

19 July 2024

HBM Healthcare Investments

Switzerland

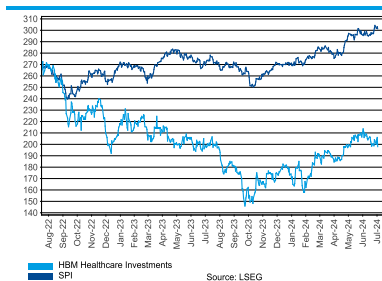
Other Financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Closing price as of 18-Jul-24	CHF 198.00
Target price	CHF 236.00
High/Low (12M)	CHF 213.50/146.00
Market cap.	CHF mn 1,361
Enterprise value	CHF mn 1,244
Free float	82.9%
Avg. daily turnover	CHF mn 0.74

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-6.2	6.9	15.5
rel. SPI	-7.7	-2.2	3.9
rel. STOXX Europe 600	-6.0	4.0	6.3
rel. SXXP Financial Serv.	-6.2	0.1	4.7

Analyst:

Thomas Meyer

+41 43 388 9265

tmeyer@helvea.com

Analyst: Leonildo Delgado, Ph.D.

+41 43 388 9226

LDelgado@helvea.com

Key financials

CHF mn	2023/24	2024/25E	2025/26E	2026/27E	CAGR (%)
Sales	23.8	76.9	132.3	134.4	78.1
EBIT adj.	-2.6	51.7	107.1	109.3	-
EPS adj. (CHF)	-0.07	7.24	15.29	15.60	-

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2023/24	2024/25E	2025/26E	2026/27E
EV/Sales	48.9	16.2	9.3	9.1
EV/EBIT adj.	-451.8	24.0	11.5	11.2
P/E adj.	-	27.3	12.9	12.7

Positive start into the year – CHF 26mn “in the bag”

Our conclusion

■ **HBM reported CHF 26mn in profits for the first quarter (ending in 30-Jun), with the NAV climbing up by 1.6% to CHF 252.07 and the share price rising (much faster) by 5.9% to CHF 205.00.** The top contributor was the portfolio of private companies with net gains of CHF 34mn – here, we highlight the acquisition of Yellow Jersey Therapeutics by Johnson & Johnson for USD 1.25bn in cash, resulting in gains for HBM of CHF 59mn. Top detractors include the portfolio of public companies (CHF -14mn), with main contributors to negative performance being Y-mAbs Therapeutics, Biohaven, ALX Oncology and Harmony Biosciences; and the portfolio of funds (CHF -4mn), both of which reported net losses in the 3-month period in question.

■ **Positive medium-term outlook supports our (positive) investment view:** We see the last reported share price-to-NAV discount of around 21% (as of 15-Jul) as very undemanding in a historical context (historical avg: -10%) and thus offering an attractive entry point for long-term investors. Despite operating in a challenging macroenvironment with high interest rates and low-to-negative sentiment towards small- and midcap biotechs, we see the medium-term outlook as positive given: **1)** HBM's high portfolio diversification (by size, geography and focus), **2)** the multiple portfolio-specific catalysts (clinical, regulatory and commercial), and **3)** the anticipated easing of the macroeconomic climate, highlighted by encouraging dealmaking figures in the biopharma sector in 1H24. We believe these are important drivers which are likely to be supportive of HBM's NAV and share price. **We see upside potential to our estimates and recommendation.**

Facts & Analysis

Reported figures and Baader Helvea expectations

CHF mn	2023/24 Actual	1Q24/25 Actual	2024/25E Baader
Net results	-0.5	25.5	49.7
EPS (CHF)	-0.07	3.72	7.24
NAV per share (CHF)	248.10	252.07	245.44

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments

Key data

FY 31 Mar.	2021/22	2022/23	2023/24	2024/25E	2025/26E	2026/27E
Share data						
EPS reported (CHF)	-11.22	-20.98	-0.07	7.24	15.29	15.60
EPS adjusted (CHF)	-11.22	-20.98	-0.07	7.24	15.29	15.60
Dividend (CHF)	12.51	9.70	7.52	7.19	7.92	7.92
Book value (CHF)	285.56	255.02	248.10	245.44	252.79	260.44
Free cash flow (CHF)	-22.07	12.87	13.51	9.44	9.44	10.16
Avg. no. of shares (mn)	7.0	6.9	6.9	6.9	6.9	6.9
Market cap. (avg./current; CHF mn)	2,296.4	1,595.3	1,267.1	1,361.3	1,361.3	1,361.3
Enterprise value (CHF mn)	2,221.6	1,512.4	1,163.0	1,243.8	1,235.4	1,221.9
Valuation						
P/E adj. (x)	-	-	-	27.3	12.9	12.7
P/BV (x)	1.2	0.9	0.7	0.8	0.8	0.8
FCF/EV (%)	-6.9	5.9	8.0	5.2	5.3	5.7
FCF yield (%) (FCF/Mcap.)	-6.7	5.6	7.3	4.8	4.8	5.1
Dividend yield (%)	3.8	4.2	4.1	3.6	4.0	4.0
EV/Sales (x)	-59.2	-13.0	48.9	16.2	9.3	9.1
EV/EBITDA adj. (x)	-29.5	-10.4	-451.8	24.0	11.5	11.2
EV/EBIT adj. (x)	-29.5	-10.4	-451.8	24.0	11.5	11.2
EV/CE (x)	1.2	0.9	0.7	-	-	-
ROCE/WACC adj. (x)	-	-	-	-	-	-
Key company data						
Sales growth (%)	-104.1	210.8	-120.4	223.2	72.1	1.6
EBITDA adj. growth (%)	-110.0	94.1	-98.2	-2110.2	107.1	2.0
EBITDA adj. margin (%)	200.7	125.4	-10.8	67.3	81.0	81.3
EBIT adj. margin (%)	200.7	125.4	-10.8	67.3	81.0	81.3
Net adj. margin (%)	207.9	124.7	-2.0	67.3	81.0	81.3
Free cash flow margin (%)	409.0	-76.5	390.3	84.4	49.0	52.0
Payout ratio (%)	-111.5	-46.3	-	95.5	50.8	49.8
Gearing (%) (net debt/equity)	-3.8	-4.7	-6.1	-6.9	-7.2	-7.8
Net debt/EBITDA (x)	1.0	0.6	40.4	-2.3	-1.2	-1.3
Equity ratio (x) (equity/total assets)	91.2	90.7	93.4	93.4	93.6	93.8
Capital employed (CHF mn)	1,920.5	1,693.1	1,578.2	0.0	0.0	0.0
ROCE adj. (%)	-3.9	-8.6	-0.2	-	-	-
Income statement (CHF mn)						
Turnover	-37.5	-116.5	23.8	76.9	132.3	134.4
EBITDA	-75.2	-146.1	-2.6	51.7	107.1	109.3
EBITDA adj.	-75.2	-146.1	-2.6	51.7	107.1	109.3
EBIT	-75.2	-146.1	-2.6	51.7	107.1	109.3
EBIT adj.	-75.2	-146.1	-2.6	51.7	107.1	109.3
EBT	-78.0	-145.3	-0.5	51.7	107.1	109.3
Net profit after minorities	-78.0	-145.3	-0.5	51.7	107.1	109.3
Net profit adj.	-78.0	-145.3	-0.5	51.7	107.1	109.3
Balance sheet (CHF mn)						
Non-current assets	1,947	1,714	1,607	1,565	1,607	1,647
thereof goodwill	-	-	-	-	-	-
Current assets	225	232	205	217	225	239
Total assets	2,172	1,946	1,813	1,813	1,864	1,916
Shareholders' equity	1,982	1,765	1,693	1,694	1,744	1,797
Total equity and liabilities	2,172	1,946	1,813	1,813	1,864	1,916
Net debt	-75	-83	-104	-117	-126	-139
Cash flow (CHF mn)						
Cash flow from operations	-167.1	-29.5	-25.6	-25.1	-25.1	-25.1
of which change in working capital	0.1	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	13.7	118.7	118.5	90.0	90.0	95.0
of which investment in fixed assets	-	-	-	-	-	-
Free cash flow	-153.4	89.1	92.9	64.9	64.9	69.9
Dividends paid	-87.0	-67.2	-51.7	-49.4	-54.5	-54.5
Cash flow from financing activities	-42.7	-74.3	-122.3	0.0	0.0	0.0
Change in cash position	-205.5	8.4	-28.6	13.5	0.0	0.0

Source: Company data, Baader Helvea Equity Research

HBM Healthcare Investments**Disclaimer****Baader Bank AG, Weißenstephaner Strasse 4, 85716 Unterschleißheim, Germany****Baader Helvea AG, Freigutstrasse 12, 8002 Zurich, Switzerland****Baader Helvea Limited, 5 Royal Exchange Buildings, London EC3V 3NL, United Kingdom**

Baader Bank AG is the parent company of Baader Helvea AG and/or Baader Helvea Limited. Baader Bank AG, Baader Helvea AG and Baader Helvea Limited are collectively referred to as “**Baader Helvea Group Europe Companies**” below, and each of them is referred to separately as a “**Baader Helvea Group Europe Company**”. Baader Bank AG and its subsidiaries and affiliates, including Baader Helvea AG and Baader Helvea Limited, are collectively referred to below as the “**Group Companies**”.

The information set forth in this document has been diligently compiled by Baader Bank AG and is partially based on publicly available sources and data supplied by third parties (including data supplied by AlphaValue S.A., a cooperation partner of Baader Bank AG) believed to be reliable. Baader Bank AG does not warrant the accuracy or completeness of such information.

All estimates and opinions included herein represent the independent judgment of the analyst(s) named in the Research Document as of the date of publication of this Research Document.

This Research Document was completed at 10:24 AM (CEST) on 19-07-2024.

The relevant Baader Helvea Group Europe Company reserves the right to modify the views expressed herein at any time without notice and the right not to update this information and to discontinue coverage of the company that is the subject of this Research Document without notice. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. Neither the Group Companies, any of their authorized representatives or employees nor any other person accepts any liability whatsoever for any loss arising from any use of this Research Document or its contents or otherwise arising in connection therewith.

Please note the information on the preparation of this document, the important notice, the advice regarding possible conflicts of interests, and the mandatory information required by Art. 20 of the Regulation (EU) No 596/2014 of 16 April 2014 and the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 and pursuant to Art. 34, 36 and 37 of the Commission Delegated Regulation (EU) No 2017/565 of 25 April 2016 and other applicable rules under https://www.baaderbank.de/disclaimer_research.html.

Baader Bank AG is a stock corporation (*Aktiengesellschaft*) organized under the laws of the Federal Republic of Germany with its principal place of business in Unterschleißheim. It is registered with the District Court (*Amtsgericht*) in Munich under No. HRB 121537 and supervised by the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*), Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main and Graurheindorfer Strasse 108, 53117 Bonn. The value added tax identification number of Baader Bank AG is DE 114123893.

A list of all of our Research Documents on any financial instrument or issuer that were disseminated during the preceding 12-month period is available to our clients under https://www.baaderbank.de/disclaimer_research.html.

Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency Target price	Closing price as of	Analyst
---------	------	--------	-----------------------	---------------------	---------

HBM Healthcare Investments

Contacts

Volker Bosse, CEFA

Head of Research
+49 89 5150 1815
volker.bosse@baaderbank.de

Markus Mayer

Head of Capital Markets
+49 89 5150 1818
markus.mayer@baaderbank.de

EQUITY RESEARCH**Capital Goods**

Capital Goods (Switzerland)	Michael Roost	+41 43 388 9261	mroost@helvea.com
Capital Goods (Switzerland)	Zana Mamelli	+41 43 388 9215	zmamelli@helvea.com
Capital Goods (Switzerland)	Rene Rückert	+49 89 5150 1896	rene.rueckert@baaderbank.de
Capital Goods	Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
Capital Goods (Germany)	Peter Rothenaicher	+49 89 5150 1817	peter.rothenaicher@baaderbank.de

Chemicals

Konstantin Wiechert	+41 43 388 9213	kwiechert@helvea.com
Leonildo Delgado, PhD	+41 43 388 9226	ldelgado@helvea.com
Thomas Meyer	+41 43 388 9265	tmeyer@helvea.com

Consumer

Consumer Durables / Food Retail / Non-Food Retail	Volker Bosse, CEFA	+49 89 5150 1815	volker.bosse@baaderbank.de
Food & Beverages	Andreas von Arx	+41 43 388 9257	avonarx@helvea.com

Financial Services

Gerhard Schwarz, CEFA	+49 89 5150 1812	gerhard.schwarz@baaderbank.de
Andreas von Arx	+41 43 388 9257	avonarx@helvea.com

Metals & Mining

Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
----------------------	------------------	------------------------------

Pharma

Leonildo Delgado, PhD	+41 43 388 9226	ldelgado@helvea.com
Konstantin Wiechert	+41 43 388 9213	kwiechert@helvea.com
Thomas Meyer	+41 43 388 9265	tmeyer@helvea.com

Real Estate

Andre Remke, CFA Co-Head Equity Research	+49 89 5150 1816	andre.remke@baaderbank.de
Andreas von Arx	+41 43 388 9257	avonarx@helvea.com

Technology

Software / IT Services / Support Services	Knut Woller, CEFA	+49 89 5150 1807	knut.woller@baaderbank.de
---	-------------------	------------------	---------------------------

Transport

Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
Andreas von Arx	+41 43 388 9257	avonarx@helvea.com

Utilities

Andreas von Arx	+41 43 388 9257	avonarx@helvea.com
Rene Rückert	+49 89 5150 1896	rene.rueckert@baaderbank.de

EQUITY STRATEGY

Gerhard Schwarz, CEFA Head of Equity Strategy	+49 89 5150 1812	gerhard.schwarz@baaderbank.de
--	------------------	-------------------------------

EQUITY SALES

Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
Zurich	+41 43 388 9200

DERIVATIVES SALES

Munich	+49 89 5150 1990
--------	------------------

EQUITY SALES TRADING

Frankfurt	+49 69 1388 1355
London	+44 20 7054 7100
Munich	+49 89 5150 1870
New York	+1 212 935 5150
Zurich	+41 43 388 9200

For North American clients:

New York	+1 212 935 5150
----------	-----------------

PUBLICATION ADDRESSES

Baader Bank AG
Equity Research
Weißenstephaner Strasse 4
85716 Unterschleißheim, Germany
T +49 89 5150 1810

Baader Helvea AG
Equity Research
Freigutstrasse 12
8002 Zurich, Switzerland
T +41 43 388 9250