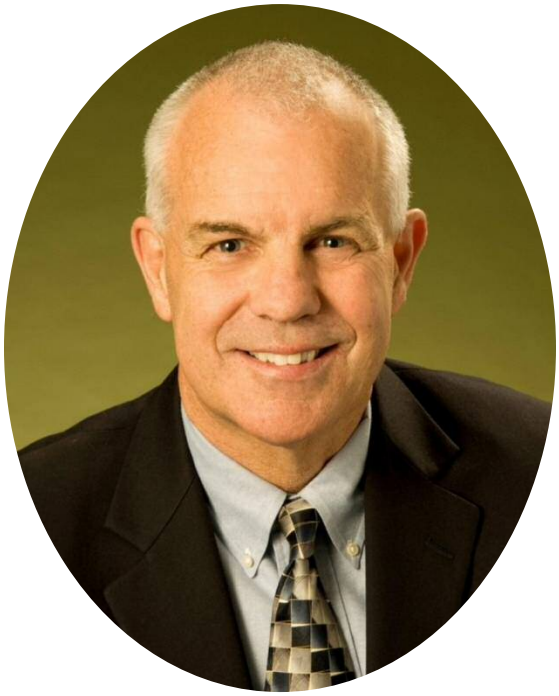
CEOCFO Magazine

ceocfointerviews.com

Issue: August 19, 2019

With Their Legacy Portfolio and Recent Track Record of Acquiring Pre-Commercial Royalty Assets from Bayer, Merck, Janssen Biotech, and Incyte, XOMA Corporation Now Has a Portfolio of More Than 60 Fully Funded Programs – Any One of Which, if Commercialized, Could be a Significant Value Driver



James R. Neal
Chief Executive Officer and
Member of the Board of Directors

XOMA Corporation (Nasdaq: XOMA)
http://www.xoma.com/

Interview conducted by:
Bud Wayne, Editorial Executive
CEOCFO Magazine

CEOCFO: ***Mr. Neal, when we spoke in January 2018, you mentioned XOMA'S focus as a royalty aggregator. Has that changed over the past year?***
Mr. Neal: We are fully committed to executing against our royalty aggregator strategy. If anything, we've sharpened our focus and gained even more clarity regarding the type of royalty assets that we target. Most importantly, we've established a track record of acquiring pre-commercial royalty assets in the transactions we closed recently with Janssen Biotech, Inc., part of the Janssen Pharmaceutical Companies of Johnson & Johnson, Agenus, Aronora, Inc., Sonnet BioTherapeutics, and Bioasis Therapeutics.

CEOCFO: ***XOMA just announced its second quarter 2019 royalty asset portfolio highlights and financial results. Can you share some of the highlights?***
Mr. Neal: The second quarter began with our latest acquisition of rights to future milestones and royalties associated with five development-stage anti-thrombotic hematology assets from Aronora, Inc. Of the five assets, three are being developed under a collaboration with Bayer, a global leader in hematology therapeutics. The quarter also was marked with the following notable developments within XOMA's portfolio of partnered assets:

- Novartis made two important iscalimab* (CFZ533) data presentations in renal transplantation and primary Sjögren's syndrome at key medical congresses in the U.S. and Europe;
- Gevokizumab* (VPM087), an anti-IL1β monoclonal antibody that XOMA discovered and initially developed, is now actively progressing in a Novartis oncology development program. Recently, the first patient was dosed with gevokizumab in the dose-finding portion of a study in combination with standard of care anti-cancer therapies in patients with metastatic colorectal cancer, metastatic gastroesophageal cancer, and metastatic renal cell carcinoma;
- Sesen Bio announced its agreement with the U.S. Food and Drug Administration to move forward on a Biologics License Application (BLA) for Vicinium® for the treatment of patients with high-risk, Bacillus Calmette-Guérin unresponsive, non-muscle invasive bladder cancer. Sesen has stated it intends to begin filing its BLA in the fourth quarter of 2019; and,
- We received notification that clinical programs are being launched for several other partnered assets to which XOMA holds a royalty interest from Takeda and AVEO Oncology.

Additionally, from our experience with our phage display platform, we understand the value of a technology platform. It can serve as an engine that can generate multiple product candidates, all of which have the potential to produce milestone and royalty revenues. In the first half, we established relationships with two pioneering platform technology companies, Sonnet BioTherapeutics and Bioasis Therapeutics, to build future royalty opportunities from their platforms.

And our momentum continues into third quarter. In early August, we announced our portfolio of potential future royalty and milestone payments significantly increased with the addition of Janssen Biotech drug candidates, of which several assets are at clinical stage. Consistent with our strategy to expand our portfolio of milestone and royalty bearing assets, this 17% increase brings the total to more than 60 fully funded programs.

We believe we are well-positioned to continue executing on our royalty-aggregator strategy to create near- and long-term value for shareholders.

CEOCFO: ***What is the upside of the deal with Aronora, Inc. for XOMA, and can you tell us about the five candidates?***
Mr. Neal: In early April, we announced we had agreed to acquire the rights to potential royalty payments and a portion of the potential milestone payments associated with five hematology assets from Aronora, three of which are anti-thrombotic candidates covered by a collaboration with Bayer. Two of the collaboration assets are in early to mid-stages of development and the third is a Phase 2 candidate that is subject to an option. In addition, XOMA agreed to acquire the rights to potential royalty payments and a portion of the potential upfront and milestone payments associated with two unpartnered hematology programs from Aronora.

"XOMA's strategy is most unique in that we're monetizing royalties on pre-commercial drug candidates for which pharmaceutical partners fund the research and development and cover 100% of the costs. No other company is really doing this at the early to mid-clinical stage."- James R. Neal

The five royalty interest assets XOMA acquired from Aronora are:

- Three Bayer collaboration monoclonal antibody (mAb) programs targeting factor XI/XIa: BAY1213790 in Phase 2 clinical development; BAY1831865 in early clinical development; and Aronora's AB023 (xisomab 3G3) in Phase 2 development; and,
- Two proprietary hematology programs at Phase 1 and preclinical stage: AB002, a thrombin analog, and AB054, a factor XII mAb, positioned for acute cardiovascular events, medical device associated clots, and/or inflammation.

These assets possess the characteristics we have established for our royalty aggregator business model: outstanding development partner, mid-stage to early clinical stage of development, important therapeutic categories, and sizable potential royalty opportunities. The fact that three assets are part of an ongoing collaboration between Aronora and Bayer, a company for whom we have tremendous respect, strengthens our belief in the potential of these therapies to address significant unmet medical needs.

The transaction diversifies our portfolio and was exciting to us for several reasons – large revenue potential in hematology, Bayer is a significant global player in blood therapeutics, and multiple programs in the basket – any one of which in a success scenario provides positive returns for XOMA and our shareholders.

CEOCFO: How many partnered and fully funded programs do you have to-date? Would you touch on some of the milestones and royalty payments that are helping you grow, such as the $5.5 million payment from Rezolute and the partnership with Janssen Biotech?
Mr. Neal: XOMA now has more than 60 fully funded programs, up from 45 at year-end 2018 and 30 at year-end 2017. That's greater than 66% growth in our 'shots on goal' total. Our business model is fundamentally designed to generate significant long-term royalty-based revenue as the underlying assets are commercialized. Moreover, many of our license agreements include the potential for XOMA to receive significant milestone payments as the licensed assets progress. The $5.5M milestone payment from Rezolute earlier this year builds on a $10M milestone payment from Novartis for their TGFb program in late 2017. As part of our partnership with Janssen Biotech, the company elected to accelerate its base annual license fee obligation and will make a one-time $2.5M payment to XOMA. For each program, XOMA is entitled to receive milestone payments upon the achievement of certain clinical development and regulatory approval events, and upon commercialization, XOMA will receive a .75% royalty on net sales. The receipt of these payments is a good example

of XOMA further strengthening its balance sheet with additional non-dilutive capital. This capital can be deployed to further expand our portfolio of assets from which we have the potential to earn future milestone payments and royalties.

As I've mentioned earlier, we are also encouraged by our partners' activities including investments and developments in their clinical programs.

CEOCFO: ***Have there been any developments with near-term or commercial products with XOMA IP?***
Mr. Neal: Yes, we've seen some news from Sesen Bio about their Vicinium program. In January, Sesen announced positive preliminary efficacy data for the primary endpoint of its ongoing Phase 3 registration trial, the VISTA Trial, of Vicinium for the treatment of patients with high-grade non-muscle invasive bladder cancer. The data reported show clinically meaningful complete response rates in evaluable carcinoma *in situ* patients at three, six, nine, and 12 months of follow-up in the trial.

CEOCFO: ***In January of 2019 you announced Barbara Kosacz, a Partner at Cooley LLP, joining your Board of Directors. What does Ms. Kosacz add to your company?***
Mr. Neal: Barbara brings a great skill set as a licensing professional with expertise in analyzing, structuring, and negotiating licensing and collaboration agreements for life sciences companies. Her broad experience and deep understanding of these types of commercial arrangements are significant benefit to XOMA and our stakeholders as we continue to build our royalty portfolio.

CEOCFO: ***When we last spoke you had brought on new leadership and team members. How has that worked out for you? Are there any new team members about whom we should be aware?***
Mr. Neal: We firmly believe it takes a team with multiple perspectives, skill sets, and experiences to be successful. Our focus remains on continuing to be a lean organization that is highly networked and adept at accessing specific talent to help meet our business objectives. For example, we're excited about the newest members of our Deal Team – Padma Bezwada who leads our technical diligence and Nick Cole who is our analytics and modeling guru.

CEOCFO: ***In December of 2018, XOMA raised $20 million from existing stockholders. They must really see and understand the value of XOMA. Would you tell us why that is? Is communicating with your stockholders regularly a focus for you?***
Mr. Neal: Yes, the December fund raising was completed via a Rights Offering, which is a little unusual here in the U.S. The whole premise is to allow our current shareholders the opportunity to further invest in and participate with us as we seek to grow shareholder value via our royalty monetizer/aggregator strategy. The Rights Offering is one way for us to tangibly demonstrate our appreciation of our current shareholders. As a Company, we were confident that we would raise the $20M because BVF Partners L.P., a stockholder of the Company, fully backstopped the offering. They really understand our model and the opportunities – hence their enthusiasm to continue to invest in us.

CEOCFO: ***Is attending conferences and doing road shows a big part of your strategy?***
Mr. Neal: We are big believers in staying connected to our investors by getting on the road, meeting with investors at conferences and 1:1 meetings, or doing non-deal roadshows. It's important to us that we continue to convey our strategy and the potential opportunity we represent to investors. As we like to say, we offer an opportunity for them to get exposure to the upside of biotech without the binary risk associated with late-stage clinical development. We're also on the road and attending conferences as a way to interact with the biotech community in order to identify new opportunities where a royalty monetization transaction could make sense for biotech companies and for us.

CEOCFO: ***Final thoughts. What are the advantages for the investor in being a part of XOMA? Why does XOMA Corporation's focus continue to be a winning strategy?***
Mr. Neal: XOMA's strategy is most unique in that we're monetizing royalties on pre-commercial drug candidates for which pharmaceutical partners fund the research and development and cover 100% of the costs. No other company is really doing this at the early to mid-clinical stage. We source royalty rights opportunities through our deep industry network and our increasingly diverse and expanding portfolio is a tremendous tool as we think about mitigating the low odds of single asset success. Because of our legacy licenses and with our recent acquisitions, we now have a portfolio of more than 60 fully funded programs – any one of which, if commercialized, could be a significant value driver. In addition, we have a low-cost infrastructure having done the hard work to minimize our general and administrative expenses. We are always striving to be efficient in our capital deployment in order to maximize shareholder returns. We think and behave like owners, because we ***are*** owners.

*Iscalimab and gevokizumab are investigational compounds. Efficacy and safety have not been established. There is no guarantee that either compound will become commercially available.