Politicians Do Matter – Sometimes a Lot

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US listed pharmaceutical company, **Moderna**, is a case study in two investment research concepts – the durability of technological innovation; and the impact of politicians.

Prior to the covid pandemic of 2019 & 2020, Moderna was not a household name, and its financial results and stock price were going nowhere. Cue the covid pandemic. Moderna shot to global fame for being the first to produce a vaccine for covid, and its share price went hyper-ballistic – increasing by 23 times, from US$19 in February 2020 to US$450 in September 2021.

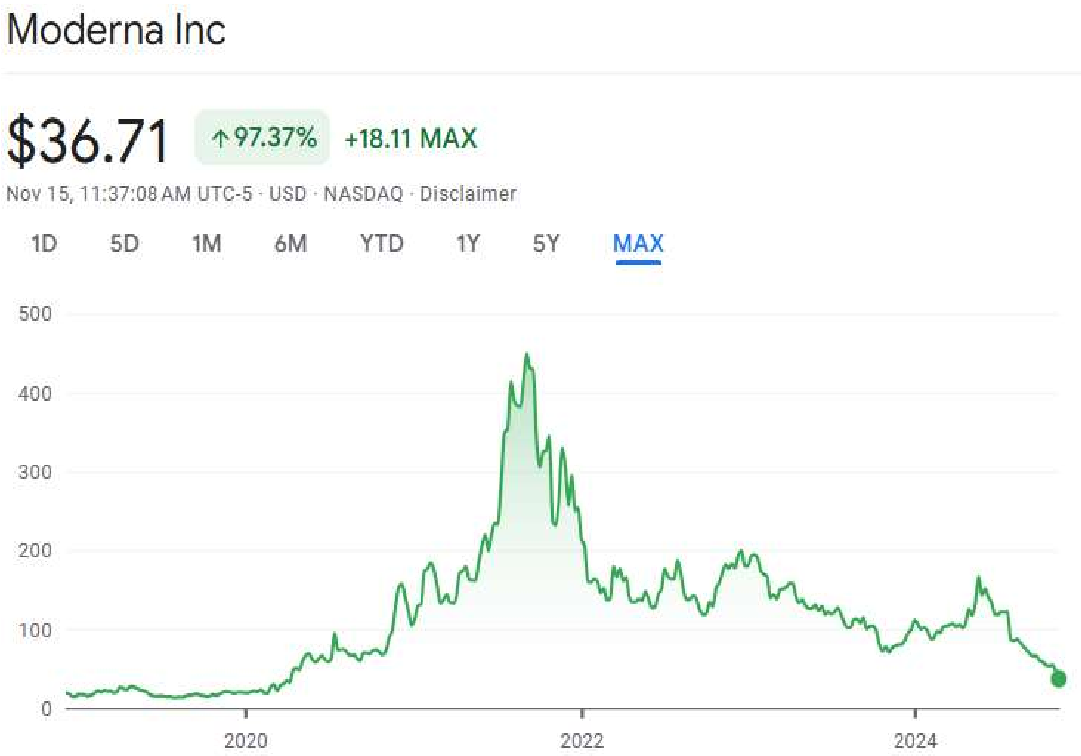
At its highest share price, it was being valued by the market at 9,5 times peak annual sales of US$18bn. It has all been downhill since.

Moderna's global competitors, including Pfizer, launched their own regulatory approved covid vaccines in short order. As the initial panic and panic-buying of vaccines over the covid pandemic subsided, the pie started shrinking as well. A shrinking pie combined with aggressive new competition eroded Moderna's market share, and its annual sales plummeted from US$18,5bn in 2021 to US$6,5bn in 2023. Far worse, its profits of US$12bn in 2021 turned into *losses* of US$4,7bn in 2023. Its share price followed suit, and is down 92% from its peak level.

Cue incoming US president-elect Donald Trump appointing a renowned anti-vaxxer to head up the US Health Department, and the script ends right there.

One key takeaway is how important it is to assess if a technological breakthrough product can maintain its first mover advantage [if it even exists] and industry market share. Moderna is not the first such casualty, and it will not be the last. *Does anyone even remember **Nokia** and **Blackberry**?* Two examples of innovators with more durable first-mover advantage is **Microsoft** and **Apple**, where despite many competitors launching similar products, the industry pie kept growing; they retained dominant leadership positions in their industries; and they used their free cash flows to create innovative new products and enter new industries.

A second key takeaway is to understand and respect that politicians and the decisions they make do matter – and sometimes a lot, as in this case.



Source: Google Finance

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