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Pharmaceutical companies: safe stock market investments

Shares in pharmaceutical companies are considered defensive stocks, i.e. safe investments that remain relatively unaffected by economic downturns (1).

Outperformance of pharmaceutical shares in 2011. Most stock markets fell in 2011: –1.8% in the United States (Nasdaq), –5.5% in London (FTSE), –15% in Germany (DAX), and –17% in Paris (CAC) and Japan (Nikkei 225) (2).

But only 2 of the world's 12 highest-revenue pharmaceutical companies saw their share values drop (Novartis and Teva), and this was more a reflection of specific corporate decisions (stock buy-back programmes, etc.) (2).

Over the year, the value of Bristol-Myers Squibb's shares rose by 33%, GlaxoSmithKline's by 19%, Pfizer's by 24%, and Sanofi Aventis's by 15%, etc. (2).

Lipitor°/Tahor°: over $125 billion in sales. Pfizer's stock price rose again in 2011, after several years of underperformance caused by shareholders' concerns over the imminent expiry of its patent on *atorvastatin* (marketed as Tahor° in France and Lipitor° elsewhere). Generic versions are now permitted, but with cumulative sales of over $125 billion, Lipitor°/Tahor° is the best-selling drug of all time (3).

The top-selling drugs of 2010 were Lipitor°/Tahor° with $12.7 billion in annual global sales, followed by Plavix° (*clopidogrel*, $8.8 billion), Seretide° (*fluticasone + salmeterol*, $8.5 billion), Nexium° (Inexium° in France) (*esomeprazole*, $8.4 billion), and Seroquel° (Xeroquel° in France) (*quetiapine*, $6.8 billion) (4).

"Me-toos", not innovation, rewarded. This ranking confirms that a drug's commercial success bears no relation to the therapeutic advance it represents for patients, since these drugs are only marginally better or no better than the standard drugs in their field. More generally, over the past 30 years, pharmaceutical companies' profits have far outperformed those in other sectors, in stark contrast to the dwindling number of new drugs that provide a real improvement for patients (5).

Pharmaceutical shares are a safe haven for investors. But patients will not benefit until profits are linked to therapeutic progress.

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3- "Against odds, Lipitor became world's top seller" Associated Press 28 December 2011: 4 pages.
4- "The lull between two storms - 12th Annual Pharm Exec 50". www.pharmexec.com accessed 21 February 2012: 12 pages.
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