

hVIVO plc

Interim Results

19 September 2019

The logo for hVIVO, featuring a lowercase 'h' in a black script font followed by 'VIVO' in a bold, green, uppercase sans-serif font.

hVIVO

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The Company reports under IFRS. Where foreign currency equivalents have been provided for convenience in this presentation, the exchange rates applied are those used in the relevant financial statements from which the figures have been extracted.

Today's Presenter

Dr Trevor Phillips

Executive Chairman

hVIVO

Positioning For Profitability

1

Industry leading clinical development services business

- Supporting client's product development for antivirals, vaccines and respiratory therapeutics - extensive knowledge and experience in virology and viral challenge studies; expanding service offering to enhance revenue opportunities

2

Business turnaround – quality service driven business model

- Key actions implemented to increase revenues and reduce costs
 - Further cost reduction and operational efficiencies to enable sustainable profitability
- Operating costs during 2020 expected to be £11m lower than FY2017

3

Pipeline

- Pipeline of prospective studies for 2020 is strong; number of ongoing discussions expected to move to contract/start up agreement before YE 2019

4

Targeting profitability and cash generation in 2020

HY 2019: Operational Highlights

Positioning For Profitability

- Good progress with further cost cutting and operational efficiencies supporting business turnaround
 - Headcount reduction and process improvements – reduced operating cost base
 - Expected to be £11 million lower in FY20 than FY17
- Key operational improvements will bring costs in line with service revenues
 - Enabling sustainable profitability
- Further validation of RSV challenge model and increased opportunities in FLU challenge
- Unprecedented (for hVIVO) levels of cancellation of contracted work due to client portfolio prioritisation impacted cash position - business turnaround and efficiencies still to fully realised
- Pipeline of opportunities for 2020 looking strong – enter H2 with a robust backlog of contracted work, despite cancellations, enabling full year revenue growth
- Active discussions ongoing for BD opportunities within Imutex, but slower than would have liked

HY 2019: Financial Highlights

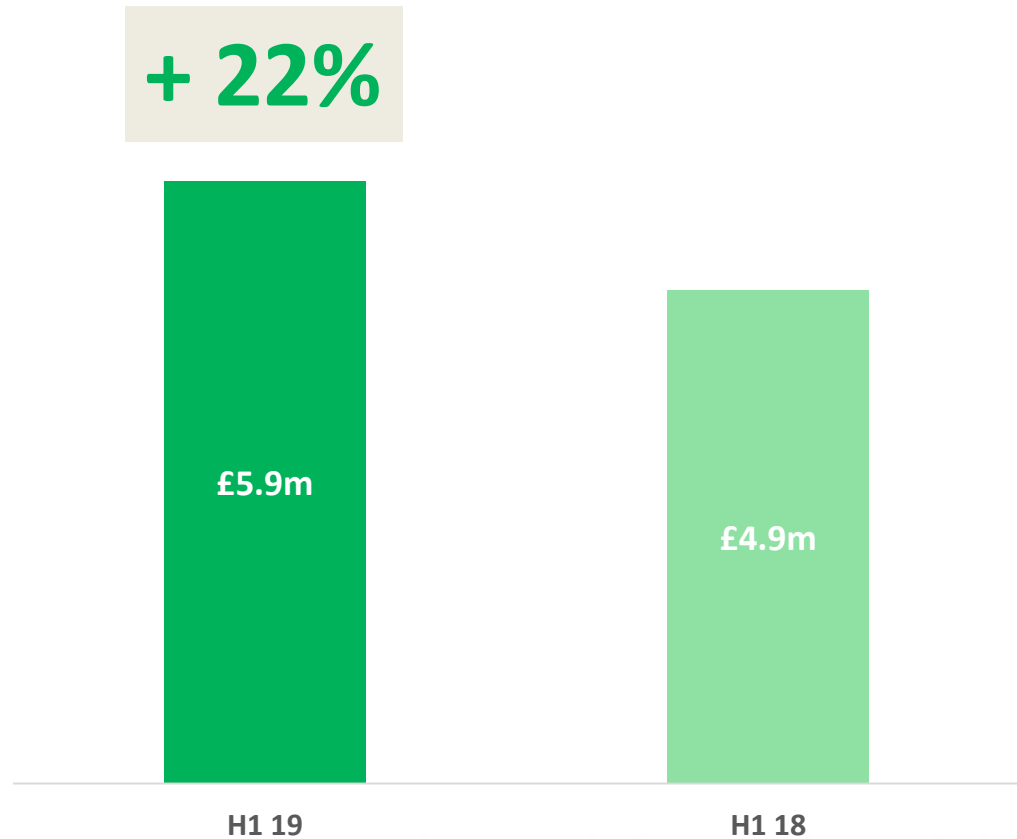
Revenue	R&D	Adjusted Loss From Operations ⁽¹⁾	Adjusted EBITDA Loss ⁽²⁾	Cash at 30 Jun'19
£5.9m	£1.1m	£3.7m	£3.1m	£4.0m
+ 22%	-60%	-27%	-29%	

Income statement

	6 months ended 30 June 2019 Unaudited £'000	Re-presented* 6 months ended 30 June 2018 Unaudited £'000	Re-presented* Year ended 31 December 2018 Audited £'000
Revenue from contracts with customers	5,918	4,850	11,025
Cost of sales	(5,128)	(3,687)	(8,901)
Gross profit	790	1,163	2,124
Other income	491	1,520	2,601
Research and development expense	(1,107)	(2,762)	(4,786)
Administrative expense	(3,834)	(4,902)	(9,511)
Impairment of intangible assets	-	-	(2,632)
Provision against virus inventory	(564)	-	(1,223)
Loss from operations	(4,224)	(4,981)	(13,427)
Finance income	26	30	58
Finance costs	(97)	(27)	(51)
Impairment of investment in associate	-	-	(4,698)
Share of loss of associates and joint ventures	(24)	(362)	(738)
Loss before taxation	(4,319)	(5,340)	(18,856)
Taxation	486	922	2,023
Loss for the period	(3,833)	(4,418)	(16,833)

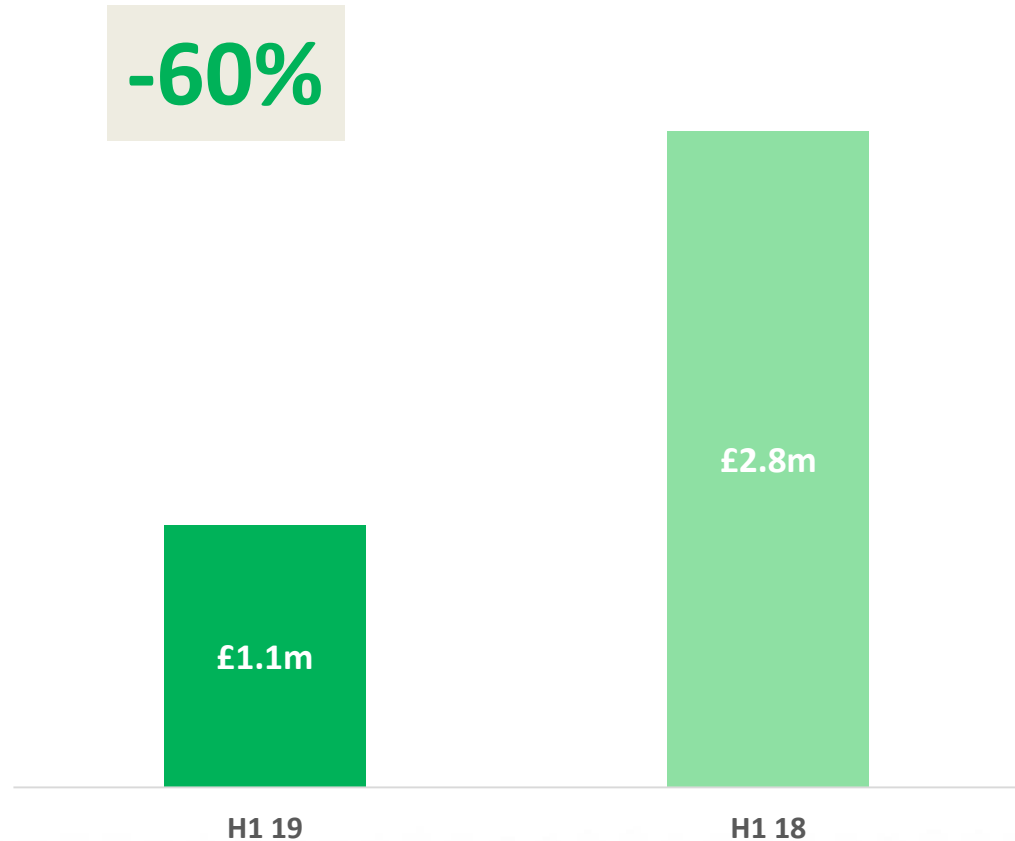
Revenue

- 22% Revenue growth
- Driven by increased client demand
- Strong pipeline of contract opportunities



Research & Development Expenses

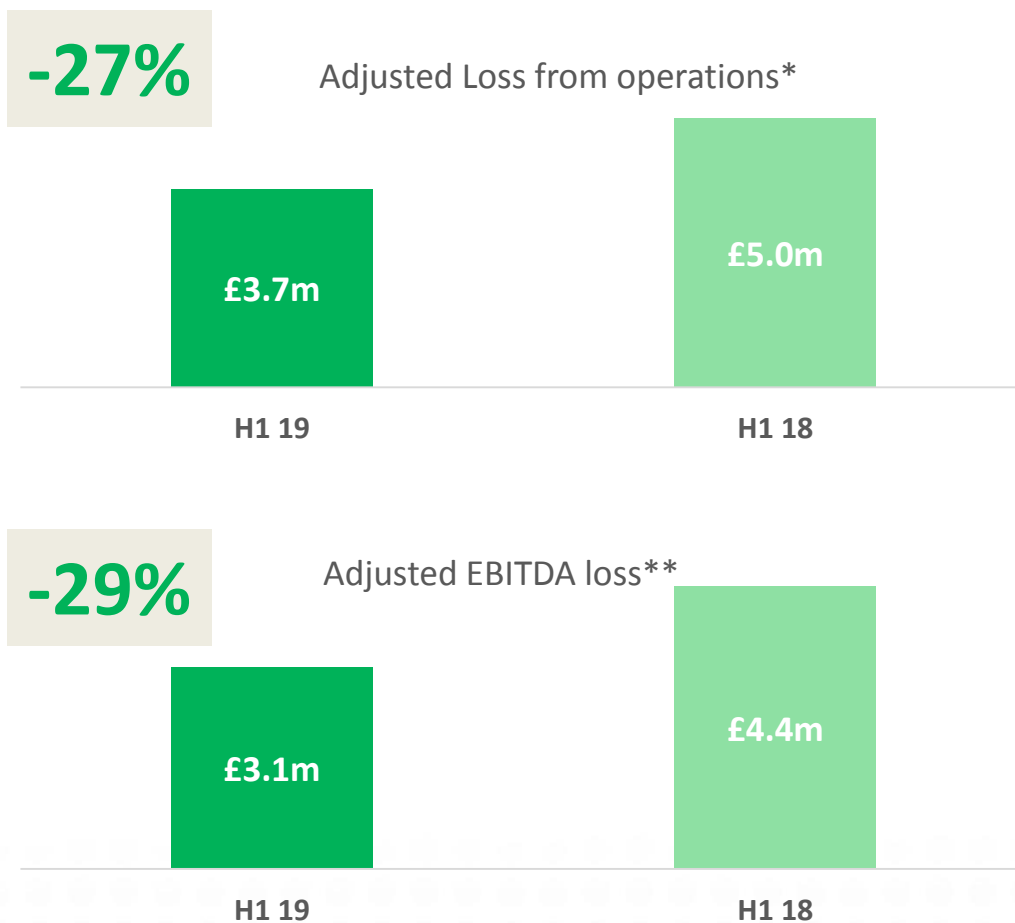
- Ceased discovery activities
- Majority of current year spend on RSV virus production to support demand into 2020/21 & DARPA programme*
- R&D 2019 guidance: £1m- £1.5m (assuming no additional new virus production)



* Supported by grant reported in other income

Adjusted Loss from operations / Adjusted EBITDA loss

- Significant improvement in underlying operating performance due to growing revenues and ongoing process efficiencies / cost saving initiatives
- H1 19 Adjusted EBITDA loss includes £0.4m positive impact from IFRS16



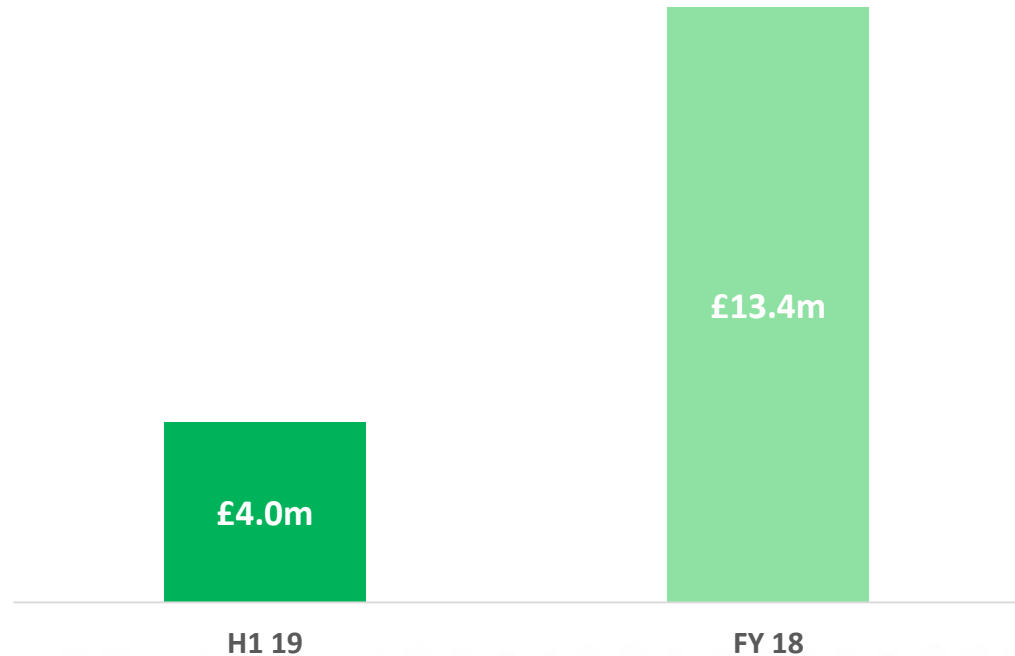
* Adjusted loss from operations excludes provision against virus inventory of £0.6 million (H1 2018: nil)

** Adjusted EBITDA loss is equal to Adjusted loss from operations plus depreciation and amortisation of £0.5 million (H1 2018: £0.4 million) and share-based payment expense of £0.09 million (H1 2018: £0.3 million)

Cash

H1 19 cash burn:

- £3.5m net operating cash outflow (before balance sheet movements)
- £5.0m net outflow from w/cap movements (including £1.1m virus manufacture costs)
- £0.6m onerous lease and dilapidation payments
- £0.3m net financing cash outflow*



* Includes £0.4m property lease repayments now classed as financing cashflow due to adoption of IFRS16

Operating costs in FY 2020 expected to be £11m lower than FY 2017

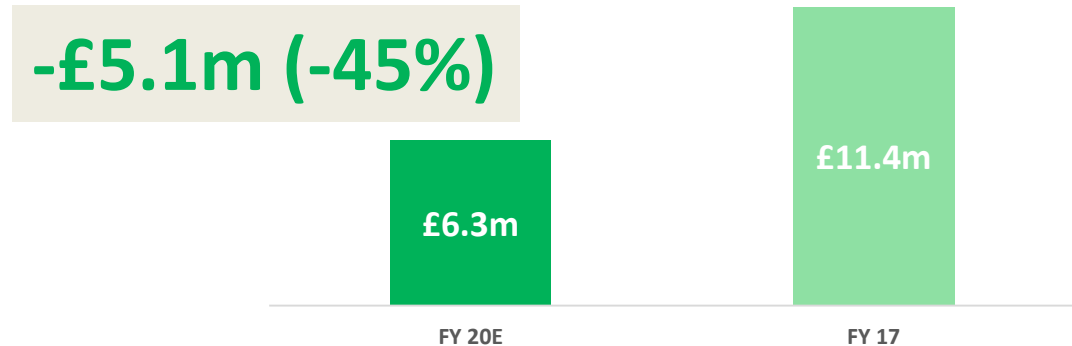
- FY 20 Admin expenses expected to be £5.1m lower than FY 17

- Headcount reduction
- Closure of sites
- Process efficiencies

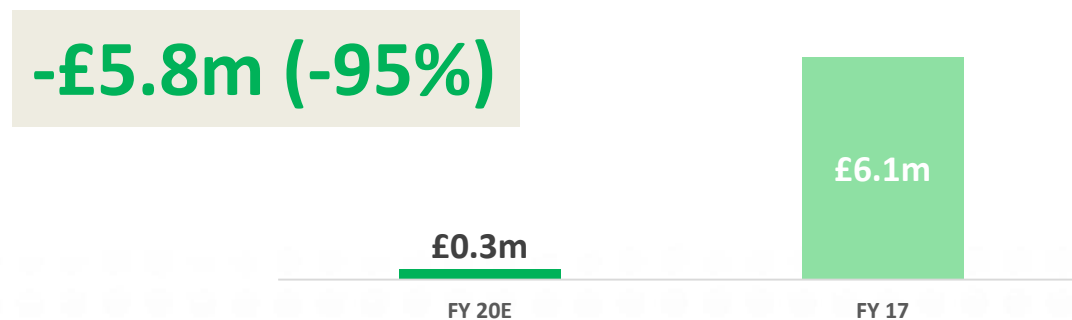
- FY 20 R&D expenses expected to be £5.8m lower than FY 17

- Ceased discovery activities
- Closure of site
- Headcount reduction

Administrative expenses



R&D expenses



Financial Outlook

Revenue	Anticipate continued growth with pipeline opportunities for 2020 remaining strong
Research & Development	FY2019 - guidance range £1m - £1.5m; focussed only upon services related spend
Cost Base & Expenditure	In 2020 the business will have a significantly reduced operating cost base compared to 2017 - £11m reduction in Admin and R&D expenses
Profitability	Well positioned for future revenue growth and profitability in 2020

2018 – Refocussing of the business model

A transitional year and the start of our turnaround

Revised Strategy



New management team

Addressed inefficient business operations, created greater operational efficiency and profitability



Prioritised services business model

Discontinued discovery activities, reducing R&D costs significantly



Cost reduction and operational efficiency programme commenced

Multiple actions taken to reduce cost including headcount, processes, premises and systems



Sales & Marketing refocus and positioning

Industry-leading position in RSV; Extensive track record of successful challenge model execution; Increased sales pipeline and revenue forecast

2019 - Positioning for profitability

Further Cost Cutting & Operational Efficiencies

Admin and R&D costs by end of 2020 £11m lower than in 2017

Expanded service offerings enhance future revenue opportunities

1. Phase I (First time in man); Now offer FTIM studies for products that will subsequently move into a challenge study
 - Incremental positive revenue stream; greater control of pipeline
2. Extended leading position in RSV through
 - New 'older adults' model
 - Pilot study successfully completed and available to offer potential customers
 - Further successful delivery of a client study in healthy population
 - Enanta EDP-938 data clearly demonstrated efficacy and illustrates the benefit of good challenge data to companies developing novel products
 - Increases core revenue stream potential by heightening awareness of the value of challenge studies in clinical development
3. Asthma and COPD study opportunities
 - In late stage discussions for role as a site in a large COPD study and for sampling and biomarker service
 - Some respiratory work is outpatient and can be taken on without requirement to expand facilities
 - Offers new clinical and laboratory revenues
4. Laboratory services extended with additional sample and biomarker analyses from non unit work
 - Incremental positive revenue stream opportunity
5. Reduced cost base supports recovery of competitiveness in Flu challenge market

Market Position

Industry leading services provider in viral challenge studies and laboratory services

Dominant market position in viral challenge studies due to:

- Largest range of viral challenge models and experience in GMP virus manufacturing
 - Market leading know-how and insights invaluable to clients developing products
- Experience of a range of study methodologies and endpoints
- Unrivalled database of study data and sample libraries available to inform study design and endpoint selection
- Purpose-built quarantine unit with high levels of infection control allows multiple studies and virus-types to be used simultaneously
- Extensive scientific and executional know-how provides expert guidance for successful conduct

High barriers to entry limit competition:

- Cost and complexity of virus manufacture
- Need for specialist facilities, staff and experience

Imutex Joint Venture (hVIVO/SEEK 49/51% ownership)

Progress on strategic discussions - exploring options to enable continued development

Overview

- Continuing to explore number of options to enable the continued development of **FLU-v** – discussions ongoing
- In the process of setting up meetings with the key regulatory authorities (FDA/EMA) to discuss the status of and development pathway for FLU-v - anticipate these meetings in Q42019
 - Meetings are expected to deliver answers to some of the questions raised by potential interested parties - could lead to further positive traction in those strategic discussions
- **AGS-v PLUS**, experimental vaccine designed to protect against many different mosquito-borne diseases - progressing into the clinic – being tested in a Phase 1 clinical trial by the NIH at the University of Maryland School of Medicine. The continuing development of this asset will come from NIAID-funded researchers testing the vaccine and additional funding for the study by Innovate UK

Assets

Candidate	Phase				Status
	Pre-Clinical	I	II	III	
FLU-v <i>Influenza</i>					<ul style="list-style-type: none"> • Safety and immunogenicity endpoints met in Phase II field study (UNISEC Consortium in the EU) and efficacy endpoints met in a challenge study in collaboration with NIAID/NIH • Ready for Phase III in Europe and U.S.
AGS-v AGS-v PLUS <i>Mosquito-borne Diseases</i>					<ul style="list-style-type: none"> • AGS-v Phase Ib study completed by NIH – Preliminary results positive, complete results expected in due course • AGS-v PLUS Second Phase I study commence July 19 by NIH – additional peptide

Outlook

Confident in the strategy to focus on providing clinical trial services which we continue to expand to drive future opportunities and revenues

Driving revenue growth and reducing operating costs to enable cash generation and profitability

- Robust backlog of contracted work for H2 2019 despite cancellations, to enable full year revenue growth
- Pipeline of opportunities for 2020 looking strong - confident in ability to convert sales pipeline into contracted work
- End the year with a modest positive net cash balance, believe will increase over the course of Q1 2020 as we generate cash and revenue builds
- Cost savings since 2018 expected to deliver reductions to the operating cost base of £11m by 2020 with further efficiency opportunities identified that can enhance profitability
- Exploring options to support working capital requirements, if needed
- Continue to pursue strategic alternatives for Imutex assets (FLU-v & AGS-v)

Appendices

Significant Shareholders

Shareholder	% at 2 Sept'19	Shares at 2 Sept'19
Invesco	25.56	21,249,382
Woodford Investment Management	18.81	15,635,064
IP Group	15.72	13,063,883
Jupiter Asset Management	11.11	9,238,696
Hargreaves Lansdown, stockbrokers (EO)	3.65	3,037,980
Alliance Trust Savings	3.46	2,873,709