Stock Data

Share Price:	30.0p
Market Cap:	£18.9m
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.
Group website: www.midatechpharma.com/

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 yesterday published a business update which included a number of elements of positive news. These included:

- **An expansion of its Q-Sphera™ collaboration with a global healthcare partner from one active pharmaceutical ingredient ('API') to three;**
- **Formulations have been optimised for the Group's first two internal Q-Sphera™ products with one already undergoing *in vivo* studies and the other about to start;**
- **A restructuring of its MTX110 clinical development plan to include a Phase I pilot study in glioblastoma multiforme ('GBM') (a market opportunity Midatech considers to be 30 to 50 times the size of its existing DIPG study) for no additional cost, making the programme considerably more attractive to potential partners;**
- **Efficient closure of the Group's operations in Spain without shortening its cash runway; and**
- **Working capital into Q4 2021 in the absence of licensing milestones.**

Based on the above, Midatech could have six licensing opportunities this year. Five Q-Sphera™ (two internal, three partnered) programmes plus its ongoing clinical development of MTX110, on which there are continuing, tentative discussions. Although the release was tempered by the mutual termination, for technical reasons, of a collaboration with Dr Reddy's Laboratories ('Dr Reddy's') and final confirmation from the EU that the €2.6m GlioKIDS grant would not be forthcoming, TPI considers these to be less relevant than progress reported elsewhere and that the target valuation of 104.2p/share* it awarded to Midatech in an assessment published on 10 September 2020 has potential to be upgraded.

***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.**

Building value through the Q-Sphera™ platform

Midatech's Q-Sphera™ platform is a disruptive micro-technology used for sustained release to prolong and control the application of therapeutics over an extended period of time (from weeks to months). At their option, the existing collaboration with the unnamed European affiliate of a global pharmaceutical company has expanded from one to three APIs. Optimised formulations have also been developed for the two internal pipeline programmes, MTD211 and MTD219, with the former undergoing and the latter shortly to begin *in vivo* studies. As a result, the platform's R&D pipeline has expanded to a net five active projects, all of which are presently proceeding to plan. This is a clear demonstration of the platform's ability to add value and attract new collaborative opportunities.

The mutual termination of the Group's collaboration with Dr. Reddy's was due simply to specific issues surrounding its target molecule's inability to bind with certain polymeric formulations. It had sought to use Q-Sphera™ as a means to accelerate its development timeline for long acting injectables. Seen as a key revenue driver with opportunity to be amongst early generic entrants, Dr Reddy's had originally acquired OctoPlus, the Netherlands-based injectables major back in February 2013, with similar formulation ambitions. In the event, however, the planar configuration of its molecule appears to have limited ability to bind with the plantarum lipoteichoic acid (pLTA) designed to attenuate pro-inflammatory signalling. With application of Q-Sphera™ seemingly hindered for much the same reasons, it was mutually decided to abandon the collaboration although, importantly, with an excellent working relationship between the two companies, future high-value partnering opportunities with Dr Reddy's still remain.

MTX110 – Clinical Programme with multiple possibilities.

Encouraging survival data from the Phase I study of MTX110 in DIPG announced on 19 October 2020, combined with a significant increase in budgeted costs by the proposed Phase

II clinical site at Kinderspital, Zurich, have prompted a re-evaluation of the programme. As a result, an additional pilot Phase I study, this time for a much larger indication within a defined subset of adult GBM patients, has now been proposed.

Given that survival was not a stated endpoint of the UCSF study detailed on 19 October 2020, 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. 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, appeared 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.

In moving the clinical trial programme to the US and employing an alternative convection enhanced delivery ('CED') system, the Group will be able to undertake both a Phase I/II study in DIPG and a pilot Phase I study in a defined subset of adult GBM patients, whose indication is much larger (30 to 50 times) than for DIPG while also coming with very significant unmet medical need. Importantly, Midatech considers that that both studies can be completed for less than the cost of the original planned study in Zurich. Both the Phase I/II study in DIPG and the Phase I pilot study in GBM are expected to begin enrolment later this year with completion expected in 2023 and 2022, respectively. In this respect, the fact that MTX110 has now been deemed ineligible to receive the €2.6m EU GlioKIDs grant is not considered particularly important, given that Midatech is already engaged in early discussions for potentially larger US co-development opportunities.

Ongoing HDACi panobinostat licence dispute with Secura Bio

Further to Midatech's announcement of 16 June 2020, in which it noted that Secura Bio, Inc. ('Secura Bio'), the licensor of panobinostat, the API component of MTX110, had twice declined an invitation to withdraw its purported termination of the license, the Group presently continues to enjoy freedom to use it for research purposes. The Board goes on to note its belief that although the relevant Secura Bio patents may marginally delay a potential launch of MTX110 for DIPG, this is not true for the much larger GBM indication. Given the patent's remaining life only extends out to 2026, even in a worse case situation it appears unlikely to be able to significantly hinder prospective commercialisation.

Closure of Bilbao operations completed, all liabilities settled.

As was foreshadowed in the announcement of 31 March 2020, Midatech's Bilbao facilities were closed in early June 2020 following successful negotiations with a Worker's Council. Certain assets, including its gold nanoparticle manufacturing equipment have been transferred to the Group's Cardiff laboratories, while others were sold. All liabilities have now been settled other than one small Spanish Government loan which has been cash collateralised.

Working capital needs covered into at least Q4 2021

Midatech's Board has confirmed that it continues to expect to have sufficient working capital to fund operations into Q4 2021, assuming its programmes are progressed as planned and zero licence fee milestone receipts. This, of course, could be significantly lengthened should any payments be forthcoming.

TPI retains its valuation for Midatech, equivalent to 104.2p/share

TPI presently retains the £65.7m* valuation it awarded to Midatech in analysis published on 10 September 2020. This resulted in a target price that is presently equivalent to 104.2p/share*. Prudent assessment was weighted heavily toward the Group's Q-Sphera™ platform (which at the time had 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). TPI now considers this has potential to be upgraded* and will continue to review, particularly considering potential for additional value creation through Midatech's other technology platforms, as well as the fact that internal developments might potentially receive approaches from external parties interested in either partnering or considering outright purchase of the therapeutic opportunity based on upfront payments, milestones and/or royalties. The still unresolved legal dispute with Secura Bio with respect to its purported termination of HDACi panobinostat, MTX110's 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, suggesting potential to arrive at an earlier negotiated conclusion.

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