Destiny Pharma plc

18 December 2019

Differentiated anti-infectives

Following the set of largely established US and EU guidelines which recommend the decolonisation of patients' noses of *Staphylococcus aureus* before surgery to prevent subsequent surgical site infections, Destiny recently reported the new Asia Pacific Society of Infection Control (APSIC) guidelines that are now harmonised with the US and EU positions. This is important for Destiny's first product – XF-73 which is currently in a US Phase IIb study for the prevention of post-surgical staphylococcal infections.

Not your usual anti-infectives company

Destiny Pharma's lead product is XF-73 is a new antimicrobial agent against which, resistance has not been detected in clinical trials, nor has it been generated in the lab. In addition, the testing of the most recent highly-resistant *Staphylococcus aureus* (*S.aureus*) clinical isolates did not detect resistance to XF-73. While many investors and observers cite perfectly valid reasons why anti-infective therapies have not been commercially viable, and anti-infective R&D has been curtailed to all but two big pharmaceutical companies, Destiny Pharma represents a strong case for **not throwing the baby out with the bathwater**. This is because Destiny's lead product, XF-73 is being studied in the **prevention** of post-surgical staphylococcal infections whereas most recently-launched antibiotics have been reserved for the **treatment** of resistant infections. The prevention of post-surgical staphylococcal infections (like influenza vaccinations to prevent the flu) does not require a pre-existing infection, only a population of patients at risk of developing one. This is a new indication where the use of XF-73 in asymptomatic patients could prevent an expensive-to-resolve infection.

APSIC guidelines create a paradox

The new APSIC guidelines on the prevention of post-surgical site staphylococcal infections by nasal decolonisation before, and just after surgery, are now aligned with surgical and infection control societies' recommendations in the US and in Europe. This harmonisation does however, present a paradox. While it is accepted logic that the decolonisation of patients' noses of *S.aureus* before surgery prevents a post-surgical infection, in the US at least, no antibiotic or antimicrobial agent is approved for this indication. Some agents, like mupirocin are used off-label in the US and approved in the UK for example.– Yet they are discouraged by good antibiotic stewardship policies in order to prevent the further emergence of mupirocin resistance in multi- or methicillin-resistant *S.aureus* (MRSA) strains where mupirocin remains virtually the only agent that can decolonise a MRSA outbreak. Thus XF-73, being a new anti-infective in this new **preventative** indication addresses not just this paradox, but investors' bias against new antibiotic **treatments**, with virtually no on-label competition.

US Phase IIb results expected in 2020

With the US Phase IIb clinical trial results expected in mid-2020 and few anti-infective products failing on efficacy grounds, Destiny looks set for an interesting year.

Company Data

EPIC	DEST
Price (last close)	43.0p
52 week Hi/Lo	85p/33p
Market cap	£18.6m
Proforma cash Jun. '19	£9.1m
Avg. daily volume	8,779

Share Price, p

Source: ADVFN

Description

Destiny Pharma plc is an AIM-listed biotechnology company devoted to developing and commercialising new antimicrobial agents that have unique properties, including no transferable or innate resistance in target pathogens, that improve outcomes for patients. Destiny's first product, XF-73, is a topical anti-infective that is currently in a US Phase IIb clinical study which is expected to report results in mid-2020.

Andy Smith (Analyst)

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

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk

Investor Access

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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