

Media Release

Zug, 25 July 2017

HBM Healthcare Investments Quarterly Report June 2017

The new 2017 / 2018 financial year got off to a soft start. Net asset value (NAV) per share declined by 6.5 percent to CHF 139.25 during the quarter ending on 30 June 2017. By contrast, the share price rose by 7.3 percent to CHF 113.70, resulting in a pleasing contraction in the discount between the share price and NAV. Overall, HBM Healthcare Investments made a loss of CHF 72 million during the reporting period. Around half of this figure was due to the negative trend in the Swiss franc against the US dollar, with the latter down by approximately 4.5 percent.

Portfolio

The quarter just ended saw private portfolio company True North Therapeutics acquired by the listed US company Bioverativ. The deal was closed at the beginning of July 2017, and comprises an upfront payment of USD 400 million, plus further milestone payments of up to USD 425 million. HBM Healthcare Investments invested USD 10 million in True North in October 2016, and held around three percent of the company. The upfront payment results in a multiple on the capital invested by HBM Healthcare Investments of 1.5, and represents an annualised return (IRR) of roughly 66 percent. We expect milestone payments to generate further cash flows in the future.

In the portfolio of public companies, Vectura (CHF – 35 million) was the main contributor to the quarterly loss. Vectura stock lost ground following the US Food and Drug Administration's decision to refuse approval for the time being for a generic version of asthma drug Advair. Vectura will now work with the FDA to determine what further steps are required for the drug to be approved.

Work proceeded on a number of new investments in private companies during the quarter under review. Four of these have already been completed, and a further four are at an advanced stage and expected to go ahead shortly.

HBM Healthcare Investments made a capital commitment of EUR 20 million to Swiss company Amicus, EUR 15 million of which has been paid to date. The company specialises in the distribution of pharmaceutical products, medical equipment and branded OTC products in Central and Eastern Europe. Amicus was set up by the former founders of PharmaSwiss, in which HBM Healthcare Investments was a major shareholder from 2007 up to when the company was sold in 2011.

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Canadian company Formation Biologics, which is based in Montreal, received CAD 5 million. The company conducts research into rare diseases, and is developing two compounds – one to treat scleroderma, and the other for use in oncology.

A further direct investment of the equivalent of USD 3 million was made in Shriji Polymers, which operates in the fast-growing Indian healthcare market. Shriji is the second-largest Indian manufacturer of packaging for the pharmaceutical industry. The company is profitable, expanding rapidly, and has a broad base of local and international customers.

Finally, HBM Healthcare Investments put USD 1.5 million into US company ConnectRN, which develops and distributes an innovative application which helps hospitals to recruit nursing staff and to plan their shifts.

Outlook

In the portfolio of private companies, Chinese company Cathay Industrial Biotech is performing well. Its core business – the manufacture of dicarboxylic acids – is growing profitably, while the second business unit, green nylon, has the potential to raise Cathay's revenues significantly if market development is managed successfully. A new plant will be commissioned in Xinjiang, north-western China, in the fourth quarter of 2017, with Cathay investing a total of over USD 250 million in this new production facility this year. In doing so, Cathay will further consolidate its position as an innovative and successful leader in the industrial biotechnology market. The company has the potential to contribute considerable value to our portfolio over the coming years.

A number of firms in the portfolio of public companies are expecting study data and approval decisions in the second half of 2017. These include Pacira Pharmaceuticals, due to publish phase III data on peripheral nerve blocks, and Nabriva, which will present phase III data on its lefamulin antibiotic for the treatment of pneumonia. We also expect the share price of our holding in Advance Accelerator Applications to rise on the strength of possible approval for its Lutathera® cancer drug in Europe and the USA over the next six to nine months.

Our broadly diversified portfolio of high-quality companies at different stages of development and in different therapeutic fields is well positioned and should also benefit from further M&A activity in the healthcare sector.

We continue to believe that volatility on the equity markets will persist. In addition to our efforts to increase the share of the portfolio accounted for by private companies, we will take opportunities that this volatility presents to add high-quality public companies trading at attractive valuations to our portfolio.

The online version of the Quarterly Report as at 30 June 2017 is available on the HBM Healthcare Investments Ltd website www.hbmhealthcare.com.

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Information on HBM Healthcare Investments Ltd

HBM Healthcare Investments actively invests in the human medicine, biotechnology, medical technology and diagnostics sectors and related areas. The company holds and manages an international portfolio of promising companies. Many of these companies have their lead products already available on the market or at an advanced stage of development. The portfolio companies are closely tracked and actively guided on their strategic directions. This is what makes HBM Healthcare Investments an interesting alternative to investing in big pharma and biotech companies. HBM Healthcare Investments has an international shareholder base and is listed on SIX Swiss Exchange (ticker: HBMN).

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