



CORPORATE **PRESENTATION**

May 2019

NASDAQ: XOMA

A Royalty Aggregation Company

DISCLAIMERS

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

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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

- **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**

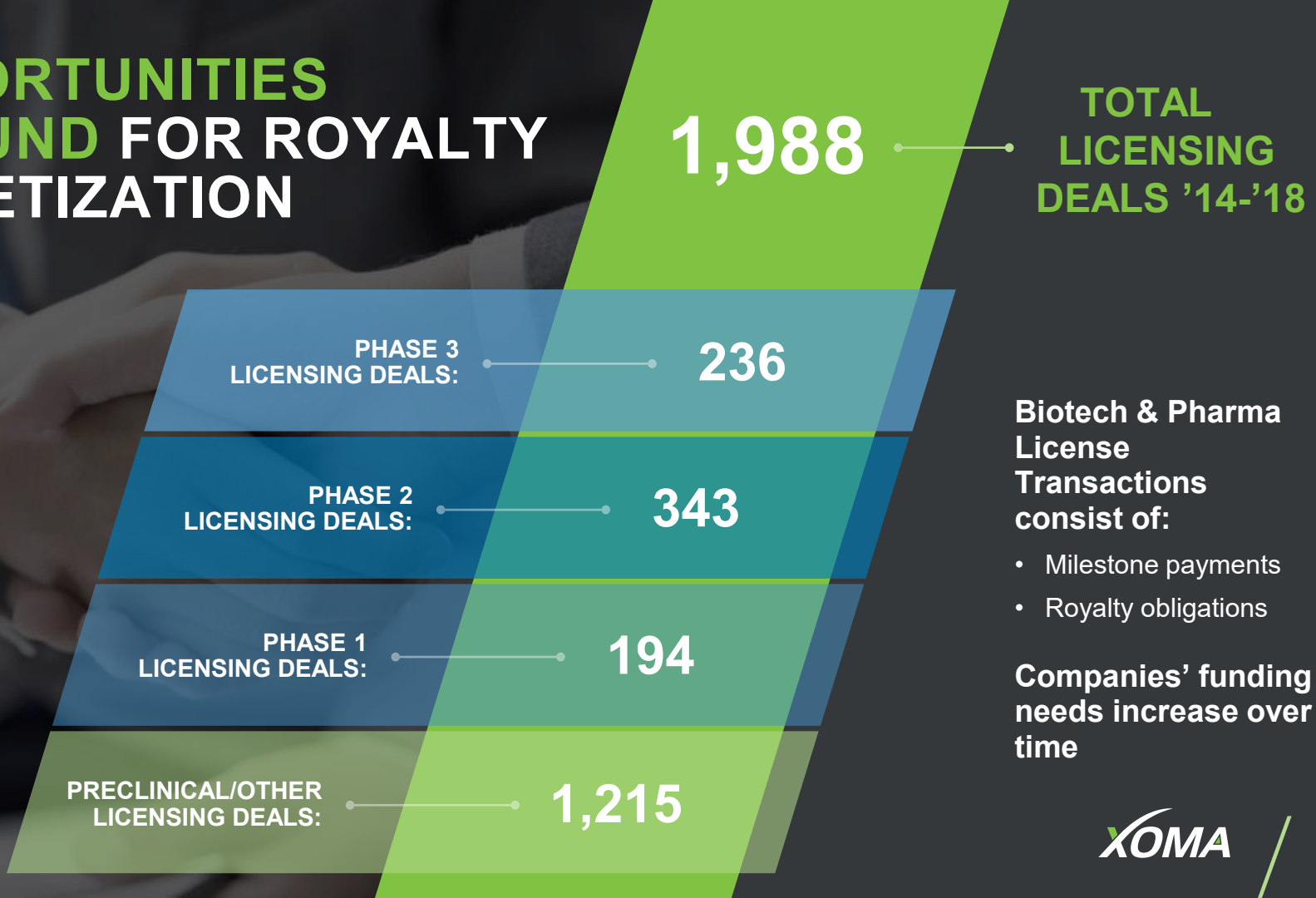
**XOMA
Royalty
Aggregator
Strategy**

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

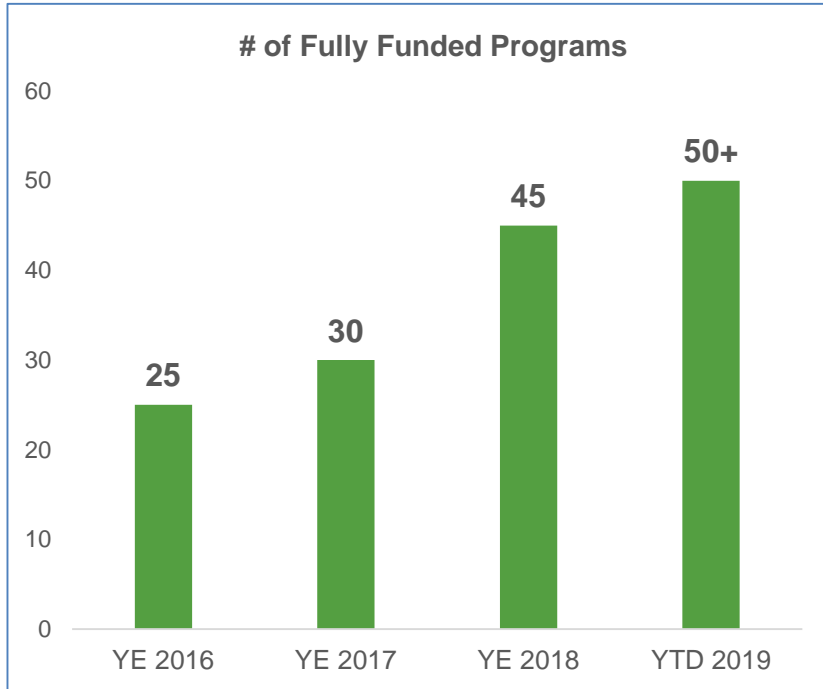
APPROVAL

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**

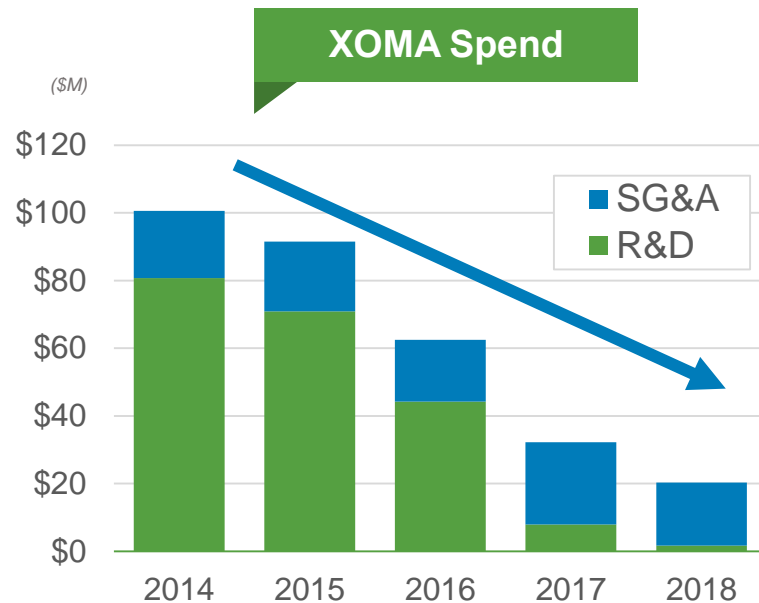


BUY MORE & HOLD

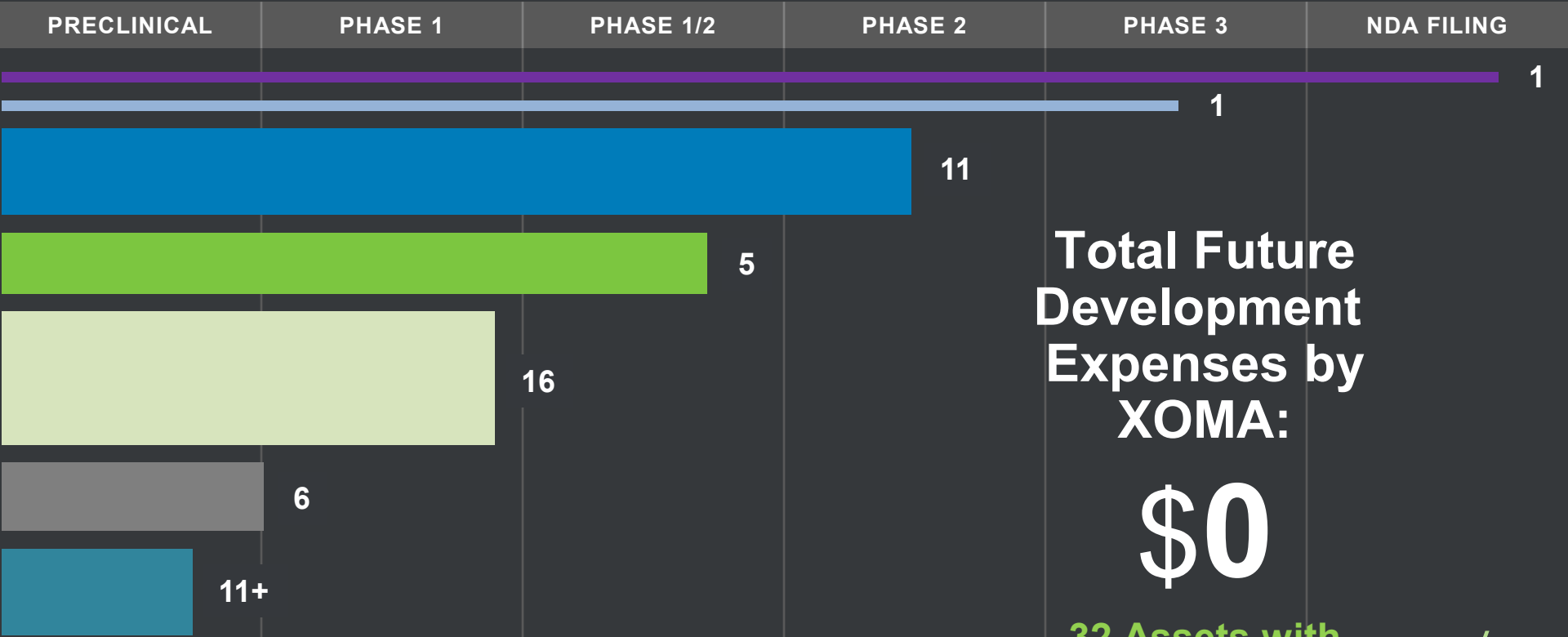
**ACQUIRE MILESTONE AND ROYALTY
RIGHTS TO ADDITIONAL FULLY
FUNDED ASSETS**

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

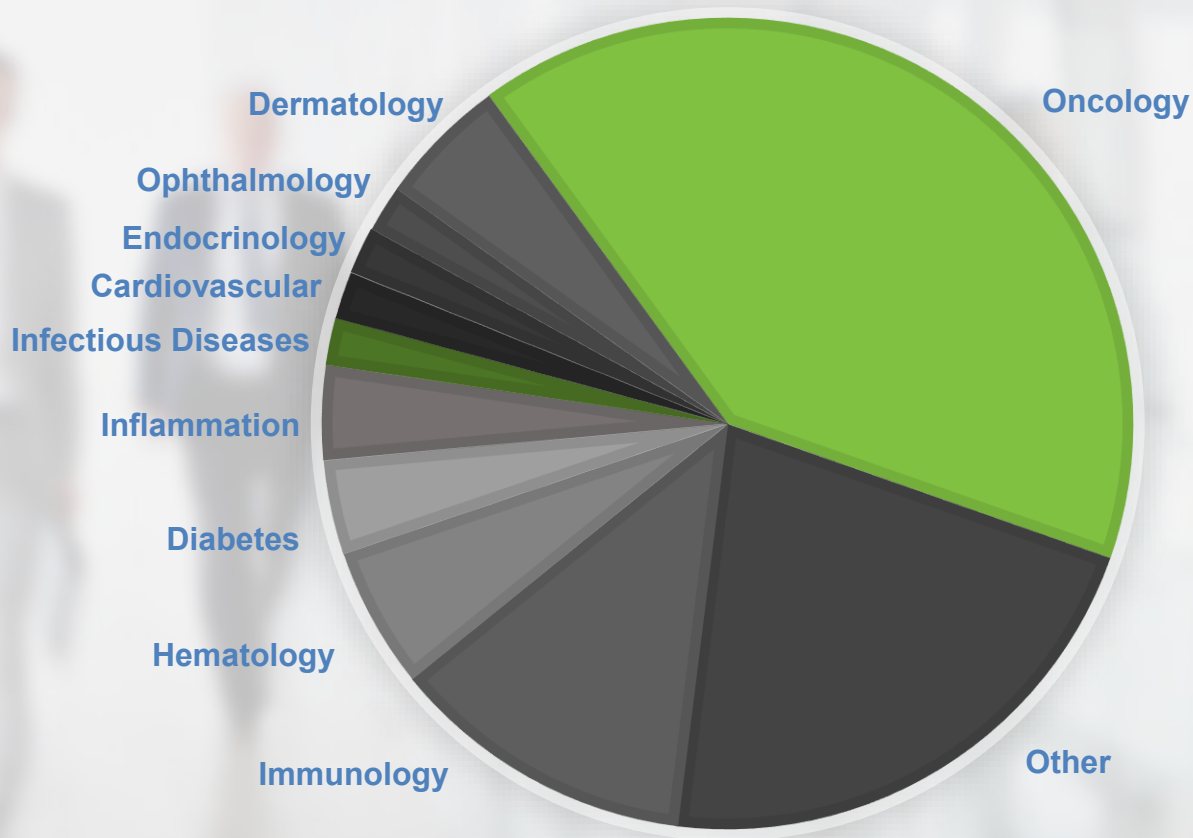


Total Future Development Expenses by XOMA:

\$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	

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_x

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_x

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

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?

- 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**