

## Biotech continues to reward investors in first half



[Joanne Fagg](#)

If there was any doubt that the biotech bubble remains bloated a look at share price performances over the first half of the year confirms this to be the case. The big beasts of the industry continue to command huge valuations, with Celgene and Biogen Idec both adding almost 50% to their share prices in the last six months, equal to a staggering \$16bn surge in market capitalisation.

Traditional big pharma might not be matching these growth rates, but as a group they have not been performing too badly. Only two of the world's biggest drug makers have seen declines this year, Novo Nordisk and Eli Lilly, the latter only just in negative territory. Elsewhere, Japan's own bubble remains inflated while India's pharma sector struggles on. But it is clear that the drugs industry remains a hot favourite with investors (see tables).

Stock Index	% change in H1 2013
Dow Jones Pharma and Biotech (US)	21%
S&P Pharmaceuticals (US)	17%
NASDAQ Biotechnology (US)	27%
Dow Jones STOXX Healthcare (EU)	11%
Thomson Reuters Europe Healthcare (EU)	11%
TOPIX Pharmaceutical Index (Japan)	30%
FTSE-100	5%
Euro STOXX 50	-1%
S&P 500	13%
DJIA	14%

A look at stock indices illustrates how well drug companies are faring, particularly in the US, with the sector outperforming broader indices across the board. The performance might be more muted in Europe but pharma is clearly still in favour - a "safe haven" reputation, hopes that productivity problems are fading and the patent cliff in the rear view mirror are all helping to persuade investors to place bets on the shares.

With the Nasdaq Biotechnology Index continuing to test new levels it is unsurprising to see its three of its biggest constituents registering huge gains, leading the big cap pack over the first six months of the year.

Celgene has been helped by the approval of a new cancer drug, Pomalyst, strong data on pipeline candidates and a stock buyback. Upcoming data on its biggest asset, Revlimid, need to be positive for its valuation surge to continue ([Event - Celgene aims to solidify Revlimid's hold in multiple myeloma, July 1, 2013](#)).

Biogen has been helped by the approval and subsequent encouraging early prescription data on its newly launched MS pill Tecfidera. Sales numbers will be closely watched when the company reports second-quarter figures in a couple of weeks - Stifel analysts recently quoted a consensus of \$64m for the second quarter, while *EvaluatePharma* has consensus of \$304m for 2013. Gilead meanwhile continues to ride the hepatitis C wave with its antiviral sofosbuvir, although a strong performance from its new HIV pill Stribild - previously known as Quad - and encouraging data from its oncology candidate idelalisib is also helping sentiment.

It is interesting to see that the other two companies in the top five risers are also strong in biotech, despite being more representative of traditional big pharma. Bristol-Myers has found fans in the wake a string of

clinical successes and drug approvals – Eliquis and Yervoy, for example – while its anti PD-1 antibody BMS-936558 is considered the leading contender in a closely watched class.

Roche has also scored a number of important approvals recently - Perjeta and Kadcylla in breast cancer for example – and the Swiss pharma giant seems to be recovering strongly from a couple of years of disappointing share price performance.

Large cap (\$30bn+) pharma companies: top risers and fallers in H1						
		Share price (local currency)			Market capitalisation (\$bn)	
Rank	Top 5 risers	YE 2012	H1 2013	Change	YE 2012	H1 2013
1	Celgene	\$78.47	\$116.98	49%	33.19	48.79
2	Biogen Idec	\$146.37	\$215.2	47%	34.63	51.08
3	Gilead Sciences	\$36.72	\$51.27	40%	55.65	78.21
4	Bristol-Myers Squibb	\$32.59	\$44.69	37%	53.80	73.41
5	Roche	SFr184	SFr235	28%	170.72	216.38
Rank	Top fallers					
1	Novo Nordisk	DKr916.5	DKr893	-3%	72.14	69.03
2	Eli Lilly	\$49.32	\$49.12	-0.4%	57.23	55.49

Beyond these five risers the whole large cap sector has put on a strong performance this year. Only five stocks have not managed to achieve a double digit share price growth rate over the six months – Teva grew 5%, Baxter advanced 4%, AstraZeneca and Eli Lilly were essentially flat and Novo Nordisk was the only stock with an out-and-out drop, dipping 3%. This in itself would not normally be considered a disastrous result but when viewed against the rest of the sector's performance has to be disappointing for the Danish diabetes specialist, which as *EP Vantage* discusses today needs a lift ([Novo in need of a booster shot](#), July 3, 2013).

### Mid caps mixed

Outside of the world's biggest drugmakers, the mid-caps are more mixed, although top performer Vertex is certainly another biotech bubble candidate. The company's success with its cystic fibrosis franchise – actually small molecule drugs – has given a huge boost to the stock this year and investors will be hoping the company can follow clinical success with commercial prowess ([Cystic fibrosis hit takes Vertex back to 2000](#), April 19, 2013).

Alkermes' rise is also thanks to strong clinical data, with ALKS 5641 in depression shedding light on the company's pipeline potential. Meanwhile Warner Chilcott's presence in the list is thanks to a reverse takeover by Actavis, creating a huge specialty pharma and generics group, with projected \$11bn in sales by 2018.

Alfresa and Ono are representatives of the bubble that Japanese stocks are currently enjoying – not one Japanese company can be found in the fallers in the mid-cap league, and the TOPIX pharma index with a 30% gain has outperformed even the Nasdaq Biotech Index ([When will Japanese biotech come off the boil?](#), March 12, 2013).

That the fallers list is largely populated by companies found outside of the US and Europe also demonstrates the fervour seen in these markets. Orion is the only company from these regions to make it into the five biggest fallers – the Finland company enjoyed a strong rally on the back of pipeline data at the end of 2012 but concerns about generic threats have caused a retrenchment this year.

In India, Ranbaxy is struggling to recover from a product recall, while Wockhardt has been hit by an FDA import ban and action by the Indian authorities. And in Brazil, widespread rioting and concerns about economic growth caused the country's stock market to plunge, taking drug maker Hypermarcas with it.

Finally Celltrion is unlikely to be among the decliners at the nine-month stage. Concerns about the company's progress with its biosimilar of Rituxan hit the stock in April after it discontinued a clinical trial, however the product won CHMP approval last week, likely making it the first monoclonal antibody to reach the market in Europe. Shares in the company have surged 24% since ([EU opens door to biosimilar antibodies](#), June 28, 2013).

## Mid cap (\$2.5-30bn+) pharma companies: top risers and fallers in H1

Rank	Top 5 risers	Share price (local currency)			Market capitalisation (\$bn)		EP Vantage comment and analysis
		YE 2012	H1 2013	Change	YE 2012	H1 2013	
1	Vertex Pharmaceuticals	\$41.90	\$80.06	91%	9.09	17.73	<a href="#">Cystic fibrosis hit takes Vertex back to 2000</a>
2	Warner Chilcott	\$12.04	\$19.91	65%	3.02	5.00	<a href="#">Generics the key to growth from merged Actavis and Warner Chilcott</a>
3	Alfresa Holdings	¥3,370	¥5,310	58%	2.51	3.19	
4	Alkermes	\$18.52	\$28.68	55%	2.44	3.88	<a href="#">BIO 2013 - Alkermes hopes to step out of partners' shadows</a>
5	Ono Pharmaceutical	¥4,405	¥6,800	54%	6.57	8.20	<a href="#">Asco Event Analyzer - 2013's winners and losers</a>
Rank	Top 5 fallers						
1	Ranbaxy Laboratories	Rs502.75	Rs309.95	-38%	4.00	2.41	<a href="#">Daily Market Movers (24 Jun 2013)</a>
2	Wockhardt	Rs1572.10	Rs999.50	-36%	3.24	2.02	<a href="#">Daily Market Movers (11 Jun 2013)</a>
3	Celltrion	KRW52,200	KRW41,800	-20%	4.12	3.74	<a href="#">Weekly Market Movers (to 19 Apr 2013)</a>
4	Orion	€22.05	€17.96	-19%	4.06	3.31	
5	Hypermarcas	R\$16.62	R\$14.53	-13%	5.14	4.59	

To contact the writer of this story email Amy Brown in London at [AmyB@epvantage.com](mailto:AmyB@epvantage.com) or follow [@AmyEPVantage](https://twitter.com/AmyEPVantage) on Twitter

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Evaluate HQ  
[44-\(0\)20-7377-0800](tel:+14152073770)

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

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

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