

Companies on the way to being 2008's winners and losers - European focus



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With four months of the year to go EP Vantage is taking a look at the five top and bottom stocks in Europe and more importantly assessing the chances of these dogs and stars of the region either keeping their positions or moving up and down the rankings.

To date the biggest winner in the sector has been Britain's **BTG**. The group has had a run of good news that has seen its shares more than double. The events that have inflated the stock and pleased investors have included the long awaited positive safety data on Varisolve, the group's foam based treatment for varicose veins. Positive data from the group's collaboration with Cougar Biotechnology over cancer drug abiraterone also added to the ascent of the shares. To crown what has been an excellent couple of months for BTG, earlier this week the group received a \$7.5m milestone payment after the start of phase III clinical trials for diabetes treatment TRX4.

Whether BTG will still retain the top spot by the end of the year is uncertain. In its favour is the turn in sentiment from investors and the recent rash of analyst re-ratings now that the potential of the group's pipeline is being considered. But without any other surprise data to capture the imagination of the media, the group could be overtaken by another company riding a lucky streak.

Steady earner

Rather than risky drug discovery, **Biotest** has managed to make its share price move on the back of solid sales of its blood and plasma products. In July the German group reported an impressive 53% rise in first-half profits, that enabled it to raise its full-year forecasts. Recent news that it is expanding its capacity to produce blood plasma products, could also keep the steady earner in the top five.

While many of the companies languishing in the bottom half of the table are there due to drug failures, small Swedish biotechnology group **Karo Bio** has made it into the top five risers thanks to impressive data released this week on a phase II study of its drug, eprotirome, that treats patients with elevated blood lipid levels.

Although they have already gained 60% on the news, the group, which experienced a number of setbacks last year, leaving the shares at a depressed level for the start of the year, could gain more if as expected Karo signs a licensing deal for the drug. Additionally, with a market capitalisation of only \$135m the company could also see its shares rise if it becomes a take out target for a big pharma company looking for an innovative drug to boost its pipeline.

Scottish strength

Shares in **ProStrakan** have been rising steadily this year in the expectation that the Scottish group will get US approval for Sancuso, a transdermal patch used to treat nausea associated with chemotherapy. (See EP Vantage: Event- [ProStrakan waiting for US lift](#), March 27, 2008) Although it has been disappointed by delays to its PDUFA date, which is now expected in September, many are certain that the treatment will get approval.

Not only will this potentially lift the shares even further, the group, which has set up a small sales force in the US in preparation, is also expected to file its two other phase III products for approval in the US: Fortigel the testosterone gel and Cellegesic a treatment for anal fissures. These two events could ensure that ProStrakan keeps its place in the top five European stocks.

Despite its relatively low profile, the recent excitement surrounding Alzheimer's products has helped to propel the shares of **ExonHit Therapeutics** into the top five. The company has just moved its EHT 202 treatment for Alzheimer's into phase II trials in Europe.

		Share price (local currency)			Latest market cap
	Top 5 winners	2007	2008	Growth	(\$m)
1	BTG (£)	0.93	2.16	132%	641
2	Biotest (€)	34.40	63.27	84%	640
3	Karo Bio (SKr)	4.50	7.00	56%	133
4	ProStrakan (£)	0.67	0.87	31%	340
5	ExonHit Therapeutics (€)	3.10	4.05	30%	166
Top 5 losers					
1	Alizyme (£)	0.58	0.08	-86%	35
2	Gentium (€)	17.66	2.56	-86%	46
3	SkyePharma (£)	0.12	0.03	-74%	51
4	Oxford BioMedica (£)	0.26	0.09	-66%	90
5	biolitec (€)	14.10	4.90	-65%	80

(Excludes companies with a market cap less than \$50m as of 31 December 2007 and confirmed bid targets, Jerini and Acambis)

But in what must be a blow to those involved in drug discovery in the UK, while two of the top five risers this year in Europe are British, so are four of the five biggest fallers.

Leading the pack of the European dogs is **Alizyme**. The group has lost almost all its value following the July failure of Colal-Pred, a treatment for ulcerative colitis, in pivotal trials (See EP Vantage: [Alizyme running out of time and options](#), July 25, 2008).

With its cash running out and not expected to last to the end of the year, other than another company spectacularly imploding, the group has only one hope of dragging itself off the bottom of the pile - finding a partner for its anti-obesity product Cetilistat.

Given that Alizyme has been trying to secure a US partner for the drug for the last two years, the market at least has decided that this is a slim hope. What could aid the group is Japanese licensing partner Takeda releasing phase II data on the drug, positive results that could tempt someone to take a look at the product.

Safety board

Another company in the top five fallers that has suffered from poor clinical trial data is **Oxford Biomedica**. News last month, that its renal cancer treatment TroVax would not meet its primary endpoint sent the shares heading south (See EP Vantage: [TroVax kidney problems poses questions about Sanofi-Aventis' gut feeling](#), July 11, 2008).

But the group could see its stock recover if licensing partner Sanofi-Aventis comes out in support of the drug by commencing huge phase III colorectal cancer trials using TroVax. A decision by the French pharma group to also continue fresh trials of TroVax in kidney cancer could help revive the shares, as could initial phase II data due this September for ProSavin, the group's experimental treatment for Parkinson's disease.

Like Oxford BioMedica, whose TroVax trials were effectively halted by the independent data safety and monitoring board (DSMB), most of **Gentium's** misery has been caused by the regulator. Gentium, which is working on a treatment for veno-occlusive disease, has had its progress stymied by the DSMB asking a number of questions about trial design, most recently about the criteria used to select certain patients in the historical control group.

It is the resolution of these questions, and quickly, that should restore confidence in the phase III US trials for defibrotide. If they are not, then the group could face problems when it files for approval in the fourth quarter of the year. What Gentium does however have on its side, is the fact that the board has so far not raised any safety concerns about the drug, meaning that management's execution of the trials appears to be the main problem.

News on phase II/III trials of the drug in a preventative setting, which has a much bigger market potential, could also help lift Gentium shares out of the doldrums, but this is not expected until the first half of 2010.

Last gasp

Troublesome bond repayments rather than regulators have been behind most of the problems at **SkyePharma**; the UK group saw its share price collapse in July after it announced that it had failed to renegotiate the repayment of two convertible loans totaling £89m (See EP Vantage: [Clock ticking for SkyePharma](#), July 8, 2008). The biggest problem is the put options that allow the bond holders to hand the security back and demand the face value, the two deadlines are next year and 2010 and SkyePharma is unlikely to have the cash for that eventuality.

The group is due to update the market on August 28 on its progress in sorting out this situation, but not many are expecting any material change in the group's fortunes. An outside chance of rescue might come from Abbott, which has US rights to Flutiform, the group's asthma drug, and might reach into its own pockets in an attempt to safeguard the future the treatment.

For **biolitec**, which develops head and neck cancer products Temoporfin and Foscan, it has not been medicines, but its medtec arm that has caused its share price slide. Back in July it reported slow uptake of its prostrate laser therapy machines. This dent to the share price was further compounded last month when VNUS Technologies filed a patent infringement against the company that included an injunction to halt sales of the group's laser ablation technology. The shares are unlikely to recover until this overhang is lifted.

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