

Media release as at April 21, 2023

Interim report of BB Biotech AG as at March 31, 2023

## Lackluster first quarter for biotech stocks

**Concerns about capital market resilience clearly had an impact on investor preferences during the first quarter. After a strong start to the year, market sentiment switched to risk-off and this triggered heavy selling in the small- and mid-cap segments. Portfolio investment flows in the biotech sector – an important indicator – remained negative. Smaller biotech companies underperformed relative to their larger peers. In contrast to the sector performance, many biotech companies reported positive R&D and regulatory news. Despite the difficult start to the year, BB Biotech looks to the future with confidence in view of the fundamental progress that innovative large, mid- and small-cap biotech firms are making.**

Smaller biotechnology companies underperformed relative to others. The S&P Biotech Select Industry Index's (SPSIBI Index) total return of -8.7% in USD was worse than the -1.9% return in USD for the NBI Index, which mainly tracks larger biotechnology and pharmaceutical firms. While M&A activity picked, there was little impact on the biotechnology sector. For BB Biotech shares, this meant a total return for the first quarter 2023 of -4.4% in CHF and -6.8% in EUR (including the dividend payment of CHF 2.85 per share). Total return for the portfolio was -9.2% in CHF, -9.4% in EUR and -8.3% in USD, behind the NBI Index but in line with the S&P Biotech Select Industry Index. Consequently, the net loss for the first quarter of 2023 was CHF 254 mn compared to a net loss of CHF 300 mn for the same period in 2022.

### **AGM approves all proposals**

All of the proposals of BB Biotech's board of directors were approved by shareholders at the annual general meeting on March 23, 2023. These included the proposal to pay a dividend of CHF 2.85 gross per share, resulting in a total of CHF 156 mn paid to shareholders of BB Biotech on March 29, 2023. Shareholders re-elected board members Dr. Erich Hunziker (Chairman), Dr. Clive Meanwell, Laura Hamill, Dr. Pearl Huang, Prof. Dr. Mads Krosggaard Thomsen and Dr. Thomas von Planta for another one-year term of office.

### **Continued high investment level**

At the end of the first quarter, our investment level was close to our upper boundary at 114.0%. The continued high investment level reflects the management team's positive stance that many companies are attractively valued after the correction of the last two years in the biotech sector. The team will continue to work within the established and successful investment guidelines, such as investment levels of 95% to 115%. The dividend payment of CHF 156 mn used mostly cash from the Myovant takeover by Sumitomo Dainippon Pharma.

### **Portfolio adjustments**

A small number of portfolio adjustments were made during the first quarter. The Myovant Sumitomo Dainippon Pharma transaction was completed for USD 27 per share in cash. In addition, Kezar Life Sciences and Homology Medicines positions were closed. At the end of the quarter, BB Biotech's portfolio comprised 28 positions – concentrated further on profitable companies which now represent more than one third of BB Biotech's equity. Well capitalized companies expected to reach sustainable profitability with their current balance sheet constitute more than 40% whereas smaller companies still needing capital constitute less than 20% of the portfolio.

### Portfolio milestones

Moderna's RSV vaccine showed promising results in a Phase III trial of older adults. This vaccine is emerging as a potential best-in-class product among the current 3-horse race. Moderna earned two Breakthrough Therapy Designations: One for their investigational RSV vaccine candidate, and a second for their personalized mRNA cancer vaccine in combination with Keytruda for high-risk melanoma patients. In contrast, immunogenicity results from Moderna's Phase III trial of an influenza vaccine in the Southern hemisphere reported mixed outcomes.

Ionis announced encouraging topline results from the Phase III NEURO-TTRansform study of eplontersen, a treatment for transthyretin amyloidosis with polyneuropathy (ATTRv-PN). Ionis also reported a positive FDA advisory committee vote (9-0) for potential accelerated approval of tofersen, an investigational treatment for amyotrophic lateral sclerosis (ALS) associated with mutations in the superoxide dismutase 1 gene. The FDA action date is April 25, 2023.

Intra-Cellular Therapies reported positive topline results for lumateperone (branded as Caplyta) monotherapy for major depressive episodes in patients with major depressive disorder and bipolar depression.

Incyte and MacroGenics received a surprising approval for Zynyz (retifanlimab) for metastatic or recurrent locally advanced merkel cell carcinoma (MCC) after an earlier FDA rejection.

### Outlook for 2023

Central bank interest rate increases to tame inflation without triggering recession are set to continue – albeit at a slower pace. Despite interest rate uncertainty, the fundamental progress and quality of biotechnology players, including most of BB Biotech's portfolio holdings, remain positive.

The US healthcare system continues to struggle with its high costs. Implementation of the Inflation Reduction Act (IRA) will gain attention in the fall of 2023 when the first ten drugs selected for discounting in 2026/27 will be published.

The investment management team continues to believe that these firms are attractive investments; not only due to their currently depressed valuations but also because development, regulatory and commercialization milestones can boost shareholder returns. In the meantime, the team expects all of its investee firms to manage cash carefully.

The team expects news from Argenx, Neurocrine Biosciences, Moderna, Sage, Alnylam as well as Ionis later this year.

Valuation of small-cap and mid-cap segments of the biotech industry are attractive. In view of the pressure on larger companies to drive growth through external innovation, M&A and licensing are expected to remain as an important factor for overall biotech sector growth.

The quarterly report of BB Biotech AG as at March 31, 2023, can be downloaded at [report.bbbiotech.ch/Q123](https://report.bbbiotech.ch/Q123) or [www.bbbiotech.com](http://www.bbbiotech.com).



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### **Company profile**

BB Biotech AG is an investment company with its registered office in Schaffhausen/Switzerland and listed on the Swiss, German and Italian stock exchanges. It has invested in innovative drug developers headquartered primarily in the US and Western Europe. BB Biotech is one of the world's largest investors in this sector. The competent Board of Directors with its long-standing experience set the investment strategy and guidelines. Investment decisions are taken by the experienced investment management team of Bellevue Asset Management AG based on their extensive investment research.

### **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 at March 31, 2023

(in % of securities, rounded values)

Ionis Pharmaceuticals	11.9%
Argenx SE	11.5%
Vertex Pharmaceuticals	10.0%
Neurocrine Biosciences	9.3%
Moderna	8.0%
Incyte	7.1%
Intra-Cellular Therapies	6.1%
Alnylam Pharmaceuticals	6.0%
Sage Therapeutics	4.6%
Revolution Medicines	3.6%
Agios Pharmaceuticals	3.2%
Macrogenics	2.4%
Relay Therapeutics	2.4%
Celldex Therapeutics	2.3%
Arvinas	2.0%
Exelixis	1.8%
Crispr Therapeutics	1.4%
Fate Therapeutics	1.0%
Essa Pharma	0.8%
Beam Therapeutics	0.7%
Wave Life Sciences	0.7%
Rivus Pharmaceuticals <sup>1)</sup>	0.6%
Mersana Therapeutics	0.6%
Scholar Rock Holding	0.6%
Generation Bio Co.	0.5%
Black Diamond Therapeutics	0.4%
Esperion Therapeutics	0.2%
Molecular Templates	0.2%
Radius Health – CVR	0.0%

**Total securities** **CHF 2 594.4 mn**

Other assets CHF 1.0 mn

Other payables CHF (319.4) mn

**Net Asset Value** **CHF 2 276.0 mn**

<sup>1)</sup> Unlisted company