



# **CORPORATE PRESENTATION**

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June 2019

NASDAQ: XOMA

A Royalty Aggregation Company

# DISCLAIMERS

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Certain statements in this presentation are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding: future potential monetization opportunities, active transactions with significant financial implications, collaborations poised for significant financial contribution, our library of potentially value-generating assets, future potential for milestone and royalty payments, the potential of our antibody discovery engine, potential out-licensing of our internal compounds and products, the ability of our partners and their licensees to successfully develop their pipeline programs, the productivity of acquired assets, our revenue forecasts, upcoming internal milestones and value catalysts, our future cash needs, our strategy for value creation, and other statements that relate to future periods. These statements are not guarantees of future performance and undue reliance should not be placed on them. They are based on assumptions that may not prove accurate, and actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry and for companies engaged in the development of new products in a regulated

market.

Potential risks to XOMA meeting these expectations are described in more detail in XOMA's most recent filing on Form 10-K and in other SEC filings. Consider such risks carefully when considering XOMA's prospects. Any forward-looking statements represent XOMA's views only as of the date of this presentation and should not be relied upon as representing its views as of any subsequent date. XOMA disclaims any obligation to update any forward-looking statement, except as required by law.

NOTE: All references to “portfolio” in this presentation are to milestone and/or royalty rights associated with a basket of drug products in development. All references to “assets” in this presentation are to milestone and/or royalty rights associated with individual drug product candidates in development.

# XOMA SNAPSHOT

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- **Monetizing and aggregating pre-commercial drug royalties**
  - Use portfolio approach to expand number of royalty positions
  - Differentiate by focusing on development-stage assets with blockbuster potential licensed to large-cap partners
- **Providing exposure, through royalties, to the upside potential of biotech**
  - Capital-efficient model where R&D costs are borne by partners
  - Cash inflows from interim milestone payments
  - Exposure risk mitigated through portfolio effects
- **Expected value appreciation driven by:**
  - Assets advancing in hands of partners
  - Acquiring additional assets to expand revenue potential and further mitigate risk
- **Portfolio of 50+ assets today and growing**

# XOMA VS. TRADITIONAL BIOTECH INDUSTRY



Biotech  
Industry  
Characteristics

**LONG  
PRODUCT  
LIFE CYCLES**

**HIGH  
CAPITAL  
REQUIREMENTS**

**LOW  
PROBABILITY  
OF SUCCESS**

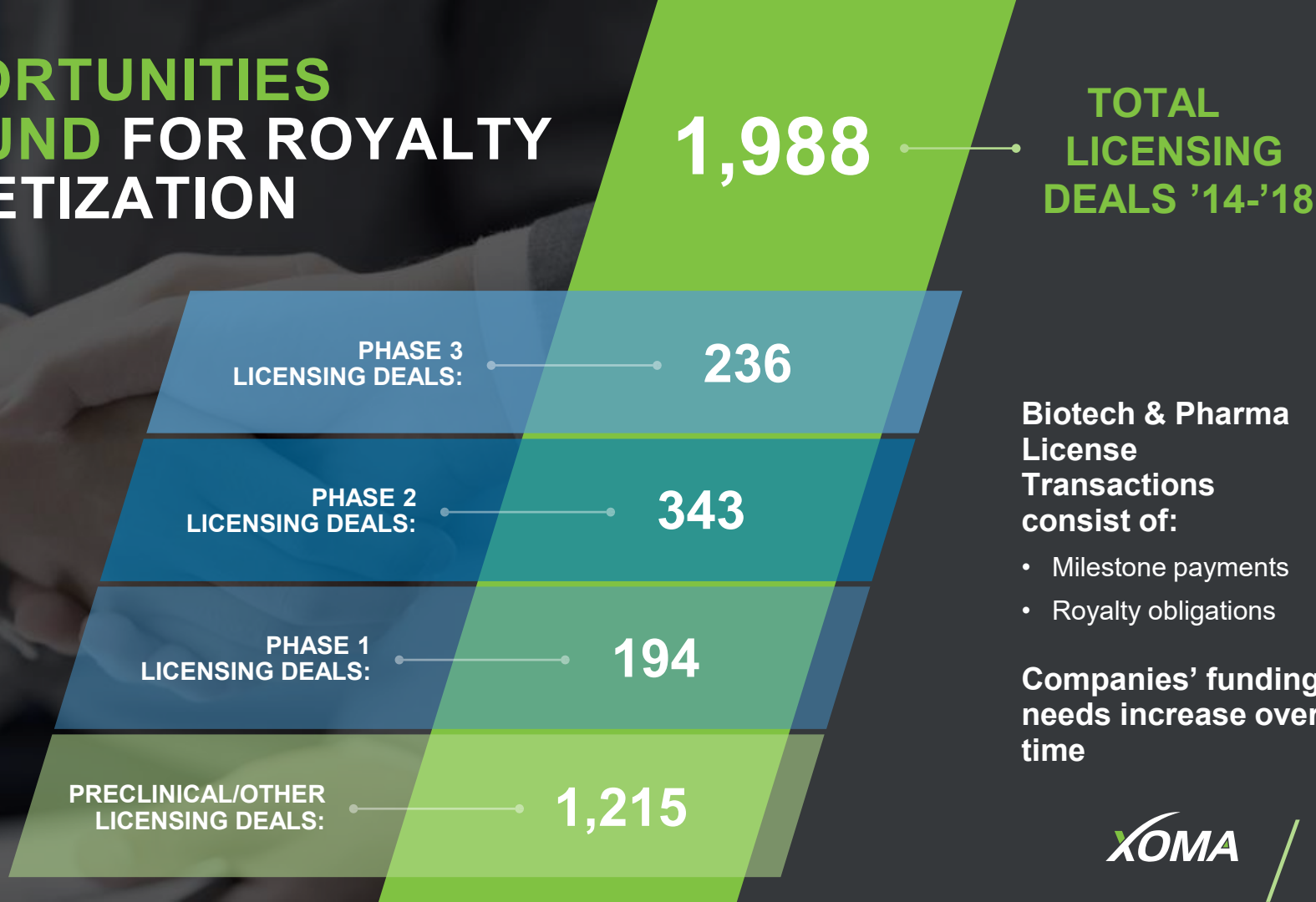
**XOMA  
Royalty  
Aggregator  
Strategy**

Hold royalty  
interests for the  
long-term

Development  
costs borne by  
partners

Large diversified  
portfolio mitigates  
single asset risk

# OPPORTUNITIES ABOUND FOR ROYALTY MONETIZATION



**TOTAL  
LICENSING  
DEALS '14-'18**

**Biotech & Pharma  
License  
Transactions  
consist of:**

- Milestone payments
- Royalty obligations

**Companies' funding  
needs increase over  
time**

# XOMA IS POSITIONED TO MONETIZE ROYALTIES ON MID- TO EARLY-STAGE CLINICAL ASSETS

Capital per transaction

> \$100M

\$25M –  
\$100M

< \$25M

Royalty  
Pharma

Ligand

HCRP

XOMA

PRECLINICAL

PHASE 1


PHASE 2

PHASE 3

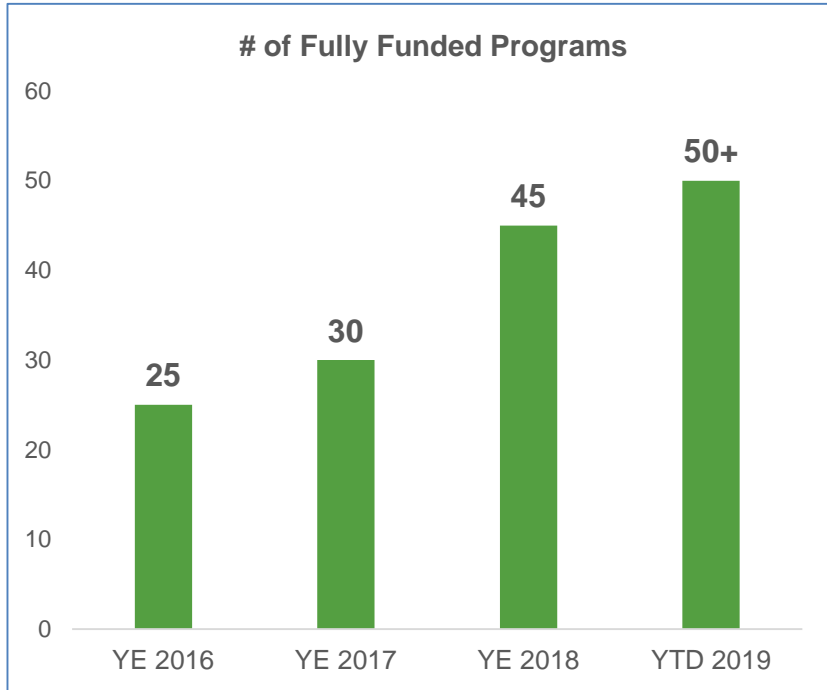
APPROVAL

COMMERCIAL

# XOMA'S COMPETITIVE ADVANTAGE

	Typical Small/ Mid-Cap Biotech	
PORTFOLIO SIZE	1 - 3 assets	50+ assets
PORTFOLIO FOCUS	Narrow	Diversified
PROBABILITY OF AN APPROVAL	Low	High
RISK : RETURN	High : High	Low : Mid / High
CAPITAL	User	Provider

# MEASURING XOMA'S INTRINSIC VALUE TODAY



## XOMA portfolio profile

- 50+ assets and growing
- > 60% of assets in mid-stage development
- Many with blockbuster revenue potential

## Typical XOMA economics

- Development & Sales milestones
- Royalty rate: ~3%
- Royalty term: 8 – 12 years post commercialization



# XOMA'S MODEL: HOLD & BUY MORE

## HOLD LEGACY ASSETS

Allow **current portfolio** of assets to advance, fully funded by Partners; hold milestone & royalty payment rights

**39** ASSETS

## BUY MORE & HOLD

Acquire rights to **additional** potential milestone & royalty assets

**12** ASSETS

**TOTAL:**  
**50+**  
**ASSETS**

# XOMA'S MODEL : HOLD & BUY MORE



## **HOLD**

**ALLOW PORTFOLIO OF ASSETS TO ADVANCE,  
FULLY FUNDED BY PARTNERS; HOLD  
MILESTONE & ROYALTY PAYMENT RIGHTS**

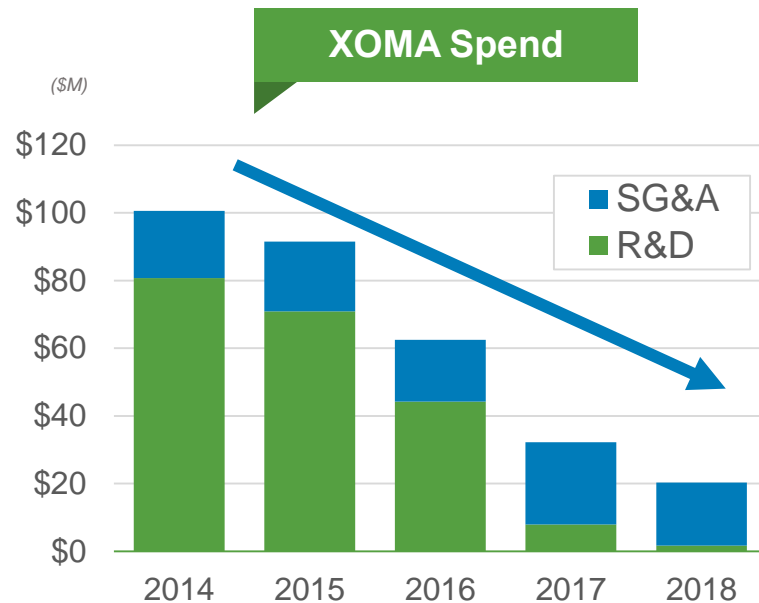


## **BUY MORE & HOLD**

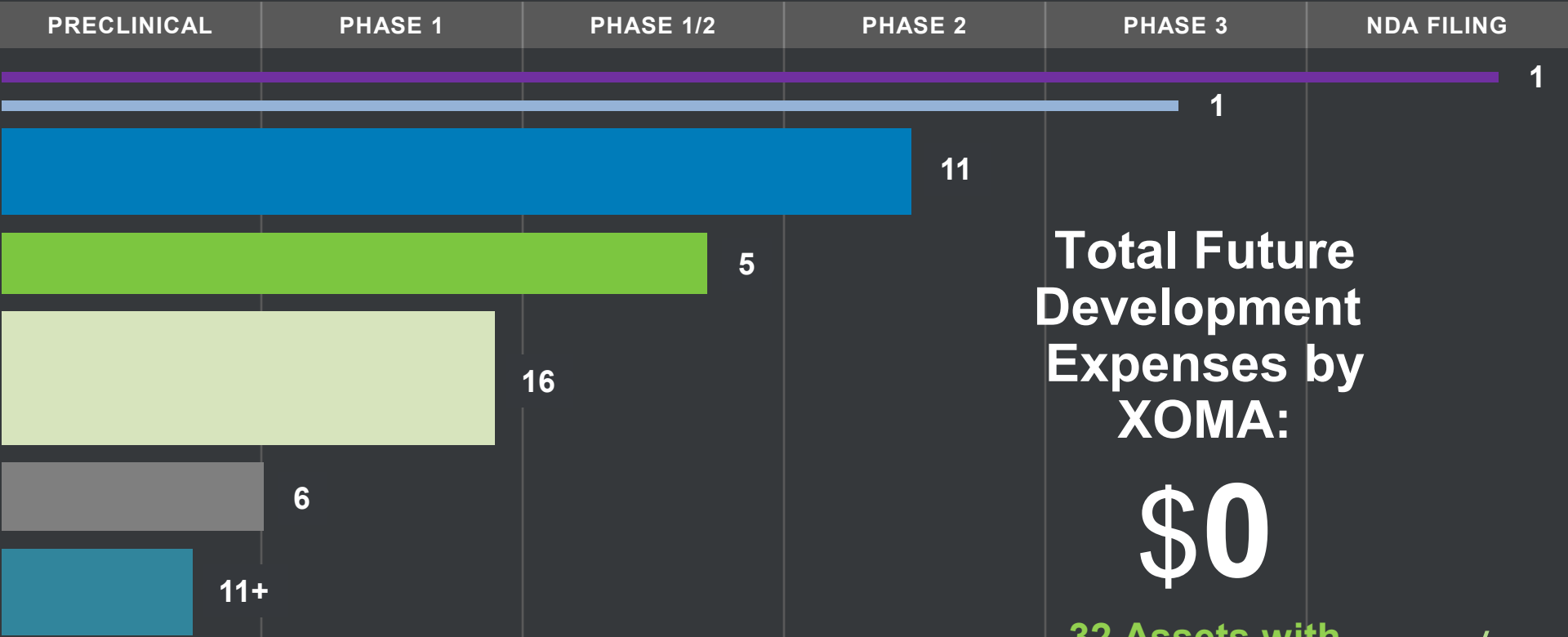
**ACQUIRE MILESTONE AND ROYALTY  
RIGHTS TO ADDITIONAL FULLY  
FUNDED ASSETS**

# HOLD STRATEGY COMPONENT REQUIRES 2 THINGS

1. PATIENCE TO PROVIDE TIME FOR UNDERLYING DRUG ASSETS TO ADVANCE THROUGH THE YEARS OF DISCOVERY, DEVELOPMENT AND APPROVAL
2. A LEAN INFRASTRUCTURE TO MINIMIZE COSTS



# XOMA'S PORTFOLIO: 50+ PARTNERED PROGRAMS

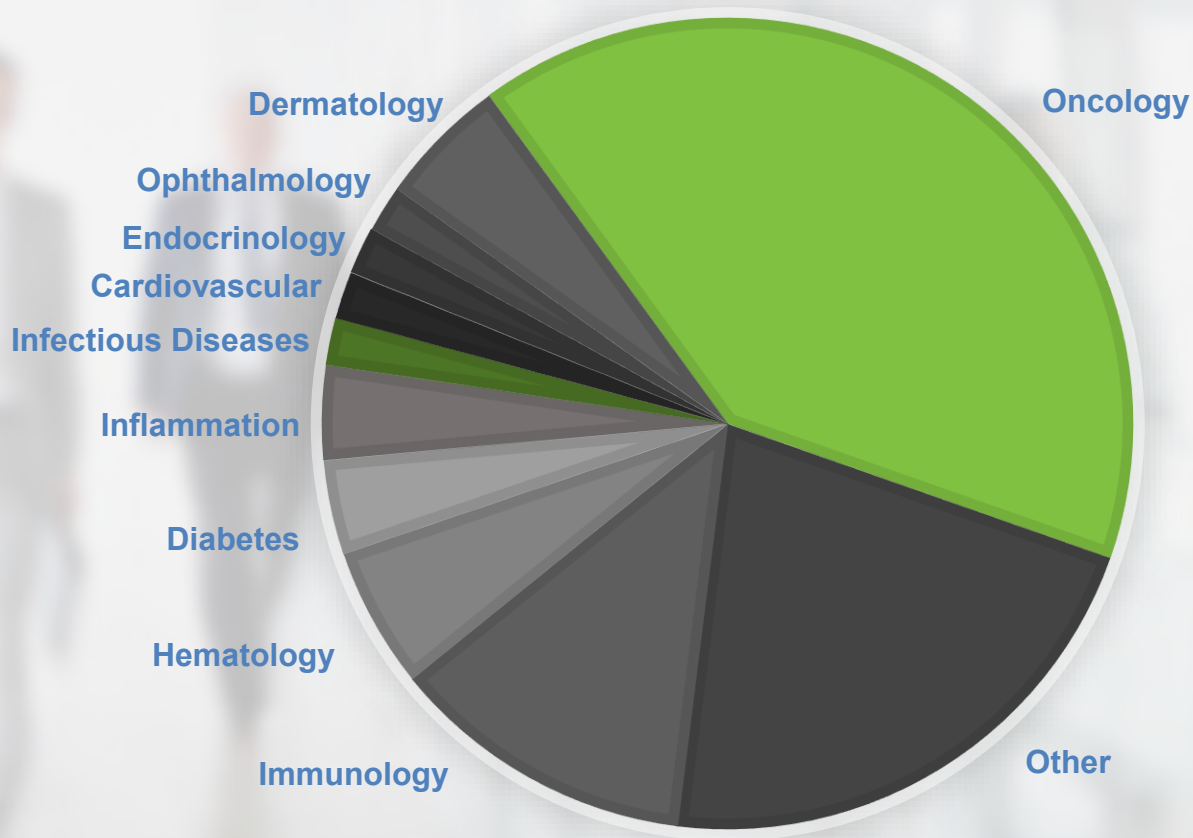


Total Future Development Expenses by XOMA:

**\$0**

32 Assets with Large-Cap Partners

# DIVERSIFICATION: 50+ ASSETS ACROSS 11+ THERAPEUTIC CATEGORIES



# XOMA'S LEGACY PORTFOLIO **KEY HIGHLIGHTS**

COMPANY	ASSET & PHASE OF DEVELOPMENT	POTENTIAL MILESTONES	ROYALTY %
Novartis	CFZ533 (Anti-CD40) Phase 2	\$14M	Mid single digits – low teens
Takeda	TAK-079 (Anti-CD38) Phase 1b/2	\$21M	4%
Novartis	NIS793 (Anti-TGFβ) Phase 1b	\$480M	Mid-single digits – low teens
Rezolute	XOMA 358 Phase 2	\$232M	High single digits – low teens
Novartis	VPM087 (Gevokizumab IL-1β) Phase 1b	\$438M	High single digits – mid teens
Sesen	Vicinium One Phase 3 complete	\$250,000	Low single-digit
Five Prime	Phage display library Early Stage	Undisclosed	Low single-digit

# NOVARTIS' EXPANSIVE DEVELOPMENT OF ANTI-CD40

INDICATION	PHASE	STATUS	STUDY SIZE	START DATE
Lupus Nephritis	2	Recruiting	60	8/18
Systemic Lupus Erythematosus	2	Recruiting	120	9/18
Kidney Transplant	2	Recruiting	325	9/18
Liver Transplant	2	Not yet recruiting	128	12/18
Hidradenitis Suppurativa	2	Not yet recruiting	90	2/19
Sjogren's Syndrome	2b	Not yet recruiting	260	9/19
Primary Sjogren's Syndrome	2	Completed	66	
Graves' Disease	2	Completed	15	
Moderate to Severe Myasthenia Gravis	2	Completed	44	
de Novo Renal Transplantation	1/2	Completed	59	Advanced to Phase 2 (see above)
Rheumatoid Arthritis	1	Completed	75	

# 2 XOMA ASSETS HIGHLIGHTED AS POTENTIAL BLOCKBUSTERS BY NOVARTIS (JANUARY 30, 2019)

## Advancing pipeline with 30 potential blockbusters<sup>1</sup>

Potential blockbusters by planned submission year

	Cosentyx® nrAxSpA			
	Entresto® HFpEF			
	INC280 NSCLC			
	OMB157 Relapsing MS			
	PDR001 combo Metastatic Melanoma			
BYL719 Advanced breast cancer	QVM149 Asthma	<sup>177</sup> Lu-PSMA-617 mCRPC	ABL001 CML	
Mayzent™ <sup>3</sup> SPMS	RTH258 nAMD	QAW039 Asthma	ACZ885 Lung cancer	
Zolgensma™ <sup>2</sup> SMA Type 1	SEG101 Sickle Cell Disease	Zolgensma™ <sup>2</sup> SMA Type 2/3	QGE031 CSU / CIU	
2018	2019	2020	2021	≥ 2022 <sup>3</sup>
				CFZ533 Multiple
				CNP520 Alzheimer's Disease
				LJN452 <sup>4</sup> NASH
				UNR844 Presbyopia
				CSJ117 Severe Asthma
				LNP023 Nephropathy
				VAY736 Epilepsy
				ECF843 Dry Eye
				LOU064 CSU
				VPM087 CRC / RCC
				HDM201 Acute Myeloid Leukemia
				MOR106 Atopic Dermatitis
				ZPL389 Atopic Dermatitis

XOMA Royalty Rate: Mid-single digits to low teens

1. New molecular entity / new indication with expected peak sales >USD 1bn. 2. The brand name Zolgensma™ has been provisionally approved by the FDA for the investigational product AVXS-101 (onasemnogene abeparvovec-xxxx), but the product itself has not received marketing authorization or BLA approval from any regulatory authorities. 3. The brand name Mayzent™ has been provisionally approved by the FDA and EMA for the investigational product siponimod (BAF312), but the product itself has not been approved for sale in any country. 4. Including combos



# SIGNIFICANT ROYALTY REVENUE POTENTIAL

## ASSETS BY PROJECTED PEAK SALES POTENTIAL

Royalty Rate at Projected Peak Sales	< \$500M (14+ assets)	\$500M - \$1B (15 assets)	≥ \$1B (22 assets)
< 2.5%	9+	11	11
2.5% - 7.5%	4	3	8
7.5% - 15%	1	1	3
	5 of 14+ with large-cap partners	9 of 15 with large-cap partners	18 of 22 with large-cap partners

**Example:** If a partnered product were to achieve \$1B in annual sales, and XOMA held a 3% royalty on that product, XOMA would receive \$30M annual royalty revenue plus any interim revenue from development & regulatory milestones

# XOMA'S MODEL : HOLD & BUY MORE



## HOLD

ALLOW PORTFOLIO OF ASSETS TO ADVANCE,  
FULLY FUNDED BY PARTNERS; HOLD  
MILESTONE & ROYALTY PAYMENT RIGHTS



## BUY MORE & HOLD

ACQUIRE MILESTONE AND ROYALTY  
RIGHTS TO ADDITIONAL FULLY  
FUNDED ASSETS

# XOMA ACQUISITION STRATEGY IS DISTINCT

- **Acquire milestone and royalty licenses to high-potential, fully funded assets**
- **Focus on mid-clinical stage assets**
- **Partner companies pay development costs**
- **Ever-increasing pipeline of potential targets**
- **Team focused on acquiring new royalty assets**

## **THE BENEFITS TO ASSET SELLERS:**

Recognize value of non-dilutive, non-recourse financing

Few options to monetize license agreements associated with partnered mid-stage clinical assets

Immediate cash infusion to advance high-priority internal programs to improve human health

# KEY ATTRIBUTES OF XOMA TARGET ASSETS

R<sub>x</sub>

## PRE-COMMERCIAL THERAPEUTIC ASSETS

Phase 1, 2, or 3

31

## LONG DURATION OF MARKET EXCLUSIVITY

Patent expiration or regulatory exclusivity

\$

## HIGH REVENUE POTENTIAL

High unmet need or clear clinical benefit over alternatives

↑

## STRONG DEVELOPER/MARKETER

Assets partnered with high-quality pharma / biopharma companies

# XOMA'S FIRST ROYALTY MONETIZATION TRANSACTION: **AGENUS**

7

Assets with Large-Cap Partners

33%

of Agenus' Royalty Interest

10%

of Future Milestones

100%

Immuno-Oncology Focus

Total XOMA Investment:

**\$15M**

# XOMA'S LATEST ROYALTY MONETIZATION TRANSACTION: **ARONORA**

**2** OF **5**

Assets with Large-Cap Partner

**100%**

of Aronora's Royalty Interest

**10%**

of Future Milestones

**100%**

Anti-Thrombotic Focus

**Total XOMA Investment:**

Up to **\$9M**

# THESE TRANSACTIONS HIT ALL OF THE KEY ATTRIBUTES OF XOMA TARGET ASSETS

R<sub>x</sub>

PRE-COMMERCIAL THERAPEUTIC ASSETS

Phase 1, Phase 2 typically

31

LONG DURATION EXCLUSIVITY

Potentially 10 years post-commercialization

\$

HIGH REVENUE POTENTIAL

Immuno-oncology & anti-thrombotics

↑

STRONG DEVELOPER/MARKETER

Incyte, Merck, Bayer

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# RECENT HIGHLIGHTS

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## OPERATIONAL

- **\$20M Rights Offering led by BVF Partners**
- **Established \$20M LoC with Silicon Valley Bank**
- **Acquired milestone & royalty interests in:**
  - 6 Incyte assets & 1 Merck asset from Agenus
  - 2 Bayer assets + 1 Bayer option from Aronora
  - Added future assets from 2 technology platform companies
- **Added \$5.5M to balance sheet in Feb '19 from Rezolute milestone**
- **Added Barbara Kosacz, Partner at Cooley LLP, to Board of Directors**

## PARTNERS & PARTNERED ASSETS

- **Novartis announced gevokizumab will enter oncology clinical studies**
- **Sesen Bio disclosed positive top-line Phase 3 data on Vicinium – Jan '19**
- **Novartis / CFZ533 progress via initiation of multiple Phase 2 trials**

# LOOKING AHEAD

## OPERATIONAL

- **Acquire additional milestone and royalty interest assets to continue to grow the portfolio**
- **Maintain lean cost infrastructure and financial discipline**
  - Current balance sheet sufficient to fund operations for multiple years
  - \$1M per month core G&A expense

## PARTNERS & PARTNERED ASSETS

### NOVARTIS

Gevokizumab Phase 1b study  
First patient dosing

### NOVARTIS

TGFβ advancing to Phase 2

### INCYTE

Immuno-oncology programs  
Data readouts from Phase 1/2 and Phase 1

### MERCK

Immuno-oncology program  
Data readout from Phase 1

### SESEN BIO

Full data readout from Phase 3 Vicinium study

# WHY IS XOMA'S PORTFOLIO VALUABLE?

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- XOMA holds **50+ current assets**; pharmaceutical **partners fund the research & development and cover 100% of costs**
- XOMA sources **royalty rights** through deep industry network
- XOMA constructs an increasingly **diverse and expanding portfolio** to increase odds of success and mitigate binary risk
- XOMA has **low-cost infrastructure**; future potential **revenues largely fall to bottom line**