Mereo BioPharma

2017 INTERIM RESULTS

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Richard Jones – CFO

8th August 2017

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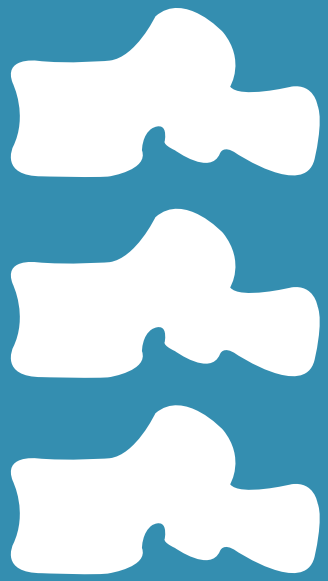
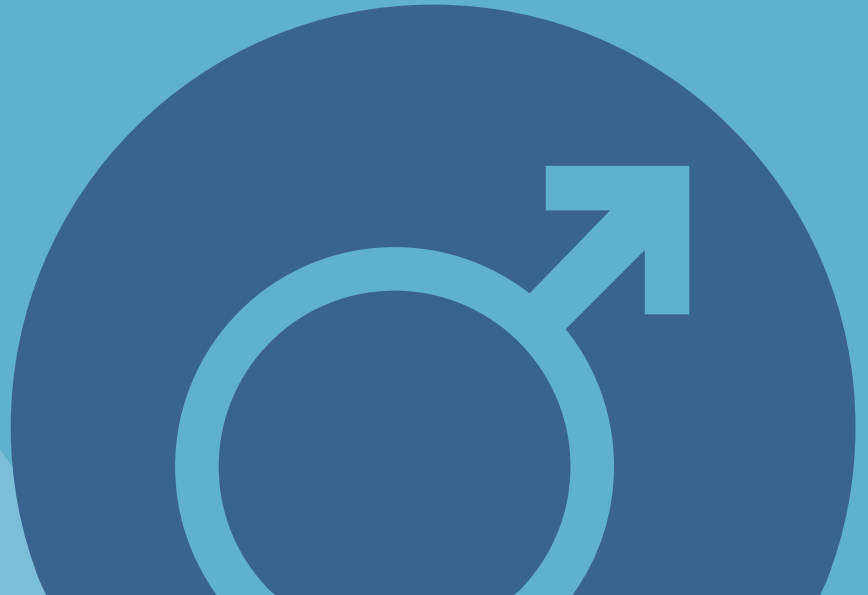


OVERVIEW



OPERATIONAL HIGHLIGHTS

BPS-804

- Accepted onto the Adaptive Pathway in Europe
- Initiated ASTEROID Phase 2b adult study in US and Europe
- Paediatric study to commence end of 2017

BGS-649

- Completion of enrolment of 268 patients in Phase 2b study due shortly
- Interim DMC review – all three dosing arms continuing
- Six month safety extension study recruiting well

ACUMAPIMOD

- Completed enrolment of 282 patients into Phase 2 study
- Top-line data expected in Q4 2017

- IP strengthened across all three programmes
- Significant number of potential new products reviewed
- Team strengthened – current headcount at 28

FINANCIAL HIGHLIGHTS

Total financing raised since launch

£126 million*

- £15m (gross) placing completed in April 2017
- £20m debt facility agreed on 7th August 2017, £10m to be drawn imminently

**(gross including debt facility)*

Novartis convertible debt reduced by £1.4 million in the period to

£2.3 million

Cash and cash equivalents At 30th June 2017:

£56.6 million*

**includes short term investments*

R&D spend in H1 2017

£21.4 million

(£20.8m on non-GAAP adjusted basis)

G&A spend in H1 2017

£5.0 million

(£3.0m on non-GAAP adjusted basis)

Strong cash runway-funded beyond the three key clinical milestones in 2017 and 2018

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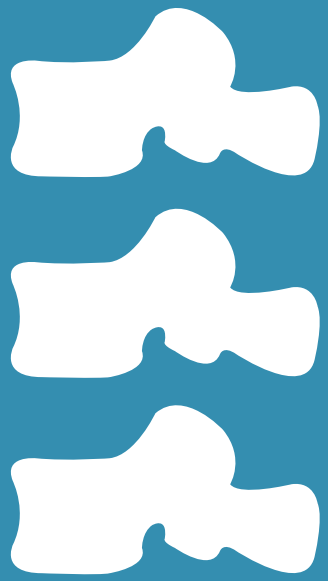
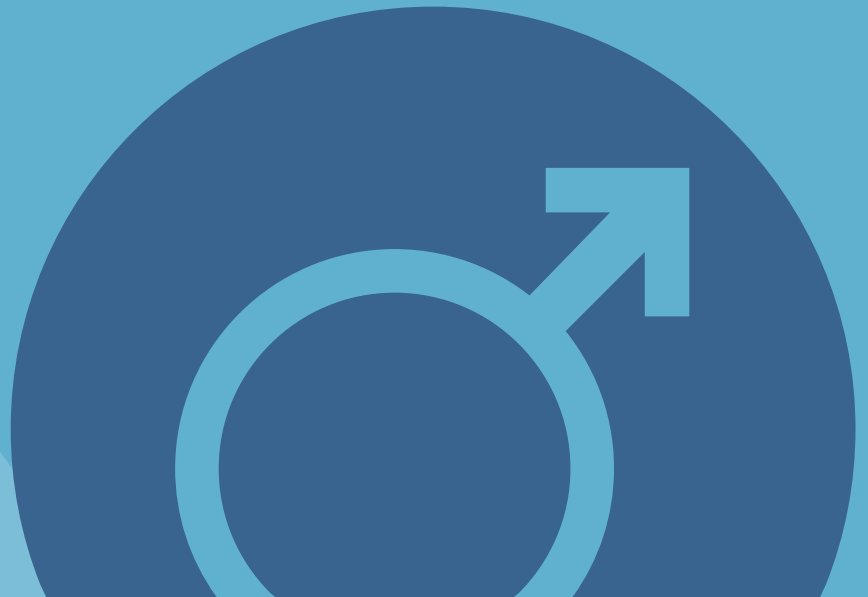


BPS-804



OSTEOGENESIS IMPERFECTA (OI)

An orphan genetic chronic bone disorder characterised by fragile bones that break easily

Prevalence:

~6.3

OI cases per 100,000 population in the US [1]

~7.5

OI cases per 100,000 population in the EU [2]

85% - 90%

linked to a gene mutation that produces abnormal type 1 collagen [1, 2]

OI types I, III and IV occur in

72% - 77%

of total OI population[1]

Symptoms:

- Frequent bone fractures and loose joints
- Early hearing loss
- Respiratory problems
- Brittle teeth

No approved therapies to reduce fractures in OI patients

Pricing analysis indicates $60-90k per year potential treatment cost

1) Based on Osteogenesis Imperfecta Foundation estimates
2) Based on Orphanet estimates

BPS-804 CLINICAL DEVELOPMENT

Estimated enrolment:
120
OI Patients
Types I, III and IV

Trial arms:
Three different monthly dosing regimens of BPS-804
Vs
Placebo
Randomised

Study duration:
52
Weeks
Analysis at
26 and 52 weeks

Study start:
Q2 2017
Expected top line 6 months data :
Mid 2018

Primary endpoints	**Compare effects on trabecular volumetric BMD by HRpQCT at 6 months**
Secondary endpoints	• **Effects on trabecular volumetric BMD by HRpQCT at 12 months** • **Change in all HRpQCT parameters** • **Effects on bone biomarkers** • **PK** • **Effects on PRO and quality of life**

BPS-804 REGULATORY UPDATE

Orphan drug status

EU and US

Admitted to the Adaptive Pathways in the EU

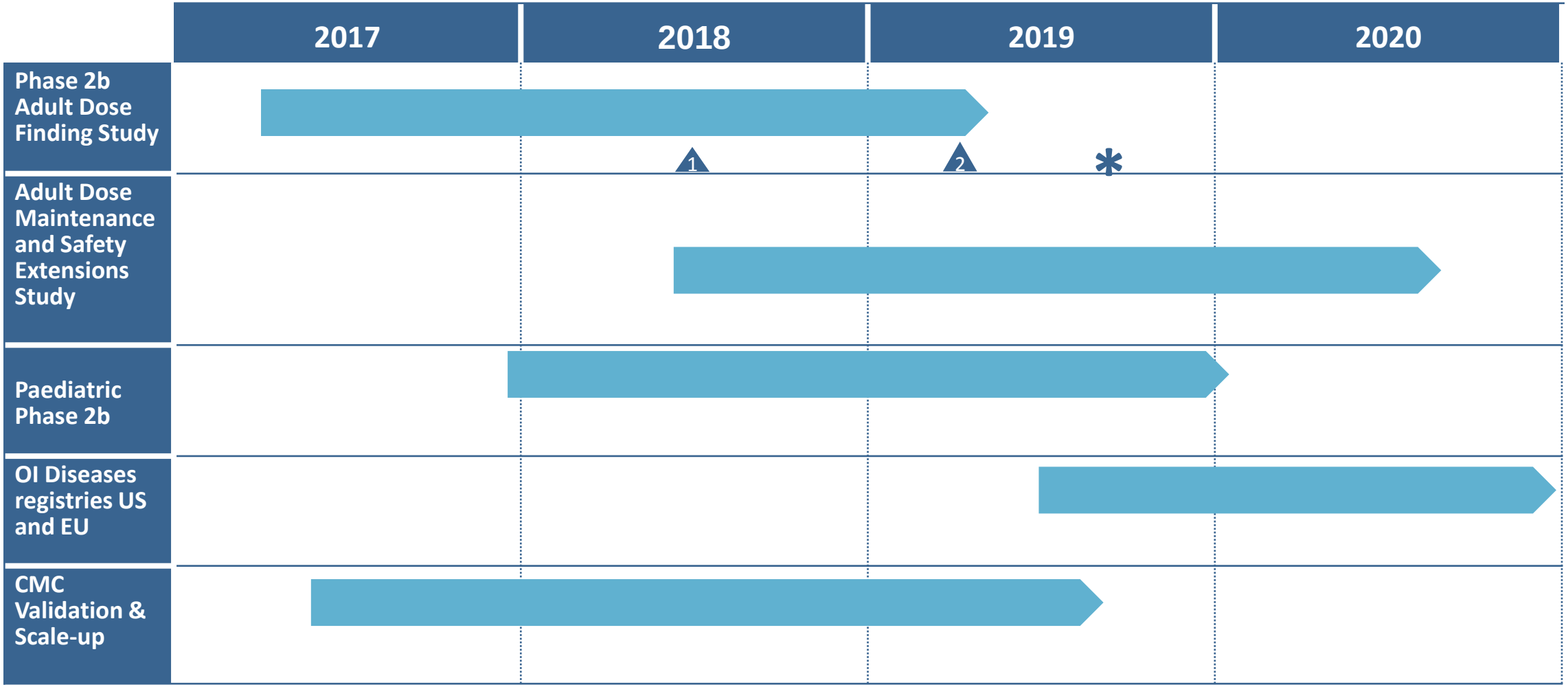
- Ongoing dialogue with EMA and HTA's
- Paediatric plan to be agreed
- Real world evidence/registries

Adult study initiated:
Q2 2017

Paediatric study initiation:
End 2017

- **Potential for filing in EU for Conditional Approval with adult data in 2019**
- **Discussion with FDA post adult and paediatric data in 2019/2020**

BPS-804 INDICATIVE TIMELINES



(1) Six month data read-out (2) 12 month data read-out

* **Submission of MAA (adults) on Adaptive Pathway 2019/2020**
US regulatory pathway subject to discussions and data

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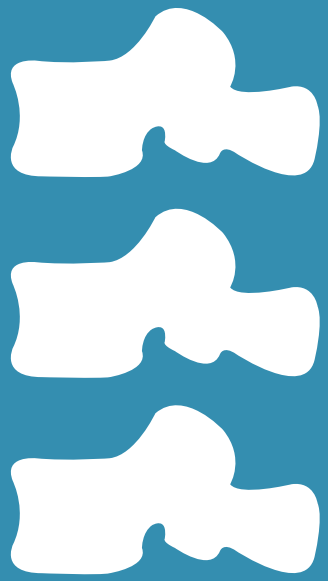
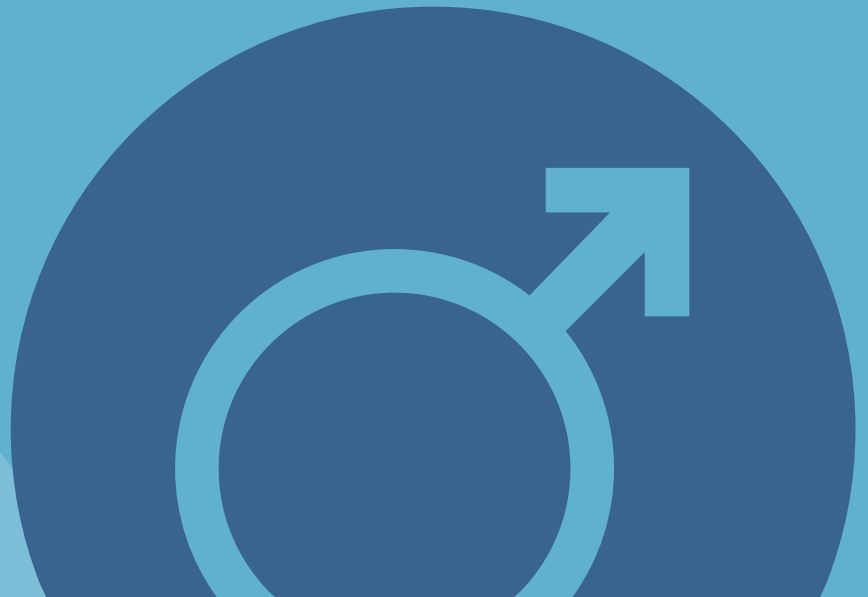


BGS-649

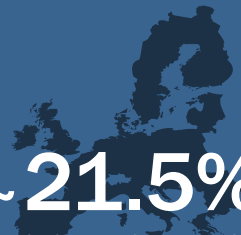


HYPOGONADOTROPIC HYPOGONADISM (HH) IN OBESE MEN

A highly prevalent clinical syndrome that results from inadequate levels of testosterone

Prevalence:

~32.6%
Adult males in the US are obese [1]



~21.5%
Adult males in the EU are obese [1]

~15.8%
HH prevalence in obese men [2]

10 million*
obese men with HH in the US and the EU

*estimate

Symptoms:

- Reduced or loss of libido
- Erectile dysfunction
- Fatigue
- Impaired physical endurance and strength
- Loss of vitality/motivation

Low current treatment rates <13% in the US and lower in Europe [3]

Androgel average annual pricing is $6,890 per year (market leader)

1) Based on 2014 WHO estimates
2) Hofstra et al (2008) Netherlands J. Med, 66 p103-109
3) Update on Hypogonadism and Testosterone Replacement Therapy (2011) Chapter in Practicing Clinical Exchange p1-15

POSITIVE TREATMENT LANDSCAPE

TOPICAL TESTOSTERONE

Black box warning – secondary exposure to testosterone

Suppression of LH and FSH (loss of fertility)

Potential for supra physiological levels of testosterone – cardiovascular

Daily application – messy to apply

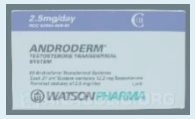
TESTOSTERONE INJECTABLES AND PATCHES

Black box warning – pulmonary oil micro embolism and anaphylaxis shock

Suppression of LH and FSH (loss of fertility)

Not flexible for dose reversal

Not self applied plus needle phobia



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ORAL TESOSTERONE

In studies levels of supra physiological levels of testosterone beyond FDA limits

Suppression of LH and FSH (loss of fertility)

Twice/once daily tablet

Patient preferred oral option with no risk of transference

clarus THERAPEUTICS

LIPOCINE INCORPORATED

OTHER APPROACHES

Repros THERAPEUTICS INC.

Enclomiphene

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✓ BGS-649 – ORAL and RESTORES THE PATIENTS OWN TESTOSTERONE

Once/week tablet which in clinical studies to-date has normalised testosterone levels with no observations of supra physiological levels and with normalisation of LH and FSH (fertility)

BGS-649: CLINICAL DEVELOPMENT

Estimated enrolment:

268

Obese men with HH

BMI > 30 kg/m^2

Trial arms:

Three different weekly dosing regimens

Vs

Randomised Placebo

Study duration:

24

Weeks

Blinded interim analysis 93 patients at 4 weeks Q1 2017

Completion of enrolment expected shortly

Top line data:

Q1 2018

Primary endpoints

Normalisation of testosterone 300 – 1000 ng/dl in 75% of patients at 24 weeks

Secondary endpoints

- **Change in LH and FSH**
- **Body composition**
- **Semen analysis**
- **Three PROs: IIEF, PROMIS and BFI**

6 month safety extension study in <120 patients

Expected completion Q3 2018

International Index of Erectile Function (IIEF), patient-reported outcomes measurement information system (PROMIS) and the Brief Fatigue Inventory (BFI)

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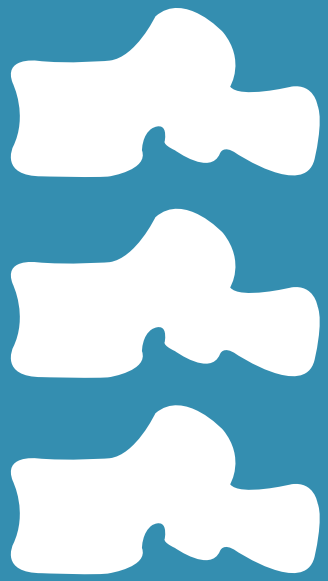
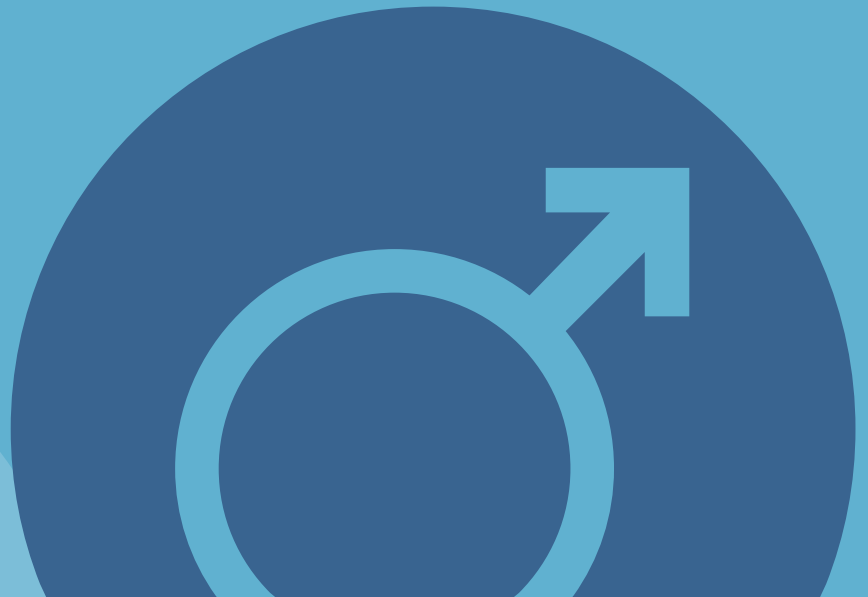


ACUMAPIMOD

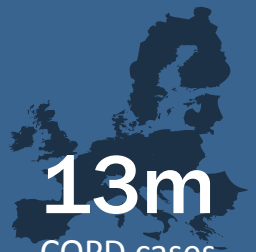


ACUTE EXACERBATIONS OF CHRONIC OBSTRUCTIVE PULMONARY DISEASE (AECOPD)

COPD includes chronic bronchitis, emphysema and some forms of bronchiectasis

Prevalence:

12m
COPD cases diagnosed in the US[1]



13m
COPD cases diagnosed in the EU[2]

>1.5m
Hospital visits per year[3]

62.5%
of all hospital admissions related to COPD are AECOPD patients [4]

Symptoms:

AECOPD - patients with COPD experience a sustained increase in cough, sputum production or dyspnoea

Each episode poses significant risk to the patient, including hospitalisation and an increased risk of death

Pricing analysis indicates potential for up to $2,800 per treatment

Healthcare costs:

The yearly cost of COPD is approximately [5]

$50bn (US total costs)

€38bn (EU direct costs)

AECOPDs account for the greatest proportion of COPD costs

1) National Heart, Lung and Blood Institute (accessed in Feb 2016)
2) COPD Coalition
3) Mannino et al (2002) MMWR Surveill Summ 51: p1-6
4) Wier et al (2011) AHRQ, HCUP, Statistical Brief #106 p1-11
5) Global Strategy for the Diagnosis, Management and Prevention of COPD, Global Initiative for Chronic Obstructive Lung Disease (GOLD) 2016

ACUMAPIMOD: CLINICAL DEVELOPMENT

282

AECOPD patients
- GOLD stage II to IV
- Requiring hospitalisation for treatment

Trial arms:
Two different dosing regimens
Vs
Placebo
Randomised on top of SoC

Study duration:
26 Weeks

Enrolment completed:
Q2 2017

Top line data expected:
Q4 2017

Primary endpoints

Change in FEV1 from baseline at 7 days

Secondary endpoints

- **Assessment of AUC of FEV1 over time**
- **Respiratory rate**
- **Time to normalisation of spirometry parameters**
- **EXACT-PRO**

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H1 2017 FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

H1 2017 (A)	H1'17 (A)	SBP	Fx	Other	Non-GAAP
Research and development	(21.4)	0.6			(20.8)
Administrative expenses	(5.0)	2.0			(3.0)
Operating Loss	(26.4)	2.6			(23.8)
Loss before Tax	(27.3)	2.6	1.0		(23.7)
Net Loss for the period	(22.7)	2.6	1.0		(19.1)
EPS (pence)	**(34.0)**				**(27.0)***

H1 2016 (A)	H1'16 (A)	SBP	Fx	Other	Non-GAAP
Research and development	(11.1)	1.1			(10.0)
Administrative expenses	(7.0)	4.2		0.2	(2.6)
Operating Loss	(18.1)	5.3		0.2	(12.6)
Loss before Tax	(16.9)	5.3	(1.2)	0.2	(12.6)
Net Loss for the period	(14.7)	5.3	(1.2)	0.2	(10.4)
EPS (pence)	**(59.0)**				**(16.0)***

**proforma adjusted*

DEVELOPMENT COSTS BY SEGMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

H1 2017 (A)		Acumapimod	BGS-649	BPS-804	Central / Other	Total
Development expenses		(5.7)	(7.1)	(8.3)	(0.3)	(21.4)
Add back:	SBP	0.1	0.1	0.2	0.2	0.6
Net R&D		**(5.6)**	**(7.0)**	**(8.1)**	**(0.1)**	**(20.8)**

H1 2016 (A)		Acumapimod	BGS-649	BPS-804	Central / Other	Total
Development expenses		(4.2)	(4.1)	(2.5)	(0.3)	(11.1)
Add back:	SBP	0.2	0.3	0.3	0.2	1.0
Net R&D		**(4.0)**	**(3.8)**	**(2.2)**	**(0.1)**	**(10.1)**

- Acumapimod completed enrolment in May 2017 with top-line data due in Q4 2017 and completion of spend on the study in Q1 2018
- BGS-649 main study due to complete enrolment in the coming weeks with completion of spend on the study in H1 2018, with costs on the extension study in up to 120 patients continuing for up to six further months
- BPS-804 adult study commenced in H1 2017
- Total underlying development costs increased 79% compared to H1 2016 when only two studies were operational

GROUP BALANCE SHEET AS AT 30 JUNE 2017

	30-Jun 2017	31-Dec 2016	30-Jun 2016
Non-current assets	26.0	26.0	26.0
Cash, deposits and investments	56.6	53.6	70.2
Other current assets	7.1	7.2	4.6
current liabilities	11.9	3.2	5.8
Provisions	1.8	1.2	1.1
Convertible loan	1.9	3.1	3.0
Net Assets	**74.1**	**79.3**	**90.9**

- Investments are cash deposits held as term deposits with 3m to 12m maturity
- Increase in current liabilities due to increase in clinical trial activity reflected in higher accrual and creditor balances
- Novartis Convertible Loan balance is after taking account of partial conversion in April 2017. Total Loan balance at 30 June 2017 is £2.3m (including equity component)

NEW DEBT FACILITY

- Debt facility agreed with two experienced sector lenders:
  - Silicon Valley Bank
  - Kreos Capital

- Total facility of £20m

- £10m to be drawn shortly, balance available until 30 April 2018 with certain conditions

- Key terms
  - Competitive, high single digit interest rate
  - Interest only to 30 Sep 2018 with 30 month capital and interest repayments thereafter
  - Warrants representing c.0.5% of the current share capital to be issued on initial drawdown
  - Further warrants representing 11% of future funds drawn down will be issued

- Use of funds
  - Increase operational and development flexibility

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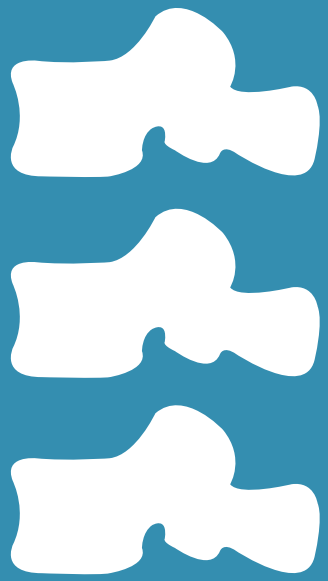
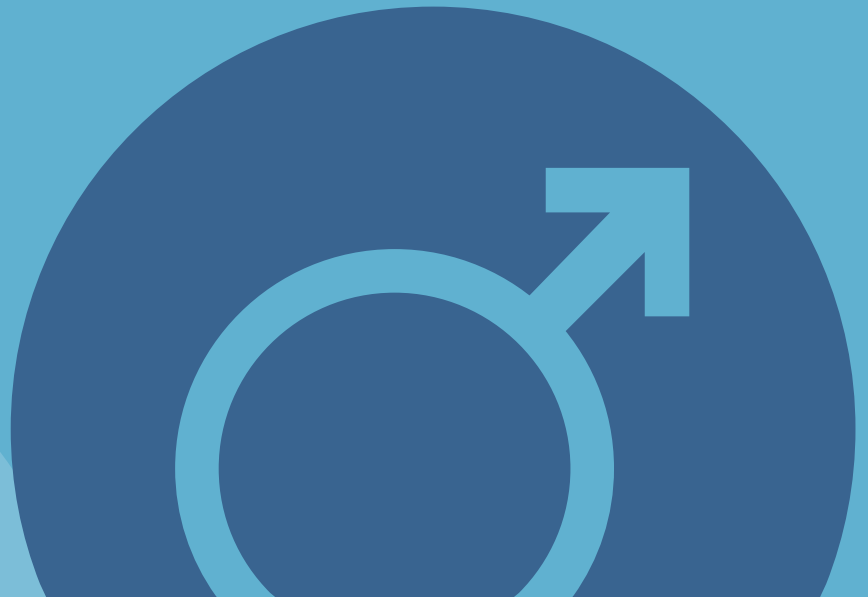
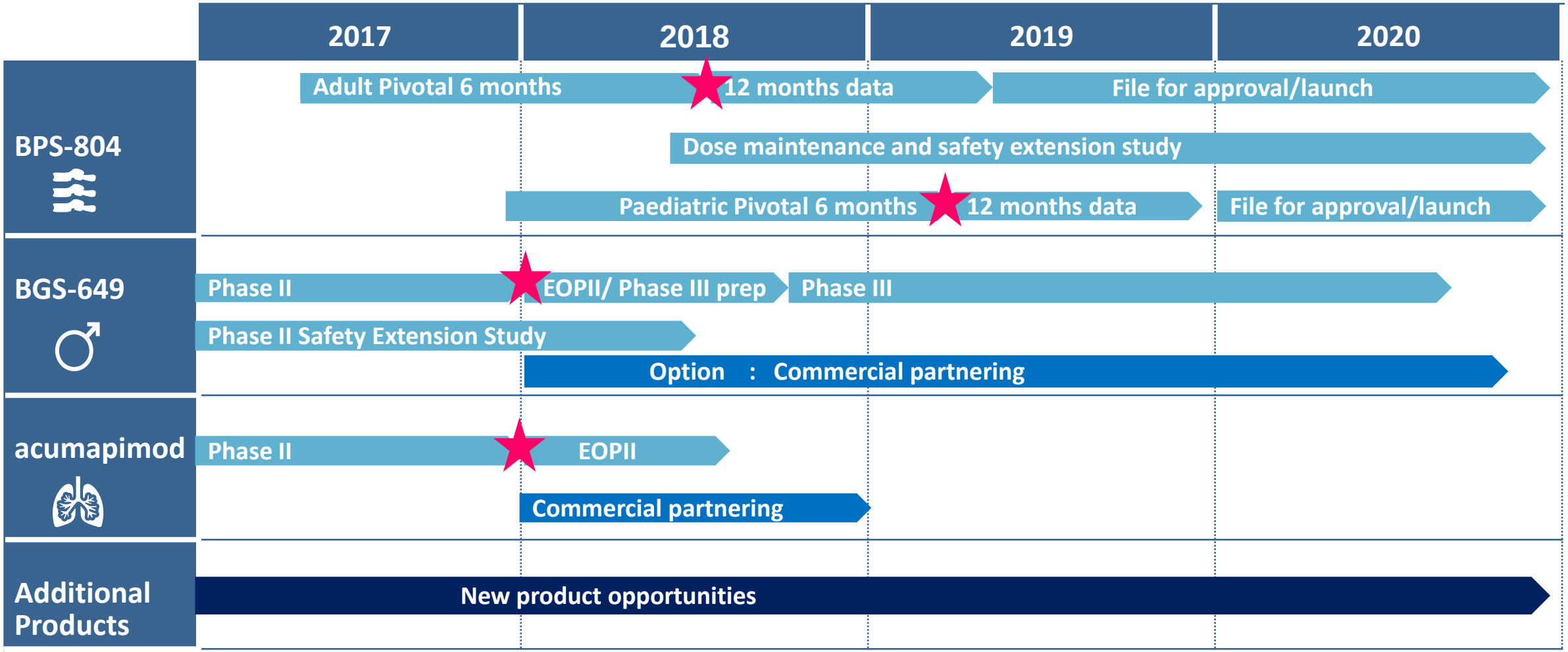


SUMMARY



INDICATIVE TIMELINES: KEY MILESTONES IN NEXT 12 MONTHS



INVESTMENT THESIS

Plan to build a rare and orphan disease commercial business based on products acquired from major pharmaceutical companies

Three initial diversified Phase 2 products from Novartis (no buyback rights) each with >$500m market potential

Multiple Phase 2/2b data points within the next 12months

Current pipeline orphan product BPS-804 potential for filing for approval in 2019 and launch in 2020

Experienced management team and board with strong balance sheet

£126m

raised since July 2015

Active business development pipeline with opportunities to expand portfolio under review

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