

Corporate Presentation

March 2015

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Vectura today



Vectura portfolio

Technology

- FAVORITE smart nebulisation technology
- Proprietary device technologies (blister and reservoir)
- Formulation expertise (e.g. PowderHale, ParticleMax)
- Product development expertise

Marketed and pipeline assets

Partnered

- **Marketed:** Asthma, COPD, non-respiratory*
- **Pipeline:** Asthma, COPD, pulmonary hypertension, cystic fibrosis, influenza, respiratory syncytial virus

Fully owned

- **Pipeline:** Asthma, inflammatory airway diseases, chronic cough

Business model validation



Key financials

H1 2014/15

Revenue growth
(H1 13/14 -14/15)

+14%

EBITDA

£3.0m

Royalty revenue

£10.0m

Cash

£84.6m

Vectura's portfolio has emerged from the Company's product development, reformulation and drug delivery expertise and is centred around developing products to address airways diseases

Technology platforms

An unparalleled breadth of delivery technologies

Underpins our product development focus



Pre-metered foil blister DPIs

Focus for asthma/COPD programmes



Reservoir DPIs

Established technology used in Chinese JV



Smart nebuliser-based inhalation

Systems for specialty applications



Inhalation formulation technologies

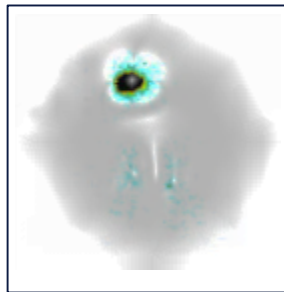
Expertise in small & large molecule developments

Rationale for FAVORITE nebulisers



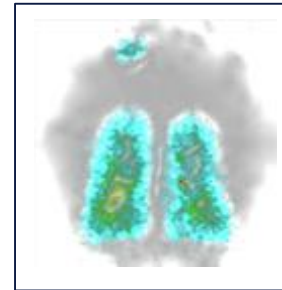
FAVORITE: Flow And VOlume Regulated Inhalation TEchnology

- Controlled breathing reduces variability in lung deposition
 - Optimises drug deposition
 - Breath actuated – no drug loss during exhalation
- Targets delivery to pre-defined specific areas of the lung
 - Tailor dosing to match each patient groups lung function
 - Alters release of drug aerosol into the airflow during the inhalation process



Tidal Breathing

(typical short and abrupt inhalation pattern)



FAVORITE Inhalation

(slow and deep bolus inhalation)

On-market products

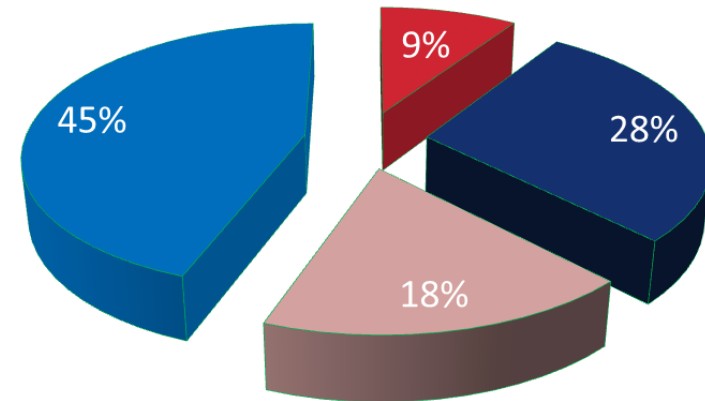
Attractive commercial opportunity



Revenue mix driven by new product sales

- ❖ **Royalties growing year-on-year**
 - Roll-out of Novartis partnered branded assets and AirFluSal® Forspiro® continues
- ❖ **Pipeline progression marked by milestone receipts**
 - Generics
 - Two milestones on VR315 US in 2014/15
 - US licence agreement for VR506 signed

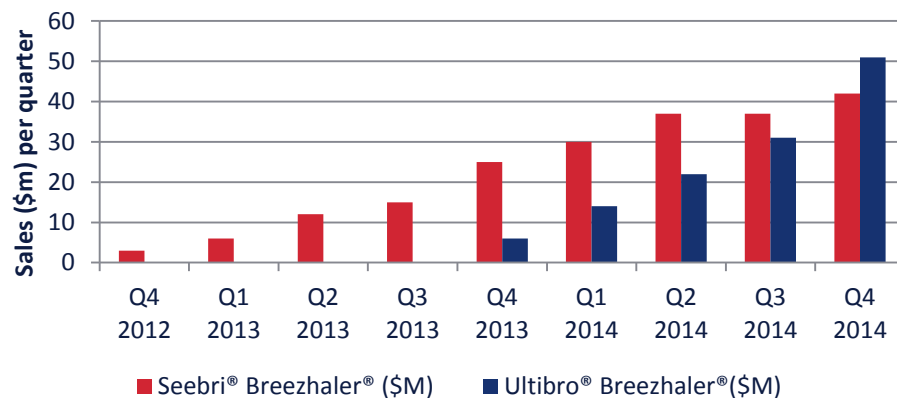
Estimated total value of drug classes in 2018¹ >\$22bn



■ ICS ■ LAMA ■ LABA + LAMA ■ LABA + ICS



Novartis Product Net Sales by Quarter



Source: Total Net Sales booked by Novartis

Pipeline summary

Pipeline



- Partnered
- Wholly owned
- Generic

VR588
Severe Inflammatory Airways disease (Global)

VR611
Airways Inflammation & Chronic Cough (Global)

VR942 (UCB)
Inflammatory Airways disease (Co-development global)

VR475
Severe Adult Asthma (US)

VR465 (Ablynx)
RSV Infection (Global)

VR096 (Janssen)
Anti-inflammatory Asthma/COPD (Global)

VR647
Paediatric Asthma (Global)

VR179 (Grifols)
Cystic Fibrosis (Global)

VR736 (Ventaleon)
Severe Influenza (Global)

VR475
Severe Adult Asthma (EU)

VR876 (partnered, undisclosed)
Pulmonary Hypertension (Global)

VR315 (undisclosed partner)
Asthma (US)

VR506 (undisclosed partner)
Asthma (US)

VR632 (Sandoz)
Asthma (EU)

NVA237 (Novartis)
COPD (US)

QVA149 (Novartis)
COPD (US)



Delivering on the pipeline expectations



Linking clinical progress with financial objectives

- ✔ Nine pipeline assets expected to launch over period to 2021
 - Estimated target market sizes total >\$25bn¹
- ✔ Over \$200m in potential milestones from existing deals
 - Approx. \$40m related to sales milestones and c.\$170m from development milestones
- ✔ Potential revenue CAGR >25% through 2014-2021
 - Operational leverage achieved through cost control
 - R&D to be kept within stated range
 - Portfolio prioritisation assists in controlling R&D annual spend

¹ Source Decision Resources 2014 Pharmacor series. Note NVA237 & QVA149 potential includes global sales

Outlook

Financial highlights H1 2014/15



Revenue growth

Driven by 45% increase in royalties

+ 14%

£19.4m

(H1 2013/14 £17.0m)

EBITDA¹ progression

+ 30%

£3.0m

(H1 2013/14 £2.3m)

Balance sheet strength

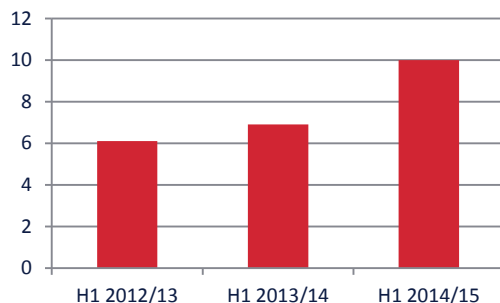
Cash and cash equivalents

+ £2.9m

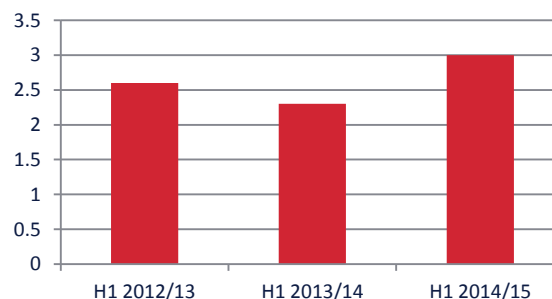
£84.6m

(At 31 March 2014 £81.7m)

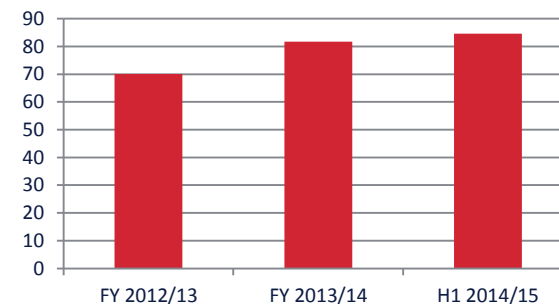
Royalty income



EBITDA progression



Cash balance



Growing royalty revenues from newly-marketed products will support EBITDA¹ progression

¹ Earnings before investment income, finance gains, tax, depreciation, amortisation, share-based compensation and adjusted for non-recurring expenditure

Continued focus on capital allocation



Poised to generate significant cash flow per share

- ✔ **Materially advanced our partnered programmes over the past two years**
 - High-quality recurring revenues from a growing number of sources
 - Baxter, Novartis, Sandoz, GSK
 - High gross margins associated with royalties
 - Aim to garner increased economics when our technology can be leveraged
- ✔ **Robust balance sheet maintained through this period**
 - Future R&D spend will be prioritised
 - Current FY guidance of £40m-£45m unchanged
 - Maintain estimated range of £40m-£52m over coming years
 - Increased number of revenue-generating opportunities in the near-term
 - Setting transparent medium-term parameters to re-enforce financial discipline
- ✔ **Significant tax benefits from the patent box has positive impact on valuation**

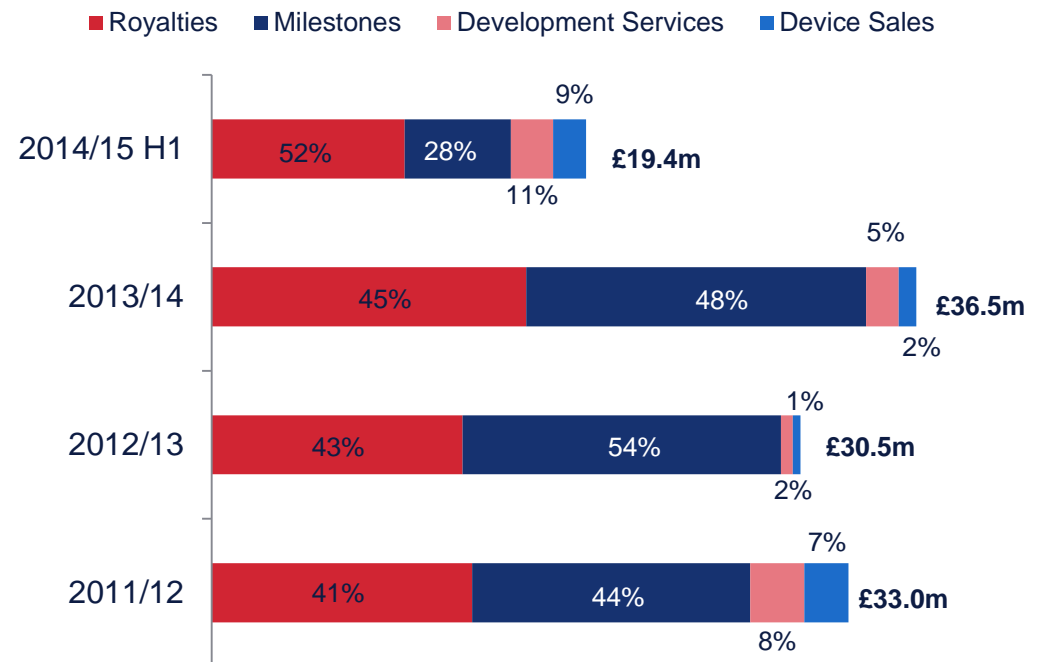
Evolving business model



Driving R&D to earliest value inflection point

- Immediate focus on hybrid model
 - Partnering, co-development and potential self-commercialisation
 - Continuing to evaluate the landscape for attractive opportunities
 - Both dry powder and liquid formulation
- Royalty model has been demonstrably successful
 - High-margin, high-growth, recurring revenue
 - Patent box tax incentives
- Continued disciplined cash control augmented by portfolio prioritisation
 - Will enable R&D costs to be contained within limits over a period of time
 - Broad portfolio diversity enhances chances of success

Revenue growth



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