

## Scandinavian biotech hit particularly hard in bad year for sector



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Few would disagree that this year has been tough for small public drug makers. With tumultuous economic times making for a rocky ride on the stock market, serious setbacks suffered by several European companies have only compounded this sector's image as incredibly high risk.

A number of these trip ups have happened at Scandinavian companies; as a result this region's biotechnology sector is looking particularly punished this year, with share prices down on average 35% compared to 24% across the rest of Europe. The region has contributed some of the European sector's shining stars on the stock market - Algeta and Biotie Therapies - so the territory has not been completely deserted by investors (see tables below). However, with the economic outlook showing no sign of improving, life in 2012 is unlikely to get any easier for these companies, particularly those with dwindling cash.

### Fair share

Scandinavian companies have certainly had their fair share of disappointments this year. Clinical setbacks have included the failure of Diamyd's diabetes vaccine in May, prompting partner Johnson & Johnson to hand back rights ([Market allergic to failure of Diamyd diabetes vaccine, May 9, 2011](#)). Meanwhile Active Biotech's MS treatment laquinimod, partnered with Teva, has been overshadowed and overtaken by more promising agents nearing the market, causing a catastrophic 91% loss in the Swedish company's market value ([Laquinimod falls behind MS pack, August 2, 2011](#)).

Bavarian Nordic has been punished heavily for failing to deliver a highly anticipated development partner for its lead product, prostate cancer vaccine Prostavac. The company was forced to start phase III trials on its own and conduct a heavily discounted rights issue to raise Dkr650m (\$125m). The funds should tide the company into 2013, but with no meaningful data on the horizon until 2015, investors clearly feel they have little to hang around for.

Concerns about NeuroSearch's ability to raise cash to fund further trials of Huntexil continue to plague the Danish company - the continual share price decline this year suggests investors are unwilling to cough up ([EP Vantage Interview - NeuroSearch seeking path forward for Huntexil, April 13, 2011](#)).

### Not geographical

Analysts agree however that what seems to be underperformance from this region compared to the rest of Europe is not a geographical issue.

"I wouldn't put it down to a territory specific issue, but quite a few names have suffered," says Samir Devani, biotech analyst at Nomura Code. "A few of them performed pretty well considering the average is down 30%."

In 2010, the Nordic region's companies performed better than their peers in the rest of Europe, with an average share price gain of 5%, compared to a 6% average dip.

However this year, gains seen at the likes of Algeta and Biotie, driven respectively by impressive pivotal data on prostate cancer therapy Alpharadin and hopes for alcohol dependence drug nalmefene, are not strong enough to outweigh losses elsewhere.

<b>All Scandinavian Biotechs (27 Companies)</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Average share price change</b> (local currency)		5%	(35%)
<i>(Rest of Europe)</i>		(6%)	(24%)
<b>Market Capitalisation</b> (\$bn) - total peer group	15.6	17.3	14.5
Market Cap Change (\$bn)		+1.7	(2.8)
<i>Market Cap Change (%)</i>		+11%	(16%)
<b>Cash</b> (\$m) - total peer group	1,856	2,010	2,265
Cash Change (\$m)		+155	+255
<i>Cash Change (%)</i>		+8%	+13%
<b>Equity Issues</b> (\$m) - total peer group	252	505	175
Equity Issues (\$m)		253	(330)
<i>Equity Issues (%)</i>		+100%	(65%)

### **Well funded**

As Bavarian Nordic found, raising money by selling new shares is an incredibly unpopular move, if not completely out of the question for many with rock bottom share prices. So if those being punished by association can ride the storm while conserving cash the horizon should eventually brighten. Encouragingly, aside from a few exceptions, these Scandinavian companies are relatively well funded.

“Quite a few of these companies are not in dire straits from a balance sheet perspective,” says Mr Devani. “But the big question is where do they go from here? Something has to change or investors aren’t going to agree to put money in and hang around and wait for another two years.”

Which of course is a quandary facing listed biotech companies across Europe, particularly those asking shareholders to wait for news on pipeline progress.

“Currently there is a lack of positive triggers in the near term [for many Scandinavian biotechs] and this is affecting share prices,” says Jonas Peciulis, analyst at Terra Markets in Norway. “Companies are changing strategies, and we will see if this will improve the picture.”

Scandinavia’s public biotech sector has not had a great year; arguably it is faring slightly worse than the rest of Europe. However according to *EvaluatePharmadata*, of Europe’s 121 listed biotechs only 23 are showing share price gains so far this year. The sector is hurting on every stock exchange.

## Scandinavian Biotech - performance and valuation

		Share Price			Share Price Change		Market Capitalisation (\$m)			Cash (\$m)		
	<b>Top 5 Risers</b>	2009	2010	2011	2010	2011	2009	2010	2011	2009	2010	2011
1	Biotie Therapies (€)	0.55	0.50	0.60	(9%)	20%	127	116	320	29	5	43
2	Algeta (NOK)	68.3	136.0	161.0	99%	18%	466	899	1,157	89	80	85
3	Meda (SKr)	64.5	54.9	62.5	(15%)	14%	2,732	2,421	2,839	11	16	37
4	Clavis Pharma (NOK)	53.8	40.2	42.8	(25%)	6%	233	200	232	39	58	66
5	Lundbeck (DKr)	91.8	106.0	108.0	15%	2%	3,529	3,691	3,910	396	417	534
<b>Top 5 Fallers</b>												
1	Diamyd Medical (SKr)	97.5	129.5	7.9	33%	(94%)	306	275	33	6	73	71
2	Active Biotech (SKr)	100.8	169.0	15.8	68%	(91%)	904	1,629	164	22	19	66
3	Bavarian Nordic (DKr)	143.5	245.0	36.8	71%	(85%)	224	564	176	36	63	130
4	NeuroSearch (DKr)	77.0	93.0	14.0	21%	(85%)	268	312	63	158	85	65
5	Swedish Orphan Biovitrum (SKr)	27.8	40.5	13.0	46%	(68%)	198	1,255	517	43	6	6