

XF-73 Momentum

Destiny's recent announcements have continued to bolster the profile of its Phase 3-ready asset, XF-73 Nasal. With the business focussed on shepherding potential partners to a licensing transaction (which we have estimated to occur this year), Destiny's SAB meeting endorsed the clinical program that has been agreed with regulators.

Business update

Destiny's recent business update noted the **continued partnering interest** on XF-73 Nasal – its now lead product for the prevention of post-surgical staphylococcal infections now that NTCD-M3 has been partnered in the US – and the active discussions with potential partners who have access to the data room. The announcement also implied that the data room would include details and the requirements for the XF-73 Nasal clinical trial plan that has been agreed with the US FDA and the EMA for Europe. It is important for potential partners to be able to quantify their spend on the XF-73 Nasal Phase 3 program and investors will remember similar announcements agreeing the NTCD-M3 Phase 3 program with regulators before NTCD-M3's licensing to Sebela Pharmaceuticals.

The focus of the recent business update was the partnering of XF-73 Nasal which is the priority of the interim CEO and the new Consultant Head of Business Development. With the new hire's experience in the US, like NTCD-M3, it is likely that the first (or only, if global) XF-73 Nasal licensing transaction will be for the US market **because our estimates of XF-73's peak sales are just over \$2bn**, with 97% of them in the US.

XF-73 Scientific Advisory Board

Destiny's more recent announcement was on the positive Scientific Advisory Board (SAB) comments on XF-73 Nasal. Investors sometimes underestimate the value of SABs even, like in Destiny's recent meeting, when it comprises the great and the good - or key opinion leaders (KOLs) - of surgical infections. However, Destiny could not have described the meeting as "positive" had the SAB not reviewed and endorsed the clinical program and endpoints for XF-73 Nasal's Phase 3 studies. This will give both investors and potential partners additional reassurance, especially since both clinical and microbiological endpoints will be measured, and the role of XF-73 Nasal in **preventing antimicrobial resistance** (AMR) was highlighted. This latter AMR point will appeal to hospital infectious disease specialists in helping their role in antibiotic stewardship.

While one of the KOLs mentioned the XF-73 Nasal Phase 3 program providing the evidence "**across a wide range of surgeries**" i.e. reflecting a broad label, our model perhaps currently underestimates such a wide utility and is confined to only high-risk surgical procedures.

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	2022A	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	27.8p
52 weeks Hi/Lo	62p / 25p
Market cap	£26m
ED Fair Value - per share	£254.7m / 279p
Reported cash end H2 22	£4.9m
Avg. daily volume	314k

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.

Andy Smith (Analyst)

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

Andy Edmond

0207 065 2691
andy@equitydevelopment.co.uk

FINANCIALS

Income Statement & Forecasts					
£'000s, y/e 31 December	2020A	2021A	2022A	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	2022A	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	2022A	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.



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. 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 makes 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 reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. 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.

Research produced and distributed by ED on its client companies 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.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document to the maximum extent that the law permits.

More information is available on our website www.equitydevelopment.co.uk

Equity Development, Park House, 16-18 Finsbury Circus, London EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 269