



SPAFID CONNECT

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Diffusione presunta

Oggetto : Interim report of BB Biotech AG as at
September 30, 2019

Testo del comunicato

Vedi allegato.

Media release as of October 18, 2019

Interim report of BB Biotech AG as at September 30, 2019

Political factors weigh on biotech equity markets

After trending higher during the first half of the year, healthcare markets reversed direction in the third quarter. The MSCI World Healthcare Index retreated 1.1% and the Nasdaq Biotech Index shed 8.6%. BB Biotech was unable to shrug off the general headwinds and its shares ended the quarter 8.9% lower (all performance data in USD). Primary election campaigns in the US pressured the sector given all the talk of government intervention to lower drug prices. Similar trends had already been observed prior to the 2016 presidential election. Cash outflows from biotech investment funds continue to be balanced by inflows from M&A transactions. The FDA's stated commitment to promoting innovation and shortening regulatory pathways has been supportive.

YTD performance still positive despite Q3 2019 setback

BB Biotech's stock price declined by 6.9% in CHF and 4.7% in EUR, while Net Asset Value fell 11.6% in CHF and 9.8% in EUR. Its net loss for the third quarter was CHF 382 mn, compared to a net profit of CHF 242 mn for the same period in 2018. Year to date, however, BB Biotech shares are still in positive territory. The nine-month total return of 10.0% in CHF and 13.7% in EUR and corresponding increase in Net Asset Value of 5.0% in CHF and 8.8% in EUR reflect the strong first-quarter performance. Net profit for the first nine months amounted to CHF 172 mn, matching the figure reported for the prior-year period.

Portfolio highlights for the third quarter 2019

Several portfolio companies delivered solid second-quarter results, including Neurocrine and Alnylam. Radius and G1 Therapeutics reported favorable pipeline events while the licensing partners from Alnylam and Ionis announced positive data from registration-enabling clinical trials. The Medicines Company, development partner for Alnylam's inclisiran, presented excellent Phase III data for patients with high LDL-cholesterol levels. Akcea, a subsidiary of Ionis, announced positive results for volanesorsen in patients with familial partial lipodystrophy (FPL). Quarterly results from Myovant and Akcea were less impressive, a consequence of poor management decisions. Need for capital is holding back some R&D-intensive companies such as Agios.

New portfolio position

The rebalancing of BB Biotech's portfolio toward next-generation smaller and mid caps has largely been completed. Only one new position was opened during the third quarter. Market volatility was used to realize further profits in Celgene, Gilead and Neurocrine. Some of the proceeds were invested in Arvinas, a new portfolio position, and in existing smaller and mid cap portfolio companies that are trading substantially below fair value.

Arvinas is a biopharmaceutical company focused on developing first-in-class protein degradation therapeutics for cancers and other difficult-to-treat diseases.

Positions in Intra-Cellular and Myovant and the oncology companies Agios, Nektar and Macrogenics were increased. The Investment Team also repurchased some of the shares of Ionis which it had sold at substantially higher levels in the first quarter 2019. Adjusting for positions to be sold near term, the end of third quarter investment level of 112% resides de facto closer to 105%.

Outlook up to early 2020

BB Biotech expects portfolio companies to report substantial pipeline progress during the fourth quarter. Attention here will be focused on Sage, Halozyme, Myovant, Myokardia, Homology, Crispr Therapeutics and Incyte. Regulatory approval is expected for Intra-Cellular's lumateperone and Alexion's ultomiris.

The Investment Team will closely monitor the increasing valuation gaps between biotechnology and other sectors of the healthcare industry and the broader stock market. BB Biotech believes the significant scientific, medical and

commercial progress the biotechnology sector is making will continue to provide attractive investment opportunities for the benefit of the shareholders.

Political and policy wrangling will continue to have a considerable impact – particularly with respect to drug pricing and reimbursement. The numerous trade conflicts between the US and its trade partners and the 2020 US presidential election race will both remain front and center. Pricing legislation, healthcare policies and possible executive orders will remain of interest – even though some aspects may turn out to be just electioneering rhetoric.

BB Biotech will continue to monitor the short-term gyrations on Wall Street and eschew risky strategies that follow momentum more than fundamental approaches to investment in biotechnology. The Investment Team will remain focused on authentic innovation, value for patients and payers, and real-world valuation methodologies to pinpoint investment targets that offer attractive returns over the long term.

The interim report for the period ended September 30, 2019 can be downloaded at www.bbbiotech.com.

For further information:

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Company profile

BB Biotech AG invests in companies in the fast growing market of biotechnology and is one of the world's largest investors in this sector. BB Biotech AG 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 AG'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 AG, 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 AG 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 AG 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 AG's portfolio as at September 30, 2019

(in % of securities, rounded values)

Ionis Pharmaceuticals	14.8%
Neurocrine Biosciences	9.0%
Incyte	8.2%
Vertex Pharmaceuticals	6.7%
Sage Therapeutics	5.6%
Radius Health	5.4%
Anylam Pharmaceuticals	4.2%
Esperion Therapeutics	4.1%
Alexion Pharmaceuticals	4.0%
Halozyme Therapeutics	3.8%
Agios Pharmaceuticals	3.6%
Argenx SE	3.4%
Celgene	3.3%
Moderna	2.4%
Myokardia	2.0%
Macrogenics	1.6%
Alder Biopharmaceuticals	1.6%
Exelixis	1.6%
Intercept Pharmaceuticals	1.4%
Voyager Therapeutics	1.4%
Nektar Therapeutics	1.4%
Audentes Therapeutics	1.2%
Akcea Therapeutics	1.2%
Crispr Therapeutics	1.0%
Sangamo Therapeutics	1.0%
Wave Life Sciences	1.0%
Homology Medicines	0.9%
Gilead	0.9%
Myovant Sciences	0.8%
Scholar Rock Holding	0.6%
Intra-Cellular Therapies	0.6%
Arvinas	0.5%
G1 Therapeutics	0.5%
Cidara Therapeutics	0.1%
Kezar Life Sciences	0.1%

Total securities **CHF 3 224.8 mn**

Other assets CHF 9.6 mn

Other payables CHF (346.6) mn

Net Asset Value **CHF 2 887.8 mn**

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