

# Bit Market Services

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| Informazione<br>Regolamentata n.<br>0472-6-2017 | Data/Ora Ricezione<br>20 Gennaio 2017<br>09:42:43 | MTA - Star |
|---|---|------------|

Societa' : BB BIOTECH

Identificativo : 84120

Informazione  
Regolamentata

Nome utilizzatore : BIOTECHNSS01 - Alderuccio

Tipologia : IRAG 01

Data/Ora Ricezione : 20 Gennaio 2017 09:42:43

Data/Ora Inizio : 20 Gennaio 2017 09:57:44

Diffusione presunta

Oggetto : Portfolio of BB Biotech AG as of December  
31, 2016

*Testo del comunicato*

Vedi allegato.

Media release as of January 20, 2017

Portfolio of BB Biotech AG as of December 31, 2016

## **BB Biotech weathers a challenging past year – portfolio performs well in the volatile fourth quarter of 2016**

**5% dividend yield maintained – BB Biotech management is very confident about the sector's prospects in 2017**

With a total return of 0.3% in CHF and 1.9% in EUR, BB Biotech weathered the storm of a challenging 2016 for biotechnology investors. Share price performance was substantially influenced by the discount resolution. The portfolio closed the year at -19.1% in CHF, at -17.6% in EUR and -20.6% in USD – slightly ahead of the Nasdaq Biotech Index. The fourth quarter 2016 was buffeted by initial positive moves following the US presidential election before the focus turned back to the topic of healthcare costs and drug price inflation. Despite all this, BB Biotech continued to strengthen its market position and is proposing a regular dividend of CHF 2.75 per share.

### **The US presidential election added to the volatility in the biotech equity markets**

While broad benchmarks extended 2016 gains in the fourth quarter, the Nasdaq Biotech Index (NBI) lost ground in the same period. gyrations before and immediately after the US presidential election led to market volatility and the year closed with large cap biotechnology companies trading close to an all-time price/earnings multiple low, mid caps and small caps suffering even more value depreciation. None of these events bore any relationship to technology or company fundamentals.

The fourth quarter reflected the whole of 2016. Fourth quarter total returns for the NBI was -8.3% vs the S&P 500 at +3.8% and the Dow Jones Index at +8.7%. Full year 2016 total returns looked similar, with the Nasdaq Biotech Index (NBI) closing at -21.3%, the S&P 500 Index at +11.9% and the Dow Jones Index at +16.5% (in USD).

### **BB Biotech's development in the fourth quarter and FY 2016**

BB Biotech's share price rebounded in the fourth quarter (+ 10.4% in CHF, +12.8% in EUR and +5.5% in USD). This was driven by a combination of US dollar appreciation and discount resolution. For the full year 2016, BB Biotech's total return was +0.3% in CHF, +1.9% in EUR and -1.4% in USD.

During the fourth quarter of 2016, the portfolio (-0.8% in CHF, +1.4% in EUR and -5.5% in USD) showed less decline than the NBI. For the full year, the portfolio total return was -19.1% in CHF, -17.6% in EUR and -20.6% in USD. Consolidated but not yet audited fourth quarter data for BB Biotech record a net loss of CHF 24 mn versus last year's quarter gain of CHF 511 mn. Consolidated but not yet audited full year 2016 data, showed a net loss of CHF 802 mn versus a full year net profit of CHF 653 mn for 2015.

### **A proposed dividend of CHF 2.75 per share**

The Board of Directors will propose a regular dividend of CHF 2.75 per share at the general assembly on 16 March 2017. This is consistent with a 5% dividend yield applied to the average share price in December 2016, as described in the dividend policy introduced in 2013.

### **Portfolio adjustments in the fourth quarter**

In the fourth quarter, the position in Actelion was trimmed as the shares showed strong price performance associated with the Johnson & Johnson interactions. In the large cap holdings, positions in Alexion and Novo Nordisk were increased. Positions in smaller cap companies such as Intra-Cellular, MacroGenics, Juno and Agios were also increased. Shareholdings in Cempra were sold following the disappointing FDA advisory panel which discussed Solithromycin's liver toxicity. The company subsequently received a complete response letter. A position was opened in Myovant, a company developing the GnRH receptor antagonist, Relugolix for endometriosis, uterine fibroids and advanced prostate cancer.

### **Outlook – exciting 2017 as storms subside**

2017 will bring an acceleration of important product approvals and milestone read-for the industry and BB Biotech's portfolio. The launch of Spinraza for SMA patients, Niraparib for ovarian cancer patients and targeted cell-based cancer therapies are key examples in BB Biotech's portfolio.

With biotechnology valuations at very attractive levels, more acquisitions by large players, including pharmaceutical firms, are expected. Actions of the incoming presidential administration in the US may accelerate this likely trend – and BB Biotech expects investors to follow suit. Repeal and rework of the Affordable Care Act (ACA) will be front and center throughout the year, and there may be choppy reactions to possible drug price controls or moderation in the US.

Despite these transitional events which will be attentively followed as always, BB Biotech remains strongly convinced that the future of the biotechnology industry is bright. The sector will further demonstrate its strength as a source of innovation – and notwithstanding short-term uncertainties from political changes, the Investment Team believes these sources will be converted into substantial value for patients, care providers, the healthcare system at large and, of course, investors which includes BB Biotech shareholders. BB Biotech looks forward to an exciting 2017 and remains dedicated to finding, analyzing and investing in leading-edge biotechnology firms with exciting news flow and robust growth prospects.

The complete annual report as of December 31, 2016 will be published on **February 17, 2017**.

### **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. 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 December 31, 2016

(in % of securities, rounded values)

|  |                       |
|--|-----------------------|
| Celgene  | 12.7%                 |
| Incyte   | 12.4%                 |
| Ionis Pharmaceuticals                                    | 10.5%                 |
| Actelion   | 8.1%                  |
| Gilead   | 6.3%                  |
| Radius Health  | 5.3%                  |
| Alexion Pharmaceuticals                                  | 4.8%                  |
| Tesaro   | 4.2%                  |
| Neurocrine Biosciences                                   | 3.9%                  |
| Agios Pharmaceuticals                                    | 3.7%                  |
| Novo Nordisk   | 3.5%                  |
| Vertex Pharmaceuticals                                   | 3.3%                  |
| Regeneron Pharmaceuticals                                | 2.9%                  |
| Halozyne Therapeutics                                    | 2.4%                  |
| Swedish Orphan Biovitrum                                 | 1.7%                  |
| Sage Therapeutics  | 1.7%                  |
| Alnylam Pharmaceuticals                                  | 1.4%                  |
| Myovant Sciences   | 1.3%                  |
| Macrogenics  | 1.2%                  |
| Kite Pharma  | 1.1%                  |
| Juno Therapeutics  | 1.1%                  |
| Alder Biopharmaceuticals                                 | 1.1%                  |
| Intercept Pharmaceuticals                                | 0.9%                  |
| Intra-Cellular Therapies                                 | 0.8%                  |
| Probiodrug   | 0.6%                  |
| Prothena Corp.   | 0.5%                  |
| AveXis   | 0.5%                  |
| Esperion Therapeutics                                    | 0.5%                  |
| Cidara Therapeutics                                      | 0.3%                  |
| Novavax  | 0.3%                  |
| PTC Therapeutics   | 0.2%                  |
| Puma Biotechnology                                       | 0.2%                  |
| Achillion Pharmaceuticals                                | 0.2%                  |
| Radius Health warrants 04/23/2018                        | 0.1%                  |
| Radius Health warrants 02/19/2019                        | 0.1%                  |
| Merck & Co Inc Contingent Value Rights – ex Trius/Cubist | 0.0%                  |
| <b>Total securities</b>                                  | <b>CHF 3 205.9 mn</b> |
| Other assets   | CHF 20.4 mn           |
| Other payables   | CHF (223.2) mn        |
| <b>Total shareholders' equity</b>                        | <b>CHF 3 003.0 mn</b> |
| Treasury shares (in % of company) <sup>1)</sup>          | 0.0%                  |

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

Fine Comunicato n.0472-6

Numero di Pagine: 5