

22 January 2024

## HBM Healthcare Investments

Switzerland

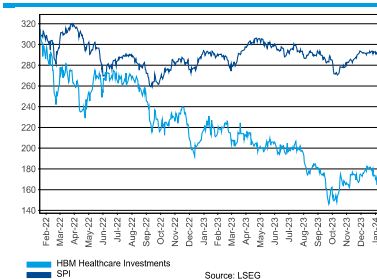
### Other financials

Reuters: HBMN.S      Bloomberg: HBMN SE

### Add

Closing price as of 19-Jan-24	CHF 165.00
<b>Target price</b>	<b>CHF 236.00</b>
High/Low (12M)	CHF 231.00/146.00
Market cap.	CHF mn 1,143
Enterprise value	CHF mn 1,090
Free float	82.9%
Avg. daily turnover	CHF mn 0.85

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-4.6	6.9	-16.4
rel. SMI	-4.2	0.9	-15.2
rel. STOXX Europe 600	-3.0	0.2	-18.0
rel. SXXP Financial Serv.	-1.7	-6.9	-29.1

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## Exchange rates drag performance into the red; net loss of CHF 158mn confirmed

### Our conclusion

- With the strong appreciation of the CHF (against: USD, CNY, EUR), exchange rates had a negative impact on results (-8.5%). In 3Q, the NAV fell by 5.1% to CHF 225.03. For the 9M, the loss totaled CHF 158mn, with the NAV down 8.7%.
- **Public companies:** The market gains from these companies (+CHF 48mn) were offset by the negative currency movements (CHF -78mn). The acquisitions of Immunogen (by AbbVie), Chinook Therapeutics (by Novartis) and Prometheus Biosciences (by Merck) resulted in gains of CHF 27mn. Other companies recorded positive value developments based on positive clinical trials.
- **Private companies** contributed to the 9M results with a net loss of CHF 96mn. Of this, losses due to new financing or failure to meet operational targets resulted in a loss of CHF 49mn.
- **Liquidity:** As of 31-Dec-2023, HBM had CHF 115mn in cash and cash equivalents and expects to receive CHF 30mn from AbbVie once the acquisition of Immunogen is completed (2024).
- **Outlook:** After 3 portfolio takeovers in 2023, the first weeks of 2024 brought in another one – Johnson & Johnson agreed to buy Ambrx Biopharma for USD 2bn (premium of 100%), thus confirming, in our opinion the quality and maturity of HBM's portfolio. ArriVent Biopharma, a private position in the portfolio, published its IPO prospects as it intends to go public on the Nasdaq in 2024. Additionally, various companies in the portfolio will report clinical results in 2024. We anticipate with several portfolio catalysts, plus the anticipated improvement of the macro environment, HBM's NAV might develop positively in 2024. Therefore, our view remains positive.
- **Valuation:** Based on the last published NAV of CHF 229.31 (as of 15-Jan), HBM shares trade currently at a discount of 28% (vs. historical avg.: -10%). Given HBM's positive mid-term outlook, we think that this level of discount offers an attractive entry point for investors.

### Facts & Analysis

#### 9M reported figures and Baader Helvea's expectations for 2023/24

CHF mn	2022/23	9M23/24	2023/24E
	Actual	Actual	Baader
Net results	-145.3	-157.5	-71.7
EPS (CHF)	-20.98	-22.68	-10.35
NAV/Share (CHF)	255.02	225.03	237.13

Source: Company data, Baader Helvea Equity Research

### Key financials

CHF mn	2022/23	2023/24E	2024/25E	2025/26E	CAGR (%)
Sales	-116.5	-42.4	46.1	131.0	-
EBIT adj.	-146.1	-70.4	18.0	103.0	-
EPS adj. (CHF)	-20.98	-10.35	2.42	14.68	-

Source: Company data, Baader Helvea Equity Research

### Valuation ratios

x	2022/23	2023/24E	2024/25E	2025/26E
EV/Sales	-8.8	-26.2	23.6	8.1
EV/EBIT adj.	-7.0	-15.8	60.4	10.4
P/E adj.	-	-	68.2	11.2

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## Key data

FY 31 Mar.	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
<b>Share data</b>						
EPS reported (CHF)	108.30	-11.22	-20.98	-10.35	2.42	14.68
<b>EPS adjusted (CHF)</b>	<b>108.31</b>	<b>-11.22</b>	<b>-20.98</b>	<b>-10.35</b>	<b>2.42</b>	<b>14.68</b>
Dividend (CHF)	7.72	12.51	9.70	7.50	5.62	5.62
Book value (CHF)	309.23	285.56	255.02	237.13	233.93	242.99
Free cash flow (CHF)	34.30	-22.07	12.87	0.28	8.94	8.94
Avg. no. of shares (mn)	6.9	7.0	6.9	6.9	6.9	6.9
Market cap. (avg./current; CHF mn)	1,886.2	2,296.4	1,112.3	1,142.8	1,142.8	1,142.8
Enterprise value (CHF mn)	1,556.8	2,221.6	1,029.5	1,111.3	1,089.5	1,067.8
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>2.5</b>	-	-	-	<b>68.2</b>	<b>11.2</b>
P/BV (x)	0.9	1.2	0.6	0.7	0.7	0.7
FCF/EV (%)	15.3	-6.9	8.7	0.2	5.7	5.8
FCF yield (%) (FCF/Mcap.)	12.6	-6.7	8.0	0.2	5.4	5.4
Dividend yield (%)	2.8	3.8	6.0	4.5	3.4	3.4
EV/Sales (x)	1.7	-59.2	-8.8	-26.2	23.6	8.1
EV/EBITDA adj. (x)	2.1	-29.5	-7.0	-15.8	60.4	10.4
EV/EBIT adj. (x)	2.1	-29.5	-7.0	-15.8	60.4	10.4
EV/CE (x)	0.8	1.2	0.6	0.7	-	-
ROCE/WACC adj. (x)	-	-	-	-	-	-
<b>Key company data</b>						
<b>Sales growth (%)</b>	<b>291.9</b>	<b>-104.1</b>	<b>210.8</b>	<b>-63.7</b>	<b>-208.8</b>	<b>184.3</b>
EBITDA adj. growth (%)	312.4	-110.0	94.1	-51.8	-125.6	471.1
EBITDA adj. margin (%)	82.6	200.7	125.4	166.3	39.1	78.6
<b>EBIT adj. margin (%)</b>	<b>82.6</b>	<b>200.7</b>	<b>125.4</b>	<b>166.3</b>	<b>39.1</b>	<b>78.6</b>
Net adj. margin (%)	82.3	207.9	124.7	169.3	39.1	78.6
Free cash flow margin (%)	26.1	409.0	-76.5	-4.6	134.4	47.3
Payout ratio (%)	7.1	-111.5	-46.3	-72.4	215.9	37.8
Gearing (%) (net debt/equity)	-15.3	-3.8	-4.7	-1.9	-3.3	-4.5
Net debt/EBITDA (x)	-0.4	1.0	0.6	0.4	-3.0	-0.7
Equity ratio (x) (equity/total assets)	84.8	91.2	90.7	92.6	92.5	92.8
Capital employed (CHF mn)	2,067.1	1,920.5	1,693.1	1,620.8	0.0	0.0
ROCE adj. (%)	36.4	-3.9	-8.6	-4.3	-	-
<b>Income statement (CHF mn)</b>						
<b>Turnover</b>	<b>911.3</b>	<b>-37.5</b>	<b>-116.5</b>	<b>-42.4</b>	<b>46.1</b>	<b>131.0</b>
EBITDA	752.9	-75.2	-146.1	-70.4	18.0	103.0
EBITDA adj.	752.9	-75.2	-146.1	-70.4	18.0	103.0
EBIT	752.9	-75.2	-146.1	-70.4	18.0	103.0
EBIT adj.	752.9	-75.2	-146.1	-70.4	18.0	103.0
EBT	750.4	-78.0	-145.3	-71.7	18.0	103.0
Net profit after minorities	750.4	-78.0	-145.3	-71.7	18.0	103.0
Net profit adj.	750.4	-78.0	-145.3	-71.7	18.0	103.0
<b>Balance sheet (CHF mn)</b>						
<b>Non-current assets</b>	<b>2,105</b>	<b>1,947</b>	<b>1,714</b>	<b>1,621</b>	<b>1,577</b>	<b>1,618</b>
thereof goodwill	-	-	-	-	-	-
Current assets	429	225	232	131	153	174
<b>Total assets</b>	<b>2,535</b>	<b>2,172</b>	<b>1,946</b>	<b>1,772</b>	<b>1,750</b>	<b>1,813</b>
Shareholders' equity	2,149	1,982	1,765	1,641	1,619	1,682
<b>Total equity and liabilities</b>	<b>2,535</b>	<b>2,172</b>	<b>1,946</b>	<b>1,772</b>	<b>1,750</b>	<b>1,813</b>
Net debt	-329	-75	-83	-32	-53	-75
<b>Cash flow (CHF mn)</b>						
<b>Cash flow from operations</b>	<b>-55.4</b>	<b>-167.1</b>	<b>-29.5</b>	<b>-28.1</b>	<b>-28.1</b>	<b>-28.1</b>
of which change in working capital	0.0	0.1	0.0	0.0	0.0	0.0
Cash flow from investments	293.1	13.7	118.7	30.0	90.0	90.0
of which investment in fixed assets	-	-	-	-	-	-
<b>Free cash flow</b>	<b>237.7</b>	<b>-153.4</b>	<b>89.1</b>	<b>1.9</b>	<b>61.9</b>	<b>61.9</b>
Dividends paid	-53.5	-87.0	-67.2	-51.9	-38.9	-38.9
Cash flow from financing activities	-33.6	-42.7	-74.3	-103.2	0.0	0.0
<b>Change in cash position</b>	<b>205.0</b>	<b>-205.5</b>	<b>8.4</b>	<b>-101.3</b>	<b>21.7</b>	<b>0.0</b>

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	22-Jun-23	Add	CHF	236.00	198.00 21-Jun-23	Leonildo Delgado, Ph.D.

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