

InterMune tops small cap gainers once more in first quarter



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The dramatic impact that positive or negative clinical trial failures can have on a company's valuation was reinforced once again in the first quarter this year, accounting for the majority of the biggest risers and fallers amongst small cap stocks.

The odd surprisingly positive regulatory review helps as well, as was the case for the FDA's advisory panel review of InterMune's Esbriet (pirfenidone), a much needed new therapy for idiopathic pulmonary fibrosis (IPF). Shares in the Californian biotech more than tripled to a eight-year high of \$44.57, once again topping the charts as they did last year on hopes for the drug ([InterMune tops small cap gainers in first quarter of 2009, April 2, 2009](#)). Conversely, the negative opinions from the FDA's recent meeting of its oncology advisory committee accounted for major declines in Cell Therapeutics and ChemGenex Pharmaceuticals.

Small cap analysis

In keeping with the theme of positive gains for orphan drugs, NeuroSearch delivered impressive phase III data for Huntexil in treating Huntington's disease, while OSI's stock has been inflated by Astellas Pharma's hostile takeover bid.

Shares in MAP Pharmaceuticals have risen on the back of a clearer regulatory pathway for its anti-migraine drug Leivadex, making the company a common M&A target in the industry's rumour mill.

Meanwhile Nektar's impressive recovery since the dark days of Exubera's withdrawal from the market back in 2007 looks almost complete, with shares now trading higher than before the demise of Exubera.

Small cap (\$250m-\$2.5bn) pharma companies: top risers and fallers in Q1 2010							
Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-09	31-Mar-10	% change	YE 2009	Q1 2010	
1	InterMune (\$)	13.04	44.57	+242%	714	2,441	InterMune rides high on pifrenidone wave
2	NeuroSearch (DKr)	77.00	169.00	+119%	375	796	NeuroSearch redeems itself with impressive Huntington's phase III data
3	OSI Pharmaceuticals (\$)	31.06	59.55	+92%	1,914	3,472	Astellas goes hostile again, OSI the target
4	MAP Pharmaceuticals (\$)	9.53	15.89	+67%	251	418	FDA clears course for MAP
5	Nektar Therapeutics (\$)	9.32	15.21	+63%	873	1,424	EventAnalyzer: Daily Market Movers (13 Jan 2010)
	Top 5 Fallers						
1	Antisoma (£)	0.33	0.08	-77%	339	76	Antisoma rethinks strategy after lung cancer drug fails pivotal trial
2	Medivation (\$)	37.65	10.49	-72%	1,281	357	Dimebon explodes on Medivation
3	mondoBIOTECH (SFr)	224.90	98.95	-56%	289	127	EventAnalyzer: Weekly Market Movers (to 29 Jan 2010)
4	ChemGenex Pharmaceuticals (AUS\$)	0.99	0.44	-56%	256	113	Omapro adcom surprise sends ChemGenex shares tumbling
5	Cell Therapeutics (\$)	1.14	0.54	-53%	702	333	Testing times for Cell Therapeutics after adcom rejection of Pixuvri

The late stage clinical trial failures for high risk, high reward products accounted for the huge losses suffered by Antisoma and Medivation. Antisoma's lung cancer drug, ASA404/AS1404, failed on efficacy grounds causing much soul searching at the UK biotech over what to do next, while the bombing of Medivation's Alzheimer's disease hopeful, Dimebon (latrepirdine), in phase III trials was a major disappointment to both the company and patients still waiting for new breakthrough treatment option.

As for mondoBIOTECH the decline in the first quarter was most likely due to a shake out of the company's true market valuation. Although the company went public through an IPO on the Swiss stock exchange in August last year, it declined to use the opportunity to raise any cash, no doubt a sign of the risk averse financial climate in Europe at the time. However, the inevitable occurred in the first quarter when the company raised around \$41m from its shareholders through a rights issue, causing significant dilution.

Micro cap analysis

Questcor shares have gained in the wake of encouraging sales of its MS drug, Acthar, and ahead of an FDA adcom which will review an application to sell Acthar as a treatment for infantile spasms.

Resverlogix surged on hopes for the company's cardiovascular drug, RVX-208, whilst Evolva posted impressive gains early in the year for reasons that analysts put down to technical factors.

NanoViricides gained after signing a deal to develop a product to protect against Dengue fever, whilst a licensing pact between Spectrum Pharmaceuticals and TopoTarget over an HDAC inhibitor boosted shares in Pharmacyclics as another company with a late stage HDAC inhibitor asset available for partnering.

Micro cap (\$100m-\$250m) pharma companies: top risers and fallers in Q1 2010							
Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-09	31-Mar-10	% change	YE 2009	Q1 2010	
1	Questcor Pharmaceuticals (\$)	1.65	8.23	+399%	102	510	EventAnalyzer: Daily Market Movers (2 Mar 2010)
2	Resverlogix (C\$)	2.42	6.89	+185%	103	294	Resverlogix's lucrative moment in the spotlight
3	Evolva Holding (SFr)	1.04	2.85	+174%	140	383	Evolva share surge prompts head scratching
4	NanoViricides (\$)	0.85	1.70	+100%	112	224	EventAnalyzer: Weekly Market Movers (to 19 Feb 2010)
5	Pharmacyclics (\$)	3.14	6.24	+99%	159	315	TopoTarget delivers deal and delights investors
	Top 5 Fallers						
1	Novelos Therapeutics (\$)	2.52	0.18	-93%	221	16	Failure of Novelos' lead drug proves talk is cheap
2	KV Pharmaceutical (\$)	3.67	1.76	-52%	192	92	EventAnalyzer: Daily Market Movers (26 Mar 2010)
3	Vernalis (£)	0.87	0.55	-37%	140	88	
4	Oncothyreon (\$)	5.39	3.45	-36%	139	89	Merck halt cancer vaccine trials in another knock for sentiment
5	GenVec (\$)	1.20	0.78	-35%	149	97	GenVec failure highlights gene therapy risks

Novelos was punished for the failure of lung cancer therapy NOV-002 in phase III, whilst Oncothyreon was hurt after partner Merck KGaA halted trials of another lung cancer candidate, Stimuvax. GenVec was another clinical set back candidate, plummeting after its gene therapy product, TNFerade, demonstrated exactly why this field is considered such high risk, and also failed in phase III.

Vernalis suffered from the failure of V3381 in a phase IIb trial in neuropathic pain.

KV took a battering after revealing that its lengthy production problems were rumbling on, with shipments of its drugs unlikely to resume until the end of the year.

Nano cap analysis

Somaxon surged on news of approval for insomnia drug, Silenor, raising hopes that the company will be able to sign a decent marketing deal for the product.

Rexahn shares leapt into life at the beginning of February seemingly triggered by increasing coverage of the company by small investment boutiques, such as Liberty Analytics. Momentum was maintained as the company announced that protocols for phase II trials for two products had been submitted to the FDA.

Emisphere has likely benefited from attention following news that Novo Nordisk started phase I trials with the first orally delivered GLP-1 to enter human trials, NN9924, a drug that was developed using Emisphere's delivery technology.

Arrowhead Research surged at the end of March on the back of results of a trial that demonstrated systemic

delivery of siRNA and the successful “silencing” of a widely recognized cancer gene via RNA interference (RNAi) in humans, something the company believes has not been managed previously. The research, published in *Nature*, was conducted by a subsidiary majority-owned by Arrowhead.

Nano cap (\$25m-\$100m) pharma companies: top risers and fallers in Q1 2010							
Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-09	31-Mar-10	% change	YE 2009	Q1 2010	
1	Somaxon Pharmaceuticals (\$)	1.08	8.66	+702%	34	276	Somaxon wins approval for Silenor and hunt for partner begins
2	International Stem Cells (\$)	0.53	2.14	+304%	33	134	
3	Rexahn Pharmaceuticals (\$)	0.68	1.62	+138%	49	117	EventAnalyzer: Weekly Market Movers (to 12 Feb 2010)
4	Emisphere Technologies (\$)	1.06	2.37	+124%	45	100	Novel delivery of GLP-1s a challenge but alternatives lining up
5	Arrowhead Research (\$)	0.53	1.14	+115%	33	72	EventAnalyzer: Daily Market Movers (22 Mar 2010)
	Top 5 Fallers						
1	ARYx Therapeutics (\$)	3.21	0.87	-73%	92	25	Broken promises force ARYx to assess strategic options
2	Antisense Therapeutics (AUS\$)	0.06	0.02	-60%	30	12	
3	AVAX Technologies (\$)	0.17	0.08	-56%	25	11	
4	SkyePharma (£)	0.88	0.46	-48%	35	18	Flutiform delay no surprise, but a grim outcome
5	Protox Therapeutics (C\$)	0.90	0.49	-45%	82	45	

ARYx was punished for finally admitting that a partner for its heart drug, budiodarone, could not be found, prompting the company to slash staff and spending and seek a buyer.

Australia’s Antisense Therapeutics was deserted by investors after it announced that Teva had dropped development of its lead pipeline candidate, MS drug ATL1102.

AVAX has gradually deteriorated along with its financial position whilst Protox Therapeutics, after staging a gradual recovery over 2009, saw a big sell off after the company reported positive top line results from a phase IIb trial of its lead product, PRX302, in benign prostatic hyperplasia.

SkyePharma has been hurt by further delays to its lead product, combination asthma drug Flutiform, and the overall climate in the US, where the FDA has been assuming an increasingly hostile stance to these products.

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