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## M3's profile rising further

In a spree of positive updates to start 2022, Destiny Pharma begins the year with the profile of anti-infectives continuing to rise after the recent *Lancet* publication, the advancing regulatory preparations on the Phase 3 studies of its two lead products, and partnership discussions all aligning. Destiny's most recent announcement on the compatibility of M3 should increase its attractiveness to potential partners. We have made minor timing changes to our model.

## NTCD-M3 on top

Destiny's lead Phase 3-ready product is the non-toxicogenic *Clostridioides difficile* strain M3 (NTCD-M3). M3 was recently acquired after a significant amount of work on manufacture and protocol development by Destiny with the FDA. This resulted in the single Phase 3 study requirement for approval. Additional work has also been ongoing to enhance M3's profile further. One of the left-field spanners in drug development is a drug-drug interaction which can prevent a new drug being used with the current standard of care. Destiny's recent announcement of the preclinical studies conducted by the US Department of Veterans Affairs demonstrated **100% colonisation of the gut by M3 following treatment**. That was with either the first-line antibiotic, vancomycin, or the later-line agent Fidicid (fidaxomicin), which is typically used to treat patients after multiple *C.difficile* infection (CDI) recurrences. This should give Destiny the confidence to address the broad Phase 3 clinical trial population and large market of, as its recent market research study also suggested, first and multiple CDI recurrences, and also supports the possible line extension into primary prevention.

## Regulatory discussions, AMR and XF-73

Destiny's other recent announcements included the relevance of the [Lancet report](#) which estimated over one million deaths in 2019 due to antimicrobial resistance (AMR), and the importance of infection prevention – the indication for Destiny's second Phase 3-ready product, XF-73 in high-risk surgical patients. Destiny's first update of the year included progress on XF-73's regulatory discussions, which are expected to conclude in H1 2022, and the preparations for M3's Phase 3 study which is likely to start in 2022. In both cases, Destiny has commented on continuing discussions with partners and, as such, we expect at least one licensing transaction in 2022. Our model had estimated a transaction before YE 2021, which we have now moved into YE 2022. **The continuing interest from potential partners** noted in Destiny's announcements gives us confidence in maintaining this transaction value.

## Valuation and partnerships

We have made small adjustments to our valuation for Destiny Pharma which are the deferral of a licensing transaction to FY 2022, and in consequence, the launch of XF-73 by a partner in FY 2025 (previously 2024), and updated exchange rates. **Our fair value of Destiny Pharma is now £187.9m or 314p per share**, compared to £200.2m or 335p per share, previously.

### Company Data

EPIC	DEST
Price (last close)	98p
52 weeks Hi/Lo	190p / 98p
Market cap	£58m
ED Fair Value - per share	£187.9m / 314p
Net cash H1'21	£7.1m
Avg. daily volume	31,529

### 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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### Summary Financials

£'000s, y/e 31 December	2017A	2018A	2019A	2020A	2021E
<b>Revenues</b>					
EBIT	-3,222	-6,084	-5,585	-6,553	-5,947
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.

### 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			-6
<b>Reported EBIT</b>	<b>-3222</b>	<b>-6084</b>	<b>-5585</b>	<b>-6553</b>	<b>-5947</b>
<b>Reported profit before tax</b>	<b>-3211</b>	<b>-6008</b>	<b>-5521</b>	<b>-6481</b>	<b>-5929</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>-5129</b>
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
<b>Assets</b>					
<b>Non-current assets</b>					
Tangible assets	22	30	33	26	40
Intangible assets				2261	2261
Total non-current assets	22	30	33	2280	2301
<b>Current assets</b>					
Trade and other receivables	277	931	911	1172	547
Cash and equivalents	11724	7061	7480	9744	5329
Total current assets	17061	13028	8525	11425	6484
<b>Total assets</b>	<b>17083</b>	<b>13058</b>	<b>8557</b>	<b>13705</b>	<b>8785</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
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
<b>Current liabilities</b>					
Trade and other payables	152	404	514	726	349
Total current liabilities	397	802	798	1268	892
Total non-current liabilities					
<b>Total equity and liabilities</b>	<b>17083</b>	<b>13058</b>	<b>8557</b>	<b>13705</b>	<b>8785</b>

Source: Company historic data, ED estimates

### 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
<b>Investing activities</b>					
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
<b>Financing activities</b>					
Proceeds from issue of shares	17406		7	9949	6
Movements in debt					
Net cash from financing activities	17409		7	9949	
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>5329</b>

Source: Company historic data, ED estimates



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