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Few safe havens surface in another down quarter for biopharma



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Lilly, Daiichi and Vertex are on track to be 2022's best performing stocks, as the Covid crash continues.

Three quarters of the trading year are done, and many biopharma stocks are in a perilous state. With big pharma now feeling the pressure alongside small and mid-cap groups, safe havens are proving hard to find.

The unwinding of the Covid trade is readily apparent in *Evaluate Vantage's* latest quarterly look at the sector's biggest winners and losers. And on the up are developers that have delivered pipeline progress, like Lilly, Daiichi and Sarepta.

This analysis was constructed from the almost 700 listed biopharma companies covered by *Evaluate Pharma*, and that were worth at least \$250m at the start of 2022. These stocks, sorted into four cohorts based on year-end 2021 valuations, are being tracked by *Evaluate Vantage* over the year.

An analysis looking at the combined performance of these four groups was published earlier this week ([The gloom deepens for biopharma stocks, October 10, 2022](#)). This found another huge drop in this universe's combined market cap, mainly owing to the painful tumbling of the world's largest drug developers.

Only three of the 11 big pharma companies in our grouping were above water at the nine-month mark. [Zantac litigation fears](#) and concern about US drug price controls are adding to pipeline doubts at several of these majors.

GSK's market cap was also affected by the spin-out of Haleon, and its valuation is now so diminished that its membership of the "big pharma" group could be questioned. It ended the third quarter ranked 19th on market cap in our universe, behind several large but less diversified developers like Regeneron and Vertex.

Biopharma's biggest stock market winners at 9 months

Company	9-mth share price chg	9-mth market cap chg (\$bn)	Market cap at Sep 30, 2022 (\$bn)
Big pharma			
Lilly	17%	43.0	307
Bristol Myers Squibb	14%	13.4	152
Merck & Co	12%	24.6	218
Large cap (\$25bn+ market cap)			
Daiichi Sankyo	38%	12.3	62.3
Vertex	32%	18.4	74.3
Takeda	20%	3.64	47.2
Mid cap (\$5-25bn market cap)			
Neurocrine	25%	2.08	10.2
Sarepta	23%	1.84	9.68
Orion	20%	0.70	6.58
Small cap (\$250m-5bn market cap)			
Rhythm	145%	0.86	1.37
Lantheus	143%	2.88	4.84
Bioarctic	128%	1.09	2.09
<i>Source: Evaluate Pharma. Companies were assigned these groups based on year-end 2021 market caps, and will remain in the same group for the rest of the year.</i>			

It should be noted that because AstraZeneca and Novartis report in US dollars rather than their native currencies, pounds Sterling and Swiss franc, *Evaluate Pharma* tracks these firms' ADRs, not their main share listings. This has unfairly disadvantaged Astra in this analysis because the drop in the value of Sterling has hit the company's US-listed ADRs.

Its London-listed stock was up 15% at the end of the third quarter, so in reality Astra should also be considered one of the better performing big pharma names this year.

On the up...

Alzheimer's disease has been a big mover of share prices this year, with hopes for success buoying Lilly and Bioarctic, the former thanks to its phase 3 asset donanemab and [the latter as the originator of Eisai's lecanemab](#). Roche's year-to-date performance would be a lot worse had lecanemab not hit in its pivotal trial, though pending data on the Swiss firm's gantenerumab will determine which way its stock moves in the coming months.

Among the large caps, Daiichi has benefited from Enhertu's successes in breast cancer. Takeda and Vertex are recovery stories, with both stocks having been laid low on pipeline concerns last year. Among the mid-caps Neurocrine continues to find fans for its CNS focus; Sarepta has seen expectations for [its DMD gene therapy rekindled](#); and Finland's Orion is riding high on a mid-stage [prostate cancer candidate that Merck & Co paid handsomely to license](#).

Rhythm is up on approval of Imcrivee for the rare genetic condition Bardet-Biedl syndrome. And finally Lantheus has led the minnows all year thanks to the hugely successful launch of a novel prostate cancer diagnostic, Pylarify, and its presence in radiopharmaceuticals.

Biopharma's biggest stock market losers at 9 months

Company	9-mth share price chg	9-mth market cap chg (\$bn)	Market cap at Sep 30, 2022 (\$bn)
Big pharma			
Pfizer	-26%	-85.8	246
GSK	-19%	-49.2	59.9
Roche	-15%	-75.8	284
Large cap (\$25bn+ market cap)			
Moderna	-53%	-55.9	47.0
Beigene	-50%	-13.8	14.0
Biontech	-48%	-29.8	32.7
Mid cap (\$5-25bn market cap)			
Novavax	-87%	-9.40	1.42
Curevac	-77%	-4.94	1.48
Bausch Health	-75%	-7.43	2.49
Small cap (\$250m-5bn market cap)			
Endo	-97%	-0.86	0.02
Rubius	-96%	-0.83	0.04
Nordic Nanovector	-95%	-0.24	0.01

Source: Evaluate Pharma. Companies were assigned these groups based on year-end 2021 market caps, and will remain in the same groups for the rest of the year.

The first table above, highlighting the bright spots, masks the fact that few developers have seen substantial value gains this year. Four fifths of our universe was sitting on share price losses at the nine-month mark, with the low tide of investor support lying behind a lot of the declines.

Certain groups have been particularly punished, like the former pandemic plays, which are now coming back to earth. Pfizer, Moderna, Biontech, Novavax and Curevac all fall into this camp.

Another big group of losers is China-based developers, several of which have failed to recover from fears of tightening audit rules proposed by the US financial regulator. Ongoing concerns about the [the FDA's reluctance to use China-only data](#) in approvals, as well as the broader malaise around high-risk biotechs, will also be weighing.

Elsewhere, Bausch Health became a smaller company after [floating its large eyecare division](#), Bausch + Lomb, in May. And Endo filed for bankruptcy protection in the face of mounting opioid litigation.

Finally, good old-fashioned clinical failure took down [Rubius](#) and [Nordic Nanovector](#).

Note: the 11 big pharma companies in this analysis are: Pfizer, Lilly, J&J, Roche, GSK, Abbvie, Bristol Myers Squibb, Astrazeneca, Sanofi, Merck & Co and Novartis. A previous version of this article omitted Sanofi from this list.

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