

Stock Data

Share Price:	24.5p
Market Cap:	£9.63m
Shares in issue:	39.3m

Company Profile

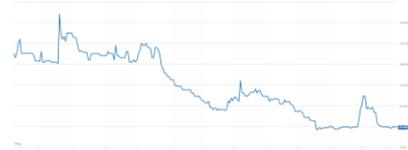
Sector:	Biotechnology
Ticker:	MTPH
Exchanges:	AIM, NASDAQ ¹

¹Note: Ratio 1 ADS : 5 Ord. Shares

Activities

Midatech Pharma ('Midatech', 'MTPH', 'the Group') is a developer of therapeutic platform technologies and also focuses on the Research and Development ('R&D') of medicines for the treatment of rare cancers and other lethal diseases through in-house as well as partnered programmes while seeking to license its technologies.

1-year share price performance chart



Source: LSE

Past performance is not an indication of future performance.

Turner Pope contact details

Turner Pope Investments ('TPI')
8 Frederick's Place
London EC2R 8AB

Tel: 0203 657 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

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Barry Gibb
Research Analyst
Tel: 0203 657 0050
barry.gibb@turnerpope.com

Andrew Thacker
Corporate Broking & Sales
Tel: 0203 657 0050
andy.thacker@turnerpope.com

Midatech Pharma plc

Midatech has announced it has entered into a research collaboration with [Dr Reddy's Laboratories](#) (BSE:500124, NSE:DRREDDY, NYSE:RDY) ('Dr. Reddy's'), the global pharmaceutical company. One (or possibly more) of the Group's proprietary technology platforms, each with their own unique mechanism focused on improving bio-delivery and biodistribution, is/are to be applied together with its in-house expertise, to certain of Dr Reddy's nominated existing medicines with a view to expanding their treatment options. Such an endorsement ideally reflects the value and unique qualities of Midatech's technologies for drug development beyond that of its own internal pipeline. The scale of Dr Reddy's portfolio of products and services, that stretch across multiple therapeutic areas and reach global consumers, now presents a potentially giant, reputation-building opportunity for the Group from which it could accrue a stream of long-term licence fees, followed by milestone payments and royalties upon successful commercialisation of any co-developed product(s). Once demonstrated, the absence of exclusivity further opens the door for creation of other, similarly significant, relationships, from which a potentially valuable degree of interdependence between the enterprises could result. Having recently secured a 'cash cushion' sufficient to fund the Group's existing obligations, including the clinical programme of MTX110 and pipeline development of Q-Sphera™ formulations, while providing a 'window' within which to continue to seek and review available opportunities for the disposal or partnership of all or any of its assets as part of its [formal sale process](#) (announced 20 April 2020), today's news perfectly highlights its platforms' ability to add considerable value to the wider drug development process. This appears to be far from reflected in Midatech's current valuation.

Why Dr. Reddy's needs Midatech

With an US\$8.8 billion market cap, 20,000 employees and US\$2.5 billion of annual revenues, Dr. Reddy's has huge resources at its disposal. Its business stretches from proprietary products, pharmaceutical services and active ingredients to global generics. The focus of its proprietary products, for example, is on developing differentiated formulations that present significantly enhanced benefits in terms of efficacy and ease of use, leading to the resolution of unmet, inadequately met or inefficiently delivered patient needs. Its broad therapeutic focuses on Oncology, Gastroenterology, Cardiovascular, Anti-Diabetic, Dermatology and Pain Management, with its management stating that its development effort centres on 'creating newer combinations as well as [exploring new delivery mechanisms](#) to improve patient comfort, convenience and efficacy'.

In seeking an efficient means to capture such solutions, Dr Reddy's has recognised Midatech's three proprietary technology platforms (which are protected through 36 patent families including 120 granted patents and an additional 70 patent applications), offer a rapid development facility capable of optimising therapeutic opportunity through a number of different routes. Each technology has its own unique mechanism and, having been successfully validated through human use in the clinic, provides additional capability and insight that adds to and complements Dr. Reddy's existing research facilities.

Seeking the best possible outcome for shareholders

Today's news is likely to considerably 'heat up' sale discussions for Midatech's technological/development assets. Clearly, however, without a rapid and satisfactory result being delivered, shareholders may now consider Dr. Reddy's endorsement to be grounds sufficient for it to remain independent. *GBP=US\$1.22

Dr. Reddy's collaboration represents early validation of the new strategy

The funding shortfall that initiated the Formal Sale Process that Midatech [entered in April 2020](#), was preceded by a number of significant [corporate actions at end-March 2020](#), including a revised strategy, Board level and staff reduction, termination of in-house drug development and cost elimination. The Group's corporate focus instead became centred on deploying its proprietary drug delivery technologies with a view to, either independently or within formal partnerships with larger companies, formulating portfolios of novel first-in-class sustained release formulations with significant commercial potential at proof of concept stage. It confirmed also that it was no longer planning to undertake additional trials in humans unless a license partner or sufficient grant funding was already secured. The expected result is for a quite dramatic and immediate curtailment of monthly burn, with a new focus on both surer and nearer-term opportunities for income generation.

As such, the collaboration announced today with Dr. Reddy's, represents a significant, early validation of the Group's switch from a formulate, 'develop in-house' (like, for example, its now-terminated Carcinoid Cancer (and Acromegaly) MTD201 drug trial) strategy, to one that is 'lower-risk, lower capital intensive, sponsored and partnered'. While the Board has also confirmed certain discussions with interested parties (as part of the Formal Sale Process) presently remain 'ongoing', its subsequent [raising of new funds totalling GBP4.3m \(gross\)](#) from both UK and US investors on 18 May 2020 is now providing the extended negotiating period required to ensure the best possible outcome for shareholders. The new collaboration with Dr. Reddy's, however, is now likely to have a significant bearing on this and, possibly also, the extent to which shareholders may now consider it to be in their best interests for Midatech to retain its operational independence.

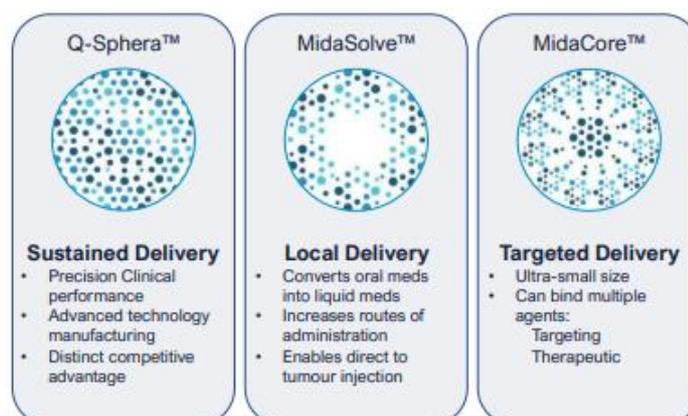
The collaboration between Dr. Reddy's and Midatech is expected to get underway in the current quarter. Having nominated certain of its existing medicines from its wide therapeutic portfolio, Midatech will apply its proprietary technology platforms. Novel products arising are expected to benefit from precision clinical performance and advanced manufacturing technology. Development success(es) that might result from such research, would likely be followed by Midatech granting Dr. Reddy's with a technology transfer and licencing agreement in exchange for a schedule of milestone and product sale royalties. For Midatech, the costs of entering this collaboration are expected to be relatively modest, as Dr. Reddy's will be supplying the API (active pharmaceutical ingredient) and incidental marginal costs will be covered by a fee-for-service contract.

Proprietary technologies developed a differentiated clinical pipeline

Midatech has developed three in-house technology platforms - Q-Sphera™ (Sustained Delivery), MidaSolve™ (Local Delivery) and MidaCore™ (Targeted Delivery) - each with its own unique mechanism to improve delivery of medications to sites of disease. By improving bio-delivery and biodistribution of approved existing molecules, the Group's unique platforms have the potential to make medicines better, lower technical risks, accelerate regulatory approval and route to market, and provide newly patentable products. The platform nature of the technologies allows the potential to develop multiple drug assets, rather than being reliant on a limited number of programmes.

This de-risked approach had seen in-house programmes MTD201 (Q-Octreotide) and MTX110 successfully entering the clinic (Phase 1) in May 2018. In July 2019, MTX102 also completed an EU-sponsored Ph.1 diabetes vaccine trial. Of these, only MTX110 now continues, although this remains dependent on an EU confirmation of Midatech's grant eligibility.

Midatech Pharma's Proprietary Therapeutic Technologies



Source: [Midatech](#)

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