

Media release of April 23, 2021

Interim report of BB Biotech AG as at March 31, 2021

## **Successful vaccination campaigns point the way out of the corona crisis – sector re-valuation used for portfolio investments**

**BB Biotech delivered positive results for the first quarter amid a market environment characterized by profit-taking in the healthcare sector. Its stock ended the quarter with a positive total return of 15.4% in CHF and 14.3% in EUR. The SARS-CoV-2 pandemic remains the dominant theme in the healthcare sector. Bringing the pandemic under control will clearly depend on the rollout and administration of vaccines. Countries such as Israel, the US and the UK that secured early access to vaccines have experienced sharp drops in infection and hospitalization rates. Although most other countries are making slower progress with their vaccination campaigns, they are likely to eventually show similar developments. Accelerating the pace of vaccinations even more and improving the global rollout of vaccines will be important given the potential emergence of resistant mutations. With respect to general expectations of a quick end to the pandemic during the next few quarters, BB Biotech believes booster shots, possibly every year, will be necessary to keep COVID-19 under control.**

US and European indices showed significant gains in the first quarter of 2021 and ended the quarter at all-time highs. The S&P 500 (+6.2% in USD), the Dow Jones (+8.3% in USD) and the Nasdaq Composite Index (+3.0% in USD) all ended the quarter with gains. Expectations of an economic recovery produced an even stronger rebound in European markets: EuroStoxx 50 (+10.8% in EUR), the Dax (+9.4% in EUR) and the Swiss market SPI (+5.2% in CHF) all gained considerable ground.

Healthcare stocks, however, after reaching new highs in January and February of 2021, were then sold off and gave up most of their gains in March. The total return of the MSCI World Healthcare Index for the quarter was +0.9% (in USD). The drug industry – generally regarded as a defensive sector – underperformed, as did the Nasdaq Biotech Index, which closed the period with a total return of -0.5% (in USD). This underperformance is attributed to a substantial asset rotation. Investors shifted assets into cyclical sectors and stocks that stand to profit from the post-pandemic recovery.

### **BB Biotech's performance for the first quarter**

BB Biotech showed a positive performance for the first quarter amid this market environment. BB Biotech's stock delivered a positive total return of 15.4% in CHF and 14.3% in EUR. Over the same period, the portfolio's total return was +5.5% in CHF, +2.9% in EUR and -1.2% in USD. The positive performance in CHF and EUR is attributed to the appreciation of the USD. These return calculations for BB Biotech account for payment of the dividend approved by shareholders at the Annual General Meeting (AGM) on March 18, 2021. The net profit for the first quarter of 2021 was CHF 221 mn compared to a net loss of CHF 758 mn for the same period in 2020.

### **Annual General Meeting on March 18, 2021**

At the AGM, shareholders approved all agenda items and re-elected all five Board members. BB Biotech paid out the proposed dividend of CHF 3.60 per share. The Board re-affirms the intended continuation of the dividend policy and expects payout of the regular dividend at 5% of the prior December's average share price in the years to come.

### **Portfolio activity in 1Q 2021**

The investment management team added two smaller cap companies to the portfolio during the first quarter of 2021 – Essa Pharma and Revolution Medicines. BB Biotech's investments in these two biotech companies increase its exposure to oncology. Meanwhile positions in Cidara and Voyager Therapeutics were closed and profits were realized in top holdings such as Neurocrine, Vertex, Alnylam, Ionis and Halozyme. More profits were realized in Moderna, still the second-largest position in the portfolio, after the stock surged in February as well as in smaller positions such as Arvinas and Scholar Rock. The resulting proceeds were invested in existing positions such as Agios, MacroGenics, Black Diamond, Mersana and Relay. Profits realized earlier from investments in companies specializing in gene editing (Crispr Therapeutics and Beam Therapeutics) and cell-based immunotherapy (Fate Therapeutics) were reinvested in the same companies but at much more attractive valuation levels. BB Biotech also participated in the capital increase of Argenx and Molecular Templates. Argenx will use the proceeds of its

share offer to fund the pending market launch of efgartigimod, while Molecular Templates will fund the clinical development of its next-generation ETB pipeline assets.

#### **Outlook for 2021**

BB Biotech expects that investor attention will remain on the global pandemic and mitigating strategies. The US government might introduce price control measures and increase corporate tax rates and a new head of the US FDA will likely be nominated soon. Furthermore, the investment team expects AstraZeneca's acquisition of Alexion Pharma to be finalized during the second half of the year.

Measures to overcome the pandemic will be scaled back as vaccination rates increase and BB Biotech therefore expects the biotechnology sector to quickly gain momentum again. This should have a variety of positive effects on companies in the biotech sector. For example, faster patient recruitment for clinical trials and a reduction in filing backlogs at regulatory agencies and doctor's visits should return to normal, leading to normal drug prescription levels too.

The investment management team will continue to seek investments in biotechnology firms that are pursuing novel approaches to create breakthrough clinical improvements for patients and economic value. Given the current momentum-driven markets, BB Biotech will stick to its disciplined, long-term investment strategy, while also taking advantage of short-term market dislocations.

The quarterly report of BB Biotech AG as at March 31, 2021 can be downloaded at [report.bbbiotech.ch/Q121](http://report.bbbiotech.ch/Q121) or [www.bbbiotech.com](http://www.bbbiotech.com)

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##### **Company profile**

BB Biotech AG is an investment company registered 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. BB Biotech relies on the long-standing experience of its distinguished Board of Directors and the investment research skills 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 at March 31, 2021**

(in % of securities, rounded values)

Ionis Pharmaceuticals	8.1%
Moderna	7.8%
Neurocrine Biosciences	6.3%
Argenx SE	5.7%
Incyte	5.2%
Agios Pharmaceuticals	5.1%
Alexion Pharmaceuticals	4.4%
Vertex Pharmaceuticals	4.3%
Fate Therapeutics	3.9%
Macrogenics	3.6%
Alnylam Pharmaceuticals	3.5%
Radius Health	3.4%
Biogen	3.3%
Arvinas	3.0%
Sage Therapeutics	2.9%
Halozyne Therapeutics	2.7%
Intra-Cellular Therapies	2.6%
Crispr Therapeutics	2.6%
Esperion Therapeutics	2.4%
Scholar Rock Holding	2.3%
Myovant Sciences	2.3%
Molecular Templates	2.3%
Generation Bio Co.	1.5%
Relay Therapeutics	1.5%
Exelixis	1.4%
Black Diamond Therapeutics	1.2%
Essa Pharma	1.2%
Nektar Therapeutics	1.2%
Revolution Medicines	1.0%
Beam Therapeutics	1.0%
Mersana Therapeutics	1.0%
Kezar Life Sciences	0.6%
Homology Medicines	0.4%
Wave Life Sciences	0.3%
Alder Biopharmaceuticals – CVR	0.1%
<b>Total securities</b>	<b>CHF 4 278.8 mn</b>
Other assets	CHF 4.1 mn
Other liabilities	CHF (364.4) mn
<b>Net Asset Value</b>	<b>CHF 3 918.5 mn</b>