

Inside Wall Street: Why Hot Biotech Dendreon Could Get Even Hotter

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Long before Dendreon ([DNDN](#)) became a big biotech star, I featured the then little-known company in my Inside Wall Street [column in BusinessWeek](#), describing it as an undiscovered and undervalued stock. It was then limping along at around \$4 a share. Dendreon has since skyrocketed to \$37 a share -- yes, \$37 -- though not without some turbulence along the way.



The big attraction of Dendreon, which is developing immunologically based therapeutic products to fight cancer, is its No. 1 drug, Provenge, which battles prostate cancer. The excitement is about whether Provenge finally gets the Food and Drug Administration's approval this year.

However, the question is: Will the stock run out of steam after its sharp ascent? Don't bet on it. Despite the giant leap so far, close followers of Dendreon are convinced the shares could go much higher. Joseph Pantginis, senior research analyst at Roth Capital Partners is a big bull. And he says the current price still doesn't reflect the true market potential of Provenge, which has completed all the pivotal Phase 3 clinical trials with positive results.

Provenge will likely be approved around May 1, predicts Pantginis. "We reiterate our buy rating and \$50 share price target," the analyst says. He sees Dendreon turning profitable in 2011 and reporting earnings of 6 cents a share on revenues (from Provenge) of \$178.7 million.

Mark Monane, chief biotech analyst at investment firm Needham, who was among the first to recommend Dendreon when it was selling at less than \$5, remains bullish and also expects Provenge to reach the U.S. market in mid-2010.

Marshalling the Immune System's Sentries

While the field of cancer immunotherapy is hardly new, it's littered with failures and has yet to bring a product to market. But heeding the lessons of its predecessors, Dendreon made important technological innovations that may finally result in a powerful new phase in the war on cancer.

Dendreon's key innovation is the use of dendretic cells -- the sentries of the immune system -- to essentially trick the immune system into recognizing and fighting cancer in the same way that it does with bacteria and viruses, says Manish Singh, president and CEO of ImmunoCellular Therapeutics ([IMUC](#)), a young biotech company that is also using dendretic-based therapeutics to fight cancer.

ImmunoCellular recently demonstrated positive results using dendretic cells in treating brain cancer. Singh says his company uses the same approach that Dendreon uses in mobilizing one's immune system against antigens specific to brain cancer. With its ICT-107 vaccine aimed at helping treat brain cancer, ImmunoCellular joins several major companies, including Pfizer ([PFE](#)) and Roche ([RHHBY](#)), in trying to develop a new standard of care in fighting cancer.

While Dendreon leads in the use of dendretic cells in the war against cancer, next-generation products such as ICT-107, will continue to help expand the array of treatments, says Singh. Shares of ImmunoCellular have also been on the rise, shooting up to \$1.10 a share on April 1, 2010, from a 52-week low of 16 cents on Mar. 26, 2009.

Applicable to Other Diseases?

Meanwhile, the fight against prostate cancer should be greatly advanced with Provenge. Its market opportunity is "significant as a unique agent with demonstrated survival benefit and mild toxicity in the large population of prostate cancer patients who currently have limited options," says Howard Liang, analyst at investment firm Leerink Swann. He says the benefit from using Provenge "is real," and notes that Dendreon's unique "immunotherapeutic platform could potentially be leveraged into other disease settings." Liang rates the stock as outperform, with a 12-month valuation of \$40.

For investors who are drawn to the rich potential of biotechs seeking new drugs in the war against cancer -- prostate cancer in particular -- Dendreon appears to be the closest to

attaining its goal, and perhaps become the next Amgen ([AMGN](#)) or Genentech.

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