

Media Release

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HBM Healthcare Investments Half-year Report September 2020

HBM Healthcare Investments maintained its strong performance in the second quarter of the 2020/2021 financial year, with four IPOs and three takeovers making a substantial contribution to its quarterly profit of CHF 215 million. This took the profit for the first six months to CHF 441 million, while net asset value increased by 30.5 percent and the HBMN share price climbed by 46.2 percent.

The healthcare sector continues to provide an attractive investment universe. HBM Healthcare invested CHF 80 million in private companies, including eight new investments in Switzerland, the United States, Israel and China. The market environment for IPOs and takeovers remains favourable, as indicated by first transactions after the reporting date. HBM Healthcare is confident about the outlook for the second half of the financial year.

Four IPOs and three company sales

The four IPOs of Cathay Biotech, Harmony Biosciences, ALX Oncology and iTeos Therapeutics unlocked added value from the portfolio of private companies and contributed CHF 229 million overall to the quarterly result. This equates to average growth of around 80 percent on the carrying values of these investments reported prior to going public.

The added value generated received an additional CHF 56 million boost in the reporting period from the sale of the three portfolio companies Forbuis, Immunomedics and Shriji Polymers.

In August, Bristol Myers Squibb acquired the private portfolio company Forbuis for an upfront payment and performance-based milestone payments. The upfront payment equated to a two-fold return on the capital invested by HBM Healthcare of CHF 8.5 million. In the event of a successful outcome, the milestone payments could additionally correspond to several times the invested capital.

The public portfolio company Immunomedics received a takeover offer of USD 21 billion from Gilead Sciences in September. Immunomedics was founded back in 1982,

making it one of the oldest biotechnology companies around. In spring 2020, after almost forty years of research and development and numerous setbacks, the company was granted first-time authorization for one of its in-house developed medications, Trodelvy™, which is used to treat patients with triple negative breast cancer. HBM Healthcare Investments acquired its first stake in Immunomedics in May 2017 and has generated around CHF 80 million from the investment over the years.

The shareholding in India-based company Shriji Polymers was sold to a group of investors in India for around twice the amount invested. The investment in Shriji was made in 2017 as a co-investment with Tata Capital HBM Healthcare Fund. The latter has sold its holding in Shriji too.

The USD 5 million investment in Complexa was written off in full due to unsatisfactory data from phase II studies. The company is in liquidation.

Eight new investments in private companies

The portfolio of private companies was bolstered by CHF 66 million in the past quarter with eight promising new investments. An additional CHF 14 million were invested in existing private portfolio companies as part of follow-up financings.

- Two new investments with a Swiss connection were made in Polyneuron Pharmaceuticals (CHF 10 million) and Monte Rosa Therapeutics (USD 10 million, USD 5 million paid in). Polyneuron was founded in 2014 as a spin-off of the University of Basel and is developing a cutting-edge therapy to treat antibody-mediated autoimmune diseases of the nervous system.

Monte Rosa was founded by Ridgeline, a research platform of Versant Ventures headquartered at the Technologiepark Basel. The company conducts research into medications aimed at the targeted degradation of pathogenic proteins.

- A total of USD 19 million has been allocated to two companies active in cancer research that are based in California, USA. BioAtla (USD 11.5 million) in San Diego develops novel monoclonal antibody and cell-based therapeutics. The two programmes run by BioAtla are in phase I/II clinical development to treat lung and skin cancer as well as soft tissue and bone tumours.

Dren Bio (USD 7.5 million, USD 3.7 million paid in) in Forster City is conducting pre-clinical studies into antibody-based therapies for LGL leukaemia and other cancers.

- The Israeli company NovellusDx (USD 9 million, USD 3.3 million paid in) is also involved in developing targeted cancer therapies. The company has created an automated high-throughput platform for the functional analysis of hundreds of observed mutations in cancer genes, and to investigate their driver status and their response to drug candidates. On this basis, NovellusDx is testing the non-V600 BRAF inhibitor PLX8394 in a phase I/II clinical trial. This candidate potentially inhibits the growth of mutant cancer cells.
- Three investments were made in Chinese companies: Connect Biopharma (USD 10 million), BioShin (USD 8 million) and NiKang Therapeutics (USD 5 million). Connect Biopharma develops next-generation immune modulators for the treatment of autoimmune diseases and inflammation. The most advanced global clinical studies to treat atopic dermatitis (a chronic inflammatory skin disorder) and ulcerative colitis (a chronic inflammatory bowel disease) are in phase II clinical development.

BioShin was founded in 2018 as a subsidiary of the Nasdaq-listed HBM portfolio company Biohaven (ticker: BHVN) for the purpose of developing and marketing in China its portfolio of therapies to treat disorders of the central nervous system (migraine and Alzheimer's Disease).

The holding in NiKang Therapeutics was acquired as a co-investment with C-Bridge Capital, the HBM portfolio fund that had founded NiKang. The company is conducting pre-clinical studies into an HIF2 inhibitor as a potential treatment for renal cancer.

Outlook

The power of innovation and the long-term growth prospects of the healthcare sector remain intact. This offers HBM Healthcare an attractive universe with very promising investment opportunities, while also favouring the market environment for takeovers and IPOs of innovative companies. The carefully compiled portfolio of private and public companies is ideally positioned to take advantage of this positive market climate.

For instance, at the beginning of October, just after the balance sheet date, two other private portfolio companies successfully went public: C4 Therapeutics in the United States and Everest Medicines in Hong Kong. Other companies are planning to follow suit. We also anticipate value-adding transactions from the portfolio of private companies through financing rounds and takeovers.

In the portfolio of public companies, Harmony Biosciences received approval from the US Food and Drug Administration (FDA) in mid-October for expanded use of Wakix™ for the indication of cataplexy. Y-mAbs Therapeutics is likewise facing an important regulatory milestone with approval for Danyelza™ for the treatment of neuroblastoma. Moreover, a number of other companies are waiting on important study results that could have a positive impact on our net asset value overall.

With that in mind, HBM Healthcare Investments enters the second half of the financial year with confidence, but remains cautiously positioned by hedging about ten percent of the market risk and around 70 percent of the USD currency risk due to geopolitical uncertainties (pandemic, US elections, Brexit, etc.).

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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