COMPANIES MENTIONED

Company	Price	TP	Rec
HBM Healthcare Investments #	CHF189.60	CHF0.00	Outperform

Source: LSEG Data & Analytics

Priced on (07/10/2025)

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HEALTHCARE & LIFE SCIENCES

Sector mood music at HBM's conference (US and EU Biopharma)

- HBM's Biopharma conference – Nearly 40 companies presented, and we relay some high-level sector messages and focus on a few companies.
- Drug pricing – The most discussed 'geopolitical' topic. We heard it may not be as bad as it seems (as the recent deals with Trump show).
- Biotech clouds lifting – After 3.5 years of depressed valuations, investor disengagement and closed capital markets, are things finally improving?

Aside from some commentary on HBM Healthcare#, we also review presentations from Novartis, Teva, OM Pharma, Kura Oncology and Neurelis, as well as Trump's most-favoured nation policy.

Biopharma temperature check. We were pleased to attend HBM Healthcare's# Biopharma conference, 21-23 September, in Zurich. There were some 40 companies there – large and small, listed and private – across the BioPharma continuum (from the EU and US), as well as some other market participants (eg specialist Investment Banking and Law firms). We provide a high-level summary of the topics under discussion, then dig into some of the specific companies and presentations that we found most interesting.

Those sessions that we cover here include:

- **US Pricing & 'Most Favoured Nation' | Novartis | Teva | OM Pharma | Kura Oncology | Neurelis**

However, if you would like to hear our take on the following companies (which we also heard from), please get in touch:

- Pharvardis | Molecular Partners | Sobi | ADARx | Cartesian Therapeutics | Denali | Swixx | Fore Biotherapeutics | Karius | Ignis Therapeutics | Nikang Therapeutics | ALX Oncology | Bioinvent | Dren Bio | Alumnis | Basilea | Fangzhou | Abivax | Perspective Therapeutics | Monte Rosa Therapeutics | Biohaven | Neuron23 | Orano Med | Mineralys Therapeutics

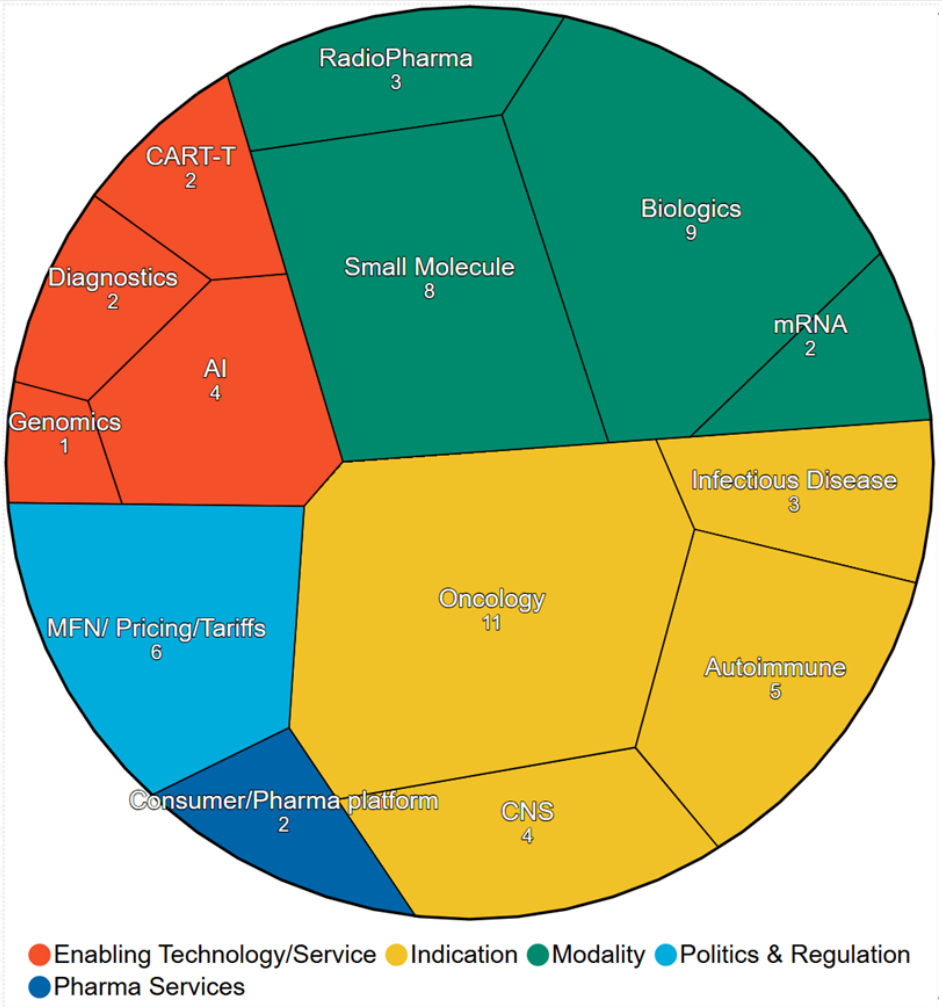
Biotech on the turn? Pharma has had a tough few years. One executive at the conference remarked that Pharma is at its lowest for 30 years. Biotech have had it harder (valuations pinned to future cash flows, etc), but there are signs the tide might be turning. We show that the Biotech indices might have turned a corner and that the pool of Biotech trading at less than cash is shrinking quickly.

Who is HBM? HBM Healthcare Investments# (HBMN) is a Swiss investment company specializing in healthcare and life sciences. It manages c.CHF1.9bn in assets, with a global portfolio of emerging biotech, pharmaceutical, medical technology, and health-tech companies. We provide some detail herein.

Select presentations from HBM's Biopharma conference (21-23 Sept)

HBM published a short presentation after the conference, and later in this report we give some high-level details about the company, but we first focus on the presentation we found most interesting (we summarise six) and give an overview of the topics discussed.

Figure 1: Topics and themes covered in the 30+ presentations we attended



Source: Peel Hunt

1. US Pricing and MFN – Meenakshi Datta, global co-leader of the Healthcare practice at leading global law firm Sidley Austin.

Prior to the **announcement from the Trump administration** on Thursday 25 September, when the White House seemingly attempted to **bring all the existing/outstanding policy risks together**, there were already a number of issues that BioPharma was 'digesting'. These include **Biden's IRA** (set to impose pricing limits on blockbuster drugs, by allowing Medicare to negotiate directly on drug pricing); **Trumps' 2025 tariff agenda** (to motivate onshoring of manufacturing); and **the Section 232 investigation**, launched in April 2025 (that spawned into '**most-favoured nation** [MFN2] pricing of drugs'). On top of all this policy risk (or potentially as a lever to get Pharma companies moving on the above items), the US administration has now, just after the HBM Biopharma summit closed, announced that it intends to impose **a 100% tariff on branded or patented drugs** on 1 October, unless the companies have their manufacturing hubs in the US 'under development'.

However, during the conference, there was already much to consider on the policy/pricing front, and Meenakshi – who is responsible for all things related to **regulation, pricing and general litigation for mid-size and large Biotech and Pharma** clients at Sidley Austin – gave us the benefit of her experience, not least the defeat that she and her colleagues delivered to Donald Trump's first attempt at MFN, before the Biden administration later rescinded the policy.

- **Lessons from MFN1** (during Trump's first term as president (2017-21), could provide some valuable insight as to how to address MFN2 and what might be coming next. "*The details do matter*".

- MFN1 tells us that Part B (services from doctors, outpatient care, home health, medical supplies and some preventative services) and Part D (prescription drug coverage via private insurance plans) of Medicare were targeted by the first Trump administration. Here the administration sought, similarly to this latest attempt at MFN, to **achieve the lowest price point for drugs sold in the US** market, as benchmarked by peer countries, after adjusting for volume and GDP growth/scale.

- Under MFN1, the proposed level to identify 'peer' countries for pricing, was set **at 60% of US GDP per capita** (as was MFN2). This includes many European countries (ditto). However, figuring out which drugs are to be covered and obtaining reference pricing for these items (across multiple countries) was not easy, and required **the IQVIA dataset**. This means that IQVIA might be in an important position again.

- This proposal in 3Q20 was **quickly followed by regulatory action from the administration**. This was defeated, because the US administration exceeded the statutes on what was allowed under the executive order (as determined by the courts) and **violated the Administrative Procedure Act (ACA)**.

- In order to blunt the effect of MFN1 for US companies, to provide **a transition period for Pharma**, there was a proposed flat, **inflation-adjusted, 6.1% per dose 'add-on payment'** on the prior year's average net selling price (ASP), which was due to come into effect immediately after the implementation of MFN1.

- However, **MFN1 was blocked** some three days before enactment. This defeat was possible because the proposal was intended to be tested as a demonstration model under the Affordable Care Act. **Litigators argued that such a demonstration product should 'test' the pricing model first**, and that one cannot claim to be 'testing' something through rolling out a policy, such as MFN1, nationally. Typically, these periods of testing involve a phase 1 and 2 trial (with a smaller group of stakeholders).

- In addition to the challenges of MFN2, Pharma companies (and the US administration) have also **yet to resolve the IRA policy from the Biden era**. This legislation has seen a dozen lawsuits filed, and these are still pending, potentially reaching the courts in the Autumn of 2026. If there is no progress beforehand, they are set to come into effect on 1 January 2026, with **selected high-cost drugs becoming subject to Medicare price negotiation** for the first time,.

- The general thinking is that **if enough is done** on pricing and federated budgets, such that a political victory can be claimed, **MFN2 might not actually move forward** (as we are potentially seeing with **Pfizer's agreement** with the Trump administration – it now **exempt from tariffs for three years**).

2. Novartis (NVS) – Swiss Pharmaceutical leader, public (c.$260bn market cap)

- **Global Pharma giant – Novartis AG** is a publicly traded pharmaceutical company based in Basel, Switzerland, with a market capitalization around **$260bn**. Formed from the merger of Ciba-Geigy and Sandoz, it is one of the world's largest drugmakers. Novartis focuses on innovative medicines across multiple therapeutic areas and reported **$50.3bn** in 2024 revenues (FY25E $55bn). Novartis spun off its generics unit **Sandoz** in 2023, sharpening its focus on innovation and branded drugs.

- **Industry-leading pipeline and platforms** – Novartis boasts one of the industry's **strongest pipelines**, spanning five core therapeutic areas – **Cardiovascular, Renal, Immunology, Neuroscience, Oncology, and Haematology**. Notably, it is advancing therapies in **targeted protein degradation**, **cell and gene therapy**, **radioligand therapy** (targeted radiation delivery) and **RNA**. Few peers can match the breadth and depth of Novartis's pipeline, which includes over 100 assets in clinical development.

- **Addressable markets and strategy** – Novartis targets large and high-value markets. For example, its immunology franchise (eg Cosentyx for psoriasis/arthritis) addresses **multi-billion-dollar markets** in autoimmune disease, and its oncology portfolio (including targeted therapies and cell therapies) serves the huge global cancer market. This strategy of **portfolio focus and targeted acquisitions** is aimed at boosting pipeline quality and addressing large unmet needs (eg chronic kidney disease, heart failure, cancers).

- **Recent developments** – Recent news include the **successful spin-off of Sandoz (October 2023)** and eye-care unit Alcon in 2019, to double down on innovative medicines. It is also active in bolt-on acquisitions – eg in 2023 Novartis acquired **Chinook Therapeutics** for c.$3.5bn to gain a promising kidney-disease drug, and most recently in September 2025 proposed the acquisition of **Tourmaline Bio** for c.$1.4bn to supplement its cardiovascular pipeline. Novartis is launching new blockbuster contenders such as **Kisqali** (for early-stage breast cancer, after first launching for breast cancer in 2017) and **Leqvio** (an siRNA therapy called inclisiran, for lowering low-density lipoprotein cholesterol), and reported strong uptake of new products in 2024-25. It has also **raised its FY25 profit forecast** in July on the back of these growth drivers, moving operating income from low double-digit to "*low teens*" growth.

- **Ambitions and current environment** – Aharon (Ronny) Gal, **chief strategy and growth officer**:

    - The group aims to **grow above the wider industry** level of 4% (3% stripping out the impact of GLP-1s/obesity medications).

    - **China is an increasing source of innovations,** having done a great job in engaging local/regional hospitals for clinical trials.

    - Novartis considers **Pharma is sitting at its lowest point** for 30 years in valuations terms, and Biotechs have had it especially hard.

    - When it comes to partnering, the biggest challenge for Pharma is not cash, but rather finding assets where the **data is both**

promising and comprehensive. However, Novartis has been very busy in 2025 assessing assets and has done 33 deals in two years, worth some $55bn.

- Three features that Novartis looks for in partners are: i) **data quality**; ii) **trust** in management; and iii) the desire to **share risk** (for clinical asset development) with Novartis.

- The current macro environment, **with capital markets essentially shut** to Biotechs, is seeing more Biotechs willing to risk-share, with deals often including less upfront payment and **more contingent consideration** (following clinical development milestones). However, it is "***never a buyer's market for a good asset***".

3. Teva Pharmaceutical Industries (TEVA) – Generic drug titan under transformation (public, c.$18bn market cap)

- **Global generics leader** – **Teva** is a public company based in Israel (headquartered in Tel Aviv), known as the world's largest generic medicines manufacturer. It has a market capitalization of **c.$18bn**. Teva's core offering is **generic drugs** – lower-cost versions of branded pharmaceuticals – with a portfolio of over 3,500 products covering nearly every therapeutic area. In addition, Teva markets select **specialty medicines**, including innovative drugs for central nervous system and respiratory conditions. After a period of crisis in the late 2010s (due to heavy debt and legal troubles), Teva has been executing a multi-year turnaround ('Pivot to Growth' strategy) under new leadership (CEO Richard Francis), and is now showing a return to growth. To us, Teva stands out as an interesting hybrid – a cash-generative generics giant with some upside from proprietary products.

- **Revenue and profitability trends** – Teva generated **$16.5bn in revenue in 2024**, up 6% YoY at CER, the second consecutive year of growth. Adjusted EBITDA was $4.8bn (an impressive 29% margin), reflecting improved operational efficiency. This growth is driven partly by **booming generic drug sales** – eg US generics revenue grew 30% in 3Q24, with the launch of key generics and biosimilars. Teva's high-margin specialty products also contribute: **Austedo** (for tardive dyskinesia and Huntington's disease) reached **$1.7bn in 2024 sales (+36%)**, and migraine injection **Ajovy** exceeded **$500m (+18%)**. The company's cost-cutting and debt reduction initiatives have stabilized its finances – net debt is down from c.5x EBITDA a few years ago to c.3x. Although GAAP profitability is still impacted by one-time charges (eg a small operating loss in 4Q24 due to a write-down), on an adjusted basis Teva is solidly profitable and generating over $2bn in annual free cash flow. Importantly, Teva has **resolved major legal uncertainties** – in 2023 it finalized a nationwide settlement of US opioid litigation (agreeing to pay c.$4.25bn over 13 years and provide opioid reversal medication Narcan), removing a significant overhang on its financial outlook. Recent financials (eg the 2Q25 statement) describe a "*stable generics platform*", with a growing innovative portfolio fuelling growth. Company guidance is that it remains on track to deliver a 30% operating profit margin by 2027.

- **Portfolio strength and pipeline** – Teva's strength lies in its **unmatched generics platform**: it supplies medicines to 200 million people daily and has one of the industry's largest portfolios. While generics face pricing pressure, Teva is focusing on **higher-value generics and biosimilars** (generic versions of biologic drugs) to

bolster margins, whilst investing cautiously in the development pipeline: the 'pivot to growth'. In the relatively modest development pipeline, as Teva undergoes this drive to become a BioPharma company rather than just be seen as a Generics manufacture, there is a focus on 'derisked' phase 2 and phase 3 assets. Notably, Teva is codeveloping an anti-TL1A biologic (**PF-06480605, TEV-574 or Duvakitug**) for ulcerative colitis with Sanofi, aiming to enter the advanced anti-inflammatory market with a targeted submission of 2029 (currently in Phase 2).

- **Recent developments and strategy shifts** – In 2023-25, Teva's narrative has been about *recovery and strategic focus*. **CEO Richard Francis** described Teva's **pivot to growth**, aiming for modest top-line growth after years of decline.
    - **A shift toward innovation** – Teva is pursuing more R&D in areas synergistic with its portfolio (for instance, leveraging its neurologic disease expertise to develop new CNS drugs).
    - The company's **strategy is cautious, given a relatively limited R&D budget** in comparison to large Pharma; partnerships (like the Sanofi immunology alliance) are key. The CEO also stressed that **a good strategy also requires patience**, commitment and time – this needs to be seen through "*otherwise it will be expensive*" [to reverse course].
    - Teva, therefore, aims to **do R&D differently** – in contrast to the traditional 'R&D' it focuses on **'D&r',** concentrating on derisked assets and a more 'risk-averse' approach. This is not to say Teva cannot leverage areas where it is a world leader, such as in **antibody engineering**. "*Teva aren't going to be explorers; the assets have to be* ***proven pathways***".
    - In addition, the CEO is not a believer that it should take 3-4 years of R&D spend to complete **a Phase 3 trial – the limiting step is often patient recruitment,** so the faster you can do this, the cheaper the Phase 3 trial should be. **China is a good example**, being capital efficient through its speed of clinical trial recruitment.
    - The Generics divisions keep Teva's thinking about R&D (or D&r) grounded, as they know how productive that side of the business needs to be to deliver free cash flow (eg the group have worked hard to get **net working capital down to just 3% of revenues**). However, internally, they think of the **Generics segment of the business as the 'VC fund'** to develop growth products with billion dollar end markets.

4. OM Pharma – Swiss Biopharma (private, valuation c.$500m) focused on Immunotherapeutics

- **Independent Swiss Biotech** – **OM Pharma** is a private biopharmaceutical company based in Geneva, Switzerland, specializing in immunological therapies. Founded in 1937, it was formerly part of Vifor Pharma, but was **carved out in 2020,** when Vifor sold 100% of OM Pharma to a Swiss investor group (Optimus Holding) for **CHF435 m upfront** (with earn-outs that could bring the deal above CHF500m). This transaction effectively valued OM Pharma at roughly **$480-550m**. The company is now committed to investing in R&D to transform OM Pharma into a global biotech player focused on respiratory and inflammatory diseases. Today, OM Pharma has a global footprint,

operating in 100 countries with four products and over $350m in annual sales. Competitors are few; some European and Asian firms have similar products (eg **IRS-19** nasal bacterial lysate, or **Luivac** for ENT infections), but none have OM Pharma's geographic reach or data breadth. OM Pharma is also engaging in partnerships – eg with AstraZeneca to distribute Broncho-Vaxom in China, a validation of the product's potential in major markets.

- **Core offerings and products** – OM Pharma's core business is in **'microbial immunotherapeutics':** medicines derived from bacterial extracts (bacterial lysate manufacturing) that modulate the immune system to prevent or treat certain infections. Its flagship product is **Broncho-Vaxom (OM-85)**, an oral capsule made from lysates of bacteria, which helps prevent recurrent respiratory tract infections by stimulating immune defences. In other words, this approach works like an oral vaccine: exposing the body to bacterial components to 'train' the immune system to fight respiratory pathogens, reducing the frequency of colds, bronchitis, etc. Without proper stimulation of the immune system, which we often see in modern lifestyles, there is **a rise in occurrence of respiratory and infectious diseases,** which, in turn, leads to **greater use of antibiotics** and subsequently **antibiotic immunity** (dulling our ability to control serious infections). This is often described as the '**farm effect**' – ie expose people to pathogens earlier in life to deliver healthier lives.

- **Broncho-Vaxom** is a well-established product internationally, marketed in **over 60 countries** for prophylaxis of bronchopulmonary infections, though it is not yet approved in the US. Another key product is **Uro-Vaxom**, a similar bacterial lysate approach for preventing recurrent urinary tract infections. OM Pharma also markets some vascular and metabolic drugs, notably **Doxium (calcium dobesilate)** for diabetic retinopathy and chronic venous insufficiency. These mature products give OM Pharma a steady revenue base.

- **Pipeline and R&D direction** – OM Pharma is leveraging decades of clinical experience with its bacterial lysate products to expand their use. A major R&D initiative is to **validate Broncho-Vaxom (OM-85) in new indications and geographies**. For instance, Broncho-Vaxom is being investigated for **allergic asthma** in children (to see if early immune training can reduce asthma attacks), and OM Pharma has **filed an IND in the US** to start clinical trials of OM-85, aiming for eventual FDA approval. If successful, this could unlock the large US market, where there is interest in non-antibiotic approaches to preventing infections (especially as antibiotic resistance rises). Important upcoming milestones include possible **clinical trial readouts for Broncho-Vaxom in new indications** (such as a Phase II in wheezing in 1Q26 or US Phase I study safety results).

- In essence, OM Pharma is an interesting case of an **established yet rejuvenated company**: it has the stability of a long-marketed product portfolio and the excitement of a renewed R&D push. For investors, it offers exposure to the theme of **preventative immunotherapy and antimicrobial resistance mitigation**, with a decades-long track record behind it. The challenges for the company are in reimbursement – it is **harder to get properly paid in preventative medicine,** so market access is key. Payment is often 'out of pocket' (direct from patients), but the company is targeting reimbursement mechanisms as part of its strategy.

5. Kura Oncology (KURA) – Precision oncology Biotech (public c.$0.85bn market cap)

- **Clinical stage oncology Biotech – Kura Oncology** is a NASDAQ-listed cancer therapeutics company based in San Diego, California, with a market capitalization of c.**$850m** (October 2025). Founded in 2014, Kura focuses on drugs targeting specific genetic or molecular drivers of tumours. The company has raised significant funding through public offerings and private placements, including a PIPE in January 2024 for $150m and a $200m post-IPO equity round (estimated c.$650m in total). Kura is in late clinical stages with its lead programs, and after seeing collaboration/partnership revenues starting in FY24A ($53.9m from Kyowa Kirin to commercialise ziftomenib in acute leukaemias in the US), it now has cash of c.$631m (June 2025).

- **Pipeline and mechanisms of action** – Kura has two major clinical programmes (one with one asset and another with two assets), each targeting a distinct cancer mechanism:

    - **Ziftomenib (KO-539)** – a novel *menin inhibitor* for acute myeloid leukaemia (**AML**). *Menin* is a protein that helps regulate gene expression; in some leukaemias (particularly those with an **NPM1 mutation or an MLL (KMT2A) gene rearrangement**) menin abnormally locks leukaemia cells in an immature state. Ziftomenib blocks menin, thereby reactivating normal differentiation of the leukaemia cells, leading them to die off. This is a highly targeted mechanism addressing a specific molecular subset of AML. **Ziftomenib has shown promising early results** in relapsed/refractory AML, and notably is **the only menin inhibitor to have received FDA breakthrough therapy designation** (BTD) for NPM1-mutated AML. Importantly, in **2025 Kura launched a pivotal Phase 3 trial (KOMET-017)** testing ziftomenib in *newly diagnosed* (front line) AML patients with NPM1 mutations or KMT2A rearrangements. This trial is combining ziftomenib with standard chemotherapy in front-line AML, aiming to improve remission rates and survival. By targeting patients with those genetic lesions, Kura estimates the drug could address up to **half of AML cases**. Ziftomenib's mechanism (menin inhibition) is also being explored by competitors (eg Syndax's revumenib), but Kura's program is among the furthest along, and Kura is unique in moving rapidly to first-line treatment and combination therapy.

    - **Farnesyl Transferase Inhibitors** – Kura's second focus is on *farnesyl transferase inhibitors (FTIs)*, a class of drugs that block a key enzyme needed for the proper function of certain oncogenes like RAS. **Tipifarnib** is an older FTI that Kura repurposed to target tumours with HRAS mutations (eg a subset of head and neck cancers). It showed efficacy in that niche, but Kura also has a next-generation FTI (KO-2806) under development, with potentially broader activity and better tolerability. The FTI approach aims to hit the RAS signalling pathway – *farnesyl transferase* attaches a lipid to proteins like HRAS, and blocking it can cripple mutant RAS oncogenes. While FTIs had a checkered past in broader cancer trials, Kura identified specific contexts where they work (like HRAS mutant **head and neck squamous cell carcinoma**). Tipifarnib achieved durable responses in some patients with that rare mutation, establishing proof of concept. Kura's KO-2806 (now

in Phase 1) is designed to be more potent and potentially combine with other treatments to overcome resistance mechanisms in solid tumours. So Kura is effectively *pioneering a revival of FTI therapy in precision oncology*. This complements the menin program: one addresses blood cancers with an epigenetic target, the other addresses certain solid tumours with a signalling target.

- **Recent progress and clinical results** – Kura initiated **multiple new trials in 2024-25**: the flagship **KOMET-007** study combining ziftomenib with the FLT3 inhibitor quizartinib in newly diagnosed AML (in collaboration with Kyowa Kirin), and the **KOMET-017 Phase 3** in front-line therapy as mentioned. The **first patient was dosed in KOMET-017 in Sept 2025**, an important milestone towards potential registration. These moves show Kura's determination to **integrate menin inhibition earlier in treatment**, which could make ziftomenib part of standard care if outcomes improve. On the FTI side, Kura reported clinical benefit with tipifarnib in certain HRAS-mutant tumours, and in December 2022 it dosed the **first patient in a Phase 1 trial of KO-2806** (next-gen FTI), which has yet to read out safety data. This FTI program is somewhat in the shadow of the menin program, but it provides a **second platform for value creation** (even a small niche approval in HRAS mutant cancer could be meaningful for a company Kura's size).

- **Upcoming catalysts and milestones** – The next 12-18 months are critical for Kura. A major catalyst should be **interim data from the KOMET-007 or KOMET-017 trials** in AML; for example, if combination of ziftomenib + chemo shows high remission rates or measurable residual disease (MRD) clearance, it could position Kura to file for accelerated approval. Kura is also expected to open a **phase 2 trial of ziftomenib in paediatric leukaemias**. The FDA has been flexible; notably, regulators allowed Kura's Phase 3 design to use **MRD-negative remission as a primary endpoint for accelerated approval**, which is "*groundbreaking*" and could **speed up time to market if achieved**. Investors should also watch for any **partnership deals** – Kura has so far inked one, but could do more. Finally, *regulatory interactions* are on the horizon – if Phase 2 data in relapsed AML remain positive, Kura might discuss an accelerated approval filing with FDA for that setting as well.

6. Neurelis – CNS specialty Pharma (private c.$530m valuation)

- **Specialty CNS Pharma** – **Neurelis** is a **private** neuroscience-focused pharmaceutical company based in San Diego, California. Founded in 2007, Neurelis has grown with venture capital backing (over **$380m raised** to date) and now has c.180 employees. Unusually for a private Biotech, Neurelis has already **developed and commercialized an FDA-approved product**. Its core offering is **Valtoco (diazepam nasal spray)** – a rescue medication for acute epileptic seizures. Neurelis positions itself as a **best-in-class epilepsy company,** and is also expanding into other central nervous system (CNS) disorders with its drug delivery platforms. The company commented in its presentation that it was about one year behind UCB's nayzilam (midazolam), launched in December 2019, vs March 2020 for Voltoco, but is now the market leader.

- **Lead product and mechanism of action** – **Valtoco** is Neurelis' flagship product, approved by the FDA in January 2020. It is a **diazepam nasal spray** for the acute treatment of **seizure clusters**

(also known as acute repetitive seizures) in epilepsy patients aged six and up. Mechanistically, diazepam is a benzodiazepine that enhances GABAergic inhibition in the brain to quell seizures quickly. What makes VALTOCO unique is its **Intravail transmucosal delivery technology** – essentially, Neurelis developed a formulation that can be sprayed into the nose and rapidly absorbed, achieving therapeutic drug levels in seconds, and controls them for c.24 hours. This is a major improvement over the prior standard for at-home seizure rescue, which was a rectal gel formulation of diazepam. The FDA recognized Valtoco's **intranasal route as clinically superior** to rectal delivery – hence granting Neurelis **Orphan Drug Exclusivity** upon approval, which confers seven years of market exclusivity in this indication. Valtoco has a safety profile consistent with benzodiazepines (common side effects: sleepiness, nasal discomfort). Since launch, the drug has been well-received: by mid-2020, it had coverage for over 176 million insured lives in the US.

- **Commercial status** – Neurelis has built out a specialty sales force in neurology to promote Valtoco, and whilst private/not generally disclosing sales, it revealed at the conference that it has just passed $200m in annual sales, with EBITDA of $85-90m.

- **Competitive landscape and market – Epilepsy rescue**: Both Neurelis' Voltoco and UCB's **Nayzilam** address the same indication and are similarly effective; Valtoco has the advantage of a longer shelf-life after first use and perhaps slightly longer seizure protection, whereas Nayzilam has one-dose convenience (midazolam's kinetics). The market for acute seizure rescue is estimated at around $700m in the US (given c.150,000 patients with refractory epilepsy prone to clusters). Many neurologists appreciate that VALTOCO comes in multiple dose strengths (5.0, 7.5, 10.0 mg) to tailor for paediatric vs adult use, whereas Nayzilam is one dose for all. Also, Neurelis set up patient-friendly programs and **achieved broad insurance coverage (>95% of insured lives)**, making sure cost or access is not a barrier. This competitive agility has allowed Neurelis to capture, and now lead, the market. With orphan exclusivity, no generic can challenge Valtoco until at least 2027.

- A big strategic focus lately is **global expansion**: partnerships for Europe and Asia are in discussion (the investor **China Medical System** already suggests a path in China). Neurelis is also working on a **next-generation diazepam formulation (dubbed NRL-1)** that may allow multiple doses in a device (to treat prolonged seizure clusters).

- The **addressable markets** it plays in are significant: epilepsy (over 1 million refractory patients worldwide), anxiety disorders (panic affects c.5 million in the US), acute agitation (hundreds of thousands of episodes in hospitals per year). Neurelis' approach of repurposing proven drugs via novel delivery is relatively de-risked scientifically, increasing the likelihood that its pipeline drugs will secure approval. The company's successes to date (FDA approval, market adoption, strong financing rounds) demonstrate capable execution. One might compare Neurelis to companies like UCB or Jazz when they were smaller – focused on niche CNS needs but then scaling up.

What is HBM Healthcare?

HBM Healthcare Investments# (HBMN) is a Swiss investment company specializing in healthcare and life sciences. It manages roughly CHF1.9bn in assets, with a global portfolio of emerging biotech, pharmaceutical, medical technology, and health-tech companies. The company is covered by our Investment Trust team here at Peel Hunt (and we encourage you to reach out to them) – see their initiation.

Specialised healthcare focus: HBM is a healthcare-dedicated investment vehicle holding a well-balanced mix of private and public companies in the life sciences sector. Its portfolio spans biotech firms (drug development and therapeutics), medical technology and diagnostics companies, specialty pharma, and health IT/digital health ventures. HBM typically invests in growth-stage companies that have already achieved a scientific or clinical 'proof of concept' or cleared major regulatory milestones. This focus on proven innovation helps de-risk its investments, while targeting cutting-edge healthcare breakthroughs.

Unique private + public investment strategy: Unlike most funds, which specialise in either venture capital or public equities, HBM combines private equity and public market investing in one vehicle. This hybrid strategy gives HBM a competitive edge – it can back a biotech in late private funding rounds and continue supporting it through IPO and beyond. In short, HBM can exploit the entire lifecycle of a healthcare company – from private growth stage to public-market maturation.

Diversified global portfolio: HBM manages a globally diversified portfolio with a broad geographic reach. The majority of its investments are in North America (especially the US and Western Europe, with a growing allocation to emerging markets such as China and India. The portfolio is also well spread across healthcare subsectors. Roughly half of HBM's exposure is to biotechnology (novel drug R&D and platforms), with the rest split across medical devices and diagnostics, specialty pharma, digital health, and other health-related fields.

Experienced team with proven track record: HBM is managed by an experienced investment team with deep sector expertise in biotech and medical industries. The team's specialised knowledge and networking support rigorous due diligence and active portfolio management. HBM's track record is excellent: in ten years the fund has notched up 70+ successful exits, either IPOs of portfolio companies or trade sales.

Attractive returns and income distribution: HBM aims for strong capital appreciation and also returns cash to shareholders. It has delivered robust long-term returns – c.11.5% NAV growth pa on a 10-year basis (with the share price achieving c.11.4% pa). These figures reflect significant value creation in its holdings over a full market cycle. Furthermore, HBM offers an attractive distribution policy, paying out 3-5% of its share price to shareholders annually.

Figure 2: Recent HBM portfolio developments

Source: Company

Why look now?

Aside from the progress being made in the HBM portfolio, there appears to be – finally – some positive directionality in Biotech share price performance. Now might be a good time to take a look at vehicles that historically traded with significantly narrower discounts (or even premiums) to NAV but have been depressed for several years.

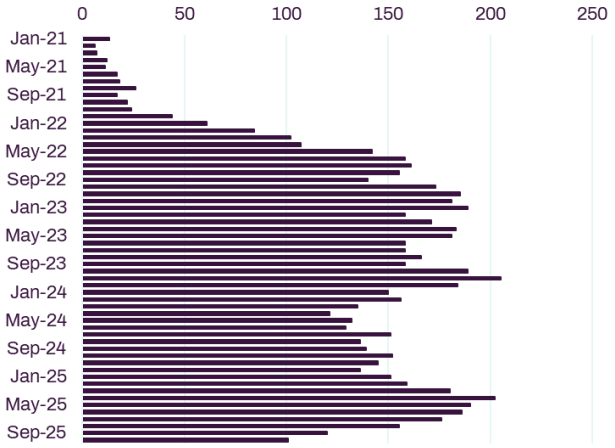
- **M&A point proven (29 September)** – We were waiting for M&A to kick off in Biopharma, and HBM has seen some very recently, with Genmab agreeing to buy Merus (a Dutch oncology company) for US$8bn (US$97 per share). The offer price represents a c.41% premium to Friday's close, with HBMN reporting ownership of 1.3% of Merus as at end-June 2025, at a fair value of US$52.60 per share, implying a valuation of c.US$4bn. Merus represented c.2.8% of HBMN's portfolio as at end-June 2025.

- **SWIXX deal (12 September)** –BioPharma (25.1% owned by HBMN) announced a multi-regional distribution agreement with Lundbeck for CNS (central nervous system) therapies, assuming responsibility of sales of DKK2,677m (c.£310m) for Lundbeck's entire in-market CNS portfolio across South-East Europe, Turkey and Latin America. Whilst the company does not disclose financials, we conservatively estimate that this might translate into 1-2% impact to HBMN's NAV.

- **HBM conference highlights the depth of the portfolio (22-23 September)** – We visited the annual HBM conference and were very impressed, not just at the quality of the science and companies in attendance, but also at the sheer volume of them (c.30 companies presenting on the first day). This event really underlined the diversity on offer in the HBM portfolio (31% Asia, 41% America, 28% Europe), with a CHF1,610m NAV (c.-27% discount to NAV) and delivering a 11.4% pa 10-year return.

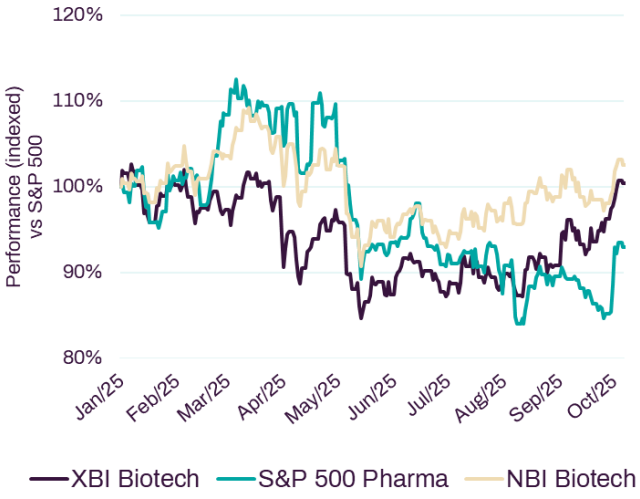
- **Biotech looks to have turned the corner –** There have been a number of false dawns since the style rotation began in January 2022 and rising central bank rates saw 'growth' – and Biotech specifically – fall out of favour internationally. However, there are signs that this risk appetite might be coming back. We look at valuations of BioPharma companies that are trading below cash on the balance sheet (EV < 0) and how the Biotech indices in the US compare to the S&P 500: the last six months are encouraging.

Figure 3: Global Pharmaceutical and Biotech companies trading at EV<0 have begun to narrow (now back to March 2022 levels)



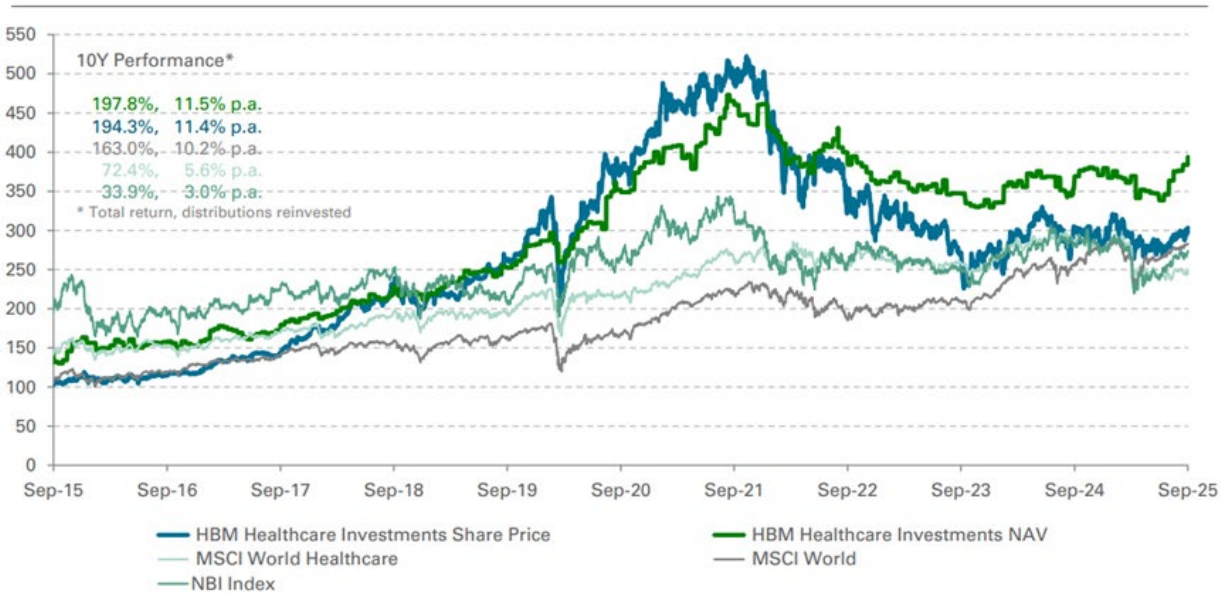
Source: Capital IQ, Peel Hunt estimates

Figure 4: in 3Q25 US Biotech indices have shown positive trends, relative to the S&P 500



Source: Capital IQ, Peel Hunt estimates

Figure 5: HBM's indexed performance last 10 years



Source: Company

	Recommendation distribution at Today's Date					Recommendation distribution for publications in the last 90 days				
	Total	Investment Banking Clients		Other		Total	Investment Banking Clients		Other	
Structure	No.	No.	%	No.	%	No.	No.	%	No.	%
Buy	216	111	51	105	49	259	142	55	117	45
Add	39	6	15	33	85	44	8	18	36	82
Hold	53	1	2	52	98	48	1	2	47	98
Reduce	1	0	0	1	100	2	0	0	2	100
Sell	1	0	0	1	100	1	0	0	1	100
Under Review	3	1	33	2	67	2	0	0	2	100
Outperform	33	16	48	17	52	1	0	0	1	100
Neutral	14	1	7	13	93	0	0	0	0	0
Underperform	1	0	0	1	100	0	0	0	0	0

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Reduce	5-15% range expected absolute price performance over 12 months
Sell	> -15% expected absolute price performance over 12 months
Outperform	Total shareholder return expected to outperform the peer group and/or benchmark over 12 months
Neutral	Total shareholder return expected to perform in line with the peer group and/or benchmark over 12 months
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Company	Date	Disclosures/Rating	Target Price	Price
HBM Healthcare Investments		1,5		
	17 Sept 24	Outperform		CHF166

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