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Novel drugs to battle cancer on the verge of market launch

Immunotherapies were again the center of attention at the world's largest gathering of oncology specialists. BB Biotech has long been positioned in this promising theme. Oncology accounts for 41.5% of the company's investment portfolio.

The annual June meeting of the American Society for Clinical Oncology (ASCO) is the premier cancer research conference for scientists, medical practitioners and investors. Approximately 30 000 visitors attended this year's conference in Chicago from June 2 to 6, where more than 5 000 speeches and presentations were given. For the Investment Team of BB Biotech, the ASCO 2017 was an important opportunity near the mid-year mark to hear presentations by the companies in its portfolio and gather insights into the "hottest" scientific developments in cancer treatment today.

Fighting tumor cells with immunotherapies

Just like last year, the major talking point at this year's conference concerned the latest progress in immunotherapy clinical trials. Various cellular immunotherapies that reprogram the body's immune system to hunt down and destroy malignant tumor cells are being investigated. The modification of a patient's immune cells to detect specific antigens, or the appropriate points where tumor cells are vulnerable to immunotherapy, is the crucial aspect of these programs. So-called checkpoint inhibitors override basic mechanisms of immune system suppression that tumor cells exploit to avoid detection by the body's T-cells. The first drug from this class of immunotherapies has been granted marketing approval and now drug researchers are seeking to optimize effectiveness in combination with other immunotherapy cancer treatments.

Among the various new cancer gene therapies in development, the greatest progress has recently been made with chimeric antigen receptor T-cell (CAR-T) therapies. In these therapies, T-cells are modified to detect and destroy malignant tumors. To achieve this, T-cells are extracted from a patient's blood, genetically modified in a laboratory, cultured and then reinfused into the patient. The "loaded" immune system cells then detect and attack the tumor cells. The main problem with this approach is that the modified T-cells can cause the body's immune system to overreact. This can lead to the cytokine release syndrome, in which T-cells also attack the body's own normal B lymphocytes. These are immune cells that secrete antibodies to protect the body against infection.

BB Biotech's portfolio companies at ASCO 2017

BB Biotech's core shareholding Incyte presented very good clinical data at the 2017 ASCO conference. Epacadostat, an active substance from the class of IDO inhibitors, showed convincing results in numerous combination therapies with the already approved immune checkpoint inhibitor Keytruda from US pharma giant Merck and in a clinical trial with Opdivo, a checkpoint inhibitor from Bristol-Myers Squibb. These two drugs are already generating billions of dollars in annual sales. Incyte's clinical data showed even better patient response rates in five types of cancer when epacadostat was administered in combination with Keytruda or Opdivo. It can be assumed that as many as eight Phase III pivotal trials will be initiated before the end of the year. A Phase III trial testing epacadostat in a combination therapy for patients with melanoma is already under way and final clinical data should be published in 2018.

Kite Pharma and Juno Therapeutics, two of BB Biotech's more recent investments with CAR-T programs, presented clinical data at the conference. Kite Pharma only gave an update of the positive data on its lead candidate KTE-C19 for the treatment of B-cell lymphoma that the company had already published at the end of February. Marketing approval for KTE-C19 in this indication is expected to be granted by the end of the year. The gains made by Kite Pharma's shares after the conference are another indicator that this company is back on the radar screens of an increasing number of investors. Juno Therapeutics also presented very good efficacy data in the same indication with a very high response rate. However, BB Biotech's experts believe Juno must first confirm these very encouraging results in a trial with more patients to differentiate the effectiveness and safety of its product from Kite's, which is on the verge of receiving regulatory approval.

Unlike in the previous years, BB Biotech's core shareholding Celgene did not present data from its own trials at this year's conference. Instead, it published final data on its top drug candidate enasidenib, which is being tested with its cooperation partner Agios, likewise a portfolio shareholding, in acute myeloid leukemia. Enasidenib showed an impressive overall response rate of more than 40% in relapsed or refractory AML, a particularly aggressive blood cancer for which current treatment options are ineffective in significantly prolonging patient survival. BB Biotech assumes that Agios will be granted regulatory approval in this indication during the course of 2017.

Oncology a key pillar in BB Biotech's portfolio

The latest successful clinical readouts of these new therapeutic approaches have clearly proven that oncology will be a hotbed of drug development in the coming years. BB Biotech consequently increased the weighting of oncology in its investment portfolio. Accounting for 41.5% of all investments as of March 31, 2017, cancer is by far the greatest disease area, followed by inherited rare diseases (orphan diseases) at 21.8% and metabolic disorders at 10.4%. Ten of the 34 companies in the portfolio are focused exclusively or partially on cancer treatments, and these include the two largest positions in the portfolio – Incyte and Celgene. Numerous positions were recently opened in companies investigating cancer immunotherapies, for example in Kite Pharma, Juno Therapeutics and MacroGenics.

In today's age with the ongoing political noise over drug pricing and the drug reimbursement policies of government-run agencies, pricing strategies for anti-cancer medicines are likewise being influenced by pharmacoeconomic aspects. That said, biotech firms in the field of oncology will still have greater leeway when setting their pricing strategies as long as their newly approved products show a high benefit with respect to longer survival times and improved quality of life for patients in clinical trials.

As for its investment strategy, BB Biotech will continue to maintain a well-balanced portfolio consisting of profitable market leaders and mid-sized players with drug candidates that are about to enter the market. The Investment Team is confident that a steady stream of clinical readouts as the year progresses and a growing number of product approvals versus last year will attract greater investor attention to the biotech sector as a whole – and help the stocks in its portfolio make further gains.

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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.