

Emergent tops slim list of stock market winners for 2008



Evaluate Vantage

An analysis of share price performance last year across the global pharmaceutical industry confirms that 2008 was one of the most challenging years on record. Of the 575 public companies within the EvaluatePharma universe still trading at the end of 2008, just 78 companies managed to record a positive share price movement during the year, meaning a staggering 86% of pharma stocks fell in 2008, as total company valuations slumped 21% from \$2.46 trillion in 2007 to \$1.94 trillion by the end of the year.

Therefore, when reviewing the key winners and losers of 2008 (see table below), extra kudos must go to the significant winners, including Emergent BioSolutions, Valeant Pharmaceuticals and Idenix Pharmaceuticals, whilst the biggest losers such as Introgen Therapeutics, Cell Therapeutics and CellCyte Genetics, face a major battle for survival.

To further illustrate the overall demise in 2008, during 2007 31% of pharma stocks achieved growth whilst total company valuations increased 1%.

This analysis excludes companies that have been acquired, such as Alpharma and ImClone Systems, and in order to focus on companies that have generated a meaningful share price change, the winners are filtered only on those companies that now have a market capitalisation greater than \$100m, whilst the losers excludes companies that had a market value less than \$100m at the start of 2008.

Winners

	Top 10 winners in 2008	Share price - local currency			Growth		Market Capitalisation (\$m)		
		2006	2007	2008	2007	2008	2006	2007	2008
1	Emergent BioSolutions (\$)	11.16	5.06	26.11	-55%	+416%	308	151	776
2	Valeant Pharmaceuticals (\$)	17.24	10.35	22.90	-40%	+121%	1,628	924	1,807
3	Idenix Pharmaceuticals (\$)	8.69	2.70	5.79	-69%	+114%	487	152	350
4	Micromet (\$)	3.00	2.06	4.36	-31%	+112%	94	84	202
5	Karo Bio (SKr)	15.60	4.50	8.10	-71%	+80%	177	81	130
6	Optimer Pharmaceuticals (\$)	-	7.00	12.11	-	+73%	0	195	320
7	ViroPharma (\$)	14.64	7.94	13.02	-46%	+64%	1,021	555	1,062
8	Momenta Pharmaceuticals (\$)	15.73	7.14	11.60	-55%	+62%	568	261	460
9	NPS Pharmaceuticals (\$)	4.53	3.83	6.21	-15%	+62%	191	179	301
10	Lannett (\$)	6.25	3.09	5.00	-51%	+62%	151	75	114

Interestingly, four out of the top ten companies, Emergent, Idenix, Optimer Pharmaceuticals and ViroPharma, operate within the anti-infectives market, not a sector that has traditionally been particularly attractive.

Emergent, a Maryland-based vaccine company, has put in a staggering performance, made more impressive

when considering that the share price continued to rocket in the last quarter of the year, while the rest of the financial world went into meltdown.

The resilience is largely down to contracts with the US government to supply its anthrax vaccines, demand that is not seen hurt by the credit crunch and has provided a predictable revenue stream, comforting in these risk-averse times. Bigger contracts are on the horizon, which together with a strong pipeline of other vaccines, including a promising looking typhoid shot, means the stock is in strong demand, and many analysts are recommending investors keep buying.

With expectations so high disappointments will be felt hard, as demonstrated by the 14% drop in the shares in early trade today, after the company released lower-than-expected revenue and profit guidance for 2008 and 2009. However, even at \$22 the stock is still by far 2008's biggest gainer.

Valeant's strong performance can be put down to a radical re-focusing over the year, which saw it trim the fat and sell the majority of its ex-US businesses for \$392m. The divestment was swiftly followed by an \$825m licensing deal with GlaxoSmithKline for their phase III epilepsy drug retigabine, which included a chunky \$125m upfront payment, leaving Valeant in a financially and strategically strong position ([Valeant's brave strategy pays off, August 29, 2008](#)).

Idenix has performed strongly after a disastrous 2007, which saw its two lead candidates fail in phase II. However, the company has extremely promising hepatitis C and HIV candidates, both of which are unpartnered and in extremely attractive fields, meaning the company staged a strong recovery last year.

Micromet's shares surged during the second half of 2008 with the publication of encouraging data for its lead antibody candidate which also raised the company's profile as a potential takeover candidate ([Micromet riding high on positive antibody sentiment, August 18, 2008](#)).

Optimer Pharmaceuticals has been riding high on the success of its lead product, OPT-80, a novel macrocyclic antibiotic that reported highly encouraging phase III results in November ([EP Vantage Interview - Optimer heads into 2009 on a high note, December 5, 2008](#)).

NPS Pharmaceuticals would have been even higher up the top ten list had GlaxoSmithKline not returned the rights to a phase II osteoporosis drug in September, knocking the stock from two-and-a-half year highs of \$8.5 ([NPS Pharmaceuticals' fall looks hard, September 29, 2008](#)). Two marketed drugs with strong sales potential, a promising phase III candidate for orphan indication short bowel syndrome and healthy cash position has been driving interest in the stock.

Lannett, a Pennsylvania-based generics group, creeps into the top ten thanks to a late surge in 2008, which saw its shares jump from \$1.8 at the beginning of December to close the year at \$5. The trigger could have been FDA approval for a generic version of Watson Pharmaceuticals' Actigall, a gallbladder stone treatment.

Losers

	Top 10 losers in 2008	Share price - local currency			Growth		Market Capitalisation (\$m)		
		2006	2007	2008	2007	2008	2006	2007	2008
1	Introgen Therapeutics (\$)	4.40	2.93	0.02	-33%	-99%	192	129	1
2	Cell Therapeutics (\$)	70.00	18.80	0.14	-73%	-99%	255	117	22
3	CellCyte Genetics (\$)	5.45	7.00	0.10	+28%	-99%	203	419	10
4	Gentium (€)	25.57	17.66	0.37	-31%	-98%	398	384	7
5	Medicure (C\$)	1.41	1.01	0.03	-28%	-98%	150	132	2
6	Keryx Biopharmaceuticals (\$)	13.30	8.40	0.22	-37%	-97%	578	367	10
7	Arpida (SFr)	29.55	20.40	0.72	-31%	-96%	420	349	14
8	Accentia Biopharmaceuticals (\$)	3.50	3.28	0.13	-6%	-96%	111	130	17
9	Neurogen (\$)	5.95	3.45	0.14	-42%	-96%	249	145	11
10	deCODE genetics (\$)	4.53	3.68	0.19	-19%	-95%	279	227	15

Clinical or regulatory failure from one-product companies is the main reason behind the biggest decliners of the year, such as Introgen's Advexin, Keryx's Sulonex, Arpida's iclaprim and Accentia's SinuNase.

CellCyte is a notable exception, and down to apparent fraud by the biotech's chief executive and co-founder Gary Reys, in false claims about his professional experience, and the company's hyping of its stock through the recruitment of Swiss promoter Stockgroup.

With share prices at rock bottom levels and extremely tough credit conditions, most of these companies will be doing well to survive once current cash reserves are exhausted.

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