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Tempest Changes The Atmosphere

by Elizabeth Cairns

An analysis of shareholders' reactions to clinical data shows a generally dismal environment punctuated by a few huge positive moves.

Investors' reaction to the success of *Tempest Therapeutics, Inc.*'s liver cancer trial hit on 11 October was extraordinary – and a new analysis by *Scrip* shows just how extraordinary it was.

The median share price rise in reaction to a company posting positive clinical data has sat at 37% over the past five years or so. But Tempest shareholders' vast enthusiasm has distorted this figure as calculated for the past four months, driving it up to 137%, a huge outlier.

The analysis below was constructed from *Evaluate Pharma's* Event Analyzer, which tracks the biggest stock price movements each day across almost 700 listed biopharma groups. Only events which produce a market cap change of more than \$35m are captured.

Scrip interrogated the data for moves triggered by the release of clinical data. To provide a snapshot of the smaller and more volatile end of the sector, only companies with a market cap of less than \$25bn were considered.

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The result is the chart above, showing the mean and median moves in each half-year period from 2018. The second half of 2023 comprises only four months, so the numbers here should be treated with caution, as they could yet shift with the full six months of events.

Key Takeaways

- H2 2023 saw a few huge share price increases in response to clinical successes
- But overall, failures are punished more harshly than hits are rewarded

Even so, the one-day rise of nearly 4,000% in Tempest's share price is unprecedented in this cohort. (Also see "[Tempest Delivers A Thunderbolt](#)" - Scrip, 12 Oct, 2023.) And it is all the more extraordinary when looking at the averages for negative data. Usually investors punish companies releasing bad news far more than they reward successes – the mean positive reaction is tracking at a share price increase of about 18% since 2018, whereas shareholder reactions to trial failures result in a mean drop of around 30%.

That said, a comparison of the biggest percentage moves seen in 2023 shows greater ups than downs. Perhaps even more interestingly, all the large positive percentage shifts were in the second half of this year, and all the losses in H1.

Any theory that this represents an improvement in market sentiment across the year is given the lie by a look at the performance of the NASDAQ Biotechnology Index. The index fell by 3% across the first half of 2023, but even more steeply – by 11% – from the mid-year point to 30 October.

Perhaps, in a dismal time, investors have had outsize reactions to the points of light amid the gloom.

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Naturally these companies started from a lowish base – Tempest most of all, having been a penny stock before its Phase I/IIb success changed its trajectory. But so too did one of the percentage fallers, Stockholm listed [Guard Therapeutics International AB](#). This was trading at SEK1.08 – 97 cents – before news of the termination of its AKITA trial broke. Regardless of how low the starting point, there is always further to sink.

Market Cap

The companies that gained and lost the most in terms of sheer valuation are of course bigger companies. And once again, the ups were bigger than the downs.

Leading the charge is [Immunovant Inc.](#), whose subcutaneous anti-FcRn antibody IMVT-1402 was hailed by some analysts as having best-in-class potency and billion-dollar potential in autoimmune diseases such as myasthenia gravis and chronic inflammatory demyelinating polyneuropathy following an early-stage hit.

The hit consisted of reductions in immunoglobulin G in healthy patients; further data from this study will come in November, though a more robust indication of IMVT-1402's potential might come from Phase II proof-of-concept data in both Graves' disease and CIDP in the coming months.

The greatest valuation loss so far in 2023 was recorded by [Akeru Therapeutics, Inc.](#) following the failure of its FGF21 analog efruxifermin in the white-hot area of NASH. (Also see "[Akeru Looks Ahead To Phase III In Cirrhotic NASH Despite Phase IIb Miss On Fibrosis](#)" - Scrip, 10 Oct, 2023.) The company intends to persevere with Phase III studies, and investors might be wise to maintain some skepticism around this readout. That said, if Akeru does report a surprise late-stage hit, it is clear that the rewards could be enormous.

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