

Another string to the bow

Destiny have announced positive early results from its joint collaboration with SporeGen® on the prophylactic product – SPOR-COV® – to prevent respiratory infections. While the next steps in developed markets are eagerly awaited, Destiny’s manufacturing partner in Vietnam (HURO) will be delivering the product to good manufacturing practice (GMP) standards. Furthermore, HURO have already launched a retail product based on SPOR-COV, providing Destiny with supporting safety information and royalties.

SPOR-COV Rises

Destiny’s announcement of positive preclinical prophylaxis results for the prevention of COVID-19 and influenza infections elevates SPOR-COV closer to a clinical-stage product in its portfolio. SPOR-COV plays to Destiny’s strengths because, like its two lead Phase 3-ready products, it is intended to prevent infections, and builds on Destiny’s focus in developing clinical-grade spore-based microbiome products. Although a different bacterial species to Destiny’s lead product – the non-toxicogenic *Clostridioides difficile* strain M3 (M3) – SPOR-COV is also a bacterial spore-based product that was discovered by SporeGen, a UK biotech working exclusively on *Bacillus* and its applications. The advantage of preventative anti-infective drugs is that only the risk of an infection is needed to sell the product. Indeed, as SPOR-COV stimulates the non-specific innate immunity, an identified pathogen may not be required. Hence, Destiny’s mention in its announcement of the potential for stockpiling for pandemic preparedness (as were the contracts for the UK’s Acambis’ smallpox vaccine) is made even more relevant after the recent global coronavirus pandemic. SPOR-COV has the advantage over Acambis’s smallpox vaccine which was stored frozen in a stockpile years before FDA approval – because SPOR-COV should be room temperature stable. HURO has already completed a Phase 1 program and launched a retail product in Vietnam which will provide supporting toxicological and safety information for Destiny’s clinical programs.

Lots of positive news in the microbiome space

The recent news flow in the microbiome space has been very positive. Two microbiome competitors to M3 have now been approved by the FDA, Ferring’s **Rebyota** and Seres’s **Vowst** (like M3, an oral product). But these are complex mixtures derived from human faecal donors and (hopefully) treated to prevent the transmission of pathogens. This makes them **much more complex and expensive** to manufacture and needing higher pricing than Destiny’s single-strain M3 product. In addition, **Seres** raised \$250m in debt and Destiny’s competitor **Vedanta Biosciences** also raised \$106.5m in an equity fundraising to develop its product VE303, also a consortium mixture. [Our earlier research](#) had noted, within the bounds of cross-trial comparisons, **the superiority of M3** over Vowst and VE303.

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 (last close)	33.5p
52 weeks Hi/Lo	62p / 27p
Market cap	£30m
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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