CALVINE

Diurnal Group

03 March 2021

Share Price	**57.5p**
CP Fair Value	**99p**

Market Cap (£m)	79
Net Cash (£m)	20
Enterprise Value (£m)	59

Country	UK
Code	DNL
Index	FTSE AIM

Source: Calvine Partners Research

Important period ahead

With the spectre of an imminent regulatory decision on its biggest product to date Chronocort, Diurnal's plans for the next phase of the company's development are taking shape. In anticipation of a successful outcome in Europe, Diurnal has initiated pre-launch activities with market access planning and manufacturing of launch stocks. The addition of Chronocort in Europe and the UK would deliver a lifelong treatment option for patients with adrenal insufficiency (CAH in adults for now). For patients, the availability of a product like Chronocort which addresses many of the limitations associated with supraphysiological dosing of potentially harmful levels of glucocorticoid (hydrocortisone, prednisolone, dexamethasone), could be transformational. The confirmation of this aspect of treatment in the extension study, as detailed in the recent JCEM publication, is an important endorsement of Diurnal's long-term ambitions in this field.

US Chronocort prospects taking centre stage

Outside of the immediate European CAH opportunity, approval should also facilitate access to the much larger adrenal insufficiency (AI) market with a comparator study set to enrol later this year. We also suspect that it brings the US CAH market in to play as well. With the upcoming prospect of a confirmed regulatory pathway (Special Protocol Assessment; SPA), Diurnal should be well placed to take this programme forward and ultimately to commercialise given this is an Orphan indication – resources permitting. If successful, this would be a very lucrative opportunity for Diurnal, and would deliver on the original ambitions for the adrenal franchise. The awareness of CAH has been heightened in the US thanks to the efforts of Diurnal as well as those developing potentially complementary treatments targeting CRF1.

Lots to do as pipeline prospects improve

From a financial perspective Diurnal remains well capitalised to progress its ambitions of taking the European adrenal franchise to profitability as well as progressing DITEST. We have previously reviewed the commercial prospects for DITEST and believe this could well be not only a first in class native testosterone, but also a best-in-class approach to testosterone replacement therapy. Despite the potential of the pipeline, R&D spend so far has been modest although we anticipate that the allure of the US CAH opportunity and the benefit of a SPA offers an enticing prospect. DITEST has a streamlined US regulatory pathway and activity will clearly increase here too. As a result, we expect a meaningful R&D commitment to capitalise on improving pipeline prospects. In the near term however, we look forward to the significant operating leverage that the potential addition of Chronocort brings. (For Risks see Page 9).

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Beyond Alkindi and Chronocort

Since the disappointment of the missed primary endpoint from the European Phase 3 study, management has worked assiduously to secure the future of the business. Despite this apparent setback, Diurnal has sought to deliver an acceptable regulatory package based not just on the Phase 3 trial but also including longer term data from the ongoing extension study. Hopefully, the totality of the data provided will be sufficient to persuade the EMA and MHRA of the merits of Chronocort and the importance of providing a hydrocortisone preparation that more closely mimics the physiological (circadian) profile of the body's natural glucocorticoid cortisol.

The totality of the data provided hopefully will be sufficient to persuade the EMA and MHRA of the merits of Chronocort approval

Data publication in JCEM

Further insight into the detail behind the totality of the data generated in the Phase 3 and extension studies were provided in the Journal of Clinical Endocrinology and Metabolism. The Phase 3 study remains the largest interventional study in the CAH patient population and represents a significant body of clinical data. Certainly, with the primary endpoint of the Phase 3 study at 24 weeks and the 18-month extension study (patients who chose to continue on Chronocort), Diurnal has provided substantial insight into the safety and efficacy of delivering modified release hydrocortisone using a convenient twice daily toothbrush (morning and night) regimen.

Phase 3 study is the largest interventional study in the CAH patient population

While recognising the reality of the missed primary endpoint in the Phase 3 study, the publication examines in detail the data supporting the use of Chronocort, and the importance of circadian delivery to optimise treatment in CAH patients. As we have previously highlighted, the treatment of CAH requires a balance between lowering the high levels of overnight male hormones (androgens) and minimising the risk of too much glucocorticoid (usually hydrocortisone). High levels of androgens can result in issues such as poor fertility and precocious puberty, and insufficient glucocorticoid increases the risk of potentially life-threatening, adrenal crisis.

In essence, the publication confirms the benefits seen with Chronocort in a *post hoc* (follow-up) analysis of the Phase 3 study. Clinically relevant improvement in hormonal control was achieved with Chronocort compared with standard glucocorticoid therapy as seen by a greater reduction in relevant biochemical markers (usually 17OHP) from the start of the study to both week 4 and week 24. Importantly, a statistically significant improvement was observed in hormonal control during the important early morning/afternoon (7am-3pm) while other measures (area under the curve) also confirmed the positive impact of Chronocort over standard glucocorticoid therapy. In the extension part of the study, after prolonged treatment, 80% of patients experienced good disease control (measured by 17OHP) compared with 52% at the beginning

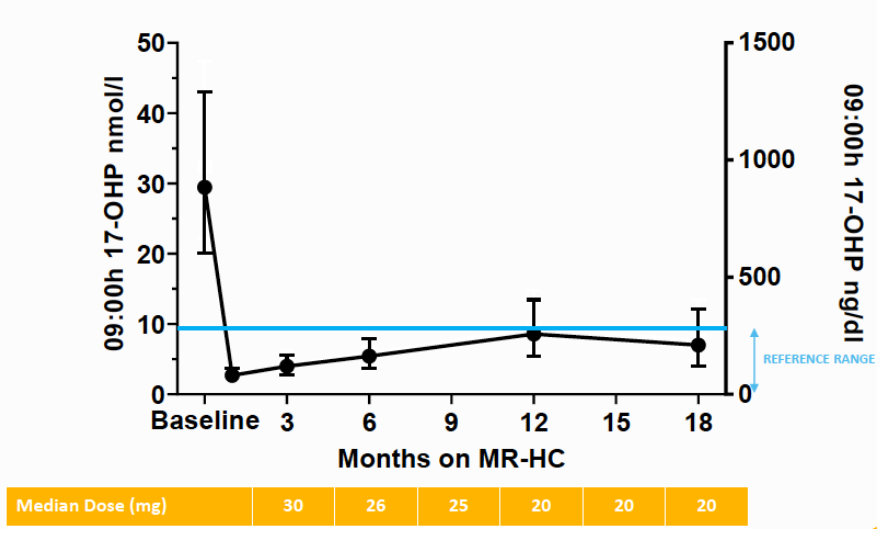
Chronocort delivered a statistically significant improvement in hormonal control during the important early morning/afternoon

of the Phase 3 study. Other positive observations included the restarting of menstruation and improved fertility in patients receiving Chronocort.

Most patients can be controlled with a normal replacement dose of Chronocort compared to supraphysiological glucocorticoid doses currently used

One of the key issues for patients is to minimise the impact of excess glucocorticoid therapy. The data is sufficiently reassuring to suggest that most patients can be controlled with a normal replacement dose of Chronocort compared to supraphysiological glucocorticoid doses (doses exceeding that normally found in healthy individuals) currently used to manage high androgen levels in CAH patients. This is important since reducing the glucocorticoid dose is a central tenet of new potential approaches in CAH.

Chronocort achieved sustained control of androgens within the reference range using adrenal replacement dosing



Absence of adrenal crises during the Chronocort Phase 3 study is highly reassuring

From a safety perspective, it is reassuring that hydrocortisone (the active ingredient in Chronocort) is a well characterised treatment. The absence of adrenal crises during the controlled (Phase 3) study in patients receiving Chronocort is highly reassuring, and while there were several observed during the extension study, we note that this was not out of kilter with historical rates.

Planning for success

With the uncertainty over the regulatory filing of Chronocort in Europe, we suspect it has been difficult to prepare the business as management would have preferred. However, pre-launch activities in Europe have begun with market access activities underway and launch stocks manufactured.

Europe is well placed for the launch of Chronocort with an existing salesforce for Alkindi

Europe is now well placed for the launch of a novel differentiated product like Chronocort with an existing salesforce currently detailing Alkindi in the paediatric population. The addition of Chronocort should facilitate chronic treatment from childhood through to adulthood. Given the length of time that Alkindi has been in the main European markets, the salesforce should have gained a

significant degree of familiarity with the endocrinology specialist physician community. As a result Diurnal should be well placed not just to offer an appropriate adult treatment for those Alkindi patients transitioning through puberty but also for those adults who currently are receiving a less effective hydrocortisone preparation. In addition to benefiting patients and physicians the addition of a high value product like Chronocort should deliver substantial operating leverage to Diurnal's European operations.

A successful regulatory outcome in CAH will bring the larger AI opportunity into play

Ultimately, as Diurnal seeks to build on its adrenal franchise in Europe, a successful regulatory outcome in CAH should also bring the larger AI opportunity into play. As a line extension, clinical development should be relatively straightforward. Diurnal has sought to optimally position Chronocort by conducting a comparator study versus an already approved (in Europe) modified release formulation of hydrocortisone (Plenadren). The study will start later in 2021.

US opportunity substantial

The competitive environment has changed

The development of Chronocort for the CAH market was paused after the unexpected initial disappointment of the European Phase 3 study. Since then much has changed, particularly with respect to the competitive environment, with several companies now seeking to develop new treatment approaches for the CAH patient. With the failure of nevanimibe (targeting ACTH), the focus elsewhere has now fallen on the development of the CRF1 inhibitors tildacerfont and crinecerfont.

Chronocort is a replacement therapy whereas the CRF1 inhibitor approach seeks to reduce high androgen levels

While Chronocort represents a straightforward replacement therapy, the CRF1 inhibitor approach seeks to deal with the high androgen levels that results from the body's efforts to produce more cortisol precursors in response to low/no cortisol. Presently, many patients require physiological levels of glucocorticoid to reduce the risk of an adrenal crisis but supraphysiological levels to reduce the impact of high androgen levels. Ultimately the treatment of CAH requires a fine balance between too much androgen (hyperandrogenism) and too much cortisol (hypercortisolism). Simplistically, too much androgen is clearly much more of a problem for pre-pubescent females and less so for adult men.

Treatment is complicated by the heterogenous nature of CAH with significant inter and intra-patient variability

Further complicating matters is the heterogenous nature of the disorder with significant inter and intra-patient variability with respect to the amount of cortisol produced and consequently, the need for tailored treatment approaches. In practise, patients can receive various different glucocorticoid preparations depending on the severity of the disorder with poorly controlled patients often receiving a more potent treatment such as dexamethasone.

The main opportunity for the CRF1 approach, as we see it, is for those patients who struggle to control their androgens with standard glucocorticoid therapy. We note for example that Spruce Biosciences is pursuing two patient populations (poorly and well

controlled), endeavouring to demonstrate that they can reduce the requirement for supraphysiological glucocorticoid treatment as well as reduce androgens generally.

We view this as a complementary approach noting (from the recent JCEM publication) that many patients receiving Chronocort are well controlled on adrenal replacement doses (during the extension study). As noted above, this reduction in glucocortocoid dose to adrenal replacement levels was associated with improvements in menstrual regularity as well as improved fertility (in both males and females).

We view the CRF1 approach as complementary to Chronocort's

Given the continued requirement for glucocorticoid replacement therapy even if the CRF1 approach proves fruitful, we believe that the benefits of circadian delivery should result in Chronocort becoming the preferred glucocorticoid treatment option in the CAH indication. This, coupled with the observation that control of overnight androgens can also be achieved with adrenal replacement doses, further re-enforces the appeal of using Chronocort we believe.

Glucocorticoid replacement therapy will still be required even if the CRF1 approach is successful

Undoubtedly, the intensifying competitive environment in the US has led to an increased awareness of CAH as an unmet medical need. Given the resource constraints at Diurnal and the need to rein in costs post the European Phase 3 trial, we had previously suggested that perhaps a commercial partner would be required to take on the cost of conducting the US Phase 3 study. Nevertheless, CAH remains an Orphan indication with newborns identified through neonatal screening and while there is a risk of adult patients being lost to treatment (more so in the US), we suspect that this was more due to the undesirable effects of treatment with supraphysiological levels of glucocorticoid at a time (post puberty) when high androgen levels are less of a concern.

The competitive environment in the US has led to an increased awareness of CAH as an unmet medical need

However, should Chronocort successfully navigate the US regulatory system (confirmation of a Special Protocol Assessment would clearly be helpful), then its availability could address many of these patient concerns. Additionally, despite increasing pricing pressures the US remain the last bastion of free drug pricing with significant elasticity to encourage development of Orphan drugs in particular. Consequently, given the heightened awareness and the significant market potential, the US CAH market remains a potentially very lucrative opportunity and one that resource permitting should be tractable to a small endocrinology focussed sales force.

The US CAH market remains a potentially very lucrative opportunity

We suspect that another determining factor behind the desire to self develop Chronocort further, is the prospect of also accessing additional major markets such as Japan. Diurnal has already explored potential approaches to registration here and we note that there is the potential to include relevant patients in the US study.

Adrenal portfolio offers a lifelong treatment approach

Diurnal's portfolio brings the prospect of lifelong treatment for patients

Given the importance of glucocorticoid replacement therapy for patients who suffer from low cortisol (CAH and AI), the availability of both Alkindi (for children) and Chronocort (for adults) in Europe should significantly increase the relevance of Diurnal's portfolio to the endocrinologist community. The prospect of offering lifelong treatment options for patients with adrenal insufficiency (including CAH) should be transformational for patients.

The combined AI market opportunity in the US and Europe is circa $2.8bn

Without wishing to get too excited at this relatively early stage in the commercial life of the adrenal franchise at Diurnal, it is also important to remember that approval not only allows Diurnal to realise its ambitions in CAH, it should also unlock the potential of the much larger AI indication. Unlike CAH this is principally a disorder of adults (post puberty) and hyperandrogenism is not generally an issue. As a result, competition from the developers of CRF1 inhibitors is not relevant. It is also a much larger market. The combined AI market opportunity (Addison's and hypopituitarism) in the US and Europe is circa $2.8bn. The AI indication represents a considerable opportunity for Diurnal with perhaps as many as 4.1m sufferers globally with circadian delivery of cortisol also highly relevant. Indeed, there remains significant consternation within the endocrinologist community regarding the risks associated with current non-circadian delivery of high doses of hydrocortisone in AI.

As Diurnal seeks to optimally position Chronocort in AI, plans are afoot to conduct a comparator trial versus an existing modified release hydrocortisone preparation Plenadren. The study is scheduled to start later in 2021. As with CAH, the US AI opportunity will require additional clinical data prior to registration.

In our forecasts for the AI opportunity, we have assumed that two-thirds of patients are not controlled and available for Chronocort therapy. We have attributed a 50% probability of success to the AI programmes, resulting in 2030E revenues of £115m in the US. On an unrisked basis our peak sales forecast would be £231m. Clearly should Chronocort be successfully approved in the CAH indication we would revisit our EU AI expectations.

Adrenal franchise sales (£m)

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Alkindi sales US	0.31	0.65	1.26	1.75	2.74	3.42	3.56	3.70
Alkindi sales EU	2.13	6.92	9.60	9.99	10.39	10.81	11.25	11.70
Chronocort sales US	-	-	-	3.67	9.17	33.99	68.34	80.28
Chronocort sales EU	-	9.06	27.73	73.30	111.06	187.33	191.07	194.90
Adrenal franchise sales	2.48	16.63	38.60	88.71	133.36	235.55	274.22	290.58
Adrenal franchise sales unrisked	**2.48**	**19.65**	**47.84**	**131.81**	**209.01**	**391.31**	**458.23**	**488.38**

Source: Calvine Partners Research

Potential of pipeline becoming more obvious

With management's time and resource focussed on delivering an acceptable regulatory package for Chronocort in Europe and manage limited financial resources, we could have expected a hiatus in pipeline development outside of the adrenal franchise.

Diurnal has achieved rapid progress with DITEST

However, although several programmes were paused at the time, it has been refreshing to witness the rapid progress with the testosterone replacement therapy (TRT) DITEST. DITEST is a native testosterone, which has been formulated for oral administration, but designed to provide normal physiological levels of testosterone irrespective of the need for food. Consequently, DITEST should overcome some of the limitations which have tempered the outlook for existing oral treatments such as Jatenzo (testosterone undecanoate) – an authorised (chemically modified) orally available testosterone preparation.

DITEST achieved testosterone levels within the normal physiological range for young adults and with less variability than existing treatements

Although still relatively early days clinically, the differentiated nature of DITEST compared to testosterone undecanoate has been established in a Phase 1 comparator proof of concept study. Here, DITEST administration was associated with achievement of testosterone levels within the normal physiological range for young adults, and with less variability than with testosterone undecanoate.

The TRT market is large and lucrative (Diurnal suggests a $4.8bn global market) but has been blighted by safety concerns particularly associated with treatment of men with low testosterone as a natural consequence of ageing as well as abuse by healthy males. Nevertheless, it remains a large market opportunity for the right product with the right positioning. In the key US market for example circa 6% of males have low levels of testosterone (approx. 4-5 million).

The availability of a suitable oral therapy with fewer limitations should be well received

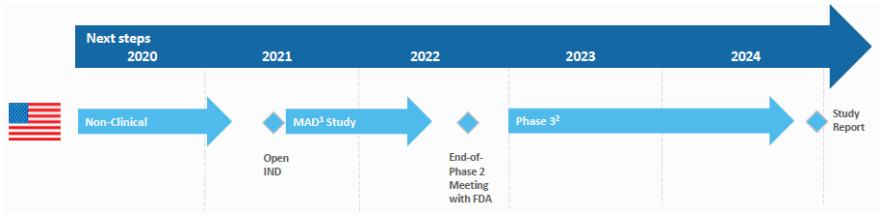
It is a fragmented market with no clear leadership, and we believe it to be highly promotionally sensitive. The availability of a suitable oral therapy with fewer limitations should be well received particularly given that that the market is still dominated by topical and/or injectable products. Additionally, DITEST's timing could be helped by the regulatory actions which have provided greater clarity on the target patient population (not older men with naturally declining testosterone levels) - effectively limiting the target population to patients with hypogonadism, and specifically those with structural issues.

Recent regulatory actions have increased the awareness of properly diagnosing and treating patients with hypogonadism

Furthermore, we believe that recent regulatory actions have served to increase the awareness of properly diagnosing and treating patients with hypogonadism. The more limited prescribing label in the US for TRT may have served to blunt demand and to have effectively alienated those with age-related reduced testosterone levels. However, the guidelines do provide a means by which physicians can still diagnose and treat those with a formal diagnosis of hypogonadism (albeit off-label).

The 505(b)(2)) pathway should streamline the route to approval and reduce costs

From a regulatory perspective native testosterone is a well-characterised molecule with the FDA confirming that for registration DITEST can be developed using the branded generic (505(b)(2)) pathway, effectively streamlining and foreshortening the route to approval. The 505(b)(2) pathway is associated with significantly lower costs and risks than traditional drug development. Effectively, Diurnal can take advantage of data previously provided by other testosterone-based products as it seeks to provide a regulatory package that fulfils the Agency's requirement that DITEST is safe and efficacious.



Diurnal has firmed up on its plans and timelines for DITEST with non-clinical work underway and a multiple ascending dose study planned to begin later in 2021. With significant financial resource available the plan is for Diurnal to conduct the near term clinical evaluation up to the end of Phase 2. Subject to a successful outcome and confirmation of regulatory requirements at a Type C (end of Phase 2 meeting) with FDA in 2022, a Phase 3 study could begin in 2023.

Even a minor share of the US TRT population suggests revenues of c.$1.5bn for DITEST

As intimated previously, DITEST sits outside of our Diurnal financial model and valuation given its relatively early stage of development. However, our analysis suggests that even a modest penetration of 3% of the US TRT patient population suggests in-market sales in the region of $1.5bn. DITEST, if successful, should be positioned as the most convenient treatment - an oral therapy which can be taken irrespective of fed or fasted state. Should Diurnal choose to partner DITEST for commercialisation we suspect that demand could be driven beyond our current conservative estimates given its status as the first approved oral native testosterone replacement therapy.

Risks

The principal risks associated with Diurnal are largely clinical and commercial in nature. The failure of the European Phase 3 study for Chronocort was an unexpected disappointment although a review of the data has suggested significant support for Diurnal's approach. While we hope that the EMA and MHRA will be pragmatic in their approach to reviewing the data there are lingering risks in this approach.

Diurnal has retained European rights to its adrenal disorder franchise, which brings commercialisation risks. We note that Diurnal has engaged the services of Ashfield Healthcare, which has a successful track record in helping life science companies launch new products. Nevertheless, the pace of uptake is difficult to predict (and the effects of COVID-19 have clearly been unhelpful) which could affect our forecasts although we recognise that market expectations for Alkindi are modest.

If successful, and Chronocort ultimately achieves a market introduction, Diurnal is seeking to launch its products into what is largely a generic market environment. We have assumed a price for Chronocort that is consistent with the European price of Plenadren – a once daily formulation of hydrocortisone which looks to be a reasonable proxy. We note that in this regard there is no equivalent product in the US. With Diurnal potentially looking to partner its products in the US, including DITEST, there is an associated partnering risk.

As a development stage company, Diurnal is currently a loss making enterprise. Diurnal has successfully raised funds to continue with its development plans and to aid the launch of Alkindi in Europe. Ultimately, given the opportunities available to the company as it seeks to maximise the value of its product portfolio and pipeline, Diurnal may require additional funding.

Financial Model and Summary

Our financial model for Diurnal is limited to the prospects for the adrenal franchise - the cortisol replacement-based treatments Alkindi and Chronocort. With successful fundraising efforts, Diurnal has highlighted the potential of the pipeline to deliver future value for shareholders and improve the treatment of patients with other endocrine disorders such as hypogonadism.

With regulatory action for Chronocort imminent in the UK and Europe these are potentially transformational times for Diurnal. Success should finally deliver on the initial ambitions of the company to establish a meaningful European adrenal franchise as part of its ultimate objective to create a company with a significant (non-diabetes) endocrinology franchise. Success in Europe should also bring considerable confidence to progress Chronocort in the US.

Success in Europe should bring considerable confidence to progress Chronocort in the US

Even with European approval alone, successful commercial execution of the adrenal franchise should deliver sustainable profitability for Diurnal. The establishment of a lean commercial infrastructure in Europe, along with a distributor network elsewhere, should de-risk the commercial execution risk. Importantly, as things stand, the existing salesforce are supporting the modest Alkindi sales opportunity and so the addition of a higher value prospect like Chronocort should lead to significant operating leverage. Based on the data we have seen to date we have assumed a 75% probability of success for Chronocort in Europe. While we would normally employ a 90% probability as products move through registration, we acknowledge the lingering risk associated with the missed primary endpoint in the European Phase 3 trial.

Approval for the European and UK CAH indication potentially unlocks the AI indication

Approval for the European and UK CAH indication also potentially unlocks the AI indication here as well, although additional clinical data are required for the US. In Europe a comparator study is planned for optimal positioning but clinical risk appears low. In our forecasts and valuation we currently assume a 50% probability of approval which we plan to revisit should Chronocort be successful in CAH shortly.

DITEST has a $4.8bn global market opportunity and a streamlined regulatory pathway

We have reminded ourselves of the progress with DITEST and the size of the market opportunity ($4.8bn globally). With a streamlined 505(b)(2) pathway confirmed in the US we still need to see a bit more data before inclusion in our valuation, although this could come as early as next year.

We forecast a step up in R&D spending on additional DITEST and Chronocort AI studies

With respect to costs, we look forward to improvements in manufacturing to deliver an improved cost of goods for Alkindi. R&D has been relatively modest to date reflecting completion of the European Phase 3 CAH trial and the small size of the DITEST PoC study. Our forecasts suggest a step up in R&D as we look forward to additional trials for Chronocort in AI with DITEST moving into a multiple ascending dose study also later in 2021. The principal variable in our forecast for future R&D spend is the outlook for Chronocort in the US. Should the Chronocort Phase 3 study design

receive FDA blessing following confirmation of a Special Protocol Assessment, the regulatory pathway becomes clear. We have assumed that a Phase 3 study will not start until FY 2022 and have modified our R&D spend accordingly. Ultimately, Chronocort is the route to financial success for Diurnal. Clearly, its addition to the European adrenal franchise would result in significant operating leverage and the US could be a very lucrative opportunity if Diurnal is able to fund Phase 3 and potentially self-commercialise.

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Diurnal Cash Flow (£m) Year to June	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Net income	(12.29)	(4.07)	(18.12)	(19.05)	(1.53)	23.19	35.08
Licensing income received as non-cash		(1.04)					
Fair value adjustment to investments		(0.63)					
Dep/Amort/Impair	0.02	0.03	0.01	0.01	0.01	0.02	0.04
Share- based payment	0.83	0.84	0.84	0.84	0.84	0.84	0.84
Net Fx gain	(0.01)	(0.36)					
Financial income	(0.13)	(0.11)	(0.15)	(0.07)	0.12	0.13	(0.10)
Financial expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax	(2.11)	(1.21)	0.00	0.00	(0.51)	7.73	11.69
(Increase) in receivables	1.36	0.12	0.04	(0.14)	(0.22)	(0.50)	(0.45)
Increase in payables	(3.14)	0.07	0.07	0.14	0.14	0.40	0.36
(Increase) in inventories	(0.55)	(0.57)	0.05	(0.68)	(0.71)	(0.23)	0.44
Interest paid	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Tax paid/ received	2.28	2.12	0.00	0.00	0.51	(7.73)	(11.69)
CFO	(13.74)	(4.81)	(17.27)	(18.97)	(1.36)	23.85	36.21
PP&E	(0.03)	(0.01)	(0.01)	(0.01)	(0.08)	(0.10)	(0.17)
R&D capitalised	(0.04)	(0.04)					
Investments	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Interest received	0.13	0.11	0.15	0.07	(0.12)	(0.13)	0.10
CFI	0.07	0.07	0.15	0.07	(0.20)	(0.23)	(0.07)
Net proceeds from issuance of share capital	5.53	10.67	9.30	0.00	0.00	0.00	0.00
Repayment of borrowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net proceeds from new borrowings	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
CFF	5.53	10.67	9.30	0.00	0.00	0.00	0.00
Increase in cash	(8.15)	5.93	(7.82)	(18.90)	(1.56)	23.62	36.14
Cash brought forward	**17.28**	**9.14**	**15.07**	**7.25**	**(11.65)**	**(13.21)**	**10.41**
Fx		0.36					
Cash EOP	**9.14**	**15.07**	**7.25**	**(11.65)**	**(13.21)**	**10.41**	**46.56**

Source: Calvine Partners Research

Diurnal Income Statement (£m) Year to June	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales	**1.04**	**6.31**	**2.48**	**16.63**	**38.60**	**88.71**	**133.36**	**235.55**	**274.22**	**290.58**	**346.06**	**372.54**
COGS	(0.22)	(0.67)	(0.74)	(4.16)	(7.72)	(17.74)	(26.67)	(47.11)	(54.84)	(58.12)	(69.21)	(74.51)
Gross profit	**0.82**	**5.65**	**1.74**	**12.47**	**30.88**	**70.97**	**106.69**	**188.44**	**219.38**	**232.46**	**276.85**	**298.03**
gross margin	78.5%	89.4%	70.0%	75.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
SG&A	(6.66)	(7.04)	(9.80)	(9.98)	(13.51)	(17.74)	(33.34)	(58.89)	(68.56)	(72.64)	(86.52)	(93.13)
R&D	(8.69)	(4.63)	(10.21)	(21.62)	(19.30)	(22.18)	(26.67)	(35.33)	(41.13)	(43.59)	(51.91)	(55.88)
Other operating income	0.00	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating profit	**(14.53)**	**(5.39)**	**(18.27)**	**(19.13)**	**(1.93)**	**31.05**	**46.68**	**94.22**	**109.69**	**116.23**	**138.43**	**149.02**
Finance income	0.13	0.11	0.15	0.07	(0.12)	(0.13)	0.10	0.47	1.17	2.01	2.90	3.95
Finance expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PBT	**(14.40)**	**(5.28)**	**(18.12)**	**(19.05)**	**(2.05)**	**30.92**	**46.78**	**94.69**	**110.86**	**118.24**	**141.33**	**152.97**
Tax	2.11	1.21	0.00	0.00	0.51	(7.73)	(11.69)	(23.67)	(27.72)	(29.56)	(35.33)	(38.24)
Net income	**(12.29)**	**(4.07)**	**(18.12)**	**(19.05)**	**(1.53)**	**23.19**	**35.08**	**71.01**	**83.15**	**88.68**	**106.00**	**114.73**
EPS Basic (p)	-19.70	-4.30	-13.94	-13.78	-1.11	16.76	25.36	51.34	60.11	64.11	76.63	82.94
EPS Diluted (p)	**-19.70**	**-4.30**	**-13.94**	**-13.78**	**-1.11**	**16.76**	**25.36**	**51.34**	**60.11**	**64.11**	**76.63**	**82.94**

Source: Calvine Partners Research

Diurnal Balance Sheet (£m)							
Year to June	**2019A**	**2020A**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Intangible assets	0.05	0.08	0.01	0.01	0.01	0.01	0.01
PP&E	0.03	0.02	0.02	0.02	0.10	0.17	0.31
Inv held at fair value through P&L		1.67	1.67	1.67			
Non-current assets	0.08	1.77	1.69	1.69	0.10	0.18	0.32
Trade and other receivables	3.56	2.53	0.02	0.17	0.39	0.89	1.33
Inventory	0.67	1.24	0.15	0.83	1.54	1.77	1.33
Financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash & Cash equivalents	9.15	15.43	7.25	(11.65)	(13.21)	10.41	46.56
Current assets	13.38	19.21	7.42	(10.66)	(11.28)	13.08	49.22
Total Assets	**13.46**	**20.98**	**9.11**	**(8.96)**	**(11.18)**	**13.25**	**49.54**
Loans and borrowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade and other payables	(2.50)	(2.56)	0.03	0.17	0.31	0.71	1.07
Current liabilities	(2.50)	(2.56)	0.03	0.17	0.31	0.71	1.07
Loans and borrowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade and other payables	(0.02)	(0.04)	(0.05)				
Non-current liabilities	(0.02)	(0.04)	(0.05)	0.00	0.00	0.00	0.00
Total Liabilities	**(2.52)**	**(2.59)**	**(0.02)**	**0.17**	**0.31**	**0.71**	**1.07**
Share capital	4.23	6.08	6.08	6.08	6.08	6.08	6.08
Share premium	42.15	50.97	59.47	59.47	59.47	59.47	59.47
Consolidation reserve	(2.94)	(2.94)	(2.94)	(2.94)	(2.94)	(2.94)	(2.94)
Other reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retained earnings	(32.49)	(35.72)	(53.34)	(71.90)	(72.93)	(49.25)	(13.66)
Total equity	**10.94**	**18.39**	**9.26**	**(9.29)**	**(10.33)**	**13.36**	**48.95**

Source: Calvine Partners Research

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