T.J. PIA
Product Specialist, Content and Technology Solutions
thomas.pia@factset.com

Media Questions/Requests
media_request@factset.com

January 13, 2022

Short-Term Investing in COVID-19 Treatments with Clinical Trial Data

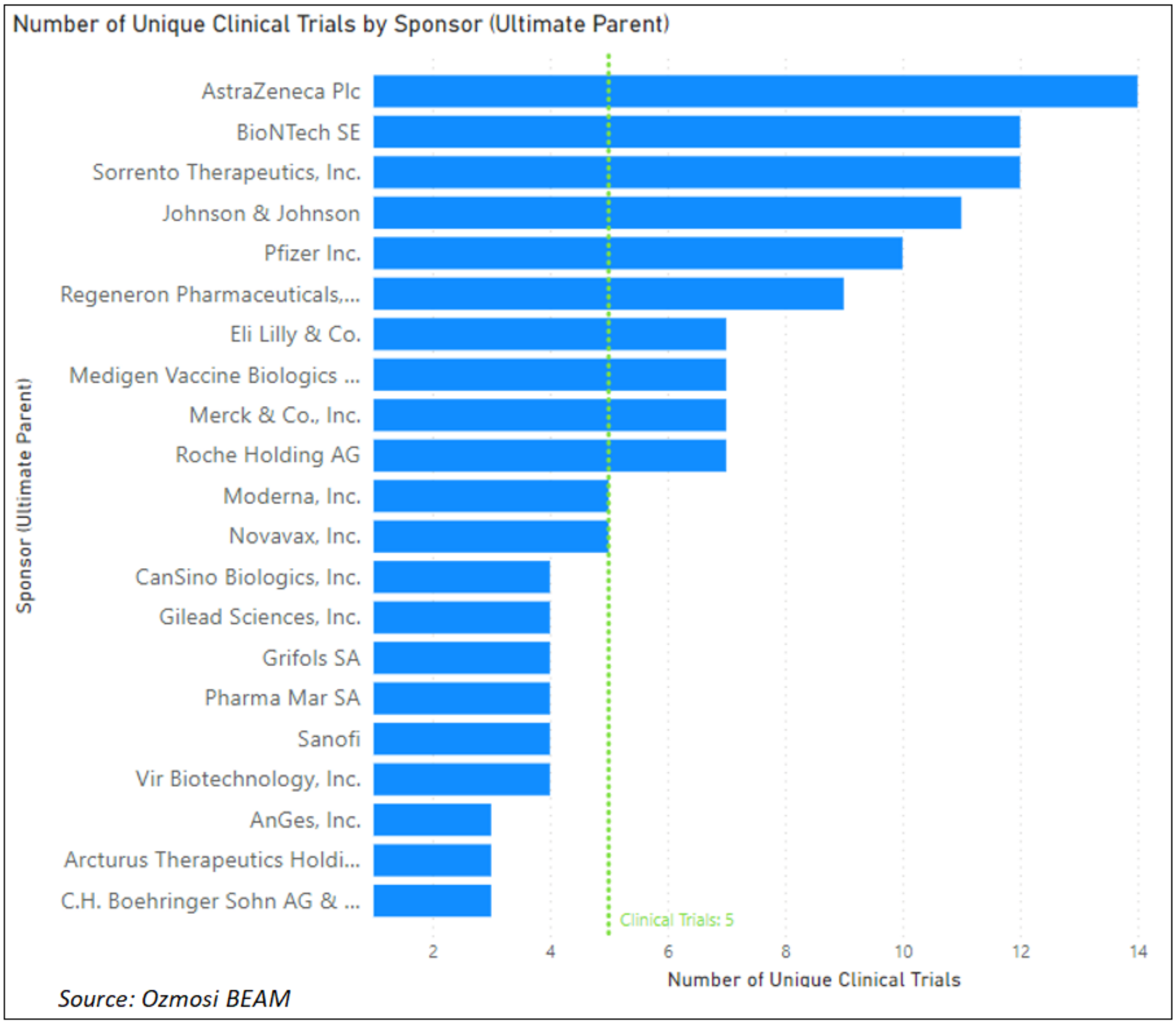
Since the start of the COVID-19 pandemic, U.S. equity markets have soared. After an initial 23% price drop in the first half of March 2020, the S&P 500 doubled in value over the next seven quarters. For comparison, the growth of the S&P 500 over the previous five years (January 2015 through December 2019) was about 57%. Even with this boom, the share prices of many pharmaceutical and biotechnology companies developing treatments for COVID-19 have substantially outpaced the market. As these companies continue to develop treatments for Covid, especially with the rise of the omicron variant, there is a question as to whether we can expect to see similar growth as we head into 2022.

Identifying Pharmaceutical and Biotechnology Companies Treating COVID-19

For our analysis, we needed a comprehensive list of all companies conducting clinical trials for vaccines and treatments for COVID-19. Using Ozmosi BEAM Biotech & Pharma Company R&D Data provided us with information on clinical trials conducted by over 6,000 companies. Each record in the Ozmosi feed represents a version of a clinical trial that has been published by the U.S. National Library of Medicine.

Since each record designates the disease area that the trial aims to treat, we can easily filter the records to only those being conducted to treat Covid. The records also contain information on the company or companies sponsoring the trial; this can be used to link these trials to pricing and other information about the relevant company.

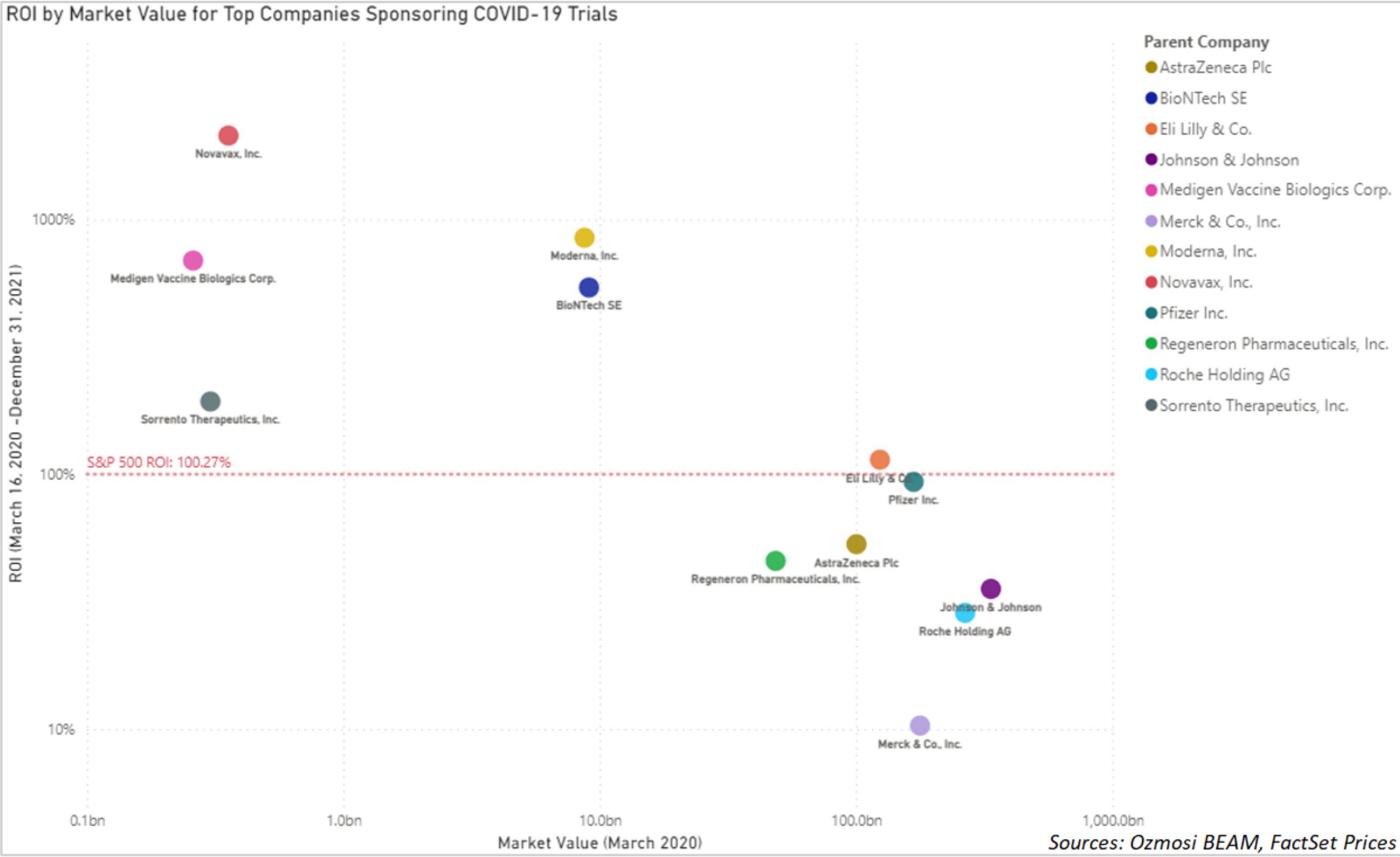
There are almost 400 companies that have sponsored COVID-19 clinical trials since March 2020; for simplicity, we limited our analysis to only those companies that have conducted five or more unique trials. This leaves us with 12 public companies.



Determining Overall Pandemic Era Returns

We compared the share price performance of these companies from the beginning of the pandemic in mid-March 2020 through the end of 2021. While the average return of over 75% (annualized 36.8%) is impressive, we need to compare this with the exceptional overall market growth in the same period; as stated above, the S&P 500 grew over 100% (47.3% annualized) during that time. This means that, on average, the share prices of the companies most actively developing Covid treatments have *underperformed* the broader market since the beginning of the pandemic.

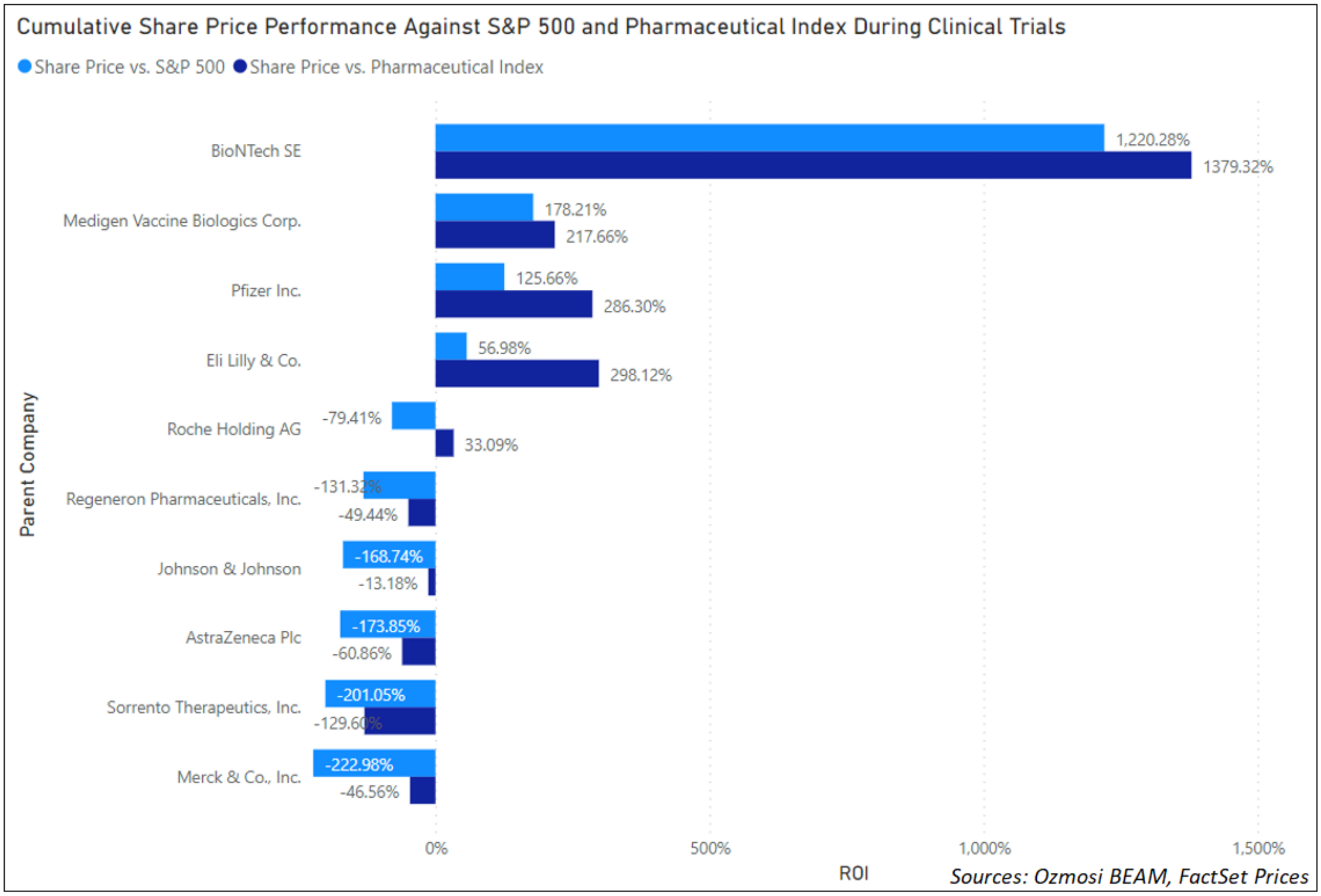
However, if we look at the market value for these companies, we see that it is the larger capitalization companies that weigh down the others. In fact, for those companies with a market cap of less than $10 billion, the average return dramatically shifts to almost 800%.



A possible explanation for this divergence in returns is that these smaller cap companies were able to quickly respond to the pandemic, dramatically increasing their profiles and, accordingly, their value. Moderna and BioNTech both leveraged existing mRNA technology, while Novavax had a history of developing vaccines for emerging infectious diseases such as Ebola. The larger cap companies may have already had that value baked into their stock prices and were rated according to their response performance. Pfizer's stock performance is about even with the S&P, while AstraZeneca and Johnson & Johnson are both underperforming, perhaps due to the Pfizer and Moderna vaccines' stronger rollouts.

Examining Short-Term Investment Windows

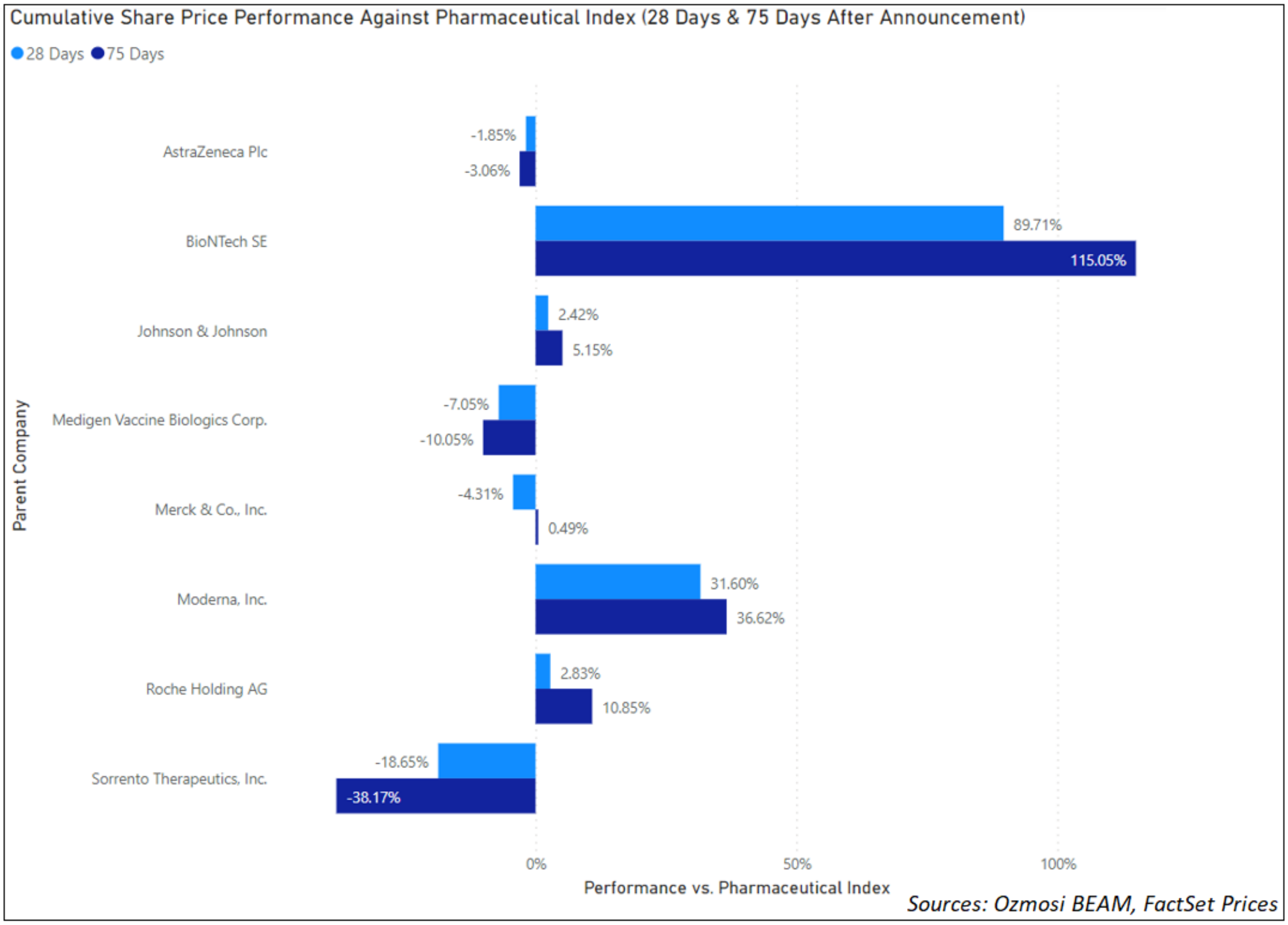
If we turn our attention back to the clinical trials themselves, we evaluated a strategy of investing in a company for the duration of its COVID-19 clinical trials. When we compared the performance of each company during their respective completed trials, we found that the cumulative returns beat the S&P 500 by over 600%. Using a broad pharmaceutical industry index as our benchmark, we found an even more dramatic alpha of over 1,900%.



**Moderna and Novavax do not appear in the chart above as they do not have clinical trials with trial completion dates before December 31, 2021, in the [U.S. National Library of Medicine](#) database.*

This indicates that companies developing COVID-19 treatments outpaced the market and, to an even greater extent, outpaced the broader pharmaceutical and biotechnology industries during the development periods for these treatments. However, it still does not tell us whether this trend will continue into 2022.

In addition to information about each clinical trial, Ozmosi also leverages quantitative and qualitative factors to provide predictions for a company's short-term share price performance against the pharmaceutical and biotechnology industry after a clinical trial has been announced or updated. We evaluated these predictions by calculating each company's price performance against the pharmaceutical industry index at 28 and 75 days post announcement for each clinical trial that was predicted by Ozmosi to outperform. At 28 days, this strategy led to returns that beat the industry by over 10% on average; at 75 days, this improved to 13% for a cumulative return that was over 400% above the industry index.



Conclusion

There has been tremendous upside for select companies developing Covid treatments since March 2020; however, as with so many things related to the pandemic, we can't predict what 2022 holds. The last 21 months saw an explosion of market growth for (relatively) smaller cap companies such as Moderna, BioNTech, and Novavax as they possessed the technology capable of providing novel treatments expediently. The market may have adjusted to this value, however, and these companies may experience the more stable and even underwhelming growth of the larger cap companies such as Pfizer and Johnson & Johnson in the future. Using clinical trial data alongside pricing and other market data is an effective way to isolate companies and investment windows that will drive growth in this unpredictable space in the year ahead.