

# HBM Healthcare Investments Buy

Switzerland | Pharma & biotech

Beta Profile:  %  
DIVIDEND

MCap: CHF1.2bn

**Target Price:** CHF240.00 (253.00)  
**Current Price:** CHF165.60  
**Up/downside:** 44.9%  
**Market data:** 23 January 2024

**Change in TP:** -5.1%  
**Change in Sales:** down nm 23E/down nm 24E  
**Change in Adj EBIT:** none/  
**Change in Adj. EPS:** none 23E/none 24E

Bloomberg: HBMN SW      Reuters: HBMN.S  
Free float      82.7%  
Avg. daily volume (CHFm)      1.1  
YTD abs performance      -9.3%  
52-week high/low (CHF)      231.00/146.00

## Good first signs

### Why this report?

HBM published its Q3 figures on Monday, revealing a net loss of CHF87m for the quarter and contributing to a total NAV decline of -8.7% over the first nine months of the year. However, a closer look at these results shows that about 8.5% of this NAV decline was directly related to the FX impact of the very strong CHF against other currencies, indicating that the worst may have passed for HBM. Furthermore, HBM's portfolio had a strong start to the year (or Q4 for HBM), marked by the acquisition of Ambrx, the anticipated IPO of ArriVent Biopharma, and the strong rallies by Longboard and Cytokinetics. Therefore, while our model update leads our target price to fall from CHF253 to CHF240, we remain highly confident in HBM's ability to generate value in 2024 and, therefore, maintain our Buy rating.

### Key findings

- HBM released promising Q3 and 9M figures, indicating that the NAV devaluation is nearing its bottom. Indeed, most of the 8.7% NAV decrease over the 9M period was related to the negative FX impact caused by the strong CHF.

### Deconstructing the forecasts

- We are updating our model to account for the latest developments in HBM's portfolio and to adjust the total number of shares, while maintaining our target of a 10% discount to NAV. This adjustment leads our TP to fall from CHF253 to CHF240.

FY to 31/03 (CHF)	03/23	03/24E	03/25E
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)	-73.4	64.7	75.3
Net financial debt (m)	-82.8	-1.1	-21.3
FCF (m)	-113.4	27.3	16.0
EPS adj. and ful. dil.	-10.55	9.30	10.83
Consensus EPS	-20.98	-10.35	2.42
Net dividend	7.50	8.30	8.60
FY to 31/03	03/23	03/24E	03/25E
P/E adj and ful. dil.	na	17.8	15.3
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
FCF yield	-6.8%	2.4%	1.4%
Dividend yield	3.1%	5.0%	5.2%
ND(F+IFRS16)/EBITDA	na	na	na
Gearing	-4.7%	-0.1%	-1.1%
ROIC	na	na	na
EV/IC	na	na	na

### Investment case

- Pharma trends and dynamics remain solid, and HBM has demonstrated its ability to identify the value of promising biotech 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 3-5% 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).
- Increased M&A activity by large pharma companies
- Positive clinical trials in the public portfolio.

### Valuation methodology

- Our valuation is based on the NAV of all investments with a 10% discount to NAV.
- 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 TP of CHF240.

### Risks to our rating

- Failure in clinical trials.
- Sales ramp-up of revenue-generating companies in the portfolio.
- Loss of confidence in HBM's investment team is likely to lead to a lower premium to NAV.

## FX taking its toll

### NAV falls in Q3

HBM recently published its Q3 figures, reporting a net loss of CHF87m for the quarter, which contributed to a 5.1% decline in net asset value (NAV) to CHF225.03. This decline was primarily driven by the strong performance of the Swiss franc against major currencies, with the USD, CNY, and EUR falling by 8.1%, 11.0%, and 6.4% respectively against the CHF.

HBM's **public portfolio** showed several positive developments, including the acquisitions of ImmunoGen, Chinook Therapeutics, and Prometheus Biosciences. These acquisitions led to a profit of CHF28m at constant exchange rates (CER). Additionally, positive clinical readouts from Biohaven, Cytokinetics, and ALX Oncology contributed to a NAV increase of CHF48m at CER. However, these gains were offset by FX events, culminating in a net loss of CHF-30m for the 9M period.

In the **private portfolio**, the 9M figures indicate an ongoing reset in valuation. HBM reported a net loss of CHF96m during this period, with half of the losses attributable to the revaluation of companies during new rounds of financing or due to unachieved operating targets.

Finally, regarding asset allocation, HBM's portfolio remains well-balanced, comprising approximately 46% in public companies, 36% in private companies, 9% in funds, and 7% in cash. This cash position totals CHF115m, excluding the anticipated CHF30m from AbbVie's acquisition of ImmunoGen.

### FX likely to remain a strong headwind

According to our recent Q&A report ([here](#)), we forecast that the Swiss franc is likely to remain a strong currency going forward due to a combination of factors related to Switzerland's monetary policy and economic outlook.

Indeed, the Swiss National Bank (SNB) has been proactive in managing the franc's value through interest rate hikes and foreign exchange interventions. With the end of negative interest rates and subsequent rate increases, the SNB has moved Swiss interest rates to their highest level since the Global Financial Crisis. This tightening of monetary policy counters inflationary pressures and supports the franc's strength.

However, nowadays Switzerland's inflation rate remains relatively low compared to other European countries, largely due to the nominal appreciation of the franc, which makes imports cheaper. This has helped keep inflation within the SNB's target range. Additionally, the Swiss economy's resilience, characterised by modest growth and a robust employment outlook, further supports the franc's strength.

Finally, we believe that the SNB has options to weaken the franc, such as cutting rates or favouring foreign depositors, large-scale currency interventions seem unlikely given the limitations and risks associated with the SNB's large balance sheet. Furthermore, past experiences, like the failed attempt to implement a currency ceiling against the euro, also suggest the complexity of significantly altering the franc's trajectory.

Hence, given the current monetary policy, low inflation, and the strong economic outlook, coupled with the limited options for drastic policy changes, we're expecting the Swiss franc to remain a strong currency in the foreseeable future.

Therefore, FX is likely to remain a challenging headwind for HBM, which is strongly exposed to the USD (46% of total NAV), the EUR (about 15% of total NAV) and the INR/CNY (34% of NAV).

### Portfolio quality to offset this headwind

While we will not fully discuss HBM's portfolio in this report (for more details, please refer to [our previous 360 report](#)), we would like to highlight a few recent events that reinforce our investment thesis. These developments confirm that HBM remains a well-positioned fund, offering investors

robust exposure to innovation within the healthcare ecosystem, while mitigating risks through expert management and portfolio diversification

### A strong start of the year on the business development front

Overall, we have had a strong start to the year in terms of business development, with potential bio-bucks amounting to USD28bn since 1 January. It's important to note that this figure includes the entire licensing value, and some of these revenues might never be collected by the biotechs. However, we can still observe a strong start of the year as this represents a roughly 50% increase compared to the same period in 2023.

**Table 1: Summary of the business activity (deal value >USD100m)\***

Buyer	Target	Type of Deal	Upfront (USDm)	Total deal value (USDm)	Premium (%)**	Development stage	Therapeutic area
Roche	LumiraDx	Acquisition	295	350	0%	Commercialised	Other
Roche	Remix	Licence	30	1000	0%	Preclinical	Oncology
Boehringer Ingelheim	Suzhou Ribo Life Science	Licence	0	2000	0%	Preclinical	Metabolic disease
Novo Nordisk	Omega therapeutics	Licence	0	532	0%	Preclinical	Metabolic disease
Novo Nordisk	Cellarity	Licence	0	532	0%	Preclinical	Metabolic disease
Boehringer Ingelheim	3T Biosciences	Licence	0	538.5	0%	Preclinical	Oncology
Roche	Moma therapeutics	Licence	66	2000	0%	Preclinical	Oncology
Stemline Therapeutics	Insilico	Licence	0	500	0%	Preclinical	Oncology
Avenzo Therapeutics	Allorion Therapeutics	Licence	40	1000	0%	Phase I	Oncology
Merck KGaA	Inspira	Licence	45	0	0%	Phase II	Oncology
AbbVie	Umoja	Licence	0	1400	0%	Preclinical	Oncology
Boehringer Ingelheim	Kyowa Kirin	Licence	0	449	0%	Preclinical	Immunology
Praxis Precision Medicines	Tenacia	Licence	15	264	0%	Phase III	Neurology
	Biotechnology						
J&J	Ambrx	Acquisition	0	2000	0%	Phase II	Oncology
Merck & Co	Harpoon Therapeutics	Acquisition	0	680	100%	Phase II	Oncology
Eli Lilly	Isomorphic	Licence	45	1700	0%	Preclinical	Other
Novartis	Isomorphic	Licence	37.5	1200	0%	Preclinical	Other
Boston Scientific	Axonics	Acquisition	0	3700	20%	Commercialised	Other
Novartis	Calypso Biotech	Acquisition	0	250	0%	Phase I	Oncology
Novartis	Shanghai Argo	Licence	185	4000	0%	Phase I	Cardiology
GSK	Aiolos Bio	Acquisition	1000	1400	0%	Phase II	Immunology
TG Therapeutics	Precision BioSciences	Licence	10	300	0%	Preclinical	Immunology
Orion	LegoChem Bioscience	Licence	0	411	0%	Phase II	Oncology
Sun Pharma	Taro	Acquisition	0	348	48%	Commercialised	Other
Sandoz	Coherus Biosciences	Acquisition	0	170	0%	Commercialised	Ophthalmology
Sanofi	Inhibrx	Acquisition	1700	2200	0%	Phase II	Rare disease

\*\*when disclosed \*non exhaustive list Source: Kepler Cheuvreux

As expected, big pharma continues to be very active in negotiations, with the majority of deals being initiated by the top ten pharmaceutical companies. Notably, four of these deals are M&A acquisitions with a value exceeding USD1bn each. This dynamic confirms our view that M&A activity in 2024 is likely to be driven by major pharmaceutical companies seeking to replenish their pipelines.

### And several positive portfolio developments for HBM

The beginning of the year has been marked by several developments that should boost HBM's NAV over the year, with three of these already having materialised.

Chart 1: Several catalyst expected over 2024 (of which three already materialised in the past few weeks)



Source: HBM Healthcare Investment

**J&J acquisition of Ambrx**

HBM was not excluded from this M&A activity as the fund is also set to benefit from the acquisition of Ambrx by J&J. Indeed, Johnson & Johnson has entered into a definitive agreement to purchase all outstanding shares of Ambrx at a price of USD28 per share in cash, a 105% premium over Ambrx's closing price on 5 January, valuing the company at approximately USD2.0bn. Ambrx has been renowned for its innovative Antibody Drug Conjugate (ADC) technology, which pairs highly specific monoclonal antibodies with powerful chemotherapeutic agents for targeted and efficient cancer cell elimination, reducing typical chemotherapy side effects. J&J aims to collaborate with Ambrx on moving forward the APEX-01 study of ARX517 in advanced prostate cancer and developing a pipeline of new products. For HBM, this turnaround story will allow the fund, which has been invested in Ambrx since its private stage, to generate a total profit of c. USD20m on this investment.

**And the good trading strategy on Cytokinetics**

While not on our M&A summary list, HBM also benefited from the rumour around the acquisition of the company (in which HBM held about 290k shares) by Novartis. Indeed, as the rumours grew louder during the JPM conference, HBM capitalised on this speculation to generate a profit that could amount to about CHF20m (according to the company).

**Longboard's impressive phase I/II readouts**

Longboard, another of HBM's private assets that was later floated on the stock market, started the party on 2 January with the announcement of their successful phase I/II PACIFIC study, which sent the stock soaring. The PACIFIC study, a phase Ib/IIa double-blind, placebo-controlled clinical trial, enrolled 52 participants aged 12 to 65 years with various forms of Developmental and Epileptic Encephalopathy (DEE), including Dravet and Lennox-Gastaut Syndromes. Conducted across 34 sites in the US and Australia, it tested oral bexicaserin in 6 mg, 9 mg, or 12 mg doses thrice daily versus placebo. Bexicaserin showed a 53.3% median reduction in motor seizures compared to 20.8% with placebo, with significant reductions in specific DEEs. Its safety profile was favourable, and all participants opted to continue in a 52-week extension study. This positive outcome positions bexicaserin as a potential DEE treatment standard, boosting Longboard Pharmaceuticals' epilepsy portfolio. For HBM Healthcare Investments, which invested USD10m in Longboard in 2020 and additional USD8m during its 2021 IPO, the news is likely to have increased its NAV, as its Longboard stake, valued at CHF6.1m in the HY 2023 report, could now exceed CHF20m.

**Arrivent Pharma to IPO in the next few days**

Finally, Arrivent Biopharma, a Pennsylvania-based biotech, is aiming to raise approximately USD135m in its upcoming IPO by offering 8.3m shares priced between USD17 and USD19. The expected proceeds could reach USD135.7m, or up to USD156m if underwriters exercise their option to buy an additional 1.2 million shares.

Arrivent, which plans to list on the Nasdaq under the ticker "AVBP," focuses on bringing China-developed drugs to Western markets. Its lead drug, furmonertinib, approved in China for non-small cell lung cancer (NSCLC), received FDA breakthrough designation in the US for a specific NSCLC mutation.

Arrivent intends to use USD50-60m of the IPO funds for FDA approval and commercial activities for furmonertinib, pending the success of the ongoing FURVENT trial. Additionally, up to USD50m may be allocated to further development of furmonertinib for other NSCLC mutations.

This could pose yet another opportunity for HBM's to boost its NAV, as HBM currently holds around 3% of the company's shares.

### TP cut from CHF253 to CHF240 but Buy rating reiterated

#### Valuation methodology summary

A peer comparison is not appropriate as the investment theme of each fund is different, as are their returns. Our valuation of HBM is based on the NAV of the company portfolio adjusted by our targeted premium/discount to NAV (the full valuation breakdown is shown in Table 9 and 10 below).

Except for argenx and Abivax, Kepler Cheuvreux's healthcare/biotech team does not cover any of the companies in HBM Healthcare's public portfolio. Hence, our NAV valuation is based on the following assumptions:

- For the public companies, we apply consensus target prices from Bloomberg when more than five analysts cover a stock. Otherwise, we apply valuations based on the most recent update.
- For private companies and funds, as a cautionary principle to not overvalue the stocks, we apply the last disclosed fair value reported (as of 30 September 2023), despite HBM's solid track record for exits.
- Finally, we adjust our valuation with a target premium/discount to NAV, reduced from a +5% premium to a 10% discount in our new TP.

#### BUY reiterated

While we are adjusting our model to reflect the challenging FX conditions, resulting in a reduction of our TP from CHF253 to CHF240, we maintain our buy rating.

Indeed, given the strong M&A appetite for companies developing innovative assets that could address unmet medical needs (a key focus of HBM's investment strategy), the ongoing share buyback (which is likely to continue as long as the discount to NAV remains below 20%, with up to a total of CHF10m of shares to be bought back), and the dividend forecast (expected to remain between 3% and 5%), we remain confident that HBM represents an excellent investment opportunity for investors seeking exposure to the healthcare sector.

**Table 2: TP sensitivity to discount to NAV (CHF/shares)**

Discount to NAV	-20%	-10%	0%	5%	10%
TP	213.4	240.0	266.7	280.1	293.4

Source: Kepler Cheuvreux

**Table 3: Valuation – Part I – Public portfolio**

Name	Currency	HBM holding (%)	Current share price	Market cap (LC, m)	Current value (CHFm)	TP (consensus)	TP range (LC)	Analyst	Valuation at TP (CHFm)
Cathay Biotech	CNY	6.1%	45.08	26,298	194.8	69.0	44-69	8.0	298.1
Harmony Biosciences	USD	3.7%	32.53	1,905	60.7	39.8	27-56	8.0	74.2
Immunogen	USD	0.5%	29.54	8,252	32.3	29.9	19-31	12.0	32.7
Biohaven Pharmaceuticals	USD	0.9%	48.45	3,887	29.7	43.0	31-59	9.0	26.3
Cytokinetics	USD	0.3%	83.69	8,206	21.1	92.1	42-122	18.0	23.2
Insmed	USD	0.5%	28.53	4,081	18.6	42.5	35-55	14.0	27.7
Y-mAbs Therapeutics	USD	7.6%	9.77	426	28.0	12.3	5-22	7.0	35.2
ALX Oncology	USD	3.0%	13.36	665	17.4	16.9	10-27	7.0	22.0
Aurobindo Pharma	INR	0.3%	1133.6	664,220	19.0	1145.8	940-1378	29.0	19.2
Mineralys Therapeutics	USD	5.5%	8.95	367	17.5	35.0	27-45	5.0	68.3
Argenx	EUR	0.1%	364.53	21,578	17.2	476.2	346-560	25.0	22.5
Rocket Pharmaceuticals	USD	0.7%	28.05	2,528	0.2	51.2	37-65	14.0	0.3
Merus	USD	1.2%	34.88	2,013	20.6	44.1	38-49	13.0	26.1
Natera	USD	0.2%	66.68	8,011	16.9	74.4	37-117	17.0	18.8
Argenx (ADR)	USD	0.1%	364.53	21,578	14.3	476.2	346-560	25.0	18.6
Celldex Therapeutics	USD	0.8%	39.96	2,185	14.8	63.3	27-80	8.0	23.4
Zymeworks	USD	2.2%	10.05	703	13.3	13.2	8-19	10.0	17.4
Vicore Pharma	SEK	9.7%	13.68	1,528	12.3	71.2	40-97	7.0	64.3
Pacira Bioscience	USD	1.0%	32.3	1,499	12.7	47.9	38-57	10.0	18.8
Cymbay therapeutics	USD	0.5%	23.99	2,720	12.5	27.3	20-36	13.0	14.2
Laurus Labs	INR	0.4%	398.95	215,020	9.6	399.6	270-500	15.0	9.6
Ambrx Biopharma	USD	1.3%	27.8	1,756	20.1	28.5	28-30	8.0	20.6
Dishman Carbogen	INR	3.6%	190.4	29,851	11.1	n/a	n/a	1.0	11.1
Biomarin Pharmaceuticals	USD	0.1%	94.04	17,714	8.4	110.7	78-170	30.0	9.9
Beigene	HKD	0.1%	94.85	133,457	7.3	172.5	121-199	20.0	13.3
Shenzhen Mindray	CNY	0.1%	275.5	334,027	8.0	390.8	335-460	40.0	11.4
BiolInvent	SEK	7.7%	16.46	1,083	7.0	82.0	0-0	n/a	34.6
Hutchmed China	HKD	0.3%	21.25	18,514	6.0	41.2	21-62	20.0	11.7
Beigene (ADR)	USD	0.1%	94.85	133,457	4.1	172.5	121-199	20.0	7.5
Longboard Pharmaceuticals	USD	6.0%	25.02	884	0.3	42.1	30-60	7.0	0.5
Monte Rosa Therapeutics	USD	2.8%	5.51	275	0.1	14.0	5-19	8.0	0.2
Abivax	EUR	1.1%	10.72	674	0.1	34.0	20-65	8.0	0.2
IO Biotech	USD	6.0%	1.8	118	6.2	9.0	7-10	6.0	30.8
Guangzhou Baiyunshan	HKD	0.2%	19.48	45,668	5.6	24.7	20-27	6.0	7.1
Sakar Healthcare	INR	8.1%	417.05	7,764	0.1	n/a	n/a	n/a	0.1
Traverse Therapeutics	USD	1.0%	8.85	665	5.6	14.6	8-23	16.0	9.2
Genmab	DKK	0.1%	1901.5	125,641	3.0	2460.9	1765-3009	24	3.9
Polypeptide	CHF	0.9%	15.32	507	4.0	22.0	22-22	5.0	5.7
<i>Other</i>					33.9				33.9
<b>Total Public portfolio</b>					<b>767.4</b>				<b>1,061.2</b>

As of 11/16/2023 - Source: Bloomberg, Kepler Cheuvreux

**Table 4: Valuation – Part II – Private portfolio and funds**

Name	Currency	HBM holding	Current value (CHF)	Valuation at TP (CHFm)
<b>(Reminder) Total public portfolio</b>	<b>I</b>		<b>767.4</b>	<b>1,061.2</b>
Swixx BioPharma (Amicus)	EUR	26.3%	153.8	153.8
Neurelis	USD	10.5%	47.3	47.3
Fangzhou (Jianke)	USD	5.4%	46.8	46.8
Upstream Bio	USD	7.1%	30.7	30.7
ConnectRN	USD	20.0%	30.7	30.7
Numab Therapeutics	CHF	7.7%	22.1	22.1
NiKang Therapeutics	USD	5.3%	21.2	21.2
Dren Bio	USD	8.1%	19.1	19.1
1mg	INR	4.0%	18.1	18.1
Nuance Pharma	USD	3.7%	15.7	15.7
Valo Health	USD	1.4%	14.7	14.7
SAI Life Sciences	INR	5.4%	13.6	13.6
Odyssey Therapeutics	USD	2.6%	12.8	12.8
River Renal	USD	14.0%	11.8	11.8
Cure Everlife	USD	6.8%	10.4	10.4
FarmaLatam	USD	48.8%	10.4	10.4
ArriVent Biopharma	USD	3.0%	10.1	10.1
Fore Biotherapeutics (NovellusDx)	USD	10.3%	9.1	9.1
Neuron23	USD	2.2%	9.1	9.1
Shape Memory Medical	USD	16.0%	9.0	9.0
Aculys Pharma	USD	4.8%	8.3	8.3
Genalyte (BaseHealth)	USD	4.0%	8.2	8.2
C Ray Therapeutics	USD	4.0%	7.6	7.6
1000Farmacie	EUR	14.6%	7.5	7.5
Mahzi Therapeutics	USD	10.3%	6.7	6.7
Arrakis Therapeutics	USD	4.6%	5.9	5.9
Ignis Therapeutics	USD	1.5%	5.9	5.9
FogPharma	USD	1.7%	4.7	4.7
eGenesis Bio	USD	2.0%	4.4	4.4
Karius	USD	6.3%	3.7	3.7
ADARx Pharmaceuticals	USD	0.5%	3.4	3.4
<i>Other</i>			17.1	17.1
<b>Total Private portfolio*</b>	<b>II</b>		<b>599.9</b>	<b>599.9</b>
HBM Genomics	USD		38.3	38.3
MedFocus Fund II	USD		19.5	19.5
120 Capital	USD		17.3	17.3
6 Dimensions Capital	USD		13.1	13.1
C-Bridge Healthcare Fund IV	USD		12.5	12.5
WuXi Healthcare Ventures II	USD		9.9	9.9
C-Bridge Healthcare Fund V	USD		12.5	12.5
HBM Genomics II	USD		8.3	8.3
Tata Capital Healthcare Fund II	USD		9.1	9.1
LYZZ Capital Fund II	USD		5.6	5.6
Tata Capital HBM Fund I	USD		5.3	5.3
<i>Other</i>			7.7	7.7
<b>Total Funds*</b>	<b>III</b>		<b>156.4</b>	<b>156.4</b>
<b>Total investments (I + II + III)</b>			<b>1,462.4</b>	<b>1,817.5</b>
Cash and other assets less liabilities (net)*		16.6	31.4	31.4
<b>Net Asset Value</b>			<b>1,493.7</b>	<b>1,848.9</b>
Number of shares (m)*			6.9	6.9
<b>NAV per share (CHF)</b>			<b>215.5</b>	<b>266.7</b>
Discount			-	10%
<b>Target price (CHF)</b>				<b>240.0</b>

\*Based on the latest disclosed information's (HBM's H1 23 report) Source: Kepler Cheuvreux

**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 20% of the portfolio). It also has investments in healthcare-dedicated funds to diversify outside of its core expertise.

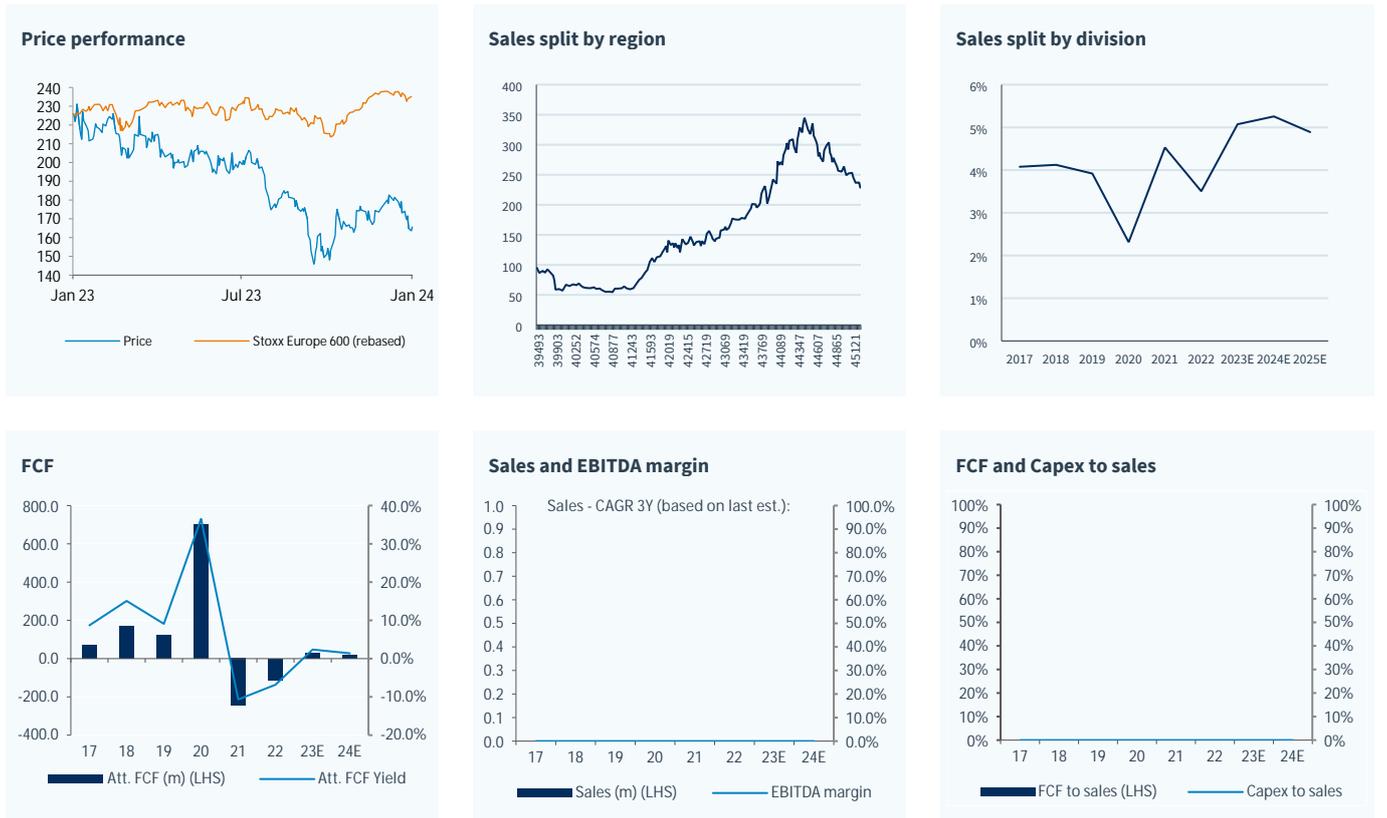
**Management**

Dr Andreas Wicki, CEO  
Erwin Troxler, CFO

**Key shareholders**

Free float	82.70%
Nogra Group	15.80%
CAAM Fund Service AB	1.04%
Boarder to Coast Pensions Partnership Ltd/UK	0.99%

**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**

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

**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

**Valuation table**

Market data as of: 23 January 2024

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
<b>Per share data (CHF)</b>										
EPS adjusted			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
% Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS adjusted and fully diluted			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
% Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS reported			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
% Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS Consensus										2.42
Cash flow per share			10.45	24.71	17.93	100.74	-35.24	-16.30	3.92	2.29
Book value per share			165.71	187.24	205.56	308.93	284.89	254.81	271.01	284.32
DPS	0.00	0.00	5.87	6.96	7.45	7.69	12.50	7.50	8.30	8.60
Number of shares, YE (m)			6.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Nbr of shares, fully diluted, YE (m)			6.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<b>Share price</b>										
Latest price / year end	102.0	99.0	144.0	168.8	190.0	332.5	276.0	214.0	165.6	165.6
52 week high	112.5	106.5	144.0	184.0	253.5	351.0	365.0	275.5	224.5	
52 week low	92.0	92.0	99.0	145.0	154.2	187.0	242.0	192.2	146.0	
Average price (Year)	100.7	98.1	120.1	163.9	197.2	275.9	330.3	238.9	165.6	165.6
<b>Enterprise value (CHFm)</b>										
Market capitalisation			834.1	1,140.4	1,371.9	1,919.3	2,297.8	1,662.0	1,152.1	1,152.1
Net financial debt			40.6	-43.1	-103.1	-121.7	-76.3	-82.8	-1.1	-21.3
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			874.7	1,097.3	1,268.8	1,797.6	2,221.5	1,579.2	1,151.0	1,130.8
<b>Valuation</b>										
P/E adjusted			7.3	5.5	7.5	2.5	na	na	17.8	15.3
P/E adjusted and fully diluted			7.3	5.5	7.5	2.5	na	na	17.8	15.3
P/E consensus										68.4
P/BV			0.7	0.9	1.0	0.9	1.2	0.9	0.6	0.6
P/CF			11.5	6.6	11.0	2.7	na	na	42.3	72.2
Dividend yield (%)	0.0%	0.0%	4.9%	4.2%	3.8%	2.8%	3.8%	3.1%	5.0%	5.2%
Dividend yield preference shares (%)	5.5%	5.9%	5.8%	4.6%	3.9%	4.5%	2.9%	4.2%	6.3%	6.6%
Share buybacks over market cap (%)			1.2%	0.5%	0.1%	-1.2%	0.1%	0.0%	0.4%	0.4%
FCF yield (%)			8.7%	15.1%	9.1%	36.5%	-10.7%	-6.8%	2.4%	1.4%
ROE (%)				17.0%	13.4%	42.3%	-3.8%	-3.9%	3.5%	3.9%
ROIC (%)	na	na	na	na	na	na	na	na	na	na
EV/Sales			na	na	na	na	na	na	na	na
EV/EBITDA adj.			na	na	na	na	na	na	na	na
EV/EBIT adj.			na	na	na	na	na	na	na	na
EV/NOPAT			na	na	na	na	na	na	na	na
EV/IC			na	na	na	na	na	na	na	na
ROIC/WACC	na	na	na	na	na	na	na	na	na	na
EV/IC over ROIC/WACC			na	na	na	na	na	na	na	na

**Income statement**

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
<b>Sales</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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	-4.0	-3.5	-10.0	-1.5	-1.6	-1.6	-1.7
<b>EBITDA adjusted</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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	-4.0	-3.5	-10.0	-1.5	-1.6	-1.6	-1.7
<b>EBIT adjusted</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Net financial items	-2.1	-2.6	-2.4	-2.4	-2.4	-2.5	-2.7	-2.7	-2.7	-2.7
Associates	25.2	137.1	116.2	215.5	188.6	768.8	-73.8	-69.1	69.0	79.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
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.	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
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	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit reported</b>	<b>23.1</b>	<b>134.6</b>	<b>113.8</b>	<b>209.1</b>	<b>182.7</b>	<b>756.3</b>	<b>-78.0</b>	<b>-73.4</b>	<b>64.7</b>	<b>75.3</b>
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit adjusted</b>	<b>23.1</b>	<b>134.6</b>	<b>113.8</b>	<b>209.1</b>	<b>182.7</b>	<b>756.3</b>	<b>-78.0</b>	<b>-73.4</b>	<b>64.7</b>	<b>75.3</b>
Sales % Change										
EBITDA reported % Change				-chg	+chg	-chg	+chg	-chg	-chg	-chg
EBITDA adjusted % Change										
EBIT reported % Change				-chg	+chg	-chg	+chg	-chg	-chg	-chg
EBIT adjusted % Change										
Earnings before tax % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
Net profit from cont. op. % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
Net profit reported % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
Net profit adjusted % Change	-91.1%	482.9%	-15.4%	83.7%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
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 (%)			35.8%	23.2%	28.4%	7.1%	-111.4%	-71.1%	89.3%	79.4%
EPS reported (CHF)			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
EPS adjusted (CHF)			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
EPS adj and fully diluted (CHF)			16.40	30.05	26.26	108.71	-11.22	-10.55	9.30	10.83
DPS (CHF)	0.00	0.00	5.87	6.96	7.45	7.69	12.50	7.50	8.30	8.60
DPS, preference shares (CHF)	5.50	5.80	7.00	7.50	7.70	12.50	9.70	10.00	10.50	11.00
EPS reported % Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS adjusted % Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
EPS adj and fully diluted % Change				83.3%	-12.6%	313.9%	-chg	+chg	+chg	16.4%
DPS % Change			+chg	18.5%	7.0%	3.3%	62.5%	-40.0%	10.7%	3.6%
Consensus Sales (CHFm)										46.1
Consensus EBITDA (CHFm)										
Consensus EBIT (CHFm)										18.0
Consensus EPS (CHF)										2.42

**Cash flow statement**

Market data as of: 23 January 2024

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
Net profit before minorities	23.1	134.6	113.8	209.1	182.7	756.3	-78.0	-73.4	64.7	75.3
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	-67.1	-15.2	-41.3	-37.1	-58.0	-55.4	-167.1	-40.1	-37.4	-59.4
<b>Levered post tax CF before capex</b>	<b>-44.0</b>	<b>119.3</b>	<b>72.5</b>	<b>171.9</b>	<b>124.7</b>	<b>700.9</b>	<b>-245.2</b>	<b>-113.4</b>	<b>27.3</b>	<b>16.0</b>
% Change	-chg	+chg	-39.2%	137.0%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free cash flow</b>	<b>-44.0</b>	<b>119.3</b>	<b>72.5</b>	<b>171.9</b>	<b>124.7</b>	<b>700.9</b>	<b>-245.2</b>	<b>-113.4</b>	<b>27.3</b>	<b>16.0</b>
% Change	-chg	+chg	-39.2%	137.0%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
Acquisitions	-395.9	-405.0	-556.5	-534.0	-515.7	-729.7	-499.6	0.0	0.0	0.0
Divestments	476.5	444.9	661.6	710.8	611.6	952.4	597.0	-26.7	93.3	104.1
Dividend paid			-40.8	-48.4	-51.8	-53.5	-87.0	-67.2	-57.7	-59.8
Share buy back			-9.9	-6.1	-0.8	22.2	-2.2	0.0	-5.0	-5.0
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Others			-12.1	4.7	-22.0	-1.4	37.1	-12.8	0.0	0.0
<b>Change in net financial debt</b>			<b>-114.8</b>	<b>-298.9</b>	<b>-146.0</b>	<b>-890.8</b>	<b>199.8</b>	<b>220.2</b>	<b>-57.8</b>	<b>-56.2</b>
Change in cash and cash equiv.				45.5	-39.7	200.2	-204.0	6.8	-81.7	20.2
Attributable FCF	-44.0	119.3	72.5	171.9	124.7	700.9	-245.2	-113.4	27.3	16.0
Cash flow per share (CHF)			10.45	24.71	17.93	100.74	-35.24	-16.30	3.92	2.29
% Change				136.5%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
FCF per share (CHF)			10.45	24.71	17.93	100.74	-35.24	-16.30	3.92	2.29
% Change				136.5%	-27.5%	462.0%	-chg	+chg	+chg	-41.5%
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 (%)			8.7%	15.1%	9.1%	36.5%	-10.7%	-6.8%	2.4%	1.4%
Unlevered FCF Yield (%)			8.6%	15.9%	10.0%	39.1%	-10.9%	-7.0%	2.6%	1.7%

**Balance sheet**

FY to 31/03 (CHF)	12/15	12/16	03/18	03/19	03/20	03/21	03/22	03/23	03/24E	03/25E
Cash and cash equivalents			223.2	268.7	229.0	429.2	225.2	232.0	150.3	170.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.2	0.4	0.4	0.6	0.2	0.2	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>			<b>223.6</b>	<b>269.2</b>	<b>229.2</b>	<b>429.4</b>	<b>225.2</b>	<b>232.0</b>	<b>150.3</b>	<b>170.5</b>
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	1,007.6	1,126.8	1,193.6	1,262.4	1,347.0	2,105.2	1,947.0	1,911.5	2,035.8	2,174.6
Other non-current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-current assets</b>	<b>1,007.6</b>	<b>1,126.8</b>	<b>1,193.6</b>	<b>1,262.4</b>	<b>1,347.0</b>	<b>2,105.2</b>	<b>1,947.0</b>	<b>1,911.5</b>	<b>2,035.8</b>	<b>2,174.6</b>
Short term debt			164.6	126.1	26.3	257.7	0.0	0.0	0.0	0.0
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	3.8	3.8	3.0	3.5	3.1	53.1	2.8	2.8	2.8	2.8
<b>Current liabilities</b>			<b>167.6</b>	<b>129.6</b>	<b>29.4</b>	<b>310.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
Long term debt			99.2	99.4	99.6	49.8	148.9	149.2	149.2	149.2
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	0.0	0.0	0.0	17.2	24.7	38.5	28.9	21.7	16.3
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>			<b>99.2</b>	<b>99.4</b>	<b>116.8</b>	<b>74.5</b>	<b>187.4</b>	<b>178.1</b>	<b>170.9</b>	<b>165.5</b>
Shareholders' equity			1,150.5	1,302.6	1,430.1	2,149.2	1,982.0	1,772.7	1,885.4	1,978.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>			<b>1,150.5</b>	<b>1,302.6</b>	<b>1,430.1</b>	<b>2,149.2</b>	<b>1,982.0</b>	<b>1,772.7</b>	<b>1,885.4</b>	<b>1,978.0</b>
<b>Balance sheet total</b>			<b>1,417.3</b>	<b>1,531.6</b>	<b>1,576.3</b>	<b>2,534.6</b>	<b>2,172.2</b>	<b>1,953.6</b>	<b>2,059.1</b>	<b>2,146.3</b>
% Change				8.1%	2.9%	60.8%	-14.3%	-10.1%	5.4%	4.2%
Book value per share (CHF)			165.71	187.24	205.56	308.93	284.89	254.81	271.01	284.32
% Change				13.0%	9.8%	50.3%	-7.8%	-10.6%	6.4%	4.9%
Net financial debt			40.6	-43.1	-103.1	-121.7	-76.3	-82.8	-1.1	-21.3
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			40.6	-43.1	-103.1	-121.7	-76.3	-82.8	-1.1	-21.3
Net fi. debt (+IFRS16) / EBITDA (x)			na							
Trade working capital	0.2	0.4	0.4	0.6	0.2	0.2	0.0	0.0	0.0	0.0
Net working capital	-3.6	-3.3	-2.5	-2.9	-2.9	-53.0	-2.7	-2.7	-2.7	-2.7
NWC/Sales	na									
Inventories/sales	na									
Invested capital	-3.6	-3.3	-2.5	-2.9	-2.9	-53.0	-2.7	-2.7	-2.7	-2.7
Net fin. debt / FCF (x)			0.6	-0.3	-0.8	-0.2	0.3	0.7	0.0	-1.3
Gearing (%)			3.5%	-3.3%	-7.2%	-5.7%	-3.8%	-4.7%	-0.1%	-1.1%
Goodwill / Equity (%)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## Research ratings and important disclosures

The term "KEPLER CHEUVREUX" shall, unless the context otherwise requires, mean each of KEPLER CHEUVREUX and its affiliates, subsidiaries and related companies (see "Regulators" table below).

The investment recommendation(s) referred to in this report was (were) completed on 23/01/2024 18:45 (GMT) and was first disseminated on 24/01/2024 05:34 (GMT).

Unless otherwise stated, all prices are aligned with the "Market Data date" on the front page of this report.

### Disclosure checklist - Potential conflict of interests

Company Name	ISIN	Disclosure
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Rating Breakdown	A	B
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Hold	32%	33%
Reduce	9%	6%
Not Rated/Under Review/Accept Offer	3%	3%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

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HBM Healthcare Investments (CHF)	14/06/2023 06:32	Equity Research	Buy	298.00	206.00
	21/11/2023 06:13	Equity Research	Buy	253.00	165.00

Credit research does not issue target prices. Left intentionally blank.

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# Local insight, European scale.



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