Oxford Biomedica

Preliminary Results 2022 | Audio Webcast

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Transcript

Dr. Frank Mathias: Hello everyone and thank you for joining our meeting today, our analyst report meeting on the results of 2022. I'm Frank Mathias, the newly appointed Chief Executive Officer of the company. And believe me, it's a great pleasure to meet you today. Together with our Chief Financial Officer, Stuart Paynter. I believe you all know him. So just for those who do not know me by now, I'm French, as you can hear from my accent. I'm sure about that. I was born in Paris and I went to school there and to the university. So I'm a pharmacist by education with a PhD in immunology. And more than 30 years now of experience in the biopharmaceutical environment in senior positions at different companies throughout the biopharmaceutical industry. As you might know, I come from another renowned CDMO, namely Rentschler Biopharma, where I was CEO for about seven years.

So also, I've only started three weeks ago, to be very precise, three weeks, one and a half days ago. I can already say the following, and this is in line with what I have expected from the beginning. So being a scientist myself, I'm really impressed by the science at Oxford Biomedica, the science behind the team, behind you Kyri, because we are happy also to have in the room today our Chief Scientific Officer. Our company is already recognised as a true leader in the innovative development and production of viral vectors. And this applies mainly for lengthy viral vectors as you know. But I believe that we are also making big progress in the AAV field. Our client base is constantly growing and Stuart will report on that expanding and now includes more than 30 partners around the world, 30 partner programs to be precise, around the world.

With a few feedbacks I got already from clients who work with us, I can guarantee you that they're extremely satisfied with us and with our service. On the other side, as a leader, I'm equally impressed by the high level of commitment, professionalism, and quality of the Oxford Biomedica team. And I have met by now both teams on both sides of the ocean here in Oxford, but also in Bedford near Boston. We have a clear vision to become a leading global innovative partner for cell and gene therapies. Not to say the leader. I firmly therefore believe that we are at the heart of the next generation of medical breakthroughs, and I'm delighted to be part of the next chapter together with the team of this story.

There are so many opportunities in the market. There is a great demand for our know-how and our service. And on the top, as a quality and innovation led CDMO, and CDMO stands for innovation and development. We will continue to combine research and development activities with market needs to deliver the highest possible quality in a timely and cost-effective manner. I'm now going to hand over to you, Stuart, to start the presentation and talk about the year in review. But after the presentations there will be enough time to take your questions, and then we'll be around, if you want, to speak more to anyone who has time to stay. We also have a live webcast running currently. And for those joining us remotely, please ask plenty of questions when we turn to you. We are also accepting written questions. That's nice if you prepare that route. And our investor relation team, Taylor Boyd and Sophia Bolhassan will come back to you in this case. So as

said, our Chief Scientific Officer, Kyriacos Mitrophanous, is also with us today. You all know him. I'm sure you appreciate him as I do. So please go ahead.

Stuart Paynter: Thank you very much Frank. So I'm going to take you through the presentation. I'm going to attempt to do that in about 25 minutes to leave some sufficient time for Q & A at the end, as Frank mentioned. Actually as we look up at the first slide, which is the covering slide, actually tells a bit of a story because yeah, part of the impact that Frank's had in Oxford Biomedica in the three weeks, one and a half days he's been here is he's added a single word in the front page, and that's to increase our focus on quality. So for those of you with good memories, we were saying that we were an innovation led CDMO and now we are saying that innovation and quality will hold equal rights on the title page for this company. So we'll go through a bit about why that is and what that means in the presentation.

Forward-looking statements. You all know this. So FY '22, this is just a snapshot of some of the achievements in the year and we'll go on to a bit more of the strategy in a minute. So, obviously the single biggest achievement of the year was the transformative acquisition that we made at the beginning of 2022, which closed in March 2022 of Oxford Biomedica Solutions, which I'll remind you is the carve out of the technical capabilities of homology medicines, an Aztec listed company into essentially a startup CDMO. And we acquired the assets, the equipment, a nice facility, 130 individuals with really, really good experience in the AAV field, the IP which has gone on actually in the year with the published data we've put out to really prove itself, and then the contract with Homology for an exclusive right to produce and work on their portfolio of medicines, which is ongoing.

So that was our first move into the adjacency of AAV, which will take you through the reasons why a bit later. We've increased the client base within Oxford Biomedica. So 13 new client relationships in the year in both Lenti and AAV, and another three post period end. And look, it's really good momentum. We'll take you through a bit of the thinking around how we are morphing into more of a commercial entity with strong commercial capabilities, which we are continuing to invest in. The robust financial position in this environment, we know that cash is super important and we'll take you through some of the reasons why we think we're in a really, really good spot to exercise that cash position to make the best use of any opportunities that come our way. And of course, as Frank told you, all important that we get the right leadership in place to drive the new story.

So we'll talk a bit about how we're bifurcating the business into this quality and innovation led CDMO in one sense, the internal products in the other, and how we're going forward with that. And I'm curious here potentially to answer any questions you have on that. But you know what remains with Oxford Biomedica beyond 2023 is going to be this quality and innovation at CDMO and we're very happy to welcome Frank to lead the organisation.

So why do we think we can win? This is the sort of value proposition. What do clients value? They value our ability to solve their problems. Biologics, especially cell and gene therapy is still a tricky business to be in. High barriers to entry. And if you can provide really, really top quality products and top quality service, and you can provide the right level of innovation and innovative solutions to your partners, you are going to be in a very, very nice position.

We firmly believe viral vectors continue are playing and will continue to play a key role in this next wave of breakthroughs in medicines. These are curative therapies. We are seeing some really nice momentum in the marketplace now, more and more approvals, which of course is going to increase the market size and we expect to be able to rise significantly with that tide. We've got this proven track record. We were the first on the market with the cell therapy, the first cell therapy approved in the US, Kymriah with Novartis, back in 2017. And we've had an unbroken record of market supply since, and that cannot be said for every cell and gene therapy that's been launched since that time. And we've learned an awful lot from that relationship and we've been able to transfer that learning into the other client's relationships and really leverage that know-how and build that know-how state.

And then these capabilities, a year ago, we were a Lenti company and that's a great place to be. We were, and we are the leading Lenti company. Now we've made that leap into that sensible adjacency, bigger market, faster growing market. And we'll tell you some of the reasons why we've done that.

So here is the market. This is the addressable market for viral vectors. And when we're talking addressable markets, we're talking about the outsourced by processing revenues available in these markets. AAV is the biggest market and it's the fastest growing market. So the move into AAV was a very sensible, very pragmatic one and we're very excited by it. The reason it's so much bigger is the quantity of vector required for a dose is just higher. You're going systemically into the patient rather than typically the way that Lentis have been used. And what's reflected in these market sizes is x vivo therapy, therapy that occurs outside the body where you need less vector. We do see in vivo applications for Lentiviral vectors as we move forward with the future generations of Lenti. And again, we are, we're just about to launch fourth generation Lenti and Kyri can answer some questions about that if there are any.

But that's super important, because that enables more modalities to be tapped. And then at the bottom, not such a fast-growing market. In fact declining as you can see there, because the growth or the size of that market is very dependent on the adeno vaccine. That was the AstraZeneca Covid vaccine. Not strategic for us, but we do have capabilities, and if the right client comes along with the right proposition, we're happy to work on that area for them. So more opportunistic, but of course in the world of a CDMO, you need to be both strategic and opportunistic to make sure you build the right mix of clients in the right stage of development.

And just a quick view of the timeline of 2022 and the achievements. Cabaletta Bio signed in January, innovative CAART Company in the US. March, I've taken you through the closing of Oxford Biomedica Solutions. We've got this plug and play platform and maybe this is the time just to go through a bit on that. I mean we are quoting titers of 1E15, full 20 category ratio is 90% ish plus. These are market leading KPIs for these platforms. And this is published data now. So we are really excited to bring that to market, and they've done a great job so far. So as well as supporting Homology the new client, they've signed multiple new clients onto the platform. Early stage, but they're really transforming themselves into this top level AAV CDMO.

July was extension of the contract with Juno/BMS. We're hoping to be able to talk more about that very soon. And another undisclosed and a master services agreement with AstraZeneca, which although it's there for as a safety net for AstraZeneca for us to produce whatever they need. I think it's an endorsement of our capabilities because of the 11 or 12 people they had in their supply chain for the vaccine. We are the ones with the enduring relationship with AstraZeneca, which is a good indicator of the level of service we gave AstraZeneca during the vaccine production. In August, we finished the fill finish suite in Oxbox phase one. Vitally important because we want to be able to offer a genuine end-to-end solution for our clients. So right from cell line development and process development all the way through to fill finish. Now we can do that all in-house.

We were using outsourced fill finish, which comes with its own issues, but now we are full service CDMO, which is a fantastic progress. And a new client for Oxford Biomedica Solutions in September as well as an undisclosed client in Oxford, and another three clients in December. So whilst you see all these are undisclosed, let me just take you through a bit of the reasoning why. We're seeing some undisclosed clients at the moment, because firstly, if they're early stage and they're in funding rounds, they're in stealth mode. Secondly, if they're coming from another CDMO it's a difficult thing to manage moving CDMOs.

So, of course, we are very willing to respect the process of our clients. We're not in this for the short-term gain of throwing up a name and a press release. We are in this for the long term of helping these clients get their products to patients.

Just a bit on the financial performance. So double-digit growth in the underlying revenue. So you'll see that the revenues were broadly flat. We have taken off 40 million pounds worth of, or within those numbers is 40 million pounds of vaccines revenue. That has now come to an end as we know. So we're expecting next year's number to be slightly lower, but that is with double-digit growth in the underlying business. A modest EBITDA profit, of course, that's driven by some other, clever use of assets that we made to the sale and leaseback was an important aspect of generating cash in a robust cash position as well as earnings. And we have, as we said, the sale and leaseback there, profit of 21.4 million. And then the Oxford Biomedica Solutions acquisition. We saw the expenses go up as we are supporting a nascent CDMO, so it's an investment we know we were making, we said we're going to break even on that asset by 2025. That's still the

plan, but it requires some investment in that area. So we are in a position where we can support that investment through a robust cash position, which I'll take you through.

So highest cash position we've ever had at the end of the year, 140 million pounds supported by, like I say, the sale and leaseback 60 million coming from the sale and lease back of the Windrush facility with Cadans, who are great science partner to have on the sale and leaseback. They're really active in the Oxford area and looking to increase the scope of lab space all around the Oxford area. Very good. We took a loan to complete the Oxford Biomedica Solutions deal. We repaid 35 million of the 85 million loan in September, refinanced with a competitive refinancing process and now we've 50 million in a four-year term loan, which is up for renewal, comes for maturity in 2026.

Importantly for the external products which we're working on, we've said that we are bifurcating those two parts of the business. Very important for us. Become apparent to us through the year that, and in fact, in prior years, that it's very difficult to support those two competing demands for resources in a sensible way under one roof and one set of investors. But there is some fantastic technology there we're looking to give life to. So the plan there is to, by the end of the year, have the no P&L movement through on the products. They're going to be out with the life of their own with external funding, which we are going to retain a long-term economic interest in. And of course, importantly, they're going to be a potential customer or a customer of Oxford Biomedica as we start them off with process development and all the rest of the activities which we would give any other client at arms length.

So that's a really important thing that we are going to do in 2023 and that allows us to re-segment the business and in 2023 at the interims and guide further, and we have gone through a right-sizing project towards the end of the year, which we've made sure that we have retained the cost infrastructure and the capability infrastructure to make sure that we're well-placed to exploit the growth in the end of 23 and 24 and beyond, where the real take off of cell and gene therapy is going to occur. We are going to make sure we guide in that way. But post the vaccine coming to an end, we made judicious but sensible adjustments to the cost base to make sure that's reflected. Reflected lack of revenue from the vaccine, but cost base in place to make sure that we're in a good place to exploit the growth opportunities we find in front of us.

A little graphical view of that. As you can see, this is six-month segments. What we've told people is while we're waiting for cell and gene therapy to mature, we'll roughly breakeven and that's what we've achieved in this year and in prior years. You'll see that profitability spike coming from the vaccine. That taught us a very valuable lesson, which Frank already knew, which is that if you can produce at scale and you can campaign assets on a large enough scale, you are going to make some very, very meaningful efficiency gains and you're going to generate some good EBITDA. And that's where we will focus our efforts on getting a balanced customer portfolio going forward, not just early stage, but some later stage assets

as well in order that we can start building those efficiencies through the capacity that we are running.

And the revenue growth, there's some significant vaccines revenue in there of course, but the underlying growth is strong double-digit and like I say, the interims will be guiding further over the medium to long-term on how we see revenues going.

Okay. For the accountants in the room, here's a P&L. Not much to comment on this. I'm sure that there'll be questions. The most interesting number on there that I think is probably the bioprocessing costs line. The bioprocessing costs line is significantly increased because, and you can see how much bioprocessing costs you can absorb through overhead absorption when you're running 24/7 three suites on the vaccine. Now that vaccine was done point in time for the good of the nation and with the efforts of AstraZeneca and Oxford University, but that's the promise of what you can achieve when there are more launched products and commercial products to go for on the higher throughput volumes, that's what we're aiming for.

So the commitment to quality and focused on innovation. How are we going to make our money going forward? And how are we going to serve our clients going forward? And how are we going to try and pick up clients going forward? Frank was making the point earlier that we need to find the clients that are right for us; the clients that value both quality and innovation and are prepared to share that economic benefit with you. And this is the way that we are going to engage with those clients.

So we start at the early stage sell line and process development where we've got those commercial development, development revenues starting. And this is vitally important. They take a license to the platform, they come onto the platform, they're able to utilise our analytics, all the rest of those things that give people a bit of a leg up and a bit of a boost forward in terms of their time to I&D. And then we go through pilot scale, early stage clinical, late stage, and then commercial and fill finishing.

You can see there how we see the revenues changing and of course as you get closer to commercial and into commercial, the bio processing revenues, the revenues you produce for the materials go up and up and up. And then of course, where someone's taken a license to that platform, the royalties start flowing as well. We're also looking, like I said, where we can add clients in at every stage on this particular chart because if someone wants to come in and again, they're the sort of customer we value, tech transfers would be available and that's something we're actively pursuing with our new commercial team.

Just a word on the commercial team. We've had our Chief Commercial Officer, Sebastien Ribault in place since October, and that's a significant investment we are making at Oxford Biomedica. So we're moving from five or six people in that team to mid-teens people in that team this calendar year. And we are doing that

because we see a massive opportunity in terms of brand recognition and the commercial model we're trying to roll out here with this newly bifurcated focused business to really make a big difference in terms of the pipeline and pipeline conversion into new customers.

This is just a snapshot over that five year period. You can see how much progress we've made. So five years ago, just under 40 million in revenue. This year, 140 in revenue. Look at the clients and how we've expanded that. There's some great names there. Actually it's interesting, we were asked the question earlier, how many clients do you lose? You'll see that Orchard in Novartis remain, Bioverativ were acquired by Sanofi, who deprioritised the product and the Immune Design got acquired, but we have a fairly unblemished record at the moment of no one's left us for other CDMOs. The quality of the customer service we bring is really strong and we are aiming to continue that with our net promoter score, which we measure and which is very, very impressive.

A bit a few bits on Kymriah and where we are in terms of developing our own products. Of course, now we've bifurcated this business. We're now a focused quality and innovation-led CDMO. And probably the biggest achievement is the facilities development in that time period where we've gone from essentially Windrush Court, for those of you who have visited us and a couple of small sort of GMP suites in various locations and single use GMP suites in warehouses to world class facility in Oxbox where we've got four suites up and running, fully funded, second half of development there for suites up to 2000 litres. And of course 90,000 square feet in Boston just outside ... Well, in Bedford, just outside Boston in terms of AAV development and production.

Here's a little bit on what partners want and where we're innovating. So typically, why would a partner come to us? Those partners that value innovation and quality, they're looking to leverage the expertise we have, the platform technologies we have, the fact that we can be flexible. So we talk a lot about competition and we pride ourselves on being very agile as the size of business we are. And that's very important because we are competing against some really, really big players. We can just be more agile, we can give a more personalised approach and we can help solve problems in a more active way. And that's a really, really key part of the offering to our partners. And those technical capabilities we've talked about, we've talked the full ratios, titer in the US.

In the UK, we've got a very, very long history. Looking at Kyri now, 25 years in our business as a Chief Scientific Officer. And we've been at Lenti making quality product definitely the longest and it's now time to make sure that's leveraged in terms of how we can bring clients on. And you can see that the progress we've made, Novartis, Juno, two of the three originators of the CAR-T Technologies are with us. And we're always speaking to some of the big players.

Where are we focusing innovation? We focus innovation on anything that will make the process more robust, safer, higher titers and yields, better quality, they'll get people through feasibility studies much quicker, and obviously safety.

And that's what the focus is around the new process, Process C, which uses perfusion technology. There's an efficiency gain there, a mechanical efficiency gain, plus some of the add-ons that we are putting in there, the biological add-ons, U1, U2, which will increase titer and yield. And then fourth generation Lenti, which is encompassing quite a lot of this stuff, which is going to form the backbone of the platform for people as an offering now and should give them the best chance of success when they're developing their product with Oxford Biomedica.

This is the super important slide and we'll continue this. This replaces the old slide where we used to name the customers and the products. We're sort of clumping them together a little bit because the important thing here is these are these four development stages in which we are looking to add clients and you can really gauge how we are progressing through the number of new client programs or projects we're working on with clients.

Obviously, it's great to catch them early because they come onto our platform and they'll be there for the long term, but it's also good to catch them as they're approaching BLN and they're looking for commercial solutions or potentially as the industry matures, even second source supply contracts. We need to be super flexible, as a CDMO should be, and we need to add all the way along this list and we need to progress from the top to the bottom as well as as adding just sheer numbers, volume numbers to this chart. So this is going to be a key performance indicator for us going forward, how we are adding here. And the pipeline that we've got that Sebastien and this team are generating now is looking extremely healthy and we are hoping to sign new meaningful contracts this year, which are going to bolster these numbers.

The financial outlook, and we are coming towards the end, is strong double-digit growth in the underlying business. We expect the total of revenues to be marginally lower than 2022 in 2023 because 40 million of the vaccine revenue is coming off. That's still really, really good underlying growth. We've right-sized that cost base. We're making some in interesting investments in the first half of this calendar year in terms of scalability and digitisation, which is being led by our Chief Information Officer. And we're expecting an EBITDA loss as we are carrying that cost base, which is going to see us through this growth in 2024.

This is a choice and this is a strategic choice we've made. So we are prepared to carry this cost until we see that the pipeline come through and the ramp up in '24 and beyond because this is a choice we made after a lot of discussion. We don't want to cut too deep into the cost base and then have to re-put back that cost base and retrain people. This is the right cost base at the right time. and we'll go through why we think we're in the right place at the right time in a moment.

CapEx level's very similar and of course that does encompass the first bits of building of Oxbox phase two and looking to diversify that pipeline, execute on that pipeline, and give the commercial team all the support they need to make sure they're closing great customers, great clients who are aligned to our

offerings of innovation and quality and are willing to share those economic benefits with us.

So this is the last slide before we just put it onto the holding slide. Opportunity for us. I just used that phrase, right place, right time. We genuinely are hearing some really encouraging noises coming out of the industry and the number of approvals coming forward, how biotechs and companies are going to engage with CDMOs going forward to give them the best benefit. We think we're in a fantastic place to do that, being a platform technology company. We've got this track record, we've got this vector agnostic multi, sort of stranded offering, and we genuinely, with our increased focus now, we are a focused, quality driven, innovation driven CDMO. We're in a great position to make sure we're actualising that potential of the market. Of course, the market's going to rise, we'll rise with that market, but we also want to beat the competition and make sure we increase share, keep on increasing the number of new clients and make sure those clients are with us, get a great quality experience all the way through and give their products the best chance of winning and eventually getting to patients. That's where we are. I'll leave you with the holding slide and I'm happy to open it up for Q&A and I think we're going to start with any questions on the conference call and then we'll move to the room.

Taylor Boyd: Stuart, the first question comes from Joe Pantginis from HC Wainwright. Can you please discuss the guidance from modestly lower revenue in 2023? Is this a function of timing of payments as well as business mix, stage and profitability of that particular stage of process?

Stuart Paynter: Thanks for the question, Joe. As I think I just alluded to, marginally lower revenues in '23, when you look at the base business and you strip out the AstraZeneca vaccines business, doing the maths, you're about a hundred million in base revenues in 22 with 40 million in the vaccine. We are looking to be just marginally lower in 2023. That's still pretty strong double-digit growth and that's the underlying business, so that's business from both existing clients moving their assets forward and some new clients that we signed last year and indeed some new clients we're signing at the moment. It's a good example of diversifying the mix of clients but actually living with the downturn in the vaccines revenue whilst not losing too much revenue.

Taylor Boyd: Stuart, the next question on the line comes from Martin Diggle at Vulpes. I note that Nigeria and Ghana have recently approved the Oxford/Serum Institute of India vaccine for malaria. CEO of Serum is on record as stating that some of the vaccine will be manufactured by OXB. Do you care to comment on the progress of this development?

Stuart Paynter: Well, I mean we certainly saw the malaria vaccine being approved, which is great news for people suffering from that horrendous disease in those areas. We have got an MSDA signed with Serum, but we are not disclosing any further details about that at the moment.

Taylor Boyd: We'll now take questions from the room.

Stuart Paynter: Perfect. We'll now move to the room and I think Sophia's going to run around with a microphone and Charles has got his hand half-heartedly up there.

Charles Weston: Thanks for taking the questions. Charles Weston from RBC. Two if I can just start with please. First of all, just on OpEx leverage. You talked about having a right size to business to support future growth. As the revenues grow, which you've sort of indicated there are going to be quite substantial, how should we be thinking about modelling those operating costs, both in terms of the cogs and the bioprocessing and the actual OpEx and R&D and sort of some of the more discretionary costs?

Stuart Paynter: Well, first thing is we can say that if you look at the segmentation, there's 10 million of product related OpEx that's going to come out in 2024 and beyond. Not wanting to entirely avoid the question, but what we are looking to do actually as Frank's three and a half weeks into the role, we are looking to in the next few months really plan ahead and look what the long range plan is telling us on that bit of the business which we are segmenting. Let me just take you through some of the segmentation because I think that that helps here. We're looking to segment the business into the operating business and then the lumpy license fees, milestones, royalties piece, and we are going to guide on that underlying predictable revenue stream coming from the underlying CDMOs. That CDMO should be very comparable to other CDMOs who are working in cell and gene therapy.

We will make sure that we are looking at the margins which we expect to increase over that time period, so we'll be guiding for multiple years and we'll be expecting at the end of that guidance period to be making industry standard margins. But we're starting from a base of breakeven and we're expecting the ... so as you can imagine, Charles, the revenue we're expecting to grow significantly, the costs will grow but not so much and they will be leveraged because we're making these digitisation investments now, which should enable us to make sure that the software and the technology carries as much of the load as it can. But of course as we look to expand and get more suites up and running, we are going to need highly trained colleagues to work on those. There is that fixed sort of stepped up cost base every time you open a new suite where you're basically carrying those costs.

Charles Weston: Maybe just the same question to Frank. You've seen lots of different CDMOs, industry standard obviously means something quite different in small molecule versus biologics and no one, I guess, really knows quite yet where cell and gene therapy mature margin might be. What do you think industry standard actually could end up being in 5, 10 years at sort of a more mature market?

Stuart Paynter: That is an unfair question for Frank, isn't it?

Dr. Frank Mathias: Oh no, I like it. Also coming back to your first question, I believe it's important to understand that the company will be in 2023 in the transition year. We are learning to become a CDMO. We were an hybrid model and now we learn to become a CDMO and this will take a few months. We have learned, for example, that we need a strong commercial team to help us to address the clients. We have now this commercial team, but it's still in the building phase. Our Chief Commercial Officer has started in October, so we need to give him also some time. So we are in a transition period. It's the same in Oxford Biomedica Solutions because it's a spin out of Homology. They also have to learn what it means to be a CDMO and being a CDMO is different from developing your own product.

It's you deal with external clients, they have different wishes, different approaches, and you need to capture all this to be a good CDMO. We are in this transition phase and in this transition phase, it's even for us difficult to model where we will land. This makes your job difficult for sure, but that's okay because it's a transition here. We will learn to understand what the clients needs when the clients want to combat. What I can say is for no doubt, and it's coming to your second question now, we are at the right place at the right time. Why? Because the need for CDMOs will increase for outsourcing, companies will outsource by far more in the future that's what expect, and then cell and gene therapy, we are just at the beginning. There have been so many setbacks in the past. Now this is a technology which starts to be mature and now we will see a lot of new companies coming in the field.

By the way, the number of clinical trials ongoing in the field is growing every month, so this demand will be there. Because it's complex, they will ask for outsourcing and because it's still complex, even if you outsource, they will ask for company like we are because we have 25 years of experience because we are at the edge, at least in Lenti, I believe we are the best. After three weeks I say that. Maybe it change next week, but currently I believe we are the best. In AAV, we have everything to become the best very quickly because we have a very good yield, very good purity, very good efficacy. All this tells me it was a good decision to come, but it's difficult to model. Let me just add, at the end, our success, unfortunately, depends also of the success of our clients and we cannot predict whether a product will be successful in the market or not. This makes us difficult. You agree?

Stuart Paynter: Yeah. We'll let you know.

Charles Weston: Just before I give it back to Sophia. For Kyri, you talked about the fourth generation Lenti. What does it mean in terms of the advantages it provides and maybe how it answers some of the questions that the market has?

Kyriacos Mitrophanous: Yes. For the last 10, 15 years, we've been using the third generation vector system and have been working on a number of components to improve the underlying capability. One of the challenges that is coming through the industry now is the need to deliver more complex genomes. For Lentiviral vectors, it's

not one gene only, it's multiple genes. Some of the constructs, some proteins you're trying to express impact on titer. The fourth generation have been designed to address this so they have a bigger capacity so we can fit more genetic information in so more genes can be delivered. There is elements to enhance expression, so you can get more of the protein in the modified cells. The titer complex genomes is generally lower. These vectors allow you to recover that and all these things combined to give you additional safety features. So when we're thinking about using Lentiviral vectors in larger amounts, for example in vivo CAR-T and other indications, you're going to deliver more vectors, so added safety features are important for the future.

Charles Weston: Thanks.

Miles Dixon: Hi, good afternoon, Miles Dixon - Peel Hunt. You talked about renewed focus on innovation and quality. Frank, I think you talked earlier about the agility that really affords you being a kind of mid-cap player. Who do you really see as your direct peers then in that kind of mid-sized agile space?

Dr. Frank Mathias: I strongly believe that there's a need for a company like ours in the field to be a kind of alternative to the big ones, to the big CDMOs which are in the field, and what can we offer differently? First our size, still mid-size will permit us to continue to deliver a service which is very adapted to the client needs, to a level which I believe others will have difficulties to do so. Our client will not just be a number with us, it will be something special. This is one advantage. The other advantage is currently we have two locations separated. One in Bedford doing AAV, one here, doing mainly Lenti. This allows us to focus completely of the needs of the clients. It's different for other companies. We need to rethink everything. We need to rethink also what innovation means. Innovation in the past meaning, sorry, Kyri, developing a product.

I simplify very much. Developing a product for our own needs. Here we need to define what is innovation for the client. It's not about us. What is innovation? What Kyri just mentioned about this new process stage four is exactly what is needed by the clients, and that's why I believe it'll be a success. We need still to prove it, but I believe it will be a success. That's what I mean by agility. We are able to react very quickly to the needs of the clients because we are a mid-size company. We can rethink innovation differently because we have 25 years of experience. There's more or less no other company having so much experience in Lenti at least. So every process change, it might be something bringing us or bringing the clients far better in a far better position.

Miles Dixon: Got it. Thank you. Stuart, if I could just pick up on something you mentioned about moving CDMOs, about it being really challenging. Can you give me an idea of how much that's about technical complexity of moving partners versus the brands and the contract difficulties?

Stuart Paynter: I mean, if you are with a CDMO ... Oh, actually I know your comment, Kyri, but I mean we've had incoming rather than outgoing. But what we used to say is that,

I mean if you decide to leave a CDMO and you're ensconced within that CDMO, it will take you a significant amount of time and at the same time you're exiting one, you've got to spin up another. I mean it's a massive effort for an organisation. Kyri, I don't know whether you want to comment on some of the regulatory aspects.

Kyriacos Mitrophanous: Yes. This can be done. So depending on what the challenges were for the need to move, we can carry out analysis to do comparability, verify that the product we are making is as good or better than what was originally manufactured. Usually clients want to come to us from a different CDMO because it's either they're not happy with the quality of the vector, the amount has been generated or time delays and all those things we can help address, and they usually don't have any regulatory implications as long as the quality is as good or better, which we do.

Miles Dixon: Typically, how long does that work take?

Kyriacos Mitrophanous: It depends on the projects, but it can be around a year, six months to a year, depending on where they are. If it's a straight process transfer it's fine, we don't have to develop it. If we have to do innovation, because the simply productivity is not as good as they need, then you add on extra time to add on the ... evaluate the new elements that we would incorporate. So, if you're going from a process B to a process C, we would have to take that into account. If it's a straight transfer, then that's faster.

Dr. Frank Mathias: Let me add something, because this is about CapEx. It means also that we need to continue to invest in capabilities, because the clients will come to us in first position if we can offer everything from gene until commercial fill and finish production. This is something which they will ask for, to avoid or transfer later on to a bigger CDMO. So that's why we need and we have plans to continue to invest in our capabilities and then bigger scale.

Miles Dixon: Perfect. And if I could just talk about capacity as well, particularly in the UK, given I think really Lenti has been the standout success on a business development front. I think I know the answer, but you've got plenty of capacity to expand into, in Lenti?

Stuart Paynter: Yeah. So we obviously have one, two, three, four, six working GMP suites within the UK, four within Oxbox. And we have a fully funded expansion program for Oxbox phase two, where the plans are flexible at this point, but can go up to 2000 litres. The standard scale at the moment for Lenti is 200 litres. So, it enables us to be flexible on the volumetric as products and the technology matures. And obviously, it gives you the opportunity to make commercial AAV as well, which goes up to 2000 litre scale. So we've got fully funded plans in place to give the business the flexibility it needs to really go after any customer in the cell and gene therapy area.

Julie Simmonds: Julie Simmonds from Panmure Gordon. A couple of questions on the new commercial team, please. Just wondering if they're going to be selling both AAV and Lenti? Or if there's going to be a split between how they balance that out? And then also, when they're looking at ... I guess it's similar to your pipeline as a whole in how they balance the research side of things and the clients at that stage to the ones that are at the later stage, which are clearly more valuable. And wondering how you are, I suppose, incentivising or balancing to ensure that you get the right clients that you want at the right time, so that you get ... ?

Dr. Frank Mathias: We start with the split?

Stuart Paynter: Yeah.

Dr. Frank Mathias: I don't know by now. We are looking at it maybe that we try to give to Lenti and AAV a certain level of autonomy, and align other things like HR, finance questions together. We will look at this. Yeah? And at the end what will guide us is what the clients need from us. And clients currently AAV clients and Lentiviral clients are different in size and level of clinical development, in sizes.

Stuart Paynter: I mean, just to add to Frank's point, Julie. There are some big pharmas that do everything. So, Novartis, BMS both have both AAV and Lenti programs, of course. And in that sense we're exploring key account management, which I know Sebastien's looking at as a potential model. But, as Frank said, look both Frank and ... Sebastien's in six, seven months, Frank's in three weeks. We're making that investment and we will to a certain extent suck it and see with how successful we can be. And we've got the flexibility to be relatively experimental there and see what gives the best results.

Julie Simmonds: Excellent. Thank you.

Edward Thomason: Hello. Edward Thomason at Liberum Capital. I first had a question for Frank. Just in the next six months, where do you anticipate spending the majority of your time in the business? And what are your key focuses?

Dr. Frank Mathias: This is an easy question. Thank you. So I have decided myself to put a lot of time in acquisition of new clients. So, I will support our commercial activities, because this is what we need for the future and for delivering and try to find a way to model our financial revenues for the future. So, we'll spend a lot of time and I tell you why. Because, I believe that our success will depend on the right balance of clients. Not every client can fit us and we will not fit every client. So, we need to find the clients where we can add ... And you say that in this presentation Stuart.

We need to find the clients where we can add the highest value, if we are able to do so. If we can balance between early stage, late stage between AAV and Lenti, and this is portfolio management and this is a difficult task. If you are able

to do so, we'll be very successful. So, I need to spend a lot of time to understand the market dynamics together with the team. And so, this is the first priority.

The second priority is to help the organisation to become a true CDMO. And, I mean, also in the head, in the mindset. Yeah? It's a transformation. Yeah? It's a transformation. I think we are in a good way, but we can push a little bit more. So, this will be the second priority. And then there are 250 other priorities, which are ...

Edward Thompson: Very good to hear. And then, I just asking for any commentary on the Polyplus Sartorius deal. Is there any change in the landscape that you see as a result of it?

Stuart Paynter: It's not come onto our radar in any way, no. Do you have any comments, Kyri, or not?

Kyriacos Mitrophanous: No.

Stuart Paynter: No? Okay.

Edward Thompson: Sorry.

Stuart Paynter: Thank you. We see that as often in the left or right and it's not right in the middle of our runway.

Edward Thompson: Great. Thank you.

Taylor Boyd: We now have a question on the line from Paul Cuddon at Numis. Operator, please open the line.

Paul Cuddon: Hello guys. I just have a couple of questions actually, please. The revenue visibility into 2023, I think you've talked about two thirds coverage already. I wonder if you could provide any more visibility on that? And to what extent it may relate to any ongoing payments at all from AstraZeneca? And, what is left from the Homology deal? And then, secondly, just the accounting treatment, the gain on the property in H2 2022. And was that part of your expectation when you guided to EBITDA break even in the second half of the year? Or was that something that came unexpectedly? Thank you.

Stuart Paynter: So, the second question first. We were exploring that for a good period of time, because we understood we had some untapped capital that was available to us and we were looking to make sure we had the most robust balance sheet we could. In terms of the revenue coverage, you're right to suggest that that's about what we're talking about, the revenue coverage. There's going to be no AstraZeneca revenue in 2023, none that we can foresee right now, which is a good thing, because that AstraZeneca revenue would mean something else.

So, the revenue coverage that we are looking at, and I'll remind you of the revenue guidance, which was slightly lower than 2022 in 2023, but obviously with no AstraZeneca vaccines revenue in there. So, we believe we've got good coverage, we've got a great pipeline and we've got some great customers, so we'll get there.

Paul Cuddon: Okay. Thank you very much.

James Orsborne: Go on. You first.

Ed Blair: Sorry. Sorry. No, you go.

James Orsborne: Thanks. Hi there. James Orsborne from Stifel. Just one from me. Just wondering, given the funding environment currently with the biotech space and you being highly reliant on early stage companies, how are you seeing that progress this year? And how are you seeing the size of your agreements changing over time of this year?

Stuart Paynter: It's a question which we get asked quite largely. We're certainly not overly reliant on small biotech. We're very fortunate to have the spread of portfolio of customers we have, including Novartis, Boehringer Ingelheim, BMS who aren't stopping. They're never going to stop. In terms of the smaller biotechs, actually, even with the smaller biotechs, we are enormously empathetic to the environment they find themselves in. But, if you're a small biotech and you want to move your share price, really you got to generate some data. And we're fortunate enough to be on the critical path for that.

So, whilst we've seen some of our partners who are in stealth mode and fundraising, fundraising, they're still pushing these products forward, because this is their lifeblood. Occasionally, you've seen some prioritisation in pipelines where maybe they're working on two of the three or they've done something to make sure they're focused. But the work still continues, and like we say, we've got to be a good partner to these guys, make sure that we get them the data and the materials they need to try and generate some data to get themselves moving again in terms of their share price. But, yeah. I mean, it's one of the benefits of having this balanced portfolio of both big and small.

James Orsborne: Great. Thank you.

Dr. Frank Mathias: And let me add some things to it. If you admit this. I believe it's fair to say that Oxford Biomedica was not so much known as a CDMO more so far. And if they were known as a CDMO, there was thought to be a CDMO just working out of their own platform. Yeah? Now, because we are on the road, a lot of companies start to understand, "Oh, wow! We can also do a transfer to Oxford Biomedica." And if this is true and we see first signal in the market of company coming to us, because they have a certain level of disappointment with the current CDMO, this might enable us to bring in late-stage projects, phase two, phase three, or

even second source for commercial. So, we need to do work on the road. Yeah? That's for sure. And, I start to see that awareness of the companies is growing and this will be helpful, I believe, for our future.

James Orsborne: Thank you.

Ed Blair: Ed Blair from Intron Health Research. Can I just ask Frank, in relation to the comments that you've made about the CDMO mentality, which are extremely clear comments... Does that change anything as regards to the possibilities that anything you may have done with the Serum Institute may have been deprioritised?

Stuart Paynter: Yeah. Look, I mean, we signed an MSDA with Serum last year. And as I commented on one of the questions earlier, we're not at liberty to talk too much about that. But I'll remind you of the facts. The facts are that the Serum Institute invested £50 million into the business in September '21 for the expansion of the fallow area in Oxbox. Those plans are progressing and they're a very, very supportive shareholder. And when we've got more news to share on that, we'll happily share that with the market.

Dr. Frank Mathias: Sorry, Ed.

Taylor Boyd: With that we'll end the Q&A. If there's any closing remarks from the team?

Dr. Frank Mathias: So-

Stuart Paynter: I'm looking at you for closing remarks. I've said enough.

Dr. Frank Mathias: From the discussion, I think I hope that you can value that the company is currently in a very good starting position for addressing the needs of the cell and gene therapy market for the future. There's a big demand for outsourcing. There's a big demand for cell and gene therapies. We are covering AAV. We are covering Lenti, we are covering Adeno. We are looking at additional formats for the future. So, we are doing everything to grow our positioning, grow our position also in the market. And, having said that, thank you so much for your interest in the company. You should continue to look at us. Thank you.

Stuart Paynter: Thank you very much.