

21 October 2024

HBM Healthcare Investments

Switzerland

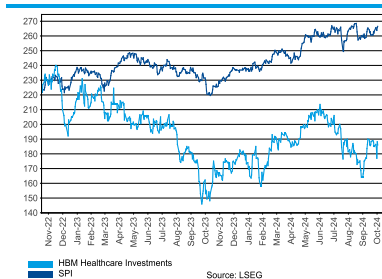
Other Financials

Reuters: HBMN.S Bloomberg: HBMN SE

Add

Closing price as of 18-Oct-24	CHF 186.00
Target price	CHF 236.00
High/Low (12M)	CHF 213.50/148.20
Market cap.	CHF mn 1,279
Enterprise value	CHF mn 1,161
Free float	82.9%
Avg. daily turnover	CHF mn 0.64

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	10.3	-6.1	0.4
rel. SMI	7.5	-6.9	-9.5
rel. STOXX Europe 600	8.3	-8.2	-4.6
rel. SXXP Financial Serv.	5.2	-14.4	-15.2

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Currency headwinds weigh on 2Q, but HBM delivers positive 1H24

Our conclusion

- HBM Healthcare Investments reported a net profit of **CHF 23mn** for the first half of FY24/25E, marking a **1.5% increase in NAV to CHF 244.34 per share**. These gains, however, mask a stark contrast between the two quarters. While the first quarter saw robust performance with a **CHF 26mn profit** and a **1.6% growth in NAV**, the second quarter recorded a **net loss of CHF -3mn** and a modest NAV decline of **0.1%**.
- The primary reason for this weaker second-quarter performance was the significant impact of **negative currency movements**, which amounted to a total drag of **CHF -89mn** across the portfolio. The private companies portfolio alone suffered **CHF -34mn** in currency-related losses, while the public companies portfolio was hit harder with **CHF -45mn** in losses due to adverse currency movements. In addition, the fund investments were not immune to these pressures, recording a further **CHF -10mn** in currency-driven losses. The appreciation of the Swiss franc, particularly against the US dollar, was a key factor in these declines, although HBM's partial hedging strategy softened some of the impact.

Facts & Analysis

- In terms of portfolio performance, private companies remained a bright spot. The sale of **Yellow Jersey Therapeutics** to Johnson & Johnson contributed **CHF 59mn** in gains, while **Swixx BioPharma** added another **CHF 26mn** thanks to its continued growth in sales and profitability. However, these gains were offset by losses in the public companies portfolio, particularly from **ALX Oncology (CHF -13mn)** and **ConnectRN (CHF -13mn)**. Public companies overall saw gains of **CHF 22mn** in 1H24 but were heavily affected by currency losses and specific company setbacks in the second quarter. Fund investments also underperformed, with a total decline of **CHF -17mn**, compounded by the aforementioned currency effects.
- Outlook: While HBM is likely facing another quarter with adverse FX result, the momentum is easing and the company's NAV is **poised for potential upside**, with **key clinical trial readouts** and **strategic transactions** expected from both public and private companies. This, coupled with an improving macroeconomic environment and attractive entry points due to the current **22.5% discount to NAV**, positions HBM well for future NAV and share price growth.

Reported key figures vs. our expectations

CHF mn	2023/24 Actual	1Q24/25 Actual	1H24/25 Actual	2024/25E Baader
Net results	-0.5	25.5	22.6	49.7
EPS (CHF)	-0.07	3.72	3.30	7.24
NAV per share (CHF)	248.10	252.07	244.34	245.44

Source: Company data, Baader Helvea Equity Research

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	15.1	8.7	8.5
EV/EBIT adj.	-451.8	22.4	10.8	10.4
P/E adj.	-	25.7	12.2	11.9

HBM Healthcare Investments

Key data

FY 31 Mär.	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	1,278.8	1,278.8	1,278.8
Enterprise value (CHF mn)	2,221.6	1,512.4	1,163.0	1,161.3	1,152.9	1,139.4
Valuation						
P/E adj. (x)	-	-	-	25.7	12.2	11.9
P/BV (x)	1.2	0.9	0.7	0.8	0.7	0.7
FCF/EV (%)	-6.9	5.9	8.0	5.6	5.6	6.1
FCF yield (%) (FCF/Mcap.)	-6.7	5.6	7.3	5.1	5.1	5.5
Dividend yield (%)	3.8	4.2	4.1	3.9	4.3	4.3
EV/Sales (x)	-59.2	-13.0	48.9	15.1	8.7	8.5
EV/EBITDA adj. (x)	-29.5	-10.4	-451.8	22.4	10.8	10.4
EV/EBIT adj. (x)	-29.5	-10.4	-451.8	22.4	10.8	10.4
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	-10622.2	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

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Company	Date	Rating	Currency Target price	Closing price as of	Analyst
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