



SPAFID CONNECT

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Diffusione presunta

Oggetto : Interim report of BB Biotech AG as of
March 31, 2020

Testo del comunicato

Vedi allegato.

Media release as of April 24, 2020

Interim report of BB Biotech AG as of March 31, 2020

Resilient biotech sector despite widespread market turmoil

The first quarter of 2020 was quite a challenge for investors. After stock markets surged to new all-time highs in February, panic selling triggered by the rapid spread of Covid-19 swept almost every asset class, equities included. Stocks in the healthcare sector, especially the large caps, were more resilient than the broad market indices. BB Biotech shares' total return for the first quarter of 2020 was -15.7% in CHF and -14.8% in EUR. The Net Asset Value (NAV) corrected 22.0% in CHF, 20.1% in EUR and 21.4% in USD, which reflects the portfolio's mid and small cap bias. The figures above include the dividend payout of CHF 3.40 per share approved at the Annual General Meeting on March 19, 2020. The net loss for the first quarter of 2020 was CHF 758 mn compared to a net profit of CHF 890 mn for the same period in 2019. Prof. Dr. Mads Krogsgaard Thomsen and Dr. Susan Galbraith were elected as new directors at the General Meeting. Despite the Covid-19 crisis and market turbulence, many biotech companies continued to report important clinical trial results and negotiated important licensing agreements. Once the Covid-19 pandemic is overcome, global health risks and healthcare systems worldwide are likely to be viewed in a different light. BB Biotech believes the biotech sector could gain in prominence as a result. Share price appreciation of many portfolio companies in the first weeks of April provide initial evidence and have led to NAV recovery to levels of the beginning of the year.

The MSCI World Healthcare Index declined 11.3% in USD in the first quarter of 2020. Companies engaged in delivering or developing diagnostics tools, medicines, or vaccines for treating Covid-19 patients generally avoided the worst of the sell-off and some even made substantial gains. Pharmaceutical companies – generally seen as defensive plays – outperformed the broad healthcare sector indices. The Nasdaq Biotech Index shed 10.3% of its value (in USD), in line with the MSCI World Healthcare Index. For the biotechnology sector, market capitalization and liquidity were the key determinants of total returns for the period under review.

Enlarged Board of Directors and no change in dividend policy

Shareholders at this year's AGM elected Prof. Dr. Mads Krogsgaard Thomsen and Dr. Susan Galbraith as new members of the Board of Directors. Dr. Susan Galbraith's term of office will begin on October 1, 2020. BB Biotech's board has now achieved its goal of having five directors on the Board, all of whom have world-leading expertise in the development of innovative medicines and in the global healthcare system. This highly qualified board will continue to make strategic decisions that sustain and expand BB Biotech's long-term value. BB Biotech paid out the proposed dividend of CHF 3.40 per share. The Board reaffirmed its commitment to keep its current dividend policy unchanged and expects to continue paying out a regular dividend equivalent to 5% of the prior December's average share price in the years to come.

Increased investment level

Given the attractive valuations in the market, the investment management team increased short-term borrowings, raising investment levels from 103.8% to 113.5%. In total, the dividend payout of CHF 188 mn plus investments in two new portfolio companies and selected portfolio holdings exceeded cash received from profits from exits and successful longer-term holdings. We will continue to work within the proven investment guidelines, which include an investment range of 95% to 115%.

Two new companies in the portfolio

The investment management team added two small cap companies to the portfolio in the first quarter of 2020, Fate Therapeutics and Black Diamond Therapeutics. As for existing positions, the team reduced some of the portfolio's top holdings and realized profits in Moderna after the stock made considerable gains driven by updates on its mRNA vaccine development efforts. These proceeds were re-invested in Molecular Templates and in the capital increases conducted by Intra-Cellular, Kezar and Cidara. The funds raised by these three portfolio companies will be used to back the launch of Caplyta and advance the clinical development of Rezafungin and KZR-616. Regardless of the difficult market environment, the companies in BB Biotech's portfolio continued to make good progress and reported important clinical trial results.

Licensing deals and takeovers

Volatile markets and social distancing may delay business development activities such as mergers and acquisitions. That said, Incyte and Morphosys signed a global collaboration and license agreement to further develop and commercialize an anti-CD19 antibody. Morphosys and Incyte will co-commercialize the antibody in the US, while Incyte has secured exclusive commercialization rights outside the US. An FDA decision is expected in mid-2020. Furthermore, Sangamo and Biogen announced a global collaboration agreement to develop gene regulation therapies for Alzheimer's, Parkinson's, neuromuscular and other neurological diseases.

Outlook for 2020 – biotech sector stands to gain in prominence

Together with the Board of Directors, the investment management team is now evaluating challenges and opportunities resulting from the current global crisis: it is unlikely that societies around the globe will soon return to "business as usual". In fact, the crisis could lead to totally new behaviors:

- The progression and eventual end of the Covid-19 pandemic is likely to prompt a careful re-evaluation of global health risks and healthcare systems.
- The social, health and economic disruptions experienced worldwide may result in a shift of priorities, regulations, technology focus and investment flows.

BB Biotech believes the biotech sector could gain in prominence as a result. Share price appreciation of many portfolio companies in the first weeks of April provide initial evidence and have led to NAV recovery to levels of the beginning of the year. The investment management team will continue to seek investments in biotechnology firms that deploy novel approaches to create breakthrough clinical improvements and economic value. During this presumably short-to medium-term pandemic, the team will be carefully monitoring the portfolio investments with respect to:

- Growth of launched commercial products
- Resilience of drug manufacturing and supply chains
- Financial strength and access to financial markets to support development of promising pipeline candidates
- Pace, conduct and quality of clinical trials
- Regulatory developments
- Licensing agreements and M&A activities

Despite Covid-19, BB Biotech expects its portfolio companies to make further, albeit perhaps slower, progress towards significant milestones in 2020. The team sees investment opportunities in the large, mid and small cap segments of the biotechnology sector and will remain vigilant and focused during these volatile and challenging times. BB Biotech intends to adapt to the emerging new reality in an optimal manner.

The interim report as of March 31, 2020 can be downloaded at www.bbbiotech.com.

For further information:

Investor Relations

Bellevue Asset Management AG, Seestrasse 16, 8700 Küsnacht, Switzerland, tel. +41 44 267 67 00
Maria-Grazia Iten-Alderuccio, mga@bellevue.ch
Claude Mikkelsen, cmi@bellevue.ch

Media Relations

Bellevue Asset Management AG, Seestrasse 16, 8700 Küsnacht, Switzerland, tel. +41 44 267 67 00
Tanja Chicherio, tch@bellevue.ch

TE Communications AG, St. Leonhard-Strasse 45, 9001 St. Gallen, Switzerland, tel. +41 79 423 22 28
Thomas Egger, teg@te-communications.ch

www.bbbiotech.com

Company profile

BB Biotech AG is an investment company domiciled in Schaffhausen/Switzerland and listed on the stock exchanges in Switzerland, Germany and Italy. Since 1993, the company has invested in innovative drug development companies that are mainly located in the US and Western Europe. BB Biotech is one of the leading investors in this sector. BB Biotech builds on the long-standing experience of its distinguished Board of Directors and on the fundamental analysis of the experienced Investment Management Team of Bellevue Asset Management AG when making its investment decisions.

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 March 31, 2020

(in % of securities, rounded values)

Ionis Pharmaceuticals	12.9%
Neurocrine Biosciences	9.5%
Vertex Pharmaceuticals	9.1%
Incyte	8.0%
Alnylam Pharmaceuticals	5.5%
Halozyme Therapeutics	4.7%
Agios Pharmaceuticals	4.7%
Argenx SE	4.3%
Esperion Therapeutics	4.1%
Alexion Pharmaceuticals	4.0%
Moderna	4.0%
Radius Health	3.1%
Myokardia	2.1%
Intra-Cellular Therapies	1.9%
Arvinas	1.7%
Exelixis	1.7%
Nektar Therapeutics	1.6%
Intercept Pharmaceuticals	1.5%
Sage Therapeutics	1.4%
Molecular Templates	1.3%
Myovant Sciences	1.3%
Akcea Therapeutics	1.2%
Crispr Therapeutics	1.2%
Black Diamond Therapeutics	1.1%
Scholar Rock Holding	1.1%
Fate Therapeutics	1.1%
Macrogenics	1.0%
Homology Medicines	0.9%
Voyager Therapeutics	0.9%
Sangamo Therapeutics	0.9%
Wave Life Sciences	0.8%
Kezar Life Sciences	0.5%
G1 Therapeutics	0.3%
Cidara Therapeutics	0.2%
Bristol-Myers Squibb – CVR	0.1%
Alder Biopharmaceuticals – CVR	0.1%
Total securities	CHF 2 776.4 mn
Other assets	CHF 11.4 mn
Other payables	CHF (341.2) mn
Net Asset Value	CHF 2 446.7 mn

Fine Comunicato n.0472-23

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