



One-Day Wonder

## The Gathering Storm

By [Lawrence Carrel](#)

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### Ariad Pharmaceuticals Inc. ([ARIA](#))

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**Share price as of Thursday's close:** \$2.97

**Share price now:** \$3.37

**Change:** 13.5%

**Volume:** 5.1 million shares, daily average 300,100 shares

**Last time this high:** Nov. 7, 2002

**52-week high:** \$4.80

**52-week low:** \$1.20

**Forward P/E before announcement:** n/a

**Forward P/E after announcement:** n/a

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**INVESTORS ARE KEEPING** a close eye on any announcements coming out of an annual gathering of cancer experts for one very good reason: positive trial results from drug researchers often translate into sharp moves in stock prices.

That certainly proved to be the case on Friday for **Ariad Pharmaceuticals** ([ARIA](#)). Shares of the Cambridge, Mass., biotechnology company climbed 13.5% to \$3.37 after Ariad released upbeat preclinical findings for its experimental tumor-fighting treatment ahead of the American Society of Clinical Oncology conference, which gets underway this weekend in Chicago. (Further demonstrating the power of [ASCO](#), Biotech bigwig **ImClone Systems** ([IMCLE](#)) saw its shares jump 21% to \$28.50 on *speculation* that it would release data supporting its much-hyped drug Erbitux during the meeting.)

According to Ariad, its lead cancer candidate, AP23573, was "highly effective" in shrinking solid tumors in animals. Tumors in the early stage of growth that received the treatment saw regression of up to 90%, the company said. The treatment also worked on cancers that had progressed to a later, more-aggressive stage. Ariad studied the growth of tumors in the brain, prostate, breast, pancreas, lung and colon. The drug is now entering Phase I clinical trials on humans.

AP23573, a small-molecule drug administered orally or by injection, shrinks tumors by starving the cancer cells. To accomplish this, the drug inhibits the protein mTOR, resulting in what's called metabolic arrest because the cancer cells can't get enough nutrients. The drug also interferes with growth-factor stimulation. When combined with three widely used chemotherapy drugs, the company added that AP23573 markedly enhanced anti-cancer activity.

"In general, highly effective preclinical animal studies are good predictors of the clinical outcome," Harvey Berger, Ariad's chairman and chief executive, told Dow Jones Newswires, "and since these results were quite striking ... in each and every tumor type tested, those are good signs that we'll see similar results in patients."

Not everyone agrees with Berger's bullish assessment of the preclinical findings.

"That's all reasonably meaningless," says Ron Garren, chief biotech strategist at InvestBio, a research and hedge-fund company in New York. "All good cancer compounds look good in animals, but I don't put much stock in preclinical use. It didn't give any indication of how it will work in humans. Getting positive animal data is pretty common. A lot of things work in mice that don't work in man."

Of more interest, says Garren, is the fact that the drug doesn't go after a known target. Since it has a novel mechanism of action, that means it's not just trying to copy another existing drug. Still, he says, novel mechanisms create a bigger risk precisely because of their unknown qualities. (Garren doesn't own shares of Ariad Pharmaceuticals, and InvestBio doesn't do investment-banking with the company.)

"We'll know if it has any efficacy in human in the next six to nine months when the Phase I trial should be completed," says Elemer Piros, an analyst at Rodman & Renshaw, a New York investment bank. Piros says Ariad, which lost \$27.8 million, or 86 cents a share, on revenue of \$67,000 last year, has no drugs on the market. AP23573 is its leading drug candidate. He says the company's pipeline consists of two targets and five indications that it's considering developing. Ariad officials didn't return phone calls.

### **Quote**

"From the trading perspective," says Rodman & Renshaw's Piros, "this company anticipates to have on a fairly regular basis over the next couple of months interesting news releases from its preclinical studies. Potential news would be hearing that it's partnering the Phase I compound with a larger drug company. This should come out by the middle of this year. Another potential item that would be a significant driver of the stock is that the same set of compounds can be used in stents. Ariad wants to license a derivative of this compound to a stent manufacturer." (Piros doesn't own shares of the Ariad Pharmaceuticals; Rodman & Renshaw does have an investment-banking relationship with the company.)