

Seeking Alpha

Navigating Cancer Vaccines' High-Risk/High-Reward Field



by **Michael Morhamus** For some time now, therapeutic vaccines have been promising a future with highly potent and powerful therapeutic agents designed to work in harmony with patients' own immune systems to wipe out cancer and other diseases.

Recent advances in the understanding of our own immune system have continued to take big steps, but Dendreon's Provenge has, thus far, been the only cancer vaccine to be approved by the U.S. Food and Drug Administration (FDA). [When that approval occurred](#) in April 2010, many skeptics in the investment community were made to look foolish and it paved the way for a new generation of immunotherapies. The only problem, is that now, there seem to be far too many horses in the race. One medical database shows hundreds of early pipe-line candidates which fall into the immunotherapy category.

There is little doubt that many of these therapeutic vaccines really work. In fact, some of these drug developers are beginning to use the platform to address everything from some of the most common allergy syndromes to some of the most deadly forms of cancer.

I won't name any names this time, but my research shows there are clearly some players in the biotech trading pace who are not only overvalued and over-hyping their treatment's market potential, but they may actually be getting ready to fall into some of the same limiting technology traps that have snagged Dendreon ([DNDN](#)).

Worse yet, others appear to be pimping out their good science in an effort to use publicly traded stock vehicles as virtual ATM machines. All this as the very patents which reportedly protect their technologies are being called into question by some of the more savvy speculators who troll popular message boards.

At the end of the day, small-cap investors who are looking for the next stock which will explode like "little Dendreon" once did should consider not only potential licensing deals and intellectual property positions, but management and their track record of financings and clinical trial results. I recently sat in on one investor presentation during which time the talkative CEO was flying off the cuff and making so many claims and off-label remarks about their modified microorganism that it surprised me to learn that he was an actual doctor. I'm no doctor, but I know enough to understand that if representative from the FDA had been in the room, they might have taken serious issue with his firm and their claims. Still, hundreds of thousands of that company's shares trade every day.

There are a couple of small cap firms whose science, manufacturing and financing mechanisms appear to make the cut. My take is that these are the horses you should be betting on.

One firm, in particular, calls my attention as its management team has clearly positioned it ahead of the pack.

Since the company's inception on February 25, 2004, California based ImmunoCellular Therapeutics ([IMUC.OB](#)) has been primarily engaged in the acquisition of certain intellectual property but they have also developing its product candidates and have reached a critical stage in their clinical testing activities for its leading vaccine product candidate: ICT-107, for the treatment of glioblastoma multiforme (GBM)- the most common and most aggressive malignant primary brain tumor in humans.

Like most biotech firms, the company has incurred operating losses via incur significant research, development and administrative expenses, but as of March 31, 2011, they had only accumulated [a deficit of roughly \\$25 million](#). That number is significantly lower than most of its leading competitors in the same space and roughly at the same level in pipeline development- far better. They've been able to save big money and dilution by being smart and humble.

In fact, Dr.Manish Singh, president and CEO of ImmunoCellular Therapeutics has made no secret of his plans to position the anti-cancer technology to be either acquired or out-licensed after their current late phase clinical trials are concluded and before expenses associated with further trials, regulatory approvals and product launches can hurt his firm's investors.

I like very much the fact that Singh enjoys ["being a fast follower as opposed to be a leader,"](#) especially as it applies to finding that following in the path cleared by Dendreon. His strategies appear to have many advantages and avoiding Dendreon's cost issues as well as positioning his lead product has commanded attention from industry observers and investors alike.

Experienced biotech bettors will tell you that cancer vaccine development offers high risk with high potential rewards, but what some may not understand is that the biggest reward may be in store for pharmaceutical companies- most of whom have basically been watching much of the expensive development of these therapeutic cancer vaccines from afar- in hopes of snatching up the right candidates for a potentially enormous cancer vaccines market.

Earlier this year, big player Amgen ([AMGN](#)) endorsed a promising cancer immunotherapy when [they acquired the privately-held firm, BioVex](#). Amgen agreed to pay \$1B for BioVex (\$425M upfront and additional payments of up to \$575M depending on regulatory and sales milestones) all based on promising Phase II study results. In very similar fashion, I believe IMUC's science is unique and should complement any number of similar strategic partner's oncology portfolios.

Knowing which cancer vaccines truly represent a new paradigm in the treatment of cancer is absolutely critical. The science and early clinical trial results which have been presented by ImmunoCellular [at places like ASCO](#) tell U.S. that there is nothing small about this firm, except perhaps its current valuation.

Survey some of the oncologists about the prospects of some of these cancer vaccines. They are, after all, going to be the early adopters of these technologies.

Identify some of the major players and potential dealmakers who might be interested in seeing a drug like ICT-107 in their portfolio. What is the true market potential for those drug candidates and which of those are in late-stage development?

Ask the tough questions and the answers will jump out. Be smart with your money and minimize your risk.

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.