

Hope replaces hype for coronavirus stocks



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Investors are homing in on biopharma companies able to make real contributions to the coronavirus pandemic, but market frothiness is far from over.

Two months ago, when the coronavirus reality was only just dawning, press releases from far and wide pointed to repurposed drugs and promising pipeline candidates that might prove helpful in combating the pandemic. Investors flocked to these stocks, regardless of the validity of the claims ([Coronavirus stock hype proves infectious](#), February 27, 2020).

A few weeks on, *Vantage* has taken another look at Covid-19 related stock price moves, and it is immediately clear that some of the more dramatic share price gains are no longer a feature. Less substantive pledges by smaller companies continue to attract attention, but the triple-digit surges seen last month are being replaced by huge valuation hikes in those actually making progress.

Biontech, for example, is one of the biggest share price gainers over the past two weeks, boosted by deals with Fosun and Pfizer over its experimental mRNA vaccine BNT162, which could move into the clinic next month.

Hope that RNA technology might yield a vaccine much more quickly than traditional techniques is driving investors to developers in this field; Moderna, which has started dosing patients with its lead project, has seen one of the largest coronavirus-related market cap gains.

Biontech's 73% gain in two weeks is more impressive given the huge jump in value: the company's market cap now sits at \$15bn. The climbs registered by other stocks, below, must be read in the context of smaller valuations: Tiziana is now capitalised at \$81m, for example, and while Synairgen has seen its market cap double over the past couple of months the UK respiratory researcher is still only worth \$35m.

<i>A selection of biopharma's biggest coronavirus-related stock risers...</i>		
Company	Share price change, Mar 3-17	Key developments
Anges	75%	Collaboration with Osaka University to develop DNA-based Covid-19 vaccine
Biontech	73%	Signs deals with Fosun and Pfizer to develop mRNA vaccine BNT162
Seegene	57%	Reports growing global demand for its coronavirus diagnostic
Tiziana Life Sciences	41%	To expedite TZLS-501, an anti-IL6 like Actemra
AIM Immunotech	28%	Ampligen to be tested by Japan's NIID
Synairgen	24%	Starting trial of SNG001 (inhaled interferon-beta-1a)
Vir Biotechnology	23%	To collaborate with Biogen on manufacturing of antibodies to treat Covid-19
Opko Health	22%	Bioreference unit to start testing service for Covid-19
Lilly	10%	To co-develop antibodies with Acellera
Regeneron	7%	Claims advances in Covid-19 Ab programme
Luminex	6%	Working to automate detection of Covid-19
Immunoprecise Antibodies	6%	AI collaboration on vaccine and antibody discovery
Emergent Biosolutions	3%	Starts development of two plasma-derived projects
Moderna	1%	Doses first subjects in mRNA-1273 vaccine trial
... and those coming back down to earth....		
Cocrystal Pharma	-38%	Raises \$7m, three days after announcing plans to advance coronavirus programme
Biocryst	-42%	Claims that galidesivir is a potentially useful antiviral
Q Biomed	-47%	Possible waning of interest in research work of partner
Nascent Biotech	-49%	Pledge to study primumab as a potential therapeutic
Tonix	-50%	Raises \$16m, two days after announcing Covid-19 collaboration
<i>List not exhaustive. Source: Vantage and stock market announcements.</i>		

The biggest risers are dwarfed by some of the stratospheric advances registered a month ago: Novacyt and Co-Diagnostics surged 799% and 296% respectively in early February, for example. Both of these firms have come back a bit since, but are still sitting on healthy gains over the year, and both have used the opportunity to raise money.

Novacyt is already supplying a newly developed Covid-19 diagnostic to Public Health England, though progress made by Co-Diagnostics, along with Cocrystal Pharma and Tonix, in the fallers, is more questionable. Public companies will always raise money when they can, of course; market turbulence has no doubt put paid to other groups' ambitions to tap the markets for cash.

The dire state of global stock markets throws some of the gains being made into sharp relief – tangible progress in some cases is being rewarded by real valuation surges. The table below runs from January 20, around the time it dawned on the West that this virus was a global problem.

Hope or hype? Top Covid-19 valuation boosts	
Company	Market cap gain, Jan 20 to Mar 17
Gilead	14.5
Regeneron	11.5
Biontech	7.6
Vir Biotechnology	3.7
Moderna	3.5

Remember, however, that only three of these companies are actually in the clinic, and even those sitting on billion-dollar valuation hikes have much to prove.

Vir, for example, has announced a series of antibody collaborations but, revealingly, even typically supportive sellside analysts have questioned its valuation. JP Morgan yesterday put an underweight recommendation on the stock – the equivalent of a sell – as the stock reached \$46, almost double the bank’s \$26 price target.

Perhaps hope more than hype is driving gains now. But it certainly seems that frothiness is no longer the preserve of the small cap space.