Oxford Biomedica Analyst Briefing | LSEG, January 28, 2022

David:

Good day, ladies and gentlemen, and welcome to Oxford Biomedica analyst briefing. At this time, all participants are in listen only mode. Later we will conduct a question and answer session through the phone lines and instructions will follow at that time. Participants can also submit questions through the webcast page, using the 'ask a question' button. I would like to remind everyone that this call is being recorded. I will now hand over to the Chairman and interim CEO of Oxford Biomedica, Dr. Roch Doliveux, to open the presentation. Please go ahead.

Roch Doliveux:

Welcome everybody. I'm joined here on this important day for Oxford Biomedica by John Dawson and by Stuart Paynter, our CFO. Stuart will run through the presentation in a minute, and at the end you will of course have the opportunity to ask questions and there will be a Q and A session. But before we start, I wanted to express my sincere appreciation for John's leadership and achievements as CEO of Oxford Biomedica for over 13 years.

Roch Doliveux:

John, you've built a world leading antiviral vector company with a fantastic management team. And today is an important day, which is a transformation to Oxford Biomedica, but also the day that you retire as a CEO, you will remain as advisor to me and to the board and a board member. But I'll let you say a few words first.

John Dawson:

Thanks for that great introduction. I'm immensely proud of what we've achieved at Oxford Biomedica. It's been a great time to be there. I've been honored to be CEO since it's 2008, but we've been discussing the board level recently, about succession and my retirement, because it is due, and after 13.5 years, we are actually there. So I wanted tell you that this deal is so exciting to me. I've worked with the team. I have to say, the team worked harder than I have on it.

John Dawson:

It's been immense hard work for lots of people, and it's got us to the point where we are today and it's absolutely transforming Oxford Biomedica. So that paces my decision to think it's the right time step back and retire from the CEO job. Now, what we have to follow now is an integration path. That's going to be quite complex. It's going to be great for the company. And I think [Phonetic 00:05:20 Fox scimstadt] of having run UCB and integrating some very large companies, being self taken Schwarz into that, transformed that into a world leading company. And I'm very happy parting the batten now to Roch, to lead the company forward in that issue.

John Dawson:

But of course I'd say one of my best things I've done at Oxford Biomedica, has also been to build a fantastic management team and Roch will work with them to drive the business forward and make things far better for the future. I think this transformation will be absolutely wonderful for Oxford Biomedica, I have to say. So, that said, I'm 1000% supportive of this deal. I think I have to say that and point that out before I move on. And now I'll pass back to Roch.

Roch Doliveux:

Thank you very much, John. And we'll have an opportunity to thank you in a better way than the virtual way in a few months, since you stay as advisor and board member.

Roch Doliveux:

Stuart, would you mind running through the presentation please?

Stuart Paynter:

Yes, thank you, Roch and good afternoon everyone. Just I'd like to actually give my personal thanks to John as well, who's acted as a mentor and a guy to me over the last four and a half years and I appreciate him helping me and taking me under his wing and pushing me forward. So, like Roch said, we're all looking forward to the time we can all get together and celebrate what is signing off in style. And I'm going to take you through what that style is today. So the idea around Oxford Biomedica now, is creating a global fire and you guys know that we have got this deep understanding knowledge and knowhow patent family built up around Lentiviral vectors, having worked in those for 20 years. And we believe now the time is right to leverage that technology from Lenti, through the Adenoviral vector vaccine that we've been working on with Astrazeneca at university, and proven that it's got utility and other vector types, all the way through to AAV.

Stuart Paynter:

And we are very excited to let you know quite how we're going to do this. So can we just move forward a slide, please? Standard forward looking statement. Disclaimer: So, cell and gene therapy, we believe is absolutely one of the big paradigms for healthcare treatments in the next 15 to 20 years. And we know that it's an efficacious treatment paradigm. The products that have gone to market, including our own product with Novartis, Kim Reya, are really, really efficacious. They work in a huge number of cases. The challenges: how can we bring the bigger indications to market? How can we bring them in a more cost effective way, in a more reliable way. We've seen lots and lots of CMC and technical problems, and we believe we can really form a major part of solving those problems by leveraging the technologies we've developed in Lenti into the AV area, and really leveraging the brand, which we built up into a big vibrant market.

Stuart Paynter:

So one more slide, please. This is where we are at the moment. And many of you are very familiar with this slide. So, we have this impressive set of facilities in the Oxford area. The patents and knowhow on the proprietary platform, which is endorsed by big pharma, who've come, they've diligence this platform, they're prepared to pay a license fee to come onto the platform, and royalties on sales. And there's something real and innovative within that platform. And we keep adding fed all the time. Innovation is still key in this area. And, over time, we've gone to the capital markets to raise funds for world class facilities and to build out the expertise, now running it more than 750 people. It need to be said that quality systems are so important to big pharma now. Quality systems at the commercial scale are even rarer.

Stuart Paynter:

And we are in receipt of both of those, which makes us a really, really attractive proposition to big pharma and small biotech alike. And you can see some of the customers that we've attracted onto the

platform, at the bottom, including recent deals with our [Phonetic 00:10:01 cell X and cabba letter]. And it should be said that the recent renegotiation of the deal we give in Novartis around Christmas is very important to the future of the business as well, because it freed up our ability to offer services in CD19, which we think is a critical part of the late stage [Phonetic 00:10:20 cartilage]. We were not free to talk before Christmas, but with that deal at Christmas...

Stuart Paynter:

There's a very vibrant scene around Lenti. We'll take you through the market growth rates in a moment, but you know, we are absolutely leading the way in innovation and delivery in the Lenti market, supplemented with the work we've done with the vaccine, of course. We've got our own gene therapeutics arm as well, which provides that interesting optionality over a longer timeframe, but as a board and as a management team, with this acquisition, we are a hundred percent focused on building out the CDMO offering and the Oxford Biomedica brand over the next sort of two years. So one more slide.

Stuart Paynter:

So here are some of the things that, if we had to pitch three things in an elevator to someone, this is what it would be. We are the leader in a fast growing cell and gene therapy market, which is lengthy at the moment, looking to leverage that across, which I'll take you through. And we have this really, really important big pharma endorsement, both with Astrazeneca or the vaccine, BMS, Novartis, Boehringer, Ingelheim, people are coming to us to help solve technical solutions and it's innovation which brings that to there. We obviously have been successful in building our revenue streams over the last few years. So, consensus is around 150 million pounds in 2021. And you know, that is a pretty sizable operation when you look at other CDMOs in the area and we are both privileged and fortunate to have two commercial assets on our books, whereas a lot of genes and self therapy CDMOs have none. And we realized that it's that ratio of commercial to clinical assets in the CDMO business, which can make a business very, very efficient.

Stuart Paynter:

And then of course, established operational infrastructure, which I mentioned earlier, we've made some really, really large and smart investments in both laboratory facilities and OxBox, a world class manufacturing facility based in Oxford. MHRA, FDA approval, and Kim [inaudible] launched in more than 30 countries. So the scrutiny both from the big pharma quality audits and from these regulatory agencies really doesn't mean we've got a really, really high level of quality that can provide commercially. And that's a very high bar to meet the new interest into this market. Next slide.

Stuart Paynter:

So here's what the goal of the transaction is. You can see at the bottom of this chart, this is the global viral vector supply outsource market. So what we've done is we've looked at clinicaltrials.gov. We have looked at the indications that, on their ongoing trials in, and we've estimated the size of the vouchers. And then we've looked at who could, who's got their own manufacturing capacity, and who hasn't. And we believe this is the outsource market, that the market which CMOs will be going for in the next four or five years. But the Lenti market is very, very nice, growing at 17%. And like I said, we've now got an operational freedom to operate in a bigger chunk of that market. The adenovirus market, you can see there, it's got this pandemic type spike in it, from the vaccine work.

Stuart Paynter:

Yeah, but that doesn't mean that our revenues need to look like that. You know, we are in talks with Astrazeneca, as we currently sit here today and we stand ready to assist them in the effort on the vaccine, as we have all the way through from the very early days in the General Institute. It is worth mentioning on the adenovirus and the vaccines front as well, Serum Institute of India made an investment into Oxford Biomedica in the latter half of last year, to fully fund the build out of OxBox phase two. And, that is going to be flexible advanced therapies manufacturing space. And of course, our talks with serum on potential collaborations continue. But what we're here to talk about today is the top slice of this chart, growing at 25% [Phonetic 00:14:43 kega]. The adeno associated virus, the AV market.

Stuart Paynter:

And this is what John and I, and the board, were starting to signal to the wider market about six to nine months ago, that we were making strides to take our technology, our knowhow and our capabilities into this new market. We had this two prong approach. As you recall, we had this organic approach where we were building some of these capabilities ourselves, but we also much prefer for expediency and time is really important in this market, to address the issues. We'd much prefer to find something that ticked to all of our strategic boxes, that we could bring onboard in a transaction that would set us fair to really attacking this market. And this is really the meat and bones of what we're trying to talk to you about today. So next slide.

Stuart Paynter:

We're creating Oxford Biomedica solutions, which is an AAV manufacturing and innovation business. And one more slide, please? The way we're going to do this, and I'll take you through the details of the transaction at the end, but in broad strokes, a new company will be setup in Bedford, Massachusetts, into this new company, of which we will own 80%. Homology Medicines Inc. and as that listed, Biotech are going to drop their technical operations. So the equipment and the assets, the floor space, the people, the technologies, and an all-important contract between the NewCo and homology for services related to AAV, of a minimum contract of value in first 12 months of 25 million dollars. So this was exactly what we were looking for. It really was great timing as we were looking to achieve this at the same time that they were looking for an innovative solution, to look to turn this into a more of a commercial offering.

Stuart Paynter:

So the two married up, I'll remind you, we own 80% and Homology own 20%. So essentially we're in operational control of the entity, as Oxford Biomedica Solutions, as a name, indicates. It'll be branded and the sales and marketing effort will be pushed through under one Oxford Biomedica name, our big pharma endorsement, our delivery history, into this new market. So a little bit more about this. Key is the location. Obviously it's the hub of cell and gene therapy, innovation, both from academia and small biotech. And it obviously gives us this geographic, interesting geographic entrance into the US. We have three employees already in sales and marketing, but this adds another 125 people in that area. The assets which are being transferred across, are two GMP suites that can run up 500 and / or 1,000 leads scale, two times 500. They have already made lots and lots of batches for homology medicines.

Stuart Paynter:

They've been in existence for sort of three plus years as a technical operation team, doing some great work for the company in which they were employed. They're going to continue to do that great work for

the company, which they're now contracted to. Analytical process development labs are all in place. They have a 2,000 liter scale pilot plant as well. All important is the platform. This is plug and play. So they've tested this platform on many different targets. It's always shown at a really robust level of tighter and consistency of production. And this gives us the ability to move straight into offering these services to external customers and building this vibrant, innovative business, which will tag on to the wider Oxford Biomedica group. We think this will be profitable within sort of two to three years.

Stuart Paynter:

So the breakeven point will be two to three years. So currently they're a technical operation with about one third capacity utilization. And as that capacity utilization gets pushed up and we make some sort of smart investments, you'll see this break, even within that three year period. And in fact, we funded it to break even. So we've tried to be very transparent with the market. This is what it's going to take to have it standalone. Very importantly, there's also the ability to expand quickly and easily in the facility they're already in. There's an empty floor upstairs and Oxford Biomedica will be the landlord and homology will be the sub-letter from us. So, it's the building for expansion, which is flexible and available to us. Next slide please?

Stuart Paynter:

So how does this achieve some of the strategic rationales, which we set out, six, nine months ago? We said we wanted to get into AV, a big tick. We've always said that we want to internationalize this business, not just for being closer to the customer, which is all important, but access to talent pools, both scientific and potentially management is very important. And ultimately as now, salary benefit access to the capital pools, an US presence, a real bricks and mortar presence is going to really take this business to the next level.

Stuart Paynter:

The technical operational synergies across the platforms: they have been innovating, as we have been innovating for a longer time, 20 years, but now they've been innovating since they stay started. And they've got some very interesting technical innovations and very interesting intellectual property. And of course, we look forward to sharing our intellectual property with Oxford Biomedica Solutions, and the other way round. We really want to be a one-stop-shop for the customer to come onto the platform and take the best technologies, to give them the highest [inaudible], the most robust clinical assets and ultimately, commercial solutions. And of course, a creative to the top line. We could have gone out and bought bricks and mortar, and then spent time building a platform technology, building a team of 120 people. But we knew that wouldn't be accredited to the top line, this ticks all, so we are really excited. Next slide? Please could you forward the next slide? Thank you. Back one slide. Thank you.

Stuart Paynter:

So there's one slide on each of those four strategic rationales, which I'll take you through. I'm not going to read every point, but we'll, I'll try and pick out some of the highlights here for the purposes of time. The key point here is this is AAV technology, IP capabilities capacity, and it brings it all into the Oxford Biomedica group in one [inaudible]. Obviously that's what we are trying to achieve.

Stuart Paynter:

The second bullet point on there is all important to us, and it's further credibility to leverage the commercial capabilities in OxBox for large scale AAV manufacturing. So the assets in Bedford are clinical

GMP for clinical trial usage in the US. And we see there's a suit to nuts solution for any small biotech or big pharma coming on board, to utilize that great technology. You know, there is the root through to commercial supply within Oxford Biomedica and that's all important. And now there are many late stage AV assets, which we can credibly go out and chase, leveraging the expertise we are bringing into Oxford Biomedica with the partnership and the Oxford Biomedica solutions assets. Next slide please?

Stuart Paynter:

This from the US perspective, I've highlighted some of these points already, so I'm not going to take you through all of these, but there are 85 AAV cell and gene therapy product companies based in and around the Us. Of course, the hubs there would be New York, Boston, Philadelphia and some of the West Coast. And a really interesting profile of where these assets are by clinical trial phase, the top right of this slide. So there are almost 280 to 300 early stage, up to phase one, assets, now requiring the best technology. And this is the universe in which we will play, in terms of attracting these onto the Oxford Biomedica Solutions platform in Bedford. And then you've got the interesting phase two and phase three assets. So as you can see there, there are high double digit number, which are looking for scale up commercial supply, and in certain cases even second source supply. So we are really looking to leverage our entry point into this marketplace, in both of those different ways. Next slide, please?

Stuart Paynter:

Again, technologies: We have been innovating very hard, as many of you will be familiar with our innovation wheel and our corporate deck. And we are really looking forward to getting together, sharing this element of knowhow, sharing these IP, and really coming up with a strength in numbers approach to IP. There's many innovations obviously exemplify where we think our innovations work, where we already know they work in certain aspects of the Dino. We've already exemplified some of the technology in AAD, will continue to mix, match and share with these two pools of IP. We really believe without the market leading IP and innovation led approach to offering services to our clients.

Stuart Paynter:

And there are a whole bunch of synergies you can see along the bottom there. A very important one to call out is stable produced cell lines. As a critical element, we think, that's going to drive cost out of this process. If we want to bring some of the bigger indications to market, then we need to bring the cost down. It needs to be acceptable to the payer, need to get these very efficacious treatments up the pathways of care into second line, not just rare diseases or offline. So that's the lofty goal. One more slide, please?

Stuart Paynter:

So in terms of revenue growth and being accretive, we do have this contract with homology. Minimum 25 million dollars contracted over the first 12 months. They have some great products. I'm sure some of you may have attended their conference school earlier. And we are very excited to help them with their existing team. They're the best people in the world to help homology, because they're working for them today and on deal close, they work for Oxford Biomedica Solutions, but they obviously have a long history in helping homology.

Stuart Paynter:

Now they've been apply that knowhow and that customer centricity back to new clients we're going to bring on board, as quickly as possible to exercise that two thirds capacity that's unutilized at the

moment. Yeah, we know that the regulatory environment is getting harder and harder and that drives the necessity for manufacturing and CMC quality. And that can only be done through innovation. So we are very excited given the technical expertise and capabilities. They've already shown married with our technical capabilities, to offer a market leading offering in Lenti, in [inaudible] and AV, to the cell and gene therapy marketplace. One more slide? So here's the transaction overview. And I said, I take you through some of the detail. As we price this on a fundamental basis at a hundred and [inaudible] dollars, we will own 80%. So the entire consideration amount is 140 million dollars, to homology, which will be paid in a way where we are giving them consideration of 130 million dollars and then we are injecting 50 million dollars, 10 million dollars on their behalf, from the 80/20 split, in order to bring this organization to a break-even stage in two to three years. So that's how it's worked out. When we looked back at the valuation itself, from a fundamental space, it made a lot of sense, but then we looked at some interesting value streams and what were we actually buying? Well, we were buying 25, 35 million dollars worth of assets, which are being transferred in. And we looked at the potential rebuild value of a facility like that.

Stuart Paynter:

And, we know there's been some activity on the buying, the selling of gene cell therapy assets with Resilience and Bluebird, et cetera. And the rebuild value of this is fairly significant. Our estimation would be, summary of the region of 70 to 90 million dollars. And it would take two years. The platform technologies they already own are inherently valuable. It gives us a head start with what we consider to be market leading offerings. And that's a really, really important value stream for us, as well as the expertise coming across. Obviously they're in a great place to look after our preferred customer homology, but they also have great capabilities to bring on new customers as well.

Stuart Paynter:

And the final part is the contract itself. 25 million dollars contracted minimum revenues. And there's been some activity in the MNA and a market on innovative,

Stuart Paynter:

An AAV based CMDOs that went at far higher multiples than what we see there. Yeah, it's an interesting proposition we've offered to the market. We can't comment on any of the financing, of course. Interestingly, from a governance point of view, Tim Kelly, is who is the chief operating officer at Homology Medicines now, will transfer and leave Oxford Biomedica Solutions as the CEO.

Stuart Paynter:

Bringing his entire team with him. And he is known to rock from building biotech capabilities at ECB. Fantastic leader, we're lucky to have him, and he is going to drive this business forward. And a word on our incentivization package for the staff. The whole crew coming across are incented to do a great job.

Stuart Paynter:

Tim and his management team are incented, and there's a cool option after three years for us buy or them to sell to us the remaining 20% on a 5.5 times multiple with a cap. And that has aligned all of our goals. So as a company also, if America are very much aligned around growing revenues aggressively in new markets, homology want to see also Biomedical solutions succeed by getting the maximum revenue in that three year period for the put call option.

Stuart Paynter:

And of course, Oxford Biomedica Solutions. Their team is incented on performance and they have the same metrics. So all the performance metrics that totally aligned. And now we're just into this period where we want the deal to close on HSR approval and under [inaudible] on integration.

Stuart Paynter:

We will integrate where we need to integrate. And of course, as we say, we won't integrate the pieces that are fantastic, inevitably working brilliantly. So it's a very, very exciting time for us. I'm very proud to have led you through this presentation and you we're going to leave you with a holding slide and I'll hoop up pass back to Roch and we'll open up the Q and A.

Roch Doliveux:

Thank you very much Stuart. So that ends our presentation of part of this session. And now we're opening up for Q and A. So please feel free to ask your question, David. I think you're going to give instructions, right?

David :

Thank you. We will now begin the question and answer session of the event. As a reminder, participants can also submit questions through the webcast page using the ask a question and button. Written questions will be recorded and answered after the webcast has concluded.

David :

So to ask a question on the telephone lines, please, just key star, then one on your telephone key that's star, then one on your telephone keypad. Please go ahead. Your first question comes from Alistair Campbell from Liberum. Please go ahead.

Alistair Campbell:

Brilliant. Thanks for taking the question. I hope you can all hear me. I just wanted to talk maybe about the starting position for Oxford Biomedica Solutions. So could you maybe give us an indication of what you think year one EBITDA might look like, and then following on from that obviously you've fit in enough cash that the capital inject to see the business through to profitability.

Alistair Campbell:

Can you help me understand with that sort of 50 million going in, how much of that is going to be pointed towards CapEx versus how much will be there simply to fund operations until you reach profitability. And just if that timeframe were to slip and that wasn't sufficient, is there a mechanism in place to basically determine how more funds could be injected into the business? Thank you.

Roch Doliveux:

Stuart.

Stuart Paynter:

Sure. Good morning Alistair. So the first part of your question is not something we will actively guide on. But I think it's very work. You can work that out from the second part of the answer, which of the 50

million that's going to be injected. Roughly 30/35% of that is allocated for CapEx. Spend over that time period.

Stuart Paynter:

The rest is really there to cover the losses until they break-even as we build up the customer base. And utilize the spare capacity that they have available. On the second part of your question, we are absolutely modeled that they can get there in a in that timeframe given that they are a CDMO in waiting as it were.

Stuart Paynter:

So they've got one major customer with hemology, of course they can service that customer in a way nobody else can. But there is this latent capacity that is being sat on that we can leverage extremely quickly. If it takes longer than that, it will be a choice of ours to further invest, which will be your from the decision we'll make at the time.

Stuart Paynter:

But yeah, I mean, as and when we push forward that entity will be subject to the same sorts of rules, which any entity would on an 80/20 split of ownership. Further capital can be rejected and it'll be done on a prorated basis, or it will be a dilutionary basis. So we've got some details in the agreements on that one, and we'll deal with that when the time comes, but for the time being the plan is, break-even in year two to three.

Alistair Campbell:

Great. Super, thank you.

David :

Thank you. Your next question comes from Julie Simmons from Pania Gordon. Please go ahead.

Julie Simmons:

Hi. Very interesting deal. Now won't you've just taken on a lot of the extra space in this particular facility. I was wondering if you can tell us what the plans might be in terms of, you've just indicated that a 30% of what you're putting in is going on CapEx as to what you're planning on doing with that part of it status.

Roch Doliveux:

Stuart.

Stuart Paynter:

Sure. Yeah. It's a great question, Julie. You're right to say. And I think I mentioned it in the presentation that there's two floors to the building and the operation is a one floor at the moment. And that those floors are equal size. So there is really, really nice opportunity to expand as and when the customer base tells us that we should.

Stuart Paynter:

It really depends on the sorts of customers, the nature of the customers we can attract, because if they're very early stage, you want process development laboratories and analytical design laboratories. If they're slightly later stage and they're in clinical trials, maybe in pivotal trials, yeah you may need some more GMP space. Or you may need to scale out the GMP to two times 500 in both plants.

Stuart Paynter:

There's a certain number of options available to us. And as we've always been with Oxford Biomedica, we'll be, we will try and drive the market as much as we can, but we'll also be adaptive to the wants and needs of our customers. Our customer centricity is I think what sets us apart from these.

Stuart Paynter:

From the really, really big CDMOs that and the innovation that approach. And so we've put that money aside in order that we can essentially make that facility into a thriving, innovative service provider, providing the services people want. And that is some, we will decide as we go through with ourselves and.

Julie Simmons:

Excellent. Which we beautifully into the second question I've got. Obviously you sort of describe a CDMO in waiting in many ways. Now, does that mean they've started having discussions about the potential for using their use of their facilities by third parties, or is the discussions you've been having with customers about your broader capabilities fit with needing homologies facilities? How many discussions have happened with customers so far? I suppose.

Roch Doliveux:

So I let Stuart add but we had one of the reasons nine months ago to take this strategic decision join between management and the board to move into AVS, that we had several of our customers that was asking us and had approached us to work on AV. We have a very small team in Oxford that was doing that.

Roch Doliveux:

But we didn't have the bandwidth clearly to do all the work. Now we have the bandwidth to do the work plus clearly new customers. And I think homology made it public that they worked with many different capsids. And that's the, one of the things that really attracted us. We've been looking around for the ideal partner or the ideal buy for AV capabilities. And we've run through a lot of due diligence. What impressed us was homology and their capabilities is the consistency of the process that they run through very many different capsids. And so that involves having several contacts, which of course we're willing to exploit.

Julie Simmons:

Excellent.

Stuart Paynter:

And maybe Julie, sorry, maybe Julie, I would just add that whilst it's probably a question for homology in terms of where their thought processes were. If you look across the industry only the other day, there was a deal with where Atara sold their cell processing facilities.

Stuart Paynter:

And of course I referenced the Bluebird manufacturing facility sale to resilience as well. So there is, if you're a small clinical biotech or even a one of the larger clinical biotechs. There is some pressure to make sure that you're efficient in your operations, and spending the money on the clinical programs.

Stuart Paynter:

Which are where their skillsets are. And actually the time period between them originally purchased it or raising the money and building their facility. The CDMO world has moved on. And now production is far more reliable. The innovations which have taken place, we can talk about with some certainty from [Vanti's] side, enable people to feel more comfortable going back out to CDMOs again.

Stuart Paynter:

So I think it, this all points to a thriving CDMO industry, and I think this is absolutely the right time to provide, you know, cogent innovation led solutions into that part of the market because of the FDA headboards and other things that are really pushing up the requirements for quality.

Roch Doliveux:

Thanks Stuart.

Julie Simmons:

Excellent. Thank you.

David :

Thank you. Your next question comes from Stefan Hamill from Numis. Please go ahead.

Stefan Hamill:

Afternoon. Folks perhaps seems like a very creative strategic deal. I guess two questions. One is just around the revenue potential, and then the other one is just around the value that you paid. Can you just help us with the revenue potential of the current 25 000 square ft capacity? And then just second on that, just the sort of timeline fitting out the rest of the follow space, and then I'll follow up on valuation.

Stuart Paynter:

Yeah. Great, great question, Stefan. So what I would say to try and guide you to where we are, is that I would say that obviously we've highlighted that we think that the class is currently about a third used. And mentioned the minimum contracted revenues from our lead customer. Now Ology as our lead customer.

Stuart Paynter:

It's a third party arrangement, of course. But the pricing that is to them will be arms length, but preferential, and we'd expect new customers coming through platform to be slightly more premium price. So with those two facts in hand, I think you can probably do some mathematics and work out where we think the potential capacity limit is.

Stuart Paynter:

Where we currently stand. And of course, as I mentioned before, part of the working capital injection is set aside for CapEx. As and when we assess where the market is, and then that capacity can expand relatively quickly, and easily. As we see capacity is a really nebulous topic in cell gene therapy.

Stuart Paynter:

Because we know from our [inaudible] experience that if you're creating clinical batches it's 13, 15 batches a year. If you are doing commercial batches, it's up to 40, if you can campaign them through the so capacity really does depend on the sales mix, which is all important.

Stefan Hamill:

Thank you. And then just on valuation, it was very interesting. Your estimate capitalized sort of rebuild. Is the gap to that, between that and price paid simply time, or is there some IP that you're able to put value on?

Stuart Paynter:

There's difficult one to comp because there aren't too many deals just on the IP basis. But we certainly know from also Biomedicals experience of speaking to people about our licensing, our technology. It really does have a tangible value. Every time we do an out license out licensing deal to big pharma.

Stuart Paynter:

You can see that at large. And they're typically in non-exclusive licenses to certain things. So [inaudible 00:01:42:58] is good. Here those four value streams stand firm, the rebuild value of potential value the assets were, are requiring the IP, the people and how long it'll take you to hire those skilled people.

Stuart Paynter:

To service a customer that could, they couldn't possibly service in the same way that this crew can service our lead customer. And the contract itself leads us to believe that the fundamentals by triangulated around these different elements is very, very favorable.

Roch Doliveux:

You may want just to mention comparators also because that's, when you look at just the value of the 25 million dollars is guaranteed first year minimum. I think just that puts-

Stuart Paynter:

Yeah. Yeah. And you'll be at to go away Stefan and look up the [inaudible] deal of last year. The end of last year, who were a CDMO producing between 25 and 30 million worth of revenue. And you can see what they were sold for to [inaudible].

Stefan Hamill:

Thanks. That's really helpful.

David :

Just a reminder to ask a question on the phone lines. You key star then one on your telephone keypad. Thank you. So you have a question from Alistair Campbell from Liberum. Thank you.

Alistair Campbell:

Yeah. Thanks again, to jump back in with a couple of other questions. This first one, I don't know, this is relevant sort of not. But it's just thinking about the IP that comes from homology. I mean, obviously they've been focused very much on AAV.

Alistair Campbell:

But just of interest is any of the IP they've worked on applicable to do you believe and can some of that be leveraged across the lengthy platform as well. And then just one other question quickly for Stuart. In terms of, can you give us an indication yet your thoughts in terms of financial disclosure and what sort of numbers we'll see on OBS as we go forward. Thanks.

Roch Doliveux:

Thank you. Great question. So, we, one of the strategy dimension of these deal is indeed that there is IP and, the consistency of yields. And the high pool capsid versus anti capsid ratio, particularly consistently around many different type of capsids that they've tried is very appealing.

Roch Doliveux:

So at the same time, a lot of our IP generated under antiviral vectors has also potential application to further enhance their leading performance in terms of yields and quality. So it goes both ways. We really believe that there are synergistic dimension behind both IPs, which should improve the performance overall clearly. Stuart, do you want to take the second question?

Stuart Paynter:

Yeah, yeah. I think your second question was around disclosure Alistair. And yeah we've been mentioning to the marketplace for this prelims this year end. That will be providing some further transparency, which we are still committed to about how we properly disclose the business in its totality.

Stuart Paynter:

In ways which make sense that are in line with the way we review the business and in line with the way we're structured. Of course, we've come to some sort of conclusion before the deal, and now we'll have to rethink slightly given we've added this into the mix, but it's something we're still committed to Alistair.

Stefan Hamill:

Brilliant. Okay. Super thanks. Thanks the questions. Thanks for your time today.

David :

Thank you. And your next question comes from Stefan Hamill from Numis. Please go ahead.

Stefan Hamill:

I thought I'd just two more, I guess. One is just about the homology vector IP. Are there any examples of other companies that are using that IP? There was vectors, and then I've got another one, the pigeon call option.

Roch Doliveux:

No, the vector IPs, all the IP that we have is, has been applied to sort of products of other companies. As I mentioned, they run through different capsids, but nobody is using that IP it's our IP.

Stefan Hamill:

Okay. And then on the put and call option, how does that deal with revenue from homology itself and what are the mechanics? I presume you'd have to have 55 million in cash on hand, within a reasonable timeframe. Just how does that work in terms of timing et cetera. Cheers.

Stuart Paynter:

Yeah. The put call comes into effect after three years, and remembering this is a wholly different entity to homology. So homology and whatever they're doing in terms of their clinical development. Or even if one of their products is generating revenue by them. That's completely outside of what we're talking about here.

Stuart Paynter:

This is a fully formed LLC, which has got 80% ownership by us and 20% by hemology. And it'll be upon the revenues in generated by that entity. Which the multiplier will be applied. And to your, I think to your second point the put call option comes into force after three years that doesn't have to be exercised by the department. But we'll deal with that as, and when. But like I said, the all three parties, both homology, Oxford Biomedica and Oxford Biomedica Solutions are all aligned in driving the highest, the revenue number through this entity. We can in that three year timeframe.

Stefan Hamill:

Thanks folks again.

Roch Doliveux:

Thanks.

David :

Just to remind people, to ask a question, you key star then one on your telephone keypad. Thank you. So ladies and gentlemen, that concludes today's questions and answer session. I will have hand back to Dr. Roch Doliveux for his concluding remarks.

Roch Doliveux:

Thank you. Well, thanks. All of you for your interest in this transformative deal that brings Oxford Biomedica from a leader into antiviral vectors, to a leader across all viral rector. Delivering as Stuart said on the strategy that was shared with you guys several months ago.

Roch Doliveux:

And we keep you clearly posted about the progress in your course. And thanks all for joining. You have any further question, do not hesitate to contact a few who's name and email and phone number appear on this slide. Thank you very much for attending and have a great day. Bye bye.