

Syncona Limited

Quarterly Update

9 August 2018

Syncona Ltd, a leading healthcare company focused on investing in and building global leaders in life science, today issues its quarterly update covering the period from 1 April 2018 to 30 June 2018.

Financial and Operational highlights for the three months ending 30 June

- Net assets increased to £1,283.2 million, 193.1p per share¹, a total return of 23.0 per cent²
- Life science portfolio, key driver of growth, valued at £789.4 million (62 per cent of net assets), a 41.8 per cent return³ over the quarter
- Capital pool of £522.0 million (cash of £68.4 million and funds investments of £453.6 million)
- Continued strong performance in portfolio company Blue Earth, with US unit sales of Axumin of 6,000 in the period; revalued to £213.2 million, valuation increase of £26.4 million driven predominantly by positive foreign exchange movements
- Completion of two significant financing rounds in Syncona's portfolio companies; an £85.0 million commitment to Freeline and a £18.1 million investment in the successful IPO of Autolus. Autolus was valued at £275.8 million at 30 June, a £172.6 million valuation uplift in the period
- £9.8 million commitment to a new Syncona portfolio company, which employs a novel technology platform to enable drug discovery in small molecule and antibody areas, bringing the number of life science portfolio companies to nine

Life science portfolio delivers strong financial and operational progress

Syncona's life science portfolio made continued strong progress during the quarter. Blue Earth Diagnostics (Blue Earth), our PET imaging agent company, demonstrated continued momentum in sales of its prostate cancer imaging diagnostic, Axumin, which sold 6,000 doses during the quarter, up from 5,000 in the previous quarter. The business, which is profitable, continues to make good progress rolling the product out across the United States, the key product market. It was valued at £213.2 million at 30 June, with the valuation increase of £26.4 million driven predominantly by positive foreign exchange movements.

Syncona closed two significant financing rounds and a new addition to its portfolio. Autolus, our T cell immunotherapy company, completed its initial public offering (IPO) on NASDAQ. Syncona invested £18.1 million in the IPO to retain a stake of 33 per cent in Autolus (previously 38 per cent), which was valued at £275.8 million at 30 June 2018, a significant valuation uplift of £172.6 million to 31 March 2018 valuation. Syncona also announced a commitment of £85.0 million to Freeline, its clinical stage AAV gene therapy company focused on liver expression for chronic systemic diseases.

In addition, Syncona made a commitment of £9.8 million⁴ to a new portfolio company which uses a novel technology platform to enable the discovery of therapeutics acting at targets in the cell membrane. The technology, which has been developed by the company's world-leading academic founder, offers the potential to address previously intractable small molecule and antibody drug targets. Syncona has a 46 per cent stake in this early stage business and has been working with the company to define its business plan and strategic direction. Further information will be provided in due course.

Immediately following the period end, Syncona also sold its entire holding in NASDAQ-listed Endocyte (ECYT). The exit resulted in Syncona crystallising a total realised gain of £10.2 million on an original investment of £4.0 million, generating value from a therapeutic area in which Syncona has deep domain expertise.

¹ Fully diluted

² Including 2.3p dividend paid in July 2018

³ Time-weighted rate of return

⁴ £3.5m of this commitment was paid in July

Fund investments continue to perform well and provide strong capital base

At 30 June 2018, fund investments were valued at £453.6 million, (35 per cent of net assets), having generated a return of 4.0 per cent⁵ over the quarter. These investments continue to provide a liquid pool of capital which is productively deployed and available to support investment in Syncona's life science portfolio. The portfolio of fund investments continues to transition away from more directional long-only funds towards strategies more suited to our current investment parameters, with a further £27.9 million redeemed from long-only strategies and £13.2 million invested into hedged strategies during the quarter.

Martin Murphy, CEO, Syncona Investment Management Limited, said:

"We have continued to deliver strong performance across the business and have seen life science increase to 62 per cent of our portfolio. Our continued progress demonstrates the success of our differentiated model, which combines a hands-on, partnership approach to building innovative healthcare companies with a long-term investment perspective and access to a deep pool of capital.

"This is an important period for Syncona as our portfolio companies progress through clinical trials. There remains much to do as we work to support these businesses to become global leaders in their fields and deliver transformational treatments to patients."

Company	31 Mar 2018 Value (£m)	Net investment (£m)	Valuation change (£m)	30 Jun 2018 value (£m)	% NAV	Valuation basis	Fully diluted ownership stake (%)	Focus area
Life science portfolio companies								
Established								
Blue Earth	186.8	-	26.4	213.2	16.6%	rDCF	89	Advanced diagnostics
Maturing								
Autolus	85.1	18.1	172.6	275.8	21.5%	Quoted	33	Cell therapy
Nightstar	124.5	-	23.4	147.9	11.5%	Quoted	42	Gene therapy
Freeline	36.0	27.5	-	63.5	4.9%	Cost	80	Gene therapy
Developing								
Gyroscope	11.0	-	-	11.0	0.9%	Cost	78	Gene therapy
Orbit Biomedical	8.6	-	0.5	9.1	0.7%	Cost	80	Surgical devices
Achilles	6.6	-	-	6.6	0.5%	Cost	69	Cell therapy
SwanBio	4.9	-	0.3	5.2	0.4%	Cost	72	Gene therapy
New portfolio company	-	3.5	-	3.5	0.3%	Cost	46	Therapeutics
Life science investments								
CRT Pioneer Fund	30.8	1.0	-	31.8	2.5%	Third-party	N/A	
CEGX	9.8	-	0.6	10.4	0.8%	PRI	9	
Endocyte	9.0	(3.9)	4.9	10.0	0.8%	Quoted	1	
Syncona Collaborations	1.4	-	-	1.4	0.1%	Cost	100	
SUB-TOTAL	514.5	46.2	228.7⁶	789.4	61.5%			

⁵ Time-weighted rate of return

⁶ Includes: update of rDCF model, change in quoted share prices and foreign currency exchange rates; impact of change in foreign currency exchange rates c.£36m increase

Fund investments	465.1	(27.1)⁷	15.6	453.6	35.4%			
Cash	85.2	(19.1)	2.3	68.4	5.3%			
Dividend	-	-	(15.2)	(15.2)	(1.2%)			
Other net liabilities	(9.0)	-	(4.0)	(13.0)	(1.0%)			
TOTAL	1,055.8	-	227.4	1,283.2	100%			

Fund Investments -Top 10 funds

Funds	Strategy	Valuation (£m)	% NAV
SFP Value Realization Fund	Equity Long	43.0	3.1%
Polar UK Absolute Equity Fund	Equity Hedge	39.2	3.1%
Maga Smaller Companies UCITS	Equity Hedge	33.4	2.6%
AKO Global UCITS Fund	Equity Hedge	31.8	2.4%
Sinfonietta	Non-Equity Hedge	26.4	2.0%
Polygon European Equity Opportunity	Equity Hedge	24.7	2.6%
Portland Hill	Equity Hedge	23.0	1.8%
Polar Capital Japan Alpha	Equity Long	20.4	1.6%
Polygon Convertible Opportunity	Equity Hedge	20.0	1.5%
Permira V	Private Equity	19.6	1.7%

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About Syncona:

Syncona is a leading FTSE250 healthcare company focused on investing in and building global leaders in life science. Our vision is to deliver transformational treatments to patients in truly innovative areas of healthcare while generating superior returns for shareholders.

We seek to partner with the best, brightest and most ambitious minds in science to build globally competitive businesses.

We take a long-term view, underpinned by a deep pool of capital, and are established leaders in gene and cell therapy. We focus on delivering dramatic efficacy for patients in areas of high unmet need.

Copies of this press release and other corporate information can be found on the company website at: www.synconaltd.com

⁷ Includes: £27.9m redemption from long-only strategy, £3.5m net subscription into equity hedge and £2.7m capital return