

Mid-cap biopharma stocks pick up in the first quarter



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After a terrible performance over the past year mid-cap biopharma stocks picked up in the first quarter of 2017, echoing gains among larger drug makers. US companies in particular showed a return to health, with three featuring in the biggest risers of the quarter: Vertex, Incyte and Jazz.

Small cap gainers, meanwhile, were also dominated by US drug makers, with notable rises for Esperion and Global Blood Therapeutics. However, as always at the high-risk end of the sector the year has already yielded some blow-ups, with both Novan Therapeutics and Foamix crashing on disappointing acne data (see tables below).

Mid cap (\$25-\$5bn): top risers and fallers in Q1

	Mar 31 share price	Q1 chg	Mar 31 market cap (\$m)	Q1 chg (\$m)	EP Vantage coverage
Top 5 risers					
Vertex	\$109.35	48%	27.2	8.9	Vertex investors toast birth of the son of Orkambi
Ipsen	€93.76	36%	8.3	2.0	Merrimack falls for \$1bn oncology offer from Ipsen
Incyte	\$133.67	33%	27.2	8.4	Incyte dramatically ups the immuno-oncology combo ante
Jazz	\$145.13	33%	8.7	2.1	Jazz sets the Tones with sleep apnoea data
Zydus Cadila	Rs443.25	24%	6.7	1.2	
Top 5 fallers					
Perrigo	\$66.39	(20%)	9.5	(2.4)	Lovestruck Royalty snares its prey at last
Celltrion	KRW90100	(16%)	8.9	(2.2)	
Ionis	\$40.20	(16%)	5.0	(0.8)	Ionis can't dismiss safety questions
Eisai	¥5764	(14%)	14.9	(4.3)	
OPKO Health	\$8.00	(14%)	4.5	(0.7)	Pharma regulatory and clinical trial news over Christmas

Vertex's leading position is due to a big jump at the end of the quarter following the release of data on its next big cystic fibrosis hope, tezacaftor. Investors will hope that this return to favour can be sustained, after the stock closed at a two-and-a-half year low at the end of 2016.

Its US peer Incyte can also thank clinical advances for its gains, specifically with its IDO1 inhibitor epacadostat, which is emerging as the next big thing in immuno-oncology.

Non-US climbers include the French speciality firm Ipsen, which has been a steady grower over the past few years. The recent acquisition of Merrimack's oncology assets and a boost to sales guidance gave the stock a further lift last quarter. India's Zydus Cadila, meanwhile, was rewarded after a clean bill of health was granted

to a crucial manufacturing plant.

Among the fallers, the fallout from Perrigo's debt-fuelled acquisition spree continues to haunt the stock, while Ionis cannot shake off concerns about the potential and safety of its antisense platform.

Small cap (\$5bn-\$250m): top risers and fallers in Q1					
	Mar 31 share price	Q1 chg	Mar 31 market cap (\$m)	Q1 chg (\$m)	EP Vantage coverage
Top 5 risers					
Esperion Therapeutics	\$35.31	182%	796	514	Daily Market Movers: Global Majors & Industry (20 Mar 2017)
Global Blood Therapeutics	\$36.85	155%	1,604	1,065	Daily Market Movers: Global Majors & Industry (8 Mar 2017)
TG Therapeutics	\$11.65	151%	663	409	TG reverses October slide but questions remain unanswered
Newlink Genetics	\$24.1	134%	704	404	AACR - Rags to riches to rags again
Achaogen	\$25.23	94%	903	448	Epic antibiotic data could spur interest in Achaogen
Top 5 fallers					
Novan Therapeutics	\$6.38	(76%)	102	(329)	Novan's spotty acne performance hurts shares
Foamix	\$4.95	(55%)	184	(222)	Daily Market Movers: Global Majors & Industry (27 Mar 2017)
Mannkind	\$1.48	(53%)	142	(163)	Daily Market Movers: Global Majors & Industry (2 Feb 2017)
Protagonist Therapeutics	\$12.81	(42%)	215	(153)	
Nantkwest	\$3.55	(38%)	292	(179)	IPO bumps slow, but no need to panic yet

Esperion leads the small cap drug makers. The stock surged last quarter on news of FDA approval via a much quicker regulatory path than had been assumed for its cholesterol-lowering project bempedoic acid.

Global Blood Therapeutics has jumped higher on takeover hopes, with Novo Nordisk's name mentioned. Clinical success with its antibiotic must surely be fuelling similar hopes for Achaogen.

Newlink Genetics might find its time at the top limited - data released at AACR over the past few days have cast doubts over the potential of its oncology candidate indoximod, though the slump in its share price might have more to do with falling so far behind Incyte in the same IDO inhibitor class.

Among the fallers, disappointing acne data have taken the shine off both Novan and Foamix. For newly listed Novan the decline is particularly embarrassing, as the stock now sits at a mere third of its September float price. Nantkwest has also proven a very poor new issue; shares in the company controlled by the controversial Patrick Soon-Shiong are now trading 90% below its 2015 float price.

Elsewhere Mannkind has failed to arrest the decline of its inhaled insulin project, with the company and its doomed product surely running out of breath.

One stock missing from this analysis is Actelion, the conclusion of its takeover by Johnson & Johnson now surely a formality. Interestingly the only other clear M&A target here is Global Blood Therapeutics - though Incyte is also considered prey its valuation must surely be acting as a barrier. For a year that many expected to herald a resurgence in M&A, the impact on individual share prices is not immediately apparent at the end of the first quarter.

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