Oxford Biomedica
2023 Preliminary Results

Audio Webcast

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Transcript

Dr. Frank Mathias: Thank you so much for joining today's analyst briefing for our '23 Preliminary results. I'm Frank Mathias, the CEO of Oxford Biomedica and it's a pleasure to see so many familiar faces here in this room, so thank you for coming, to be here to speak to those on the webcast and those joining via the conference call lines today.

With me, I have our Chief Financial Officer, Stuart Paynter, our Chief Commercial Officer, Dr. Sébastien Ribault, and I'm also proud for the first time to have, joining me, Thierry Cournez, our relatively new appointed Chief Operating Officer who is also in charge of the UK operations. As I believe that you have all met Stuart and Sébastien before, I will let Thierry introduce himself when he starts his section of the presentation shortly.

So, looking at 2023, it's obvious that '23 was a year of transformation for Oxford Biomedica as we began building a global pure play cell and gene therapy CDMO. Throughout the year we have met significant milestones and celebrated many successes, which have provided me and the board with confidence in our new strategy and its ability to deliver long-term sustainable growth. I will begin this presentation by highlighting these achievements and the progress we have made to transform the company before handing over to Thierry to discuss the integration and transformation of our global operations in greater detail. Sébastien will then provide an update on the strong momentum we are seeing on the commercial side, and Stuart finally will give an overview of our financial performance for the year and also a midterm outlook.

As you know at the core at Oxford Biomedica, we have a mission to enable our clients to deliver life-changing therapies to patients. This mission underpins the incredibly important work we do. The strategy that we are implementing is geared towards helping us achieving this by providing best-in-class CDMO practices and accelerating the time it takes to our clients to bring the treatment to the market.

I will return to a slide we showed in September last year for our interim presentation when we announced our three-pillar plan. As you will soon hear, we are progressing through the plan to deliver long-term sustainable growth and have moved into the implementation phase now delivering on what we had promised last year.

In the last year we took important steps towards our vision of becoming a global pure play, world-leading CDMO in cell and gene therapies increasing our geographical footprint into now three geographies - UK, US, and recently the European Union, re-organising and aligning our operation and streamlining our structure. The ongoing transformation will provide us with a multi-vector, multi-site model giving us a platform to better serve our clients through offering greater flexibility while benefiting from synergies at the same time.

As part of our move to multi-vector, multi-site model, we have made significant progress in transferring our lentiviral vector capabilities into our Bedford site near Boston, US. The first production runs were initiated in February this year. We delivered the five-litre scaled-down model process and accompanying analytics at the end of March already.

In January this year, we were delighted to announce that we had acquired ABL Europe from Institut Mérieux in France. This extremely important strategic acquisition increases access to EU-based clients and broadens our international development, manufacturing and testing presence and further increases our capacity in process and analytic development as well as early-stage manufacturing.

The addition of the two sites in France adds approximately 150 CDMO experts to the group, as well as additional vector types to our client offering. It also positions us well to seize further opportunities in the fast-growing cell and gene therapy sector. For aligning our footprint in the UK, the US and EU, we have put in place our new One OXB strategy to harmonise and optimise our operations so that we can benefit from increased efficiency and agility.

The transformation of the company into a pure play CDMO is allowing us to scale up our operations globally while maintaining high standards of quality and innovation. As part of our evolution, we have implemented extensive cost management initiatives and refined our structure. By doing so, we laid the foundation for sustainable growth and profitability while leveraging our expertise in viral vector manufacturing.

As a quality and innovation-led CDMO, we are committed to reducing cost per dose and accelerating clinical development, thus expanding patient's access to life-changing therapies. Our latest innovation, the TetraVectra™ system, is a prime example of this. Launched in May 2023, this fourth-generation lentiviral vector delivery system allows for higher-quality viral vectors with higher potency and safety that enables cells and gene therapy companies to overcome previous barriers in therapeutic development.

As a result of all these activities, we are already seeing the first successes of the new strategy demonstrated in 2023 by a 51% increase in the business development pipeline and the 54% growth in the client order value as shown on this slide. These successes give me full confidence in the medium-term guidance we have provided, which is supported by strong KPIs for the year to date. This includes 31% growth in the business development pipeline, which now stands at $573 million and growth in the number of clients and client programmes to 35% and 51%, up from 18% and 34% respectively as reported in April last year.

Furthermore, we saw an increase in the number of late stage and commercial programmes from two to five. This increase in the number of clients and programmes has led to an 11% growth in revenue backlog for the year to date which stood now at £104 million at the end of March. I would like to note that

this figure excludes a new order with a US client preparing for commercial launch, which we announced in March recently.

As you can see, we made and continue to make immense progress, and I would also like to highlight that a lot of this progress has been made since September last year, so in the last six to seven months. Also, it allows me to reiterate the guidance communicated to the market recently. We expected full year 2024 revenues to grow by 40% to 50% over last year and to achieve broadly breakeven in 2024, as mentioned before.

I will now hand over to Thierry to discuss our One OXB transformation and integration work stream. Thierry.

Thierry Cournez: Thank you, Frank. Thierry Cournez, I'm the Chief Operating Officer for Oxford Biomedica. I'm also the Site Head for the UK site. I joined the company last October after 27 years in a large company organisation in the pharmaceutical industry with different experience in sales, marketing and operations. I'm pleased to be here with you today.

As Frank highlighted, we have a new strategy to become One OXB. We have laid on different initiative, and we focus on six strategic pillars to integrate and transform the company. Within these six strategic pillars, we have structured 20 work streams globally aligned with different experts from the different geographies, which focus on leading the transformation of the organisation to become a pure play CDMO with a global network.

This slide is illustrating the strategy of some of the examples which can explain the advancement that we take in transforming the organisation. We focus first on the quality of our people and experts in the organisations. We want this company to get one company culture with the same values. We want to become a workplace for a CDMO expert to join and drive the clients' projects.

We focus as well on becoming a client-centric organisation as a pure play CDMO focusing on executions, high-quality delivery. We have worked on looking at our efficiency and how we organise to ensure that we increase resource allocation on client projects. We have developed strong activities toward our CDMO services in our portfolio, refining our go-to-market strategy and intensifying our marketing efforts and brand recognition to be seen as a global CDMO player in the cell and gene therapy space.

In terms of increasing the revenue and increasing the returns, we look at streamlining our processes, ensuring efficiency gain and implementing site-based structures in the three geographies in the US, in the UK and France.

Last but not least, we continue to invest in innovations, making sure that our innovation roadmap is focusing on the client needs to accelerate the pipeline and to reduce our cost. I will now hand over to Sébastien.

Dr. Sébastien Ribault: Thank you, Thierry. The initiatives that were described by Thierry have four objectives to help the company grow and take on more projects. Why do we need to take more projects? Because the market is growing, as we see here on this slide.

The company had been known for a long time as a lentivirus-only company, and with the acquisition of our site in Bedford about two years ago, we are now delivering routinely AAV and lentiviruses. There was also an experience with the AstraZeneca COVID vaccine in developing adenovirus-based vaccine. That's why we continue to focus on the adenovirus market as well.

If we're looking at the market as it is today, we're shy of a $3 billion market size with a growth that is estimated between 2024 and 2028 of about 20% year-on-year to reach almost six billion in 2028. Interestingly, the three key segments that we're serving, AAVs, lenti, and adeno keep growing and not only do they grow in US and in Europe, but they also grow in Asia. That is the reason why we wanted to make sure we would have enough capacity to serve the clients wherever they are. That drove the acquisition of the site in Bedford, Massachusetts, that also drove the acquisition of the two sites in Lyon and in Strasbourg. We've seen the FDA and EMA and other regulatory agencies in the world approving new programmes, meaning that the maturity of that space is increasing.

We continue to see a shift that started some years ago from treatment to cure and the perception of the standard treatment is shifting as well. So cell and gene therapy was a fourth line of treatment, became a third line of treatment, and some of the recent ones have been approved as a second line of treatment as well. More programmes, but also more capacity needed as we're serving more and more patients. The biotech funding situation is still difficult, but difficult if you are at early stage in a very small company. We've also seen some of our mature to very mature accounts being well funded and that's the reason why as we'll see later on this deck, we've been able to progress significantly projects and programmes that were at late stage and will very soon be at the manufacturing stage.

We have a healthy mix of clients today, as I said, serving AAV, lenti and adenoviruses, but also other vectors. I will not list everything here. If we start by looking at the volume of contracts, the difference between 2022, excluding COVID, and 2023 is about 54%. If we're looking at the number of contracts that we've signed in percentage here compared to the market, on the market about 4% of the project are coming from the big pharma. About 20% of the new project we've signed in 2023 are coming from the same big pharma. We see that if the market is about 24% with the established biotech well-funded, it corresponds to 23% of the new contracts that we've signed in 2023. 72% of the market is with emerging biotech and that corresponded to 57% of the new contract that we've signed.

We made sure that the portfolio was well-balanced to avoid the issues linked to funding. The more early stage you go, the more emerging biotech you go, the more issues you will find. The more you go towards emerging biotech and big pharma, the less funding issues you will have. You will also find by far less project with the established biotech and the big pharma. That's why the portfolio needs to be well-balanced.

Talking about the balance, you can also compare on the right side of the slide the markets to the vectors that we're delivering to our clients. As I said, the company was very well known during many years as a lenti only company, and that's why still today about 50% of the projects that we're delivering are lenti projects. If you think about 2022 when the company was not known at all for being an AAV player, we've literally moved from zero to 41% of the projects being AAV. So, our clients have well understood that the track record we had in lenti, the quality level that we have on lenti that could be replicated with AAV, and that's why we've seen a very strong growth in the AAV space in 2023.

Adeno, as I said, we had the experience with the AstraZeneca COVID vaccine. We continue to serve clients who have adeno projects, whether we're talking about oncolytic viruses or more simple adeno type project. Last but not least, I mentioned that we're delivering on other vectors. As you see, it's about 3% of our portfolio and I anticipate that it'll continue through 2024.

We've seen a significant growth of the orders, but before the orders, we have the pipeline of opportunities. We've seen quite strong growth between '22 and '23 moving from $291 million to $438. If you look at the first number that we can disclose now in 2024, it's at $573 million, which means that between 2022 and today, we've pretty much doubled the size of the pipeline. We've expanded the number of vectors that we're offering to clients. We've expanded the number of clients, we've expanded the number of programmes per existing clients as well, and we've grown the pipeline in Europe, where back in 2022, the vast majority of our clients were US based. We now have a much better balance between Europe, who's at about 30% of our overall pipeline versus US.

Frank mentioned during his introduction, the launch of TetraVecta™, part of our lenti vector platform. We've also launched an AAV platform, inAAVate™ that you see here, and there will be some more news coming through 2024. We continue to capitalise on existing technology. We continue to innovate and we continue to be ambitious about being recognised as an innovation and quality CDMO.

The number of late-stage and commercial programmes are growing. As any CDMO, we want a well-balanced portfolio of active programmes. We had a number of clients at early stage, now we have a more balanced portfolio of clients with about 46 projects as of April 2024 being between pre-clinical and phase two. Three of these programmes are late-stage, meaning phase three. For two of these programmes we have commercial agreements, meaning that we're either already producing for a commercial product or preparing for the

commercial launch of a new product, that is giving us a total of 51 to be compared to 28 as of 2022. We're now serving clients, as you can see from the logo at the bottom of the page on many different types of vectors as it was planned when we spoke about a year ago.

It was important to grow the capacity. It was important to add some new capabilities. It was also important to give access to our clients who want to be next to our process development scientists, analytical development scientists or GMP teams when the activities happen in our plants, which was one of the drivers of the acquisition of the two new sites in Lyon and Strasbourg that we acquired from ABL Europe. So the geographical location was one of the drivers. Increasing the number of vectors that we can deliver was another one of these drivers. You see here some examples listed of vectors that we inherit from ABL.

The last driver was to be able, as I said earlier, to deliver for all geographies and obviously having now two sites in continental Europe is giving us the opportunity to deliver in Europe for Europe, but also deliver for some of our APAC customers who wanted to have a delivery site in Europe when they want either to target the European market or minimise the time difference with, for example, the US when they are historically working with the US CDMOs. So, we'll continue to strengthen our commercial efforts to fill these capacities, and Thierry already demonstrated that the integration effort is ongoing to make One OXB out of these three geographies. I'm going to now hand over to Stuart for the financial part.

Stuart Paynter: Thank you, Sébastien. Good afternoon to everyone. So I'm going to take you through three slides, the first one is a review of 2023, the second one looks at near term guidance in 2024, and the last is a distillation of what Sébastien was talking about in terms of our position within this market and our growth opportunity over the next two to three years, which as you'll see is very exciting.

So for 2023, first thing to say about both the revenue and the costs is that when we guided in September, we've come out more or less spot on where we guided. So revenues at the end of 2023 of just a shy under £90 billion compared to 2022 of £140 with a number greater than £40 million in the vaccine revenues in 2022, which were non-recurring. In the underlying piece of the business, there was a very modest growth. So we really consider this to be the baseline revenue that we're currently at £90 million.

Unfortunately, that was supporting a much bigger cost base. So if we go onto pillar number two here, the cost base supported meant that we made an EBITDA loss of £52 million in the year, which obviously is unsustainable, and we took actions throughout the year to make sure that we were rebasing those to both give us a launch pad for '24 and beyond in terms of delivering the growth and being able to do the transformation programmes, which Thierry outlined new ways of working and becoming a pure play CDMO. That exercise generated a sort of perpetualised £30 million of savings, which we completed the project in the second half of 2023, and we'll see those benefits coming forward.

Below the line, there was an impairment of £99 million. It's just worth reflecting on that, we take this very seriously. We reflect on the deal that we did in 2022 for Oxford Biomedica Solutions, as was part of Homology that we bought, and there were four value pillars to that deal. There was the equipment, the people, and the expertise, the technology and the contract with Homology themselves. The first three of those pillars are forming the backbone of our strategy, so the facilities which are world-class facilities in Boston in the right place for our clients, more than a hundred people with significant AAV expertise, which we're adding to our offering to the clients which Sébastien talked about, and the technology itself, which has proven in patients in the AAV world.

The last one was a binary risk that we knew we were taking with Homology themselves on a contract, which is guaranteed for 12 months. That has now crystallised in terms of losing the contract with Homology leading to this level of impairment. So we still think that it's a highly strategic deal for us in terms of the first three pillars, but unfortunately the risk crystallised on the single customer risk that we knew we were taking on at the time. So a one-off impairment spread across multiple asset classes, but that's where we are for 2023.

At the end of 2023, we've got an extremely strong balance sheet. So we've got cash balance of more than a hundred million pounds. We believe with the plans that have been laid out and we will lay out in the next few slides, we are well-placed from a cash perspective to see ourselves through the transformation period, through One OXB to the growth and ultimately to self-sustainability and cash generation.

What gives us that confidence? Well, Sébastien has already outlined a few of these numbers, but in pillar four here we look at the KPIs, the early barometers of what we think is our success for the next few years. We already know that the orders have grown, the orders significantly grew from about £85 million to £130 million in 2023. Of course, that’s going to flow through to revenue over time, and also the revenue backlog is growing very nicely from £95 million [correction: £94 million] at the end of the year, £94 million to £104 million at the end of March, not including the sizeable deal we signed in March and led to orders in April. We are in a really good spot in terms of predictability and visibility for delivery in ‘24 and ‘25. And that gives us the confidence to really push forward and be able to guide in what we think is an accurate and exciting way.

Just looking at ‘24, we are reiterating the guidance, as Frank said. We expect the revenues in 2024 to be between £126 and £134 million. That’s a 40% to 50% growth of the baseline FY23. Broadly breakeven in the underlying business, that's excluding France, which closed in February this year. And with France a modest EBITDA loss. We expect France to be a modest EBITDA loss this year, but that's fully funded from the way we did the deal with cash injections from Institut Mérieux.

CapEx will be limited so we are looking at particularly strategic initiatives, things like transferring of platforms from one location to the other. We are really, really well set from a CapEx perspective. We've made significant investments, as people know, in the last few years, including Oxbox and other things, and we've got a really nice infrastructure base to support the growth out to about 2028. No big infrastructural investments in things like GMP suites until that time.

We've got some human resources to play around with to make sure we can deliver for our clients, but nothing big in terms of CapEx. And we're on track to achieve that medium term profitability in 2025 and then beyond because we've made this commitment. We've made this commitment for the medium term to 2026, and we've said, and we are reiterating here, 35% revenue CAGR, including France now. You can see what that means to that chart.

And you'll remember what Sébastien said about the market as well, we are looking to significantly beat the market in terms of growth. We believe we've got great visibility, a great client roster to be able to do that and take advantage of this maturing industry with no further huge CapEx investments required to at least double our revenues and beyond to '28. And that's really, really exciting and this is going to be high quality revenue streams coming through in the next few years.

That's going to lead in the year 2026 to an operating EBITDA margin of greater than 20%. We know that the journey does not stop there, we know that the best-in-class CDMOs in our area making 30%, but that's going to take a few years for us to again build the scale to be able to do that, but you can see there the list of the reasons why we believe this is a true possibility. Because when you think about it, we are sitting on this infrastructure. We can more than double the revenues into that infrastructure and that's going to really drive the EBITDA growth in the business.

With the visibility we have and with the opportunities ahead of us, we think this is a very deliverable plan and we're fully committed to it. And I'll hand back to Frank.

Dr. Frank Mathias: Thank you so much, Stuart, and thank you so much also for the outlook. For the remainder of 2024, we continue to execute on our new strategy and focus will turn to integrating all sites to fully create as Thierry has shown, one OXB, a united company alongside growing our global portfolio of clients and programmes.

This slide shows us our flywheel, which is a nice summary of our strategy. Central to everything at OXB is our employees. Our employees are the most valuable assets and are crucial for us to be able to operate a client-centric organisation and to deliver excellent client experience. This will in turn lead to expanded client partnerships, as we already see, will attract new clients as we already also see. Will generate increasing revenues, will allow us to invest to

serve our clients and so on. It's a typical flywheel so the ultimate goal is to get the flywheel to turn on its own.

While we have made significant progress, it is important to note that the numbers obviously we are presenting are backward looking. But as CEO, I have to look forward, and as you have seen in the presentation, we reiterate the guidance for this year. The share price may not currently reflect the progress made by OXB throughout the year. However, we are confident, the team here is confident, the Board is confident that we are on the right trajectory and that our efforts and performance will be recognised in due course.

Before we open the room for questions, I would like to take this opportunity also to thank our employees for their hard work and contributions as well as their ability to embrace change. And there is a lot of change currently, both now and in the future. That dedication and hard work has been instrumental in our transformation in achieving the many successes along the way. We'll now be pleased to take the questions from those in the room and Sophia will bring a microphone, before we take questions then from the conference call line. Sophia, please. There's one question from Charles.

Charles Weston: This is Charles Weston from RBC. Thanks for taking the questions. Three, please. The first is on the revenue backlog, you've provided an April update on the business development backlog, but you've only given us a March update for the revenue backlog, and I know you said you've signed this big contract. Presumably not going to give us the number, but can you give us an order of magnitude of a potential increase? Are we talking 20%, 50%? What's the broad uplift that we should be looking for?

Stuart Paynter: Charles, we can't calculate the backlog because we need to calculate the April revenues to put into the backlog. It's a formulaic calculation, it's an auditable number. Backlog plus orders, less revenue equals closing backlog. We haven't done bit that. We can't until we're in April, and as Sébastien said, I think that's a good word, significant. We can't give any more details now. They will come in due course. As you know, we're committed to the communication plan of being far more frequent into the market now and give more frequent updates on our progress in terms of trading updates, and you'll see that when we do our next trading update.

Charles Weston: Okay. It was worth a go. Secondly, on network utilisation, obviously you've got a lot of capacity as Stuart was talking about, and relatively lower utilisation at the moment. Can you give us a sense of what is your percentage capacity utilisation, where we stand today? And what I'm obviously trying to drive out there is what full looks like from a revenue generating capacity within the current network without any more meaningful CapEx.

Dr. Frank Mathias: Yes. Capacity has different components in terms of infrastructure, resources, equipment. Right now, we do have the capacity to deliver on the GMP batches, which are planned for making our numbers this year. France and the US site give

us additional capacity for process development activities, which help us to bring a new project which will feed the GMP manufacturing in the future.

Stuart Paynter: We can, like we said, more than double our revenues from 92 to low 200s without making any further investments in the capacity that you are talking about, the GMP capacity and beyond to 2028 is what we've said. So from '26 to '28 is another two year gap with significant growth in there. That's the number you're looking for. It's between double and treble where we are now.

Charles Weston: Thank you. And just last question, you've talked about the pipeline in terms of early stage being up to phase two and then phase three and commercial. But obviously, for cell therapies and gene therapy, sometimes phase twos are actually the pivotal trials. Could we think that even in that early stage there are actually some pivotal studies or do you classify them as phase three in your chart?

Dr. Frank Mathias: No, they are classified as phase two. There is still a probability of failure that is quite high still. But one of the projects that you do not see as late stage right now went from early stage to late stage in less than six months. But I prefer to classify them in early stage and have a good surprise than put them in late stage and have a bad surprise.

Charles Weston: Okay. Thank you.

John Priestner: Hi, John Priestner here from JP Morgan, just two questions for me around the guidance mainly. The guidance is for a modest operating EBITDA loss in 2024, and you've suggested that the revenues will also be HT weighted. Should we think of HT24 being the start of operating EBITDA profitability and pushing on from there? And then in terms of the 2024 revenue guide, can you just describe some of the pushes and pulls around what could make you hit the top end or the low end of that guidance? Thank you.

Stuart Paynter: In terms of the first piece of the question, we will be back end weighted. We'll be half-two weighted in terms of the delivery. It could be what you suggest in terms of EBITDA profitability in the second half as opposed to the first. But we are not going to guarantee that. I mean it is a mathematical outcome depending on how weighted we are.

We have really good visibility of 2024 now in terms of what we've got to deliver. There's a couple of projects we're working on outside of the traditional GMP manufacturing and commercial development, which may allow us to go to the top of that or even above, and then it's a case of delivery. 2024 now is, Thierry is here for a reason.

We are now into a stage of we've done some really good work on the backlog. We've done some really good work on the orders. Now we've got to deliver on those to get the revenues in for the year. A long-winded way of saying we are

very comfortable with the guidance. There are a few interesting things that could push us towards the top end of that, but we're not baking those in for reasons of prudence.

Max Herrmann: It's Max Herrmann from Stifel. Just a couple of points of clarification really. Just I know in terms of your guidance previously, I think you gave in September that you originally talked about no longer guiding to licensing and milestone revenues. Just wanted to clarify whether the guidance for 2024 is an all-encompassed revenue, which I think your £90 million was, or where the variability is with regards to the licensing and milestones. That's the first question.

Stuart Paynter: First question, I mean it is all encompassing, that £126 to £134, so it's comparable to the £90. But we don't expect it to be. I mean, the way that we're operating now as a pure play CDMO means that they're not going to be as significant as they once were. As we progress and we do some more work on the clarity of our reporting, that will be something we'll think about because we want to be ultimately comparable in terms of our performance to other CDMO's in this area. Even though no one is focused on this area, like we are there are people with arms and divisions in this area, but yeah, it's an all-encompassing number.

Max Herrmann: Okay, great thanks. And then, I just wanted to understand the organic story here rather than understand the combination. So for example, I think you talk about the revenue backlog being £104 million now in March versus £94 million at the year end, but year end I assume didn't include the French operations and now it does. So is there any growth organically there or are we just seeing what's going on when you include the French operations?

Stuart Paynter: There is organic growth there.

Max Herrmann: Able to quantify what the French operations brought into it?

Stuart Paynter: Yeah, I mean we haven't mentioned the number in terms of what they brought in terms of opening backlog. I don't think we want to mention it now, but it's fairly evenly weighted.

Max Herrmann: Okay, great. Thank you.

Julie Simmonds: Julie Simmonds, Panmure Gordon. Question for you, Sébastien, on the split between the AAV and lenti that you've seen, clearly there's sort of been a shift towards AAV over the last 12 months. How do you see that settling or in terms of growth of the various areas?

Dr. Sébastien Ribault: It's a difficult question because the level of maturity of the lenti projects we have in the pipeline and AAV are quite different. So, if I look at the number of contracts that we've signed on the AAV side, it's as many as lenti. But on the

lenti side, since we were known as a lenti company, we have a lot of companies approaching us because they need a company that has the experience and the track record to bring the product to commercial stage pretty quickly. When we sign one lenti programme and it's a phase two/pivotal versus an AAV that is pre-clinical, obviously the business volume is extremely different.

So, if number wise the new AAV clients equal the new lenti clients more or less, from a revenue standpoint it's still very different. The maturity of the AAV pipeline is obviously growing, because we're pushing these AAV projects through feasibility process development and so on, but it'll take a few years before we are at the maturity we see with the lenti programmes.

Julie Simmonds: Lovely, thank you.

Paul Cuddon: Hi there, Paul Cuddon from Numis. Just focusing on your US operations really, since Homology has ceased clinical activities, to what extent have you been able to retain the key staff there? Can Homology still draw down the last remaining 20% of the acquisition price? And how well is it going taking up lenti over there?

Dr. Frank Mathias: Yes. If we start with the staff, we were able to retain more or less all the people we wanted to retain and we are glad. Retention rate is very high currently compared to competition. So I believe people understand the strategy and want to be part of the journey with us, so I'm glad about that.

Stuart Paynter: Yeah. The second part was more of a technical question around Homology and their 20% of the put call. You'll see the put call has been significantly written down in terms of the contingent liability in the balance sheet. Homology don't exist anymore, so Homology have merged into a company called Q32, and there's a contingent value which remains for the shareholders of Homology at the time of that merger for that put call. So at this point, they still own 20% of the entity and there's a fixed mechanism for calculating what that put call will be, which we'll contractually respect and it goes to the CVR.

I think the last thing was the success of lenti platform transfer?

Thierry Cournez: I've initiated the lenti transfer to the US. We are able now to take on new projects in the US. We have already started to support some of the UK capacity with the US side and we will be at larger scale by the end of the year in the US for lenti. So very successful tech transfer for now.

Dr. Frank Mathias: And if you want to have some figures, we have about 120 people in the US and 150 in France currently, and something around 650 in UK.

Paul Cuddon: Thank you.

Christian Glennie: Christian Glennie with Stifel. Just on your pipeline, the 573, presumably that's a not risk adjusted number. And if you were to apply a risk adjustment, what

would that come down to? I mean, do you just apply the typical risk adjustment according to the pipeline?

Dr. Sébastien Ribault: Divide by three.

Christian Glennie: As a rule, okay. And then in terms of, you say you got about 50% of your low end revenue coverage for the year. Just to maybe benchmark that for other CDMOs, how that compares to other ones that are operating maybe at sort of more optimum levels, what should that number be in terms of coverage?

Stuart Paynter: It's almost an unanswerable question, so we don't have the visibility of other CDMOs, although we have significant CDMO experience in the room. What we need to have is significant coverage, but then we need to have the ability also to start new client projects. Otherwise, it puts a stop on being able to attract new clients, if you can't schedule a GMP for them for 18 months. And we think we've got the right balance there with the ability to expand existing capacity with, like we said, not the application of more CapEx, but just more skilled people in the building because we already have the infrastructure.

As we look at where we are being successful in the area, what we see is coverage, as we've said, and the visibility we have in respective orders from existing clients that are not yet booked as orders. They won't be in backlog, but we have really good visibility on non-binding forecasts from our clients, which suggests that both '24 and the majority of '25 is there. So this is the maturity of these programmes all coming along, and you've seen us go from one late stage clinical, one commercial to three and two, and the output of that is we've got fantastic visibility into '24 and '25.

Now of course, it's a case of scheduling them properly, but delivering the materials in a timely way in order that we can recognise the revenue. Because ultimately, it's not about signing orders, it's about signing orders and delivering in a quality way, which is what the organisation's about, quality and innovation led CDMO.

Dr. Frank Mathias: Any other question? In the room?

Moderator: Yeah, if we currently don't have any questions in the room, we'll go over to the conference call.

Operator: Thank you. So if you would like to ask a question on the phone lines, please press *1 on your telephone keypad, and please ensure your line is unmuted locally as you'll be advised when to ask your question.

We have a question from the line of Miles Dixon from Peel Hunt, please go ahead.

Miles Dixon: Great, many thanks. I think firstly if I could just ask a quick clarification question on the guidance, particularly around the operating costs. So the outturn for '23 came in at about £128 million. I just want to check that that includes the one-off payments for restructuring before we roll off the £30 million for ongoing cost base.

Stuart Paynter: Hi Miles, Stuart. If I understand your question correctly, we had an operating cost base, if you do the maths, from an EBITDA cost base of about £140 million. We had £90 million in revenues, led to a £50 million EBITDA loss, so £140 million. We don't take out any exceptionals there, that's everything.

Miles Dixon: Got it. Thank you and then secondly, if I could ask, I think it was Sébastien that mentioned about biotech still being difficult. I was just wondering if it was too early to see yet or if you are in fact seeing any new emerging pen profile of potential clients given the challenges at WuXi? Thank you.

Dr. Sébastien Ribault: I have not personally been exposed to anyone coming to us and saying we absolutely want to leave competition and we want to work with you because of US political reasons, to put it that way. Are there people concerned about the situation? The answer is yes. Are they looking for backup plans? The answer is yes. Since we're talking about a text that has not been voted yet, we're still talking about people looking for backup plans, but there's nothing that I would consider as an active discussion as of now.

Miles Dixon: Thanks, Sébastien.

Operator: We have no further questions on the phone lines, so I will now hand the call back to your host for closing remarks.

Dr. Frank Mathias: Thank you so much. So thank you for your participation, thank you for the good questions. This was obviously now the end of the meeting. So in a summary, I believe we made it clear we made a significant progress over the last few months and we are extremely confident as long as the future is considered. So let's look forward to keeping in touch and seeing you all again soon. Thank you so much. Bye-bye.