

## Pharmasset success story leads small caps in first half of 2011



[Amy Brown](#)

The runaway train success story that is Pharmasset continued this quarter, making the company one of the best performing small drug developer stocks so far this year. Since the end of 2010, shares in the group have more than doubled, rising by an impressive 42% since April alone, boosting its market value to \$4.17bn, all thanks to two novel nucleotide analogue polymerase inhibitors that continue to cause a lot of excitement in hepatitis C ([Pharmasset the stand out small cap performer in first quarter, April 4, 2011](#)).

With success or failure at this end of the stock market largely determined by clinical progress, or lack of it, companies enjoying significant gains on the back of strong data over the first half include: MethylGene, Pharmacyclics and Curis. Conversely, the likes of Orexigen Therapeutics, Bavarian Nordic and Renovo are still among those who have been punished for setbacks in the lab. These battered and bruised names have, however, been joined this quarter by a few new ones including Diamyd Medical and Intercell (see analyses below).

### Small cap analysis

Given that Pharmasset's hepatitis C drugs remain in phase II, investors must be hoping for a lucrative deal or takeout of the company. But since its market cap has now passed \$4bn, a purchase has become a much more expensive option than even a mere six months ago.

Like Pharmasset, Ariad's share price rise has been on the back of solid progress in a tricky therapeutic area, sarcoma. The company's drug, ridaforolimus, which is licensed to Merck & Co, helped put Ariad on the map after impressive phase III data was released back in January.

The promise of triglyceride-lowering tablet AMR101 in preventing cardiovascular events and death helped to propel Amarin into the top 5 risers so far this year. The shares could go even higher as approval of AMR101 is expected by the end of the year and analysts are already forecasting sales of \$2.26bn by 2016. What is also most probably behind the share price rise is that Amarin is now considered a very attractive takeout target.

Like many companies who have seen their shares rise this quarter Pharmacyclics has been a beneficiary of positive data at cancer conference Asco. Its lead product PCI-32765, thought to be the only Bruton's tyrosine kinase (Btk) inhibitor in clinical-stage development, could enter phase III trials later this year in leukaemia and lymphoma. Analysts also believe that partnering talks for the compound are advanced, any news of which could push up the shares further.

## Small cap (\$250m-\$2.5bn) pharma companies: top risers and fallers in H1 2011

Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-10	30-Jun-11	% change	YE 2010	H1 2011	
1	Pharmasset (\$)	47.19	112.20	138%	1,607	4,172	<a href="#">EASL - Beyond protease inhibitors hep C pipeline filling up</a>
2	ARIAD Pharmaceuticals (\$)	5.10	11.33	122%	647	1,495	<a href="#">ASCO Preview - Melanoma set to hog limelight as Parps given a boost</a>
3	Mesoblast (AUS\$)	4.67	8.65	85%	1,383	2,559	<a href="#">Interest in Australian pharma sector continues to grow</a>
4	Amarin (\$)	8.20	14.43	76%	810	1,811	<a href="#">Amarin surges as hopes for heart drug soar</a>
5	Pharmacyclics (\$)	6.08	10.44	72%	369	634	<a href="#">Trial success opening doors for Pharmacyclics</a>
	<b>Top 5 Fallers</b>						
1	Diamyd Medical (SKr)	129.50	11.40	(91%)	275	52	<a href="#">Market allergic to failure of Diamyd diabetes vaccine</a>
2	Orexigen Therapeutics (\$)	8.08	1.59	(80%)	386	76	<a href="#">FDA wipes obesity slate clean with rejection of Orexigen's Contrave</a>
3	Intercell (€)	11.60	2.84	(76%)	746	199	<a href="#">Intercell resets strategy as staph vaccine fails</a>
4	Bavarian Nordic (DKr)	245	66	(73%)	564	331	<a href="#">Bavarian Nordic misses out on Provenge effect</a>
5	Pharmaxis (AUS\$)	2.98	0.84	(72%)	725	203	<a href="#">Pharmaxis' Bronchitol plans flounder in Europe</a>

Orexigen and Bavarian Nordic continued their stay in the top five small cap doghouse following their regulatory setbacks.

Misery, however, always loves company and joining them were Diamyd, which saw its phase III vaccine for type I diabetes fall at the first hurdle, when a European trial failed to show significance, leaving the company with no prospects of further milestones from partner Johnson & Johnson and also a rather thin looking pipeline.

Having seen the failure of its travellers' diarrhoea patch in December last year Intercell had further misery heaped on its head after its Staphylococcus aureus vaccine V710 failed, prompting partner Merck to hand back rights to the drug.

For Pharmaxis it was the European Medicines Agency's expert panel giving a "negative trend" vote for approval of its CF treatment Bronchitol that caused its shares to drop 72% over the half. The company has today appealed and a decision on that is due in October.

### Micro cap analysis

Underlining the volatility of the smaller end of the market, none of the top five risers at the end of the first three months of the year are still up there at the end of the first half.

Top riser Endocyte had planned to IPO back in February for \$14-\$15, but was forced to go at \$6.00, so it could be argued that the shares are where they should be. What helped more than double the share price was the company's announcement in April that it would be seeking conditional approval in Europe for its ovarian cancer drug EC145, and companion diagnostic EC20, following positive phase II data.

Progress with its malignant melanoma gene therapy, Allovectin-7, appears to be the catalyst behind the revival

in fortunes of Vical, which last year suffered a major setback when Temusi, its treatment for limb ischaemia, failed in phase III trials.

Insmed has won its place in the top 5 due to positive data for Arikace, its phase II treatment for pseudomonas lung infections in patients with cystic fibrosis. Given the paucity of treatments in CF, Arikace's ability to improve and sustain lung function over the 72 weeks of the trial was bound to help its shares move up.

Success in advanced skin cancer is behind the impressive share price rise for Curis. The drug, which selectively inhibits signaling in the hedgehog pathway, is expected to be filed this year on the back of phase II results showing significant tumour shrinkage.

GTx's maturing pipeline, which has important clinical data due by the end of the year, seems to be earning investor confidence.

<b>Micro cap (\$100m-\$250m) pharma companies: top risers and fallers in H1 2011</b>							
Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-10	30-Jun-11	% change	YE 2010	H1 2011	
1	Endocyte (\$)	6.00	14.32	139%	178	426	<a href="#">Daily Market Movers (26 Apr 11)</a>
2	Vical (\$)	2.02	4.12	104%	145	295	<a href="#">Daily Market Movers (26 Apr 11)</a>
3	Insmed (\$)	6.30	11.99	90%	157	298	<a href="#">Daily Market Movers (10 Jun 2011)</a>
4	Curis (\$)	1.98	3.58	81%	135	273	<a href="#">Therapeutic focus - Hedgehog targets given boost with phase II skin cancer data</a>
5	GTx (\$)	2.65	4.79	81%	137	296	<a href="#">GTx's future is brightening</a>
<b>Top 5 Fallers</b>							
1	Renovo (£)	0.70	0.15	(79%)	210	45	<a href="#">Renovo could be fatally wounded by trial failure</a>
2	NeurogesX (\$)	6.36	1.75	(72%)	111	31	<a href="#">Product sales in 2010: hits and misses</a>
3	Emisphere Technologies (\$)	2.41	0.90	(63%)	125	47	<a href="#">Daily Market Movers (17 Jun 2011)</a>
4	XOMA (\$)	5.13	2.35	(54%)	146	70	<a href="#">Xoma antibody fails in diabetes</a>
5	Novelos Therapeutics (\$)	3.96	1.30	(67%)	106	35	

Still suffering from their clinical failures earlier this year Renovo and Emisphere Technologies remain among the five biggest fallers in the macro cap sector, having made it into the bottom five for the first three months of the year.

NeurogesX's share price fall is down not to clinical failure, but struggling sales of its lead product, Qutenza, for the treatment of post-shingles pain.

### **Nano cap analysis**

The fact that pretty much all of the fallers in this sector have RNAi candidates in development, indicates that the market may have fallen out of love with this particular therapy area and are not betting on success any time soon.

Despite escaping the taint of RNAi, Labopharm's own troubles have seen its shares fall by 85% in the first six months of the year; chief among these has been worries over the commercial potential of its antidepressant

Oleptro in a very competitive space riddled with generics. Last month Labopharm delisted from Nasdaq in an attempt to save money.

Among the risers Ampio shares strengthened following the news of positive results from the European phase III trials of its premature ejaculation treatment Zertane.

Riding the Asco coattails was oncology and infectious diseases specialist Methylgene, which reported positive data on its lead candidate, multi-kinase inhibitor MGCD265.

Oncothyreon initiating a phase II trial of its oncology drug PX-866 in combination with Erbitux was enough to send its shares up.

The high expectations surrounding CBio's lead product XToll, a heat shock protein being studied in rheumatoid arthritis, have been sustained and the shares have continued to rise. CBio has recently taken advantage of this and in May raised \$5.1m by issuing almost 12 million new shares.

Finally, DUSA Pharmaceuticals sustained its share price gains following its re-rating in March after it reported its first annual profit for 2010.

### Nano cap (\$25m-\$100m) pharma companies: top risers and fallers in H1 2011

Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
		31-Dec-10	30-Jun-11	% change	YE 2010	H1 2011	
1	Ampio Pharmaceuticals (\$)	2.40	7.79	225%	41	223	<a href="#">Weekly Market Movers (to 27 May 2011)</a>
2	CBio (AUS\$)	0.22	0.63	193%	35	102	<a href="#">Interest in Australian pharma sector continues to grow</a>
3	Oncothyreon (\$)	3.26	9.19	182%	98	382	
4	MethylGene (C\$)	0.14	0.36	167%	45	119	<a href="#">Asco EventAnalyzer - 2011's winners and losers</a>
5	DUSA Pharmaceuticals (\$)	2.45	6.22	154%	59	152	
<b>Top 5 Fallers</b>							
1	Marina Biotech (\$)	1.55	0.19	(87%)	85	11	<a href="#">Vantage Point - Clinical progress required to reignite RNAi field</a>
2	Labopharm (C\$)	0.95	0.14	(85%)	67	10	
3	Silence Therapeutics (£)	0.08	0.02	(75%)	33	17	<a href="#">Vantage Point - Clinical progress required to reignite RNAi field</a>
4	RXi Pharmaceuticals (\$)	2.58	0.98	(62%)	64	41	<a href="#">Vantage Point - Clinical progress required to reignite RNAi field</a>
5	Antisoma (£)	0.06	0.03	(59%)	63	28	<a href="#">Antisoma's latest setback could prove fatal</a>

[More from Evaluate Vantage](#)

Evaluate HQ  
44-(0)20-7377-0800

Evaluate Americas  
[+1-617-573-9450](tel:+16175739450)

Evaluate APAC  
[+81-\(0\)80-1164-4754](tel:+8108011644754)

© Copyright 2021 Evaluate Ltd.