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Oggetto : Portfolio of BB Biotech AG as of December
31, 2019

Testo del comunicato

Vedi allegato.

Media release as of January 17, 2020

Portfolio of BB Biotech AG as of December 31, 2019

BB Biotech benefits from M&A transactions – dividend of CHF 3.40 proposed

BB Biotech performed well in 2019 in a generally favorable market environment. The biotech sector made significant strides, with improving fundamentals driving M&A activity and generating a solid performance as the year came to a close. Alone in the fourth quarter, the portfolio gain for BB Biotech was 17.5% in CHF, 17.7% in EUR and 21.1% in USD – reflecting a net gain of CHF 505 mn. During the same period, the share price gained 7.7% in CHF and 8.5% in EUR. The investment team continued the process of realigning the portfolio that was initiated in 2018 to capture the sector’s future growth opportunities. BB Biotech exited four holdings and added one new holding in the last three months of 2019. For the full year, total share return was 18.5% in CHF and 23.4% in EUR, slightly behind the portfolio performance of 23.4% in CHF, 28.1% in EUR and 25.1% in USD. The net gain for BB Biotech in 2019 was CHF 677 mn. In line with the stated dividend policy of past years, the Board of Directors’ dividend proposal at the Annual General Meeting on March 19, 2020 will be an ordinary dividend of CHF 3.40 per share – which corresponds to a 5% return on the volume-weighted average closing price of BB Biotech shares in December of 2019. BB Biotech plans to expand its Board of Directors. Shareholders will therefore be asked to elect Susan Galbraith and Mads Krosgaard Thomsen at the upcoming Annual General Meeting.

During the last quarter of the year major global equity indices extended their 2019 gains. Many markets achieved new all-time highs even in the face of lingering issues such as the US-China trade dispute, Brexit, and monetary conditioning. The Dow Jones (+25% in USD), Nasdaq Composite (+37% in USD), Dax (+25% in EUR), and SPI (+31% in CHF) indices all showed substantial gains. The Nasdaq Biotech Index (NBI) ended the year-end strongly, resulting in a 2019 total return of 25% in USD and was thus able to keep pace with the broader market’s impressive gains.

A similar surge in approvals was achieved by the US FDA – releasing 21 new drugs in the fourth quarter 2019 alone, almost matching the number of approvals (27) granted during the preceding three quarters. Generalists drove negative fund flows for the sector even as biotech specialists enjoyed accelerated M&A activity in fields such as targeted oncology, genetic medicines and RNA based medicines. Overall, the biotech sector may be poised to bring further upside opportunities in 2020.

For 2019, BB Biotech’s total share return of 18.5% in CHF and 23.4% in EUR was slightly below the underlying portfolio performance. Weakening of the EUR versus the USD throughout the year created additional tailwind for Euro-denominated performance. The portfolio Net Asset Value (NAV) gained 23.4% in CHF, 28.1% in EUR and 25.1% in USD.

For the fourth quarter, BB Biotech’s share price was up 7.7% in CHF and 8.5% in EUR. Due to the exclusion of BB Biotech from the EuroStoxx 600 on December 23, 2019, triggered by a change in sector classification, BB Biotech shares were unable to track the portfolio’s upward trend. BB Biotech’s Net Asset Value (NAV) for the same period tracked NBI index gains – increasing 17.5% in CHF, 17.7% in EUR and 21.1% in USD.

The consolidated, but not yet audited fourth quarter 2019 data for BB Biotech indicates a net gain of CHF 505 mn versus 2018 fourth quarter loss of CHF 643 mn. The consolidated, but not yet audited full year 2019 data showed a net gain of CHF 677 mn compared to a net loss of CHF 471 mn for 2018.

Proposed expansion of the Board of Directors of BB Biotech

With the nomination of Susan Galbraith, Head of Oncology Research and Early Development at AstraZeneca, and Mads Krosgaard Thomsen, Chief Science Officer at Novo Nordisk, the Board of Directors of BB Biotech AG will be enlarged to five members. Shareholders will be asked to elect these outstanding candidates at BB Biotech’s Annual General Meeting on March 19, 2020. BB Biotech also announced that Prof. Dr. Klaus Strein will not be standing for re-election and the Board thanks Professor Strein for his excellent service to BB Biotech.

A proposed dividend of CHF 3.40 per share

The Board of Directors will propose a regular dividend of CHF 3.40 per share at the AGM on March 19, 2020. Applied to the average share price of December 2019 – consistent with the dividend policy introduced in 2013 – this corresponds to a 5% dividend yield.

Portfolio adjustments in the fourth quarter 2019

In the fourth quarter, BB Biotech exited four holdings: Audentes Therapeutics was acquired by Astellas at USD 60 per share, a 110% premium over the prior's day closing price (approximately USD 3 bn for the company). The position was sold in the last weeks of December 2019, generating approximately USD 85 mn in cash for the portfolio, and a profit of more than USD 50 mn for a one year investment. Celgene's acquisition by BMS was completed in November 2019. BB Biotech will manage the BMS shares it received through this transaction from a tactical standpoint. Alder Biopharmaceuticals was acquired by Lundbeck for USD 18 per share in cash, a 79% premium over the prior day's closing price, plus a non-tradeable CVR of USD 2 per share. The remaining position in Gilead was sold. While Gilead continues to assert leadership in HIV treatment, the mis-step in its NASH program and the need for new pipeline assets leave its new leadership team with work to do. BB Biotech's historical success investing in Gilead remains one of the highlights of the last 15 years.

During the fourth quarter, profits were also taken on investments such as Incyte, Crispr Therapeutics and Intracellular. The cash was reinvested in targets associated with the strategic portfolio reallocation – focusing more on smaller and mid cap portfolio companies. BB Biotech took advantage of market conditions by investing more in Agios, Arvinas, Macrogenics, Scholar Rock, Wave Life Sciences and Kezar.

A new investment was made in Molecular Templates – a company which focuses on engineered toxin bodies (ETB), a potential next generation of immunotoxins. The company's lead program, MT-3724, is a first-generation ETB targeting CD20 and is in clinical development for B-cell malignancies. The company, together with its development partner Takeda, is also developing TAK-169, a second-generation de-immunized toxin linked CD38 targeting molecule for multiple myeloma patients.

Outlook for 2020 – sector fundamentals are exciting, the transaction momentum is expected to continue even in a US presidential election year

BB Biotech believes that 2020 will bring significant technology progress including new drug modalities to address many unmet medical needs. The investment team's asset allocation will not only focus on established areas – such as oncology, orphan diseases and neurological indications – but will also look at rapidly emerging technologies which promise the best therapeutic profile and economic value.

Set against exciting technological developments, the team expects continued debate around value assessment and structural change in the US healthcare system during the 2020 presidential election year. Attractive valuations of smaller and mid cap biotech firms will likely continue to enable M&A activity in the sector. The takeover of Celgene by BMS for USD 70 bn demonstrates that large cap firms may also be in play at these valuation levels. As with Gilead, BB Biotech has enjoyed a highly successful run of stock ownership and gains in Celgene for 15+ years.

Investing in leading bioscience and the resulting healthcare innovation is a costly, lengthy and – for the uninitiated – risky process. BB Biotech's long-term horizon makes us an attractive investor and partner for many biotechnology firms – and the investment team believes that the growth case for biotechnology and for BB Biotech is as compelling as ever. The investment team anticipates that 2020 will be another banner year for new products worldwide and looks forward to more exciting news flow from our portfolio companies.

The complete annual report as of December 31, 2019, will be published on February 21, 2020.

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, 2019

(in % of securities, rounded values)

Ionis Pharmaceuticals	13.3%
Neurocrine Biosciences	9.5%
Incyte	8.2%
Vertex Pharmaceuticals	7.5%
Esperion Therapeutics	6.1%
Agios Pharmaceuticals	5.1%
Alnylam Pharmaceuticals	5.1%
Argenx SE	4.2%
Alexion Pharmaceuticals	3.9%
Halozyme Therapeutics	3.9%
Radius Health	3.8%
Moderna	2.6%
Sage Therapeutics	2.5%
Myokardia	2.5%
Intercept Pharmaceuticals	2.4%
Intra-Cellular Therapies	2.2%
Myovant Sciences	2.1%
Nektar Therapeutics	1.6%
Bristol-Myers Squibb	1.4%
Arvinas	1.4%
Exelixis	1.4%
Macrogenics	1.4%
Crispr Therapeutics	1.2%
Akcea Therapeutics	1.1%
Voyager Therapeutics	1.0%
Scholar Rock Holding	1.0%
Homology Medicines	0.9%
Sangamo Therapeutics	0.9%
Wave Life Sciences	0.5%
G1 Therapeutics	0.5%
Molecular Templates	0.5%
Cidara Therapeutics	0.2%
Kezar Life Sciences	0.2%
Alder Biopharmaceuticals – CVR	0.1%
Bristol-Myers Squibb – CVR	0.1%
Total securities	CHF 3 523.7 mn
Other assets	CHF 30.9 mn
Other payables	CHF (161.6) mn
Net Asset Value	CHF 3 393.0 mn

Fine Comunicato n.0472-4

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