

Big beasts drive biopharma valuations higher in 2021



[Amy Brown](#)



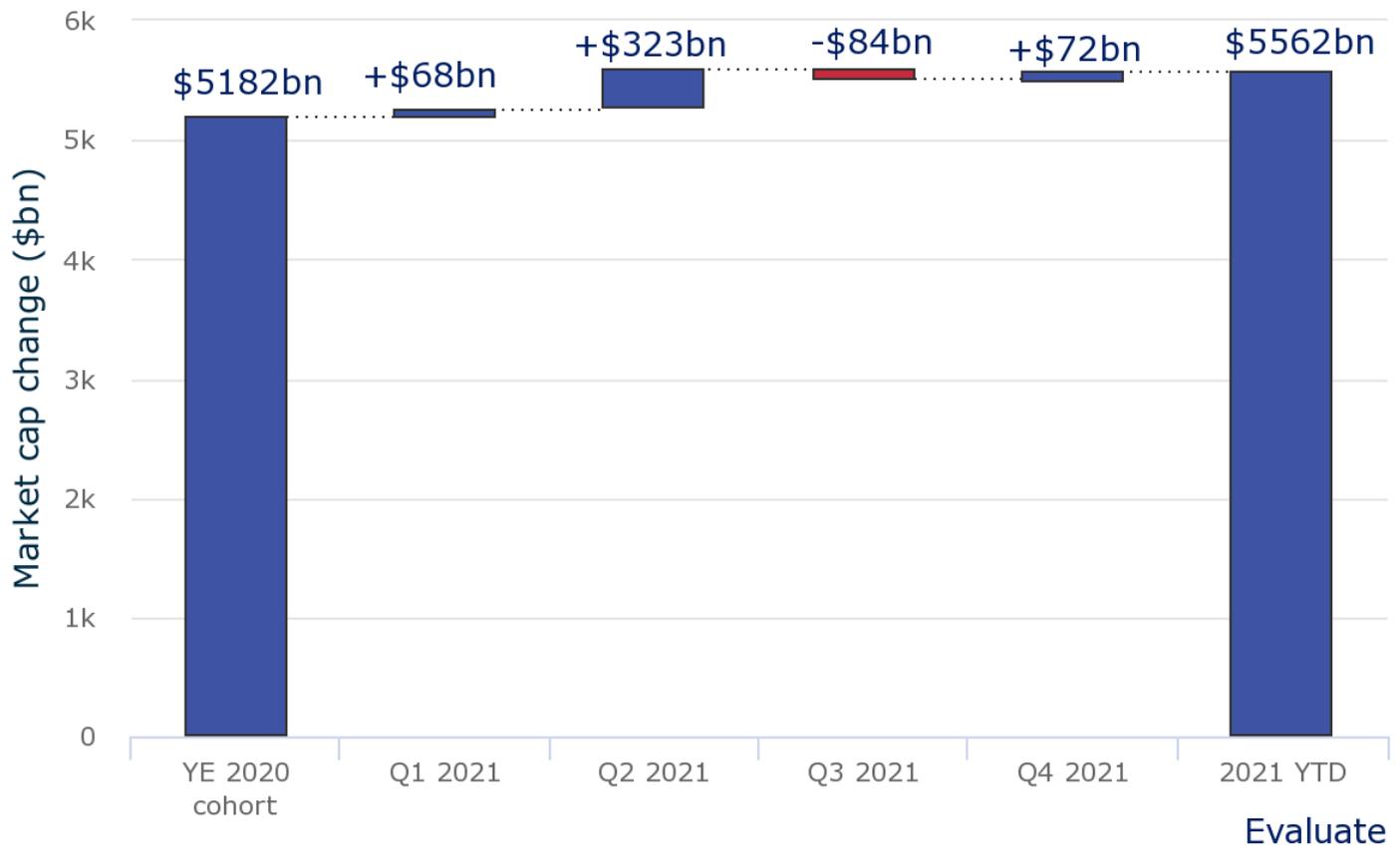
A handful of huge success stories mask disappointing performances elsewhere, with small caps and Asian pharma firms feeling the pain.

The biopharma industry saw dramatic divergences in fortunes on the stock market last year. A handful of larger developers, many propelled by Covid-19 windfalls, enjoyed huge valuation bumps, while the smaller end of the sector witnessed a painful desertion of investor support.

Overall, however, pharma and biotech stocks did manage to gain in value in 2021, according to *Evaluate Vantage's* global overview of share price performances. Advances were much harder won as the year progressed, while the final quarter's last gasp had a lot to do with Pfizer's massive \$90bn market cap bounce.

At the start of 2021 *Evaluate Vantage* started tracking 701 globally-listed, pure-play drug developers, information on which are collected by *Evaluate Pharma*. These groups added \$380bn in market cap over the year, the chart below shows, thanks to a very strong second quarter; third quarter losses were not recovered in the final months of the year.

The shifting valuation of global drugmakers



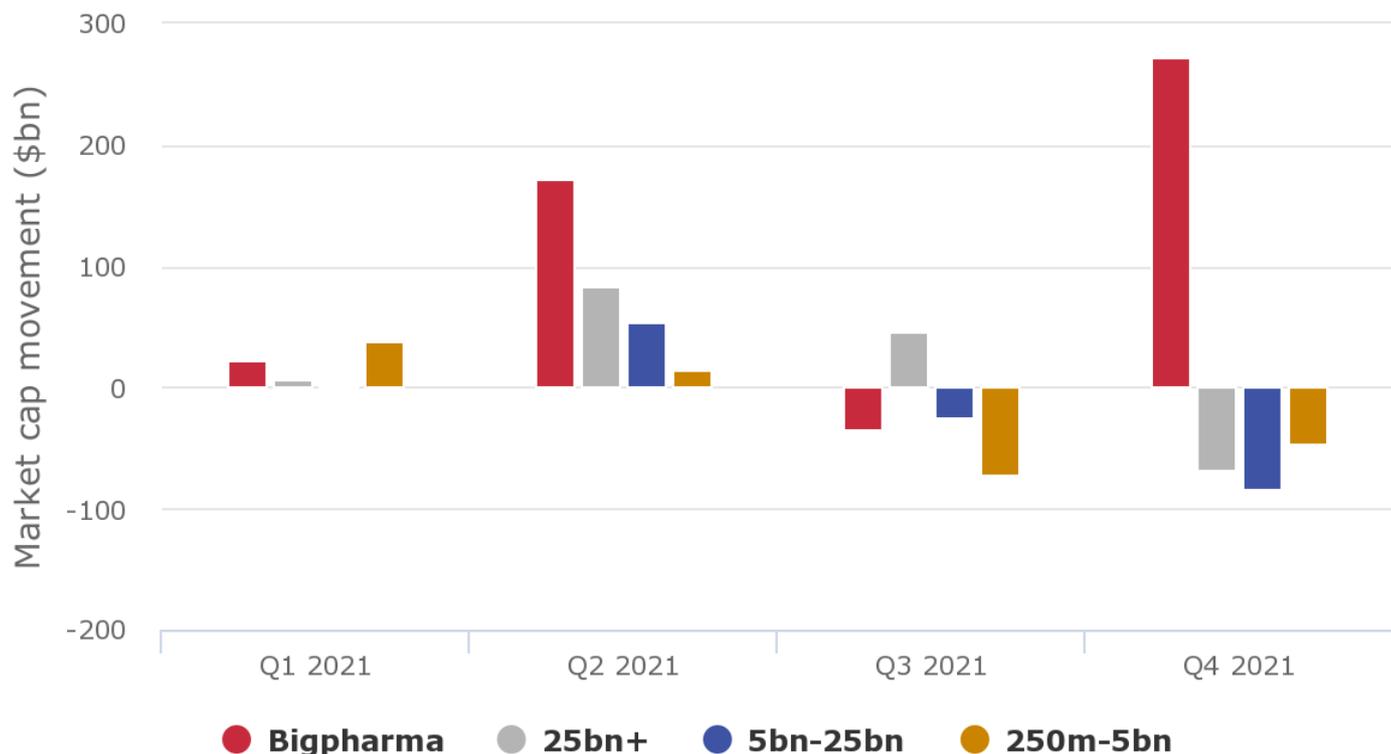
Any analysis based on market capitalisation will be heavily influenced by the big beasts of the sector, of course, so the trend above is largely driven by big pharma companies, as the more detailed charts below show. These were constructed by splitting the 701-strong universe into four cohorts based on market capitalisation at the start of the year; companies remained in the same group throughout the year.

It is clear that the world's 11 big pharma firms had a very strong end to the year. Only AstraZeneca dipped in value in the fourth quarter, although it should be remembered that this stock hit a record high in November after an incredibly strong run.

Big pharma as a group had a very strong year overall, with only two firms - Merck & Co and Novartis - ending down. And while Pfizer might have grabbed most of the headlines this year, Eli Lilly ended up this cohort's top 2021 share price performer, up 64% versus 60% for Pfizer.

Still, in terms of valuation inflations, Pfizer cannot be beaten. Thanks to Biontech's Covid-19 vaccine, and the internally developed antiviral Paxlovid, the company added \$127bn in market cap over the year.

Absolute market cap gains and losses, by size bracket



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Pandemic success stories also feature prominently amongst the gainers elsewhere, with Moderna a stand out example. A serious pullback in the fourth quarter knocked more than \$50bn from the RNA researcher's market cap, but the company still managed to end the year worth more than \$100bn. For context, only 16 drug developers were trading above that threshold at the end of 2021.

Moderna's deflation had a lot to do with the large cap group's fourth-quarter decline. So too did the loss of Alexion, whose takeover by AstraZeneca erased \$40bn in market cap from the cohort, making the year-end reverse appear more severe than it really was.

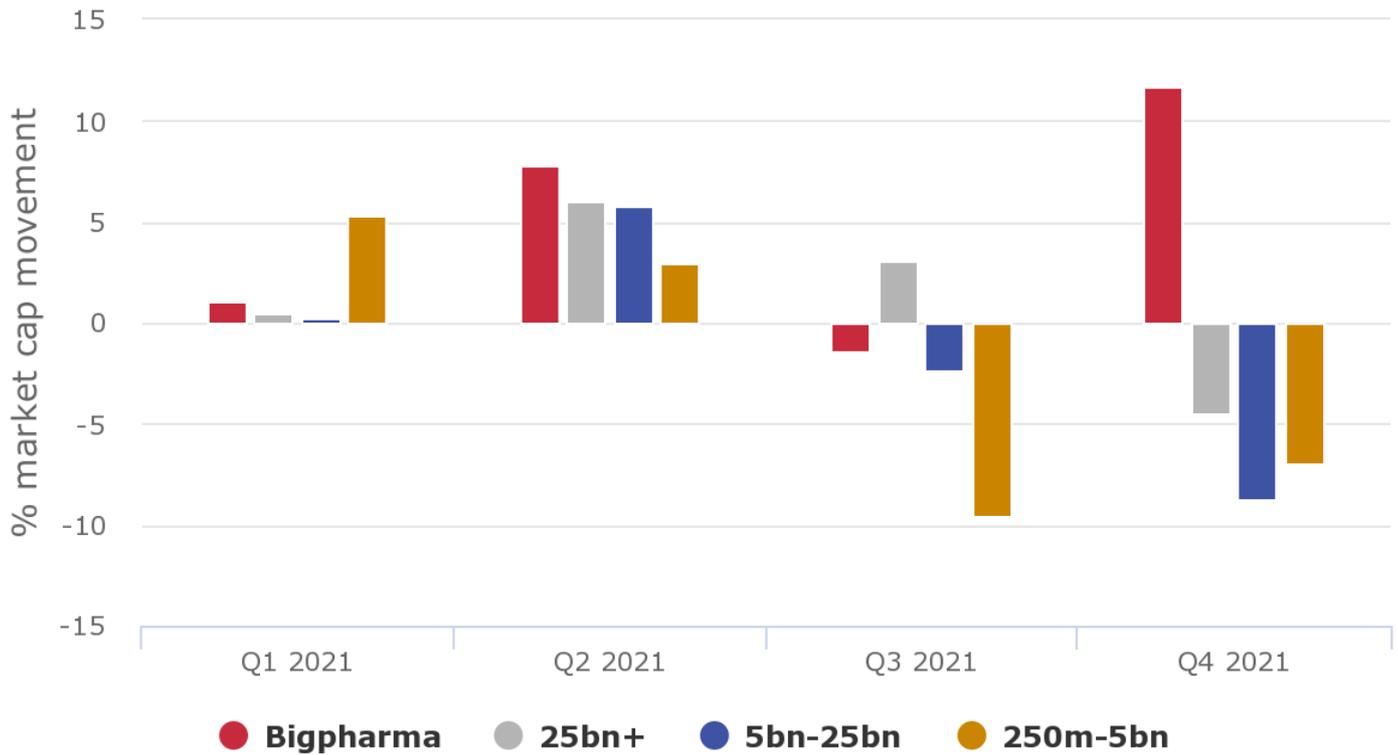
Asian pharma groups dealt the large caps a real hit, however. Big decliners over the fourth quarter and the year included South Korea's Celltrion, which has been struggling to convince investors that its biosimilars have a buoyant future. In Japan, shareholders continue to fret about Chugai's ability to replace some of its big sales generators.

Finally, among the mid and small caps, the real pain began in the second half of 2021, when losses really start to rack up in both absolute and percentage terms. Two-thirds of the stocks in these two groups ended 2021 in negative territory.

As always, clinical setbacks were responsible for big individual drops, but sentiment towards US biotech stocks deteriorated rapidly as 2021 progressed, causing broader declines. Many are hopeful of a recovery in 2022, although the opening days of the year have offered little respite.

Evaluate Vantage has previously published a preview of what 2022 has in store for biopharma and is [free to download here](#).

Percentage market cap gains and losses, by size bracket



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