

Picking winners still possible in Q1



[Jonathan Gardner](#)

Even in down markets there are wins to be had. Most mid and small-cap biopharma companies were in the red in the first quarter of 2016, but some groups were able to steer towards share price rises against the prevailing headwinds that left their bigger counterparts struggling to eke out any gains.

Japanese and South Korean groups were the best destinations for investment money, with nine of the top 10 gainers in the sub-\$25bn market cap group coming from the Pacific Rim. The big losers were all in the US, most often suffering from clinical or regulatory setbacks.

These gains by mid and small-cap Japanese companies did not help the broader index, however. The Topix pharmaceutical index lost 9% in the first quarter, although this was a bit better than the key American barometer, the Nasdaq biotechnology index, which lost 20% ([It's official: the good times are over, April 4, 2016](#)).

Mid cap (\$25-5bn): top risers and fallers in Q1

	Share price (local currency)			Market capitalisation (\$bn)		
	YE 2015	Q1 2016	Change	YE 2015	Q1 2016	3mth change
Top 5 risers						
Celltrion	KRW84,500	KRW109,800	30%	8.1	10.3	2.2
Hanmi Pharmaceutical	KRW129,000	KRW149,000	16%	6.3	7.2	0.9
Ono Pharmaceutical	¥4,338	¥4,702	8%	21.6	23.4	1.8
Taisho Pharmaceutical Holdings	¥8,580	¥8,920	4%	6.5	6.8	0.3
Aspen Pharmacare	ZAR309	ZAR320	3%	8.6	8.9	0.3
Top 5 worst performers						
Alkermes	\$79.38	\$34.19	(57%)	11.9	5.2	(6.8)
Endo International	\$61.22	\$28.15	(54%)	13.9	6.3	(7.6)
Ionis Pharmaceuticals	\$61.93	\$40.5	(35%)	7.4	4.9	(2.6)
Alnylam Pharmaceuticals	\$94.14	\$62.77	(33%)	8.0	5.4	(2.6)
Incyte	\$108.45	\$72.47	(33%)	20.2	13.6	(6.7)

How does a company win in the midst of a market implosion? Try being Celltrion, which as a biosimilars manufacturer was in the right place at the right time – its Pfizer-licensed version of Remicade, Inflectra, got the FDA's approval yesterday as the first copycat antibody in the US ([US biosimilar space reaches its Inflectra point, 6 April, 2016](#)).

Or you could be Hanmi Pharmaceutical, which in addition to playing in the generics space has a promising-looking competitor to AstraZeneca's Tagrisso in BI 1482694/HM61713 and has struck a diabetes deal with Johnson & Johnson. Then there is Ono Pharmaceutical, originator of and Asian rights holder to the hottest drug in oncology, Opdivo.

It was easier to be an outlier on the losing side. Just have your first attempt at becoming a novel drugmaker go sour, as happened with Alkermes; have your generics business disappoint investors, as with Endo; or have your

bid to expand use of your only marketed drug fail, as happened with Incyte.

Go East, young man

In the small-cap arena, the reward for success and the punishment for failure were even more pronounced. PeptiDream has signed a series of early-stage discovery deals with the likes of Roche and Lilly, among others, and the Japanese group saw its valuation rise 77%.

Small cap (\$5bn-250m): top risers and fallers in Q1						
Top 5 risers	Share price (local currency)			Market capitalisation (\$m)		
	YE 2015	Q1 2016	Change	YE 2015	Q1 2016	3mth change
PeptiDream	¥3,875	¥6,850	77%	1,759	3,212	1,452
Yungjin Pharm	KRW2,130	KRW3,515	65%	322	519	196
Sosei	¥9,950	¥16,230	63%	1,374	2,313	939
SanBio	¥1,035	¥1,500	45%	379	567	188
Jeil Pharmaceutical	KRW38,450	KRW53,300	39%	486	657	171
Top 5 worst performers						
Oncbiomune	\$6.00	\$0.86	(86%)	327	49	(278)
PTC Therapeutics	\$32.4	\$6.44	(80%)	1,110	221	(890)
Celldex Therapeutics	\$15.68	\$3.78	(76%)	1,547	373	(1,174)
BioCryst Pharmaceuticals	\$10.32	\$2.83	(73%)	757	208	(548)
ChemoCentryx	\$8.1	\$2.49	(69%)	358	110	(247)

Meanwhile, Sosei's UK-based subsidiary Heptares has been active in expanding the potential uses of G protein-coupled receptors, while SanBio has begun a late phase II trial of mesenchymal stem cell therapy SB623 in post-stroke patients with movement disorders.

The worst performers were nearly all in the clinical/regulatory failure department. PTC Therapeutics, seemingly the last company standing in the Duchenne muscular dystrophy space, was hit by an FDA refuse-to-file letter for Translarna, and Celldex Therapeutics' vaccine Rintega was halted for futility in a clinical trial.

Meanwhile, the misfortune-plagued BioCryst Pharmaceuticals bombed out in a hereditary angioedema trial, and ChemoCentryx reported interim phase II data on CCX168 that raised worries over its phase III trial in vasculitis.

It was relatively easy for investors to generate gains during the biotech bull market that ended in late 2015 – every company in the space seemed to be on a winning streak. With biopharma now broadly in the doldrums finding the groups likely to pop is much more difficult – but the first quarter of 2016 tells us that some are out there.

To contact the writer of this story email Jonathan Gardner in London at jonathang@epvantage.com or follow [@ByJonGardner](https://twitter.com/ByJonGardner) on Twitter

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Evaluate HQ
[44-\(0\)20-7377-0800](tel:44-020-7377-0800)

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

Evaluate APAC
[+81-\(0\)80-1164-4754](tel:+81-080-1164-4754)

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