

Media Release

Zug, 25 January 2019

**HBM Healthcare Investments Quarterly Report  
December 2018**

HBM Healthcare Investments withstood the market correction relatively well thanks to the partial hedge that the Company had in place, timely realisations from the portfolio of public companies to generate liquidity and the growth in the value of the portfolio of private companies. With a decline of 7.4 percent, the net asset value (NAV) per share contracted much less than comparable indices during the third quarter of the current financial year 2018/2019. Overall, HBM Healthcare Investments made a loss of CHF 96 million during the quarter under review.

Notwithstanding the negative result for the most recent quarter, the Company is showing a profit of CHF 81 million for the first nine months of the 2018/2019 financial year, with NAV up by 7.0 percent. The share price advanced by 12.8 percent during the same period.

**Positive trend among private companies**

A number of firms in the portfolio of private companies performed very well:

Neurelis filed for regulatory approval to the US FDA for VALTOCO™, a nasal spray for the treatment of acute epileptic seizures. Approval is expected in 2019. In addition, in November the company concluded a USD 55 million financing round with CMS Medical Ventures, as a new investor. HBM Healthcare Investments contributed USD 9.5 million to this financing arrangement, which led to a CHF 20 million increase of the value of the holding.

In December, 1mg – the leading digital healthcare platform in India – completed a financing round over the equivalent of CHF 70 million that was led by a Swiss investor group. HBM Healthcare Investments itself contributed CHF 5 million. Once again, this financing round resulted in the upward revaluation of the company, increasing the value of the existing investment by around CHF 8 million.

Meanwhile, in all of 2018, Swiss company Amicus concluded new agreements with 15 companies to license, market or represent products in central and eastern Europe. This rapidly-expanding firm generated sales of more than EUR 70 million in 2018, and

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is on course to raise turnover to over EUR 100 million in 2019. The holding in Amicus continues to be valued at cost in the portfolio.

Shortly before the end of 2018, Harmony Biosciences applied to the FDA for regulatory approval for Pitolisant for the US market. Pitolisant is a drug that is used to treat narcolepsy and cataplexy, and is already approved in Europe.

Cathay Industrial Biotech, the Chinese manufacturer of organically based materials from renewable resources, completed the first phase of construction of a new production facility in Xinjiang, which is now operational. The company is planning to invest a further USD 500 million in a second phase of construction to double the production capacity in Xinjiang.

## **New investments in private companies**

In addition to the follow-on financing rounds referred to above, the quarter under review brought new investments in four private companies:

- A total of CHF 15 million is being invested in two companies set up by the former scientific head and cofounder of Brahms, a very successful former HBM Healthcare Investments portfolio company. Both companies are based in Henningsdorf, Germany:
  - Diagnostics firm Sphingotec develops and markets the innovative penKid® and bio-ADM® biomarkers to predict, diagnose and monitor the treatment of acute kidney injuries, heart failure, and septic shock. An initial EUR 4.5 million tranche of a total of EUR 9 million has been paid in.
  - Andrenomed is conducting a phase II trial to test the adrecizumab antibody in the treatment of patients with septic shock. EUR 0.3 million in share capital has been paid in to date, with three further tranches to follow from early 2019 onwards. Andrenomed will receive a total of EUR 6 million.
- TP Therapeutics, an oncology firm based in San Diego, USA, received USD 10 million. In its most advanced development programme, the company is conducting a phase I/II trial of a kinase inhibitor for the targeted treatment of lung cancer.

- EUR 7 million is being invested in Danish company Galecto Biotech, with the first tranche – of EUR 3.2 million – already paid in. Galecto is conducting clinical trials of a compound to treat idiopathic pulmonary fibrosis.

## Outlook

The accelerated price drop on the financial markets was followed after Christmas by a counterreaction which continued into the first few weeks of the new year. The lower level of valuations has also prompted resurgent M&A activity in the healthcare sector in recent weeks, with GSK acquiring Tesaro, Bristol-Myers Squibb purchasing Celgene, and Eli Lilly buying Loxo Oncology. The buyers offered high purchase premiums in each case. The takeovers have restored market sentiment in the healthcare sector somewhat, which should benefit HBM Healthcare Investments.

That said, financial market volatility can be expected to remain high as we enter the new year. The primary reasons for this are political developments, signs that the global economy is slowing down, and the tighter monetary policy that is already in place in the United States and will affect Europe in the future. HBM Healthcare Investments will monitor these developments closely and, when necessary, increase the market hedge on a portion of our public portfolio once again – having closed out around two thirds of it owing to the sharp drop in share prices during the fourth quarter.

With a global portfolio of high quality private and public companies, as well as plenty of liquidity, the Company remains very well positioned even in the current market climate. HBM Healthcare Investments is confident that the investment strategy and the carefully crafted portfolio will continue to generate attractive added value, in the years to come.

The Quarterly Report December 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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