Oxford Biomedica

2023 Interim Results | Audio Webcast

20th September 2023

Transcript

Dr. Frank Mathias: Good afternoon everyone, obviously good morning to those on the other side of the ocean, thank you for joining today's analyst briefing of our '23 interim results.

It's a pleasure to speak to you today alongside with our Chief Financial Officer, Stuart Paynter, who many of you should know by now. And for the first time, our Chief Commercial Officer, Dr. Sébastien Ribault, who most of you will not have met, probably, before. Sébastien, thank you for joining.

I will start by presenting our new strategy, Sébastien will provide the commercial update afterwards, and Stuart will follow with financial results for the first half of the year. After the presentation, we'll open the room up for questions.

We have a live webcast running and for those joining us remotely, we'll turn to you for any question after the presentation, and we'll also accept any written questions which will be responded by our investor relation team following the presentation.

Our clear company-wide goal is to create a, why not, the world leading quality and innovation driven CDMO in the field of cell and gene therapy. I'm now six months into my role as CEO at Oxford Biomedica. I have spent the first months getting to really understand the business in depth. We have put in place a three-pillar plan, which you can see here, which will form the foundation for the company to deliver long term sustainable growth and success.

At the forefront of this plan is a clear and solid strategy, a clear strategy so that we can remain focused on our ambition to become a leading global quality and innovation led CDMO in the field of cell and gene therapy. So we really and clearly moved away from the hybrid model.

The second pillar probably is the most important one, is centred on having a strong implementation plan, to ensure that we can remain disciplined in the execution of our new strategy.

The third pillar sets out the clear pathway to profitability, so that we can continue to offer exceptional client experiences, invest in next generation technologies, and deliver significant shareholder return.

So Oxford Biomedica is already recognised as a market leader in the cell and gene therapy market. Our expertise and unmatched track record sets us apart, and our position as the only independent, end-to-end CDMO, capable of serving clients across both sides of the Atlantic and across all viral vectors modalities gives us, in my view, a unique position in this fast-growing market.

The new strategiy that we have put in place is focused on ensuring that we continue to build on our market leading position, lays the foundation for sustainable growth, and accelerate us towards profitability in 2024.

At the forefront of this strategy is development into a pure CDMO, with a clear client focus. As a company, we are at the right place at the right time in a very attractive, high growth market. With no doubt our industry has reached now an inflection point, and after the case of development, cell and gene therapies have gained traction in recent years and is now becoming mature with about 20 approved therapies already on the market.

We have now transformed the company so that we can concentrate on our core competencies and focus our full attention on building the world leading CDMO we know we can be. To maintain our competitive edge, we plan to scale our operation. A truly global footprint underlines our ambition to provide excellent service to our clients, and in continuing to add capacities and capabilities, we can service a growing pipeline of opportunities.

The multi-site model that we are adopting would not only allow us to operate more efficiently, but also better serve our clients through offering them more flexibility. That is what clients want and what clients need.

We have a strong implementation plan. We all know that a strategic plan is nothing if we don't have implementation in a discipline way afterwards. So we have this strong implementation plan. That's why we are confident that it will allow us to deliver on our new strategy to transform the company. And in fact, we have already started to implement the plan.

Firstly, we have significantly expanded our commercial team around Sébastien Ribault. This team comprises highly experienced individuals who have a wealth of CDMO experience, and are now located across the east coast, west coast and Europe within close proximity to Kern and future clients.

The second part of the implementation plan is centred on adapting our structure and processes to better serve our clients and work more efficiently. With this, we now work together across our sites as a unified company so we can become a higher performing organisation, develop more streamlined ways of working, and ultimately better serve our clients.

We'll also introduce lenti in Boston by the first quarter of '24, meaning that we'll be operational for lenti in Boston at the end of the first quarter 2024, and subsequently also bring AAV into Oxford.

And finally, as many of you may already have read today, not only are we announcing our interim results for the first half of the year, but I'm especially

excited to announce the proposed acquisition of the French company ABL from Institut Mérieux. This transaction would expand our viral vector service offering into areas including pox virus, MVA, and vaccinia. It'll also allow us to build a European footprint which is ultimately needed by diversifying development and manufacturing into Europe, and also significantly enhance our business development proposition, expands our client base and provides flexibility with supply across European borders.

It's nice to say that the acquisition will be immediately revenue accretive and cashflow neutral, and I believe you will come back to that, Stuart. It will also not affect our pathway to profitability, which I will cover in the next slide. This proposed acquisition is so far another step in the pursuit of our strategy.

So the transformation we are embarking on provides us with a clear pathway to profitability. In becoming a pure play CDMO and adapting our structure and processes, we will reduce our cost base by around £30 million per year. Our united approach to work and our aligned operations will create greater synergies and lead to more efficient use of our resources. Moreover, we are already seeing the success in the new commercial strategy and structure. At this point in 2023, we have already seen a 50% growth in our number of clients compared to the whole year 2022.

In addition, we have seen over 70% growth in our pipeline value, and I have so far in '23 signed more orders than in the whole of 2022, and I'm sure you will come back to this point, Sébastien.

All the measures we have taken paved the way to profitability with an anticipated medium growth CAGR greater than 30% and an EBITDA margin greater than 20% by 2026. This is our commitment, meaning that we'll double our revenues in the next three years.

So this is not only a wish list, it's more than that, and to show you that I will hand over now to Sébastien who will provide you with more detail on our transformation and why commercial progress gives us such a great confidence in our new strategy.

Dr. Sébastien Ribault: Thank you, Frank. Good morning, good afternoon, everyone. Happy to be here and present the first result of the new commercial strategy. And indeed, when I joined the company in Q4 last year, it was clear that we needed together to develop a new commercial strategy to fuel the company transformation, and it's what we have done collectively over the past nine months now.

The new commercial strategy has an implementation panel, which is obviously the go to market plan, and that go to market plan was centred around three pillars. We want to continue being a client-centric company.

The CGT market is not the biologics market. The biologics market is quite commoditised when you look at the CDMO space. That is not the case for the CGT area. Each client has unique needs. Each vector is very specific still and we're not at the step where we have a full template that addresses everyone's needs.

So we want to stay that client centric company that is making the link between the innovation needed to accelerate this treatment, the process development, the manufacturing, and the access to market.

We want to continue delivering with quality. That is absolutely key and I'll come back to that when we talk about track record, including the regulatory track record. But we also want to continue being a solution provider that covers the spectrum end to end.

We start with the gene of interest, we design the vector, we optimise the vector for the highest productivity and the highest quality, we drive the project through process, analytical development, clinical, and then commercial manufacturing.

We have a history as a company of serving very big names, seen as the big pharmas of this world. The fact is that the vast majority of the needs today when I look at our portfolio of clients is with small companies, the one called emerging biotechs or mid-sized established biotech, and that's where we knew that we could do a lot more. So that has been a focus for the beginning of 2023.

We were also very well known as a lentivirus company. Now I think, looking at the feedback we're having from our clients, that they understand that we can deliver not only lentiviruses but AAVs and adenos and a number of other vectors that we don't very openly promote, and it would be a long discussion, much longer than the time that we have today. So let's say that we are focused 2023 on lentiviruses, AAVs and adenos.

We want to serve all clients, and if you look at the pie charts that you have on this slide here, you see that in H1 2022, we had 14 clients, not programmes, and it was about one third in the big pharma segment, one third emerging biotechs, and one third established biotechs. It seems from the picture we see in H1 2023 that the segment big pharma has decreased, it has not.

We've grown all the segments, but we've grown faster the segments of emerging biotechs, which makes sense. I mean, about two third of the projects at preclinical stage are with these small companies, which will become much more mature biotech and eventually will have partnership

with big pharma. That's what we see across the board looking at our portfolio.

But we've moved from 14 to 24 clients, and we see even a bigger increase in the number of projects, but I will come to that in a minute. So what does that mean? It means that our pipeline grew, diversified, and we've converted a number of these opportunities. What does conversion mean? Frank touched it briefly. We've signed so far £110 million of orders, which is more than the entire of 2022, including the Covid vaccine. But there is no Covid order in that. We're talking only about the CDMO business here.

The pipeline has grown significantly, 50% more clients, 70% more value, and if we want to look at the confidence we have that we will deliver the revenues of the end of the year and next year, we need to look at the revenue backlog. And the revenue backlog as of June was 95 million. The backlog being the amount of future revenue available to us. And that backlog keeps growing. I'm not going to elaborate on the Q3 number, that will be for another meeting, but it keeps growing very, very nicely.

In terms of programmes, we've moved from 28 programmes in September, 2022 to 41 active client programmes in September, 2023. And you see a massive increase of the cell line process, analytical development and pilot scale position, which makes sense. We've acquired these projects at the very beginning, either at the tech transfer stage if we're talking about a phase two or phase three, where we have some scale adaptation. Or if we're talking about early-stage projects, we're talking about process development only.

Over one third of the clients you see on that slide are existing clients from the group who gave us an additional programme and continue to work with us on new targets or completely new programmes, including for some of them different type of vectors, because the companies don't look only at AV or lenti or adeno, we also see a mix of virus requests from the same clients.

That was possible after we had restructured the commercial team to make sure we had a significant presence in US on the west coast, in US on the east coast, and in Europe as well. That is an analysis that we made of the market that is accessible to us, and why are we targeting today US and Europe? I think it's obvious when you look at the map here. And when you look at the number total of projects here for AAV, adeno and lenti, above 1600, it explains why today we want to focus on these three vectors, although we're not limiting our efforts to these vectors. We're also talking about HSV, VSV, adenoviruses and many others.

As I said, 65% of these projects are preclinical, which explains why we've seen that boom in the early phase projects that I showed on the prior slide. Asia Pacific is a significant area as well. We've decided that we wouldn't fight

on too many fronts at the same time, and that's why today we're focusing on US and Europe. We started to explore Asia Pacific and we have some requests from Asia Pacific, but these clients are happy to be served from Oxford, UK and Bedford, Massachusetts. We do not have plans to expand beyond this geography for now, except talking about ABL expanding into continental Europe that I will touch on one of the next slides.

We've seen the change over the past nine months on the order side, and I often have the question, what is the impact on revenue? Looking at the time it takes to make a process development, which is roughly six months, obviously the big impact on revenues coming after process development, and that's why it's an impact that we'll see at the end of this year and into next year.

Why do we win? That's often a question I have from people joining the team. Why have we won? Why do we continue winning projects? Because we have a very strong track record where we're one of the very few companies who has a track record of more than 25 years in the CGT space, and a track record in the regulatory space with above 30, 3-0 INDs successfully submitted, and one commercial product that is today available in more than 40 countries around the world.

And if you look at the CDMO landscape out there, specifically in the cell and gene therapy space, there are not that many companies who can say we've been doing that for more than 25 years, we've been successful at clinical scale, and we've been successful at commercial scale.

We also have good timings for development and we're constantly bringing innovation to the market. Not innovation just for innovation, but innovation to move the needle, to accelerate the timeline of the development, to bring more capacity in the vector for larger genes of interest, to improve the productivity and decrease the cost per dose. To improve the quality of the product and accelerate the access to this treatment for the patients serving our clients.

As I said on one of the first slides, we've been known a lot as a lenti company, and there is a lot of demand on the lenti side, specifically in the US and that's the reason why we've accelerated our plan to deliver not only lenti in the US but all vectors from all geographies to address the client needs and the client requests that we have at the moment. We don't want to be blocked by our capacity. That's why we've been extremely proactive at tech transferring the platform. And talking about the ABL deal, we're already discussing how we can make sure that as part of our effort in continental Europe, we'll also be able to deliver in the future all the vectors from all the geographies.

I am taking here three names, some that we know very well and you don't. Cargo is one. The agreement has not been made public yet. It's the first time that we're using publicly their logo and some information here, although we had signed with them back last year, first agreement on the early programme. We're currently in phase two, extremely successful. I'll let you look at the successes of Cargo, but we're extremely happy to support them.

Cabaletta is one of these clients who has with us more than one programme. Additional target signed very recently on a CD19 CAR T programme. And last but not least, an agreement signed with Kyverna in September, actually it should say last week.

It's one of these companies who understand now that we don't only have an approach based on our very good platform on the lenti side, but we're happy to take non platform approach and revisit entirely the way we develop to make sure that we can have very aggressive timelines of process development. Again, I think it is one of the reasons why we win new business.

To continue to win more business, bring more capacity, more capabilities, and serve all the clients around the world, that potential acquisition of ABL I think will change the configuration of the Oxford Biomedica network in the near future in a very good way.

What would be said, track record like us, existing GMP experience since 1995. Expertise and experience on multiple vector platforms, including oncolytic viruses, MVA, vaccinia, pox virus, AAV, you name it. The list is very long in suspension and adherent mode because we still have demands in both, it's important that we can offer it to our clients.

They have been operating as a CDMO for a long time, and Frank mentioned the transformation of the company. Were only a CDMO now, so adding an entity, a Europe and a continental Europe entity, that has been acting as a CDMO will help us accelerating our transformation as a CDMO.

The new Oxford Biomedica network will have expanded capabilities and capacity from very small-scale manufacturing up to 2000 litres scale, perfusion, non-perfusion, high productivity that goes in the right direction. They have a commercial team in place that will be integrated to the existing commercial team. Think that the effort of both teams will help solidify the long-range plan that we put together recently in which we did not add the ABL numbers, by the way.

Will continue to keep the clients at the centre of our network. And I'm very happy to see that we have complimentary capabilities, they're bringing new experience, new expertise, new vectors, and it's exactly what our clients are

expecting, that we bring something new and that we continue to support the CGT market.

I'm going to stop here and hand over to Stuart.

Stuart Paynter: Thank you, Sébastien. And good morning, good afternoon to everyone. So I'm going to just take you through the pathway to profitability. So I'm going to take you through some of the short term numbers, the H1 results, the short term guidance we're giving, and then interestingly and excitingly the longer term, the three year guidance we've come out and given. And hopefully we will tie that back to what Sébastien's been talking about in terms of the confidence of delivery of those numbers. So I'm going to highlight a couple of points from the, from H1, we've still grown the underlying revenue by a strong double digit, which is still good progress, not the sort of progress that we are anticipating going forward, as I'll take you through in the next few slides, but still good underlying growth. And of course we've eventually seen the end of the COVID vaccine, so that was in H1 2022 and not in H1 2023.

Really importantly, the moment that Frank came in, we started working on this transformation and this transformation has already started to yield various efficiencies and we'll continue to work on this towards the end of the year and I'll give you some more numbers in the full year guidance. The other thing I'd highlight is just from a cash position. So from a cash position, we're still in a very strong cash position, 129 million in 30th of June 2023. And you'll notice there that the operational activities consumed low cash. We are working very hard in the background in H1 on the working capital efficiencies of the business because we want to be lean, not just in terms of working practices and personnel, but also the infrastructure of the ongoing business. So if we move to the near term financial outlook, again, what we're saying is full year we're expected to come in about 90 million.

We have got a really, really good visibility on that, given we've got more than 90% covered by binding purchase orders at this point and we expect significant revenue growth in 2024. So we've been talking about what that revenue growth is going to look like and we'll give further guidance on that once the ABL deal is completed. That should be towards the end of this year. I'll take you through some of the details on ABL, which aren't in any of my Outlook slides because they're not in our Outlook at all as Sébastien mentioned. And that will give us a good chance to give you an update on progress we're making towards the end of this year. From an EBITDA perspective, we've identified the cost base is too high.

It's something that we've addressed, gone through this transformation work very hard on our ways of working and we are looking to annualise cost savings of £30 million beginning 2024. So that transformation will be

complete by the end of this calendar year. So we expect the second half loss to be 10 million better than the first half loss, albeit that there's a 10 million restructuring cost in there as well. So you can already see that some of those efficiencies are coming to bear. Transformation is all important. It's what we've been focused on for the last two or three months and it's what we'll continue to be focused on for the next two or three months as we have announced the underlying job losses that we are going to put through the business. And this requires extremely close change management in the business and it's going to be a real effort by the whole team to complete this transformation and generate these 30 million in savings we expect.

There'll be no further spend on the product or on our own internal therapeutics portfolio post H2 2023. We've already said that. We can confirm that today that that's already done. And the reporting importantly, we're just going through the final pieces with our auditors and by the end of the year, for the full year, we're hoping to move to a standard CDMO reporting package. You can see we've started talking about some of these metrics now. So orders, backlog, those things which are the really early indicators of good financial performance.

Sébastien has outlined his pipeline and how it's transforming into orders and we'll start giving more detail on that. And we'll also make it clear to everyone that what we're going to be guiding on by the end of the year and what we're guiding on all the way through these presentations is the underlying business. No milestones, no license fees, they're all going to be in a separate segment of the business. We're not going to guide on those given their unpredictability and every time that we generate, and we still will generate milestones and license fees, they will just be upside essentially. So we are no longer going to guide on those binary unpredictable revenue streams.

The last most exciting slide is our medium-term guidance. So, built on this plan that both Frank and Sébastien have outlined, we see an exciting future in front of Oxford Biomedica. So this 30% revenue CAGR for the next three years to 2026, at least doubling the revenue in that time and moving from roundabout a £60 million loss this year to a 20% EBITDA margin in that three year period, really shows this dual element we're tackling. So we're tackling the underlying cost base, that will be done by the end of this year. And then the commercial execution to get us to the revenues and opening up the capacity which the ABL deal does for us. And we are really excited and confident that we can deliver these numbers over the next three years and this delivery of strategic plan, we expect to drive significant shareholder returns.

So I did say I'll just cover off a bit of the ABL deal just to add a bit of detail to the structure of the deal. No slides on this because it happened obviously at the same time as the interims did, but you'll see that the pre-cash and debt

value of the operation is €5 million. And so that €5 million then comes with a €10 million cash injection, which we are paying for with a tranche of €15 million worth of Oxford Biomedica shares that will be issued on completion of the deal and it'll be issued at at least four pounds eight. So it was a six month VWAP coming up to the time of announcement. There is an underpin there in case the share price does move between now and completion, but it's going to be at least at that price. So a significant premium to today's price. And then there'll be a second tranche available to us on our discretion before September next year, another €20 million have issued shares to Institut Mérieux and that'll be done at the 30-day rolling VWAP to that point.

So obviously we're hoping to increase that share price until then. So we're very focused on, obviously, cash and the cash neutrality of the deal, but as well dilution to our shareholders and we believe this is a fantastically good deal. The other thing to mention is that Institut Mérieux have also committed to buying €10 million worth of Oxford Biomedica shares in the market by the 31st of March 2024, with an intention to get to around about 10% holding in Oxford Biomedica. So this is a long term stable strategic shareholder with good experience in the CDMO field.

And we think that this business with the standalone value of €5 million already generating high teens of millions of euros of revenues and roughly broadly breakeven a very small EBITDA loss, is a fantastic deal. Unlocks, unconstrains some of our process development capacity constraints we have, will give us that geographical flexibility and will allow us to grow very, very strongly. And that is not in these numbers. So once the deal is completed, we will obviously re-guide 2024 and we'll have a look at how this affects these particular numbers. So I think this is on the base deal. ABL is more to come and I think we've done a fantastic deal this morning. And with that I'll have hand back to Frank.

Dr. Frank Mathias: Thank you so much, Stuart. So strong commitment from the management team. And I have to say that this commitment is shared throughout the whole company. We all share the same ambition and we believe that we have all in hand to be very successful in the upcoming years. Let me finish the presentation with a little bit different kind of slide by showing that, and I said it from the beginning, we want to bring Oxford Biomedica from good to great. Why? Because we believe that the company is already good, but there's still a way to go to become great and that's what we have decided to start now. And we have created our so kind of flywheel, you might know this concept from good to great and the flywheel. So at the centre of everything, at the beginning, I believe we all share that, is have the right people and the right skills in the company.

So we will do everything to attract, develop, and retain the most highly motivated people, the most skilled people and continue to develop them.

Then we will operate as a client-centric organisation. That's what our clients are expecting from us. That's what will make us be different from other companies. Please remember there's no other serious CDMO I'm aware of just focusing on cell and gene therapy. This is something unique. So we are in a unique position and now we just have to implement and you bring us a client and we take care of them and you are happy as a CFO. That's very simple. So it's about delivering and delivering is what will make the difference. So we will have a commitment and in our new structure, by the way, we will have a Chief Quality and Technical Officer. So, making it very clear that this is at the centre of our success. We will change the way, we didn't approach this currently in the presentation, but we change the structures of the company towards a CDMO with the intention to be succeeding in the market. Then we should be able to expand our existing partnership.

You have told us that already the case, those working with us are coming back to us with additional projects and we start to attract new people. And the fact that we go with lenti to US is a very important factor for US companies. They want to be served locally. We will now be able to do this for lenti and AAV at the first stage. By the way, we have also the intention to bring lenti to the French side as soon as possible. So we'll expand our partnerships. This will put us in a situation where we can generate increasing revenues. If we're generating increasing revenues, we can invest to better serve clients in capabilities in people. And this should be something which is starting to attract new people and that's when the flywheel should go on itself. So I hope that you can agree that with this presentation we have been able to show you that we have made significant progress over the last six months, that we will do everything to ensure an incredibly successful, sustainable and long-term future for our company.

And I hope that it comes through. I'm totally excited about this new equity story. It's somewhere a reset of the company. It's a reset of the company. I'm excited about that, but I'm not the only one to be excited. I know both here are excited, not because I told them to be excited, it's because they're excited and this is a case throughout the company. We look forward also to this potential cooperation with ABL. This is really important because we know that we could serve more clients already now, but we need lab capacities. We need what ABL will bring to us. So having said that, thank you so much for your attention. We open now the round for questions. We are here to answer your questions. Please go ahead.

Miles Dixon: Good afternoon, Miles Dixon from Peel Hunt. If I could start with the revenues. So yes, Stuart, growth in the revenues. Can you hear me now? Growth in the revenues for this year, but clearly a bit disappointing relative to where consensus was, but you are also talking about a very positive backdrop in terms of business development. Frank, I can't help but think back

to what we talked about last time, which was about a change in the profile. I appreciate the absolute numbers, but is there a churn, if you like, in the characteristics of the businesses that you are working with that's partly responsible for that change in revenue? So are there some big pharma deals that are moving off and being replaced by smaller biotech?

Dr. Frank Mathias: That's a great question and we probably should answer it, both of you. For me, what's changed is, and this is something positive, we lost to the pandemic, to say. And a part of our revenues at the last years were due to the production of vaccine and this went away. But don't forget that we have also reserved capacities for vaccine also in the future. And according to that, we didn't have also a big commercial team as we have today. And if you put both together, we were reserving capacities for vaccine, which didn't come. We were not acquiring too much clients and that's why we have now a certain period where we have a kind of tip. But we'll go out of this very quickly.

Stuart Paynter: Yes, thanks for the question, Miles. I think we should deal with this head on. It's true to say that the revenues this year are below consensus numbers, and I'll go through some reasons why, because I'm sure that this is the conversations I have with many of you this morning. This is obviously a topic of conversation. So we've sort of addressed the unpredictable revenue streams that we've been in the past given our hybrid model, producing the license fees, the milestones, et cetera. And they have somewhat morphed into guidance being that they've occurred and reoccurred over years and years. And of course we are chasing those opportunities. But as a mature pure play CDMO, what we've said is that we now need to being that we are guiding now because now the time is no longer available to us from where we see those opportunities to close them by the year end.

It's clear what our revenues is going to be, but we cannot continue to go on in that way. We must hive the big binary revenues off into another segment, which we're going to do. We're still going to chase those, but we need that to be pure upside. So there was some of that baked into consensus one way or another, and that just hasn't come to pass because it's a binary source of revenue that requires timing and opportunities and we are still going to chase those, but now they're going to be off. We've essentially solved that problem, albeit that it's led to the missing revenues.

We've also been really, really internally focused for the last few months on the transformation itself. So the transformation and the restructuring of the company and the looking at ways of working obviously has taken some extreme internal effort. Now, we're going to exercise and execute that plan, for the next two or three months, to completion, but we have been working very hard internally. Sébastien has been very focused externally, doing a great job generating the orders, but we've had to spend a lot of time focused

internally with the teams getting them right, which has taken some of the focus off. And then underpinning all that, of course, is a bit of market weakness, which everyone will know about in terms of if you can order one batch instead of two, you will. Everyone's being careful with the cash as is good governance.

I will end by wrapping this up positively, by saying that what we've now done is, it is 2023, we've cured this, we know what the number's going to be. We are fixing the way that we're segmenting the business so this can't happen. And the numbers that we are saying that we're going to produce for the next three years, we've got really, really strong leading indicators to suggest that we are... Our premise here is to under promise over deliver. So this 30% CAGR with doubling the revenues without ABL in the numbers is a very, very, very achievable goal for us and we're very confident we can do that. So I know it's a long winded way of answering your question, Miles, but I wanted to just make sure that everyone was aware that we are aware that there's a miss this year and there's some of the reasons why.

Miles Dixon: Thank you. I'll leave somebody else to ask about how underpinned the guidance is, but if I could ask about the cost cutting, the elephant in the room, it's a huge target that you're aiming to deliver very soon. Frank, I've heard you talk eloquently before about what your customers experience when they come and see you. How is that 30 million split and will the customers notice the difference?

Stuart Paynter: Do you want me to deal with a split and then you talk about the experience?

Dr. Frank Mathias: Yes, it's a good idea.

Stuart Paynter: So the split of the 30 million, roughly, is mid to high single digits on the product development piece. The piece that we've always talked about shedding by the end of this year. Mid to low single digit, millions of pounds on the platform R&D, where we're going to be a lot more focused on clients. And then the remaining high teens, millions of pounds is around the ways of working, the efficiencies that we've identified in the ways of working, which will require less headcount, which enables us to put a flatter structure in place, better communication channels, less overlap in job roles, all those things. And that's, like I say, mid to high teams, millions of pounds in terms of a headcount saving.

Dr. Frank Mathias: So the way the company was built in the past was to respond to a primary objective, which was product development. Now we move to CDMO and obviously something different. So we will structure the company totally differently. I give you a very simple example. Project management will move to a new department, Sébastien, which will be business development and project management because this is the normal flow when you acquire new

clients or serve clients. We'll then change from one centre being lenti in Oxford, the other one being AAV in Bedford. We will offer everything everywhere. Meaning also that we'll change the structure in the site structure. So we'll have three sites in the future; one site in Oxford, one site in Bedford, and one site in France, meaning that we will have site heads and everything which is not contributing immediately to operations will be supportive and will be seen as global. So we will have sites locally and corporate global. This will allow us to save a lot of money also in the way of working.

So it's really not only savvy, we unfortunately obliged also to cut the number of people working with us. And this number is very high because it's something around 200 people globally, Bedford and Oxford. That's a lot. And this is what makes me, as a CEO, today sad. On one side you have this beautiful story, but you know that it's at the price of people and that's never a nice place to be as a CEO, but we need to do it. And we are sure that by doing that we'll become more agile. We'll be able to take decision quicker, the flow will be more natural. That's why we will make the most savings. That's why I believe the 30 million is not only a target, it's something which is really achievable. Thank you.

Edward Thomason: Thank you. Edward Thomason from Liberum. First question, just on the costs. The macro conditions are clearly still uncertain. You're pointing to strong growth next year. With those conditions, what's the risk that you're still carrying too much cost going into 2024? And how flexible is that cost base if that growth doesn't materialise?

Stuart Paynter: So, I mean, you'll notice that we've stripped 30 million annualised savings out. And to answer your question directly, that does take the flexibility out the cost base slightly because we are making sure we're becoming more efficient. Are we optimally efficient? No. So there could always be other places to make certain efficiencies, but the reason I think we are confident in '24 is because we've got these leading indicators of orders and growing backlog and that'll give us enough time to adapt the business and the underlying cost base without making any further lurching moves, big, strong, bold transformation moves like we're making now. And that's the way we're choosing to run the business. So I think that as we enter 2024, we'll enter it with a new acquisition, having talked to everyone about what that means for guidance, having updated the orders and backlog numbers and then we'll have really nice coverage for the rest of the year. But we're a management team and we are committed to making sure that we are making a commitment to be broadly breakeven and we'll get there.

Dr. Frank Mathias: And this has also to deal with the market conditions, so I believe Sébastien's the best to answer this market condition...

Dr. Sébastien Ribault: Yeah, so obviously when we talk about the conditions, we often talk about cost, like we just did. We should look also into the revenues. We mentioned the backlog during the presentation, that backlog has increased. So the cost base that we've projected for next year takes into account the need for execution of orders that have already been booked. So will we see a variation in the cost? Probably. But we also see variation in the revenues. We already see demand for 2024 that we enter into our S&OP process looking at the next six quarters, which allows us to already look into the cost base for 2025. So we should never disconnect in the discussion the market conditions. And we see that there is demand on the market to the cost conditions, and that's why we're reviewing the needs, revenues versus cost on a weekly basis, to make sure that this adjustment is not happening on a six months basis but on a weekly basis.

Edward Thomason: I wanted to follow up on ABL, so it sounds like a really good deal. It makes a lot of sense. But why has the Institute sold? To be frank, what are the warts? Why are you getting such a good deal?

Dr. Frank Mathias: So that's a very good question and there are probably different elements to consider. First, you have to consider it's a privately owned company and they tick a little bit differently from other companies. So they care a lot about their people. The main struggle, I believe, ahead over the last years is they are too small. ABL is too small to get a footprint in the market and this is something which is happening to a lot of small CDMOs currently. It's very difficult for them to come to the market, and even more in the market conditions which you alluded to earlier. If we are in difficult market conditions, usually clients are going to the leaders in the market and they're not known. They're too small, they're not known, they're known only in France, they have a few international clients. This was a little bit the problem also of Oxford Biomedica, by the way, before we built the commercial activities as we did.

So that's the reasons. They knew that it'll take a lot to become a very strong CDMO and they didn't want to change their investment by just stopping it. That's why they decide to go with us. That's my view of it. How you see it, Sébastien?

Dr. Sébastien Ribault: Yeah, there are two components. Frank mentioned the first one, which is the critical mass. If you today face a client who has a need to bring a product to market, you need to show them that you can develop the clinical manufacturing and the commercial manufacturing. The investment in a commercial infrastructure is a huge investment. I mean Oxford Biomedica went through that investment. Not only it takes a lot of money, but it takes a very specific experience that you can't just acquire and that you won't get by just pressing a button. So the likelihood of success when you're a very small

CDMO and if you decide to make that investment as a standalone business, the likelihood of success is relatively low. So that's number one.

Number two, in parallel, the market keeps growing and competition keeps growing as well. So if you want to catch up, except through the alliance with someone very well established like Oxford Biomedica, what is the likelihood that you will catch up on competition? How do you develop in two years a platform like the lentiVector platform that took, I'm looking at my colleague here, that took like 15 years to develop. I mean whatever you accelerate, you can talk about automation, artificial intelligence, and so you are not going to develop and push through clinic and commercial success in a couple of years, a platform that will take a minimum of 5 to 10 years to push through commercial.

So when we had the discussion with the Institute, they were very clear that the critical mass is not there. They absolutely want to catch up and they believe that to catch up the best ways to partner with a larger company who's well established like Oxford Biomedica.

Dr. Frank Mathias: And yes, now what makes the deal even more interesting is they continue to be committed to what they have done. That's why they come to us and they will become a major shareholder to us. So they will even buy additional shares on the market to show their commitment to the further success of what they bring to us. And I believe this is extremely important to mention too.

Stuart Paynter: It definitely is. And it is the insurance policy that they want to be involved in the larger group and this is their way of getting the critical mass that Sébastien talked about.

Edward Thomason: If you can't beat them, join them.

Just lastly on ABL, quick one, given what you spoke about earlier on the outlook and the changes-

Dr. Frank Mathias: This one?

Edward Thomason: Well, all the sites. And the deal announced today, does it change in your view the execution risk around the business, particularly around 2023 year end? I know that a lot of the capital is ring fenced to support ABL. But any change in the risk profile?

Dr. Frank Mathias: I believe it increases our confidence in what we'll be able to achieve.

Stuart Paynter: And the timing's very good for us because the timing of the transformation will be completed by the end of this year and ABL won't be onboarded until

the end of this year. So there'll be a team that's hived off doing diligence, of course they will, but that's separate to the change management piece I referenced for the transformation of the underlying business.

Edward Thomason: Thank you.

Dr. Frank Mathias: Thank you.

James Gordon: Thank you. James Gordon, JP Morgan. A couple of questions please. One was just on bioprocessing performance. So if I take out COVID-19 vaccine, it looks like the revenues did still have a sequential fall in H1 versus what there were in H2 last year. And it looks like it's the lenti is maybe what's a bit softer. So it grew about 10% year on year. But I don't know if I've done the maths right there. So is that fair that lenti was growing quite a bit more slowly and is there anything exceptional about that or is that a run rate into next year, that is what you're thinking that's going to be into 2024?

And then the other question was on the acquisition, which looks like an amazingly good deal, I can't remember a company paying 9.3 times revenues. But has the business faced some challenges? So what's the revenue growth been in H1 or last year for the business you bought? And what's the gross margin on that? And are you seeing this more as a business that gives you scale, can utilise the scale you've already got or do you think you're actually buying growthy assets there?

Stuart Paynter: Do you want to do number two first?

Dr. Sébastien Ribault: I can take number two first. Yeah, I mean for us, the primary reason for this potential acquisition is to make sure that we have additional capacity in process analytical development pilot and clinical manufacturing at small scale, when Oxford Biomedica is medium to large scale and also quality control for future European batch release. So our primary driver was not to buy existing business but to buy experience, expertise and capacity. That was really number one.

This being said, there is existing business. But if we look at the upsides that we've already identified, we know that the upsides are coming from our pipeline that, I mean providing that the deal go through obviously, will be executed by the existing teams and existing capacity at ABL. So the growth that we see would come from our prospect. The execution would come from the existing sites from ABL. So it's a mix of these two that gives us this confidence that we see upsides into next year.

Stuart Paynter: And on your point one James, we've said that we are growing double digit in the underlying business. Are we growing at 30% CAGR at the moment the underlying business? No. We need to accelerate that, and the leading

indicators are very positive for that. We don't really break it down by vector type and we will probably continue not to because as Frank has said, what we want to do is do everything everywhere. So we are more focused on site profitability because it's a choice for us where we put these programmes. So I think if there's a detailed question if you want some help with, we can take that offline and we can have you dig into the numbers where we've disclosed them.

James Gordon: Thank you.

Dr. Frank Mathias: ... And on the do everything everywhere, we will still remain having some centre of excellence, for sure Oxford will remain centre of excellence for lenti. AAV will be the case in Bedford and anticipate that adeno will be the case for France. But we will be able to do everything everywhere but still having centres of excellence.

James Gordon: Thank you. And just the gross margin of what you've acquired, so we're putting it into our model so we get it at the right level?

Stuart Paynter: At the moment, I mean on the revenues we've seen, we have to do the diligence and then guide when we complete the deal on what the total revenues are going to be, gross margins, EBITDA margins.

James Gordon: Thank you.

James Orsborne: Hi. James Orsborne from Stifel. And if I may, just wonder what the switch or the shift to lenti in Boston was driven by. Was that always in the plan or was that something that has come up given perhaps a softening in demand from clients or others? A bit of update there would be nice. I've got a couple more as well, if you want to answer that.

Dr. Sébastien Ribault: I can take it.

Dr. Frank Mathias: Yeah. But if you ask me, you will get two different responses. One from me and from the rest. If you ask me, it was always in my mind. Now, you.

Dr. Sébastien Ribault: And if you ask me, it was always part of the plan, but it was not planned as early as we're doing it now. The reason was that we didn't have the right people on the company to make it faster before. With the appointment of the new site manager that we have in Bedford who joined us about a quarter ago, we've been able now with the right management locally to accelerate that plan. So when I joined the company in Q4 last year, we had already discussed that strategically it would make sense to offer AAV, lenti and adeno from the two geographies. That required a very strong site alignment between US and UK.

At that time we were not structured at the delivery level to make it happen quickly with some of the changes as part of the transformation plan that we started a quarter ago, we've accelerated the plan. And when I say accelerating the plan, we massively accelerated the plan. And when Frank is very nice saying that we're going to have everything implemented by Q1 2024, I usually tell the team we'll have everything implemented in Q1 2024, but I'm not giving up on seeing the first small scale experiments by the end of this year.

James Orsborne: Thanks very much. And just appreciate the colour you've given on the early-stage programmes. But, I guess given the tougher macro that you're seeing perhaps an update on the larger pharma programmes, perhaps the like of Novartis, BMS and just how those relationships are progressing.

Dr. Sébastien Ribault: It's an interesting question and I like the fact that we systematically oppose the big pharma segments to the more established ones, what would be established biotech like 500 people and so on. But if I look at it really from an activity perspective, I'm speaking on a weekly basis with established biotech, not in as big pharma, again, 200 to 1000 people. They run in parallel 5 to 10 programmes. I don't have one discussion with a big pharma who was telling me I'm running 5 to 10 programmes in parallel full steam, none of them. So we continue to support big pharmas. The active programmes are still active, they're progressing nicely through phase one, two. One of them is actually at validation stage in preparation for phase three and commercial. We're having with the established biotechs discussions to run in parallel process validation of multiple programmes. So we see a much more aggressive pace with the established biotechs when where everyone tells me what about the big ones and are they driving the market? They are part of the market. Are they bringing a higher number of programmes than smaller companies? From my point of view, the answer is no.

James Orsborne: Just one more if I may. We saw the announcement from Homology back at the end of July in terms of them ceasing their clinical programmes. Just wondered if you'd give an update on the relationship there and perhaps how that's reflected in the current interim results, but also how that's going to be reflected going forward in the guidance?

Stuart Paynter: Yeah, no. It is a good question. So just to remind everyone, Homology announced a few months ago that they were seeking strategic options with enough cash that they couldn't get to the next value inflection point. And so a number of things to mention. So for 2023, the remaining of 2023, they're contracted revenues, which we have now satisfied, and we are supporting them as their CMC partner on their lead programmes, which they're trying to out-license, sell. And we'll see how that goes. But we are not planning any further revenues from that piece of the business for 2024. So in our guidance numbers, there's nothing for those programmes in 2024. So if they're picked

up by someone and they're driven forward, we are obviously the manufacturer and we'll see that as validation and upside. But that's not what we are at the moment. And of course we continue to be supportive, they're in the same building as us, in another place in the same building as us. And so we are going to support them through the process as best we can, hope they come out with a positive outcome.

But from our point of view, as Sébastien has mentioned, we're looking to utilise that capacity from 2024 onwards for lenti programmes, real and present lenti programmes, which we're going to get into Bedford and start building that everything everywhere model.

Dr. Frank Mathias: And this brings us back to what I always said, we are only as successful as our clients are. So we need to have always mitigation plans available, which is the case. So it's not only that we get more clients, we start to look at what is the optimal balance between the different kind of clients, big pharma, small-sized, mid-sized biotech. We look at early programmes versus commercial programmes and the beauty would be at the end to have a very balanced portfolio of projects and clients, and that's important so we can mitigate at any time. That's exactly what we are doing. We know Homology will not come next year potentially with new revenues. So we start to look at what can we bring in place, and it's working.

James Orsborne: Great, thank you very much.

Julie Simmonds: Julie Simmonds, Panmure Gordon. You're obviously signing up lots of more new clients. I was just wondering is there any change in terms of the structure of the deals that are being done on previously and whether there's any milestone components or whether royalties are different in comparison to what we've seen previously from Oxford Biomedica?

Dr. Sébastien Ribault: It's an interesting question, but I cannot say looking at the deals that have been signed over the past five years that there was a structure that was systematic. So is there a change in a landscape that was already quite diverse, I mean still very diverse. So in that sense, no, I don't see a change. I would say that the expectations from our clients is that we can sign much faster to start the execution, which wasn't the case in the past when the discussions were happening primarily with big pharmas because the negotiation with big pharmas are known to be quite lengthy.

We're today facing clients, and I have in mind a deal that is not public actually, but fairly large deal that we signed in April. The first discussion was very last week of April and in May we started the execution. We're talking about multiple batches, we're talking about a multimillion deal, we're talking about a client discussing with us already a second programme. So the expectation is that the structure is very clear from the beginning that we can

progress very quickly into the contract negotiation. And for that reason, we've deeply modified the structure of our services agreement to make them easier and faster to negotiate. But if we're looking at the licensing model, the milestones and so on, I cannot say that there is a massive change. I think we just made it easier to understand which is going in the right direction, moving from a product portfolio company with a very heavy IP component to a CDMO with a fee for service, which is obviously the number one discussion in this contract negotiation. Still there are milestones that are discussed. No big change.

Julie Simmonds: Lovely, thank you.

Stuart Paynter: I mean, one thing to say, Julie, is that, and Sébastien won't have the view on this because he wasn't around, but we were absolutely focused on what we had to sell was our platform. And now, since Sébastien's come in we've been successful in signing people not coming into our platform, bringing their own technologies to us where we utilise our skills and our capabilities and capacity in order to satisfy their needs. Sébastien's referenced deal was a case in point. So now we're opening up a bigger piece of the market. Those deals are slightly different. They are just fee for service because there's no underlying technological component at the beginning at least. We can provide technological solutions as we progress. We've made it clear that as a CDMO, you cannot just limit yourself to selling a particular platform. Now in multi-vector and multi technology, we need to be flexible.

Julie Simmonds: Thank you.

Dr. Frank Mathias: So no question apparently currently in the room. So should we open for questions coming from the phone?

Operator: Certainly. Ladies and gentlemen, if you wish to ask a question over the phone, please signal by pressing star one. Now the first question comes from Rick Bienkowski from Cantor Fitzgerald, please go ahead.

Rick Bienkowski: Hi everyone. Congrats on the progress here, and thank you for taking the question. So regarding the guidance towards EBITDA margins in excess of 20% by 2026, would you be able to just walk me through some of the key assumptions here for being able to achieve those margins? Is this dependent on hitting a certain threshold for capacity utilisation, a certain number of clients with late stage programmes or any other factors?

Stuart Paynter: Yes it is. I'm not sure we're going to make those particularly public, but what we have is a mix of progression of existing pipeline clients and clients we can see in our pipeline mixed with the maturing of the market itself means that we are very confident we can get to these margins in that 2026 period. What we can say is the key driver is the revenue number. So what we've done is

we've rationalised the cost base this year as a 30 million ongoing saving, which will be basically to perpetuity because it resets the cost base of the company. And then we are a hundred percent laser focused on executing on the commercial strategy in order to double those revenues in that time period. We are going to do one of those things by the end of this year, and that's cast iron. And then we've got an ongoing challenge to support Sébastien and his team to deliver and execute on the second, the revenue growth story. But we can do that within existing GMP capacities. Under our current plans, our GMP capacity does not need expanding until early 2029. Lab capacity, we've solved with the ABL deal. We'll still have to make some small investments in terms of CapEx to get everyone up to speed to be able to support the clients properly at every site, but that's relatively modest. So I would say that within existing pipeline and within our existing assumptions, we see this as very, very achievable.

Rick Bienkowski: All right, great. And I guess as a related question, do you see margins further improving over time after 2026 or should we think of this as kind of holding steady long term?

Stuart Paynter: Well, the simple answer is yes we do. So this is guidance to 2026. I think Frank would be very disappointed if that was the end of the story. We do have a plan out until 2028, which we're not talking about quite yet, but we didn't want to go too far into the future because I think in these markets people prefer something that's measurable and achievable in the medium term. But certainly in the long term, we'd be looking to do better than both of these numbers.

Dr. Frank Mathias: Step by step.

Stuart Paynter: Step by step.

Rick Bienkowski: Understood. And if I could just throw in one more question. So if we think of the business in kind of two halves now, right, the AAV side and the lenti programmes, should we be thinking of those as having maybe different margins as well? If we think of the different growth rates that may be associated with AAV and lenti over time, just thinking about how that would affect the profitability profile as that mix shifts over time.

Dr. Sébastien Ribault: Well first I would not look at our accessible market as being lenti and AAV because looking at what we've signed so far in 2023, the market is really lenti and AAV and adeno. And I think that one of the biggest growth we've seen is on the adeno side. The technical and technological challenges are obviously different if you compare lenti, AAV, and adeno. But I think that if I was putting in the room my colleagues from Bedford working in the centre of excellence on AAV and my colleagues from Oxford on the lenti side, they would tell you that process development is process development. And we

face the exact same challenges when we develop an analytical platform, whether it's a lentivirus, an adeno, an HSV, or another one. So we have the same challenges, we have the same regulatory challenges. And when it comes to manufacturing, that's always the same. It's about training, training, compliance, and compliance.

So I don't see different margins from these markets. Are these markets growing differently? The answer is yes. As the biologic space grew differently, geography by geography as well. And I think that we see big swings. I remember back in 2020 people saying RNS is going to replace everything. Wrong. AAV is going to replace lenti. No. AAV and lenti are going to replace adeno. Well, we see adeno coming back. So we'll continue to see development in parallel. There is a big difference if you look geography by geography, but we continue to see a growth of each vector segment, and I believe that we'll continue to face the same challenges in development and manufacturing, whatever the nature of the vector is.

Rick Bienkowski: All right, thanks for taking the questions. It's really appreciated.

Dr. Sébastien Ribault: Thank you.

Stuart Paynter: Thank you.

Operator: Thank you. Our next question comes from the line of Charles Weston from RBC. Please go ahead.

Charles Weston: Hello. Thanks also from me for taking the questions. Two clarification questions around guidance and then one for Sébastien please. First clarification. Just in terms of a 30% revenue CAGR, is that the expectation for growth every year or is there likely to be a bit more of a backend waiting in that '23 to '26 periods, particularly perhaps given the homology headwinds for '24?

Stuart Paynter: It's a good question Charles. We'll give some more colour on the 2024 guidance when we complete the ABL deal. But I mean, I can say I don't see any reason why those sorts of numbers wouldn't be achievable every year.

Dr. Frank Mathias: And we can say it applies at least for next year.

Stuart Paynter: Yeah.

Charles Weston: Okay. Thank you. The second is around margin guidance. In the press release, I think it says margin is expected to be breakeven by the end of '24 and 20% by the end of 2026. But I think I got some slightly different language in the presentation here. Does that mean that we actually are expecting breakeven for 2024 and 20% before 2026? And then just as a corollary of that, are there

any major movements that we should be expecting in working capital or anything else in terms of cash conversion of that EBITDA given we saw some big working capital movements in the last couple of years?

Stuart Paynter: Again, two good questions. Look, I mean, the wording is not supposed to be tricky. So the answer is yeah, we expect to be broadly break even next year. And in 2026, we expect to achieve 20% EBITDA margins. I mean, these are measures of profitability and that comes over time rather than point in time measurements. So apologies for the wording and it being unclear, that's not the intent. In terms of working capital, you've seen given what we said on the cash that we've had a positive working capital swing this year, and if Sébastien does his job right, then my life becomes a misery, right? Because we're going to have more tied up in debtors, et cetera, et cetera. And then it's up to us to collect. So I mean, if we double our revenues in that time, you're going to see a negative working cash movement just through debtors. But that's a nice problem to have and we'll make sure that we're as efficient as we can be, and we'll have the right balance of customers, clients, making sure we give them the great service and they're happy to pay us.

Charles Weston: Okay, thank you, Stuart. So last question, Sébastien, what visibility do you think your enlarged commercial team has now on market opportunities? Are you, for example, not seeing opportunities that you read about being signed? And then of the opportunities you do see, what's your win rate? When you lose, why do you lose? And what will make a difference to that win rate like TetraVecta or U.S. manufacturing?

Dr. Sébastien Ribault: Oh, many questions. So what is the visibility that we have? So as said earlier, I started to build a commercial team when I joined the company in November last year. And I must say that the team is really fully in place since May this year. If I look at the number of opportunities we had identified in Q1, in February exactly, versus the numbers that we put together just a week ago, 11th of September, we made a review, we had identified 30% more opportunities for a total of about 1,650 projects on which we can potentially bid. And we're today handling in parallel a three digit number of opportunities, which means that we probably have more opportunities than what we can handle on the delivery side. So we have a very good visibility and that good visibility is true for, as I said, lenti, AAV and adeno, but also other vectors on which we're actively bidding at the moment.

I expect that this feasibility will increase, because I think that there is still a potential for another 30% of opportunities that we've not identified yet, probably more in APAC than in U.S. and Europe where I believe we have good visibility. Not only we have good visibility, but what has changed very much, especially since Q2, is that we see now many people coming to us directly through our online partnering system. They send us a request, RFI or RFP, or just simple questions. When I joined the company, I think we had

about two per month and now we're at two per week, which I mean, said differently means that we see about 100 opportunities per year coming to us directly on the top of the 1,600 that we have identified in the market, and keeps going. I just onboarded a new business developer Monday this week. So again, I think that a number of opportunities we see will continue to increase and the pipeline science will continue to grow as well.

I don't want to give you a success rate now for a very simple reason. I want to calculate that at the end of the year, because we have a number of things that are ongoing and as every year, many of these negotiations have a target signature date by the end of this year for the start of the execution in Q1 next year. So a number I would give you today would be extremely inaccurate. But what I can tell you is that coming from another CDMO world, in my previous slide, the success rate we have with Oxford Biomedica is amazing. When we lose, why do we lose? Well, often we lose because we don't have the right slot at the right time because we still see a number of people coming to us saying, "I want to start now." And that's the reason why this potential of acquisition of ABL was extremely important for me. That's the reason why I wanted to see that acceleration of the transfer of lenti in Bedford. That's the reason why I will continue to push to have AAV in Oxford as soon as we can and so on.

So I would say that slots... Well, the match between the expectation from the client and our slot availability is probably a reasonable one and why we lose. Reason number two of why we lose, to be very transparent, is often the price that we give to our clients. And here I want to be very clear on the discussions we have, because I tell people the price that we give you is the right price for that activity. If you want to do something quick and [low quality], this is not going to be with us. I am not going to quote to a client a proposal where we cut the corners of development, as it would give you [poor] productivity and a low level of quality. We're in this business to deliver high quality products that will be injected to patients. If the patient was a member of my family, I would want high quality. So when we quote, we quote at the right price, so when people tell me, "I will go somewhere else", please go ahead.

Dr. Frank Mathias: That's what we mean seriously when we say quality led CDMO.

Dr. Sébastien Ribault: And often unfortunately, and I'm talking about past experience, but I've also seen already that once at Oxford Biomedica, we have people coming back to me, well to us, to the team saying, "I was promised by another CDMO. I tried it, it failed miserably. I'm coming back to you." Yeah, quality has a cost. The cost of making a bad decision first and the cost of running a good project next.

Charles Weston: Great, thank you very much. I guess I'll ask the win rate again in six months time. Thank you.

Dr. Frank Mathias: So we have time for one more question, not to say one last question.

Operator: Joe Pantginis, HC Wainwright, please go ahead.

Dr. Frank Mathias: Yes?

Joe Pantginis: Everybody good morning and good afternoon. Thanks for taking the question. My questions are going to start on the regional end and then go globally. So first, I just wanted to get a sense since we're talking about manufacturing and the CDMO process, where the capacity stands in the UK on the lentiviral front and any additional build outs or current build outs. I just wanted to get the current status. Thanks.

Stuart Paynter: Hey Joe. So, you may have heard us reference this during the presentation, but there are two very different capacities that we work with. So we have the GMP manufacturing capacity, which given the build out we made during the COVID vaccine work, is good until the early part of 2029 under current assumptions. If that changes, it'll be on the back of very, very good news, additive to the guidance we've given. So we're in good shape there. And the other capacity where we have just executed... Not quite executed, announced the ABL deal, is to satisfy the demand that we see in the marketplace to expand our capacity in the PD front. So we're talking about doing process development work, the laboratory is necessary to do high quality work there. So that is where we see the capacity crunch now solved, or will be solved on completion of that deal. And also the flex that we are putting into our system by being able to do multi-vector work in multi-sites.

So from your local to your global question Joe, we are looking to unlock that potential in a very, very sensible way without having to deploy massive amounts of capital to do so.

Joe Pantginis: That makes total sense. And then Frank just did a good job talking about the commercial pitch and I wanted to dive down on that a little bit. So first, the first part of the question that's pretty specific is are you going to be looking to providing your backlog number going forward at least on a half yearly basis or further, because that's a good proxy of the business, especially since it takes approximately six months, as you said, to get the process development in place. And then secondly, as part of that question and talking back capacity, with the ABL acquisition that should close by the end of the year, I want to put that into the pitch that the commercial team gives to potential clients. And like I said, Frank gave a lot of good details, but I'll give one example where they can offer up almost immediate time into the suites

versus one of the current problems in the CDMO space about backlog of having to wait for a suite manufacturing.

Stuart Paynter: So I'll do the first bit and then maybe Sébastien will deal with the second bit, Joe. So the first bit on the frequency of reporting on back... I mean backlog and orders are going to be key KPIs. I mean, pure play CDMOs, you live on those leading indicators of orders and backlog. That's the early-stage barometer for your revenues, and we're absolutely committed by the end of the year to have a reporting suite and package, which is going to be good to communicate the story we are putting forward. Frequency is going to be at least half yearly of course, but we are probably going to go to something more frequent being we are a trading business now. And the first opportunity we're going to get to update that will be on close of the ABL deal towards the end of this year. And I'll pass over to Sébastien.

Dr. Sébastien Ribault: Yeah, my team is structured around three pillars. One is looking into strategy and marketing. The second one is the sales/media team, and the third one we call commercial operations. The commercial operations team is at the interface between clients and the delivery team. One of the key processes that we fully re-established is the S&OP process to make sure we keep a very tight alignment between the sales opportunity and the operations slot. This S&OP process is now global, and when we're looking at the process development or analytical development, GMP QC or process characterisation capacities, we're looking at that globally. So we're now in a position including in the future with the ABL capacity to tell the clients, "We can give you access to one slot immediately. It's going to be handled in this geography if you want it now." And some clients will have some geographical expectation, which we'll take into account as well.

But the fact that we manage the platform development centrally but expand globally, means that in the very near future, if you need a lenti slot, indeed you won't be limited by the fact that it's operated and delivered out of one centre only. It'll be available in three different geographies with potentially immediate availability of a slot.

Dr. Frank Mathias: Thank you Sébastien. So I believe we'll close our session now. So thank you so much for your attention and also for the very good questions. Hope to see you, hear you soon. Again, I wish you a nice afternoon or a good day when you are in U.S. See you soon. Bye.

Stuart Paynter: Thank you.