

Bit Market Services

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Testo del comunicato

Vedi allegato.

Media release as of July 17, 2015

Interim report of BB Biotech AG as of June 30, 2015

Biotech sector weathers the market consolidation

Takeover activity produces strong gains for BB Biotech's portfolio in the second quarter of 2015

Biotech stocks advanced during the second quarter of 2015 despite the downward trend of the broader market. Whereas US markets treaded water and the DAX and the SMI indices both retreated during the quarter, the Nasdaq Biotech Index (NBI) bucked the trend and gained 7.5% in USD. BB Biotech performed even better as measured by its Net Asset Value, which rose by 9.2% in CHF, 9.3% in EUR and 13.6% in USD. Its shares could not brush aside the market volatility and ended the quarter down 7.3% in CHF and 7.0% in EUR. Most of the pleasing portfolio performance was fueled by investments in mid-cap stocks, which gained in the wake of ongoing M&A activity and successful product innovations. Net profit after tax for the second quarter amounted to CHF 337.4 mn. Adjustments to the portfolio in the second quarter were greater than normal due to the takeover of Synageva and the strong performance of Immunogen shares. Three new positions were opened – Alder Biopharmaceuticals, Juno Therapeutics and Kite Pharma. M&A will remain a key issue in the biotech sector going forward. Important regulatory approvals and late-stage trial data are expected during the second half of 2015.

The second quarter proved to be a difficult equity market, with Europe dominated by uncertainties around a potential Greece default as well as the US positioning for potential interest rate hikes by the US central bank. The US indices such as the Dow Jones, the S&P 500 and the Nasdaq 100 ended the second quarter unchanged while most European markets such as the German DAX Index or the Swiss Market Index SMI ended the same period in negative territory. The biotechnology sector once again outperformed other equity indices. The Nasdaq Biotech Index (NBI) continued its upward trend and gained 7.5% in USD.

BB Biotech's second quarter portfolio performance, measured as the Net Asset Value (NAV), was a solid gain of 9.2% in CHF, 9.3% in EUR and 13.6% in USD, outperforming the sector benchmark NBI. In contrast to the first quarter, BB Biotech's share price could not keep up with the portfolio and followed the European markets into negative territory. BB Biotech's share price lost 7.3% in CHF and 7.0% in EUR in the second quarter.

The continued strong portfolio performance of the second quarter led to a post-tax net profit of CHF 337.4 mn – compared to last year's gain of CHF 195.4 mn for the same period.

Six months 2015 performance

For the first six months of 2015, BB Biotech's total return for shareholders was a positive 21.5% in CHF, 38.7% in EUR and 29.1% in USD. For the same time period, the NAV gained 20.8% in CHF, 39.3% in EUR and 28.4% in USD, with all of these parameters including the cash distribution of CHF 11.60 per share.

The resulting net profit for the first half year amounts to CHF 716.8 mn – compared to a net profit of CHF 261.1 mn for the same period of the previous year. With the profits achieved in the second quarter, BB Biotech's assets grew to around CHF 4 bn by the end of June, reinforcing BB Biotech's position in Europe as the leading dedicated biotechnology investor.

BB Biotech continued its share repurchase program in the second quarter and bought back 43 150 shares of BB Biotech over the second trading line in days with down markets. Since the initiation of this share repurchase program 634 725 shares have so far been repurchased representing about a 54% completion rate. The cumulated cash returned to shareholders consisting of the cash distribution of CHF 11.60 per share in March as well as share repurchase activities over the first six months amounted to CHF 152.4 mn.

BB Biotech's portfolio continues its strong performance

The NAV performance in the second quarter of 2015 was mostly driven by upward revisions in BB Biotech's mid-cap companies. Continued take-over activities and progress on innovative products contributed the most. As already experienced in 2014, the 2015 first quarter financial results were mixed for the larger cap companies.

Celgene announced Q1 financials below market expectations whereas Gilead did beat estimates by a wide margin thanks to the strong performance of its HCV therapies.

The strongest portfolio contribution over the last three month was Synageva. Alexion announced in May to acquire Synageva for USD 8.4 bn, at more than double the value last paid on the stock market. Selling our entire Synageva position through the market, BB Biotech realized substantial profits of around CHF 115.4 mn and generated over CHF 222 mn in cash. Together with the Pharmacoclics take-out in March 2015, BB Biotech generated cash of around CHF 389 mn through M&A activity, being the major reason for holding around CHF 133 mn of cash by the end of June.

Positive extension data for abaloparatide-SC for the treatment of osteoporosis indicating a clinical benefit over Forteo was the main driver for Radius Health. Given its increased valuation on the stock market, Radius at the end of June belongs to the core holdings. Together with Agios, Incyte, Isis and Actelion, BB Biotech's core holdings consists of five mid-cap companies and two large-cap companies being Celgene and Gilead.

Clinical trial releases at this year's ASCO in June led to significant share price actions and portfolio adjustments. The valuation of Halozyne increased post the read-out for its ongoing PEG-PH20 pancreatic cancer study – showing a doubling of progression free survival and improved trend in overall survival, as well as better control of adverse events. Immunogen announced early stage ovarian cancer data for IMFG853 targeting the folate receptor. We used the significant positive stock market reaction to sell our entire holding post ASCO. Market expectations for neratinib data of Puma Biotechnology did clearly not hold up when presented. While initial press released data a year ago looked promising, the recent presented results indicated a smaller advantage over placebo. Scoring the percentage of women who were free of invasive disease, the neratinib group hit 93.9% compared to 91.6% in the placebo arm. The three-year data cut by the end of this year will be watched carefully if the margin of benefit is increasing.

More pronounced portfolio adjustments in the second quarter

Portfolio adjustments in the second quarter were more pronounced than normal given substantial cash generation through the Synageva take-out by Alexion. A second holding, Immunogen, was sold following positive early stage clinical data that lead to significant stock price appreciation.

The team continues to identify attractive mid-cap companies and initiated three new holdings in the second quarter. A new position was initiated in the central nervous system disease area with Alder Biopharmaceuticals and BB Biotech initiated two oncology holdings with Juno Therapeutics and Kite Pharma late in the second quarter.

Alder is developing an anti-CGRP antibody for the prevention of migraine attacks in patients suffering from moderate to severe migraine. Alder announced promising Phase II data upon a single intravenous infusion with one third of patients achieving a 75% reduction of migraine days from baseline and 16% achieving a 100% reduction of migraine days over a three months period compared to their baseline. The pivotal program is expected to start with an intravenous formulation in late 2015.

Juno and Kite are both leading companies in the CAR-T space. Both companies are developing novel cellular immunotherapies based on two platforms – chimeric antigen receptors (CARs) and T cell receptors (TCRs). Upon the genetic modification in the lab, engineered T cells carrying a novel recognition and effector element are re-infused into patients. If these T cells recognize CD19 positive cells, they are activated and multiplied and commence to effectively kill these CD19 surface labeled cells being hematological cells. Such genetically modified T cells were tested in late stage patients suffering from refractory acute lymphoblastic leukemia (ALL) and led to unprecedented tumor responses. With further investments into next generation technologies as well as manufacturing facilities, both companies strive to offer highly effective and commercially functional products for patients and the healthcare system.

Sector drivers and valuation considerations

Mergers and acquisitions continue to play an important role. In an environment of low interest rates, healthy cash balances, and groundbreaking innovation within smaller companies, the trend for product and pipeline acquisitions is continuing at high levels. Aside from the Synageva acquisition, other smaller and mid-cap

companies in BB Biotech's portfolio continue to be discussed actively as potential acquisition candidates. With its investment selection process focused on innovative product candidates in the smaller and mid-cap companies, BB Biotech is positioned for an increased exposure to such transactions. The team continues to see significant mid and longer term valuation upside if its investment hypothesis holds true.

Valuations in the large-cap space continue to be attractive, with 2016 PEs ranging from 10 times for Gilead to the high teens for Celgene, with Celgene at a very attractive PEG multiple below 1. With current equity markets in the small- and mid-cap space either adjusting for higher success rates or lower discount rates, many of the earlier stage companies are not fulfilling BB Biotech's investment criteria. BB Biotech therefore continues to remain selective in these market segments and will hold onto its investment policy/strategy to wait for proof of concept data prior to initial investments.

Many significant milestones until year end 2015

The second half of 2015 will prove to be of continued importance for both product approvals as well as read-outs for late stage clinical programs. Two important product approvals were already reached in early July. Vertex gained FDA approval for Orkambi (the combination of Lumacaftor and Ivacaftor) for the treatment of F508del cystic fibrosis patients and Gilead received regulatory approval in Japan for Harvoni allowing the company to expand its HCV franchise.

Key product approvals expected for BB Biotech's portfolio companies for the second half of 2015 include:

- Regeneron/Sanofi's Praluent for patients with hypercholesterolemia
- Tesaro's Rolapitant for treating chemotherapy induced nausea and vomiting
- Alexion's Asfotase Alpha for the treatment of Hypophosphatasia (HPP) and Sebelipase alpha (both Alexion) for treating patients with lysosomal acid lipase (LAL) deficiency
- Actelion's Uptravi for PAH patients
- Swedish Orphan Biovitrum's recombinant longer acting FVIII-Fc product for hemophilia A patients

Additionally, clinical trial data for PTC Therapeutics Ataluren for the treatment of Duchenne's muscular dystrophy, Tetrphase's Eravacycline for the treatment of complicated urinary tract infections, Cempra's Solithromycin for severe pneumonia, final data for Clovis' Olaparib for the treatment of ovarian cancer and Alder's ALD403 for chronic migraine are some of many pipeline catalysts within BB Biotech's portfolio universe.

The drug pricing debate, with Gilead's HCV drugs Sovaldi and Harvoni at the center of all discussions, has subsided somewhat in the public domain. BB Biotech expects further public debate upon the launch of new large drug classes addressing wide patient populations in a chronic setting. The PCSK9 antibodies such as Praluent from Regeneron/Sanofi and Repatha from Amgen will likely be the next targets in the pricing argument. BB Biotech strongly believes that differentiated and innovative drugs will continue to derive attractive price terms while offering patients, physicians, and the health care system significant clinical and pharmacoeconomic benefits.

The interim report as of June 30, 2015 is available on www.bbbiotech.com.

For further information:

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Company profile

BB Biotech invests in companies in the fast growing market of biotechnology and is one of the world's largest investors in this sector with CHF 4.0 billion in assets under management. BB Biotech is listed in Switzerland, Germany and Italy. Its investments are focused on listed companies that are developing and commercializing novel medical treatments and cures. BB Biotech's investment selection process is guided by the fundamental research and analysis of physicians and molecular biologists. Its Board of Directors has many years of experience in industry and science.

Disclaimer

This release contains forward-looking statements and expectations as well as assessments, beliefs and assumptions. Such statements are based on the current expectations of BB Biotech, its directors and officers, and are, therefore, subject to risks and uncertainties that may change over time. As actual developments may significantly differ, BB Biotech and its directors and officers accept no responsibility in that regard. All forward-looking statements included in this release are made only as of the date of this release and BB Biotech and its directors and officers assume no obligation to update any forward-looking statements as a result of new information, future events or other factors.

Composition of BB Biotech's portfolio as of June 30, 2015

(in % of securities, rounded values)

Celgene	9.8%
Incyte	9.3%
Isis Pharmaceuticals	8.1%
Gilead	7.6%
Actelion	7.2%
Radius Health	6.3%
Agios Pharmaceuticals	5.3%
Vertex Pharmaceuticals	3.9%
Neurocrine Biosciences	3.7%
Medivation	3.5%
Alexion Pharmaceuticals	3.3%
Halozyme Therapeutics	3.3%
Receptos	3.0%
Alnylam Pharmaceuticals	2.8%
Regeneron Pharmaceuticals	2.4%
Novo Nordisk	2.3%
Novavax	2.2%
Swedish Orphan Biovitrum	1.8%
Tetraphase Pharmaceuticals	1.7%
Alder Biopharmaceuticals	1.5%
Puma Biotechnology	1.5%
Cempra	1.4%
PTC Therapeutics	1.4%
Clovis Oncology	1.3%
Tesaro	1.3%
Intercept Pharmaceuticals	1.0%
Infinity Pharmaceuticals	0.7%
Probiobrug	0.6%
Juno Therapeutics	0.6%
Kite Pharma	0.5%
Achillion Pharmaceuticals	0.3%
Theravance	0.1%
Theravance Biopharma	0.1%
Radius Health Warrants, 23.04.2018	0.1%
Radius Health Warrants, 19.02.2019	0.1%
Merck & Co Inc Contingent Value Rights – ex Trius/Cubist	0.0%
Total securities	CHF 3 927.5 mn
Other assets	CHF 141.8 mn
Other payables	CHF (33.2) mn
Total shareholders' equity	CHF 4 036.1 mn
Treasury shares (in % of company) ¹⁾	6.1%

1) Corresponds to the total of all own shares held including the second trading line

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