

Media Release

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Ad hoc announcement pursuant to Art. 53 LR

HBM Healthcare Investments publishes Quarterly Report with key figures for the quarter ended 31 December 2022 and for the first nine months of the 2022/2023 financial year

- Quarter closes with loss of CHF 120 million, mainly due to currency developments. Hedging partially compensates for decline
- 9-month period closes with loss of CHF 155 million, mainly due to lower stock market valuation of the largest portfolio position
- Portfolio remains well balanced and the value creation potential intact
- High levels of cash and cash equivalents create financial latitude in volatile markets

Quarter under review marked by currency developments

HBM Healthcare Investments closed the third quarter of the 2022/2023 financial year as at the end of December 2022 with a loss of CHF 120 million. The net asset value per share (NAV) declined by 6.4 percent to CHF 253.59 during this period, and the share price fell by 9.3 percent to CHF 201.00.

Currency developments accounted for over two-thirds of this decrease in value: The US dollar depreciated by 6.3 percent against the Swiss franc in the 3-month period, the Chinese yuan by 3.4 percent. The currency hedge, which was slightly increased in October 2022, partially compensated for this decline. After the US dollar had dropped in mid-November, the hedge was closed. Overall, currency developments burdened the result in the quarter under review by around CHF 84 million.

9-month period influenced by market sentiment

A loss of CHF 155 million resulted for the first nine months of the 2022/2023 financial year. The NAV declined by 7.8 percent and the share price fell disproportionately by 23.7 percent.

In this 9-month period, the impact of foreign currencies of CHF 25 million on the result has been much less accentuated. Rather, the result for this period is mainly owed to the market-driven decline in the market capitalisation of the largest investment, Cathay Biotech (share price -21 percent).

HBM Healthcare Investments Ltd

Bundesplatz 1 CH-6300 Zug | Phone: +41 41 710 75 77 | info@hbmhealthcare.com | www.hbmhealthcare.com

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Most relevant market indices in the health sector also declined during this period. The broad-based MSCI World Health Care Index recorded a minus of 1.9 percent. In the biotech segment, large and mid-cap companies outperformed small caps: the Nasdaq Biotechnology Index (NBI) rose by 1.7 percent, while the SPDR S&P Biotech (XBI) declined by 7.7 percent.

Developments in the portfolio of private companies

The value of the portfolio of private companies decreased by a total of CHF 41 million in the quarter under review, of which CHF 28 million was due to currency developments.

The following events stood out:

- > Swixx Biopharma: With 2022 sales expected to jump to over EUR 700 million, the company returned part of its surplus liquidity to shareholders as a capital repayment. HBM Healthcare Investments recognised dividend income of CHF 10 million in its income statement.
- > Fangzhou, operator of the Chinese healthcare platform Jianke.com, is planning an IPO on the Hong Kong Stock Exchange and filed its prospectus in November. HBM Healthcare still values its investment in Fangzhou at cost, in line with its prudent valuation principles. A revaluation of the investment is being reviewed for the annual financial statements as at the end of March, as financing rounds have been concluded at higher valuations due to the company's good operating performance.
- > Acrivon Therapeutics, a US company active in personalised oncology, raised around USD 100 million in new capital via an IPO. At year end, the share closed around 8 percent below the issue price.
- > Value adjustments totalling CHF 15 million were made for various investments.

No new investments were made in private companies during the quarter under review. CHF 20 million went to existing portfolio companies as follow-on financing.

Developments in the portfolio of public companies

Public companies burdened the quarterly result with CHF 51 million, CHF 39 million of which was due to currency developments.

- > Y-mAbs Therapeutics suffered an unexpected setback. The US Food and Drug Administration (FDA) denied the company approval for omburtamab, an antibody therapy for the treatment of rare childhood cancers. The company's market value declined sharply as a result. Y-mAbs owns an approved drug, DANYELZA®, and is also developing other cancer therapies.
- > The strong share price performance of Harmony Biosciences largely compensated for the decline in Y-mAbs.

- > New investments were made or existing investments increased in Cytokinetics, Prometheus Biosciences, Cogent Biosciences, Natera, Travele Therapeutics, Vicore Pharma and Insmed.

Developments in the fund portfolio

The fund portfolio burdened the result in the quarter under review by CHF 20 million, CHF 11 million of which was due to currency developments.

In the quarter under review, investment commitments of CHF 6 million were called and CHF 2 million were repaid from realisations.

Asset allocation

The portfolio remains well balanced with a 43 percent share of public companies (of which 28 percent were formerly private companies), 32 percent private companies, 8 percent funds and 2 percent other assets.

Cash and cash equivalents increased by around CHF 122 million to CHF 282 million in the quarter under review due to the completion of the Biohaven and ChemoCentryx acquisitions as well as profit taking at Harmony Biosciences and sales of other public investments. Cash and cash equivalents now correspond to 15 percent of the portfolio.

Outlook

The biotech sector started the year strongly with the announcement of two billion-dollar acquisitions at prices well above those previously traded (Albireo Pharma and CinCor Pharma). HBM Healthcare is not invested in either company, but has comparably positioned, operationally successful private companies in its portfolio. Many of these portfolio companies have potential for an increase in value that is likely to materialise when the general market environment improves. In addition, there is potential for a countermovement in various public companies following the sometimes steep, mostly market-driven price losses.

Uncertainties remain regarding the impact on global economic growth of the rise in interest rates, higher energy prices and the geopolitical situation. HBM Healthcare continues to anticipate a volatile market environment. Nevertheless, HBM Healthcare Investments remains confident in its chosen investment strategy and considers the value potential of its portfolio to be intact for the coming years.

High levels of cash and cash equivalents continue to allow HBM Healthcare Investments to selectively increase existing positions and initiate new exposures.

The Quarterly Report December 2022 is available on the Company's website www.hbmhealthcare.com/en/investors/financial-reports.

Contact

For further information, please contact Dr Andreas Wicki on +41 41 710 75 77, or at andreas.wicki@hbmhealthcare.com

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).

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