

Fundraising to bolster its positioning

9 March 2022

Destiny have announced a conditional fundraising at 50p per share that includes a placing, subscription and Open Offer that could in total raise up to £7.0m. With the raised level of uncertainty in the markets and the ongoing partnering of Destiny's two Phase 3-ready assets, the Board decided to proceed with the fundraising so as not to delay the activities on its two lead assets. Just as importantly, reinforcing its balance sheet should strengthen its negotiating position with potential partners.

Factors behind the timing

With the ongoing 'risk-off' reaction to the war in Ukraine, and the potential for equity markets to suffer further, Destiny's Board have sensibly decided to proceed with a fundraising to finalise the regulatory plans and secure the continuation of the preparation for the partnering of its two Phase 3-ready assets – NTCD-M3 for the prevention of *Clostridioides difficile* infections, and XF-73 for the prevention of post-surgical staphylococcal infections.

The fundraising could raise up to £7.0m before costs, but the final amount (less costs), and number of shares to be issued will not be known until the General Meeting on March 28. Destiny's announcement refers to the partnering discussions on its NTCD-M3 product and negotiations with several partners who are reviewing the data room. We have anticipated at least one transaction in 2022 and the fundraising will therefore strengthen Destiny's hand in these discussions and potentially improve the terms of any transaction.

In addition, Destiny's announcement notes recent disappointing developments for competitor products to NTCD-M3 which were encouraging for Destiny – we have also seen the poor outcome for Pfizer's CLOVER study and Finch Therapeutics having its Phase III trial for CP 101 put on hold by the FDA. These setbacks are indeed likely to improve the competitive profile of NTCD-M3 and we shall explore them further in our next note that will also summarise the final effect of the fundraising on our model and valuation.

Valuation revision awaits final fundraising results

Our fair value of Destiny Pharma stood at £187.9m or 314p per share, but the dilution of the full conditional fundraising and the final amount raised net of costs will undoubtedly have an effect. We plan to publish revised numbers after the General Meeting on March 28.

Company Data

EPIC	DEST
Price (last close)	50p
52 weeks Hi/Lo	187p / 50p
Market cap	£30m
Net cash H1'21	£7.1m
Avg. daily volume	22,053

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.

Summary Financials (pre-placing)

£'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.

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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-base 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 pre-placing

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	5329
Total current assets	17061	13028	8525	11425	6484
Total assets	17083	13058	8557	13705	8785
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	16686	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					
Total equity and liabilities	17083	13058	8557	13705	8785

Source: Company historic data, ED estimates pre-placing

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					
Net cash from financing activities	17409		7	9949	
Cash & equivalents at beginning of year	1481	11724	7061	7480	9744
Cash & equivalents at end of year	11724	7061	7480	9744	5329

Source: Company historic data, ED estimates pre-placing



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