

Midatech Pharma

Q-Sphera partnership with Janssen expanded

Partnership update

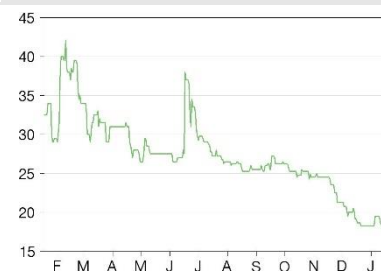
Pharma & Biotech

18 January 2022

Price 19p
Market cap £19m

Net cash at end June 2021 £3.4m
Shares in issue 98.5
Free float 69%
Code MTPH
Primary exchange AIM
Secondary exchange N/A

Share price performance



Business description

Midatech Pharma is platform-based drug delivery specialist founded in 2000 and listed on the AIM in 2014. Its three technology platforms, Q-Sphera (for sustained release of drugs), MidaSolve (nano inclusion for local delivery) and MidaCore (gold nanoparticles for targeted delivery), are designed to re-engineer and reformulate existing therapeutic drugs with the aim of improving biodistribution and delivery. The realigned focus is now on the Q-Sphera development pipeline and the clinical asset MTX110 (for brain cancer).

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Midatech Pharma (Midatech) has announced the extension of its Q-Sphera R&D collaboration deal with Janssen, its European partner since July 2020. The extension includes further optimisation (bio delivery) of Janssen's experimental monoclonal antibody (mAb), which Midatech had successfully encapsulated using its Q-Sphera technology, as announced in June 2021. The company has an existing three-asset collaboration agreement with Janssen (to develop long-acting injectable versions of its undisclosed active pharmaceutical ingredients) and delivered proof-of-concept on two of the programmes in H221 (MTX214 and MTX216).

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	DPS (%)	Yield (%)
12/17	7.60	(15.8)	(568)	0.0	N/A	N/A
12/18	1.94	(11.8)	(339)	0.0	N/A	N/A
12/19	0.67	(10.9)	(50)	0.0	N/A	N/A
12/20	0.34	(11.1)	(23)	0.0	N/A	N/A

Note: *PBT and EPS are normalised.

The extended collaboration with Janssen entails Midatech maximising drug loading (drug as a proportion of the total microsphere mass) and optimising the dissolution profile (in-vitro duration of release of the drug depot) of the exemplar mAb (which we understand to be a proprietary experimental large molecule medicine developed by Janssen). Midatech announced in June 2021 that it had used its Q-Sphera technology to successfully encapsulate the mAb while preserving functional integrity. While the current collaboration terms involve reimbursing Midatech at a multiple of its direct development costs (3–4x), the eventual aim is to optimise the partnership by entering into a technology transfer/out-licensing agreement for an income stream consisting of upfront and milestone payments as well as royalties on sales.

We see this as another positive development for the company following the FDA's recent acceptance of its most advanced programme, [MTX110's Investigational New Drug \(IND\) application in recurrent glioblastoma multiforme \(rGBM\)](#), a potential \$2–5bn market according to management. The GBM space remains underserved with only three drugs currently approved for treatment: Temozolomide (chemotherapy), bevacizumab (anti-VEGF monoclonal antibody; not approved in Europe) and Nitrosourea/gliadel wafer (chemotherapy). MTX110 uses the company's proprietary MidaSolve technology to solubilise the chemotherapy drug Panobinostat, which is then delivered through a convection enhanced delivery system directly to the site of the tumour (as detailed in our [initiation report](#)). The Phase I pilot study is expected to commence in H122 and will include two clinical centres in the United States. The primary objective will be to assess the safety and tolerability of MTX110 in patients with rGBM (expected to recruit between 10–12 patients). Midatech expects to release early data from the study towards the end of 2022.

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