

Media Release

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Ad hoc announcement pursuant to Art. 53 LR

HBM Healthcare Investments Half-Year Report September 2022

HBM Healthcare Investments recorded a decrease in value of CHF 86 million in the second quarter of the 2022/2023 financial year ended 30 September. The net asset value per share (NAV) declined by 4.2 percent. For the first half of the financial year, the loss thus amounts to CHF 34 million, with a decline in NAV of 1.7 percent. The share price fell more sharply, by 16.2 percent, due to the negative market sentiment, and is currently trading at a significant discount to the net asset value. In comparison, the Nasdaq Biotech Index traded 3.1 percent lower and the MSCI World Health Care Index was down 7.7 percent.

In a declining market, the portfolio heavyweight Cathay Biotech in particular, posted a negative share price development. Four acquisitions and a strong US dollar supported the result. From an operational perspective, the portfolio's large holdings continued to be very successful. Moreover, the healthcare sector's fundamental factors also remained positive. Due to continuing market uncertainties, HBM Healthcare nevertheless acted cautiously and limited its investment activities to follow-on financing of private companies as well as selective profit-taking or additions in the portfolio of public companies. The hedging of one fifth of the US dollar currency risk remained in place. Thanks to a high level of cash and cash equivalents and a well-balanced portfolio, HBM Healthcare is well positioned for the current market environment.

Acquisitions support results, decline in Cathay Biotech share price weighs on results

The half-year result was significantly influenced by the holding in Cathay Biotech. The company's market capitalisation on the Shanghai Stock Exchange fell by slightly more than one fifth in line with the market trend. Due to the substantial weight of the investment in the portfolio, this burdened the result by CHF 91 million. However, the company, which is a leader in the growth market of synthetic biology, is debt-free, operates profitably and shows continuously increasing sales and profits. The investment in Cathay Biotech is subject to a lock-up period until mid-August 2023.

The other assets in the portfolio showed positive value growth of CHF 74 million in total. This was partly favoured by the strength of the US dollar against the Swiss franc, but also thanks

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to four acquisitions from the portfolio of public companies: Sierra Oncology, Biohaven Pharmaceuticals, Turning Point Therapeutics, and most recently ChemoCentryx.

ChemoCentryx received a USD 3.7 billion takeover offer from Amgen in August 2022. HBM Healthcare Investments had invested a total of CHF 28 million in ChemoCentryx since November 2019, generating a profit of CHF 26 million. CHF 21 million of this is attributable to the current financial year.

The other changes in value in the private companies' portfolio were roughly balanced in the first six months of the financial year. Mineralys Therapeutics closed a financing round at a higher valuation based on positive phase II trial results, which led to an appreciation of the investment of CHF 9 million. Value adjustments totalling CHF 11 million were necessary for various smaller investments.

High level of cash and cash equivalents

HBM Healthcare Investments made no new investments in private companies during the quarter under review. CHF 16 million was provided as follow-on financing to existing portfolio companies. Including the acquisition of Biohaven, which was completed after the balance sheet date at the beginning of October, HBM Healthcare Investments has cash and cash equivalents of CHF 227 million. The closing of the ChemoCentryx acquisition, also expected in the fourth calendar quarter, will increase cash and cash equivalents by a further CHF 38 million. HBM Healthcare Investments is thus well positioned for the current market environment.

In the portfolio of public companies, there were selective additions or profit-taking respectively on individual investments.

The portfolio remains well balanced. Half of the assets are invested in public companies, of which 30 percent come from the private companies' portfolio. Due to the completion of the Biohaven and ChemoCentryx acquisitions in the current quarter, the share of public companies will be reduced somewhat in favour of cash and cash equivalents. Private companies account for 32 percent, funds for 8 percent, cash and cash equivalents for 8 percent and other assets for 2 percent. A good fifth of the US dollar currency risk is hedged. An increase in currency hedging is being considered.

Outlook

The general global market environment continues to be strongly influenced by macroeconomic developments (inflation, rising interest rates, economic downturn) and the tense geopolitical situation, and accordingly remains volatile and fraught with uncertainty. HBM Healthcare Investments is prepared for this not to change in the short term and is acting with corresponding caution.

Regarding private companies, the focus remains mainly on financing existing portfolio companies. With regard to the public companies' portfolio, opportunities are exploited selectively to build up new positions or expand existing ones.

The fundamental factors favouring the healthcare sector and the Company's investment strategy have not changed. Various acquisitions this year confirm that small and medium-sized biotech companies with already approved drugs or innovative development programmes continue to be sought-after takeover targets for large pharmaceutical companies. Also, companies with promising trial data continue to see high investor demand at capital increases. These trends are likely to continue and contribute to improve the sector's market sentiment.

Many of the large holdings in the private companies' portfolio are developing very successfully operationally, which will translate into higher valuations over time. The largest position Swixx BioPharma is posting strong revenue and profit growth. This trend is likely to continue. Neurelis, the second largest position, is also seeing rising sales of its VALTOCO® nasal spray and should reach break-even soon. The digital healthcare platforms (ConnectRN, Tata 1mg, Fangzhou/Jianke) are growing strongly, though not yet profitably. In addition, Mineralys Therapeutics and other portfolio companies are making good progress in their clinical development programmes.

Several public companies have significant events coming up in the next six months. The most important approval decision concerns Y-mAbs Therapeutics: The US Food and Drug Administration (FDA) will decide in the fourth quarter whether to approve OMBLASTYS® (omburtamab) for the treatment of childhood cancer. Significant trial results are expected from Harmony Biosciences (phase II data for Prader-Willi syndrome) and Arcutis Biotherapeutics (phase III data for dermatitis).

Irrespective of external circumstances, HBM Healthcare Investments is confident about the operational development of its portfolio companies and expects to realise significant added value from its existing investments.

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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

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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).

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