

Market wobble fails to derail mid and small-caps



[Jonathan Gardner](#)

As is nearly always the case, the big rises and falls among mid and small-cap companies in the first half of 2014 were driven by binary events – though the relative health of pharma and biotech investing means that movement was weighted toward the positive.

Unusually, non-US groups have played the biggest parts, with Swiss groups like Actelion and Santhera rising strongly. And although the sector has been in acquisition mode, only one dramatic shift can be attributed to actual M&A: Merck & Co's takeout of Idenix Pharmaceuticals (see tables below).

Binary success

Actelion followed up its good news of last year on the Tracleer follow-on Opsumit with more glad tidings from the clinic. Selexipag will allow the group to establish a nearly impervious franchise in pulmonary arterial hypertension. This event had the opposite effect on US-based United Therapeutics.

Mid cap (\$5-25bn) pharma companies: top risers and fallers in H1

	Share price (local currency)			Market capitalisation (\$bn)		EP Vantage comment and analysis
	YE 2013	H1 2014	Change	H1 2014	Change YTD	
Top 5 risers						
Actelion	SFr75.35	SFr112.2	49%	15.3	5.3	Selexipag hit puts Actelion back on the buyout radar
Salix Pharmaceuticals	\$89.94	\$123.35	37%	7.8	2.2	Salix's persistence pays off with IBS confirmation
Vertex Pharmaceuticals	\$74.30	\$94.68	27%	22.4	5.0	Traffic Transports Vertex back onto the right track
Alkermes	\$40.66	\$50.33	24%	7.3	1.7	Once-monthly success could have broader repercussions for Alkermes
Hospira	\$41.28	\$51.37	24%	8.6	1.7	Mid-cap consolidation spree looks set to yield bigger deals
Top 5 fallers						
Dainippon Sumitomo Pharma	¥1,645	¥1,165	(29%)	4.5	(2.2)	Daily Market Movers (26 May 2014)
United Therapeutics	\$113.08	\$88.49	(22%)	4.2	(1.4)	Selexipag hit puts Actelion back on the buyout radar
Pharmacyclics	\$105.78	\$89.71	(15%)	6.7	(1.1)	Asco Event Analyzer - 2014's winners and losers
BioMarin Pharmaceutical	\$70.35	\$62.21	(12%)	9.1	(0.9)	BioMarin needs to turn a small market into big sales numbers
Shionogi	¥2,280	¥2,114	(7%)	7.3	(0.9)	

Salix Pharmaceuticals and Vertex Pharmaceuticals were both bio run-up plays into mid-year catalysts, and both rewarded investors handsomely – Salix succeeding in diarrhoea-predominant irritable bowel syndrome, and Vertex with the “mother of all binary events”, the readout of its cystic fibrosis trials. Alkermes, meanwhile, has been buoyed by success as a solo player for the first time, although its Irish domicile is surely fuelling M&A talk.

Among the fallers, Dainippon Sumitomo Pharma was hit when it called a halt to a phase III trial for its colorectal cancer project BBI608; Pharmacyclics has never recovered from a significant selloff during the biotech market wobble of March, but also experienced losses during and after the Asco cancer meeting; and with BioMarin Pharmaceutical having launched its morquio A drug Vimizim, investors appear to be waiting to see at least a full quarter of sales numbers before buying in once again.

M&A story

The honour of biggest-moving small-cap goes to a company that will not exist for much longer: Idenix Pharmaceuticals, which has agreed to a \$3.9bn buyout from Merck. The hepatitis C play was one of the few small ones left standing after a wave of consolidation; Merck, meanwhile, was in need of a nucleotide inhibitor to fill out its antiviral combination.

Small cap (\$250m-5bn) pharma companies: top risers and fallers in H1						
	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
	YE 2013	H1 2014	Change	H1 2014	Change YTD	
Top 5 risers						
Idenix Pharmaceuticals	\$5.98	\$24.10	303%	3,636	2,834	Biotech bull market charges with Merck's Idenix takeout
Intercept Pharmaceuticals	\$68.28	\$236.63	247%	5,003	3,683	Boom! Trial halt turns Intercept into an improbable midcap company
InterMune	\$14.73	\$44.15	200%	4,366	3,062	InterMune draws up battle lines for IPF space following strong Esbriet data
GENFIT	€ 8.92	€ 26.00	191%	764	514	Daily Market Movers (18 Feb 2014)
GW Pharmaceuticals	£1.99	£5.10	157%	1,998	1,430	GW Pharma insiders take profits as early data prompt another share price jump
Top 5 fallers						
Prana Biotechnology	AUS\$0.77	AUS\$0.22	(71%)	98	(208)	Weekly Market Movers (to 4 Apr 2014)
Acrux	AUS\$2.56	AUS\$1.01	(61%)	152	(254)	Daily Market Movers (28 Apr 2014)
Active Biotech	SKr69.50	SKr29.60	(57%)	346	(467)	With EU knockback laquinimod's irrelevance is all but assured
Aegerion Pharmaceuticals	\$70.96	\$32.09	(55%)	946	(1,129)	Daily Market Movers (7 May 2014)
ThromboGenics	€ 20.15	€ 9.43	(53%)	470	(522)	ThromboGenics turns to plan B after fruitless search for buyer

Intercept Pharmaceuticals has fallen back a bit from its strong early showing, but is still three and a half times as valuable as it was on January 1 on the back of its liver disease project obeticholic acid.

At long last, InterMune looks to have proven Esbriet's clinical worth, and has been rewarded by the market. On the other hand, GW Pharmaceuticals' big rise has been driven by hopes for its epilepsy project, Epidiolex, and its well-timed decision to begin selling shares on the Nasdaq exchange, accessing specialist US biotech investors.

Among the losers, Australia's Prana Biotechnology was punished for failing where so many have before, in Alzheimer's disease; Active Biotech's long-suffering multiple sclerosis project laquinimod suffered another

setback; and ThromboGenics scrapped a plan to sell itself.

Some bigger, some smaller

The smallest of the small companies saw the biggest rise by percentage of any company in the sector: Santhera Pharmaceuticals has risen an incredible 1,162% after showing that idebenone could help preserve respiratory function in patients with Duchenne muscular dystrophy. The French biotech Cellectis, meanwhile, rode the immuno-oncology wave and a partnership with Pfizer on its chimaeric antigen receptor T-cell programmes.

<\$250m pharma companies: top risers and fallers in H1						
Top 5 risers	Share price (local currency)			Market capitalisation (\$m)		EP Vantage comment and analysis
	YE 2013	H1 2014	Change	H1 2014	Change YTD	
Santhera Pharmaceuticals	SFr3.72	SFr46.95	1162%	247.06	231	As Duchenne winds change, PTC and Santhera score surprise wins
Cellectis	€ 2.30	€ 12.91	461%	447.73	384	Pfizer partners with Cellectis, but why not buy the company?
Pharming	€ 0.14	€ 0.51	258%	264.41	200	Daily Market Movers (17 Jan 2014)
Pernix Therapeutics	\$2.52	\$8.98	256%	339.20	246	Daily Market Movers (5 Feb 2014)
Elite Pharmaceuticals	\$0.12	\$0.43	254%	241.42	180	Daily Market Movers (15 Jan 2014)
Top 5 fallers						
Cytos Biotechnology	SFr3.05	SFr0.2	(93%)	6.93	(96)	Cytos bows out as asthma drug bombs
QRxPharma	AUS\$0.75	AUS\$0.08	(89%)	11.94	(104)	
Ventrus Biosciences	\$3.82	\$1.31	(66%)	30.65	(49)	Daily Market Movers (12 Feb 2014)
OncoGenex Pharmaceuticals	\$8.34	\$3.73	(55%)	75.77	(47)	Daily Market Movers (28 Apr 2014)
Onconova Therapeutics	\$11.48	\$5.43	(53%)	117.51	(128)	Onconova loses IPO shine with trial failure

On the negative side of the ledger, Cytos Biotechnology began winding down operations after its bioengineered vaccine failed in an asthma trial, making the Swiss group unable to pay back SFr22m of convertible loans from existing shareholders. Australia's QRxPharma received an FDA rejection letter for its Moxduo IR pain project, a combination pill of morphine and oxycodone. And the US group Onconova suffered from failure of its lead project in myelodysplastic syndrome.

As long as the biotech market remains buoyant, winners will probably outweigh losers. But all bull markets end. Triple and even quadruple-digit returns will not always be the norm at the top end of the small-cap table.

To contact the writer of this story email Jonathan Gardner or Joanne Fagg at news@epvantage.com or follow [@JonEPVantage](#) or [@JoEPVantage](#) on Twitter

[More from Evaluate Vantage](#)

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

Evaluate Americas

+1-617-573-9450

Evaluate APAC
+81-(0)80-1164-4754

© Copyright 2021 Evaluate Ltd.