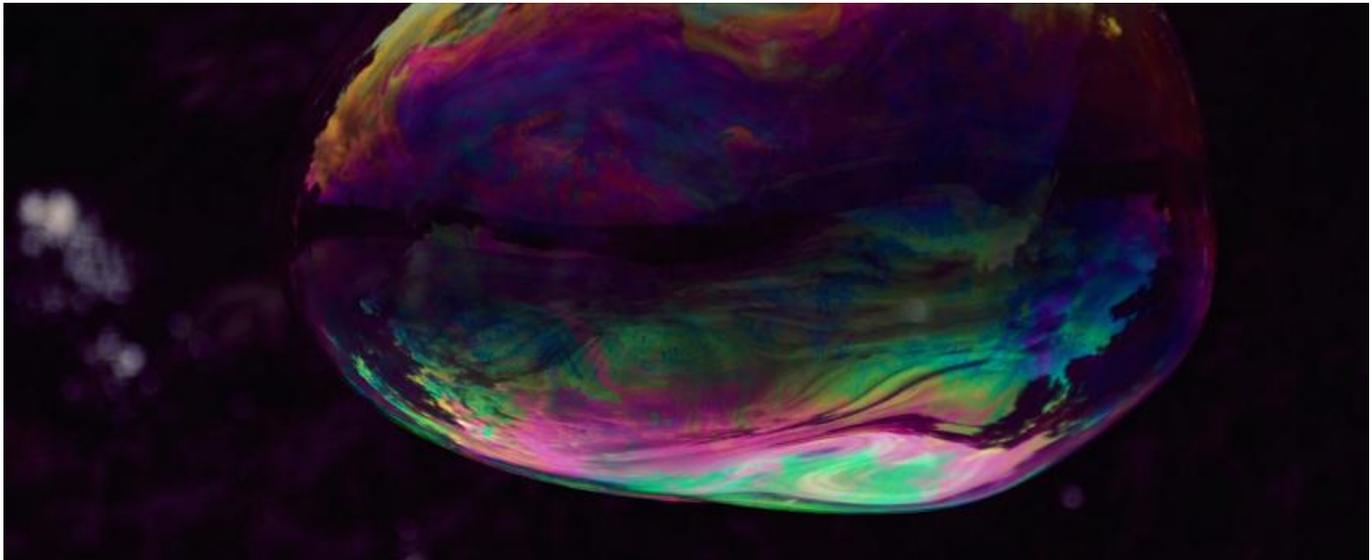


The bubble bursts for biotech stocks



[Edwin Elmhirst](#)



After a frothy couple of years, biotechs are no longer seeing big boosts from clinical data.

It's official: the biotech bull market is over. And a new analysis by *Evaluate Vantage*, looking at share price gains in response to clinical data, shows just how much the bubble has deflated in recent months.

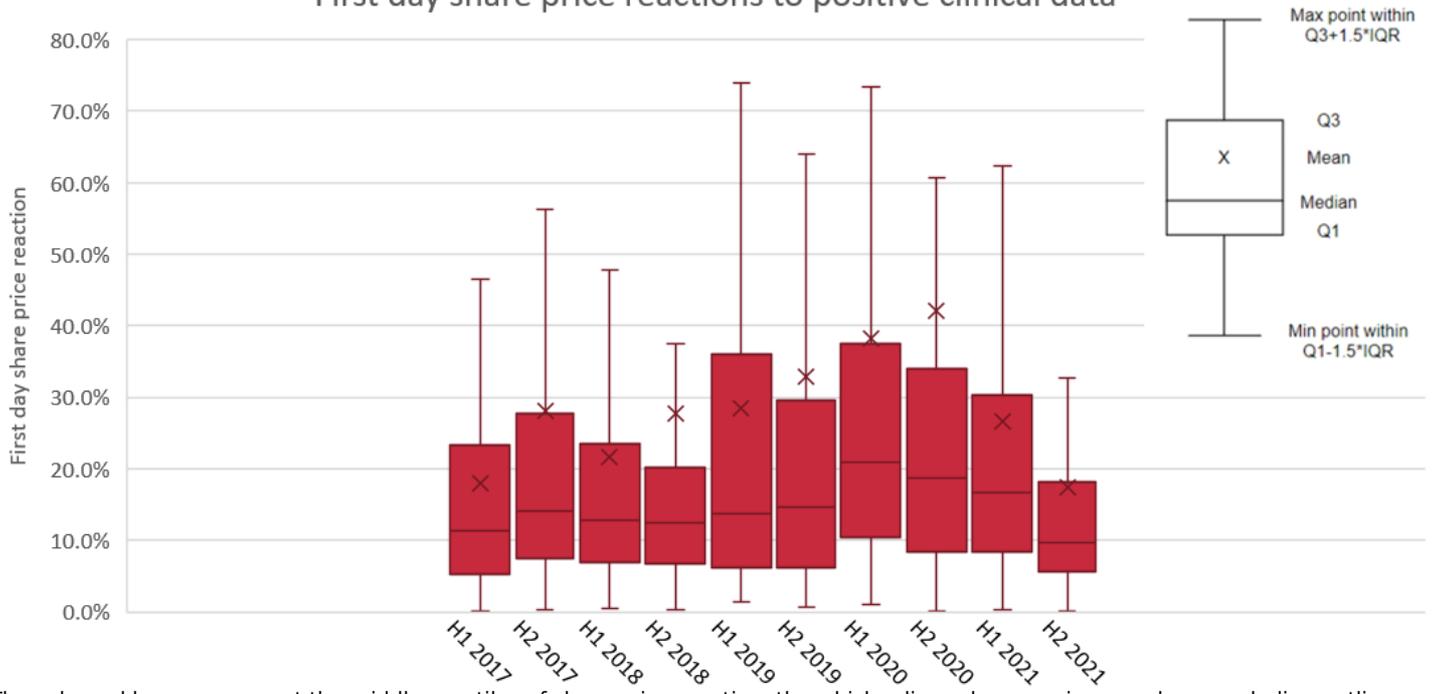
True, the market had witnessed periods of excessive buoyancy in recent years, when huge share price surges were seen in response to very early or questionable results. But so far the second half of 2021 has underperformed all the other time points in the past five years. With fears about inflation growing, conditions are unlikely to get better any time soon for small developers.

A neat illustration of just how tough it has become for biotechs came last week when [Phasebio's stock fell 18% on positive results](#) with the Brilinta reversal agent bentracimab.

This analysis, however, looks only at stock market gains in response to clinical data triggers. It is based on *Evaluate Pharma's* Event Analyzer, which tracks the stock market moves of around 700 global drug developers listed on various stock exchanges around the world. Big pharma companies were excluded from this analysis.

The chart below shows a mean and median share price uplift of 18% and 10% respectively in the second half of 2021 so far – a far cry from the much larger stock reactions seen in 2019 and 2020, and even from the first half of this year.

First day share price reactions to positive clinical data



The coloured boxes represent the middle quartiles of share price reaction, the whisker lines show maximum values, excluding outliers.

Indexes that track smaller developers started to decline in mid-February, so this analysis puts into stark relief what many biotech investors already knew – the good times are over, at least for now.

A [dearth of M&A](#) amid worries about an [antitrust push by regulators](#), along with various gene therapy toxicity scares probably have not helped sentiment. Macro factors have also been at play: biotech has been one of the losers as other industries have recovered from the pandemic, and inflation has been an unwelcome spectre for much of the year.

Some groups did still manage to reap the rewards of a well-timed data drop. The biggest risers were excluded from the chart above, but some are listed below.

Tellingly, four of these large gains came in the early part of 2021. And none even came close to the best performers of the 2016-20 period, when uplifts of 400%-plus were not unusual ([2020 wins top of the froths for biotech stocks, February 10, 2021](#)).

It should also be noted that these gains can be short-lived. Beyondspring has already lost much of the value it gained in August, as full data on its lead asset, plinabulin, [failed to convince at Esmo](#). Meanwhile, Cassava has fallen back on [reports that the SEC is investigating allegations](#) that it manipulated data on its Alzheimer's project simufilam.

While these are some extreme examples, the overall trend is clear: small companies can no longer rely on clinical data for a sure-fire boost. The question now is how long this situation will continue.

Remarkable 2021 one-day share price gains on clinical data

Company (date of jump)	Share price reaction	Resulting market cap	Trigger
Aclaris Therapeutics (19 Jan)	220%	\$808m	Ph2 data with oral rheumatoid arthritis project ATI-450
Beyondspring Pharmaceuticals (4 Aug)	176%	\$1.0bn	Data from ph3 Dublin-3 trial of plinabulin in NSCLC
Entera Bio (11 Mar)	153%	\$74m	Ph2 data with oral parathyroid hormone EB613 in osteoporosis
Cassava Sciences (2 Feb)	141%	\$1.4bn	Data from open-label trial of simufilam in Alzheimer's disease
Morphic Therapeutic (1 Mar)	135%	\$2.6bn	Ph1 data with oral integrin inhibitor MORF-057 in inflammatory bowel disease

Source: Evaluate Pharma.

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