

HBM Healthcare

Switzerland | Pharma & biotech | Mcap CHF 709.4m

05 August 2015

Buy (None)

Target Price CHF 118.00
Current Price CHF 99.5
Up/downside 18.6%
Change in TP none
Change in EPS up nm 2015E

The healthy choice

For investors wishing to participate in healthcare innovation but lacking the expertise or resources to carry out stock-picking in this rather complex sector, an attractive option is exposure through HBM Healthcare (HBM), a Switzerland-based listed public and private equity fund. The main benefit is liquid exposure, compared with unlisted private equity. We initiate coverage with a Buy rating and a TP of CHF118.

Favourable sector outlook

Despite mounting pressure to reduce healthcare costs, growth in medicine spending is sustained by strong fundamentals: an ageing population with the first baby boomers hitting their seventies in 2016, emerging-market expansion, and technological innovation. The trends in place, with the MSCI World Healthcare up 143% over the last five years, have created a solid exit environment for private equity. The number of IPOs has reached a record level since 2000.

The only listed public and private equity fund

Switzerland-based HBM is a listed vehicle managed by a highly-skilled team, offering exposure to private and public healthcare companies, with a solid track record in recent years (+157% over the last five years, significantly outperforming the MSCI World Healthcare by 13,870bps). To optimise cash returns, HBM has set up a targeted annual return of at least 5% of net assets through the combination of share buybacks and cash distribution for three fiscal years.

Sustained clinical newsflow

The investment portfolio is made up of stakes in about 30 companies, with the largest investment accounting for almost 18% of the portfolio and almost three-quarters of total investments exposed to public equities. Given the sustained newsflow with abundant clinical catalysts to come over 2015-17, we believe the public company portfolio is well positioned to benefit from value creation.

Initiating coverage with a Buy rating and a TP of CHF118

We initiate coverage with a Buy rating on the assumption that the share's NAV will reach the value implied by analysts and consensus target prices for HBM's public company holdings at a five-year average 25% share discount to NAV. Our conservative valuation of CHF1,157m for investments assumes only the portfolio's public holding revaluation. Any IPO or trade sales of one of the eleven identified private equity holdings offers upside to our scenario.

Alexandra Ralli

aralli@keplercheuvreux.com
 +41 22 994 1592

Market data

Market cap (CHFm)	709
Free float	100%
No. of shares outstanding (m)	7
Avg. daily trading volume ('000)	6
YTD abs performance	1.9%
52-week high (CHF)	112.50
52-week low (CHF)	78.95

FY to 31/03 (CHF)	2013	2014	2015 ^E
Sales (m)	370.8	320.2	114.6
EBITDA adj (m)	353.5	257.8	65.2
EBIT adj (m)	353.5	257.8	65.2
Net profit adj (m)	353.5	257.5	65.0
Net fin. debt (m)	-46.5	-140.4	-227.2
FCF (m)	29.1	191.9	188.7
EPS adj. and fully dil.	40.31	31.11	8.63

FY to 31/03 (CHF)	2013	2014	2015 ^E
Total assets (m)	926	1,191	1,481
NAV (m)	920	1,074	1,205
NAVper share	108.8	140.6	165.9
NAV growth	59.1%	29.3%	18.0%
Discount	30.6%	23.2%	25.0%
Dividend yield	4.0%	5.1%	4.2%

KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer.

Company summary

HBM Healthcare is a Swiss investment company managed by HBM Partners, founded in 2001 and listed on the Swiss Stock Exchange since 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 30 companies (largest investment almost 15% of the portfolio). It has also investments in healthcare-dedicated funds (15% of investments) to invest outside its core expertise.

Management

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

Key shareholders

Alpine Select AG 10%-15%
Astellas Pharma 5% - 10%
Nogra 5.0%

Market data

Market cap (CHF)	709.4m
Free float (%)	100.0
No. of shares outstanding (m)	7
3m avg. daily vol ('000)	6
YTD abs. performance	1.9%
52-week high (CHF)	112.50
52-week low (CHF)	78.95

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
- Only listed private healthcare equity fund

Opportunities

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

Weaknesses

- Persistent wide discount to NAV
- Mature portfolio, need to be rebalanced
- Mixed performance over the years
- Size could be an issue to invest in small and mid caps

Threats

- Competition from healthcare listed 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

Key financials (please see the end of this report for full financials)

Per share data	2010	2011	2012	2013	2014	2015E
EPS adj and fully diluted	-5.59	-2.30	7.31	40.31	31.11	8.63
Cash flow per share	13.40	-5.46	2.47	3.38	24.19	26.46
Book value per share	60.26	57.94	67.42	106.68	135.46	145.66
DPS	0.00	0.00	1.50	3.00	5.50	4.58

Valuation

P/E adjusted and fully diluted	na	na	6.5	1.6	2.9	11.5
P/CF	3.1	na	19.3	19.0	3.7	3.8
P/BV	0.7	0.8	0.7	0.6	0.7	0.7
Dividend yield (%)	0.0%	0.0%	2.9%	4.0%	5.1%	4.2%
FCF yield (%)	32.0%	-12.4%	5.2%	5.3%	24.3%	26.6%
EV/Sales	na	na	4.8	1.4	2.0	4.2
EV/EBITDA	na	na	5.6	1.4	2.5	7.4
EV/EBIT	na	na	5.6	1.4	2.5	7.4

Income statement (CHFm)

Sales	-34.9	-8.4	78.1	370.8	320.2	114.6
% Change	-chg	+chg	+chg	374.8%	-13.6%	-64.2%
EBITDA adjusted	-52.3	-20.1	66.8	353.5	257.8	65.2
EBIT adjusted	-52.4	-20.1	66.8	353.5	257.8	65.2
Adjusted EBIT margin (%)	150.0%	240.1%	85.6%	95.3%	80.5%	56.9%
Net profit reported	-56.4	-22.2	67.0	353.5	257.5	65.0
Net profit adjusted	-56.4	-22.2	67.0	353.5	257.5	65.0

Cash flow statement (CHFm)

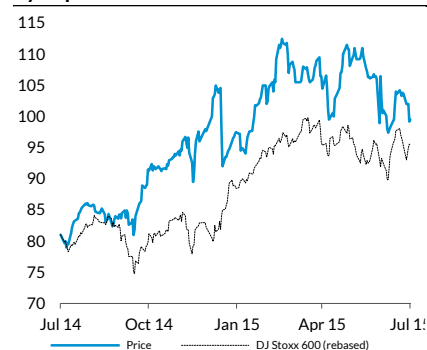
CF from operating activities	131.9	-51.4	22.0	29.1	191.9	188.7
Capex	-0.1	0.0	0.0	0.0	0.0	0.0
Free cash flow	131.8	-51.4	22.0	29.1	191.9	188.7

Balance sheet (CHFm)

Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Fin. & other non-current assets	462.7	505.3	548.3	879.0	1,050.6	1,254.6
Total shareholders' equity	593.2	546.4	601.0	920.3	1,074.2	1,038.5
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	32.2	1.1	1.0	5.4	117.0	443.4
Net financial debt	-155.4	-41.2	-51.7	-46.5	-140.4	-227.2
Working capital requirement	-24.7	-0.1	1.2	-1.4	-2.9	-2.9
Invested capital	-24.7	-0.1	1.2	-1.4	-2.9	-2.9

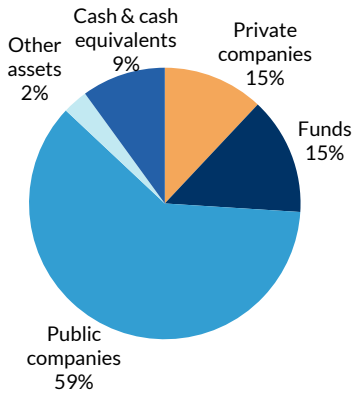
Ratios

ROE	-8.9%	-3.9%	11.7%	46.5%	25.8%	6.1%
ROIC	na	na	11,838.8%	na	na	na
EV/IC	na	na	na	na	na	na
Gearing	-26.2%	-7.5%	-8.6%	-5.1%	-13.1%	-21.9%

1 year performance


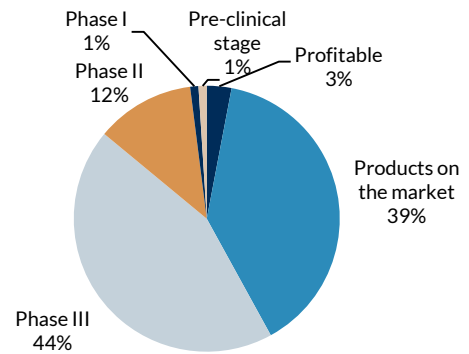
Investment case in six charts

Chart 1: Allocation (as of 30 June 2015)



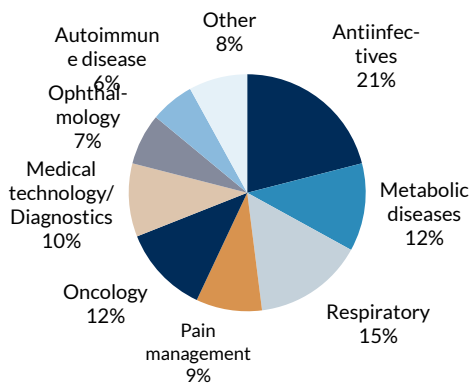
Source: Kepler Cheuvreux

Chart 2: Development phase of portfolio companies (30 June)



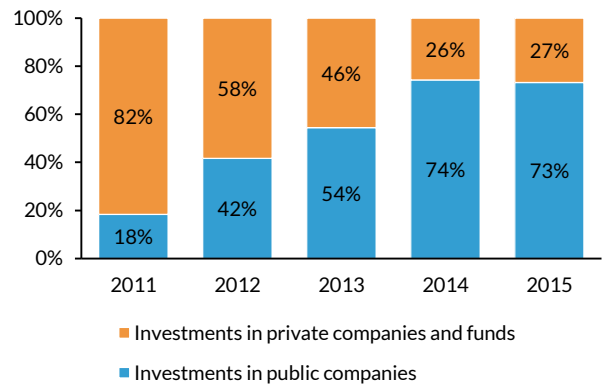
Source: Kepler Cheuvreux

Chart 3: Therapeutic area of lead products



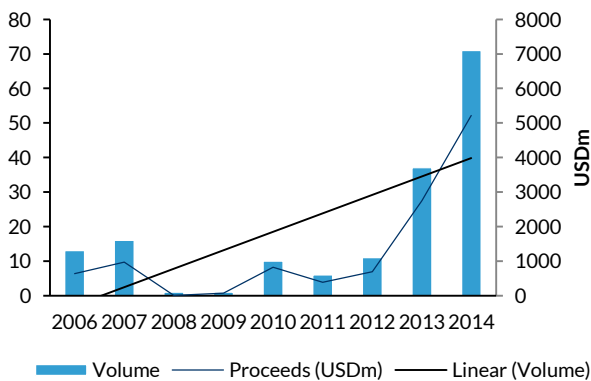
Source: Kepler Cheuvreux

Chart 4: Breakdown of investment portfolio



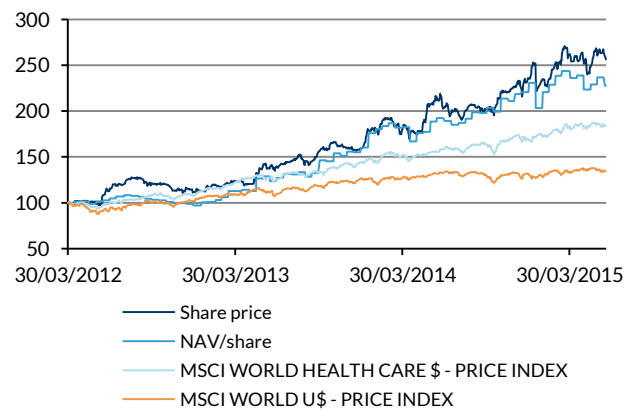
Source: Kepler Cheuvreux

Chart 5: Biotech IPO activity in the US



Source: Kepler Cheuvreux

Chart 6: Track record



Source: Kepler Cheuvreux

Contents

Investment case in six charts	3
Investment case summary	5
Favourable industry fundamentals	5
The only listed private equity fund in healthcare	5
Target price of CHF118, implying upside of 18%	6
Hidden value in private company portfolio	6
Favourable sector outlook	7
Total medicine spending on the rise	7
Value creation in drug development	8
Upward momentum in private equity	10
Exposure to the only listed private equity	13
A listed healthcare investment company	13
Highly skilled team	15
Any competition?	17
Solid track record	19
Outperforming MSCI Healthcare in recent years	19
Active long-term shareholder for a successful exit strategy	20
Committed to shareholder value	21
Current portfolio investments	22
Profile of core portfolio of listed companies	22
Profile of core portfolio of private companies	25
Profile of core portfolio of funds	26
Valuation, target price and risks	28
High discount to NAV	28
NAV-based pricing model	29
Risks	32
Research ratings and important disclosures	40
Legal and disclosure information	42

Investment case summary

HBM gives investors exposure to biotech private equity, delivering outstanding absolute and relative returns over the last five years. Following extraordinary years with significant gains recorded, it is natural to question their sustainability. With further value in its public equity part, according to consensus, and hidden value in its private equity part, we initiate coverage with a Buy rating, recommending this stock for long-term investors.

Favourable industry fundamentals

The renewed interest for the healthcare sector relies on industry fundamentals: the end of the main part of the patent cliff, innovation, revolutionary advances in sciences, increasing R&D productivity, a favourable regulatory environment and the recent launch of new drugs with blockbuster potential. Healthcare is an attractive area for private and listed equity investments.

Although the pressure to reduce healthcare costs is intensifying, growth in medicines spending is sustained by an ageing population, with the first baby boomers hitting their seventies in 2016, emerging-market expansion, treatment and technological innovation. Decoding the human genome more than ten years ago has made it possible to develop cutting-edge medical treatment options, especially in the field of oncology and gene therapy.

Accordingly, worldwide prescription drug spending is forecast to grow at a robust 4.8% CAGR over the next five years, above global growth. IMF projections for 2015 and 2016 world real GDP output are 3.5% and 3.8% respectively.

The trends in place, with the stellar performance in the sector in recent years (Biotechnology Index up 489% since January 2010) and strategic players' deep pockets, have created a sound exit environment for private equity (mergers, acquisitions and several IPOs). Over the last year, the number of IPOs has reached a record level since 2000, with 96 biotech/healthcare-related IPOs in the US.

The only listed private equity fund in healthcare

HBM is a listed vehicle managed by an experienced team, offering an exposure to healthcare private and public companies with a nice track record over the last years and without liquidity issues.

HBM is an investment company managed by a team of 14 investment advisors and analysts, listed on the Swiss Stock Exchange since February 2008, focused on private or public companies, primarily in Europe and North America. The investment portfolio is made up of interests in about 30 companies, with the largest investment accounting for almost 15% of the portfolio on 31 May 2015.

With Dr Andreas Wicki, CEO of HBM Partners since its founding, Dr Henri Meier, co-founder and chairman of the board of HBM Partners and six investment advisors with more than ten years at HBM, the past performance of the fund is meaningful.

The renewed interest in the healthcare sector is based on industry fundamentals

A sound exit environment for private equity

A listed vehicle managed by an experienced team...

...focused on private or public companies, primarily in Europe and North America

Over the last five years, until 23 July, the fund's NAV has increased by 111% and the share price is up 157%, significantly outperforming the MSCI World (58%) and MSCI World Healthcare (143%). We note HBM's efforts to optimise the technical part of the investments, such as cash returns. Management is targeting an annual return of at least 5% of net assets to shareholders through a combination of share buybacks and cash distribution.

Target price of CHF118, implying upside of 18%

We initiate coverage on HBM with a target price of CHF118, implying 18% upside, based on the assumption that the share's NAV will reach the value implied by analysts and consensus price targets for HBM public company holdings and on a five-year average 25% share discount to NAV.

Hidden value in private company portfolio

Our conservative valuation of CHF1,157m for investments assumes only the portfolio's public holdings and does not include valuation upside from the private equity part of the portfolio. Nevertheless, there is still hidden value, since the fair value is based on the acquisition cost in the investment currency or the last financing round with new investors. A best case would imply the occurrence of events such as an IPO or an acquisition, triggering a revaluation of holdings. Any IPO or trade sales of one of the eleven identified private equity holdings offers upside to our scenario.

We initiate coverage with a Buy rating, recommending this stock to long-term investors who wish to participate in healthcare innovation, but lack the expertise and resources to carry out stock-picking.

The share price has risen 157% over the last five years, outperforming the MSCI World Healthcare (143%).

Target price of CHF118, implying 18% upside

Any IPO or trade sale of one of the eleven identified private equity holdings offers upside to our scenario

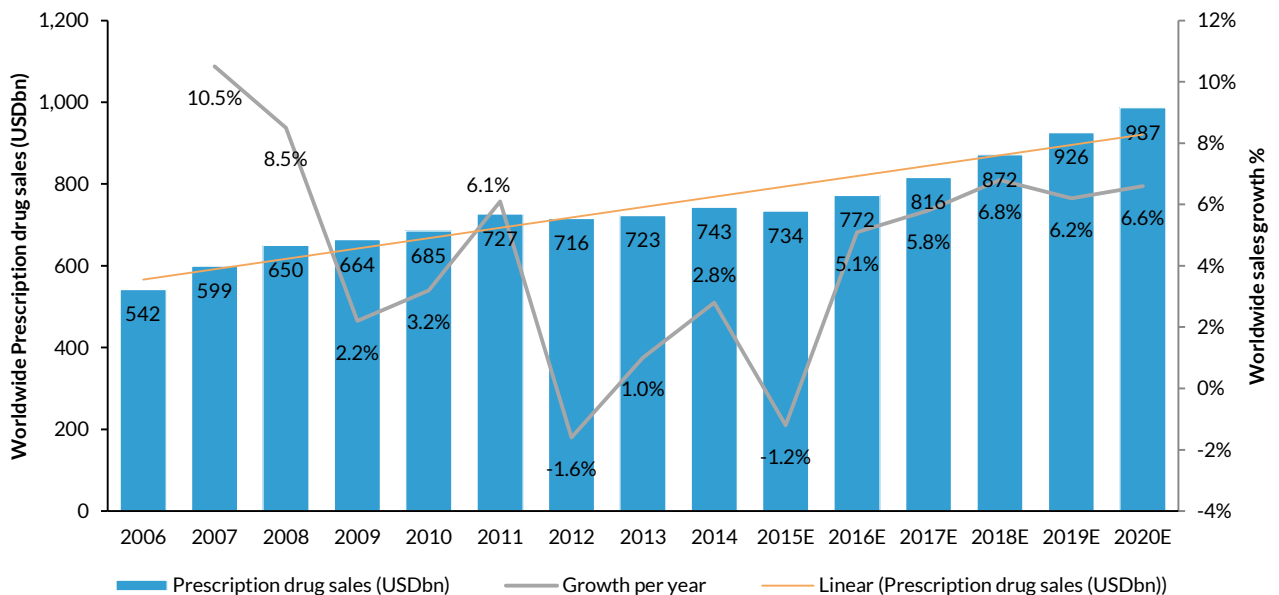
Favourable sector outlook

Healthcare is an attractive area for private and listed equity investments. The trends in place have created a sound exit environment for private equity with strategic players' deep pockets and several IPOs, thanks to the strong financial market since 2011.

The renewed interest in the healthcare sector is the result of innovation, the end of the main part of the patent cliff and the launch of new drugs with blockbuster potential. HBM is a listed vehicle managed by an experienced team, offering exposure to healthcare private and public equity.

Total medicine spending on the rise

Chart 7: Worldwide total prescription drug sales projections



Source: EvaluatePharma 22 May 2015

Despite mounting pressure to reduce healthcare costs, growth in medicine spending is sustained by the following drivers: an ageing population, the rising prevalence of chronic disease, greater patient access thanks to the expansion of insurance coverage in the US (implementation of the 2010 Patient Protection and Affordable Care Act, ACA), emerging-market expansion and efforts to provide universal health coverage, technology improvement and innovation.

More than 7,000 products are in development worldwide, according to PhRMA (2015 profile, Biopharmaceutical research industry). According to consensus forecasts for the leading 500 pharmaceuticals and biotechnology companies (EvaluatePharma, 22 May 2015), worldwide prescription drug spending is forecast to post a robust 4.8% CAGR over the next five years, above global growth.

Worldwide prescription drug spending is forecast to post a robust 4.8% CAGR over the next five years

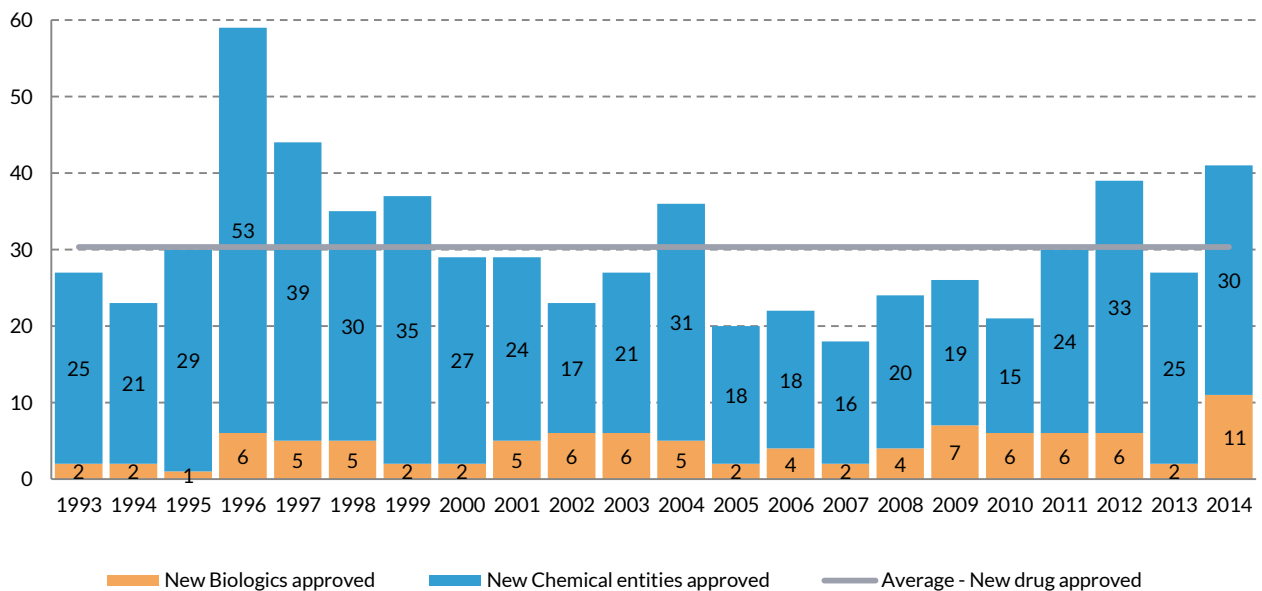
IMF projections for 2015 and 2016 world real GDP output are 3.5% and 3.8% respectively (source: World economic outlook. April 2015. Uneven growth. Short- and long-term factors, International Monetary Fund) versus 3.4% in 2014, with emerging markets and developing economies accounting for three-quarters of this.

Value creation in drug development

The regulatory environment remains very accommodating for drug companies. The sector is enjoying a period of new-drug discoveries and development, with the number of newly approved therapeutic molecular entities by the US Food and Drug Administration back to its average, after it dropped to 18 in 2007. The situation has been recovering since 2011, and 41 novel new drugs were approved in 2014, above the long-term average of 30 and the highest number of yearly approvals in 15 years.

The sector is enjoying a period of new-drug discoveries and development

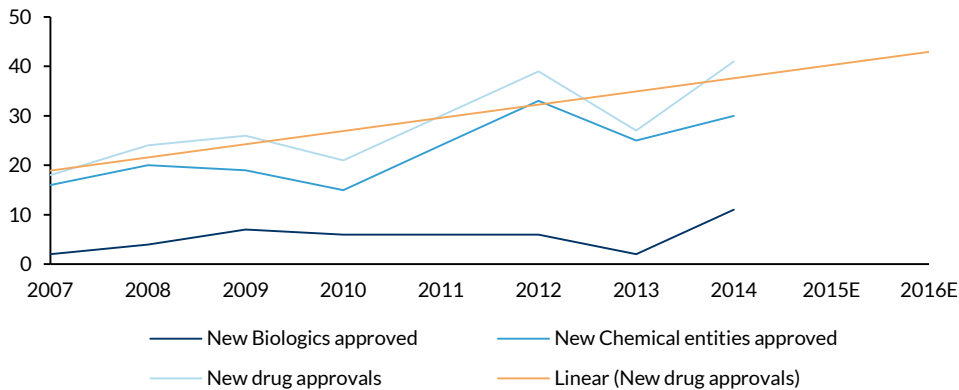
Chart 8: New drug approvals by the FDA



Source: www.FDA.gov

2014 was the best year since 1997, and the spike is part of an upward trend in innovation. More than 40% of the novel new drugs approved in 2014 (17 of 41) were approved to treat rare or orphan diseases (affecting 200,000 or fewer Americans), according to the FDA, giving pricing power.

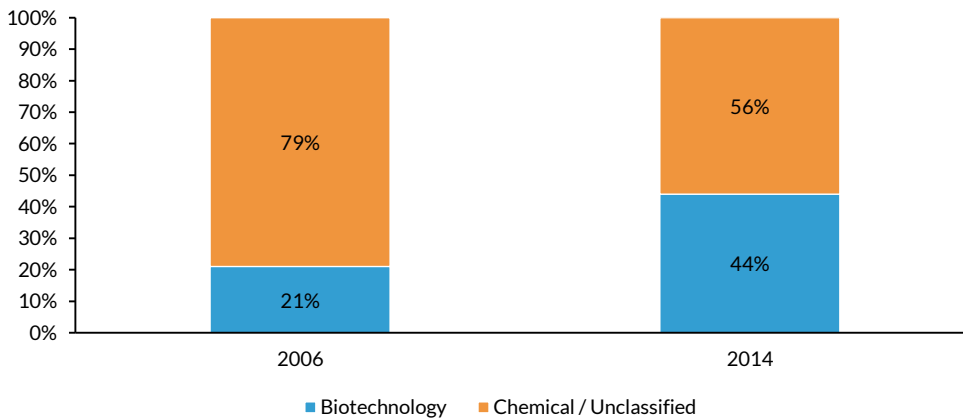
Chart 9: New drug approvals by the US FDA



Source: Kepler Cheuvreux -, www.fda.gov

The share of biotech drugs among the top 100 drug sales more than doubled to 44% between 2006 and 2014, highlighting the expansion of innovative technologies such as recombinant proteins.

Chart 10: Top 100 drug sales worldwide: biotechnology versus chemical compounds

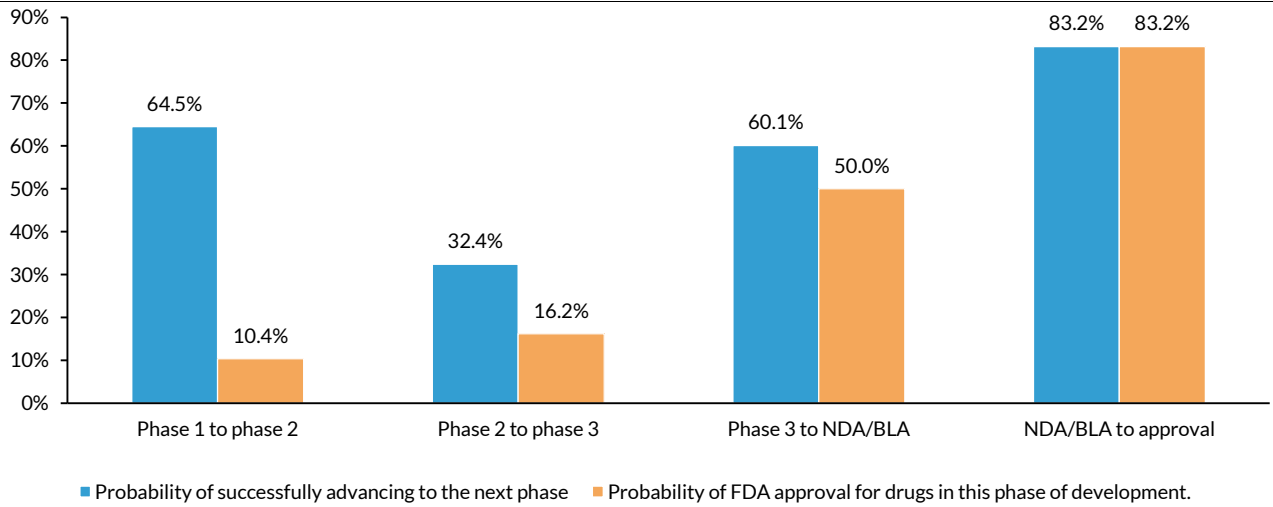


Source: EvaluatePharma 22 May 2015

High development risks

Although new technologies (genomics, genetics, bio-informatics, etc.) and new methods of drug discovery have changed the way drug research is conducted over the last 20 years compared to a conventional chemical compound, drug development is still a high-risk but high-reward business. The probability of success defined as the probability of approval for an investigational drug in phase 1 is at a low 10.4%, increasing to 16.2% in phase 2 and 50% in phase 3, due to scientific and regulatory uncertainties.

Chart 11: Clinical development success rates for investigational drugs (state of drug approvals from 2003 to 2012)



Source: Nature Biotechnology 32, 40-51 (2014)

Moreover, the success rate at each phase will also depend on indications and disease, underlying the need for an experienced team to manage a healthcare fund with extensive healthcare/medical knowledge in order to execute an informed stock-picking strategy.

To execute an informed stock-picking strategy

Table 1: Phase success by disease for all indications

	Phase 2 success rates	Phase 3 success rates	Likelihood of approval from phase 1
Oncology	26%	45%	7%
Cardiovascular	24%	53%	7%
Neurology	30%	61%	9%
All diseases	32%	60%	10%
Respiratory	28%	63%	11%
Endocrine	34%	67%	12%
Autoimmune	34%	68%	13%
Infectious diseases	46%	65%	17%
Other	44%	71%	18%

Source: Nature Biotechnology 32, 40-51 (2014)

The potential rewards of drug development have been highlighted in recent years with new blockbuster drugs catching investors' attention: the incredible new Gilead hepatitis C drug, Solvadi, generated sales in excess of USD10bn in its first year on the market, and Biogen's treatment for relapsing multiple sclerosis Tecfidera was approved in March 2013 by the US Food and Drug Administration, generating sales of USD876m in only nine months and without being approved in Europe (not until February 2014 by the European Commission).

Upward momentum in private equity

Over the last four years, biotech stocks have risen faster than any other sector of the market, particularly in the US. Healthcare set new records last year for both IPOs and M&A spending.

Healthcare set new records last year for both IPOs and M&A spending

The healthcare industry has persistently outpaced the market since 2011, after the trough in 2009. Over the last four years, the Nasdaq Biotechnology index has posted a performance of 226%, easily outpacing the broader equity market by 14,800bps.

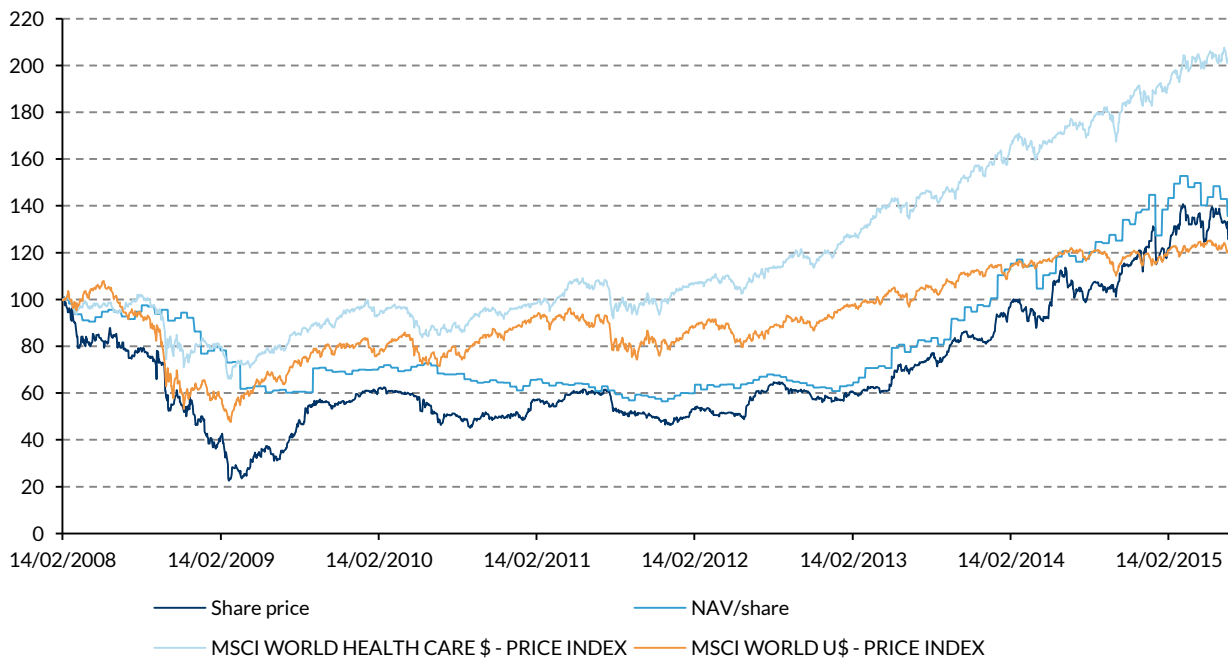
Table 2: Index performance

	2009	2010	2011	2012	2013	2014	YTD
MSCI WORLD USD - PRICE INDEX	26.98%	9.26%	-7.77%	13.48%	23.12%	3.92%	2.20%
MSCI WORLD HEALTH CARE USD - PRICE INDEX	16.40%	0.29%	6.90%	15.64%	32.58%	17.29%	9.88%
Over/Underperformance of MSCI World Healthcare compared to MSCI World	-10.58%	-8.98%	14.66%	2.16%	9.46%	13.37%	7.68%
NASDAQ COMPOSITE - PRICE INDEX	43.89%	17.36%	-1.85%	14.24%	38.75%	14.31%	5.77%
NASDAQ BIOTECHNOLOGY - PRICE INDEX	15.63%	15.70%	10.85%	31.52%	66.81%	33.88%	21.99%
Over/Underperformance of Nasdaq Biotech index compared with Nasdaq Composite Index	-28.26%	-1.66%	12.70%	17.28%	28.05%	19.56%	16.22%

Source: Kepler Cheuvreux

Favourable environment for IPOs and M&A

Chart 12: MSCI World and Nasdaq indexes rebased to 100, since HBM listing



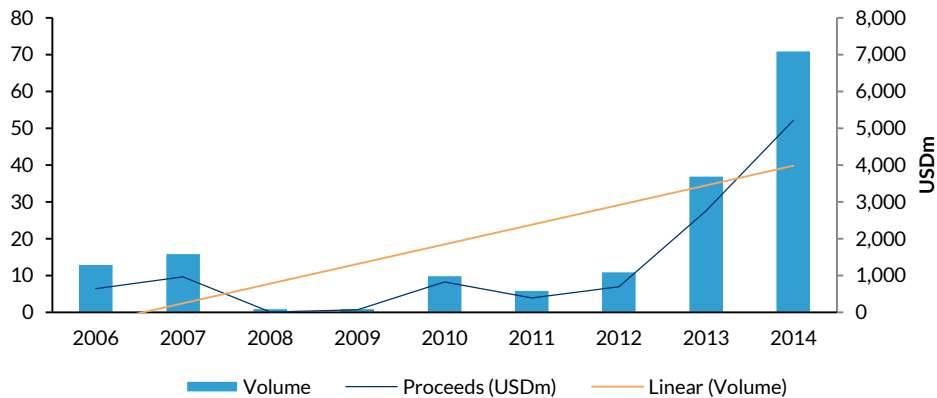
Source: Kepler Cheuvreux

Compared to the broader market index, the solid performance of main healthcare and biotech indices is very supportive for higher valuations. For financial sponsors keen to realise value from their investments, IPOs remain a highly attractive exit route; indeed, in 2014 IPO activity was the busiest since 2000.

The number of biotech IPOs has exploded. In 2014, there were 102 healthcare IPOs in the US alone, nearly twice as many as in 2013 and four times higher than the ten-year median. With a total deal volume of 71, biotech represents one in four of all US IPOs. Overall positive returns and a large pipeline suggest that this consistent deal flow is set to continue in 2015.

Overall positive returns and a large pipeline suggest that this consistent deal flow is set to continue in 2015

Chart 13: Biotech IPO activity in the US 2006-14



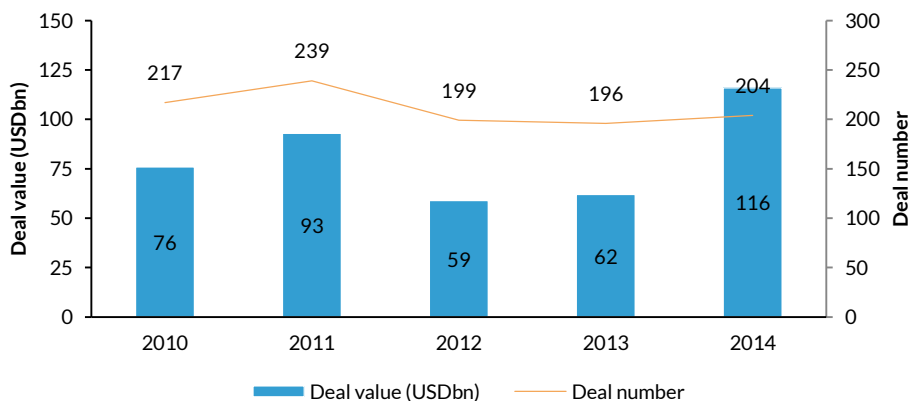
Source: Renaissance Capital

Significant deal activity

High valuations and multiples give acquirers a strong acquisition currency. M&A transactions almost doubled in 2014 to USD116bn, and the number of transactions increased after two years of decline. The largest deal of the year saw Actavis acquire Forest Laboratories for USD28bn in July 2014, followed by Roche's acquisition of InterMune for USD8.3bn. In June 2015, deal activity continued with Allergan buying dry eye device startup Oculleve for USD125m plus milestone payments, and Medtronic buying non-invasive 3-D cardiac mapping startup CardioInsight in a deal valued at USD93m.

With a globally low interest-rate environment, a healthcare industry with healthy cash balances and ground-breaking innovation within smaller companies, we expect this intense deal activity to continue. We expect valuation premiums paid on M&A targets to remain high thanks to a limited pool of high-quality targets and growing relative firepower of large biotech companies.

Chart 14: Pharma M&A deals



Source: EvaluatePharma 22 May 2015

Exposure to the only listed private equity

The drug development process entails risks that are difficult to assess for an investor with a broad focus. On the back of highly skilled healthcare investment professionals and unknown competition (no listed private and public equities fund peers), we believe HBM is a credible vehicle for investors looking to invest in the healthcare sector. HBM invests in carefully selected companies with a long-term view.

A listed healthcare investment company

HBM Healthcare Investment is a direct private equity investment company managed by HBM Partners, listed on the Swiss Stock Exchange since February 2008. Its investment focus is on:

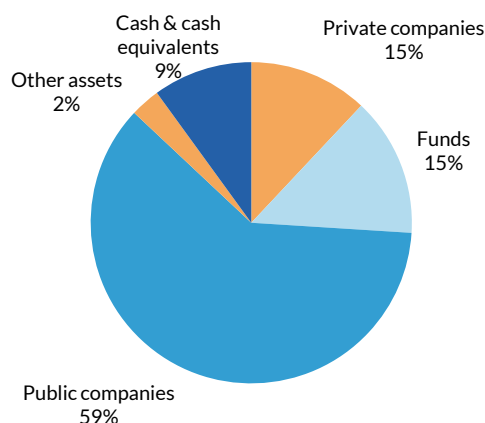
- Private and public companies.
- The human medicine, biotechnology and medical device sectors.
- Mainly Europe and North America, but also the rest of the world.

The investment portfolio is made up of stakes in about 30 companies, with the largest investment accounting for almost 15% of the portfolio on 31 May 2015.

The portfolio has a bias towards “mature” companies, with a late-stage pipeline or products already on the market. The investment policy does not include any limits (region, market cap, sector, percentage of holdings).

With a team of 14 investment advisors and analysts, including 11 based in Zug (Switzerland), the management and board are conscious of the limits of their knowledge and expertise, notably in terms of geographical presence and particularly with a focus on private equity with a “hands-on” approach. Thus, to be exposed to healthcare in China or India for example, HBM will go indirectly through funds. In addition, HBM invests 14% of its assets in healthcare funds in order to have a global and full exposure to the healthcare sector.

Chart 15: Allocation as of 30 June 2015



Source: HBM Healthcare – Access to a global and diversified Private Equity Healthcare Portfolio – June 2015

A direct private equity investment company managed by HBM Partners, listed on the Swiss Stock Exchange since February 2008

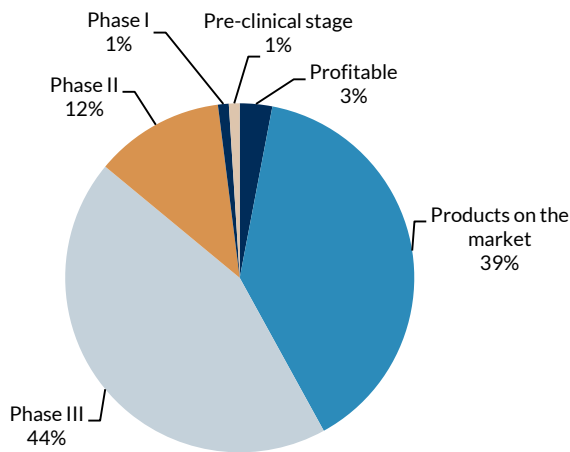
Stakes in about 30 companies, with the largest investment accounting for almost 15%

The company's investment strategy is primarily based on a bottom-up fundamental analysis with an overall assessment of the investment case, covering the following points: market potential, clinical data, competitive landscape, intellectual property, management track record, financial situation, valuation compared with peers, exit strategy (trade sale or IPO). Nevertheless, top management seems to operate opportunistically and could also take a top-down approach, which is particularly visible through its investments in funds.

A mature portfolio

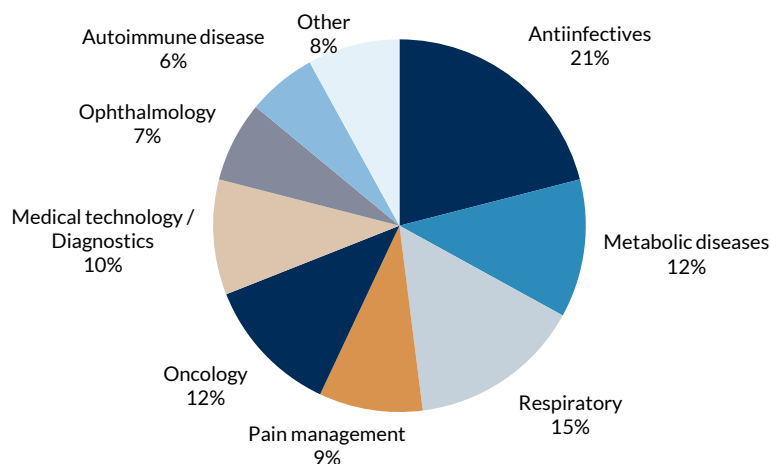
The fund's focus is predominantly on private companies with products in late-stage development.

Chart 16: Development phase of portfolio companies (as of 30 June 2015)



Source: HBM Healthcare – Access to a global and diversified Private Equity Healthcare Portfolio – June 2015

Chart 17: Therapeutic area of the lead products of portfolio companies



Source: HBM Healthcare – Access to a global and diversified Private Equity Healthcare Portfolio – June 2015

HBM Healthcare is a long-term value-adding shareholder, with an experienced and well-connected team. Thanks to its industry expertise, HBM takes an active long-term role in its portfolio of companies to support their value creation over an investment holding period of several years, typically four to five. Board representation is often requested in order to be actively involved in strategic discussions and business development. Therefore, investments are mostly in Europe and the US, in companies where HBM can play an active and influential role.

Highly skilled team

HBM Healthcare is a holding company established under Swiss law and domiciled in Zug, Switzerland.

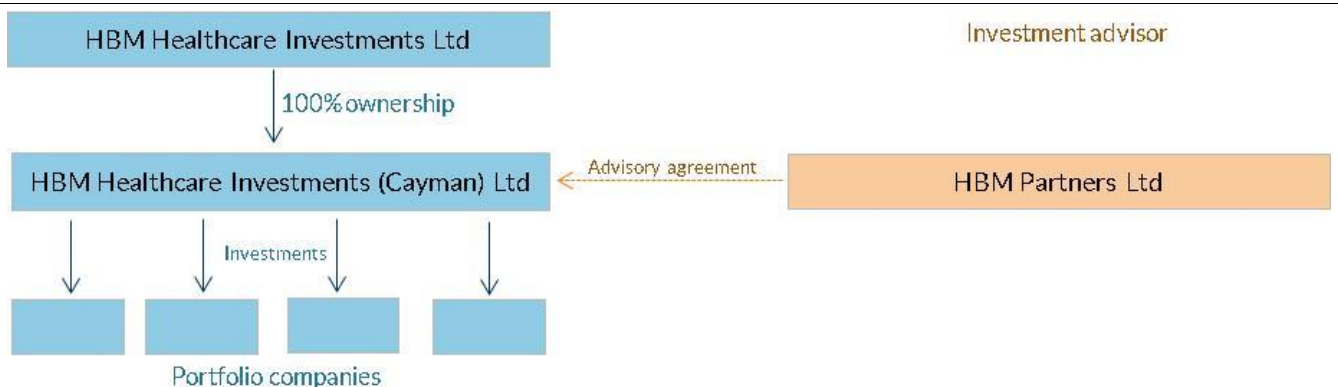
All investments in portfolio companies are held through the investing entity HBM Healthcare Investments (Cayman) Ltd. Its board of directors, installed by HBM Healthcare Investment board, takes final investment and disposal decisions.

HBM Partners, based in Zug, Switzerland, has the role of investment advisor, under the supervision of the Swiss Financial Market Supervisory Authority FINMA since February 2015. HBM Partners provides asset management and other services to HBM Healthcare and is specifically in charge of investment strategy and risk management, as well as bookkeeping and financial reporting. Therefore, HBM Partners is responsible for identifying and evaluating possible investment targets, carrying out due diligence and contractual negotiations in respect of investment, monitoring existing investments and evaluating and assessing potential exit strategies.

All investments are held through the investing entity HBM Healthcare Investments (Cayman) Ltd

HBM Partners, based in Zug, Switzerland, has the role of investment advisor

Chart 18: Group structure



Source: HBM Healthcare

The fund is managed by an experienced and involved board, with a wealth of expertise in the healthcare, investment and consulting industries. The average age of board members is 65.

Table 3: Board of directors, HBM Healthcare Investments

	First elected	Areas of expertise	Age
Hans Peter Hasler, Chairman	2009	Sector and marketing strategies, FDA	59
Prof Heinz Riesenhuber, Vice Chairman	2001	Management, production, audit	79
Mario Giuliani	2012	Management, production, audit	43
Dr Eduard Holdener	2008	Research and development	70
Robert Ingram	2006	Sector and marketing strategies, FDA	72
Dr Rudolf Lanz	2003	Finance, M&A transactions, audit	65

Source: HBM Healthcare Investments

HBM Partners advises HBM Healthcare Investments. The chairman of its board, Dr Henri Meier (79 years old) formerly CFO of the Roche group for over 16 years and a member of its board for 12 years, is a co-founder of HBM BioVentures (2001) along with Dr Erich Platzer, former head of Oncology Strategic Marketing at Roche.

Dr Andreas Wicki has been CEO of HBM Healthcare Investments and of HBM Partners since it was founded in 2001. With successful entrepreneurial and investment experience and almost 15 years as CEO of HBM Healthcare Investments and Partners, Dr Andreas Wicki is the key person at HBM, although we have also identified Dr Erich Platzer, co-founder of HBM Bioventures and Dr Ulrich Geilinger, the Head of Private Equity at HBM Partners.

HBM Partners has a team of 14 investment advisors and analysts, eleven of whom are based in Zug, with the other three located in the US, China and India. They have experience in the healthcare sectors (pharma, medtech or biotech operations, as research scientists (PhD) or medical doctors) and/or in venture capital. As investors and specialists, they usually take a seat on the boards. Nevertheless, since the current portfolio is mature, and mainly consisting of public companies, board representations are limited to fewer than ten portfolio companies.

In addition to its dedicated healthcare team with scientific, industry, operational and financial expertise, HBM Healthcare Investment has contractually assured access to more than 70 industry experts worldwide.

Team of 14 investment advisors and analysts

Access to more than 70 industry experts worldwide

Table 4: HBM Partners' board, management and team

	Position	Joining date	Previous positions
Dr Henri B. Meier	Chairman of the board	2001	CFO of Roche for over 16 years
Stanislas Poniatowski	Member of the Board		Senior banker with Lazard Frères in the US and in Europe for 27 years
Didier de Montmollin	Member of the Board		Expert in Swiss banking law
Dr Andreas Wicki	CEO	2001	A successful entrepreneur and investor with over 15 years of experience in the healthcare industry
Erwin Troxler	CFO	2005	Over 10 years of experience in audit management and private equity (PriceWaterhouse Coopers, Julius Baer)
Dr Ulrich Geilinger	Head private equity	2001	Over 20 years of venture capital experience (Innoventure, Credit Suisse, Apax and Vontobel)
Dr Silvano Cominelli	Head public equity	2003	Over 10 years of experience on operations in the pharmaceutical and biotech industry including manager of the neurology business at Serono.
Dr Alexander Asam	Investment advisor	2007	Over 15 years of experience in the life sciences and private equity businesses. Former managing director and partner of Deutsche Venture Capital (DVC); Hoechst AG, Aventis S.A., LION Bioscience AG, Cache Tektronix Inc
Dr Priyanka Belawat	Investment advisor	2007	PhD in Genetics, Molecular Biology and Biochemistry at Universität Zürich
Axel Bolte	Investment advisor	2003	Few years of experience in the life sciences and private equity businesses (New Medical Technologies, Serono SA)
Dr Emil Bujak	Investment advisor	2014	PhD in Pharmaceutical sciences at ETH Zürich & Philochem AG
Dr Matthias Fehr	Investment advisor	2002	A few years in equity analysis covering healthcare (Lombard Odier)
Thomas Heimann	Investment advisor	2009	A few years of experience in analysis (Luzerner Kantonalbank, Swiss Private Equity & Corporate Finance Association)
Dr Chandra Leo	Investment advisor	2007	A few years of venture capital experience at Wellington Partners, after a postdoctoral position at Stanford University and a Physician position at University Hospital Leipzig
Dr Erich Platzer	Investment advisor	2001	Business director Oncology at Roche where he stayed 8 years, after 7 years as a haematology / oncology physician at University hospital Erlangen and a few years in research at Memorial Sloan - Kettering Cancer centre
Dr Ivo Staijen	Investment advisor	2003	Over 5 years of experience in healthcare and in equity analysis (Sarasin, MDS Pharma Services)
Dr Thomas Thaler	Investment advisor	2006	Over 20 years of experience in equity analysis covering medtech / healthcare sectors, regulatory affairs, research, development and process engineering (Julius Baer, Schneider /Boston Scientific, Sulzer Orthopedics, MBR BioReactor)
Nina Good	Compliance		Over 10 years of experience in investment banking, Private Wealth Management and in compliance (UBS, Schroder Investment Management)
Michael Jasulavic	JMJ Advisors, USA	2012	Over 15 years of experience in trading and in biotech / healthcare equity analysis (Knight Capital, Jefferies Asset Management, Sivik, Traxis Partners)
William Keller	Keller Pharma Consultancy, China	2007	Over 30 years at Roche group in South America and Asia in various positions incl. general manager of Shanghai Roche Pharmaceutical and Roche China
Jagdish V. Doré	Life Sciences Private, Mumbai	2009	Almost 30 years as country head of Sandoz India

Source: HBM Healthcare Investments

Any competition?

HBM Healthcare is the only listed investment company dedicated to private equity in healthcare with global exposure. As similar businesses, we have only identified some trusts based in the UK invested in healthcare companies, some US funds, and the Switzerland-based BB Biotech. Nevertheless, these competitors have a large-cap and US bias, which HBM Healthcare Investment doesn't. Moreover, they are almost all invested in public companies.

HBM's top management has identified only one Israel-based listed investment company with an investment profile close to HBM's, although with a dedicated Israeli focus. Nevertheless, we have not considered it because: 1) the funds invest only in Israeli companies; and 2) Andromeda Biotech, a former subsidiary of Clal Biotechnologies Industries, has been recognised as being engaged in serious misconduct, manipulating the clinical results of DiaPep277.

Trusts based in the UK invested in healthcare companies, some US funds, and the Switzerland-based BB Biotech

A large-cap and US bias and they are almost all invested in public companies

Tekla Capital Management (formerly Hambrecht & Quist Capital Management) built on its expertise developed with its three existing healthcare-focused funds by launching a new fund Tekla World Healthcare Fund. It started trading on 26 June 2015. Although more diversified geographically (at least 40% in companies outside the US), it is still different from HBM, as it is invested in all subsectors of the healthcare industry.

Table 5: Peers (as of 29 July 2015)

	Country	Description	No. of holdings	Top 5	Top 10	Small cap <USD1bn	North America	Europe
HBM Healthcare	CH	Private (hands on) & listed	30	42%	59%	43%	41%	34%
BB Biotech (Bellevue Asset Management)	CH	Listed (at least 90% of its holding)	33	44%	64%	2%	88%	12%
Worldwide healthcare trust (Orbimed Capital)	UK	Biotechnology sector focus	73	23%	38%	31%	66%	18%
Polar Capital Global Healthcare Trust	UK	Listed - Focused on pharma	78	35%	54%	16%	46%	31%
Biotech growth trust (Orbimed Capital)	UK	Listed	38	35%	56%	31%	84%	14%
International Biotechnology Trust	UK	Biotech sector focus	92	34%	53%	12%	87%	13%
BlackRock Health Sciences	US	Listed (7% of private)	119	16%	29%	6%	90%	6%
Tekla Healthcare Investors	US	Equities (90%)	52	34%	52%	12%	97%	0%
Tekla Healthcare Opportunities	US	Broad healthcare mandate	59	28%	34%	-	-	-
CLAL Biotechnology industries	Israel	Broad healthcare mandate	-	-	-	-	-	-
		Private (hands on)	-	-	-	-	-	-

Source: Kepler Cheuvreux

Table 6: Peers (as of 29 July 2015)

Bloomberg code	29/07/2015	Listing	Ccy	Price (lc)	NAV /share	Mkt cap (lcm)	Mkt cap (CHFm)	Perf. 1M	Perf. 1Y	Perf. 3Y	Perf. 5Y
HBMN.SW	HBM Healthcare	14/02/2008	CHF	99.20	135.95	794	794	-6.9%	22.5%	100.2%	136.2%
BION.SW	BB Biotech	22/04/2008	CHF	308.75	384.65	3,659	3,659	11.5%	97.7%	232.0%	432.3%
WWH.LN	Worldwide Healthcare Trust	28/04/1995	GBP	1972.00	2069.98	948	1,433	3.7%	51.7%	137.8%	208.1%
PCGH.LN	Polar Capital Global Healthcare Growth Trust	15/06/2010	GBP	183.50	191.25	224	338	-4.1%	23.2%	52.3%	81.7%
BIOG.LN	Biotech growth trust	23/06/1997	GBP	838.00	853.64	526	795	6.2%	76.1%	196.4%	466.2%
IBT.LN	International Biotechnology Trust	06/05/1994	GBP	598.00	646.52	237	358	-7.5%	112.8%	196.0%	337.3%
BME.US	BlackRock Health Sciences	28/03/2005	USD	44.55	44.21	343	332	5.6%	24.4%	58.4%	79.0%
HQH.US	Tekla Healthcare Investors	20/02/1998	USD	35.90	36.33	1,018	987	1.0%	33.4%	112.9%	211.2%
THQ.US	Tekla Healthcare Opportunities	29/07/2014	USD	19.89	22.10	870	823	0.3%	-0.8%	-	-
CBI.IT	CLAL Biotechnology industries		NIS	390.50		528	135	-0.9%	-56.2%	-58.7%	-78.6%

Source: Kepler Cheuvreux

To capture the performance of the biotech sector, one could also choose an ETF. The largest biotech ETFs are: iShares Nasdaq Biotech ETF (almost USD9bn), First Trust NYSE Arca Biotech ETF, SPDR S&P Biotch ETF, ProShares Ultra Nasdaq Biotech ETF and Market Vectors Biotech ETF. Nevertheless, once more they are designed to capture the large- and mid-cap segments of listed companies.

Solid track record

HBM Healthcare was launched in 2001 and was listed in February 2008. With Dr Andreas Wicki as CEO of HBM Partners from the outset, Dr Henri Meier as cofounder and chairman of the board of HBM Partners, and six investment advisors with more than ten years' experience at HBM, the company has built up a strong track record.

Outperforming MSCI Healthcare in recent years

Over the last five years to 23 July, the fund's NAV increased by 111% and the share price has risen 157%, significantly outperforming the MSCI World (58%) and MSCI World Healthcare (145%). In the year to 31 March 2015, the NAV total return was 34%, comfortably ahead of the MSCI World healthcare.

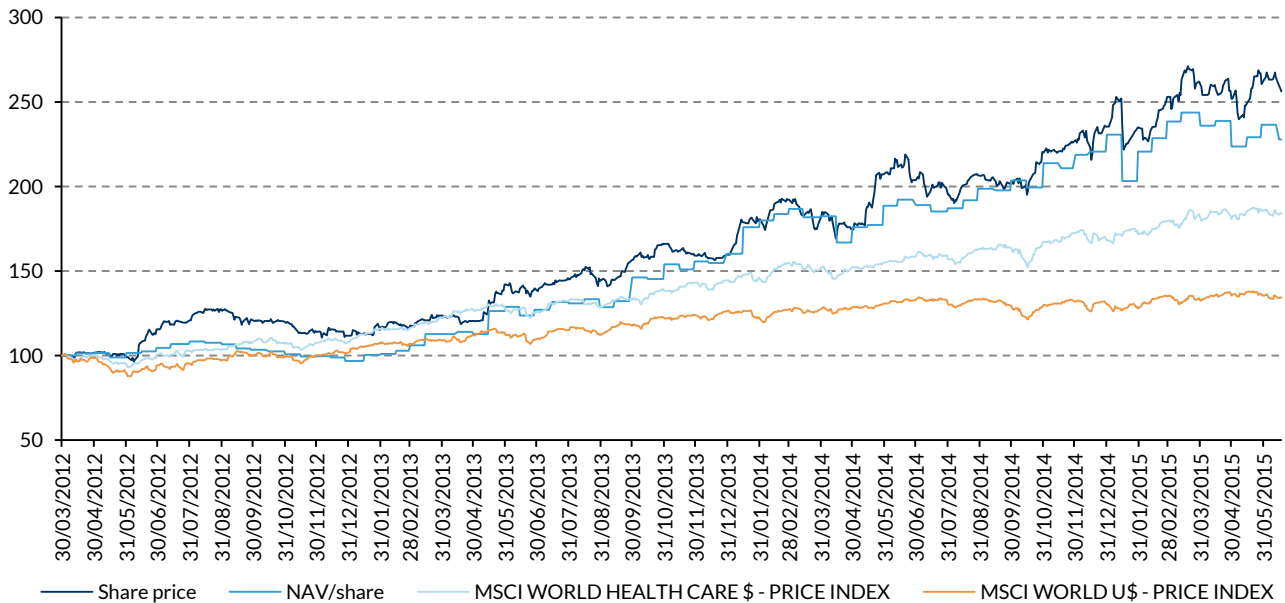
Share price has risen 157%, significantly outperforming the MSCI World Healthcare (145%)

Table 7: Share price and NAV return, compared with MSCI indices as of 23 July

	1Y	3Y	5Y	Since listing
Share price	23.6%	114.6%	156.5%	29.8%
NAV/share	23.2%	113.6%	110.7%	43.1%
MSCI World Healthcare	19.2%	92.1%	142.6%	109.5%
MSCI World	0.5%	46.5%	57.8%	21.9%

Source: Kepler Cheuvreux

Chart 19: Cumulative performance since beginning of FY 2013 (1 April 2012)



Source: Reuters

Active long-term shareholder for a successful exit strategy

HBM is a long-term shareholder using an industrial mindset in its investment process. By exploiting its expertise to support sustainable value creation in the portfolio companies, HBM enables future development and exit. HBM has a hands-on approach with strong board representation, active involvement in strategic discussions, business development and IPO preparation.

HBM Partners has been an active contributor to value creation in its portfolio companies, generating over 50 trade sales and IPOs since inception.

Long-term shareholder

Active contributor to value creation in its portfolio companies, generating over 50 trade sales and IPOs since inception

Table 8: Track record - investment exit

Year	Trade sales	Acquirer	Price	IPO	Market	Money raised
2004	Zycos (US)	MGI pharma	USD50m	Cytokinetics (US)	NASDAQ	USD90m
	Axovan (CH)	Actelion	CHF60m	Anadys (US)	NASDAQ	USD44m
			(+CHF190m)	Corgentech (US)	NASDAQ	USD96m
				Basilea (CH)	Swiss Exchange	CHF16.1m
2005	Syrrx (US)	Takeda	USD270m	ICAgen (US)	NASDAQ	USD40m
	TransForm (US)	Johnson & Jonson	USD230m	Sunesis (US)	NASDAQ	USD42m
				Xenoport (US)	NASDAQ	USD46.3m
				Micrus (US)	NASDAQ	USD36m
				Aspreva (CA)	NASDAQ	USD100m
				Arpida (CH)	Swiss Exchange	CHF97m
				Infinity (US)	NASDAQ	RM* with DPI**
2006	-			Northstar (US)	NASDAQ	USD106m
				Biovitrum (SE)	Stockholm	SEK770m
				Newron (IT)	Swiss Exchange	CHF118m
				Micromet (DE)	NASDAQ	USD126.7m
						RM* with CancerVax (67.5% of the shares)
2007	Syntonix (US)	Biogen Idec	USD40m (+USD80m)			
	Agensys (US)	Astellas Pharma	USD387m (+USD150m)			
	Adnexus (US)	Bristol-Myers Squibb	USD430m (+USD75m)			
	Aspreva (CA)	Galenica	USD915m			
	Mediservice	Galenica				
2008	Panomix (US)	Affymetrix	USD73m	Lifeline (US)	AIM	GBP5.4m
	Precimed (US)	Greatbatch	USD125m			
2009	Ziemer (CH)	other shareholders	CHF7m	Nuokang (CN)	NASDAQ	USD45m
	Brahms (DE)	ThermoFisher	USD470m			
	ESBATech (CH)	Alcon	USD150m (+USD289m)			
2010	Asthmax (US)	Boston Scientific	USD193.5m	Anthera (US)	NASDAQ	USD32.2m
	Micrus (US)	Johnson & Johnson	USD480m			
	Sloning (DE)	Morphosys				
2011	mtm (DE)	Roche	EUR190m	Pacira (US),	NASDAQ	USD42m
	Mpex (US)	Axcan	USD36m (+USD195m)			
	PharmaSwiss (CH)	Valeant	USD480m			
2012	Broncus (US)	PneumRx		Paratek (US)	NASDAQ	USD92m
				Chemocentryx (US)	NASDAQ	USD45m
2013	Vivacta (UK)	Novartis	USD90m	Ophthotech (US)	NASDAQ	USD167.2m
				PTC (US)	NASDAQ	USD125m
				Enanta (US)	NASDAQ	USD56m
2014				Probiodrug (DE)	Euronext	EUR22.5m

*RM: Reverse merger

**DPI: Discovery Partners International

Source: HBM Healthcare Investment

Committed to shareholder value

Table 9: Fund fees

Fees		
Management fees	Quarterly	0.75% of the company assets plus 0,75% of the market capitalisation
Performance fee	Annually	15% on increase in value above the high water mark*

*High water mark (per share for all outstanding shares) for next financial year (2015/16): NAV of CHF147.20.

Source: HBM Healthcare

We note HBM's efforts to optimise the technical part of the investment such as cash returns, through share buybacks and cash dividends. Management is targeting an annual return of at least 5% of net assets to shareholders through a combination of buybacks and cash distribution. To achieve this goal, a new share buyback programme was launched last year and cash distribution was put in place three years ago. Given the extraordinary performance of the fund over the last three years, the return had been higher than the target set.

Share buyback for capital reduction

In FY 2015, the 899,497 shares repurchased by HBM under the 2012 share buyback programme have been cancelled.

A new share buyback programme for up to 10% of the issued shares (800,000) was approved in June 2014 and launched in November 2014. It could run until June 2017. The purpose is share cancellation for capital reduction. At the end of fiscal 2015 (to 31 March), a total of 245,500 shares had been repurchased under the new programme.

Cash distribution

HBM changed its dividend policy three years ago to achieve its target of an annual return of at least 5% of net assets. The company started to pay dividends in FY 2013.

Table 10: Distribution

	2013	2014	2015
Net dividend (CHF)	1.50	3.00	5.50
Distribution (CHFm)	13.2	25.4	42.0
Distribution yield	3%	4%	5%

Source: HBM Healthcare Investments

Target: an annual return of at least 5% of net assets through a combination of buybacks and cash distribution

A new share buyback programme for up to 10% of the issued shares

HBM changed its dividend policy

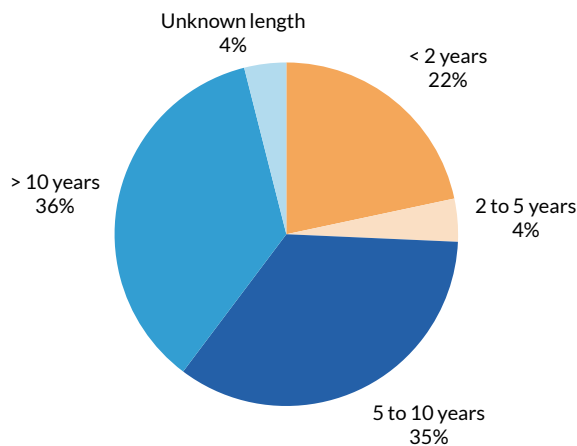
Current portfolio investments

Profile of core portfolio of listed companies

HBM's public portfolio represents 73% of total investments. More than 70% of the public company portfolio has a holding period over five years and one-third over ten years, with 53% of the public company portfolio originating in the private company portfolio.

More than 70% of the public company portfolio has a holding period over five years and one-third over ten years

Chart 20: Public company portfolio by holding period



Source: Kepler Cheuvreux

Table 11: HBM Healthcare Investment public portfolio

Public companies	Market	Stock exchange	Currency	Bloomberg ticker	Date of first investment	IPO date from private portfolio	% of HBM public portfolio
Skyepharma	UK	LONDON	GBP	SKP.LN	FY-2006		18.6%
Basilea Pharmaceuticals	Switzerland	SIX SWISS	CHF	BSLN.SW	FY-2001	Mar-04	13.1%
Pacira Pharmaceuticals	USA	NASDAQ	USD	PCRX.US	Mar-07	Feb-11	10.4%
Ophthotech	USA	NASDAQ	USD	OPHT.US	Aug-07	Sep-13	9.8%
Receptos	USA	NASDAQ	USD	RCPT.US	FY-2014		8.2%
Paratek Pharmaceuticals	USA	NASDAQ	USD	PRTK.US	Sep-01	Jul-14*	6.2%
PTC Therapeutics	USA	NASDAQ	USD	PTCT.US	May-00**	Jun-13	5.5%
Esperion Therapeutics	USA	NASDAQ	USD	ESPR.US	FY-2015		4.9%
Genmab	Denmark	NASDAQ OMX COPENHAGEN	DKK	GEN.DC	FY-2013		4.1%
Swedish Orphan Biovitrum	Sweden	NASDAQ OMX STOCKHOLM	SEK	SOBI.SS	Nov-01	Sep-06	1.9%
Probiodrug	Germany	FRANKFURT	EUR	PB91.GR	Sep-00**	Jun-13	1.9%
Chimerix	USA	NASDAQ	USD	CMRX.US	FY-2014		1.9%
Cellectis	France	EURONEXT PARIS	EUR	ALCLS.FP	FY-2015		1.8%
Coherus Biosciences	USA	NASDAQ	USD	CHRS.US	FY-2015		1.8%
Incyte	USA	NASDAQ	USD	INCY.US	FY-2014		1.6%
ZS Pharma	USA	NASDAQ	USD	ZSPH.US	FY-2016		1.3%
Neurocrine Biosciences	USA	NASDAQ	USD	NBIX.US	FY-2015		1.2%
Oxford Immunotec	UK	NASDAQ	USD	OXFD.US	FY-2014		1.0%
Relypsa	USA	NASDAQ	USD	RLYP.US	FY-2015		1.0%
Galapagos	Belgium	EURONEXT AMSTERDAM	EUR	GLPG.NA	FY-2016		0.7%
K2M Group Holdings	USA	NASDAQ	USD	KTWO.US	FY-2015		0.7%

*By reverse merger

**Position from NMT New Medical Technologies fund through merger in 2003

Source: Kepler Cheuvreux

Table 12: Top 10 public holdings

30 June 2015	Founded	Market cap (CHFm)	Company focus	Key projects / technology	Status	Expected peak sales by HBM	Expected newsflow
Skyepharma	1996	416	Drug delivery for oral and inhalation products (outlicensing)	Flutiform (asthma inhaler) marketed by Mundipharma and Kyorin, Ellipta (COPD) outlicensed to GSK and Exparel (Pain management) outlicensed to Pacira	Market	>CHF500m	End 2015: European paediatric asthma indication extension. Continued sales growth.
Basilea	2000	1,198	Infectious diseases	Cresemba (isavuconazole) antifungal drug (March 2015)	US market	>CHF500m	H2 2015: approval in Aspergillosis in Europe Phase 3 results in candidemia H2 2016: approval in candidemia
Pacira Pharmaceuticals	2007	2,410	Injectable medicines with controlled release of active drug	Exparel (non-opioid local analgesic)	Market	>CHF1,000m	Continued sales growth
Ophthotech	2007	1,670	Eye disease (Macular degeneration)	Fovista (anti platelet-derived-growth factor agent for the treatment of neovascular age-related macular degeneration -wet-AMD-)	Phase 3	>CHF1,000m	2016: Data of pivotal phase III in wet AMD with Fotovista (anti PDGF)
Receptos	2009	5,662	Treatment for immune and metabolic diseases	ozanimod (formerly RPC1063 in relapsing multiple sclerosis; ulcerative colitis and Crohn's disease)	Phase 3	>CHF2,000m	H2 2015: phase 3 in ulcerative colitis initiation Phase 2 in Crohn's disease initiation H1 2016: Eosinophilic Esophagitis phase 2 results H2 2016: Crohn's disease phase 2 results Q4 2017: Multiple sclerosis phase 3 results
Paratek Pharmaceuticals	1996	423	Antibiotics	Omadacycline	Phase 3	>CHF500m	2016: results of phase 3 with omadacycline for the treatment of skin infections and results of phase 3 with sarecycline for the treatment of acne and rosacea in the community setting. 2017: results of phase 3 with omadacycline for the treatment of community acquired pneumonia
PTC Therapeutics	1998	1,523	Novel small molecules to treat rare genetic diseases	Translama (ataluren) for the treatment of Duchenne muscular dystrophy caused by nonsense mutation	Conditional marketing authorisation from European Medicines Agency	>CHF1,000m	Q4 2015: first results of phase 3 with Translama (ataluren) to treat Duchenne muscular dystrophy H1 2016: US launch of Translama (ataluren) 2016: results of phase 3 with Translama (ataluren) to treat cystic fibrosis
Esperion Therapeutics	2008	1,715	Cardiovascular diseases	ETC-1002 (orally available, once daily LDL-cholesterol lowering small molecule)	Phase 2	>CHF2,000m	Mid-year 2015: results from phase 2, H2 2015: phase 3 initiation
Genmab	1999	4,798	Human antibody for the treatment of cancer	Daratumumab (first in class human antibody anti-CD38 in double refractory multiple myeloma)	Phase 3	-	2015: submission of a biologics licence application in the US (FDA) and in Europe (EMA) for daratumumab (first in class human mab anti CD38) in double refractory multiple myeloma and filing for additional indication with ofatumumab.
Swedish Orphan Biovitrum	1988	3,339	Inflammation, genetics and metabolim diseases	Eloctate (antihemophilic recombinant factor VIII, fusion protein with a prolonged half-life) & Alprolix (recombinant coagulation factor IX, fusion protein)	Market	>CHF1'000m	H2 2015: continued sales growth, launch of Xiapex for Peyronie's disease, Elocta (rFVIII Fc) approval in Europe and EU filing for Alprolix (rFIX Fc)

Source: Kepler Cheuvreux

With a public company portfolio largely dominated by US companies, only two stocks are covered by our European analyst team at Kepler Cheuvreux: Basilea Pharmaceuticals by Fabian Wenner and Swedish Orphan Biovitrum by Richard Koch.

Basilea is a Swiss biopharmaceutical company spun off from Roche in 2000. HBM Healthcare has been a shareholder since 2000, first through its private company portfolio, then after the IPO in March 2004 through its public company portfolio. Although a shareholder from the outset, the stake in Basilea is actively managed. HBM holds almost 8% of the company.

HBM Healthcare has been a shareholder of Basilea since 2000

Table 13: Basilea holding on 31 March 2015 (end of fiscal year)

Basilea	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additions/disposals ('000)	+230	+160	+118	+99	+20	(71)	(20)	(5)	(48)	+182	+1,620	+109	(1,162)	(202)
Number of shares ('000)	230	390	508	607	627	557	537	532	483	665	2,285	2,394	1,232	1,030
Fair value (CHFm)	17.1	28.9	37.8	54.3	112.9	157.1	77.9	37.7	39.5	44.0	115.7	138	124.4	114.0

Source: Kepler Cheuvreux

Basilea is focused on antibiotics, antifungals and oncology and recently saw two of its products approved: Cresemba (an antifungal, partnered with Astellas in the US) and Zeftera (an antibiotic marketed only in Europe). Due to the divestiture of hand-eczema drug Toctino to GSK and the deal with Astellas, Basilea has sufficient cash as well as future milestone and royalty income to cover its expenses well into 2017.

Table 14: Basilea SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Biotech with no binary risks: two drugs approved, on market • Astellas milestones, royalties to further bolster net cash • Breakeven in 2017 seems a tangible goal • No risk from dilution: sufficient net cash, income visibility 	<ul style="list-style-type: none"> • Sales ramp-up for antibiotics, antifungals is typically slow • No commercial presence in US • Spending on cancer assets is a waste, in our view • Lack of broad coverage
Opportunities	Threats
<ul style="list-style-type: none"> • Combined market potential ~CHF2.5bn leaves upside • US Toctino approval could yield CHF40m milestone from GSK • Could appeal to a bidder (+tax-loss carry forwards) • Lack of new competition in antifungal space 	<ul style="list-style-type: none"> • EU market highly fragmented, requires much admin work • Biggest risk is commercial disappointment on sales • Longer term, new competition could emerge • Phase 3 and 2 pipeline is scarce, should be stronger

Source: Fabian, Wenner, Kepler Cheuvreux

Swedish Orphan Biovitrum (SOBI) is a biopharmaceutical company that provides therapies and services for patients with rare diseases. Its key therapeutic areas are inflammation and genetics & metabolism. The company has late-stage pipeline products in haemophilia, generating revenues from product sales and from manufacturing ReFacto AF for Pfizer.

The company has BioGen Idec as a partner and has international scope, with sales and marketing in 20 countries. HBM Healthcare has been a shareholder of Biovitrum since November 2001, first through its private company portfolio, then after the IPO in September 2006 through its public company portfolio. Although a shareholder for almost 15 years, the stake in SOBI is actively managed and HBM holds now less than 0.5% of the company. Around 40% of SOBI is controlled by the Swedish Wallenberg family.

HBM Healthcare has been a shareholder of SOBI since November 2001

Table 15: Swedish Orphan Biovitrum holding

	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010	31/03/2011	31/03/2012	31/03/2013	31/03/2014	31/03/2015
Additions/ disposals	Private	+276,975	+59,230	(1,166,820)	(624,385)	(806,000)	+278,500	+7,500	+853,000	(228,000)
Number of shares	3,375,000	3,651,975	3,711,205	2,544,385	1,920,000	1,114,000	1,392,500	1,400,000	2,253,000	2,025,000
Fair value (CHFm)	16.901	72.002	44.837	18.543	10.708	4.679	4.256	8.529	21.831	20.778

Source: Kepler Cheuvreux

While the takeover bid announced in April 2015 has failed to materialise (at least for now), Richard Koch thinks the underlying business is very promising and the upcoming launches of the two haemophilia products in Europe are potential triggers for the market. The uptake in the US market has exceeded expectations (launched by partner Biogen).

Table 16: Swedish Orphan Biovitrum – SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong track record in the development of protein biochemistry • Strong marketing reach in its main market Europe • Many products protected with orphan drug status 	<ul style="list-style-type: none"> • Significant sales exposure to Europe • Some marketing and manufacturing agreements may disappear over time
Opportunities	Threats
<ul style="list-style-type: none"> • M&A target (Biogen a potential bidder) • Haemophilia franchise • Pipeline development 	<ul style="list-style-type: none"> • Fierce competition in haemophilia • Price regulation • Regulatory approval

Source: Richard Koch, Kepler Cheuvreux

Given the sustained newsflow with abundant clinical catalysts to come over 2015-17, we believe the public company portfolio is well positioned to benefit from value creation.

Profile of core portfolio of private companies

HBM's private company portfolio represents 15% of total investments. Half the portfolio has a holding period of over five years, and 23% of it over ten years.

The public company portfolio is well positioned to benefit from value creation given the newsflow over 2015-17

Table 17: HBM - private company portfolio

	Country	Currency	Date of first investment	Investment	Book value	HBM Ownership	% of the investments	Exit
Advanced Accelerator Applications	France	EUR	FY 2014	EUR31.6m	EUR37.1m	9.1%	4.0%	IPO & Trade sales
Cathay Industrial Biotech	China	USD	May 2006	USD28m	USD14m	12.6%	1.3%	IPO
Ellipse Technologies	USA	USD	FY 2012	USD13.5m	USD24.8m	30.1%	2.4%	IPO & Trade sales
Interventional Spine	USA	USD	August 2003	USD18m	USD5.9m	31.3%	0.6%	-
Kolltan	USA	USD	-	USD4.6m	USD5.0m	2.9%	0.5%	-
Medimpulse Holding	Switzerland	USD	January 2001	USD4.4m	USD8.3m	20.7%	0.8%	Trade sales
MiCardia	USA	USD	-	USD5.4m	USD5.9m	18.4%	0.6%	-
Nabryva Therapeutics	Austria	EUR	January 2006	USD21.3m	EUR14.3m	15.0%	1.5%	-
Tensys Medical	USA	USD	May 2004	USD16.2m	USD16.2m	99.6%	1.6%	-
Vascular Dynamics	USA	USD	FY 2015	USD4.0m	USD4.0m	9.7%	0.4%	-
Westmed Holding	USA	USD	-	USD7.0m	USD6.9m	21.4%	0.7%	IPO & Trade sales

Source: Kepler Cheuvreux

Advanced Accelerator Applications

Founded in 2002, Advanced Accelerator Applications is a spin-off of CERN. It is the European leader in molecular nuclear diagnostic radiopharmaceuticals for nuclear imaging using gamma rays (positron emission tomography PET and single photon emission computed tomography SPECT). It booked sales of EUR70m last year. The company is developing molecular nuclear therapeutic products.

Its lead candidate, Lutathera (the “targeting molecule” somatostatin analogue peptide is labelled with the radioisotope Lutetium-177), is in phase 3 for the treatment of midgut neuroendocrine tumours. Lutathera has orphan drug status in Europe and the US and has been approved for pre-marketing sales in Greece, Portugal, Finland and Austria.

Phase 2 results in progressive midgut carcinoid cancer showed progression-free survival of more than 44 months compared with 14.6 months reported by Novartis Sandostatin LAR. Lutathera was shown to increase overall survival by between 3.5 and 6 years in comparison with current treatments, including chemotherapy. Approval is expected in 2016-17.

Ellipse Technologies

Incorporated in 2005 and based in California, Ellipse Technologies has built a platform technology for non-invasively adjustable, remote-controlled implants for spinal and orthopaedic applications. The company has two products on the market: MAGEC for treatment of scoliosis during growth phase, and PRECICE, a limb-lengthening system. MAGEC received US approval in September 2014.

Profile of core portfolio of funds

Alongside its direct investments in companies, HBM Healthcare has investments in healthcare-dedicated funds, representing 15% of investments. It also invests in specific regions (European Nordic countries, Southeastern US, southern California), subsectors (medical devices, information technology, diagnostics, speciality distribution) and technology (sequencing technology), adding expertise to the investment advisor team from HBM Partners. However, HBM Healthcare also supports other HBM-related funds (HBM BioCapital II, Bio MedInvest I and II, HBM Genomics).

HBM Healthcare has investments in healthcare-dedicated funds, representing 15% of investments

Table 18: Portfolio funds

Funds	Country	Currency	Since	Size	Focus	Geographical focus	Investment team
Nordic Biotech	Denmark	DKK	-	-	Early stage, restructurings and spin-offs. Public and private equity using principles of risk aversion	Primarily the Nordic countries but also EU	Florian Schönharting (Chief investment officer)
HBM BioCapital II	Jersey	EUR	2012	USD120m	Growth companies. Investments range between USD/EUR5m and USD/EUR12m.	Europe and the US	HBM Partners
BioMedInvest I	Switzerland	CHF	2003	CHF100m	Private equity and mezzanine financing to early- to mid-stage companies. In 2011, BioMedInvest AG I merged with BioMedCredit AG. Portfolio of 20 companies, nine of which have exited (six by a trade sale, three by an IPO)	Switzerland and neighbouring regions (Alpine Rim)	Dr Markus Hosang (General partner), Dr Henri B. Meier, Chairman of the board
MedFocus Fund II	USA	USD	2004	-	Early-stage investments in new medical device technologies	Southern California	Michael R. Henson
Galen Partners V	USA	USD	2007	USD250m	Healthcare information technology/outsourcing, medical devices and specialty pharmaceutical companies, with established revenue. The partnership actively participates as a lead investor with an investment range of between USD10m and USD30m of equity capital.	North America	Eight investment professionals, including managing directors, David Jahns, Zubeen Shroff, Toby Wesson and John Wilkerson as well as, David Azad, Stacey Bauer, Andrew Isaacson and Michael Koby.
Hatteras Venture Partners III	USA	USD	2007	USD83m	Seed and early-stage investments in biopharmaceuticals, medical devices, diagnostics, and related opportunities in human medicine companies	Southeastern US	General partners: Robert A. Ingram (73), Kenneth B. Lee (67), Jr., Douglas Reed (61), MD, Clay B. Thorp and John Crumpler
BioMedinvest II	Switzerland	CHF	2009	CHF106m	Early-stage private companies and spin-offs in the biotechnology, emerging pharmaceutical, medical technology and other healthcare-related industries such as diagnostics or platform technologies. With investment range of about CHF1-10m, BioMedinvest II plays the lead or co-lead investor role structuring the transaction and syndicating with other venture capital firms.	Switzerland and neighbouring countries	Dr Markus Hosang (General partner), Dr Henri B. Meier, Chairman of the board
Water Street Healthcare Patners	USA	USD	2005	USD370m	Growing market leaders in four segments of healthcare: medical and diagnostic products, specialty distribution, outsourced healthcare services, and specialty pharmaceutical products and services. Specialised in flexible transaction structures, with particular expertise in complex corporate partnerships and recapitalisations in which management teams retain an ownership stake. Investment range from USD50m to USD500m.	North America	Large team of healthcare executives and investment professionals organized in operating partners, investment partners, executive advisors, corporate resources, support team and associates.
HBM Genomics	Cayman Island	USD	2014	-	Emerging start-ups that develop diagnostic products and procedures, as well as data-based and clinical applications, on the basis of sequencing technologies		Saeid Akthari (CEO and co-founder of NextBio in 2004, sold to Illumina in 2013)

Source: Kepler Cheuvreux

Valuation, target price and risks

We initiate coverage on HBM Healthcare with a target price of CHF118, implying 18% upside, based on the assumption that the share's NAV will reach the value implied by analysts and consensus price targets for HBM's public company holdings and on a five-year average 25% share discount to NAV.

Our conservative valuation of CHF1,157m for investments assumes only the portfolio's public holdings and does not include valuation upside from the private equity part of the portfolio.

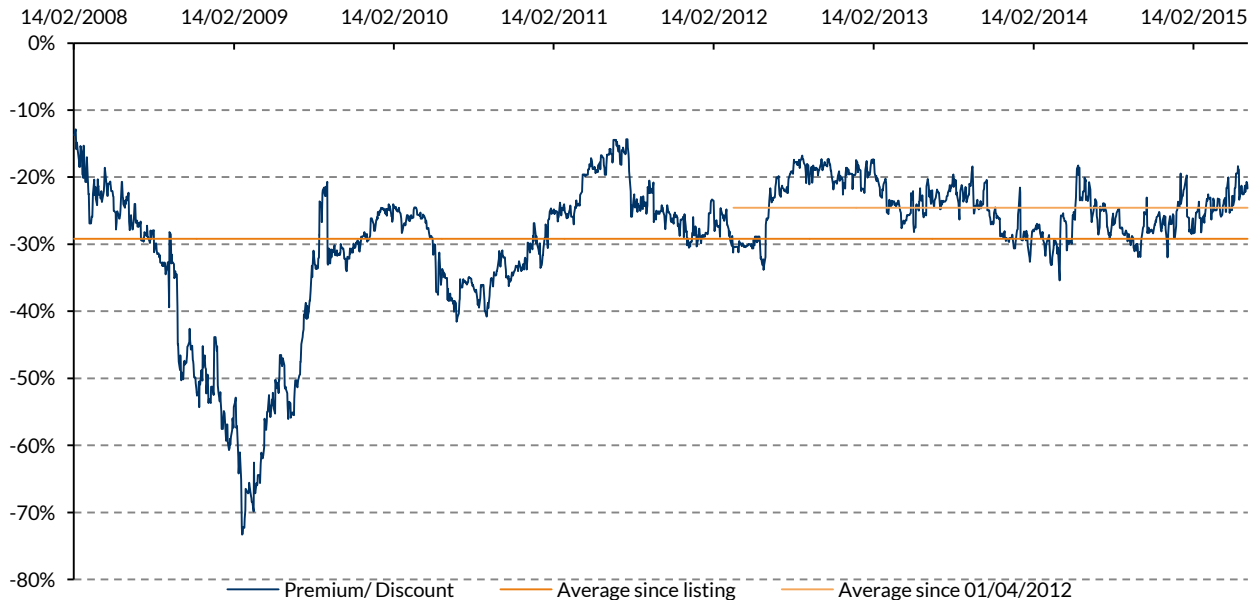
High discount to NAV

HBM publishes the net asset value (NAV) per share every other week. NAV is based on the share price of publicly traded portfolio companies, the fair value of the funds and the fair value of investments in private companies: acquisition costs or value are determined during the last financing round.

HBM trades at a big discount to NAV: 30% on average since listing. Nevertheless, over the last five years, the discount has tended to trade at 20-30%. However, we do not see any catalyst leading to a further reduction of the discount to NAV.

HBM trades at a big discount to NAV: 30% on average since listing

Chart 21: Discount to NAV



Source: Reuters

NAV-based pricing model

A peer comparison is not appropriate, as HBM is the only listed vehicle to invest in healthcare globally with a focus on “hands-on” private equity.

Target price of CHF118, cautious base case

HBM’s share price is determined by the NAV of the company portfolio, with a discount applied by the market.

HBM’s healthcare fund discloses its NAV twice a month, with positions valued cautiously: positions in listed companies are valued at market prices, while positions in private companies are valued at acquisition cost in the investment currency, except when a new round of financing with a third-party lead investor could give a new valuation, a poor performance below expectations of a portfolio company leads to a writedown, or when an appropriate multiple valuation can be applied.

Our NAV valuation is based on the following assumptions:

- Kepler Cheuvreux covers only two stocks in the company’s portfolio, which is dominated by US companies; the two stocks are Basilea Pharmaceuticals (analyst: Fabian Wenner) and Swedish Orphan Biovitrum (analyst: Richard Koch). For the public companies, based on the 31 March 2015 holding portfolio, as disclosed by HBM Healthcare in its last report, we apply Kepler Cheuvreux’s target prices to the two aforementioned portfolio constituents and consensus target prices from Bloomberg for the others, if covered by at least five analysts. For those covered by fewer than five analysts, we apply valuations based on the most recent close.
- For the private companies and the funds, we apply the last disclosed fair value reported (as of 31 March).
- A discount to NAV of 25%, which is the average seen over the last five years.

Accordingly, we derive a target NAV of CHF1,200m before market discount and a target NAV/share of CHF118, implying 18% upside.

The last figure published by HBM Healthcare is NAV/share of CHF132.40 on 31 July, close to our figure of CHF133.1 at current share prices.

Table 19: Currencies conversion used in valuation

Currencies	
CHF/USD	0.96
CHF/EUR	1.05
CHF/DKK	0.14
CHF/GBP	1.50
CHF/SEK	0.11

Source: Kepler Cheuvreux

Our investment case and Buy rating are supported by the following base case:

1. HBM’s unique profile as the only listed global healthcare private equity portfolio.
2. HBM’s valuation and target price determined by the assumption that the NAV of the public company portfolio will reach the value of CHF1,200m that is implied in analysts’ and consensus target prices.

Valuations based on consensus target prices from Bloomberg if stocks covered by at least five analysts

A discount to NAV of 25%, which is the average seen over the last five years

Hidden value in private equity (12% of NAV), as only negative events are reflected in the valuations as they occur, while positive developments (positive clinical results, partnering deals) will only be reflected in the valuations in the case of a liquidity event (round of financing, trade sale or IPO).

Table 20: Valuation

Public equity (31/07/2015)	Ccy	Holding	Share's outstanding	Current share price (lc)	Market cap.	Fair value in CHF	HBM holding	Target price	Target price range	Nb analysts	Valuation with TP
Basilea Pharma.	CHF	827,496	10.6	106.50	1,126	88.13	7.8%	150.00		Kepler	124.12
Cellectis	EUR	350,000	35.0	32.57	1,196	11.95	1.0%	32.57		3	11.95
Chimerix	USD	242,600	41.3	53.74	2,130	12.51	0.6%	47.78	43-57	11	11.12
Coherus Biosciences	USD	350,000	37.8	35.08	1,273	11.78	0.9%	35.08		3	11.78
Esperion Therapeutics	USD	556,188	22.5	62.00	1,336	33.08	2.5%	121.80	116-177	7	64.98
Galapagos	EUR	103,500	38.9	54.63	2,227	5.93	0.3%	57.600	26-65	9	6.25
Genmab	DKK	309,000	58.7	639.50	5,273	27.75	0.5%	678.90	366-815	10	29.46
Incyte	USD	105,400	179.0	104.28	17,909	10.54	0.1%	120.20	107-130	10	12.15
K2M Group Holdings	USD	200,000	39.7	22.88	870	4.39	0.5%	28.80	26-31	5	5.53
Neurocrine Biosciences	USD	165,400	85.4	50.12	4,107	7.95	0.2%	64.40	54-82	7	10.22
Ophthotech	USD	1,011,857	34.3	67.69	2,227	65.70	3.0%	85.60	45-105	8	83.08
Oxford Immunotec	USD	510,500	22.5	13.25	286	6.49	2.3%	22.80	20-29	5	11.16
Pacira Pharmaceuticals	USD	1,100,000	36.4	66.42	2,322	70.08	3.0%	83.10	69-106	8	87.68
Paratek Pharmaceuticals	USD	1,720,751	17.6	25.16	424	41.53	9.8%	40.25	35-45	7	66.44
Probiodrug	EUR	626,545	6.8	22.00	151	12.76	9.3%	22.00		3	13.94
PTC Therapeutics	USD	757,600	34.3	51.21	1,683	37.21	2.2%	101.30	63-155	7	73.62
Receptos	USD	251,600	31.6	227.86	6,897	54.99	0.8%	246.00	186-348	5	59.37
Relypsa	USD	200,000	41.5	33.11	1,317	6.35	0.5%	33.11		3	6.35
Skyepharma	GBP	29,849,687	104.8	2.80	439	125.02	28.5%	2.80		2	125.02
Swedish Orphan Biovitrum	SEK	1,010,000	270.4	113.60	3,434	12.83	0.4%	140.00	Kepler	11	15.81
ZS Pharma	USD	155,000	20.9	59.73	1,198	8.88	0.7%	59.73		4	8.88
Other public companies						16.72					16.72
Public companies						672.57					855.63
Other assets											
Private equity											
Advanced Accelerator Appl.	EUR					38.671					
Ellipse Technologies	USD					23.223					
Tensys Medical	USD					15.108					
Nabryva Therapeutics	EUR					14.866					
Cathay Industrial Biotech	USD					13.097					
Medimpulse Holding	USD					7.759					
Westmed Holding	USD					6.411					
Interventional Spine	USD					5.507					
MiCardia	USD					5.501					
Kolltan	USD					4.670					
Vascular Dynamics	USD					3.742					
Other Private companies						12.099					
Private companies						150.654					150.654
Funds											
Nordic Biotech	DKK					49.86					
HBM BioCapital II	EUR					26.475					
MedFocus Fund II	USD					17.451					
BioMedInvest I	CHF					13.936					
Galen Partners V	USD					11.319					
Hatteras Vent. Partners III	USD					9.058					
BioMedinvest II	CHF					7.63					
Water Street Healthcare	USD					5.196					
HBM Genomics	USD					2.259					
Other investments						7.542					
Funds						150.726					150.726
Total investments						973.9					1,157.0
Cash and other assets less liabilities						43.0					43.0
Net asset value						1,016.9					1,200.0
Nb of shares (m)						7.6					7.6
NAV per share (CHF)						133.1					157.1
Discount											25%
Target price											117.8

Source: Kepler Cheuvreux

Upside to our base-case scenario

Our conservative valuation of CHF1,157m for investments assumes only the portfolio's public holdings and does not include valuation upside from the private equity part of the portfolio. Nevertheless, there is still hidden value, as the fair value is based on the acquisition cost in the investment currency or the last financing round with new investors.

A best case would imply the occurrence of events such as an IPO or an acquisition, triggering a revaluation of holdings. Any IPO or trade sales of one of the 11 identified private equity holdings would offer upside to our scenario.

It is worth noting for example that Advanced Accelerator Applications has postponed its IPO and that Medtronic has an option to acquire Medimpulse Holding.

Advances Accelerator Applications postponed its IPO on the NASDAQ in February due to valuation pushback. However, in June the company completed a capital increase of EUR23m (USD26m) led by US-based investor Adage Capital Management, which will affect the fair value of the holding.

Medtronic has an option to acquire BioControl (Medimpulse holding) for USD550m after FDA approval for its proprietary implantable nerve stimulation devices or for USD350m before FDA approval (2016).

Any IPO or trade sale of one of the 11 identified private equity holdings would offer upside to our scenario

Table 21: IPO impact on fair value, unlocking hidden value

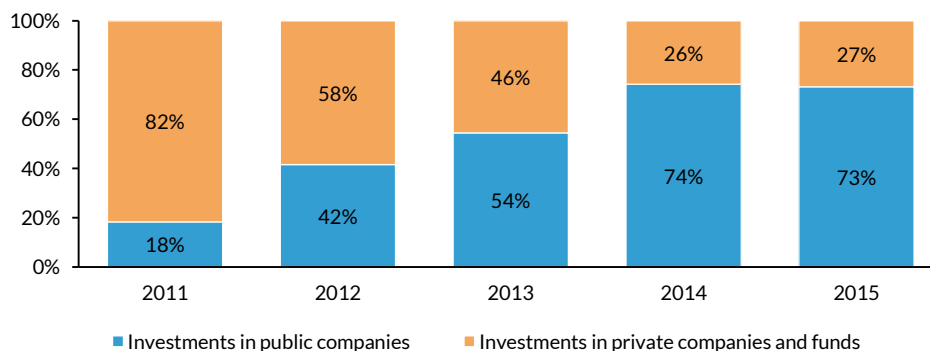
	IPO date	Share increase by addition	Number of shares	Fair value increase (CHF)
Swedish Orphan Biovitrum	September 2006	8%	3,651,975	426%
Probiodrug	October 2014	55%	717,156	236%
PTC Therapeutics	June 2013	33%	2,441,495	37%
Paratek	July 2014	179%	1,768,260	1118%
Ophthotech	September 2013	15%	3,640,230	735%
Enanta	March 2013	59%	1,441,989	359%

Source: Kepler Cheuvreux

Risks

Market risks

Chart 22: Breakdown of investment portfolio



Source: HBM Healthcare

Given the maturity of HBM's portfolio with several private holdings close to exiting and with almost three-quarters of the funds invested in public companies, the fund is exposed to market risk and macro factors. Even for private holdings, a receptive public equity environment is helpful for a sale or IPO. Conditions have been favourable in recent years.

With a globally low interest-rate environment, a healthcare industry with solid cash balances and ground-breaking innovation within smaller companies, we expect intense deal activity to continue. We expect valuation premiums paid on M&A targets to remain high thanks to a limited pool of high-quality targets and the growing relative firepower of large biotech companies.

Very limited interest-rate risks

While HBM does not use bank loans to provide long-term structural gearing, it could borrow up to 20% of its NAV, and a low level of debt of 10-15% of NAV is possible.

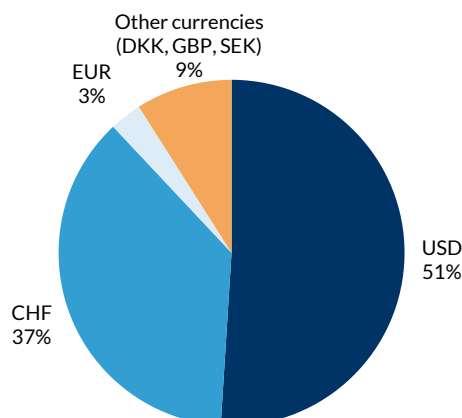
Liquidity risks

The investment guidelines oblige HBM to maintain an appropriate level of short-term funds to participate in follow-on financing. HBM manages its liquidity according to a comprehensive liquidity planning strategy. On 30 June, HBM issued two bonds with a six-year and an eight-year term and a minimum issue amount of CHF50m and a maximum of CHF125m, to finance new investment opportunities and for general funding.

Limited currency risks

On 7 January 2015 and on 6 May 2015 respectively, HBM hedged its euro currency risk through the forward sale of EUR100 at a price of 1.1906 (with a value date of 11 July 2016) and the pound currency risk through the forward sale of GBP85m at a price of 1.3881 (with a value date of 15 December 2015).

Chart 23: Currency allocation



Source: HBM Healthcare – Access to a global and diversified private equity healthcare portfolio – June 2015

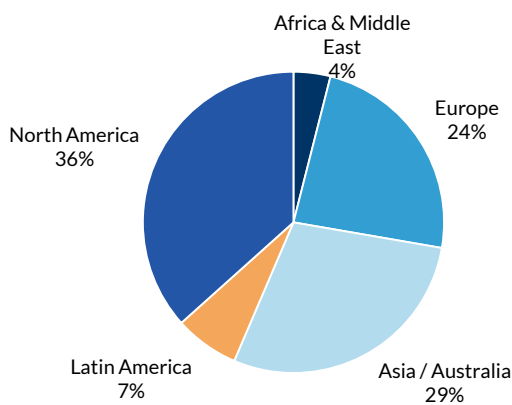
Portfolio rebalancing risk

HBM is a mature portfolio and rebalancing will be a necessary step; the size of the fund could be a risk and will limit rapid rebalancing. We expect HBM investment advisors to remain within their areas of expertise.

Since medicine spending in Asia, largely driven by China, is set to grow faster than the global average driven by population growth, rising incomes and improved access to healthcare and with more than a quarter of biotechnology patents filed by Asian countries (including Australia), HBM could be tempted to invest more in Asia.

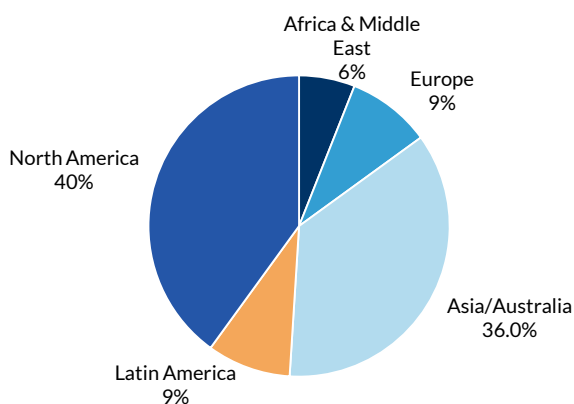
Nevertheless, HBM's team of investors should remain in their areas of expertise (in terms of region and technology) as they have the possibility to invest in funds that can provide expertise that HBM does not have. If needed, the investment advisor team based in Zug (Switzerland) also has three experts in the US (JMJ advisors), India (Sidvim Life Science Private) and China (Keller Pharma Consultancy).

Chart 24: Medicine spending by region 2013



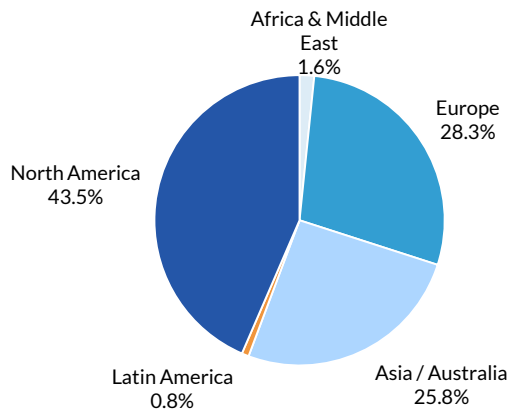
Source: IMS Market prognosis, September 2014

Chart 25: Medicine spending source of growth by region 2013-18E



Source: IMS Market prognosis, September 2014

Chart 26: Share of countries in biotechnology patents filed under PCT, 2010-12



Source: OECD, Patent Database, October 2014.

Finally, we think that incremental steps in value creation are mainly found within the phases between clinical development and market approval rather than during the product revenue-driven phase.

Valuation

FY to 31/03 (CHF)	2008	2009	2010	2011	2012	2013	2014	2015E
Per share data								
EPS adjusted	-28.97	6.39	-5.73	-2.35	7.52	40.98	32.47	9.11
% Change	na	na	na	na	na	445.2%	-20.8%	-71.9%
EPS adjusted and fully diluted	-28.47	6.25	-5.59	-2.30	7.31	40.31	31.11	8.63
% Change	na	na	na	na	na	451.8%	-22.8%	-72.3%
EPS reported	-28.97	6.39	-5.73	-2.35	7.52	40.98	32.47	9.11
% Change	na	na	na	na	na	445.2%	-20.8%	-71.9%
EPS Consensus								
Cash flow per share	0.10	16.46	13.40	-5.46	2.47	3.38	24.19	26.46
Book value per share	58.21	65.53	60.26	57.94	67.42	106.68	135.46	145.66
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Number of shares, YE (m)	10.8	10.3	9.8	9.4	8.9	8.6	7.9	7.1
Number of shares, fully diluted, YE (m)	10.8	10.3	9.8	9.4	8.9	8.6	7.9	7.1
Share price								
Latest price / year end			44.6	41.5	51.4	75.5	108.0	99.5
52 week high (Year high)			47.0	50.5	53.0	80.0	112.5	111.5
52 week low (Year low)			37.1	38.0	40.1	49.3	70.3	97.4
Average price (Year)			41.9	44.1	47.8	64.2	89.1	99.5
Enterprise value (CHFm)								
Market capitalisation			412.2	416.1	426.2	554.1	706.4	709.4
Net financial debt	-65.6	-129.1	-155.4	-41.2	-51.7	-46.5	-140.4	-227.2
Pension provisions	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
Market value of equity affiliates (net of tax)	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
Enterprise value			256.7	374.9	374.5	507.6	648.7	482.3
Valuation								
P/E adjusted			na	na	6.4	1.6	2.7	10.9
P/E adjusted and fully diluted			na	na	6.5	1.6	2.9	11.5
P/E consensus								
P/BV			0.7	0.8	0.7	0.6	0.7	0.7
P/CF			3.1	na	19.3	19.0	3.7	3.8
Dividend yield (%)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)			32.0%	-12.4%	5.2%	5.3%	24.3%	26.6%
ROE (%)	-39.4%	10.1%	-8.9%	-3.9%	11.7%	46.5%	25.8%	6.1%
ROIC (%)	-4,673.1%	na	na	na	11,838.8%	na	na	na
EV/Sales			Na	na	4.80	1.37	2.03	4.21
EV/EBITDA			Na	na	5.6	1.4	2.5	7.4
EV/EBIT			Na	na	5.6	1.4	2.5	7.4
EV/NOPAT			Na	na	5.6	1.4	2.5	7.4
EV/IC			Na	na	na	na	na	na
ROIC/WACC								
EV/IC over ROIC/WACC								

Income statement

FY to 31/03 (CHFm)	2008	2009	2010	2011	2012	2013	2014	2015E
Sales	-282.0	90.1	-34.9	-8.4	78.1	370.8	320.2	114.6
% Change	na	na	na	na	na	374.8%	-13.6%	-64.2%
EBITDA reported	-303.6	73.4	-52.3	-20.1	66.8	353.5	257.8	65.2
% Change	na	na	na	Na	na	429.0%	-27.1%	-74.7%
Depreciation and amortisation	0.0	0.0	-0.1	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
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT reported	-303.6	73.4	-52.4	-20.1	66.8	353.5	257.8	65.2
% Change	na	na	na	Na	na	429.0%	-27.1%	-74.7%
Net financial items	-9.3	-7.3	-4.0	-2.1	0.2	0.0	-0.3	-0.3
Associates	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
Earnings before tax	-312.9	66.0	-56.4	-22.2	67.0	353.5	257.5	65.0
% Change	na	na	na	Na	na	427.6%	-27.2%	-74.8%
Tax	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit from continuing operations	-312.7	66.0	-56.4	-22.2	67.0	353.5	257.5	65.0
% Change	na	na	na	Na	na	427.6%	-27.2%	-74.8%
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-312.7	66.0	-56.4	-22.2	67.0	353.5	257.5	65.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit reported	-312.7	66.0	-56.4	-22.2	67.0	353.5	257.5	65.0
% Change	na	na	na	Na	na	427.6%	-27.2%	-74.8%
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit adjusted	-312.7	66.0	-56.4	-22.2	67.0	353.5	257.5	65.0
% Change	na	na	na	Na	na	427.6%	-27.2%	-74.8%
Gross profit	na	na	na	Na	na	na	na	na
EBITDA adjusted	-303.6	73.4	-52.3	-20.1	66.8	353.5	257.8	65.2
EBIT adjusted	-303.6	73.4	-52.4	-20.1	66.8	353.5	257.8	65.2
Gross profit margin (%)	na	na	na	Na	na	na	na	na
EBITDA margin (%)	107.6%	81.5%	149.7%	240.1%	85.6%	95.3%	80.5%	56.9%
EBIT margin (%)	107.6%	81.5%	150.0%	240.1%	85.6%	95.3%	80.5%	56.9%
Net profit margin (%)	110.9%	73.3%	161.4%	265.4%	85.8%	95.3%	80.4%	56.7%
Tax rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payout ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EPS reported (CHF)	-28.97	6.39	-5.73	-2.35	7.52	40.98	32.47	9.11
% change	na	na	na	Na	na	445.2%	-20.8%	-71.9%
EPS adjusted (CHF)	-28.97	6.39	-5.73	-2.35	7.52	40.98	32.47	9.11
% change	na	na	na	Na	na	445.2%	-20.8%	-71.9%
EPS adj and fully diluted(CHF)	-28.47	6.25	-5.59	-2.30	7.31	40.31	31.11	8.63
% change	na	na	na	Na	na	451.8%	-22.8%	-72.3%
DPS (CHF)	0.00	0.00	0.00	0.00	1.50	3.00	5.50	4.58
% change	na	na	na	Na	na	na	na	na
DPS,preference shares (CHF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% Change	na	na	na	Na	na	na	na	na
Consensus Sales (CHFm)								
Consensus EBITDA (CHFm)								
Consensus EBIT (CHFm)								
Consensus EPS (CHF)								
Consensus DPS (CHF)								

Cash flow statement

FY to 31/03 (CHFm)	2008	2009	2010	2011	2012	2013	2014	2015E
Net profit before minorities	-312.7	66.0	-56.4	-22.2	67.0	353.5	257.5	65.0
Depreciation and amortisation	0.0	0.0	0.1	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
Change in working capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	313.8	104.1	188.2	-29.3	-45.0	-324.4	-65.7	123.7
Cash Flow from operating activities	1.1	170.2	131.9	-51.4	22.0	29.1	191.9	188.7
% Change	-97.5%	15189.1%	-22.5%	na	na	32.1%	558.5%	-1.7%
Capex	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Free cash flow	1.1	170.2	131.8	-51.4	22.0	29.1	191.9	188.7
% Change	-97.5%	15189.1%	-22.5%	na	na	32.1%	558.5%	-1.7%
Acquisitions	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0	-12.9	-23.6	-42.0
Share buy back	-18.2	-18.7	-22.1	-28.7	-12.5	-20.6	-78.9	-59.9
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-4.1	-88.3	-83.4	-34.0	0.9	-0.8	4.5	0.0
Change in net financial debt	-21.2	63.5	26.4	-114.2	10.5	-5.2	93.9	86.8
Change in cash and cash equivalents	-21.2	63.5	26.4	-114.2	10.5	-5.2	93.9	86.8
Attributable FCF	1.1	170.2	131.8	-51.4	22.0	29.1	191.9	188.7
Cash flow per share (CHF)	0.10	16.46	13.40	-5.46	2.47	3.38	24.19	26.46
% Change	-97.4%	15862.0%	-18.6%	na	na	36.5%	616.4%	9.4%
FCF per share (CHF)	0.10	16.46	13.39	-5.46	2.47	3.38	24.19	26.46
% Change	-97.4%	15862.0%	-18.6%	na	na	36.5%	616.4%	9.4%
Capex / Sales (%)	0.0%	0.0%	-0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Capex / D&A (%)	na	0.0%	131.8%	na	na	na	na	na
Cash flow / Sales (%)	-0.4%	189.0%	-377.8%	615.9%	28.2%	7.9%	59.9%	164.6%
FCF / Sales (%)	-0.4%	189.0%	-377.5%	615.9%	28.2%	7.9%	59.9%	164.6%
FCF Yield (%)	na	na	32.0%	-12.4%	5.2%	5.3%	24.3%	26.6%
Unlevered FCF Yield (%)	na	na	52.9%	-13.1%	5.9%	5.7%	29.6%	39.2%

Balance sheet

FY to 31/03 (CHFm)	2008	2009	2010	2011	2012	2013	2014	2015E
Cash and cash equivalents	65.6	129.1	155.4	41.2	51.7	46.5	140.4	227.2
Inventories	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	7.4	6.0	7.2	1.0	2.0	0.2	0.2	0.2
Other current assets	9.5	11.4	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	82.5	147.2	162.7	42.2	53.7	46.7	140.6	227.3
Tangible assets	0.0	0.2	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
Other Intangible assets	0.0	5.6	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	726.9	632.9	454.2	473.0	512.3	849.3	1,021.5	1,225.5
Other non-current assets	9.5	11.4	8.5	32.3	36.0	29.7	29.1	29.1
Non-current assets	736.4	650.2	462.7	505.3	548.3	879.0	1,050.6	1,254.6
Short term debt	0.0	0.0	0.0	0.0	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
Other short term liabilities	6.0	90.3	31.9	1.1	0.8	1.5	3.1	3.1
Current liabilities	6.0	90.3	31.9	1.1	0.8	1.5	3.1	3.1
Long term debt	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
Other long term provisions	0.0	0.0	0.0	0.0	0.0	3.8	50.4	50.4
Other long term liabilities	184.5	29.5	0.4	0.0	0.2	0.0	63.5	389.8
Non-current liabilities	184.5	29.5	0.4	0.0	0.2	3.8	113.9	440.3
Shareholders' equity	628.4	677.5	593.2	546.4	601.0	920.3	1,074.2	1,038.5
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	628.4	677.5	593.2	546.4	601.0	920.3	1,074.2	1,038.5
Balance sheet total	818.9	797.3	625.4	547.5	602.0	925.7	1,191.2	1,481.9
% Change	-28.8%	-2.6%	-21.6%	-12.5%	10.0%	53.8%	28.7%	24.4%
Book value per share (CHF)	58.21	65.53	60.26	57.94	67.42	106.68	135.46	145.66
% Change	-32.3%	12.6%	-8.0%	-3.8%	16.4%	58.2%	27.0%	7.5%
Net debt	-65.6	-129.1	-155.4	-41.2	-51.7	-46.5	-140.4	-227.2
Net financial debt	-65.6	-129.1	-155.4	-41.2	-51.7	-46.5	-140.4	-227.2
Trade working capital	7.4	6.7	7.2	1.0	2.0	0.2	0.2	0.2
Working capital	10.9	-72.2	-24.7	-0.1	1.2	-1.4	-2.9	-2.9
Inventories/sales	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Invested capital	10.9	-72.0	-24.7	-0.1	1.2	-1.4	-2.9	-2.9
Net fin. debt / EBITDA (x)	0.2	-1.8	3.0	2.1	-0.8	-0.1	-0.5	-3.5
Net fin. debt / FCF (x)	na	-0.8	-1.2	0.8	-2.3	-1.6	-0.7	-1.2
Gearing (%)	-10.4%	-19.1%	-26.2%	-7.5%	-8.6%	-5.1%	-13.1%	-21.9%
Goodwill / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Research ratings and important disclosures

Disclosure checklist - Potential conflict of interests

Stock	ISIN	Disclosure (See Below)	Currency	Price
Actelion	CH0010532478	nothing to disclose	CHF	142.90
Aegerion Pharms.	US00767E1029	nothing to disclose	USD	19.13
Affymetrix	US00826T1088	nothing to disclose	USD	10.96
Allergan	IE00BY9D5467	nothing to disclose	USD	331.1499
Anthera Pharmaceuticals	US03674U2015	nothing to disclose	USD	10.91
Astellas Pharma	JP3942400007	nothing to disclose	JPY	1867
Basilea Pharmaceutica	CH0011432447	nothing to disclose	CHF	106.50
BB Biotech N	CH0038389992	nothing to disclose	CHF	313
Biogen	US09062X1037	nothing to disclose	USD	318.78
Blackrock Hlth.Sci.Tst.	US09250W1071	nothing to disclose	USD	44.64
Boston Scientific	US1011371077	nothing to disclose	USD	17.34
Bristol Myers Squibb	US1101221083	nothing to disclose	USD	65.64
Collectis	FR0010425595	nothing to disclose	EUR	32.57
Chemocentryx	US16383L1061	nothing to disclose	USD	8.24
Chimerix	US16934W1062	nothing to disclose	USD	53.74
Clal Biotech.Inds.	IL0011042806	nothing to disclose	ILS	3.855
Coherus Biosciences	US19249H1032	nothing to disclose	USD	35.08
Cytokinetics	US23282W6057	nothing to disclose	USD	6.39
Enanta Pharmaceuticals	US29251M1062	nothing to disclose	USD	50.65
Esperion Therapeutics	US29664W1053	nothing to disclose	USD	62
Galenica	CH0015536466	nothing to disclose	CHF	1,101.00
Genmab	DK0010272202	nothing to disclose	DKK	639.5
Greatbatch	US39153L1061	nothing to disclose	USD	54.53
HBM Healthcare	CH0012627250	8	CHF	99.50
Incyte	US45337C1027	nothing to disclose	USD	104.28
Infinity Pharmaceuticals	US45665G3039	nothing to disclose	USD	8.74
Intl. Biotechnology	GB0004559349	nothing to disclose	GBP	582
Johnson & Johnson	US4781601046	nothing to disclose	USD	100.21
K2M Group Holdings	US48273J1079	nothing to disclose	USD	22.88
Lifeline biotchs.	US53219E8084	nothing to disclose	USD	0.0026
Medtronic	IE00BTN1Y115	nothing to disclose	USD	78.39
Morphosys	DE0006632003	nothing to disclose	EUR	73.233
Neurocrine Biosciences	US64125C1099	nothing to disclose	USD	50.12
Newron	IT0004147952	nothing to disclose	CHF	4.85
Novartis	CH0012005267	nothing to disclose	CHF	100.40
Ophthotech	US6837451037	nothing to disclose	USD	67.69
Oxford Immunotec Global	GB00BGFBB958	nothing to disclose	USD	13.25
Pacira Pharmaceuticals	US6951271005	nothing to disclose	USD	66.42
Paratek Pharmaceuticals	US6993743029	nothing to disclose	USD	25.16
Polar Capital Holdings	GB00B1GCLT25	nothing to disclose	GBP	437.50
Probiodrug	DE0007921835	nothing to disclose	EUR	21.45
PTC Therapeutics	US69366J2006	nothing to disclose	USD	51.21
Receptos	US7562071065	nothing to disclose	USD	227.86
Relypsa	US7595311066	nothing to disclose	USD	33.11
Roche	CH0012032048	nothing to disclose	CHF	279.10
Skyepharma	GB0008123571	nothing to disclose	GBP	1.15
Sunesis pharms.	US8673286014	nothing to disclose	USD	1.395
Swedish Orphan Biovitrum	SE0000872095	nothing to disclose	SEK	113.60
Takeda Pharmaceutical	JP3463000004	nothing to disclose	JPY	6240
Tekla Hlthcr. Investors	US87911J1034	nothing to disclose	USD	36.64
Tekla Hlthcr. Opps. Fund	US8791051043	nothing to disclose	USD	20.19
The biotech growth tst.	GB0000385517	nothing to disclose	GBP	836.5
Thermo Fisher Scientific	US8835561023	nothing to disclose	USD	139.53
Valeant Pharms. (NYS) Intl.	CA91911K1021	nothing to disclose	USD	257.53
Xenoport	US98411C1009	nothing to disclose	USD	7.3

Source: Factset closing prices of 31/07/2015

Stock prices: Prices are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

Key:

Kepler Capital Markets SA (KCM) holds or owns or controls 100% of the issued shares of Crédit Agricole Cheuvreux SA (CA Cheuvreux), collectively hereafter KEPLER CHEUVREUX.

1. KEPLER CHEUVREUX holds or owns or controls 5% or more of the issued share capital of this company; 2. The company holds or owns or controls 5% or more of the issued share capital of Kepler Capital Markets SA; 3. KEPLER CHEUVREUX is or may be regularly carrying out proprietary trading in equity securities of this company; 4. KEPLER CHEUVREUX has been lead manager or co-lead manager in a public offering of the issuer's financial instruments during the last twelve months; 5. KEPLER CHEUVREUX is a market maker in the issuer's financial instruments; 6. KEPLER CHEUVREUX is a liquidity provider in relation to price stabilisation activities for the issuer to provide liquidity in such instruments; 7. KEPLER CHEUVREUX acts as a corporate broker or a sponsor or a sponsor specialist (in accordance with the local regulations) to this company; 8. KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer; 9. KEPLER CHEUVREUX has received compensation from this company for the provision of investment banking or financial advisory services within the previous twelve months; 10. KEPLER CHEUVREUX may expect to receive or intend to seek compensation for investment banking services from this company in the next three months; 11. The author of, or an individual who assisted in the preparation of, this report (or a member of his/her household), or a person who although not involved in the preparation of the report had or could reasonably be expected to have access to the substance of the report prior to its dissemination has a direct ownership position in securities issued by this company; 12. An employee of KEPLER CHEUVREUX serves on the board of directors of this company; 13. As at the end of the month immediately preceding the date of publication of the research report Kepler Capital Markets, Inc. beneficially owned 1% or more of a class of common equity securities of the subject company; 14. KEPLER CHEUVREUX and UniCredit Bank AG have entered into a Co-operation Agreement to form a strategic alliance in connection with certain services including services

connected to investment banking transactions. UniCredit Bank AG provides investment banking services to this issuer in return for which UniCredit Bank AG received consideration or a promise of consideration. Separately, through the Co-operation Agreement with UniCredit Bank AG for services provided by KEPLER CHEUVREUX in connection with such activities, KEPLER CHEUVREUX also received consideration or a promise of a consideration in accordance with the general terms of the Co-operation Agreement; 15. KEPLER CHEUVREUX and Crédit Agricole Corporate & Investment Bank ("CACIB") have entered into a Co-operation Agreement to form a strategic alliance in connection with certain services including services connected to investment banking transactions. CACIB provides investment banking services to this issuer in return for which CACIB received consideration or a promise of consideration. Separately, through the Co-operation Agreement with CACIB for services provided by KEPLER CHEUVREUX in connection with such activities, KEPLER CHEUVREUX also received consideration or a promise of a consideration in accordance with the general terms of the Co-operation Agreement; 16. UniCredit Bank AG holds or owns or controls 5% or more of the issued share capital of KEPLER CAPITAL MARKETS SA. UniCredit Bank AG provides investment banking services to this issuer in return for which UniCredit Bank AG received consideration or a promise of consideration; 17. CACIB holds or owns or controls 15% of more of the issued share capital of KEPLER CAPITAL MARKETS SA. CACIB provides investment banking services to this issuer in return for which CACIB received consideration or a promise of consideration; 18. An employee of UniCredit Bank AG serves on the board of directors of KEPLER CAPITAL MARKETS SA; 19. Two employees of CACIB serve on the board of directors of KEPLER CAPITAL MARKETS SA. CACIB provides investment banking services to this issuer in return for which CACIB received consideration or a promise of consideration; 20. The services provided by KEPLER CHEUVREUX are provided by Kepler Equities S.A.S., a wholly-owned subsidiary of KEPLER CAPITAL MARKETS SA.

Rating history:

KEPLER CHEUVREUX current rating for HBM Healthcare is Buy and was issued 04/08/2015 (Initiation of coverage)

We did not disclose the rating to the issuer before publication and dissemination of this document.

Rating ratio Kepler Cheuvreux Q2 2015

Rating breakdown	A	B
Buy	44.0%	0.0%
Hold	35.0%	0.0%
Reduce	19.0%	0.0%
Not Rated/Under Review/Accept Offer	2.0%	0.0%
Total	100.0%	0.0%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which Investment Banking Services are supplied

From 9 May 2006, KEPLER CHEUVREUX's rating system consists of three ratings: Buy, Hold and Reduce. For a Buy rating, the minimum expected upside is 10% in absolute terms over 12 months. For a Hold rating the expected upside is below 10% in absolute terms. A Reduce rating is applied when there is expected downside on the stock. Target prices are set on all stocks under coverage, based on a 12-month view. Equity ratings and valuations are issued in absolute terms, not relative to any given benchmark.

Analyst disclosures

The functional job title of the person(s) responsible for the recommendations contained in this report is **Equity Research Analyst** unless otherwise stated on the cover.

Name of the Equity Research Analyst(s): Alexandra Ralli

Regulation AC - Analyst Certification: Each Equity Research Analyst(s) listed on the front-page of this report, principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the equity research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each Equity Research Analyst(s) also certifies that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that equity research analyst in this research report.

Each Equity Research Analyst certifies that he is acting independently and impartially from KEPLER CHEUVREUX shareholders, directors and is not affected by any current or potential conflict of interest that may arise from any KEPLER CHEUVREUX activities.

Analyst Compensation: The research analyst(s) primarily responsible for the preparation of the content of the research report attest that no part of the analyst's(s') compensation was, is or will be, directly or indirectly, related to the specific recommendations expressed by the research analyst(s) in the research report. The research analyst's(s') compensation is, however, determined by the overall economic performance of KEPLER CHEUVREUX.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of KEPLER CHEUVREUX, which is a non-US affiliate and parent company of Kepler Capital Markets, Inc. a SEC registered and FINRA member broker-dealer. Equity Research Analysts employed by KEPLER CHEUVREUX, are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of Kepler Capital Markets, Inc. and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Please refer to www.keplercheuvreux.com for further information relating to research and conflict of interest management.

Regulators

Location	Regulator	Abbreviation
Kepler Capital Markets S.A - France	Autorité des Marchés Financiers	AMF
Kepler Capital Markets, Sucursal en España	Comisión Nacional del Mercado de Valores	CNMV
Kepler Capital Markets, Frankfurt branch	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
Kepler Capital Markets, Milan branch	Commissione Nazionale per le Società e la Borsa	CONSOB
Kepler Capital Markets, Amsterdam branch	Autoriteit Financiële Markten	AFM
Kepler Capital Markets, Zurich branch	Swiss Financial Market Supervisory Authority	FINMA
Kepler Capital Markets, Inc.	Financial Industry Regulatory Authority	FINRA
Kepler Capital Markets, London branch	Financial Conduct Authority	FCA
Kepler Capital Markets, Vienna branch	Austrian Financial Services Authority	FMA
Crédit Agricole Cheuvreux, SA - France	Autorité des Marchés Financiers	AMF
Crédit Agricole Cheuvreux España S.V	Comisión Nacional del Mercado de Valores	CNMV
Crédit Agricole Cheuvreux Niederlassung Deutschland	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
Crédit Agricole Cheuvreux S.A., branch di Milano	Commissione Nazionale per le Società e la Borsa	CONSOB
Crédit Agricole Cheuvreux Amsterdam	Autoriteit Financiële Markten	AFM
Crédit Agricole Cheuvreux Zurich branch	Swiss Financial Market Supervisory Authority	FINMA
Crédit Agricole Cheuvreux North America, Inc.	Financial Industry Regulatory Authority	FINRA
Crédit Agricole Cheuvreux International Limited	Financial Conduct Authority	FCA
Crédit Agricole Cheuvreux Nordic AB	Finansinspektionen	FI

Kepler Capital Markets S.A and Crédit Agricole Cheuvreux SA, are authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers.

For further information relating to research recommendations and conflict of interest management please refer to www.keplercheuvreux.com.

Legal and disclosure information

Other disclosures

This product is not for retail clients or private individuals.

The information contained in this publication was obtained from various publicly available sources believed to be reliable, but has not been independently verified by KEPLER CHEUVREUX. KEPLER CHEUVREUX does not warrant the completeness or accuracy of such information and does not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law.

This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request. This report may not be reproduced for further publication unless the source is quoted.

This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction. This publication is not for private individuals.

Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this report and are subject to change without notice. KEPLER CHEUVREUX has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The analysis, opinions, projections, forecasts and estimates expressed in this report were in no way affected or influenced by the issuer. The author of this publication benefits financially from the overall success of KEPLER CHEUVREUX.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and KEPLER CHEUVREUX accepts no liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Consequently it may be difficult to sell or realise such investments. The past is not necessarily a guide to future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk.

To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.

KEPLER CHEUVREUX (and its affiliates) have implemented written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research business, which are available upon request. The KEPLER CHEUVREUX research analysts and other staff involved in issuing and disseminating research reports operate independently of KEPLER CHEUVREUX Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of KEPLER CHEUVREUX or clients to ensure that price sensitive information is handled according to applicable laws and regulations.

Country and region disclosures

United Kingdom: This document is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Articles 19(5) (Investment professionals) and 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Any investment to which this document relates is available only to such persons, and other classes of person should not rely on this document.

United States: This communication is only intended for, and will only be distributed to, persons residing in any jurisdictions where such distribution or availability would not be contrary to local law or regulation. This communication must not be acted upon or relied on by persons in any jurisdiction other than in accordance with local law or regulation and where such person is an investment professional with the requisite sophistication to understand an investment in such securities of the type communicated and assume the risks associated therewith.

This communication is confidential and is intended solely for the addressee. It is not to be forwarded to any other person or copied without the permission of the sender. This communication is provided for information only. It is not a personal recommendation or an offer to sell or a solicitation to buy the securities mentioned. Investors should obtain independent professional advice before making an investment.

Notice to U.S. Investors: This material is not for distribution in the United States, except to "major US institutional investors" as defined in SEC Rule 15a-6 ("Rule 15a-6"). Kepler Cheuvreux refers to Kepler Capital Markets, Société Anonyme (S.A.) ("Kepler Capital Markets SA") and its affiliates, including CA Cheuvreux, Société Anonyme (S.A.). Kepler Capital Markets SA has entered into a 15a-6 Agreement with Kepler Capital Markets, Inc. ("KCM, Inc.") which enables this report to be furnished to certain U.S. recipients in reliance on Rule 15a-6 through KCM, Inc.

Each U.S. recipient of this report represents and agrees, by virtue of its acceptance thereof, that it is a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this report that wishes to discuss or receive additional information regarding any security or issuer mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of KCM, Inc.

KCM, Inc. is a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the U.S. Securities Exchange Act of 1934, as amended, Member of the Financial Industry Regulatory Authority ("FINRA") and Member of the Securities Investor Protection Corporation ("SIPC"). Pursuant to SEC Rule 15a-6, you must contact a Registered Representative of KCM, Inc. if you are seeking to execute a transaction in the securities discussed in this report. You can reach KCM, Inc. at 600 Lexington Avenue, New York, NY 10022, Compliance Department (212) 710-7625; Operations Department (212) 710-7606; Trading Desk (212) 710-7602. Further information is also available at www.keplercapitalmarkets.com. You may obtain information about SIPC, including the SIPC brochure, by contacting SIPC directly at 202-371-8300; website: <http://www.sipc.org/>

KCM, Inc. is a wholly owned subsidiary of Kepler Capital Markets SA. Kepler Capital Markets SA, registered on the Paris Register of Companies with the number 413 064 841 (1997 B 10253), whose registered office is located at 112 avenue Kléber, 75016 Paris, is authorised and regulated by both Autorité de Contrôle Prudentiel (ACP) and Autorité des Marchés Financiers (AMF).

Nothing herein excludes or restricts any duty or liability to a customer that KCM, Inc. may have under applicable law. Investment products provided by or through KCM, Inc. are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution, may lose value and are not guaranteed by the entity that published the research as disclosed on the front page and are not guaranteed by KCM, Inc.

Investing in non-U.S. Securities may entail certain risks. The securities referred to in this report and non-U.S. issuers may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Securities discussed herein may be rated below investment grade and should therefore only be considered for inclusion in accounts qualified for speculative investment.

Analysts employed by Kepler Capital Markets SA, a non-U.S. broker-dealer, are not required to take the FINRA analyst exam. The information contained in this report is intended solely for certain "major U.S. institutional investors" and may not be used or relied upon by any other person for any purpose. Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. The investment opportunities discussed in this report may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position.

In jurisdictions where KCM, Inc. is not registered or licensed to trade in securities, or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

The information in this publication is based on sources believed to be reliable, but KCM, Inc. does not make any representation with respect to its completeness or accuracy. All opinions expressed herein reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

KCM, Inc. and/or its affiliates may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. These publications reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance.

KCM, Inc. and any company affiliated with it may, with respect to any securities discussed herein: (a) take a long or short position and buy or sell such securities; (b) act as investment and/or commercial bankers for issuers of such securities; (c) act as market makers for such securities; (d) serve on the board of any issuer of such securities; and (e) act as paid consultant or advisor to any issuer. The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

France: This publication is issued and distributed in accordance with Articles L.544-1 and seq and R. 621-30-1 of the Code Monétaire et Financier and with Articles 313-25 to 313-27 and 315-1 and seq of the General Regulation of the Autorité des Marchés Financiers (AMF).

Germany: This report must not be distributed to persons who are retail clients in the meaning of Sec. 31a para.3 of the German Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"). This report may be amended, supplemented or updated in such manner and as frequently as the author deems.

Italy: This document is issued by Kepler Capital Markets, Milan branch and Crédit Agricole Cheuvreux S.A., branch di Milano, authorised in France by the Autorité des Marchés Financiers (AMF) and the Autorité de Contrôle Prudentiel (ACP) and registered in Italy by the Commissione Nazionale per le Società e la Borsa (CONSOB) and is distributed by Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.), authorised in France by the AMF and the ACP and registered in Italy by CONSOB. This document is for Eligible Counterparties or Professional Clients only as defined by the CONSOB Regulation 16190/2007 (art. 26 and art. 58). Other classes of persons should not rely on this document. Reports on issuers of financial instruments listed by Article 180, paragraph 1, letter a) of the Italian Consolidated Act on Financial Services (Legislative Decree No. 58 of 24/2/1998, as amended from time to time) must comply with the requirements envisaged by articles 69 to 69-novies of CONSOB Regulation 11971/1999. According to these provisions Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.) warns on the significant interests of Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.) indicated in Annex 1 hereof, confirms that there are not significant financial interests of Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.) in relation to the securities object of this report as well as other circumstance or relationship with the issuer of the securities object of this report (including but not limited to conflict of interest, significant shareholdings held in or by the issuer and other significant interests held by Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.) or other entities controlling or subject to control by Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.) in relation to the issuer which may affect the impartiality of this document). Equities discussed herein are covered on a continuous basis with regular reports at results release. Reports are released on the date shown on cover and distributed via print and email. Kepler Capital Markets, Milan branch and Crédit Agricole Cheuvreux S.A., branch di Milano analysts are not affiliated with any professional groups or organisations. All estimates are by Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.) unless otherwise stated.

Spain: This document is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of Article 78bis and Article 78ter of the Spanish Securities Market Act. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This report has been issued by Kepler Capital Markets, Sucursal en España and Crédit Agricole Cheuvreux España S.V., registered in Spain by the Comisión Nacional del Mercado de Valores (CNMV) in the foreign investments firms registry and it has been distributed in Spain by it or by Kepler Capital Markets S.A and Crédit Agricole Cheuvreux, Société Anonyme (S.A.) authorised and regulated by both Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers. There is no obligation to either register or file any report or any supplemental documentation or information with the CNMV. In accordance with the Spanish Securities Market Law (Ley del Mercado de Valores), there is no need for the CNMV to verify, authorise or carry out a compliance review of this document or related documentation, and no information needs to be provided.

Switzerland: This publication is intended to be distributed to professional investors in circumstances such that there is no public offer. This publication does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations.

Canada: The information provided in this publication is not intended to be distributed or circulated in any manner in Canada and therefore should not be construed as any kind of financial recommendation or advice provided within the meaning of Canadian securities laws.

Other countries: Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly.

Europe

Amsterdam
 +31 20 573 06 66
Frankfurt
 +49 69 756 960
Geneva
 +41 22 361 5151
London
 +44 20 7621 5100
Madrid
 +34 914365100
Milan
 +39 02 85507 1
Paris
 +33 1 53 65 35 00
Stockholm
 +46 8 723 51 00
Vienna
 +43 1 537 124 147
Zurich
 +41 43 333 66 66


America & Asia

Boston
 +1 617 295 0100
New York
 +1 212 710 7600
San Francisco
 +1 415 255 9802

Pharma & biotech research team

Alexandra Ralli
Main author

aralli@keplercheuvreux.com
 +41 22 994 1592

Alexandra has over 15 years' experience in equity analysis in the healthcare industry. She began her career in Paris as a sell-side analyst for CCF Securities, Fortis Securities and Cheuvreux. In 2005, she became a buy-side equity analyst at Pictet, based in Geneva, to cover medical devices stocks globally, and later European healthcare and consumer discretionary sectors. Alexandra's education covers both science and equity finance, with a Master's in Immunology from the University of Paris VII / Pasteur Institute, a Master's in Biopharmaceutical management from the Ecole Supérieure de Commerce de Paris (ESCP) and a certification in Financial Analysis (SFAF).


Natalia Bobo

nbobo@keplercheuvreux.com
 +34 91 436 5165


Richard Koch

koch@keplercheuvreux.com
 +46 8 723 5172


Lionel Labourdette

llabourdette@ext.keplercheuvreux.com
 +33 1 7081 5798


Maja Pataki

Head of Med Tech Devices Research
 mpataki@keplercheuvreux.com
 +41 43 333 6623


Oliver Reinberg, CFA

Head of Med Techs. & Services Research
 oreinberg@keplercheuvreux.com
 +49 69 7569 140


Sheela Sharma

sharma@keplercheuvreux.com
 +44 207 621 5198


Fabian Wenner, PhD

Head of Healthcare Research
 fwenner@keplercheuvreux.com
 +41 43 333 66 24