

# Completion of Merger with hVIVO and Re-Admission

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## **Open Orphan plc**

("Open Orphan" or the "Company")

### **Completion of Merger with hVIVO ("Merger") and Re-Admission**

Open Orphan plc (ORPH), a rapidly growing specialist pharmaceutical services company which has a focus on orphan drugs, is pleased to announce that admission to trading on AIM and Euronext Growth of its existing ordinary share capital and the new ordinary shares to be issued as consideration in connection with the Merger, will commence at 8.00 a.m. today.

#### **Highlights:**

- Completion of merger between Open Orphan and hVIVO creating a European full pharma services company in a compelling strategic combination
- Enhanced management and Board with a strong operational track record and M&A experience
  - Cathal Friel, moving to Executive Chairman with a full-time hands-on role in the business
  - Trevor Phillips and Tim Sharpington becoming CEO and COO, respectively, of the enlarged group
  - New board with the appointment of Michael Meade as an additional non-executive director, along with Brendan Buckley and Mark Warne as non-executive directors and Trevor Philips and Cathal Friel as executive directors
- Combination creates a platform of highly specialised, complementary CRO service providers
- Combined robust pipeline of over £100 million at January 2020. The Group is focused on building long term contracts with recurring revenues. Open Orphan has confirmed signed contracts of €10.5m as of January 2020 which is the highest in its history with an additional €4m at an advanced stage with clients under an existing MSA. Open Orphan is successfully moving Venn away from short-term contracts to long-term, 3-year contracts with recurring revenues e.g. IPSEN (Nov '19) and a German Tier One pharma company (Jan '20). hVIVO has a solid pipeline of identified and pitched for contracts of £81.2m as of January 2020, which is significantly higher than the prior two years
- A number of joint Open Orphan and hVIVO pitches have already been submitted to hVIVO clients with the now expanded Venn service capability
- Estimated operational synergies of £3.1m in 2020 rising to £4.4m in 2021 - longer-term revenue synergy potential through utilisation of Open Orphan's Phase II capabilities for hVIVO's challenge study clients
- New combined revenue model unlocks potential for substantial revenue growth and sustainable profitability - by combining Open Orphan's existing preclinical, phase 1 and Phase 2, regulatory and other services along with hVivo which is an industry leading services provider in viral challenge studies and laboratory services creating a leading European specialist pharma services company
- Proposed placing to raise £5m - underwritten by up to £2.5m by Raglan Capital - to support the Group's growth plans

**Cathal Friel, Executive Chairman of Open Orphan commented:**

"I am hugely excited by the combination of Open Orphan and hVIVO. We have a fantastic team, substantial revenue potential and the opportunity to grow quickly in the year ahead. I am personally participating in the placing as I believe in the strategy of the business and its ability to deliver substantial returns to shareholders in the next 12 months."

**Trevor Phillips, CEO of Open Orphan commented:**

"We now have an industry leading team with the ability to generate substantial revenue growth and profitability, delivering the leadership's vision to create a successful European full pharma services company. With the now complementary and wider specialist CRO services offering, it gives us the opportunity to generate substantially larger revenues and over the full-time course of the customer relationship. With a robust combined pipeline, I am confident we have the solid platform to achieve our goals."

**Strategy - delivering on our pipeline and enhancing returns through business synergies**

Since the acquisition of Venn Life Sciences by Open Orphan in June 2019, the Company has focused on transitioning Venn from short term contracts to long term contracts with recurring revenues, reducing its overheads and taking actions to increase profitability. Before the merger, hVIVO had successfully refocused its business model and completed a business turnaround with operational efficiency measures and headcount reductions implemented. The Merger is expected to bring further benefits as a result of hVIVO now being able to provide the Venn offering, preclinical, Phase I and Phase II to customers to its challenge study customers. The combined Group will now be able to offer a wider range of services to a broader customer base.

In addition to the Company's focus on delivering the pipeline, it plans to supplement returns through immediate cost savings and operational synergies and near and medium term revenue synergies. In the short term, the combination of Open Orphan and hVIVO is expected to result in substantial cost savings through the elimination of subcontractor costs where they can be replaced by new capabilities within the enlarged Group. The Group estimates savings of up to £1.7m in FY20 rising to £2.3m in FY21. Furthermore, the Group intends to rationalise a number of duplicate costs resulting in £0.2m of cost savings in FY20 rising to £0.4m in FY21.

The Group expects to deliver total synergies of £3.1m in 2020 rising to £4.4m in 2021. This combined with identified longer-term revenue synergies by extending hVIVO relationships and utilising Phase II capability of Open Orphan to gain contracts for Phase II execution and lab services as existing challenge customers migrate to field trials is anticipated to see the Group well positioned for future growth.

Delivering the strategy is an enhanced leadership team with a track record of operational success and creating shareholder value. The new management of hVIVO, who joined eighteen months ago, has a track record of successfully restructuring and re-positioning the business for profitability having delivered significant savings of £11m since 2017 at hVIVO. The Open Orphan management has a successful history of M&A, business integration and delivering shareholder value and have significantly rationalised the Venn business and taken action to improve profitability. The combined group has the relevant expertise to deliver substantial revenue growth and profitability.

**Proposed Placing**

Open Orphan is proposing a placing of £5m to support the enlarged Group's business plan (the Placing"). The proceeds of the Placing will be used to fund the rapid growth and synergies programme of the business. An improved balance sheet is expected to allow hVIVO to convert its current strong pipeline of proposals. The Placing is being underwritten by Cathal Friel's vehicle, Raglan Capital, up to £2.5m; Raglan Capital also intends to participate in the Placing.

It is expected that further announcements regarding the Placing will be made in due course.

**Compulsory Acquisition**

Open Orphan intends shortly to exercise its rights pursuant to the provisions of sections 974-991 of the Companies Act 2006 to compulsorily acquire the remaining hVIVO Shares. The compulsory acquisition will be settled on the same terms as the Merger and the relevant hVIVO shareholders will be entitled to receive 2.47 Open Orphan shares for every one hVIVO share. Statutory notices are expected to be posted in the coming days to any hVivo shareholders who have not accepted the Merger offer with further details.

ENDS

**Enquiries:**

**Open Orphan plc** Tel: +353 1 644 0007  
Cathal Friel, Executive Chairman

Trevor Phillips, Chief Executive Officer Tel: +44 (0)20 7347 5350

**Arden Partners (Nominated Adviser and Joint Broker)** Tel: +44 (0)20 7614 5900  
John Llewellyn-Lloyd / Ruari McGirr / Benjamin Cryer

**Davy (Euronext Growth Adviser and Joint Broker)** Tel: +353 (0)1 679 6363  
Anthony Farrell (Corporate Finance)

**Camarco (Financial PR)** Tel: +44 (0)20 3757 4980  
Tom Huddart / Dan Sherwen

## Notes to Editors on Open Orphan:

Open Orphan is a rapidly growing European full pharmaceutical services company with a focus on orphan drug and specialist services, comprising two commercial specialist CRO services businesses (Venn and hVIVO) and a developing early stage orphan drug genomics data platform business capturing valuable genetic data from patient populations with specific diseases with designated orphan drug status and incorporating AI tools. In June 2019, Open Orphan acquired AIM-listed Venn Life Sciences Holdings plc in a reverse take-over and in January 2020 it completed the Merger with hVIVO plc. Venn, as an integrated drug development consultancy, offers CMC (chemistry, manufacturing and controls), preclinical, phase I & II clinical trials design and execution and hVIVO, as an industry leading services provider in viral challenge studies and laboratory services, supports product development for customers developing antivirals, vaccines and respiratory therapeutics. The Merger with hVIVO created a European full pharma services company broadening the Company's customer base and with complementary specialist CRO services, widened the range of the Company's service offerings.

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