

H1 2021 Interims: still on track

9 September 2021

Destiny interim H1 2021 financial results were an upbeat and extensive update on the clinical trial progress achieved in the period. There were no surprises in the financials and progress towards starting the Phase 3 studies continues. The first of these should be the NTCD-M3 study in H2 2022, subject to financing. A range of funding options are under evaluation for the progression of Destiny's two Phase 3-ready assets.

Momentum on late-stage pipeline maintained

Destiny's H1 2021 interim results were headlined by the progress made in its pipeline to reach the point of having **two Phase 3-ready assets**. While the positive progress has been detailed in our recent notes on [XF-73](#) and [NTCD-M3](#), it is clear that, even with the most recent announcement on the secondary endpoint analysis showing the [duration of the antimicrobial effects XF-73 out to six days](#), **momentum is being maintained**. Destiny's interim statement left investors in no doubt that, as an anti-infective R&D company, the commercial development of both XF-73 and NTCD-M3 will be alongside partners. With a defined clinical protocol for NTCD-M3, we expect that this will be the first partnering announcement to help fund the 800 patient Phase 3 study. Partners for XF-73 are awaiting regulatory clarity on the (cost of) the Phase 3 study: here the moving parts of the protocol include the choice of active or placebo control, the background therapy, the choice of (microbiological or clinical) endpoints and the powering of the study for inferiority or superiority.

H1 2021 interims

R&D expenses of £2.0m (£2.3m in H1 2020) were slightly higher than our £1.9m estimate, probably due to the analysis of the XF-73 secondary endpoints – **which was well worth the investment** – the planning and preparation for the Phase 3 studies, and a slightly increased headcount. With neither of Destiny's Phase 3 studies expected to start before H2 2022, we are maintaining our FY 2021 R&D expenditure estimate of £3.8m. Administrative expenses were in-line with our estimates. The £489k in R&D tax credit (£515k in H1 2020) was higher than our £400k forecast. These minor differences to our estimates slightly increase our FY 2021 loss forecast of 8.6p / share or £5.13m after Destiny's interim results of 4.2p per share or £2.49m, respectively (12.0p and £5.41, for FY 2020). Cash at the end of H1 2021 was £7.1m, (£5.6m at H1 2020), in line with our YE 2021 estimate of £12.5m, which includes a \$10m licensing transaction, and continues to **provide funding through to Q4 2022**.

Valuation unchanged

We have adjusted our financials for Destiny's interims but left our valuation unchanged. That valuation includes a \$10m upfront for a licensing transaction before YE 2021 which is required to start Destiny's Phase 3 studies, and could come from a mixture of partnering, equity, and non-dilutive funding.

Our fair value of Destiny Pharma remains at £200.2m or 335p / share.

Summary Financials					
£'000s, y/e 31 December	2017A	2018A	2019A	2020A	2021E
Revenues					
EBIT	-3,222	-6,084	-5,585	-6,553	-5,947
Basic EPS (p)	-8.5	-11.9	-10.8	-12.0	-8.6
Net Assets	16,686	12,257	7,759	12,436	7,893
Net Cash	16,724	12,061	7,480	9,744	5,329*

Source: Company historic data, ED estimates. *Including illustrative debt simulating a \$10m up licensing payment

Company Data

EPIC	DEST
Price	122p
52 weeks Hi/Lo	189p / 54p
Market cap	£73m
ED Fair Value	£200.2m
- per share	335p
Net cash H1'21	£7.1m
Avg. daily volume	48,828

Share Price, p



Source: LSE

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 the AIM.

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Income Statement & Forecasts

£'000s, y/e 31 December	2017A	2018A	2019A	2020A	2021E
IFRS Income Statement					
Total revenue					
Administration expenses	-1011	-1800	-1887	-1925	-2100
R&D	-387	-3546	-3800	-4500	-3816
Other income (expense)	-613		306	12	
Share-based payments & exceptionals	-710	-738	-204	-139	-25
Depreciation & amortisation	-2	-4			-6
Reported EBIT	-3222	-6084	-5585	-6553	-5947
Reported profit before tax	-3211	-6008	-5521	-6481	-5929
Taxation	234	841	813	1070	800
Reported Net income	-2977	-5167	-4708	-5411	-5129
Basic EPS (p)	-8.45	-11.86	-10.75	-11.97	-8.58
Diluted EPS (p)	-8.45	-11.86	-10.75	-11.97	-8.58

Source: Company historic data, ED estimates

Balance Sheet & Forecasts

£'000s, at y/e 31 December	2017A	2018A	2019A	2020A	2021E
Assets					
Non-current assets					
Tangible assets	22	30	33	26	40
Intangible assets				2261	2261
Total non-current assets	22	30	33	2280	2301
Current assets					
Trade and other receivables	277	931	911	1172	547
Cash and equivalents	11724	7061	7480	9744	12524
Total current assets	17061	13028	8525	11425	13678
Total assets	17083	13058	8557	13705	15979
Equity and liabilities					
Equity					
Ordinary shares	436	436	439	598	598
Share Premium	17292	17292	17296	27086	27091
Retained earnings	-1042	-5471	-9976	-15247	-19796
Equity attributable to the company	16686	12257	7759	12436	7893
Total equity	16866	12257	7759	12436	7893
Current liabilities					
Trade and other payables	152	404	514	726	349
Total current liabilities	397	802	798	1268	892
Total non-current liabilities					-7194*
Total equity and liabilities	17083	13058	8557	13705	15979

Source: Company data, ED estimates, * Illustrative debt representing a \$10m upfront licensing transaction payment

Cash Flow Statements & Forecasts

£'000s, y/e 31 December	2017A	2018A	2019A	2020A	2021E
Profit before taxation	-3211	-6008	-5521	-6481	-5929
Depreciation & amortisation	2	10	18	17	6
Share-based payments	710	738	204	139	211
Movements in working capital	165	381	-83	91	249
Net cash generated by operating activities	-2153	-4721	-4631	-5492	-4411
Investing activities					
CapEx on tangibles & intangibles	-23	-18	-21	-2264	-28
Other investing activities	-4990	76	5063	27	18
Net cash used in investing activities	-5013	58	5043	-2192	-10
Financing activities					
Proceeds from issue of shares	17406		7	9949	6
Movements in debt					7194*
Net cash from financing activities	17409		7	9949	7201
Cash & equivalents at beginning of year	1481	11724	7061	7480	9744
Cash & equivalents at end of year	11724	7061	7480	9744	12524

Source: Company data, ED estimates, * Illustrative debt representing a \$10m upfront licensing transaction payment



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