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Demand for big pharma shares continues in Q1; Regeneron stand out gainer in mid-caps



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Shares in the world's biggest drug makers continued on a winning streak in first three months of the 2012, after a late surge towards the end of last year that saw a number of pharma names find favour among investors ([Big pharma stocks end year on a high note; BMS and Elan stand out, January 5, 2012](#)).

Novo Nordisk leads the pack with a 20% gain that has propelled shares in the insulin maker to record highs; most big pharma stocks remain in positive territory with the biggest fallers, GlaxoSmithKline and AstraZeneca, only down marginally with 5% and 4% dips respectively. Among the mid-caps, Regeneron has put on the most standout performance so far this year, more than doubling in value on rising hopes for its newly launched macular degeneration drug, Eylea; the company is now worth more than \$11bn.

Big cap risers

At the beginning of February Novo lifted its sales outlook for 2012 and once again revealed that demand for its once-daily GLP-1 agonist Victoza had beaten expectations. The news triggered a surge in the Danish company's share price, defying many analysts who believe the company's valuation has been too high for some while.

As the US launch of rival once-weekly GLP-1 Bydureon continues this year, Novo's resilience will be tested. But for now investors appear happy to keep buying - the stock closed at a record DKr835 yesterday.

Other notable risers of the first quarter include Teva; the company was the biggest decliner among the big cap pharma stocks last year with a 23% drop but the appointment of a new chief executive has prompted investors to bet on better times ahead.

Takeda and Bayer are also recovery stories, the second and third biggest decliners last year. Meanwhile shares in Abbott have continued to rise since the firm announced it would spin off its drugs arm last October ([Abbott spin off will test market's appetite for R&D, October 20, 2011](#)).

Large cap (\$30bn+) pharma companies: top risers and fallers in Q1 2012

Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$bn)	
		31-Dec-11	31-Mar-12	% change	YE 2011	Q1 2012
1	Novo Nordisk (DKr)	645.34	772.50	20%	57.5	63.3
2	Teva Pharmaceutical Industries (\$)	40.36	45.06	12%	38.0	42.5
3	Abbott Laboratories (\$)	55.75	61.29	10%	87.6	96.4
4	Takeda (¥)	3,380.00	3,645.00	8%	34.8	37.4
5	Bayer (€)	49.50	52.80	7%	55.9	56.3
	Top 5 Fallers					
1	GlaxoSmithKline (£)	14.72	13.97	(5%)	117.1	109.3
2	AstraZeneca (\$)	46.29	44.49	(4%)	59.8	56.6
3	Bristol-Myers Squibb (\$)	34.90	33.75	(3%)	59.7	57.0
4	Eli Lilly (\$)	41.56	40.27	(3%)	48.1	46.7
5	Novartis (\$)	57.17	55.41	(3%)	133.1	126.8

Most of the losers so far this year are unlikely to be too troubled by their performances as the dips can be put down to profit taking.

Glaxo is coming off a high after adding 20% to its market value in 2011; its stock touched a five-year high of £15.00 in January. Meanwhile Bristol-Myers Squibb, last year's star performer with a 35% gain in market value, reached a 10-year high of \$35 in January. Eli Lilly started the year at \$41.80, the highest the shares have reached since the stock market crash of October 2008.

Astra could well be suffering from more fundamental concerns - it confirmed the loss of depression pill TC-5214 from its late-stage pipeline this year and is in the midst of a couple of painful patent losses.

The indices table below shows that while big healthcare stocks have remained in demand this year in the EU and Europe, interest has cooled on last year. Broader stock markets are performing strongly as economic concerns abate and worries about the European debt crisis have moved from the front pages; if these trends continue these so-called "defensive" stocks could well fall out of favour with certain investors this year.

Stock Index	% change in Q1	% change in 2011
Dow Jones Healthcare (US)	9%	9%
S&P Pharmaceuticals (US)	3%	13%
NASDAQ Biotechnology (US)	18%	11%
Dow Jones STOXX Healthcare (EU)	0%	12%
Thomson Reuters Europe Healthcare (EU)	3%	2%
TOPIX Pharmaceutical Index (Japan)	8%	-7%
Thomson Reuters India Healthcare (India)	12%	-13%

As the performance of the NASDAQ index above reveals, demand for biotechnology stocks has been incredibly strong in the last year. A number of buyouts by big pharma predators and speculation that more M&A action is on the way prompted a lot of demand from investors, keen to get in on the next takeout stock.

Although their valuations are already high, Regeneron, Alexion and Vertex all have exactly the sort of products that big pharma is looking for. Niche, novel and pricey, these companies have also proven that their drugs

offer value over existing agents, helping to achieve reimbursement.

Strong demand for Regeneron's Eylea, Alexion's Soliris and Vertex's Incivek means these products are also valuable franchises in their own right, before the hope of takeout.

Among the other biggest gainers this year Brazilian drug maker Hypermarcas has put on a strong performance, albeit a recovery after losing two-thirds of its value in 2011. Rumours of a big stake purchase by Latin American investment bank Banco BTG Pactual lifted the stock from the doldrums earlier this year.

Hospira is also a recovery story - shares in the generics firm are gradually re-gaining after dropping 45% last year, amid a spate of manufacturing issues.

Mid cap (\$2.5-30bn+) pharma companies: top risers and fallers in Q1 2012

Rank	Top 5 Risers	Share price (local currency)			Market capitalisation (\$bn)		EP Vantage comment and analysis
		31-Dec-11	31-Mar-12	% change	YE 2011	Q1 2012	
1	Regeneron Pharmaceuticals (\$)	55.43	116.62	110%	5.015	10.703	Daily Market Movers (10 Jan 2012)
2	Hypermarcas (R\$)	9.00	12.85	43%	3.009	4.515	Weekly Market Movers (to 6 Jan 2012)
3	Alexion Pharmaceuticals (\$)	71.50	92.86	30%	13.238	17.271	Alexion continues to please orphan fans
4	Vertex Pharmaceuticals (\$)	33.21	41.01	23%	6.926	8.626	FDA surprises with fast approvals but can trend be sustained?
5	Hospira (\$)	30.37	37.39	23%	5.002	6.168	Daily Market Movers (14 Feb 2012)
	Top 5 Fallers						
1	Ipsen (€)	24.72	20.50	(17%)	2.804	2.227	Daily Market Movers (2 Feb 2012)
2	Onyx Pharmaceuticals (\$)	43.95	37.68	(14%)	2.796	2.414	Daily Market Movers (3 Jan 2012)
3	Meda (SKr)	71.50	63.10	(12%)	3.259	2.783	Event - Meda hoping for summer success with hay fever drug
4	Questcor Pharmaceuticals (\$)	41.58	37.62	(10%)	2.644	2.393	Weekly Market Movers (to 9 Mar 2012)
5	Shire (\$)	103.90	94.75	(9%)	19.480	17.767	

Leading the mid-caps lower is Ipsen; the French drug maker is struggling to keep its top line and profits growing.

Meda, meanwhile, caused alarm in February when it said it planned a big investment to promote a new hay fever drug it hopes to launch in the US later this year.

Other decliners can mostly put their performance down to profit taking after strong performance. Questcor almost tripled in value last year, Shire touched a record high in February while Onyx hit a three-and-a-half year high at the end of last year.

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