

## XF-73 data maturing, like a fine wine

Destiny have released additional endpoint analyses after the positive headline announcement of the Phase 2b study of XF-73 for the prevention of staphylococcal post-surgical infections in March 2021. While the primary endpoint showed a greater than 99% reduction in *S.aureus* carriage compared to placebo ( $p < 0.0001$ ) measured prior to surgery, the new analyses looked at the same endpoint, but out to six days after surgery and confirmed the durability of XF-73's effect on *S.aureus* carriage.

### Maturing XF-73 data confirms an attractive profile

Our note on Destiny's March announcement on the positive Phase 2b results of XF-73 in the prevention of post-operative infections was entitled '[Best possible scenario](#)'. This may have been an understatement as Destiny's recent analysis of the secondary endpoints at later timepoints **improved XF-73's profile even further**. This data showed that XF-73-treated patients had a **valuable, sustained** *Staphylococcus aureus* knock-down at the time points of one hour, then two and six days after surgery. This may be **even more impressive** than the previous primary endpoint data which was measured just prior to surgery, because in the period after surgery and before wound healing, patients can have their dressings changed and healing observed many times. This could allow *S.aureus* carriers more chances to infect their own wounds from their nasal colonisation. At the later time points, the reductions in the placebo and XF-73 arms were equivalent as the effects of the antibiotic cover given to all patients caught-up with XF-73's early, nasal, anti-staphylococcal effects.

### Recent challenges of competitor consortia products

The advantages of Destiny's other Phase 3-ready product [NTCD-M3](#) – a **single species microbiome** drug for the prevention of *Clostridiodes difficile* infections (CDIs) – are also continuing to improve against the competition. Seres Therapeutics' **consortium** (rather than single species) microbiome product SER-287 recently failed a Phase 2 study in ulcerative colitis. Seres' market cap is still high at \$677m. In addition, private US company Venanta Biosciences, which recently raised \$68m to take its eight-species VE303 **consortium** microbiome product into Phase 3 in the prevention of CDIs, disclosed the Phase 1 failure of its VE800 product, an 11-species consortium, in enhancing cancer therapy. Our previous note highlighted **M3's better safety and efficacy** against the competition.

### Valuation unchanged

We have maintained financial forecasts and valuation but recognise that Destiny's profile, with two Phase 3-ready anti-infective and microbiome assets, is improving with the release of its own data, and the missteps of its competitors. When Destiny starts announcing its own licensing transactions, we expect these profiles to be reflected in its valuation.

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

Summary Financials					
£'000s, y/e 31 December	2017A	2018A	2019A	2020A	2021E
<b>Revenues</b>					
EBIT	-3,222	-6,084	-5,585	-6,553	-5,944
Basic EPS (p)	-8.5	-11.9	-10.8	-12.0	-8.4
Net Assets	16,686	12,257	7,759	12,436	7,425
Net Cash	16,724	12,061	7,480	9,744	5,056*

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

#### Company Data

EPIC	DEST
Price (last close)	113p
52 weeks Hi / Lo	189p / 34p
Market cap	£68m
ED Fair Value - per share	£200.2m / 335p
Net cash FY'20	£9.7m
Avg. daily volume	108,447

#### 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 the AIM.

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### 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	-1925	-2100
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

### 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	26	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	12250
Total current assets	17061	13028	8525	11425	13036
<b>Total assets</b>	<b>17083</b>	<b>13058</b>	<b>8557</b>	<b>13705</b>	<b>15313</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	16686	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					-7194*
<b>Total equity and liabilities</b>	<b>17083</b>	<b>13058</b>	<b>8557</b>	<b>13705</b>	<b>15313</b>

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

<b>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	-4795
<b>Investing activities</b>					
CapEx 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					7194
Net cash from financing activities	17409		7	9949	7194
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>12250</b>

Source: Company historic data, ED estimates



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