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Stock market correction sends biopharma back to the start of 2021



[Edwin Elmhirst](#)



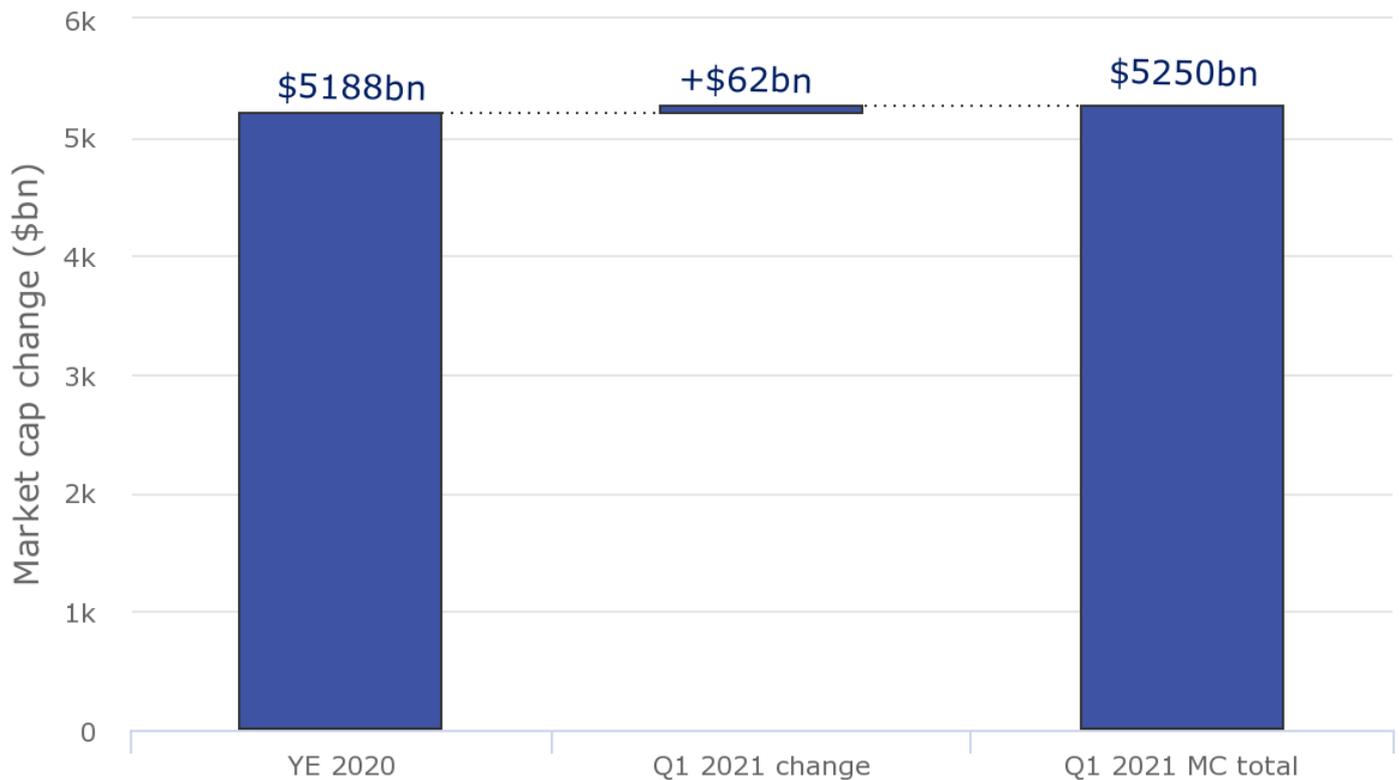
Covid-19 vaccine developers stand out as global drug stocks tread water in the first quarter.

There has been panic on the stock markets in recent weeks, with the US FDA apparently getting strict and a clampdown on M&A coming. Despite a serious share price correction in February, however, biopharma stocks broadly went up in the first quarter of 2021, according to an analysis by *Evaluate Vantage*.

True, this increase was small, especially when compared against some of the big swings seen last year. But the rollercoaster of 2020 was triggered by the Covid-19 pandemic, and the reasons behind share price gains and losses in 2021 might end up being relatively more prosaic.

The analysis tracks the stock market performance of just over 700 global biopharma groups covered by *Evaluate Pharma*; it includes only pure-play drug developers with a market capitalisation of more than \$250m at the start of the year.

The shifting valuation of global drug makers



Evaluate

Overall, combined company market caps increased by \$68bn in the first quarter of 2021, a number that will obviously contain clear winners and losers. Effectively this means that the sector trod water over the three months, largely reflecting the performance of the Nasdaq biotech index, to which almost half of these stocks belong. The closely-tracked index fell sharply from a February peak to end the quarter marginally above where it started the year.

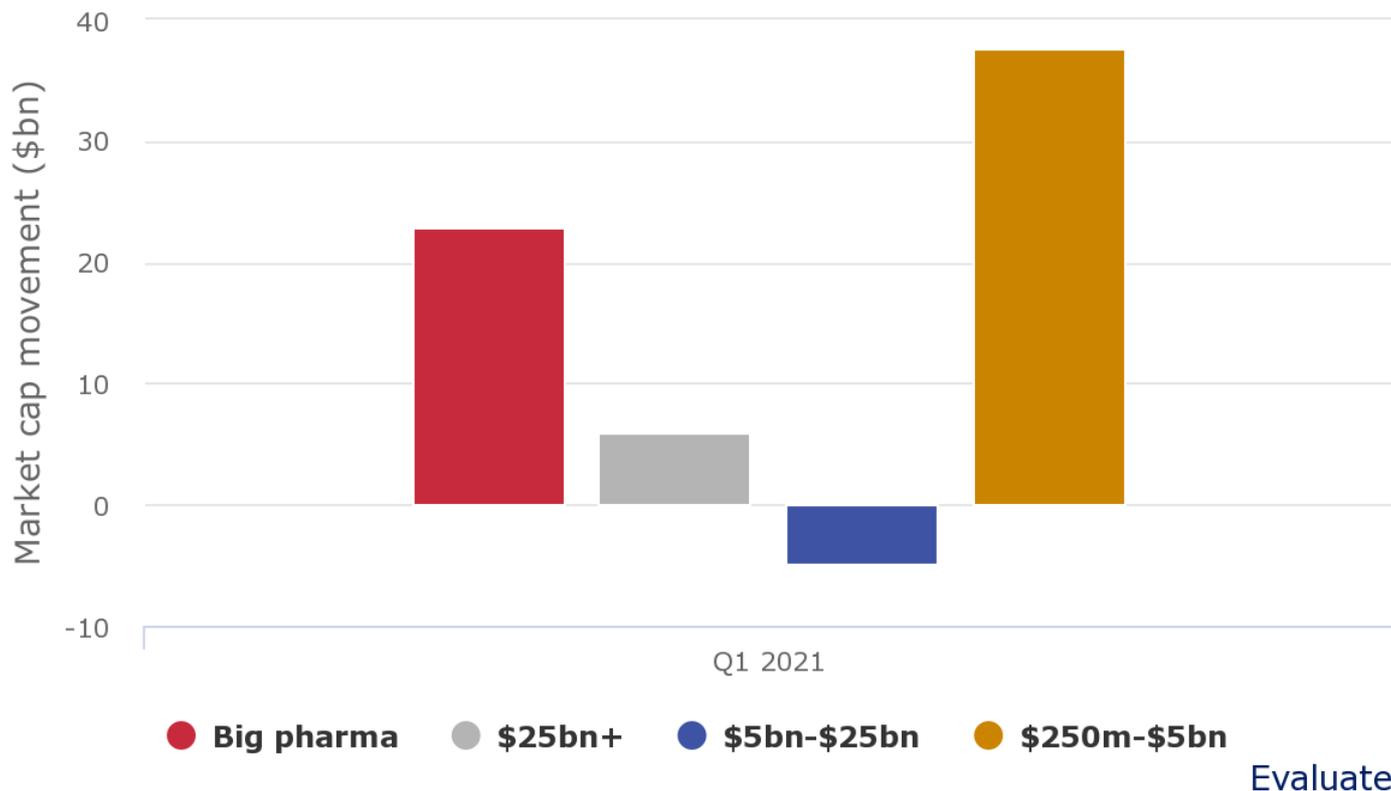
Biotech investors are no doubt relieved that a more painful correction did not materialise, although this is not to say that things cannot get worse, especially with the FDA seemingly getting strict with drug developers. However, [whether the regulatory environment is actually harsher now than it was before](#) remains an open question.

One thing is already clear: 2021 has a lot to do to equal last year, which came back strongly after an early wobble at start of the pandemic, as investors decided that Covid-19 was an opportunity rather than a threat ([One victory for biopharma over the coronavirus in 2020, January 8, 2021](#)).

Those developing Covid-19 therapies continue to do well this year. The largest big-cap gainer in the first quarter was the mRNA vaccine developer Moderna, which added 27% to its valuation. In the mid-cap cohort Novavax did best, up 89%; Biontech, which has a vaccine on the market via Pfizer, put on a mere 34%.

These groups have also risen throughout April, helped by blood clots scares with two adenoviral vector-based vaccines, AstraZeneca's Vaxzevria (AZD1222) and [Johnson & Johnson's JNJ-78436735](#).

Absolute market cap gains and losses, by size bracket



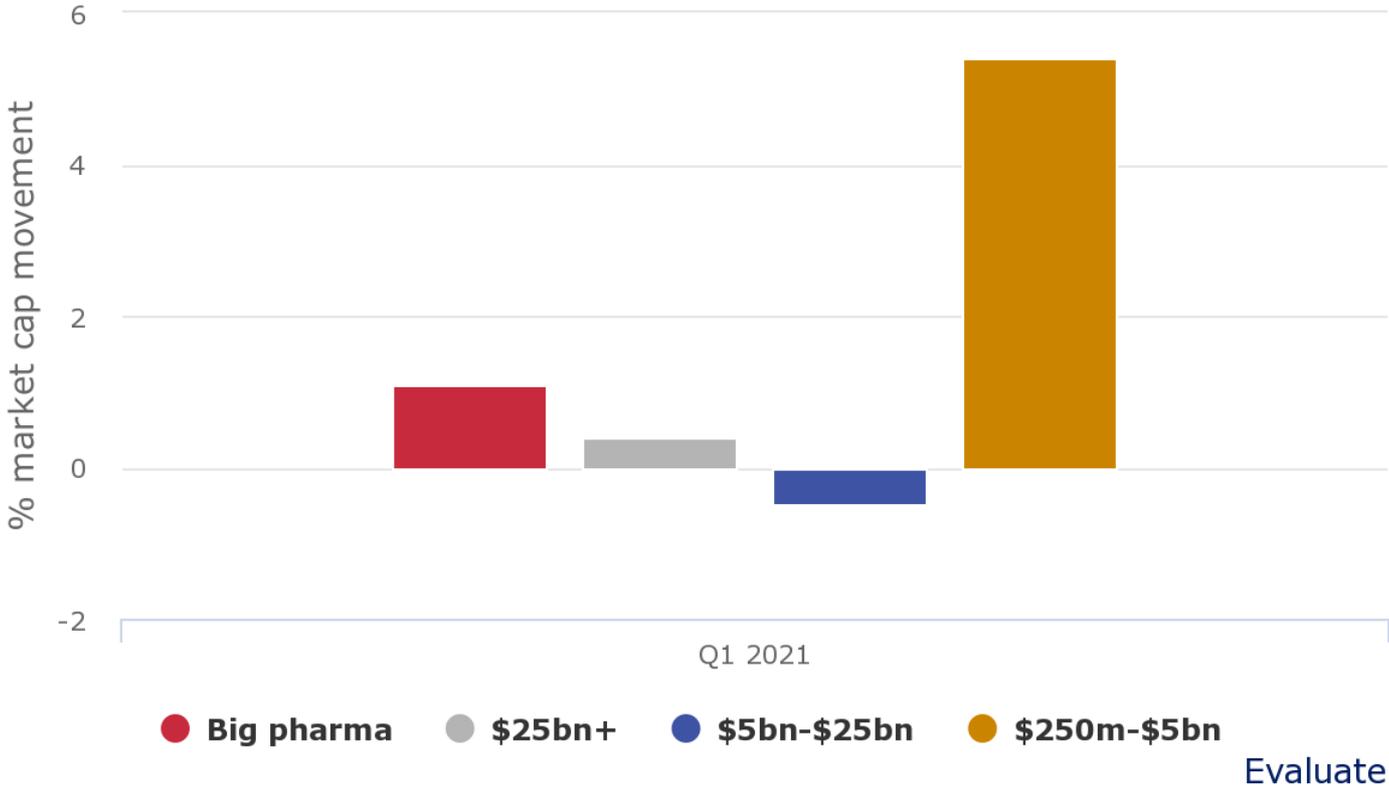
However, it was the small-cap arena that saw the biggest gains overall, the chart above shows. Looking at some of these groups one might think that the market was as frothy as last year. For instance, Aclaris more than tripled its market cap after [reporting data from a small phase 2 trial of its oral rheumatoid arthritis project ATI-450](#), while Rubius added \$1.5bn [despite unconvincing data with its anticancer project RTX-240](#).

On the flipside, life continued to be tough for many gene therapy developers, following safety scares from the likes of Bluebird, Uniqure and Voyager. The first two companies, at least, have managed to dispel specific fears around their agents, but a recent analysis by *Evaluate Vantage* [found that sellside forecasts for most gene therapies have plummeted in the past few years](#).

The [failure of Sarepta's gene therapy SRP-9001](#), which erased more than 50% from the company's market cap, equal to a loss of \$7.5bn, was a major drag on the mid-cap cohort.

The market seems to be catching up with the risks facing such projects. It might soon become clearer whether the rest of biopharma is becoming a riskier proposition for investors than it once was: the next big test will be an adcom taking place next week [to discuss the status of accelerated approvals for six anti-PD-\(L\)1 drugs](#).

Percentage market cap gains and losses, by size bracket



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Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

Evaluate Americas
[+1-617-573-9450](tel:+1-617-573-9450)

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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