

Syncona Limited
Third Quarter Update

7 February 2023

Syncona Ltd, a leading healthcare company focused on creating, building and scaling global leaders in life science, today issues its quarterly update covering the period from 01 October to 31 December 2022.

Financial performance

- Net assets of £1,294.9 million (30 September 2022: £1,365.9 million), 192.6p per share (30 September 2022: 202.9p per share), a NAV return of (5.1)% in the quarter and (1.0)% in the nine months to 31 December 2022
- Life science portfolio valued at £641.1 million (30 September 2022: £602.6 million), a return of (8.8)% in the quarter¹ and (6.2)% in the nine months to 31 December 2022
- Performance in the quarter impacted by the decline in value of our quoted holdings:
 - Autolus Therapeutics (Autolus) share price declined following its \$163.9 million fundraising at \$2.00 in December 2022; the company's fundraising took place following the announcement it had reached its primary endpoint in its pivotal study
 - Achilles Therapeutics' (Achilles) share price declined following the presentation of clinical data in its lead programmes in December 2022
 - Freeline Therapeutics' (Freeline) share price has been impacted by market sentiment and delays across its programmes; new leadership has made progress streamlining the company, re-prioritising its clinical programmes, and strengthening clinical organisation to advance its Fabry disease and Gaucher disease programmes; the company will provide updates on both programmes in CY2023
- Performance was also impacted by negative movements in foreign exchange, with the US\$ depreciating by 8.2% against Sterling, contributing to a £(48.5) million negative impact on NAV.
 - Over the nine months to 31 December 2022 foreign exchange gains have resulted in a £61.4 million positive impact to NAV
- Capital base of £653.8 million at 31 December 2022 (30 September 2022: £763.3 million), having invested £92.7 million in the quarter and £150.5 million in the nine months to 31 December 2022

Clinical updates across the portfolio during the quarter; important milestone for Autolus with pivotal study meeting primary endpoint

- Autolus reached an important milestone in its pivotal FELIX trial of obe-cel in relapsed/refractory (r/r) adult acute lymphoblastic leukaemia (ALL)
 - Data demonstrated the differentiated safety profile of the drug and its transformative impact for patients
 - The company continues to target a filing of a Biological License Application (BLA) with the US Food and Drug Administration (FDA) in CY2023
- Anaveon announced further encouraging clinical data in the dose-finding Phase I/II study of ANV419, with the company initiating Phase I/II trials of the drug in metastatic melanoma and multiple myeloma
- Achilles presented clinical data from its Phase I/IIa clinical trials in advanced non-small cell lung cancer (NSCLC) and recurrent or metastatic melanoma with 16 patients dosed across the two trials to date²

¹ Life science portfolio return reflects net valuation movement of £(52.9) million in the quarter excluding net capital invested of £92.7 million.

² As of company [release](#) on 06/12/2022

- In order for Achilles to be competitive in the space it is operating, it is critical that the company can manufacture at scale; Syncona is engaging with the company regarding the optimisation of its manufacturing process

Strategic balance sheet enables Syncona to navigate challenging market backdrop for biotech

- Syncona’s view is the financing environment for public and private companies remains very challenging, with sector specialist investors continuing to prioritise funding their existing portfolio over making new investments, and an absence of generalist investors in the sector
- Against this market backdrop Syncona has deployed £92.7 million in the quarter
 - £48.1 million deployed into new companies; further £44.6 million deployed to support our existing companies as they deliver on their milestones, including investing \$28.0 million (£23.0 million) in Autolus’ public offering in December 2022³
- Syncona continues to take a disciplined approach to the allocation of capital across the portfolio

Portfolio of 13 companies, following addition of AGTC to the portfolio in the quarter; three companies added to the portfolio year to date

- Completed acquisition of retinal gene therapy company Applied Genetic Technologies Corporation (AGTC) for an initial investment of \$23.3 million (£19.5 million), demonstrating Syncona’s differentiated capability to support world-class science
 - A further £21.3 million invested in the quarter to support AGTC as it progresses its lead Phase II AGTC-501 programme, which is targeting X-linked retinitis pigmentosa (XLRP), a genetic eye disease which currently has no approved treatments
- Initial investment in a small molecule company, expected to be launched in H1 CY2023
- FY2022/3 capital deployment guidance remains unchanged at £150 million - £250 million

Syncona portfolio continues to attract interest from pharma

- Completion of sale of Neogene Therapeutics (Neogene) to AstraZeneca for up to \$320.0 million (£261.2 million), including an upfront cash payment of \$200.0 million (£163.2 million) and up to \$120.0 million (£98.0 million) in cash potentially due in both contingent, milestones-based and non-contingent consideration
- Total potential cash proceeds to Syncona from the sale of up to £21.9 million, including £15.5 million in upfront proceeds⁴
- The sale of Neogene is the fourth sale of a Syncona portfolio company over the last four years, generating total potential proceeds of up to £1.2 billion, assuming full receipt of milestones from the sales of Neogene and Gyroscope Therapeutics, an aggregate 5.6 multiple of cost

Chris Hollowood, CEO of Syncona Investment Management Limited said: “The difficult financing conditions and uncertainties facing the biotech market continue to be very challenging. Syncona’s hands-on approach and strategic balance sheet mean that we are well positioned to navigate this cycle. Our highly experienced team is focused on supporting our companies, identifying opportunities arising from these market conditions, such as AGTC, and creating new companies, whilst maintaining a disciplined approach to capital allocation across the portfolio. Together, this will drive growth and maximise long-term value for our shareholders.

Our NAV return over the quarter has been disappointing, with the value of our life science portfolio impacted by the share price declines of our listed holdings, which continue to weigh on our performance. In particular, we believe that the challenging market environment impacted the share price of the recent Autolus financing

³ FX rate taken at 31/12/2022

⁴ FX rate taken at closing on 16/01/2023

and remain confident that obe-cel has the potential to be a best-in-class treatment for patients with adult ALL.

Whilst we anticipate financing conditions to remain difficult in 2023, our strategy of creating companies to develop products with dramatic efficacy has the potential to create fundamental value and we have a number of key milestones in the year ahead. With three new companies added to the portfolio in the first nine months of our financial year, and an exciting investment landscape, the team is highly motivated to deliver our strategy to scale the business to net assets of £5 billion. We are confident in the long-term potential of our model and remain positive about the future of our sector and Syncona's role in shaping it."

Next key milestones

- **Autolus expects to:**
 - Progress its pivotal study in obe-cel in r/r adult ALL, providing further data in Q2 CY2023, with a BLA filing with the FDA expected in CY2023
 - Announce further data from AUTO1/22 in paediatric ALL and AUTO4 in peripheral T cell lymphoma in CY2023
- **Achilles** expects to provide further data from the higher dose clinical cohorts of the Phase I/IIa clinical trials of its cNeT therapy in NSCLC and melanoma in CY2023
- **Freeline has updated guidance to:**
 - Announce initial safety and efficacy data from the Phase I/II dose-finding trial in Fabry disease in H1 CY2023
 - Commence dosing in the Phase I/II dose-finding trial in Gaucher disease, with initial safety and efficacy data expected to be reported in H1 CY2023
- **Anaveon** will dose the first patient in its Phase I/II trial of ANV419 in multiple myeloma in H1 CY2023, following on from the recent dosing of its first patient in its separate Phase I/II trial of the therapy in advanced melanoma

Other portfolio developments

- **Quell** expects to dose the first patient in its lead programme, QEL-001, in H1 CY2023
- **SwanBio** now expects to dose the first patient in its lead programme, SBT101, in H1 CY2023

Valuation movements in the quarter

Company	30 Sep 2022	Net investment in the quarter	Valuation change	FX movement	31 Dec 2022	% of Group NAV	Valuation basis ^{5,6} _{,7}	Fully diluted ownership stake	Focus area
	(£m)	(£m)	(£m)	(£m)	(£m)			(%)	
Portfolio Companies									
Clinical									
Anaveon	65.8			(0.9)	64.9	5.0%	PRI	37.9%	Biologics
Autolus	37.4	23.0	(5.3)	(2.4)	52.7	4.1%	Quoted	17.9%	Cell therapy

⁵ Primary input to fair value

⁶ The basis of valuation is stated to be "Cost", this means the primary input to fair value is capital invested (cost) which is then calibrated in accordance with our Valuation Policy

⁷ The basis of valuation is stated to be "PRI", this means the primary input to fair value is price of recent investment which is then calibrated in accordance with our Valuation Policy

AGTC		40.8			40.8	3.1%	Cost	100%	Gene therapy
Freeline	23.5		(7.4)	(1.2)	14.9	1.1%	Quoted	51.3%	Gene therapy
Achilles	22.4		(13.5)	(0.6)	8.3	0.6%	Quoted	24.5%	Cell therapy
Pre-Clinical									
SwanBio	105.7	8.5		(8.5)	105.7	8.2%	Cost	80.0%	Gene therapy
Quell	95.8			(7.3)	88.5	6.8%	PRI	37.4%	Cell therapy
Purespring	35.1				35.1	2.7%	Cost	84.0%	Gene therapy
Clade	13.4	12.4		(0.9)	24.9	1.9%	Cost	22.6%	Cell therapy
Resolution	23.0				23.0	1.8%	Cost	81.1%	Cell therapy
Neogene ⁸	17.1		2.1	(1.3)	17.9	1.4%	Sale proceeds	7.9%	Cell therapy
Syncona NewCo		7.3			7.3	0.6%	Cost	52.8%	Small molecule
Drug discovery									
OMass	43.7				43.7	3.4%	PRI	30.9%	Small molecule
Kesmalea	4.0				4.0	0.3%	Cost	57.5%	Small molecule
Life Science Investment									
Gyroscope milestone payments	58.6			(4.5)	54.1	4.2%	DCF	0.0%	Gene therapy
CRT Pioneer Fund	32.0	(0.6) ⁹			31.4	2.4%	Adj Third Party	64.1%	Oncology
CEGX	20.4			(1.5)	18.9	1.5%	PRI	5.5%	Epigenetics
Forcefield	2.5				2.5	0.2%	Cost	82.0%	Biologics
Adaptimmune	1.3		0.5	(0.1)	1.7	0.1%	Quoted	0.8%	Cell therapy
Tier 1 Bio	0.9			(0.1)	0.8	0.1%	Cost	4.9%	Biologics
Total Life Science Portfolio	602.6	91.4	(23.6)	(29.3)	641.1	49.5%			
Capital pool	763.3	(91.7)	1.4	(19.2)	653.8	50.5%			
TOTAL	1,365.9				1,294.9	100%			

⁸ Sale of Neogene to AstraZeneca completed in January 2023. Valuation is based on proceeds of \$19 million and a discounted valuation of the milestone payments

⁹ Net capital movement comprising of an investment of £0.7m and distributions of (£1.3m) in the quarter

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About Syncona

Syncona's purpose is to invest to extend and enhance human life. We do this by creating and building companies to deliver transformational treatments to patients in areas of high unmet need.

Our strategy is to create, build and scale companies around exceptional science to create a diversified portfolio of 20-25 globally leading healthcare businesses, across development stage and therapeutic areas, for the benefit of all our stakeholders. We focus on developing treatments for patients by working in close partnership with world-class academic founders and management teams. Our balance sheet underpins our strategy enabling us to take a long-term view as we look to improve the lives of patients with no or poor treatment options, build sustainable life science companies and deliver strong risk-adjusted returns to shareholders.