

Clinical Development Updates

31 January 2024

Destiny has started the year with two important clinical development updates on its lead products which enhance both their profiles. XF-73 Dermal targets a new indication for Destiny's topically-active antimicrobial while the formulation and CMC changes to NTCD-M3 will improve patient compliance, storage and manufacturing costs.

XF-73's Dermal

Investors familiar with XF-73 Nasal as Destiny's Phase 3-ready product for the prevention of post-operative staphylococcal wound infections will remember that the Phase 2b study proved XF-73 to be a safe, active, locally-acting antimicrobial against pathogenic *Staphylococci*. Destiny has now announced successful preclinical results on XF-73 as a dermal formulation for the treatment of serious skin infections.

We would make three observations on this announcement. Firstly, the positive study came at minimal cost to Destiny (outside the manufacture of the product) as it was conducted with the US National Institute of Allergy and Infectious Diseases. Secondly, the same attributes of XF-73 as an active antimicrobial agent in reducing the nasal carriage of pathogenic staphylococci – topically safe, active with negligible systemic exposure – appear to have been carried over to the Dermal formulation and indication. Thirdly, XF-73 Nasal is the subject of partnering initiatives for its Phase 3 development and the burnishing of XF-73's profile by a potential additional (dermal) indication could help the partnering process.

NTCD-M3

Destiny's lead product – non-toxicogenic *Clostridioides difficile* strain M3 (NTCD-M3) – for the prevention of *C.difficile* infections (CDIs) was partnered with Sebela Pharmaceuticals last year and the ongoing chemistry, manufacturing and controls (CMC) program, along with Destiny's market research, have prompted improvements in the formulation and a change of contract development and manufacturing organisation for the M3 program. The change from a liquid to a solid dose formulation can only enhance the profile and compliance of M3, and any requirement for a comparative study (to show that the old formulation is comparable with the new one) will be conducted (as all NTCD-M3 clinicals are from this point) at Sebela's expense. **Many biotech companies forget the importance not just of the right formulation in maximising patient compliance but also in minimising the cost of manufacturing and storage of the finished product.** In addition, a typical mistake of inexperienced biotech companies is to leave the CMC validation and content in new drug applications until it is too late, resulting in drugs not being approved solely for CMC deficiencies. Clearly, Destiny (probably via its new CEO) have taken these optimisations head-on and at an early stage to check more boxes in M3's development.

Our fair value for Destiny Pharma plc remains unchanged at £254.7m (or 279 pence per share).

Summary Financials					
£'000s, y/e 31 December	2020A	2021A	2022A	2023E	2024E
Revenues					
EBIT	-6,553	-6,287	-7,776	-7,833	-6,353
Basic EPS (p)	-12.0	-8.9	-9.3	-7.4	-5.7
Net Assets	12,436	7,509	7,626	8,487	3,208
Net Cash	9,744	4,646	4,903	5,941	1,795

Source: Company historic data, ED estimates.

Company Data

EPIC	DEST
Price	63p
52 weeks Hi/Lo	84p / 25p
Market cap	£60m
ED Fair Value - per share	£254.7m / 279p
Reported cash end H1 23	£9.8m
Avg. daily volume	346k

Share Price, p



Source: ADVFN

Description

Destiny Pharma (Destiny) is an innovative clinical-stage biotechnology company focused on the development and commercialisation of novel medicines that can prevent life-threatening infections. The company's drug development pipeline includes two late-stage assets, NTCD-M3, a microbiome-based biotherapeutic for the prevention of *C.difficile* infection (CDI) recurrence, which is the leading cause of hospital-acquired infection (HAI) in the US, and XF-73 nasal gel, a proprietary drug targeting the prevention of post-surgical staphylococcal infections including MRSA.

Destiny's shares are listed on AIM.

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FINANCIALS

Income Statement & Forecasts					
£'000s, y/e 31 December	2020A	2021A	2022A	2023E	2024E
IFRS Income Statement					
Total revenue					
Administration expenses	-1925	-2200	-2497	-3100	-2500
R&D	-4500	-3816	-4900	-4066	-3600
Other income (expense)		135	154		
Share-based payments & exceptionals	-139	-406	-534	-250	-250
Depreciation & amortisation				-2	-3
Reported EBIT	-6553	-6287	-7776	-7833	-6353
Reported profit before tax	-6481	-6271	-7712	-7686	-6174
Taxation	1070	932	1208	950	950
Reported Net income	-5411	-5339	-6504	-6736	-5224
Basic EPS (p)	-11.97	-8.92	-9.27	-7.38	-5.73
Diluted EPS (p)	-11.97	-8.92	-9.27	-7.38	-5.73

Source: Company historic data, ED estimates

Balance Sheet & Forecasts					
£'000s, at y/e 31 December	2020A	2021A	2022A	2023E	2024E
Assets					
Non-current assets					
Tangible assets	18	36	25	25	26
Intangible assets	2261	2261	2261	2261	2261
Total non-current assets	2280	2297	2286	2287	2287
Current assets					
Trade and other receivables	1172	992	1410	1410	227
Cash and equivalents	9744	4646	4903	5941*	1795**
Total current assets	11425	5985	6501	7547	2268
Total assets	13705	8283	8796	9834	4555
Equity and liabilities					
Equity					
Ordinary shares	598	599	733	943	943
Share Premium	27086	27091	33044	39431	39431
Retained earnings	-15247	-20181	-26151	-31887	-37166
Equity attributable to the company	12436	7509	7626	8487	3208
Total equity	12436	7509	7626	8487	3208
Current liabilities					
Trade and other payables	726	218	173	349	349
Total current liabilities	1268	773	1107	1347	1347
Total non-current liabilities					
Total equity and liabilities	13705	8283	8796	9834	4555

Source: Company historic data, ED estimates. *Including \$1m upfront milestone from M3 licensing transaction.

**including an estimated \$1m milestone from XF-73 licensing transaction

Cash Flow Statements & Forecasts

£'000s, y/e 31 December	2020A	2021A	2022A	2023E	2024E
Profit before taxation	-6481	-6271	-7712	-7686	-6174
Depreciation & amortisation	17	13	12	2	3
Share-based payments	139	406	534	250	250
Movements in working capital	91	-296	411		
Net cash generated by operating activities	-5492	-5090	-5892	-6631	-5150
Investing activities					
CapEx on tangibles & intangibles	-2264	-30	-1		-1
Acquisitions					
Other investing activities	72	16	65	147	178
Net cash used in investing activities	-2192	-15	64	147	178
Financing activities					
Proceeds from issue of shares	9949	7	6086	6737	
Movements in debt					
Net cash from financing activities	9949	7	6086	7522*	826**
Cash & equivalents at beginning of year	7480	9744	4646	4903	5941
Cash & equivalents at end of year	9744	4646	4903	5941	1795

Source: Company historic data, ED estimates. *Including \$1m upfront milestone from M3 licensing transaction.

**Including an estimated \$1m milestone from XF-73 licensing transaction.



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