

# Destiny Pharma

H119 results

Careful resourcing, supportive environment

Results for the US Phase IIb clinical study have been delayed by a quarter to mid-2020, so investors' attention will now turn to the YE19 study update. However, Destiny's H119 results showed continuing prudent management and targeted resourcing of the clinical programme, with grant income and a regulatory backdrop that supports novel antimicrobial development.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/17	0.00	(3.21)	(8.45)	0.00	N/A	N/A
12/18	0.00	(6.01)	(11.86)	0.00	N/A	N/A
12/19e	0.30	(6.65)	(13.37)	0.00	N/A	N/A
12/20e	0.00	(5.67)	(10.68)	0.00	N/A	N/A

Note: \*PBT and EPS are as reported.

## Prudent financial management

Destiny's H119 operating loss was £2.5m (vs £2.6m in H118), despite the investment in the US Phase IIb study. The largest component of operational spend was R&D, which accounted for £1.7m (£1.3m in H118) or 68% of the H119 operating loss. We have adjusted our R&D and administrative spend forecasts for FY19–20 accordingly. This was countered by £0.24m in grant and finance income to give a £2.1m loss for the period (£2.3m in H118). End-H119 cash was £9.1m (£15.1m at the end of H118). We forecast cash lasting into 2021 not including a \$10m licensing transaction in 2020. After the interim period, Destiny announced the receipt of a grant on ophthalmic infections. We had already anticipated £0.25m in grant income this year, which is unchanged, but have adjusted our R&D spend hence our FY19 operational loss moves from £8.6m to £6.7m.

## Supportive environment shows no signs of slowing

The public relations tempo and mainstream news stories that warn about the impending antibiotics crisis show no signs of abating. Destiny's CMO recently presented on XF-73 – Destiny's lead product for the prevention of staphylococcal post-operative infections – at the prestigious invitation-only Gordon Research Conference on staphylococcal diseases in Spain. More commercially important for Destiny, the US Centers for Medicare & Medicaid Services, which is responsible for public healthcare provision in the US (outside the veterans administration), has proposed improvements to its initiatives on the new technology add-on payments and severity adjustments for the ICD-10 codes (used for the reimbursement of antimicrobial resistant infections and their prevention) as well as other programmes that are wholly supportive of Destiny's discovery and development efforts.

## Valuation: Minor changes

Our next major valuation revision is expected to be after the Phase IIb study results when we expect XF-73 will be Phase III ready. The H119 valuation changes have been minor, updating for exchange rates, Destiny's H119 cash position and the expected £0.8m FY19 R&D tax rebate. The three-month delay to the Phase IIb study, the consequent cost containment and deferral means that our valuation has changed slightly from £86.7m or 199p per share to £83.2m or 191p per share.

Pharma &amp; biotech

24 September 2019

**Price** **43p**
**Market cap** **£19m**

\$1.21/£

Net cash (£m) at end June 2019 9.1

Shares in issue 43.9m

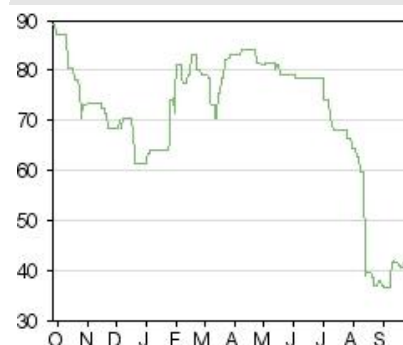
Free float 92.7%

Code DEST

Primary exchange AIM

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 16.2 (45.2) (52.2)

Rel (local) 12.4 (45.0) (51.1)

52-week high/low 89.0p 36.5p

### Business description

Destiny Pharma is dedicated to the discovery, development and commercialisation of new antimicrobial agents that have unique properties to improve outcomes for patients. Destiny's first product, XF-73, is in a US Phase IIb clinical study with results due towards the end of 2019.

### Next events

Phase IIb recruitment update H219

Final US Phase IIb study results Q419/Q120

FY19 results April 2020

### Analyst

Andy Smith +44 (0)20 3077 5700

[healthcare@edisongroup.com](mailto:healthcare@edisongroup.com)
[Edison profile page](#)

**Destiny Pharma is a research client of Edison Investment Research Limited**

**Exhibit 1: Financial summary**

Accounts: IFRS, year-end: December, £'000s	2017	2018	2019e	2020e	2021e
<b>INCOME STATEMENT</b>					
Total revenues	-	-	250	-	-
Cost of sales	-	-	-	-	-
Gross profit	-	-	250	-	-
SG&A (expenses)	(1,011)	(7,146)	(2,057)	(1,700)	(1,700)
R&D costs	(387)	(3,546)	(4,900)	(4,000)	(1,900)
Other income/(expense)	(613)	-	-	-	-
Exceptionals and adjustments	(710)	(738)	(219)	(25)	(25)
Depreciation and amortisation	(2.1)	(3.9)	(2.3)	(2.3)	(2.4)
Reported EBIT	(3,222)	(6,084)	(6,729)	(5,727)	(3,627)
Finance income/(expense)	10.5	76.0	80.6	54.8	98.3
Reported PBT	(3,211)	(6,008)	(6,649)	(5,673)	(3,529)
Income tax expense (includes exceptionals)	234	841	800	1,000	840
Reported net income	(2,977)	(5,167)	(5,849)	(4,673)	(2,689)
Basic average number of shares, m	35,254	43,563	43,563	43,563	43,563
Basic EPS (p)	(8.45)	(11.86)	(13.37)	(10.68)	(6.15)
<b>BALANCE SHEET</b>					
Property, plant and equipment	22.3	30.4	38.0	36.2	34.3
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Other non-current assets	-	-	-	-	-
Total non-current assets	22.3	30.4	38.0	36.2	34.3
Cash and equivalents	11,724	7,061	984	4,940	2,278
Other financial assets (term deposits)	5,000	5,000	4,000	4,000	4,000
Inventories	-	-	-	-	-
Trade and other receivables	277	931	1,259	277	277
Other current assets	60	36	186	186	186
Total current assets	17,061	13,028	6,363	9,404	6,741
Non-current loans and borrowings	-	-	-	7,752	7,752
Other non-current liabilities	-	-	-	-	-
Total non-current liabilities	-	-	-	7,752	7,752
Trade and other payables	152	404	283	152	152
Current loans and borrowings	-	-	-	-	-
Other current liabilities	246	398	246	246	246
Total current liabilities	397	802	529	397	397
Equity attributable to company	16,686	12,257	675	(3,975)	(6,639)
Non-controlling interest	-	-	-	-	-
<b>CASH FLOW STATEMENT</b>					
Profit for the year	(3,211)	(6,008)	(6,649)	(5,673)	(3,529)
Taxation expenses	-	-	-	-	-
Profit before tax	(3,211)	(6,008)	(6,649)	(5,673)	(3,529)
Net finance expenses	(10)	(76)	(81)	(55)	(98)
EBIT	(3,222)	(6,084)	(6,729)	(5,727)	(3,627)
Depreciation and amortisation	2.1	9.7	9.7	2.3	2.4
Share based payments	710	738	219	25	25
Other adjustments	-	-	-	-	-
Movements in working capital	165	381	(449)	850	-
Interest paid / received	-	-	-	-	-
Income taxes paid	192	234	800	1,000	840
Cash from operations (CFO)	(2,153)	(4,721)	(6,150)	(3,850)	(2,670)
Capex	(23.2)	(17.8)	(15.2)	(0.5)	(0.5)
Acquisitions & disposals net	-	-	-	-	-
Other investing activities	(4,990)	76	81	55	98
Cash used in investing activities (CFIA)	(5,013)	58	54	98	(0.5)
Net proceeds from issue of shares	17,409	-	7	-	-
Movements in debt	-	-	-	7,752	-
Dividends paid	-	-	-	-	-
Other financing activities	-	-	-	-	-
Cash from financing activities (CFF)	17,409	-	7	7,752	-
Increase/(decrease) in cash and equivalents	10,243	(4,663)	(6,077)	3,957	(2,662)
Currency translation differences and other	-	-	-	-	-
Cash and equivalents at end of period	11,724	7,061	984	4,940	2,278
Net (debt)/cash (includes Term Deposits)	16,724	12,061	4,918	1,188	(1,478)
Movement in net/(debt) cash over period	15,243	(4,663)	(7,143)	(3,729)	(2,662)

Source: Destiny Pharma, Edison Investment Research

---

## General disclaimer and copyright

This report has been commissioned by Destiny Pharma and prepared and issued by Edison, in consideration of a fee payable by Destiny Pharma. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1,185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia