

Big pharma and biotech shines in first nine months of 2012



[Joanne Fagg](#)

The defensive play that is big pharma continues to show itself off, as the biggest pharmaceutical companies have outperformed the broader markets through the first nine months of 2012. Prolonged uncertainty in the global economy and the European debt crisis have transformed pharma shares into an attractive alternative, with investors believing that the patent cliff, or at least much of it, has passed, and the sector is back on a growth trajectory.

Only two big pharma companies are in the red, and the diabetes-based cash machine that is Novo Nordisk keeps rolling along – up an impressive 42% on the year even as its long-awaited long-acting insulin Tresiba has faced regulatory delays in the US. Among the mid-cap companies, Regeneron has made gains with the launch of Eylea and pipeline hopes, while the tables have turned on Questcor with a shadow hanging over insurance coverage of its one product, Acthar (see tables).

Stock index	Change in first 9 mths of 2012
Dow Jones Pharma and Biotech (US)	19%
S&P Pharmaceuticals (US)	12%
NASDAQ Biotechnology (US)	37%
Dow Jones STOXX Healthcare (EU)	12%
Thomson Reuters Europe Healthcare (EU)	12%
TOPIX Pharmaceutical Index (Japan)	10%
FTSE-100	3%
Euro STOXX 50	6%
S&P 500	15%
DJIA	10%

Novo marches on

Novo Nordisk seems to be the company that cannot be stopped, with a hugely strong presence in insulin. The human insulin and devices franchise has churned out sales in excess of \$2bn a year since 2003 and will continue to do so through 2018, while its meal-time insulin analogue NovoRapid could prove resistant to competition, according to *EvaluatePharma* data.

Victoza, a drug aimed at pre-insulin diabetics, has been one of the most successful launches of the past three years, helped along by some stumbles from competitors, and has the potential to expand should trials in obesity report positive data.

Bayer is something of a surprising second place, given that it still lists aspirin as one of its best-selling drugs, but it has benefited from ownership stakes in two of the biggest drug launches of recent years: the blood thinner Xarelto and macular degeneration injection Eylea. Having licensed Alfaradin from Algeta cannot have hurt, either; forecasts for that radiopharmaceutical have been climbing as analysts now believe it could have a wider application in prostate cancer than previously thought.

Amgen is the top US group in the risers mix, and also a bit of a surprise given flattening sales and earnings. The world's largest biotech spiced up its efforts to return cash to shareholders by initiating dividend payouts last year. Its bone-building franchise denosumab is forecast to turn in blockbuster numbers next year, while

stability in its anaemia lines is foreseen and Enbrel will continue to turn over around \$4bn a year for several more years.

Speaking of big drugs in the rheumatoid arthritis space, Abbott Laboratories' Humira is forecast to become the world's biggest-selling drug this year, a title it will not relinquish until at least 2018. The promise of \$10bn a year in sales must make the Illinois firm an attractive investment opportunity; the lack of a generic competitor to TriCor has no doubt helped.

A bigger event on the horizon is the spin-out of the company's drug arm into AbbVie by the end of the year, with some investors certainly hoping to score in the M&A game after the separation.

Merck & Co has benefited from its relatively low valuation among its big pharma peers, along with investors seeing possibly more promise in the Januvia franchise – the diabetes drug will crack the top 10 in 2014 – and a healthy late-stage pipeline.

Large cap (\$30bn+) pharma companies: top risers and fallers in first 9 mths of 2012						
		Share price (local currency)			Market capitalisation (\$bn)	
Rank	Top 5 risers	31 Dec 2011	28 Sep 2012	Change	31 Dec 2011	28 Sep 2012
1	Novo Nordisk	DKr645.34	DKr916.50	42%	57.5	68.4
2	Bayer	€49.50	€66.95	35%	55.9	67.9
3	Amgen	\$64.21	\$84.29	31%	50.9	65.0
4	Abbott Laboratories	\$55.75	\$68.56	23%	87.6	107.6
5	Merck & Co	\$37.70	\$45.10	20%	114.9	137.3
Top 5 fallers						
1	Bristol-Myers Squibb	\$34.90	\$33.75	(3%)	59.7	56.7
2	GlaxoSmithKline	£14.72	£14.28	(3%)	117.1	110.0

Big cap fallers

Bristol-Myers Squibb's stumbles in hepatitis C – its \$2bn purchase of Idenix now looks like wasted money – along with delays for the blood thinner Eliquis have taken the bloom off the New York group. Along with that comes a growing sense that Bristol-Myers might be one of the more overvalued companies in big pharma ([Untempered expectations buoy Bristol and Lilly as valuation gaps open, August 9, 2012](#)).

If there was a UK company one would guess in the fallers it would be AstraZeneca, given expiry of its \$4bn-a-year antidepressant, Seroquel, this year and several pipeline stumbles. That guess would be wrong, however, as it is GlaxoSmithKline that joins Bristol-Myers in the losers' camp.

No truly bad news has stricken Astra's neighbour to the west, although brokers began reining in forecasts in August as Glaxo reported disappointing second-quarter earnings after sales dipped in both the US and Europe. With few upcoming catalysts and glimmers of the first real competitive threats to Glaxo's number one drug, Advair, there could be a little more investor caution now.

Mid cap (\$2.5-30bn+) pharma companies: top risers and fallers in first 9 mths of 2012

Rank	Top 5 risers	Share price (local currency)			Market capitalisation (\$bn)		EP Vantage comment and analysis
		31 Dec 2011	28 Sep 2012	Change	31 Dec 2011	28 Sep 2012	
1	Regeneron Pharmaceuticals	\$55.43	\$152.66	175%	5.0	14.3	Daily Market Movers (25 July 2012)
2	Grifols	€13.14	€25.70	96%	3.8	6.7	Daily Market Movers (17 Sep 2012)
3	Onyx Pharmaceuticals	\$43.95	\$84.50	92%	2.8	5.5	Onyx balloons on news of Kyprolis approval
4	Vertex Pharmaceuticals	\$33.21	\$55.89	68%	6.9	12.1	Vertex's hep C plans play second fiddle to cystic fibrosis
5	Hypermarcas	R\$9.00	R\$14.89	65%	3.0	4.6	Daily Market Movers (13 Aug 2012)
	Top 5 fallers						
1	Questcor Pharmaceuticals	\$41.58	\$18.47	(56%)	2.6	1.1	Questcor's Acthar fairy tale goes sour
2	Ipsen	€24.72	€18.97	(23%)	2.8	2.0	Ipsen follows woeful first half with sentiment-battering clinical hold
3	Elan	\$13.74	\$10.72	(22%)	8.1	6.4	Elan dresses up for a date, but single life beckons
4	Celltrion	KRW35,750.00	KRW28,000.00	(22%)	3.7	4.3	
5	Teijin	¥237.00	¥191.00	(19%)	3.0	2.4	Daily Market Movers (2 Aug 2012)

The mid-caps

Sales of Regeneron's Eylea continue to boost the company's share price. With better than expected revenues reported at the end of July the company increased its 2012 US sales forecast for the drug to \$700-\$750m. The drug has had subsequent approvals in the US and EU for macular oedema and wet age-related macular degeneration respectively.

Meanwhile, alongside partner Sanofi Regeneron has started phase III enrolment for the novel heart drug SAR236553/REGN727.

US approval of the multiple myeloma drug Kyprolis at the end of July caused Onyx's shares to increase by 11.7% to \$76.38, a record for the company, with Jefferies analysts forecasting stronger-than-expected sales. Share prices have continued to rally on the news of US approval of Onyx and Bayer's colorectal cancer drug Stivarga, known generically as regorafenib, which came a month early.

Riding on the tail of its cystic fibrosis pipeline, Vertex received EU approval of Kalydeco at the end of July. The company needs to restore confidence in its Kalydeco/VX-809 combination study and are due to report full data this week at the North American Cystic Fibrosis Conference.

Meanwhile development of its hep C pipeline has not been straightforward, with the company dropping its nucleoside polymerase inhibitor ALS-2158 in phase I owing to insufficient antiviral activity, while progressing another inhibitor, ALS-2200, into phase II.

Mid-cap fallers

The sun has not been shining on California-based Questcor with its share price crashing by 48% in September on the news that Aetna, a major US insurer, would likely drop coverage of Acthar for most uses except infantile spasms, with the insurer saying the drug lacks efficacy for the treatment of multiple sclerosis exacerbations and nephrotic syndrome.

Further bad news followed when the company disclosed that the US government had launched a probe into its promotional practices, causing shares to drop a further 37%.

After a disappointing first half Ipsen suffered further when its haemophilia B treatment IB1001 was placed on clinical hold, with the announcement that the recombinant product had stimulated antibodies to the host cell proteins at an unexpectedly high rate. Further analysis is ongoing, and the company expects to finish this by the end of October, according to Bank of America.

Reaching the holy grail in Alzheimer's was always going to be a tough battle and Elan suffered when its anti-beta amyloid MAb bapineuzumab failed to meet co-primary endpoints in phase III. Shares in the company fell by 15% on the news in July and partners Pfizer and J&J decided to halt further development of the iv version of the drug in August.

While Japanese company Teijin suffered from a decline in sales of its osteoporosis drug Bonalon and operating losses in its high-performance fibre business.

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