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Ad hoc announcement pursuant to Art. 53 Listing Rules

HBM Healthcare Investments Quarterly Report December 2021

HBM Healthcare Investments generated a net profit of CHF 4 million in the reporting quarter ended 31 December 2021. For the first nine months of the 2021/2022 financial year, the net profit amounts to CHF 275 million. Although the biotech stock market in general declined, several portfolio companies announced operational successes, which resulted in higher valuations. With cash and cash equivalents of CHF 226 million, HBM Healthcare is well positioned for a market downturn and may benefit from buying opportunities at low valuations. Eight new investments in private companies complement the portfolio.

HBM Healthcare Investments closed the third quarter of the 2021/2022 financial year with a small net profit of CHF 4 million amid a bearish market environment, at least in the biotech sector. The net asset value per share (NAV) increased by 0.2 percent during the same period, while the share price declined by 0.3 percent.

This results in a profit of CHF 275 million for the first nine months of the financial year and an increase in the NAV of 12.8 percent.

Operational success as a basis for high valuations

The two private companies Swixx BioPharma and ConnectRN concluded financing rounds with new investors. Against the backdrop of the companies' very successful operational development, these led to an increase in the valuation of the two investments totalling CHF 72 million.

Swixx BioPharma announced the signing of an agreement for the exclusive distribution of Sanofi's prescription drugs in Eastern Europe. The company expects this to double its 2022 sales to over EUR 600 million and plans to expand its team to around 900 employees.

ConnectRN, the digital placement platform for nursing staff in the United States, increased its 2021 revenue organically by more than 240 percent and expects further growth in the current year.

Furthermore, BioShin, a Chinese subsidiary of listed Biohaven Pharmaceuticals, will be fully acquired by Biohaven as part of Biohaven's announced strategic partnership with Pfizer. Upon completion of the transaction, HBM Healthcare Investments will receive Biohaven shares equivalent to approximately USD 23 million in exchange for its USD 8 million investment in BioShin.

Valo Health announced that the merger agreement signed in June with Khosla Ventures Acquisition Co. has been terminated by mutual consent. Accordingly, the value of the investment was reduced back to the original cost value.

Cathay Biotech defies declining stock market

Among the public companies originating from the private companies' portfolio, the pleasing share price performance of the Chinese company Cathay Biotech stood out in particular. The market capitalisation of this leader in synthetic biology rose by almost a fifth to over CHF 11 billion in the quarter under review, thereby compensating for the considerable market-related decline in the share prices of the other public holdings originating from the portfolio of private companies.

A detailed analyst report highlighted the potential of Cathay Biotech's technology to use straw instead of corn starch as the renewable resource to manufacture its products in the future. Thereby, Cathay wants to avoid bottlenecks in the procurement of raw materials which are expected for the growing biomass industry. According to OECD estimates, at least 20 percent of the world's chemical products will be replaced by biomass products by 2030. This corresponds to a market volume of USD 800 billion, and synthetic biology is said to play a central role in this replacement process.

With a share of 27 percent, Cathay Biotech is by far the largest holding in HBM Healthcare's portfolio. As Cathay's shares will remain subject to a lock-up period for the next 20 months, they are valued at a discount of 9.75 percent to the current market price, in the amount of CHF 76 million. The percentage of the lock-up discount will be reduced on a straight-line basis over the remaining term of the lock-up period.

Among the other public companies, Argenx and ChemoCentryx each benefitted from an FDA market approval. Argenx was granted approval for VYVGART™ for the treatment of the chronic neuromuscular autoimmune disease myasthenia gravis, characterised by weakness and rapid fatigability of the skeletal muscles, and ChemoCentryx for TAVNEOS™ for the treatment of ANCA-associated vasculitis, an inflammatory disease of the blood vessels. Furthermore, additional value was added by the acquisition of Dicerna by Novo Nordisk.

Eight new investments in private companies

During the quarter under review, new investments totalling CHF 52 million were made in eight private companies. A further CHF 18 million was invested in current portfolio companies. Among the new investments, the US company Upstream Bio received an investment commitment of USD 20 million, of which a first tranche of USD 11 million was paid in. Upstream Bio is developing an antibody therapy for the treatment of severe asthma.

In addition, US company Acrivon Therapeutics received USD 8 million for the development of personalised oncology treatments; Mahzi Therapeutics, United States, USD 8 million, of which USD 4 million paid in, for the development of a gene therapy for the treatment of rare diseases; Ignis Therapeutics, China, USD 7 million, of which USD 4.2 million paid in, for the development of licensed therapies for the treatment of diseases of the central nervous system in China. Japanese company Aculys Pharma received USD 5 million for the development of Pitolisant for the treatment of narcolepsy for the Japanese market, and the Italian online pharmacy 1000Farmacie, Italy, EUR 4 million. Finally, the two US companies Freenome Holdings (blood test for the early detection of cancer) and Antiva Biosciences (topical therapies for the treatment of precancerous lesions caused by HPV) each received USD 3 million, of which in the case of Antiva USD 1.5 million paid in.

Outlook

The equity markets in the biotech sector continued to trend sharply downwards on the first trading days of the new year. The acquisition of the portfolio company Zogenix by UCB, announced this week, provides some confidence in addition to a cash inflow. With substantial cash and cash equivalents totalling CHF 226 million, HBM Healthcare Investments is well positioned for this market phase. As most portfolio companies are performing well operationally, as expected, there is no need to reduce exposure at unattractive prices.

Due to the large percentage share of Cathay Biotech in the portfolio, its share price performance will continue to have significant impact on the results of HBM Healthcare Investments. Cathay is profitable, operationally very successful and unswerving in implementing its long-term growth plans.

In the private companies' portfolio, various companies are about to close financing rounds, which should have a positive impact on the book value of the corresponding investments.

The portfolio thus remains attractive and well balanced in its composition with private and public companies.

The Quarterly Report December 2021 is available on the Company's website www.hbmhealthcare.com/en/investors/financial-reports.

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HBM Healthcare Investments

About HBM Healthcare Investments

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

Disclaimer

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