

1 March 2021

HBM Healthcare Investments

Switzerland

Other financials

Plenty private equities in the tank

- While we did anticipate a biotech market rebound when we initiated on HBM Healthcare in the mid of the COVID-19 panic, strong investor interest for healthcare clearly exceeded our expectations and resulted in significant sector re-rating. On top of that, HBM Healthcare managed to outperform the sector last year by a wide margin, reporting a +37% share price appreciation in CHF (including distributions, despite estimated 2% FX headwind) versus +28% for the Nasdaq Biotech Index in USD. In 2021, HBM Healthcare continued on its trajectory, despite an ongoing consolidation since mid-February. We estimate HBM Healthcare current net asset value at CHF 2.2bn, translating into a 3.7% net asset value gain in 2021E. On a side note, HBM Healthcare effectively managed to double its net asset value over 4 years, efficiently leveraging its private equities investments.
- We update our price target rolling forward our model, conservatively expecting within the next 12 months a moderate 11% appreciation of its public equities portfolio (versus 24% consensus expectations), and a 21% asset value appreciation within its private equities investments. After a record 10 IPOS in 2020, HBM managed to nearly replenished its private equities pool with a total volume of CHF 167mn purchases during 2020. While the negative share price performance of the recently IPO-ed Cathay Biotech (20% of HBM public equities asset value) continues to weight on the overall performance, consensus expects a rebound in Cathay top line to 2022E.
- While investors might fear that the biotech sector might overheat, we bear to mind that, in our opinion, the perception of the public on healthcare has changed. While healthcare has long been considered as a right, the recent pandemic demonstrated that in reality it is a privilege and an industry of national interest. We thus believe that we might be at the beginning of intensified investments into national medical programs, both public and private. We thus reiterate our Add rating with a 12-months target price at CHF 355 per share.

	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Sales (CHF mn)	0.0	0.0	0.0	0.0	0.0
EBITDA (CHF mn)	211.5	185.1	691.5	172.5	279.5
EBIT reported (CHF mn)	211.5	185.1	691.5	172.5	279.5
EBIT adjusted (CHF mn)	211.5	185.1	691.5	172.5	279.5
Net income (CHF mn)	209.1	182.7	690.4	171.4	278.3
EPS reported (CHF)	30.05	26.26	99.24	24.63	40.01
EPS adjusted (CHF)	30.05	26.26	99.24	24.63	40.01
DPS (CHF)	7.50	7.71	11.24	12.29	0.00
Dividend yield (%)	4.6	3.8	3.5	3.8	0.0
P/E adjusted (x)	5.5	7.7	3.3	13.2	8.1
P/BV (x)	0.9	1.0	1.1	1.0	0.9
EV/Sales (x)	-	-	-	-	-
EV/EBITDA (x)	5.8	8.1	3.3	13.4	8.3
EV/EBIT (x)	5.8	8.1	3.3	13.4	8.3
Net debt/EBITDA (x)	0.5	0.5	0.1	0.3	0.2

Source: Company data, Baader Helvea Equity Research

Add (prev. Add)

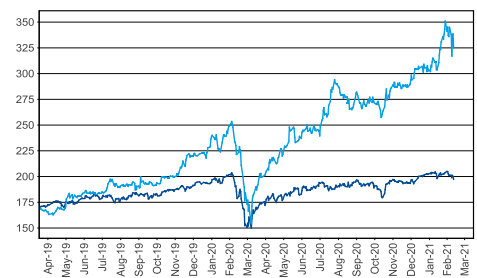
Closing price as of 26-Feb-21	CHF 325.00
High/Low (12M)	351.00/154.20
Target price (prev. CHF 264.00)	CHF 355.00
Upside to target price (%)	9.2
Expected dividend yield (%)	2.3
Total return potential (%)	11.5

Reuters/Bloomberg	HBMN.S/HBMN SE
Avg. daily turnover (CHF mn)	2.18
Free float (%)	83.0
Market cap. (CHF mn)	2,261
No. of shares issued (mn)	7.0

Events

Annual general meeting	Jun-2021
4Q	07-May-2021
Shareholders	Nogra Pharma Invest 15-20%

Price relative to Index



Source: Refinitiv Datastream

Performance (%)	1M	3M	6M
Absolute	4.3	12.5	16.3
rel. SPI	7.8	11.6	14.1
rel. STOXX Europe 600	5.0	9.0	7.7
rel. SXXP Financial SVS	3.2	4.0	3.0

Changes in estimates

CHF mn	2020/21E	Delta (%)	2021/22E	Delta (%)
	Prev.		Prev.	
Sales	0.0	-	0.0	-
EBIT adj.	264.2	161.8	152.3	13.3
EPS adj. (CHF)	37.64	163.7	21.56	14.2
DPS (CHF)	8.81	27.6	9.28	32.4

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HBM Healthcare Investments

MAIN PUBLIC EQUITIES PERFORMERS

Estimated contributions to public equities asset value to end-February 2021E

	qtd	ytd	
Cathay Biotech	3.4%	9.4%	Immunomedics
BioAtla	3.1%	5.4%	Viola
Viola	1.8%	4.7%	SpringWorks
SpringWorks	0.8%	4.5%	Y-mAbs
Pacira	0.6%	3.1%	BioAtla
Arcutis	0.5%	2.8%	Pacira
iTeos Therapeutics	0.5%	2.7%	Biohaven
Argenx	0.3%	2.7%	Argenx(ADR)
Argenx(ADR)	0.3%	2.5%	ALX Oncology
C4 Therapeutics	0.3%	2.4%	Argenx
ChemoCentryx	0.2%	2.3%	Rocket
Xenon	0.2%	1.4%	Turning
Beigene	0.2%	1.3%	Trillium
Dicerna Pharmaceuticals	0.2%	1.3%	iTeos Therapeutics
Everest Medicines	0.1%	1.2%	ChemoCentryx
BiolInvent	0.1%	0.9%	Beigene
Constellation	-0.1%	0.8%	Solara
Jubilant	-0.1%	0.8%	Cantargia
Divis	-0.1%	0.7%	Retrophin
Turning	-0.1%	0.7%	Cathay Biotech
HBM Holdings	-0.1%	0.7%	Albireo
Trillium	-0.1%	-0.1%	Zealand
Collectis(ADR)	-0.1%	-0.1%	BeyondSpring
Cantargia	-0.1%	-0.1%	Iovance
Seer	-0.2%	-0.1%	Guangzhou
Galecto	-0.2%	-0.2%	Seer
Hansa	-0.3%	-0.2%	Galecto
Harmony Biosciences	-0.3%	-0.2%	Zymeworks
ALX Oncology	-0.3%	-0.6%	Bicycle(ADR)
Zymeworks	-0.5%	-0.8%	Constellation
Y-mAbs	-1.9%	-1.0%	Cansino
		-1.3%	Esperion
		-1.6%	uniQure
		-1.8%	Intercept
		-2.4%	Akebia
		-2.7%	Zogenix

qtd: End-December 2020 to end-February 2021E

ytd: End-March 2020 to end-February 2021E (HBM Healthcare fiscal year ending March 2021)

Source: Company data, Bloomberg, Baader Helvea Equity Research

Key data

HBM Healthcare Investments

Switzerland

Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Price on 26-Feb-21 CHF 325.00

Target price CHF 355.00

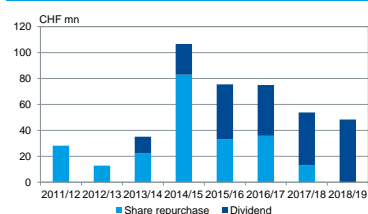
High/Low (12M) CHF 351.00/154.20

Market cap. CHF mn 2,261

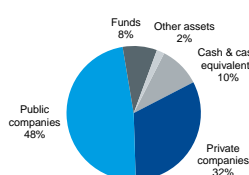
Company profile

HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors. The company holds and manages an international portfolio of companies (closed-end fund).

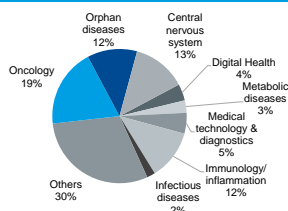
Redistributions



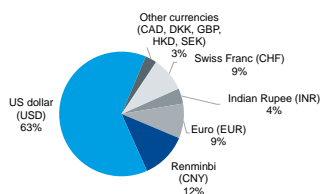
Allocation of assets (2020E)



Therapeutic class exposure (2020E)



FX exposure (2020E)



Source: Company data, Refinitiv Datastream, Baader Helvea Equity Research

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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	2,261.0	2,261.0	2,261.0
Enterprise value (CHF mn)	960.0	1,237.0	1,501.0	2,306.6	2,306.2	2,305.8
Valuation						
P/E adj. (x)	7.5	5.5	7.7	3.3	13.2	8.1
P/BV (x)	0.7	0.9	1.0	1.1	1.0	0.9
FCF/EV (%)	5.9	4.0	3.7	2.4	3.5	3.8
FCF yield (%) (FCF/Mcap.)	6.6	4.3	4.0	2.4	3.5	3.8
Dividend yield (%)	5.6	4.6	3.8	3.5	3.8	0.0
EV/Sales (x)	-	-	-	-	-	-
EV/EBITDA adj. (x)	8.1	5.8	8.1	3.3	13.4	8.3
EV/EBIT adj. (x)	8.1	5.8	8.1	3.3	13.4	8.3
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

HBM Healthcare Investments**Disclaimer****Important Notice and Disclosures pursuant to Art. 20 of the Regulation (EU) No 596/2014 of 16 April 2014 and the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 and pursuant to Art. 34, 36 and 37 of the Commission Delegated Regulation (EU) No 2017/565 of 25 April 2016****A. GENERAL STATEMENTS**

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HBM Healthcare Investments**B. POTENTIAL INTERESTS OR CONFLICTS OF INTERESTS**

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Applicable Key Factors

Company	Key
HBM Healthcare Investments	4, 5, 11

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
HBM Healthcare Investments	06-Jul-20	Add	CHF	264.00	242.50	03-Jul-20	Bruno Bulic, Ph.D.
HBM Healthcare Investments	24-Mar-20	Buy	CHF	221.00	154.20	23-Mar-20	Bruno Bulic, Ph.D.

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HBM Healthcare Investments

Rating categories:

The following is an explanation of the ratings, if any, included in this document.

Expected total return based on forecast dividend and 12-month price targets.

Rating	Upside/downside to the target price
Buy	>20%
Add	5%-20%
Reduce	-10% to 5%
Sell	<-10%

Research ratings key:

There are four possible ratings: **Buy, Add, Reduce or Sell.**

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Reduce: A company with a forecast dividend yield of 7% and price appreciation potential of -5%, generating a forecast total return of +2% over 12 months.

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