



2019 Full Year Results

Tuesday, 14th April 2020

Opening Remarks

Iain Ross

Executive Chairman, Silence Therapeutics

Welcome

Hi, good afternoon everybody. I am very pleased to be able to present the 2019 results for Silence Therapeutics. I think this is quite an extraordinary time, so I hope that everybody on the call is safe and well.

Safe harbour statement

We have been continuing to go forward with the business and perhaps we can cover that a little bit further. But, going to the first slide. Our obligation is to show you the safe harbour statement and to say that everything in this call is governed by that statement.

Agenda

If I move to the agenda, what I would like to do is make a few opening remarks and then I am going to ask Rob Quinn, our Chief Financial Officer, to take you through the results. And then, as Heidi has said, we will have a Q&A session.

So, I am Iain Ross, I am the Interim Executive Chairman, and I will cover how we are getting on with the CEO recruitment in a few minutes. We also have Dr Giles Campion, who is our Head of R&D and Chief Medical Officer and also Dr John Strafford, who is our Head of Business Development.

Highlights

Moving to the full year results, the highlights, and what I would like to do is just cover a few of the operational highlights achieved during the year; but also, to just talk a little bit about what we've been doing in the first quarter of this year.

So, as far as 2019 was concerned, we have advanced our two late-stage clinical programmes to the point of being close to getting into the clinic. Obviously, there has been some disappointment that we haven't moved into the clinic in the first quarter with 124, but I think the reasons that we put out in our recent statement would give people comfort that now is not the appropriate time to start a clinical trial with Covid-19 being around.

Mallinckrodt

We, during the year, were very excited to announce our first real major relationship with Mallinckrodt, and this was looking at the complement assets that we have. We received a large up-front, \$20 million, \$5 million in equity and also a \$2 million milestone payment has already been paid. And Rob will cover how that has been handled in the accounts.

Alnylam

We also settled a licence agreement with Alnylam; this was a dispute before my time, that was on-going and that was settled and we receive, albeit minimal but we do receive some royalty payments.

New leadership team announced

During the year I think the highlight is that the new leadership team has been put in place; apart from a few changes as the Board level, more importantly, we managed to basically attract Dr Giles Campion to come and take over our R&D and be our Chief Medical Officer. We promoted Rob Quinn to become Chief Financial Officer and we also promoted John Strafford to become our Chief Business Officer. We appointed Barbara Ruskin as our General Counsel and Chief Patent Attorney. Barbara had been working with the company for some time as a consultant but we've managed to persuade her to join the company on a full-time basis.

And to join also Jørgen Wittendorff, who joined; has a really fantastic background in manufacturing and, with all these high-tech companies, the important thing is you have to be able to make the product in sufficient quantity. So, we are very pleased that Jørgen joined us.

And also, Linnea Elrington is our Head of HR and a very important member of the team.

Takeda

So, we have had a very good year and, as I said in my report, I believe the company has come of age in that we are now well-positioned to take the company forward. That has actually been proven in the first quarter of the year. We signed a technology evaluation agreement with Takeda and I believe that, after 12 months, there may well be an opportunity to develop that relationship further.

Scientific Advisory Board

We formed a Scientific Advisory Board, to be led by Professor Gordon Duff. We opened up our office in the United States and Barbara Ruskin is working out of there. And we also, throughout the year, really expanded our assets on the US investor relations. And we've been participating in a lot of conferences. And, in fact, this week is the first week that we are actually going to do our first virtual roadshow and there are a lot of American institutions involved in that.

AstraZeneca

The other two issues, I suppose, in quarter one, is the deal that we announced with AstraZeneca, which we are very excited about, which we believe purely validates our platform. And this is an extensive partnership and Rob will go in, with John, into the details of that.

New CEO recruitment

And the last thing to say is that I am making extremely good progress, and I did emphasise at the beginning that I am the Interim Executive Chairman. It is my plan to return to being a non-Executive Chairman in the first half of this year. So, I am hoping that we will be making an announcement, certainly within the next few weeks on where we've got to with the appointment of the new CEO.

I can say that we are attracting a very high calibre of talent and I think RNAi is a very hot place to be at the moment. You will have seen some of the recent announcements from our competitors; and generally, there is a lot of focus on this area of science.

So, I will hand over now to Rob to go through the financial highlights and be very happy to take any questions at the end.

Financial Highlights FY2019

Dr Rob Quinn

Chief Financial Officer, Silence Therapeutics

Financial Highlights

Cash

Thanks Iain. Just starting on the financial highlights on slide 4; the net cash, including term deposits was increased £7 million in the year, from £26.5 million to £33.5 million. Our cash position has been further strengthened by the multi-target collaboration announced with AstraZeneca in late March. Cash at end of March 2020 was £41, with a further \$60 million due from AstraZeneca.

In total we now have pro forma financial resources of £90 million, or \$110 million; which sees us funded beyond 2022 and in a strong position to accelerate our lead programme SLN360 and SLN124.

Revenue

Moving to the next slide, our revenue was £244,000; which was recognised in 2019. It is important to note that, as Iain pointed out \$22 million was received from Mallinckrodt in the form of an up-front payment on a \$2 million mark-down payment. But we are only recognising the \$171,000 of that. As per IFRS15, revenue relating to the collaboration should be recognised over a multi-year term, based on the work carried out in the period.

And clearly, in the second half of 2019, we were just beginning to ramp up activities on that collaboration. And, when you look at it in the round in terms of the total cost over that collaboration, you can see that over that period it was a relatively small proportion. But being aware that that cash has been received.

As Iain pointed out, we also recognised and received our first revenue relating to our licence agreement with Alnylam. As a reminder, Silence is eligible for a 0.33% - 1% royalty on sales of Onpattro in Europe.

Operating costs

In the year, R&D costs increased 37%, rising to £13.3 million, and this was due to progression of SLN360 and SLN124 towards the clinic. Admin expenses reduced from £10.8 million to £9.6 million; and this is largely driven by the fact that 2018 included a cost around litigation proceedings against Alnylam.

Tax rebate

The Silence tax is a credit due to the UK R&D tax credit scheme, whereby a portion of our R&D expenditure qualifies for tax credits. This payment is typically received in Q3 of the following year. A credit of £3.3 million was recognised in 2019, an increase versus 2018 due to higher R&D expenditure.

AstraZeneca

And moving to the next slide, as a reminder on 25th March, we announced our multi-target collaboration with AstraZeneca covering both hepatic and ex-hepatic targets. All of the targets

are novel and not currently in our pipeline and, to be clear, this deal does not include SLN360. We maintain full rights to both of our lead programmes, SLN360 and SLN124.

Target agreement

The deal will cover up to ten targets and we expect for five targets to be started within three years. For each target we are eligible for \$100 million in milestone payments and high-single to low-double-digit royalties.

The first milestone payment is \$10 million option fee, payable upon candidate nomination; and we expect the first such payment to be made in 2022.

Thanks for your time. I will now open the line to questions and hand over to the operator.

Q&A

Miles Dixon (Foyle Hunt): Hi there, Iain, Rob, Giles, John, thank you very much. Just, if I can, very briefly, given the sheer volume of opportunities now in front of you, whether it be from partnering or the development of the in-house pipeline, how do you see that moving forward? Are you going to roughly divide your efforts in terms of partnering with other companies or even further with the existing relationships you have?

And, I guess what I'm really asking is, do you have an optimal number in mind for your internal pipeline? Thank you.

Iain Ross: Thanks, Miles. I think it's a very good question because we have signed three significant partnership and, whilst the Takeda partnership is, albeit a technology evaluation, we believe that if that goes well that we will actually have an opportunity to extend that.

In addition, as you know, Mallinckrodt have an option to name a further two targets, and we think there is no reason to suggest that they won't take up that option during this year.

So, actually, with three solid relationships and also, our internal pipeline, which, of course, we talk about 124 and 360, but we do have other undisclosed targets coming along.

You are absolutely right, we need to execute and one of the things that we are doing at the moment is, we are actually building the infrastructure to do that. So, as I sit here now, we are heavily recruiting a number of people, particularly in clinical and also in manufacturing. So, it is about execution and building the business.

As to where we go in the future, well, clearly, as Rob has said, it is our intention to hang onto our internal pipeline; we want to develop those assets. So, we can use your platform, of course, to get valuable validation of our technology, but we can also use that to fund some of our own internal projects as well.

So, I think where we are at the moment is, we are taking breath. We are making sure that we have the infrastructure in place to take forward those partnerships and our current internal pipeline. But, of course, there are other things that we want to do using our platform to produce other targets for ourselves. But I think the new CEO will have quite a job to review that when they come in. And I think there is a clear opportunity for us to make, in the latter part of the year, a clear statement of where we intend to go forward and where we intend to put our efforts.

So, I think it's a good question, Miles, but, as an Interim Executive Chairman, I'm ducking the answer and saying that the new CEO will be presenting the strategic plan in the second half of the year.

Miles Dixon: No problem, entirely understood. Does that extend to the knowledge assets that you have at [inaudible] as well? Whether it be your Scientific Advisory Board, I think you've been very...

Iain Ross: Absolutely. I mean, I think the quality of the Scientific Advisory Board that we are putting together obviously clearly is shaped towards helping us with the development of our own internal pipeline. And, obviously, the jewel in the crown there, with the emphasis being switched more towards there is SLN360; but we also believe 124 has a valued place. So, our Advisory Board has been made up with those two projects in mind and I think you will see the Advisory Board expand with particular other competencies as time goes on.

Miles Dixon: Brilliant. And, does that equally apply to the relationships that you have with like Genomics England for instance, where I believe it's...

Iain Ross: Absolutely.

Miles Dixon: Okay, brilliant, thank you very much, Iain.

Nathanial Callaway (Edison Group): Hi guys, thank you very much for taking the question. Mine is basically, I was just wondering, since you are giving us a bit of detail on the timelines for the Astra-Zeneca collaboration and the Mallinckrodt collaboration. I was wondering if you could give us any sort of visibility on the Takeda collaboration as well, if you have any sort of timelines or goals to meet for that programme?

Iain Ross: I think, it is Iain here. That's a hard question to answer, in that we have been very much working on one specific target, which is a proprietary target for Takeda, which they don't want revealed. And what we were able to say is that within 12 months from now we will be able to maybe talk further about that. But, really, we are working very specifically on one target.

Nathanial Callaway: All right, thank you for that. That's my only question.

Craig McDougal (Ora Capital): Hi, and good afternoon. Iain, just quickly actually, I'm not surprised to hear about the kind of volume or quality and calibre of CEO applicants you've received. Do you think you could say perhaps how that might shape or accelerate the group's capital market strategy, particularly towards considering and confirming a plan for a NASDAQ listing?

Iain Ross: Yeah. I think it will. I think where we currently are with Covid-19 and without a CEO and with certain uncertainty in the markets, I wouldn't want to articulate it now; but I do believe around the time of the appointment of the CEO we should make it fairly clear what our intentions are.

What I would say, Craig, is that we are continuing to have a lot of discussions with institutional investors in the United States and, as I said at the very beginning, we're actually going on a virtual roadshow for the rest of this week and we have had no trouble filling that. In that there is a lot of interest in RNAi and the moment and you are right, now is the time for

us to capitalise on that interest. But, until we have our leader in place, I think it would be premature to do anything.

Craig McDougal: No, of course. And, is that right, do you say you might have something to add to that in the next few weeks?

Iain Ross: I certainly have got something to add to the fact that we are looking to make some form of announcement in May regarding the CEO position.

Craig McDougal: Okay, excellent. Well, we'll look forward to that, best of luck, thank you.

Jens Lindquist (Investec): Oh, hi gentlemen, good afternoon. Just on SLN360, could you please outline just briefly the potential differentiation of this programme versus Novartis molecule programme, TQJ230, which is already in phase 3. I think you are even referring to the New England paper with the phase 2 data on that product in your RNS this morning, so that would be helpful please? Thank you.

And I guess, secondly, on the dev shift in priority, you know, in favour of 360, is that also reflected, I guess a development, a change in development strategy towards larger indications away from the niche orphan strategy that you've had so far?

And then, finally, just a very brief question on the numbers; could you just please remind me what the goodwill on your balance sheet represents, please? Thank you.

Iain Ross: Giles, would you like to take the first two parts?

Giles Campion: Sure, yes. So the molecule that is being developed by Novartis was licenced for [inaudible] and that is a single-stranded gamma conjugated anti-sense molecule. So, it is different from the double-stranded SRNA molecules also gamma conjugated, which have been developed both by us and also by [inaudible].

So, Novartis is about, well, has already started its phase 3 outcome study. I think the importance is, in terms of the technology, one, I think the siRNA molecules are proving themselves to be extremely safe, have - are very potent in action and have a very long duration of knock down and I would point to the model of [inaudible], which is an siRNA that has been developed by, just recently been acquired by Novartis in an acquisition of \$9.7 million, to indicate the profile of that molecule, which is very safe and can be dosed monthly, sorry, every six months in terms of LVLC reduction.

So, we anticipate with siRNA a similar sort of profile of action, both in terms of potency and duration of action. The Novartis compound is currently being given every month and, we feel, certainly in a prevention indication, such as the prevention of cardiovascular events that, having a potent molecule, which is extremely safe and only dosed twice a year would give a distinct advantage.

Jens Lindquist: Okay, thank you.

Rob Quinn: And then maybe I'll just answer on the goodwill point, it's Rob Quinn speaking. So the goodwill relates to the acquisition of [inaudible], which is essentially the science behind Silence Therapeutics, which was a German private company, and were reverse merged into [inaudible] Pharma back in 2005 to create Silence Therapeutics and that's what that relates to.

Jens Lindquist: Okay, great. Thank you.

Iain Ross: I think the other point that you asked, Jens, was about the change in priority. We are not moving away from rare diseases or anything like that. It is just simply that we believe that SLN360 is the jewel in the crown and that we need to move forward as quickly as possible with that. And we just wanted to reflect that. It doesn't mean that we think any less of the rest of our pipeline, but we do want people to understand that we think this is a very exciting asset and that there will be some significant movement forward on that during this year.

Jens Lindquist: Okay, got it. Cheers.

Iain Ross: Okay, well thank you very much indeed everybody. I wish everybody a safe and well few weeks. I certainly know that we are most likely going to be locked down for a bit longer here in the UK. And that we look forward to updating you as we go along. As I said, I think there will be an announcement regarding the CEO within the next few weeks.

I think if people look at 2019 it was an extremely successful year. It was a year of getting things in shape and moving things forward and also starting to announce collaborations, which validate our technology. I think if 2019 was exciting, I think 2020 is going to be even more exciting. So, thank you very much indeed for your time and I look forward to speaking to you all in the near future.

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