

## What a difference a year makes

14 April 2021

Destiny has transformed its position from a year ago, both in fundamental terms and in share price strength. A year ago, Destiny was navigating the conduct of its Phase 2b clinical trial through the challenges of the pandemic. A year on, positive results from that study, the acquisition of another Phase 3-ready program, plus a successful fundraising have all transformed Destiny's investment proposition. Their FY 2020 financials also emphasize what has not changed about Destiny – its prudent financial management.

### FY 2020 results

The costs and news flow of Destiny's US Phase 2b study rightly dominated its FY 2020 financial results. Operating expenses increased to £6.4m (£5.7m in FY 2019), including R&D costs of £4.5m, and £1.9m in other administrative costs (£3.8m and £1.9m in FY 2019, respectively). With positive results announced recently, this higher expense should be seen as **money well spent**. Destiny's FY 2020 operational costs were buffered by the beneficial effects of an expected £1.1m R&D tax credit and £0.01m in grant income (£0.8m and £0.3m in FY 2019, respectively). Cash at the end of FY 2020 was boosted by the £10.4m gross fundraising which was associated with the acquisition of the NTCD-M3 asset. YE 2020 cash was £9.7m (vs £7.5m at end FY 2019 and £5.6m at the end of H1 20). Destiny has always prudently managed its financial resources and subject to our expectations for partnering transactions, we estimate that its cash reach will extend beyond Q4 2022.

### More rounded development portfolio

Beyond the success of the Phase 2b study the XF-73 nasal formulation in the prevention of post-operative staphylococcal infections, Destiny's extensive FY 2020 results statement gave a sense of how its portfolio has expanded in the last year. As well as the acquisition of NTCD-M3 for the prevention of *Clostridioides difficile* infection recurrence, (**making two wholly-owned Phase 3-ready assets**), the portfolio has grown in the last 12 months to include the pre-clinical, but very contemporary, SporCov COVID-19 collaboration, and XF-73 in dermal infections.

Destiny also announced the departure of its CMO Dr Gonzalez Moreno who in recent years has overseen the Phase 2b XF-73 study to completion. In a sense, much of the heavy lifting for Destiny's two Phase 3 studies has already been done by Dr Gonzalez Moreno and while it sets a high bar for his successor it is also a great opportunity for an ambitious CMO. It is no surprise that Destiny's clinical trial success has led to their CMO being poached by a big pharma company.

### Valuation: updated for progress

Our financials have been updated for Destiny's FY 2020 results, while our valuation has only adjusted slightly for the YE cash balance. **Our fair value of Destiny Pharma has modestly increased to £214.0m (358p per share) from £213.6m (357p per share).**

Summary Financials					
£'000s, y/e 31 December	2017A	2018A	2019A	2020A	2021E
<b>Revenues</b>					
<b>EBIT</b>	-3,222	-6,084	-5,585	-6,553	-5,944
<b>Basic EPS (p)</b>	-8.5	-11.9	-10.8	-12.0	-11.1
<b>Net Assets</b>	16,686	12,257	7,759	12,436	7,425
<b>Net Cash</b>	16,724	12,061	7,480	9,774	5,056

Source: Company historic data, ED estimates

### Company Data

EPIC	DEST
Price (last close)	173p
52 weeks Hi/Lo	177p / 29p
Market cap	£104m
ED Fair Value - per share	£214.0m / 358p
Net cash FY'20	£9.7m
Avg. daily volume	134,893

### 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 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).

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### Consolidated Income Statement & Forecasts

£'000s, y/e 31 December	2017A	2018A	2019A	2020A	2021E
<b>IFRS Income Statement</b>					
Total revenue					
Administration expenses	-1011	-1800	-1887	-1887	-1925
R&D	-387	-3546	-3800	-4500	-3816
Other income (expense)	-613		306	12	
Share-base payments & exceptionals	-710	-738	-204	-139	-25
Depreciation & amortisation	-2	-4			-2
<b>Reported EBIT</b>	<b>-3222</b>	<b>-6084</b>	<b>-5585</b>	<b>-6553</b>	<b>-5944</b>
<b>Reported profit before tax</b>	<b>-3211</b>	<b>-6008</b>	<b>-5521</b>	<b>-6481</b>	<b>-5836</b>
Taxation	234	841	813	1070	800
<b>Reported Net income</b>	<b>-2977</b>	<b>-5167</b>	<b>-4708</b>	<b>-5411</b>	<b>-5036</b>
Basic EPS (p)	-8.45	-11.86	-10.75	-11.97	-8.42
Diluted EPS (p)	-8.45	-11.86	-10.75	-11.97	-8.42

Source: Company historic data, ED estimates

### Consolidated Balance Sheet & Forecasts

£'000s, at y/e 31 December	2017A	2018A	2019A	2020A	2021E
<b>Assets</b>					
<b>Non-current assets</b>					
Tangible assets	22	30	33	18	16
Intangible assets				2261	2261
Total non-current assets	22	30	33	2280	2278
<b>Current assets</b>					
Trade and other receivables	277	931	911	1172	277
Cash and equivalents	11724	7061	7480	9744	12748
Total current assets	17061	13028	8525	11425	13534
<b>Total assets</b>	<b>17083</b>	<b>13058</b>	<b>8557</b>	<b>13705</b>	<b>15811</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Ordinary shares	436	436	439	598	598
Share Premium	17292	17292	17296	27086	27111
Retained earnings	-1042	-5471	-9976	-15247	-20284
Equity attributable to the company	16686	12257	7759	12436	7425
Total equity	16866	12257	7759	12436	7425
<b>Current liabilities</b>					
Trade and other payables	152	404	514	726	152
Total current liabilities	397	802	798	1268	694
Total non-current liabilities					-7692
<b>Total equity and liabilities</b>	<b>17083</b>	<b>13058</b>	<b>8557</b>	<b>13705</b>	<b>15811</b>

Source: Company historic data, ED estimates

<b>Consolidated Cash Flow Statements &amp; Forecasts</b>					
<b>£'000s, y/e 31 December</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>
Profit before taxation	-3211	-6008	-5521	-6481	-5836
Depreciation & amortisation	2	10	18	17	2
Share-based payments	710	738	204	139	25
Movements in working capital	165	381	-83	91	-321
Net cash generated by operating activities	-2153	-4721	-4631	-5492	-5492
<b>Investing activities</b>					
CapExp on tangibles & intangibles	-23	-18	-21	-2264	
Other investing activities	-4990	76	5063	27	107
Net cash used in investing activities	-5013	58	5043	-2192	107
<b>Financing activities</b>					
Proceeds from issue of shares	17406		7	9949	
Movements in debt					7692
Net cash from financing activities	17409		7	9949	7692
Cash & equivalents at beginning of year	1481	11724	7061	7480	9744
<b>Cash &amp; equivalents at end of year</b>	<b>11724</b>	<b>7061</b>	<b>7480</b>	<b>9744</b>	<b>12748</b>

Source: Company historic data, ED estimates



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