

mRNA Case Study - Moderna and BioNTech

Science is about learning and testing a hypothesis, it is not about maintaining the status quo or looking at quarterly earnings announcements. That's how it felt when we first spoke to Stephane Bancel (CEO of Moderna) more than five years ago when Moderna was a private company. We had been interested in mRNA as a personalised cancer vaccine using neoantigens. Moderna had one such program in collaboration with Merck. Genentech was also working with BioNTech in this area and we noticed an uptick in coverage in various science publications. Moderna was intriguing because its focus was squarely on mRNA, it had a solid balance sheet and the company polarised people's opinion. Some may find that off-putting, but we viewed that as a signal to dig deeper and form our own opinion. We are blessed in many respects by our remoteness - Sydney is a world away when it comes to the chatter of Wall Street, Silicon Valley and the biotech hubs of Boston and San Francisco. It is an ideal environment to think independently.

During our conversations with Stephane, we gradually learned about Moderna's approach to mRNA, its manufacturing process and its ambitions for vaccines. We had been closely following the vaccine field for years and had invested in Dutch company Crucell (acquired by Johnson & Johnson) and UK company Acambis (acquired by Sanofi), hence we felt the vaccine market was very interesting. So, when Moderna prioritised vaccines in 2017, we did not share the market's confusion and thought it was a natural decision. Over the years, we continued our conversation with Stephane, learning about the vision of the company, along with the challenges that have been mastered or the ones that lie ahead.

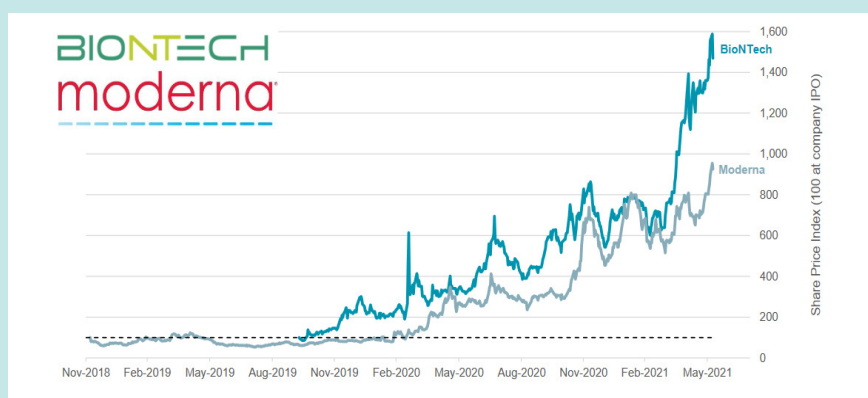
Similarly, we reached out to BioNTech in 2018 and learned about the company's cancer vision and their mRNA R&D efforts. In this area, we don't view one company over the other, it is about a new therapeutic modality that, if successful, could have far-reaching ramifications.

In 2019, we visited the Moderna manufacturing site in Norwood and also met various members of the team. Their deep focus on mRNA, delivery technology and digital manufacturing was obvious to us and a rare occurrence in biotechs. Yes, there could be challenges along the way, but in the end, this was a biotech that ensured it had the money, the talent and a sound plan to make a success of it. So, when it came to the initial public offering (IPO), we did question the valuation, but again it was a healthy conversation with Stephane that put it into context of the ambitions and diligence of the company. The IPO came and went, the stock price barely moved with many people continuing to be very sceptical about the company. However, this was a long-term investment for us, so we continued to add to our position. Similarly, in 2019 we visited BioNTech (we invested pre-IPO) and experienced first-hand the dedication of the team and the vision to offer comprehensive cancer therapeutics. The IPO itself was also subdued, again offering us an opportunity to add to our investment.

Both investments have been tremendously successful for Platinum. At the time we invested COVID-19 didn't exist, but we believed in the mRNA technology and the respective teams behind the science and technology. We believed this technology was the way forward for vaccines of the future – not just for viruses but also cancer and other diseases.

Following exceptionally strong share price performance over the past 12-18 months, on the back of both companies' success with their mRNA-based COVID-19 vaccines, we have trimmed our exposure to these two stocks. We admire and respect the leadership teams of both companies, and continue to engage with each, but we must remain disciplined on price.

Moderna and BioNTech Share Price Performance



Source: FactSet Research Systems. Chart shows company prices indexed to 100 as at IPO price. Data as at 8 June 2021. IPO dates are Moderna: 6 December 2018; BioNTech: 9 October 2019. Historical performance is not an indicator of future performance.

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