

26 July 2021

HBM Healthcare Investments

Switzerland

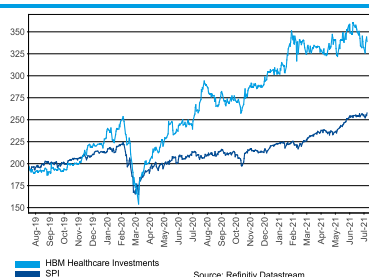
Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Closing price as of 23-Jul-21	CHF 339.00
Target price	CHF 355.00
High/Low (12M)	CHF 359.50/257.50
Market cap.	CHF mn 2,358
Enterprise value	CHF mn 2,404
Free float	83.0%
Avg. daily turnover	CHF mn 1.84

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-5.7	4.6	7.6
rel. SPI	-7.7	-3.6	-7.4
rel. STOXX Europe 600	-7.6	-0.5	-5.3
rel. SXXP Financial SVS	-11.5	-6.0	-8.2

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Private equities further boosting HBM results

Our conclusion

- HBM Healthcare reported on Friday the results of its first quarter of the 2021/22 financial year with a profit of CHF 136mn, on a net asset value (NAV) increase by 6.3% while HBM Healthcare shares gained 6.9%, consolidating the premium to share price which reached 8.1% end-June 2021. HBM premium entered positive territory early 2021, following the excellent performance in 2020, thus reflecting investor's confidence in HBM strategic development. We note that the premium to price declined in recent weeks (2.1% as of 15 July 2021), offering in our eyes an attractive entry point for investors.
- During a quarter characterized by a sell-off in the healthcare sector, mostly due to expectations on Central Banks interest hikes, HBM Healthcare demonstrated the resilience of its business model largely supported by private equities, which contributed with CHF 90mn during the quarter. Three companies successfully went public: Werewolf Therapeutics, Ambrx Biopharma and Monte Rosa Therapeutics. In addition, Valo Health signed a merger agreement with listed company Khosla Ventures Acquisition Co. Swixx BioPharma, NiKang Therapeutics and ConnectRN completed financing rounds with external investors at higher valuations, and Tata Digital acquired a majority stake in leading Indian healthcare platform 1mg.
- Positive outlook: "The portfolio continues to be well diversified and finely balanced in terms of composition (private and public companies, geographical regions, stages of development and areas of activity or therapy). This reduces dependence on the development of individual sectors or regions within the healthcare market, which has a stabilizing effect and should continue to have a positive impact on performance.
- Essentially, nothing has changed compared to the outlook outlined in the annual report. The fundamental factors continue to speak for a successful development of the sector as a whole and for the portfolio companies individually. In this respect, the Company expects further value-enhancing events from its portfolio due to IPOs, financing rounds, company takeovers or clinical trial results.

Facts & Analysis

- The portfolio of other public companies contributed CHF 45mn to profit. This came mainly from the investments in the fast-growing Indian biopharmaceutical company Laurus Labs, the US company Biohaven Pharmaceuticals and the new investment in Hutchmed China. In addition to its listing on Nasdaq, Hutchmed China completed an IPO on the Hong Kong Stock Exchange during the quarter under review, with HBM Healthcare Investments participating as a cornerstone investor with USD 20mn.
- The market and currency hedges resulted in profit contributions of CHF 7mn and CHF 24mn, respectively. The market hedge was fully unwound in the quarter under review and the USD currency hedge was reduced to around 35 percent of the exposure. Other assets reduced the investment result by CHF 10mn, mainly due to currency fluctuations.
(Source: HBM Healthcare communication)

Key financials

CHF mn	2019/20	2020/21E	2021/22E	2022/23E	CAGR (%)
Sales	0.0	0.0	0.0	0.0	-
EBIT adj.	185.1	691.5	172.5	279.5	14.7
EPS adj. (CHF)	26.26	99.24	24.63	40.01	15.1

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2019/20	2020/21E	2021/22E	2022/23E
EV/Sales	-	-	-	-
EV/EBIT adj.	8.1	1.7	13.9	8.6
P/E adj.	7.7	1.7	13.8	8.5

HBM Healthcare Investments

Key data

FY 31 Mar.	2017/18	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Share data						
EPS reported (CHF)	16.55	30.05	26.26	99.24	24.63	40.01
EPS adjusted (CHF)	16.55	30.05	26.26	99.24	24.63	40.01
Dividend (CHF)	6.96	7.50	7.71	11.24	12.29	0.00
Book value (CHF)	165.39	189.49	208.25	303.91	332.20	376.06
Free cash flow (CHF)	8.12	7.06	8.03	7.92	11.46	12.51
Avg. no. of shares (mn)	7.0	7.0	7.0	7.0	7.0	7.0
Market cap. (avg./current; CHF mn)	864.9	1,139.8	1,405.3	1,153.5	2,358.4	2,358.4
Enterprise value (CHF mn)	960.0	1,237.0	1,501.0	1,199.0	2,403.6	2,403.2
Valuation						
P/E adj. (x)	7.5	5.5	7.7	1.7	13.8	8.5
P/BV (x)	0.7	0.9	1.0	0.5	1.0	0.9
FCF/EV (%)	5.9	4.0	3.7	4.6	3.3	3.6
FCF yield (%) (FCF/Mcap.)	6.6	4.3	4.0	4.8	3.4	3.7
Dividend yield (%)	5.6	4.6	3.8	6.8	3.6	0.0
EV/Sales (x)	-	-	-	-	-	-
EV/EBITDA adj. (x)	8.1	5.8	8.1	1.7	13.9	8.6
EV/EBIT adj. (x)	8.1	5.8	8.1	1.7	13.9	8.6
EV/CE (x)	-	-	-	-	-	-
ROCE/WACC adj. (x)	-	-	-	-	-	-
Key company data						
Sales growth (%)	-	-	-	-	-	-
EBITDA adj. growth (%)	-15.0	78.8	-12.5	273.5	-75.1	62.0
EBITDA adj. margin (%)	-	-	-	-	-	-
EBIT adj. margin (%)	-	-	-	-	-	-
Net adj. margin (%)	-	-	-	-	-	-
Free cash flow margin (%)	-	-	-	-	-	-
Payout ratio (%)	42.0	25.0	29.3	11.3	49.9	0.0
Gearing (%) (net debt/equity)	8.2	7.4	6.6	2.2	2.0	1.7
Net debt/EBITDA (x)	0.8	0.5	0.5	0.1	0.3	0.2
Equity ratio (x) (equity/total assets)	91.9	92.7	93.3	95.4	95.8	96.3
Capital employed (CHF mn)	0.0	0.0	0.0	0.0	0.0	0.0
ROCE adj. (%)	-	-	-	-	-	-
Income statement (CHF mn)						
Turnover	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	118.3	211.5	185.1	691.5	172.5	279.5
EBITDA adj.	118.3	211.5	185.1	691.5	172.5	279.5
EBIT	118.3	211.5	185.1	691.5	172.5	279.5
EBIT adj.	118.3	211.5	185.1	691.5	172.5	279.5
EBT	115.9	209.1	182.7	690.4	171.4	278.3
Net profit after minorities	115.9	209.1	182.7	690.4	171.4	278.3
Net profit adj.	115.9	209.1	182.7	690.4	171.4	278.3
Balance sheet (CHF mn)						
Non-current assets	1,254	1,417	1,546	2,210	2,406	2,711
thereof goodwill	-	-	-	-	-	-
Current assets	7	5	6	6	7	7
Total assets	1,260	1,422	1,552	2,216	2,413	2,718
Shareholders' equity	1,158	1,318	1,449	2,114	2,311	2,616
Total equity and liabilities	1,260	1,422	1,552	2,216	2,413	2,718
Net debt	95	97	96	46	45	45
Cash flow (CHF mn)						
Cash flow from operations	-3.1	-2.9	-4.2	-3.5	-3.5	-3.5
of which change in working capital	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	60.0	52.0	60.0	58.6	83.2	90.5
of which investment in fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	56.9	49.1	55.8	55.1	79.7	87.0
Dividends paid	-40.8	-48.7	-52.2	-53.6	-78.2	-85.5
Cash flow from financing activities	-56.4	-51.0	-54.5	-54.7	-79.4	-86.7
Change in cash position	0.4	-1.8	1.4	0.4	0.4	0.4

Source: Company data, Baader Helvea Equity Research

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
HBM Healthcare Investments	01-Mar-21	Add	CHF	355.00	325.00 26-Feb-21	Bruno Bulic, Ph.D.

HBM Healthcare Investments

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