CIC Market Solutions

EQUITY RESEARCH

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Healthcare

American psycho

	Rating	Target Price	Potential (%)
Abionyx Pharma	Buy	€10	717.0%
Eurofins	Buy	€71	17.8%
Genfit	Buy	€10	192.6%
HBM Healthcare Investr	Buy	CHF223	35.0%
Ipsen	Neutral	€115	9.7%
Sanofi	Buy	€105	27.0%
Sartorius Stedim Biotecl	Neutral	€220	12.0%

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A sector lagging behind on the stock market

Like other defensive sectors, European healthcare, and the pharmaceutical sector in particular, has failed to benefit from the strong performance of European markets since the start of the year. Idiosyncratic factors have played against it, but clearly the sector as a whole has suffered from the strong pressure exerted by the US administration on its business model. The market is now waiting for clarity on the outcome of the ongoing negotiations, mainly on the issues regarding the price of treatment and relocation targets in the United States.

The sector must adapt to the new situation

The US administration is determined to reduce the trade deficit in the pharmaceutical sector, which is huge due to the cost of treatment and the low level of domestic production. A decline in prices in the United States will be accompanied by increases in the rest of the world. Meanwhile, capital intensity will increase in the sector between 2026 and 2030: $50bn is expected to be invested in additional production capacity by the industry by 2030, out of a total commitment of more than $300bn. Pressure on profitability is likely to prompt groups to consider outsourcing certain upstream and downstream functions.

Preference for Sanofi in a struggling pharmaceutical sector

We continue to favour Sanofi (Buy/TP reduced from €115 to €105) after the stock correction, over Ipsen (Neutral/TP reduced from €120 to €115). The group offers an attractive shareholder return profile, despite recent setbacks in the development of its pipeline.

Equipment and service providers: the winners

Sartorius Stedim Biotech (Neutral/TP unchanged at €220) should be a winner in terms of production relocation programmes. A good entry point for the stock is €190 in our view. We believe that Eurofins (Buy/TP raised to €71) can continue its rerating, even though its debt will increase in 2025 to finance the acquisition of property owned by ABSCA and the share buyback programme.

Few changes in biotechnology

We maintain our positive outlooks on HBM Healthcare Investments, with a TP lowered to CHF223, on Genfit, with a TP reduced to €10, and on Abionyx with an unchanged TP also of €10.

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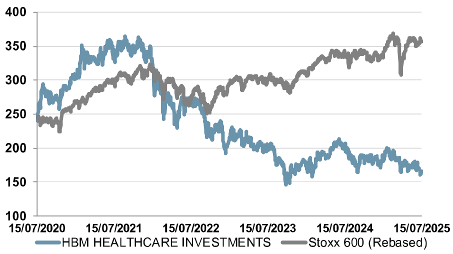
HBM Healthcare Investments

The Eiger Sanction

Buy	
Since 13/12/2024	
Price (CHF)	**165.20**
Market cap. (CHFm)	1,113
Closing price at (15/07/2025)	
Target Price (CHF)	**223.00**
Vs CHF231.00 (Since 15/07/2025)	



Source: Factset

	03/22A	03/23A	03/24A
GAV (CHFm)	2,171	1,948	1,813
Net Fin. Debt Holding ((	185	176	109
Loan to Value (%)	8.5	9.0	6.0
NAV (CHFm)	1,986	1,773	1,704
NAV p.s (CHF)	285.5	254.8	248.1
Discount to NAV (%)	-3.3	-16.0	-22.0
Dividend Yield(%)	5.9	4.5	4.5

CIC has signed a sponsored research contract with HBM Healthcare Investments AG in accordance with the Charter of Good Practice for Sponsored Research of May 2022. Analysis partially paid for by the issuer with restricted distribution.

The Eiger is a Swiss mountain in the Alps renowned for the difficulty of climbing its north face, which was the subject of a film directed by Clint Eastwood in the 1970s. Like the mountaineers who finally conquered it with a combination of rigour, determination and humility, the group's investment teams continue to operate effectively in a challenging environment. The significant progress in the portfolio has not been rewarded by the market due to the strength of the Swiss franc and the temporary lack of visibility in the biotechnology sector. We maintain our Buy recommendation with a revised target price of CHF223.

Good progress in the portfolio

HBM Healthcare Investments (HBM) has not been rewarded on the stock market for its ability, demonstrated once again in recent months, to select the companies in which it invests and to help them reach new stages in their development.

Progress overshadowed by the weakness of the USD

FY2025 to 31 March saw the group report a net loss of CHF19m, reflecting a loss in Q4 due to the decline in the value of the listed portfolio and currency depreciation, primarily of the USD against the CHF. The decline of currencies against the CHF has accelerated since the end of the financial year.

HBM faces industry challenges

The numerous and far-reaching requirements imposed by the US administration are slowing down decision-making on significant external growth operations in 2025, which was seen as a year of recovery after two years of slowdown in the mergers and acquisitions market against a backdrop of rising interest rates.

Swixx BioPharma could boost stock market performance

HBM is moving forward with the sale of at least part of Swixx BioPharma, which has become its largest portfolio holding, representing nearly 14% of its NAV. A transaction could take place during the first half of the 2026 calendar year. A full valuation of CHF1.5bn would generate a massive capital gain for HBM of nearly CHF25 per share, representing 14% of the share price alone.

An attractive valuation

Our NAV per share stands at CHF223 (vs. 231 previously), which we have taken as our 12-month target price, including the 2026 coupon, based on a cost of capital of 11%. The upside potential of 35% on the last share prices prompts us to maintain our Buy recommendation on the stock.

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Good progress in the portfolio

HBM Healthcare Investments (HBM) has not been rewarded on the stock market for its ability, demonstrated once again in recent months, to select the companies in which it invests and help them reach new stages of development. The group orchestrated several successful IPOs and a number of significant asset disposals to big pharma, generating substantial capital gains.

Sale of Dren Bio assets to Sanofi

In April, Sanofi acquired DR-0201 from Dren Bio, an 8% subsidiary of HBM, in exchange for an initial payment of $600m in a transaction that could generate additional payments totalling $1.3bn.

In preclinical and Phase 1 clinical studies, DR-0201, a targeted bispecific antibody that engages myeloid cells (white blood cells circulating in the blood and tissues), has been shown to effectively and sustainably reduce excess B cells in patients with autoimmune diseases. DR-0201 targets the CD20 antigen and engages myeloid cells that circulate and reside in specific tissues, with the aim of inducing deep B-cell depletion through phagocytosis. Monoclonal antibodies such as rituximab (Roche's Rituxan) already target this CD20 antigen and are used to treat lymphomas, leukaemia and severe forms of autoimmune diseases, but the technology developed around DR-0201 could enhance the effects of treatment, particularly in refractory patients or those with specific autoimmune diseases such as lupus, an area where significant medical needs remain. Following the sale of DR-0201, Dren Bio will continue to operate independently to develop its portfolio of therapeutic antibodies for the treatment of cancer, autoimmune diseases and other serious diseases. HBM will retain a stake of approximately 8% in Dren Bio. A large portion of the transaction price was returned to shareholders, representing around $44m for HBM. The prospect of receiving additional income linked to milestones reached up to $112m enabled the group to revalue its participation at CHF79m as at 31 March, making it its third largest exposure, with 5% of gross asset value, a significant portion of which is linked to cash flow that has been received in the meantime and is therefore completely secured.

IPO of Sai Life Science

HBM sold 60% of its stake in Indian CRDMO (Contract Research, Development and Manufacturing Organisation) Sai Life Sciences on the occasion of its listing on the Indian Stock Exchange in December 2024. HBM thus recorded net proceeds from the sale of INR3.26bn (CHF34.3m). The remaining 40%, representing a 2.2% stake, was valued at INR3.17bn (CHF33.3m) based on the closing price on the first day of trading on 18 December 2024, and this valuation has remained unchanged since then. The remaining position makes it one of the Top 10 holdings in HBM's portfolio to date, the eighth largest at 2% of gross assets.

HBM invested CHF7m in Sai Life Sciences between 2015 and 2019, and the asset was valued at CHF13m in the accounts. As a result, the capital gain amounted to CHF54.6m and NAV per share was CHF7.89 (+3.2% on NAV of CHF244), all other things being equal. The transaction resulted in high multiples on invested capital: 12.1x in INR and 8.5x in CHF on the realised portion; 17.6x in INR and 12.4x in CHF on the unrealised portion.

In January, the group also listed another Indian CRDMO on the Mumbai Stock Exchange: OneSource Specialty Pharma, after acquiring a stake in the company a few months earlier through a pre-IPO. The transaction has made only a small contribution to date. OneSource currently accounts for only 0.7% of gross assets.

Sale of Yellow Jersey Therapeutics to J&J

Yellow Jersey Therapeutics was spun off from Swiss company Numab before being acquired by Johnson & Johnson for US$1.25bn, enabling HBM, which held an 8% stake, to record a capital gain of CHF59m. HBM retains an approximately 7% stake in the former parent company Numab, which continues to develop the remaining drug candidate portfolio.

Swixx BioPharma IPO preparations underway

Earlier this year, press articles mentioned that HBM was moving forward with the sale of at least part of Swixx BioPharma, which had become the group's leading portfolio company, representing nearly 14% of NAV.

An exit process could materialise in early 2026, and a Bloomberg article published in February provided details on a potential sale or IPO. HBM acquired a stake in Swixx BioPharma in 2017 to support the development of this specialist provider of comprehensive representation services (registration, commerce, logistics) for the pharmaceutical sector in Central and Eastern Europe, Eurasia, Latin America, the Middle East and North Africa, in which it holds a 25% stake. Swixx Pharma, which counts leading global companies among its clients, including French firms Sanofi and Ipsen, has more than 1,300 employees and generated revenue of nearly €1bn in 2024, with a double-digit EBITDA margin. Mérieux Equity Partners and Stags, the family office of Philippe Louis-Dreyfus, are also shareholders in Swixx BioPharma.

The article mentioned a valuation of CHF1.5bn, or CHF375m for the 25% held by HBM, compared with CHF210m in HBM's books. The capital gain of CHF165m, or nearly CHF25 per share, would be very substantial, representing 14% of the share price alone.

Progress overshadowed by the weakness of the USD

FY2025 to 31 March saw the group report net income of CHF19m (EPS of CHF2.72), reflecting a loss of CHF47m in Q4 due to the decline in the value of the listed portfolio and currency depreciation, primarily of the USD against the CHF.

NAV per share stood at CHF244.4 at 31 March, up 1.5% y-o-y. The annual profit did not accurately reflect the good progress made in the portfolio, as described above.

- The portfolio of unlisted direct lines represented 35% of NAV at 31 March.
- The listed portfolio (49% of the same NAV, including 26% via IPOs co-managed by HBM) saw its net value decline by CHF64m (-3.6%).
- The value of fund holdings declined slightly (-CHF5m) and accounted for 10% of gross assets.
- Net cash amounted to CHF66m at the end of the period (before the transfer of Dren Bio) and the dividend was announced as stable at CHF7.5 per share, representing a yield of nearly 4.5% on the last quoted price.
- The group is confident in the quality and strength of its portfolio to weather a turbulent environment conducive to consolidation, particularly in biotechnology.

The phenomenon has continued since the end of the financial year

The decline of the dollar against the Swiss franc continued, reaching 10% since the end of the financial year, with the US currency accounting for 58% of the portfolio's gross exposure. The other major currencies in the portfolio, the euro and the renminbi, also declined against the Swiss franc. This contributed to the decline in the value of the listed asset portfolio, which represents 50% of gross assets: it fell by CHF75m, or -9% compared with 31 March at market value.

HBM faces sector challenges

Waiting for the dust to settle in the United States

The numerous and far-reaching requirements imposed by the US administration are mobilising senior management in the pharmaceutical sector and slowing down decision-making on significant external growth operations in 2025, which was seen as a year of recovery after two years of slowdown in the mergers and acquisitions market against a backdrop of rising interest rates.

Public domain expiries remain a major challenge for the pharmaceutical sector between now and 2030, and innovation is increasingly coming from biotechnology companies. We could therefore see a resumption of activity once economic conditions have been clearly redefined in the United States and, by extension, in the rest of the world, in terms of prices, customs barriers, new capital to be deployed and tax rates.

Towards a change in geographical allocation?

Even if Western governments are keen to relocate drug manufacturing, the group is well placed to observe the shift in production towards India and the growing interest of the pharmaceutical industry in Chinese research. Depending on opportunities, investment teams could be encouraged to increase exposure to Chinese companies, which account for 13% of the portfolio's overall exposure (mostly through Cathay Biotech), and Indian companies, which account for 7%, far behind the United States (58%).

A model that remains as convincing as ever

Although the environment remains challenging following the US administration's announcement, HBM remains an attractive model, particularly for generalist asset managers, capable of identifying attractive drivers in terms of both technology and geography and driving them forward.

Efficient exposure to innovation in healthcare

HBM offers cost-efficient access to a high-performing asset class and a diversified international portfolio of fast-growing healthcare companies managed by expert teams. The group has developed a successful long-term management strategy based on a permanent capital investor model that is competitive with private equity and passive management. It represents an attractive and efficient diversification opportunity for generalist portfolios under collective or private management.

A well-constructed, diversified and liquid portfolio

The group's portfolio is well constructed in terms of sectors, diversified globally and liquid, while liabilities are, by design, risk-free. Masked by the structural strength of the Swiss franc, performance has been solid: over the past 10 years, the NAV has consistently outperformed the Nasdaq Biotechnology Index.

A balance that does not rely on external funding

HBM manages CHF1.7bn in assets and, in order to remain financially independent, it seeks to balance its investments between well-established vehicles, with dividends partly distributed to shareholders and partly reinvested in companies in need of capital, while maintaining a strong cash position. This allows it to mitigate the risks of exposure to a volatile asset class and deliver an attractive return.

An attractive valuation

Methodology

We use the net asset value (NAV) method to set our 12-month target price for HBM, based on the following factors:

- Listed investments are recognised at market value, at the last closing price;
- Unlisted investments, whether direct or in investment funds, are recognised at the last accounting date, i.e. 31 March at the end of the financial year or 30 September at the end of the half-year. This valuation was established on the basis of the accounts available as at 31 March, and we have included a valuation loss of CHF50m on unlisted assets (funds and direct lines) to cover the decline in the USD, EUR and CNY;
- Cash and cash equivalents and liabilities are also recognised at the last balance sheet date;
- We apply a 15% discount to the NAV thus obtained, which we use as the intrinsic value (IV). We apply this small target discount of 15%, which is very close to the average observed since the IPO, between periods of higher discounts and premiums, to take into account: 1) slight direct and indirect costs to be incurred on transactions; 2) limited synergies between investments; and 3) modest liquidity on HBM Healthcare Investments, which trades daily at CHF1m on its main market. Our target discount remains significantly lower than the discounts observed on the main European holding companies (Investor, Exor, GBL and Wendel are trading at discounts of 35% to 50% of their NAV vs. 15% to 25% historically), considering that the asset is difficult to replicate and that management has outperformed over the long term.

- The 12-month target price is determined by applying a capitalisation factor of 11% to the IV, which is the internal rate of return (IRR) recorded by the group on its investments over the last 15 years and is similar to the cost of capital.

Our NAV per share comes out at CHF223, using the methodology described above, for an intrinsic value of CHF201 after applying a 15% discount. We therefore get a 12-month target price of CHF223, with a coupon of 2026 attached, based on a cost of capital of 11%.

The potential upside of 35% on the current share price prompts us to maintain a Buy recommendation on the stock.

The 30% discount to NAV, which includes the impact of currencies on unlisted asset portfolios, suggests that this is an attractive entry point for a stock that offers efficient exposure to a high-performing asset class, alongside an experienced investment team that has demonstrated its added value through its track record.

We maintain our Buy recommendation with a target price reduced from CHF231 to CHF223, which takes into account currency depreciation across the entire portfolio, the detachment of a coupon of CHF7.50 paid on 2 July and operational successes.