



# SARISSA CAPITAL

M A N A G E M E N T L P

Innoviva Investor Presentation  
March 27, 2017

# SPECIAL NOTE REGARDING THIS PRESENTATION

ON MARCH 22, 2017, SARISSA CAPITAL MANAGEMENT LP ("SARISSA"), TOGETHER WITH THE OTHER PARTICIPANTS IN SARISSA'S PROXY SOLICITATION (THE "PARTICIPANTS"), FILED A DEFINITIVE PROXY STATEMENT AND ACCOMPANYING GOLD PROXY CARD WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") TO BE USED TO SOLICIT PROXIES IN CONNECTION WITH THE 2017 ANNUAL MEETING OF SHAREHOLDERS OF INNOVIVA, INC. (THE "COMPANY"). SHAREHOLDERS ARE ADVISED TO READ THE DEFINITIVE PROXY STATEMENT AND OTHER DOCUMENTS RELATED TO THE SOLICITATION OF PROXIES FROM THE SHAREHOLDERS OF THE COMPANY BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING INFORMATION RELATING TO THE PARTICIPANTS. THE DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY IS AVAILABLE TO SHAREHOLDERS OF THE COMPANY AT NO CHARGE AT THE SEC'S WEBSITE AT [WWW.SEC.GOV](http://WWW.SEC.GOV). THE DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY IS ALSO AVAILABLE BY CONTACTING SARISSA'S PROXY SOLICITOR, D.F. KING & CO., INC., BY TELEPHONE AT THE FOLLOWING NUMBERS: STOCKHOLDERS CALL TOLL-FREE: (800) 549-6746 AND BANKS AND BROKERAGE FIRMS CALL: (212) 269-5550, OR THROUGH THE INTERNET AT [WWW.DFKING.COM/INVA](http://WWW.DFKING.COM/INVA).

This presentation includes information based on data found in filings with the SEC, independent industry publications and other sources. Although the Participants believe that the data is reliable, they do not guarantee the accuracy or completeness of this information and have not independently verified any such information. Many of the statements in this presentation reflect the Participants' subjective belief. Although they have reviewed and analyzed the information that has informed their opinions, they do not guarantee the accuracy of any such beliefs. They have not sought, nor have they received, permission from any third-party to include their information in this presentation.

Sarissa believes that Innoviva is being run for the benefit of management instead of shareholders



Shareholder representation is needed to optimize use of shareholder capital to the benefit of shareholders

We believe Innoviva's current business is straightforward

## Innoviva 10-K (2016)

- Innoviva's current business is focused on collecting royalties for two respiratory inhalers from GSK
- Innoviva has no control over GSK's marketing and sales efforts

Yet, for simply managing royalties Innoviva spent ~\$25 million in 2016 (~\$22 million in 2015)

	2016	2015
Royalty revenue from a related party, net of amortization for capitalized fees paid to a related party of \$13,823, \$13,823 and \$11,066 in the year ended December 31, 2016, 2015, and 2014	\$ 132,684	\$ 53,064
Revenue from collaborative arrangements from a related party, net	885	885
Total net revenue	133,569	53,949
Operating expenses:		
Research and development	1,393	2,619
General and administrative	23,188	19,750
Total operating expenses	24,581	22,369
Income (loss) from operations	108,988	31,580
Other income (expense), net	2,382	1,120
Interest income	582	343
Interest expense	(52,416)	(51,803)
Income (loss) from continuing operations	\$ 59,536	\$ (18,760)
Loss from discontinued operations (Notes 1 and 12)	—	—
Net income (loss)	\$ 59,536	\$ (18,760)

And for simply managing royalties, Innoviva has spent ~\$12 M annually in compensation to officers and directors

Year	Aguiar	d'Esparbes	Abercrombie	Faerm	Witek	Directors	Total
2014	\$4,560,128	\$2,066,548	\$1,899,507		\$1,490,693	\$2,854,668	\$12,871,544
2015	\$3,560,900	\$1,061,380	\$1,553,598	\$2,066,575	\$1,551,896	\$1,659,920	\$11,454,269
2016	\$3,597,526	\$1,549,940	\$1,399,092	\$1,369,934	\$1,378,604	\$2,115,395	\$11,410,491
Total	\$11,718,554	\$4,677,868	\$4,852,197	\$3,436,509	\$4,421,193	\$6,629,983	\$35,736,304

Sarissa believes that for simply managing royalties, the company should have simple operations and compensation should match

In a recent press release, Innoviva attempted to justify its spending by comparing current spending to that when it was a combined company with a marketed product, a salesforce and extensive R&D

### Innoviva's letter to shareholders

- March 22, 2017 – *“Compared to the first quarter of 2014, our last full quarter as a combined company, operating expenses in the fourth quarter of 2016 were down over 90% to \$6.0 million from \$66.2 million in the first quarter of 2014.”*



### Sarissa Capital responds

- Sarissa believes Innoviva's comparison of expenses today to when it was a combined company is misleading for investors and detracts from the conversation

Innoviva also appears to suggest that its level of spending can be justified by a certain level of revenue

### Innoviva's letter to shareholders

- March 22, 2017 – “*G&A expenses as a percentage of total revenues* were 17% in 2016, the most recent full year period.”



### Sarissa Capital responds

- We are not of the view that inappropriate levels of spending can be justified by a certain level of revenue
- Operating expenses as a percent of revenue is still shareholder money spent
- Every dollar spent should be justified by its ability to create shareholder value



Innoviva argues that cost cutting has limited upside but this misses the point

- Spending must be justified for its ability to drive shareholder value
- Innoviva are stewards of \$147 M (and we believe growing) total annual royalty revenues to Innoviva

In light of current excessive spending and with royalty revenues expected to increase → Sarissa is concerned about management's ability to be good stewards of future capital

# Innoviva compares itself with far more complex Ligand Pharmaceuticals and PDL Biopharma

Ligand Pharmaceuticals is a company with over 155 partnered programs, >90 different partners, ongoing R&D and history of acquisitions

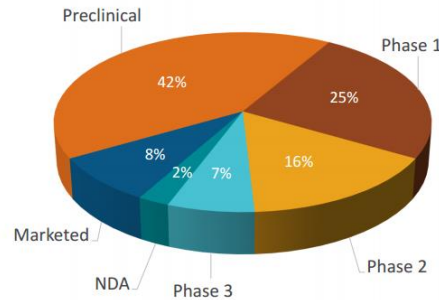
PDL Biopharma is a company with multiple royalty and debt deals and an investment in a specialty pharma company to which it wants to add products

Is Innoviva trying to mislead or do they aspire to use shareholder assets to become far more complex?

## Ligand's Portfolio Continues to Grow

Over 155 partnered programs

- Portfolio remains diversified across development stages
- Over 92 different partners
- Nearly 60% of programs in clinical development or later
- 10% are marketed or NDA stage
- Over \$2 billion of potential milestone payments under contract with our partners



Ligand

## On-Going

AcelRx
ARIAD
Avigler
AxoGen
CareView
Depomed
Direct Flow
Durata
kaléo
Kybella
Lensar
Merus Labs
Paradigm Spine
U. of Michigan
Viscogliosi Bros.
Wellstat Diag.

- Background
  - This is a royalty transaction for \$25 million that was entered into on September 1, 2016.
  - Depomed pays to AcelRx 80% of the above cash payments for patents 2032.
  - Zalviso is the treating parent of the company.
- Update
  - Zalviso v. Grünert began

## Royalty Acquisitions

Product	Licensee	Counterparty	Royalties Until (1)	Investment	Cash Received to date (2)
Glumetza	Depomed	VALEANT	indefinite		
Janumet XR	Depomed	Boehr Ingelheim			
Jentadueto XR	Depomed	Boehr Ingelheim			
Invokamet XR	Depomed	Boehr Ingelheim			
Synjardy XR	Depomed	Boehr Ingelheim			
ICLUSIG (peritriptin) tablets	ARIAD	ARIAD			
Cerdelga (peglistatin) capsules	Mylan	SANOFI			
ZALVISO <sup>®</sup> (peritriptin) tablets	AcelRx Pharmaceuticals, Inc.				
colfax <sup>®</sup>	VB				
kybella <sup>®</sup>	Inventor				

(1) Expected dates based upon current agreements  
(2) As of 12/31/2016

PDL  
NODEN PHARMA

Given Innoviva's history, Sarissa is concerned about management's desire to grow the business

Innoviva has expressed a desire to “build over time a recurring revenue business”

Innoviva has paid (and continues to pay) officers large sums annually to acquire new assets

- The CBO hired in July 2015 to grow the company has been paid >\$3.4 M in less than two years at Innoviva

We believe at some point he and the company will feel pressure to justify his compensation

**In addition, the 2016 bonus pool was set at 120% of target for all employees in part based on the company “overachieving” and getting four assets through diligence**

Shareholder representation is needed to optimize the use of shareholder capital to the benefit of shareholders

Innoviva's interactions with Sarissa highlight its poor governance and flawed nomination process

# The Nominating/Corporate Governance committee's interactions with Sarissa have raised red flags



- The Nom-Gov committee has yet to meet with Sarissa or any of our nominees although it determined to reject them

**Sarissa Capital has made repeated requests to meet with the Nom-Gov committee**



- One Nom-Gov committee member had a 15-minute phone call with each of only two Sarissa nominees the day before Innoviva publicly rejected Sarissa's entire slate

**There wasn't even the requisite quorum on any call**

# Innoviva's interactions with Sarissa have been driven and dominated by the non-independent CEO

## Innoviva DEFA14A -- Background of the Solicitation

<p><b>Background of the Solicitation</b></p> <p>On November 22, 2016, Michael W. Aguiar, Chief Executive Officer of the Company contacted Alexander J. Denner of Sarissa in response to Sarissa's November 14, 2016 13-F filing.</p> <p>On December 15, 2016, Mr. Denner, Odysseas Kostas and Mark DiPaolo of Sarissa engaged in a telephonic conversation with Messrs. Aguiar and Eric d'Esparghes, Senior Vice President and Chief Financial Officer of the Company, to discuss Sarissa's investment. During such conversation, Messrs. Aguiar and d'Esparghes provided an overview of the Company and discussed publicly available investor relations materials.</p> <p>On January 10, 2017, Messrs. Denner and DiPaolo, Dr. Kostas and Jonathan Denak of Sarissa had a meeting with Messrs. Aguiar and d'Esparghes at the JP Morgan Healthcare Conference in San Francisco, California.</p> <p>On February 8, 2017, the last day to nominate directors for the Annual Meeting pursuant to the Company's Bylaws, Sarissa, which on that date beneficially owned approximately a 3.14% of the</p>	12
<p>outstanding shares of the Company's Common Stock, delivered a notice, dated February 7, 2017, to the Company indicating its intent to nominate four candidates, including each of Mr. DiPaolo and Dr. Kostas, to stand for election to the Board of Directors at the Annual Meeting and notified the Company that it would present a proposal calling for repeal of any provision of the Company's Bylaws in effect at the time of the Annual Meeting that was not included in the Bylaws publicly filed with the SEC on or prior to February 6, 2017.</p> <p>Following the receipt of Sarissa's February 8, 2017 nomination letter, the Company's Board of Directors and management team have sought to engage with Sarissa. Our Board of Directors and management team are committed to maintaining an active dialogue with Innoviva stockholders (including Sarissa) and welcome stockholder input.</p> <p>On February 10, 2017, Messrs. Aguiar and d'Esparghes and Patrick G. LePore, an independent director of the Company, had a telephonic conversation with Messrs. Denner, DiPaolo, and Kostas of Sarissa to discuss Sarissa's February 8, 2017 nomination letter as described above. During this call, Sarissa's representatives did not provide substantive details on Sarissa's view on the Company's strategic direction or Sarissa's rationale for nominating a majority slate of directors.</p> <p>On February 17, 2017, Mr. Aguiar contacted Mr. Denner to arrange an in-person meeting to be held during the week of February 27, 2017 between Mr. Denner, Mr. Aguiar and certain directors of the Company to discuss Sarissa's February 8, 2017 nomination letter. No response was received.</p> <p>On February 24, 2017, Mr. Aguiar contacted Mr. Denner to follow up on the message from February 17, 2017.</p> <p>On February 27, 2017, Mr. Denner responded to Mr. Aguiar's follow up message from February 24, 2017, stating that Mr. Denner would check whether Sarissa's four nominees, as disclosed in Sarissa's February 8, 2017 nomination letter, would be available for an in-person meeting. Mr. Aguiar responded to Mr. Denner that Mr. Aguiar and a few directors would be available to meet in person with Mr. Denner in San Francisco, California during the week of February 27, 2017.</p> <p>On March 1, 2017, Mr. Denner responded to Mr. Aguiar's February 27, 2017 message stating that Mr. Denner would be unable to come to San Francisco, California for an in-person meeting. Instead, Mr. Denner offered for Mr. Aguiar and a few directors to come to Sarissa's headquarters in Greenwich, Connecticut or to set up a telephonic meeting between certain directors of the Company and Sarissa's proposed nominees. Following Mr. Denner's response, two of Sarissa's four proposed director nominees, Mr. DiPaolo and Dr. Kostas, each of whom is also an employee of Sarissa, reached out to Mr. Aguiar to set up a telephonic meeting. Shortly thereafter, Mr. DiPaolo and Dr. Kostas had a telephonic conversation with Messrs. Aguiar, d'Esparghes and LePore to discuss Sarissa's February 8, 2017 nomination letter. During the call, Sarissa's representatives did not provide substantive details on Sarissa's view on the Company's strategic direction or Sarissa's rationale for nominating a majority slate of directors. Messrs. Aguiar, d'Esparghes and LePore reiterated Mr. Aguiar's prior request for an in-person meeting with Sarissa's four director nominees.</p> <p>On March 3, 2017, at the direction of the Board of Directors, Mr. Aguiar contacted Messrs. Denner and DiPaolo and Dr. Kostas to arrange for certain members of the Nominating Corporate Governance Committee to interview George Bickerstaff and Juleen Haimovitz, two of Sarissa's nominees disclosed in Sarissa's February 8, 2017 nomination letter.</p> <p>On March 6, 2017, representatives of the Board of Directors, including the Chairman of the Nominating Corporate Governance Committee, had telephonic interviews with each of Messrs. Bickerstaff and Haimovitz. The representatives of the Board of Directors, including the Chairman of the Nominating Corporate Governance Committee, who participated in such telephonic interviews then reported to the full Board of Directors at a meeting held on March 6, 2017 during which the Board of Directors discussed such interviews with Messrs. Bickerstaff and Haimovitz, the</p>	13
<p>prior call that certain directors had with Mr. DiPaolo and Dr. Kostas, and calls between Mr. Aguiar and Mr. Denner regarding Sarissa's rationale for nominating four candidates for election to the Company's Board of Directors. After such discussion, the Board of Directors determined to recommend that the Company's stockholders vote in favor of the Board of Directors' nominees set forth in this Proxy Statement at the Annual Meeting.</p> <p>On March 7, 2017, Mr. Aguiar left a message for Mr. Denner on each of Mr. Denner's personal and work phone numbers to inform Mr. Denner that, at the direction of the Board of Directors, the Company would be filing its preliminary proxy statement that day, but that Mr. Aguiar looked forward to continuing a constructive dialogue with Mr. Denner. Also on March 7, 2017, Mr. Aguiar received a voicemail from Mr. Denner's assistant, who was returning Mr. Aguiar's March 7, 2017 telephone call.</p> <p>On March 8, 2017, Sarissa delivered a supplement, dated March 7, 2017, to its February 8, 2017 nomination letter, confirming that all information in its February 8, 2017 nomination letter remained accurate with the exception that Messrs. Bickerstaff and Haimovitz no longer served as directors of ARIAD Pharmaceuticals, Inc. Such supplemental letter did not include any additional information.</p> <p>On March 9, 2017, Mr. Aguiar received a telephonic call from Messrs. Denner and DiPaolo during which Messrs. Denner and DiPaolo expressed their displeasure with the Company's March 7, 2017 preliminary proxy filing with the SEC. During the call, Mr. Aguiar stated that the Company remained interested in continuing engagement with Sarissa and explained that the Company's decision to file its preliminary proxy statement was driven by timing considerations related to the Company's Annual Meeting timeline.</p> <p>On March 10, 2017, Sarissa submitted a request for certain stockholder list materials of the Company pursuant to Section 220 of the Delaware General Corporation Law. Also on March 10, 2017, Sarissa submitted a request for certain corporate books and records of the Company pursuant to Section 220 of the Delaware General Corporation Law, including, among others, (i) details of the Company's costs and expenses, (ii) materials related to the process of the Nominating Corporate Governance Committee in selecting and appointing new directors and (iii) materials related to the implementation of the majority voting standard in uncontested elections of directors.</p> <p>On March 13, 2017, Sarissa issued a press release, responding to the Company's March 7, 2017 press release and preliminary proxy statement, stating that Sarissa was no longer seeking control of the Company's Board of Directors as Sarissa was now only nominating a slate of three director candidates for election at the Annual Meeting. Sarissa has not yet provided the Company with an updated nomination notice, amending Sarissa's February 8, 2017 nomination letter, to indicate that Mr. DiPaolo would no longer be nominated for election as a director at the Annual Meeting.</p> <p>Also on March 13, 2017, Sarissa filed its preliminary proxy statement with the SEC, which indicated its nomination of three candidates for election as directors and included the Sarissa Proposal.</p> <p>Later on March 13, 2017, the Company issued a press release, responding to Sarissa's March 13, 2017 press release and preliminary proxy statement. Also on the same day, at the direction of the Board of Directors, Mr. Aguiar contacted Messrs. Denner and DiPaolo and Dr. Kostas requesting times for an in-person meeting to be held in New York City during the week of March 20, 2017 between Dr. Kostas, Messrs. Denner and DiPaolo and Mr. Aguiar and certain directors of the Company. Shortly thereafter, Dr. Kostas responded to Mr. Aguiar's message, stating that it would be great to speak with representatives of the Nominating Corporate Governance Committee.</p>	14
<p>On March 14, 2017, Mr. Aguiar responded to Dr. Kostas' March 13, 2017 message, proposing an in-person meeting in New York City on March 22 or March 23, 2017 with Mr. Aguiar and certain directors of the Company.</p> <p>On March 15, 2017, Dr. Kostas responded to Mr. Aguiar's March 14, 2017 message, stating that Mr. Denner will be out of the country the week of March 20, 2017 and that only Dr. Kostas would be free for an in-person meeting on March 22 or March 23, 2017.</p> <p>On March 17, 2017, Mr. Aguiar, at the direction of the Board of Directors, responded to Dr. Kostas' March 15, 2017 message, proposing an in-person meeting with Mr. Denner and certain members of the Board of Directors in the near future and stating that Mr. Aguiar and certain members of the Board of Directors would be free for a telephonic meeting with Dr. Kostas on March 23, 2017.</p> <p>Also on March 17, 2017, the Company responded to Sarissa's March 10, 2017 request for stockholder list materials, indicating that the Company would provide such information subject to Sarissa's execution of an appropriate confidentiality agreement. Also on March 17, 2017, the Company responded to Sarissa's March 10, 2017 request to inspect certain corporate books and records of the Company, indicating that the Company would provide certain of the requested information subject to Sarissa's execution of an appropriate confidentiality agreement.</p> <p>On March 20, 2017, Sarissa filed a revised preliminary proxy statement with the SEC.</p>	

- Yellow highlight of CEO Aguiar's name (Aguiar) visually illustrates how interactions driven and dominated by Aguiar

Sarissa has had only two brief interactions with one independent director, with the CEO present each time

Sarissa has had two brief calls in which one independent director joined the CEO

- The CEO dominated the conversation
- The independent director barely spoke

Sarissa has never had a conversation with independent members of the board alone



With the company's poor governance and nomination process, we believe members of the Board have breached their fiduciary duties

# We urge you to VOTE THE GOLD PROXY CARD

- Time is of the essence. We urge you to VOTE THE GOLD PROXY CARD to help us deliver the necessary change to Innoviva. **It is important that you submit your GOLD proxy card AS SOON AS POSSIBLE. Importantly, if you receive a white card from Innoviva, DO NOT return it, just discard it.** Returning a white card, even if you withhold on Innoviva's nominees, will not be a vote for the Sarissa nominees, and it would revoke any vote you previously submitted on the GOLD CARD.
- PLEASE VOTE NOW by signing, dating and returning the GOLD proxy card. You may also vote by phone or internet by following the instructions on the GOLD PROXY CARD.
- If you have any questions regarding your GOLD proxy card or need assistance in executing your proxy, please contact our proxy solicitor, D.F. King & Co., Inc. by telephone at the following numbers: stockholders call toll-free: (800) 549-6746 and banks and brokerage firms call: (212) 269-5550, or through the internet at [www.dfking.com/INVA](http://www.dfking.com/INVA)

To be continued...

