

Media Release

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HBM Healthcare Investments Quarterly Report December 2019

In the third quarter of the 2019/2020 financial year, HBM Healthcare Investments achieved a net profit of CHF 163.2 million. As a result, for the first nine months of the 2019/2020 financial year, net profit rose to CHF 265.7 million, with an increase in net asset value per share (NAV) of 20.2 percent. The share price rose disproportionately by 36.3 percent, closing at CHF 222.50 at the end of December at a small premium to NAV.

The positive quarterly result is primarily based on the price gains of public investments. The private portfolio was further strengthened with a new investment in Arcutis Biotherapeutics as well as various follow-on financings. The outlook for the current calendar year is positive, as many portfolio companies have important IPOs, approval decisions and clinical data releases pending, each with considerable potential for value growth.

The public investments in HBM Healthcare Investments' portfolio recorded a strong increase in value of CHF 223 million in the quarter ended December 2019. Approximately one-third of this amount is attributable to former private companies, mainly Y-mAbs, Principia, TP Therapeutics, SpringWorks and Viela Bio, all of which went public in the past fifteen months and have since shown very encouraging performance. The value of private companies, funds and other financial assets fell slightly by CHF 25 million due to currency effects. Overall, the quarter saw a net profit of CHF 163.2 million.

Significant events in the quarter under review

Viela Bio and Galera Therapeutics from the private company portfolio completed an IPO in the quarter under review. Both companies subsequently recorded a positive share price performance and contributed approximately CHF 17 million to the quarterly profit.

At the beginning of December, Cathay Biotech submitted the prospectus for its intended IPO at the "Science and Technology Board" of the Shanghai Stock Exchange ("STAR Market") for review. Accordingly, the company achieved a turnover of almost

CNY 1.59 billion in the first 9 months of the 2019 financial year (2018 for 12 months: CNY 1.79 billion) and a net profit of approximately CNY 0.37 billion (2018 for 12 months: CNY 0.47 billion).

Among the public companies, the two investments in RA Pharma (acquired by UCB) and XBiotech (sale of the antibody "Bermekimab" to Johnson & Johnson) made a significant contribution to the quarterly profit, totalling CHF 29 million.

New investment in private companies

A new USD 15 million investment in Arcutis Biotherapeutics was added to the portfolio of private companies during the quarter. The company, based in Westlake Village, California, is active in the field of dermatology. The most advanced compound for the treatment of psoriasis is in phase III of clinical development. At the beginning of January 2020, the company announced its intention to go public on the US Nasdaq stock exchange.

In addition, a total of around CHF 11 million was invested in existing private companies as follow-on financing (Arrakis USD 5.6 million, Adrenomed EUR 1.4 million, Forbius CAD 2.5 million, Complexa USD 1.0 million and Neurelis USD 1.0 million).

Further new investments in private companies are at an advanced stage of the investment process and should be completed in the first quarter of the current year.

Outlook

After the balance sheet date, at the beginning of January the private company Neurelis received approval from the US Food and Drug Administration for Valtoco™, a nasal spray for the treatment of acute epilepsy seizures, and Apellis published positive phase III study results for the C3 inhibitor for the treatment of paroxysmal nocturnal hemoglobinuria (PNH), a life-threatening genetic blood disease.

For the calendar year 2020, HBM Healthcare Investments expects a continued lively flow of news due to approval decisions or important study data. Seven portfolio companies expect to receive marketing approval for the first drug they have developed:

> Y-mAbs for the two candidates "Naxitamab" and "Omburtamab" for the treatment of rare cancers in children;

> Viela Bio for the antibody "Inebilizumab" for the treatment of neuromyelitis optica spectrum disorder, a serious inflammation of the central nervous system, which typically affects the optic nerve and spinal cord;

- > Immunomedics for "Sacituzumab govitecan", an antibody-drug conjugate for the treatment of patients with metastatic triple-negative breast cancer;
- > Esperion for "Bempedoic acid" for the treatment of patients with elevated cholesterol levels who are resistant or intolerant to statins;
- > Galapagos for "Filgotinib" for the treatment of rheumatoid arthritis;
- > Biohaven for "Rimegepant" for the acute treatment of migraine;
- > Zogenix for "Fintepla" for the treatment of patients with Dravet syndrome.

In the first quarter, the privately-held company Adrenomed expects results from the 300-patient phase II study AdrenOSS-2 for the antibody "Adrecizumab" for the treatment of patients with acute septic shock. If the outcome is positive, the investment in Adrenomed could open up considerable value potential.

Further significant study results are also pending at the public companies Turning Point Therapeutics (lung cancer, phase II), ArgenX (myasthenia gravis, phase III), Biohaven (migraine prevention, phase III and various other studies for neurological diseases) and uniQure (haemophilia B, phase III).

Acquisitions are also likely to continue to play an important role in the healthcare sector and in some cases bring us corresponding added value. Besides Cathay and Arcutis, other companies from the portfolio are also aiming for an IPO.

The Quarterly Report December 2019 is available on the Company's website <https://www.hbmhealthcare.com/en/investors/financial-reports>.

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