Life Sciences Investor Forum September 2021

Join us for the September 2021 Investor Forum, hosted by Hardman & Co, on Thursday 23 September, at 5:00pm.

Hardman has been holding investor forums for over seven years, giving all types of serious investors the opportunity to meet company managements, hear their stories and pose questions.

We hosted our first virtual forum after the pandemic struck in 2020 and they have become increasingly popular, confirming an increasing appetite from all investor audiences to engage with company managements.

In this pack you will find profiles of the company speakers and brief notes on each of the companies presenting. I would encourage you to read these before the forum to get the most out of the event.

During the forum we will conduct a number of polls; we will also be collecting feedback in other ways. These are excellent ways to influence management. You are also invited to submit questions to management during presentations, using the Q&A function in the webinar.

For professional investors, the forum has been authorised to count towards your Continuing Professional Development time. Click here to request certification after the event.

I hope you enjoy the event.

Keith Hiscock
CEO, Hardman & Co

HARDMAN&CO.

Chair of the Forum

Keith Hiscock

CEO, Hardman & Co

Keith is personally responsible for the firm's relationships with its corporate clients and also for corporate finance. In addition, he is the author of several articles tackling the issues facing companies in today's climate. Keith has more than 35 years' stockbroking experience and has developed long-standing relationships with many major institutional investors, including Private Client Brokers and Wealth Managers. He started his career at James Capel, at the time the top-ranked research house in London. He was a founding member of Schroder Securities and of Agency Partners, a leading research boutique house, and was a member of the five-man securities board at Evolution. Keith was part of the group of investors that acquired Hardman & Co in late 2012. He holds an MA in Philosophy, Politics & Economics from the University of Oxford.

Q&A Host

Dr Martin Hall

Head of Life Sciences,Hardman & Co

Martin's career in the City started as a healthcare analyst in 1987, working at Morgan Grenfell and then UBS. He joined HSBC in 1992, where he was Head of Global Pharmaceutical/Healthcare Equity Research. In 2005, he set up as a Life Sciences Analyst and Corporate Broker under the umbrella of Eden Financial Limited. After two years of a post-doctoral Royal Society Fellowship at the Collège de France, Paris, he became leader in Biochemical Pharmacology at the Parke-Davis Research Centre in Cambridge. Martin is a member of Royal Pharmaceutical Society. Martin joined Hardman & Co in June 2013. He holds a B.Pharm in Pharmacy from the School of Pharmacy, University of London, and has a PhD in Neuropharmacology from the University of London.

Company Speakers

Dr Simon Ward

CEO, Incanthera

Simon is a co-founder of Incanthera and has more than 30 years' senior experience in academia and business. He was a founder and CEO of Molecular SkinCare Limited, a pioneer and developer of novel dermatology products for the prevention and management of skin diseases. As CSO of York Pharma plc, he was responsible for bringing innovative dermatology product through to market. Simon also served as chairman of South Yorkshire Bioscience Enterprise Network (SYBEN) and deputy chairman of Medipex, a healthcare innovation hub for NHS organisations across industry and academia internationally. Simon graduated from the University of London's School of Pharmacy (UK) with a Joint Honours Degree in Pharmacology and Toxicology and was awarded a DPhil in the Department of Human Anatomy, Oxford University under a Glaxo Group Research Studentship.

Tim McCarthy

Chairman, Incanthera

Tim has 35 years' international senior level business experience in the Healthcare, Biotech and Technology sectors. He is also CEO of ImmuPharma plc an AIM-quoted specialist drug discovery and development company and Chairman of 4basebio plc, an AIM-quoted company developing next generation gene therapy technologies and solutions. Tim is a former CEO and Finance Director of a number of public and private companies, including Alizyme plc and Peptide Therapeutics Group plc. He has also co-founded a number of healthcare and biotechnology companies. A Fellow of the Association of Chartered Certified Accountants, he also has an MBA from Cranfield School of Management.

Greg Madison

CEO, Shield Therapeutics

Greg is a seasoned executive who brings strong operating experience and a track record of success leading small to medium size organisations. Prior to joining Shield, he was CEO at Melt Pharmaceuticals in Boston, MA, developing a sublingual formulation of midazolam and ketamine, providing needle and opioid-free procedural sedation and analgesia. From 2015-2018 he was CEO of Keryx Biopharmaceuticals, where he led the transformation of the organisation from development stage to commercial stage focused on Auryxia, an oral product for the treatment of hyperphosphatemia and iron deficiency anaemia, and ultimately leading to a merger with Akebia Therapeutics. In 2013 and 2014, he was Chief Commercial Officer at AMAG Pharmaceuticals where he was closely involved with Feraheme, a leading intravenous product for the treatment of iron deficiency. From 2000-2012, Greg was at Genzyme Corporation.

Martin Whitaker

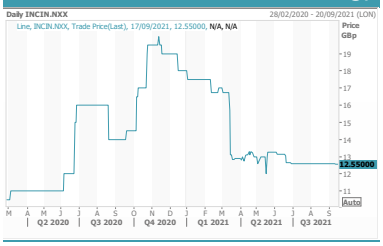
CEO, Diurnal

Martin has over 20 years' experience in the pharmaceutical industry and has led the Diurnal team since 2008. Previously, Martin worked with Fusion IP plc (now IP Group plc) with responsibility for commercialising research from the University of Sheffield. Prior to this, Martin was Operations Director of Critical Pharmaceuticals, a venture capital-backed drug delivery company developing long-acting growth hormone products. Martin is also a Director of D3 Pharma Ltd, which successfully commercialised Plenachol®, a high dose Vitamin D product. Martin has a PhD in Pharmaceutical Science from the University of Nottingham and a BSc (Hons) in Biochemistry from Bristol University. He is Honorary Professor of Medical Innovation at the University of Sheffield.

Company research from Hardman & Co analysts

Click on the title to jump to each note.

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

EPIC/TKR	**INC**
Price (p)	**12.5**
12m high (p)	18.0
12m low (p)	9.5
Shares (m)	74.1
Mkt cap (£m)	9.3
EV (£m)	8.8
Free float	44%
Country of listing	UK
Market	AQSE APX

Description

Incanthera is a UK-based specialist oncology and dermatology company. The initial focus is on a value-added proprietary formulation sun cream, Sol, that prevents skin cancers. It also owns a novel, targeted, drug delivery platform to deliver cytotoxic warheads directly to cancer cells, in the expectation of improving clinical outcomes, with fewer side effects.

Company information

Executive Chair	Tim McCarthy
CEO	Simon Ward
COO	Pawel Zolnierczyk
CFO	Laura Brogden
Company Secretary	Suzanne Brocks

+44 161 817 5005

www.incanthera.com

Key shareholders

Directors/PDMR	10.5%
North West Fund	21.8%
Immupharma plc	13.4%
University of Bradford	10.1%
Tyndall IM	6.9%

Diary

Dec'21	Interim results

Analyst

Martin Hall 020 3693 7075

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INCANTHERA

Making good progress with Sol

Incanthera (INC) was a spin-out from the Institute of Cancer Therapeutics (ICT) at the University of Bradford to exploit development opportunities generated by ICT. Following its listing on the Aquis Growth Exchange in February 2020, INC has been concentrating its resources on the further advancement of lead product, Sol, which is now the subject of progressive discussions with two global cosmetic companies. A recent Placing with institutional investors raised ca.£1.0m net, which is providing the group with a cash runway until the second half of calendar 2022, excluding any income that may be included as part of a licensing deal.

- **Strategy:** INC is a specialist oncology company using a novel pro-drug approach to deliver cytotoxic warheads directly to tumour cells. It intends to develop drugs to a suitable valuation inflection point and then out-license them for late-stage trials, in return for development milestones and royalties.

- **Sol:** Sol is being developed for preventing the progression of sun-damaged skin (solar keratoses) to skin cancer Over the past year, INC delivered two successful independent skin studies and filed for a new patent, paving the way for a cosmetic licensing deal. Discussions are under way with two global players.

- **Valuation:** A group of seven AIM-listed peers developing new drugs in the field of cancer currently trade on an average EV of £97.3m (range £5.5m-£244.5m), and a median of £62.7m. The relative EV of these UK companies to the EV of INC is in the range of 0.6x (Evgen) to 28.6x (Redx), with an average of 11.4x.

- **Risks:** Investments in small, early-stage pharmaceutical companies carry a significant risk, and additional capital will be required for future expansion of clinical programmes. This additional capital may come from commercialisation of Sol, and/or INC may need to raise more capital in the future.

- **Investment summary:** INC offers distinct technology with the potential to attract major players, especially given management's strategy to out-license products early. Since listing, the focus has been on Sol, a patent-protected, value-added formulation for the treatment and prevention of pre-cancerous and cancerous skin conditions into a sun cream for cosmetic use to prepare it for out-licensing. The current EV does not fully reflect the strong progress, suggesting that there is good upside potential when comparing INC with a group of UK-listed peers.

Financial summary and valuation

Year-end Mar (£000)	2018	2019	2020	2021	2022E	2023E
Sales	603	0	0	0	0	0
SG&A	-1,223	-1,337	-653	-634	-602	-663
R&D	-143	-299	-280	-345	-250	-263
EBITDA	-864	-1,879	-1,091	-881	-759	-834
Underlying EBIT	-984	-2,012	-1,226	-1,016	-892	-967
Reported EBIT	-984	-2,012	-1,226	-1,016	-892	-967
Underlying PBT	-984	-2,012	-1,226	-1,016	-892	-967
Statutory PBT	-984	-2,012	-1,226	-1,016	-892	-967
Underlying EPS (p)	-2.3	-4.8	-2.3	-1.4	-1.1	-1.2
Statutory EPS (p)	-2.3	-4.8	-2.3	-1.4	-1.1	-1.2
Net cash/(debt)	143	176	392	957	352	-383
Equity issues	1,021	2,398	1,168	1,495	0	0

Source: Hardman & Co Research Life Sciences Research

About Incanthera

Background

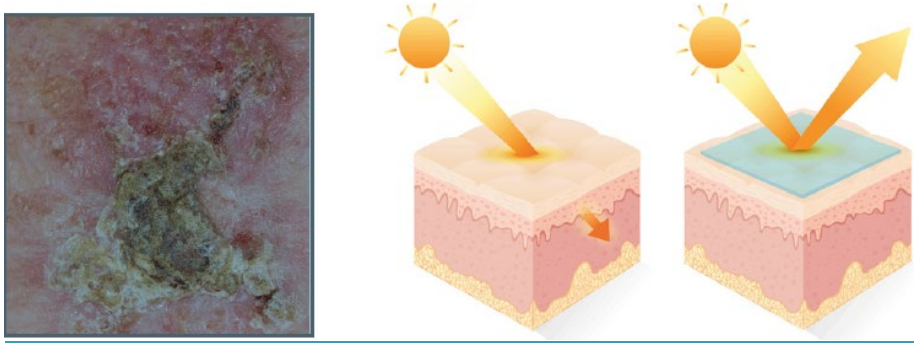
INC was incorporated in 2010 as a spin-out from the University of Bradford's (UoB) Institute of Cancer Therapeutics (ICT) to maximise the development opportunities being generated from this renowned organisation. In 2011, the company entered into an exclusive technology agreement with the university, whereby all the intellectual property (IP) rights in the relevant patents were fully assigned to INC. This provided the company with its core pro-drug delivery platform technology, which can be armed with known cytotoxic warheads to create highly targeted oncology drugs. The pipeline agreement with ICT has now been extended for a further 10 years.

Other technologies and products have been acquired through the acquisitions of Onco-NX (University of Salford spin-out) and Spear Therapeutics – both with an oncology focus.

Sol opportunity

In 2018, INC entered into a product development and licensing agreement with Limeway Pharma Design, a UK-based drug design company specialising in the formulation of dermatological products. INC also owns a specific dermatological drug delivery formulation on which it has pending patents. Through this, INC acquired Sol, which has the potential to be developed as both a cosmetic and a drug; however, the current focus is on a skin cream, preventing the progression of sun-damaged skin (solar keratoses) to skin cancer. The unique selling point (USP) would be the significant advantages that a topical formulation directly onto the skin offers compared with the current standard-of-care, which is oral dosing.

Sol – prevention of skin keratoses



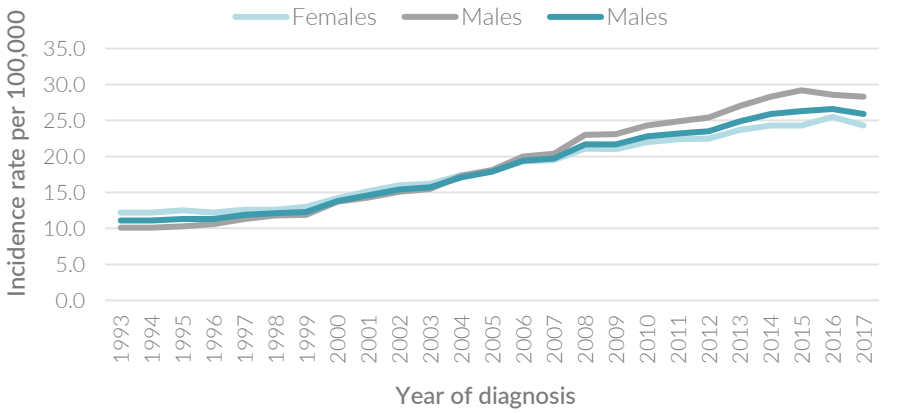
Source: Incanthera annual report 2020

The Sol programme represents a low-risk strategy, as it consists of a topical formulation of an already existing drug known to prevent the onset of sun-induced skin cancers. Oral administration of the active ingredient for Sol is known to prevent the onset of sun-induced skin cancers. INC has incorporated this compound into its proprietary formulation technology to make a product that can be applied topically. In 2019, independent proof-of-principle studies using human skin penetration models showed that its original formulation of Sol exceeded the bioequivalence test compared with oral dosing and was suitable for the prevention of actinic keratosis and skin cancer when applied topically. Further studies on permeation across the skin's barrier and safety – to declare the formulation as "non-irritant" like current baby sun care products – have led to licensing discussions with potential partners. Consequently, INC is aiming to leverage proven formulation technologies and know-how to deliver effectiveness in selected dermatological markets. As such, Sol is a potentially high-value product accessing a multi-billion-dollar market.

Market opportunity

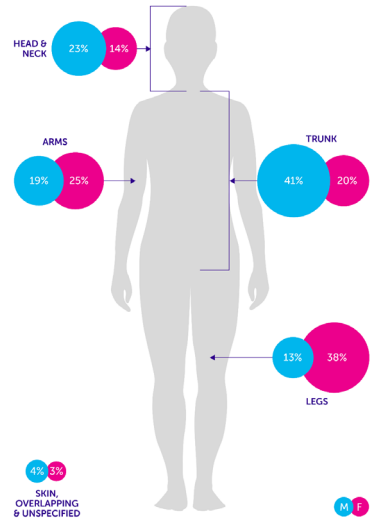
Skin cancer, including solar keratosis, is the most common form of cancer in white populations and deaths arising from invasive melanoma are on the increase.

Incidence of skin cancer in Europe – 1993-2017



Source: Cancer Research UK

Skin cancer by anatomical site



Source: Cancer Research UK

According to Cancer Research UK, over a 25-year period (1993-2017), the incidence of skin cancer in the UK has risen at a compound rate of 3.6% p.a. Although it was more common in females than males in 1993, this trend has been reversed recently. For females in the UK, the incidence of European age-standardised melanoma skin cancer rates increased 101% between 1993-1995 and 2015-2017; for males, the figure was 182%. Part of the reason for this has been changing lifestyles and greater exposure of skin to the sun's damaging UV rays. The increase in incidence has been matched by a rise in the death rate and melanoma skin cancer was the 19th most common cause of cancer death in the UK in 2018, accounting for 1% of all cancer deaths.

Progress during the past 12 months

Skin permeation study

In September 2020, INC published positive results from an independent study at the University College of London School of Pharmacy (SoP), which demonstrated that the active ingredient in a refined formulation of Sol permeated the skin better than a number of comparator products. This permeation study used the same human skin penetration model to that used in the previous bioequivalence study comparing topical versus oral administration. Consequently, these new data reaffirmed that INC's refined formulation of Sol also exceeded bioequivalence.

Skin sensitivity study

Also in September 2020, a study conducted by XCellR8 demonstrated that INC's refined formulation of Sol was found to be "non-irritant" using an *ex vivo* human skin model, an essential test that must be passed for any topical product. In this study, the "non-irritancy" was found to be at least comparable with baby sun protection products tested previously. Sol scored better than the baby products, which had an irritancy level described as "very mild".

Commercial progress

Armed with these and previous studies, INC began to introduce Sol's technology to a number of potential commercial partners during the past year and confirmed recently that it has prioritised discussions with two global cosmetic companies. The company has confirmed that these discussions continue to progress.

R&D pipeline

Given its limited resources, management is focusing on the development and commercial licence for Sol. The company has other products in its pipeline, the development of which will be accelerated when INC has the necessary resources. A summary of the company's R&D pipeline is shown in the following graphic.

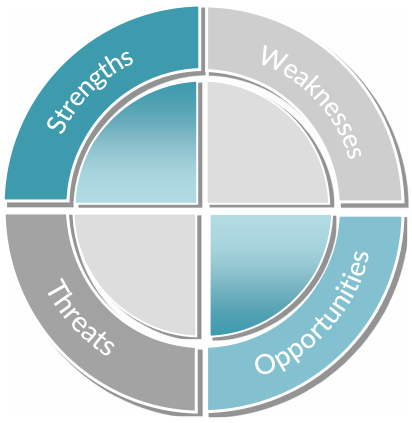
INC – oncology product pipeline

Programme			Preparation for Licensing	Licensing
Platform	Product	Indication		
Sol	Topical Cream	Skin cancers: solar keratosis (SK), melanoma ($SK - $3.4bn)*	Bioequivalence	Market Launch
EP0015	VDA & Theranostic	Lung, breast, ovarian cancers ($5.9bn, $15.3bn, $1.6bn)*	Pre-clinical	Licensed to Ellipses Pharma Ltd (2017)
	Taxane	Ovarian, prostate cancers ($1.6bn, $8.6bn)*	Lead	
Equin	DT Diaphorase activation	Liver, brain, pancreatic cancers ($0.5bn, $0.35bn, $2bn)*	Pre-clinical	
Duo-C	CYP activation	Bladder, colorectal cancers ($0.36bn, $8bn)*	Lead	

Source: Incanthera corporate presentation

SWOT analysis

SWOT analysis



Strengths
- Novel pro-drug delivery platform
- Industry expertise with proven track record in the oncology sector
- Provenance of technology and products
- Close association with the ICT at UoB

Weaknesses
- Small player in competitive environment
- Drug development is capital-intensive
- Requirement to raise further capital for asset development
- Commercial licensing deals take time to close

Threats
- Time and cost of clinical trials
- Health-related market is highly regulated
- Competitive field; number of technologies
- Market leaders hedge position by entering into multiple deals

Opportunities
- Oncology is a very "hot" area
- Platform flexibility allows targeting of several cancers
- Growing social trend of health awareness related to sun protection
- Big players willing to in-license novel approaches

Source: Hardman & Co Research Life Sciences Research

Investment conclusion

Total funds raised since inception are £8.3m for development and working capital purposes, or £9.8m including some acquisitions made for shares. Much (34%) of this has been invested into R&D, with the cumulative spend currently running at £2.8m plus an unknown quantity of research costs, mostly grant funded, incurred by the universities. This highlights the considerable progress that has been made with limited resources.

Compared with a group of seven AIM-listed peers developing new drugs in the field of cancer, the relative EV of INC is in the range of 0.6x (Evgen) to 28.6x (Redx), with an average of 11.4x, suggesting that there is good upside potential in the event that INC delivers on its stated corporate strategy.

Financial summary

- **R&D:** Investment in R&D remains highly targeted towards the strategic goal to progress Sol to a commercial cosmetic licence, which would represent a significant value-inflection point.
- **SG&A:** Despite the increased overhead associated with being a listed company, careful control of general operating costs is maximising the cash runway.
- **Cash runway:** With a net cash position of £0.96m at 31 March 2021, based on current forecasts, INC has a cash runway into the second half of calendar 2022. This does not allow for any upfront payment that might be part of any licensing deal. More funds will be needed thereafter to progress other products in the pipeline.
- **Valuation:** INC is trading on an EV of £9.0m. Since our latest report in May 2021, the group of seven AIM-listed peers developing new drugs in the field of cancer have seen mixed movements in share prices, such that the average EV currently £97.3m (range £5.5m-£244.5m), and a median of £62.7m. The relative EV of these UK companies to the EV of INC is in the range of 0.6x (Evgen) to 28.6x (Redx), with an average of 11.4x, suggesting that there is good upside potential in the event that INC delivers on its stated corporate strategy.

Summary of financial statements

Year-end Mar (£000)	2018	2019	2020	2021	2022E	2023E
Income statement						
Sales	603	0	0	0	0	0
COGS	-189	-106	0	0	0	0
SG&A	-1,223	-1,337	-653	-634	-602	-663
Share-based costs	-32	-270	-293	-37	-40	-42
R&D	-143	-299	-280	-345	-250	-263
Licensing/royalties	0	0	0	0	0	0
Underlying EBIT	**-984**	**-2,012**	**-1,226**	**-1,016**	**-892**	**-967**
Exceptional items	0	0	0	0	0	0
Statutory EBIT	-984	-2,012	-1,226	-1,016	-892	-967
Net financials	0	0	0	0	0	0
Underlying PBT	**-984**	**-2,012**	**-1,226**	**-1,016**	**-892**	**-967**
Statutory PBT	-984	-2,012	-1,226	-1,016	-892	-967
Tax liability/credit	41	24	98	111	50	53
Underlying net income	-943	-1,988	-1,128	-905	-842	-915
Underlying basic EPS (p)	**-2.3**	**-4.8**	**-2.3**	**-1.4**	**-1.1**	**-1.2**
Statutory basic EPS (p)	-2.3	-4.8	-2.3	-1.4	-1.1	-1.2
Balance sheet						
Share capital	19	25	1,217	1,482	1,482	1,482
Reserves	217	979	-3	209	-633	-1,548
Loans & borrowings	0	0	0	0	0	0
less: Cash & deposits	143	176	392	957	359	-371
Invested capital	**93**	**828**	**822**	**734**	**490**	**305**
Cashflow						
Underlying EBIT	-984	-2,012	-1,226	-1,016	-892	-967
Non-cash items	152	403	428	172	174	175
Change in working capital	113	-784	-60	-33	12	13
Company op. cashflow	**-719**	**-2,393**	**-858**	**-877**	**-707**	**-779**
Capital expenditure	-8	0	0	0	0	0
Equity issues	1,021	2,398	1,168	1,495	0	0
Change in net debt	**55**	**33**	**216**	**565**	**-599**	**-729**
Opening net cash/(debt)	88	143	176	392	957	359
Closing net cash/(debt)	**143**	**176**	**392**	**957**	**359**	**-371**

Source: Hardman & Co Life Sciences Research

Company matters

Registration

Incorporated in the UK with company registration number 11026926

Registered Office:
76 King Street
Manchester
M2 4NH

+44 161 817 5005
www.incanthera.com

Board of Directors

Board of Directors			
Position	**Name**	**Remuneration**	**Audit**
Executive Chair	Tim McCarthy		
Chief Executive Officer	Simon Ward		
Non-executive director	Alan Warrander	C	C

C = chair
Source: Corporate website

Senior management

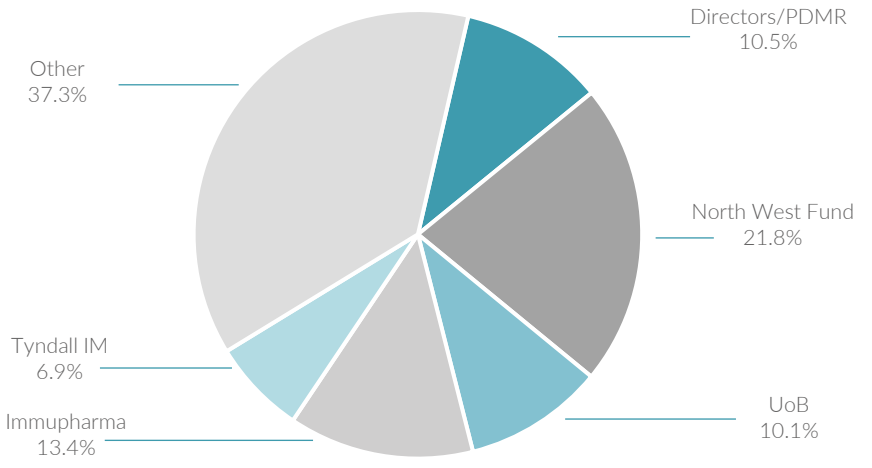
Senior management	
Position	**Name**
COO	Pawel Zolnierczyk
CFO	Laura Brogden
Company Secretary	Suzanne Brocks

Source: Corporate website

Share capital

On 17 September 2021, there were 74,082,871 Ordinary shares of 2p in issue. In addition, there are 7,350,000 options and 18,084,417 warrants outstanding.

Shareholders



Source: Incanthera

Pharmaceuticals & Biotechnology

Source: Refinitiv

Market data

EPIC/TKR	**STX/SHIEF**
Price (p)	**41/0.58**
12m high (p)	140/1.50
12m low (p)	33/0.55
Shares (m)	215.9
Mkt cap (£m)	88.5
EV (£m)	65.9
Free float*	43%
Primary country of listing	UK
Market	AIM/OTCQX

**As defined by AIM Rule 26*

Description

Shield is a de-risked pharmaceutical company with a lead product, Feraccru/Accrufer, approved in Europe and the US for the treatment of iron deficiency in adults. Outside the US, the strategy is to use distribution and commercialisation partners in return for royalties and sales milestones. In the US, Shield has just launched Accrufer itself.

Company information

CEO	Greg Madison
CFO	Hans-Peter Rudolf
Chairman	Hans Peter Hasler

+44 191 511 8500

www.shieldtherapeutics.com

Key shareholders

Directors	3.2%
Inventages	25.9%
AOP Orphan AG	13.1%
Hargreaves Lansdown	8.0%
Jupiter AM	5.6%
Interactive Investor	5.4%

Diary

Feb'22	Final results

Analyst

Martin Hall 020 3693 7075

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SHIELD THERAPEUTICS

Attention focused on Accrufer progress

Shield Therapeutics (Shield) is a commercial-stage pharmaceutical company delivering specialty products that address patients' unmet medical needs, with an initial focus on treating iron deficiency (ID). Accrufer® has just been launched in the US by Shield, where the initial aim is to greatly improve market awareness of its differentiating characteristics as an oral ID drug. In other territories, Feraccru® is being commercialised through licensing and partnerships. The US market has enormous potential, but, even on conservative forecasts with respect to market penetration, Shield is forecast to become profitable and cash-generative in 2023.

- **Strategy:** In the US, Shield has decided to sell Accrufer itself, thus retaining a greater share of profits for shareholders. Outside the US, Shield's strategy is to out-license commercialisation rights to partners with appropriate expertise in target markets, which has been successfully achieved in Europe and China.

- **US launch:** A key event was the launch of Accrufer in the US on 1 July, using the strapline "Discover the legend of tolerable oral iron". New market research has indicated that Shield needs to raise awareness of Accrufer's clinical profile and positioning with the key prescribers responsible for 60% of oral iron Rx.

- **Valuation:** DCF-modelling each of the three main income streams – the US, Europe and China – generates an NPV, which, summed together, gives an EV for the group of $852m/£608m, or 281p per share. The current share price clearly applies a hefty discount for the execution risk associated with Accrufer.

- **Risks:** While there remains regulatory risk in China and Korea, Feraccru/Accrufer has been de-risked by regulatory approvals in Europe and the US. There is execution risk associated with Shield's go-it-alone strategy in the US, with a 12-month goal to increase awareness and establish payor coverage.

- **Investment summary:** The Shield-led launch of Accrufer was always the best option, in our opinion. Now that the period of commercial uncertainty in the US is over, the near-term target is to raise awareness, promote patient access programmes and establish payor coverage. The market seems overly worried about the "apparent" slow start, but any news on sales traction and/or the signing-up of payors should act as a catalyst to narrow the valuation disconnect.

Financial summary and valuation

Year-end Dec (£m)	2018	2019	2020	2021E	2022E	2023E
Product sales	0.86	0.62	0.70	4.60	34.90	72.60
R&D	-4.30	-2.50	-2.58	-3.30	-2.70	-2.70
Other income	11.03	0.10	9.66	0.00	0.00	12.55
EBITDA	-2.47	-6.41	0.55	-22.28	-1.68	42.27
Underlying EBIT	-3.26	-9.04	-2.15	-24.99	-4.38	39.57
Underlying PBT	-3.26	-9.07	-2.15	-24.59	-4.19	39.87
Statutory PBT	-5.16	-9.07	-1.89	-24.59	-4.19	39.87
Underlying EPS (p)	0.09	-7.52	-1.32	-12.28	-2.13	15.43
Statutory EPS (p)	-1.55	-7.52	-1.58	-12.28	-2.13	15.43
Net (debt)/cash	9.63	4.12	2.91	7.79	5.44	43.18
Equity issues	0.00	0.03	0.01	29.20	0.00	0.00
EV/sales	-	-	-	13.3	1.8	0.9

Source: Hardman & Co Research Life Sciences Research

About Shield

Background

Shield is a commercial-stage pharmaceutical company looking to maximise the large global market opportunity that exists for the treatment of ID. Shield's iron replacement therapy, Accrufer/Feraccru, is a de-risked proposition, having received regulatory approval in both the US and Europe. Shield operates as a virtual company, apart from its commercial activities in the US, outsourcing all of its manufacturing, distribution and marketing activities. Earlier in 2021, Shield raised the required capital from shareholders to launch Accrufer in the US by itself, thereby retaining more of the profits and maximising returns to shareholders.

ID

Iron is ubiquitous in the body and best known for its role in the synthesis of haemoglobin (Hb), which transports oxygen in red blood cells. It is stored in the liver and bone marrow, among other sites, and is released and sequestered among compartments in a highly dynamic process. When the body's requirement for iron exceeds its intake from food, iron stores are depleted, which can lead to ID. This ultimately affects the production of haemoglobin and red blood cells, resulting in fatigue and lethargy; the classic symptoms of anaemia. However, symptoms of ID are not specific and may develop slowly, so that they may not be readily recognised.

Market opportunity

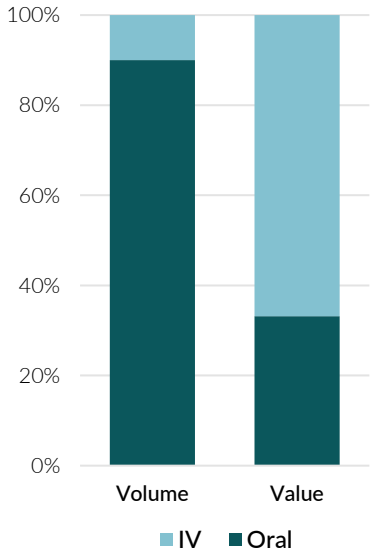
Individuals are classified as anaemic when their Hb level falls below 12g/dL. On a global basis, the most common cause is extreme ID, a condition in which there are no mobilisable iron stores and evidence of a compromised supply of iron to tissues. Anaemia is also associated with vitamin deficiencies (for example, vitamin C is required for iron absorption) and chronic conditions such as kidney disease, heart failure or inflammatory bowel disease (IBD).

ID has a global prevalence of 4%-12% in adults, with ID anaemia affecting about half (2%-5%) of adult male and postmenopausal female patients. The WHO rates ID as the most common and widespread nutritional disorder in the world, and prevalence is expected to grow as ageing populations drive an increase in chronic disorders. ID is treated through iron replacement therapy, using either oral products or intravenous (IV) administration. Although restoring iron levels more rapidly, IV iron is inconvenient and expensive, and must be administered in hospital due to the risk of iron overload and life-threatening hypersensitivity reactions. Salt-based oral therapies, on the other hand, are relatively cheap and accessible, but they are limited by poor tolerability in the gut and slower efficacy due to less efficient absorption.

Accrufer/Feraccru has been approved by the FDA and the EMA, respectively the regulators in the US and Europe, for all adult patients with ID, with or without anaemia.

Hardman & Co estimates that the global number of prescriptions written annually for iron replacement therapy is dominated, estimated at ca.90%, by oral preparations of ferrous salts, because they are easy to administer and the most economical medical treatment if they are tolerated. Until the availability of Accrufer/Feraccru, the only alternative was IV iron, which is reserved for patients in acute situations and for those who are either unable to absorb oral iron or who have increasing anaemia despite adequate doses of oral iron. Furthermore, it is expensive and must be given in hospital/specialist clinics due to the very small risk of anaphylaxis. However, IV iron is expensive, with the ca.10% by volume of Rx equating to 67% of the market by value.

Iron supplement market – 2020

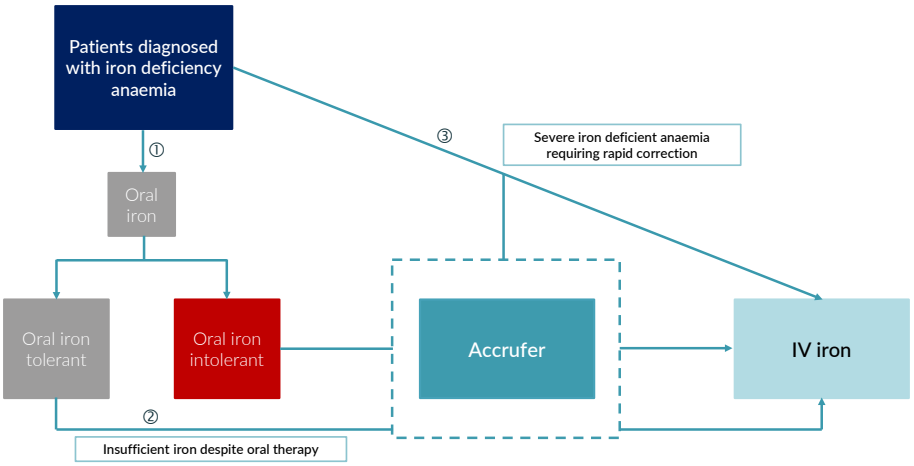


IV: intravenous
Source: Hardman & Co Life Sciences Research

Positioning of Accrufer/Feraccru

Accrufer/Feraccru is ideally positioned to sit between the two, a suitable alternative for patients who cannot tolerate traditional oral therapy, and a new option for clinicians to consider before moving a patient onto IV treatment. This latter point is extremely important in the COVID-19 environment, with many ID patients having an underlying condition that makes them more susceptible to the virus. The last thing that such patients want to do is visit a hospital/specialist clinic for an infusion of iron and risk catching the virus.

Positioning of Accrufer/Feraccru



Source: Shield, Hardman & Co Life Sciences Research

① Currently, patients diagnosed with chronic IDA will be given oral ferrous salts. In situations where these patients are intolerant to oral iron, the only alternative is to go to hospital to receive an IV infusion of iron.

② A small group of patients, who are tolerant to oral iron but still have insufficient iron levels despite taking the maximum standard level of oral iron, would generally go to hospital for an IV top-up of iron.

③ Stable patients with severe anaemia requiring rapid correction of iron go straight to hospital for an IV infusion of iron.

④ Kidney dialysis patients are administered erythropoietin subcutaneously at home but have to go to hospital to have an IV infusion of iron.

Accrufer/Feraccru is suitable for all these types of patient. Therefore, it offers physicians and patients a very credible alternative to both existing oral and IV iron therapies.

Comparison of Accrufer/Feraccru with IV iron

Accrufer/Feraccru	Intravenous iron
30mg orally, twice daily	Up to 1,000mg directly into bloodstream
High iron bioavailability	Risk of iron overload
Raises circulating iron and haemoglobin levels over time	Risk of allergic reaction – hospital administration only
Well-tolerated	Inconvenient
Relatively inexpensive	Expensive

Source: Hardman & Co Life Sciences Research

As part of its pre-launch activities and with the relevant financial resource following the fundraise, Shield commissioned some market research in order to obtain informative reactions and feedback from healthcare professionals and to help it position Accrufer at launch.

12-month targets

Although the company, understandably, has not provided any details about its 12-month targets for Accrufer in the US, at its recent interim results, management indicated that the launch had been well thought through despite the limited time that had been available, and that the key areas of focus were to:

- increase the awareness of Accrufer;
- generate clinical experience with patient access programmes; and
- establish payor coverage.

Commercialisation outside the US

Europe

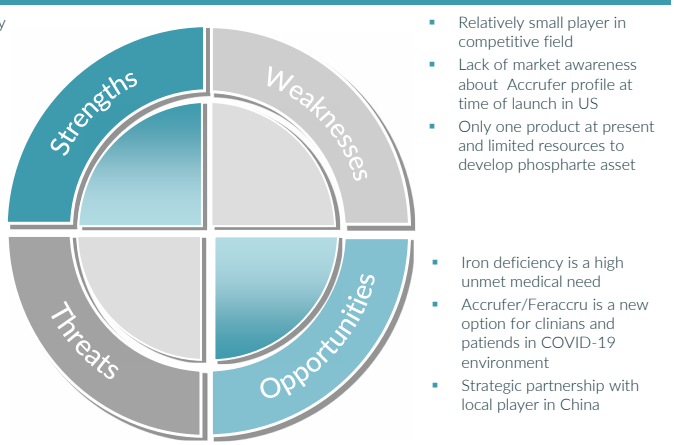
Feraccru has been licensed to Norgine in Europe (plus Australia and New Zealand). To date, the performance has been below expectations, with most sales coming from Germany and the UK only. However, Norgine's hands have been tied over the past 18 months by the slow rate of agreement on reimbursement in a number of countries, which, itself, was also hampered by COVID-19. Nevertheless, progress is being made with reimbursement negotiations either under way or due to start in five additional European countries – Scandinavia, Benelux, France, Italy, and Spain.

China

In January 2020, Shield signed a development and commercialisation licence deal for Feraccru in China (but also including Hong Kong, Macau and Taiwan) with Beijing Aosaikang Pharmaceutical Co (ASK Pharma; XSEC:002755). Apart from providing local expertise to support the approval process in the world's second-largest pharmaceuticals market. ASK Pharma is responsible for the costs associated with the clinical and regulatory activities, in addition to manufacturing and distribution in the territory. Two regulatory studies are being performed in parallel, which are expected to complete by the end of 2022, potentially allowing launch in 2023.

SWOT analysis

SWOT analysis



Source: Hardman & Co Life Sciences Research

Investment conclusion

In our opinion, Shield made the correct decision to adopt a go-it-alone strategy for the US commercialisation of Accrufer, thereby maximising potential returns for shareholders. While there remains execution risk and it will take time to educate the clinicians, any signs of early adoption would quickly be reflected in the share price.

Financial summary

- **Product sales:** Reported figures represent a blend of product supply to commercial partners and royalties received from partners on net sales. Consequently, there is likely to be a time lag between drug use and receipt of royalties. Pack utilisation has shown a consistent upward trend.
- **Costs:** COGS in 2020 contained a one-off payment to Vitra; in 2021, there will be some short-term manufacturing costs for the US launch. The rise in SG&A reflects the boost to sales and marketing required for the launch of Accrufer.
- **Cash runway:** Gross cash at 30 June 2021 was £22.6m, reflecting the fund raise in March. Shield is expected to become cash-generative by fiscal 2023.
- **Forecasts:** No material changes to forecasts since our latest publication, apart from a modest re-evaluation of the split of R&D costs expected over the coming 18 months.

Financial summary

Year-end Dec (£m)	2018	2019	2020	2021E	2022E	2023E
Income statement						
Gross revenues	11.88	0.72	10.39	4.60	34.90	85.20
Product sales	0.86	0.62	0.73	4.60	34.90	72.60
COGS	-0.31	-0.49	-1.35	-0.82	-3.75	-7.51
Gross profit	**0.55**	**0.13**	**-0.63**	**3.73**	**31.16**	**65.09**
Gross margin	63.7%	21.6%	33.6%	82.0%	89.3%	89.7%
SG&A	-9.52	-6.32	-7.84	-24.42	-31.84	-34.37
Share-based payments	-1.01	-0.46	-0.77	-1.00	-1.00	-1.00
R&D	-4.30	-2.50	-2.58	-3.30	-2.70	-2.70
Other income	11.03	0.10	9.66	0.00	0.00	12.55
EBITDA	-2.47	-6.41	0.55	-22.28	-1.68	42.27
Underlying EBIT	-3.26	-9.04	-2.15	-24.99	-4.38	39.57
Net interest	0.01	-0.03	0.00	0.40	0.20	0.30
Underlying PBT	**-3.26**	**-9.07**	**-2.15**	**-24.59**	**-4.19**	**39.87**
Tax payable/credit	3.36	0.27	-0.74	0.66	-0.40	-6.57
Underlying net income	0.10	-8.80	-2.20	-23.93	-4.59	33.30
Weighted avg. shares (m)	116.43	116.99	166.73	194.85	215.84	215.84
Underlying EPS (p)	**0.09**	**-7.52**	**-1.32**	**-12.28**	**-2.13**	**15.43**
Fully diluted EPS (p)	0.09	-7.26	-1.29	-12.02	-2.08	15.07
Balance sheet (@ 31 Dec)						
Share capital	1.75	1.76	1.76	3.24	3.24	3.24
Reserves	38.68	30.39	28.51	32.31	27.72	61.03
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Debt	0.00	0.00	0.00	0.00	0.00	0.00
less: Cash	9.78	4.14	2.94	7.82	5.47	43.21
Invested capital	**30.80**	**28.02**	**27.36**	**27.76**	**25.52**	**21.08**
Net cash/debt	9.63	4.12	2.91	7.79	5.44	43.18
Cashflow						
Underlying EBIT	-3.26	-9.04	-2.15	-24.99	-4.38	39.57
Non-cash items	1.81	3.08	3.48	3.71	3.71	3.69
Change in working capital	-0.26	0.56	-2.77	-1.97	-1.98	-4.87
Tax & interest	1.86	1.27	-0.09	0.69	0.86	-0.10
Operational cashflow	**-1.84**	**-5.29**	**-1.32**	**-23.25**	**-2.66**	**38.40**
Capital expenditure	0.00	0.00	0.00	-0.25	-0.50	-0.50
Free cashflow	-3.32	-5.51	-1.46	-22.86	-2.35	37.74
Acquisitions	-0.35	-0.03	-0.02	0.00	0.00	0.00
Equity issues	0.00	0.03	0.01	29.20	0.00	0.00
Change in net debt	**-3.67**	**-5.51**	**-1.21**	**4.88**	**-2.35**	**37.74**
OCFPS (p)	-0.27	-3.59	-0.87	-11.61	-0.86	17.72

Source: Hardman & Co Life Sciences Research

Company matters

Registration

Incorporated in the UK with company registration number 09761509

Registered office:

Northern Design Centre
Baltic Business Quarter
Gateshead Quays
Newcastle
NE8 3DF

+44 (0) 191 511 8500

www.shieldtherapeutics.com

Board of Directors

Board of Directors

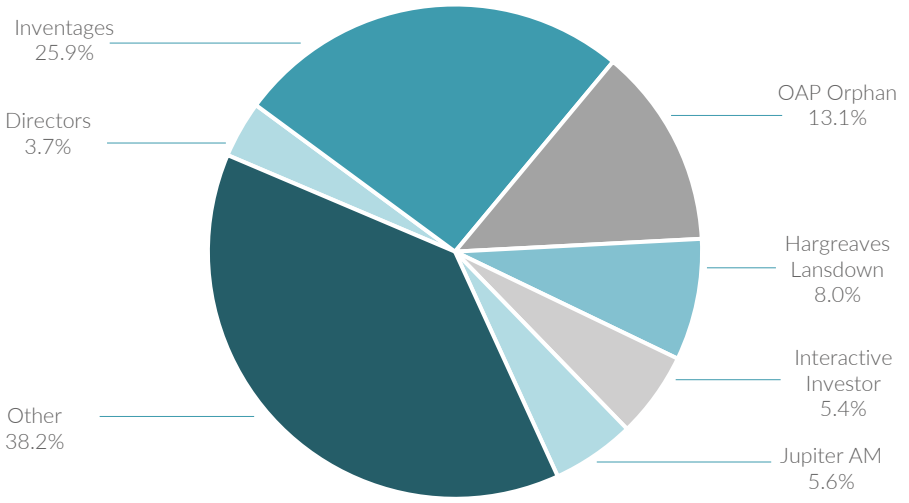
Position	Name	Nominations	Remuneration	Audit
Chairman	Hans Peter Hasler	C	M	M
Chief Executive Officer	Greg Madison			
Non-executive director	Fabiana Lacerca-Allen			M
Non-executive director	Peter Llewellyn-Davies	M		C
Non-executive director	Anders Lundstrom		C	
Non-executive director	Christian Schweiger	M		
Chief Financial Officer	Hans-Peter Rudolf*			

**An officer of the company but not presently a board member*
M = member, C = chair
Source: Company reports

Share capital

On 18 September 2021, there were 215,885,024 Ordinary shares in issue. In addition, there are 3.95m options outstanding.

Share register



Source: Hardman & Co Life Sciences Research

Pharmaceuticals & Biotechnology

Source: Refinitiv

Market data	
EPIC/TKR	**DNL**
Price (p)	**58.0**
12m high (p)	98.0
12m low (p)	48.0
Shares (m)	167.9
Mkt cap (£m)	97.4
EV (£m)	63.4
Free float*	68%
Country of listing	UK
Market	AIM

**As defined by AIM Rule 26*

Description

Diurnal is a European, UK-headquartered, specialty pharma company targeting patient needs in chronic, potentially life-threatening, endocrine (hormonal) diseases. Alkindi has been approved by both EU and US regulators. Following EU and MHRA approvals, Efmody has been launched in Germany, Austria and the UK.

Company information

CEO	Martin Whitaker
CFO	Richard Bungay
Chairman (interim)	Sam Williams

+44 29 2068 2069
www.diurnal.co.uk

Key shareholders

Directors	2.4%
IP Group	29.7%
Polar Capital	8.8%
Finance Wales	6.9%
Chelverton AM	5.8%
Amati Global Investors	5.7%
BGF Inv. Mgmt.	4.5%

Diary

4Q'21	Start CHAMPAIN trial
4Q'21	Start US CONNECT trial
4Q'21	Submit DITEST IND

Analyst

Martin Hall 020 3693 7075
mh@hardmanandco.com

DIURNAL GROUP

Aiming to become leading endocrine player

Diurnal is a commercial-stage specialty pharmaceutical company focused on diseases of the endocrine system. Its drugs target conditions where medical need is currently unmet, with the aim of becoming a global endocrine leader. Alkindi®, soon to be accompanied by Efmody®, continues to be rolled out throughout Europe. Diurnal is about to start three important clinical trials, which, if successful, will extend the commercial opportunity and deliver on its strategic goal. Its current cash resource is expected to be sufficient to complete these trials and to get Diurnal's core commercial European cortisol deficiency franchise through to profitability.

- **Strategy:** Diurnal's near-term goal is to create a valuable "Adrenal Franchise" that can treat patients with chronic cortisol deficiency diseases from birth and for the rest of their lives. The long-term vision, once Alkindi and Efmody are established, is to expand the product offering to other endocrine conditions.

- **Outlook:** In the next 12 months, Diurnal is aiming to achieve sales traction with Efmody in Europe and to commence three clinical trials: CHAMPAIN to expand use of Efmody from CAH to include AI; CONNECT to obtain regulatory approval of Efmody in the US; and a Phase I DITEST™ multiple ascending dose study.

- **Valuation:** Based on our DCF model, the risk-adjusted NPV is $335m/£240m, or 142p per share. Also, the current EV suggests upside potential when compared with a peer group of specialty endocrine companies. This sector is also attractive, as evidenced by Amryt's (AMYT.L) recent acquisition of Chiasma for $331m.

- **Risks:** Penetration of the market with Alkindi was hampered by the pandemic during the past 12-18 months. Further penetration, coupled with the launch of Efmody, is dependent on patients being able to attend hospitals and specialist clinics. Diurnal may need a partner to maximise the US Efmody opportunity.

- **Investment summary:** Diurnal is in a good position, with regulatory approvals in Europe (Alkindi, Efmody) and the US (Alkindi) and a strong cash position. The medium-term goal is to drive its European cortisol deficiency franchise through to profitability, while simultaneously investing in the three important trials. Efmody is a very large commercial opportunity and its launch should act as a catalyst for the shares to move nearer to our NPV of 142p per share.

Financial summary and valuation

Year-end Jun (£m)	2019	2020	2021	2022E	2023E	2024E
Sales	1.04	2.39	2.27	10.25	18.92	29.91
SG&A	-5.83	-6.20	-7.83	-9.79	-12.38	-17.53
R&D	-8.69	-4.63	-6.92	-10.00	-8.50	-10.00
EBITDA	-14.51	-6.01	-11.59	-13.26	-8.29	-7.22
Underlying EBIT	-14.53	-6.02	-11.62	-13.29	-8.31	-7.24
Statutory EBIT	-14.53	-5.39	-11.60	-13.29	-8.31	-7.24
Underlying PBT	-14.40	-5.91	-11.55	-13.12	-8.21	-7.19
Statutory PBT	-14.40	-5.28	-11.54	-13.12	-8.21	-7.19
Underlying EPS (p)	-14.54	-4.93	-7.34	-6.53	-3.80	-3.00
Statutory EPS (p)	-19.70	-4.28	-7.33	-6.53	-2.82	-2.14
Net (debt)/cash	9.15	15.43	34.04	20.06	10.19	0.83
Equity issues	5.53	11.20	30.49	0.00	0.00	0.00

Source: Hardman & Co Research Life Sciences Research

About Diurnal

Background

Diurnal was founded in 2004 as a spin-out from the University of Sheffield, based on the endocrine research of Professor Richard Ross, Professor of Clinical Endocrinology and Head of the Academic Unit of Diabetes, Endocrinology and Metabolism. The IP that had been developed was licensed initially to Phoqus plc, but problems encountered in the manufacturing scale-up of Chronocort (development name of Efmody) led to the licence being acquired by Diurnal in 2008. Diurnal designed a new version of the product, changing the formulation, dosing regimen and release profile and entered into a pharmaceutical manufacturing agreement with the specialist manufacturer, Glatt GmbH.

Diurnal is now a commercial-stage company, with two products on the market in Europe and one in the US. Through these products, the company is aiming, initially, to consolidate an "Adrenal Franchise" and then to expand it into other endocrine disorders. Currently, the key products in its portfolio are:

- **Alkindi:** Proprietary formulation of hydrocortisone granules for cortisol replacement therapy in children (from birth through adolescence). Approved in Europe (2018) and the US (2020) for CAH. Diurnal is commercialising Alkindi in key countries in Europe, while partner, Eton Pharmaceuticals, sells it in the US.
- **Efmody:** Proprietary formulation of modified hydrocortisone designed to mimic the circadian rhythm of natural cortisol. It is the first physiological treatment of adult and adolescent patients with CAH. Following European approval in May 2021, Efmody was launched recently in Germany, Austria and the UK.
- **DITEST:** With its proprietary formulation, Diurnal is aiming to be the first company to obtain regulatory approval for oral native testosterone for the treatment of male hypogonadism.

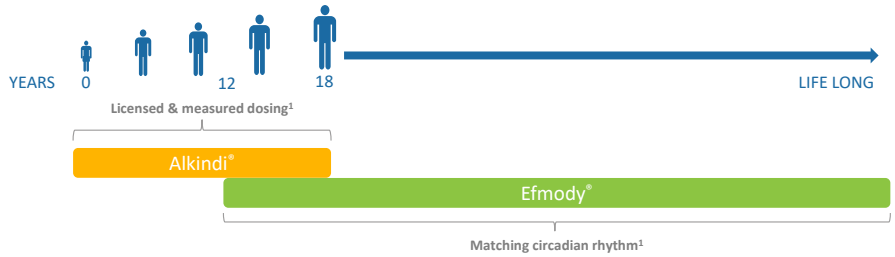
Building an "Adrenal franchise"

Cortisol is a steroid hormone secreted by the adrenal glands, which is essential for the maintenance of homeostasis and a multitude of other body functions. One of the main characteristics of cortisol is its circadian rhythm – there is a natural daily fluctuation in blood levels, with the same pattern occurring every day. In certain conditions – congenital adrenal hyperplasia (CAH) and adrenal insufficiency (AI) – the ability of the body to produce sufficient levels of cortisol is hampered, which results in a number of symptoms, such as fatigue, depression and sleep disturbance. Patients will die if this defect is not diagnosed and treated effectively. It is generally a life-long condition for which patients will need constant cortisol replacement medication throughout their lives.

- **CAH:** A genetic condition that causes enlargement (hyperplasia) of the adrenal gland. It is associated with a decrease in circulating cortisol levels and an increase in the level of male sex hormones in both sexes.
- **AI:** A condition in which the adrenal glands do not produce a sufficient level of steroid hormones, primarily cortisol, but also aldosterone. The condition was first identified by Dr Thomas Addison in 1849.

Since inception, the primary goal of Diurnal has been to develop a valuable life-long "Adrenal Franchise" that can treat patients with cortisol deficiency by targeting these chronic adrenal conditions. With Alkindi and Efmody, Diurnal has the appropriate products to treat CAH and AI from birth and throughout adulthood.

Building a life-long "Adrenal Franchise"



Source: Diurnal investor presentation

In development

While Efmody is being established in the market in Europe, Diurnal is embarking on two important clinical trials. The first is to expand the use of Efmody to include AI, a much larger market; the second is aimed at satisfying the regulatory requirements for approval of Efmody in the US. Both trials are due to start during 4Q'21.

- **CHAMPAIN:** A double-blind, double-dummy, two-way cross-over, randomised, Phase II study of efficacy, safety and tolerability of Chronocort versus Plenadren (Takeda) in AI. The study will recruit 50 AI patients from up to seven European centres with the primary endpoint to demonstrate superiority of Chronocort over Plenadren in terms of clinically significantly higher morning cortisol levels on Chronocort compared with Plenadren at four weeks, as measured by mean 07:00-hour serum cortisol levels.

- **CONNECT:** A randomised, double-blind, active-controlled Phase III trial of Chronocort compared with immediate-release hydrocortisone replacement therapy in 150 CAH patients aged 16 years and over. The primary endpoint of this study is biochemical responder non-inferiority of Chronocort vs. twice daily immediate-release hydrocortisone after 52 weeks of randomised treatment.

Commercial opportunity

Based on a number of different sources, Diurnal estimates that the total commercial opportunity is $3.4bn, as shown in the following graphic, and based on a Plenadren price of $6,470 per patient p.a. Hardman & Co has published similar statistics in relation to the patient population and the market opportunity in previous reports on Diurnal. Some minor differences are the consequence of different assumptions about the price of Plenadren in different territories – range is $5,960 to $6,683 per patient p.a.

Cortisol deficiency market opportunity

	Prevalence (Estimated no. of patients)			Total Addressable Market Size¹		
	EU	US	Total	EU	US	Total
Paediatric AI (inc CAH)	10,045	4,158	14,203	$65m	$100m²	**$165m**
CAH	41,389	16,357	57,746	$268m	$106m	**$374m**
AI	298,299	154,793	453,093	$1,930m	$1,002m	**$2,932m**
Total	**349,734**	**175,308**	**525,042**	**$2,263m**	**$1,134m**	**$3,397m**

Source: Diurnal investor presentation

Diurnal is commercialising Alkindi and Efmody in the key pharmaceutical markets in Europe through its own marketing infrastructure. Outside of these countries, the company has signed a number of global licensing and distribution agreements, which are elegantly summarised in the following graphic.

Cortisol deficiency market opportunity

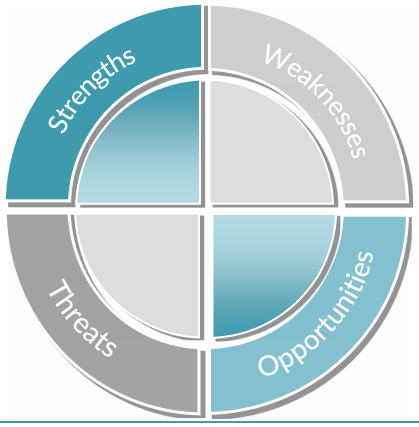
Company	Major territories	Products	Type of deal	Financials	Upfront / milestones[1]
eTon PHARMACEUTICALS	US Canada	Alkindi Sprinkle®	License	Royalties + milestones	$52.5m
Citrine 瑞祥	China	Alkindi® Efmody®	License	Royalties + milestones	$43.0m
Ter-Kim İLAÇ	Turkey, Bulgaria, Romania	Alkindi® Efmody®	Distribution	Revenue share	-
FrostPharma	Nordics	Alkindi®	Distribution	Revenue share	-
Consilient Health	Nordics, Benelux	Alkindi® Efmody®	Distribution	Revenue share	n/d
Chiesi	Australia, New Zealand	Alkindi® Efmody®	Distribution	Revenue share	-
MEDISON	Israel	Alkindi® Efmody®	Distribution	Revenue share	-
EffRx	Switzerland	Alkindi®	Distribution	Revenue share	-

[1]*Total potential payments assuming 100% success*
Source: Diurnal investor presentation

SWOT analysis

SWOT analysis

- Alkindi – first marketed paediatric licensed product
- Chronocort – mimics the natural cortisol level
- Experienced management team
- Commercial infrastructure for speciality products



- Relatively small player in competitive field
- Drug development is capital-intensive
- Requirement to raise further capital for asset development
- Commercial/clinical licensing deals take time to close

- Time and cost of clinical trials
- Time to conclude licensing deal(s)
- Competitive field; number of technologies
- Willingness of payors to pay price premium

- Adrenal Insufficiency is a high unmet medical need
- No marketed product or technology matches circadian rhythm of cortisol
- Expansion into other endocrine conditions

Source: Hardman & Co Research Life Sciences Research

Investment conclusion

Significant valuation inflection points for pharmaceutical companies are achieved when there is evidence of sales traction and on positive outcomes in late-stage clinical trials. Diurnal is poised for a number of such events. The company has a cash position to support the commercialisation of Efmody in Europe and the three highlighted clinical trials, based on current expectations and forecasts.

Based on our DCF models, the risk-adjusted NPV for Diurnal is $335m/£240m, or 142p per share. In addition, the current EV suggests upside potential when compared with a peer group of specialty endocrine companies. Also, this specialty sector is attractive, as evidenced by Amryt's (AMYT.L) recent acquisition of Chiasma (CHMA) for $331m.

Financial summary

- **Sales:** Product sales represent a mix of direct sales by Diurnal of Alkindi and Efmody, coupled with product supply agreements with distribution partners.
- **Gross margin:** The mix of sales by country has a big influence on the overall gross margin, creating some volatility. For example, US product is sold to ETON at cost. Margins should improve through greater volumes and manufacturing efficiencies.
- **R&D:** Diurnal is entering a fully-funded major investment programme to expand and advance its product pipeline. For 2022, we estimate R&D will rise from £6.9m to £10.0m, followed by £8.5m in 2023 for the residual trial costs.
- **Gross cash:** Diurnal currently has gross cash of £34.0m, with no debts or leases. Much of this is earmarked for specific clinical projects.
- **Working capital:** Generally, the build-up of inventories, debtors and creditors is consistent with the product launch and growth phase of a company.
- **Change of reporting period:** Diurnal has given notice of its intention to change its reporting period from June to December. This will bring the company into line with the global pharmaceutical industry.

Summary financials

Year-end June (£m)	2019	2020	2021	2022E	2023E	2024E
Income statement						
Sales	1.04	2.39	2.27	10.25	18.92	29.91
COGS	-0.22	-0.67	-0.78	-3.27	-5.84	-9.08
Selling & distribution	-4.51	-4.14	-5.24	-6.81	-8.51	-11.91
Admin expenses	-1.33	-2.06	-2.59	-2.98	-3.87	-5.61
Share-based costs	-0.83	-0.84	-0.47	-0.49	-0.51	-0.54
R&D	-8.69	-4.63	-6.92	-10.00	-8.50	-10.00
Underlying EBIT	**-14.53**	**-6.02**	**-11.62**	**-13.29**	**-8.31**	**-7.24**
Exceptional items	0.00	0.63	0.02	0.00	0.00	0.00
Statutory EBIT	-14.53	-5.39	-11.60	-13.29	-8.31	-7.24
Net interest	0.13	0.11	0.06	0.17	0.10	0.05
Underlying pre-tax profit	**-14.40**	**-5.91**	**-11.55**	**-13.12**	**-8.21**	**-7.19**
Reported pre-tax profit	-14.40	-5.28	-11.54	-13.12	-8.21	-7.19
Tax liability/credit	2.11	1.21	1.49	2.15	3.47	3.59
Weighted average (m)	62.39	95.23	137.09	167.93	167.93	167.93
Underlying basic EPS (p)	**-14.54**	**-4.93**	**-7.34**	**-6.53**	**-3.80**	**-3.00**
Balance sheet @30Jun						
Share capital	0.00	0.00	0.00	0.00	0.00	0.00
Reserves	6.72	12.30	29.17	18.20	13.46	9.87
Loans/debt	0.00	0.00	0.00	0.00	0.00	0.00
***less:* Cash**	**9.15**	**15.43**	**34.04**	**20.06**	**10.19**	**0.83**
less: non-core investments	0.00	1.67	0.00	0.00	0.00	0.00
Invested capital	1.80	1.28	3.53	6.54	11.67	17.43
Cashflow						
Underlying EBIT	-14.53	-6.02	-11.62	-13.29	-8.31	-7.24
Change in working capital	-2.33	-0.38	-0.85	-3.70	-4.75	-5.97
Company op cashflow	-16.01	-5.53	-11.97	-16.47	-12.53	-12.64
Tax paid/received	2.28	2.12	1.20	1.82	2.81	3.53
Capital expenditure	-0.03	-0.01	-0.14	-0.17	-0.20	-0.24
Free cashflow	-13.66	-3.34	-10.89	-14.69	-9.86	-9.36
Equity issues	5.53	11.20	30.49	0.00	0.00	0.00
Change in net debt	**-8.14**	**6.29**	**18.60**	**-13.98**	**-9.86**	**-9.36**
Opening net cash	17.28	9.15	15.43	34.04	20.06	10.19
Closing net cash	**9.15**	**15.43**	**34.04**	**20.06**	**10.19**	**0.83**

Source: Hardman & Co Research Life Sciences Research

Company matters

Registration

Incorporated in the UK, with company registration number 05237326

UK Headquarters:

Diurnal Limited
Cardiff Medicentre
Heath Park
Cardiff, CF14 4UJ
UK

+44 29 2068 2069
www.diurnal.co.uk

Board of Directors

Board of Directors

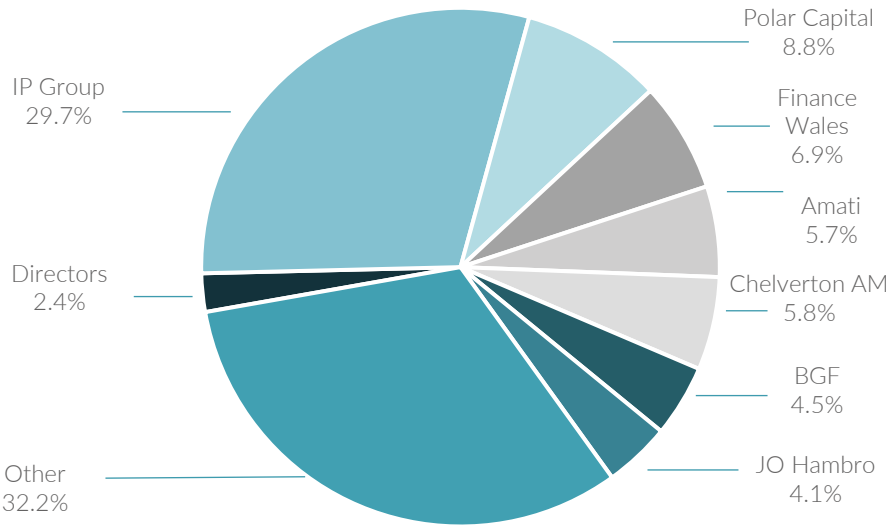
Position	Name	Nominations	Remuneration	Audit
Chairman (interim)	Sam Williams	C	M	
Chief Executive Officer	Martin Whitaker			
Chief Financial Officer	Richard Bungay			
Chief Scientific Officer	Richard Ross			
Non-executive director	John Goddard	M	M	C
Non-executive director	Alan Raymond	M	C	M

M = member, C = chair
Source: Company reports

Share capital

On 18 September 2021, the company had 168,903,690 Ordinary shares of 0.05p in issue and 4,828,270 options.

Major shareholders



Source: Company reports

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