

Media release as at February 21, 2025

## Annual Report 2024: BB Biotech positions for structural sector recovery amid shifting market dynamics

- **2024, especially the fourth quarter, signaled the early stage of a structural recovery in biotech, driven by renewed investor focus on clinical data, regulatory approvals, and commercial execution.**
- **BB Biotech navigated a challenging but improving market environment in 2024. Despite a significant recovery in net profit compared to the previous year's loss, the biotech sector's volatility and cautious investor sentiment continued to weigh on share price performance, leading to a discount to NAV by year-end.**
- **The Board of Directors will propose a dividend of CHF 1.80 per share, maintaining BB Biotech's policy of a 5% payout based on the average December share price.**
- **BB Biotech has refined its valuation framework and investment process, enhancing capital allocation decisions and maintaining a high-conviction, long-term focus. The investment management team has been strengthened with key leadership transitions to further enhance analytical depth and, above all, operational strength in the core market, the USA.**
- **In the fourth quarter, key holdings achieved major clinical and regulatory milestones, validating BB Biotech's investment strategy and reinforcing long-term value creation potential.**
- **Political and regulatory shifts such as personnel changes at institutions like FDA and HHS, the Inflation Reduction Act and Medicare price negotiations, continue to impact biotech valuations, requiring a disciplined and adaptive investment strategy.**
- **BB Biotech entered 2025 with positive momentum, underscored by Johnson & Johnson's USD 15 bn acquisition of Intra-Cellular Therapies, reinforcing the strategic value of key holdings.**

2024 marked the early stages of biotech's structural recovery. Investor focus is shifting back to fundamentals, with clinical and regulatory progress driving renewed momentum. In Q4, Scholar Rock, Wave Life Sciences, and Edgewise Therapeutics saw strong share price appreciation, reinforcing confidence in BB Biotech's investment thesis. Broader sector tailwinds fueled benchmark performance and a NAV gain in the final quarter of the year, positioning the portfolio for continued growth in 2025.

### Investment performance and financial results full year and Q4

In 2024, BB Biotech shares delivered a total return of -13.5% in CHF and -14.1% in EUR, including the CHF 2.00 dividend paid in March 2024. Our Net Asset Value (NAV) performance showed greater resilience, increasing by 3.0% in CHF and 1.7% in EUR for the year, while declining by 4.6% in USD. For the full year 2024, we recorded a net profit of CHF 76 mn compared to a net loss of CHF 207 mn in 2023.

Full-year performance	2024		2023	
	CHF	EUR	CHF	EUR
BB Biotech share price	-13.5%	-14.1%	-18.1%	-15.2%
BB Biotech NAV	+3.0%	+1.7%	-7.4%	-1.3%
NBI Index	+7.6%	+6.3%	-4.8%	+1.3%
Net profit/loss	+76 mn		-207 mn	

In the fourth quarter of 2024, BB Biotech shares posted a total return of -2.7% in CHF and -3.5% in EUR. NAV performance improved, rising by 2.7% in CHF and 2.8% in EUR, though it declined by 4.3% in USD. We recorded a net profit of CHF 60 mn in Q4 compared to a net profit of CHF 109 mn in the same period last year.

<b>Q4 performance</b>	<b>Q4 2024</b>		<b>Q4 2023</b>	
<b>Currency</b>	<b>CHF</b>	<b>EUR</b>	<b>CHF</b>	<b>EUR</b>
BB Biotech share price	-2.7%	-3.5%	+3.4%	+7.1%
BB Biotech NAV	+2.7%	+2.8%	+5.0%	+9.4%
NBI Index	-2.7%	-2.4%	+1.6%	+5.9%
Net profit	+60 mn		+109 mn	

At the close of 2024, BB Biotech's share price was trading at a 15.2% discount to NAV in CHF, a notable shift from the 0.9% premium at the beginning of the year. This change reflects the ongoing volatility and subdued sentiment within the biotech sector. At the beginning of the year, the discount narrowed and was 10.9% as of February 18. The Board remains committed to addressing this by balancing share buybacks and marketing strategies to enhance shareholder value.

<b>Discount to NAV</b>	<b>February 18, 2025*</b>	<b>YE 2024</b>	<b>YE 2023</b>
Premium (+) / Discount (-), CHF	-10.9%	-15.2%	+0.9%

\*Editorial deadline

## Substantial fundamental progress in the portfolio in Q4 2024

BB Biotech's portfolio delivered a mostly positive performance in Q4 2024, with several companies achieving critical clinical and regulatory milestones.

- Scholar Rock: Apitegromab met its Phase III endpoint in SMA, validating its potential as the first muscle-directed therapy and positioning it for BLA filing in Q1 2025.
- Argenx: Advanced efgartigimod SC into Phase II/III trials for idiopathic inflammatory myopathies (IIM), expanding beyond MG and CIDP into a high-value orphan disease market.
- Wave Life Sciences: Validated its RNA editing approach in AATD with first-in-human proof-of-mechanism, with GSK set to lead registrational development, reducing risk.
- Essa Pharma: Terminated its Phase II trial for masofaniten in prostate cancer due to lack of efficacy, prompting BB Biotech to exit its position.
- Incyte: Paused and terminated key pipeline programs, raising concerns about the strategic value of its USD 750 mn Escient Pharmaceuticals acquisition.
- Revolution Medicines: Reported best-in-class pancreatic cancer data, with RAS(ON) inhibitors outperforming chemo and potential expansion into lung and colorectal cancers.
- Vertex Pharmaceuticals: Advanced its non-opioid pain strategy (US approval in January 2025), moving suzetrigine (VX-548) into Phase III trials despite data complexities in neuropathic pain.
- Neurocrine Biosciences: Secured FDA approval for Crenessity, the first approved treatment for congenital adrenal hyperplasia (CAH), reinforcing its rare endocrine leadership.

At the same time, we have enhanced discipline in divesting from both successful and underperforming investments. In the fourth quarter of 2024, we exited five positions: Crispr Therapeutics and Exelixis

delivered positive returns, but we lacked conviction in their long-term pipeline strength. Molecular Templates, Essa Pharma, and Generation Bio were exited following disappointing clinical outcomes or significant platform and business uncertainties.

These decisions reflect our commitment to maintaining a high-conviction portfolio while actively managing risk. Consequently, our portfolio ended 2024 with 26 positions, reflecting deliberate and disciplined resource allocation.

### **Balancing long-term growth with capital income for shareholders**

BB Biotech's stable dividend policy remains an attractive differentiator in a sector traditionally focused on growth. We continue to balance high-growth innovation with capital income. Since 2013, BB Biotech has consistently paid an annual dividend of 5% based on the average share price in December. For 2024, the Board of Directors will propose a dividend of CHF 1.80 per share at the next Annual General Meeting, ensuring continued alignment with shareholder interests.

### **Strategy and process evolution: building for long-term success**

BB Biotech's investment company structure is ideally suited to the biotech sector's unique dynamics. Maintaining a high-conviction portfolio with a long-term horizon, we focus on transformational companies while evolving our processes to enhance returns and mitigate risk. Key adjustments to our valuation framework emphasize valuation scenarios, catalyst impacts, and risk-adjusted returns, improving capital allocation in a volatile market. Our portfolio management approach has also evolved, refining entry and exit strategies with greater caution in early-stage investments and prioritizing differentiated assets with proof of concept clinical data.

### **Team evolution: strengthening expertise for the future**

Leadership and team evolution were key themes in 2024. Dr. Daniel Koller stepped down after 20 years at BB Biotech. We are deeply grateful for his long-standing commitment and valuable contributions. His dedication has significantly shaped BB Biotech's investment strategy and success. Dr. Christian Koch is succeeding him as Head of the investment management team at Bellevue Asset Management, ensuring continuity and a clear vision for strategic development. Dr. Maurizio Bernasconi as one of the Deputy Heads leads the analyst team in Switzerland. As the US remains the focal point of biotech from a corporate, financing and commercial market perspective, the team has been further strengthened by Dr. Wendy Lam, who joined as Deputy Head on December 1, 2024, and now leads the expanding US office in New York. Her extensive experience in biotech investing covers both private and public markets, and she is strongly connected within the industry. In Switzerland, Dr. Anna Guinot Aguado joined the investment management team, bringing valuable expertise in oncology and venture capital.

### **Innovation pipeline: delivering transformative therapies**

As we look ahead to 2025, we emphasize that the following selection of key portfolio milestones highlights the breadth of innovation across our holdings. These anticipated developments span both commercial launches and clinical advancements, reinforcing our strategic positioning in high-impact areas.

Several of our portfolio companies are set to drive significant product launches, further strengthening their market presence. Argenx is preparing to expand Vyvgart's reach with a new formulation and broader indications, while Alnylam is set to launch Amvuttra for ATTR cardiomyopathy, addressing a critical unmet need in cardiometabolic disease. Neurocrine Biosciences is gearing up for the launch of Crenessity for congenital adrenal hyperplasia (CAH), a historically overlooked market with substantial price and volume

potential. These upcoming launches underscore the ability of our core positions to translate scientific progress into commercial execution.

At the same time, clinical trials across multiple therapeutic areas are expected to generate significant momentum. Incyte is advancing disease-modifying therapies for myeloproliferative neoplasms, while Phase III data for povorcitinib in hidradenitis suppurativa could establish it as an oral alternative to biologics. Arvinas' vepdegestrant in breast cancer also holds blockbuster potential. Rare diseases remain a strong focus, with Scholar Rock's apitegromab on track for FDA approval in spinal muscular atrophy, while Beam Therapeutics is pushing forward with in vivo base editing, further expanding the frontier of genetic medicine. In large therapeutic areas, Rivus is conducting an extensive Phase II proof-of-concept study in metabolically-associated steatohepatitis (MASH), evaluating weight and fat loss over six months.

The current biotech investment landscape presents a rare opportunity, as many companies with clinical differentiation remain undervalued despite achieving pipeline progress, regulatory approvals, and commercial execution. This valuation disconnect – especially when compared to the continued expansion in technology stocks – allows BB Biotech to increase exposure to high-quality, mid to late-stage biotech at attractive prices, while selectively allocating capital to earlier-stage opportunities with asymmetric upside. As a result, BB Biotech's portfolio is well positioned to capitalize on these dynamics, with substantial upside potential driven by diverse product launches across core positions and significant clinical milestones in many of the non-core holdings. New investment cases are actively being evaluated, and capital deployment is already underway. These investments will be reflected in our Q1 2025 results. Over time, we aim to expand toward the upper limit of our investment guidelines, targeting 35 holdings.

### **M&A as a key driver for 2025**

M&A activity is expected to gain momentum in 2025, fueled by large biopharma's need to replenish pipelines. The 20 largest biopharma companies collectively hold over USD 1 tn in deal-making capacity, with at least USD 200 bn in revenues at risk from patent expirations over the next five years, rising to at least USD 400 bn over the next decade as blockbusters like Keytruda, Darzalex, and Eliquis approach the end of their exclusivity. While regulatory scrutiny remains a factor, valuation normalization is the primary driver behind an expected acceleration in deals, particularly in the sub-USD 20 bn range where BB Biotech's core holdings remain strong strategic fits. Johnson & Johnson's USD 14.6 bn acquisition of Intra-Cellular Therapies exemplifies the ongoing need for innovative assets, particularly in neuropsychiatry.

### **Regulatory shifts: managing risks and opportunities**

The 2024 US election introduced market volatility, with Trump's return sparking optimism, but concerns rising over Robert F. Kennedy Jr.'s nomination as Secretary of Health and Human Services, given his skepticism toward vaccines and regulation. This could impact FDA, CDC, and CMS policies, creating approval and reimbursement risks, especially for vaccine companies like Moderna.

The proposed appointment of Dr. Martin Makary as head of the FDA is seen as a stabilizing factor, maintaining rigorous but streamlined approval pathways. Meanwhile, the Inflation Reduction Act (IRA) is reshaping pricing, especially putting pressure on big companies with their blockbusters, but favoring those with strong value propositions.

Leadership changes at HHS and the FDA will shape regulatory timelines and industry priorities in the years ahead. The newly formed government efficiency institution remains a wild card, with an unclear impact on agency operations and industry oversight. At the same time, it creates opportunities to make regulatory processes more efficient.



BB Biotech is well positioned for the future, anchored by disciplined capital allocation and a steadfast focus on delivering shareholder value. We remain optimistic about the opportunities ahead – driven by transformative scientific advancements, a revitalized M&A environment, and the strong growth potential of our portfolio.

BB Biotech's annual report 2024 is available under [report.bbbiotech.ch/2024/en](https://report.bbbiotech.ch/2024/en) resp. [www.bbbiotech.com](https://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 and German 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.

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