Personal Finance

One Little Shot to Kill Cancer Dead

27 Times Your Money on the "Alpha Cells" Discovery
Sound investment opportunities can often be found at lower prices during uncertain times. And history has shown that this is a very common development in the biotech sector. For example, investors who bought Amgen (AMGN) in 2010 at $55 more than tripled their money in five years. And investors who bought Gilead (GILD) in the spring of 2007 – before the 2008 market crash – paid less than $20 per share, yet saw the stock split and still reach a price above $100 by the summer of 2014. That’s because biotech is the last frontier on Wall Street.

Think about it: biotech companies have the potential to produce life-saving products and deliver seismic changes to the health care system while delivering outsized profits to investors. And the three companies featured in this report all have the potential to deliver outsized profits to investors who are willing to be patient and take some risks.

To be sure, the potential for failure is always present. Yet, there has never been a time when the cure for cancer has been, not just in the news, but plausible, especially in the types of tumors that respond to the new therapies that are being researched and advanced by the companies listed in this report.

Pick #1: Argos Therapeutics: A Low-Priced, Low-Risk Renal Cancer Vaccine Hopeful

Argos Therapeutics (ARGS) focuses all of its energy on customizing treatments for patients who suffer from renal (kidney) cancer or Human Immunodeficiency Virus (HIV) via its proprietary Arcelis platform. Cancer and HIV kill by suppressing the patient’s immune system, thus decreasing
the body’s ability to fight the disease. Think of Arcelis as a booster for the body’s own immune system which works by using the body’s own Alpha Cells, much like a vaccine. When disease-containing tissue samples, via the Arcelis platform, are mixed with the body’s own harvested Alpha Cells, a specific set of antibodies that target each person’s individual disease is created. The antibody containing Alpha Cells are then injected under the skin and in turn they activate body’s own immune system. If all goes well, the body is then able to fight the disease more effectively.

**Hope Against Renal Cancer**

Cancer of the kidneys is rising in incidence. It affects some 60,000 patients per year with some 14,000 of the affected likely to die on an annual basis. Those with advanced disease have a 53% percent chance of surviving five years. Those with very advanced disease face only an 8% chance of survival.

Argos developed AGS-003 with the goal of treating renal cancer that has aggressively advanced beyond the kidney. In June of 2016 an IDMC (independent data monitoring committee) reviewed the interim ADAPT Phase 3 trial results for this treatment and recommended continuation of the trial, concluding that the drug is not unsafe and may extend the lives of some of the patients using it. This is a very positive sign, especially for those patients who have little hope of survival with any other type of therapy.

Concurrently with the renal cancer trials, in March of 2016 the company announced that phase 2 clinical trials would begin with patients recently diagnosed with Stage 3 non-small cell lung cancer. If successful, this treatment will allow individualized immunotherapy as a post-surgical treatment option, thereby greatly reducing the need for additional radiation and/or chemotherapy treatment to prevent recurrence of the cancer.

**Early Success Against Human Immunodeficiency Virus (HIV)**

AGS-004 will be used in addition to the traditional treatment for HIV and has a clever method of action. The traditional therapy for HIV consists of antiretroviral agents, usually in pill form. Many patients take large numbers of these pills on a daily basis. And although these medications have an excellent record of arresting the disease, they don’t cure it. In fact, what HIV does is hide inside the cells of the immune system and waits for
an opportunity to resurface. So when the virus becomes undetectable in the blood of patients, it’s actually hiding, and waiting to attack again.

AGS-004 is designed to work together with traditional treatments by targeting the immune system cells where the virus is hiding. When AGS-004 attacks the cells, the traditional anti-viral medications can then kill the virus. Early results suggest that AGS-004 is effective at creating an immune response in HIV positive patients, but there is more to do with this therapy in the treatment of HIV.

The Stock

ARGS took a big hit in April 2015 when it reported that it missed the endpoint of its HIV study. Its share price briefly bottomed below $2 in January of 2016, but quickly raced above $6 when the company announced its fourth quarter and full year operating results in late March.

Yet, insiders have been net buyers of the stock since 2014. Also, in March of 2016, the company announced that a consortium of institutional investors have committed to buy up to $60 million of ARGS stock, an amount the company believes will be sufficient to fund its operating expenses through the second quarter of 2017, by which time the final outcome of its key trial programs should be known. Argos raised an additional $50 million in August, most of which will be used to build a state-of-the-art research and manufacturing facility as the company ramps up its production capabilities in anticipation of gaining FDA approval to begin marketing its cancer treatments.

To be sure, any small biotech company can be a high risk investment. Yet, at the low share price with ARGS, it’s not an unreasonable play for a diversified portfolio.

Pick #2: Ziopharm Oncology Inc.: A Well-Financed Long-Term Play for the Patient

The world of stocks priced below $10 is a minefield, but those who step lightly can sometimes find diamonds in the face of danger. This is the case for Ziopharm Oncology, Inc. (ZIOP), whose goal is to deliver personalized, patient-specific treatment of cancer by directing the patient’s individual immune system to attack tumors, and improve outcomes against difficult-to-treat cancers, such as different types of leukemia that are not responsive
to other types of therapies.

Ziopharm is a leader in a rapidly rising form of cancer treatments known as chimeric antigen receptor therapy (CAR-T). CAR-T takes a patient’s immune system cells and trains them to go look for the tumor once they are reintroduced into the patient. Once in the patient, they not only target the cancer cells but also reactivate the patient’s immune cells that have been rendered less active or inactive by the tumor, thus increasing the body’s ability to fight the cancer by two different pathways.

Ziopharm is partnering with Intrexon Corporation and the University of Texas MD Anderson Cancer Center, and has a diverse pipeline of potential products that feature three different pathways to aid the patient’s own immune system to fight cancer. The company’s proprietary technology – the RheoSwitch Therapeutic System platform – also aims to guide the therapy in a way that can reduce side effects from the treatment. This is especially useful because reducing side effects is likely to increase the potential number of patients that may be eligible for treatment.

Perhaps the most interesting aspect of Ziopharm’s partnership with Intrexon is the Actobiotics platform which allows the use of the body’s own gut bacteria to fight disease. Actobiotics are compounds which engineer specific gut bacteria to produce specific proteins, hormones, enzymes, and antibodies which can be used to fight cancer.

Ziopharm currently has two Phase II clinical trials ongoing: one directed at recurrent breast cancer and the other directed at metastatic malignant melanoma. It also has a Phase I clinical trial focused on difficult-to-treat brain cancer.

In February of 2016, ZIOP released fourth quarter and year-end results which included “encouraging data” from its Phase 1 brain tumor study and from its Phase 1b/2 breast cancer study. Both of these treatments use its Ad-RTS-IL-as+veledimex gene therapy to encourage production of Interleukin 12, which is a protein that stimulates production of cancer-fighting “t-cells.” In August, the company reported better-than-expected quarterly results, including revenue of $1.7 million, which was $200,000 more than expected. At its current burn rate the company estimates that it has enough cash on hand to see it all the way through the end of 2017, by which time the expected outcome of many of these trials should be known.
Rising revenues from its development deals and an excellent balance sheet where current assets and cash overwhelm the company’s liabilities by a two to one margin suggest that Ziopharm is an excellent speculative long-term play.

Pick #3: Juno Therapeutics Puts its Money and Smarts to Work

It’s uncommon to see a company that has been public for a short time become an active buyer of other companies. But that’s what makes Seattle-based Juno Therapeutics (JUNO) an interesting situation from a business standpoint. When you add the stout science and the heavy backing through a ten-year agreement by biotech giant Celgene to the picture then you’ve got something to think about and look at seriously.

Its science is groundbreaking, focusing on CAR-T and T-cell technology, which are complementary. Juno is a leader in the field of developing personalized therapies for cancers, especially those that are in very advanced stages and are not responsive to conventional treatments. The therapeutic model is based on a simple concept: If you can help the body fight the disease by engineering genes in the defense system’s own cells, then the treatment is more effective and has the potential for fewer side effects.

Juno went public in 2014 in a blockbuster IPO that raised $264 million and became a multibillion dollar market-cap company in a month as its CAR-T therapy platform dazzled investors. But it wasn’t all glitz. Juno has a solid balance sheet with enough cash on hand to cover 1.5 times its total liabilities. This, as well as its partnership with Celgene, gives the company a scale that some of its rivals lack, which is how it is able to finance asset purchases like its January 2016 purchase of Harvard spinoff Ab-vitro for $125 million in cash and stock. This was Juno’s third buyout in the last twelve months. What makes this recent purchase so unique is that Ab-vitro’s technology allows Juno to run an experiment on millions of cells in two hours, a feat that twenty years ago might have taken several weeks or months. To put that in further perspective, what used to take a year can now be done in just two weeks.

This company’s pipeline is extensive with multiple drug candidate molecules at some stage of development with ten ongoing clinical trials. The most advanced and pivotal trial is a Phase II trial featuring the CD-19
molecule in difficult to treat B-cell leukemia.

In February of 2016 JUNO announced its fourth quarter and year-end operating results, which revealed it held over $1.2 billion in cash at the end of the year with a “burn rate” (negative cash flow) of less than $200 million annually in terms of operating cash flow. That should buy plenty of time for its cancer treatments in trial to fully play out, and so far the first clinical milestone for its CD22 CAR T-cell treatment has been reached. In July, the company reported year-to-date revenue of $37.4 million, compared to only $12.5 million during the first half of last year. That jump in revenue is due primarily to its revenue-sharing arrangement with Celgene, which has produced better-than-expected results.

As with all biotech stocks, there is always risk. But investors with a long-term time frame can easily consider adding this stock to their portfolio especially during periods when the overall stock market falls.
To quickly learn how to log onto the Personal Finance website – where you'll find buy and sell alerts, the portfolio tables, current and past issues, and more – please review your Member Guide.

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August 2016