

Big caps surge again in the third quarter



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Teva's annus horribilis continues but overall the picture is bright.

The rally in biopharma stocks has continued into the third quarter of 2017 – but pity investors in Teva. Against a backdrop of surging share indices the Israeli group has seen its value halve this year after a host of problems that must be giving new chief executive, Kåre Schultz, sleepless nights.

This outlier aside, it has been a good year so far for large biopharma companies. In the big-cap universe, only Glaxosmithkline's stock has fallen since the start of 2017 – the other "worst" performers posted growth that would in other years have been respectable. The industry will hope that after a turbulent period things are looking up again (see tables below).

This optimism seems to be reflected in the Nasdaq biotechnology index, which in September reached levels not seen since the end of 2015. And the US indices in particular have built on gains seen during the second quarter ([Big cap biopharma ends the half year on a high note, July 7, 2017](#)).

| Stock index | Q3 2017 change |
|--|----------------|
| Nasdaq Biotechnology (US) | 26% |
| S&P Pharmaceuticals (US) | 10% |
| Dow Jones Pharma and Biotech (US) | 17% |
| S&P 500 (US) | 12% |
| DJIA (US) | 13% |
| Dow Jones STOXX Healthcare (EU) | 5% |
| Thomson Reuters Europe Healthcare (EU) | 19% |
| Euro STOXX 50 (EU) | 9% |
| FTSE-100 (UK) | 3% |
| TOPIX Pharmaceutical Index (Japan) | 5% |

While sentiment in general has been helped by positive data from smaller groups like Alnylam and Zogenix, large companies have also done well – notably Abbvie, which is up 42% since the beginning of the year.

In September the group was boosted by positive data with its Jak inhibitor upadacitinib in atopic dermatitis, as well as a deal with Amgen to delay the advent of biosimilar versions of Humira. Another big catalyst awaits, with data on its small-cell lung cancer project Rova-T due by the end of the year.

Meanwhile, Lilly has recovered after an FDA knockback for its big hope Olumiant, the rheumatoid arthritis project, after it emerged in August that the delay would be much shorter than expected.

Novartis has had a less turbulent year, boosted by US approval of its CAR-T therapy Kymriah and an unexpected victory in the Cantos study of Ilaris in cardiovascular disease – as well as a suggestion that this might have a benefit in cancer.

| Big pharma: top risers and fallers in 9 months | | | |
|---|------------------|---------------------------------|-------------------------|
| | 9-mth chg | Sep 29 market cap (\$bn) | 9-mth chg (\$bn) |
| <i>Top 3 risers</i> | | | |
| Abbvie | 42% | 141.7 | 39.9 |
| Eli Lilly | 16% | 94.2 | 13.0 |
| Novartis | 14% | 224.7 | 33.5 |
| <i>Top 3 worst performers</i> | | | |
| Glaxosmithkline | (5%) | 92.6 | (2.0) |
| Roche | 6% | 212.9 | 8.9 |
| Merck & Co | 9% | 174.6 | 12.3 |

At the other end of the spectrum, Glaxo's new chief exec, Emma Walmsley, has had a difficult start, with her move to streamline the company's pipeline failing to impress investors. At least the decision to hand back Plivensia rights to Johnson & Johnson looks wise after the asset was knocked back by an FDA panel in August over safety concerns.

Teva trashed

Teva remains the disaster story of 2017. The Israeli company faces a tough task to turn things around after a disastrous year that has seen it slash jobs, close sites and – maybe most damaging of all for investors – cut its dividend. And today it had more bad news with FDA approval of Mylan's generic versions of Copaxone ([A determined FDA takes down Teva's blockbuster, October 4, 2017](#)).

Two Japanese companies, Otsuka and Astellas, round out the three worst performers. Among the industry's other big drug stocks – and of the 17 in *EP Vantage's* universe – Merck KGaA, Allergan and Shire were also among the fallers; the latter likely the result of investors increasingly writing off the group's prospects in haemophilia ([Interview - Shire needs to shore up to stem haemophilia bleeding, September 28, 2017](#)).

So far this year, however, there have been few big losers among the industry's big beasts, putting 2017 on track for a positive turn out on the stock market.

Other big drug stocks (\$25bn+): top risers and fallers in 9 months

| | 9-mth chg | Sep 29 market cap (\$bn) | 9-mth chg (\$bn) |
|-------------------------------|-----------|--------------------------|------------------|
| <i>Top 3 risers</i> | | | |
| CSL | 32% | 45.6 | 10.8 |
| Takeda | 29% | 44.6 | 7.8 |
| Amgen | 28% | 136.0 | 27.3 |
| <i>Top 3 worst performers</i> | | | |
| Teva | (51%) | 17.9 | (18.9) |
| Otsuka | (12%) | 22.6 | (4.7) |
| Astellas | (12%) | 26.9 | (6.8) |

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