

Media Release

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HBM Healthcare Investments Quarterly Report June 2018

HBM Healthcare Investments got off to a strong start in the first quarter of the 2018/2019 financial year, generating a profit of CHF 66.6 million for the first three months to 30 June 2018. Net asset value (NAV) per share rose by 5.8 percent to CHF 170.50, while the share price advanced by 13 percent to CHF 157.20.

The portfolio remains well diversified and balanced. Thanks to a number of new investments in private companies, this allocation now accounts for 39 percent of net assets, while the proportion of public portfolio companies has fallen slightly to 57 percent (corresponding to 45 percent when the market hedge is taken into account). Management remains confident about prospects for the future.

A number of acquisitions, initial public offerings and financial transactions on the part of portfolio companies contributed to this pleasing profit for the quarter: Eli Lilly took over the public immuno-oncology company ARMO BioSciences (profit contribution for the quarter under review: CHF 22.3 million) for USD 1.6 billion. Prior to and during the IPO, HBM Healthcare Investments invested a total of USD 22 million in ARMO. This investment generated a total profit of USD 57 million.

The quarter also saw AveXis, which operates in the gene therapy field, acquired by Novartis (profit contribution for the quarter under review: CHF 8.5 million). HBM Healthcare Investments had invested a total of USD 14 million in the public company since 2016 and realised an aggregate profit of USD 17 million from its holding.

Meanwhile, private company Aptinyx completed a successful IPO (profit contribution for the quarter under review: CHF 13.8 million). HBM Healthcare Investments took an initial USD 6.5 million stake in Aptinyx in December 2017 and increased its holding by a further USD 2 million as part of the IPO.

The takeover of private company TandemLife (Cardiac Assist) by LivaNova was completed at the beginning of April. HBM Healthcare Investments received about CHF 24 million from the upfront payment.

In addition, the holding in private Indian company Sai Life Sciences performed very successfully (profit contribution for the quarter under review: CHF 10.6 million). A major US private equity investor acquired a significant stake from co-investors and will provide the company with further growth capital. HBM Healthcare Investments did not exercise its right to sell its stake and will instead participate in the financing for the company. The holding in Sai Life Sciences has therefore been revalued on the basis of the company's value following this transaction.

The 3.8 percent appreciation in the US dollar against the Swiss franc also had a positive effect on results for the quarter.

New investments in private companies

A capital commitment of USD 10 million was made to C-Bridge Capital during the quarter under review. C-Bridge is a private equity investor which specialises in the Chinese healthcare sector. In partnership with C-Bridge, HBM Healthcare Investments has made an initial direct investment of USD 3 million in Everest Medicines. Everest is developing a platform to licence compounds from abroad and distribute them in the Chinese healthcare market.

Additionally, a further four new investments were made in private companies:

- > The Irish company Sublimity Therapeutics will receive a total of EUR 8 million, the first tranche of which – EUR 3.5 million – has already been paid. The company is conducting clinical trials of an oral formulation for a compound to treat patients with ulcerative colitis, a chronic inflammation of the colon.

- > USD 4 million went to Corvidia Therapeutics, a spin-off of AstraZeneca that is based near Boston. Corvidia has an antibody to treat patients with chronic kidney disease in phase II clinical development.

- > An investment commitment totalling EUR 5 million was made to Belgian company iTeos Therapeutics. The first tranche of EUR 1.6 million has been paid to date. iTeos operates in the immuno-oncology field.

- > USD 5 million was invested in holding company Cure Everlife. USD 3 million of the total has been paid to date. Based in Singapore, Everlife is building a distribution platform for medical devices in south-east Asia.

Asset allocation

The new investments increase the share of the portfolio accounted for by private companies (including funds and milestone payments) slightly to 39 percent of net assets. The takeover of ARMO BioSciences meant that the share of net assets accounted for by public companies fell to 57 percent. About a fifth of this share remains hedged, further reducing the general market risk attached to public companies to 45 percent of net assets.

The portfolio thus displays a healthy balance between private and public companies with significant value-creation potential. In addition, HBM Healthcare Investments has sufficient liquidity to make new investments in private companies and to seize opportunities that arise in the public segment.

Outlook

Prospects remain largely unchanged. HBM Healthcare Investments expects the portfolio of private companies to generate further value over the next 18 months thanks to IPOs, trade sales and financing rounds. Further attractive new investments in private companies will also be finalised in the near future.

A number of potentially value-generating events – such as clinical study data and approval decisions – are expected for the portfolio of public companies. HBM Healthcare Investments expects these to have a positive overall effect on the Company's net asset value.

All in all, the portfolio is well positioned in the current market climate in terms of both its mix between private and public companies, and its geographical allocation in the USA, Europe and Asia.

The Quarterly Report June 2018 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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