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Viral: %20Two %20Biotech%20Stocks%20Rising %20With%20COVID-(nrp://www.bynkschniks.ny/shallshell/March 03, 2020] Be the First to Comment 19 & n = https://sumzero.com/headlines/healthcare_services_and_equipment/MRNA/464-mi i = rue-curre-littps://sumzero.com/headlines/healthcare_services_and_equipment/MRNA/464-MRNA/headlines/search/tags=MRNA) GILD (headlines/search/tags=GILD) anti-



With the COVID-19 coronavirus dominating the headlines and sparking a downturn across broad swaths of the market, many investors are looking to those who are leading the way in the search for either a vaccine, a cure, or both. While many in pharma and biotech are contributing research to this global health crisis, two companies are at the forefront of this battle: Gilead Sciences Inc. (GILD:US) and Moderna Inc. (MRNA:US). Not only have both GILD and MRNA seen significant increases in an otherwise slipping market, likely due to huge retail interest, they have been the subject of articles on SumZero by professional investors who've perceived their longterm value. As we've watched this situation evolve, we're pleased to present this market commentary report in an effort to separate company health from market hype.

Commentary Anti-Viral: Two Biotech Stocks Rising With COVID-19

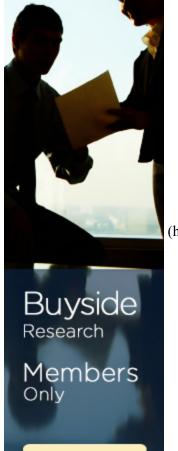
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Moderna describes itself as a "clinical stage biotechnology company

Moderna: Empowering Human Health through mRNA

pioneering messenger RNA (mRNA) therapeutics and vaccines to create a new generation of transformative medicines for patients." More directly, Moderna creates "medicines to instruct a patient's own cells to produce proteins that could prevent, treat, or cure disease." Their research includes medicines designed to leverage the body's immune system to prevent, treat, or cure disease, including prophylactic vaccines, like the flu shot. A COVID-19 vaccine, if deployed rapidly enough, would slow the spread of the virus by granting immunity to those inoculated.

On February 24th 2020, the day before its scheduled quarterly earnings report, MRNA saw trading volume of 7.6M shares, closing at \$18.59. That evening, the company announced in a press release (https://investors.modernatx.com/newsreleases/news-release-details/moderna-ships-mrna-vaccine-against-novelcoronavirus-mrna-1273) that it had "released the first batch of mRNA-1273, the Company's vaccine against the novel coronavirus, for human use," adding that "vials of mRNA-1273 have been shipped to the National Institute of Allergy and Infectious Diseases (NIAID), a part of the National Institutes of Health (NIH) to be used in the planned Phase 1 study in the U.S." Despite a mixed earnings report before opening the next day – the company beat EPS estimates, but missed on revenue expectations – MRNA (https://www.nasdaq.com/market-activity/stocks/mrna/historical) opened at \$22.15 before closing at \$23.76 after a day of heavy trading that topped 65 million shares. The next day brought even greater volume after the company expressed hopes for clinical trials (https://www.cnbc.com/2020/02/26/stocks-making-the-biggestmoves-midday-moderna-sabre-tjx-netflix-more.html) of the vaccine by April: 78 million shares traded hands, closing the day at \$29.16. The stock's meteoric rise – which seemed to be due entirely to optimism over the coronavirus vaccine – puzzled many on Wall Street, with Barron's (https://www.barrons.com/articles/gileadmoderna-stocks-coronavirus-vaccine-treatment-trials-51582812256) noting that there did not seem to be any clear path to monetization for the vaccine. In fact, the company hasn't expressed any interest at all in monetizing mRNA-1273. On their earnings call, Moderna CEO Stéphane Bancel stated that the company's "only focus (on COVID-19) as a team is public health," adding that "people are sick all over the planet. People are dying. But this is our only focus, is to get a vaccine as fast as we can safely, partnering with the right people to get it done."

horizons. Among those who've identified MRNA's attractive aspects outside of mRNA-1273 is prolific SumZero buyside contributor Dr. Bhavneesh Sharma (https://sumzero.com/pro/members/profiles/15413?user=true#/), Chief Investment Officer at Vasuda Capital Management and an expert in U.S. catalyst-driven biotech/pharma investments. In a recent idea long Moderna on SumZero (https://sumzero.com/pro/research/ideas/17694), Sharma, who earned his M.D. at the University of Delhi, cites the quality of Moderna's research and development of proprietary technologies, further alluding to the diversity represented by MRNA's modalities (https://www.modernatx.com/modalities-mrna-vaccines-therapeutics-andimmuno-oncology). Sharma writes that Moderna

While viral optimism has cast a spotlight on MRNA's vaccine and helped drive the

company's current pricing, value investors are looking beyond headline-driven time

with big pharma like AstraZeneca and Merck." These technologies, Sharma asserts, coupled with Bancel's formidable professional experience, position Moderna to potentially "disrupt a \$200B+ therapeutics proteins and "join the large-cap club in biotech

"is pursuing a parallel development program, developing over 20 programs simultaneously

preclinical or phase 1 programs. Its technology has been validated through partnerships

to reduce biological risk. Proof-of-concept has been shown in several programs in

At a recent press conference on the COVID-19 coronavirus, Bruce Aylward, a World Health Organization (WHO) assistant director general, stated that "There's only one drug right now that we think might have real

A Balm in Gilead? GILD's COVID-19 Cure.

companies, for example, Regeneron and Gilead."

efficacy (against the virus), and that's remdesivir." According to the National Institute of Health (NIH) (https://www.nih.gov/news-events/news-releases/nih-clinical-trial-remdesivir-treat-covid-19-begins), remdesivir, developed by Gilead Sciences "is an investigational broad-spectrum antiviral treatment. It was previously tested in humans with Ebola virus disease and has shown promise in animal models for treating Middle East respiratory syndrome (MERS) and severe acute respiratory syndrome (SARS), which are caused by other coronaviruses." Although the drug has shown strong promise against COVID-19 in individual "compassionate use" cases, with one patient showing dramatic improvement and full recovery after treatment, the company notes (https://www.gilead.com/news-and-press/press-room/press-releases/2020/2/gileadsciences-initiates-two-phase-3-studies-of-investigational-antiviral-remdesivir-for-the-treatment-of-covid-19) that such cases "are not sufficient to determine the safety and efficacy of remdesivir in treating COVID-19, which can only be determined through prospective clinical trials." Fortunately, one such trial is underway at the University of Nebraska Medical Center. Like Moderna, press around remdesivir and GILD seems to have played a catalyzing factor in a jump in share

price, albeit a less dramatic one than MRNA's. But did the hype justify GILD's 52-week-high, reached shortly

after Aylward's statement? It depends on who you ask. "The coronavirus threat is real thus far and it should be

a concern to the public—no question," said Maxim Group's Senior Managing Director Jason McCarthy (https://www.maximgrp.com/equity-research/research-team/jason-mccarthy/), who holds a PhD in Biomedical Sciences, in a statement reported by Barron's. "However, from an investing perspective, we view remdesivir as a relatively modest opportunity at best for Gilead, and not a growth driver." McCarthy may have a point: retail-driven catalyzed surges seem to self-correct as investors sell off to lock in profits. "Be warned, the more it goes up, the more it has to fall at any sign of resolution," said RW Baird analyst Brian Skorney in a note to Gilead investors reported by Bloomberg (https://www.bloomberg.com/amd/news/articles/2020-02-27/gileads-20-billion-virus-fueled-surge-draws-warnings-of-a-fall). Skorney also noted, however, that GILD was a standout in the survey of various biotech companies enjoying rising stock prices as investors speculated around the possibility of COVID-19 treatment-related paydays. "Of all the companies with massive upside moves on COVID-19 interventions," Skorney said, "Gilead is, by far, the most plausible to achieve anything besides an overpriced follow-on offering." For institutional investors, GILD's long-term value is more likely to lie in its research and current inventory of medicines (https://www.gilead.com/science-and-medicine/medicines), including battery of HIV antivirals

respectively, as reported in a now-closed long idea (https://sumzero.com/pro/research/ideas/12275) on the company posted to SumZero, Eric Gregg, a Four Tree Island Advisory LLC executive. According to Gregg, HIV treatments are GILD's core business, a sentiment expanded on by SumZero contributor Denis Imonje, the founder and Chief Investment Officer at Kenya's Kesa Global Investments in a thesis long GILD (https://sumzero.com/pro/research/ideas/12455). Among other things, Imonje focuses on GILD's substantial TAM, which extends far beyond COVID-19. "The infectious diseases Gilead's drugs target provide a multidecade growth opportunity," he writes. "For example, less than 10% of the four million treatable patients in the U.S. have been treated with a Gilead drug and an estimated 180 million people worldwide have Hepatitis C (HCV) according to the World Health Organization. 240 million people globally suffer from Hepatitis B, a liver disease that is 100 times more infectious than HIV, which itself is a chronic illness whose patients rely on drugs for life." Whether or not COVID-19 poses a serious and sustained risk remains to be seen. Those seeking sustainable

and hepatitis C medications: categories in which GILD holds a dominant market share of 80% and 90%

value will look beyond the front page and deep into the heart of these companies experiencing acute

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symptoms of coverage, catalyzed by COVID-19.

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