

AGM update and CEO transition

Destiny's AGM provided a summary of an eventful year that included the licensing of its lead Phase 3-ready asset NTCD-M3 and a successful fundraising. With attention turning to the partnering of its second Phase 3-ready product XF-73, the backdrop to new anti-infectives continues to be much more supportive. The AGM was preceded by the announcement of Destiny's CEO's departure and interim replacement.

CEO transition

Just prior to its AGM, Destiny announced the departure of its CEO for pastures new. Neil Clark was appointed prior to Destiny's IPO in 2017 and has presided over its transformation in clinical, regulatory and financial terms. It is a testimony to Destiny's success that we assume his departure will be to another company. Neil will be replaced on an interim basis, and with a handover period, by Dr Debra Barker, whom we have met previously. We regard Dr Barker as very competent and level-headed. Moreover, it is unusual for a listed anti-infectives company to be led by someone with significant anti-infective drug development experience, as is the case with Dr Barker. Investors should have confidence that Dr Barker's statement in the announcement reinforces her and Destiny's priority in advancing partnership discussions on XF-73, and of **business as usual at Destiny Pharma**.

More supportive news in antimicrobials

As Destiny's and its investors' focus turns to its second Phase 3-ready product – XF-73 for the prevention of post-operative staphylococcal infections – the once 'left for dead' anti-infectives space in big pharma is **undergoing a renaissance**. This may in part be due the clinical and regulatory successes of microbiome-based preventative drugs, where Destiny can also take credit with its lead and now partnered product. The combination of the preventative antimicrobial drug like XF-73 and the recent interest by big pharma in anti-infectives, should only **raise the chances of a licensing transaction** in the next year. Only this week the US FDA approved a new antibiotic combination Xacduro for the treatment of resistant Gram negative infections. Xacduro was unanimously supported in its Advisory Committee meeting and provides evidence that the profile of the treatment of antimicrobial-resistant infections continues to rise. While Xacduro was spun out of AstraZeneca, GSK recently announced the results of two trials of its antibiotic gepotidacin that were stopped early for efficacy. Both products were developed to address resistant infections, although they will be exposed to the challenges of commercialising anti-infective therapies. Destiny's XF-73 has been developed without finding bacteria that are resistant to it and, just as importantly, **is being developed to prevent infections**. This contrasts with Xacduro and gepotidacin which will only be prescribed to patients with a resistant infection.

Fair value unchanged

Our fair value for Destiny Pharma plc remains at £254.7m (or 279 pence per share).

Summary Financials					
£'000s, y/e 31 December	2020A	2021A	2022E	2023E	2024E
Revenues					
EBIT	-6,553	-6,287	-7,776	-7,834	-5,253
Basic EPS (p)	-12.0	-8.9	-9.3	-7.4	-4.5
Net Assets	12,436	7,509	7,626	8,487	4,308
Net Cash	9,744	4,646	4,903	5,941	2,895

Source: Company historic data, ED estimates.

Company Data

EPIC	DEST
Price	30p
52 weeks Hi/Lo	62p / 27p
Market cap	£28m
ED Fair Value - per share	£254.7m / 279p
Reported cash end H2 22	£4.9m
Avg. daily volume	371k

Share Price, p



Source: ADVFN

Description

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

Destiny's proprietary drug discovery platform has generated a number of active antimicrobials including its lead drug XF-73. XF-73 has successfully completed 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. In November 2020, Destiny acquired the Phase 3-ready asset NTCD strain M3 for the prevention of *C. difficile* infections (CDI).

Destiny's shares are listed on AIM.

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FINANCIALS

Income Statement & Forecasts					
£'000s, y/e 31 December	2020A	2021A	2022E	2023E	2024E
IFRS Income Statement					
Total revenue					
Administration expenses	-1925	-2200	-2497	-2100	-2100
R&D	-4500	-3816	-4900	-5066	-2,900
Other income (expense)		135	154		
Share-based payments & exceptionals	-139	-406	-534	-250	-250
Depreciation & amortisation				-2	-3
Reported EBIT	-6553	-6287	-7776	-7834	-5253
Reported profit before tax	-6481	-6271	-7712	-7686	-5074
Taxation	1070	932	1208	950	950
Reported Net income	-5411	-5339	-6504	-6736	-4124
Basic EPS (p)	-11.97	-8.92	-9.27	-7.39	-4.52
Diluted EPS (p)	-11.97	-8.92	-9.27	-7.39	-4.52

Source: Company historic data, ED estimates

Balance Sheet & Forecasts					
£'000s, at y/e 31 December	2020A	2021A	2022E	2023E	2024E
Assets					
Non-current assets					
Tangible assets	18	36	25	25	26
Intangible assets	2261	2261	2261	2261	2261
Total non-current assets	2280	2297	2286	2287	2287
Current assets					
Trade and other receivables	1172	992	1410	1410	277
Cash and equivalents	9744	4646	4903	5941*	2895**
Total current assets	11425	5985	6501	7547	3368
Total assets	13705	8283	8796	9833	5655
Equity and liabilities					
Equity					
Ordinary shares	598	599	733	943	943
Share Premium	27086	27091	33044	39431	39431
Retained earnings	-15247	-20181	-26151	-31888	-36066
Equity attributable to the company	12436	7509	7626	8487	4308
Total equity	12436	7509	7626	8487	4308
Current liabilities					
Trade and other payables	726	218	173	349	349
Total current liabilities	1268	773	1107	1347	1347
Total non-current liabilities					
Total equity and liabilities	13705	8283	8796	9833	5655

Source: Company historic data, ED estimates. *Including \$1m upfront milestone from M3 licensing transaction.

**including an estimated \$1m milestone from XF-73 licensing transaction

Cash Flow Statements & Forecasts

£'000s, y/e 31 December	2020A	2021A	2022E	2023E	2024E
Profit before taxation	-6481	-6271	-7712	-7686	-5074
Depreciation & amortisation	17	13	12	2	3
Share-based payments	139	406	534	250	250
Movements in working capital	91	-296	411		
Net cash generated by operating activities	-5492	-5090	-5892	-6631	-4050
Investing activities					
CapEx on tangibles & intangibles	-2264	-30	-1		-1
Acquisitions					
Other investing activities	72	16	65	147	178
Net cash used in investing activities	-2192	-15	64	147	178
Financing activities					
Proceeds from issue of shares	9949	7	6086	6737	
Movements in debt					
Net cash from financing activities	9949	7	6086	7522*	826**
Cash & equivalents at beginning of year	7480	9744	4646	4903	5941
Cash & equivalents at end of year	9744	4646	4903	5941	2895

Source: Company historic data, ED estimates. *Including \$1m upfront milestone from M3 licensing transaction.

**Including an estimated \$1m milestone from XF-73 licensing transaction.



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