

Plenty of progress in H1

17 September 2020

Having navigated the challenge of running a clinical trial during a global pandemic, Destiny has blossomed in mid-2020. It is on track to announce top-line Phase 2b results for XF-73 in the prevention of post-surgical infections in Q1 2021. It has also expanded its pipeline to span the two most contemporary issues in biotech – the microbiome and the prevention of COVID-19 infections. Destiny's interim financials demonstrate its continued prudent financial management that underpins these achievements against the backdrop of Covid-19.

Interim financials

Destiny continues to define prudent financial management. R&D expenses of £2.3m (£1.7m in H1 2019) were slightly higher than our prior estimate, due to the ongoing clinical trial expenses that increased slightly as a result of the pandemic. On the other hand, lower other administrative expenses than we had estimated have left our **FY 2020 financial estimates largely unchanged**.

Cash at the end of H1 2020 was £5.6m (£9.1m at the end of H1 2019) and in-line with our estimates. The company's **cash runway now extends to the end of 2021** which should be more than enough time to partner XF-73 after positive Phase 2b results in Q1 2021.

Clinical trial update

Destiny have weathered the challenges of clinical trial recruitment and management during the global pandemic that led other companies to abandon their studies. The Phase 2b study continues to recruit, with 88 of the 125-patient FDA-agreed target already on board and having **breezed through the interim independent safety review**. Our detailed recent [initiation note](#) suggested that the chances of success for the study of this active antimicrobial (that has demonstrated nasal decolonisation in healthy volunteers) should be high. Both the clinical trial and safety updates maintain that view.

Valuation updated

Our risk-adjusted NPV model of Destiny Pharma is based only on the costs and revenues of XF-73, recently updated for Destiny's cash. We assume that Destiny will license XF-73 after Q1 2021 and it will launch in 2024. The Phase 2b study results in Q1 2021 will necessitate our model revision for probability of success and the imminent Phase 3 stage.

We value Destiny Pharma at £84.5m, or 193p per share.

Summary Financials					
£'000s, y/e 31 December	2017A	2018A	2019A	2020E	2021E
Revenues					
EBIT	-3,222	-6,084	-5,585	-5,851	-2,877
Basic EPS (p)	-8.45	-11.86	-10.75	-11.37	-4.65
Net Assets	16,686	12,257	7,759	2,774	758
Net Cash	16,724	12,061	7,480	3,274	876

Source: Company historic data, ED estimates

EPIC	DEST
Price (last close)	58p
52week Hi/Lo	62p / 30p
Market cap	£25.4m
ED value / share	£84.5m / 193p
Net cash Jun '20	£5.6m
Avg. daily volume	61,075

Share Price, p



Source: ADVFN

Description

Destiny Pharma (Destiny) is a clinical development-stage biotechnology company developing novel anti-infectives to prevent and treat infections caused by sensitive and resistant bacteria.

Destiny's proprietary drug discovery platform has generated a number of active antimicrobials including its lead drug XF-73. XF-73 is currently in a Phase 2b clinical study under a US IND for the prevention of staphylococcal post-operative infections. In September 2020, Destiny started a preclinical collaboration to prevent COVID-19 diseases by stimulating innate immunity.

Destiny's shares are listed on the UK London Stock Exchange's Alternative Investment Market.

Andy Smith (Analyst)

0207 065 2690
andy.smith@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk

Forecasts

Consolidated Income Statement & Forecasts					
£'000s, y/e 31 December	2017A	2018A	2019A	2020E	2021E
IFRS Income Statement					
Total revenue					
Administration expenses	-1011	-1800	-1030	-1150	-1900
R&D	-387	-3546	-3800	-4600	-950
Other income (expense)	-613		306	25	
Share-based payments & exceptionals	-710	-738	-204	-117	-25
Depreciation & amortisation	-2	-4		-9	-2
Reported EBIT	-3222	-6084	-5585	-5851	-2877
Reported profit before tax	-3211	-6008	-5521	-5825	-2841
Taxation	234	841	813	839	800
Reported Net income	-2977	-5167	-4708	-4985	-2041
Basic EPS (c before 2019, p after 2019)	-8.45	-11.86	-10.75	-11.98	-4.68
Diluted EPS (c before 2019, p after 2019)	-8.45	-11.86	-10.75	-11.31	-4.65

Source: Company historic data, ED estimates

Consolidated Balance sheet & Forecasts					
£'000s, at y/e 31 December	2017A	2018A	2019A	2020E	2021E
Assets					
Non-current assets					
Tangible assets	22	30	33	26	24
Intangible assets					
Total non-current assets	22	30	33	26	24
Current assets					
Trade and other receivables	277	931	911	560	277
Cash and equivalents	11724	7061	7480	3274	8876
Total current assets	17061	13028	8525	3850	9170
Total assets	17083	13058	8557	3876	9194
Equity and liabilities					
Equity					
Ordinary shares	436	436	439	439	439
Share Premium	17292	17292	17296	17296	17321
Retained earnings	-1042	-5471	-9976	-14961	-17002
Equity attributable to the company	16686	12257	7759	2774	758
Total equity	16686	12257	7759	2774	758
Current liabilities					
Trade and other payables	-152	-404	-514	-818	-152
Total current liabilities	-397	-802	-798	-1,102	-436
Total non-current liabilities					-8000
Total equity and liabilities	17083	13058	8557	3876	9194

Source: Company historic data, ED estimates

Consolidated Cash flow Statement & Forecasts

£'000s, y/e 31 December	2017A	2018A	2019A	2020E	2021E
Profit before taxation	-3211	-6008	-5521	-5825	-2841
Adjustment for:					
Depreciation & amortisation	2	10	18	9	2
Movements in working capital	165	381	-83	656	-383
Share-based payments	710	738	204	117	25
Net cash generated by operating activities	-2153	-4721	-4631	-4230	-2433
Investing activities					
Capital expenditure on tangibles	-23	-18	-21	-2	
Other investing activities	-4990	76	5063	27	36
Net cash used in investing activities	-5013	58	5043	25	26
Financing activities					
Net proceeds from issue of shares	17409		7		
Movements in debt					8000
Net cash from financing activities	17409		7		8000
Cash & equivalents at beginning of year	1481	11724	7061	7480	3274
Cash & equivalents at end of year	11724	7061	7480	3274	8876

Source: Company historic data, ED estimates



Investor Access

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Equity Development Limited ('ED') is retained to act as financial adviser for various clients, some or all of whom may now or in the future have an interest in the contents of this document and/or in the Company. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but make no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any person who is not a relevant person under this section should not act or rely on this document or any of its contents. Research on its client companies produced and distributed by ED is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent, as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

This report is being provided to relevant persons by ED to provide background information about Destiny Pharma plc. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

ED may in the future provide, or may have in the past provided, investment banking services to the Company. ED, its Directors or persons connected may have in the future, or have had in the past, a material investment in the Company.

More information is available on our website

www.equitydevelopment.co.uk

Equity Development, 15 Eldon Street, London, EC2M 7LD. Contact: info@equitydevelopment.co.uk 0207 065 2690