VECTURA

Executing on our inhaled specialist CDMO strategy

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WHO WE ARE

Cash generative business with over 20 years' experience in inhaled product development

Established
1997
Spin-out from Bath University

UK listed
FTSE250
constituent company

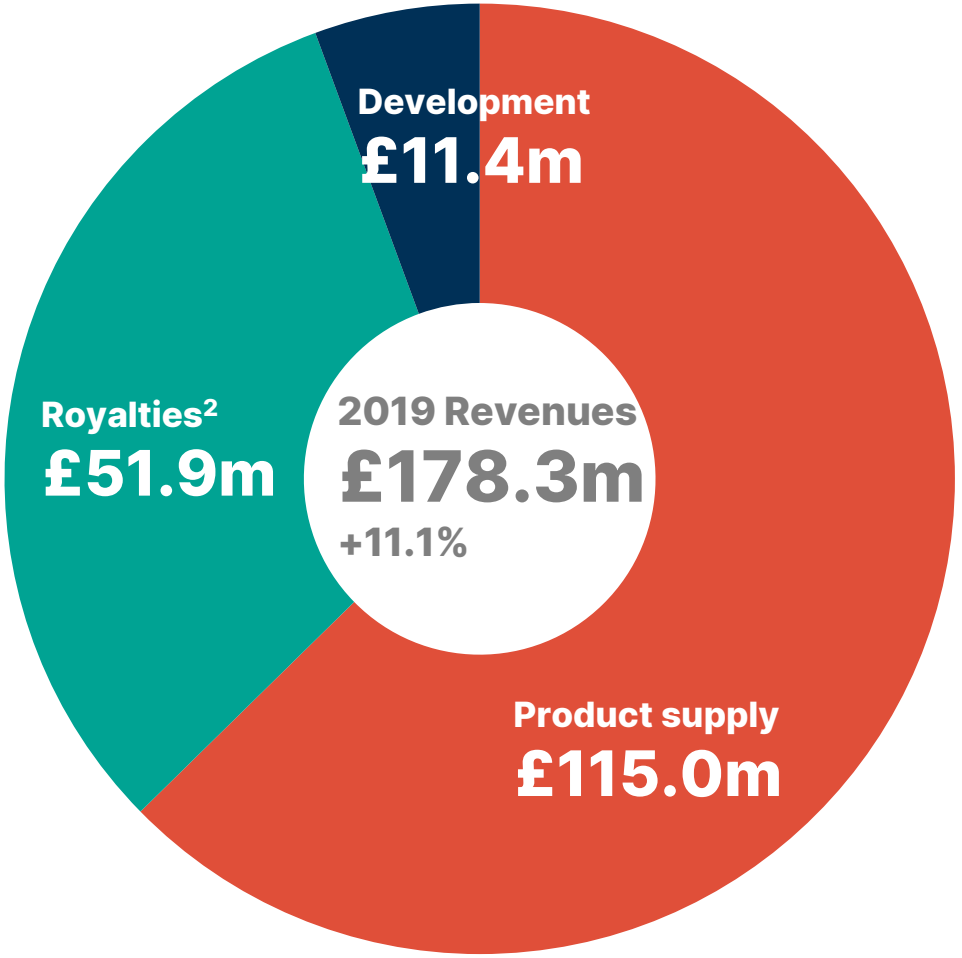
Employees
~450
working internationally across five sites

Widely used technology
11
Inhaled products on the market utilising Vectura's IP

2019 Revenue
£178.3m
+11% versus 2018

2019 Adj. EBITDA[1]
£43.4m
+11% versus 2018

Cash balance H1 2020
£81.9m
31 Dec 2019: £74.1m



1 Adjusted EBITDA is calculated as reported operating profit/(loss), adjusted by adding back depreciation, amortisation, impairment, share based compensation, and exceptional items
2 Royalties comprise royalties, sales-based milestones, and product approval and launch milestones

WHAT WE DO

Providing inhaled drug delivery solutions that help our customers bring their medicines to patients

Molecules

Drug delivery solutions

Formulation

Proven formulation capability

Device platforms

Proprietary devices and development capability: DPIs, MDIs & nebulisers

Inhaled medicines

Complex drug device selection → Device design & development → Full pharmaceutical development → Device scale-up & industrialisation → Technology transfer & manufacture

Rich heritage and strong track record of delivering inhaled solutions

Our partners and licensees

BAYER · hikma. · 金港集团 KINGYORK · Kyorin · mundipharma · NOVARTIS · SANDOZ A Novartis Division

Inhaled products using our technologies

20 years
of experience

11
inhaled products currently on the market

£142m
2019 revenues from inhaled products using our technology

c. $11bn*
cum. sales of inhaled products using our technology since initial launch in 2012

*Evaluate Pharma and partner quarterly reports

Ambition for Vectura

1. Create the market leading company in the inhalation CDMO space
2. Further enhance Vectura's capabilities and performance culture
3. Deliver long-term growth and sustained returns

EXECUTING OUR STRATEGY

Targeting an attractive inhalation segment in a growing CDMO market

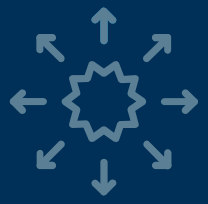
c.7%[1]

strong underlying CDMO market growth

Increasing trend towards outsourcing

~40-45%[3]

of projects outsourced over the next 5 years in large and small pharma



Market need for innovation

87%[2]

small and medium companies

Growth of inhalation as a medicine delivery route

~300[2]

new molecules where inhalation is the primary route of administration

Inhaled product development is complex

70%[2]

in development are Pre-Phase II across multiple disease areas

1 Results Healthcare – November 2020 Whitepaper

2 Global Data pipeline analysis (July 2019) – "Respiratory" includes infectious disease assets Small & medium-sized respiratory companies excludes companies with significant in-house inhalation capabilities: Astra Zeneca, GSK, Bayer, Novartis, BI, Pfizer, Chiesi, Orion

3 Expert interviews (n=20) and expert survey (n=35) based on a sample of executives from CDMOs, pharmaceutical and medtech companies.

EXECUTING OUR STRATEGY

Focused on building an industry leading specialist inhaled CDMO

Sales & Marketing

- First-class commercial team now established
- Distinctive new company brand
- Driving funnel growth and customer diversification

Product Development

- Executing technology roadmap
- Investing in innovation
- Managing diverse range of projects

Operations

- Simplifying group processes
- Operational & quality excellence
- Efficient lean supply chain management

EXECUTING OUR STRATEGY

Establishing a first-class sales and marketing function to drive business growth

New business development team established

- Led by Mark Bridgewater, Chief Commercial Officer
- Presence in Europe & East and West Coast US
- Continued momentum in deal funnel

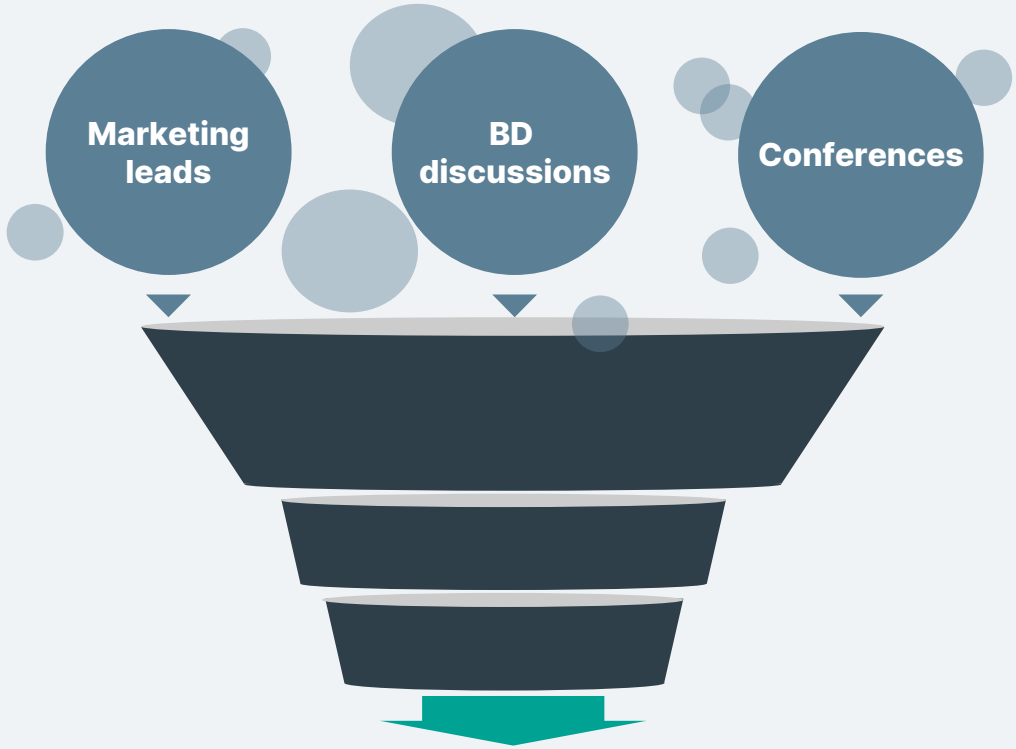
Supported by strategic marketing effort

- New distinctive brand identity launched
- Multi-channel campaigns
- Lead generation, conversion and business growth

Driving scientific thought-leadership in inhalation space

- Focused webinars on key inhalation trends
- Presence at a broad range of industry conferences
- Journal publications

Building momentum within the funnel to drive business growth



Types of deal

Feasibility studies

Phase I

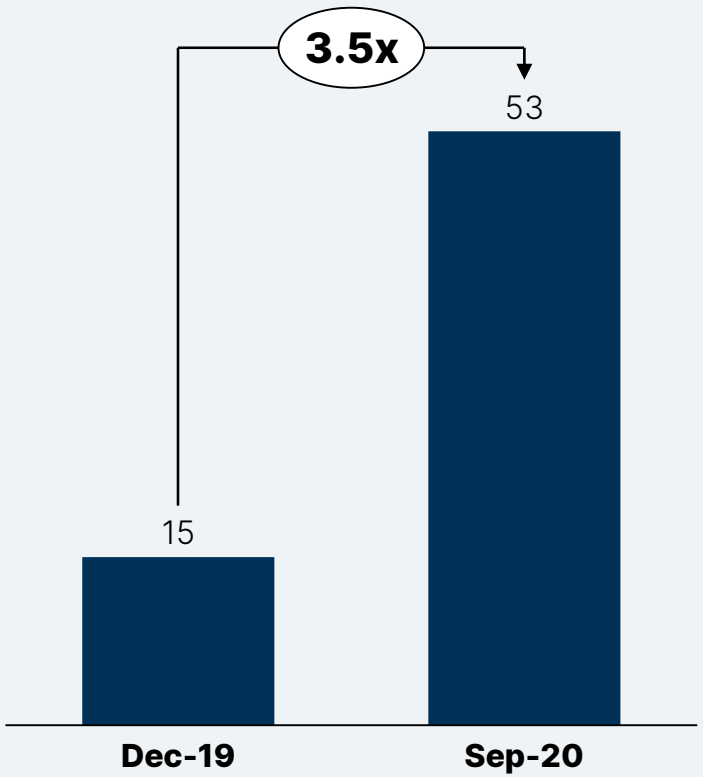
Full development

Commercial scale-up

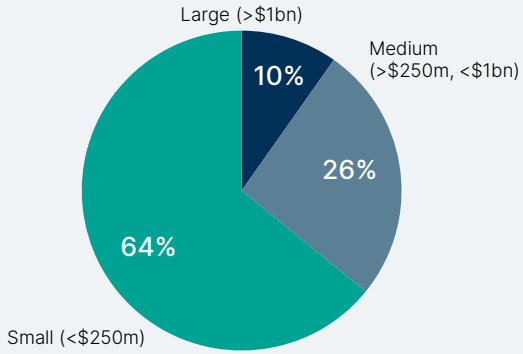
EXECUTING OUR STRATEGY

Diversifying our customer base and increasing the funnel

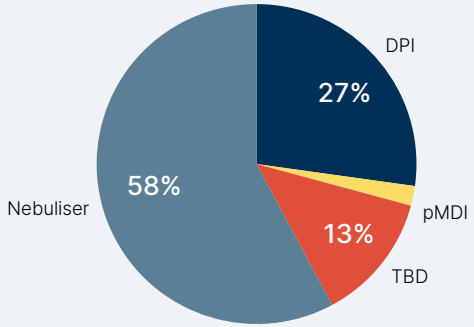
Number of Companies in the deal funnel[1]



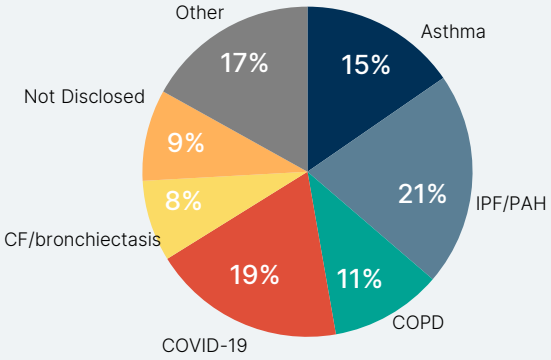
Size of Client[2]



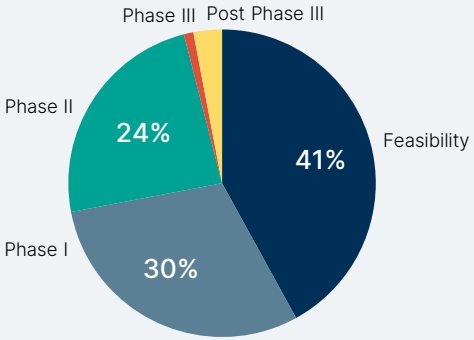
Platform[2]



Indication[2]



Phase of Development[2]



1 Defined as individual customers with active opportunities in the deal funnel. VEC may have more than one identified opportunity per customer.

2 Criteria as a percentage of opportunities in the funnel.

Execution on early deals across a range of indications to drive early-stage CDMO revenue in H2 2020

12 deals[1]

- 9 Feasibilities
- 2 Phase I/II
- 1 Full-development deals, including potential licensing milestones & royalties

22 molecules

- 6 small molecules
- 16 biologics
- Range of delivery platforms; 2 DPI, 10 nebuliser

7 indications

- 2 Asthma/COPD
- 3 Specialist respiratory; Cystic Fibrosis, IPF and PAH
- 1 Postpartum haemorrhage
- 1 COVID-19

1 Period covered 1 January 2020 to 14 September 2020

EXECUTING ON OUR STRATEGY

Diversity of deals demonstrate the breadth of our capabilities

MONASH University

Inhaled oxytocin for prevention of postpartum haemorrhage

- Monash working with a number of industry partners, including Janssen and GSK
- Novel repurposed drug
- Dry-powder delivery seeks to overcome limitations of injectable delivery, particularly in low and middle income countries
- Phase I formulation

AERAMI therapeutics

Inhaled imatinib for pulmonary arterial hypertension

- Novel repurposed drug with Orphan Drug Designation
- Delivery via FOX® nebuliser seeks to overcome limitations of injectable and oral delivery
- Global licensing and development deal, including commercial device supply

Select non-public deals

Dry-powder programme with US Start-up

- Preparing for first-in-human studies

FOX® feasibility study with German Pharma

- One device platform to deliver multiple early-stage respiratory biological compounds
- Opportunity for full-development and commercial device supply

Dry-powder Phase I programme with US Biotech

- Aiming to improve tolerability of medication through inhaled delivery
- Opportunity for full-development

CLOSING REMARKS

Creating the market leading company in the inhalation CDMO space

- **Performance on-track for a positive 2020**
  - Balance sheet strength maintained
  - Approval of VR315 (generic Advair®[1]), partnered with Hikma, now expected in H1 2020

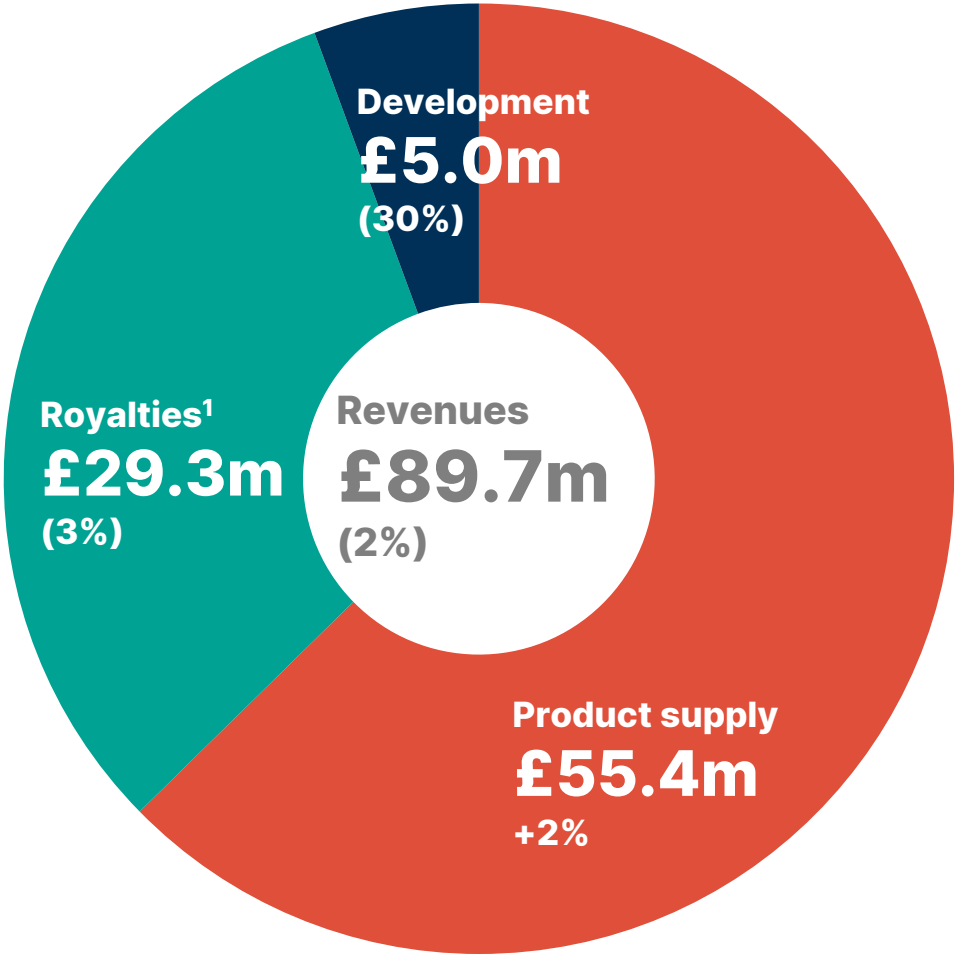
- **Continued momentum against inhalation CDMO strategy**
  - Investment in Business Development and Marketing reflected in deal funnel growth
  - 12 new deals signed to date
  - Operational transformation continues

1 Advair® and Advair Diskus® are registered trademarks of Glaxo Group Limited.

Q&A

Appendix: 2020 Interim Financial Results

Full-year 2020 performance on-track



***flutiform*® revenues**
+3%
£52.9m H1 2019: £51.4m

Adjusted EBITDA[2]
(8%)
£23.1m H1 2019: £25.1m

Adjusted EBITDA[2] margin
26%
H1 2019: 27%

Earnings per share
0.3p
H1 2019: (2.0p)

Free cash flow[3]
£14.2m
H1 2019: (£1.6m)

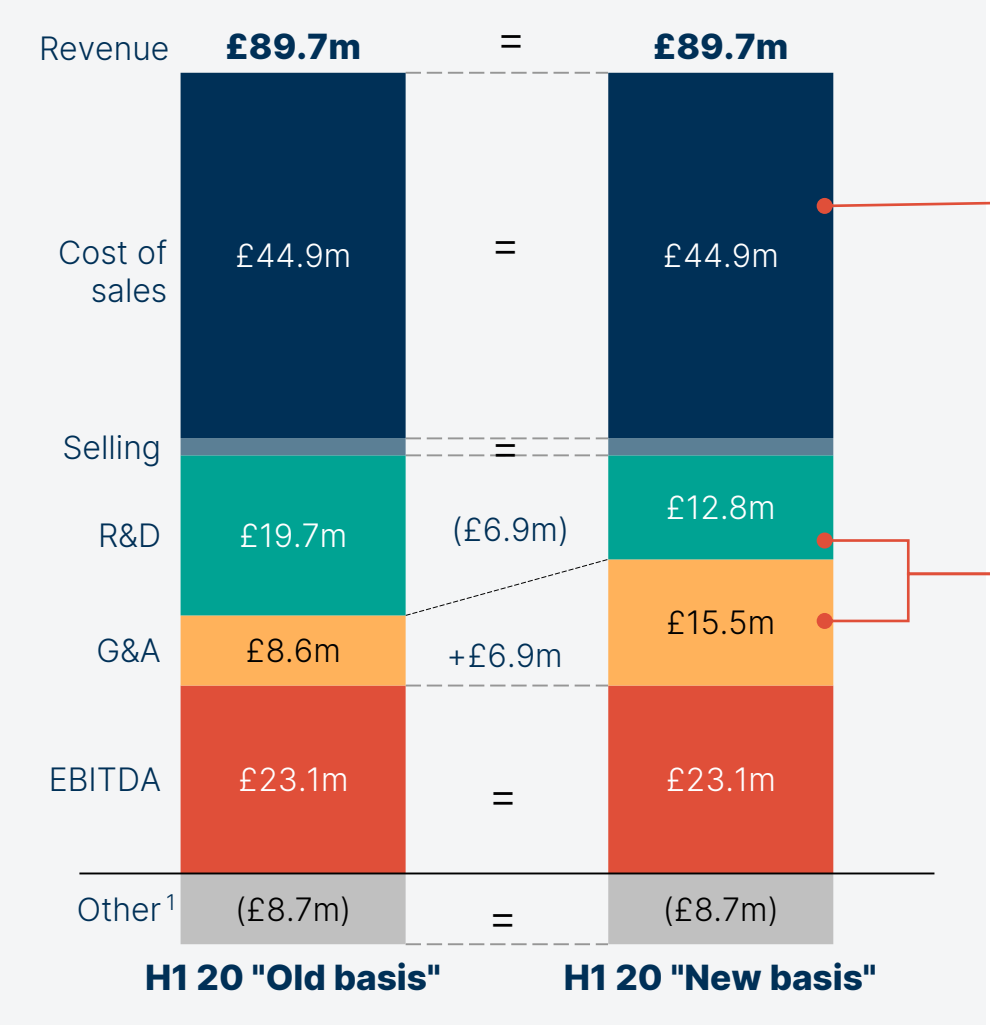
Capital return[4]
£9.2m
H1 2019: £Nil

Cash balance
£81.9m
31 Dec 2019: £74.1m

1 Royalties comprise royalties, sales-based milestones, and product approval and launch milestones
2 Adjusted EBITDA is calculated as reported operating profit/(loss), adjusted by adding back depreciation, amortisation, impairment, share based compensation, and exceptional items
3 Net cash inflow from operating activities, less net capital expenditure and lease and mortgage payments
4 Capital return represents £9.2m share buy back, of which £6.5m relates to the completion of the first tranche of £10m. As at 14th September, £1m remaining of previously announced £10m second tranche, due to complete in 2020

Reporting structure aligned to CDMO peers

Move from reporting as an R&D 'pipeline' business to a broader CDMO business model



1

Cost of sales includes costs incurred to deliver CDMO ("fee for service") revenues

- For both inhaled and non-inhaled CDMO contracts from 2020 onwards

2

a) R&D costs[2] encompass costs to support:

- Existing co-development agreements
- VEC proprietary technology platform innovations

b) G&A costs[2] encompass general and administrative costs 'shared' across the business

- Includes HR, Finance, and IT costs previously considered as dedicated to R&D

1 Other income or expenses, and adjustments from EBIT to EBITDA. Adjustments made to arrive at EBITDA are unchanged.

2 Reflects a voluntary change in accounting policy.

Consolidated income statement: new basis

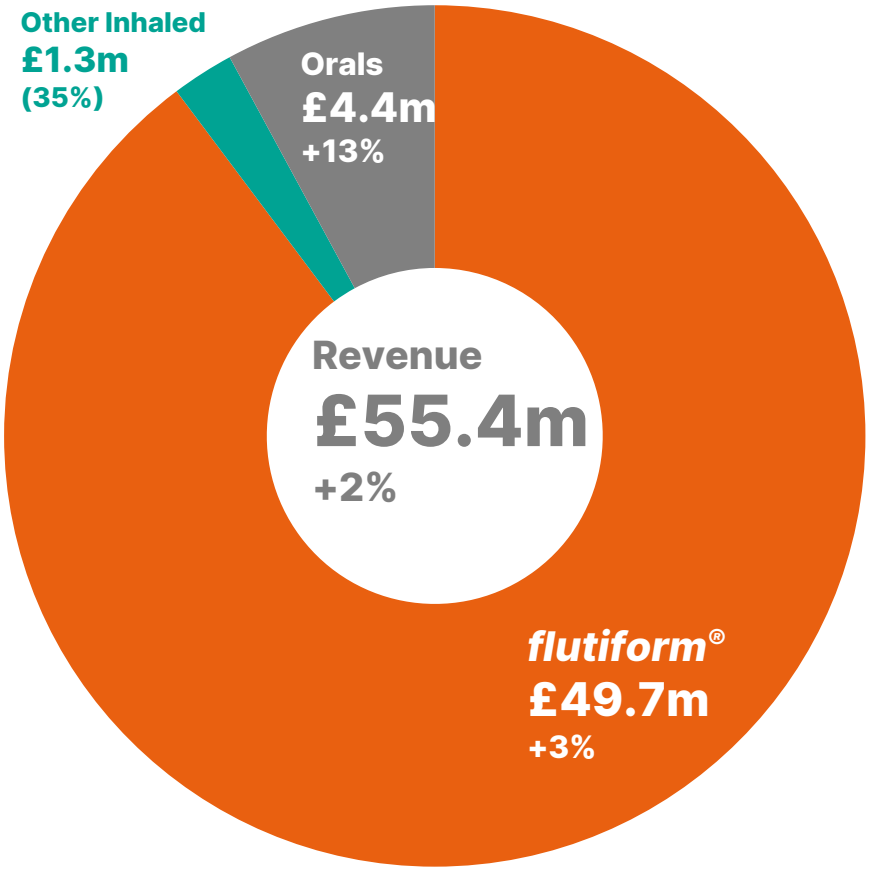
	H1 2020	H1 2019	% change
Revenue	**£89.7m**	£91.7m	(2.2%)
Gross profit	**£44.8m**	£51.9m	(13.7%)
Research and development	(£12.8m)	(£18.1m)	(29.3%)
Other expenditure	(£16.1m)	(£14.8m)	8.8%
Adjusted EBITDA[1]	**£23.1m**	£25.1m	(8.0%)
Adjusted EBITDA[1] margin %	*25.8%*	*27.4%*	*(1.6)ppts*
Operating profit/(loss)[2]	**£2.9m**	(£14.1m)	n/m
Basic profit/(loss) per share[2]	0.3p	(2.0p)	n/m
Free cash flow[2,3]	**£14.2m**	(£1.6m)	n/m

	30-Jun	31-Dec	% change
Cash and cash equivalents[4]	**£81.9m**	£74.1m	10.5%

1 Adjusted EBITDA is calculated by adjusting reported operating loss for non-cash items such as depreciation, amortisation and share based compensation, as well as exceptional items
2 Percentage movement considered "not meaningful" (n/m) as metric has moved from a loss in the prior period to a profit in current period
3 Net cash inflow from operating activities, less net capital expenditure and lease and mortgage payments
4 Comparative as at 31 December 2019

PRODUCT SUPPLY REVENUES

flutiform® revenue growth driven by partner supply chain management and strong in-market volume growth

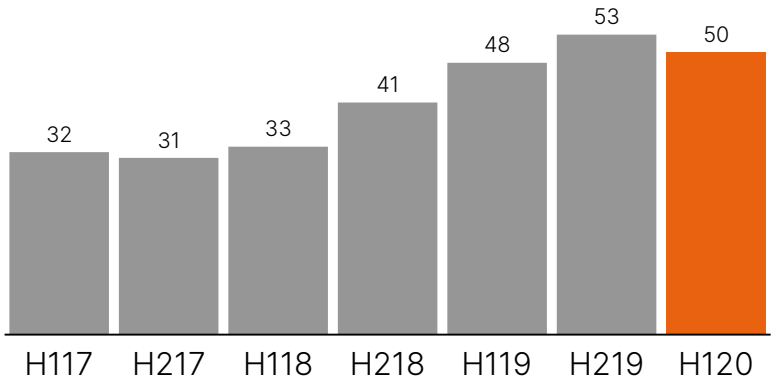


ICS/LABA market and *flutiform*® in-market sales growth H1 2020 vs H1 2019 CER[1]

	ICS/LABA market volumes	*flutiform*® value	*flutiform*® volumes
Europe	6.8%	9.4%	12.1%
Japan	3.6%	6.2%	6.2%
RoW	6.8%	(11.4%)	(9.0%)
Total[2]	**6.6%**	**5.6%**	**7.0%**

Note: growth rates in impacted by currency movements, with *flutiform*® absolute growth +9.2% in Europe +10.7% in Japan and (10.2%) in RoW

Total *flutiform*® product supply revenues (£'m)



1 IQVIA SMART MIDAS constant currency sales and volume data. Regions in which panels were not complete by 14th August are excluded from data.

2 ICS/LABA market excludes US, where *flutiform*® is not available.

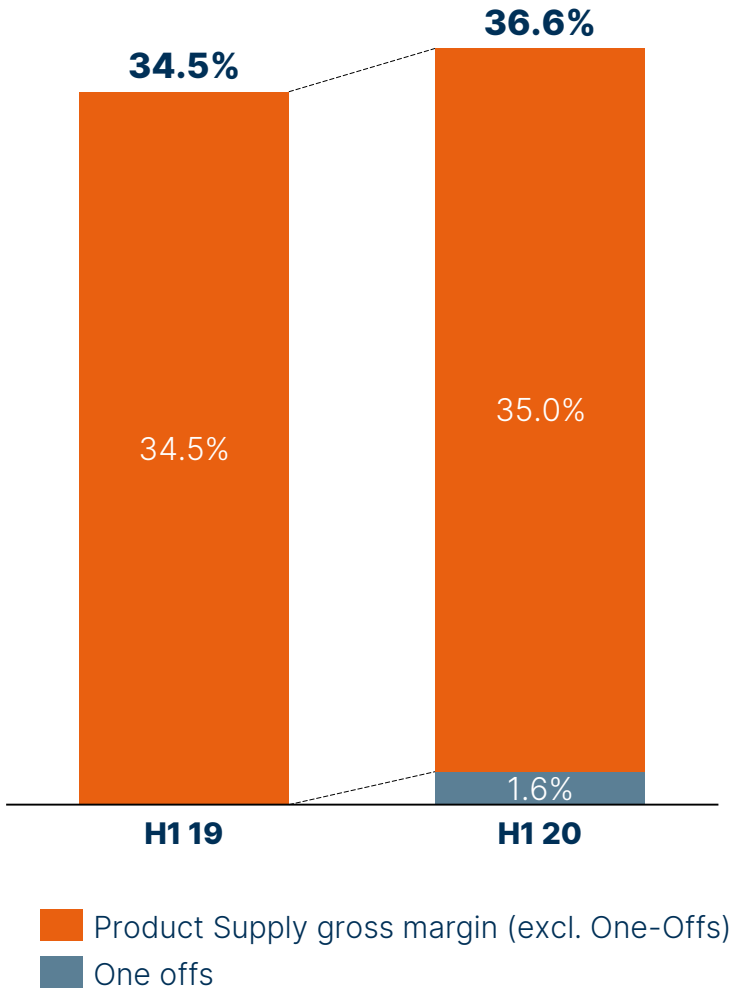
Constant currency in-market sales for 2Q MAT per IQVIA SMART MIDAS were €264m, a 7% increase on the prior period; €126.8m in Europe (+7.4%), €108.6m in Japan (+7.5%) and €28.2m (+4.0%) in Rest of World territories

PRODUCT SUPPLY REVENUES

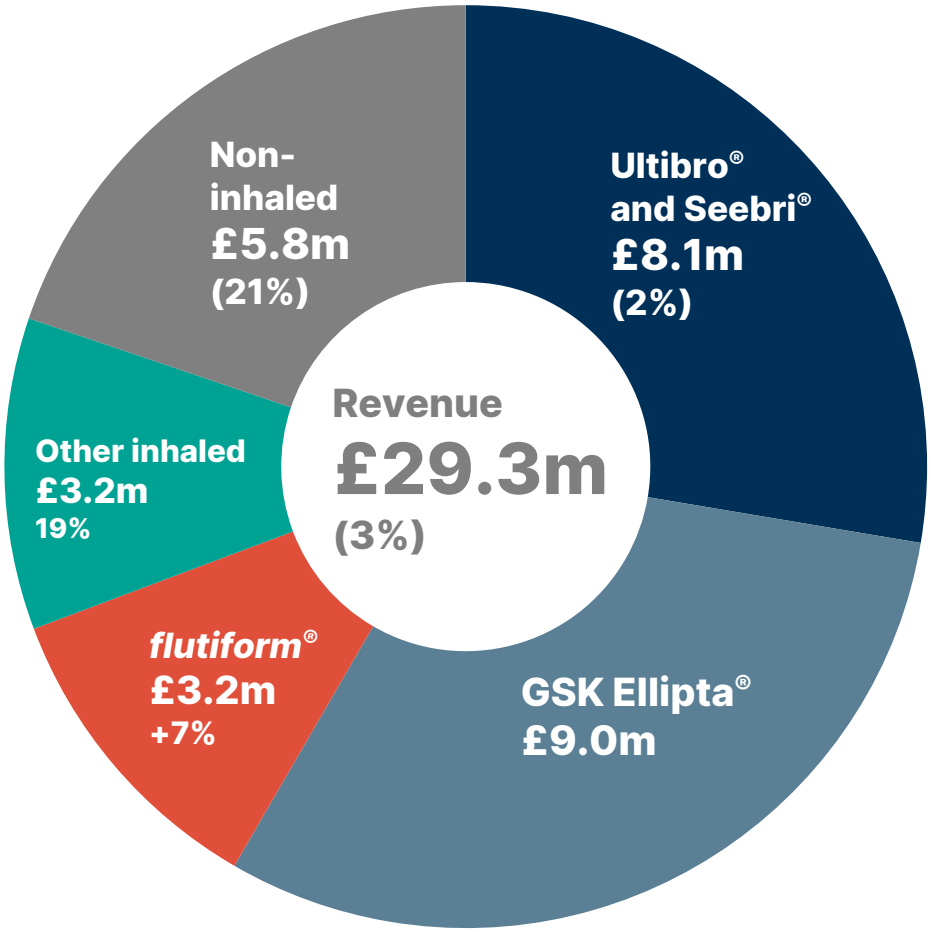
Underlying *flutiform*® product supply margin maintained, with Brexit related testing impact expected in H2

- ***flutiform***® gross margin up 2.1 percentage points versus H1 2019:
  - Underlying margin maintained due to focused cost reduction efforts, offset by price reductions in Japan and rest of world
  - One-off supplier credit for 2018/19 benefitting margin by 1.6 ppts in H1 2020
- Underlying gross margin for FY2020 expected to be within range of 30%-32%, reflecting:
  - Dose presentation mix effect
  - Continued price impacts in Japan and rest of world
  - Increased Brexit related compliance costs

flutiform® **product supply gross profit margin evolution (%)**



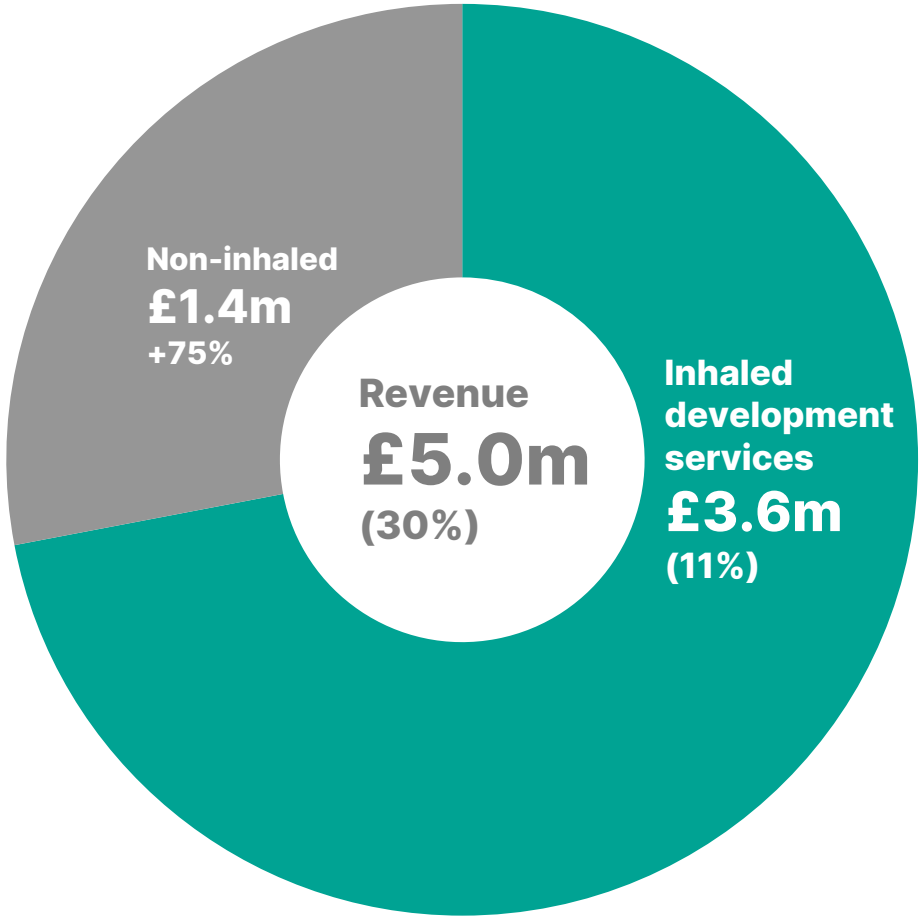
Royalties down versus prior period as a result of market conditions



- **Enerzair® (QVM149) now approved** in Japan and EU:
  - Japan milestone £1.0m recognised in H1 2020
  - EU milestone of £4.1m recognised in H2 2020
- **Ultibro® and Seebri®** royalties £8.1m, down 2% versus prior period (-4.9% CER)
- ***flutiform®*** royalties from Kyorin £3.2m, up 7% (+2% CER)
- **GSK Ellipta®** royalties received in H1 2020
- **RAYOS®** royalties £4.1m, down 16%, reflecting impact of COVID-19
- **VR315 (generic Advair®)** potential approval H2 2020
  - Approval milestone $11m
  - Royalties mid-teen percentage of net sales

DEVELOPMENT REVENUES

Co-development milestones and new CDMO contract revenues heavily weighted to H2



- **Prior year revenue reflecting** licensing income of £2.3m recognised in H1 2019[1]
- Development revenue recognised for **generic Ellipta®** and **VR2081** in-line with programme progression. Cash received in prior years
  - *flutiform®* k-haler® development revenues declined as expected
  - Non-inhaled development revenues grew strongly as new clients acquired
- **Full year development revenues more heavily weighted to H2 2020:**
  - Potential **Milestone payments** from both generic Ellipta® and VR2081 programmes
  - Impact of **new CDMO** licence and service contract signings

1. QVM149 (Enerzair®) filing milestone of £1.9m ($2.5m) recognised as licensing income in H1 2019

R&D EXPENDITURE (NEW BASIS)

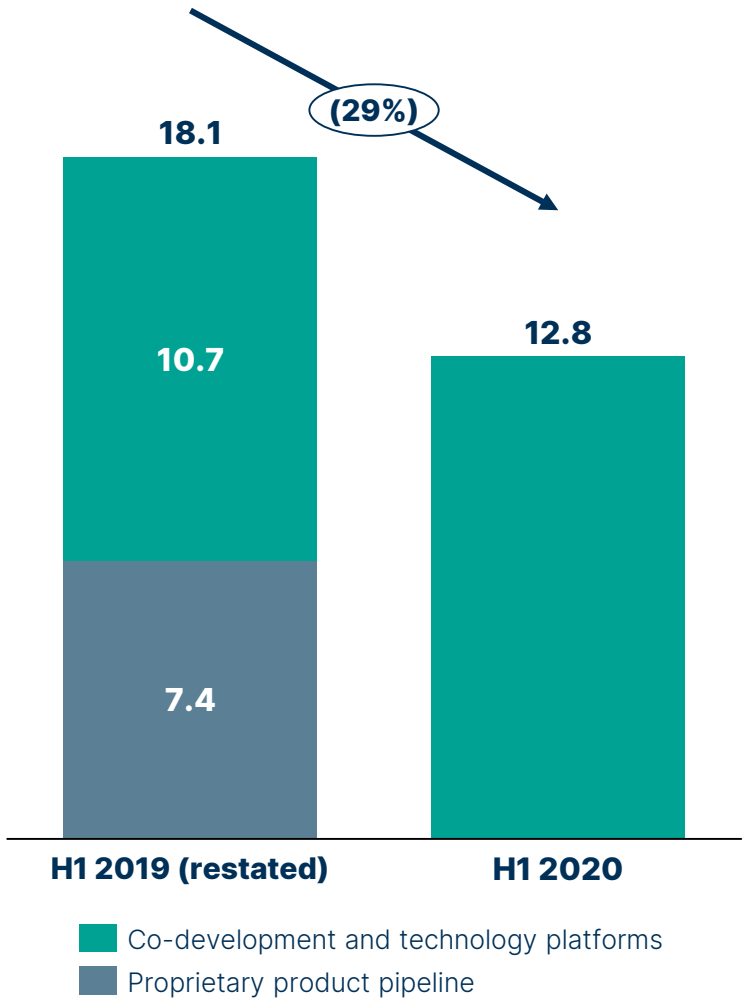
R&D spend down 29%, as focus pivots away from proprietary product pipeline

- **R&D expenditure down** 29% versus H1 2019 largely reflecting stop on further investment in proprietary product pipeline
- **Scope of reported R&D spend now focused on:**

1. **Existing co-development agreements:**
   - Shared investment, risks and rewards with partner
   - Principal agreements are generic Ellipta® with Hikma, and VR2081 with Sandoz

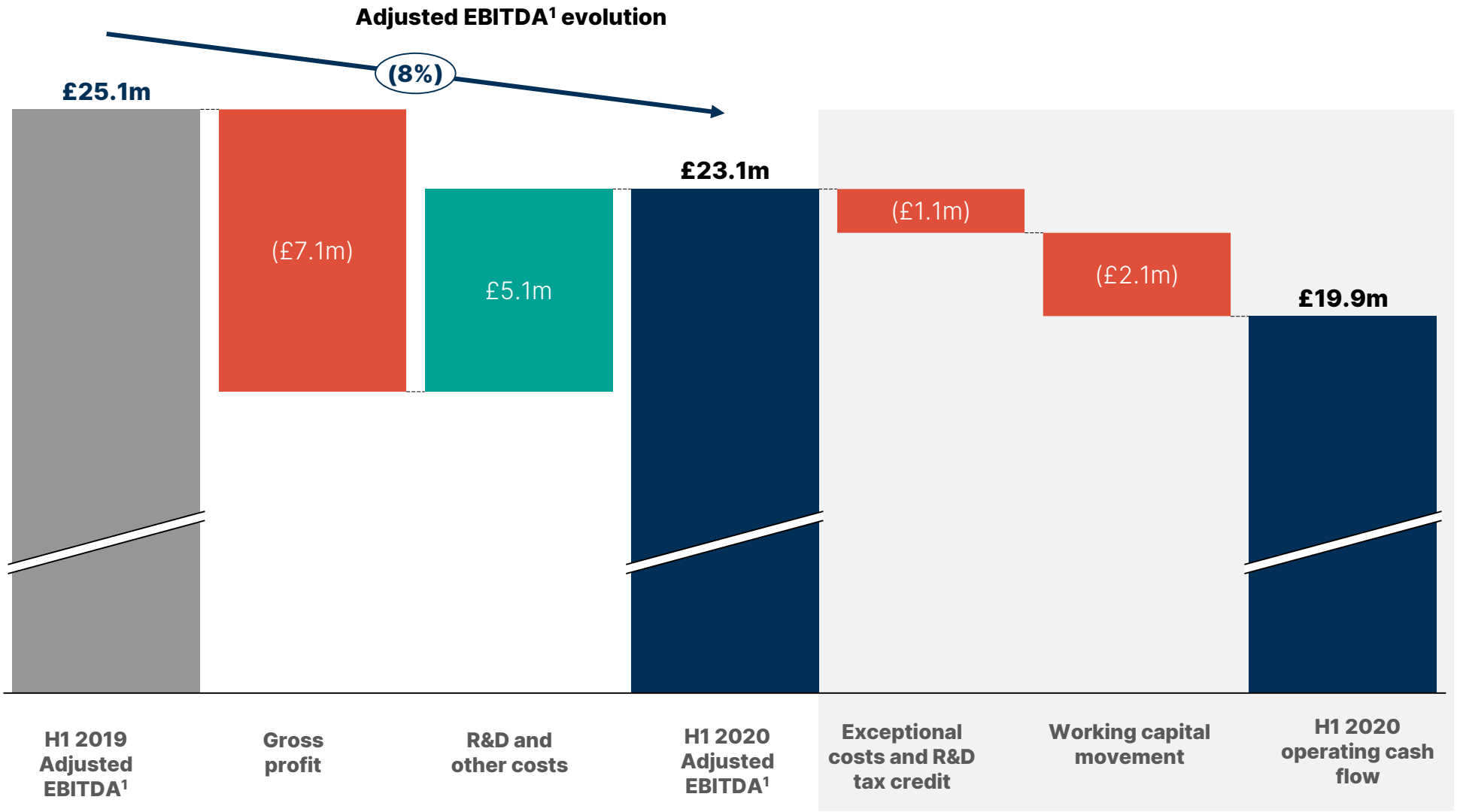
2. **Technology platform investments** – building differentiation and long-term value through:
   - Investments in device and formulation innovation
   - Further expanding VEC intellectual property estate

R&D expenditure by category (£m; % growth vs PY)



EBITDA MOVEMENTS

Lower gross profit partially offset by declining R&D spend; EBITDA to operating cash conversion ~86%

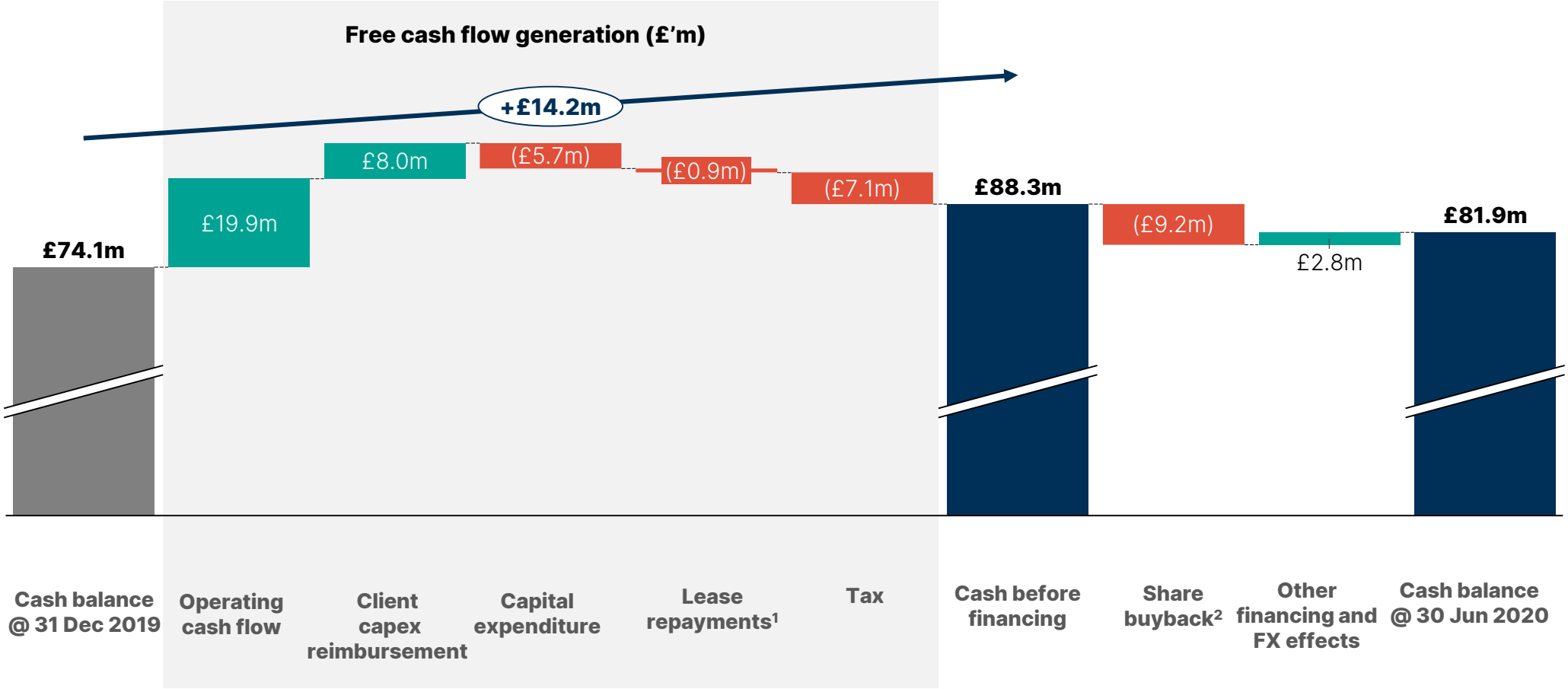


1 Adjusted EBITDA is calculated by adjusting reported operating loss for non-cash items such as depreciation, amortisation and share based compensation, as well as exceptional items.

2 Royalties includes share of net sales revenues, other sales milestones or licensing revenues related to marketed products containing VEC intellectual property.

CASH GENERATION

Maintaining strong balance sheet, and executing on pre-announced share buyback commitment



1 Includes mortgage repayments of £0.2m.

2 Includes £6.5m to complete first £10m tranche of buyback programme, and £2.7m of the second £10m tranche completed as at 30 June 2020. .

GUIDANCE 2020

On track for positive 2020 performance

Product supply

- ***flutiform***® revenues expected in the range £92-95m
- ***flutiform***® underlying gross margin in the range 30%-32%

Royalties*

- Potential **VR315 (US)** approval income now in H1 2021
- All other royalties: H2 2020 revenues expected to be in-line with H2 2019

Development services

- **Existing contracts** – development services revenues expected to be broadly similar to 2019
- **New development services** contract revenues additive in 2020 – expected in the range £3-5m

R&D

- Expected to be within a £23m-26m range (new basis)
- Includes existing co-development agreements, and continued investment in technology platforms

Minimal exceptional cash costs currently expected in 2020. Improving operational leverage over medium term.

*Comprise royalties, sales-based milestones, and product approval and launch milestones