

Good example of the companies for this assignment are composed of report

[Business](#), [Company](#)



- The project company, AstraZeneca PLC (AZN. L)
- Two selected competitors, GlaxoSmithKline (GSK. L) and Aeolus Pharmaceuticals (AOLS)
- The FTSE100 Index (of which both AstraZeneca and GlaxoSmithKline are constituents)

We collected the stock prices for the period 2013/10/01 – 2014/03/21 from Yahoo Finance. To compare returns, we used adjusted close prices because they take into account stock splits and stock offerings as well as dividends. The comparison of the share price behavior of the companies compared to the FTSE100 can be seen in the chart below:

As can be seen, AstraZeneca clearly outperformed its peers by a significant margin (total period return of 27.52%). The FTSE showed the lowest return with a total period return of 2.25%; and Aeolus Pharmaceuticals showed the highest volatility. While choosing competitors, consideration must be applied with regards to whether the companies are similar enough to be comparable. A first factor that influences our decision is the market capitalization of the firms. The reason for this is that a company's management, strategy, capital structure and expenditures differ tremendously depending on the size of the firm. In our industry (biopharmaceutical companies), high research and development costs are necessary to develop new treatments and drugs and thus will have different consequences for small and large firms. As of the 20th of March 2014, AstraZeneca has a market capitalization of 50.15B, which means it is a large-cap stock. GlaxoSmithKline (GSK) has a relatively similar market capitalization (80.35B) and is in that sense a close competitor. Further points enhancing the comparability of AstraZeneca and

GSK are that they are both listed on the same exchange (that is, the London stock exchange) and both report their financial statements in the same currency (GBX). A final consideration to choose competitors has to do with the industry and market segment in which the firm operates. AstraZeneca and GSK are not close competitors from that point of view as AstraZeneca is a biopharmaceutical company, but GSK is a global healthcare group also manufacturing pharmaceutical (and not biopharmaceutical) drugs. From an industry point of view, AstraZeneca and Aeolus Pharmaceuticals are close competitors as they are both only involved in the biopharmaceutical industry.

No significant sector-wide news concerning biotech stocks affected our sample. However, specific company-related events occurred. Aeolus Pharmaceuticals had no particular company-related announcement during our study period. The strong volatility of returns can be attributed to the fact that it is a small capitalization stock trading on OTC markets. On the other hand, GSK was attributed a buy rating on February, 17th by Kepler Capital Markets. Following this announcement, the stock price saw positive returns. On the other hand, AstraZeneca saw an increase in its share price after it announces its expectations of revenues for 2017 on the 6th of February and announced its second interim dividend for the year.

AstraZeneca and GSK being both components of the FTSE100, it is not surprising that their returns are somewhat related to the returns of the FTSE100.