

The big cap empire strikes back



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If the first three quarters of 2019 were dominated by pricing fears, the last saw a remarkable comeback for biopharma.

The big cap biopharma landscape in 2019 was largely shaped by US pre-election fears about a tightening of drug pricing. However unrealistic such a scenario actually is, the real gains for big pharma investors were to be made by backing groups based on the other side of the Atlantic.

That said, 2019 was far from a disaster; most big cap stocks – US included – celebrated healthy, double-digit share increases. And perhaps most extraordinary of all was the turnaround effected by Lilly, which at the end of the third quarter had stood off 3% year to date, but which during the following three months put on 18%.

In fact, most US groups enjoyed a fourth-quarter comeback. Thus indices such as the Nasdaq biotech, S&P pharma and Dow Jones pharma and biotech, which were either flat or up in anaemic single digits three months ago, roared back to end 2019 with gains of 24%, 12% and 14% respectively.

Stock index	4mth % chg
Nasdaq Biotechnology (US)	24%
S&P Pharmaceuticals (US)	12%
Dow Jones Pharma and Biotech (US)	14%
S&P 500 (US)	29%
DJIA (US)	22%
Dow Jones STOXX 600 Healthcare (EU)	29%
Thomson Reuters Europe Healthcare (EU)	26%
Euro STOXX 50 (EU)	20%
FTSE-100 (UK)	12%
TOPIX Pharmaceutical Index (Japan)	21%

Until September Lilly stock had been in the red, but then two things happened: first [selpercatinib posted impressive results](#) in Ret-driven lung cancer, setting the stage for possible launch this year and allaying fears that the company's \$8bn purchase of Loxo Oncology had been overpriced.

Then Biogen pulled its Alzheimer's disease rabbit out of the hat, [claiming that aducanumab had actually succeeded](#) in two pivotal trials and vowing to send it to regulators. While the data look dubious, the US FDA is seen as a soft touch, and all this has rekindled hopes that Lilly's own amyloid-beta MAb, solanezumab, could now be brought back from the dead.

Overall, however, the year belonged to a trio of EU-based big cap stocks: Astrazeneca, driven by the oncology drugs Tagrisso and Lynparza; Roche, propelled by Ocrevus and Hemlibra, and Novartis. The last has remained an aggressive asset buyer, and in Zolgensma looks to have a marketed product that could, after several false starts, mark gene therapy's coming of age.

Big pharma: top risers and fallers in 12 months			
	Share price	Market cap (\$bn)	
	12mth chg	31 Dec 2019	12mth chg
<i>Top 3 risers</i>			
Astrazeneca	31%	130.8	34.60
Roche	29%	271.7	61.11
Novartis	27%	214.4	18.62
<i>3 worst performers</i>			
Pfizer	(10%)	216.8	(35.49)
Abbvie	(4%)	130.9	(7.74)
Johnson & Johnson	13%	383.9	37.80

On the debit side, Pfizer remained big pharma's worst-performing stock, driven down by concerns over its corporate strategy and lowered full-year forecasts. Abbvie, like Lilly, saw a major fourth-quarter recovery, finishing down 4% after standing off 18% at the end of the third quarter.

It is a measure of 2019's strong finish that the next-worst performing big cap stock, Johnson & Johnson, was actually up 13% on the year.

Eastern dominance

Among large biopharma companies just outside the big cap sphere, meanwhile, those not based in the west continued to dominate.

Jiangsu Hengrui's position in oncology is seeing that company emerge as one of China's most popular healthcare picks, while Chugai - majority-owned by Roche - is reaping the rewards of the Swiss group's Hemlibra success.

Other big drugmakers (\$25bn+): top risers and fallers in 12 months

	Share price	Market cap (\$bn)	
	12mth chg	31 Dec 2019	12mth chg
<i>Top 3 risers</i>			
Jiangsu Hengrui Medicine	100%	54.5	26.47
Chugai	58%	52.2	20.50
CSL	49%	85.1	25.44
<i>3 worst performers</i>			
Biogen	(1%)	53.5	(7.09)
Regeneron	1%	40.5	0.82
Gilead	4%	82.2	0.29

And, while at the bottom of the table Regeneron continued to suffer from the imminent erosion of its Eylea franchise, and Gilead was unable to shake off questions over its lack of business development nous, the worst performer in this stock category was actually Biogen.

Given that some now think that aducanumab is headed for US approval this year, such an outcome might seem puzzling. However, until Biogen's shock claim that the amyloid-beta MAb actually works, the stock had been trading off 30% on the year, so the company's flat performance represents the erasing of the losses that aducanumab had initially occasioned.

Whether the turnaround is viable now rests in the lap of the FDA as one of the biggest upcoming events of 2020.