Destiny Pharma plc

29 April 2020

Differentiated anti-infectives

Destiny Pharma's FY 2019 results featured its ongoing Phase IIb study of its lead drug XF-73 for the prevention of post-operative staphylococcal infections and its prudent cash management. News from this study remains a fundamental component of Destiny's investment proposition. Careful financial management had decreased Destiny's operating loss to £5.6m (vs. £6.1m in FY 2018) of which, R&D costs were £3.8m (£3.5m in FY 2018). At this point, most of Destiny's operational expense is due to the clinical study and captured under R&D cost. **Destiny remains well-funded with cash of £7.5m at the end of FY 2019 which provides a runway through Q4 2021.**

FY 2020 Results

The ongoing US Phase IIb study largely drove its FY 2019 financial results with total operating expenses of £5.6m (£6.1m in FY 2018) that comprised of R&D costs of £3.8m and £1.9m in other administrative costs (£3.5m and £1.8m in FY 2018, respectively). This was softened by a £0.8m R&D tax credit and £0.3m in grant income (£0.8m and £0m in FY 2018, respectively). Cash at the end of FY 2019 was £7.5m (vs £12.1m at end FY 2018 and £9.1m at the end of H1 19). As a semi-virtual company with few major costs outside of the currently paused clinical study, Destiny's prudent management can stretch its financial resources at least through Q4 2021. The coronavirus pandemic has brought swings and roundabouts for Destiny – a pause to the Phase IIb study and therefore a delay in licensing the product, but a raised profile for antimicrobial resistant (AMR) hospital infections, that now make a licensing transaction more likely.

Clinical trial dominates news and financials

The use of nasal decolonisation protocols with unapproved agents in large teaching hospitals had already added an initial delay to the Phase IIb clinical study read-out as additional study sites were enrolled into the study. The coronavirus pandemic has resulted in delays to most clinical trials, as well as routine and new cancer screening and surgical procedures. This has culminated in a pause in Destiny's clinical trial with 34% of patients so far recruited. However, the probability of success for this active antimicrobial agent in the decolonisation of nasal staphylococcal carriage remains high as demonstrated by the now published Phase I study in 60 healthy volunteers.

Coronavirus provides an increasingly supportive backdrop

The coronavirus pandemic has shone a spotlight on AMR for two aspects that could benefit Destiny. *Firstly*, many more seriously ill patients with respiratory illnesses are sequestered in hospitals. This will result in many more cases of drug-resistant pneumonia, its associated high mortality and could help advance Destiny's ventilator-associated pneumonia product. *Secondly*, even after years of raising the profile of AMR, very few tangible advances like XF-73 have made it to the clinic and the realisation that doing nothing is no longer an option (for AMR and for coronavirus) should accelerate the availability of funding and therefore treatments for both indications.

Indeed, Destiny's increase in grant income from four projects in FY 2019 is starting to reflect this more supportive backdrop.

Company Data

EPIC	DEST
Price	43p
52 weeks Hi/Lo	82.5p/30p
Market cap	£20m
Proforma cash Dec. '19	£7.5m
Avg. daily volume	15,797

Share Price, p

Source: ADVFN

Description

Destiny Pharma plc is an AIM-listed biotechnology company devoted to developing and commercialising new antimicrobial agents that have unique properties, including no transferable or innate resistance in target pathogens, that improve outcomes for patients. Destiny's first product, XF-73, is a topical anti-infective that is currently in a US Phase IIb clinical study which is expected to report results in mid-2020.

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