

MediciNova, Inc.

(MNOV-NASDAQ)

MNOV: Multiple 'Shots on Goal' Provide Substantial Potential Upside...

Based on our probability adjusted DCF model that takes into account potential future revenues from MN-166 in ALS, progressive MS and addiction and MN-001 in NASH and IPF, MNOV is valued at \$24/share. This model is highly dependent upon continued clinical success of both MN-166 and MN-001 and will be adjusted accordingly based upon future clinical results.

Current Price (05/01/20) **\$5.15**
Valuation **\$24.00**

OUTLOOK

MediciNova, Inc. (MNOV) is currently developing MN-166 and MN-001 for multiple indications. During the ongoing global coronavirus pandemic, when most things not related to the coronavirus are shut down or significantly slowed down, we felt it would be a good time to give a broad overview of what the company is currently engaged in and why we believe MediciNova has substantial potential upside. We believe investors would be well served to review our past reports that went into detail for each of the indications to better familiarize themselves with the company. While off of recent multi-year lows, we believe the stock represents a great opportunity at current levels with tremendous potential upside.

SUMMARY DATA

52-Week High **\$13.22**
52-Week Low **\$2.90**
One-Year Return (%) **-53.98**
Beta **1.73**
Average Daily Volume (sh) **261,296**

Shares Outstanding (mil) **44**
Market Capitalization (\$mil) **\$227**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **22**
Insider Ownership (%) **15**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
Sales (%) **N/A**
Earnings Per Share (%) **N/A**
Dividend (%) **N/A**

P/E using TTM EPS **N/A**
P/E using 2018 Estimate **N/A**
P/E using 2019 Estimate **N/A**

Risk Level **Above Avg.**
Type of Stock **Small-Blend**
Industry **Med-Biomed/Gene**

ZACKS ESTIMATES

	Revenue (In millions of \$)				
	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	0 A	0 A	0 A	0 A	0 A
2020	0 A	0 E	0 E	0 E	0 E
2021					0 E
2022					0 E

	Earnings per Share				
	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-\$0.11 A	-\$0.09 A	-\$0.05 A	-\$0.04 A	-\$0.30 A
2020	-\$0.06 A	-\$0.08 E	-\$0.09 E	-\$0.09 E	-\$0.33 E
2021					-\$0.34 E
2022					-\$0.35 E

WHAT'S NEW

Business Update

Multiple Reasons for MediciNova to Move Higher

MediciNova, Inc. (MNOV) is a biopharmaceutical company focused on developing small molecule therapies for treating a range of diseases with unmet medical need. During this unprecedented time of the global coronavirus pandemic, where many activities unrelated to the virus have slowed down or halted, we think it is an opportune time to take a step back and examine the “30,000 foot overview” of MediciNova and the multiple reasons we think the company has a bright future.

- Multiple ‘Shots on Goal’

MN-166 is currently being developed for the following indications. We have included links to our previous reports for some of the indications as well.

- Currently in a Phase 3 trial for amyotrophic lateral sclerosis (ALS) ([Phase 2 Topline Data](#); [Subgroup Analysis](#))
- Phase 3 ready for progressive multiple sclerosis (MS) ([Phase 2b Atrophy Data](#); [P2b Disability Data](#))
- Currently in a Phase 2 trial for glioblastoma (GBM) ([Preclinical GBM Results](#))
- Currently in a Phase 3 trial for degenerative cervical myelopathy (DCM) ([Background on DCM](#))
- Currently in a Phase 2 trial for chemotherapy-induced peripheral neuropathy (CIPN)
- Currently in two Phase 2 clinical trials for alcohol dependence
- Currently in a Phase 2 trial for methamphetamine dependence

For MN-001:

- Currently in a Phase 2 trial in idiopathic pulmonary fibrosis (IPF)
- Previously [reported](#) positive results from a Phase 2 trial that showed statistical significance in lowering triglycerides in patients with non-alcoholic steatohepatitis (NASH) or non-alcoholic fatty liver disease (NAFLD)

- Upside Potential from COVID-19

The company will evaluate MN-166 as a treatment for patients with acute respiratory distress syndrome (ARDS) caused by COVID-19 (coronavirus disease 2019). We have previously discussed how MIF (which MN-166 inhibits) is involved in the development of viral infections, which are the most common cause of ARDS ([here](#)), and the strong preclinical efficacy of MN-166 in a mouse model of ARDS ([here](#)).

- Huge Market Opportunities

MediciNova plans to develop MN-166 for patients with secondary progressive multiple sclerosis (SPMS) without relapses, an indication for which no other treatments are currently approved. There are three MS drugs that generate >\$3B in revenues per year and five additional MS drugs that generate >\$1B in revenues per year. We currently model for MN-166 to have peak sales of \$5 billion in SPMS without relapses because data shows that more than 80% of SPMS patients do not have relapses and there is nothing approved for them. For ALS, there are only two medications currently approved and there is a huge unmet medical need for better treatment options with convenient oral dosing. Given the limited therapeutic options and high costs associated with patient care, we estimate MN-166 to have peak worldwide sales of approximately \$2 billion for ALS. Other indications with potential for moderate to high revenues include degenerative cervical myelopathy, glioblastoma, triglycerides / NASH, and IPF.

- Strong Balance Sheet

MediciNova has averaged less than \$10 million in operating cash burn over the past few years, which is highly unusual for a company with multiple late stage programs. Most development-stage biotech companies have a much smaller pipeline than MediciNova’s but typically have operating cash burn of \$30 - \$100 million+ annually. MediciNova’s lean operating budget has been accomplished through the use of non-dilutive funding (e.g., government grants), investigator-sponsored studies, and a small but highly

productive management team that utilizes a minimal amount of company resources. The company currently has approximately \$61 million in cash and cash equivalents, which is sufficient to fund operations at the current cash burn rate for many years.

- Potential Partnerships

MediciNova's impressive Phase 2 data from various clinical trials could be attractive to larger pharmaceutical companies who are seeking interesting new compounds to bolster their pipeline and growth potential. Many of these larger companies are now faced with a dual challenge of product revenues that have been negatively impacted by generic competition along with pipelines that have been eroded due to clinical failures.

Financial Update

On April 23, 2020, MediciNova filed form 10-Q with financial results for the first quarter of 2020. As expected, the company did not report any revenues for the first quarter of 2020. Net loss for the first quarter of 2020 was \$2.7 million, or \$0.06 per share, compared to a net loss of \$4.7 million, or \$0.11 per share, for the first quarter of 2019. R&D expenses for the first quarter of 2020 were \$1.3 million, compared to \$1.6 million for the first quarter of 2019. The decrease was primarily due to lower stock-based compensation. G&A expenses for the first quarter of 2020 were \$1.7 million, compared to \$3.3 million for the first quarter of 2019. The decrease was also primarily due to lower stock-based compensation.

Total operating cash burn for the first quarter of 2020 was approximately \$2.9 million and the company exited the first quarter of 2020 with approximately \$61.3 million in cash and cash equivalents. As of April 21, 2020, the company had approximately 44.1 million shares outstanding and when factoring in the approximately 7.6 million stock options a fully diluted share count of 51.7 million.

Conclusion

We have previously written in-depth about each of MediciNova's pipeline opportunities, including positive clinical data, and the large markets that the company is targeting, with progressive MS and ALS being the largest. The use of MN-166 in ARDS caused by COVID-19 represents potential upside in the near term with its use in GBM, DCM, CIPN, or addiction offering potential upside over the longer term. MN-001 offers potential for additional upside opportunity from IPF, triglycerides, or NASH, and a partnership or other corporate development is also a possibility that could generate further upside. Our current valuation is \$24 and while the stock has recovered somewhat from recent multi-year lows, we believe there is substantial upside still available at this price level.

PROJECTED FINANCIALS

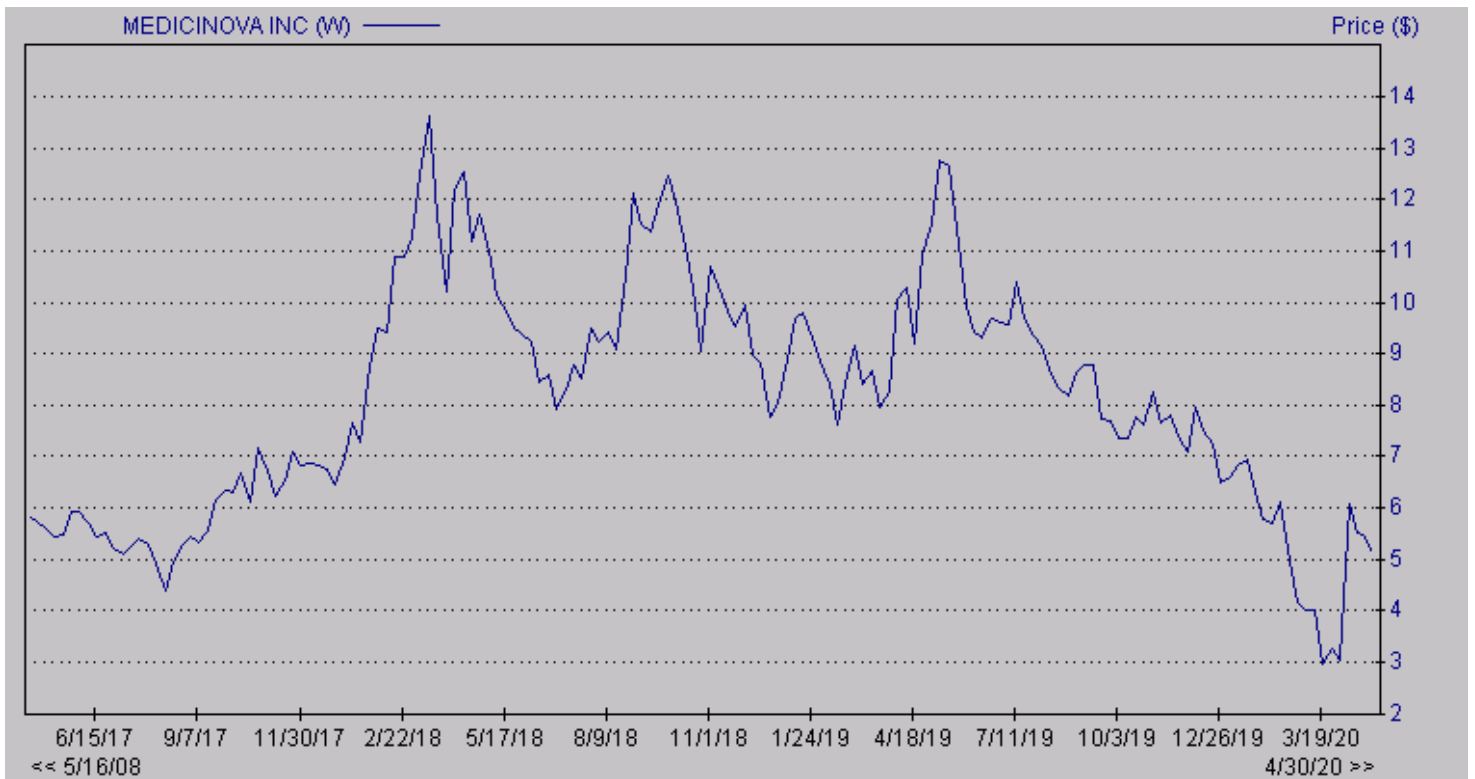
MediciNova Inc. Income Statement

MediciNova, Inc.	2019 A	Q1 A	Q2 E	Q3 E	Q4 E	2020 E	2021 E	2022 E
MN-166 (Multiple Sclerosis)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MN-166 (ALS)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MN-166 (Addiction)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MN-001 (NASH)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MN-001 (IPF)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants & Collaborative Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Product Gross Margin</i>	-	-	-	-	-	-	-	-
Research & Development	\$6.079	\$1.251	\$1.800	\$1.800	\$1.800	\$6.651	\$9.000	\$10.000
General & Administrative	\$7.952	\$1.674	\$2.000	\$2.200	\$2.400	\$8.274	\$8.500	\$9.000
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Income	(\$14.0)	(\$2.9)	(\$3.8)	(\$4.0)	(\$4.2)	(\$14.9)	(\$17.5)	(\$19.0)
<i>Operating Margin</i>	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	\$1.1	\$0.2	\$0.1	\$0.1	\$0.1	\$0.5	\$0.4	\$0.4
Pre-Tax Income	(\$12.9)	(\$2.7)	(\$3.7)	(\$3.9)	(\$4.1)	(\$14.4)	(\$17.1)	(\$18.6)
Income Taxes Paid	(\$0)	\$0	\$0	\$0	(\$0)	\$0	\$0	\$0
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(\$12.9)	(\$2.7)	(\$3.7)	(\$3.9)	(\$4.1)	(\$14.4)	(\$17.1)	(\$18.6)
<i>Net Margin</i>	-	-	-	-	-	-	-	-
Reported EPS	(\$0.30)	(\$0.06)	(\$0.08)	(\$0.09)	(\$0.09)	(\$0.33)	(\$0.34)	(\$0.35)
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Basic Shares Outstanding	43.159	43.949	44.000	44.200	44.400	44.137	50.000	53.000

Source: Zacks Investment Research, Inc.

David Bautz, PhD

HISTORICAL STOCK PRICE



Source: Zacks Small Cap Research

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