

Coronavirus stock hype proves infectious



Coronavirus-focused investors have willingly backed bona fide development and egregious publicity stunts alike.

Every public health emergency presents an opportunity for biopharma to justify its existence by springing into action to develop vaccines, diagnostics and treatments; at the same time, some will use mention of the disease as a way to drive up share prices and tap investors for money.

In this regard the current outbreak of coronavirus Covid-19 has stuck to the script, with several vaccines and an antiviral poised to enter the clinic. But for every bona fide effort there are numerous hangers-on, and a rough calculation by *Vantage* reveals that the outbreak has helped several small and midcap biotechs put on a combined \$3.5bn in market valuation.

In the case of several huge gainers there has in fact been very little to show beyond hype in a press release. Some of the small caps jumping on the coronavirus bandwagon include Faron, AIM Immunotech, Novavax, Cerus, Immunoprecise Antibodies and Tonix.

Vantage has analysed the stock market movements between January 20 and February 25 of biopharma companies that have made public announcements on coronavirus. Though the first Covid-19 case was reported last December it was only in the week of January 20 that it became apparent that a global health emergency was in the offing.

Perhaps the most prominent work to develop a treatment involves Gilead, which rose 7% yesterday after starting phase III Covid-19 trials with the nucleotide analogue remdesvir. Though with an IV route this drug is far from optimal, in the view of Baird's Brian Skorney Gilead is "by far the most plausible [coronavirus stock] to achieve anything besides an overpriced follow-on offering".

A selection of biopharma's biggest coronavirus-related stock risers

Company	Share price chg	Market cap chg (\$m)	Claim relating to Covid-19
Novacyt	799%	97	Launched coronavirus test
Co-Diagnostics	296%	75	Launched coronavirus test
Cocrystal Pharma	256%	55	Licensed antivirals from Kansas State Uni
Nanoviricides	135%	46	Claims work on a treatment
Zhejiang Hisun Pharmaceutical	52%	769	Approval to put favipiravir into clinical trial
Faron Pharmaceuticals	49%	72	Loose connection to avoiding steroid use
AIM Immunotech	44%	3	Filed patent applications covering Ampligen
Novavax	39%	71	Claims work on vaccine
Q Biomed	34%	17	Partner Mannin claims work on a treatment
Vir Biotechnology	33%	587	Signed deal with Wuxi to develop MABs
Ibio	32%	10	Deal with CC-Pharming to develop vaccine
Cytosorbents	24%	36	Claims work to launch CytoSorb as treatment
Cerus	20%	224	Loose connection in scientific paper
Moderna	15%	1,125	CEPI funding to develop mRNA vaccine
Regeneron Pharmaceuticals	15%	6,188	HHS agreement on MAb treatments
Inovio Pharmaceuticals	14%	50	Approval to put RNA treatment into clinical trial
Innovation Pharmaceuticals	13%	3	Explores brilacidin as a treatment
Gilead Sciences	11%	9,008	Putting remdesivir into clinical trial
Immunoprecise Antibodies	7%	2	Commits to develop vaccines
CSL	7%	7,224	Partners with Queensland Uni on vaccine
Seegene	6%	38	Launched coronavirus test
Cytodyn	5%	58	To co-develop leronlimab with Longen
Pharmamar	2%	23	Claims work on a diagnostic
Roche	1%	4,800	Assay approved for research use

**Share price movements between 20 Jan and 25 Feb; list not exhaustive. Source: Vantage & stock market announcements.*

That financial bets are even being made on the back of a health crisis – a retail investor website recently ran an article entitled “my initial coronavirus trading plan” – seems distasteful. Still, without hard cash little real work would likely get done to treat such an emergency.

But among the biggest examples of hype stands Novavax, a biotech that has burned through \$1.5bn of investor cash with no marketed product to show for it, instead using press releases about the likes of Sars, RSV and bird flu as a prelude to cash calls. Yesterday it [announced plans to develop a Covid-19 vaccine](#).

Faron surged on the [mere mention](#) that its failed lead, traumakine, was an interferon-beta, a biological that is a first line of defence against viral infection. Tonix yesterday [trumpeted a vaccine collaboration](#), and while its stock surged 123% it was down over the relevant period owing to a separate trial failure.

Many stock cap movements are exaggerated by the fact they concern micro-cap companies, but taken together the increases in valuation are considerable.

Diagnostics

Predictably, diagnostics groups have recorded some of the largest share price gains, with Novacyt and Co-Diagnostics both dragging themselves out of penny stock territory.

Novacyt on February 17 [launched the world's first CE-marked test for the Covid-19 virus](#), while Co-Diagnostics followed with its own CE-marked diagnostic a week later, and today [followed up with a fund raising](#). Earlier Pharmamar announced that it was developing a coronavirus test.

In actuality all three were pipped by Roche, which at its full-year results meeting on January 30 said it had already introduced a commercial, if not yet approved, coronavirus assay.

Elsewhere, investors have been piling into Moderna, though some analysts remain sceptical over whether its [mRNA approach](#) can resist the virus's mutation. And Vir Biotechnology, which [claims to be working on anti-Covid-19 MABs](#), has been dismissed by Baird as being "nowhere close to an effective therapeutic".

In reality, real progress against this virus is much more likely to be made by big companies or academics centres with established infectious disease expertise. In the corporate worlds this includes: Merck & Co, notable for developing the only Ebola vaccine to get to market; Johnson & Johnson, which owns the vaccine business Crucell; and pharma giants Sanofi and Glaxosmithkline.

Companies of this size are no use to traders hoping to ride a speculative surge. But those chasing the corona trade should remember that these small caps will not be immune to crashing back down to earth, once the drama is over.