

HBM Healthcare

Switzerland | Pharma & biotech

MCap: CHF1.9bn



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Q. How much could the private portfolio add to the company's long-term valuation?

HBM Healthcare is a listed Swiss fund that invests in the biotech, medical technology, and diagnostic sectors. It has been one of the best-performing stocks in the healthcare specialised funds universe this year, having risen by c. 25% since January. This stellar performance has been driven by an improvement in the NAV, but most importantly by the gradual decline in the share price discount to NAV. Going forward, we estimate that HBM shares will trade at no discount to NAV versus a three-year average discount of 8%. HBM mainly invests in private companies or in companies originating from its private company portfolio. With little information available on these private companies, we will have to wait and see exactly what added value these investments bring.

See our answer inside...

Buy

Target Price:	CHF320.00 (252.00)
Current Price:	CHF268.50
Up/downside:	19.2%
Change in TP:	27.0%
Change in Adj. EPS:	38.3% 20E/-23.3% 21E

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Q+A in 1 minute

A

The private portfolio is a long-term reservoir of value creation

- The private company portfolio represents 30% of the current valuation of the HBM Healthcare fund. However, companies in this portfolio are included in the NAV of the fund at the price of their last financing round until a potential exit.
- This is an evergreen fund with no obligation to sell certain assets at a specific time. This strategy allows HBM to be a long-term shareholder.
- HBM Healthcare has built up a strong track record of successful exits (IPOs and trade sales) with an acceleration in the number of deals since the beginning of the year.
- Recently, the fund's performance has been boosted by several successful exits. The average return on investment from these exits has been +300% since 2018. Even excluding the contribution from the recent IPO of Cathay Biotech, the overall performance amounted to over +200% during the period.
- Investing in its private company portfolio is a mid- to long-term strategy that has allowed HBM to unveil the hidden value of promising bets at the exit, which has boosted the fund's valuation.
- We update our valuation model and lift our target price from CHF252 to CHF320 to factor in the recent evolution of the portfolio.

Change in Sales: down nm 20E/down nm
Change in Adj EBIT: none/

Bloomberg: HBMN SW Reuters: HBMN.S
 Free float 100.0%
 Avg. daily volume (CHFm) 2.5
 YTD abs performance 20.7%
 52-week high/low (CHF) 294.00/154.20

FY to 31/03 (CHF)	03/20	03/21E	03/22E
Sales (m)	0.0	0.0	0.0
EBITDA adj (m)	0.0	0.0	0.0
EBIT adj (m)	0.0	0.0	0.0
Net profit adj (m)	182.7	288.8	171.9
Net financial debt (m)	-103.2	-261.4	-316.3
FCF (m)	124.7	239.0	100.4
EPS adj. and ful. dil.	26.26	41.51	24.71
Consensus EPS	26.26	37.64	21.56
Net dividend	7.70	8.07	8.39
FY to 31/03	03/20	03/21E	03/22E
P/E adj and ful. dil.	7.5	6.5	10.9
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
FCF yield	9.1%	12.8%	5.4%
Dividend yield	3.9%	3.0%	3.1%
ND(F+FRS16)/EBITDA	na	na	na
Gearing	-7.2%	-13.4%	-14.1%
ROIC	na	na	na
EV/IC	na	na	na

Research Framework

Investment case

- Pharma trends and dynamics remain solid, and HBM has demonstrated its ability to identify the value of promising biotechs early on. HBM has a well-balanced portfolio of public and private companies, and a successful long-term exit strategy (IPO or trade sale).
- Shareholders benefit from an attractive return (a dividend in the range of 5% per year and a share buyback), leading to sustainable performance. As a result, HBM's shares posted one of the best five-year performances among its peers.
- Lastly, the non-listed investments could hide interesting value, as they are valued at their acquisition cost in our model.

Catalysts

- Any exit coming from the private portfolio (IPO or trade sale).
- Positive clinical trials in the public portfolio.

Valuation methodology

- Our valuation is based on the NAV of all investments without any discount.
- We expect the NAV of HBM's public company portfolio to reach the value implied by analysts' and consensus's target prices, while the valuation of investments in private companies are included at their acquisition costs or the price of the last round of financing.
- Our valuation points to a target price of CHF320.

Risks to our rating

- Failure in clinical trials.
- Sales ramp-up of revenue-generating companies of the portfolio.

Company description

HBM Healthcare is a Swiss investment company managed by HBM Partners. It was founded in 2001 and listed on the Swiss Stock Exchange in February 2008. Its investment focus is private and public healthcare companies, mainly in Europe and North America. The investment portfolio is made up of stakes in about 50 companies (its largest investment is less than 10% of the portfolio). It also has investments in healthcare-dedicated funds to diversify outside of its core expertise.

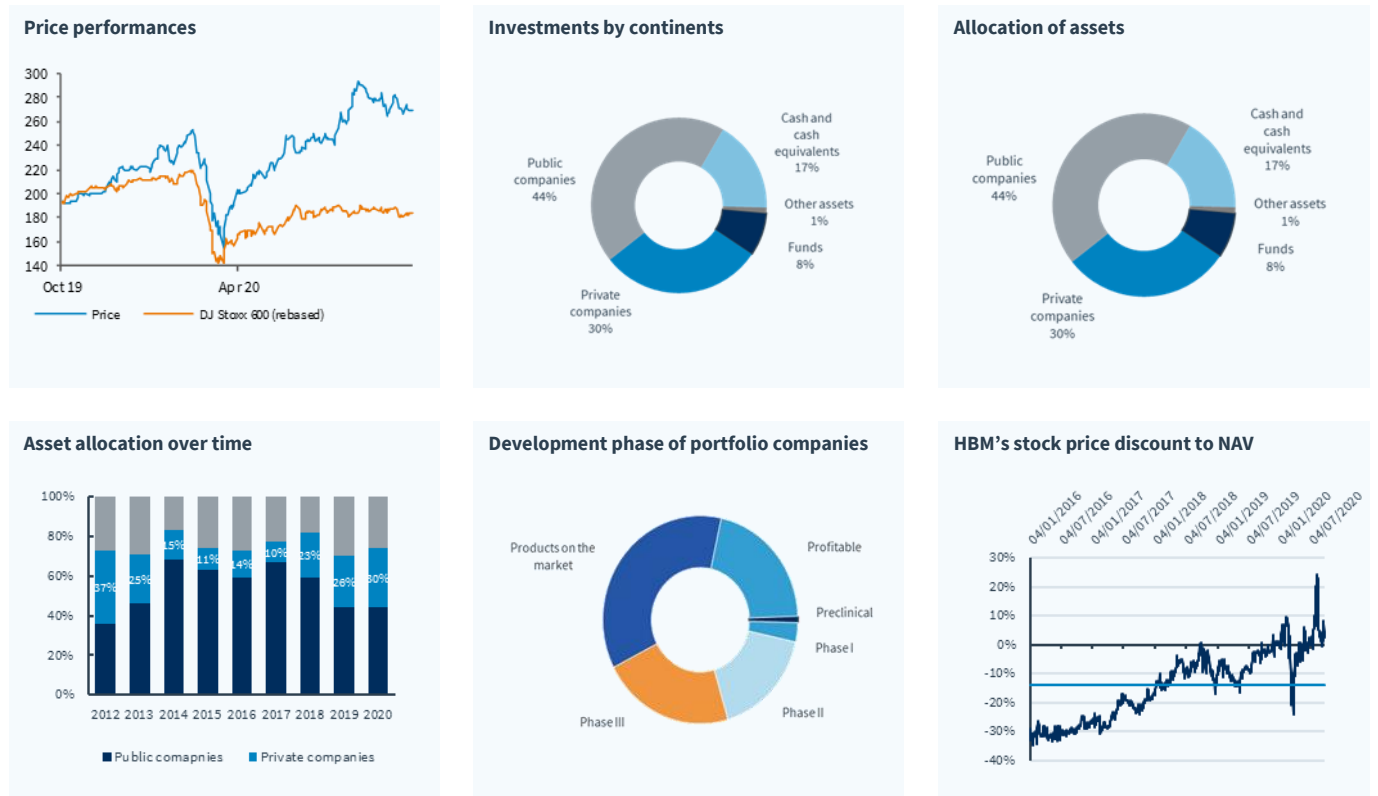
Management

Andreas Wicki, CEO
 Erwin Troxler, CFO
 Hans Peter Hasler, Chairman of the Board

Key shareholders

Nogra Pharma Invest 15.00%

Key data charts



SWOT analysis

Strengths

- Highly skilled investment team with long-standing expertise
- Diversified portfolio of late-stage assets, both private and public
- Active role in value creation within portfolio companies
- Listed private healthcare equity fund

Weaknesses

- Persistent wide discount to NAV
- Mature portfolio, which needs to be rebalanced
- Mixed performance over the years
- Size could be an obstacle to investing in small- and mid-caps

Opportunities

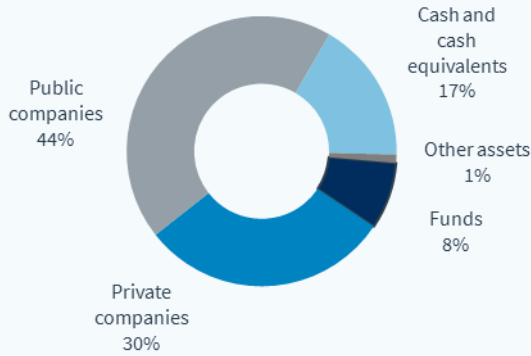
- Invested in emerging and innovative therapies
- Substantial clinical newsflow from holding companies
- Intense M&A activity in the global healthcare sector
- Favourable environment for healthcare IPOs

Threats

- Competition from listed healthcare equity funds or ETFs
- Venture is an industry that does not scale well
- The biotech boom coming to an end
- Sector rotation with healthcare outflows

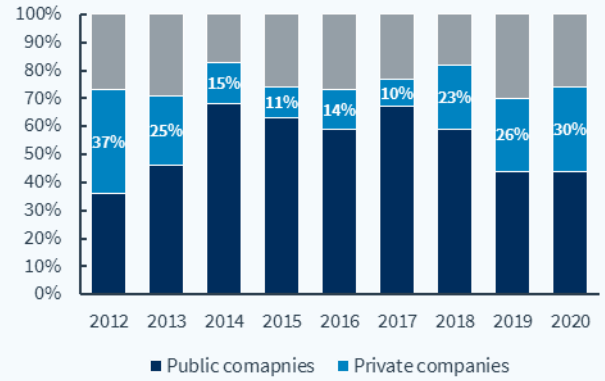
Investment case in six charts

Chart 1: Allocation of assets



Source: HBM Healthcare

Chart 2: Asset allocation over time



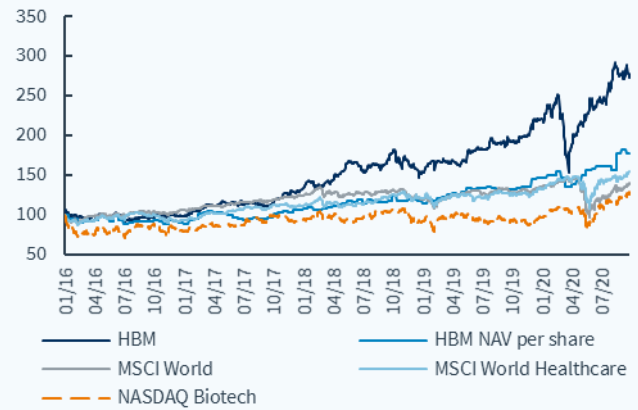
Source: HBM Healthcare

Chart 3: Share price and NAV performance versus indexes



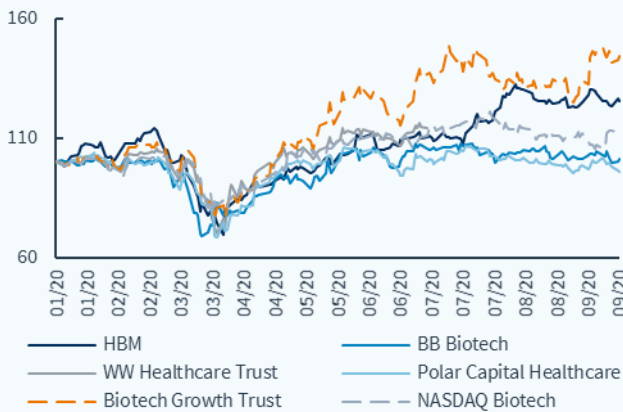
Source: HBM Healthcare

Chart 4: Share price and NAV performance versus indexes



Source: Factset Partners, Kepler Cheuvreux

Chart 5: Share price performance of healthcare/biotech funds



Source: Factset Partners, Kepler Cheuvreux

Chart 6: HBM's stock price discount to NAV



Source: Factset Partners, Kepler Cheuvreux

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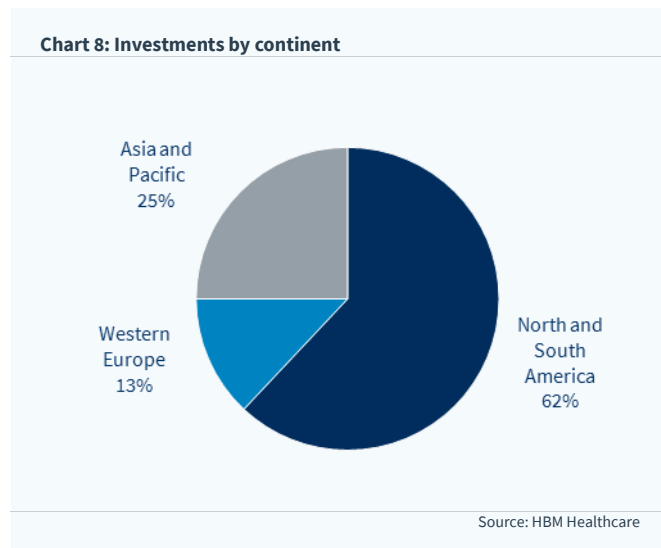
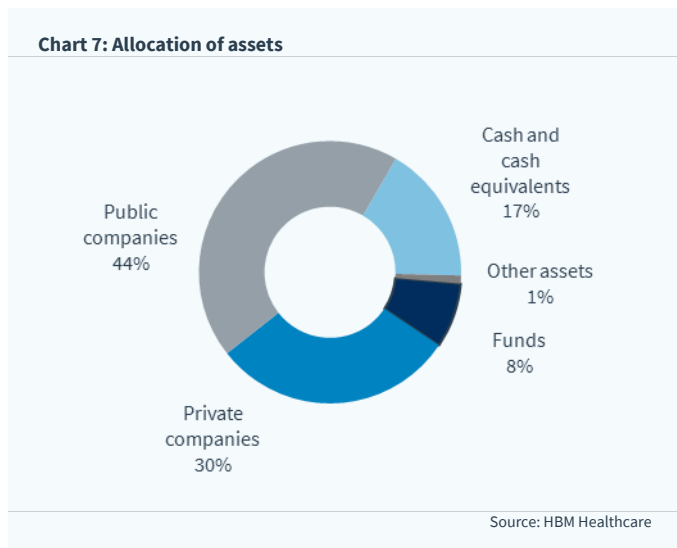
How much could the private portfolio add to the company’s long-term valuation?

After its recent performance (+25% since the beginning of the year), the share price has surpassed our previous TP of CHF252. HBM Healthcare’s valuation is based on the sum of all of its investments (private and public companies and funds) minus a discount. In contrast with listed companies, there is little information available about the companies in the private portfolio (depth of the pipeline, stage of development, ongoing clinical trials, etc.). Hence, the companies included in the private portfolio are valued at their acquisition cost or the price of the last financing round. This means that the mid- to long-term investments offer hidden value, which partially emerges after a new round of financing and fully materialises after an exit (IPO or trade sales).

Thanks to its expertise in healthcare and stringent due diligence, HBM Healthcare is able to select promising private companies at an early stage in their development. The big challenge is to estimate the potential additional contribution of the private portfolio to HBM’s share price performance, when very little information on these companies is available until the exit.

Mix between a private and public portfolio

HBM Healthcare has a well-balanced and diversified CHF2.0bn portfolio of private and public companies involved in the human medicine, medical technology, diagnostics sectors and health IT (digital health, which uses technology to help improve individuals' health and wellness) sectors. The US accounts for the lion’s share of its investments, while Europe and Asia represent only one-third. However, it has invested in several promising late-stage biotech companies from emerging countries (in Asia, in particular).

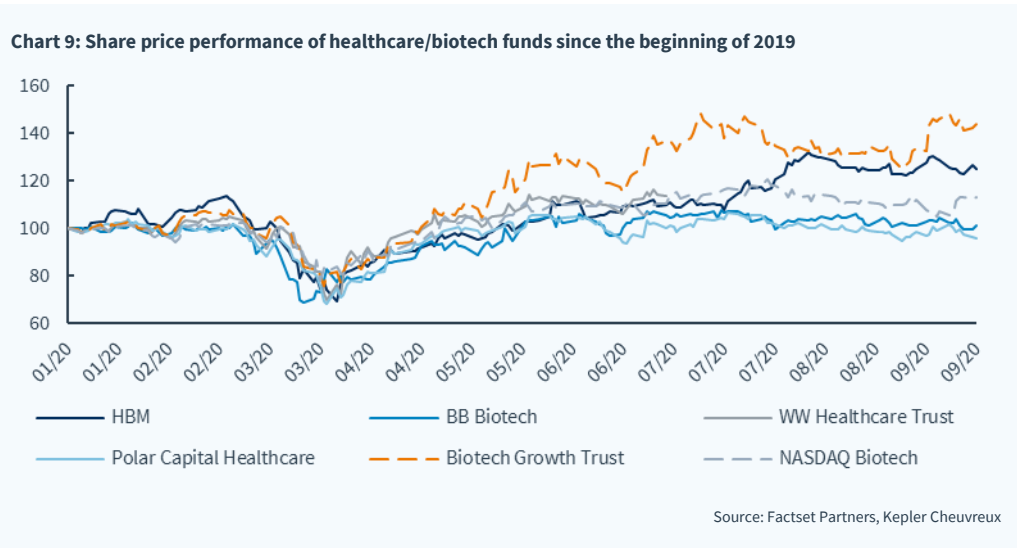


HBM’s portfolio has a clear focus on biotech companies, although it is well-balanced in terms of the therapeutic areas and the development stages of drug candidates.

Why is there so much interest in the private portfolio? For a potential investor in HBM there is a lack of information available on the companies in the private portfolio, making it hard to determine the real value of these investments.

A solid performance since the beginning of the year

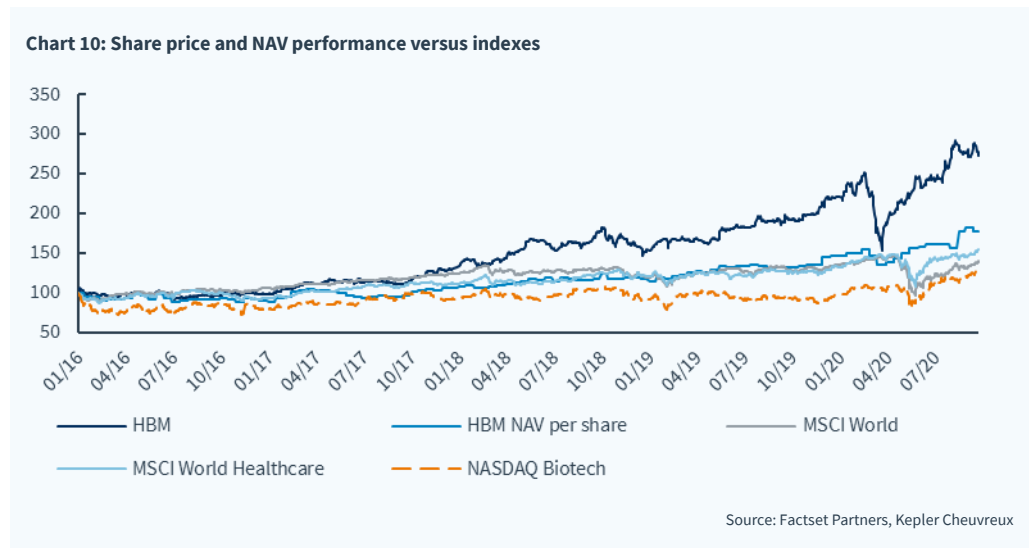
HBM Healthcare Ltd was founded in 2001 and has been listed on the Swiss Exchange since 2008. The company has gradually developed expertise in investing in private and public companies with an exit-driven strategy, leading to an impressive performance over time. Since its inception, HBM’s share price performance has regularly outpaced the market.



Since the beginning of the year, HBM’s share price has increased by +25%, outpacing the NASDAQ Biotech index (+13%) or European peers like BB Biotech (+1%) or American (+18% on average). Part of this performance is related to the structure of HBM’s portfolio as it mainly invests in private companies or in companies originating from its portfolio of private companies.

Discount to NAV has shrunk

While HBM Healthcare has less exposure to the US market than its peers, thanks to wise choices, its long-term performance (three to five years) is among the best in its peer group. Accordingly (thanks to investors’ increasing confidence in HBM’s investment strategy over the last two years), the fund’s NAV has increased by +21%, while HBM’s share price has increased by +23%, surpassing both the MSCI World (+3%) and the MSCI World Healthcare indexes (+17%).



Moreover, HBM’s share price discount to NAV has decreased significantly. Now it even trades at a slight premium of 2%, below its average historical level (-14%). This is a result of HBM Healthcare’s growing expertise in selecting stocks, which has allowed it to regularly outperform the market.

Chart 11: HBM's stock price discount to NAV (average historical level: -14%)



Source: Factset Partners, Kepler Cheuvreux

Investors' increasing confidence in HBM's ability to reap value from its private portfolio is likely to have contributed to this change in view and the gradual reduction of the discount to NAV.

Private portfolio a hidden reservoir of value

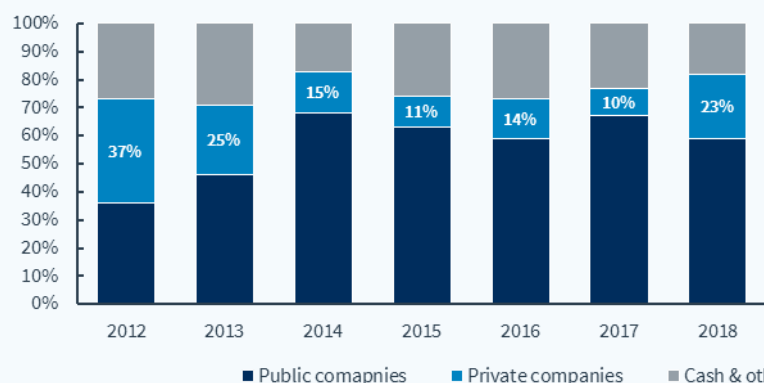
HBM Healthcare invests in a mix of private and public healthcare companies at different stages of development. In the recent years, HBM gradually increased the weight of the private companies in its investment portfolio. As a long-term investor in private companies, HBM acts as a lead or co-lead investor with board representation. The recent performance of the fund has been boosted by several successful exits (via IPOs and M&A operations) from the private portfolio.

The current average return on investment from exits from the private portfolio has amounted to +300% since 2018 (even without the huge contribution of Cathay Biotech, the performance exceeded 200% during the period). This demonstrates the effectiveness of HBM's strategy to focus more on private companies and unveil the hidden value at the exit.

Increasing the weight of the private portfolio

HBM Healthcare's private portfolio has grown, and it should expand further in the coming years. Currently, private companies represent 30% of HBM's asset allocation. While the company's strategy is to pursue investments in the private portfolio, the total number of private companies in the overall portfolio is likely to slightly decrease in the short term, due to several recent exits (IPOs or M&A).

Chart 12: Asset allocation over time



Source: Kepler Cheuvreux

Thanks to its consistently strong cash position (CHF324m of cash available as of end June 2020), HBM can seize new investment opportunities as they arise and can continuously make new and follow-up investments.

A long-term shareholder strategy

HBM Healthcare fund is a listed evergreen fund, meaning this fund has no obligation to sell certain assets at a specific time. Hence, it can be a long-term shareholder and thus keep some investments for a very long time (for ten years or more) if portfolio managers see more value ahead. However, the company regularly reassesses its investments' potential and in certain cases (disappointing clinical results, changes of control, etc.) the holding period may be shorter.

A good example of this long-term view is the initial investment in Cathay Biotech. HBM invested in this innovative company ten years ago, after identifying the investment opportunity and conducting a thorough due diligence, and it is still a major shareholder today.

Cathay Biotech was founded in 1997 and HBM invested in the company in 2006. It was HBM Healthcare's first investment in China (Shanghai). Cathay's objective is to replace conventional production processes with biotechnological methods. It uses biotechnological processes to produce chemicals, fuels, and polymers.

After some initial setbacks and several follow-up investments, HBM Healthcare became the main shareholder in the company.

Table 1: A long-term investor

	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	03/2020
Valuation of Cathay's investment (CHFm)	28	28	14	44	44	92	125	216
Ownership	12.6%	12.6%	12.6%	9.5%	9.3%	8.5%	7.9%	7.9%
% of HBM's portfolio	4.4%	2.7%	1.3%	4.1%	4.0%	7.5%	12.1%	16.2%

Source: Kepler Cheuvreux

As of the end of March 2020, Cathay Biotech was the group's largest investment: it accounted for 16% of its entire investment portfolio and c. 40% of the private portfolio.

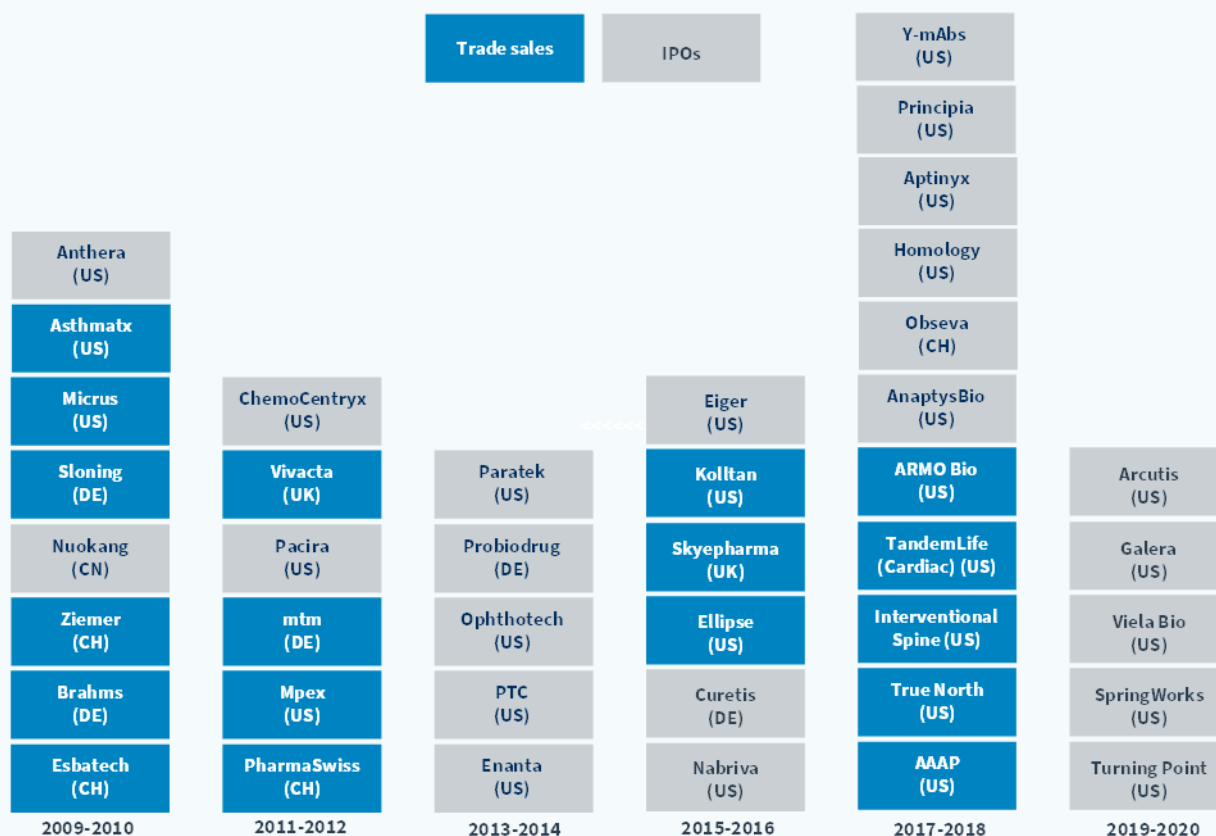
In August 2020, HBM Healthcare launched the IPO of Cathay Biotech on the Chinese technology exchange in Shanghai (SSE STAR Market). The IPO was a great success and the valuation of Cathay Biotech reached more than CHF8bn.

Hidden value

On the flipside, it is always hard to correctly evaluate the private companies' potential, due to a lack of information on the pipeline, funding or even the stage of development of the most advanced drug candidates. The fair value of these investments is either equal to their acquisition price or the value determined during the last financing round. Hence, their real valuation potential is much harder to estimate and this potential only fully emerges at the time of the exit (via an IPO or trade sale).

Nevertheless, over the years HBM Healthcare has built up an excellent track record in identifying promising private healthcare companies, and over the last decade the company has carried out more than 50 trade sales and IPOs.

Chart 13: A solid track record of successful exits



Source: HBM Healthcare

The return on investment from these exit operations has often been impressive. Hence, since 2018 the average return on investment from exits from companies in the private portfolio has amounted to +300%. The recent exit of Cathay Biotech has made an important contribution (around one-third) to this impressive performance. However, even without considering the Cathay Biotech exit, the performance surpassed 200% during the period.

Table 2: An impressive return on investment for several companies of the private portfolio

Year	Exit	First investment	Company	Therapeutic focus area	HBM's investment (CHFm)	Value at IPO/Exit (CHFm)	Current value (CHFm)	Return on investment	Remark
2020	Trade sales	2017	Forbuis (US)	Oncology/ biotherapeutics	8.6	20.4	-	137%	Sold
2020	IPO	2017	Harmony Biosciences (US)	Rare neurological disorders	40.3	201.0	179.5	345%	Still in portfolio
2020	IPO	2006	Cathay Biotech (CN)	Synthetic biology	40.0	662.0	390.4	877%	Still in portfolio
2020	IPO	2018	iTeos Therapeutics (BE)	Immuno-oncology	17.9	29.3	33.5	87%	Still in portfolio
2020	IPO	2020	ALX Oncology (US)	Oncology	12.6	27.8	36.3	188%	Still in portfolio
2020	Trade sales	2018	Corvidia Therapeutics (US)	Cardio-renal diseases	4.8	23.0	-	379%	Sold
2020	IPO	2019	Arcutis Bioth. (US)	Skin diseases	22.7	37.9	42.9	89%	Still in portfolio
2019	IPO	2019	VieLa Bio (US)	Autoimmune diseases	29.5	41.0	44.6	51%	Still in portfolio
2019	IPO	2018	Turning Point (US)	Oncology	14.5	31.9	46.7	222%	Still in portfolio
2018	Trade sales	2003	TandemLife (US)	Cardiology	4.4	33.9	-	670%	Sold
2018	Trade sales	2016	ARMO Bio (US)	Oncology	22.2	42.3	-	167%	Sold
2018	IPO	2017	Homology (US)	Rare generic diseases	10.0	16.8	-	68%	Sold
2018	IPO	2017	Aptinyx (US)	Neurologic disorders	8.5	18.6	-	118%	Sold
2018	IPO	2018	Principia (US)	Immuno-oncology	19.2	41.1	106.5	455%	Still in portfolio
2018	IPO	2017	Y-mAbs (US)	Immunotherapy	32.6	73.8	113.7	249%	Still in portfolio

Source: Kepler Cheuvreux, HBM Healthcare

We note an acceleration in the number of exits since the beginning of the year (mainly through IPOs). HBM has already carried out seven exits YTD, of which five IPOs. In the following section, we take a closer look at the most interesting operations.

IPO: among the most profitable exits

To date, the most impressive operation was HBM's exit from the investment in **Cathay Biotech**. At the time of the IPO (late July 2020), HBM Healthcare held 29.6m shares of Cathay, representing a 7.1% ownership stake in the company. Based on the closing price of the first trading day, the value of its investment in Cathay amounted to CHF613m. Since 2006, HBM Healthcare has invested CHF37m in the company.

HBM Healthcare first started to invest in Cathay in 2006. Fourteen years later, based on the current valuation of Cathay Biotech, the return on this investment has reached c. 900%, corresponding to an annualised return of 18% per year.

Note that due to the lock-up period of 36 months, to calculate the NAV of the fund, HBM Healthcare will value the investment in Cathay at a discount to the share price of initially 18%. This will be reduced linearly over the term (0.5% per month).

A few weeks later, Cathay went public, the successful listing of **Harmony Biosciences** also led to an interesting return for HBM Healthcare. Harmony Biosciences is a pharmaceuticals company focused on the development of novel treatment options for people living with neurological disease and in particular disorders of sleep (such as narcolepsy) and wakefulness.

During the IPO, there was significant demand leading to a share price increase of +54% on the first day of trading. HBM Healthcare Investments was one of the initial investors in Harmony Biosciences. It has invested a total of USD36.4m in the company since October 2017. At the current price, this investment is worth CHF180m, equivalent to a return of +345% over the period and an annualised performance of +65%.

Trade sales: convince pharma companies

Beyond IPOs, HBM has managed to convince large pharma of the attractiveness of some companies in its private portfolio. In late August 2020, Bristol Myers Squibb (BMS) acquired **Forbius**, a privately held company that has developed a portfolio of highly selective and potent inhibitors of TGF-beta (key mediators of immunosuppression and fibrosis).

Under the terms of the agreement, BMS acquired all outstanding shares of Forbius while existing shareholders will be entitled to future success-based milestone payments. HBM Healthcare owns about 11% of Forbius for a total investment of CAD11.5m since May 2017. The sum of the upfront payment plus the discounted value of the contingent milestones value HBM Healthcare's stake at CHF18.9m corresponding to a return of +136% during the period or an annualised performance of +33% since the initial investment.

Pharma trends still important

Among the various segments of the healthcare industry, the biotech sector is well positioned to sustain its dynamic growth in the years ahead, thanks to its track record of innovation. While the COVID-19 pandemic has wreaked havoc on societies and economies around the world, this epidemic could also be seen as an opportunity: 1) for some pharma companies focused on vaccines, treatments or diagnostics for this infection; and 2) for investors to add to their investments at a more favourable price. Despite increasing pressure on healthcare, the sector offers solid fundamentals, supported by the ageing population, innovation, and emerging economies. No other sub-sector in healthcare generates as high a return as the biotech sector.

COVID-19: more an opportunity than a threat

COVID-19 has led to huge economic losses. While one might assume that the biotech sector would suffer from this outbreak, several few biotech companies are actually working on treatments, vaccines or diagnostic tests leading to some investment opportunities.

The main risks for some biotech or young pharma companies are the refinancing, questions about monitoring (minor trial deviations) and delays in regulatory processes.

Cash is king

Cash is even more critical in these troubled times. Even during times of crisis, some companies are able to raise fresh capital (mainly privately and in the US). The COVID-19 pandemic could be perceived as an opportunity for investors to strengthen stakes in some promising biotech companies at a lower price. Thanks to its solid cash position (with CHF324m of cash available as of end June 2020), HBM Healthcare is well poised to seize new investment opportunities.

Trial deviations and potential delays in regulatory processes

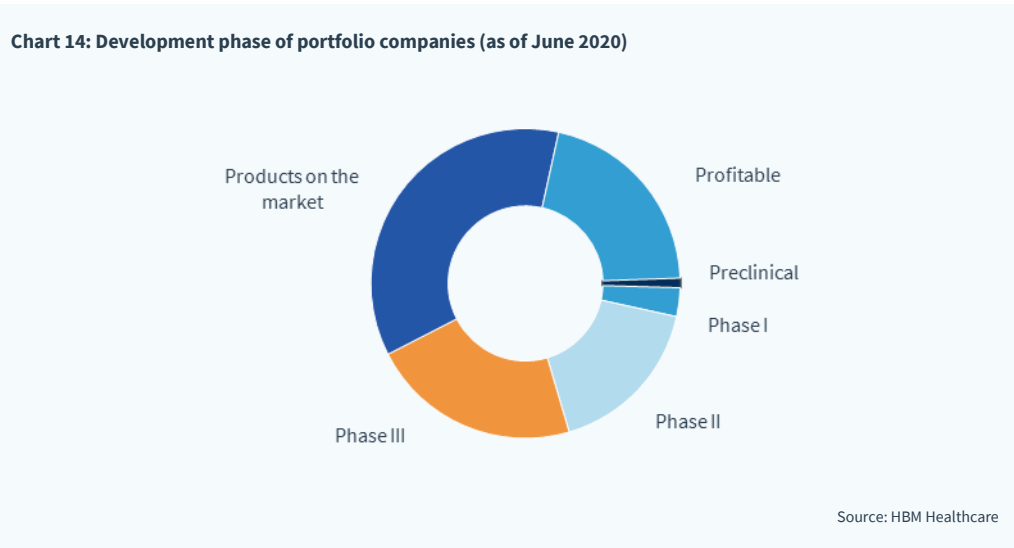
Drug development is becoming more challenging than ever, even more so during a pandemic. Some biotech and pharma companies are likely to suffer delays in their clinical activities. The FDA has also acknowledged that the COVID-19 outbreak may impact clinical trials for medicinal products. Indeed, pharma and biotech companies must cope with quarantines, site closures, travel limitation and interruptions of the supply chain.

These factors could lead to the suspension of some ongoing clinical trials or agencies may require a new clinical trial before giving their approval. Hence, these challenges may lead to potential delays in the timeline of clinical trials and/or difficulties in meeting protocol-specified procedures.

While ensuring the safety of trial participants is paramount, regulatory agencies may accept some amendments of the protocols for the clinical trials. In March 2020, the FDA issued a new guidance on how to conduct clinical trials during COVID-19¹ to manage the current situation and provide answers on how the industry can effectively monitor clinical trials.

HBM Healthcare mainly invests in revenue-generating companies or in companies with products in an advanced stage of development. Thus, more than the half of the investments are made in companies that already have products on the market or that are already profitable.

¹ FDA Guidance on Conduct of Clinical Trials of Medical Products during COVID-19 Public Health Emergency, March 2020



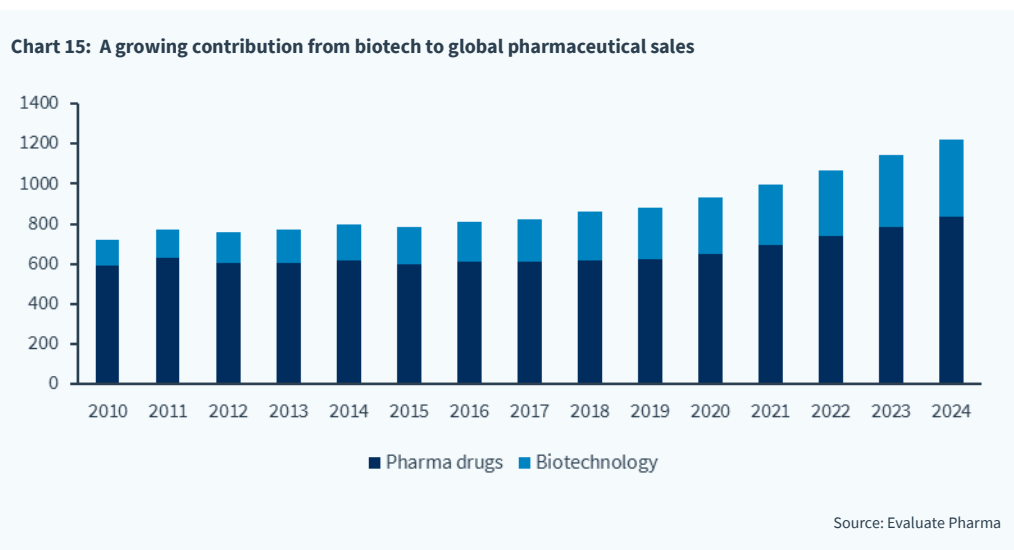
Hence, potential deviations of protocols during clinical trials are likely to have a limited impact on global portfolio companies. Finally, the companies in the portfolio are closely tracked, and are actively guided in terms of their strategic direction.

Biotechs are at the forefront

While HBM Healthcare is a leading investment company in healthcare, it invests mainly in biotech companies with high visibility.

Biotech companies have been making a growing contribution to the total revenues generated by the global pharmaceutical market. These companies now represent more than 30% of the healthcare industry’s total revenues.

This trend is likely to continue in the years ahead at a quicker pace than the growth of the pharmaceutical market. Biotech companies are set to grow at a CAGR 2018-24E of 8.1% versus 5.1% for the pharmaceutical market, according to Evaluate Pharma. In 2024E, global biotech drug sales are expected to reach c. USD400m and should represent nearly half of conventional pharma drug sales.



Innovation is crucial for pharma companies (particularly for biotechs) and it will almost certainly continue to drive the sector. Despite the constraints, there has been a clear acceleration in the number of drugs in development in recent years. Biotech companies seem to be more agile than

big players. Indeed, while they spend 2.6 times less money on average on R&D, they carry out most of the clinical trials, and they manage to get twice as many approvals as the large pharma players.

Chart 16: Novel FDA approvals since 1993



NME: new molecular entity, BLA: biological license application - Source: FDA, CDER

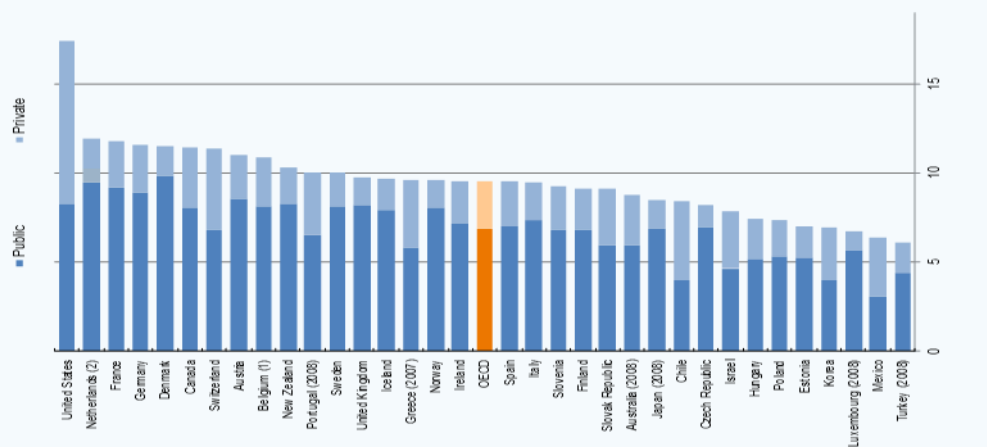
Recent years have seen the emergence of new tools that will facilitate the approval of upcoming innovative treatments (development incentives like breakthrough therapy designation, priority review vouchers, or the 21st Century Cures Act).

Increasing healthcare expenditure

The pharmaceutical industry’s growth trajectory has been astonishing. The OECD estimates that, in 2018, health spending accounted for 9% of GDP on average in OECD countries. In-patient and out-patient care accounts for the lion’s share, while medical goods (mainly pharmaceuticals) account for 19% of health spending, mostly driven by the US.

Looking at changes over time, average spending on healthcare grew at a faster rate than the overall economy in the 1990s and 2000s, with some discrepancies between countries. In the US, healthcare expenditure accounted for 16.9% of US GDP in 2018, but only 7.0% in Ireland.

Chart 17: Health expenditure as a share of GDP, OECD countries (USD)



Source: OECD

The Center for Medicare and Medicaid Services (CMS) expects healthcare spending in the US to represent c. 20% of GDP by 2022E. According to the World Bank, healthcare expenditure is growing in all countries regardless of income level.

Ageing demographics

Most of the healthcare expenditure is used to treat a relatively small number of people. According to data from the US Department of Health and Human Services, a small number of people account for a significant share of healthcare expenses. Conversely, a large portion of the population has very low levels of healthcare spending. Thus, almost half of healthcare spending was used to treat just 5% of the US population.

As the population ages, global healthcare consumption increases. Hence, high spending occurs near the end of many patients' lives. In the US, people over 64 years of age represent 13% of the population, but account for 40% of the top 5% highest spenders on healthcare.

Lifestyle and obesity

According to the World Health Organisation (WHO), low fruit and vegetable consumption and low levels of physical activity increase the risk factors in terms of years of healthy life lost.

The rise in sedentary lifestyles is raising obesity rates, leading to an increased risk of coronary heart disease, strokes, and certain types of cancer. In 2014, more than 1.9bn adults over 18 years of age were overweight (39% of adults), and of these, over 600m were obese (13%).

Healthcare expenditure is closely correlated with the rise in risk factors such as obesity, and the increased prevalence of chronic diseases linked to these risk factors such as hypertension, diabetes, and hypercholesterolemia.

Investment conclusion

HBM has been the best-performing stock (medium- and long-term performance) in its peer group despite having lower exposure to the US market (more dynamic, higher valuation). This has considerably reduced the discount to NAV in recent years.

Thanks to its careful selection of companies to include in its portfolio, its wise choices, and the profitable exits from the private companies portfolio, we see room for further improvement in the NAV. While HBM's share price is likely to benefit from a premium to its NAV, the solid underlying trend and the growing maturity of its investments will help to sustain this performance.

We update our model for HBM Healthcare to take into account the recent moves within the portfolio. We raise our TP from CHF252 to CHF320, implying 19% upside, based on the assumption that the NAV will reach the value estimated by analysts and implied by the consensus target prices for HBM's public company holdings. We do not include the valuation upside from the private equity portion of the portfolio or the funds, and we apply no discount to NAV to obtain our TP.

We reiterate our Buy rating and raise our TP from CHF252 to CHF320

In our view, a peer comparison is not an appropriate valuation method, as the investment theme for each fund is different, as are their returns. In view of the company's strong track record for profitable exits, we no longer apply a discount to the NAV.

A NAV-based pricing model

Our HBM valuation is based on the NAV of the company's portfolio.

HBM publishes the net asset value per share of its fund twice a month. This NAV is calculated from the share price of publicly traded portfolio companies, while the fair values of the funds and investments in private companies are included at their acquisition costs or at the value determined during the last financing round.

Kepler Cheuvreux's healthcare/biotech team does not cover any companies in HBM Healthcare Investments' public portfolio (except for Argenx). Hence, our NAV is based on the following assumptions:

- For public companies, we use consensus target prices taken from Bloomberg when more than four analysts cover the stock. Otherwise, we apply valuations based on the last trading price.
- Following the successful IPOs of Cathay Biotech and Harmony Biosciences (from the private portfolio), we include these investments at their market value based on the last trading price.
- Due to the lock-up period of 36 months, to calculate the NAV of the fund, HBM Healthcare values the investment in Cathay at a discount to the share price of 18% initially. This is then reduced in a linear fashion over the term (0.5% per month from August 2020).
- For private companies and funds, we apply the last disclosed fair value reported (as of 30 June 2020), despite HBM's solid track record for exits.
- In our view, a discount to NAV is no longer justified, and we believe that a premium to NAV could even be reasonable in view of HBM's successful exits from companies in its private portfolio and the positive evolution of the overall portfolio.

Accordingly, we derive a target NAV per share of CHF320, leading to a TP of CHF320 (no discount to NAV), corresponding to 19% upside to the last listed price. At HBM's current share price and taking into account the market value of the public portfolio, the discount to NAV is c. 1%.

Table 3: Valuation – Part I – Public portfolio

Name	Currency	HBM holding (%)	Current share price	Market cap (LC in m)	Current value (CHF)	TP (consensus)	TP range (LC)	Analysts	Valuation at TP (CHFm)
Y-mAbs Therapeutics	USD	5.5%	40.5	1,621	81.2	48.2	42-52	11.0	96.6
Vielia Bio	USD	3.2%	27.61	1,511	44.6	61.7	48-82	7.0	99.7
SpringWorks Therapeutics	USD	3.1%	46.58	2,004	58.0	55.0	50-58	6.0	68.5
Pacira Pharmaceuticals	USD	2.3%	59.39	2,538	52.1	65.8	54-85	16.0	57.8
Biohaven Pharmaceuticals	USD	1.0%	63.16	3,770	33.5	84.9	57-109	10.0	45.0
Arcutis Biotherapeutics	USD	3.4%	31.04	1,185	37.0	44.5	34-55	4.0	53.0
Immunomedics	USD	0.4%	85.25	19,706	80.7	83.3	55-88	7.0	78.9
Zogenix	USD	2.4%	17.95	995	22.2	47.5	25-69	13.0	58.9
Argenx (ADR)	USD	0.3%	260.2	12,244	30.0	261.3	209-300	19.0	30.2
Argenx	EUR	0.3%	260.2	12,244	35.1	261.3	209-300	19.0	35.3
Turning Point Therapeutics	USD	1.0%	88.55	3,734	32.6	85.4	77-100	9.0	31.4
ChemoCentryx	USD	0.6%	10.8	932	4.3	n/a	n/a	n/a	4.3
Esperion Therapeutics	USD	1.6%	37.46	1,042	15.2	82.9	42-191	12.0	33.6
Akebia Therapeutics	USD	1.2%	2.39	343	3.7	6.9	3-10	8.0	10.5
Retrophin	USD	2.0%	18.62	948	16.8	30.4	21-38	10.0	27.4
Rocket Pharmaceuticals	USD	1.7%	23.09	1,274	20.3	35.9	31-47	12.0	31.5
UniQure	USD	0.9%	35.98	1,599	13.3	73.1	56-91	18.0	27.0
Trillium Therapeutics	USD	2.4%	13.55	1,282	25.0	17.6	14-24	7.0	32.5
Zymeworks	USD	1.0%	45.08	2,057	18.1	54.4	42-70	14.0	21.9
Zealand Pharma	DKK	1.1%	242.2	9,634	15.8	282.4	230-305	11.0	18.4
Albireo Pharma	USD	2.8%	32.64	620	12.7	69.9	62-81	8.0	27.2
Intercept Pharmaceuticals	USD	0.7%	41.78	1,378	8.9	67.7	46-140	25.0	14.5
Nicox	EUR	7.1%	3.655	122	9.4	11.7	10-13	4.0	30.1
Xenon Pharmaceuticals	USD	2.4%	10.83	379	8.5	23.7	22-25	7.0	18.6
Principia Biopharma	USD	0.5%	100.05	3,325	16.4	100.0	100-100	2.0	16.4
Beigene	HKD	0.1%	169.3	198,992	14.1	150.1	81-168	13.0	12.5
Iovance Biotherapeutics	USD	0.3%	32.3	4,730	10.8	47.9	38-61	12.0	16.1
Apellis Pharmaceuticals	USD	0.4%	28.89	2,184	8.0	51.5	30-82	15.0	14.3
Alexion Pharmaceuticals	USD	0.0%	112.46	24,648	8.6	143.7	114-175	24.0	11.0
Jubilant Life Science	INR	0.6%	734.95	117,064	9.2	874.6	446-1060	11.0	11.0
Oncopeptides	SEK	0.8%	125.8	8,526	6.4	194.8	170-220	8.0	10.0
Constellation Pharm.	USD	0.5%	19.85	943	4.2	45.6	20-75	11.0	9.6
Assembly Biosciences	USD	0.9%	16.25	534	4.4	43.0	30-74	5.0	11.5
Divis Laboratories	INR	0.1%	3052.05	810,223	8.4	3213.9	2750-3600	17.0	8.9
Blueprint Medicines	USD	0.2%	91.57	5,061	7.2	102.0	77-121	15.0	8.0
Guangzhou Baiyunshan	HKD	1.2%	19.34	52,541	6.0	24.3	21-27	9.0	7.6
Laurus Labs	INR	0.9%	287	153,831	3.4	204.3	44-287	8.0	2.4
ObsEva	USD	2.2%	2.48	139	2.5	14.7	4-36	7.0	14.6
Applied Therapeutics	USD	0.7%	20.34	456	3.0	55.6	42-67	6.0	8.3
Hansa Medical	SEK	0.8%	233.8	10,730	7.2	308.2	239-385	7.0	9.5
Solara Active	INR	2.3%	1078	28,959	8.2	n/a	n/a	1.0	8.2
Collectis (ADR)	USD	0.7%	18.56	789	5.1	33.8	10-50	12.0	9.4
Cantargia	SEK	2.5%	42.85	3,903	10.1	n/a	n/a	n/a	10.1
Other					52.1				52.1
Total Public portfolio	I				874.6				1,203.9

As of 09/30/2020 - Source: Kepler Cheuvreux

The group's portfolio of investments in public companies is well balanced (more than 40 positions), leading to a valuation that is less sensitive to any particular event in its portfolio. However, HBM has strong convictions regarding certain investments. Its five largest investments represent 17% of the portfolio, but 39% if we include the last IPOs of Cathay Biotech and Harmony Biosciences.

Table 4: Valuation – Part II – Private portfolio and Funds				
Name	Currency	HBM holding (%)	Current value (CHF)	Valuation at TP (CHFm)
Total Public portfolio	I		874.6	1,203.9
Cathay Biotech	CNY	7.9%	359.9	359.9
Harmony Biosciences	USD	7.9%	140.4	140.4
Swixx BioPharma (Amicus)	EUR	27.8%	37.2	37.2
Neurelis	USD	14.6%	36.7	36.7
Corvidia Therapeutics	USD	3.0%	27.6	27.6
Jianke Pharmaceutical	USD	6.3%	18.8	18.8
SAI Life Sciences	INR	6.0%	16.9	16.9
1mg	INR	8.9%	16.6	16.6
Westmed Holding	USD	25.2%	11.8	11.8
FarmaLatam	USD	69.9%	11.7	11.7
Adrenomed	EUR	8.7%	9.6	9.6
Sphingotec	EUR	14.2%	9.6	9.6
Iteos Therapeutics	EUR	3.8%	8.4	8.4
Forbius (Formation Biologics)	CAD	11.1%	8.0	8.0
Galecto Biotech	EUR	5.4%	7.4	7.4
Shape Memory Medical	USD	16.8%	7.0	7.0
Valcare	USD	7.7%	6.7	6.7
Arrakis Therapeutics	USD	4.8%	6.6	6.6
Genalyte (BaseHealth)	USD	3.1%	6.2	6.2
Sublimity Therapeutics	EUR	6.3%	6.2	6.2
Complexa	USD	5.3%	4.7	4.7
ALX Oncology	USD	1.8%	4.7	4.7
Karius	USD	2.5%	4.7	4.7
Instil Bio	USD	1.1%	4.7	4.7
Cardialen	USD	17.8%	4.7	4.7
Shrij Polymers	INR	2.8%	4.5	4.5
C4 Therapeutics	USD	1.2%	3.8	3.8
Everest Medicines	USD	0.5%	3.8	3.8
Nuance Biotech	USD	3.7%	3.5	3.5
Vascular Dynamics	USD	13.1%	3.0	3.0
MicroOptx	USD	8.3%	2.8	2.8
Cure Everlife	USD	7.8%	2.7	2.7
Seer	USD	0.7%	2.6	2.6
ConnectRN	USD	23.5%	2.3	2.3
<i>Other</i>			6.7	6.7
Total Private portfolio	II		812.7	812.7
WuXi Healthcare Ventures II	USD		29.5	29.5
HBM BioCapital II	EUR		18.0	18.0
MedFocus Fund II	USD		21.8	21.8
6 Dimensions Capital	USD		24.1	24.1
HBM Genomics	USD		22.1	22.1
Tata Capital HBM Fund I	USD		7.1	7.1
Hatteras Venture Partners III	USD		5.3	5.3
BioMedInvest II	CHF		5.4	5.4
Galen Partners V	USD		4.6	4.6
BioMedInvest I	CHF		3.2	3.2
C-Bridge Capital IV	USD		3.8	3.8
BioVeda China	USD		1.8	1.8
Nordic Biotech	DKK		1.1	1.1
Tata Capital Healthcare Fund II	USD		0.3	0.3
LYZZ Capital Fund II	USD		1.8	1.8
<i>Other</i>			1.2	1.2
Total Funds	III		151.1	151.1
Total investments			1,838.4	2,167.7
Cash and other assets less liabilities (net)			60.3	60.3
Net Asset Value			1,898.7	2,228.0
Number of shares (m)			7.0	7.0
NAV per share (CHF)			272.9	320.3
Discount			0%	0%
Target price (CHF)			272.9	320.3

Source: Kepler Cheuvreux

Note that the “cash less liabilities” item includes among other things the cash available in the fund for new investment (CHF324.2m as of the end of June 2020), as well as CHF100m in bond liabilities (two straight bond tranches, each with a par value of CHF50m and maturing on 10 July 2021 and 10 July 2023, respectively).

Table 5: Sensitivity analysis

Discount to NAV	-10%	-5%	0%	+5%
Fair value (CHF)	288.2	304.2	320.3	336.3

Source: Kepler Cheuvreux

Upside to our valuation

Our valuation only includes the potential of public companies based on their target prices. This valuation does not include valuation upside from private companies or funds. Indeed, these investments are valued at their acquisition cost or the price of the last financing round. Hence, their valuation does not change before either an exit or a new financing round.

Moreover, the valuation is based on Cathay Biotech’s current value minus a discount of 18% reduced linearly at 0.5% per month from August 2020. At a constant valuation of Cathay Biotech, CHF0.6 will be added to our valuation each month.

Thus, investments in private companies represent the hidden value in HBM’s portfolio. Before investing in a private company, HBM carefully assesses the potential exit strategy. The main exit for private companies is through an IPO or acquisition and HBM Healthcare has demonstrated in the past its ability to invest early in high-value companies.

Valuation table

Market data as of: 05 October 2020

FY to 31/03 (CHF)	03/13	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E
Per share data (CHF)										
EPS adjusted	7.52	40.98	32.58	3.06	19.01	16.40	30.05	26.26	41.51	24.71
% Change	+chg	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	58.1%	-40.5%
EPS adjusted and fully diluted	7.52	40.98	32.58	3.06	19.01	16.40	30.05	26.26	41.51	24.71
% Change	+chg	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	58.1%	-40.5%
EPS reported	7.52	40.98	32.58	3.06	19.01	16.40	30.05	26.26	41.51	24.71
% Change	+chg	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	58.1%	-40.5%
EPS Consensus										21.56
Cash flow per share	6.26	39.40	30.61	-5.82	16.86	10.45	24.71	17.93	34.35	14.43
Book value per share	67.42	106.68	135.46	135.09	153.51	165.71	187.23	205.56	281.10	322.63
DPS	1.50	3.00	5.50	5.50	5.80	7.00	7.50	7.70	8.07	8.39
Number of shares, YE (m)	8.9	8.6	7.9	7.6	7.1	6.9	7.0	7.0	7.0	7.0
Nbr of shares, fully diluted, YE (m)	8.9	8.6	7.9	7.6	7.1	6.9	7.0	7.0	7.0	7.0
Share price										
Latest price / year end	51.4	75.5	108.0	99.5	111.4	144.0	168.8	190.0	268.5	268.5
52 week high	53.0	80.0	112.5	111.5	113.1	144.0	184.0	253.5	294.0	
52 week low	40.1	49.3	70.3	92.0	92.0	111.3	145.0	154.2	187.0	
Average price (Year)	47.8	64.2	89.1	99.8	100.2	123.6	163.9	197.2	268.5	268.5
Enterprise value (CHFm)										
Market capitalisation	426.2	554.1	706.4	753.3	709.4	857.9	1,140.4	1,371.9	1,868.0	1,868.0
Net financial debt	-52.8	-46.9	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-261.4	-316.3
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MV of equity affiliates (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value	373.4	507.2	629.5	737.4	746.0	898.6	1,097.2	1,268.7	1,606.6	1,551.7
Valuation										
P/E adjusted	6.4	1.6	2.7	32.6	5.3	7.5	5.5	7.5	6.5	10.9
P/E adjusted and fully diluted	6.4	1.6	2.7	32.6	5.3	7.5	5.5	7.5	6.5	10.9
P/E consensus										12.5
P/BV	0.7	0.6	0.7	0.7	0.7	0.7	0.9	1.0	1.0	0.8
P/CF	7.6	1.6	2.9	na	5.9	11.8	6.6	11.0	7.8	18.6
Dividend yield (%)	3.1%	4.7%	6.2%	5.5%	5.8%	5.7%	4.6%	3.9%	3.0%	3.1%
Dividend yield preference shares (%)	3.1%	4.7%	6.2%	5.5%	5.8%	5.7%	4.6%	3.9%	3.0%	3.1%
FCF yield (%)	13.1%	61.3%	34.4%	-5.8%	16.8%	8.5%	15.1%	9.1%	12.8%	5.4%
ROE (%)	11.7%	46.5%	25.9%	2.2%	12.8%	10.2%	17.0%	13.4%	17.1%	8.2%
ROIC (%)	0.0%	na	na	na	na	na	na	na	na	na
EV/Sales	na	na	na	na	na	na	na	na	na	na
EV/EBITDA adj.	na	na	na	na	na	na	na	na	na	na
EV/EBIT adj.	na	na	na	na	na	na	na	na	na	na
EV/NOPAT	na	na	na	na	na	na	na	na	na	na
EV/IC	na	na	na	na	na	na	na	na	na	na
ROIC/WACC	0.0	na	na	na	na	na	na	na	na	na
EV/IC over ROIC/WACC	high	na	na	na	na	na	na	na	na	na

Income statement

FY to 31/03 (CHF)	03/13	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E
Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA reported	0.0	0.0	0.0	0.0	0.0	0.0	-4.0	-3.5	-3.6	-3.7
EBITDA adjusted	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT reported	0.0	0.0	0.0	0.0	0.0	0.0	-4.0	-3.5	-3.6	-3.7
EBIT adjusted	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	0.2	0.0	-0.3	-2.1	-2.6	-2.4	-2.4	-2.4	-2.4	-2.4
Associates	66.8	353.5	258.6	25.2	137.1	116.2	215.5	188.6	294.8	178.1
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	67.0	353.5	258.4	23.1	134.6	113.8	209.1	182.7	288.8	171.9
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit from continuing op.	67.0	353.5	258.4	23.1	134.6	113.8	209.1	182.7	288.8	171.9
Net profit from disc. activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	67.0	353.5	258.4	23.1	134.6	113.8	209.1	182.7	288.8	171.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	67.0	353.5	258.4	23.1	134.6	113.8	209.1	182.7	288.8	171.9
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit adjusted	67.0	353.5	258.4	23.1	134.6	113.8	209.1	182.7	288.8	171.9
Sales % Change										
EBITDA reported % Change							-chg	+chg	-chg	-chg
EBITDA adjusted % Change										
EBIT reported % Change							-chg	+chg	-chg	-chg
EBIT adjusted % Change										
Earnings before tax % Change	+chg	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	58.1%	-40.5%
Net profit from cont. op. % Change	+chg	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	58.1%	-40.5%
Net profit reported % Change	+chg	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	58.1%	-40.5%
Net profit adjusted % Change	+chg	427.6%	-26.9%	-91.1%	482.9%	-15.4%	83.7%	-12.6%	58.1%	-40.5%
Gross profit margin (%)	na	na	na	na	na	na	na	na	na	na
EBITDA margin (%)	na	na	na	na	na	na	na	na	na	na
EBIT margin (%)	na	na	na	na	na	na	na	na	na	na
Net profit margin (%)	na	na	na	na	na	na	na	na	na	na
Tax rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payout ratio (%)	20.0%	7.3%	16.9%	179.8%	30.5%	42.7%	25.0%	29.3%	19.4%	34.0%
EPS reported (CHF)	7.52	40.98	32.58	3.06	19.01	16.40	30.05	26.26	41.51	24.71
EPS adjusted (CHF)	7.52	40.98	32.58	3.06	19.01	16.40	30.05	26.26	41.51	24.71
EPS adj and fully diluted (CHF)	7.52	40.98	32.58	3.06	19.01	16.40	30.05	26.26	41.51	24.71
DPS (CHF)	1.50	3.00	5.50	5.50	5.80	7.00	7.50	7.70	8.07	8.39
DPS,preference shares (CHF)	1.50	3.00	5.50	5.50	5.80	7.00	7.50	7.70	8.07	8.39
EPS reported % Change	+chg	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	58.1%	-40.5%
EPS adjusted % Change	+chg	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	58.1%	-40.5%
EPS adj and fully diluted % Change	+chg	445.2%	-20.5%	-90.6%	521.5%	-13.7%	83.3%	-12.6%	58.1%	-40.5%
DPS % Change	+chg	100.0%	83.3%	0.0%	5.5%	20.7%	7.1%	2.7%	4.8%	4.0%
Consensus Sales (CHFm)										0.0
Consensus EBITDA (CHFm)										152.3
Consensus EBIT (CHFm)										152.3
Consensus EPS (CHF)										21.56
Consensus DPS (CHF)										

Cash flow statement

Market data as of: 05 October 2020

FY to 31/03 (CHF)	03/13	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E
Net profit before minorities	67.0	353.5	258.4	23.1	134.6	113.8	209.1	182.7	288.8	171.9
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-11.2	-13.6	-15.6	-67.1	-15.2	-41.3	-37.1	-58.0	-49.8	-71.6
Levered post tax CF before capex	55.8	339.9	242.8	-44.0	119.3	72.5	171.9	124.7	239.0	100.4
% Change	+chg	508.8%	-28.6%	-chg	+chg	-39.2%	137.0%	-27.5%	91.6%	-58.0%
Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	55.8	339.9	242.8	-44.0	119.3	72.5	171.9	124.7	239.0	100.4
% Change	+chg	508.8%	-28.6%	-chg	+chg	-39.2%	137.0%	-27.5%	91.6%	-58.0%
Acquisitions	-71.0	-309.8	-323.3	-395.9	-405.0	-556.5	-534.0	-515.7	0.0	0.0
Divestments	101.5	329.8	461.7	476.5	444.9	661.6	710.8	611.6	217.8	138.5
Dividend paid	0.0	0.0	-23.6	-42.3	-39.2	-40.8	-38.1	0.0	-56.2	-58.4
Share buy back	-12.5	-20.6	-78.9	-35.9	-29.1	-9.9	-6.1	-0.8	0.0	0.0
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-63.3	-344.4	-184.8	6.0	14.2	-116.9	-256.3	-263.9	-242.4	-125.6
Change in net financial debt	-10.5	5.2	-93.9	35.6	-105.2	-10.1	-48.3	44.2	-158.2	-54.9
Change in cash and cash equiv.	11.5	-6.1	93.5	-25.6	104.2	4.2	45.5	-39.7	158.2	54.9
Attributable FCF	55.8	339.9	242.8	-44.0	119.3	72.5	171.9	124.7	239.0	100.4
Cash flow per share (CHF)	6.26	39.40	30.61	-5.82	16.86	10.45	24.71	17.93	34.35	14.43
% Change	+chg	529.1%	-22.3%	-chg	+chg	-38.0%	136.5%	-27.5%	91.6%	-58.0%
FCF per share (CHF)	6.26	39.40	30.61	-5.82	16.86	10.45	24.71	17.93	34.35	14.43
% Change	+chg	529.1%	-22.3%	-chg	+chg	-38.0%	136.5%	-27.5%	91.6%	-58.0%
Capex / Sales (%)	na	na	na	na	na	na	na	na	na	na
Capex / D&A (%)	na	na	na	na	na	na	na	na	na	na
Cash flow / Sales (%)	na	na	na	na	na	na	na	na	na	na
FCF / Sales (%)	na	na	na	na	na	na	na	na	na	na
FCF Yield (%)	13.1%	61.3%	34.4%	-5.8%	16.8%	8.5%	15.1%	9.1%	12.8%	5.4%
Unlevered FCF Yield (%)	15.0%	67.0%	38.6%	-5.7%	16.3%	8.3%	15.9%	10.0%	15.0%	6.6%

Balance sheet

FY to 31/03 (CHF)	03/13	03/14	03/15	03/16	03/17	03/18	03/19	03/20	03/21E	03/22E
Cash and cash equivalents	53.0	46.9	140.4	114.8	219.0	223.2	268.7	229.0	387.2	442.1
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	2.0	0.2	0.2	0.2	0.4	0.4	0.6	0.2	0.2	0.2
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	55.0	47.1	140.6	115.0	219.4	223.6	269.2	229.2	387.4	442.3
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	546.9	878.6	1,050.6	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	1,710.0	1,940.8
Other non-current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current assets	546.9	878.6	1,050.6	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	1,710.0	1,940.8
Short term debt	0.2	0.0	63.5	0.0	156.5	164.6	126.1	26.3	26.3	26.3
Accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other short term liabilities	0.8	1.5	3.1	3.8	3.8	3.0	3.5	3.1	3.1	3.1
Current liabilities	1.0	1.5	66.6	3.8	160.3	167.5	129.6	29.4	29.4	29.4
Long term debt	0.0	0.0	0.0	98.9	99.1	99.2	99.4	99.6	99.6	99.6
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term provisions	0.0	3.8	50.4	0.0	0.0	0.0	0.0	17.2	12.9	9.7
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	0.0	3.8	50.4	98.9	99.1	99.2	99.4	116.7	112.4	109.2
Shareholders' equity	601.0	920.3	1,074.2	1,019.9	1,086.9	1,150.5	1,302.6	1,430.1	1,955.6	2,244.5
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	601.0	920.3	1,074.2	1,019.9	1,086.9	1,150.5	1,302.6	1,430.1	1,955.6	2,244.5
Balance sheet total	602.0	925.7	1,191.2	1,122.7	1,346.2	1,417.3	1,531.6	1,576.2	2,097.4	2,383.1
% Change	10.0%	53.8%	28.7%	-5.8%	19.9%	5.3%	8.1%	2.9%	33.1%	13.6%
Book value per share (CHF)	67.42	106.68	135.46	135.09	153.51	165.71	187.23	205.56	281.10	322.63
% Change	16.4%	58.2%	27.0%	-0.3%	13.6%	7.9%	13.0%	9.8%	36.7%	14.8%
Net financial debt	-52.8	-46.9	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-261.4	-316.3
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	-52.8	-46.9	-76.9	-15.9	36.6	40.6	-43.1	-103.2	-261.4	-316.3
Net fi. debt (+IFRS16) / EBITDA (x)	na	na	na	na	na	na	na	na	na	na
Trade working capital	2.0	0.2	0.2	0.2	0.4	0.4	0.6	0.2	0.2	0.2
Net working capital	1.2	-1.4	-2.9	-3.6	-3.3	-2.5	-2.9	-2.9	-2.9	-2.9
NWC/Sales	na	na	na	na	na	na	na	na	na	na
Inventories/sales	na	na	na	na	na	na	na	na	na	na
Invested capital	1.2	-1.4	-2.9	-3.6	-3.3	-2.5	-2.9	-2.9	-2.9	-2.9
Net fin. debt / FCF (x)	-0.9	-0.1	-0.3	0.4	0.3	0.6	-0.3	-0.8	-1.1	-3.2
Gearing (%)	-8.8%	-5.1%	-7.2%	-1.6%	3.4%	3.5%	-3.3%	-7.2%	-13.4%	-14.1%
Goodwill / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Argenx (EUR)	23/01/2020 09:16	Equity Research	Buy	160.00	139.80
	26/05/2020 08:35	Equity Research	Under Review		146.60
	27/05/2020 08:26	Equity Research	Buy	215.00	190.00
	31/07/2020 07:00	Equity Research	Hold	200.00	202.40
HBM Healthcare (CHF)	03/02/2020 09:43	Equity Research	Buy	252.00	224.00

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KEPLER CHEUVREUX, Amsterdam branch	Autoriteit Financiële Markten	AFM
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