



Innoviva Reports Fourth Quarter 2021 Financial Results

February 9, 2022

- Royalties increased by 18% to \$111.1 million in the fourth quarter of 2021, compared to the same quarter in 2020; royalties increased by 19% to \$405.7 million in full year 2021, compared to the prior year.
- Announced strategic investment of \$45.0 million into Armata Pharmaceuticals, Inc. (NYSE: ARMP), an anti-infectives leader, in February 2022 following a \$4.0 million investment in the fourth quarter of 2021.

BURLINGAME, Calif.--(BUSINESS WIRE)--Feb. 9, 2022-- Innoviva, Inc. (NASDAQ: INVA) ("Innoviva" and "the Company") today reported financial results for the fourth quarter and the year ended December 31, 2021.

- Gross royalty revenues of \$111.1 million from Glaxo Group Limited ("GSK") for the fourth quarter of 2021 included royalties of \$57.7 million from global net sales of RELVAR[®]/BREO[®] ELLIPTA[®], royalties of \$10.8 million from global net sales of ANORO[®] ELLIPTA[®] and royalties of \$42.6 million from global net sales of TRELEGY[®] ELLIPTA[®].¹ Gross royalty revenues were \$405.7 million in full year 2021.
- Income from operations increased by 23% to \$104.5 million, compared to the same quarter in 2020, because of higher royalty revenues and lower operating expenses. Income from operations increased by 17% to \$375.1 million in full year 2021, compared to the prior year.
- Decrease in fair values of strategic equity and long-term investments of \$42.9 million in the fourth quarter of 2021 was mainly due to the volatility in the capital markets. However, for full year 2021, the fair value of such strategic equity and long-term investments increased by \$91.0 million.
- Net cash and cash equivalents totaled \$201.5 million, and receivables from GSK totaled \$110.7 million, as of December 31, 2021.

Pavel Raifeld, Chief Executive Officer of Innoviva, Inc., stated "Our royalty revenues in the fourth quarter grew 18% year over year, displaying strong positive momentum in a volatile environment."

"RELVAR[®]/BREO[®] ELLIPTA[®] global net sales increased 3% compared to the fourth quarter of 2020 supported by increased patient adherence and favorable prior period adjustments in the U.S. market. Non-U.S. sales decreased slightly due to class-wide pandemic pressures affecting new patient growth. ANORO[®] ELLIPTA[®] global net sales decreased by 17% compared to fourth quarter of 2020 mainly due to by pandemic-driven LABA/LAMA class weakness in the U.S. Non-U.S. ANORO[®] ELLIPTA[®] net sales also decreased slightly due to lower than expected class growth driven predominantly by the ongoing pandemic. TRELEGY[®] ELLIPTA[®] global net sales increased 53% compared to fourth quarter of 2020, driven by strong U.S. growth for the triple therapy class and favorable prior period adjustments. Non-US TRELEGY[®] ELLIPTA[®] sales also grew meaningfully supported by class growth and continued launches in new markets."

Mr. Raifeld concluded, "Our core royalty business has performed very well last year under challenging conditions, attesting to its multiple growth drivers and significant diversification. We are equally pleased with the progress across our strategic investments and the repurchase of GSK's equity stake, collectively accounting for over \$450 million deployed in 2021 and contributing to our diluted net income per share growth of over 40% to \$2.87. Our excellent operating cash flow generation, exceeding \$350 million in 2021, and strong cash position enable thoughtful, flexible business development, and we are excited about many opportunities we see in the current environment to advance our strategy. We are well positioned for and remain laser focused on continued strong execution to ensure sustained shareholder value creation."

Recent Highlights

- GSK Net Sales:
 - Fourth quarter 2021 net sales of RELVAR[®]/BREO[®] ELLIPTA[®] by GSK were \$384.4 million, up 3% from \$372.8 million in the fourth quarter of 2020, with \$158.2 million in net sales from the U.S. market and \$226.2 million from non-U.S. markets.
 - Fourth quarter 2021 net sales of ANORO[®] ELLIPTA[®] by GSK were \$166.7 million, down 17% from \$200.9 million in the fourth quarter of 2020, with \$85.3 million net sales from the U.S. market and \$81.4 million from non-U.S. markets.
 - Fourth quarter 2021 net sales of TRELEGY[®] ELLIPTA[®] by GSK were \$480.2 million, up 53% from \$313.6 million in the fourth quarter of 2020, with \$337.1 million in net sales from the U.S. market and \$143.1 million in net sales from non-U.S. markets.
- Strategic Investments:
 - During the fourth quarter of 2021, the Company invested \$4.0 million to acquire 1.2 million shares of Armata Pharmaceuticals, Inc. ("Armata") common stock at \$3.30 per share, which resulted in total ownership of

approximately 60% of Armata's outstanding stock (without giving effect to our warrants).

- o In February 2022, the Company entered into an agreement with Armata, pursuant to which it will invest, subject to certain closing conditions, additional \$45.0 million in 9 million shares of Armata common stock and warrants to purchase up to 4.5 million shares of Armata common stock with an exercise price of \$5.00 per share in two tranches. At the closing of the first tranche, Innoviva acquired approximately 3.6 million shares of Armata common stock and 1.8 million warrants for an aggregate purchase price of \$18.1 million. Upon closing of the second tranche, Innoviva expects to own approximately 70% of Armata's outstanding stock.

¹ For TRELEGY[®] ELLIPTA[®], the amount represents 100% of royalty payments made by GSK to Theravance Respiratory Company, LLC ("TRC"). Innoviva owns 15% of the economic interest in TRC.

About Innoviva

Innoviva, Inc. (referred to as "Innoviva", the "Company", or "we" and other similar pronouns), is a company with a portfolio of royalties that include respiratory assets partnered with Glaxo Group Limited ("GSK"), including RELVAR[®]/BREO[®] ELLIPTA[®] (fluticasone furoate/ vilanterol, "FF/VI"), ANORO[®] ELLIPTA[®] (umeclidinium bromide/ vilanterol, "UMEC/VI") and TRELEGY[®] ELLIPTA[®] (the combination FF/UMEC/VI). Under the Long-Acting Beta2 Agonist ("LABA") Collaboration Agreement, Innoviva is entitled to receive royalties from GSK on sales of RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®]. Innoviva is also entitled to 15% of royalty payments made by GSK under its agreements originally entered into with us, and since assigned to Theravance Respiratory Company, LLC ("TRC"), relating to TRELEGY[®] ELLIPTA[®] and any other product or combination of products that may be discovered and developed in the future under the LABA Collaboration Agreement and the Strategic Alliance Agreement with GSK (referred to herein as the "GSK Agreements"), which have been assigned to TRC other than RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®].

ANORO[®], RELVAR[®], BREO[®], TRELEGY[®] and ELLIPTA[®] are trademarks of the GlaxoSmithKline group of companies.

Forward Looking Statements

This press release contains certain "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995 regarding, among other things, statements relating to goals, plans, objectives, and future events. Innoviva intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. The words "anticipate", "expect", "goal", "intend", "objective", "opportunity", "plan", "potential", "target" and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements involve substantial risks, uncertainties, and assumptions. These statements are based on the current estimates and assumptions of the management of Innoviva as of the date of this press release and are subject to known and unknown risks, uncertainties, changes in circumstances, assumptions and other factors that may cause the actual results of Innoviva to be materially different from those reflected in the forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, among others, risks related to: expected cost savings; lower than expected future royalty revenue from respiratory products partnered with GSK; the commercialization of RELVAR[®]/BREO[®] ELLIPTA[®], ANORO[®] ELLIPTA[®] and TRELEGY[®] ELLIPTA[®] in the jurisdictions in which these products have been approved; the strategies, plans and objectives of Innoviva (including Innoviva's growth strategy and corporate development initiatives beyond the existing respiratory portfolio); the timing, manner, and amount of potential capital returns to shareholders; the status and timing of clinical studies, data analysis and communication of results; the potential benefits and mechanisms of action of product candidates; expectations for product candidates through development and commercialization; the timing of regulatory approval of product candidates; and projections of revenue, expenses and other financial items; the impact of the novel coronavirus ("COVID-19"). Other risks affecting Innoviva are described under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Innoviva's Annual Report on Form 10-K for the year ended December 31, 2020 and Quarterly Reports on Form 10-Q, which are on file with the Securities and Exchange Commission ("SEC") and available on the SEC's website at www.sec.gov. Past performance is not necessarily indicative of future results. No forward-looking statements can be guaranteed, and actual results may differ materially from such statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. The information in this press release is provided only as of the date hereof, and Innoviva assumes no obligation to update its forward-looking statements on account of new information, future events or otherwise, except as required by law.

INNOVIVA, INC.

Condensed Consolidated Statements of Income (in thousands, except per share data) (Unaudited)

| | Three Months Ended | | Year Ended | |
|--|--------------------|-----------|--------------|------------|
| | December 31, | | December 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Revenue: | | | | |
| Royalty revenue from a related party, net ⁽¹⁾ | \$ 107,680 | \$ 90,476 | \$ 391,866 | \$ 326,794 |
| Revenue from collaborative arrangements with a related party | - | - | - | 10,000 |
| Total net revenue | 107,680 | 90,476 | 391,866 | 336,794 |
| Operating expenses: | | | | |
| Research and development | 40 | 219 | 576 | 1,788 |
| General and administrative | 3,113 | 5,470 | 16,187 | 13,883 |

| | | | | |
|--|-----------|-----------|------------|------------|
| Total operating expenses | 3,153 | 5,689 | 16,763 | 15,671 |
| Income from operations | 104,527 | 84,787 | 375,103 | 321,123 |
| Interest and dividend income | 454 | 23 | 1,839 | 1,524 |
| Other income (expense), net | (708) | (433) | (3,626) | (348) |
| Interest expense | (4,841) | (4,651) | (19,070) | (18,331) |
| Changes in fair values of equity and long-term investments, net | (42,943) | 11,032 | 91,030 | 50,277 |
| Income before income taxes | 56,489 | 90,758 | 445,276 | 354,245 |
| Income tax expense, net | 10,839 | 15,742 | 76,439 | 60,431 |
| Net income | 45,650 | 75,016 | 368,837 | 293,814 |
| Net income attributable to noncontrolling interest | 35,305 | 21,113 | 102,983 | 69,412 |
| Net income attributable to Innoviva stockholders | \$ 10,345 | \$ 53,903 | \$ 265,854 | \$ 224,402 |
| Basic net income per share attributable to Innoviva stockholders | \$ 0.15 | \$ 0.53 | \$ 3.24 | \$ 2.21 |
| Diluted net income per share attributable to Innoviva stockholders | \$ 0.14 | \$ 0.48 | \$ 2.87 | \$ 2.02 |
| Shares used to compute basic net income per share | 69,492 | 101,361 | 82,062 | 101,320 |
| Shares used to compute diluted net income per share | 81,770 | 113,590 | 94,311 | 113,554 |

(1) Total net revenue from a related party is comprised of the following (in thousands):

| | Three Months Ended | | Year Ended | |
|--|--------------------|-----------|--------------|------------|
| | December 31, | | December 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| | | | (unaudited) | |
| Royalties from a related party | \$ 111,135 | \$ 93,931 | \$ 405,689 | \$ 340,617 |
| Amortization of capitalized fees paid to a related party | (3,455) | (3,455) | (13,823) | (13,823) |
| Royalty revenue from a related party, net | \$ 107,680 | \$ 90,476 | \$ 391,866 | \$ 326,794 |

INNOVIVA, INC.
Condensed Consolidated Balance Sheets
(in thousands)

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| | | (1) |
| Assets | | |
| Cash and cash equivalents | \$ 201,525 | \$ 246,487 |
| Other current assets | 112,148 | 95,571 |
| Property and equipment, net | 12 | 28 |
| Equity and long-term investments | 483,845 | 438,258 |
| Capitalized fees paid to a related party, net | 111,430 | 125,253 |
| Deferred tax assets, net | 17,327 | 93,759 |
| Other assets | 108 | 214 |
| Total assets | \$ 926,395 | \$ 999,570 |
| Liabilities and stockholders' equity | | |
| Other current liabilities | \$ 1,655 | \$ 1,958 |
| Accrued interest payable | 4,152 | 4,152 |
| Convertible subordinated notes, net | 240,364 | 239,783 |
| Convertible senior notes, net | 154,289 | 145,734 |
| Other long-term liabilities | - | 106 |
| Innoviva stockholders' equity | 414,743 | 539,912 |
| Noncontrolling interest | 111,192 | 67,925 |
| Total liabilities and stockholders' equity | \$ 926,395 | \$ 999,570 |

(1) The selected consolidated balance sheet amounts at December 31, 2020 are derived from audited financial statements.

INNOVIVA, INC.
Cash Flows Summary
(in thousands)

| | Year Ended December 31, | |
|---|-------------------------|------------|
| | 2021 | 2020 |
| | (unaudited) | |
| Net cash provided by operating activities | \$ 363,813 | \$ 313,113 |
| Net cash provided by (used in) investing activities | 43,722 | (314,937) |
| Net cash used in financing activities | (452,497) | (29,785) |

View source version on [businesswire.com](https://www.businesswire.com/news/home/20220208006292/en/): <https://www.businesswire.com/news/home/20220208006292/en/>

Investor & Media Contacts:

Sloane & Company
James Goldfarb
212-486-9500
jgoldfarb@sloanepr.com

Source: Innoviva, Inc.