

## Few storms for biopharma to weather in 2017



Jacob Plieth

Biopharma investors started 2017 praying for a market recovery, and by the end of the year their wish had pretty much been granted. The worst fears about the economic impact of Donald Trump's US presidency failed to materialise, and low-tax rhetoric ensured that the markets in December presented a picture of health.

But for biopharma the downside of US-friendly proposals is the president's talk about curbing drug spending. With January's price increases showing just how dependent biopharma is on raising the costs of some very elderly products, whether the industry can sustain this is its biggest headache going into 2018.

Of course it is by no means certain how US tax reform will play out ([Inversion reversion puts overseas shopping back in the frame, April 25, 2017](#)). But the positive perception is reflected in all major indices climbing in 2017, even if the dizzy heights of mid-2015 remain a distant memory.

Stock index	% chg in 2017
Nasdaq Biotechnology (US)	21%
S&P Pharmaceuticals (US)	10%
Dow Jones Pharma and Biotech (US)	15%
S&P 500 (US)	19%
DJIA (US)	25%
Dow Jones Stoxx Healthcare (EU)	2%
Thomson Reuters Europe Healthcare (EU)	16%
Euro Stoxx 50 (EU)	7%
FTSE-100 (UK)	8%
Topix Pharmaceutical Index (Japan)	11%

Among individual stocks Abbvie ended the year as big pharma's winner by a wide margin, boasting a 54% share price gain – much of it recorded in August. The single biggest reason for this is the group's success in delaying biosimilars competition to its mega-blockbuster Humira.

The top three was rounded out by Astrazeneca, surprisingly overcoming the initial failure of its Mystic study, and Johnson & Johnson, which edged out the nine-month front runners Lilly and Novartis. J&J's strong 2017 finish came thanks to biosimilars resilience and success in prostate cancer with Zytiga.

<b>Big pharma: top risers and fallers in 12 months</b>				
	<b>Share price</b>		<b>Market capitalisation (\$bn)</b>	
	<b>YE 2017</b>	<b>12-mth chg</b>	<b>YE 2017</b>	<b>12-mth chg</b>
<i>Top 3 risers</i>				
Abbvie	\$96.71	54%	154.4	52.6
Astrazeneca	\$34.70	27%	87.9	18.7
Johnson & Johnson	\$139.72	21%	375.4	61.9
<i>Top 3 fallers</i>				
Glaxosmithkline	£13.23	(15%)	86.5	(8.0)
Sanofi	€71.85	(7%)	106.7	(2.6)
Merck & Co	\$56.27	(4%)	153.3	(9.0)
<i>Source: EvaluatePharma.</i>				

At the other end of the table, Glaxosmithkline made its annus horribilis official, its new chief executive, Emma Walmsley, suffering a baptism of fire on several fronts. Ironically Glaxo was the best-performing big cap stock of 2016; 2018 should show whether Ms Walmsley's first moves bear fruit.

Merck & Co's October collapse, on a third-quarter revenue miss and 18-month delay to Keytruda's confirmatory first-line lung cancer study, Keynote-189, ensured the group's place in the basement. Roche escaped this fate thanks to an unexpected success in Impower-150 ([Roche blows open the lung cancer competition](#), November 20, 2017).

### **Gains erased**

And Sanofi, maker of Lantus, saw virtually all its 2017 gains erased when its third-quarter results illustrated just how difficult life had become for the big insulin players.

At least 2017 was not as unkind to the French group as it was to Teva; the Israeli company lost nearly 50% of its value last year, and has lost 70% since January 2016. Even its attempts to kitchen-sink have failed - Leerink this week raised fresh concerns about its debt burden and Copaxone business.

Teva was the biggest 2017 faller among companies capitalised at \$25bn and above, accompanied at the bottom by Allergan, another company showing how tough things have become for speciality pharma groups.

<b>Other big drug stocks (\$25bn+): top risers and fallers in 12 months</b>				
	<b>Share price</b>		<b>Market capitalisation (\$bn)</b>	
	<b>YE 2017</b>	<b>12-mth chg</b>	<b>YE 2017</b>	<b>12-mth chg</b>
<i>Top 3 risers</i>				
CSL	\$110.02	44%	49.8	14.9
Takeda	¥6401	32%	44.8	8.0
Novo Nordisk	DKr334.50	31%	132.1	56.2
<i>Top 3 fallers</i>				
Teva	\$18.95	(48%)	19.2	(17.5)
Allergan	\$163.58	(22%)	54.4	(24.4)
Fresenius	€64.81	(13%)	42.3	(2.4)
<i>Source: EvaluatePharma.</i>				

Not so Australia's CSL, basking in US approval for its hereditary angioedema drug Haegarda, which now has a

handy headstart over Shire's lanadelumab. Now CSL has to make the most of this advantage.

And Novo Nordisk showed that life is not terrible for all diabetes players. Its GLP1 agonist Victoza beat expectations, leading to increased 2018 sales and operating profit guidance, and sending the Danish group's stock on a tear from early August.

Attendees of next week's JP Morgan healthcare conference will await further guidance from many big pharma and big biotech companies with interest. Drug pricing is likely to remain near the top of the agenda, as [Amgen and Biogen have already kicked off 2018 with price increases](#) - under 10%, of course - for several products.

Add to this some company-specific issues and major upcoming clinical trial readouts, and the stage is set for a 2018 that could prove to be far more volatile than last year.

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