

## No safe haven as January crash wipes \$644bn off biopharma



Jacob Plieth

As biopharma emerges from what was easily its worst month since the start of the bull market it is worth asking just how bad the selloff was. And the answer seems to be \$644bn; this is the value of the market cap lost in January across all the companies in the *EvaluatePharma* universe combined.

Investors might be excused for pointing the finger at China and the plunging oil price, and the reality is that barely any biopharma stock escaped the market crash. What is worse, however, is that there is little to suggest a turnaround.

Of course, the worst-hit biotechs were the ones unlucky enough also to report setbacks, like Sarepta, hammered by the FDA's negative briefing documents ahead of an eteplirsen advisory panel, and OncoMed, whose tarextumab failed in pancreatic cancer.

These two topped the list of January fallers among the small-cap biotechs. But there are plenty of others in the top 10 that did not suffer specific setbacks, and numerous biotechs lost around 40% of their value for no reason other than that they happened to be biotechs.

### January's biggest fallers (companies capitalised at \$100m to \$1.5bn)

Company	Jan share price chg	Market cap at Jan 29 (\$m)	Q3 net cash as share of mkt cap
Sarepta Therapeutics	-69%	538	17.5%
OncoMed Pharmaceuticals	-59%	279	62.9%
Galena Biopharma	-54%	122	25.2%
ChemoCentryx	-54%	164	44.7%
Affimed	-53%	110	35.4%
Karyopharm Therapeutics	-53%	222	87.8%
Voyager Therapeutics	-51%	286	37.7%
Halozyme Therapeutics	-49%	1,127	6.6%
Aduro BioTech	-49%	915	48.7%
Radius Health	-48%	1,375	36.4%

Even considering that the Nasdaq biotech index lost 21% in January, there were plenty of outliers, including CAR-T stocks, once the darlings of Nasdaq: Kite, Juno and Bellicum fell 23%, 37% and 44% respectively. And Puma shed 47% as it became even more obvious that it was not about to be acquired.

In the 2016 macroeconomic environment we have seen a massive flight from a biotech bubble that for some time now has looked ripe for popping. It should also be noted that the top 10 biotech fallers include three IPOs that just last year were received with enthusiasm: Voyager, Aduro and Radius Health.

Bulls will point to Editas Medicine, which [got its IPO away yesterday](#) - albeit at the bottom of a \$16-18 price range - as a sign that all is not lost. More cynical observers will say a return to health will only be evident if [Kadmon manages to float](#); Kadmon was founded by Sam Waksal, who was convicted and jailed in 2001 for

securities fraud.

A look at the 10 biggest pharma groups backs the conclusion that there has been a flight from risk: barring Gilead these only had single-digit falls, and the one riser, Johnson & Johnson, is as close to a safe conglomerate as pharma gets.

Smaller January risers include Biotie – acquired by Acorda – and a host of Chinese and South Korean companies, two of which, Sosei and Hanmi, do at least have endorsement in the form of Western pharma partners.

January performance of 10 biggest biopharma groups		
Company	Jan share price chg	Notes
Johnson & Johnson	+2%	2016 guidance impresses.
Merck & Co	-4%	
Pfizer	-6%	2016 guidance (2 Feb) disappoints.
Amgen	-6%	
Sanofi	-7%	Hurt by uncertainty around Praluent IP.
Roche	-8%	2015 hurt by Swiss franc strength. 2016 outlook disappoints.
Novartis	-9%	2015 disappoints. Restructuring planned.
Novo Nordisk	-9%	Q4 profit (3 Feb) misses expectations.
Allergan	-9%	Being acquired by Pfizer.
Gilead	-18%	Trades at around 7x 2015 EPS

In a recent note JMP Securities calculated that in January companies worth above \$5bn lost 20% of their value, those worth \$750m to \$5bn around 27%, while all those under \$750m were off 30%. They opined that sector fundamentals remained compelling.

But of course this market is not about fundamentals but about sentiment, and that of the positive variety is in short supply right now.

One obvious factor could turn things around: big buyers getting their chequebooks out. Unfortunately there are few signs of this, even considering that heavily punished stocks like Karyopharm and OncoMed are trading at little over net cash.

Instead, what we have are comments like this one from Roche's chief executive, Severin Schwan, at the group's fourth-quarter financials presentation: "Yes, biotech valuations have come down, but don't forget how much they'd gone up. We still struggle with the economics."

Meanwhile, Gilead yesterday paid lip service to M&A, saying that it was very interested in acquiring assets "sooner rather than later", especially in oncology, and inflammatory and liver diseases. At the same time, however, the big biotech [launched a \\$12bn share buyback](#).

Investors might well conclude that actions speak louder than words; the sector has some way still to fall before biotech looks cheap again.

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