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MediciNova, Inc. (MNOV-NASDAQ)

MNOV: Raises $40 Million in Underwritten Public Offering…

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 $18/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 (02/16/18)	$10.83
Valuation	**$18.00**

OUTLOOK

On February 12, 2018, MediciNova, Inc. announced the closing of an underwritten public offering of 4,419,890 shares of common stock at a price of $9.05 per share, resulting in gross proceeds to the company of approximately $40 million. The underwriters have a 30-day option to purchase up to an additional 662,983 shares at the public offering price less underwriting discounts.

The company has two presentations upcoming in April 2018 on its lead products: final data from the company's Phase 2 clinical trial of MN-166 in ALS patients will be presented at the American Academy of Neurology 70th Annual Meeting and interim data from the company's Phase 2 clinical trial of MN-001 in NASH/NAFLD patients will be presented at the International Liver Congress.

SUMMARY DATA

52-Week High	**$10.83**
52-Week Low	**$4.43**
One-Year Return (%)	**78.13**
Beta	**0.38**
Average Daily Volume (sh)	**453,817**
Shares Outstanding (mil)	**41**
Market Capitalization ($mil)	**$443**
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-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	0 A	0 A	0 A	0 A	0 A
2018	0 E	0 E	0 E	0 E	0 E
2019					0 E
2020					0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.09 A	-$0.08 A	-$0.11 A	-$0.04 A	-$0.32 A
2018	-$0.12 E	-$0.11 E	-$0.11 E	-$0.11 E	-$0.45 E
2019					-$0.43 E
2020					-$0.41 E

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WHAT'S NEW

Financial Update

On February 12, 2018, MediciNova announced the closing of an underwritten public offering of approximately 4.4 million shares of its common stock at a price of $9.05 per share, which resulted in gross proceeds to the company of approximately $40 million. The company also granted the underwriters a 30-day option to purchase up to an additional 662,983 shares at the public offering price less underwriting discounts.

On February 13, 2018, MediciNova filed form 10-K with financial results for the fourth quarter and full year 2017. As expected, the company did not record any revenues for either the fourth quarter or full year 2017. Net loss for 2017 was $11.2 million, or $0.32 per share, which included $4.2 million in R&D expenses, $8.8 million in G&A expenses, and a $1.7 million deferred income tax benefit due to the Tax Cuts and Jobs Act of 2017. Operating cash burn for 2017 was approximately $6.9 million, which was much lower than the operating loss due to approximately $4.5 million in non-cash stock-based compensation.

MediciNova exited 2017 with approximately $28.0 million in cash and cash equivalents and following the recent financing we believe the company will exit the first quarter of 2018 with approximately $63 million in cash and cash equivalents.

Data Presentations Upcoming in April 2018

MediciNova, Inc. (MNOV) will have data presented on two of its lead compounds in April 2018:

1) Final data and future directions for the Phase 2 clinical trial of MN-166 (ibudilast) in patients with amyotrophic lateral sclerosis (ALS) will be presented at the American Academy of Neurology (AAN) 70th Annual Meeting on April 27, 2018. The company recently announced positive top-line results from that study, which showed the primary endpoint of the study (safety and tolerability) was achieved and there were efficacy trends in key functional secondary endpoints that favored MN-166. Please see our previous report for analysis of the results.
2) An interim analysis of the ongoing Phase 2 clinical trial of MN-001 (tipelukast) in patients with nonalcoholic steatohepatitis (NASH) and nonalcoholic fatty liver disease (NAFLD) will be presented at the 53rd annual meeting of the European Association for the Study of the Liver (EASL) on April 13, 2018. Tipelukast is an orally available small molecule that has anti-fibrotic and anti-inflammatory effects as a leukotriene receptor antagonist, a PDE inhibitor, and 5-lipoxygenase inhibitor. The Phase 2 trial is a multi-center, proof-of-concept, open-label study consisting of men and women age 21 to 65 with a histologically confirmed diagnosis of NASH or imaging study confirmed NAFLD and elevated serum triglyerides. Patients are receiving 250 mg MN-001 once a day for four weeks followed by 250 mg MN-001 twice a day for an additional eight weeks. The primary endpoints of the study are to evaluate the effect of MN-001 on triglyceride levels and cholesterol efflux in NASH or NAFLD patients with hypertriglyceridemia. Secondary endpoints include safety and tolerability along with the effect of MN-001 on lipid levels, liver enzymes, and percent fat in the liver at Week 12.

Conclusion

Following the recent financing, MediciNova is now well funded to initiate a Phase 3 trial in progressive MS while also being in a strong financial position to maintain leverage during potential partnership negotiations. We anticipate the company will meet with the FDA later in the year to get guidance on a Phase 3 trial for MN-166 in progressive MS, however we believe it will be similar to the Phase 3 trial for Ocrevus® and enroll approximately 700 patients in total. The trial could commence as quickly as the second half of 2018. Following the release of the progressive MS data from the Phase 2b SPRINT-MS trial earlier in the month (see our analysis here) we raised our fair value estimate from $13 to $18 and we believe investors should take a close look at MediciNova as the company prepares to launch a Phase 3 program in progressive MS.

PROJECTED FINANCIALS

MediciNova Inc.
Income Statement

MediciNova, Inc.	2017 A	Q1 E	Q2 E	Q3 E	Q4 E	2018 E	2019 E	2020 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
Product Gross Margin	-	-	-	-	-	-	-	-
Research & Development	$4.224	$1.600	$1.600	$1.600	$1.600	$6.400	$6.800	$7.000
General & Administrative	$8.803	$3.100	$3.100	$2.900	$2.900	$12.000	$12.000	$12.400
Other Expenses	$0	$0	$0	$0	$0	$0	$0	$0
Operating Income	($13.0)	($4.7)	($4.7)	($4.5)	($4.5)	($18.4)	($18.8)	($19.4)
Operating Margin	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($12.9)	($4.7)	($4.7)	($4.5)	($4.5)	($18.4)	($18.8)	($19.4)
Income Taxes Paid	($2)	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($11.2)**	**($4.7)**	**($4.7)**	**($4.5)**	**($4.5)**	**($18.4)**	**($18.8)**	**($19.4)**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.32)**	**($0.12)**	**($0.11)**	**($0.11)**	**($0.11)**	**($0.45)**	**($0.43)**	**($0.41)**
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	35.137	40.700	41.000	41.200	41.400	41.075	44.000	47.000

Source: Zacks Investment Research, Inc. *David Bautz, PhD*

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