

A useful addition to XF-73's profile

5 July 2022

Destiny have announced a new XF-73 research programme on the prevention of oral mucositis (OM) in cancer and other immunosuppressed patients. This new programme for an additional potential indication for XF-73 should enhance the product's profile but does not affect the priority and anticipation of a partnering deal for Destiny's lead product – NTCD M3 for CDIs – which we continue to expect in 2022.

XF-73 in the prevention of OM

Destiny's announcement of a new research programme on the prevention of OM using XF-73 adds an additional potential indication and may enhance the partnering transaction for XF-73 nasal which we expect will come after the anticipated licensing transaction for Destiny's lead product, non-toxicogenic *Clostridioides difficile* strain M3, in 2022.

We know from the Phase IIb study on XF-73 nasal in the prevention of post-operative staphylococcal infections that **XF-73 is an active topical antimicrobial that acts quickly for a defined time**. Having shown antimicrobial activity in human nasal passages, the prevention of OM in the mouth and throat is a logical indication extension of XF-73's use in modulating the microbiome of mucosal surfaces. This profile should be applicable to the prevention of OM, which dramatically affects the quality of life of cancer patients.

As well as expecting a transaction on NTCD-M3 this year, we are also looking forwards to regulatory clarity on the size, endpoints and comparators for the XF-73 Phase 3 study with the FDA and EMA. That news, along with the growing list of potential indications now expanded to include the prevention of OM, should help a licensing transaction for XF-73 which we anticipate in 2023.

CMO and expanded Board in place

Destiny remains confident on the potential for its two Phase 3-ready products and the recent appointments of a new CMO, Dr Yuri Martina, and additional Board members will help steer Destiny through its full to do list of ongoing regulatory and partnering discussions.

Valuation unchanged for now

We had recently updated our model and valuation after Destiny's FY 2021 results and recent fundraising so the announcement of this new research collaboration does not yet change our estimates of cash burn, although at some point it may enhance the XF-73 licensing transaction value.

Our valuation remains at £209.6m or 288p per share.

Summary Financials					
£'000s, y/e 31 December	2018A	2019A	2020A	2021E	2022E
Revenues					
EBIT	-6,084	-5,585	-6,553	-6.287	-9,508
Basic EPS (p)	-11.9	-10.8	-12.0	-8.9	-11.9
Net Assets	12,257	7,759	12,436	7,509	3.957
Net Cash	12,061	7,480	9,744	4.646	1,185*

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

Company Data

EPIC	DEST
Price (last close)	41p
52 weeks Hi/Lo	141p / 37.5p
Market cap	£28.2m
ED Fair Value	£209.6m
- per share	288p
Estimated net cash end FY 22	£1.2m
Avg. daily volume	29,251

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.

Andy Smith (Analyst)

0207 065 2690
andy.smith@equitydevelopment.co.uk

Andy Edmond

0207 065 2691
andy@equitydevelopment.co.uk

Income Statement & Forecasts

£'000s, y/e 31 December	2018A	2019A	2020A	2021A	2022E
IFRS Income Statement					
Total revenue					
Administration expenses	-1800	-1887	-1925	-2200	-2100
R&D	-3546	-3800	-4500	-3816	-6866
Other income (expense)		306	12	135	123
Share-base payments & exceptionals	-738	-204	-139	-406	-210
Depreciation & amortisation	-4				-2
Reported EBIT	-6084	-5585	-6553	-6287	-9508
Reported profit before tax	-6008	-5521	-6481	-6271	-9457
Taxation	841	813	932	800	800
Reported Net income	-5167	-4708	-5411	-5339	-8657
Basic EPS (p)	-11.86	-10.75	-11.97	-8.92	-11.90
Diluted EPS (p)	-11.86	-10.75	-11.97	-8.92	-11.90

Source: Company historic data, ED estimates

Balance Sheet & Forecasts

£'000s, at y/e 31 December	2018A	2019A	2020A	2021A	2022E
Assets					
Non-current assets					
Tangible assets	30	33	26	40	40
Intangible assets			2261	2297	2297
Total non-current assets	30	33	2280	2297	2338
Current assets					
Trade and other receivables	931	911	1172	992	992
Cash and equivalents	7061	7480	9744	4646	8597*
Total current assets	13028	8525	11425	5985	9877
Total assets	13058	8557	13705	8283	12215
Equity and liabilities					
Equity					
Ordinary shares	436	439	598	599	663
Share Premium	17292	17296	27086	27091	33692
Retained earnings	-5471	-9976	-15247	-20181	-30398
Equity attributable to the company	12257	7759	12436	7509	3957
Total equity	12257	7759	12436	7509	3957
Current liabilities					
Trade and other payables	404	514	726	218	349
Total current liabilities	802	798	1268	773	905
Total non-current liabilities					
Total equity and liabilities	13058	8557	13705	8283	12215

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

Cash Flow Statements & Forecasts

£'000s, y/e 31 December	2018A	2019A	2020A	2021E	2022E
Profit before taxation	-6008	-5521	-6481	-6271	-9457
Depreciation & amortisation	10	18	17	13	2
Share-based payments	738	204	139	406	210
Movements in working capital	381	-83	91	-296	0
Net cash generated by operating activities	-4721	-4631	-5492	-5090	-8496
Investing activities					
CapEx on tangibles & intangibles	-18	-21	-2264	-30	0
Other investing activities	76	5063	27	16	51
Net cash used in investing activities	58	5043	-2192	-15	-1420
Financing activities					
Proceeds from issue of shares		7	9949	7	6455
Movements in debt					7353*
Net cash from financing activities		7	9949	7	13807
Cash & equivalents at beginning of year	11724	7061	7480	9744	4646
Cash & equivalents at end of year	7061	7480	9744	4646	1185*

Source: Company historic data, ED estimates.

*including \$10m milestone and matching liability for \$10m milestone

Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Equity Development, Park House, 16-18 Finsbury Circus, London EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 269