



Executing on our inhaled specialist CDMO strategy

Will Downie, Chief Executive Officer
Paul Fry, Chief Financial Officer

Interim Results

15th September 2020

Introductions



Will Downie

Chief Executive Officer



Paul Fry

Chief Financial Officer

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Agenda

-  Financial performance
-  Strategic focus and execution
-  Q&A

Financial performance on-track with progress on strategy execution

2020 performance on-track

- Revenue £89.7m; adjusted EBITDA¹ £23.1m
- *flutiform*[®] product supply revenues +2.7%
- Move to operating profit of £2.9m and positive EPS

Executing on inhalation CDMO² strategy

- New Business Development team established
- Deal funnel building; 12 new deals signed to date
- Operational transformation continues

Balance sheet strength maintained

- Cash balance £81.9m (+£7.8m from December 2019)
- Capital returns of £9.2m in H1 2020

¹ Adjusted EBITDA is calculated by adjusting reported operating loss by adding back depreciation, amortisation, impairment, share based compensation, and exceptional items.

² Contract development and manufacturing organisation.

COVID-19: Shaping a stronger and more agile company

Excellent response from our teams facilitated a robust business performance

Protecting employees

Maintaining product supply

Ensuring quality standards

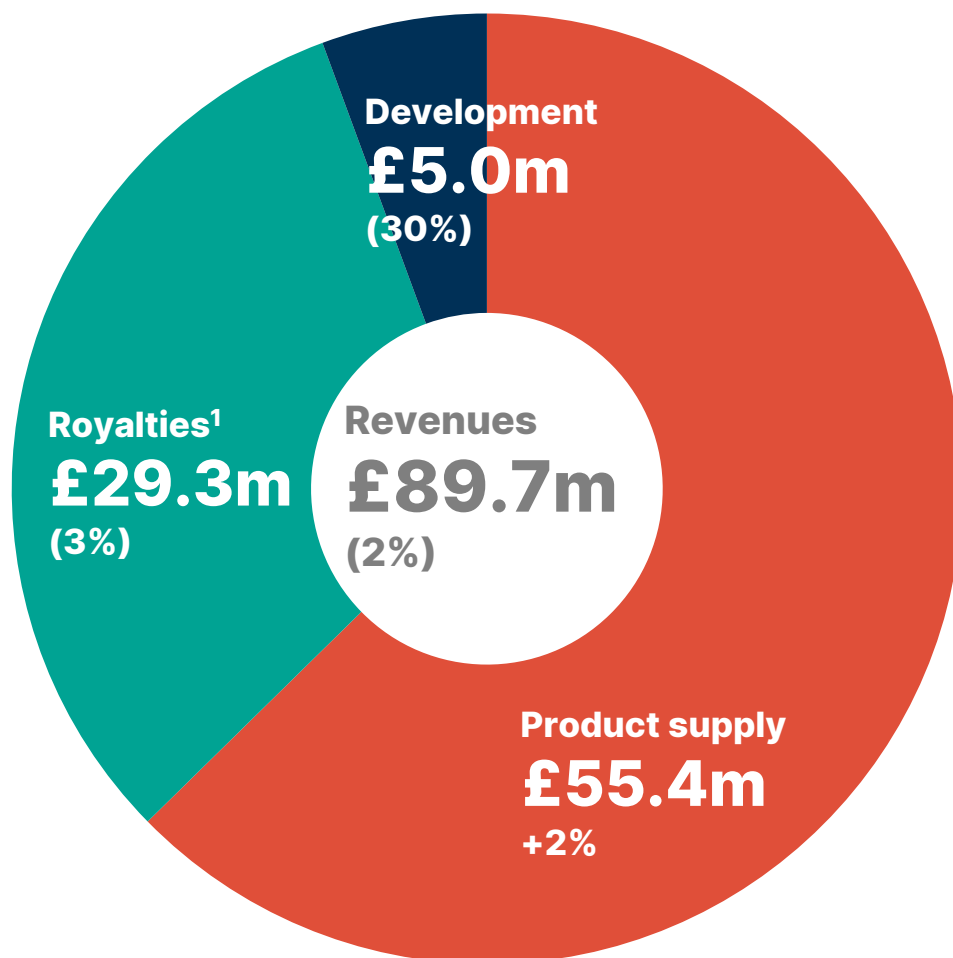
Delivering for customers

- **Business continuity plan implemented; excellent response from our teams**
 - Embraced new ways of working
 - 98% of staff available to work
 - Operational transformation continues
- **Operational sites remained open throughout**
 - Enhanced Health, Safety and Well-Being protocols
 - Quality standards maintained
- **No onward impact for customers or patients**
 - Closely monitoring stock levels
 - Maintaining regular dialogue with suppliers and customers
- **Momentum against strategy maintained**



Financial performance H1 2020

Full-year 2020 performance on-track



flutiform® revenues

+3%

£52.9m H1 2019: £51.4m

Adjusted EBITDA²

(8%)

£23.1m H1 2019: £25.1m

Adjusted EBITDA² margin

26%

H1 2019: 27%

Earnings per share

0.3p

H1 2019: (2.0p)

Free cash flow³

£14.2m

H1 2019: (£1.6m)

Capital return⁴

£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

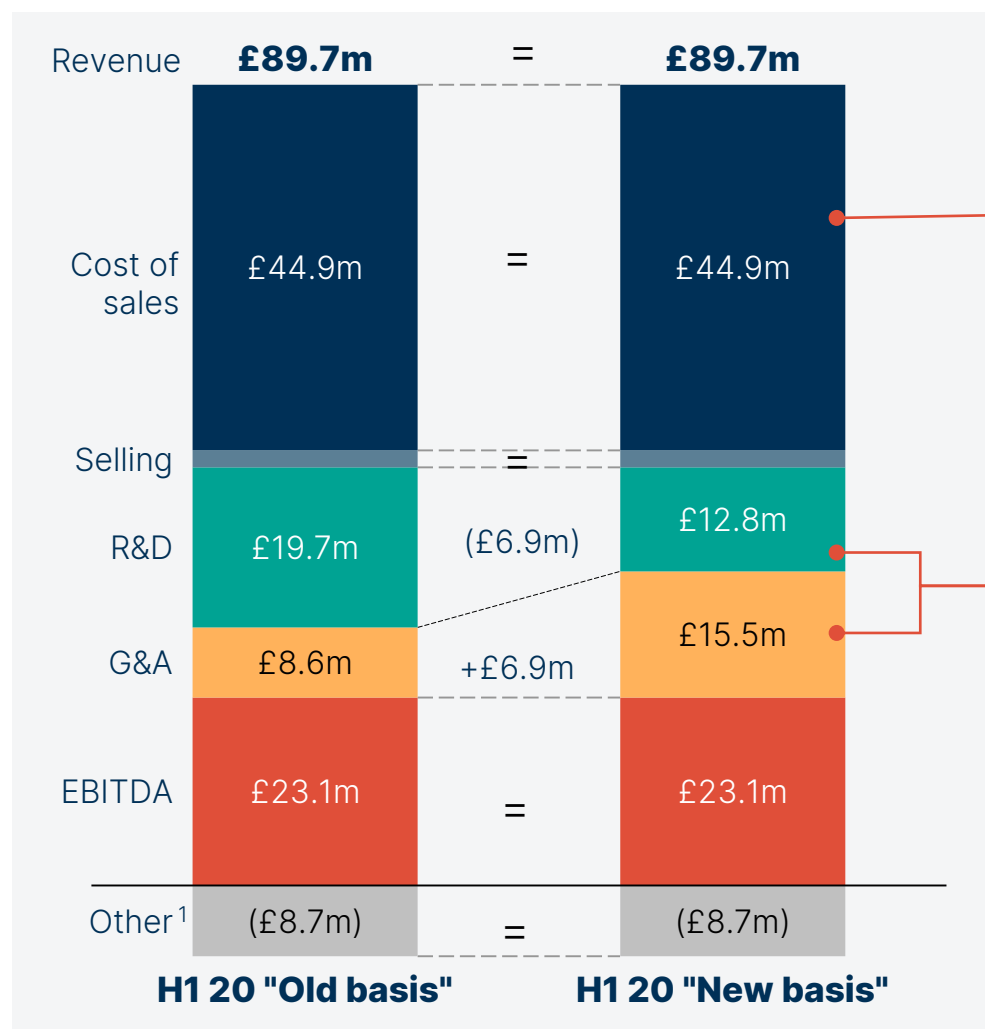
² Adjusted EBITDA is calculated as reported operating profit/(loss), adjusted by adding back depreciation, amortisation, impairment, share based compensation, and exceptional items

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 costs² encompass costs to support:

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

b) G&A costs² 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 EBITDA¹	£23.1m	£25.1m	(8.0%)
<i>Adjusted EBITDA¹ margin %</i>	<i>25.8%</i>	<i>27.4%</i>	<i>(1.6)ppts</i>
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 equivalents⁴	£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

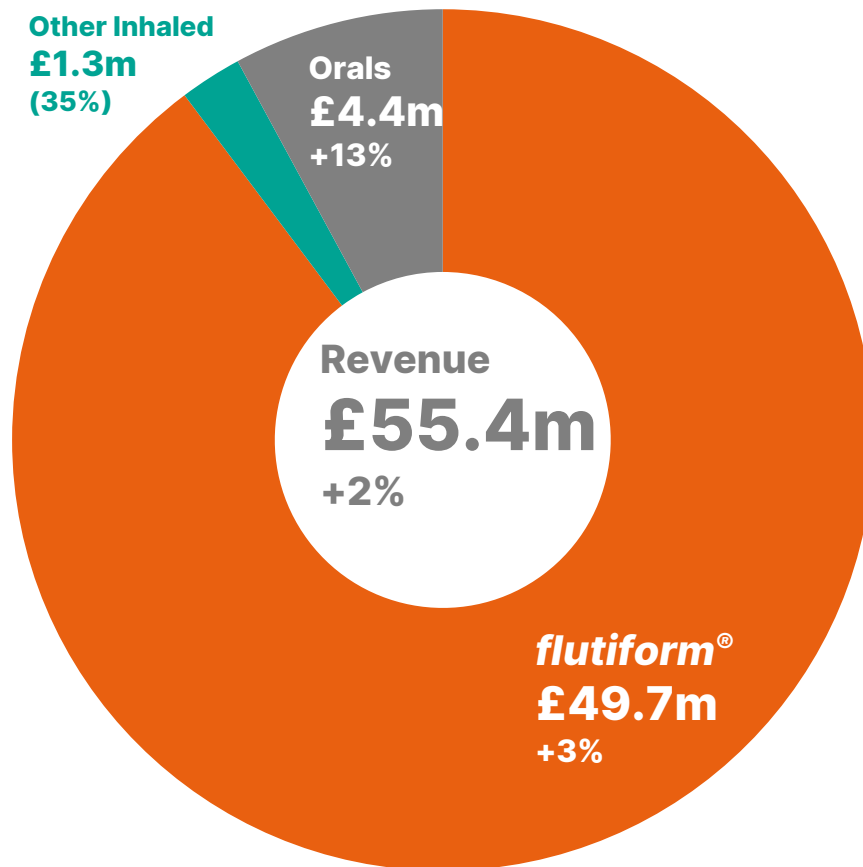
2 Percentage movement considered "not meaningful" (n/m) as metric has moved from a loss in the prior period to a profit in current period

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

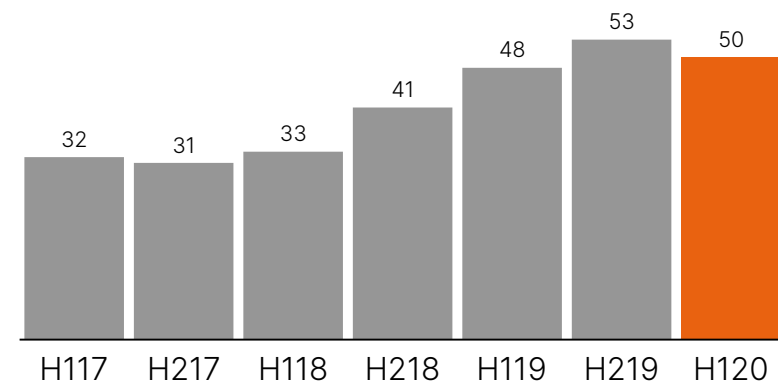


ICS/LABA market and *flutiform*[®] in-market sales growth H1 2020 vs H1 2019 CER¹

	ICS/LABA market volumes	<i>flutiform</i> [®] value	<i>flutiform</i> [®] volumes
Europe	6.8%	9.4%	12.1%
Japan	3.6%	6.2%	6.2%
RoW	6.8%	(11.4%)	(9.0%)
Total²	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)



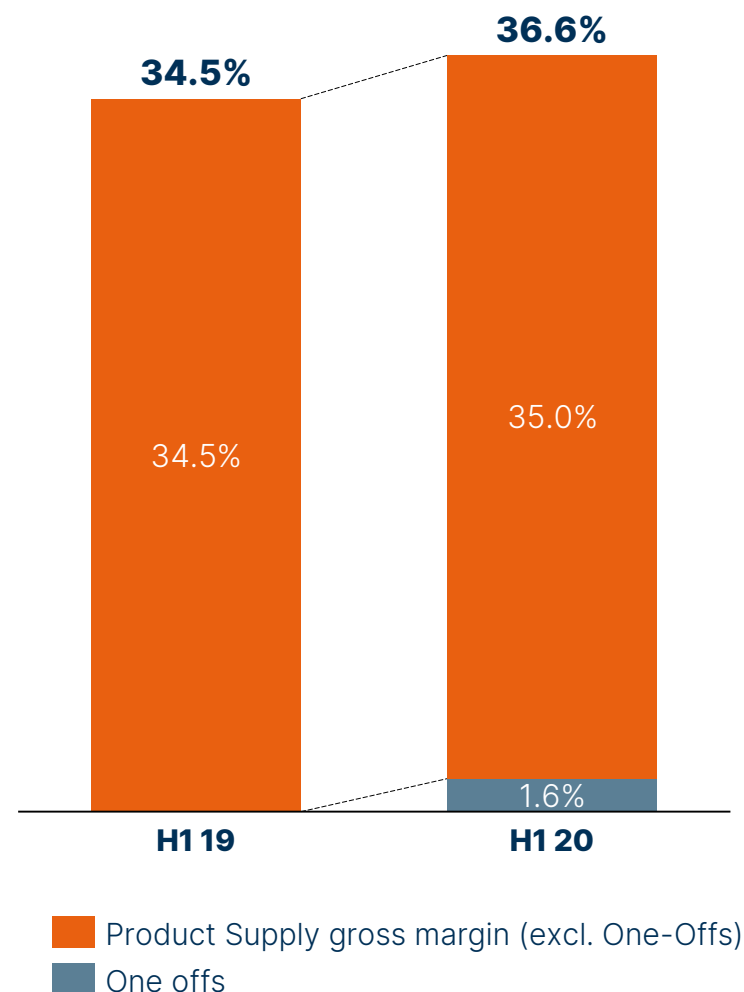
¹ IQVIA SMART MIDAS constant currency sales and volume data. Regions in which panels were not complete by 14th August are excluded from data.

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

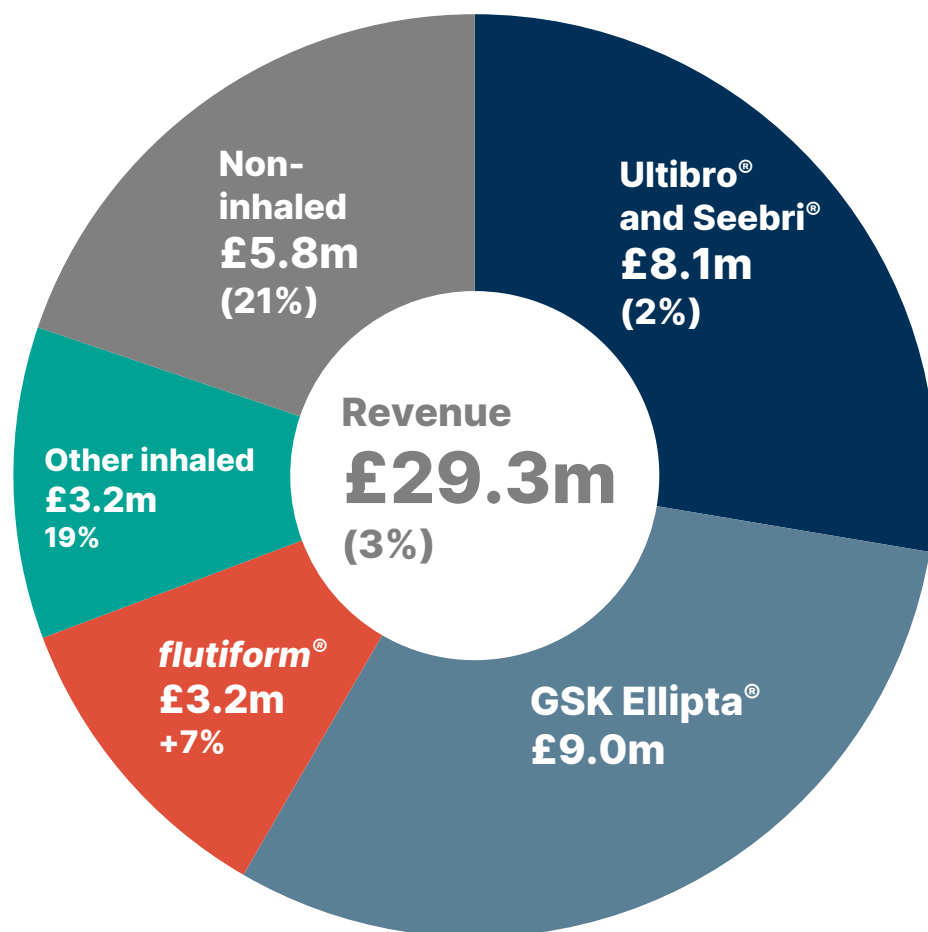
Underlying *flutiform*[®] product supply margin maintained, with Brexit related testing impact expected in H2

- *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 (%)

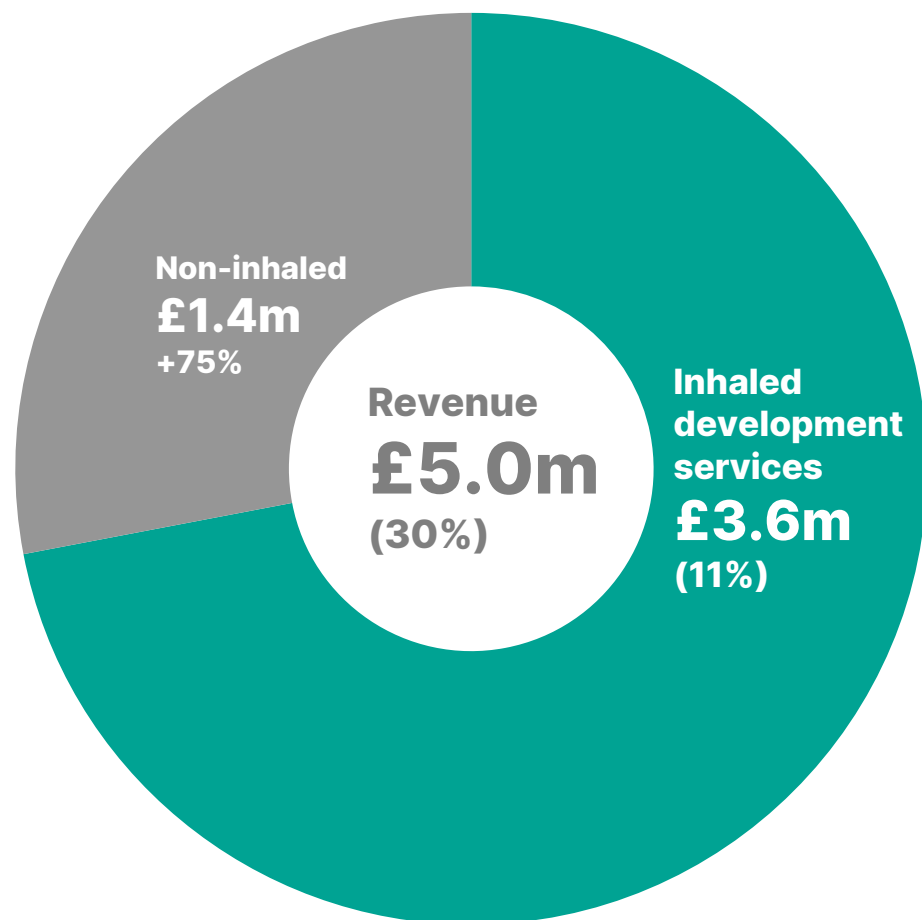


Royalties down versus prior period as a result of market conditions



- **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

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



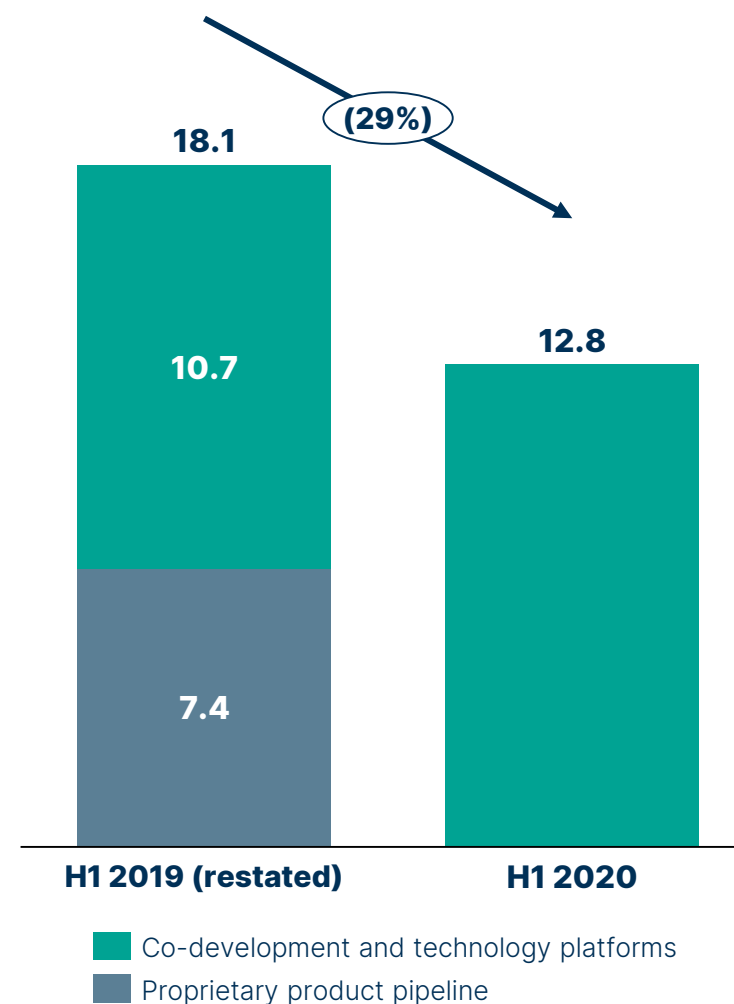
- **Prior year revenue reflecting** licensing income of £2.3m recognised in H1 2019¹
- Development revenue recognised for **generic Ellipta®** and **VR2081** in-line with programme progression. Cash received in prior years
 - *flutiform®* k-haler® development revenues declined as expected
 - Non-inhaled 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 spend down 29%, as focus pivots away from proprietary product pipeline

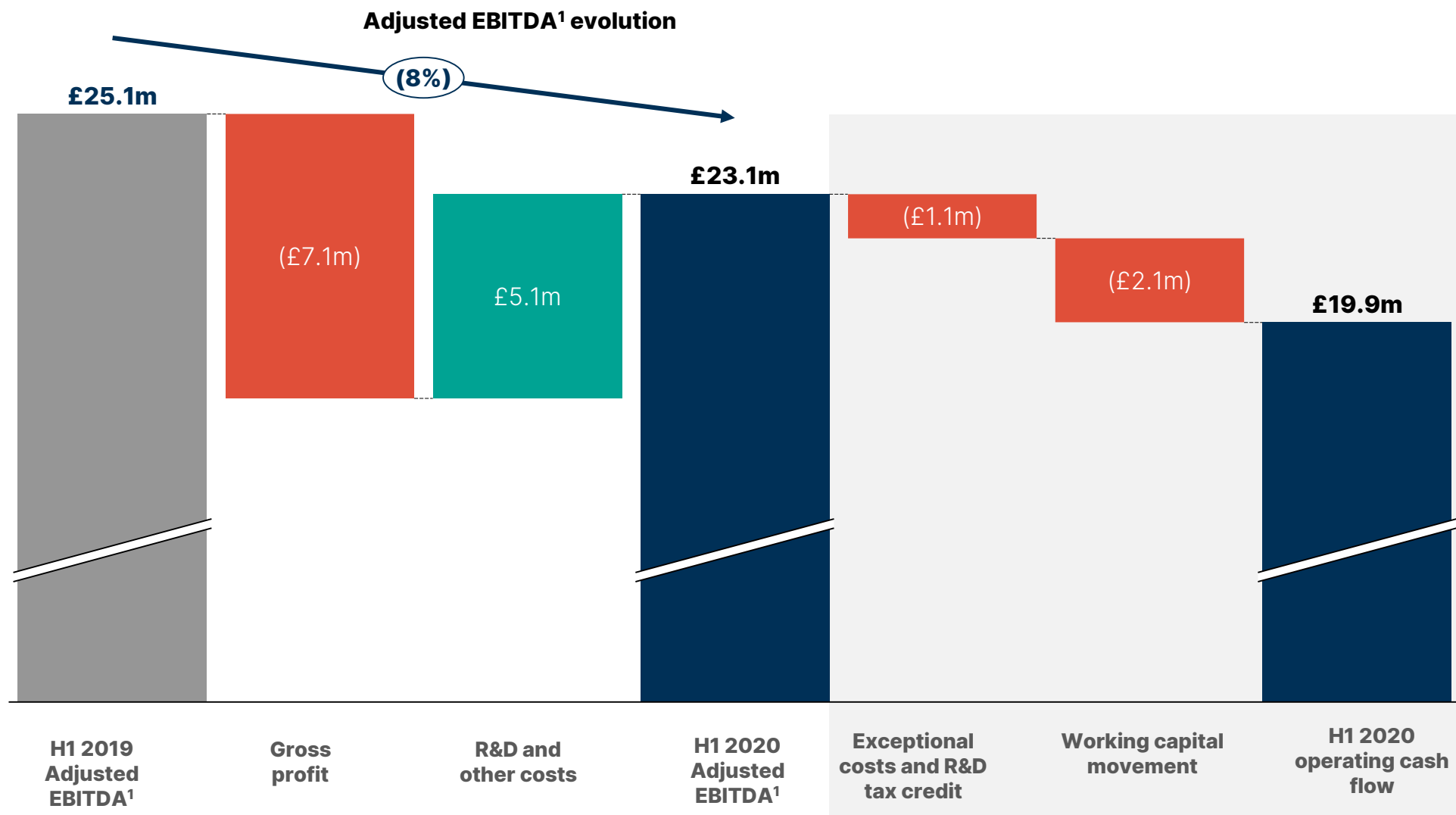
- **R&D expenditure down** 29% versus H1 2019 largely reflecting stop on further investment in proprietary product pipeline
- **Scope of reported R&D spend now focused on:**
 - 1 Existing co-development agreements:**
 - Shared investment, risks and rewards with partner
 - Principal agreements are generic 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%

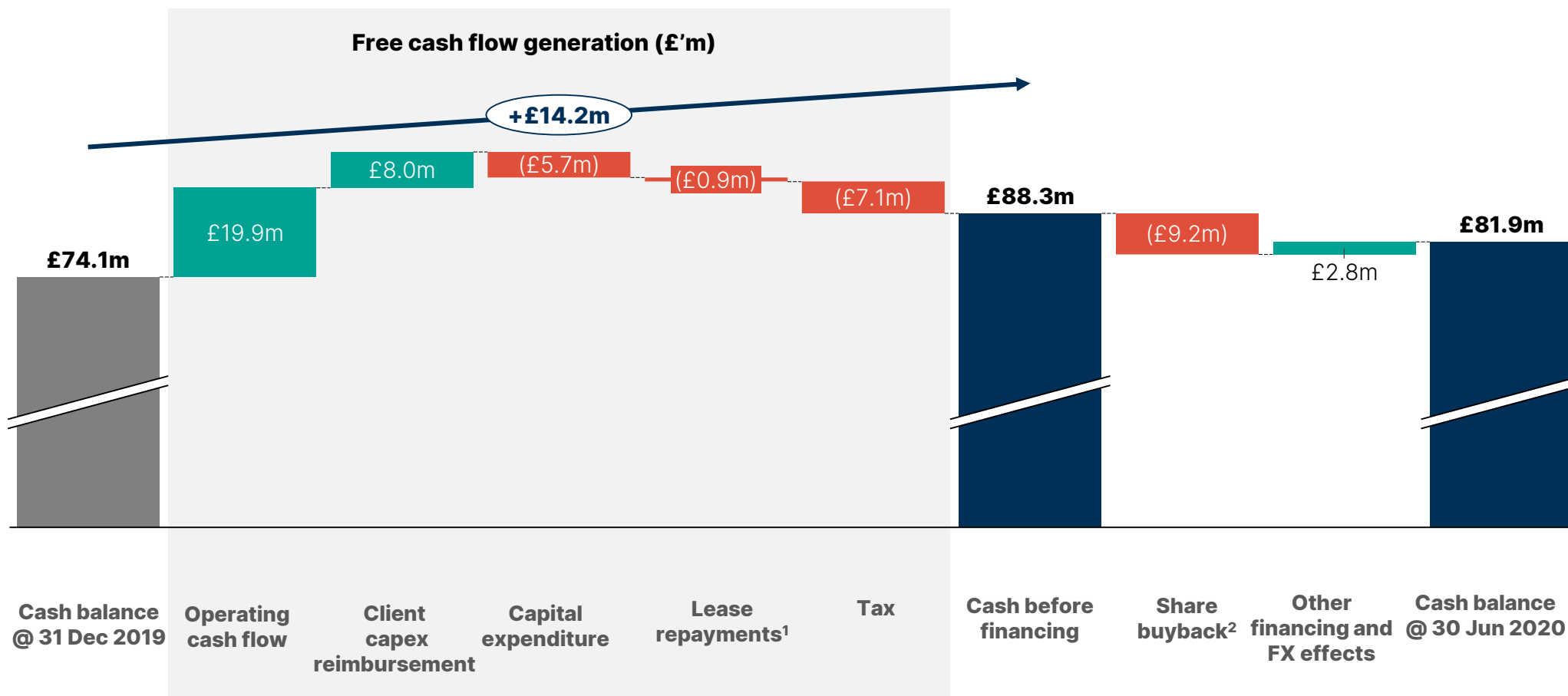


¹ Adjusted EBITDA is calculated by adjusting reported operating loss for non-cash items such as depreciation, amortisation and share based compensation, as well as exceptional items.

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.

On track for positive 2020 performance with potential approval of VR315 (US) in H2 2020

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 in H2 2020
- 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



Strategic focus and execution

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



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

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

Increasing awareness, generating leads and new business opportunities through marketing activities



Customer-focused website

+20%

Website page views
(Q2 vs Q1 2020)



Webinars

3

Scientific webinars

375

Views



Podcasts

3

New podcasts published

550

Podcast downloads



PR & thought leadership

18

Thought leadership
articles published



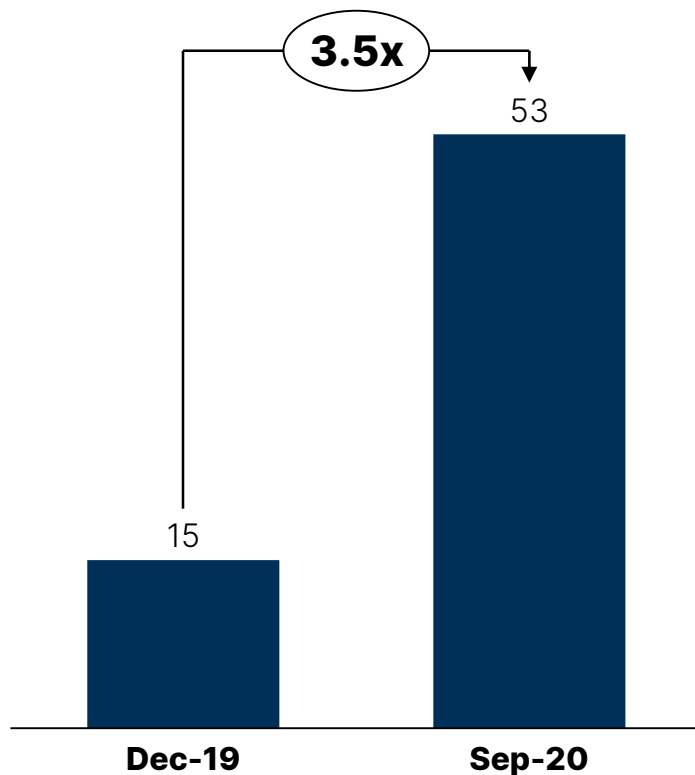
Virtual conferences

4

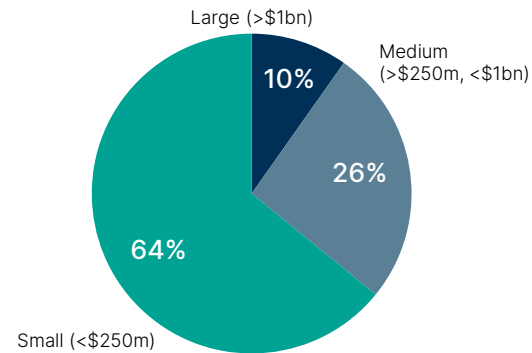
Key virtual conferences

Diversifying our customer base and increasing the funnel

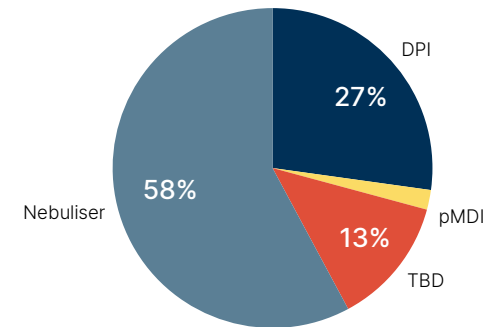
Number of Companies in the deal funnel¹



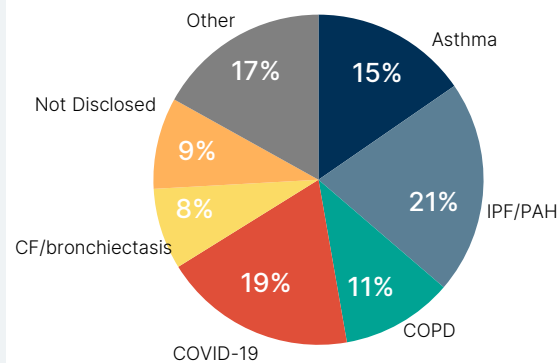
Size of Client²



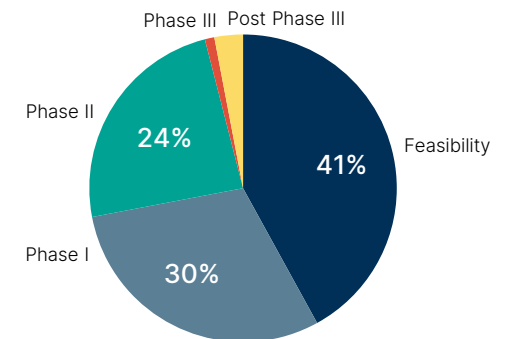
Platform²



Indication²



Phase of Development²



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
deals¹

- 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

Diversity of deals demonstrate the breadth of our capabilities



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



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

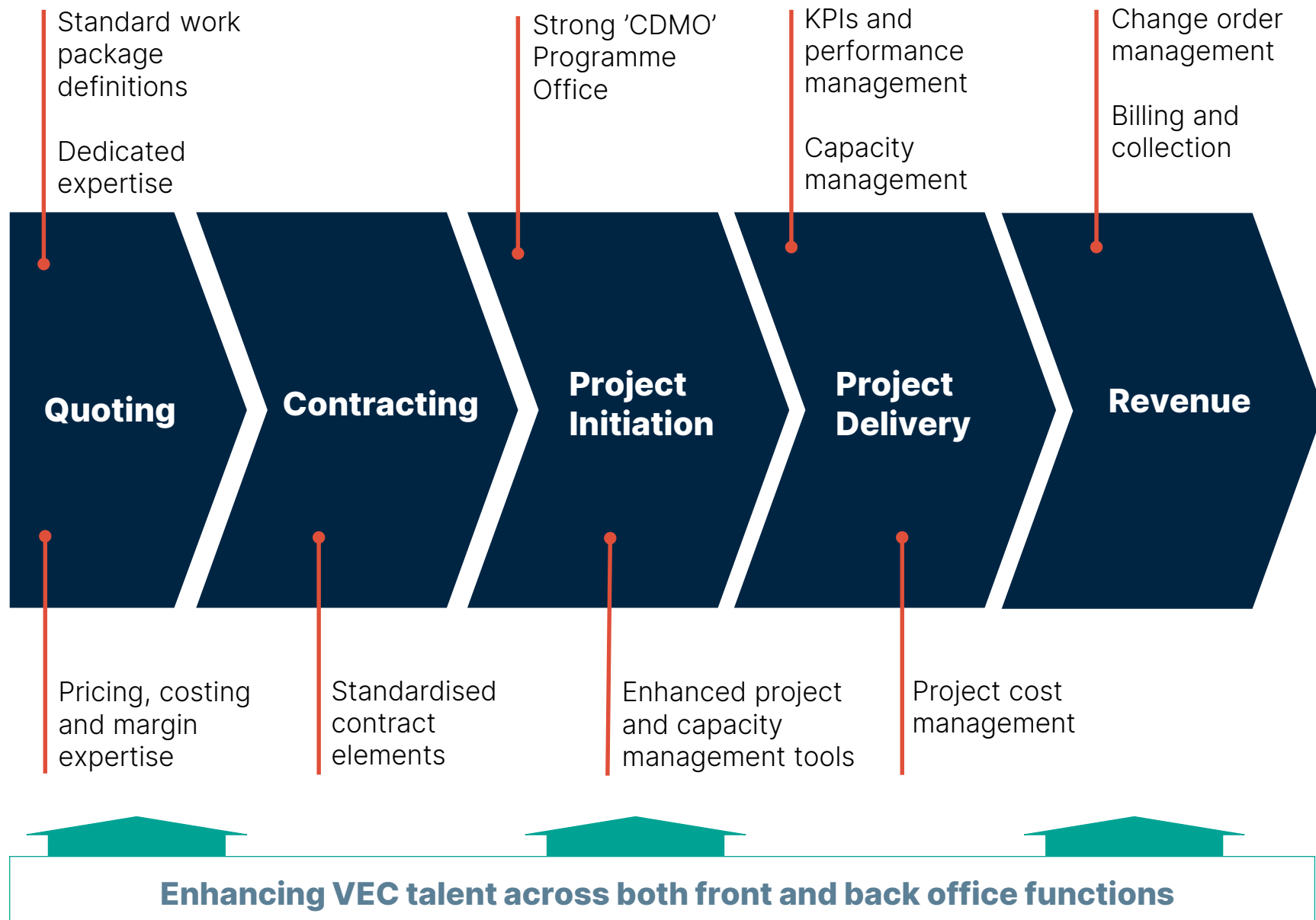
- One device platform to deliver multiple early-stage respiratory biological compounds
- Opportunity for full-development and commercial device supply

Dry-powder Phase I programme with US Biotech

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

Striving for excellence at every stage of the customer experience

Transforming our core business processes



Creating the market leading company in the inhalation CDMO space

- **Performance on-track for a positive 2020**
 - Revenue in 2020 expected to be H2 weighted, with potential approval of generic Advair® triggering \$11m milestone and royalties
 - Balance sheet strength maintained
- **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





Q&A

Targeting an attractive inhalation segment in a growing CDMO market

c.7%¹

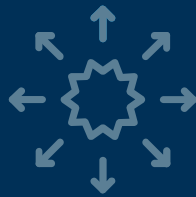
strong underlying CDMO market growth



**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**

~300²

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 EY report: Consolidation of the CDMO industry: opportunities for current players and new entrants September 2017.

² Source: 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 Source: Expert interviews (n=20) and expert survey (n=35) based on a sample of executives from CDMOs, pharmaceutical and medtech companies.