

hVIVO plc

2018 Preliminary Results

11 April 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.

*h***VIVO**

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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 Presenters

Dr Trevor Phillips

Executive Chairman

hVIVO

Shelley Fraser

Finance Director and Company Secretary

hVIVO

Transitional Year: The Path to Profitability

1

Industry leading service provider in viral challenge studies

Unique platform of clinical trial, laboratory and biomarker services to companies developing vaccine, anti-viral and airways disease products

2

Re-focussed services business model

- Increasing service revenue; decreasing R&D and operational cost base

3

Good progress on business turnaround

- Strong pipeline of potential contract opportunities in 2019/20; new service offerings in airways disease; increasing operational efficiency

4

Universal flu vaccine candidate, FLU-v, passes Phase II hurdle

- Significant progress with hVIVO's joint venture asset; positive Phase II data, Phase III ready and in the leading pack to be the first universal influenza vaccine

FY 2018: Operational Highlights

Transitional Year

- New management team; refocussed business model
- Increasing service revenues: £13.6m in 2018
- Cost control – operating expense savings of total £3.9m across 2018/19/20
- Significant progress with potential blockbuster universal flu vaccine asset

FY 2018: Financial Highlights

Revenue & Other Income

£13.6m

+ 10.5%

Adjusted Loss before Tax

£9.6m

-27.6%

R&D

£4.8m

-21%

Cash

at 31 Dec'18

£13.4m

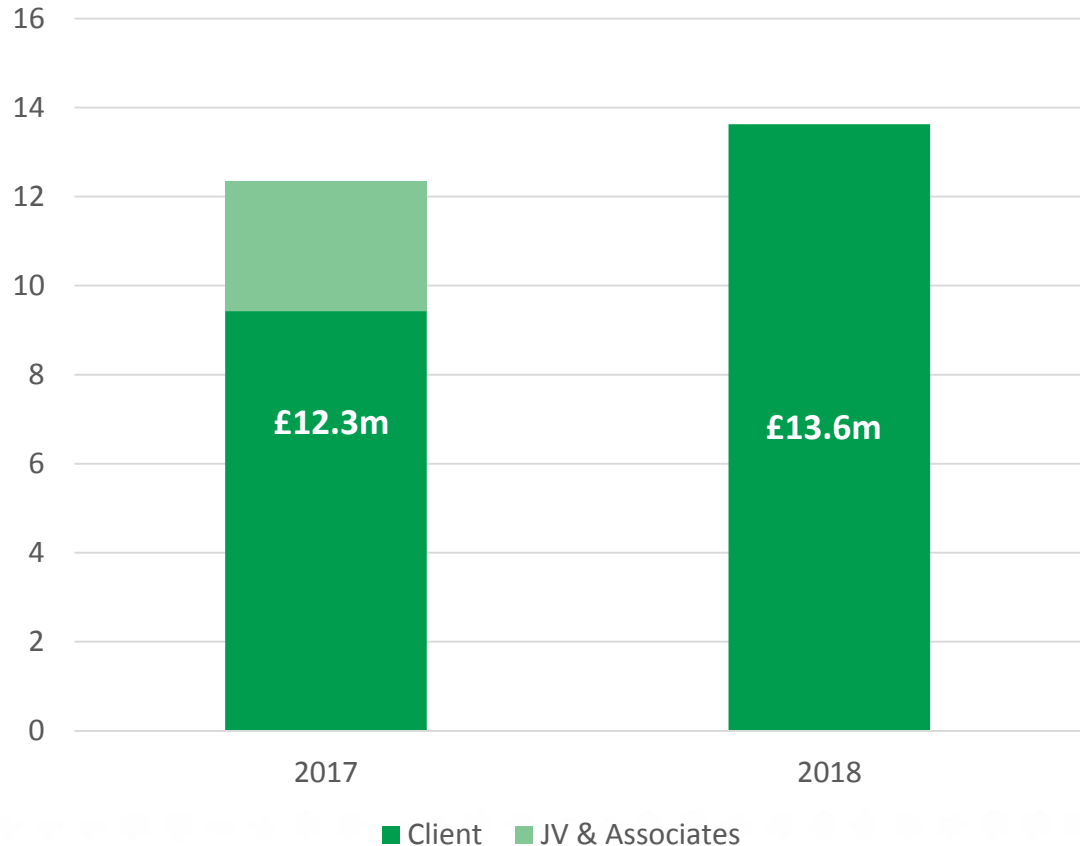
Income statement

	2018 £'000	2017 £'000
Revenue from contracts with customers	11,025	10,878
Cost of sales	-8,901	-7,316
Gross Profit	2,124	3,562
Other Income	2,601	1,455
Research and development expense	-4,786	-6,059
Administrative expense	-9,511	-11,379
Impairment of intangible assets	-2,632	—
Impairment of investment in associate	-4,698	—
Provision against virus inventory	-1,223	—
Loss on provision of services to joint ventures	—	-800
Share of loss of associates and joint ventures	-738	-1,613
Loss from Operations	-18,863	-14,834
Adjusted Loss Before Taxation	-9,565	-13,204

Revenue & Other Income

+ 10.5%

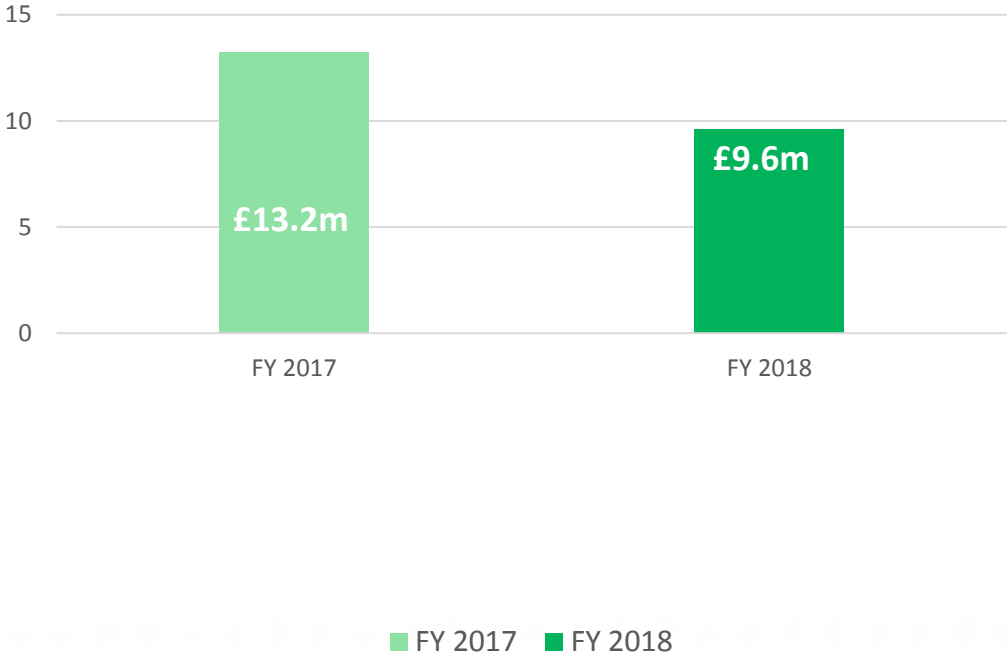
- Driven by increased client demand
- Strong pipeline of contract opportunities
- Year-on-year client revenue growth 43%



Adjusted Loss Before Tax

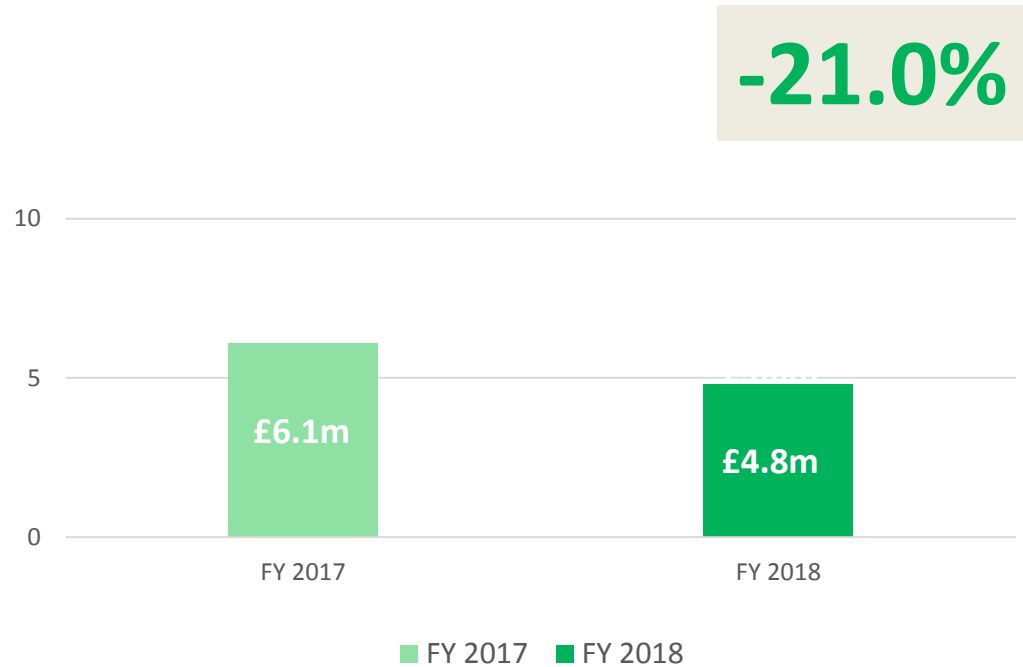
-27.6%

- Adjusted for exceptional items
- Partial impact of cost savings £0.8m



Research & Development Expenses

- Ceased discovery activities
- Majority of 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

Impairments

PrEP Biopharm Ltd writedown

- Fair reflection of investment holding value

-£4.7m

Associate

Intangible assets

- Discovery system
- Software no longer supporting business requirement

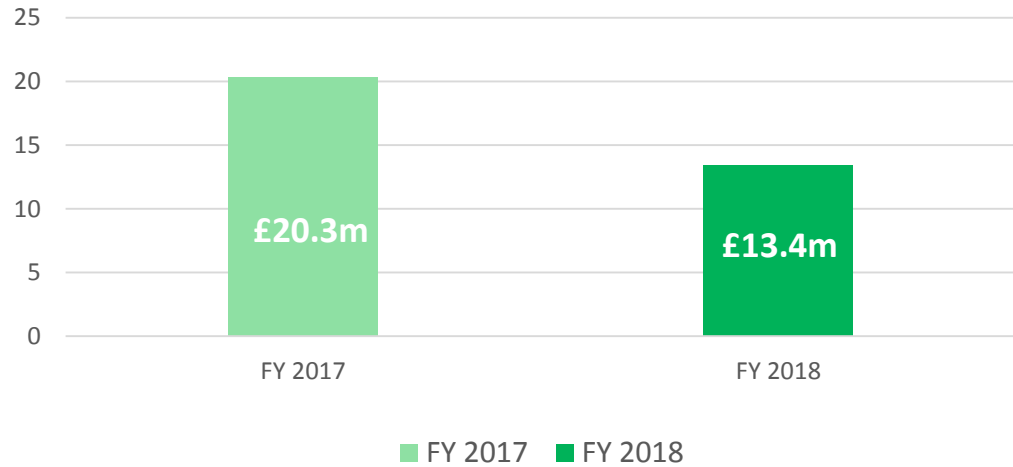
-£2.6m

Intangible assets

Cash Position

2018 Cash Burn:

- Virus manufacturing & dilution
- R&D tax credits
- Capex £0.3m



Company remains focussed on controlling costs and generating cash with the drive to be sustainably profitable

Current Cost Reduction Programmes Reduce Operating Expense

- Ceased discovery activities
- Headcount Reduction
- Process driven efficiencies

-£0.8m

Cost reduction (2018)

-15.7%

Headcount down (year-on-year)

Operating efficiencies instituted to date will deliver savings of £3.9m across 2018, 2019 and 2020

Financial Outlook

Revenue	Anticipate continued growth with contracted revenues for 2019 remaining strong and showing a substantial increase on 2018
Research & Development	Will be reduced significantly in FY2019 - guidance range £1m - £1.5m
Cost Base & Expenditure	Cost savings will be fully recognised by 2020 from initiatives taken to date
Operational Efficiencies	Anticipated additional operational efficiencies to support further revenue growth - focus on process improvements
Profit	Sustainably profitable through continuous review of cost base and driving service offering uptake

Good Progress on Business Turnaround

Better placed to operate efficiently enabling revenue growth to facilitate sustainable cash generation in the medium term

- Rationalised business focus onto services business
 - Ceased non-core activities, including 'research and discovery'
- Structures and systems changed to support greater operating efficiency
 - Restructuring to improve the effectiveness of recruitment operations
 - Next phase is directed towards clinical unit and laboratory processes
- Cost base reduced
 - Multiple steps to reduce cost base and inefficient legacy business
 - Headcount
 - Premises
 - Systems
- Impairment charges and rationalisation of premises and non-essential systems

Cost reduction programme savings:

£ 3.9m

Reduce operating expense further - operating cost savings to be recognised over 2019 and 2020

Market Opportunity - Re-aligned Sales & Marketing to Re-focussed Business Services

Generated potential sales pipeline of £100m+ consistently from mid-2018

Infectious diseases

Respiratory diseases

Human Challenge Studies

- Expertise in flu, HRV and RSV
- Conducting viral challenge studies for over 15 years in cold and flu viruses - more recently adding RSV
- Only company to have a validated commercial RSV challenge model
- Proof-of-concept for the effectiveness of agents directed at the virus
- Expanding offering into airways diseases – encouraging level of discussions
 - Proof-of-mechanism for novel products in diseases where respiratory viruses are known to induce exacerbations

Diversification of the range of services, built on the Company's industry leading experience in viral challenge studies, has led to increasing revenue and client demand

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

Progress on strategic discussions - exploring options to enable continued development

Overview

- In April 2016, hVIVO plc (“hVIVO”) formed **Imutex Limited** (“Imutex”) with the SEEK Group (“SEEK”) to develop vaccines against influenza (FLU-v) and universal mosquito-borne diseases (AGS-v)
- Imutex’s most advanced asset **FLU-v** is a robust and differentiated advanced-stage influenza vaccine candidate
- Significant potential as a long-lasting, broad spectrum, stand-alone vaccine
- Addresses significant gaps associated with current vaccines
- Two positive Phase II results and Phase III ready
- Broad impact for a burden on global public health in a market estimated between \$10-20bn

Current Pipeline

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 <i>Mosquito-borne Diseases</i>					<ul style="list-style-type: none"> • Phase Ib study completed by NIH – Preliminary results positive, complete results expected in 2019

Ongoing Strategy for Growth & Further Efficiencies

- Maintain focus on marketing of core business services
 - Maintain potential sales pipeline £100m+
 - Increased likelihood of contract signing and revenue growth
- Maintain drive to expand existing services whilst adding asthma and COPD
 - Utilise existing relationships to establish contracts to monetise insights
 - Expand offerings in core areas of HRV, flu and RSV
 - Cough, elderly, new virus
- Targeting break-even at acceptable bed occupancy levels
 - Exceed these levels for profitability
- Restrict 'R&D' to activities that support revenue generation
 - Creation of new virus stock when necessary
 - Analysis/determination of biomarkers to support client studies
- Continue to drive efficiencies throughout the business as process improvements are implemented across our lab and clinical unit
 - Pace will be restricted by requirement not to disrupt ongoing studies
 - Improvements will continue to benefit the bottom line over time

FY 2018: Operational Highlights

Transitional Year

- New management team; refocussed business model
 - Focus on industry-leading services business; discontinued discovery activities
- Increasing service revenues: £13.6m in 2018
 - Strong base of revenues already contracted for 2019 in existing areas of strength
 - First study completed in cough challenge; new service offerings in airways disease diversifying and increasing future revenue potential
 - Reduced R&D spend focussed on new virus/biomarkers to drive service revenue growth
- Cost control – operating expense savings of total £3.9m across 2018/19/20
 - Discontinued discovery activities; closed discovery site
 - Impairment of legacy R&D and software assets
 - Operational efficiency drive; new technology and processes to drive profitability within current capacity
 - Next phase will realise further process efficiencies resulting in additional operating cost savings, enabling significantly higher workload without concomitant cost base increase
- Significant progress with potential blockbuster universal flu vaccine asset
 - Positive data from two Phase II studies with joint venture asset; Phase III ready
 - Strategic options for future development being actively pursued

Outlook

Committed to a strategy of building a profitable clinical development services business targeting the establishment of early proof-of-concept for customers through the execution of human challenge studies

Driving revenue growth and reducing operating costs to enable cash generation

- Enhance marketing of business to deliver more opportunities
 - Contracted backlog for 2019 remains strong and is showing a substantial increase on 2018 with the pipeline of opportunities for 2020 also looking exceptionally strong
 - Increase unit occupancy to levels that enable profitability
- Continue to drive efficiencies across business operations
 - Cost savings from current initiatives will be fully recognised across 2019 and 2020
 - Changes and adjustments to the business operations will continue as we target profitability in 2020
 - Will operate at significantly higher unit occupancy with current staffing levels
- Continue to pursue strategic alternatives for further development of Imutex assets

Appendices

Significant Shareholders

Shareholder	Number of shares	Percentage at 1/4/19
Woodford Investment Management	24,173,760	29.15
Invesco	21,249,382	25.62
IP Group	13,063,883	15.75
Hargreaves Lansdown, stockbrokers	3,205,568	3.86
Alliance Trust Savings	2,613,722	3.15

Balance Sheet

	2018	2017
	£'000	£'000
Goodwill	1,722	1,722
Intangible assets & other non-current assets	700	3,767
Investment in associates and joint ventures	7,216	12,553
Non-current assets	9,638	18,042
Trade and other receivables	1,782	1,771
Other current assets	944	2159
Research and development tax credit receivable	2,501	2,625
Cash and cash equivalents	13,368	20,289
Current assets	18,595	26,844
Total assets	28,233	44,886
Non-current liabilities	-20	-2,280
Current liabilities	-10,880	-9,211
Net assets	17,333	33,395