

Mateon Therapeutics, Inc.

(OTCQB: MATN)

MATN: Positive Early Results for ARTIVeda™ in Treating COVID-19...

Based on our probability adjusted DCF model that takes into account potential future revenues from OT-101, ArtiShield, OXi-4503, and CA4P, MATN is valued at \$0.70 per 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 and the company's execution.

Current Price (12/11/20) \$0.22
Valuation \$0.70

OUTLOOK

On November 30, 2020, Mateon Therapeutics, Inc. (MATN) provided a development update for ARTIVeda™/ArtiShield™ as a treatment for COVID-19. ARTIVeda is Mateon's lead Ayurvedic drug against COVID-19 in India and is known as ArtiShield in the rest of the world. Thus far, 78 patients have been enrolled in India and an interim analysis was performed for the first 32 patients (eight who were WHO scale 2 and 24 that were WHO scale 4). Results showed that 75% of WHO scale 4 patients improved to WHO scale 3 on Day Two of treatment with ARTIVeda, while 40% of WHO scale 4 patients improved to WHO scale 1 on Day Five of treatment with ARTIVEDA. These results are very encouraging and with the drug already available in India, successful results from the COVID-19 trial could lead to a rapid increase in sales.

SUMMARY DATA

52-Week High \$0.29
52-Week Low \$0.09
One-Year Return (%) 7.00
Beta 1.56
Average Daily Volume (sh) 144,484

Shares Outstanding (mil) 89
Market Capitalization (\$mil) \$19
Short Interest Ratio (days) N/A
Institutional Ownership (%) 0
Insider Ownership (%) 39

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 2020 Estimate N/A
P/E using 2021 Estimate N/A

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

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2020	0.0 A	1.4 A	0.0 A	0.0 E	1.0 E
2021					0.0 E
2022					0.0 E

Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-\$0.02 A	-\$0.02 A	-\$0.01 A	-\$0.06 A	-\$0.11 A
2020	-\$0.04 A	\$0.01 A	-\$0.02 A	-\$0.01 E	-\$0.07 E
2021					-\$0.03 E
2022					-\$0.04 E

WHAT'S NEW

Business Update

Positive Interim Results for ARTIVeda™ in COVID-19 Trial

On November 30, 2020, Mateon Therapeutics, Inc. (MATN) [provided](#) a development update on ARTIVeda™/ArtiShield™, the company's lead Ayurvedic drug against COVID-19 (ARTIVeda in India and ArtiShield in the rest of the world).

The company is currently conducting the ARTI-19 global study of ARTIVeda in India with additional clinical sites set to open in Nigeria and Peru. The trial is on pace to have 120 subjected enrolled in India by Dec. 15, 2020 and as of Nov. 30, 2020 a total of 78 patients had been randomized. An interim analysis was performed for the first 32 patients, with all participants in the trial graded according to the WHO scale as shown in the following figure ([WHO](#)).

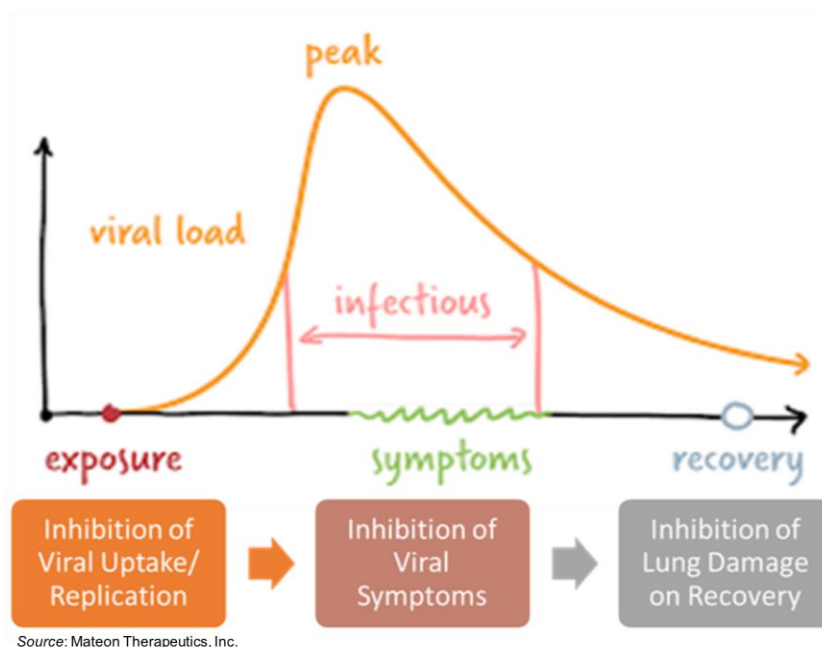
Patient State	Descriptor	Score
Uninfected	Uninfected; no viral RNA detected	0
Ambulatory mild disease	Asymptomatic; viral RNA detected	1
	Symptomatic; independent	2
	Symptomatic; assistance needed	3
Hospitalised: moderate disease	Hospitalised; no oxygen therapy*	4
	Hospitalised; oxygen by mask or nasal prongs	5
Hospitalised: severe diseases	Hospitalised; oxygen by NIV or high flow	6
	Intubation and mechanical ventilation, $pO_2/FiO_2 \geq 150$ or $SpO_2/FiO_2 \geq 200$	7
	Mechanical ventilation $pO_2/FiO_2 < 150$ ($SpO_2/FiO_2 < 200$) or vasopressors	8
	Mechanical ventilation $pO_2/FiO_2 < 150$ and vasopressors, dialysis, or ECMO	9
Dead	Dead	10

Source: WHO

Of the 32 patients in the interim analysis, eight of them were WHO scale 2 and 24 (n=8 SOC only; n=16 ARTIVeda + SOC) of them were WHO scale 4. Of those who were WHO scale 4 upon randomization (which means the patient is hospitalized), there was no time dependent treatment effect. For those on ARTIVeda +SOC, 75% of them improved to WHO scale 3 on Day 2 of treatment with ARTIVeda (no hospitalization required). In addition, 40% of the WHO scale 4 patients improved to WHO scale 1 on Day 5 of treatment with ARTIVeda, which means they were no longer symptomatic. These results are very encouraging and we look forward to additional data updates in the weeks ahead.

The ARTI-19 trial is a Phase IV study to evaluate the safety and efficacy of ARTIVeda in patients suffering from COVID-19, with an emphasis on moderate patients (WHO scale 4-5). It is comparing standard of care (SOC) plus daily oral administration of Artemisia absinthium powder 500 mg for five days to SOC alone, with the option to repeat dosing until the disease is resolved or the subject is discharged up to three consecutive cycles.

Artemisinin is one of the active components of ArtiShield and is known to inhibit the TGF- β signaling pathway and neutralize SARS-CoV-2 *in vitro* at a concentration of 0.45 $\mu\text{g}/\text{mL}$ while exhibiting a safety index of 140, which is better than remdesivir and chloroquine. In addition, a recent publication described a virtual screening of over 200,000 natural compounds from the ZINC library (Sterling *et al.*, 2015) to identify leads with the highest binding affinity to the SARS-CoV-2 S protein, of which artemisinin was one of four selected (Alazmi *et al.*, 2020). Lastly, a study published in Nov. 2020 showed that the combination of artemisinin and piperazine had a therapeutic effect on COVID-19 by decreasing the mean time to reach undetectable viral RNA (Li *et al.*, 2020). The aforementioned data suggest that artemisinin is active during all phases of COVID-19: inhibiting viral replication following exposure, alleviating symptoms during peak viral infection, and preventing lung damage during recovery.



Conclusion

The results for ARTIVeda are encouraging and we look forward to additional updates as the trial progresses. There is ample supply of the drug currently available and it is already approved for sale for the treatment of fever and inflammation in India. We believe that positive results from the ARTI-19 trial will allow for the drug to be marketed as a COVID-19 treatment in India, which should help to ramp up sales rather quickly. We estimate that approximately 1 million individuals could be reached during the initial launch of the drug, and we conservatively estimate \$12 million in sales in 2021 (Mateon has a 50/50 profit sharing plan in place with its partner Windlas Biotech Pvt. Ltd.), although we will adjust those estimates accordingly as initial sales figures are known. Based on the results seen thus far and the opportunity available for a cost-effective COVID-19 treatment, we are raising our valuation for Mateon to \$0.70.

PROJECTED FINANCIALS

Mateon Therapeutics, Inc.	2019 A	Q1 A	Q2 A	Q3 A	Q4 E	2020 E	2021 E	2022 E
OT-101 (Cancer)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
CA4P	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Oxi4503	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
ArtiShield	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Income	\$0.1	\$0.3	\$1.4	\$0.0	\$0.0	\$1.7	\$0.0	\$0.0
Total Revenues	\$0.1	\$0.3	\$1.4	\$0.0	\$0.0	\$1.7	\$0.0	\$0.0
Cost of Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Product Gross Margin</i>	<i>100%</i>					<i>100%</i>	<i>#DIV/0!</i>	<i>#DIV/0!</i>
Research & Development	\$1.4	\$0.3	\$0.5	\$0.9	\$0.6	\$2.3	\$5.0	\$8.0
General & Administrative	\$2.9	\$2.7	\$0.9	\$0.7	\$1.0	\$5.3	\$6.0	\$7.0
Other (Income) Expense	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Operating Income	(\$4.2)	(\$2.6)	\$0.0	(\$1.6)	(\$1.6)	(\$5.9)	(\$11.0)	(\$15.0)
Non-Operating Expenses (Net)	(\$2.2)	(\$2.0)	\$0.6	(\$0.4)	(\$1.0)	(\$2.8)	(\$1.0)	(\$1.0)
Pre-Tax Income	(\$6.4)	(\$4.6)	\$0.6	(\$2.0)	(\$2.6)	(\$8.7)	(\$12.0)	(\$16.0)
Income Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0	\$0
<i>Tax Rate</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
Net Income	(\$6.4)	(\$4.6)	\$0.6	(\$2.0)	(\$2.6)	(\$8.7)	(\$12.0)	(\$16.0)
<i>Net Margin</i>	-	-	-	-	-	-	-	-
Reported EPS	(\$0.11)	(\$0.05)	\$0.01	(\$0.02)	(\$0.01)	(\$0.07)	(\$0.03)	(\$0.04)
Basic Shares Outstanding	60.0	84.9	88.2	89.0	200.0	115.5	400.0	425.0

Source: Zacks Investment Research, Inc.

David Bautz, PhD

HISTORICAL STOCK PRICE



Source: Zacks Small Cap Research

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