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Dendreon's Price Destroyed, Could Immunocellular's Technology Offer an Assist?

by: VFC's Stock House August 4, 2011

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Dendreon (DNDN), a company whose [key catalysts](#) have been turning out for the best for a couple of years running now took a drastic hit in share price after [an earnings report](#) on Wednesday evening revealed that Provenge sales were not quite meeting analyst, investor or even the company's expectations.

Provenge sales still amounted to over \$50 million for the quarter, a very significant move higher over the previous quarter, but Dendreon CEO Mitch Gold tempered expectations moving forward, citing physician fears of reimbursement as the driving factor behind not administering the treatment.

The [previously reported](#) year-end guidance of \$350-\$400 million is out the window right now, if Wednesday's reports and comments by Mr. Gold are to be any indication, and shares of DNDN took a huge after-hours hit as a result. The monumental shift in the near term sales outlook for Provenge will have DNDN trading for prices that most thought we'd never see again.

This is a largely unexpected event for Dendreon, as the company looked to be entering its '[Golden Age](#)' without so much as a hitch, but after ushering in the "[now](#)" [generation](#) of cancer immunotherapies, the company may be in need of revising its game plan for the time being.

Treatment by Provenge is expensive, over \$90,000 expensive, and Doctors are concerned that reimbursement might not be forthcoming after they dish out that significant up-front cost.

According to comments made by Dendreon's CEO during the [earnings call](#), the short-term strategy is to educate the medical professionals about the improvements made in guaranteeing reimbursement.

Sounds fair enough, but is there another way?

As we've previously discussed, while Dendreon is the leader of today's immunotherapeutic cancer treatments, another company might have upped its game and be primed to lead us into the [next generation](#) of such treatments.

Immunocellular Therapeutics (IMUC.OB) views the technology behind Provenge as a starting point, and takes it further by devising treatments that attack the stem cells behind the growth and spreading of cancer. This unique approach has been put to the test in a successful Phase I trial where 100% of the 16 patients administered Immunocellular's potentially ground-breaking ICT-107 were still alive after one year, and 80% after two in the treatment of the very aggressive brain cancer glioblastoma (GBM).

The positive results were overwhelming enough to warrant the quick transition to a Phase II trial, which commenced earlier this year. Full enrollment for the Phase II is expected to be reached early in 2012 with results rolling out the following year. The Phase II was originally planned for 15 sites, but a recent announcement by Immunocellular stated that more than 20 sites would soon be available for enrollment.

Maybe even more important than the step forward in technology, however, may be the logistical advantages behind IMUC's technology, which could certainly assist Dendreon's current cost issues, if applied. Immunocellular's improved manufacturing and logistical processes have patients being treated with ICT-107, needing to have their dendritic cells harvested only once, in comparison to Provenge, for example, when the patient is administered this process three times during treatment.

The reduction in associated manufacturing and logistical costs is huge - especially in light of this week's Dendreon setback. While IMUC is still a company with nothing beyond Phase II at the current time, it's safe to say that the technology is sound, and the logistics issues experienced by Dendreon have been solved when applied to Immunocellular's technology, thus far.

With that being said, and with the current situation as it stands, would it make sense for Dendreon and Immunocellular to combine forces and attack the cancer immunotherapy sector together?

One could only speculate, but it makes sense.

An acquisition of Immunocellular by Dendreon would ensure, in my opinion, that Dendreon remains the leader of both the "now" and "next" generation of cancer immunotherapeutic treatment, and it could also solve the cost issues behind the current manufacturing and logistics of administering Provenge treatments.

With DNDN trading down by 60%, a lot of attention is going to be drawn to the company and the cancer immunotherapy sector as a whole.

It might be worth taking the time to entertain the possibilities.

Disclosure: VFC's Stock House has been compensated to cover IMUC for a period of 90 days

Disclosure: I am long [IMUC.OB](#).