

Media Release

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## **HBM Healthcare Investments informs about the IPO of Cathay Biotech; Positive impact on the net asset value per HBM share (NAV) expected**

Cathay Biotech (Chinese name: 上海凯赛生物技术股份有限公司) (SSE STAR Market: 688065), a so far privately held company in the portfolio of HBM Healthcare Investments, today announced details of its initial public offering on the Chinese technology exchange in Shanghai ("SSE STAR Market").

The Company issues 41.66 million new shares to investors at an issue price of CNY 133.45 per share, raising a total of CNY 5.56 billion (CHF 721 million) of new capital. The first trading day of Cathay's shares is set for 12 August 2020.

HBM Healthcare Investments has been a shareholder of Cathay since 2006 and invested a total of CNY 282 million (CHF 37 million) in the company. To date, the investment has been valued at CNY 1.593 billion (CHF 207 million / CNY 53.80 per share). At the time of the IPO and based on the issue price of the new shares, HBM Healthcare Investments holds 29.6 million shares of Cathay with a total value of CNY 3.95 billion (CHF 512 million), which corresponds to an ownership interest of 7.1%.

### **Application of a "lock-up discount" for the valuation**

The Cathay shares held by HBM Healthcare Investments are subject to a sales restriction of 36 months ("lock-up period"). HBM Healthcare Investments will therefore value the investment in Cathay for financial reporting and periodic NAV publications at a discount to the market price. The discount was calculated using an option model and initially amounts to 18 percent. The percentage discount will be applied on the respective stock market price and is reduced on a linear basis over 36 months (0.5 percent per month), so that there is no longer a discount at the end of the lock-up period.

The capital gains tax of ten percent on the difference between the tax base and the reported market value, which may be owed in China upon the sale of the investment, as well as any other taxes, will continue to be accrued separately and taken into account in the NAV publications.

HBM Healthcare Investments expects the IPO of Cathay to have a positive effect on the net asset value per HBM share (NAV). Based on the issue price, after deduction of the lock-up discount and the tax provision, the NAV would increase by CHF 23.50 (+9.7%). The factored in lock-up discount corresponds to a value of CHF 10.15 per share. Cathay's share price may be subject to greater price fluctuations after the start of trading, which may have a corresponding impact on the NAV given the size of this investment in the portfolio of HBM Healthcare Investments.

## **Synthetic biology - a growth market with great potential for the future**

Cathay is a high-tech company focused on synthetic biology and other fields, engaged in the research, development, production and sale of new materials based on biological manufacturing processes. The company's currently marketed products mainly focus on the polyamide industry's value chain, i.e. biobased polyamide and raw materials that can be used for the production of biobased polyamide, including DC12 (lauric acid), DC13 (brassylic acid) and biobased 1,5-pentanediamine. Cathay is one of the world's leading companies using bioproduction of new materials on an industrial scale.

By polymerizing dibasic acid and diamine, polyamide can be produced, which can also be used as a synthetic raw material for perfume, hot melt adhesive, lubricating oil, paint, etc. Currently, Cathay's products are used in various fields such as automotives, electronic devices, textiles, medicines, perfumes, etc. Cathay's customers include DuPont, Ems Chemie, Evonik, Novo Nordisk and other internationally renowned companies.

The long-chain dibasic acids produced by Cathay have a dominant position on the world market. The company's biobased 1,5-pentanediamine (currently produced mainly for internal use; some are supplied to customers for the development of downstream applications) and polyamide products have completed pilot trials, and the commercial production line of the Wusu plant is currently being commissioned. It is expected that the commercial production of these products will solve the bottleneck problem of the domestic dual monomer polyamide industry, whose core raw materials depend on imports, and provide the market and customers with new materials from renewable biomass raw materials.

As a revolutionary production method, bio-production uses biomass as a raw material or biological methods for processing and converting materials and provides industrial goods for sustainable development. The production process is environmentally friendly, mild and economical. The future scope for development is very broad to

effectively address the excessive dependence of humans on traditional petrochemical and chemical products and the associated environmental pollution and safety risks.

Since the company's founding and after almost two decades of investment in research and development, Cathay has become a leading manufacturing platform for theoretical and technical methods of bioproduction and industrialization. The company has a research and development team in synthetic biology, cell technology, bioprocess engineering, polymer materials and engineering and holds more than hundred patents. With technological progress and continuous research into downstream applications, the innovation and further development of the company's products will lead to a continuous expansion of product application fields in the future. The company has a broad scope for growth.

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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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