

HBM Healthcare Investments

Top 10 holding Viela Bio to be taken out for \$3bn

HBM Healthcare Investments (HBMN) is set to receive \$92.75m through the takeover of portfolio holding Viela Bio by Horizon Therapeutics, a c 47% uplift on the value of the position at 31 December 2020 and a 53% premium to the closing share price on 31 January 2021. In our view, the takeover (which is expected to complete during the current quarter) further validates HBMN's private/public approach, with the price paid representing a c 4x return on the fund's initial pre-IPO investment of \$20m in Q219. Taking into account a further \$9.5m invested at Viela Bio's IPO in October 2019, the overall profit is c 220%. We calculate the value of the deal to represent an uplift of c 1.4% on HBMN's NAV per share.

Key takeaways

- First major portfolio news of 2021 builds on record of 10 IPOs and six takeovers in 9M21.
- Price paid represents almost 4x return on HBMN's initial investment in 2019.
- HBMN continues to back private and public companies developing innovative treatments for rare diseases, more of which may prove attractive takeover targets for larger biotech and pharma firms.

First major deal of 2021 for HBMN portfolio

Horizon Therapeutics, a Nasdaq-listed, Ireland-headquartered biopharmaceutical company focusing on rare and rheumatic diseases, announced on 1 February that it had agreed an all-cash takeover of HBMN portfolio company Viela Bio, valuing the firm at \$3.05bn. Viela Bio has an FDA-approved product for the treatment of the rare disease neuromyelitis optica spectrum disorder (NMOSD), as well as a promising pipeline of candidates in other autoimmune and inflammatory disorders. HBMN first bought into the company in Q219 when it was still private, adding a further \$9.5m to the \$20m initial investment at Viela Bio's Nasdaq IPO in October 2019. As a dual public and private equity strategy, HBMN tends to keep hold of its private investments after their stock market debuts; at 31 December 2020, nine of HBMN's top 10 listed investments had originated in the private portfolio.

The Viela Bio deal – which we calculate to have a c 1.4% positive impact on HBMN's NAV per share – is the first major deal in the portfolio in 2021, but builds on an extremely active first nine months of FY21 (ending 31 March), with 10 IPOs and six takeovers of portfolio companies. HBMN remains committed to its earlier-stage portfolio, with six new private investments in the last quarter of 2020 alone helping to replace those that have left the portfolio through acquisition or moved into the listed segment through IPO. At 31 December 2020, the overall portfolio was invested broadly as follows: 60% in listed equities (two-thirds of which began as private investments), 15% directly in private companies, 7% in private equity funds, and 15% in cash and equivalents. The management team continues to target a higher proportion in private companies, although given the high level of M&A and IPO activity, so far in FY21 the faster pace of private investment has only been sufficient to maintain the status quo.

Investment companies
Biotech and healthcare

4 February 2021

Price CHF318.00

Market cap CHF2,213.3m

AUM CHF2,033.3m

NAV* CHF292.14

Premium to NAV 8.9%

*Including income. At 31 January 2021.

Yield 2.4%

Shares in issue 7.0m

Code HBMN

Primary exchange SIX

AIC sector N/A

52-week high/low CHF318.0 CHF149.9

NAV* high/low CHF302.9 CHF202.2

*Including income.

Gearing

Net cash at 31 Dec 2020 7.0%

Fund objective

HBM Healthcare Investments (formerly HBM BioVentures, renamed in 2012) is a Swiss investment company that aims to generate long-term capital gains by investment in private and public companies in the human medicine, biotech, medtech and diagnostic sectors, and related areas. It invests worldwide, predominantly in later-stage private companies (either directly or through funds) and publicly listed holdings, many of which began as private equity investments.

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