

16 October 2023

HBM Healthcare Investments

Switzerland

Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Closing price as of
13-Oct-23 CHF 160.60**Target price CHF 236.00**

High/Low (12M) CHF 240.00/146.00

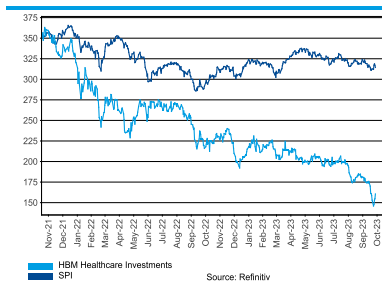
Market cap. CHF mn 1,112

Enterprise value CHF mn 1,081

Free float 82.9%

Avg. daily turnover CHF mn 0.86

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-11.6	-21.7	-23.7
rel. SPI	-10.2	-19.2	-20.4
rel. STOXX Europe 600	-10.5	-19.0	-20.5
rel. SXXP Financial Serv.	-10.5	-25.6	-26.2

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Preliminary figures confirmed: net loss of CHF 70mn in 1H23; share buyback activated

Our conclusion

- In the first 6 months of 2023/24, the NAV declined by -4.0% to CHF 237.22 per share. The (under)performance was driven by the negative sentiment prevalent in the market. In the same time period, the benchmark Nasdaq Biotechnology Index performed only slightly better than HBM (i.e. -3.7% returns).
- The portfolio of public companies contributed the most to the negative results of HBM, reporting a total loss of CHF 58mn in the first 6 months. Cathay Biotech and Mineralys Therapeutics, both ex-private positions, lost CHF 44mn and CHF 15mn, respectively.
- Share buyback:** As expected by us, with the discount of the share price to the reported net asset value (NAV) widening to 40-50% recently, HBM decided to activate its share buyback program launched in Jun-22. This program aims to repurchase up to 696,000 shares (10% of the registered shares) for the purpose of cancellation.
- Investment view:** HBM's shares have been hit hard in 2023 due to the high and lasting interest rate environment, as well as due to the weak outlook for China (a region where HBM has high exposure). Despite the negative sentiment, HBM has shown that attractive exits are still possible, as exemplified by several portfolio acquisitions in the first six months of 2023. While the short-term might still bring some challenges for the small and midcaps, we expect HBM's portfolio to benefit from a market rebound with returns in the 10-15% p.a. (historical return of benchmark: 9.6% p.a.). The activation of the share buyback is, in our view, a very positive development as it shows HBM's conviction in its portfolio, allows for short term investors to exit and supports the share price performance in the medium term. We keep our rating and TP unchanged.

Facts & Analysis

Key figures

CHF mn	2022/23	1H23/24	2023/24E	2024/25E
	Actual	Actual	Baader	Baader
Net results	-145.3	-68.7	-71.7	16.7
EPS (CHF)	-20.98	-10.11	-10.35	2.42
NAV/Share (CHF)	255.02	237.8	237.13	232.6

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	-25.5	23.0	7.9
EV/EBIT adj.	-7.0	-15.3	58.7	10.1
P/E adj.	-	-	66.4	10.9

HBM Healthcare Investments

Key data

FY 31 Mar.	2020/21	2021/22	2022/23	2023/24E	2024/25E	2025/26E
Share data						
EPS reported (CHF)	108.30	-11.22	-20.98	-10.35	2.42	14.68
EPS adjusted (CHF)	108.31	-11.22	-20.98	-10.35	2.42	14.68
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	1,112.3	1,112.3	1,112.3
Enterprise value (CHF mn)	1,556.8	2,221.6	1,029.5	1,080.8	1,059.1	1,037.4
Valuation						
P/E adj. (x)	2.5	-	-	-	66.4	10.9
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	5.8	6.0
FCF yield (%) (FCF/Mcap.)	12.6	-6.7	8.0	0.2	5.6	5.6
Dividend yield (%)	2.8	3.8	6.0	4.7	3.5	3.5
EV/Sales (x)	1.7	-59.2	-8.8	-25.5	23.0	7.9
EV/EBITDA adj. (x)	2.1	-29.5	-7.0	-15.3	58.7	10.1
EV/EBIT adj. (x)	2.1	-29.5	-7.0	-15.3	58.7	10.1
EV/CE (x)	0.8	1.2	0.6	0.7	-	-
ROCE/WACC adj. (x)	-	-	-	-	-	-
Key company data						
Sales growth (%)	291.9	-104.1	210.8	-63.7	-208.8	184.3
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
EBIT adj. margin (%)	82.6	200.7	125.4	166.3	39.1	78.6
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	-	-
Income statement (CHF mn)						
Turnover	911.3	-37.5	-116.5	-42.4	46.1	131.0
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
Balance sheet (CHF mn)						
Non-current assets	2,105	1,947	1,714	1,621	1,577	1,618
thereof goodwill	-	-	-	-	-	-
Current assets	429	225	232	131	153	174
Total assets	2,535	2,172	1,946	1,772	1,750	1,813
Shareholders' equity	2,149	1,982	1,765	1,641	1,619	1,682
Total equity and liabilities	2,535	2,172	1,946	1,772	1,750	1,813
Net debt	-329	-75	-83	-32	-53	-75
Cash flow (CHF mn)						
Cash flow from operations	-55.4	-167.1	-29.5	-28.1	-28.1	-28.1
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	-	-	-	-	-	-
Free cash flow	237.7	-153.4	89.1	1.9	61.9	61.9
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
Change in cash position	205.0	-205.5	8.4	-101.3	21.7	0.0

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.
HBM Healthcare Investments	07-Nov-22	Add	CHF	270.00	227.00	04-Nov-22	Leonildo Delgado, Ph.D.

HBM Healthcare Investments

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