

Zacks Small-Cap Research

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MediciNova, Inc.

(MNOV-NASDAQ)

MNOV: Capital Efficient Model and Large Late-Stage Pipeline Makes MediciNova Stand Out Among Peers...

Based on our probability adjusted DCF model that takes into account potential future revenues from MN-166 in ALS, progressive MS, addiction, and as an MCM; and MN-001 in NAFLD, MNOV is valued at \$28.00/share. This model is highly dependent upon continued clinical success of the company's assets and will be adjusted accordingly based upon future clinical results.

Current Price (02/29/24) \$1.36
Valuation \$28.00

OUTLOOK

MediciNova, Inc. (MNOV) is a late-stage biopharmaceutical company that is developing oral, anti-inflammatory and neuroprotective candidates with the potential to address multiple large, underserved markets. MN-166 (ibudilast) is currently being evaluated in two Phase 3 clinical trials for amyotrophic lateral sclerosis (ALS) and degenerative cervical myelopathy (DCM). In addition, MN-166 is being studied in Phase 2 trials for Long COVID, chemotherapy-induced peripheral neuropathy (CIPN), glioblastoma (GBM), and methamphetamine dependence. MN-001 (tipelukast) is currently being evaluated in a Phase 2 trial for patients with metabolic dysfunction-associated fatty liver disease (MAFLD, formerly NAFLD) with type 2 diabetes and hypertriglyceridemia. With five Phase 2 programs and two Phase 3 programs, MediciNova is in a unique position amongst its peers in relation to pipeline diversity, cash on hand, and operating burn, which we believe makes the company a compelling investment opportunity.

SUMMARY DATA

52-Week High \$2.60
52-Week Low \$1.28
One-Year Return (%) -37.90
Beta 0.75
Average Daily Volume (sh) 68,792

Shares Outstanding (mil) 49
Market Capitalization (\$mil) \$67
Short Interest Ratio (days) N/A
Institutional Ownership (%) 11
Insider Ownership (%) 17

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 2024 Estimate N/A

P/E using 2025 Estimate N/A

Risk Level

Type of Stock
Industry

Average
Small-Value
Med-Biomed/Gene

ZACKS ESTIMATES

Revenue

(In millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	0 A	0 A	1 A	0 A	1 A
2024	0 E	0 E	0 E	0 E	0 E
2025					0 E
2026					0 E

Earnings per Share

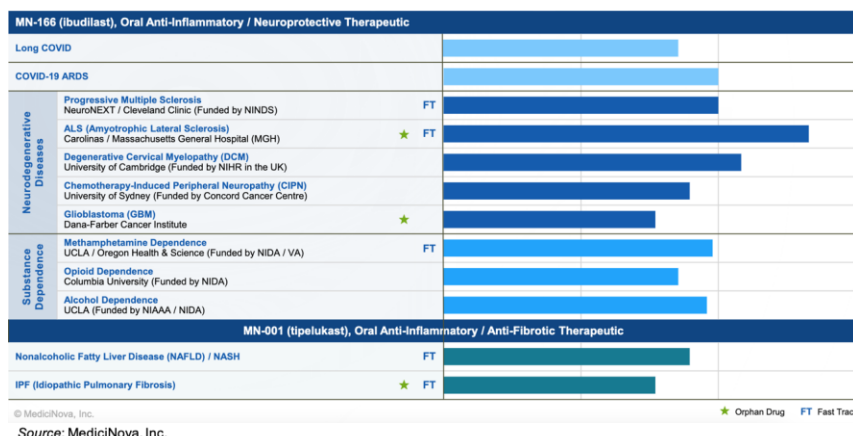
	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	-\$0.06 A	-\$0.06 A	-\$0.01 A	-\$0.08 A	-\$0.21 A
2024	-\$0.05 E	-\$0.06 E	-\$0.06 E	-\$0.06 E	-\$0.23 E
2025					-\$0.24 E
2026					-\$0.24 E

WHAT'S NEW

Business Update

Capital Efficient Model Propels Large Late Stage Pipeline

MediciNova, Inc. (MNOV) is developing MN-166 (ibudilast) for a wide range of neurological disorders and MN-001 (tipelukast) for fibrotic and other diseases. An overview of the company's pipeline is below.



MediciNova maintains a capital-efficient model that looks to advance its lead candidates through investigator-sponsored clinical trials, government-funded clinical trials, and trials funded by the company. This strategy results in a low operating burn, as evidenced by the company's \$7.4 million operating cash burn in 2023, while still maintaining a robust late-stage pipeline that includes five ongoing Phase 2 clinical trials and two ongoing Phase 3 clinical trials. This is unique among small- and micro-cap biotechnology companies, as evidenced by the following table that highlights various similar sized companies (based on market capitalization), the number of late-stage programs for each company, and the previous 12-month operating burn.

Company Name	Ticker	Market Cap (in millions)	P2 Trials	P3 Trials	12-Month Operating Burn (in millions)
MediciNova, Inc.	MNOV	\$64	5	2	\$7.4
Matinas Biopharma Holdings, Inc.	MTNB	\$58	1	-	\$15.0*
Veru, Inc.	VERU	\$92	1	2	\$88.0#
Cidara Therapeutics, Inc.	CDTX	\$65	1	-	\$30.7*
Galectin Therapeutics, Inc.	GALT	\$116	2	1	\$35.6*
Annovis Bio, Inc.	ANVS	\$102	2	1	\$34.2*

Source: Zacks SCR, company reports, SEC filings

*Estimated 12-month burn ending Sep. 30, 2023

#Fiscal year ended Sep. 30, 2023

We believe this combination of a large late-stage pipeline, low cash burn, and a large cash position (\$51 million as of December 31, 2023) makes MediciNova a compelling investment opportunity at its current valuation. The company's capital efficient model is especially important in the current market environment, where raising additional capital has proven difficult for a number of companies or resulted in significant shareholder dilution.

Abstract for MN-166 in Chlorine Gas-Induced Lung Injury to be Presented at SOT

In December 2023, MediciNova announced that an abstract regarding results of a preclinical study of MN-166 in chlorine gas-induced acute lung injury was selected for a poster presentation at the Society of Toxicology (SOT) 63rd Annual Meeting, which is taking place March 10-14, 2024.

MediciNova previously announced positive results from a preclinical study of MN-166 in chlorine gas-induced lung injury that showed high dose MN-166 resulted in a statistically significant improvement in the mean

PaO₂/FiO₂ ratio (a pulmonary function measure) when compared to low dose MN-166, rolipram, and a negative control ($P=0.0001$). In addition, MN-166 was well tolerated and there were no safety concerns observed. A full analysis of those results is available in our previous [report](#).

In addition to showing efficacy in a preclinical study of chlorine gas-induced lung injury, MediciNova also previously reported positive results from a Phase 2 trial of MN-166 in hospitalized COVID-19 patients at risk for developing acute respiratory distress syndrome (ARDS). That trial achieved statistical significance for one of the co-primary endpoints (the proportion of subjects free of respiratory failure) and achieved statistical significance for the proportion of subjects discharged from the hospital. A total of 34 subjects were randomized 1:1 to receive MN-166 or placebo for seven days, and on Day 7, 71% of subjects in the MN-166 group and 35% of the placebo group were free of respiratory failure ($P=0.02$).

Intellectual Property Expansion for MN-166

In December 2023, MediciNova announced that it received a Notice of Decision to Grant from the European Patent Office for a pending patent application that covers the combination of MN-166 and interferon-beta for the treatment of progressive multiple sclerosis (MS). The patent is expected to expire no earlier than October 2039 and the allowed claims specifically cover the treatment of both primary progressive MS and secondary progressive MS. The U.S. Patent and Trademark Office previously granted a similar patent covering the same combination treatment for progressive MS.

In January 2024, MediciNova announced that it received a Notice of Grant from the Chinese Patent Office for a new patent that covers MN-166 for the treatment of macular injury associated with progressive MS. Once issued, the patent is expected to expire no earlier than April 2040. The company had previously reported positive Optical Coherence Tomography (OCT) results from the SPRINT-MS Phase 2b trial of MN-166 in progressive MS, with all OCT measures showing less loss of retinal tissue for MN-166-treated patients compared to those treated with placebo.

Financial Update

On February 15, 2024, MediciNova filed Form 10-K with financial results for the full year 2023. The company reported revenues of \$1.0 million for the year ending December 31, 2023 compared to \$0.0 million for the previous year. The revenue in 2023 was due to the receipt of a milestone payment under an agreement with Genzyme Corporation. Net loss for 2023 was \$8.6 million, or \$0.17 per share, compared to a net loss of \$14.1 million, or \$0.29 per share, for 2022. R&D expenses in 2023 were \$5.7 million compared to \$9.1 million in 2022. The decrease was primarily due to a decrease in MN-166 and MN-221 related expenses. G&A expenses in 2023 were \$5.2 million compared to \$5.5 million in 2022. The decrease was primarily due to decreased compensation costs and accounting expenses.

MediciNova exited 2023 with approximately \$51.0 million in cash and investments. We estimate the company has sufficient capital to fund operations for at least the next several years, although given the recent operating burn rate of only \$7.4 million in 2023 and \$12.9 million in 2022, it could last longer than that. As of February 12, 2024, the company had approximately 49.0 million shares outstanding and when factoring in stock options a fully diluted share count of approximately 56.8 million.

Conclusion

MediciNova is prudently managing its financial resources as it advances multiple late-stage programs, including two Phase 3 programs in ALS and DCM. The company is currently valued near its cash balance, which we find perplexing given the large number of Phase 2 and Phase 3 programs under development and the positive data from numerous prior clinical trials. Given its low valuation, strong balance sheet, and low operating burn, we view MediciNova as a compelling investment opportunity for risk-tolerant investors. After advancing our DCF model ahead by one year we have increased our valuation to \$28 per share.

PROJECTED FINANCIALS

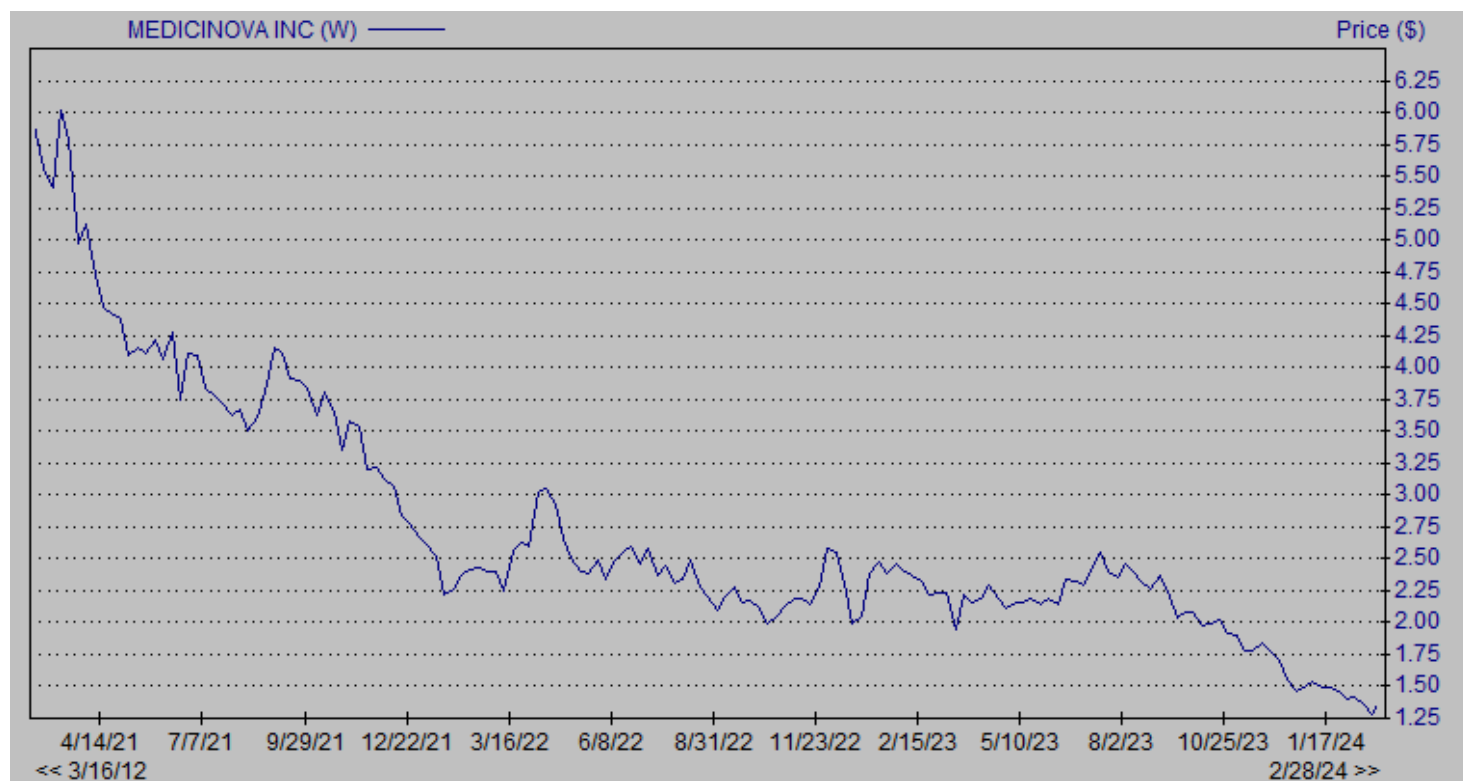
MediciNova Inc. Income Statement

MediciNova, Inc.	2023 A	Q1 E	Q2 E	Q3 E	Q4 E	2024 E	2025 E	2026 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 (DCM)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MN-001 (NASH)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants & Collaborative Revenue	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Product Gross Margin	-	-	-	-	-	-	-	-
Research & Development	\$5.7	\$1.4	\$1.4	\$1.5	\$1.5	\$5.8	\$6.0	\$6.3
General & Administrative	\$5.2	\$1.2	\$1.4	\$1.4	\$1.5	\$5.5	\$5.7	\$5.8
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Income	(\$9.9)	(\$2.6)	(\$2.8)	(\$2.9)	(\$3.0)	(\$11.3)	(\$11.7)	(\$12.1)
Operating Margin	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	\$1.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Pre-Tax Income	(\$8.6)	(\$2.6)	(\$2.8)	(\$2.9)	(\$3.0)	(\$11.3)	(\$11.7)	(\$12.1)
Income Taxes Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(\$8.6)	(\$2.6)	(\$2.8)	(\$2.9)	(\$3.0)	(\$11.3)	(\$11.7)	(\$12.1)
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	(\$0.17)	(\$0.05)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.23)	(\$0.24)	(\$0.24)
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	49.046	49.046	49.046	49.046	49.050	49.047	49.200	49.500

Source: Zacks Investment Research, Inc.

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HISTORICAL STOCK PRICE



Source: Zacks Small Cap Research

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