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## Isis Bounces Following Analyst Note

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Two more analysts weighed in Monday on the fate of **Isis Pharmaceuticals** (ISIS:Nasdaq - news - commentary) and its experimental cancer drug, Affinitak -- one positive, one negative.

Their comments followed the Friday downgrade of Isis to reduce from buy by UBS Warburg's Andrew Gitkin, based on his belief that a phase III clinical study of Affinitak is not showing any clinical benefit in lung cancer patients. Isis shares fell 22% Friday to \$6.19, but bounced to \$6.87 in early Monday trading.

Elemer Piros, the biotech analyst at Rodman & Renshaw, initiated coverage on Isis Monday morning with a market outperform/speculative (read: high risk) rating. He disagrees with Gitkin's assessment. His firm doesn't have a banking relationship with Isis.

"We believe that Affinitak will demonstrate a significant survival benefit with a 60% to 70% probability," Piros wrote. "Others have raised the level of uncertainty surrounding the drug based on anecdotal feedback and negative speculation from oncologists. Having examined these arguments we find them to be unsubstantiated and poor predictors of clinical outcome."

C.E. Unterberg Towbin's David Bouchev also picked up Isis coverage Monday, but he rates the company a short-term avoid. Like Gitkin, Bouchev believes the phase III Affinitak trial will not be successful. His firm doesn't have a banking relationship with Isis.

As *TheStreet.com* reported Friday, Affinitak is a somewhat controversial drug because it relies on an unproven technology called antisense. These kinds of drugs are actually snippets of genetic code that work by infiltrating cells and preventing the expression of certain harmful proteins.

In Affinitak's case, it is designed to inhibit a protein that's believed to play a role in the development and growth of cancer cells. The 600-patient, phase III trial was designed to see if a combination of Affinitak and chemotherapy would be more effective than chemotherapy alone in patients with recently diagnosed, or first-line, non-small-cell lung cancer.

Isis is using patient survival, the most stringent measure of clinical benefit, as the endpoint in the study. The study is designed to detect a 33% difference in median survival.

Bouchev believes that this hurdle is too high for Affinitak to leap, based in part on the fact that earlier this year, **AstraZeneca's** (AZN:NYSE ADR - news - commentary) experimental cancer drug Iressa failed to show any survival benefit in the same type of lung cancer patient. Iressa and Affinitak are different types of targeted cancer drugs, but they share many similarities. In Bouchev's words, the drugs are like two switches that turn on the same lightbulb.

"It may be reasonable to believe that discouraging results from [Iressa] in non-small cell lung cancer could be a negative prognostic indicator for clinical results with [Affinitak] in the same patients," he wrote.

"Another lesson from the failed Phase III trial for Iressa is that a 33% improvement in median survival may be unattainable," he added.

"In the aftermath of the Iressa failure, the oncologists we have contacted now believe a 15% to 20% improvement in survival may be realistic, but a 33% improvement is not."

In his note, Piros of Rodman & Renshaw said a 33% improvement in median survival is attainable, in part because earlier, smaller studies of the drug in combination with chemotherapy doubled the median survival time for lung cancer patients to almost 16 months.

And like Isis' executives on their Friday conference call, Piros believes that Gitkin's call on the Affinitak study is premature because all the data have not yet been collected. The study is designed in such a way so that no single center enrolls more than 5% of patients. That would make it difficult to collect enough anecdotal evidence about patients to come up with a meaningful conclusion at this time.