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Medicenna Therapeutics Corp. (T.MDNA-TSX)

T.MDNA: Data on MDNA55 and MDNA11 to be Presented at ASCO 2020…

Based on our probability adjusted DCF model that takes into account potential future revenues of MDNA55 and MDNA19, MDNA.T is valued at CAD$13/share. This model is highly dependent upon continued clinical success of those compounds and will be adjusted accordingly based upon future clinical results.

Current Price (05/20/20)	CAD$5.60
Valuation	**CAD$13.00**

OUTLOOK

Medicenna Therapeutics Corp. (MDNA.T) will present two abstracts at the upcoming American Society of Clinical Oncology (ASCO) Virtual Scientific Program, which is being held May 29-31, 2020. The first abstract will focus on MDNA55 and present additional data on tumor response and survival outcomes compared to a matched Synthetic Control Arm. The second abstract will present preclinical data, including non-human primate data, for MDNA11, an IL-2 'Superkine' candidate.

We anticipate Medicenna holding an 'End-of-Phase 2' meeting with the FDA in the 3Q20 to discuss the regulatory pathway for MDNA55. In addition, we anticipate IND-enabling studies to commence with an IL-2 Superkine (MDNA19 or MDNA11) in 4Q20 and for a Phase 1 clinical trial to commence in mid-2021. Lastly, we expect the company to uplist to the Nasdaq during 4Q20.

SUMMARY DATA

52-Week High	**$6.22**
52-Week Low	**$0.64**
One-Year Return (%)	**294**
Beta	**2.17**
Average Daily Volume (sh)	**174,840**
Shares Outstanding (mil)	**48.5**
Market Capitalization (C$mil)	**$270**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**25**
Insider Ownership (%)	**33**
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	**High**
Type of Stock	**Small-Value**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $CAD)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2020	0 A	0 A	0 A	0 A	0 A
2021	0 E	0 E	0 E	0 E	0 E
2022					0 E
2023					0 E

Earnings per Share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2020	-$0.05 A	- $0.07 A	-$0.07 A	-$0.07 A	-$0.26 A
2021	-$0.06 E	-$0.06 E	-$0.06 E	-$0.06 E	-$0.23 E
2022					-$0.28 E
2023					-$0.36 E

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WHAT'S NEW

Business Update

Updated Data on MDNA55 and MDNA11 to be Presented at ASCO

On May 4, 2020, Medicenna Therapeutics Corp. (MDNA) announced that the company will be presenting two abstracts at the 2020 American Society of Clinical Oncology (ASCO) Virtual Scientific Program, being held from May 29-31, 2020. We will provide an analysis of each following their presentations.

- The first abstract will provide updated data on tumor response along with survival outcomes compared to a matched Synthetic Control Arm for MDNA55 in the treatment of patients with recurrent glioblastoma. The company last provided an update on the MDNA55 program in January 2020 (see below), and we will be providing an update following the presentation.

- The second abstract will provide preclinical data, including non-human primate data, for MDNA11, one of the company's IL-2 'Superkine' development candidates. Please see our previous report for an analysis of preclinical data, including non-human primate data, for MDNA19.

End-of-Phase 2 Meeting for MDNA55 in 3Q20

Medicenna will be conducting an 'End-of-Phase 2' meeting with the U.S. FDA in the third quarter of 2020 regarding the regulatory path forward for MDNA55. At this meeting the company will present all of the data compiled from the Phase 2b trial of MDNA55 in patients with recurrent glioblastoma (rGBM), a population for which few if any effective treatment options exist.

We anticipate the following to be topics of discussion at the meeting:

- Is there a path for accelerated approval for MDNA55 in patients with high expression of IL-4R?
- Does the FDA want a Phase 3 trial conducted or to just expand the number of patients in the Phase 2b trial?
- If a Phase 3 trial is required, what will the control arm look like? Will Medicenna be able to use a synthetic control arm?

The company will likely announce the outcome of the meeting following receipt of the official minutes, which we anticipate being in late-2020.

Highly Encouraging Results for MDNA55 When Comparing with Synthetic Control Arm

In January 2020, Medicenna announced encouraging data for the company's Phase 2b clinical trial of MDNA55, an IL-4 targeted toxin, in patients with recurrent glioblastoma (rGBM) when compared to an eligibility-matched arm of control subjects (n=81) who were treated with approved therapies, including Avastin®, lomustine, and temozolomide. The control subjects had similar baseline features as patients treated with MDNA55 including *de novo* grade IV GBM at 1st or 2nd relapse following standard 1st-line treatments with surgery and radio-chemotherapy, tumors between 1 cm x 1 cm to 4 cm x 4 cm, Karnofsky Performance Status (KPS) of ≥ 70, not eligible for surgery/resection at relapse, and no known mutations of IDH1 and/or IDH2. In this study, survival results for both arms were computed from the date of relapse rather than from the date of treatment, which was how results were previously reported by the company.

The results showed that:

- Median overall survival (mOS) for patients with high expression of IL-4R was 15.8 months for the MDNA55-treated cohort (n=21) compared to 6.2 months for the control arm (n=17).
    - Note: Medicenna only had access to 40 archived tissue samples for the control arm, thus the percentage of patients in that arm who had high expression of IL-4R (43%) was similar to that seen in the Phase 2b trial (48%).
- For patients with high expression of IL-4R, 12-month OS for the MDNA55-treated cohort was 62% compared to 24% for the control arm.

- When considering all patients, mOS in the MDNA55-treated cohort was 12.4 months compared to 7.7 months in the control arm.
- When considering all patients, 12-month OS for the MDNA55-treated cohort was 53% compared to 25% for the control arm.

We believe the data that the company has reported thus far is very compelling, particularly for those patients with high expression of IL-4R and we are interested to see the updated data that will be presented at ASCO 2020.

Financial Update

On May 15, 2020, Medicenna announced financial results for fiscal year 2020, which ended March 31, 2020. As expected, the company did not report any revenues for fiscal year 2020. Net loss was CAD$8.3 million, or $0.26 per share, compared to a net loss of CAD$4.7 million, or $0.18 per share, for the year ending March 31, 2019. R&D expenses for fiscal year 2020 were approximately CAD$5.9 million, compared to approximately CAD$3.0 million for fiscal year 2019. The increase was primarily due to increased regulatory costs, preclinical expenses, and travel and administrative costs. In addition, there was a lower reimbursement of expenses from the CPRIT grant of CAD$0.96 million compared to CAD$5.1 million in fiscal year 2019. G&A expenses in fiscal year 2020 were CAD$2.4 million for fiscal year 2020 compared to CAD$1.7 million for fiscal year 2019. The increase was primarily due to lower reimbursement from CPRIT along with higher corporate communications costs.

As of March 31, 2020, Medicenna had approximately CAD$37.7 million in cash and cash equivalents. In March 2020, the company raised gross proceeds of CAD$35 million from a public offering of 11,290,323 shares at a price of CAD$3.10 per share. Subsequent to the end of the fiscal year the company raised gross proceeds of approximately CAD$5.2 million from the full exercise of the overallotment option in connection with the March 2020 offering. We estimate that the company is funded through the end of 2022.

As of March 31, 2020, Medicenna had approximately 46.8 million shares of common stock outstanding and when combined with the shares sold for the over-allotment exercise we estimate the company currently has approximately 48.5 million shares outstanding.

Following the recent financing we believe the company will qualify for a listing on the Nasdaq through the multijurisdictional disclosure system (MJDS) and that efforts toward a Nasdaq listing are underway. We estimate shares in Medicenna will begin trading on the Nasdaq in the fourth quarter of 2020.

Conclusion

We look forward to the updates for MDNA55 and MDNA11 at ASCO and we will provide an analysis of that data following the presentations. We've been very encouraged by the data that Medicenna has shown thus far for MDNA55 and we will be interested on the outcome of the 'End-of-Phase 2' meeting with the FDA, particularly on the possibility for accelerated approval. The IL-2 Superkine platform has enormous potential for the company as shown by the acquisition of SynthoRx, and the enhanced IL-2 THOR-707, by Sanofi for $2.5 billion. With multiple suitors bidding on SynthoRx we believe there are other companies who are eager to have an enhanced IL-2 asset, particularly one like MDNA19/MDNA11, which we view as having potential 'best-in-class' attributes. Even with the stock up >100% since March 2020 we believe it remains considerably undervalued at a $270 million market cap and there is plenty of upside remaining as our valuation is CAD$13.

PROJECTED FINANCIALS

Medicenna Therapeutics Corp.
Income Statement

Medicenna Therapeutics Corp. In Canadian Dollars	FY 2020 E	Q1 FY21 E	Q2 FY21 E	Q3 FY21 E	Q4 FY21 E	FY 2021 E	FY 2022 E	FY 2023 E
MDNA55	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
MDNA109	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
Other Income	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-
Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-	-	-	-
Research & Development	$5.9	$2.0	$2.0	$2.0	$2.0	$8.0	$10.0	$13.0
General & Administrative	$2.4	$0.7	$0.7	$0.8	$0.8	$3.0	$3.3	$3.8
Other (Income) Expense	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($8.2)	($2.7)	($2.7)	($2.8)	($2.8)	($11.0)	($13.3)	($16.8)
Operating Margin	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	($0.0)	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1
Pre-Tax Income	($8.3)	($2.7)	($2.7)	($2.8)	($2.8)	($10.9)	($13.2)	($16.7)
Income Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cumulative translation adjustment	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	**($8.2)**	**($2.7)**	**($2.7)**	**($2.8)**	**($2.8)**	**($10.9)**	**($13.2)**	**($16.7)**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.26)**	**($0.06)**	**($0.06)**	**($0.06)**	**($0.06)**	**($0.23)**	**($0.28)**	**($0.36)**
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	31.9	46.8	46.8	46.8	46.8	46.8	47.0	47.0

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

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