

23 October 2020

HBM Healthcare Investments

Switzerland

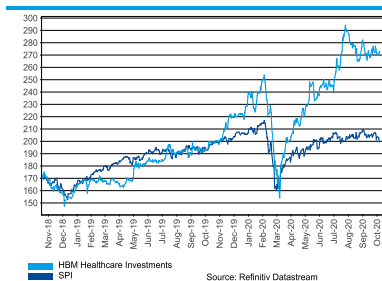
Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Closing price as of 22-Oct-20	CHF 273.00
Target price	CHF 264.00
High/Low (12M)	CHF 294.00/154.20
Market cap.	CHF mn 1,899
Enterprise value	CHF mn 1,997
Free float	83.0%
Avg. daily turnover	CHF mn 2.33

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	0.7	3.4	28.2
rel. SPI	3.7	6.8	23.3
rel. STOXX Europe 600	0.0	6.9	19.0
rel. SXXP Financial SVS	-2.4	7.9	13.1

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Sustained outperformance in 2Q20

Our conclusion

- HBM Healthcare Investments presented 2Q20 results (fiscal year starting in March) in-line with the preliminary results communicated early October, reporting a net profit in 1H20 at CHF 441mn and CHF 215mn in 2Q20 on a net asset value increased to CHF 1,836mn (+30.5% year-to-date, adjusted for distributions), largely outperforming the Nasdaq Biotech Index (+25.5%). The results came largely above our expectations for CHF 112mn in 2Q20.
- The outperformance in the second quarter of the 2020/2021 financial year is mostly due to four IPOs (Cathay Biotech, Harmony Biosciences, ALX Oncology and iTeos Therapeutics) and three takeovers. The four IPOs contributed CHF 229mn overall to the quarterly result. This equates to an average 80% gain over the book values of these investments reported before IPO. HBM reported one minor write-off, a USD 5mn investment in Complexa, due to unsatisfactory data from phase II studies.
- HBM Healthcare Investments enters the second half of the financial year with a positive outlook, pointing at a favorable IPOs and M&A environment, but remains cautiously positioned by hedging about ten percent of the market risk and around 70 percent of the USD currency risk. Over the first half year 2020/21, currency hedging (mostly USD) resulted into a total CHF 25.4mn gain.

Facts & Analysis

- The portfolio of private companies was bolstered by CHF 66mn in the past quarter with eight promising new investments. An additional CHF 14mn were invested in existing private portfolio companies as part of follow-up financings.
- Two new investments with a Swiss connection were made in Polyneuron Pharmaceuticals (CHF 10mn) and Monte Rosa Therapeutics (USD 10mn, USD 5mn paid in). Polyneuron was founded in 2014 as a spin-off of the University of Basel and is developing a cutting-edge therapy to treat antibody-mediated autoimmune diseases of the nervous system.
- Monte Rosa was founded by Ridgeline, a research platform of Versant Ventures headquartered at the Technologiepark Basel. The company conducts research into medications aimed at the targeted degradation of pathogenic proteins.
- A total of USD 19mn has been allocated to two companies active in cancer research that are based in California, USA. BioAtla (USD 11.5mn) in San Diego develops novel monoclonal antibody and cell-based therapeutics. The two programmes run by BioAtla are in phase I/II clinical development to treat lung and skin cancer as well as soft tissue and bone tumors.
- At the beginning of October, two other private portfolio companies successfully went public: C4 Therapeutics in the United States and Everest Medicines in Hong Kong. Other companies are planning to follow suit. HBM also anticipates value-adding transactions from the portfolio of private companies through financing rounds and takeovers. (Source HBM)

Key financials

CHF mn	2019/20	2020/21E	2021/22E	2022/23E	CAGR (%)
Sales	0.0	0.0	0.0	0.0	-
EBIT adj.	185.1	264.2	152.3	181.7	-0.6
EPS adj. (CHF)	26.26	37.64	21.56	25.78	-0.6

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2019/20	2020/21E	2021/22E	2022/23E
EV/Sales	-	-	-	-
EV/EBIT adj.	8.1	7.6	13.1	11.0
P/E adj.	7.7	7.3	12.7	10.6

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Key data

FY 31 Mar.	2017/18	2018/19	2019/20	2020/21E	2021/22E	2022/23E
Share data						
EPS reported (CHF)	16.55	30.05	26.26	37.64	21.56	25.78
EPS adjusted (CHF)	16.55	30.05	26.26	37.64	21.56	25.78
Dividend (CHF)	6.96	7.50	7.71	8.81	9.28	0.00
Book value (CHF)	165.39	189.49	208.25	238.19	251.21	267.98
Free cash flow (CHF)	8.12	7.06	8.03	7.92	9.03	9.50
Avg. no. of shares (mn)	7.0	7.0	7.0	7.0	7.0	7.0
Market cap. (avg./current; CHF mn)	864.9	1,139.8	1,405.3	1,899.3	1,899.3	1,899.3
Enterprise value (CHF mn)	960.0	1,237.0	1,502.5	1,997.2	1,997.9	1,998.7
Valuation						
P/E adj. (x)	7.5	5.5	7.7	7.3	12.7	10.6
P/BV (x)	0.7	0.9	1.0	1.1	1.1	1.0
FCF/EV (%)	2.8	2.5	2.8	2.8	3.1	3.3
FCF yield (%) (FCF/Mcap.)	6.6	4.3	4.0	2.9	3.3	3.5
Dividend yield (%)	5.6	4.6	3.8	3.2	3.4	0.0
EV/Sales (x)	-	-	-	-	-	-
EV/EBITDA adj. (x)	8.1	5.8	8.1	7.6	13.1	11.0
EV/EBIT adj. (x)	8.1	5.8	8.1	7.6	13.1	11.0
EV/CE (x)	-	-	-	-	-	-
ROCE/WACC adj. (x)	-	-	-	-	-	-
Key company data						
Sales growth (%)	-	-	-	-	-	-
EBITDA adj. growth (%)	-15.0	78.8	-12.5	42.7	-42.4	19.3
EBITDA adj. margin (%)	-	-	-	-	-	-
EBIT adj. margin (%)	-	-	-	-	-	-
Net adj. margin (%)	-	-	-	-	-	-
Free cash flow margin (%)	-	-	-	-	-	-
Payout ratio (%)	42.0	25.0	29.3	23.4	43.1	0.0
Gearing (%) (net debt/equity)	8.2	7.4	6.7	5.9	5.6	5.3
Net debt/EBITDA (x)	0.8	0.5	0.5	0.4	0.6	0.5
Equity ratio (x) (equity/total assets)	91.9	92.7	93.3	94.1	94.4	94.8
Capital employed (CHF mn)	0.0	0.0	0.0	0.0	0.0	0.0
ROCE adj. (%)	-	-	-	-	-	-
Income statement (CHF mn)						
Turnover	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	118.3	211.5	185.1	264.2	152.3	181.7
EBITDA adj.	118.3	211.5	185.1	264.2	152.3	181.7
EBIT	118.3	211.5	185.1	264.2	152.3	181.7
EBIT adj.	118.3	211.5	185.1	264.2	152.3	181.7
EBT	115.9	209.1	182.7	261.9	150.0	179.4
Net profit after minorities	115.9	209.1	182.7	261.9	150.0	179.4
Net profit adj.	115.9	209.1	182.7	261.9	150.0	179.4
Balance sheet (CHF mn)						
Non-current assets	1,254	1,417	1,546	1,755	1,846	1,964
thereof goodwill	-	-	-	-	-	-
Current assets	7	5	6	5	5	4
Total assets	1,260	1,422	1,552	1,760	1,851	1,968
Shareholders' equity	1,158	1,318	1,449	1,657	1,748	1,864
Total equity and liabilities	1,260	1,422	1,552	1,760	1,851	1,968
Net debt	95	97	97	98	99	99
Cash flow (CHF mn)						
Cash flow from operations	-3.1	-2.9	-4.2	-3.5	-3.5	-3.5
of which change in working capital	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	60.0	52.0	60.0	58.6	66.3	69.6
of which investment in fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	56.9	49.1	55.8	55.1	62.8	66.1
Dividends paid	-40.8	-48.7	-52.2	-53.6	-61.3	-64.6
Cash flow from financing activities	-56.4	-51.0	-54.5	-55.9	-63.6	-66.9
Change in cash position	0.4	-1.8	1.4	-0.8	-0.8	-0.8

Source: Company data, Baader Helvea Equity Research

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