Stock Data

Share Price:	35.0p
Market Cap:	£22.1m
Shares in issue:	63.07m

Company Profile

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

[1]Note: Ratio 1 ADS : 5 Ord. Shares

Activities

Midatech Pharma plc ('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.

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Midatech Pharma plc

Midatech has today announced encouraging headline results from a Phase I study at the University of California, San Francisco ('UCSF') in patients with the orphan condition, Diffuse Intrinsic Pontine Glioma ('DIPG') (the 'UCSF study' NCT03566199). Having demonstrated that repeated delivery of MTX110 via micro-catheter using convection enhanced delivery ('CED') is feasible and safe, improved overall patient survival data has determined a proposed dose range for adoption in a Phase II study to assess safety and efficacy that could potentially commence within a few months. Although somewhat complicated by Secura Bio Inc.'s purported termination of its panobinostat licence agreement the patent's now relatively limited life appears unlikely to significantly hinder prospective commercialisation. The valuation of £65.7m* that TPI awarded to Midatech in an assessment published on 10 September 2020 has potential to be upgraded.

Improved overall patient survival

DIPG prognosis remains very poor, with the median survival range being from 8-11 months, with overall survival at 12 months ('OS12') of just 35% and OS24 of c.10%. Results from MTX110's Phase 1 study, however, appear to be highly encouraging, producing an interim cut-off date (30 September 2020), median overall survival based on Kaplan Meier analysis of 26.06 months (CI 11.3 – 26.06 months) and OS12 of 71.4% (five of seven patients alive). Three patients remain alive at this time and continue to be monitored. Given that survival was not a stated endpoint of the UCSF study, and that it was not powered for statistical significance, no formal conclusions as to the impact of MTX110 on overall survival rates can be drawn at this time, although these data clearly do warrant moving the therapeutic opportunity to its next stage.

Phase 1 trial design

Seven patients were recruited into the UCSF study, all of which were newly diagnosed with DIPG and received focal external beam radiation therapy 4 to 14 weeks before commencement of MTX110 treatment. Eligibility required a pontine location of the tumour with diffuse involvement of at least two thirds of the pons and no evidence of metastatic disease, with no exclusion by total tumour volume. MTX110 was administered directly into the tumour via a CED with gadolinium-enhanced intra-operative MRI to guide and track drug distribution to the tumour. Patients could receive up to 12 cycles of treatment every four to eight weeks. The dose was escalated between and within patients as tolerated initially by increasing the infusion volume at a concentration of 30µM MTX110 and then with higher drug concentrations of 60µM and 90µM as the sixth and seventh dose increments, respectively.

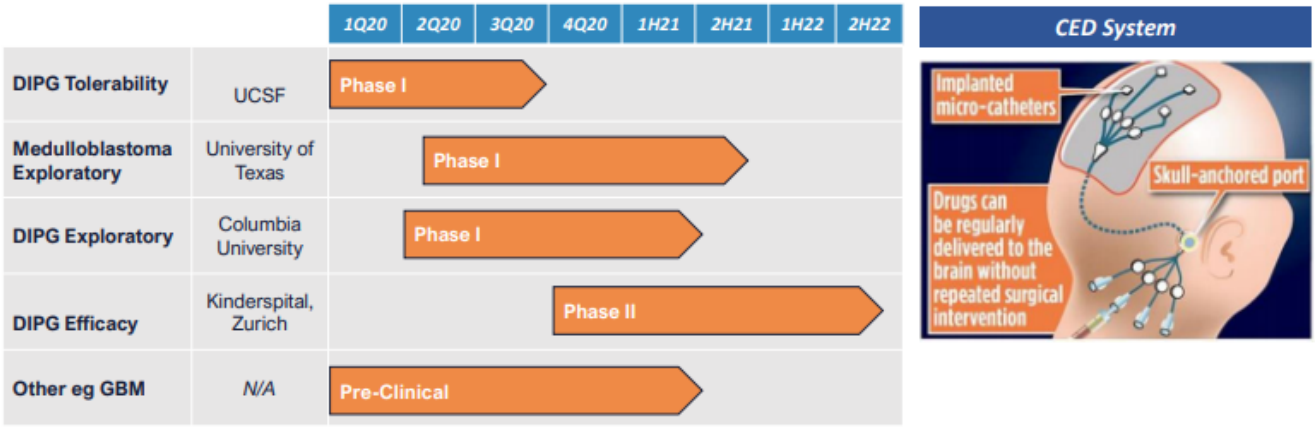
Phase II primary endpoint

The proposed Phase II trial is expected to evaluate OS12 as the primary endpoint in approximately 20 patients. The planned design is single arm and statistically powered for comparisons with defined historical survival data. MTX110 is expected to be delivered using an alternative CED catheter system that enables regular drug infusions directly into the tumour without a need for repeated surgery. Given that only approximately 1,000 individuals are diagnosed with DIPG worldwide each year (which may be considered typical for such an orphan condition), patient recruitment can be a challenge although the Phase 1 data should encourage participation.

***Please note that TPI's valuation is based on financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone.**

Subject to this and the necessary regulatory approvals, Phase II could commence quite quickly once outstanding administrative issues, including accessing the necessary funding (TPI estimates cost of completion being c.£8m), have been resolved. It is likely that Midatech will appoint a contract research organisation ('CRO') to oversee the next clinal stage, which could be based at a single European or US site (due to the surgical complication of administration) possibly located, for example, at the Kinderspital, Zurich. The Phase II study might be expected to take around 2 years to complete.

MTX110: Clinical programme, multiple possibilities, image of the Renishaw CED system



Source: Midatech, Interim Presentation, 10 September 2020

TPI recently awarded Midatech a prudent valuation of £65.7m

Today's news provides scope to increase the valuation TPI awarded Midatech in analysis published on 10 September 2020. This resulted in a valuation that is presently equivalent to 104.2p/share, as summarised below. The prudent analysis was weighted heavily toward the Group's Q-Sphera platform (which has secured two important collaborations with Big Pharma with potentially more in the pipeline), to which MTX110 added just a further £5.2m with nothing at all for the Group's remaining (but presently suspended) clinical and pre-clinical programmes (being treated as prospective upside only). This now appears to be too low and TPI will review in due course, particularly considering the development highlighted additional value creation from one of Midatech's other technology platforms, as well as the fact that the development itself could now potentially receive approaches from external parties interested in either partnering or considering outright purchase of the therapeutic opportunity based on upfront payment, milestones and/or royalties. The still unresolved legal dispute with Secura Bio with respect to its purported termination of HDACi panobinostat, MTX110's active pharmaceutical ingredient ('API'), licence agreement complicates the issue somewhat, although Midatech's Board remains clear that it does continue to have the right to use the drug for research purposes. Beyond this, discussions regarding future opportunity to commercialise this MidaSolve-based therapeutic are likely to continue given the molecule is now relatively near patent expiry (August 2026), leading to some early conclusion.

Net Present Value - Q-SPHERA (£m)	Discount rate	Growth rate	£m
NPV-10-year cash flows	12%		64.1
Terminal value		-5%	32.9
TOTAL NPV- Q-SPHERA			97.0

Net Present Value - MTX110 (£m)	Discount rate	Growth rate	£m
NPV-10-year cash flows	10%		2.6
Terminal value		2%	2.6
TOTAL NPV – MTX110			5.2

Net Present Value – Administration Costs (£m)	Discount rate	Growth rate	£m
NPV – 10-year cash flows	10%		(38.6)
Terminal value		3.5%	(5.7)
TOTAL NPV - ADMIN.			(42.5)

Midatech Pharma - Summary Valuation (£m)	15-year DCF	Terminal Value	Total
Q-Sphera (5 Products)	64.1	32.9	97.0
MTX110	2.6	2.6	5.2
Administrative Costs	(36.8)	(5.7)	(42.5)
Estimated Net Cash			6.0*
MIDATECH TOTAL	29.9	29.8	65.7

**TPI estimated position net of debt as of September 2020*

Source: TPI

Please note that TPI's valuation is based on financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone.

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