Diurnal Group

28 July 2021

Share Price	**60.5p**
CP Fair Value	**241p**
Market Cap (£m)	101
Net Cash (£m)	34
Enterprise Value (£m)	67
Country	UK
Code	DNL
Index	FTSE AIM

Source: Calvine Partners Research

Trading update – momentum building

The trading update from Diurnal is a timely reminder of the significant achievements made by the company as it endeavours to commercialise its adrenal franchise (congenital adrenal hyperplasia and adrenal insufficiency) while progressing its broader endocrinology pipeline. The revenues gleaned from commercialising Alkindi, a child-friendly hydrocortisone preparation in AI, remain modest (in line with our forecasts). The effectiveness of the commercial platform has been reflected in the majority of neonates in key markets receiving treatment and driving impressive growth (+18% proforma). This bodes well for the roll out of Efmody (formerly Chronocort) in CAH – a much larger market opportunity. CAH patients suffer from low cortisol levels, with overnight androgen build up a significant concern, particularly in females. The clinical data amassed by Diurnal, reflected in European and UK approvals, supports the role of Efmody as an effective treatment which best mimics the normal physiological release of cortisol. With this differentiated profile, we anticipate that Diurnal's existing adrenal infrastructure in Europe should help drive an expeditious rollout.

Global footprint emerging

As a rare disease, CAH is highly tractable to a small specialised salesforce, especially in the more homogeneous US market. The receipt of a Special Protocol Assessment (SPA) from FDA should help de-risk the US clinical programme as well as the regulatory pathway if results are positive. When approved, Efmody would be the only licensed modified-release hydrocortisone in the US approved for the Orphan CAH indication. Indeed, we believe that the US market should be very receptive to a hydrocortisone preparation which effectively mimics the circadian rhythm, providing control of excess androgens, and the potential for steroid sparing when compared to current supraphysiological glucocorticoid therapy. With £34m in cash, Diurnal is in a strong position to develop Efmody in the US as well as Japan with the benefit of retaining full margin and establishing a US endocrinology platform. Additionally, the AI indication looms large here too with the knowledge that CRF-1 inhibitors in development elsewhere are not relevant.

A year of significant achievements

Diurnal has achieved much with the commercial infrastructure performing well, approval for Efmody in Europe and the UK, as well as receipt of an SPA from FDA which will serve for registration also in Japan. We look forward to hearing more on the pipeline later in the year. All this, with careful cash management, Diurnal remains fully funded to profitability.

Dr Brian White
Partner
bw@calvinepartners.com

Andrew Keith
Partner
ak@calvinepartners.com

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