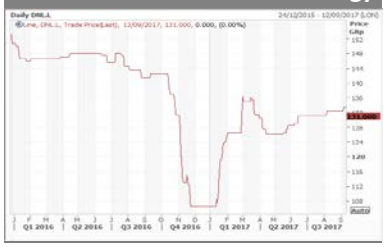
hardman&co

Pharmaceuticals & Biotechnology



Source: Eikon Thomson Reuters

Market data	
EPIC/TKR	DNL
Price (p)	134
12m High (p)	144
12m Low (p)	105
Shares (m)	52.2
Mkt Cap (£m)	69.7
EV (£m)	53.3
Free Float*	17%
Market	AIM

**As defined by AIM Rule 26*

Description

Diurnal is a UK-based specialty pharma company targeting patient needs in chronic, potentially life threatening, endocrine (hormonal) diseases. Infacort has been submitted to the European regulator and Chronocort is in Phase III trials. Further development of the pipeline is on going

Company information

CEO	Martin Whitaker
CFO	Richard Bungay
Chairman	Peter Allen
	+44 (0) 29 2068 2069
	www.diurnal.co.uk

Key shareholders

Directors	3.3%
IP Group	45.6%
Finance Wales	22.1%
Invesco	12.5%
Oceanwood Capital	8.1%

Next event

4Q-17	Infacort MA expected
2H-17	US PhIII Chrono. & Infa.
1H-18	Infacort first sales

Analysts

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Diurnal Group

Ready to press the button

Diurnal is a clinical stage specialty pharmaceutical company focused on diseases of the endocrine system. Its two lead candidates are targeted at rare diseases with unmet medical need, with the aim of building a long-term 'Adrenal Franchise'. Following successful completion of a Phase III trial, Infacort has been submitted to the European regulator for final approval. Meanwhile, management is establishing the appropriate commercial infrastructure in readiness for launch of Infacort and Chronocort in 2018 and 2020, respectively. Diurnal is also in the process of expanding its portfolio of products in the endocrine area.

- **Strategy**: Diurnal's strategic goal is to create a valuable 'Adrenal Franchise' that can treat patients with chronic cortisol deficiency diseases from birth through to old age. Once Infacort and Chronocort are established in EU and the US, the long-term vision is to expand the product offering to other related conditions.

- **Results:** Reported operating losses of -£12.1m (-£7.0m) largely reflect the increased investment in R&D. This fell through the cashflow statement leaving the company with net cash at the end of June of £16.4m, which was ahead of forecasts (£13.2m).

- **Commercialisation plans:** Ahead of regulatory approval by the EMA for Infacort, management has started to establish the relevant commercial infrastructure with the appointment of key global marketing support in Europe and Israel. Diurnal will utilise this infrastructure for subsequent products.

- **Risks:** There is a risk with all drugs in development that they might fail clinical trials or not be approved by the regulators. However, Diurnal is unusually low risk because its products are formulation variants of well-established drugs. Also, assessment of the Infacort registration dossier by the EMA is well advanced.

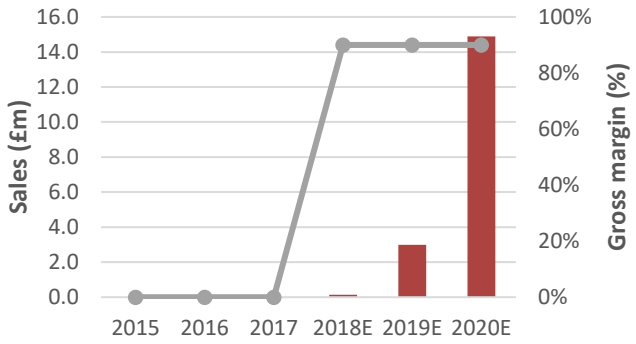
- **Investment summary:** Diurnal is focusing on diseases of the endocrine system. Infacort, a cortisol replacement therapy designed for children and babies, is the first product Diurnal will bring to the market. It will be followed by Chronocort for adults. The cortisol replacement market is for conditions that need life-long treatments, and has a potential value of $3.5bn.

Financial summary and valuation

Year end June (£m)	*2015	2016	2017	2018E	2019E	2020E
Sales	0.00	0.00	0.00	0.13	3.00	14.88
SG&A	-1.00	-1.99	-3.22	-6.00	-7.54	-9.14
R&D	-2.23	-3.89	-8.34	-10.50	-10.00	-7.00
EBITDA	-2.98	-5.87	-11.54	-16.38	-14.84	-2.74
Underlying EBIT	-2.99	-5.88	-11.55	-16.38	-14.84	-2.74
Reported EBIT	-2.99	-6.99	-12.07	-16.93	-15.41	-3.34
Underlying PBT	-3.02	-5.95	-11.64	-16.56	-15.11	-3.10
Statutory PBT	-3.02	-7.06	-12.16	-17.11	-15.68	-3.70
Underlying EPS (p)	-8.49	-12.48	-17.05	-25.14	-22.67	-1.56
Statutory EPS (p)	-8.72	-15.02	-18.04	-26.18	-23.77	-2.71
Net (debt)/cash	6.05	26.88	16.37	2.89	-10.53	-15.79
Capital increases	9.25	24.52	0.05	0.00	0.00	0.00

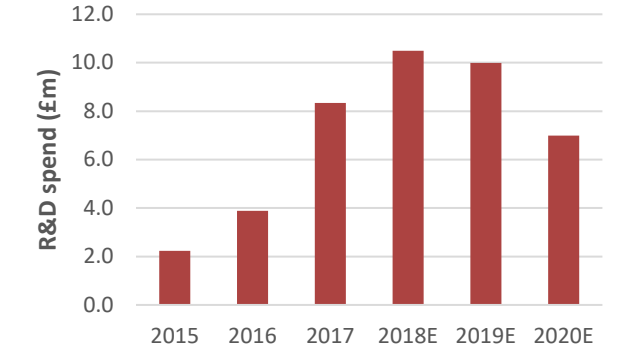
Source: Hardman & Co Life Sciences Research

Sales & Gross margin



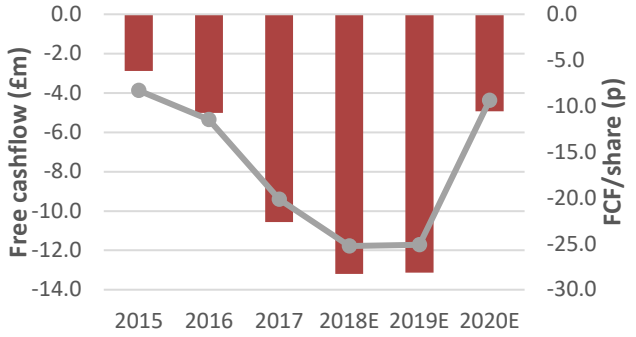
- Infacort is expected to be approved shortly and first sales anticipated in 4Q fiscal 2018
- Launch of Infacort will be focused initially in Europe, with Israel following shortly thereafter (fiscal 2019)
- First sales of Chronocort are expected in Europe in fiscal 2019
- Outsourced manufacturing means that the COGS, and hence gross margin, is known up-front

R&D investment



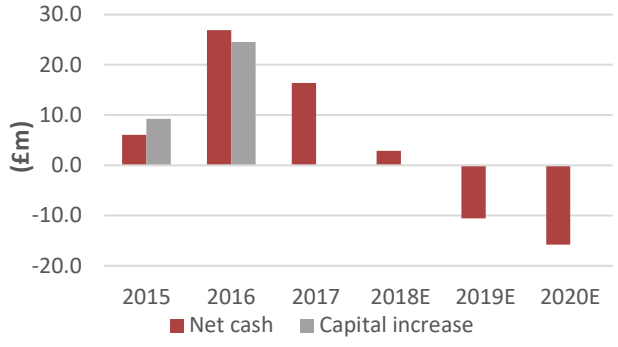
- High investment in R&D due to the Phase III in Europe and preparation in the US for Infacort and Chronocort
- Investment in R&D to stay constant in the following years
- Investment for the oral testosterone proof-of-concept trial
- Six clinical trials are currently on-going
- Modest investment for pre-clinical products

Free cashflow



- The cashflow is driven by the R&D investment and corporate overhead
- Corporate overhead includes marketing activities in Europe ahead of regulatory approval for Infacort

Net cash/ capital increases



- At 30th June 2017, net cash was £16.4m
- Diurnal has sufficient funds up through to the middle of calendar 2018
- Further cash will be required for commercialisation of Infacort and Chronocort in Europe and the development programme for the US

Source: Company data; Hardman & Co Life Sciences Research

Full year summary

Operational highlights

Infacort

Infacort first sales expected in 4Q fiscal 2018 in Europe

Following successful completion of the Phase III trial in Europe, Infacort was submitted to the EMA and Diurnal responded to the "Day 120 questions" and remains on schedule to obtain market authorisation before the end of 2017. First sales expected in 4Q fiscal 2018, following completion of pricing negotiations. In the US, as part of the anticipated Investigational New Drug (IND) registration package for the US registration programme, a food compatibility study has been completed in healthy volunteers, measuring bioavailability, safety and tolerability of Infacort when mixed with soft food. Feedback from the FDA is expected at the end of 2017.

Chronocort

Chronocort Phase III ongoing in Europe and proposal for the US Phase III submitted to the FDA

Enrolment into the European Phase III Chronocort trial for Congenital Adrenal Hyperplasia (CAH) had surpassed 75% of the target total at the financial year end. The rate of enrolment was slower than expected initially, but with the addition of new sites, the rate of recruitment has increased. Market approval in Europe is expected to be in late 2019.

A proposal for the US Phase III trial has been submitted to the FDA and the trial is expected to commence in late 2017, subject to approval from the FDA.

Native oral testosterone

A new product has entered the clinical pipeline with DITEST, a testosterone replacement therapy for hypogonadism, completing the first cohort of the Phase I proof-of-concept trial. First data are expected in 1H 2018.

Commercial highlights

Building up the commercial infrastructure

Building up the commercial infrastructure for Infacort, ahead of the European launch with the appointment of Ashfield and Sharp, both part of UDG group (UDG.L), and a partnership with Clinigen (CLIN.L) to make Infacort and Chronocort available to patients with no other treatment options via a paid 'Named Patient Access' programme in Europe ahead of formal regulatory approval.

Financial highlights

- **R&D:** Investment in 2017 was slightly lower than forecast at -£8.34m (-£3.89m)
- **SG&A:** Although the addition of key personnel was reflected in the rise of in SG&A costs to -£3.22m (-£1.99m), this was much lower than forecast, even with the employment of ten staff from Ashfield group
- **Net cash:** At 30th June 2017, net cash on the balance sheet was £3.17m better than expected at £16.37m, largely due to the lower SG&A spend

Diurnal Results 2017 – actual vs expectations

Year end June (£m)	2016 actual	2017 actual	growth %	2017 forecast	Delta
R&D spend	-3.89	-8.34	+214%	-8.94	+0.60
Administration	-1.99	-3.22	+162%	-5.71	+2.49
Underlying EBIT	**-5.88**	**-11.55**	**+196%**	**-14.65**	**+3.10**
Net cash/(debt)	26.88	16.37		13.20	+3.17

Figures may not add up exactly due to rounding
Source: Diurnal; Hardman & Co Life Sciences Research

Development Overview

Progress summary

Pipeline

Diurnal has five products in its pipeline, with three in clinical development and two under pre-clinical evaluation. A new biologic siRNA (Silencing RNA) agent has entered the research pipeline for the treatment of Cushing's disease.

Management is reviewing its options concerning Chronocort for Adrenal Insufficiency (AI) and Rheumacort, a cortisol supplement to control inflammatory diseases. At least, one of these two products will be progressed to the clinic. On one hand, Chronocort is a very well understood drug, but on the other hand, lack of a specific biomarker for AI would make it potentially more challenging in clinical development.

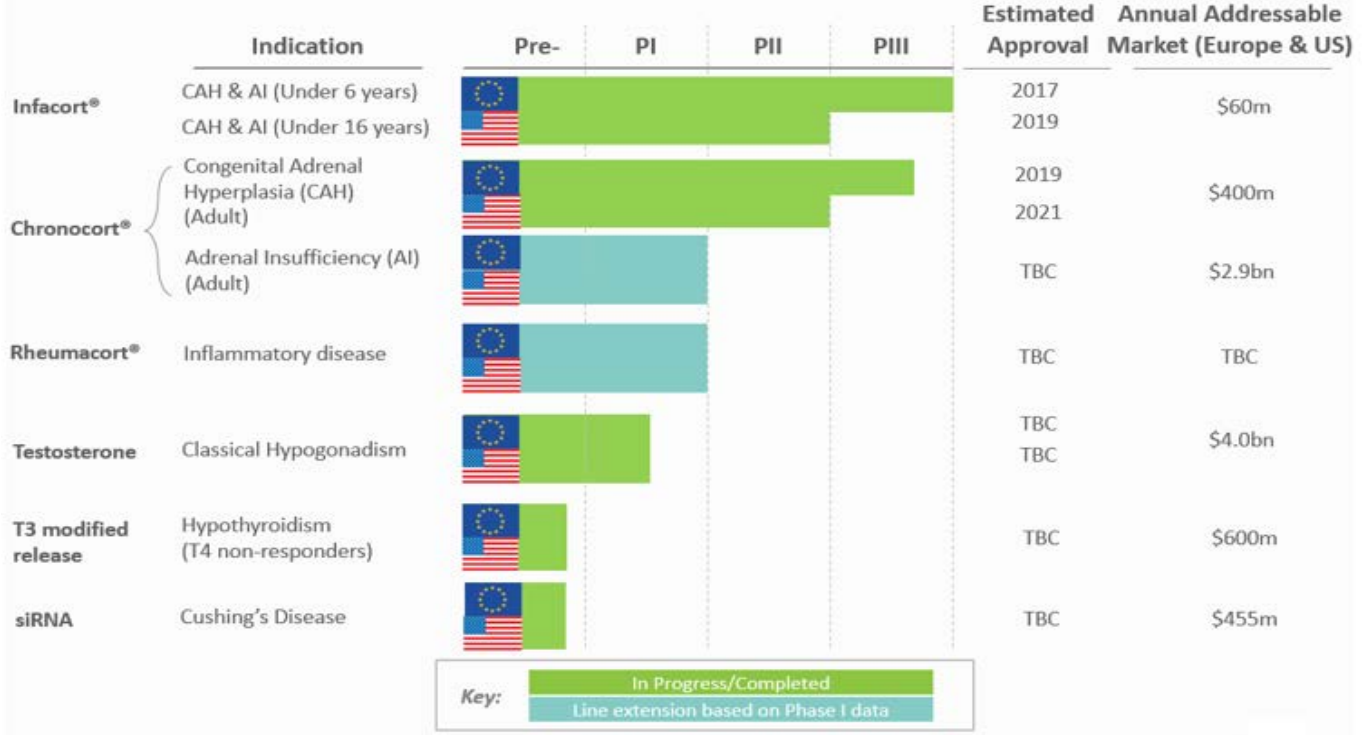
Infacort

Infacort represent the first licensed hydrocortisone product available for paediatric use

Infacort is a child friendly preparation of hydrocortisone for the paediatric treatment of AI and CAH. It will be the first licensed hydrocortisone product available in Europe for paediatric use.

Following the successful completion of a Phase III study in Europe in AI and CAH, focus has been on building the commercial capability and have everything ready for the EMA approval, so that sales can take place relative shortly thereafter. Diurnal will use the same infrastructure for its subsequent product Chronocort. Diurnal intends to commercialise Infacort in Europe by itself, thereby retaining full value of the product.

Diurnal – Pipeline



Source: Diurnal

European approval

Waiting for the market approval for Infacort

Following submission of the Paediatric Use Marketing Authorisation (PUMA) application for Infacort in December 2016, Diurnal received and already provided responses to the "Day 120 Questions" document, which corresponds to the primary evaluation and provisional recommendation from the Committee on Human Medicinal Products (CHMP). Questions were mainly about gaining more details on the pharmacokinetic data and other regulatory aspects. If no outstanding issues are identified, the CHMP will provide the final opinion towards the end of the 2017, and subsequently the European Commission will grant market authorisation. Based on the question raised, Diurnal is confident and remains on schedule to get CHMP recommendation towards the end of 2017 from the EMA.

Establishing European supply chain and commercial infrastructure

Diurnal will retain the full value of Infacort through direct commercialisation

Diurnal retains the full value of Infacort through direct commercialisation with relevant partners:

- **Manufacturing:** Already established (since 2010) with specialist GMP supplier, Glatt GmbH, to produce solid pharmaceutical dosage formulations based on multi-particulate systems
- **Packaging:** Agreement with Sharp Packaging for its expertise in supply chain management
- **Sales & marketing:** Together with Ashfield Healthcare, Diurnal has built up the European sales and medical infrastructure team, employing ten persons, including a European network of medical liaison staff

Both Ashfield and Sharp are part of the UDG Healthcare group (UDG.L), a global provider of outsourced commercialisation services to the pharmaceutical industry.

The commercial infrastructure will be used for subsequent products

The infrastructure will also be adopted for Chronocort after market approval. Ultimately, with the commercial organisation in place, Diurnal becomes a more attractive partner for companies looking to out-licence products for commercialisation in Europe or for any acquired asset in the endocrine field.

Patient access programme

In March 2016, Diurnal announced a partnership with IDIS Managed Access, a division of Clinigen (CLIN.L) to launch Infacort and Chronocort via a Patient Access programme in Europe, ahead of marketing authorisation. Clinigen is a global leader in providing unlicensed products to patients on a "Named Patient" basis. The programme will enable physicians to have access to Infacort and Chronocort in situations where there are no other treatment options for cortisol replacement.

Pricing

Although no decisions have been made on Infacort pricing, our forecasts assume that Diurnal will use Plenadren, a once daily formulation of hydrocortisone from Shire (SHP.L) as a benchmark ($7,000 p.a.). Because Diurnal is allowed to cover manufacturing and distribution costs, the Named Patient price is likely to be at a premium.

Distribution agreement in Israel

Distribution agreement with Medison in Israel

In March 2017, Diurnal also expanded its commercial activity with the marketing and distribution agreement with Medison, to make Infacort available in Israel, where the Israeli market authorisation will be based on the EMA approved package. The deal will also cover Chronocort when it becomes available. Medison provides a vast spectrum of integrated services, including registration, reimbursement, nursing, distribution and marketing, for companies looking to enter the Israeli healthcare market, and more specifically the niche indications.

Israel is considered to be a substantial market for Diurnal products given the higher proportion of the population affected by CAH and with an estimated population of 1,000 paediatric patients affected by adrenal insufficiency AI and congenital adrenal hyperplasia (CAH), providing potential sales of up to $7m per annum.

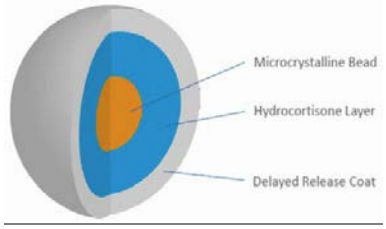
US Phase III trial

Waiting for feedback from the FDA for the US Phase III

Diurnal is still in active discussion with the FDA to finalise the requirements for the Phase III registration programme and expects to receive feedback from the FDA in late 2017. In order to support the registration package for Infacort, a study involving healthy volunteers in a food matrix compatibility has been completed.

Chronocort

Chronocort



Source: Diurnal

Chronocort is a hydrocortisone preparation designed to mimic the natural circadian rhythm of cortisol when given in a twice daily "toothbrush" regimen.

European Phase III trial

Recruitment into the Phase III trial is progressing well and is on schedule with more than 75% of patients enrolled into the study by the end of June 2017, with recruitment expected to be completed before the end 2017. The study is expected to be completed and readout in 1H 2018, with market approval in 2H 2019.

At the Interim results, Diurnal disclosed that the rate of recruitment has been slower than originally anticipated by the CRO due to the intense nature of the trial (four two-day visits over six months) leading to slower scheduling of patients than anticipated. The addition of a further centres into the programme (total: 11 centres in six countries) recently has accelerated the rate of enrolment. However, this has added approximately six months into the overall timetable.

Long-term extension study

Started in August 2016 after the Phase III trial, an open-label and long-term study, intended to support the registration and commercialisation of Chronocort, is ongoing in CAH patients. Safety, efficacy and tolerability are monitored.

US Phase III trial

Active discussions with the FDA the US Phase III, expected to commence late 2017

As for Infacort, active discussions are still ongoing with the US regulator regarding registration for the Chronocort trial. Due to differences in the trial design for both products, the FDA requires just a US efficacy trial for Chronocort. The full Chronocort protocol has been submitted and, if accepted by the FDA, will allow the trial to commence later in 2017. In addition to the results from the trial, the FDA is expected to take the data from the European trials into consideration.

US patent granted for Chronocort

The first US patent has been granted for Chronocort by the US Patent and Trademark Office. The composition of matter patent will provide protection for the formulation of the slow release hydrocortisone treatment until 2033 for CAH and AI patients. It provides extended protection added to the market exclusivity provided by the Orphan Drug Designation in the US market.

Building a pipeline in endocrinology

Building up the endocrine pipeline

Diurnal's vision is "to become a world leading endocrinology speciality pharma company". Diurnal aims to build a commercial franchise and maximise its commercial infrastructure in the niche endocrinology area dominated by small biotech companies.

Management is considering all available options regarding the acquisition of new products, as well as reviewing internal products, to maximise the opportunity.

European Phase I in hypogonadism

Diurnal is progressing DITEST, a new oral formulation of native testosterone for the treatment of male hypogonadism. The proof-of-concept open-label Phase I study started in November 2016 designed to evaluate the pharmacokinetic data and to assess the safety and tolerability in 12 patients with primary and secondary hypogonadism. The first part of the trial is now completed and following positive result from the first cohort, the second part of the study that involved a higher dose of DITEST in a fasted and fed states has now started. Final results are expected to be communicated in the first half of 2018.

Potential treatment for Cushing's disease

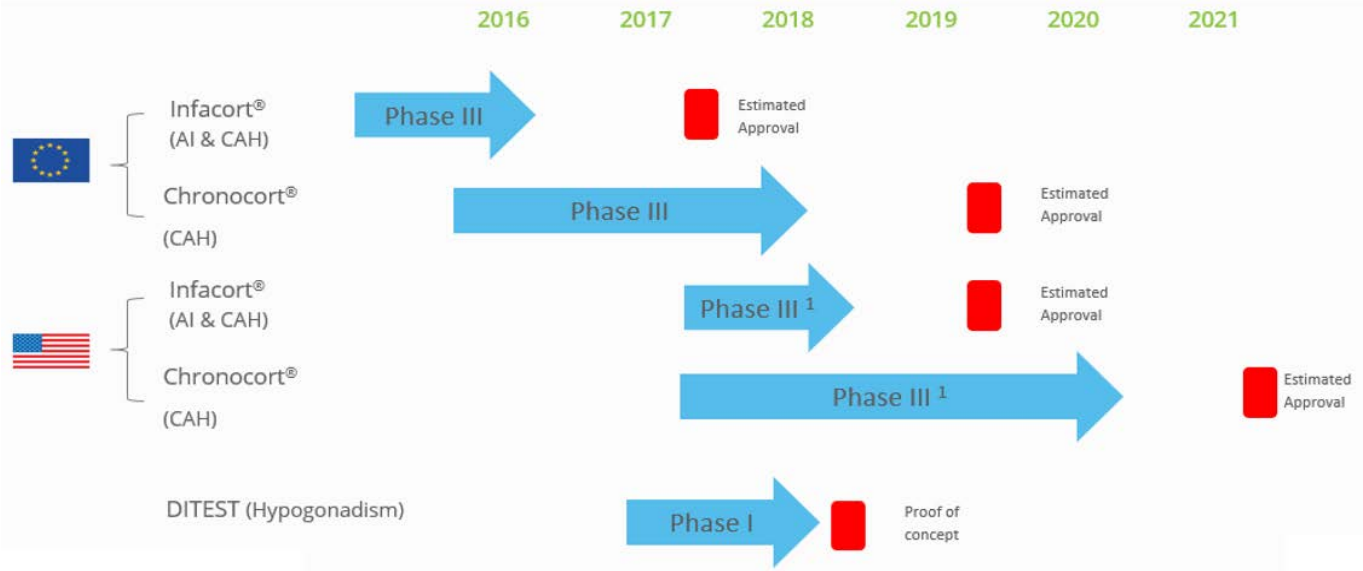
Diurnal is reviewing its options with an oligonucleotide siRNA (silencing RNA) acting on the pituitary gland for a potential treatment of Cushing's disease, condition characterised by an excess of cortisone secretion. *In vitro* studies assessing the stability of the molecule in different formulation is currently ongoing.

Hypothyroidism

Work on the Tri4Combi formulation, a physiological combination therapy of the T3 and T4 hormones for patients suffering from hypothyroidism, has stopped as the thyroxine (T4) replacement therapy is adequately covered with existing marketed therapies.

Instead, Management has progressed work on the development of a modified-release T3 (triiodothyronine) product, where there remains an unmet medical need.

Diurnal – Development timetable



[1] *Subject to confirmation from the FDA*
Source: Diurnal

Financials & Investment case

Profit & Loss

- **Sales** – First sales expected for Infacort in 2018 in Europe. Forecasts have been reduced to more accurately reflect the time taken from approval through to actual launch of the drug, probably late in fiscal 2018
- **R&D** – The increased investment in R&D reflects the six clinical studies currently on-going; overlap of European and US trials has resulted in an increase in R&D forecasts for the next two years. However, forecasts do not allow for work on extending indications, or the cost of expanding the R&D pipeline
- **SG&A** – In the run up to launch of Infacort in Europe, investment is being made in marketing infrastructure, primarily through a small sales force. Ten people from Ashfield are being engaged directly by Diurnal
- **Tax credit** – Diurnal is entitled to receive £2.73m tax credits from HMRC. Part (£0.91m) of this in respect of the 2015/2016 financial year was received in July 2017, after year end

Profit & Loss account

Year end June (£m)	*2015	2016	2017	2018E	2019E	2020E
Sales	0.00	0.00	0.00	0.13	3.00	14.88
COGS	0.00	0.00	0.00	-0.01	-0.30	-1.49
SG&A	-1.00	-1.99	-3.22	-6.00	-7.54	-9.14
R&D	-2.23	-3.89	-8.34	-10.50	-10.00	-7.00
EBITDA	-2.98	-5.87	-11.54	-16.38	-14.84	-2.74
Depreciation & Amortis.	-0.01	-0.01	-0.01	0.00	0.00	0.00
Licensing/Royalties	0.24	0.00	0.01	0.00	0.00	0.00
Underlying EBIT	**-2.99**	**-5.88**	**-11.55**	**-16.38**	**-14.84**	**-2.74**
Share based costs	0.00	-0.49	-0.52	-0.54	-0.57	-0.60
Exceptional items	0.00	-0.62	0.00	0.00	0.00	0.00
Statutory EBIT	-2.99	-6.99	-12.07	-16.93	-15.41	-3.34
Net financials	-0.03	-0.07	-0.09	-0.18	-0.27	-0.36
U/L pre-tax profit	**-3.02**	**-5.95**	**-11.64**	**-16.56**	**-15.11**	**-3.10**
Reported pre-tax	-3.02	-7.06	-12.16	-17.11	-15.68	-3.70
Tax liability/credit	0.00	0.49	2.73	3.44	3.27	2.29
Tax rate	0%	-7%	-22%	-20%	-21%	-62%
Underlying net income	**-2.94**	**-5.46**	**-8.91**	**-13.13**	**-11.84**	**-0.81**
Statutory net income	-3.02	-6.57	-9.43	-13.67	-12.41	-1.41
Ordinary shares:						
Period-end (m)	0.00	52.21	52.21	52.21	52.21	52.21
Weighted average (m)	34.61	43.75	52.24	52.21	52.21	52.21
Fully diluted (m)	34.61	43.75	52.24	52.21	52.21	52.21
Underlying basic EPS (p)	**-8.5**	**-12.5**	**-17.1**	**-25.1**	**-22.7**	**-1.6**
Statutory Basic EPS (p)	-8.7	-15.0	-18.0	-26.2	-23.8	-2.7
U/l Fully-diluted EPS (p)	**-8.5**	**-12.5**	**-17.1**	**-25.1**	**-22.7**	**-1.6**
Stat. Fully-diluted EPS (p)	-8.7	-15.0	-18.0	-26.2	-23.8	-2.7
DPS (p)	0.0	0.0	0.0	0.0	0.0	0.0

**Year to July*

Source: Hardman & Co Life Sciences Research

Balance sheet

- **Cash:** Diurnal has £8.9m at the bank and hold £11m on bank deposit at average 0.64% interest rate
- **Loans:** Diurnal obtained a £4.6m interest free convertible loan agreement with IP group in December 2015, which matures in December 2020. Although the total of the loan value is £4.6m, under IFRS it is recorded as a long-term debt of £3.1m and an equity component of £1.5m. The amount recorded in long-term debt is accrued back up to the total of £4.6m as the loan approaches maturity

Balance sheet

@30th June (£m)	*2015	2016	2017	2018E	2019E	2020E
Shareholders' funds	6.04	25.93	17.08	3.41	-9.00	-10.42
Cumulated goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Total equity	6.04	25.93	17.08	3.41	-9.00	-10.42
Share capital	15.35	2.61	2.62	2.62	2.62	2.62
Reserves	-9.31	23.32	14.46	0.79	-11.62	-13.03
Provisions/liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax	0.00	0.00	0.00	0.00	0.00	0.00
Long-term debt	0.00	3.24	3.51	3.79	4.10	4.42
Short-term loans	0.02	0.00	0.00	0.00	0.00	0.00
less: Cash	6.07	16.11	8.88	6.69	-6.44	-11.36
less: Deposits	0.00	14.00	11.00	0.00	0.00	0.00
Invested capital	**-0.01**	**-0.94**	**0.71**	**0.51**	**1.53**	**5.37**
Fixed assets	0.01	0.00	0.02	0.03	0.05	0.07
Intangible assets	0.01	0.01	0.00	0.01	0.01	0.01
Inventories	0.00	0.00	0.00	0.00	0.00	0.00
Trade debtors	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Other debtors	*0.38*	*0.53*	*4.03*	*0.39*	*0.39*	*0.39*
Tax credit/liability	*0.00*	*0.00*	*0.00*	*3.08*	*3.35*	*2.78*
Trade creditors	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Other creditors	*-0.40*	*-1.48*	*-3.34*	*-3.00*	*-2.27*	*2.12*
Debtors less creditors	-0.02	-0.95	0.68	0.47	1.47	5.29
Invested capital	**-0.01**	**-0.94**	**0.71**	**0.51**	**1.53**	**5.37**
Net cash/(debt)	**6.05**	**26.88**	**16.37**	**2.89**	**-10.53**	**-15.79**

**Year to July*

Source: Hardman & Co Life Sciences Research

Cashflow

- Diurnal's cashflow closely assimilates to its P&L account, given the low levels of working capital requirements and lack of depreciation and amortisation
- Diurnal will receive during fiscal 2018 a tax credit on R&D investment from previous years. HMRC re-paid £0.91m in July 2017, with the balance of £1.82m expected to be received later in fiscal 2018
- At 30th June 2017, Diurnal had a net cash of £16.4m. Our forecasts suggest that this will be sufficient to take the company through to the middle of calendar 2018by which time, Infacort will have been de-risked
- Diurnal has sufficient funds to take Infacort through the European regulatory approval process and launch onto the market

Cashflow						
Year end June (£m)	***2015**	**2016**	**2017**	**2018E**	**2019E**	**2020E**
Trading profit	-2.99	-5.88	-11.55	-16.38	-14.84	-2.74
Depreciation/amortisation	0.01	0.01	0.01	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00
Working capital	0.02	0.95	1.09	0.12	-1.62	-4.91
Other	0.00	-0.62	-0.27	0.00	0.00	0.00
Company op cashflow	**-2.96**	**-5.55**	**-10.72**	**-16.26**	**-16.46**	**-7.65**
Net interest	0.00	0.04	0.19	0.00	0.00	-0.03
Tax paid/received	0.08	0.49	0.00	3.08	3.35	2.78
Operational cashflow	-2.88	-5.02	-10.53	-13.18	-13.11	-4.90
Capital expenditure	-0.01	0.00	-0.02	-0.02	-0.02	-0.02
Free cashflow	**-2.88**	**-5.02**	**-10.55**	**-13.19**	**-13.13**	**-4.92**
Dividends	0.00	0.00	0.00	0.00	0.00	0.00
Acquisitions	0.00	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Cashflow after investments	**-2.88**	**-5.02**	**-10.55**	**-13.48**	**-13.43**	**-5.25**
Share repurchases	0.00	0.00	0.00	0.00	0.00	0.00
Share issues	9.25	24.52	0.05	0.00	0.00	0.00
Change in net debt	**6.37**	**20.83**	**-10.51**	**-13.48**	**-13.43**	**-5.25**
Hardman FCF/share (p)	-8.3	-11.5	-20.2	-25.2	-25.1	-9.4
Opening net cash	-0.34	6.05	26.88	16.37	2.89	-10.53
Closing net cash	**6.05**	**26.88**	**16.37**	**2.89**	**-10.53**	**-15.79**

**Year to July*

Source: Hardman & Co Life Sciences Research

Changes to forecasts

Simply taking a more rational view about the time taken from EU regulatory approval for Infacort, pricing discussions and actual launch means that there will be very modest sales of the drug in fiscal 2018.

An overlap in the clinical trial programmes for both Infacort and Chronocort in both Europe and the US has pushed up R&D costs for both fiscal 2018 and 2019, there is an equivalent offset in the tax credit.

Percentage changes look large because of the small numbers involved. Key is that the company will still have sufficient cash through fiscal 2018. The market has always been anticipating a capital increase once Infacort has been de-risked, in order to support the commercialisation plans of the company.

Cashflow						
Year end June	**------- 2018E -------**		***Change***	**------- 2019E -------**		***Change***
(£m)	*Old	New	*%*	*Old	New	*%*
Sales	1.10	0.13	-88%	3.63	3.00	-17%
SG&A	-5.78	-6.00	-4%	-7.47	-7.54	-1%
R&D	-8.42	-10.50	-25%	-8.51	-10.0	-18%
EBIT	-13.22	-16.38	-24%	-12.71	-14.84	-17%
Tax credit	2.76	3.44	+25%	2.78	3.27	+18%
Net income	-10.64	-13.13	-23%	-10.18	-11.84	-16%
Net cash	**5.72**	**2.89**	**-50%**	**-6.16**	**-10.53**	**-71%**

**Research report dated 27th March 2017*

Source: Hardman & Co Life Sciences Research

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