



# FY2019 Financial Results

12-month period ended December 31, 2019

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References to "FY" in this presentation for periods prior to 1 January 2018 are to the 12-month periods commencing in each case on April 1 of the year indicated and ending on March 31 of the following year, and the 9 month period from April 1 2017 to December 31 2017. From January 1 2018 the Company changed its fiscal year to the 12-month period commencing in each case on January 1. References to "FY" in this presentation should be construed accordingly.

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# Agenda

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Note: This material was created to explain the details of our company and is not intended to be used for investment decisions. In addition, the contents reflect the views of our company at the time of the creation of the material, and the accuracy of the information is not guaranteed. Investments should be made based on the independent views of investors



1

# Overview of Financial Results

Chris Cargill, CFO

# Summary Financial Highlights

12 months ended 31 December 2019

1

**Significantly improved financials in FY2019** – successful execution of corporate strategy

2

**Cash Profit of ¥2,802m** (\$25.7m) vs. loss of ¥5,704m (\$51.7m) in prior corresponding period<sup>1</sup>, due to strong revenue growth and rigorous focus on costs

3

**Net Profit of ¥1,432m** (\$13.1m), successfully achieved our corporate goal of **profitability** in the Full Year

4

**Term loan facilities fully repaid. New ¥5bn (\$45m) commitment line** (undrawn) established with Mizuho Bank provides financial flexibility for the future

5

Group will **continue to pursue profitability** in 2020

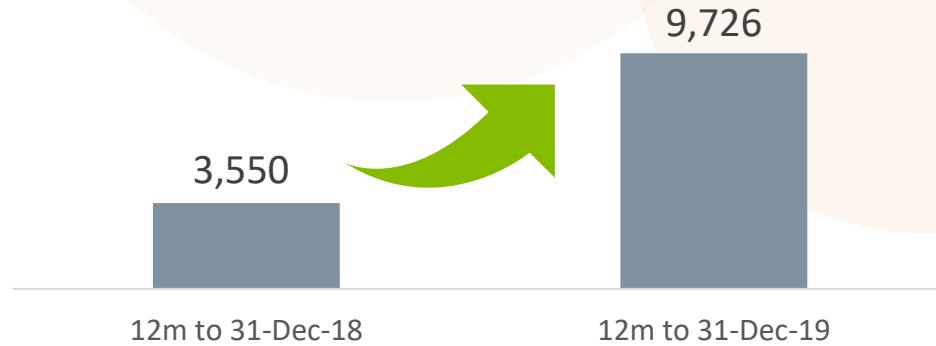
Strategic focus on our **core competencies in drug discovery and early-stage development** drove significant turnaround in financial performance

Note: <sup>1</sup> Proforma comparative period represents the 12 month period ended 31 December 2018 to aid comparability of the same corresponding 12 month period. The statutory comparative period (9 month period ended 31 Dec 2018) is provided in the Appendix. USD:JPY FX rates used – 109.035 (FY2019) and 110.291 (FY2018)

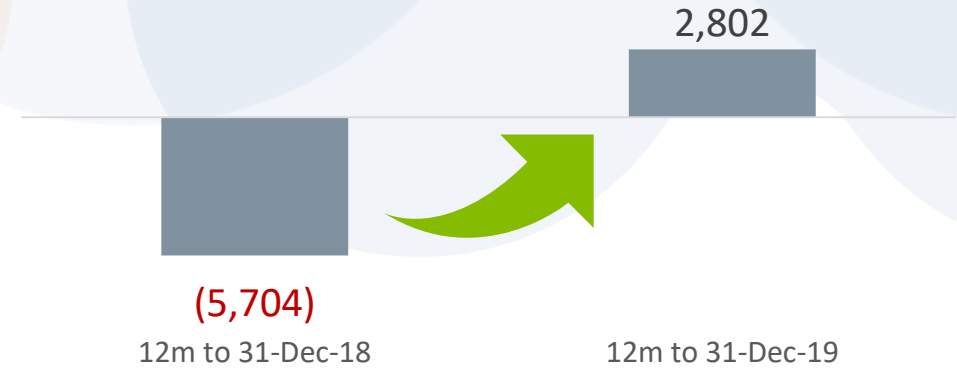
# Significant improvement in FY2019

Our strategy is driving more sustainable financial metrics

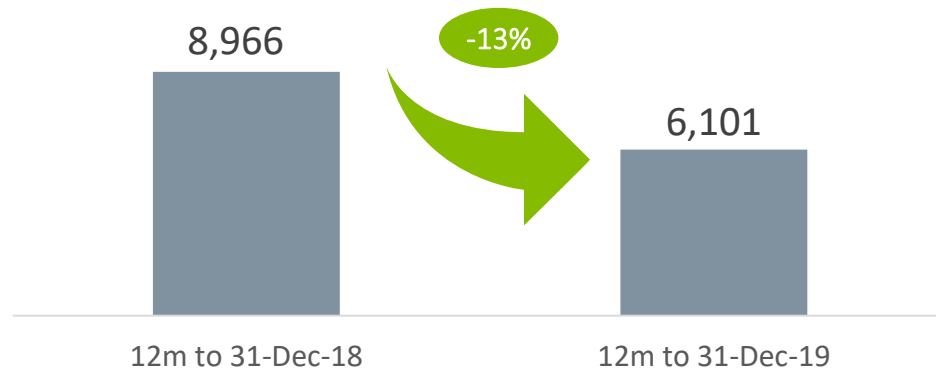
## Revenue (JPY million)



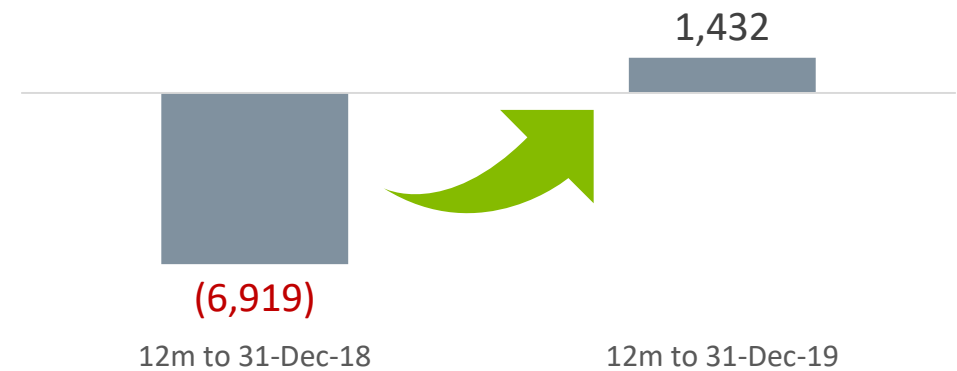
## Cash Profit<sup>1</sup> (JPY million)



## Cash Operating Expenses<sup>1,2</sup> (JPY million)



## Net Profit (JPY million)



Note: USD:JPY FX rates used – 109.035 (FY2019) and 110.291 (FY2018)

<sup>1</sup> Non-IFRS measure

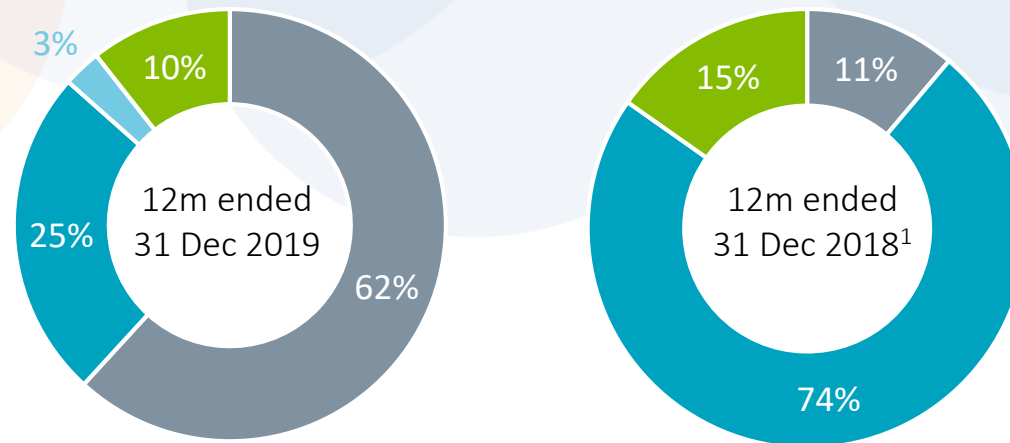
<sup>2</sup> Cash Operating Expenses = Cash R&D + Cash G&A

# Consolidated Income Statement

Significant upfront/milestone payments and prudent cost management delivers profitability

	JPY million		USD million	
	12m ended 31 Dec 2019	12m ended 31 Dec 2018 <sup>1</sup>	12m ended 31 Dec 2019	12m ended 31 Dec 2018 <sup>1</sup>
↑ Revenue	9,726	3,550	89.2	32.2
Cash Cost of Sales	(851)	(492)	(7.8)	(4.5)
↓ Cash R&D	(3,937)	(6,487)	(36.1)	(58.8)
↓ Cash G&A	(2,164)	(2,479)	(19.8)	(22.5)
Other Cash Income	28	204	0.2	1.9
↑ <b>Cash Profit</b>	<b>2,802</b>	<b>(5,704)</b>	<b>25.7</b>	<b>(51.7)</b>
Non-Cash Costs	(2,418)	(2,228)	(22.2)	(20.2)
Financing Costs	331	(480)	3.0	(4.4)
Equity Accounted Investments	(181)	(635)	(1.7)	(5.8)
Tax Expense	898	2,128	8.3	19.4
↑ <b>Net Profit</b>	<b>1,432</b>	<b>(6,919)</b>	<b>13.1</b>	<b>(62.7)</b>

## Revenue by Type



	12m ended 31 Dec 19		12m ended 31 Dec 18	
■ Milestone	¥6,013m	\$55.1m	¥397m	\$3.6m
■ Royalty	¥2,406m	\$22.1m	¥2,612m	\$23.7m
■ Product Sales	¥276m	\$2.5m	–	–
■ Other	¥1,032m	\$9.5m	¥541m	\$4.9m

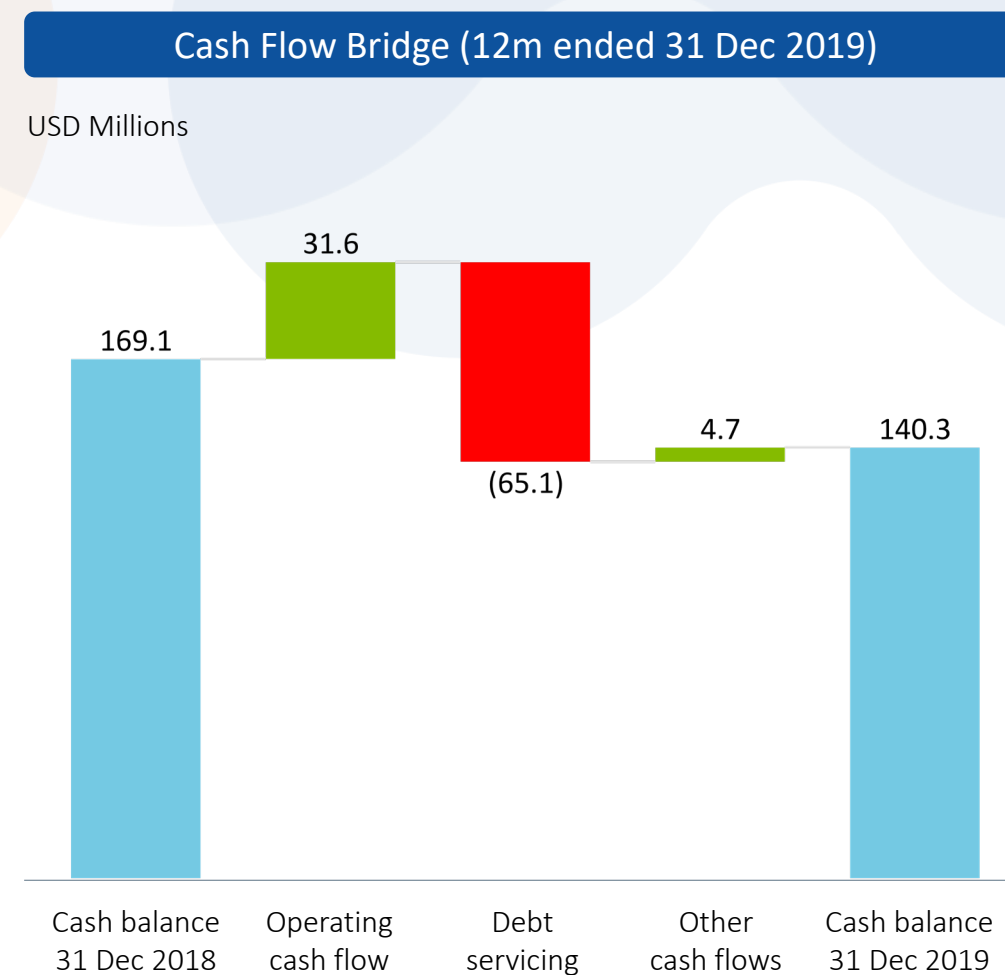
Note: <sup>1</sup> Proforma comparative period represents the 12 month period ended 31 December 2018 to aid comparability of the same corresponding 12 month period. The statutory comparative period (9 month period ended 31 Dec 2018) is provided in the Appendix. USD:JPY FX rates used – 109.035 (FY2019) and 110.291 (FY2018)

# Consolidated Balance Sheet

Cash liquidity and operational flexibility greatly improved due to debt refinancing

	JPY million		USD million	
	As of 31 Dec 2019	As of 31 Dec 2018	As of 31 Dec 2019	As of 31 Dec 2018
Goodwill & intangibles	27,364	28,544	249.8	257.4
Property, plant & equip.	4,120	2,715	37.6	24.5
Cash at hand	15,375	18,760	140.3	169.1
Equity Acc. investments	3,539	3,644	32.3	32.9
Other financial assets	2,053	1,515	18.7	13.7
Other assets	4,229	3,809	38.6	34.2
<b>Total Assets</b>	<b>56,680</b>	<b>58,987</b>	<b>517.3</b>	<b>531.8</b>
Bank loans	–	6,927	–	62.5
Other liabilities	11,602	10,480	105.8	94.4
<b>Total Liabilities</b>	<b>11,602</b>	<b>17,407</b>	<b>105.8</b>	<b>156.9</b>
<b>Net Assets</b>	<b>45,078</b>	<b>41,580</b>	<b>411.5</b>	<b>374.9</b>

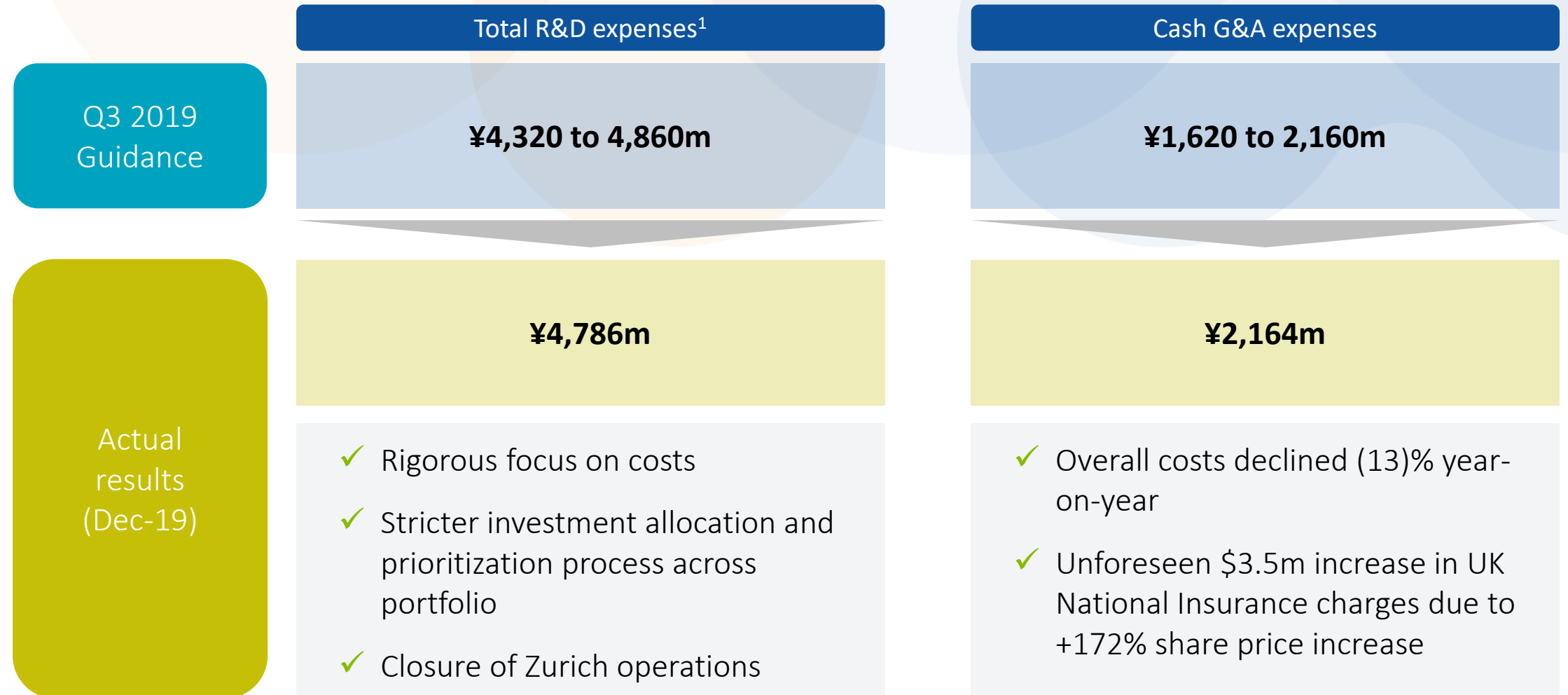
Note: USD:JPY FX rates used – 109.55 (FY2019) and 110.91 (FY2018)





# FY2019 Results – Top-end guidance met for key costs

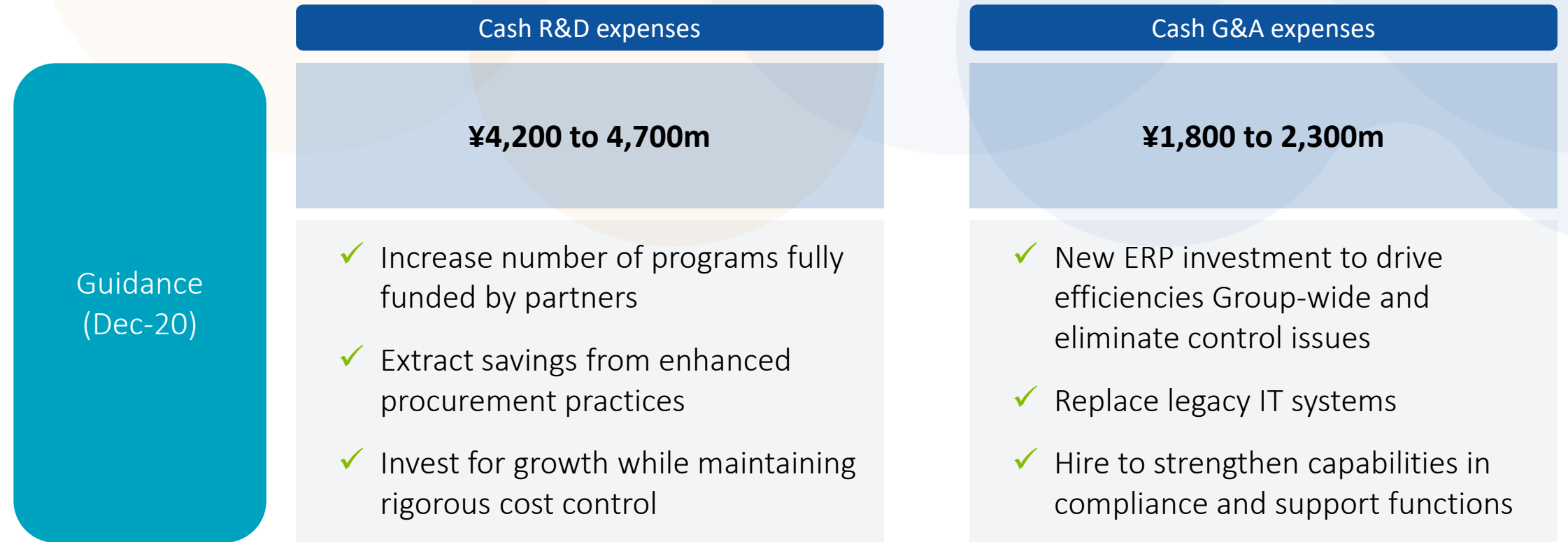
Reaching profitability by achieving a sustainable balance of resources and capital



Note: <sup>1</sup> Includes (i) Cash R&D costs; (ii) Cost of Sales (reallocated from Cash R&D); (iii) R&D facility lease costs (reallocated to non-cash categories in accordance with IFRS 16)

# FY2020 Financial Guidance (12m to 31-Dec-20)

Sustainable growth strategy to pursue profitability in 2020



**Investing for the future** whilst maintaining a focus on costs and extracting efficiencies



2

# FY2019 Operational Highlights and FY2020 Strategic Outlook

Shinichi Tamura, Chairman and CEO

# We achieved a lot in FY2019



## \$15m milestone

Initiation of Phase 2 trials of I/O program in solid tumors

January 2019



## €40m collaboration

Creation of two asset-centric companies with Medicxi

February 2019



## SSTR5 agonist

First subject dosed in Phase 1 study of HTL0030310

February 2019



## \$2.5m milestone

Submission of QVM149 MAA to the European Medicines Agency

May 2019



## \$6m milestones (total)

Nomination of first two candidates for clinical advancement

May / June 2019



## \$26m UF/Near term

Multi-target research and license agreement, worth potential \$1bn+

July 2019



## \$26m UF/Near term

Multi-target research and dev. partnership, worth potential \$1.2bn+

August 2019



## \$3m milestone

Nomination of new GPCR disease target

October 2019



## \$5m milestone

Initiation of Phase 1 trails for first nominated candidate

December 2019



## \$3m milestone

Nomination of third candidate for clinical advancement

December 2019



New Partnership



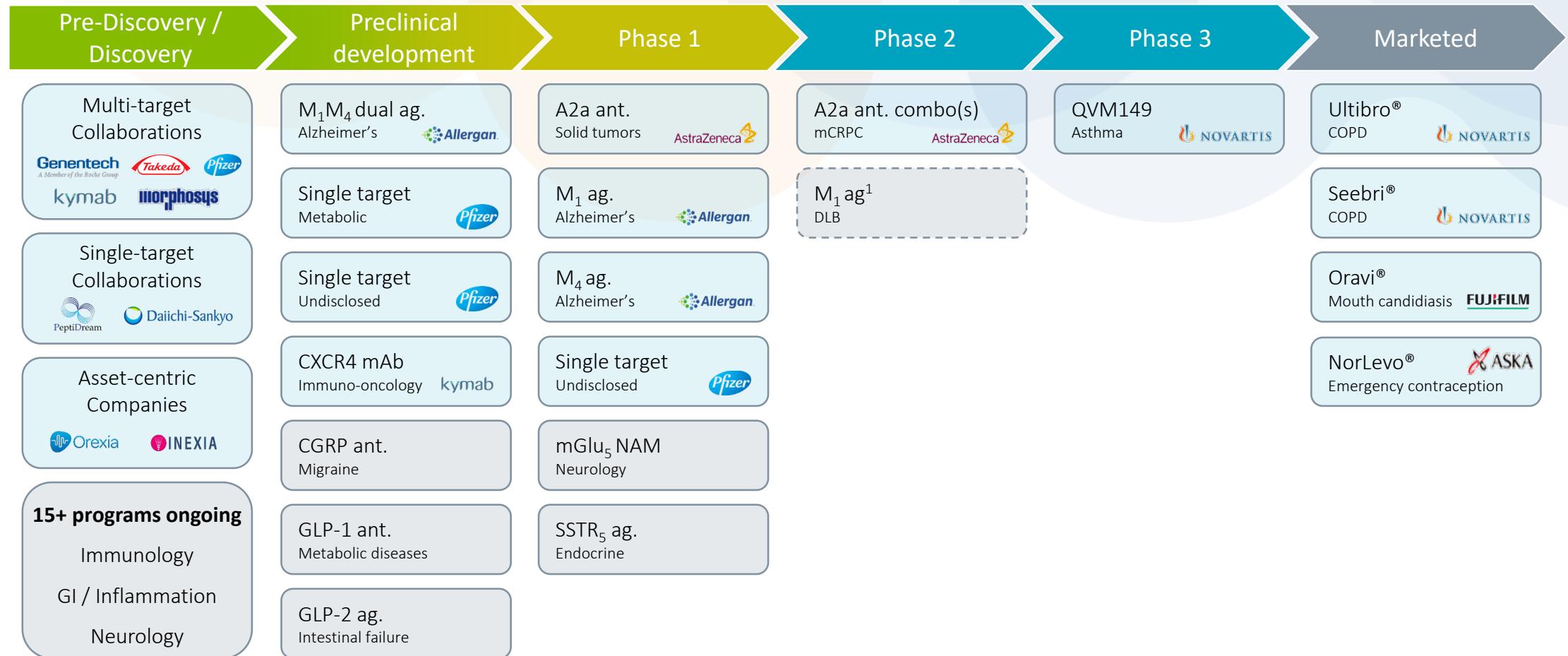
Existing Partnership



In-house Program (to be partnered)



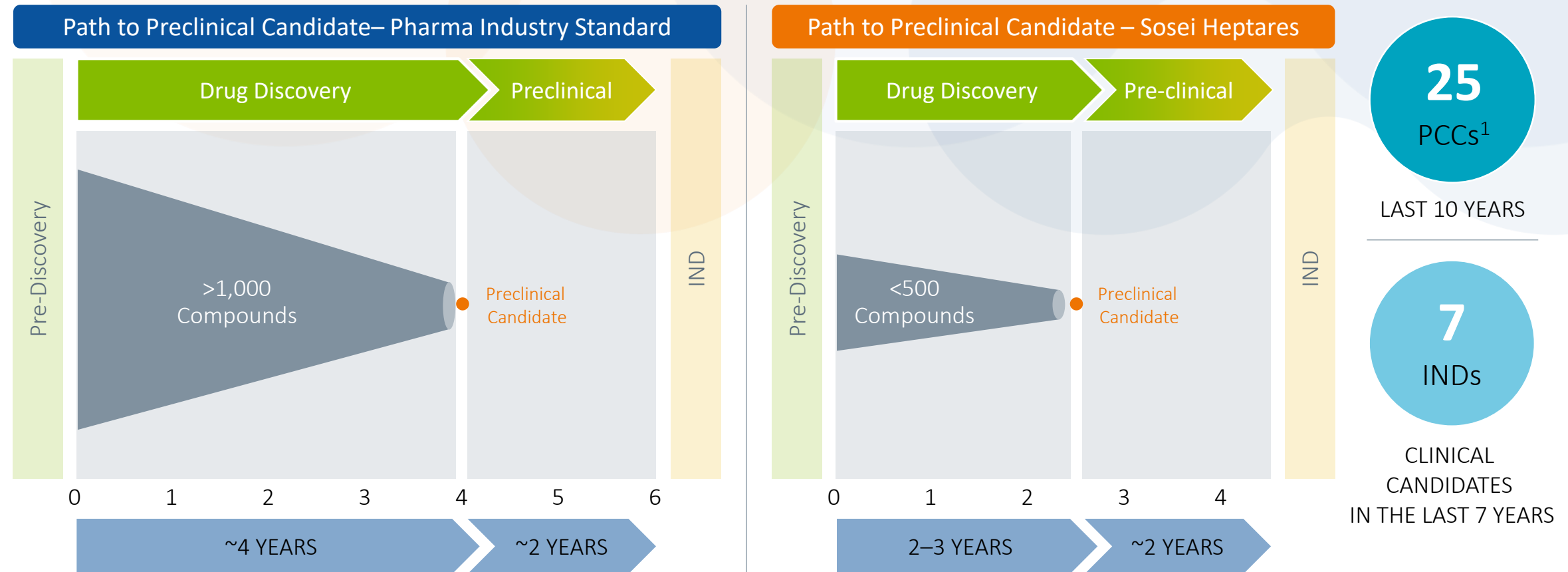
# Highly productive drug discovery engine generating next wave of high-value, novel candidates to fuel partnering activity



<sup>1</sup> Phase 2 trial of HTL0018318 for DLB in Japan has been withdrawn. The Group plans to resubmit a new clinical trial notification for HTL0018318 (or another novel M<sub>1</sub> agonist) to the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) in the future

# Quality, not just speed, is what provides an edge in drug discovery

Successful drug discovery is best measured by the number of drug candidates delivered



One of the most productive drug discoverers in the world for our size.  
Implementing new tools in 2020 and beyond the further enhance our productivity

Source: Management estimates  
Note: PCC is short-hand for Preclinical Candidate

# Strategy leverages proprietary technology and core competencies



Extend technology/platform **leadership**



Generate **high quality novel candidates** that are **attractive partnering opportunities**

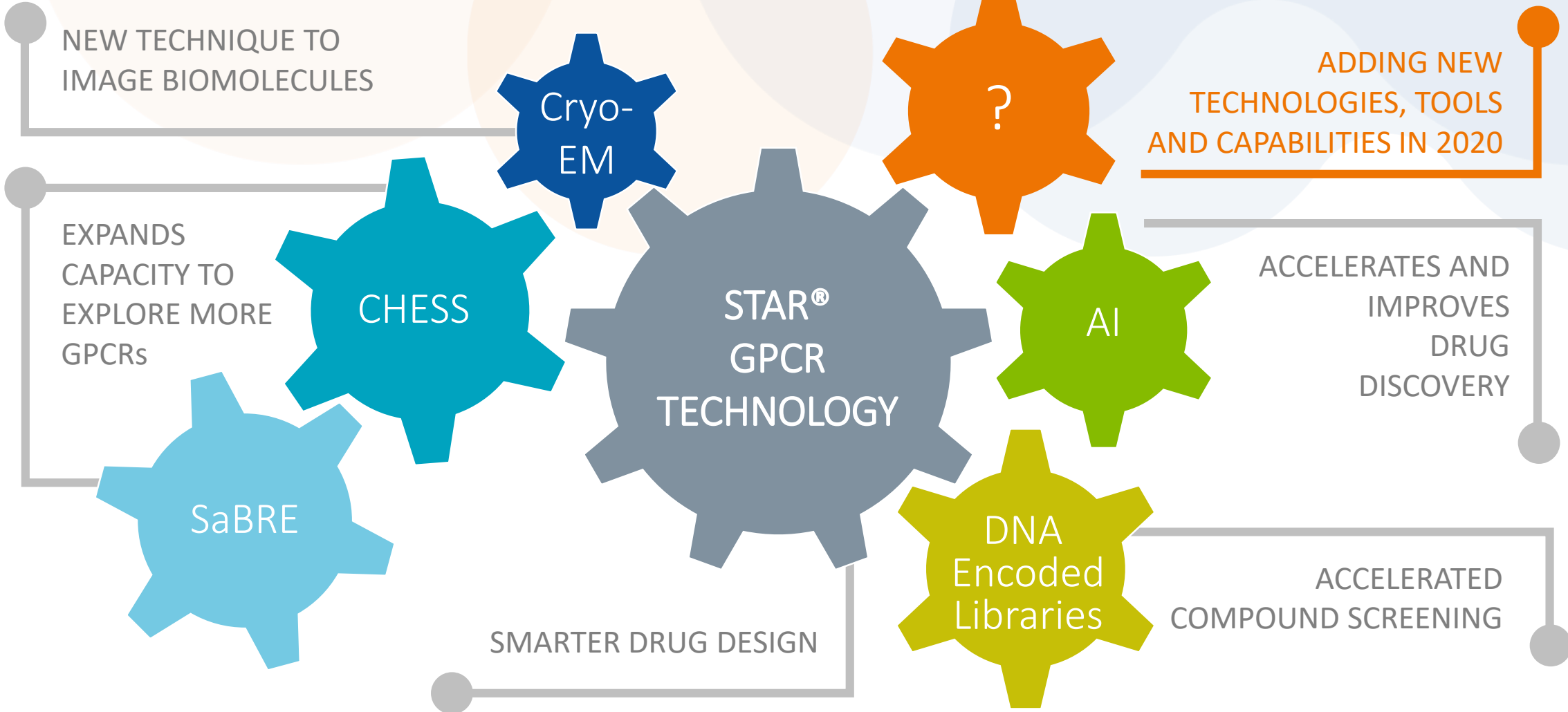


Enhance focus on **high value collaboration or long term ventures**

Executing new partnered programs and progressing existing programs is at the heart of what we do

# Extend technology/platform leadership

Technology-led discovery engine has revolutionized GPCR-targeted discovery



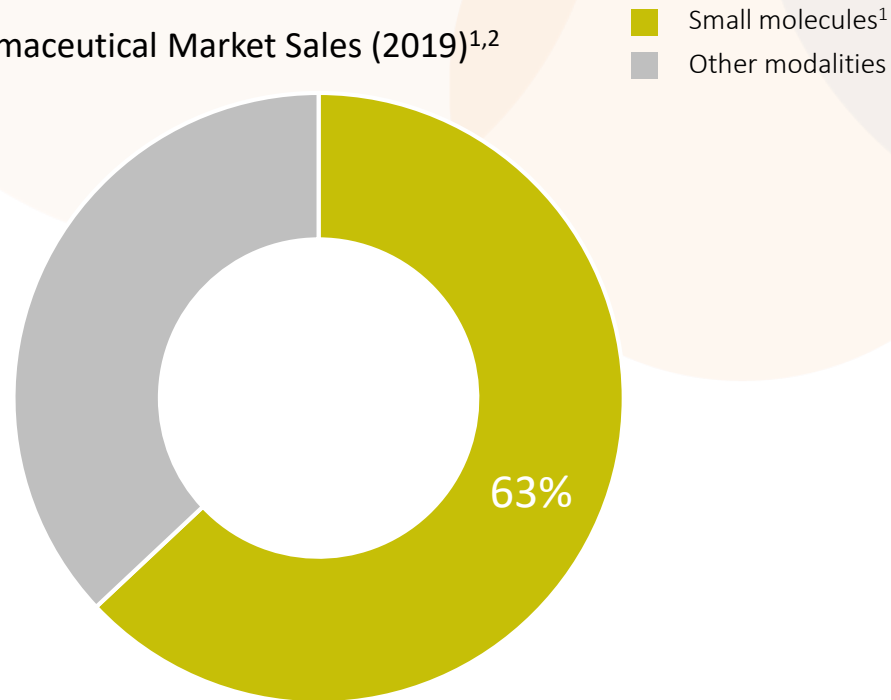


# Concentrating our efforts in small molecule discovery

Small molecules remain of great significance for the industry – and patients

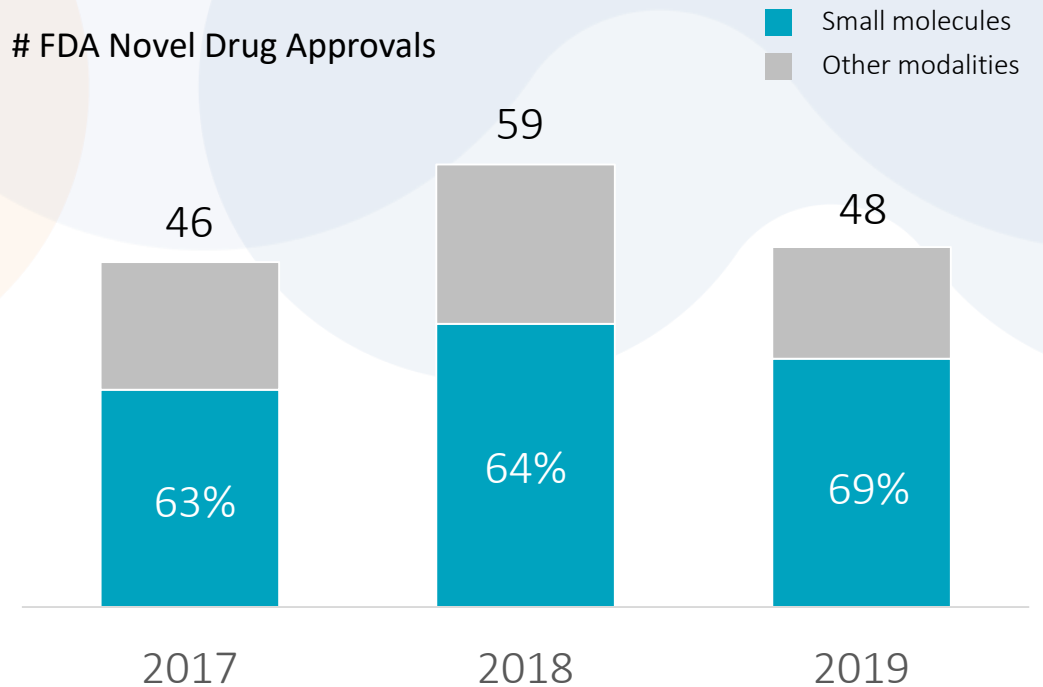


Global Pharmaceutical Market Sales (2019)<sup>1,2</sup>



63% of global pharmaceutical sales<sup>2</sup> are generated from small molecules...

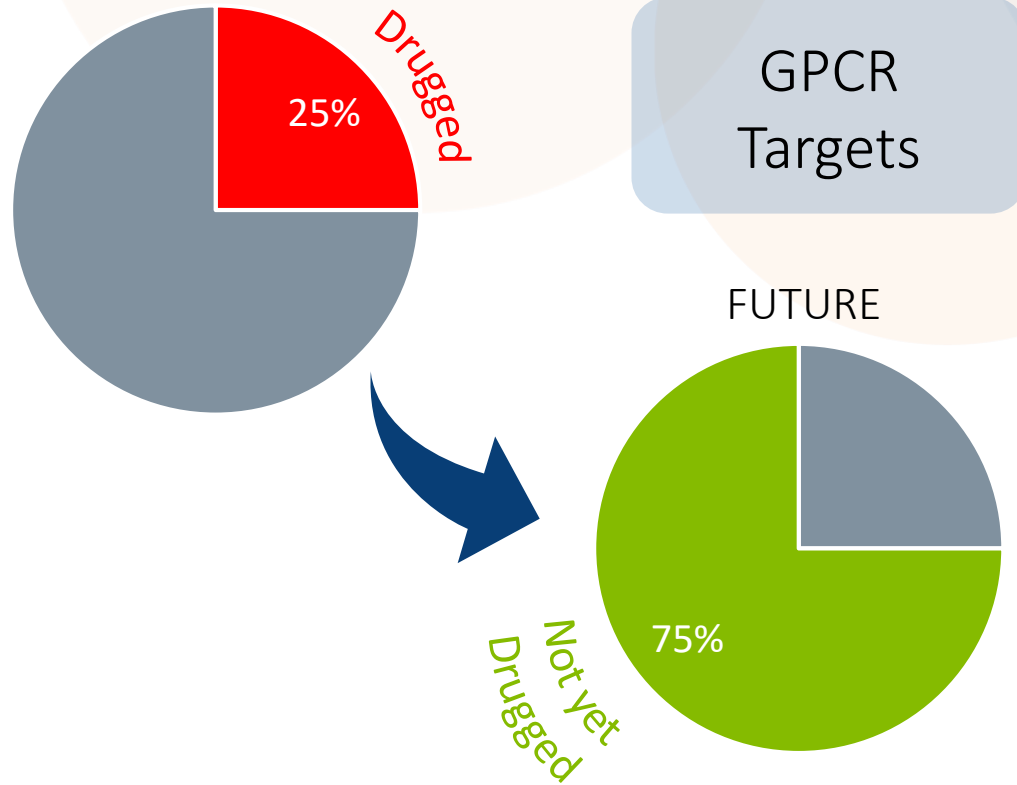
# FDA Novel Drug Approvals



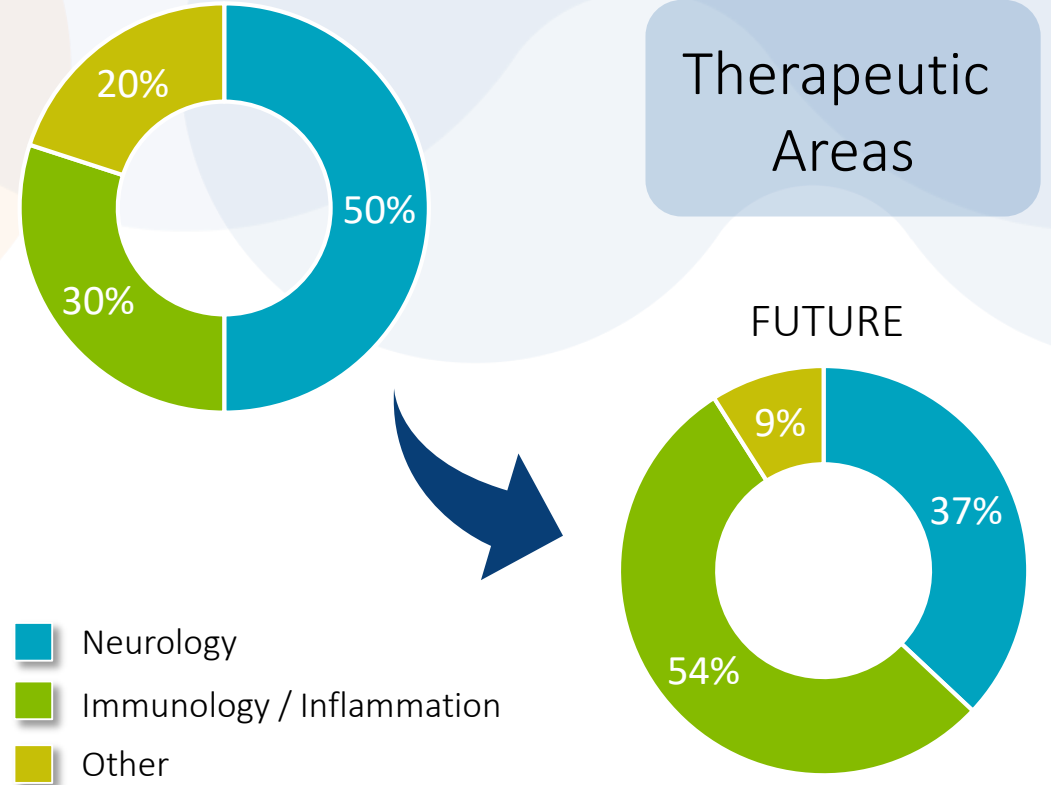
... and continue to represent the majority of new FDA drug approvals every year

Source: EvaluatePharma; US Food and Drug Administration  
Note: <sup>1</sup> Represents total conventional sales. <sup>2</sup> Excludes sales not classified by EvaluatePharma

# Narrowing focus going forward on novel targets across immunology and inflammation



Significant untapped target opportunity. Confidently going after “high hanging fruit”

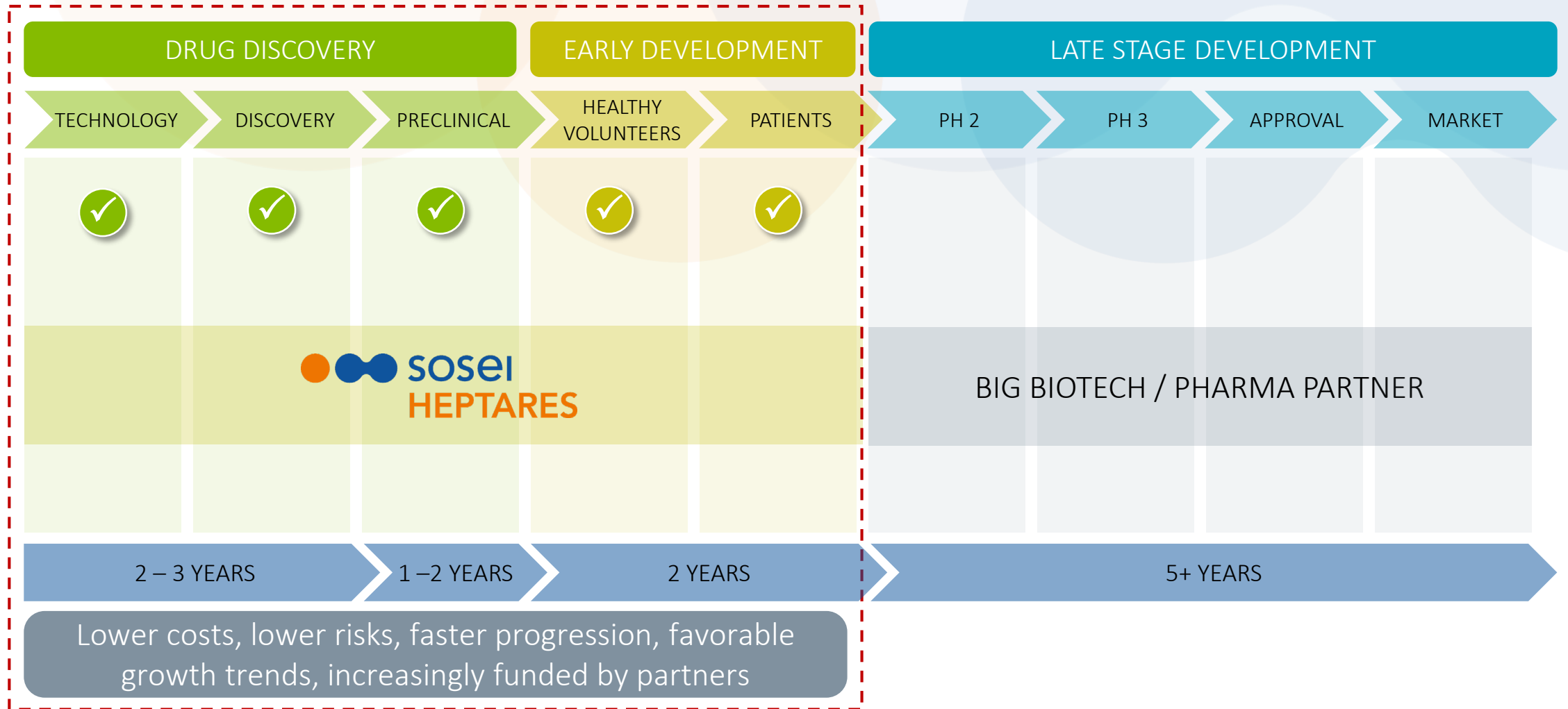


Rich source of exciting targets in immunology and inflammation particularly

Source: Management estimates

# Generate high quality novel candidates attractive to partners

Our core competencies are drug discovery and early development



# Targeting high value collaborations & long term ventures

Unique focus on lower cost, high value add programs



Strategic focus on executing new programs to be **funded by partners**



**Primary goal is \$500m+ deals** with world-leading pharma and biotech

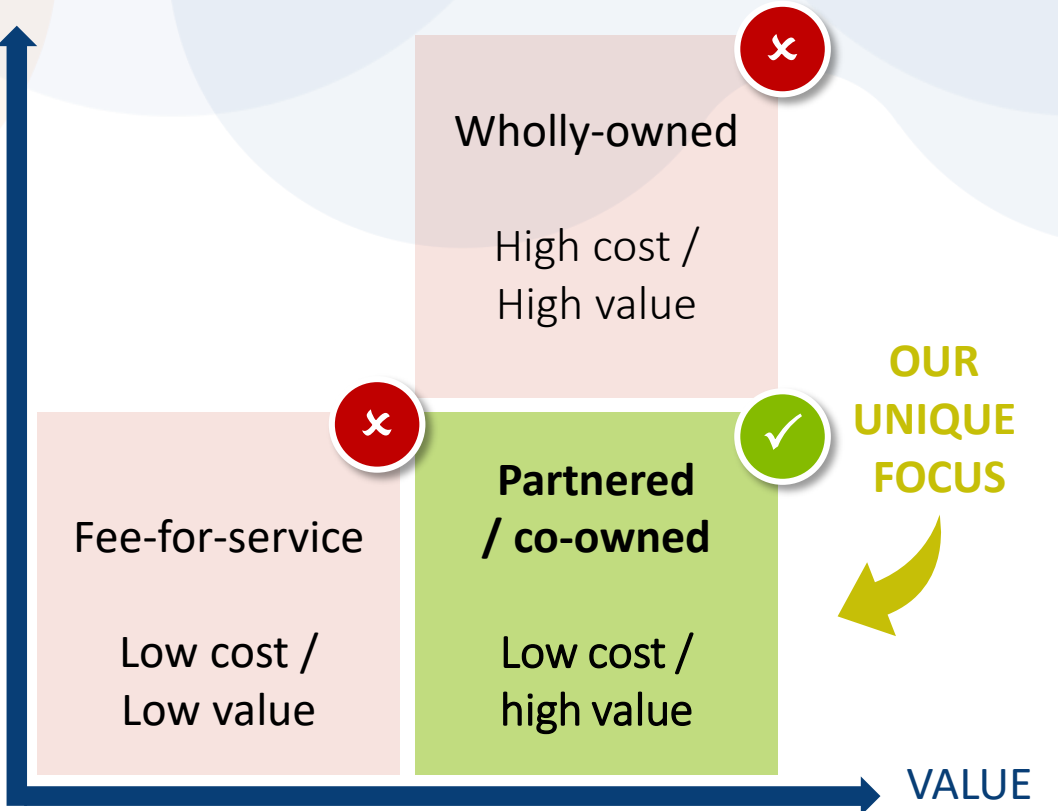


Alternatively, **seed novel candidates into long term ventures** with upside

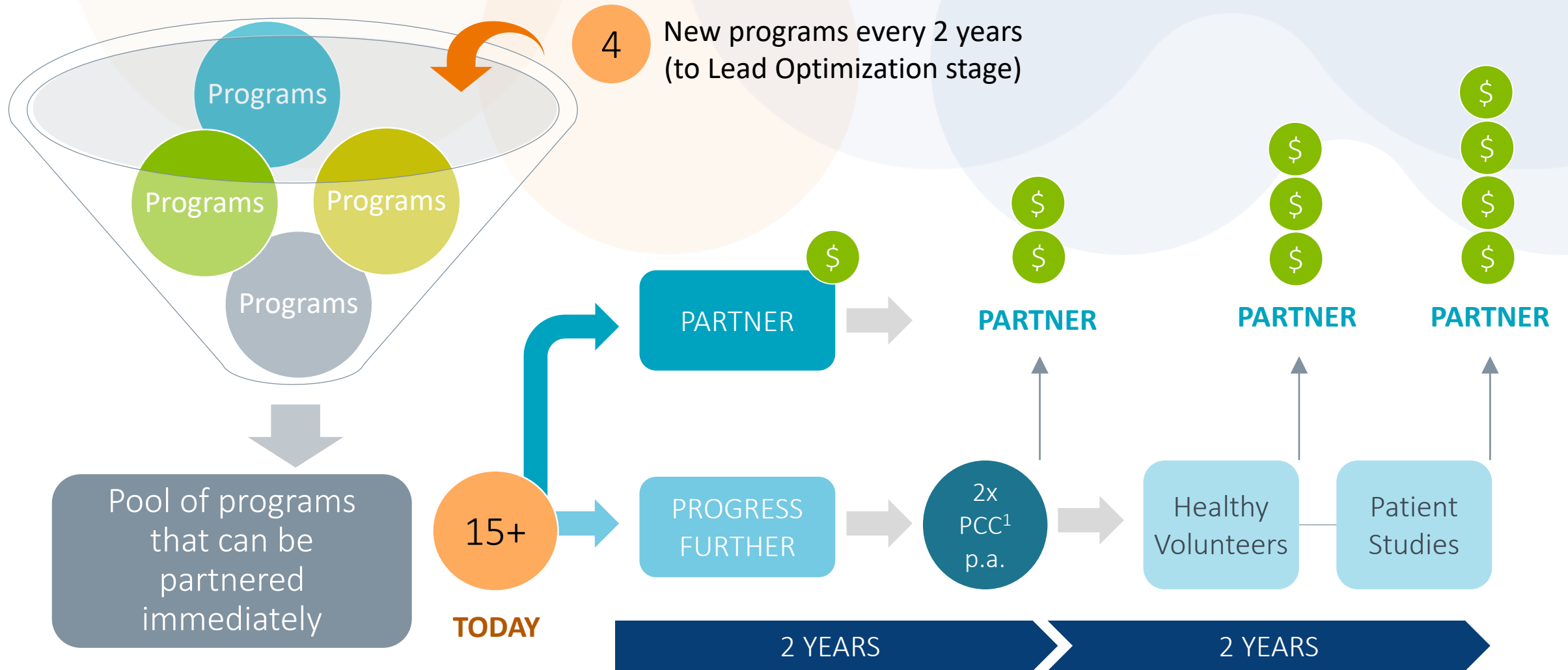
Aiming to execute 2 to 3 new high value partnerships and/or ventures with upside in 2020

## Approaches to drug discovery and development

COST ↑



# Steady state business model generating multiple value inflection points



PCC = Preclinical Drug Candidate ready for testing per year

# Perfectly positioned to be an innovation partner of choice

Big pharma are exiting UK/EU research

## ... to close UK research site

- R&D facility in Kent
- Employs 2,400 people
- Announced February 2011

## ... to close UK R&D site

- R&D facility in Horsham
- Employs 370 people
- Announced February 2014

## ... to close UK R&D facility

- R&D facility in Cambridge
- Focus R&D operations in Japan and U.S.
- Announced July 2016

## ... to shut UK neuroscience research center

- R&D facility in Surrey
- Employs 270 people
- Announced October 2019

## ... to cut vaccine division in Belgium

- R&D facility in Belgium
- Employs 720 people
- Announced February 2020

Shrinking UK/EU research capabilities creates a huge opportunity for Sosei Heptares to grow

Source: Company news; Press articles

# Continuing this year's strong momentum into FY2020

1

Maintain **technology and platform leadership** in our chosen field

2

Enter new high value drug discovery and development **partnerships with pharma /biotech**

3

Achieve **important milestones** on existing partnered programs

4

Seed multiple **new in-house discovery candidates** in strategic areas for future high value partnering

5

**Advance selected in-house programs** in early-stage clinical studies for higher value partnering

6

Create new **long-term asset-centric companies** backed by venture capital



3

Q&A





4

Appendix

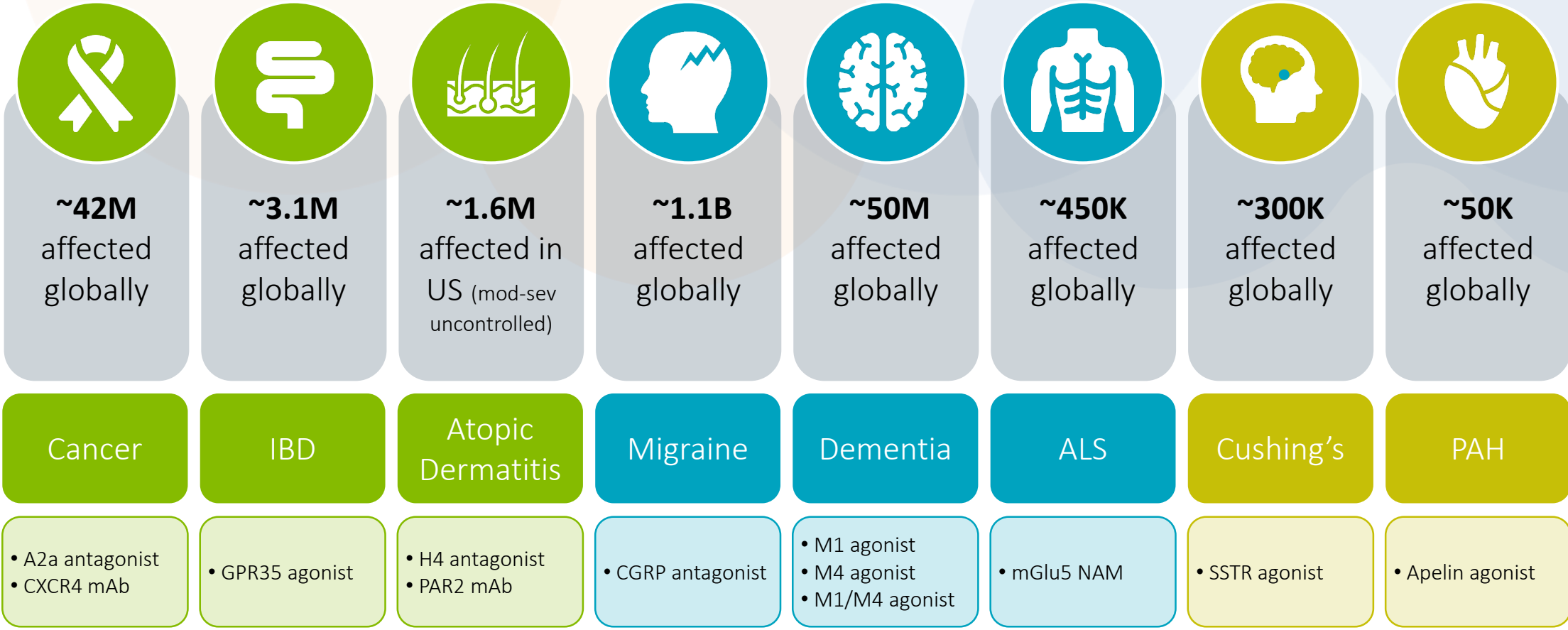
# Statutory disclosure of financials

12 months ended 31 Dec 2019 vs 9 months ended 31 Dec 2018

	JPY million		USD million	
	12m ended 31 Dec 2019	9m ended 31 Dec 2018	12m ended 31 Dec 2019	9m ended 31 Dec 2018
Revenue	9,726	2,872	89.2	25.9
Cash Cost of Sales	(851)	(335)	(7.8)	(3.0)
Cash R&D	(3,937)	(5,187)	(36.1)	(46.7)
Cash G&A	(2,164)	(1,611)	(19.8)	(14.5)
Other Cash Income	28	136	0.2	1.2
<b>Cash Profit</b>	<b>2,802</b>	<b>(4,125)</b>	<b>25.7</b>	<b>(37.1)</b>
Non-Cash Costs	(2,418)	(1,610)	(22.2)	(14.5)
Financing Costs	331	(955)	3.0	(8.6)
Equity Accounted Investments	(181)	(553)	(1.7)	(5.0)
Tax Expense	898	1,265	8.3	11.4
<b>Net Profit</b>	<b>1,432</b>	<b>(5,978)</b>	<b>13.1</b>	<b>(53.8)</b>

Note: USD:JPY FX rates used – 109.035 (2019) and 111.122 (2018)

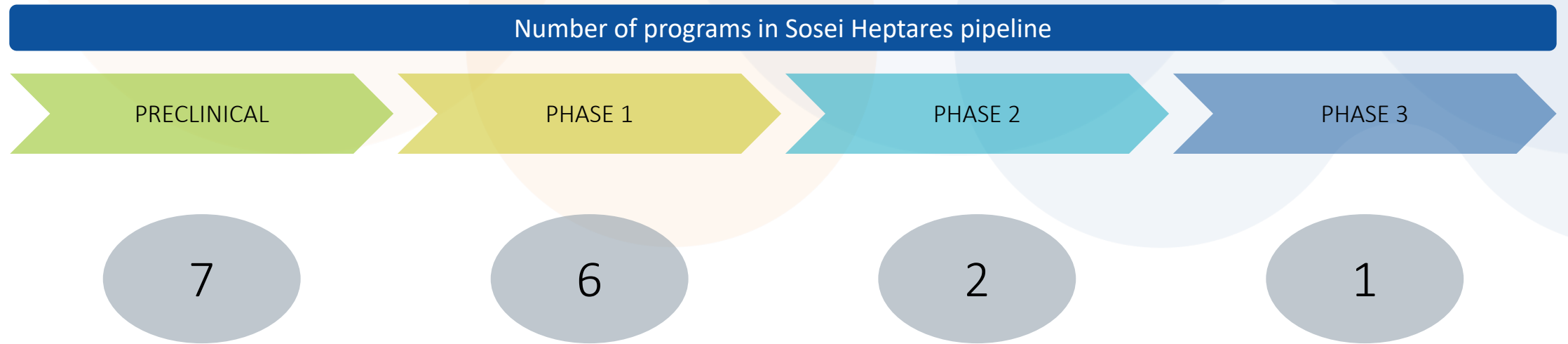
# Developing new therapies for areas of high unmet medical need



Our mission is to make a significant contribution to improving the quality of life and health of people around the world

Sources: World Health Organization, EvaluatePharma, Management Estimates. Notes: Sosei Heptares may choose to only target a segment of the specific market.

# Successful drug discovery is measured by the number of drug candidates delivered



# Locations

## SOSEI HEPTARES

PMO Hanzomon 11F  
2-1 Kojimachi, Chiyoda-ku  
Tokyo 102-0083  
Japan

Steinmetz Building  
Granta Park, Cambridge  
CB21 6DG  
United Kingdom

North West House  
119 Marylebone Road  
London NW1 5PU  
United Kingdom