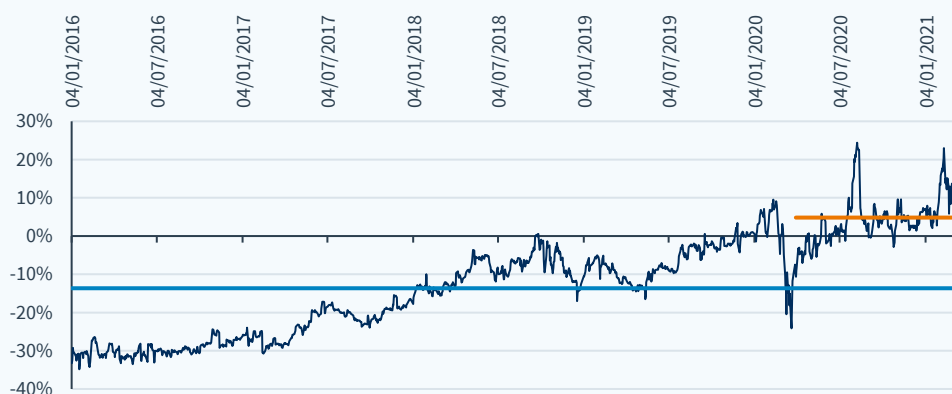
Chart 7: Share price and NAV performance versus indexes



Source: Factset Partners, Kepler Cheuvreux

Hence, in recent years, the share price discount to NAV has decreased significantly. Now HBM is trading at a premium of 9%, well above its average historical level (a discount of 14%) and slightly above the average premium for the last two years (+5%). This is a result of the increasing recognition on the street of HBM Healthcare's ability to pick winning healthcare stocks which has allowed it to regularly outperform the market.

We believe that part of this recent outperformance was also due to HBM's exposure to the private healthcare market. Companies in the private portfolio (15% of HBM's total investments) are included in the NAV at a fair value equal to their acquisition price or the value established during the last financing round. In recent years, HBM has successfully exited from several companies in its private portfolio achieving investment returns of over 50% on average.

Chart 8: HBM's stock price premium/discount to NAV (average historical level: -14%, average two years: +5%)


Source: Factset Partners, Kepler Cheuvreux

Investors' increasing confidence in HBM's ability to pick stocks and reap value from its private portfolio have presumably contributed to this change in the market perception and the gradual reduction of the discount to NAV.

However, considering the current premium to NAV (above historical levels), the recent bull market for biotechs and the limited information available on the companies in the private portfolio, we wonder if the premium to NAV could improve further.

Solid track record underpinned by a rigorous investment process

HBM Healthcare focuses on investments in small-cap companies with innovative platforms and original drug candidates. It is a long-only investor which 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 they see further value creation potential.

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. The fund has a well-balanced portfolio of public and private companies, and a successful long-term exit strategy (IPO or trade sale). Furthermore, shareholders benefit from an attractive return (a dividend in the range of 5% per year and share buyback), leading to a sustainable performance. As a result, HBM has delivered one of the best five-year share price performances among its peers.

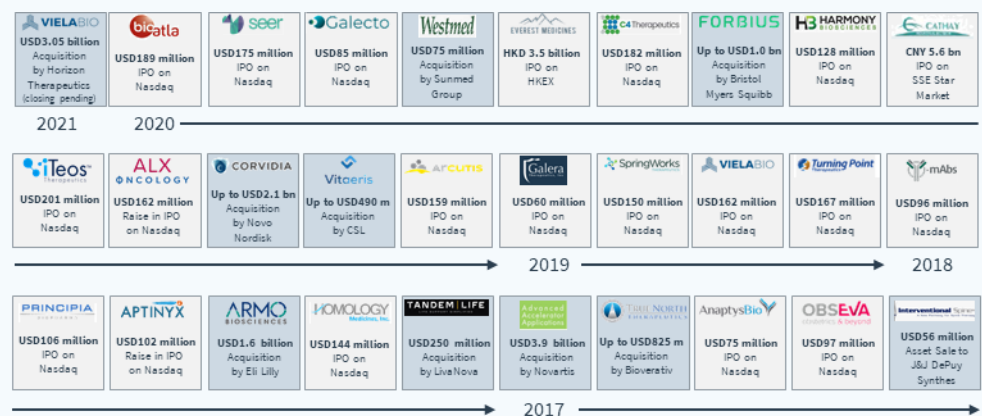
A successful exit strategy

HBM Healthcare is a long-term investor with an exit strategy mindset. Moreover, in order to have an impact on the strategy of the companies they have invested in, HBM often requires a least one board seat. Thanks to its wise choices and proven track record of exits, HBM has been able to achieve an average annual share price performance of over 15% over the last five years.

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.

Chart 9: Trade sale and IPOs



Source: HBM Healthcare

For instance, the recent IPOs of two private companies in HBM’s portfolio, Instil Bio and Connect Biopharma, revealed hidden value of over CHF30m (and we see further potential).

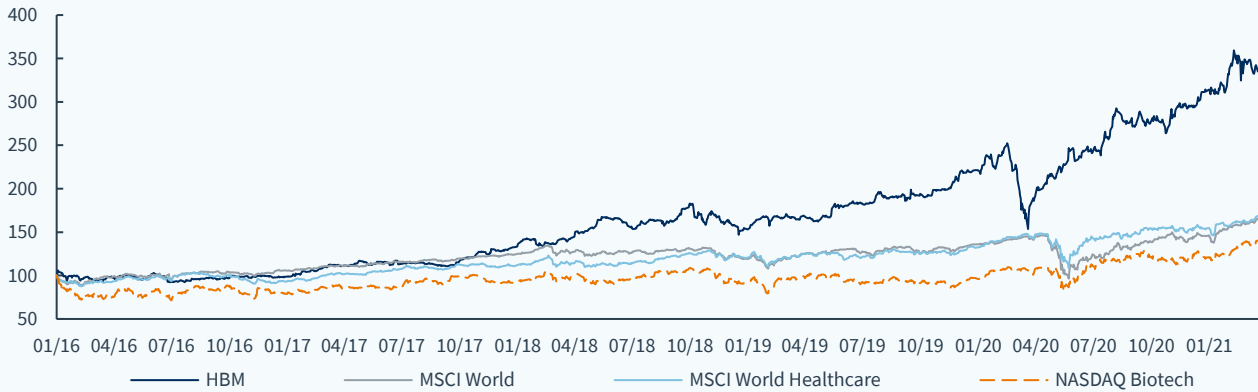
Another example of this release of hidden value is the acquisition last February of Viela Bio by Horizon Therapeutics for USD3.05bn. HBM had invested USD29.5m in Viela since July 2019, when the company was still privately held. Based on the takeover price, the return on investment exceeded +200% in less than two years.

The return on investment from these exit operations has often been impressive. The current average return on investment deriving from exits from the private portfolio since 2017 is over +100%. These high returns on HBM’s investments in companies in its private portfolio and for which little information is available, could explain the current share price premium to NAV.

...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 (+288% over the last five years corresponding to +31% per year).

Chart 10: A solid and consistent performance



Source: Bloomberg, data as of 31 March 2021 (including dividends)

The performance of the fund has been boosted recently by several successful exits (via IPOs and trade sales) from the private portfolio (BioAlta, C4 Therapeutics, Cathay Biotech, etc.). This regular outperformance versus the main indexes (MSCI World Healthcare or Nasdaq Biotech Index, NBI) provides a clear demonstration of the company's stock-picking expertise.

Table 1: Comparative performance

	Country	Perf. 1M	Perf. 1Y	Perf. 3Y	Perf. 5Y	Price (Ic)	NAV/share	Price to NAV
BB Biotech	CH	0.2%	68.8%	45.9%	124.8%	84.2	70.8	19%
Biotech growth trust	UK	2.7%	94.2%	118.0%	128.1%	19.1	18.3	5%
BlackRock Health Sciences	US	6.2%	40.5%	57.3%	73.6%	43.8	42.7	3%
HBM Healthcare	CH	-1.8%	78.9%	132.3%	241.5%	334.5	308.2	9%
International Biotechnology Trust	UK	0.2%	45.4%	57.4%	102.5%	9.9	9.7	2%
Polar Capital Global Healthcare	UK	4.0%	34.6%	35.9%	51.9%	3.1	3.6	-12%
Tekla Healthcare Investors	US	5.8%	52.5%	47.2%	51.9%	23.3	23.5	-1%
Tekla Healthcare Opportunities	US	7.8%	53.7%	64.1%	nd	20.7	21.2	-2%
Worldwide Healthcare Trust	UK	4.2%	45.8%	55.6%	110.0%	48.8	47.1	4%
HBM Healthcare ranking vs peers		9	2	1	1			2

Source: Kepler Cheuvreux

In terms of its annual performance, HBM is the leader in its peer group based on its one-, three- and five-year performances, while the premium to NAV is among the highest in the sector, only below BB Biotech, which has benefited from its investment in Moderna and the validation of its mRNA vaccine technology.

A rigorous investment process

HBM Healthcare is a long-only investor which is able to invest in suppliers or manufacturers along the healthcare value chain. The portfolio is managed by a seasoned investment team whose members all have a strong professional background in life sciences. The investment focus is on private and small-cap public biotechnology or medical device companies that have a competitive edge over their peers.

Essentially, HBM Healthcare's investment strategy relies on solid due diligence, broad diversification of the portfolio, and active lead investors in private companies.

Investment approach

HBM Healthcare invests in both public and private companies. The hidden value comes mainly from the private companies in its portfolio, and if HBM has chosen wisely, this value emerges during the eventual exit via an IPO or a trade sale. In early 2020, the fund's investments in private companies represented 30% of its total assets, but this share has declined due to several successful exits (mainly IPOs) and it amounted to only 15% in Q3 2020.

HBM prefers to invest in private companies at a very early stage of development rather than in listed companies. In general, these companies have a valuation below USD2bn. However, the private companies need to have at least one successful clinical proof of concept.

Chart 11: Investment approach

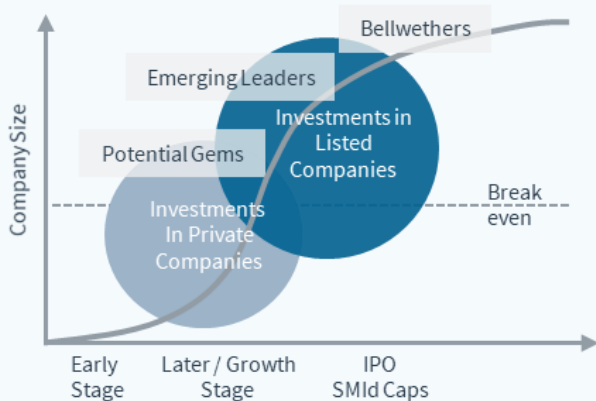
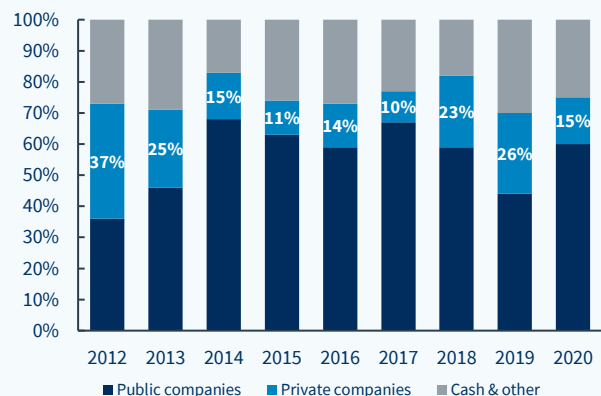


Chart 12: Asset allocation over time



As HBM Healthcare is an evergreen fund, the company can commit to one or several follow-up rounds of financing if it sees significant long-term growth potential. At the time of the investment, the maximum single position limit is up to 10% of the NAV. Moreover, for each investment in private companies, HBM Healthcare seeks to play an active role and insists on board representation.

Private equity investment process

In recent years, HBM has gradually increased the weight of the private companies in its investment portfolio. The investment process starts with an intense flow of potential deals. Typically, HBM looks at more than 700 deals per year of which it selects only 200 to undergo the initial due diligence process. Only a few of these companies (12.5%) are then selected for a second, more intensive round of due diligence and generally, only about half of these candidates are chosen for a final investment.

Deals for private equity investment are usually sourced through other venture capital (VC) companies, the boards or founders of companies, or direct sourcing. HBM Healthcare can invest more than CHF5m per deal and it has the ability to make one or more follow-up investments.

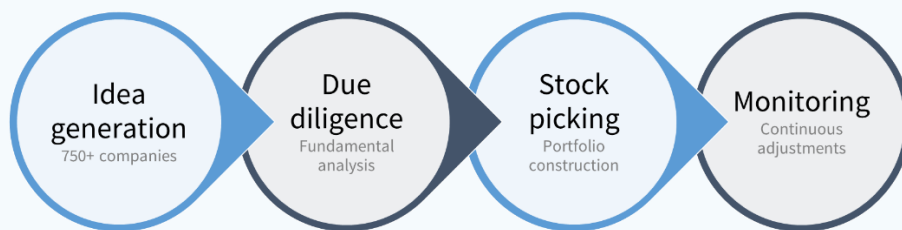
These investments, which are valued (NAV) at their acquisition price or the value determined during the last financing round, represent the hidden value in HBM's portfolio. The real potential only emerges at the time of the exit (via an IPO or trade sale).

Public investment process

Public investment represents the bulk of the current portfolio (c. 60%) after several successful IPOs of companies in the private investment portfolio. Once they have been listed, HBM can then remain invested in these companies if the near-term value potential is still intact.

The universe of potential investment in public companies encompasses more than 750 listed biotech or medtech companies. Once again, before each investment an extensive due diligence is carried out (which includes a stakeholder assessment and intellectual property review). The portfolio construction takes into account the different exposures (geographic, therapeutic areas, and the stage of development) and the size of each investment made.

Chart 13: Public equity investment process



Source: Kepler Cheuvreux, HBM Healthcare

While it is difficult to ask for a board seat at listed companies, HBM Healthcare regularly reviews all of the investments in its portfolio and continuously assesses the different investment opportunities.

Strong fundamentals and underlying trends

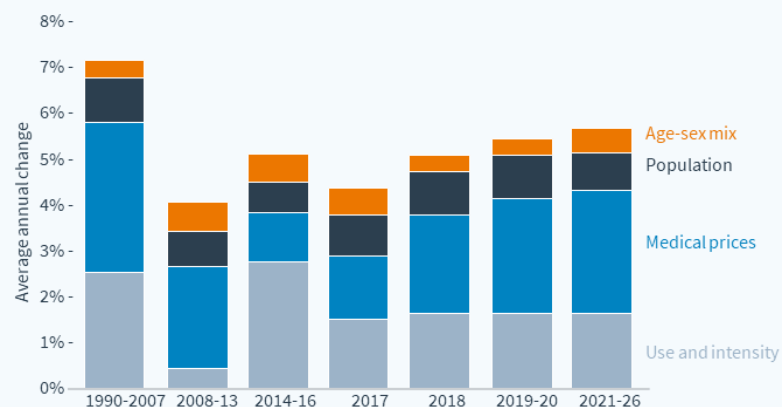
In the OECD countries, annual expenditures in the healthcare industry amount to c. 9% of a country's GDP on average (albeit with large discrepancies between countries). Global demand for prescription drugs will sustain this strong trend over the next decade, thanks to robust fundamentals including ageing populations, lifestyle changes and the innovation cycle in the pharma/biotech sector.

Innovation is the backbone of the pharma industry and it is even more important for biotech companies. The favourable financing environment has allowed many companies to accelerate the development of new drug candidates.

Strong fundamentals primarily drive spending growth

The pharmaceutical industry's growth trend has been astonishing. The OECD estimates that, in 2019, health spending accounted for 9% of GDP on average across the OECD countries. Over the next decade, the projected national health spending will largely be driven by fundamental economic and demographic factors: ageing populations, changes in projected income growth and increases in the prices of medical goods and services.

Chart 14: Factors driving growth in personal health care expenditures



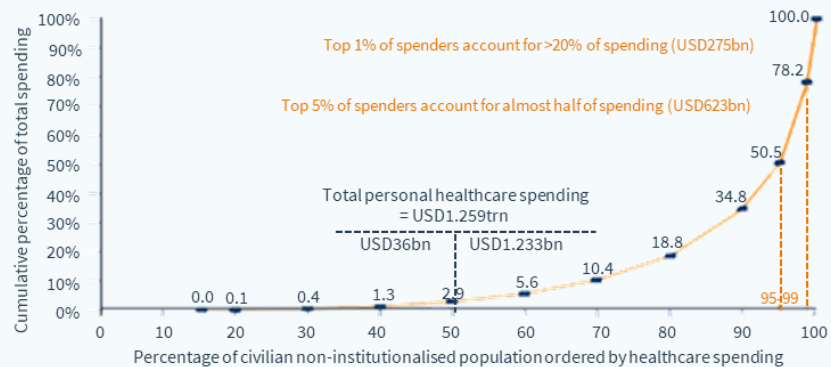
Source: Centers for Medicare and Medicaid Services

According to a report from the Centers for Medicare and Medicaid Services (CMS, 2018), in the US, among healthcare products and services, prescription drugs are projected to experience the fastest average annual spending growth in 2017–26 (6.3% per year). This trend will primarily be driven by rising drug prices thanks to increasing innovation (more expensive drugs) and fewer generic entries.

Ageing demographics

A relatively small number of people account for a disproportionately high share of all healthcare expenditures. According to data from the US Department of Health and Human Services, a small number of people account for a significant share of healthcare expenses. Conversely, a large portion of the population has very low levels of healthcare spending. Thus, almost half of the total healthcare spending was used to treat just 5% of the US population.

As the population ages, global healthcare consumption increases. Hence, high spending occurs near the end of many patients' lives. In the US, people over 64 years of age represent 13% of the population, but account for 40% of the top 5% highest spenders on healthcare.

Chart 15: Cumulative distribution of personal healthcare spending, 2009


Source: NIHCM Foundation analysis of data from the 2009 Medical Expenditure Panel Survey

According to World Population Prospects 2019 (United Nations, 2019), there were 703m people aged 65 or over in 2019. Over the next three decades, this number is expected to more than double to over 1.5bn people in 2050. Hence, by 2050, one out of six people in the world will be over the age of 65 (from one out of eleven in 2019).

Table 2: Number of persons aged 65 years or over by geographic region, 2019 and 2050

Region	Number of persons aged 65 or over in 2019 (m)	Number of persons aged 65 or over in 2050 (m)	Percentage change between 2019 and 2050
Sub-Saharan Africa	31.9	101.4	218
Northern Africa and Western Asia	29.4	95.8	226
Central and Southern Asia	119.0	328.1	176
Eastern and South-Eastern Asia	260.6	572.5	120
Latin America and the Caribbean	56.4	144.6	156
Australia and New Zealand	4.8	8.8	84
Oceania, excluding Australia and New Zealand	0.5	1.5	190
Europe and Northern America	200.4	296.2	48
World	702.9	1,548.9	120

Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). World Population Prospects 2019

All societies in the world are experiencing this longevity revolution that will put increased pressure on healthcare systems

Lifestyle and obesity

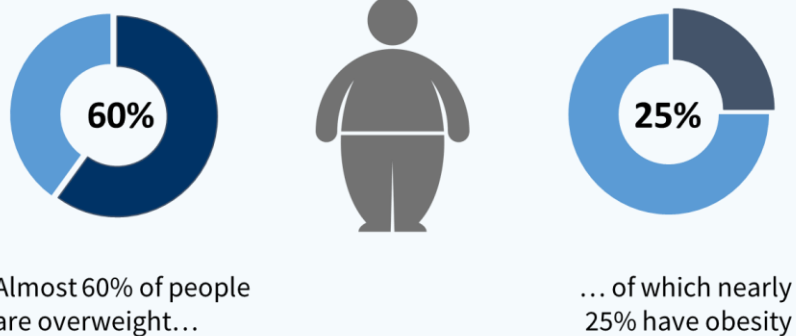
An increasing number of people are overweight across the OECD. For the World Health Organisation (WHO), low fruit and vegetable consumption, unhealthy diets and lack of physical activity contribute to being overweight.

According to OECD Health Policy studies, the rise in sedentary lifestyles (50% of people have unhealthy diet and one in three people do not do engage in a sufficient amount of physical activity) has been raising obesity¹ rates, leading to increased risk of coronary heart disease, strokes, and certain types of cancer.

More than half of the population in OECD countries is overweight and almost one in four people are obese. Rates of severe obesity – known as morbid obesity – are now growing at the same pace as milder forms of obesity.

¹ Obesity is characterised by a body mass index of over 30 (body mass index, or BMI, is a ratio between height and weight. BMI = kg/m²)

Chart 16: Being overweight has become a widespread issue



Source: Kepler Cheuvreux, OECD analyses on the WHO Global Health Observatory, 2018

Healthcare expenditure is significantly correlated with the rise in risk factors such as obesity, and the increased prevalence of chronic diseases linked to these risk factors such as hypertension, diabetes, and hypercholesterolemia.

Innovation

Healthcare innovation can be evaluated by its impact on stakeholders. While non-disruptive innovation refers to evolutionary or incremental improvements (improvements in something that already exists), disruptive innovations refer to innovations that fundamentally disrupt old systems or create new markets and deliver new value opportunities.

Immuno-oncology

Immuno-oncology (IO) refers to therapies that boost or restore the ability of the immune system to fight cancer. The four main active IO categories are immune checkpoint inhibitors (ICIs), therapeutic cancer vaccines, oncolytic viruses, and adoptive cell therapies (CAR T cell therapies).

ICIs, which are by far the largest category of IO by value, aim to re-establish the anti-tumour activities of immune cells. ICIs do not work for all tumour types on their own, but combining them with other treatments to “turn cold tumours hot” (i.e. make tumours responsive to ICIs) looks promising and is leading to numerous developments.

Gene editing and gene therapies

Thanks to the rapid development of DNA sequencing, this field is likely to have the biggest impact in the coming years on the way physicians treat and categorise patients depending on their disease. According to the WHO, more than 10,000 diseases are caused by a mutation in a single gene. Two approaches to treat such diseases show a lot of promise: gene editing and gene therapy. **Gene editing** is the insertion, deletion, or replacement of DNA at a specific site in the genome of an organism or cell. No treatment using this technology is yet available to patients, but several biotechnology companies are developing this technology for various genetic diseases such as haemophilia, myopathy or and sickle cell disease. **Gene therapy** involves the insertion of a healthy gene into cells. Several gene therapies have proven successful in late-stage trials, while a few have already been approved in the US.

Gene silencing

Gene silencing is a general term used to describe the epigenetic processes of gene regulation (reversible alterations in the gene expression without any change in the DNA sequence). It refers to a mechanism that aims to reduce or eliminate the production of a protein from its corresponding gene (“switching off” of a gene).

A number of technologies currently in development offer specific gene silencing methods as potential disease therapeutics. Two of the leading methods of gene silencing are RNA interference (RNAi) and antisense oligonucleotides (ASOs). They involve disabling the function of mRNA by preventing it from being translated into a protein.

While this therapeutic strategy is promising, many hurdles have to be overcome before this innovative treatment is approved (delivery methods, dosage or selectivity of gene silencing drug).

Immunology and inflammation

Autoimmune disorders and chronic inflammation remain one of the leading causes of disease. The immune system plays a key role in fighting infection but it is also involved in unwanted responses such as allergies or excessive chronic inflammation following clearance of pathogens.

Over the past year monoclonal antibodies (mAbs) have been proven to be safe and effective for the treatment of immune-mediated inflammatory disease (IMID). However, small molecule immunotherapy is of interest as immunosuppressive mechanisms similar to mAbs can be targeted, and they are also able to stimulate intracellular pathways.

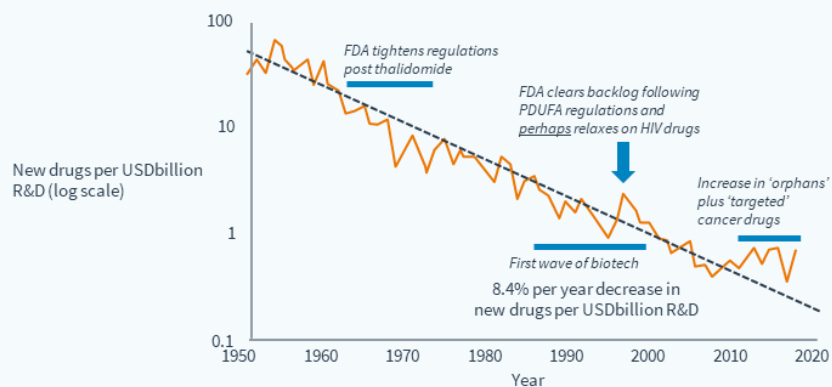
Biotech is leading the drive for innovation in the pharma industry

Biotech is innovating at an increasing speed with many drugs in clinical development by biotech companies. Due to the externalisation of innovation and R&D from big pharma, biotech companies have become the innovation backbone of pharma industry.

Fighting Eroom's law

Despite several advances in the scientific field underlying the drug discovery process, the efficiency of drug discovery R&D has been declining. Eroom's Law (Moore's Law backwards, and applied to pharma instead of semiconductors) indicates that the number of new molecules (NME) approved by the FDA (pharma and biotech) has been decreasing despite a steady rise in R&D budgets.

Chart 17: Eroom's law: decline in the NME approved by the FDA despite increased R&D spending

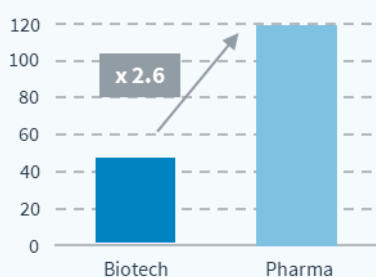


While the number of NMEs approved each year by the FDA has remained stable over time, R&D expenses have been rising, underlining the growing cost of discovering and developing new drugs.

Efficient biotech industry

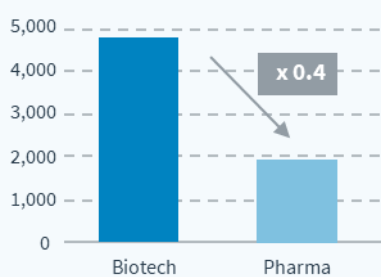
Innovation is crucial for pharma companies and will almost certainly continue to drive the sector. Despite the constraints, there has been a clear acceleration in the number of drugs in development in recent years. However, biotech companies seem more agile than big players. Indeed, while they spend 2.6 times less on R&D on average, they carry out most of the clinical trials, and they manage to get twice as many approvals as large pharma players.

Chart 18: R&D spending (USD bn, 2017)



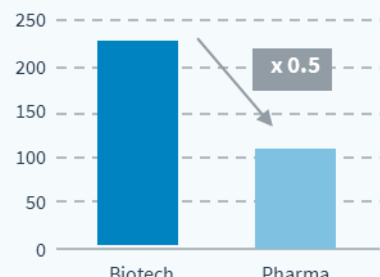
Source: Evaluate Pharma World Preview, 2018

Chart 19: Pipeline (clinical trials)



Source: Biotechnology Innovation Organisation Report, 2018

Chart 20: Approvals by origin (count)



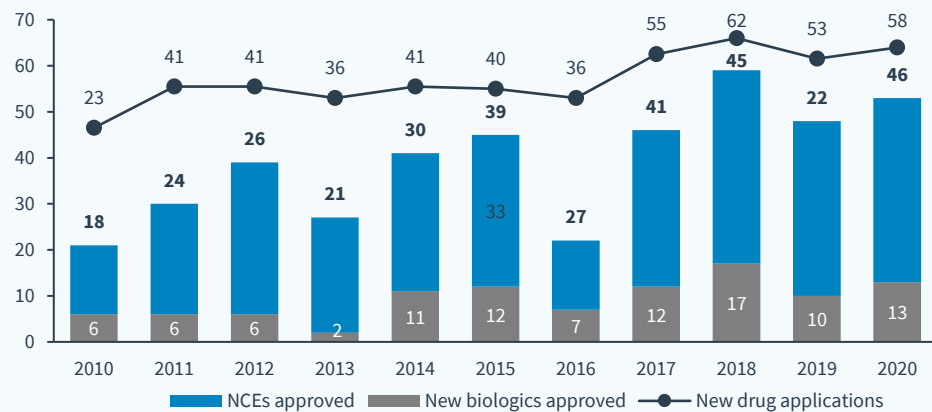
Source: HBM Biopharma Drug Approval Report, 2018

We have seen the emergence of new tools in recent years that will facilitate the approval of upcoming innovative treatments (development incentives like breakthrough therapy designation, priority review vouchers, or the 21st Century Cures Act).

Innovation is the backbone of the pharma industry

The regulatory environment at the FDA remains favourable for the approval of new drugs. This is despite the big drop in approvals over the last two years, which has highlighted the scarcity value of new medicines. For the coming years, we expect a return to a more sustainable rate.

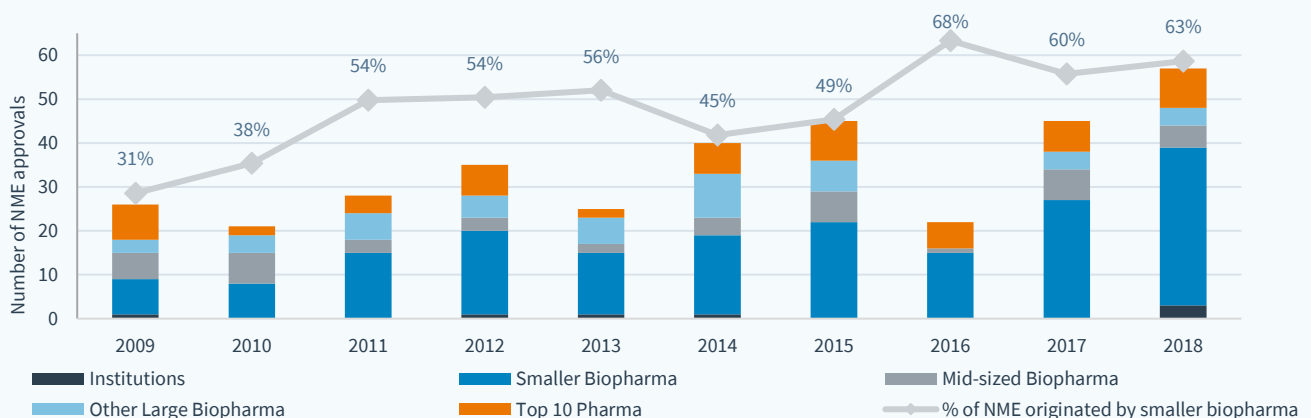
Chart 21: Number of new drug approvals and applications at the FDA



Source: FDA, CDER

The share of the new drug approvals of the top ten pharma companies has declined in recent years to represent only 25% of all approvals in 2018. At the same time, smaller biopharma companies (companies with annual sales of less than USD1bn) are playing an increasingly important role not only as originators, but also as developers of drugs following the approval.

Chart 22: Drug approvals by size of the drug originator



Source: FDA

Most new drugs approved have originated at or were initially developed by smaller biopharma companies. However, a significant number of these new drugs were originally developed at universities or research institutions and then transferred to a biopharma company for initial development.

Funding is not an issue

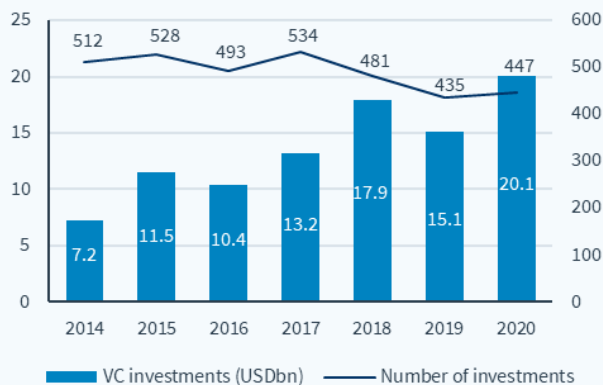
To accelerate and fuel the development of their promising drug candidates, smaller biopharma companies have several financing options: venture capital funding, IPO or out-licensing.

Venture funding at the start of several stories

Healthcare remains an attractive target for investors. Thus, investment in life science companies remains fairly robust, ensuring that biotech companies have sufficient resources to develop clinically effective solutions for patients.

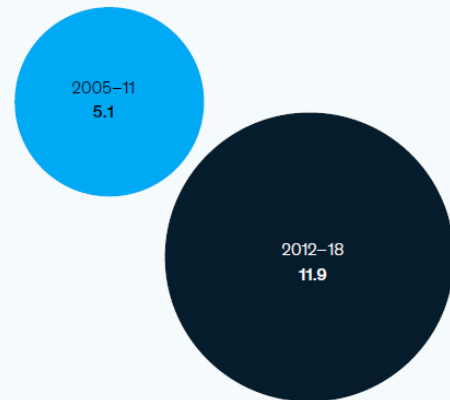
Venture capital (VC) companies invest at an early stage of development when the biotech companies are developing the science and running clinical trials. If the early results are sufficiently promising, venture companies can make several follow-up investments.

Chart 23: Global venture investments into biotech



Source: Evaluate Pharma, January 2021

Chart 24: Total investment in European biotechs (USDbn)



Source: PubMed, April 2019; BioCentury, 2019; Pharmaprojects, 2019

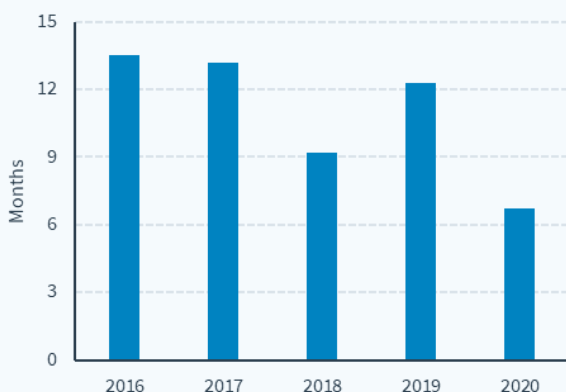
According to a report by Evaluate Pharma, in 2020 venture firms invested over USD20bn in 447 biotech companies corresponding to an average of USD45m per company. While the total amount of investment is rising, VC investors have become more selective in their investments and have been limiting their diversification (oncology remains the most appealing sector).

European biotechs are starting to attract a growing number of investors. According to a report by McKinsey Pharmaceuticals (2019), total investments in Europe's biotech companies have tripled over the past decade and more than doubled in the past few years from USD5.1bn (2005 to 2011) to USD11.9bn (2012 to 2018).

Accelerated path to IPO

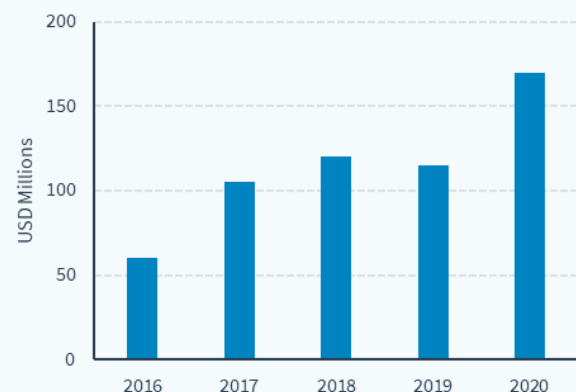
Another way for biopharma companies to raise capital is by launching an initial primary offering (IPO) on listed markets. The growing maturity of the biotech sector is underpinned by a significant decrease in the time to IPO for biopharma companies (less than five years on average from Series A to IPO in 2020) while the average amount raised on the market has been growing (over USD150m on average in 2020).

Chart 25: Average time from crossover to IPO



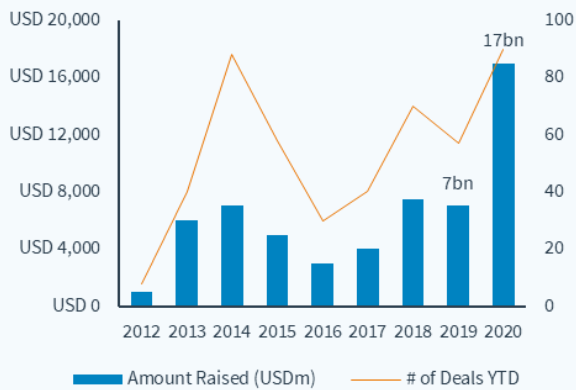
Source: HBM Healthcare

Chart 26: Average deal size

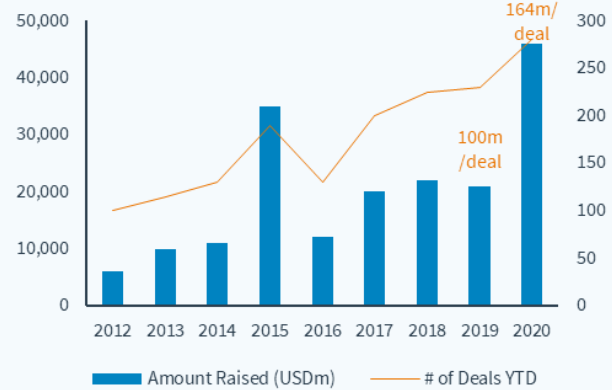


Source: HBM Healthcare

Clearly, the markets have benefited from the enthusiasm for biotech companies. In recent years, biotechs have been taking off on the Hong Kong Stock Exchange and they have continued to perform well on the NASDAQ. However, European biotech markets have seen less IPO activity.

Chart 27: NASDAQ/NYSE IPO deals


Source: HBM Healthcare

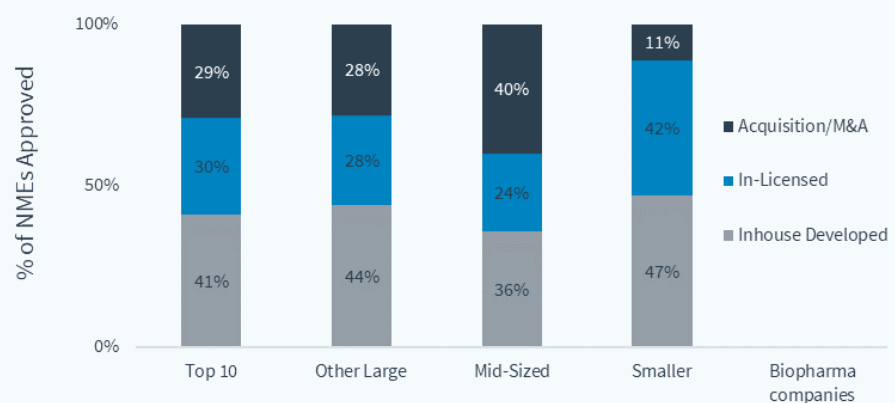
Chart 28: NASDAQ/NYSE follow-on deals


Source: HBM Healthcare

NASDAQ investors were also willing to dig deep for biotechs in secondary raises, with an increase in the average amount raised in 2020 compared to 2019 (USD164m per deal vs. USD100m per deal respectively).

Pharma and biotech M&A activity

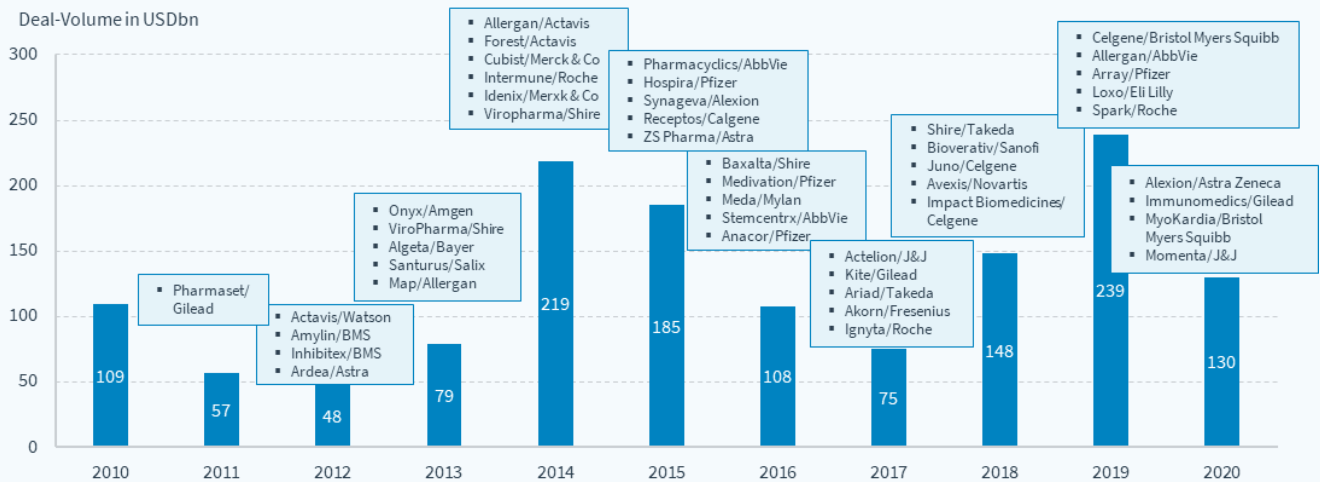
The ultimate goal for a mid-sized biopharma company is to sign a partnership with a large pharma company to finalise the development of its drug candidate or to get help to market the drug in different markets.

Chart 29: Origin of new drugs approved by type of company (2014-18)


Source: FDA

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. However, most of the drugs in-licensed or acquired come from smaller companies.

Instead of signing licensing deals with biopharma companies, large players sometimes decide to acquire promising biotechs at a substantial premium over the stock price before acquiring them (over 50% on average). M&A activity tends to centre on assets in “hot” therapeutic areas. Oncology and auto-immune diseases should continue to draw most of the attention from big pharma.

Chart 30: An intense Pharma and Biotech M&A activity


Source: Evaluate Pharma (2021)

After a down year in 2020 in the pharmaceutical sector compared to 2019, the industry is poised for a rebound in the number of deals in 2021. According to a PwC report on the pharmaceutical and life science industry, innovation and the need for scale will drive activity due to pandemic headwinds and the uncertainty surrounding regulatory, tax, and drug pricing policies.

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, in-licensing and M&A activity will continue to drive the sector allowing big pharma players to rejuvenate their pipeline.

Investment conclusion

HBM has been the best-performing stock (medium- and long-term performance) in its peer group despite having less exposure to the US market (more dynamic, higher valuation). In our view, this performance is attributable to HBM's wise selection of listed biotech stocks, along with its ability to select promising private companies at an early stage of development and support them until successful exits (trade sales and IPOs). Consequently, the historical discount to NAV observed in recent years has turned into premium (HBM shares currently trade at a 9% premium to NAV).

While we see little room for improvement in the premium to NAV, we believe that the potential of HBM Healthcare's stakes has not been fully priced in at current valuation levels. Several biotechs in the private portfolio went public recently, allowing for the release of more information on these companies. Moreover, several analysts have initiated the coverage of these companies with ambitious target prices.

We use a NAV-based valuation for HBM including consensus target prices for public companies. Against this backdrop, we update our model and apply a 10% premium to NAV to take into account the positive development of the portfolio (vs. 5% previously). Accordingly, we lift our TP to CHF415, implying 24% upside, and reiterate our Buy rating.

Buy, TP up from CHF320 to CHF415

In our view, a peer comparison is not an appropriate valuation method, as the investment theme for each fund is different, as are their returns. In view of the company's strong track record for profitable exits, we no longer apply a discount to the NAV.

A NAV-based pricing model

Our HBM valuation is based on the NAV of the company's portfolio.

HBM publishes the net asset value per share of its fund twice a month. This NAV is calculated from the share price of publicly traded portfolio companies, while the fair values of the funds and investments in private companies are included at their acquisition cost or at the value determined during the last financing round.

Kepler Cheuvreux's healthcare/biotech team does not cover any companies in HBM Healthcare Investments' public portfolio (except for Argenx). Hence, our NAV is based on the following assumptions:

- For public companies, we use consensus target prices taken from Bloomberg when more than four analysts cover the stock. Otherwise, we apply valuations based on the last trading price.
- 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. 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.

Accordingly, we derive a target NAV per share of CHF377 leading to a TP of CHF415 (10% premium to NAV) corresponding to 24% upside to the last listed price. At HBM's current share price and taking into account the market value of the public portfolio, the premium to NAV is 9%.

Table 3: Valuation – Part I – Public portfolio

Name	Currency	HBM holding	Current sh. price	Mkt. cap. (LC in m)	Current value (CHF)	TP (consensus)	TP range (LC)	Analysts	Valuation at TP (CHFm)
Cathay Biotech	CNY	7.1%	80.0	33,314	286.8	103.3	73-125	12.0	286.8
Harmony Biosciences	USD	8.2%	32.2	1,829	141	160.0	145-190	10.0	227.4
Y-mAbs Therapeutics	USD	5.3%	29.6	1,288	59.4	342.8	265-430	19.0	118.2
BioAtla	USD	8.4%	49.9	1,679	126.5	342.8	265-430	19.0	174.3
ALX Oncology	USD	2.3%	71.5	2,867	61.3	n/a	n/a	n/a	84.7
SpringWorks Therapeutics	USD	2.1%	72.0	3,526	69.3	46.3	37-52	4.0	104.3
Viola Bio	USD	3.2%	53.0	2,913	87.4	55.0	36-74	15.0	87.4
Arcutis	USD	3.4%	28.4	1,446	39.8	48.2	25-65	12.0	79.7
Pacira Pharmaceuticals	USD	1.6%	70.3	3,084	45.9	399.7	290-480	10.0	53.0
Biohaven Pharmaceuticals	USD	0.8%	66.5	4,225	30.1	63.7	56-75	4.0	46.8
Turning Point Therapeutics	USD	0.7%	92.0	4,506	28.2	14.0	12-16	4.0	49.1
Argenx	EUR	0.3%	275.0	14,109	38.0	61.0	58-65	2.0	47.4
Argenx (ADR)	USD	0.3%	275.0	14,109	32.4	346.0	287-377	5.0	40.4
ChemoCentryx	USD	0.8%	10.0	863	5.2	56.5	51-60	5.0	5.2
iTeos Therapeutics	USD	2.9%	34.5	1,211	32.8	222.5	101-250	13.0	44.1
Zymeworks	USD	1.5%	30.9	1,424	19.6	11.0	9-13	4.0	35.0
Zogenix	USD	2.4%	19.4	1,080	24.5	65.5	24-191	12.0	61.0
Laurus Labs	INR	0.9%	362.0	194,250	21.3	25.3	22-28	8.0	23.5
Seer	USD	0.6%	47.1	2,868	15.2	72.5	70-75	2.0	20.6
Galecto	USD	5.2%	6.2	156	7.6	52.0	35-60	12.0	17.2
Cantargia	SEK	2.0%	30.9	3,091	6.7	1071.8	840-1158	9.0	13.2
Hansa Biopharma	SEK	1.2%	152.0	6,976	8.5	37.4	34-45	10.0	19.4
C4 Therapeutics	USD	1.1%	34.9	1,506	14.9	73.5	61-100	14.0	24.0
Beigene	HKD	0.1%	201.2	239,546	17.1	1932.5	1869-1996	4.0	18.9
Nicox	EUR	7.8%	4.3	158	12.3	105.6	84-135	7.0	31.9
Esperion Therapeutics	USD	1.9%	28.2	789	14.2	73.0	65-82	8.0	33.0
Xenon Pharmaceuticals	USD	2.4%	18.0	742	14.4	4150.2	3300-4530	22.0	20.2
Biolinvent	SEK	5.9%	47.0	2,750	11.8	16.1	15-17	4.0	18.2
Iovance Biotherapeutics	USD	0.2%	31.1	4,564	8.1	37.9	22-50	12.0	13.6
Jubilant Life Sciences	INR	0.6%	681.1	108,486	8.8	77.0	57-97	2.0	13.9
Dicerna Pharmaceuticals	USD	0.7%	25.5	1,950	12.6	47.8	24-75	11.0	18.4
Rocket Pharmaceuticals	USD	0.3%	45.5	2,810	8.6	265.6	220-310	9.0	13.9
Solara Active	INR	1.7%	1393.2	50,028	11.0	23.9	22-27	6.0	15.3
Everest Medicines	HKD	0.4%	73.6	21,569	9.9	30.8	26-36	3.0	14.2
Albireo Pharma	USD	1.3%	35.1	671	8.5	22.3	14-28	8.0	17.6
Divis Laboratories	INR	0.1%	3622.8	961,740	7.9	41.8	21-88	22.0	9.0
HBM Holdings	HKD	0.8%	8.9	6,850	6.8	103.3	73-125	12.0	12.3
Collectis (ADR)	USD	0.7%	19.3	830	5.5	160.0	145-190	10.0	10.7
Vicore Pharma	SEK	3.3%	26.6	1,909	5.7	342.8	265-430	19.0	16.6
Constellation Pharmaceuticals	USD	0.5%	23.7	1,134	5.1	342.8	265-430	19.0	10.3
Zealand Pharma	DKK	0.5%	200.6	8,712	5.3	n/a	n/a	n/a	7.0
Guangzhou Baiyunshan	HKD	1.2%	18.9	50,609	6.0	46.3	37-52	4.0	7.6
Collectis	EUR	0.5%	16.4	707	3.8	55.0	36-74	15.0	7.1
Trillium Therapeutics	USD	0.4%	10.4	1,076	3.9	48.2	25-65	12.0	8.4
Intercept Pharmaceuticals	USD	0.7%	23.3	770	5.1	399.7	290-480	10.0	9.1
Other					68.3				68.3
Total Public portfolio	I				1,462.6				2,058.1

As of 03/31/2020 - Source: Kepler Cheuvreux

The group's portfolio of investments in public companies is well-balanced (more than 40 positions), leading to a valuation that is less sensitive to any particular event occurring at the companies in its portfolio. However, HBM has strong convictions about certain investments. Its five largest investments represent 34% of the entire portfolio (of which 14% for Cathay Biotech, the company's most important investment).

Moreover, thanks to the positive development of the portfolio, the TPs of several companies have increased. Meanwhile, analysts have initiated coverage of numerous companies (coming from the private portfolio) that have listed recently with ambitious target prices.

Table 4: Valuation – Part II – Private portfolio and Funds				
Name	Currency	HBM holding (%)	Current value (CHF)	Valuation at TP (CHFm)
Total Public portfolio	I		1,462.6	2,058.1
Swixx BioPharma (Amicus)	EUR	28.8%	44.1	44.1
Neurelis	USD	16.8%	39.2	39.2
1mg	INR	7.5%	20.6	20.6
Instil Bio	USD	1.5%	18.0	18.0
Ambrx	USD	4.9%	17.7	17.7
Jianke Pharmaceutical	USD	6.3%	17.5	17.5
Nuance Pharma	USD	4.9%	16.5	16.5
SAI Life Sciences	INR	6.0%	16.3	16.3
FarmaLatam	USD	51.1%	15.7	15.7
Valo Health	USD	1.3%	13.3	13.3
Sphingotec	EUR	14.2%	11.4	11.4
Adrenomed	EUR	8.7%	10.0	10.0
Polyneuron Pharmaceuticals	CHF	16.2%	9.9	9.9
Connect Biopharma	USD	2.2%	8.9	8.9
River Renal	USD	14.3%	8.9	8.9
Longboard Pharmaceuticals	USD	9.9%	8.9	8.9
BioShin	USD	4.1%	7.1	7.1
Shape Memory Medical	USD	16.8%	6.6	6.6
Valcare	USD	7.7%	6.3	6.3
Arrakis Therapeutics	USD	4.8%	6.2	6.2
Neuron23	USD	2.7%	6.2	6.2
Genalyte (BaseHealth)	USD	3.1%	5.8	5.8
Cure Everlife	USD	14.3%	4.8	4.8
Karius	USD	2.5%	4.4	4.4
Cardialen	USD	17.8%	4.4	4.4
Monte Rosa Therapeutics	USD	3.6%	4.4	4.4
NiKang Therapeutics	USD	4.7%	4.4	4.4
Werewolf Therapeutics	USD	2.8%	4.4	4.4
Dren Bio	USD	5.7%	3.3	3.3
NovellusDx	USD	9.2%	2.9	2.9
Vascular Dynamics	USD	13.1%	2.8	2.8
MicroOptx	USD	8.3%	2.7	2.7
ConnectRN	USD	23.5%	2.1	2.1
Other			6.3	6.3
Total Private portfolio	II		361.8	361.8
WuXi Healthcare Ventures II	USD		29.5	29.5
HBM BioCapital II	EUR		18.0	18.0
MedFocus Fund II	USD		21.8	21.8
6 Dimensions Capital	USD		24.1	24.1
HBM Genomics	USD		22.1	22.1
Tata Capital HBM Fund I	USD		7.1	7.1
Hatteras Venture Partners III	USD		5.3	5.3
BioMedInvest II	CHF		5.4	5.4
Galen Partners V	USD		4.6	4.6
BioMedInvest I	CHF		3.2	3.2
C-Bridge Capital IV	USD		3.8	3.8
BioVeda China	USD		1.8	1.8
Nordic Biotech	DKK		1.1	1.1
Tata Capital Healthcare Fund II	USD		0.3	0.3
LYZZ Capital Fund II	USD		1.8	1.8
Other			1.2	1.2
Total Funds	III		182.8	182.8
Total investments			2,007.2	2,602.6
Cash and other assets less liabilities (net)			21.2	21.2
Net Asset Value			2,028.4	2,623.8
Number of shares (m)			7.0	7.0
NAV per share (CHF)			291.6	377.2
Premium				10%
Target price (CHF)				415.0

As of 03/31/2020 - Source: Kepler Cheuvreux

Note that the “cash less liabilities” item includes among other things the cash available in the fund for new investment (CHF354.6m as of the end of December 2020), as well as CHF100m in bond liabilities (two straight bond tranches, each with a par value of CHF50m and maturing on 10 July 2021 and 10 July 2023 respectively).

Even if we assume no premium to the NAV, the upside at current levels would be 13%.

Table 5: Sensitivity analysis				
Discount/Premium to NAV	-5%	0%	+10%	+15%
Fair value (CHF)	358	377	415	434

Source: Kepler Cheuvreux

Upside to our valuation

Our valuation only includes the potential of public companies based on their target prices. This valuation does not include the potential valuation upside from private companies or funds. Indeed, these investments are valued at their acquisition cost or the price of the last financing round. Hence, their valuation does not change before either an exit or a new financing round.

Moreover, the valuation is based on Cathay Biotech's current value minus a discount of 18% reduced linearly at 0.5% per month from August 2020. At the current and constant valuation of Cathay Biotech for the future, CHF0.6 will be added to our valuation each month.

Investments in private companies represent the hidden value in HBM's portfolio. Before investing in a private company, HBM carefully assesses the potential exit strategy. The main exit for private companies is through an IPO or a trade sale. Due to several successful IPOs of companies coming from the private portfolio during the last two years, and their relatively early stage of development at the time of the IPO, we believe the value-creation potential is still intact.

Valuation table

Market data as of: 12 April 2021

FY to 31/03 (CHF)	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E	03/23E
Per share data (CHF)										
EPS adjusted	40.98	32.58	3.06	19.01	16.40	30.05	26.26	108.25	27.31	31.00
% Change	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	312.2%	-74.8%	13.5%
EPS adjusted and fully diluted	40.98	32.58	3.06	19.01	16.40	30.05	26.26	108.25	27.31	31.00
% Change	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	312.2%	-74.8%	13.5%
EPS reported	40.98	32.58	3.06	19.01	16.40	30.05	26.26	108.25	27.31	31.00
% Change	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	312.2%	-74.8%	13.5%
EPS Consensus									24.63	40.01
Cash flow per share	39.40	30.61	-5.82	16.86	10.45	24.71	17.93	101.09	7.49	22.56
Book value per share	106.68	135.46	135.09	153.51	165.71	187.23	205.56	403.14	439.87	494.61
DPS	3.00	5.50	5.50	5.80	7.00	7.50	7.70	8.07	8.39	8.73
Number of shares, YE (m)	8.6	7.9	7.6	7.1	6.9	7.0	7.0	7.0	7.0	7.0
Nbr of shares, fully diluted, YE (m)	8.6	7.9	7.6	7.1	6.9	7.0	7.0	7.0	7.0	7.0
Share price										
Latest price / year end	75.5	108.0	99.5	111.4	144.0	168.8	190.0	332.5	333.0	333.0
52 week high	80.0	112.5	111.5	113.1	144.0	184.0	253.5	351.0	334.5	
52 week low	49.3	70.3	92.0	92.0	111.3	145.0	154.2	187.0	332.0	
Average price (Year)	64.2	89.1	99.8	100.2	123.6	163.9	197.2	275.9	333.0	333.0
Enterprise value (CHFm)										
Market capitalisation	554.1	706.4	753.3	709.4	857.9	1,140.4	1,371.9	2,316.7	2,316.7	2,316.7
Net financial debt	-46.9	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-579.8	-580.7	-676.9
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	507.2	629.5	737.4	746.0	898.6	1,097.2	1,268.7	1,736.9	1,736.0	1,639.8
Valuation										
P/E adjusted	1.6	2.7	32.6	5.3	7.5	5.5	7.5	3.1	12.2	10.7
P/E adjusted and fully diluted	1.6	2.7	32.6	5.3	7.5	5.5	7.5	3.1	12.2	10.7
P/E consensus									13.5	8.3
P/BV	0.6	0.7	0.7	0.7	0.7	0.9	1.0	0.8	0.8	0.7
P/CF	1.6	2.9	na	5.9	11.8	6.6	11.0	3.3	44.5	14.8
Dividend yield (%)	4.7%	6.2%	5.5%	5.8%	5.7%	4.6%	3.9%	2.4%	2.5%	2.6%
Dividend yield preference shares (%)	4.7%	6.2%	5.5%	5.8%	5.7%	4.6%	3.9%	2.4%	2.5%	2.6%
FCF yield (%)	61.3%	34.4%	-5.8%	16.8%	8.5%	15.1%	9.1%	30.4%	2.2%	6.8%
ROE (%)	46.5%	25.9%	2.2%	12.8%	10.2%	17.0%	13.4%	35.6%	6.5%	6.6%
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)	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E	03/23E
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	0.0	-4.0	-3.5	-3.6	-3.7	-3.8
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	0.0	-4.0	-3.5	-3.6	-3.7	-3.8
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	0.0	-0.3	-2.1	-2.6	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
Associates	353.5	258.6	25.2	137.1	116.2	215.5	188.6	759.1	196.1	221.9
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	353.5	258.4	23.1	134.6	113.8	209.1	182.7	753.1	190.0	215.7
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.	353.5	258.4	23.1	134.6	113.8	209.1	182.7	753.1	190.0	215.7
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	353.5	258.4	23.1	134.6	113.8	209.1	182.7	753.1	190.0	215.7
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	353.5	258.4	23.1	134.6	113.8	209.1	182.7	753.1	190.0	215.7
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit adjusted	353.5	258.4	23.1	134.6	113.8	209.1	182.7	753.1	190.0	215.7
Sales % Change										
EBITDA reported % Change						-chg	+chg	-chg	-chg	-chg
EBITDA adjusted % Change										
EBIT reported % Change						-chg	+chg	-chg	-chg	-chg
EBIT adjusted % Change										
Earnings before tax % Change	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	312.2%	-74.8%	13.5%
Net profit from cont. op. % Change	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	312.2%	-74.8%	13.5%
Net profit reported % Change	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	312.2%	-74.8%	13.5%
Net profit adjusted % Change	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	312.2%	-74.8%	13.5%
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 (%)	7.3%	16.9%	179.8%	30.5%	42.7%	25.0%	29.3%	7.5%	30.7%	28.2%
EPS reported (CHF)	40.98	32.58	3.06	19.01	16.40	30.05	26.26	108.25	27.31	31.00
EPS adjusted (CHF)	40.98	32.58	3.06	19.01	16.40	30.05	26.26	108.25	27.31	31.00
EPS adj and fully diluted (CHF)	40.98	32.58	3.06	19.01	16.40	30.05	26.26	108.25	27.31	31.00
DPS (CHF)	3.00	5.50	5.50	5.80	7.00	7.50	7.70	8.07	8.39	8.73
DPS,preference shares (CHF)	3.00	5.50	5.50	5.80	7.00	7.50	7.70	8.07	8.39	8.73
EPS reported % Change	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	312.2%	-74.8%	13.5%
EPS adjusted % Change	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	312.2%	-74.8%	13.5%
EPS adj and fully diluted % Change	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	312.2%	-74.8%	13.5%
DPS % Change	100.0%	83.3%	0.0%	5.5%	20.7%	7.1%	2.7%	4.8%	4.0%	4.0%
Consensus Sales (CHFm)									0.0	0.0
Consensus EBITDA (CHFm)									172.5	279.5
Consensus EBIT (CHFm)									172.5	279.5
Consensus EPS (CHF)									24.63	40.01
Consensus DPS (CHF)										

Cash flow statement

Market data as of: 12 April 2021

FY to 31/03 (CHF)	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E	03/23E
Net profit before minorities	353.5	258.4	23.1	134.6	113.8	209.1	182.7	753.1	190.0	215.7
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	-13.6	-15.6	-67.1	-15.2	-41.3	-37.1	-58.0	-49.8	-137.9	-58.7
Levered post tax CF before capex	339.9	242.8	-44.0	119.3	72.5	171.9	124.7	703.3	52.1	157.0
% Change	508.8%	-28.6%	-chg	+chg	-39.2%	137.0%	-27.5%	463.9%	-92.6%	201.2%
Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	339.9	242.8	-44.0	119.3	72.5	171.9	124.7	703.3	52.1	157.0
% Change	508.8%	-28.6%	-chg	+chg	-39.2%	137.0%	-27.5%	463.9%	-92.6%	201.2%
Acquisitions	-309.8	-323.3	-395.9	-405.0	-556.5	-534.0	-515.7	0.0	0.0	0.0
Divestments	329.8	461.7	476.5	444.9	661.6	710.8	611.6	536.2	150.9	169.3
Dividend paid	0.0	-23.6	-42.3	-39.2	-40.8	-38.1	0.0	-56.2	-58.4	-60.7
Share buy back	-20.6	-78.9	-35.9	-29.1	-9.9	-6.1	-0.8	0.0	0.0	0.0
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-344.4	-184.8	6.0	14.2	-116.9	-256.3	-263.9	-706.7	-143.6	-169.3
Change in net financial debt	5.2	-93.9	35.6	-105.2	-10.1	-48.3	44.2	-476.6	-0.9	-96.2
Change in cash and cash equiv.	-6.1	93.5	-25.6	104.2	4.2	45.5	-39.7	476.6	0.9	96.2
Attributable FCF	339.9	242.8	-44.0	119.3	72.5	171.9	124.7	703.3	52.1	157.0
Cash flow per share (CHF)	39.40	30.61	-5.82	16.86	10.45	24.71	17.93	101.09	7.49	22.56
% Change	529.1%	-22.3%	-chg	+chg	-38.0%	136.5%	-27.5%	463.9%	-92.6%	201.2%
FCF per share (CHF)	39.40	30.61	-5.82	16.86	10.45	24.71	17.93	101.09	7.49	22.56
% Change	529.1%	-22.3%	-chg	+chg	-38.0%	136.5%	-27.5%	463.9%	-92.6%	201.2%
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 (%)	61.3%	34.4%	-5.8%	16.8%	8.5%	15.1%	9.1%	30.4%	2.2%	6.8%
Unlevered FCF Yield (%)	67.0%	38.6%	-5.7%	16.3%	8.3%	15.9%	10.0%	40.6%	3.1%	9.7%

Balance sheet

FY to 31/03 (CHF)	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E	03/23E
Cash and cash equivalents	46.9	140.4	114.8	219.0	223.2	268.7	229.0	705.6	706.5	802.7
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	0.2	0.4	0.4	0.6	0.2	0.2	0.2	0.2
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	47.1	140.6	115.0	219.4	223.6	269.2	229.2	705.8	706.7	802.9
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	878.6	1,050.6	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	2,240.6	2,492.0	2,774.3
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	878.6	1,050.6	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	2,240.6	2,492.0	2,774.3
Short term debt	0.0	63.5	0.0	156.5	164.6	126.1	26.3	26.3	26.3	26.3
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	1.5	3.1	3.8	3.8	3.0	3.5	3.1	3.1	3.1	3.1
Current liabilities	1.5	66.6	3.8	160.3	167.5	129.6	29.4	29.4	29.4	29.4
Long term debt	0.0	0.0	98.9	99.1	99.2	99.4	99.6	99.6	99.6	99.6
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	3.8	50.4	0.0	0.0	0.0	0.0	17.2	12.9	9.7	7.2
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	3.8	50.4	98.9	99.1	99.2	99.4	116.7	112.4	109.2	106.8
Shareholders' equity	920.3	1,074.2	1,019.9	1,086.9	1,150.5	1,302.6	1,430.1	2,804.6	3,060.2	3,441.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	920.3	1,074.2	1,019.9	1,086.9	1,150.5	1,302.6	1,430.1	2,804.6	3,060.2	3,441.0
Balance sheet total	925.7	1,191.2	1,122.7	1,346.2	1,417.3	1,531.6	1,576.2	2,946.4	3,198.8	3,577.2
% Change	53.8%	28.7%	-5.8%	19.9%	5.3%	8.1%	2.9%	86.9%	8.6%	11.8%
Book value per share (CHF)	106.68	135.46	135.09	153.51	165.71	187.23	205.56	403.14	439.87	494.61
% Change	58.2%	27.0%	-0.3%	13.6%	7.9%	13.0%	9.8%	96.1%	9.1%	12.4%
Net financial debt	-46.9	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-579.8	-580.7	-676.9
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	-46.9	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-579.8	-580.7	-676.9
Net fi. debt (+IFRS16) / EBITDA (x)	na	na	na	na	na	na	na	na	na	na
Trade working capital	0.2	0.2	0.2	0.4	0.4	0.6	0.2	0.2	0.2	0.2
Net working capital	-1.4	-2.9	-3.6	-3.3	-2.5	-2.9	-2.9	-2.9	-2.9	-2.9
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	-1.4	-2.9	-3.6	-3.3	-2.5	-2.9	-2.9	-2.9	-2.9	-2.9
Net fin. debt / FCF (x)	-0.1	-0.3	0.4	0.3	0.6	-0.3	-0.8	-0.8	-11.1	-4.3
Gearing (%)	-5.1%	-7.2%	-1.6%	3.4%	3.5%	-3.3%	-7.2%	-20.7%	-19.0%	-19.7%
Goodwill / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Research ratings and important disclosures

The term "KEPLER CHEUVREUX" shall, unless the context otherwise requires, mean each of KEPLER CHEUVREUX and its affiliates, subsidiaries and related companies (see "Regulators" table below).

The investment recommendation(s) referred to in this report was (were) completed on 12/04/2021 18:03 (GMT) and was first disseminated on 13/04/2021 5:07 (GMT).

Unless otherwise stated, all prices are aligned with the "Market Data date" on the front page of this report.

Disclosure checklist - Potential conflict of interests

Company Name	ISIN	Disclosure
Argenx	NL0010832176	nothing to disclose
BB Biotech	CH0038389992	KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer
HBM Healthcare Investments	CH0012627250	KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer
Nicox	FR0013018124	KEPLER CHEUVREUX is a liquidity provider in relation to price stabilisation activities for the issuer to provide liquidity in such instruments KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer

Organizational and administrative arrangements to avoid and prevent conflicts of interests

KEPLER CHEUVREUX promotes and disseminates independent investment research and have implemented written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research business, which are available upon request. The KEPLER CHEUVREUX research analysts and other staff involved in issuing and disseminating research reports operate independently of KEPLER CHEUVREUX Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of KEPLER CHEUVREUX or clients to ensure that price sensitive information is handled according to applicable laws and regulations.

It is Kepler Cheuvreux' policy not to disclose the rating to the issuer before publication and dissemination. Nevertheless, this document, in whole or in part, and with the exclusion of ratings, target prices and any other information that could lead to determine its valuation, may have been provided to the issuer prior to publication and dissemination, solely with the aim of verifying factual accuracy.

Please refer to www.keplercheuvreux.com for further information relating to research and conflict of interest management.

Analyst disclosures

The functional job title of the person(s) responsible for the recommendations contained in this report is Equity/Credit Research Analyst unless otherwise stated on the cover.

Name of the Research Analyst(s): Arsene Guekam

Regulation AC - Analyst Certification: Each Equity/Credit Research Analyst(s) listed on the front-page of this report, principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the equity research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each Equity/Credit Research Analyst(s) also certifies that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that equity research analyst in this research report.

Each Equity/Credit Research Analyst certifies that he is acting independently and impartially from KEPLER CHEUVREUX shareholders, directors and is not affected by any current or potential conflict of interest that may arise from any KEPLER CHEUVREUX activities.

Analyst Compensation: The research analyst(s) primarily responsible for the preparation of the content of the research report attest that no part of the analyst's(s') compensation was, is or will be, directly or indirectly, related to the specific recommendations expressed by the research analyst(s) in the research report. The research analyst's(s') compensation is, however, determined by the overall economic performance of KEPLER CHEUVREUX.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of KEPLER CHEUVREUX, which is a non-US affiliate and parent company of Kepler Capital Markets, Inc. a SEC registered and FINRA member broker-dealer. Equity/Credit Research Analysts employed by KEPLER CHEUVREUX, are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of Kepler Capital Markets, Inc. and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Research ratings

Rating ratio Kepler Cheuvreux Q4 2020		
Rating Breakdown	A	B
Buy	54%	63%
Hold	34%	27%
Reduce	9%	2%
Not Rated/Under Review/Accept Offer	3%	8%
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
Argenx (EUR)	26/05/2020 08:35	Equity Research	Under Review		146.60
	27/05/2020 08:26	Equity Research	Buy	215.00	190.00
	31/07/2020 07:00	Equity Research	Hold	200.00	202.40
	02/02/2021 08:02	Equity Research	Hold	225.00	263.00
	05/03/2021 08:43	Equity Research	Hold	220.00	253.00
BB Biotech (CHF)	03/02/2021 08:42	Equity Research	Buy	94.00	82.80
HBM Healthcare Investments (CHF)	05/10/2020 07:22	Equity Research	Buy	320.00	268.50

Nicox (EUR) 27/11/2020 12:20 Equity Research Buy 10.00 5.56

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

Please refer to the following link <https://research.keplercheuvreux.com/disclosure/stock/> for a full list of investment recommendations issued over the last 12 months by the author(s) and contributor(s) of this report on any financial instruments.

Equity research

Rating system

KEPLER CHEUVREUX equity research ratings and target prices are issued in absolute terms, not relative to any given benchmark. A rating on a stock is set after assessing the twelve months expected upside or downside of the stock derived from the analyst's fair value (target price) and in the light of the risk profile of the company. Ratings are defined as follows:

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.

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

Under review: An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

Not rated: The stock is not covered.

Restricted: A recommendation, target price and/or financial forecast is not disclosed further to compliance and/or other regulatory considerations.

Due to share prices volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

Valuation methodology and risks

Unless otherwise stated in this report, target prices and investment recommendations are determined based on fundamental research methodologies and relies on commonly used valuation methodologies such as Discounted Cash Flow (DCF), valuation multiples comparison with history and peers, Dividend Discount Model (DDM).

Valuation methodologies and models can be highly dependent on macroeconomic factors (such as the price of commodities, exchange rates and interest rates) as well as other external factors including taxation, regulation and geopolitical changes (such as tax policy changes, strikes or war). In addition, investors' confidence and market sentiment can affect the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe.

Unless otherwise stated, models used are proprietary. Additional information about the proprietary models used in this report is accessible on request.

KEPLER CHEUVREUX' equity research policy is to update research rating when it deems appropriate in the light of new findings, markets development and any relevant information that can impact the analyst's view and opinion.

Regulators

Location	Regulator	Abbreviation
KEPLER CHEUVREUX S.A - France	Autorité des Marchés Financiers	AMF
KEPLER CHEUVREUX, Madrid branch	Comisión Nacional del Mercado de Valores	CNMV
KEPLER CHEUVREUX, Frankfurt branch	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
KEPLER CHEUVREUX, Milan branch	Commissione Nazionale per le Società e la Borsa	CONSOB
KEPLER CHEUVREUX, Amsterdam branch	Autoriteit Financiële Markten	AFM
KEPLER CHEUVREUX (Switzerland) SA, Zurich branch	Swiss Financial Market Supervisory Authority	FINMA
KEPLER CAPITAL MARKETS, Inc.	Financial Industry Regulatory Authority	FINRA
KEPLER CHEUVREUX, London branch	Financial Conduct Authority	FCA
KEPLER CHEUVREUX, Vienna branch	Austrian Financial Services Authority	FMA
KEPLER CHEUVREUX, Stockholm branch	Finansinspektionen	FI
KEPLER CHEUVREUX Oslo branch	Finanstilsynet	NFSA
KEPLER CHEUVREUX, Bruxelles branch	Autorité des Services et Marchés Financiers	FSMA

KEPLER CHEUVREUX is authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers.

Legal and disclosure information

Other disclosures

This product is not for distribution to retail clients.

MIFID 2 WARNING: We remind you that pursuant to MiFID 2, it is your responsibility, as a recipient of this research document, to determine whether or not your firm is impacted by the provisions of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID 2") regarding the unbundling of research and execution (the "MiFID 2 Research Rules"). For any request on the provision of research documents, please send an email to crystal.team@keplercheuvreux.com.

The information contained in this publication was obtained from various publicly available sources believed to be reliable, but has not been independently verified by KEPLER CHEUVREUX. KEPLER CHEUVREUX does not warrant the completeness or accuracy of such information and does not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law.

This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request.

This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction.

Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this report and are subject to change without notice. KEPLER CHEUVREUX has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The analysis, opinions, projections, forecasts and estimates expressed in this report were in no way affected or influenced by the issuer. The author of this publication benefits financially from the overall success of KEPLER CHEUVREUX.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and KEPLER CHEUVREUX accepts no liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Consequently it may be difficult to sell or realise such investments. The past is not necessarily a guide to future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk.

To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.

Country and region disclosures

United Kingdom: This document is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Articles 19(5) (Investment professionals) and 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Any investment to which this document relates is available only to such persons, and other classes of person should not rely on this document.

United States: This communication is only intended for, and will only be distributed to, persons residing in any jurisdictions where such distribution or availability would not be contrary to local law or regulation. This communication must not be acted upon or relied on by persons in any jurisdiction other than in accordance with local law or regulation and where such person is an investment professional with the requisite sophistication to understand an investment in such securities of the type communicated and assume the risks associated therewith.

This communication is confidential and is intended solely for the addressee. It is not to be forwarded to any other person or copied without the permission of the sender. This communication is provided for information only. It is not a personal recommendation or an offer to sell or a solicitation to buy the securities mentioned. Investors should obtain independent professional advice before making an investment.

Notice to U.S. Investors: This material is not for distribution in the United States, except to "major US institutional investors" as defined in SEC Rule 15a-6 ("Rule 15a-6"). KEPLER CHEUVREUX has entered into a 15a-6 Agreement with Kepler Capital Markets, Inc. ("KCM, Inc.") which enables this report to be furnished to certain U.S. recipients in reliance on Rule 15a-6 through KCM, Inc.

Each U.S. recipient of this report represents and agrees, by virtue of its acceptance thereof, that it is a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this report that wishes to discuss or receive additional information regarding any security or issuer mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of KCM, Inc.

KCM, Inc. is a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the U.S. Securities Exchange Act of 1934, as amended, Member of the Financial Industry Regulatory Authority ("FINRA") and Member of the Securities Investor Protection Corporation ("SIPC"). Pursuant to SEC Rule 15a-6, you must contact a Registered Representative of KCM, Inc. if you are seeking to execute a transaction in the securities discussed in this report. You can reach KCM, Inc. at Tower 49, 12 East 49th Street, Floor 36, New York, NY 10017, Compliance Department (212) 710-7625; Operations Department (212) 710-7606; Trading Desk (212) 710-7602. Further information is also available at www.keplercheuvreux.com. You may obtain information about SIPC, including the SIPC brochure, by contacting SIPC directly at 202-371-8300; website: <http://www.sipc.org/>.

KCM, Inc. is a wholly owned subsidiary of KEPLER CHEUVREUX. KEPLER CHEUVREUX, registered on the Paris Register of Companies with the number 413 064 841 (1997 B 10253), whose registered office is located at 112 avenue Kléber, 75016 Paris, is authorised and regulated by both Autorité de Contrôle Prudentiel (ACP) and Autorité des Marchés Financiers (AMF).

Nothing herein excludes or restricts any duty or liability to a customer that KCM, Inc. may have under applicable law. Investment products provided by or through KCM, Inc. are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution, may lose value and are not guaranteed by the entity that published the research as disclosed on the front page and are not guaranteed by KCM, Inc.

Investing in non-U.S. Securities may entail certain risks. The securities referred to in this report and non-U.S. issuers may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Securities discussed herein may be rated below investment grade and should therefore only be considered for inclusion in accounts qualified for speculative investment.

Analysts employed by KEPLER CHEUVREUX SA, a non-U.S. broker-dealer, are not required to take the FINRA analyst exam. The information contained in this report is intended solely for certain "major U.S. institutional investors" and may not be used or relied upon by any other person for any purpose. Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. The investment opportunities discussed in this report may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position.

In jurisdictions where KCM, Inc. is not registered or licensed to trade in securities, or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

The information in this publication is based on sources believed to be reliable, but KCM, Inc. does not make any representation with respect to its completeness or accuracy. All opinions expressed herein reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

KCM, Inc. and/or its affiliates may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. These publications reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance.

KCM, Inc. and any company affiliated with it may, with respect to any securities discussed herein: (a) take a long or short position and buy or sell such securities; (b) act as investment and/or commercial bankers for issuers of such securities; (c) act as market makers for such securities; (d) serve on the board of any issuer of such securities; and (e) act as paid consultant or advisor to any issuer. The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

France: This publication is issued and distributed in accordance with legal or regulatory requirements relating to independent investment research, as defined under Article 36 of the EU delegated regulation n°565/2017.

Germany: This report must not be distributed to persons who are retail clients in the meaning of Sec. 31a para. 3 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"). This report may be amended, supplemented or updated in such manner and as frequently as the author deems.

Italy: This document is issued by KEPLER CHEUVREUX Milan branch, authorised in France by the Autorité des Marchés Financiers (AMF) and the Autorité de Contrôle Prudentiel (ACP) and registered in Italy by the Commissione Nazionale per le Società e la Borsa (CONSOB) and is distributed by KEPLER CHEUVREUX. This document is for Eligible Counterparties or Professional Clients only as defined by the CONSOB Regulation 16190/2007 (art. 26 and art. 58). Other classes of persons should not rely on this document. Reports on issuers of financial instruments listed by Article 180, paragraph 1, letter a) of the Italian Consolidated Act on Financial Services (Legislative Decree No. 58 of 24/2/1998, as amended from time to time) must comply with the requirements envisaged by articles 69 to 69-novies of CONSOB Regulation 11971/1999. According to these provisions KEPLER CHEUVREUX warns on the significant interests of KEPLER CHEUVREUX indicated in Annex 1 hereof, confirms that there are not significant financial interests of KEPLER CHEUVREUX in relation to the securities object of this report as well as other circumstance or relationship with the issuer of the securities object of this report (including but not limited to conflict of interest, significant shareholdings held in or by the issuer and other significant interests held by KEPLER CHEUVREUX or other entities controlling or subject to control by KEPLER CHEUVREUX in relation to the issuer which may affect the impartiality of this document). Equities discussed herein are covered on a continuous basis with regular reports at results release. Reports are released on the date shown on cover and distributed via print and email. KEPLER CHEUVREUX branch di Milano analysts is not affiliated with any professional groups or organisations. All estimates are by KEPLER CHEUVREUX unless otherwise stated.

Spain: This document is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of Article 78bis and Article 78ter of the Spanish Securities Market Act. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This report has been issued by KEPLER CHEUVREUX Succursal en España registered in Spain by the Comisión Nacional del Mercado de Valores (CNMV) in the foreign investments firms registry and it has been distributed in Spain by it or by KEPLER CHEUVREUX authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers. There is no obligation to either register or file any report or any supplemental documentation or information with the CNMV. In accordance with the Spanish Securities Market Law (Ley del Mercado de Valores), there is no need for the CNMV to verify, authorise or carry out a compliance review of this document or related documentation, and no information needs to be provided.

Switzerland: This publication is intended to be distributed to professional investors in circumstances such that there is no public offer. This publication does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations.

Canada: This document is for information and marketing purposes only. The information contained herein is not, and under no circumstances to be construed as, a prospectus, an offering memorandum, an advertisement, a public offering, an offer to sell securities, or a solicitation of an offer to buy securities, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators under applicable Canadian securities laws in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein.

Pursuant to a research distribution agreement between Kepler Cheuvreux and CIBC World Markets Inc. ("CIBC"), CIBC distributes Kepler Cheuvreux equity research to Canadian clients of CIBC. This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 –Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada ("IIROC"). KEPLER CHEUVREUX is authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers ("AMF"). If this research report had been prepared in compliance with IIROC's requirements it would require disclosure if the IIROC regulated dealer and its affiliates collectively beneficially owned 1% or more of any class of equity securities issued by the company covered in this research report. Under AMF requirements disclosure is only required for major shareholdings by the AMF regulated dealer or any of its affiliates, including at least shareholdings exceeding 5% of the total issued share capital of the company covered in this research report.

Other countries: Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly.

None of the material, nor its content may be altered in anyway, transmitted to, copied or distributed to any other party, in whole or in part, unless otherwise agreed with KEPLER CHEUVREUX in writing.

Copyright © KEPLER CHEUVREUX. All rights reserved.

Pharma & biotech Research Team**Arsene Guekam****Main author**aguekam@keplercheuvreux.com
+33 1 70 81 57 56

Arsene Guekam is a Senior Equity Research Analyst specialising in healthcare and biotech/medtech. He joined Kepler Cheuvreux in November 2015. Previously, he spent eleven years at CM-CIC Securities as the Head of the European Pharma/Biotech Research Team, more than two years at Oddo MidCap and three years at Natexis covering both large and small caps as well as biotechs. Arsene Guekam began his career in various public institutes and in R&D at Sanofi. He graduated from Pharmaceutical studies and from EM Lyon, where he obtained a master's degree in Finance.

**David Evans****Co-head**devans@keplercheuvreux.com
+44 (0) 207 621 5197**Tom Bedford****Specialist Sales****Paul de Froment**pdefroment@keplercheuvreux.com
+33 1 53 65 36 60**Pierre-Alexandre Desir**padesir@keplercheuvreux.com
+33 1 70 81 57 61**Daan Vandenberg, CFA**dvandenberg@keplercheuvreux.com
+32 11 49 1462**Arsene Guekam****Co-head**aguekam@keplercheuvreux.com
+33 1 70 81 57 56**Damien Choplain**dchoplain@keplercheuvreux.com
+33 1 53 65 35 22**Pablo de Renteria**prenteria@keplercheuvreux.com
+34 91 436 5221**Dariusz Ubik**dubik@keplercheuvreux.com
+44 (0) 207 621 5129**Local insight,
European scale.****Europe****Amsterdam**
+31 20 573 06 66**Geneva**
+41 22361 5151**Milan**
+39 02 8550 7201**Stockholm**
+468 723 51 00**New York**
+1 212 710 7600**Brussels**
+32 11 491460**London**
+44 20 7621 5100**Oslo**
+47 23 13 9080**Vienna**
+43 1 537 124 147**Frankfurt**
+49 69 756 960**Madrid**
+34 914 36 5100**Paris**
+33 1 53 65 35 00**Zurich**
+41 43 333 66 66**North America**