

Steady growth the theme for small cap risers after nine months

EP Vantage's review of the best and worst performing small, micro and nano stocks during the first nine months of the year points to a theme of steady recovery. While clinical successes and failures remain a common driver for dramatic swings in share prices, some of the best performing stocks – Questcor, ViroPharma, Incyte, Wockhardt – have made more gradual gains over the year without a major catalytic event.

Of the biggest movers during the third quarter, The Medicines Company's surprising success in its patent battles over anti-coagulant drug Angiomax sparked a share price surge. Meanwhile mounting expectations for positive phase III data from Bioniche Life Sciences' novel bladder cancer candidate, Urocidin, has prompted significant gains in recent weeks (see tables below).

Small cap analysis

Questcor topped the small cap gainers once more this quarter as sales of the company's only product, Acthar, for the treatment of infantile spasms exceeded expectations in second quarter results.

Although the FDA has stalled in formally approving the product, following a positive FDA advisory committee review in May, the ramping up of Questcor's promotional effort behind Acthar seems to be pleasing shareholders.

In a similar vein, sales of ViroPharma's key products, Cinryze and Vancocin, also impressed in the second quarter - shares ended the third quarter at a three-year high and the company now looks to have fully recovered from a major setback 18 months ago when key antiviral drug, Camvia (maribavir) failed a phase III trial.

Small cap (\$250m-\$2.5bn) pharma companies: top risers and fallers in 9M 2010

Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-09	30-Sep-10	% change	YE 2009	9M 2010	
1	Questcor Pharmaceuticals (\$)	4.75	9.92	+109%	293	616	EP Vantage Interview - Questcor fighting Acthar's corner
2	ViroPharma (\$)	8.39	14.91	+78%	650	1,161	Daily Market Movers (29 Jul 2010)
3	Incyte (\$)	9.11	15.99	+76%	1,083	1,951	
4	Wockhardt (Rs)	172.20	294.45	+71%	403	689	Daily Market Movers (19 Aug 2010)
5	The Medicines Company (\$)	8.34	14.20	+70%	441	757	Value returns to The Medicines Company with court decision
	Top 5 Fallers						
1	Antisoma (£)	0.33	0.06	-82%	339	58	Antisoma rethinks strategy after lung cancer drug fails pivotal trial
2	Affymax (\$)	24.74	5.95	-76%	591	145	Affymax reeling from Hematide safety scare
3	MolMed (€)	1.75	0.46	-74%	473	123	MolMed investors asked to settle down for long-term growth
4	mondoBIOTECH (SFr)	224.90	60.95	-73%	294	83	
5	Cell Therapeutics (\$)	1.14	0.39	-66%	673	294	Testing times for Cell Therapeutics after adcom rejection of Pixuvri

Without any specific catalytic events so far this year, Incyte's share price gain had been gradual until the start of September when the stock surged 30% to reach an eight-year high of \$15.99.

Expectation is clearly building ahead of the release of pivotal phase III data by the end of the year for novel myelofibrosis drug INC B18424, the leading janus kinase-2 (JAK-2) inhibitor in development.

As for Wockhardt, a booming economy and rising stock market valuations in India have undoubtedly helped drive the share price, although a recent restructuring of its existing debt seems to have released the shackles previously holding back the stock.

Two European biotechs, MolMed and mondoBIOTECH, are the only new entrants into the small cap fallers list, both dragged down by financing concerns. Shareholders in both companies have suffered significant dilution this year, with the absence of near-term catalysts not helping to retaining interest.

Micro cap analysis

Of the micro cap risers, Akorn and Keryx Biopharmaceuticals are the two new entrants here, since the share price review at the end of the first half ([Mixed bag of small cap winners and losers in first half, July 2, 2010](#)).

Akorn appears to be another slow burning stock this year, sales of its ophthalmic franchise continues to exceed expectations and the company raised its full-year guidance in May.

Keryx's shares gained significantly at the start of April when the regulatory pathway appeared to clear somewhat for its novel Akt inhibitor, perifosine, in mid-stage trials for multiple myeloma and colorectal cancer.

Micro cap (\$100m-\$250m) pharma companies: top risers and fallers in 9M 2010

Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-09	30-Sep-10	% change	YE 2009	9M 2010	
1	Pharmacyclics (\$)	3.14	8.08	+157%	160	479	TopoTarget delivers deal and delights investors
2	Akorn (\$)	1.79	4.04	+126%	162	379	Daily Market Movers (4 May 2010)
3	Neurocrine Biosciences (\$)	2.72	6.06	+123%	120	332	Neurocrine wastes no time delivering deal but hurdles remain
4	NPS Pharmaceuticals (\$)	3.40	6.84	+101%	165	451	NPS Pharmaceuticals' recovery gathers momentum
5	Keryx Biopharmaceuticals (\$)	2.50	4.81	+92%	141	283	Keryx blazing a trail with promising Akt inhibitor
Top 5 Fallers							
1	Novelos Therapeutics (\$)	2.52	0.05	-98%	221	6	Failure of Novelos' lead drug proves talk is cheap
2	Avexa (AUS\$)	0.16	0.03	-80%	124	23	Avexa's partnering problems could be contagious in HIV space
3	XOMA (\$)	10.50	3.05	-71%	142	65	
4	Pharming (€)	0.45	0.19	-59%	205	84	US deal for Pharming gives financial breathing space
5	Curis (\$)	3.25	1.37	-58%	219	104	Curis drops on second hedgehog setback but could value be hibernating?

Of the fallers, Xoma, Pharming and Curis make their debuts. Financing concerns accounted for Xoma and Pharming's declines, while Curis suffered another clinical setback in the third quarter which has raised questions about the company's technology platform based on the hedgehog signalling pathway.

Nano cap analysis

Shares in Bioniche Life Sciences now trade at a three-year high, albeit having touched record lows towards the end of 2009. Just last week the company was required to issue a press release regarding very high trading volumes in its shares, in which it claimed phase III data for Urocidin was likely the main driver - results are expected within the next few weeks.

Cpex is another new nano cap riser, its shares continue to gain on hopes that the company may find a buyer at the end of its ongoing strategic review. Cpex has been fighting off a takeover attempt by one of its main shareholders, Arcadia Capital Advisors.

Of the new fallers, Oxigene, Adventrx and Poniard have all suffered classic clinical or regulatory setbacks this year on their lead pipeline products.

Underwhelming phase II data for Zybrestat in non-small cell lung cancer failed to impress Oxigene's shareholders; the FDA refused to accept Adventrx's filing for its cancer drug, ANX-530, due to manufacturing deficiencies; and Poniard continues to set record lows as it struggles to come to terms with multiple setbacks to its only pipeline candidate, picoplatin, a platinum compound being tested in various solid tumours.

Nano cap (\$25m-\$100m) pharma companies: top risers and fallers in 9M 2010

Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-09	30-Sep-10	% change	YE 2009	9M 2010	
1	Somaxon Pharmaceuticals (\$)	1.08	3.89	+260%	27	137	Somaxon seeks to wake up Silenor launch with P&G alarm clock
2	Bioniche Life Sciences (C\$)	0.56	1.52	+171%	39	106	
3	PROLOR Biotech (\$)	2.45	6.01	+145%	87	320	Weekly Market Movers (to 26 Mar 2010)
4	CPEX Pharmaceuticals (\$)	11.02	23.03	+109%	28	60	
5	Ajanta Pharmaceutical (Rs)	118.20	241.35	+104%	29	60	
Top 5 Fallers							
1	ARYx Therapeutics (\$)	3.21	0.40	-88%	90	13	Broken promises force ARYx to assess strategic options
2	Marshall Edwards (\$)	7.00	1.17	-83%	51	9	
3	OXiGENE (\$)	1.14	0.26	-77%	72	19	Asco EventAnalyzer - 2010's winners and losers
4	ADVENTRX Pharmaceuticals (\$)	8.75	2.04	-77%	72	30	
5	Poniard Pharmaceuticals (\$)	1.83	0.58	-68%	77	28	Poniard's happy talk masks dire future for picoplatin