

Media Release

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Ad hoc announcement pursuant to Art. 53 Listing Rules

## **HBM Healthcare Investments Half-year Report September 2021**

**HBM Healthcare Investments generated for the first half of the financial year from 1 April to 30 September 2021, a profit of CHF 271 million while NAV increased by 12.6 percent to CHF 335.64. The share price rose 6.0 percent to CHF 340.00.**

**The main drivers were positive changes in the value of private companies and of public companies originating from the portfolio of private companies, respectively. The investment in Cathay Biotech, which is subject to a lock-up period, increased to approximately 23 percent of total assets. Two new investments in private companies complement the portfolio. After profit-taking in public companies, cash and cash equivalents amount to around 10 percent of assets, thus offering scope for new investments and buying opportunities.**

Cathay Biotech achieved a particularly pleasing performance. The share price has doubled since the end of March, bringing the shareholding to around 23 percent of total assets. The company published convincing half-year figures and in mid-year announced the start of production of 1,5-diaminopentane and polyamides at its new plant in Wusu based on the biotechnological manufacturing process developed by Cathay using renewable resources. In addition, the company was included in the index of the fifty most important companies on the STAR Market of the Shanghai Stock Exchange. HBM Healthcare's investment in Cathay will remain subject to a lock-up period for a further two years, which is why the shareholding is valued at a discount of 11.3 percent to the market price. This lock-up discount will be reduced on a straight-line basis over the remaining term of the lock-up period.

Fund investments increased in value by CHF 17 million and also resulted in a net cash inflow of CHF 12 million: Repayments reached CHF 27 million while capital calls amounted to CHF 15 million.

Investments in various public companies resulted in a small profit of CHF 4 million amid a mixed market environment where the large biotech companies clearly outperformed the small- and mid-cap companies (NASDAQ Biotechnology Index + 7.1 percent vs. SPDR S&P Biotech ETF – 8.3 percent).

Hedging transactions contributed a total profit of over CHF 27 million (CHF 21 million from foreign currency transactions and CHF 6 million from general market hedging). Other assets reduced the result by CHF 5 million. The forward contracts that had expired during the last

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reporting quarter were only partially renewed, further reducing the level of currency hedging of the US dollar against the Swiss franc to just under 25 percent of the USD exposure.

## Two new investments in private companies

The acquisitions of Alydia Health by Organon and of a majority stake in 1mg by Tata Digital, for which the agreements had already been signed in March 2021, were completed in the past quarter. This resulted in a cash inflow of CHF 20 million. These proceeds were invested in two new private companies:

- > An investment commitment of USD 10 million (first tranche of USD 5 million paid in) was made to the US company Odyssey Therapeutics. Odyssey is developing a platform of novel antibodies (V-bodies) for the treatment of cancer and autoimmune diseases.
- > A further USD 10 million (first tranche of USD 2 million paid in) was awarded to the Chinese company C Ray Therapeutics. The company, which was founded last year, is aiming for a leading position in the Chinese healthcare market in the field of nuclear medicine.

In addition, around CHF 11 million were invested in existing portfolio companies as follow-on financing.

## Balanced portfolio

The past quarter was used for further profit-taking in public companies. As a result, cash and cash equivalents increased by CHF 51 million to CHF 245 million or around 10 percent of total assets at the end of September. This takes into account the par value repayment of CHF 87 million at the beginning of September. The closing of the acquisition of Trillium by Pfizer, expected in the coming weeks, should increase cash and cash equivalents by a further CHF 30 million.

HBM Healthcare Investments thus has sufficient scope to make further new investments in private companies and to seize opportunities to buy public companies in the event of a correction in valuations on the financial markets.

Of total assets, 61 percent are invested in public companies (of which Cathay Biotech accounts for more than one third), 19 percent in private companies, 9 percent in funds and 1 percent in other assets.

## Positive outlook

Various private portfolio companies are operationally very successful and hold considerable value potential. For example, Swixx BioPharma, the leading distribution partner for biotech and pharmaceutical companies in Central and Eastern Europe, expects continued strong revenue and profit growth in the coming years. ConnectRN, a digital placement platform for healthcare

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personnel in the United States, is benefiting from the prevailing shortage of skilled workers, expanding rapidly and posting high growth rates. Fangzhou, operator of the Chinese healthcare service platform Jianke.com, is also a winner of the digital transformation.

In the portfolio of public companies, important approval decisions by the US Food and Drug Administration (FDA) are due in the coming months for Argenx and Hutchmed China. In addition, a number of other companies are awaiting relevant trial results for various oncology programs, including the three formerly privately held companies BioAtla, ALX Oncology and SpringWorks. For companies such as Cathay Biotech, Harmony Biosciences, Biohaven and Pacira, however, investors are likely to focus primarily on further sales and profit developments.

The portfolio thus remains well balanced in all relevant dimensions (private and public companies, geographic regions, stages of development, areas of activity and therapy, sales vs. clinical development) and continues to be positioned for further value growth.

The Half-year Report September 2020 is available on the Company's website <https://www.hbmhealthcare.com/en/investors/financial-reports>.

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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 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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