

Seeking Alpha

ImmunoCellular Therapeutics: The Biotechnology Moneyball

Disclosure: I have received compensation to research ImmunoCellular Therapeutics ([IMUC.OB](#)). This fact does not impact my thesis. I took on this opportunity because of my strong belief in the company. I plan to initiate a long position in IMUC.OB once investor confidence returns to the equity markets. This is neither a recommendation to buy or sell any securities. All information provided is believed to be reliable and presented for information purposes only.

The recently released movie "Moneyball" (based on the book of the same title written by acclaimed author Michael Lewis who wrote "The Blindside and The Big Short") chronicles the unlikely success of the Oakland A's baseball team. In 2002, Billy Beane, general manager of the Oakland A's, assembled a roster of unknown players with a payroll of only \$40 million, while other franchises, such as the New York Yankees, had payrolls over \$100 million and rosters filled with all-stars. Despite having a team of lesser-knowns, the Oakland A's were able to advance to the playoffs with over 100 wins and win the American League West Division title. How did the A's and Billy Beane accomplish such a remarkable feat? Beane discovered that other teams were overlooking certain ballplayers' stats (i.e. the number of walks a player got). These players were being undervalued by baseball executives and could be acquired very cheap.

Like Billy Beane, Manish Singh, CEO of Immunocellular Therapeutics, has been able to build a leading cancer immunotherapy company with very limited resources. With only a handful of employees and a few million dollars, the company licensed several overlooked technologies from top academic institutions and medical centers in the U.S., and is now developing an extremely promising new cancer immunotherapy for brain tumors.



Cancer immunotherapies are a growing class of drugs that illicit patients' own immune systems to destroy tumors. The FDA has already approved two cancer immunotherapies: Dendreon's ([DNDN](#)) Provenge for prostate cancer and Bristol Myers Squibb's ([BMY](#)) Yervoy for melanoma. IMUC's lead product, ICT-107, is a cancer immunotherapy for glioblastoma multiforme (GBM), an extremely deadly form of brain cancer.

In a Phase I study conducted at Cedars-Sinai Medical Center, newly diagnosed GBM patients treated with ICT-107 had a median survival rate of 38.4 months. The median survival rate for similar patients treated with the current standard of care is only 18.4 months. The unprecedented improvement in survival earned ICT-107 a spot on R&D Directions magazine's Top 100 Investigational Drugs list earlier this year, as well as accolades from other organizations.

Based on the success of the Phase I study, IMUC initiated a multicenter, placebo-controlled, double-blinded Phase II trial in February of this year. Enrollment is proceeding well, and management anticipates interim data as early as the end of 2012 and final results near the end of 2013. The company intends to partner ICT-107 with a major drug company to conduct Phase III trials once the Phase II results are available. The company's technology can be easily expanded into other cancer indications. Phase I/II trials for pediatric GBM, recurrent GBM, and ovarian cancer could be launched as early as mid-2012.

ImmunoCellular's management has been extremely efficient with its capital. Over the last two years, the company spent less than \$7.0 million on operating expenses, most of which was used to fund clinical trials, while the market cap increased about \$35 million during the same time period. Investors that bought at 2009 lows have been handsomely rewarded as the stock is up more than 900% since then.

One of the most popular indexes for cancer immunotherapy companies is the [Mentor Capital Cancer Immunotherapy Index](#). It is an index of the leading edge cancer companies. There are 11 companies in the index and just two of the companies have driven all of the performance of the index over the past two plus years. The index is up 33% over the past 115 weeks with just ImmunoCellular Therapeutics and Oncothyreon ([ONTY](#)) able to outperform that by returning 417% and 100%, respectively. The company has no debt and about \$10 million of cash on its balance sheet, enough cash for at least the next 12 months. Major investors include top healthcare funds, such as DAFNA, Highland Capital, and Strauss Capital.

Institutional investors aren't the only organizations positive on the stock, research shops Dawson James and Summer Street like it as well. Summer Street has a [price target of \\$8](#) on the stock, commenting that they expect "significant appreciation" in the stock into the release of the interim results for ICT-107 by the end of 2012. Dawson James has a [price target of \\$5](#) on the stock and called ICT-107 a "potential blockbuster" cancer vaccine.

Like Billy Beane, IMUC's CEO, with a very limited budget, has been able to exploit inefficiencies in the market to build one of the most promising organizations in the game. Maybe one day, you'll even see a book written about IMUC.