Corporate Research

BB Biotech

Company Comment	Investment/Holding	21 February 2025

Q4/24: Divestments conclude in lower investment level

BB Biotech's investment level decreased in Q4 (103.8% vs 115% limit), with divestments in top holdings as well as exits in five minor portfolio companies. BB Biotech's is trading at a NAV discount of 11.4% versus its five-year average premium of 9.4%.

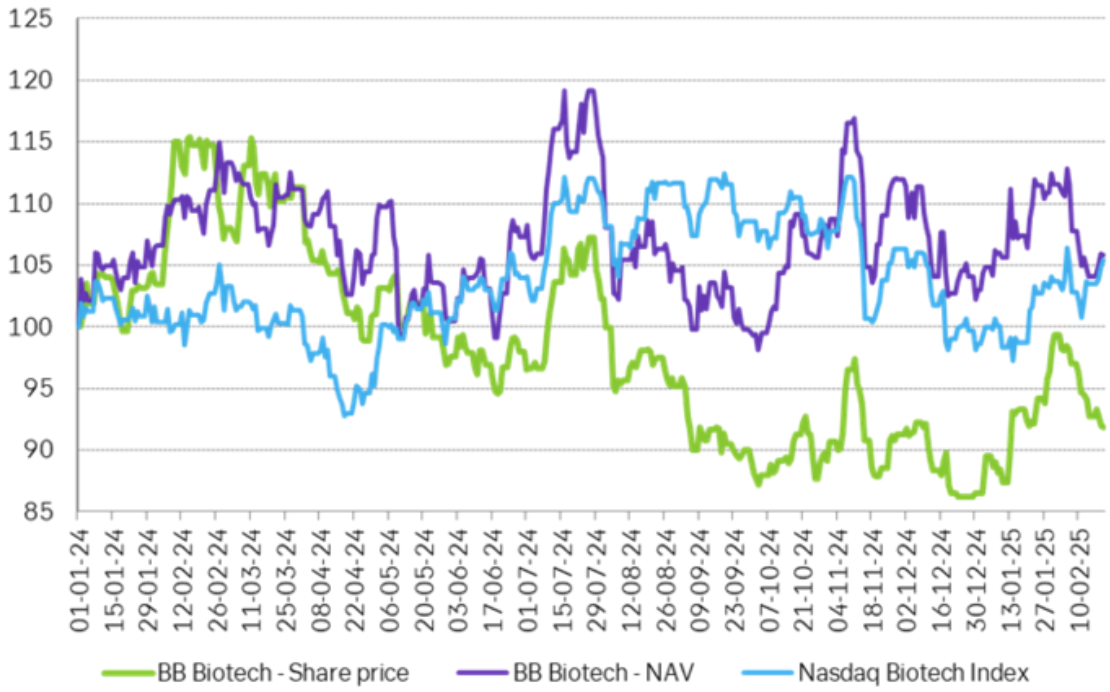
Portfolio activity and market developments

In the fourth quarter, portfolio adjustments involved capitalising on gains from larger, established long-term holdings, as well as divestments in five minor portfolio holdings. BB Biotech decided to exit their positions in Crispr Therapeutics, Exelixis, Molecular Templates, Essa Pharma and Generation Biohaven, whereas the first two delivered positive returns. Furthermore, BB Biotech engaged in several profit-taking activities targeted its mid-to-larger holdings, including Argenx, Intra-Cellular, Vertex, Neurocrine, Alnylam, Revolution and Agios.

BB Biotech decided to increase its stake in Scholar Rock during Q4. Scholar Rock's share price has increased 161% LTM, and BB Biotech now own a 2.7% stake in the company, which corresponds to 3.7% of BB biotech's NAV.

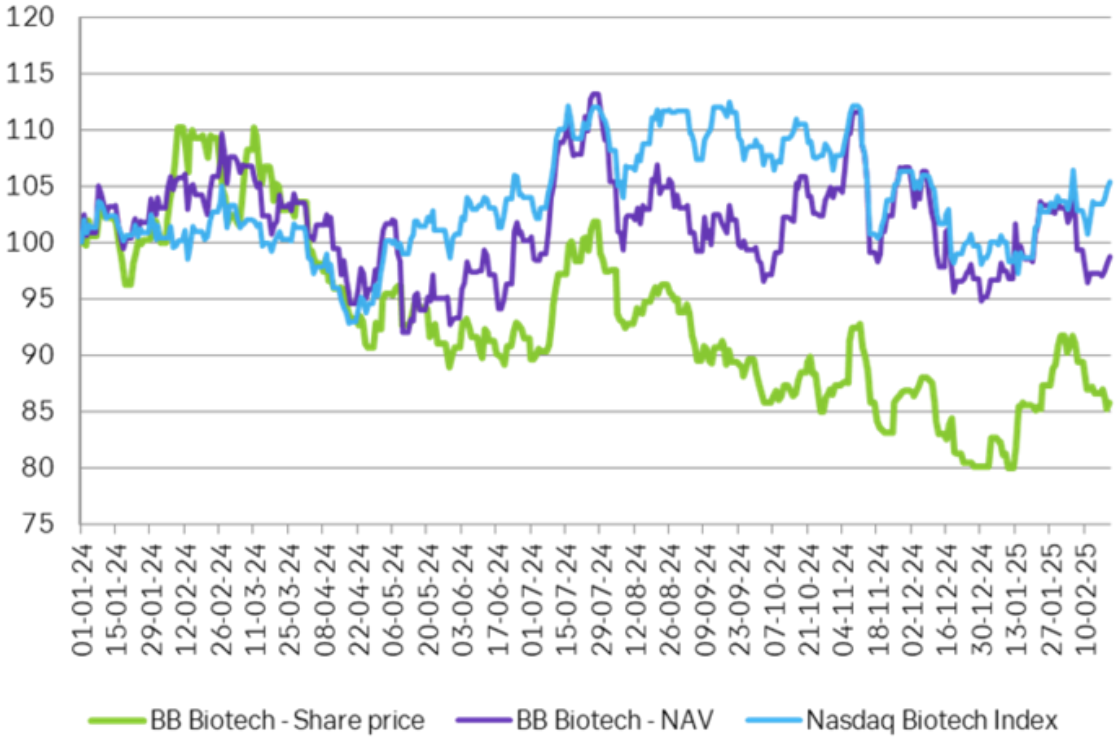
The BB Biotech share price declined 1.9% in CHF during Q4, whereas the Nasdaq Biotechnology Index had a return of -9.1% in the same period. The Nasdaq Biotech index has slightly outperformed the BB Biotech share price so far in 2025. YTD, the Nasdaq biotech index has increased 6.9% whereas the BB Biotech share has increased 6.2%.

BB Biotech vs NBI performance, LTM (CHF)



Source: SEB, Bloomberg

BB Biotech vs NBI performance, LTM (USD)



Source: SEB, Bloomberg

Portfolio company pipeline development and outlook

During Q4 there have been several clinical trial milestones for BB Biotech's portfolio companies. BB Biotech highlights the following, and describes their anticipated development going forward:

Scholar Rock's apitegromab met its primary endpoint in the Phase III SAPPHIRE trial for nonambulatory spinal muscular atrophy (SMA) types 2 and 3, validating investment thesis. As the first muscle-directed therapy for SMA, apitegromab has the potential to enhance motor function beyond existing SMN-targeting treatments and could see broad adoption as an add-on to Spinraza and Evrysdi. With a Biologics License Application (BLA) filing expected in Q1 2025, regulatory clarity is a near-term catalyst. Additionally, its exploration in obesity-related muscle loss (Phase II EMBRAZE trial, Q2 2025 readout) could expand its market potential beyond SMA. Scholar Rock's TGF-ß signaling platform strengthens its M&A appeal for neuromuscular players, positioning it as a high-value strategic asset.

Argenx's decision to advance efgartigimod SC in the Phase II/III ALKIVIA trial for idiopathic inflammatory myopathies (IIM) reinforces its leadership in FcRn-targeted therapies and confirms expansion potential beyond myasthenia gravis (MG) and CIDP. While FcRn inhibitors are facing increased competition from novel entrants (e.g., nipocalimab, rozanolixizumab), Argenx remains ahead with multiple label expansions, best-in-class pharmacology, a subcutaneous formulation advantage, and long-term physician adoption. IIM is a high-value orphan opportunity, and if successful,

efgartigimod SC could unlock a meaningful new commercial market. This progress aligns with our investment in companies executing well on franchise expansion and leadership in rare diseases.

Wave Life Sciences achieved a first-in-human proof-of-mechanism for RNA editing with WVE-006 in alpha-1 antitrypsin deficiency (AATD), nearly reaching the therapeutic threshold at the lowest dose, validating its A-to-I RNA editing approach. With GSK set to take over registrational development, this derisks the path to late-stage clinical trials and potential commercialization. Beyond AATD, Wave is expanding its RNA editing pipeline, while advancing exon-skipping, ASOs, and siRNA programs in obesity and neuromuscular diseases, reinforcing its position as a leading RNA therapeutics platform.

Essa Pharma terminated its Phase II trial for masofaniten in metastatic castration-resistant prostate cancer (mCRPC) after a pre-specified interim analysis showed insufficient efficacy and safety concerns. The trial tested masofaniten in combination with enzalutamide, aiming to improve on standard-of-care outcomes, but the results did not support further development. Given the lack of late-stage assets and increased competition in the mCRPC space, Essa now faces strategic uncertainty and may need to pivot or seek external partnerships. BB Biotech exited its position during the event-driven high liquidity, mitigating further downside risk.

Incyte's decision to pause patient enrollment in the Phase II study of MRGPRX2 in chronic spontaneous urticaria (CSU) due to preclinical toxicology concerns and to terminate MRGPRX4 (CP) after disappointing Phase II efficacy data raises questions about the strategic rationale behind its USD 750 mn acquisition of Escient Pharmaceuticals. This outcome reinforces Incyte's suboptimal track record in business development, as previous acquisitions have yet to deliver meaningful late-stage pipeline additions. Furthermore, even if successful, these programs would not have meaningfully addressed Incyte's looming Jakafi loss-of-exclusivity (LOE) challenge, given their early-stage nature and extended commercialization timelines. Instead, we see Incyte's best path forward in its diseasemodifying CALR and JAKV617F myeloproliferative neoplasm (MPN) programs, which could provide a longer-term strategic solution to sustain its hem-onc franchise.

Revolution Medicines' RAS(ON) inhibitors (RMC-6236, RMC-9805) are delivering the best pancreatic cancer data ever seen. The multi-selective inhibitor (6236) already outperforms chemo in late-line disease, with a Phase III 2L study underway. The company is also exploring combo with chemo and a doublet regimen with the G12D-specific inhibitor (9805) to enter frontline treatment. Beyond pancreatic cancer, expansion into lung and colorectal cancer remains the major upside driver.

Vertex Pharmaceuticals reported Phase II results for suzetrigine (VX-548) in lumbosacral radiculopathy (LSR), meeting its primary endpoint with statistically significant pain reduction. However, a high placebo response complicated data interpretation, raising uncertainty about its differentiation in neuropathic pain. Despite this, Vertex is advancing a Phase III trial in diabetic peripheral neuropathy (DPN) and planning a broader registrational program that includes LSR, signaling continued commitment to its non-opioid pain strategy. Beyond suzetrigine, Vertex is developing a pipeline of selective sodium channel inhibitors, aiming to create a differentiated pain portfolio. The success of this franchise will determine whether Vertex can extend its leadership in a new therapeutic area.

secured FDA approval for Crenessity as an adjunctive treatment for congenital adrenal hyperplasia (CAH), reinforcing its leadership in rare endocrine disorders. With no existing FDA-approved medical therapy for CAH, Crenessity fills a significant unmet need by offering glucocorticoid replacement

therapy while managing androgen levels, aiming to reduce long-term steroid exposure risks. While the primary investment thesis for Neurocrine remains centered on Ingrezza's continued growth, the approval of Crenessity strengthens the company's endocrine franchise and adds a durable revenue stream. Meanwhile, Neurocrine's psychiatry pipeline remains high risk but optional. The AMPA program recently entered Phase III after Takeda declined co-commercialization, increasing investment costs but also potential upside. Muscarinic approaches, while mechanistically interesting, remain at an early stage with historically high failure rates in CNS.
Source: BB Biotech

Currently a 11.4% discount to the share relative to net asset value

Because all but one of the companies in BB Biotech's investment portfolio are listed, it is straightforward to use market values and calculate the net asset value of the portfolio.

The net asset value of BB Biotech's portfolio is CHF 2,377m or CHF 42.9 per share. Compared to its share price of CHF 38.0, BB Biotech is trading at a 11.4% discount to the value of its underlying portfolio.

Assessed by the historical relative ratio of BB Biotech's share price to its NAV, the share of BB Biotech is currently relatively cheap. For the last 12 months, the share has on average been priced below its NAV, at an average discount of 8.4%. Looking five years back, the share has on average traded 9.4% higher than the underlying value.

Net asset value of BB Biotech's portfolio

Main listing	SIX Swiss Exchange	Market cap (CHFm)	2,105
Share Price (CHF)	38.0	No. of shares	55,400,000
Net Asset Value per share (CHF)	42.9	Net Asset Value (CHFm)	2,377
Premium (%)	-11.4%	Dividend 2024 (CHF)	1.8
12 month avg. premium ratio	-8.4%	Yield (%)	4.7
5 year avg. premium ratio	9.4%		

Company	Number of Shares	CCY	Price	Value (CHFm)	Per Share (CHF)	Share of GAV	Share of NAV
Argenx SE	591,000	USD	647	344	6.2	13.9%	14.5%
Intra-Cellular Therapies Inc	2,425,000	USD	129	280	5.1	11.4%	11.8%
Ionis Pharmaceuticals Inc	7,850,000	USD	33	231	4.2	9.3%	9.7%
Vertex Pharmaceuticals Inc	475,000	USD	480	205	3.7	8.3%	8.6%
Neurocrine Biosciences Inc	1,820,000	USD	116	190	3.4	7.7%	8.0%
Alnylam Pharmaceuticals Inc	760,000	USD	251	171	3.1	7.0%	7.2%
Revolution Medicines Inc	4,374,300	USD	42	166	3.0	6.7%	7.0%
Incyte Corp	2,150,000	USD	71	138	2.5	5.6%	5.8%
Agios Pharmaceuticals Inc	3,515,150	USD	34	107	1.9	4.3%	4.5%
Scholar Rock Holding Corp	2,486,707	USD	39	88	1.6	3.5%	3.7%
Biohaven Ltd	2,040,853	USD	40	73	1.3	3.0%	3.1%
Celldex Therapeutics Inc	3,071,615	USD	23	62	1.1	2.5%	2.6%
Moderna Inc	1,600,000	USD	34	49	0.9	2.0%	2.0%
Beam Therapeutics Inc	1,518,121	USD	33	45	0.8	1.8%	1.9%
WaVe Life Sciences Ltd	4,094,458	USD	11	42	0.8	1.7%	1.8%
Arvinas Inc	2,380,000	USD	18	39	0.7	1.6%	1.7%
Edgewise Therapeutics Inc	1,428,929	USD	27	35	0.6	1.4%	1.5%
Immunocore Holdings PLC	1,205,464	USD	30	32	0.6	1.3%	1.4%
Sage Therapeutics Inc	4,460,693	USD	7	29	0.5	1.2%	1.2%
Relay Therapeutics Inc	7,375,000	USD	4	27	0.5	1.1%	1.1%
MacroGenics Inc	9,929,963	USD	3	26	0.5	1.0%	1.1%
Black Diamond Therapeutics Inc	8,517,839	USD	2	17	0.3	0.7%	0.7%
Esperion Therapeutics Inc	9,944,064	USD	2	17	0.3	0.7%	0.7%
Annexon Inc	5,157,290	USD	3	13	0.2	0.5%	0.6%
Fate Therapeutics Inc	4,839,779	USD	2	7	0.1	0.3%	0.3%
Rivus Pharmaceuticals	Unlisted	USD		35	0.6	1.4%	1.5%
Total shares				**2,467**	**44.5**	**100%**	**103.8%**
Molecular Templates - Warrants, 2.4.29	769,334	USD	0.0	0.0	0.0	0.0%	0.0%
Radius Health - Contingent Value Right	8,733,538	USD	0.0	0.0	0.0	0.0%	0.0%
Total derivative instruments				**0.0**	**0.0**	**0.0%**	**0.0%**
GAV (excl. cash)				**2,467**	**44.5**		
Net cash				-90	-1.6		-3.8%
NAV				**2,377**	**42.9**		

Source: SEB, Bloomberg

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