

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended January 31, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File No. 001-36830

**KALVISTA PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)  
**55 Cambridge Parkway**  
**Suite 901E**  
**Cambridge, Massachusetts**  
(Address of principal executive offices)

**20-0915291**  
(I.R.S. Employer Identification No.)  
**02142**  
(Zip Code)

**857-999-0075**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

As of March 10, 2019 the registrant had 17,247,348 shares of common stock, \$0.001 par value per share, issued and outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

**KalVista Pharmaceuticals, Inc.**  
**Condensed Consolidated Balance Sheets**  
(in thousands, except share and per share amounts)

	January 31, 2019	April 30, 2018
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 56,345	\$ 51,055
Investments	54,802	—
Research and development tax credit receivable	8,970	6,834
Prepaid expenses and other current assets	3,946	1,491
Total current assets	124,063	59,380
Other assets	173	173
Property and equipment, net	2,289	1,836
Total assets	<u>\$ 126,525</u>	<u>\$ 61,389</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,998	\$ 1,433
Accrued expenses	3,408	3,087
Deferred revenue - current portion	12,311	18,475
Capital lease liability - current portion	109	221
Total current liabilities	18,826	23,216
Long-term liabilities:		
Deferred revenue - net of current portion	3,666	10,862
Capital lease liability - net of current portion	—	58
Total long-term liabilities	3,666	10,920
Commitments and contingencies (Note 5)		
Stockholders' equity		
Common stock, \$0.001 par value, 100,000,000 authorized		
Shares issued and outstanding: 17,247,306 at January 31, 2019 and 10,799,895 at April 30, 2018	17	11
Additional paid-in capital	190,067	100,011
Accumulated deficit	(83,950)	(71,660)
Accumulated other comprehensive loss	(2,101)	(1,109)
Total stockholders' equity	104,033	27,253
Total liabilities and stockholders' equity	<u>\$ 126,525</u>	<u>\$ 61,389</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**KalVista Pharmaceuticals, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
(in thousands, except share and per share amounts)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 31,		January 31,	
	2019	2018	2019	2018
<b>Revenue</b>	\$ 3,890	\$ 2,331	\$ 13,201	\$ 3,554
Operating expenses:				
Research and development	7,650	4,548	23,882	12,385
General and administrative	2,900	2,129	7,879	6,905
<b>Total operating expenses</b>	<b>10,550</b>	<b>6,677</b>	<b>31,761</b>	<b>19,290</b>
<b>Operating loss</b>	<b>(6,660)</b>	<b>(4,346)</b>	<b>(18,560)</b>	<b>(15,736)</b>
Other income:				
Interest income	723	14	1,016	17
Foreign currency exchange gain (loss)	248	(1,887)	83	(1,836)
Other income	1,733	985	5,171	2,407
<b>Total other income</b>	<b>2,704</b>	<b>(888)</b>	<b>6,270</b>	<b>588</b>
<b>Net loss</b>	<b>\$ (3,956)</b>	<b>\$ (5,234)</b>	<b>\$ (12,290)</b>	<b>\$ (15,148)</b>
Other comprehensive income (loss):				
Foreign currency translation adjustments	(97)	2,434	(1,224)	2,507
Unrealized holding gains on available-for-sale securities	232	—	232	—
Other comprehensive income (loss)	135	2,434	(992)	2,507
<b>Comprehensive loss</b>	<b>\$ (3,821)</b>	<b>\$ (2,800)</b>	<b>\$ (13,282)</b>	<b>\$ (12,641)</b>
Net loss per share to common stockholders, basic and diluted	\$ (0.23)	\$ (0.49)	\$ (0.85)	\$ (1.49)
Weighted average common shares outstanding, basic and diluted	17,231,449	10,788,556	14,379,872	10,168,520

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**KalVista Pharmaceuticals, Inc.**  
**Condensed Consolidated Statement of Changes in Stockholders' Equity**  
(in thousands, except share amounts)  
(Unaudited)

	Nine Months Ended January 31, 2019					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
<b>Balance at May 1, 2018</b>	10,799,895	\$ 11	\$ 100,011	\$ (71,660)	\$ (1,109)	\$ 27,253
Cash received pursuant to common stock subscription agreement	—	—	5,000	—	—	5,000
Stock-based compensation expense	—	—	347	—	—	347
Net loss	—	—	—	(5,030)	—	(5,030)
Other comprehensive income	—	—	—	—	(1,320)	(1,320)
<b>Balance at July 31, 2018</b>	<b>10,799,895</b>	<b>11</b>	<b>105,358</b>	<b>(76,690)</b>	<b>(2,429)</b>	<b>26,250</b>
Issuance of common stock from public offerings, net of issuance costs	6,378,320	6	82,805	—	—	82,811
Issuance of common stock from exercise of stock options	4,452	—	25	—	—	25
Issuance of common stock from vesting of performance stock units	42,500	—	—	—	—	—
Stock-based compensation expense	—	—	976	—	—	976
Net loss	—	—	—	(3,304)	—	(3,304)
Other comprehensive income	—	—	—	—	193	193
<b>Balance at October 31, 2018</b>	<b>17,225,167</b>	<b>17</b>	<b>189,164</b>	<b>(79,994)</b>	<b>(2,236)</b>	<b>106,951</b>
Issuance of common stock from exercise of stock options	22,139	—	106	—	—	106
Stock-based compensation expense	—	—	797	—	—	797
Net loss	—	—	—	(3,956)	—	(3,956)
Other comprehensive income	—	—	—	—	135	135
<b>Balance at January 31, 2019</b>	<b>17,247,306</b>	<b>\$ 17</b>	<b>\$ 190,067</b>	<b>\$ (83,950)</b>	<b>\$ (2,101)</b>	<b>\$ 104,033</b>

	Nine Months Ended January 31, 2018					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
<b>Balance at May 1, 2017</b>	9,713,042	\$ 10	\$ 89,815	\$ (55,855)	\$ (2,643)	\$ 31,327
Stock-based compensation expense	—	—	221	—	—	221
Net loss	—	—	—	(4,928)	—	(4,928)
Other comprehensive income	—	—	—	—	115	115
<b>Balance at July 31, 2017</b>	<b>9,713,042</b>	<b>10</b>	<b>90,036</b>	<b>(60,783)</b>	<b>(2,528)</b>	<b>26,735</b>
Issuance of common stock	1,070,589	1	9,102	—	—	9,103
Stock-based compensation expense	—	—	273	—	—	273
Net loss	—	—	—	(4,986)	—	(4,986)
Other comprehensive loss	—	—	—	—	(43)	(43)
<b>Balance at October 31, 2017</b>	<b>10,783,631</b>	<b>11</b>	<b>99,411</b>	<b>(65,769)</b>	<b>(2,571)</b>	<b>31,082</b>
Stock-based compensation expense	—	—	285	—	—	285
Net loss	—	—	—	(5,234)	—	(5,234)
Other comprehensive income	—	—	—	—	2,434	2,434
<b>Balance at January 31, 2018</b>	<b>10,783,631</b>	<b>\$ 11</b>	<b>\$ 99,696</b>	<b>\$ (71,003)</b>	<b>\$ (137)</b>	<b>\$ 28,567</b>

**KalVista Pharmaceuticals, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands, unaudited)

	Nine Months Ended January 31,	
	2019	2018
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (12,290)	\$ (15,148)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	256	129
Stock-based compensation expense	2,120	779
Foreign currency remeasurement loss	(20)	(500)
Changes in operating assets and liabilities:		
Research and development tax credit receivable	(2,409)	(2,383)
Prepaid expenses and other current assets	(2,475)	(1,206)
Grants and other receivables	—	281
Other Assets	—	(123)
Accounts payable	1,748	548
Accrued expenses	417	332
Deferred revenue	(13,201)	33,804
Net cash (used in) provided by operating activities	<u>(25,854)</u>	<u>16,513</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment	(806)	(343)
Purchases of available for sale securities	(55,419)	—
Sales of available for sale securities	850	—
Net cash used in investing activities	<u>(55,375)</u>	<u>(343)</u>
<b>Cash Flows from Financing Activities</b>		
Capital lease principal payments	(155)	(101)
Issuance of common stock from stock option exercises	132	—
Issuance of common stock, net of offering expenses	87,811	9,100
Net cash from financing activities	<u>87,788</u>	<u>8,999</u>
Effect of exchange rate changes on cash and cash equivalents	(1,269)	2,559
Net increase in cash and cash equivalents	5,290	27,728
Cash and cash equivalents at beginning of period	51,055	30,950
Cash and cash equivalents at end of period	<u>\$ 56,345</u>	<u>\$ 58,678</u>
<b>Supplemental Disclosures of Non-cash Financing Activities</b>		
Capital leases	\$ —	\$ 513

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

## 1. The Company

KalVista Pharmaceuticals, Inc. (“KalVista” or the “Company”) is a clinical stage pharmaceutical company focused on the discovery, development and commercialization of small molecule protease inhibitors for diseases with significant unmet need. The Company’s first product candidates are inhibitors of plasma kallikrein being developed for two indications: hereditary angioedema (“HAE”) and diabetic macular edema (“DME”). The Company applies its insights into the chemistry of proteases and, with current programs, the biology of the plasma kallikrein system, to develop small molecule inhibitors with high selectivity, potency and bioavailability that it believes will make successful treatments for disease.

KalVista has created a structurally diverse portfolio of oral plasma kallikrein inhibitors, and has advanced multiple drug candidates into Phase 1 clinical trials for HAE in order to create what it believes will be best-in-class oral therapies. The Company has advanced one of these candidates, KVD900, into later stage clinical development as a potential on-demand therapy for HAE attacks, with a Phase 2 clinical trial expected to complete in late 2019. The Company anticipates that this trial will evaluate the safety and efficacy of KVD900 as an on-demand treatment for HAE attacks in at least 50 type 1 and 2 HAE patients. In the case of DME, the Company is initially developing a plasma kallikrein inhibitor which is administered directly into the eye and anticipates ultimate development of orally delivered drugs. KalVista is currently enrolling a Phase 2 clinical trial of KVD001, the Company’s most advanced DME drug candidate, which it anticipates will be completed in the second half of 2019.

KalVista remains focused on also delivering oral plasma kallikrein inhibitors for prophylactic treatment of HAE and for DME. The Company has initiated a first-in-human clinical study for its next oral plasma kallikrein inhibitor, KVD824, and anticipates to provide a development update for that program early in the second half of 2019.

The Company’s headquarters is located in Cambridge, Massachusetts, with research activities located in Porton Down, United Kingdom and Boston, Massachusetts.

The Company has devoted substantially all of its efforts to research and development, including clinical trials of its product candidates. The Company has not completed the development of any product candidates or commenced commercial operations. Pharmaceutical drug product candidates, like those being developed by the Company, require approvals from the U.S. Food and Drug Administration (“FDA”) or foreign regulatory agencies prior to commercial sales. There can be no assurance that any product candidates will receive the necessary approvals and any failure to receive approval or delay in approval may have a material adverse impact on the business and financial results. The Company is subject to a number of risks and uncertainties similar to those of other life science companies developing new products, including, among others, the risks related to the necessity to obtain adequate additional financing, to successfully develop product candidates, to obtain regulatory approval of product candidates, to comply with government regulations, to successfully commercialize its potential products, to the protection of proprietary technology and to the dependence on key individuals.

The Company has funded operations primarily through the issuance and sale of capital stock, the option agreement that a subsidiary of the Company entered into with Merck Sharp & Dohme Corp. (the “Merck Option Agreement”) and grant income. As of January 31, 2019, the Company had an accumulated deficit of \$84.0 million, \$111.1 million of cash, cash equivalents and available for sale securities. To date, the Company has not generated any product sales and revenues and does not have any products that have been approved for commercialization. The Company does not expect to generate significant revenue unless and until it obtains regulatory approval for, and commercializes, one of its current or future product candidates. The Company anticipates that it will continue to incur losses for the foreseeable future, and it expects those losses to increase as it continues the development of, and seek regulatory approvals for, product candidates, and begins to commercialize any approved products. The Company is subject to all of the risks inherent in the development of new therapeutic products, and it may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect its business. The Company currently anticipates that, based upon its operating plans and existing capital resources, it has sufficient funding to operate for at least the next twelve months.

Until such time, if ever, as the Company can generate substantial revenues, it expects to finance its cash needs through a combination of equity or debt financings, collaborations, strategic partnerships or licensing arrangements. To the extent that additional capital is raised through the sale of stock or convertible debt securities, the ownership interest of existing stockholders will be diluted, and the terms of these newly issued securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing, if available, may involve agreements that include increased fixed payment obligations and covenants limiting or restricting the Company’s ability to take specific actions, such as incurring additional debt, making capital expenditures, declaring dividends, selling or licensing intellectual property rights and other operating restrictions that could adversely impact its ability to conduct business. Additional fundraising through collaborations, strategic partnerships or licensing arrangements with third parties may require the Company to relinquish valuable rights to product candidates, including other technologies, future revenue

streams or research programs, or grant licenses on terms that may not be favorable to it. If the Company is unable to raise additional funds when needed, it may be required to delay, limit, reduce or terminate product development or future commercialization efforts or grant rights to develop and commercialize our other product candidates even if it would otherwise prefer to develop and commercialize such product candidates internally.

## 2. Summary of Significant Accounting Policies

**Principles of Consolidation:** The accompanying unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Such financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, the Company's consolidated financial position, results of operations, and cash flows. There were no adjustments other than normal recurring adjustments. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements. These unaudited interim condensed consolidated financial results are not necessarily indicative of the results to be expected for the year ending April 30, 2019, or for any other future annual or interim period. The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements as of and for the year ended April 30, 2018.

**Segment Reporting:** The Company's Chief Operating Decision Maker, the CEO, manages the Company's operations as a single operating segment for the purposes of assessing performance and making operating decisions.

**Net Loss per Share:** Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of vested share options.

Potential dilutive common share equivalents consist of:

	January 31,	
	2019	2018
Stock Options	1,729,928	315,908

In computing diluted earnings per share, common share equivalents are not considered in periods in which a net loss is reported, as the inclusion of the common share equivalents would be anti-dilutive. As a result, there is no difference between the Company's basic and diluted loss per share for the periods presented.

**Revenue Recognition:** The Company recognizes revenue from research and development arrangements and grant income. In accordance with Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers," revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods and services.

Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other available resources, and are distinct in the context of the contract, whereby the transfer of the good or service is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods and services, the Company must apply judgment to determine whether promised goods and services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised goods and services are accounted for as a combined performance obligation.

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and services to the customer. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the

contract will not occur. Any estimates, including the effect of the constraint on variable consideration, are evaluated at each reporting period for any changes.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct service that forms part of a single performance obligation. The consideration to be received is allocated among the separate performance obligations based on relative standalone selling prices.

The Company satisfies performance obligations either over time or at a point in time. Revenue is recognized over time if either: (1) the customer simultaneously receives and consumes the benefits provided by the entity's performance (2) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or (3) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. If the entity does not satisfy a performance obligation over time, the related performance obligation is satisfied at a point in time by transferring the control of a promised good or service to a customer. ASC 606 requires the Company to select a single revenue recognition method for the performance obligation that faithfully depicts the Company's performance in transferring control of the goods and services. The guidance allows for two methods to measure progress toward complete satisfaction of a performance obligation, depending on the facts and circumstances:

Output methods - recognize revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract (e.g., surveys of performance completed to date, appraisals of results achieved, milestones reached, time elapsed, and units of produced or units delivered); and

Input methods - recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (e.g., resources consumed, labor hours expended, costs incurred, or time elapsed) relative to the total expected inputs to the satisfaction of that performance obligation.

Licenses of intellectual property: If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company must consider the nature of the intellectual property to which the customer will have rights (i.e., access at a point in time or benefit of intellectual property enhancements over time). The Company recognizes revenue from non-refundable, up-front fees allocated to the license at a point in time/over the period the license is transferred to the customer and the customer is able to use and benefit from the license. For licenses that are bundled with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone payments: At the inception of each arrangement that includes development and regulatory milestone payments for promised goods and services, the Company evaluates the circumstances of whether the milestones will be reached and estimates the amount to be included in the transaction price that will not cause a significant revenue reversal. The Company will evaluate these types of payments for customer options once those options have been exercised. ASC 606 suggests two alternatives to use when estimating the amount of variable consideration: the expected value method and the most likely amount method. Under the expected value method, an entity considers the sum of probability-weighted amounts in a range of possible consideration amounts. Under the most likely amount method, an entity considers the single most likely amount in a range of possible consideration amounts. The Company will use the most likely amount method for development and regulatory milestone payments as management believes this method is the better predictor because the Company expects to be entitled to only one of two possible amounts. Additionally, management believes that the most likely amount of milestone consideration is its stated amount. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. The transaction price is then allocated to performance obligations on a specific basis or on a relative standalone selling price basis. The Company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Company re-evaluates whether it is probable that a significant revenue reversal will not occur in future periods, and if necessary, adjusts its estimates of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of: (1) when the related sales occur, or (2) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Up-front payments: Up-front payments and fees are recorded as deferred revenue upon receipt or when due and may require deferral of revenue recognition to a future period until the Company performs its obligations under these arrangements. Amounts payable to the Company are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

**Contract Balances:** The Company recognizes a contract asset when the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, excluding any amounts presented as a receivable (i.e., accounts receivable). A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. The contract liabilities (i.e. deferred revenue) primarily relate to contracts where the Company has received payment but has not yet satisfied the related performance obligations. The advance consideration received from customers for R&D services and/or licenses is a contract liability, recorded as deferred revenue, until the underlying performance obligations are transferred to the customer.

**Fair Value Measurement:** The Company classifies fair value measurements using a three level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows: Level 1, quoted market prices in active markets for identical assets or liabilities; Level 2, observable inputs other than quoted market prices included in Level 1, such as quoted market prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data; and Level 3, unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. These fair values are obtained from independent pricing services which utilize Level 1 and Level 2 inputs.

The following table summarizes the cash and cash equivalents and marketable securities measured at fair value on a recurring basis as of January 31, 2019:

	Level 1	Level 2	Level 3	Balance at January 31, 2019
Cash and cash equivalents	\$ 56,345	\$ —	\$ —	56,345
Marketable securities:				
Corporate debt securities	—	51,757	—	51,757
U.S. government agency securities	3,045	—	—	3,045
	<u>\$ 59,390</u>	<u>\$ 51,757</u>	<u>\$ —</u>	<u>\$ 111,147</u>

**Recently Issued Accounting Pronouncements Not Yet Adopted:** In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize for all leases (with the exception of short term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right of use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance is effective for the Company beginning May 1, 2019. See Note 5 for additional information regarding the Company's lease obligations.

**Recently Adopted Accounting Pronouncements:** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards update ("ASU") 2014-09, "Revenue from Contracts with Customers," requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP when it became effective and permits the use of either the retrospective or cumulative effect transition method. The Company adopted the updated standard May 1, 2018 using the modified retrospective method of adoption for all open contracts. The Company's only significant revenue generating arrangement is the arrangement with Merck. The adoption of this guidance on the consolidated financial statements had no impact on the date of adoption and through January 31, 2019, other than the enhanced footnote disclosures.

### 3. Investments

The objectives of the Company's investment policy are to ensure the safety and preservation of invested funds, as well as to maintain liquidity sufficient to meet cash flow requirements. The Company invests its excess cash in securities issued by high credit quality financial institutions, commercial companies, and government agencies in order to limit the amount of its credit exposure. The Company has not realized any significant losses from its investments.

The Company classifies all of its debt securities as available-for-sale. Unrealized gains and losses on debt securities are recognized in comprehensive loss, unless an unrealized loss is considered to be other than temporary, in which case the unrealized loss is charged to operations. The Company periodically reviews its investments for other than temporary declines in fair value below cost basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company believes the individual unrealized losses represent temporary declines primarily resulting from interest rate changes. Realized gains and losses are reflected in interest and other income in the consolidated statements of operations and comprehensive loss and are determined using the specific identification method with transactions recorded on a trade date basis.

The following tables summarize the fair value of the Company's investments by type:

	January 31, 2019			Estimated Fair Value
	Amortized Cost	Unrealized Gains	Unrealized Losses	
Corporate debt securities	\$ 51,537	\$ 221	\$ (1)	\$ 51,757
Obligation of the U.S. Government and its agencies	3,041	4	—	3,045
Total investments	<u>\$ 54,578</u>	<u>\$ 225</u>	<u>\$ (1)</u>	<u>\$ 54,802</u>

The following table summarizes the scheduled maturity for the Company's investments at January 31, 2019:

	January 31, 2019
Maturing in one year or less	\$ 33,221
Maturing after one year through two years	12,897
Maturing after two years	8,684
Total investments	<u>\$ 54,802</u>

### 4. Accrued Expenses

Accrued expenses consisted of the following as of January 31, 2019 and April 30, 2018 (in thousands):

	January 31, 2019	April 30, 2018
Compensation expense	\$ 1,171	\$ 1,393
Research expense	1,918	1,192
Professional fees	86	164
Other expenses	233	338
	<u>\$ 3,408</u>	<u>\$ 3,087</u>

## 5. Commitments and Contingencies

**Clinical Studies:** The Company enters into contractual agreements with contract research organizations in connection with preclinical and toxicology studies and clinical trials. Amounts due under these agreements are invoiced to the Company on predetermined schedules during the course of the toxicology studies and clinical trials and are not refundable regardless of the outcome. The Company has contractual obligations related to the expected future costs to be incurred to complete the ongoing toxicology studies and clinical trials. The remaining commitments, which have cancellation provisions, total \$5.9 million at January 31, 2019.

**Lease Commitments:** The Company is party to several operating leases for office and laboratory space as well as certain lab equipment. Rent expense was \$0.5 million and \$0.4 million for the nine months ended January 31, 2019 and 2018, respectively. Rent expense is reflected in general and administrative expenses and research and development expenses as determined by the underlying activities.

Future minimum lease payments under these leases as of January 31, 2019 are as follows (in thousands):

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Operating Leases</b>
2019	\$ 54	\$ 112
2020	55	324
2021		327
2022	—	329
2023 and thereafter	—	713
Total minimum lease payments	109	\$ 1,805
Less amounts representing interest	(1)	
Present value of minimum payments	\$ 108	

**Contingencies:** From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues a liability for such matters when it is probable and that such expenditures can be reasonably estimated. There are no contingent liabilities requiring accrual at January 31, 2019.

As a result of the terms of grant income received in prior years, upon successful regulatory approval and following the first commercial sale of certain products, the Company will be required to pay royalty fees of up to \$1.0 million within 90 days of the first commercial sale of the product subject to certain limitations, and follow on payments depending upon commercial success and type of product. Given the stage of development of the current pipeline of products it is not possible to predict with certainty the amount or timing of any such liability.

## 6. Merck Arrangement

On October 6, 2017, the Company's wholly-owned U.K. based subsidiary KalVista Pharmaceuticals Limited ("KalVista Limited") and Merck Sharp & Dohme Corp. ("Merck") entered into an option agreement (the "Merck Option Agreement"). The Company is the guarantor of KalVista Limited's obligations under the Merck Option Agreement. Under the terms of the Merck Option Agreement, the Company, through KalVista Limited, has granted to Merck an option to acquire KVD001 through a period following completion of a Phase 2 clinical trial. The Company, through KalVista Limited, has also granted to Merck a similar option to acquire investigational orally delivered molecules for DME that the Company will continue to develop as part of its ongoing research and development activities, through a period following the completion of a Phase 2 clinical trial. The Company, through KalVista Limited, also granted to Merck a non-exclusive license to use the compounds solely for research purposes, and is required to use its diligent efforts to develop the two compounds through the completion of Phase 2 clinical trials. The Company will fund and retain control over the planned Phase 2 clinical trial of KVD001 as well as development of the investigational oral DME compounds through Phase 2 clinical trials unless Merck determines to exercise its options earlier, at which point Merck will take responsibility for all development and commercialization activities for the compounds. The Company's development efforts under the Merck Option Agreement are governed by a joint steering committee consisting of equal representatives from the Company and Merck.

Under the terms of the Merck Option Agreement, Merck paid a non-refundable upfront fee of \$37.0 million to KalVista Limited in November 2017. If Merck exercises both options under the Merck Option Agreement, KalVista Limited could receive up to an

additional \$715.0 million composed of option exercise payments and clinical, regulatory, and sales-based milestone payments. In addition, the Company is eligible for tiered royalties on global net sales ranging from mid-single digits to double digit percentages. Merck may terminate the Merck Option Agreement at any time upon written notice to the Company. KalVista Limited may terminate the Merck Option Agreement in the event of Merck's material breach of the Merck Option Agreement, subject to cure.

Concurrent with the Merck Option Agreement, the Company and Merck also entered into a stock purchase agreement (the "Stock Purchase Agreement") pursuant to which Merck paid approximately \$9.1 million to purchase 1,070,589 new shares of the Company's common stock at a price of \$8.50 per share.

The Company determined that the Merck Option Agreement and the Stock Purchase Agreement were negotiated and executed contemporaneously, are for a single commercial objective and therefore should be combined as one arrangement for accounting purposes. The aggregate proceeds from the arrangement were allocated to the equity arrangement and to the revenue arrangement.

The Company evaluated the revenue arrangement in accordance with the provisions of ASC 606 upon the adoption of this guidance on May 1, 2018. The Company determined that the revenue arrangement contains the following promised services: (i) a non-exclusive license to use the two compounds solely for research purposes, (ii) research and development services related to the development of KVD001 through completion of a Phase 2 clinical trial, and (iii) research and development services related to the development of the Oral DME Compounds.

The Company has determined that Merck's options to acquire KVD001 and the Oral DME Compounds are customer options. Merck is not contractually obligated to exercise the options. The Company has determined that Merck's options to acquire KVD001 and the Oral DME Compounds are not priced below their standalone selling prices and do not grant the customer a material right. Consequently, the Company determined that Merck's options are not performance obligations at the inception of the arrangement.

The Company further determined that the research license granted is not distinct from the respective research and development services, as the license could not be used on its own by Merck for its intended purpose of developing and commercializing KVD001 and the Oral DME Compounds and is significantly interdependent with the respective research and development services. As a result, the research license has been combined with the respective research and development services for KVD001 and the Oral DME Compounds as two performance obligations (the "KVD001 Performance Obligation" and the "Oral DME Performance Obligation").

Therefore, the Company has identified two performance obligations under the revenue arrangement as follows: (i) the KVD001 Performance Obligation, and (ii) the Oral DME Performance Obligation. The transaction price that is allocable at inception of the arrangement is comprised of the non-refundable upfront payment of \$37.0 million and the payment for the common stock of \$9.1 million. The Company allocated the \$9.1 million payment to the common stock, as this represented the fair value of the shares issued based on arms length negotiations between the Company and Merck. The amount allocated to the common stock was recorded in stockholders' equity at the date of issuance. The Company allocated the remaining transaction price of \$37.0 million to the remaining performance obligations using the relative standalone selling price.

There is uncertainty that the events to obtain and the development and regulatory milestones will be achieved given the nature of clinical development and the stage of the research. The development and regulatory milestones will be constrained until the Company is sure that a significant revenue reversal will not occur. The royalties and sales-based milestones relate predominantly to a license of intellectual property and are determined by sales or usage-based thresholds. The royalties and sales-based milestones will be accounted for under the sales-based royalty recognition exception and the Company will not recognize revenue until the subsequent sale of a licensed product (achievement of sales-based milestone) occurs.

The Company developed the standalone selling price for the KVD001 Performance Obligation and Oral DME Performance by applying an analysis of discounted cash flows and the transaction price was allocated among the separate performance obligations using the relative standalone selling price method. The amount allocated to each Performance Obligation will be recognized as revenue using an input method of performance completed to date comparing the total effort incurred with the Company's estimate of total effort required to perform the R&D services for each respective performance obligation. For the three and nine month periods ended January 31, 2019, the Company recognized approximately \$3.9 million and \$13.2 million of revenue with respect to the arrangement with Merck, all of which was recognized from the deferred revenue balance. As of January 31, 2019, deferred revenue on the consolidated balance sheet is \$16.0 million, which is related to the remaining unsatisfied performance obligations in this arrangement. Approximately \$12.3 million related to the unsatisfied performance obligation is expected to be satisfied in the next 12 months and the remaining \$3.7 million will be satisfied in the four years thereafter. Upon adoption of ASC 606 on May 1, 2018, the Company concluded that there was no change in the amount or timing of revenue recognition as compared to its historical practices for this arrangement. Accordingly, there was no adjustment upon adoption.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion in conjunction with our unaudited interim condensed financial statements and related notes included elsewhere in this report. This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "will," "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "seek," "contemplate," "potential" or "continue" or the negative of these terms or other comparable terminology. These forward-looking statements, include, but are not limited to, the success, cost and timing of our product development activities and clinical trials as well as other activities we may undertake. Any forward-looking statements in this Quarterly Report on Form 10-Q reflect our current views with respect to future events or our future financial performance, are based on assumptions, and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" in our Annual Report on Form 10-K or described elsewhere in this Quarterly Report on Form 10-Q. These forward-looking statements speak only as of the date hereof. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. Unless the context indicates otherwise, in this Quarterly Report on Form 10-Q, the terms "KalVista," "Company," "we," "us" and "our" refer to KalVista Pharmaceuticals, Inc. and, where appropriate, its consolidated subsidiary.*

### Management Overview

We are a clinical stage pharmaceutical company focused on the discovery, development and commercialization of small molecule protease inhibitors for diseases with significant unmet need. Our first product candidates are inhibitors of plasma kallikrein being developed for two indications: hereditary angioedema ("HAE") and diabetic macular edema ("DME"). We apply our insights into the chemistry of proteases and, with our current programs, the biology of the plasma kallikrein system, to develop small molecule inhibitors with high selectivity, potency and bioavailability that we believe will make them successful treatments for disease.

We have created a structurally diverse portfolio of oral plasma kallikrein inhibitors and advanced multiple drug candidates into Phase 1 clinical trials for HAE in order to create what we believe will be best-in-class oral therapies. Based on the results of a first-in-human study conducted in early 2018, we have advanced one of these candidates, KVD900, into later stage clinical trials as a potential on-demand therapy for HAE attacks. Our Phase 2 clinical trial of KVD900 has commenced the regulatory filing process and is expected to complete in late 2019. In the case of DME, we are initially developing a plasma kallikrein inhibitor which is administered directly into the eye and we anticipate ultimate development of orally delivered drugs. We are currently enrolling a Phase 2 clinical trial of KVD001, our most advanced DME drug candidate, which we anticipate will be completed in the second half of 2019.

The Phase 2 trial for KVD900 is intended to evaluate the program as a potential on-demand treatment for HAE attacks. We intend to investigate efficacy in at least 50 type 1 and 2 HAE patients who have had three attacks in the 90 days prior to enrollment. This study will be conducted at 10-15 sites in the UK, Germany and several other European countries. During the first part of this two-part study, patients will receive a single 600 mg dose of KVD900 while not having an attack to explore pharmacokinetic and pharmacodynamics properties. All patients will then enter part two of the study, which is a crossover investigation in which the efficacy of KVD900 will be assessed versus placebo across two attacks. Patients experiencing an attack will take a single dose of 600 mg of KVD900 or placebo within one hour of the start of the attack. The second attack will be dosed with the other treatment. Patients will have access to their normal, on-demand treatment as required. For all attacks, data will be collected for 24 hours on endpoints including symptom severity using visual analog scale (VAS) and the Likert scale, as well as patient use of their standard of care therapy. Data is expected from this trial in late 2019.

Plasma kallikrein is a clinically relevant and validated target in treatment of HAE. We designed KVD900 for oral on-demand treatment for HAE attacks with a rapid onset of exposure to high levels and sustained inhibition of plasma kallikrein for up to more than 10 hours. Efficacy of acute injectable treatments is often undermined by late dosing and we believe that treating at the first sign of an attack rather than once swelling has begun, will maximize effectiveness. We believe that a safe, conveniently administered tablet which halts attack progression represents a currently unmet patient need.

We remain focused on delivering oral plasma kallikrein inhibitors for prophylactic treatment of HAE and for DME. Our next oral plasma kallikrein inhibitor, KVD824, has commenced a first-in-human clinical study and we expect to provide a development update early in the second half of 2019.

We have devoted substantially all of our efforts to research and development, including clinical trials of our product candidates. We have not completed the development of any product candidates. Pharmaceutical drug product candidates, like those we are developing, require approvals from the FDA or foreign regulatory agencies prior to commercial sales. There can be no assurance that any product candidates will receive the necessary approvals and any failure to receive approval or delay in approval may have a material adverse impact on our business and financial results. We are subject to a number of risks and uncertainties similar to those of other life science companies developing new products, including, among others, the risks related to the necessity to obtain adequate additional financing, to successfully develop product candidates, to obtain regulatory approval of product candidates, to comply with government regulations, to successfully commercialize our potential products, to the protection of proprietary technology and to our dependence on key individuals.

## **Financial Overview**

### **Revenue**

Our revenue consists primarily of a portion of the upfront fees from the Merck Option Agreement, which is recognized as revenue using an input method of performance completed to date comparing the total effort incurred with the Company's estimate of total effort required to perform the R&D activities. All of the revenues recognized in the accompanying financial statements have been recognized from deferred revenue that existed at the beginning of the period.

### **Research and Development Expenses**

Research and development expenses primarily consist of costs associated with our research activities, including the preclinical and clinical development of product candidates. We contract with clinical research organizations to manage our clinical trials under agreed upon budgets for each study, with oversight by our clinical program managers. We account for all goods and services, including non-refundable advance payments, as expenses, and all research and development costs are expensed as incurred.

We expect to continue to incur substantial expenses related to development activities for the foreseeable future as we conduct clinical development, manufacturing and toxicology studies. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials, additional drug manufacturing requirements, and later stage toxicology studies such as carcinogenicity studies. The process of conducting preclinical studies and clinical trials necessary to obtain regulatory approval is costly and time consuming. The probability of success for each product candidate is affected by numerous factors, including preclinical data, clinical data, competition, manufacturing capability and commercial viability. Accordingly, we may never succeed in achieving marketing approval for any of our product candidates.

Completion dates and costs for clinical development programs as well as our research program can vary significantly for each current and future product candidate and are difficult to predict. As a result, we cannot estimate with any degree of certainty the costs associated with development of our product candidates at this point in time. We anticipate making determinations as to which programs and product candidates to pursue and how much funding to direct to each program and product candidate on an ongoing basis in response to the scientific success of early research programs, results of ongoing and future clinical trials, our ability to enter into collaborative agreements with respect to programs or potential product candidates, as well as ongoing assessments as to the commercial potential of each current or future product candidate.

### **General and Administrative Expenses**

General and administrative expenses consist primarily of the costs associated with general management, obtaining and maintaining our patent portfolio, professional fees for accounting, auditing, consulting and legal services, and general overhead expenses.

We expect ongoing general and administrative expenses to increase in the future as we expand our operating activities, maintain and expand the patent portfolio, incur additional costs associated with the management of a public company and maintain compliance with exchange listing and requirements of the Securities and Exchange Commission. These potential increases will likely include management costs, legal fees, accounting fees, directors' and officers' liability insurance premiums, and expenses associated with investor relations, among others.

## Other Income

Other income consists of bank and investment interest, research and development tax credits from the United Kingdom government's tax incentive programs set up to encourage research and development in the United Kingdom and realized and unrealized exchange rate gains/losses on cash held in foreign currencies.

## Income Taxes

We historically have incurred net losses and have no corporation tax liabilities. We file U.S. federal tax returns, as well as certain state returns. We also file returns in the United Kingdom. Under the U.K. government's research and development tax incentive scheme, we have incurred qualifying research and development expenses and filed claims for research and development tax credits in accordance with the relevant tax legislation. The research and development tax credits are paid out to us in cash and reported as other income. Because of the operating losses and the full valuation allowance provided on all deferred tax assets, including the net operating losses, no tax provision has been recognized in the periods presented.

## Results of Operations

### Comparison of three months ended January 31, 2019 and 2018

The following table sets forth the key components of our results of operations for the three months ended January 31, 2019 and 2018 (in thousands):

	Three Months Ended January 31,		Increase (decrease)
	2019	2018	
Revenue	\$ 3,890	\$ 2,331	\$ 1,559
<u>Operating expenses</u>			
Research and development expenses	7,650	4,548	3,102
General and administrative expenses	2,900	2,129	771
<u>Other income</u>			
Interest, exchange rate loss and other income	2,704	(888)	3,592

*Revenue.* Revenue was \$3.9 million in the three months ended January 31, 2019 compared to \$2.3 million for the same period in the prior year. The increase of \$1.6 million was due to an increase of \$1.6 million of revenue from the Merck Option Agreement recognized in the three months ended January 31, 2019 compared to the same period in the prior year. We expect that our reported revenues will be at or near current levels in future periods as the proceeds from the Merck Option Agreement are recognized as services are performed.

*Research and Development Expenses.* Research and development expenses were \$7.6 million for the three months ended January 31, 2019 compared to \$4.5 million for the same period in the prior year, primarily due to an increase in early stage research activities, the ongoing Phase 2 clinical trial for KVD001 and an increase in activity related to the additional oral programs. The impact of exchange rates on research and development expenses was a decrease to expenses of approximately \$0.3 million in the three months ended January 31, 2019 compared to the same period in the prior year.

Research and development expenses by major programs or categories were as follows (in thousands):

	Three Months Ended January 31,	
	2019	2018
Intravitreal	\$ 1,923	\$ 697
Clinical stage oral programs	690	762
Additional oral programs	987	537
Early stage research activities	4,050	2,552
<b>Total</b>	<b>\$ 7,650</b>	<b>\$ 4,548</b>

Expenses for the intravitreal program were \$1.9 million for the three months ended January 31, 2019 compared to \$0.7 million for the same period in the prior year due to the ongoing Phase 2 clinical trial for KVD001. We anticipate that expenses continue at current levels over the short term and then trend downwards as the clinical trial for KVD001 heads towards completion later this year.

Expenses for the clinical stage oral programs were \$0.7 million in the three months ended January 31, 2019 compared to \$0.8 million for the same period in the prior year due to the timing of expenses related to the first-in-human study for KVD900 during the three months ended January 31, 2019. We anticipate that these expenses will increase significantly above current levels as we begin later stage development of KVD900 and KVD824 enters clinical development.

Expenses for the additional oral programs were \$1.0 million in the three months ended January 31, 2019 compared to \$0.5 million for the same period in the prior year due to an increase in preclinical development activity as we prepared KVD824 to enter clinical development. We anticipate that expenses will decline from current levels in the near term as KVD824 enters clinical development.

Expenses for early stage research activities were \$4.0 million for the three months ended January 31, 2019 compared to \$2.6 million for the same period in the prior year due to additional projects compared to the same period in the prior year. We anticipate that expenses will continue to increase as multiple candidates are assessed in discovery and advanced into early stage development.

*General and Administrative Expenses.* General and administrative expenses were \$2.9 million for the three months ended January 31, 2019 compared to \$2.1 million for the same period in the prior year. The increase of \$0.8 million was substantially due an increase in compensation expense of \$0.4 million and an increase in professional fees of \$0.4 million. We anticipate that expenses will continue at or above current levels.

*Other Income.* Other income was \$2.7 million for the three months ended January 31, 2019 compared to a loss of \$0.9 million for the same period in the prior year. The increase of \$3.6 million was primarily due to an increase of \$0.7 million in income from research and development tax credits, an increase in interest income of \$0.7 million and a decrease in unrealized foreign currency exchange rate losses of \$2.1 million from transactions denominated in foreign currencies in our U.K. subsidiary.

#### **Comparison of nine months ended January 31, 2019 and 2018**

The following table sets forth the key components of our results of operations for the nine months ended January 31, 2019 and 2018 (in thousands):

	Nine Months Ended January 31,		Increase (decrease)
	2019	2018	
Revenue	\$ 13,201	\$ 3,554	\$ 9,647
<u>Operating expenses</u>			
Research and development expenses	23,882	12,385	11,497
General and administrative expenses	7,879	6,905	974
<u>Other income</u>			
Interest, exchange rate gain (loss) and other income	6,270	588	5,682

*Revenue.* Revenue was \$13.2 million in the nine months ended January 31, 2019 compared to \$3.6 million for the same period in the prior year. The increase of \$9.6 million was due primarily to an increase of \$10.0 million of revenue from the Merck Option Agreement recognized in the nine months ended January 31, 2019, which was partially offset by a decrease in grant revenue of \$0.4 million compared to the same period in the prior year. We expect that our reported revenues will be at or near current levels in future periods as the proceeds from the Merck Option Agreement are recognized as services are performed.

*Research and Development Expenses.* Research and development expenses were \$23.9 million for the nine months ended January 31, 2019 compared to \$12.4 million for the same period in the prior year, primarily due to an increase in early stage research activities, the ongoing Phase 2 clinical trial for KVD001 and the initiation of the Phase 1 clinical trial for KVD824. The impact of exchange rates on research and development expenses was an increase to expenses of approximately \$0.2 million in the nine months ended January 31, 2019 compared to the same period in the prior year.

Research and development expenses by major programs or categories were as follows (in thousands):

	Nine Months Ended January 31,	
	2019	2018
Intravitreal	\$ 7,754	\$ 1,462
Clinical stage oral programs	2,142	2,920
Additional oral programs	3,630	733
Early stage research activities	10,356	7,270
<b>Total</b>	<b>\$ 23,882</b>	<b>\$ 12,385</b>

Expenses for the intravitreal program were \$7.7 million for the nine months ended January 31, 2019 compared to \$1.5 million for the same period in the prior year due to the continuation of the Phase 2 clinical trial for KVD001. We anticipate that expenses will continue at current levels over the short term and then trend downwards as the clinical trial for KVD001 heads towards completion later this year.

Expenses for the clinical stage oral programs were \$2.1 million in the nine months ended January 31, 2019 compared to \$2.9 million for the same period in the prior year due to the continuation of the first-in-human study for KVD900. We anticipate that expenses will continue above current levels as we begin later stage development of KVD900 and KVD824 enters the clinical testing phase.

Expenses for the additional oral programs were \$3.6 million in the nine months ended January 31, 2019 compared to \$0.7 million for the same period in the prior year due to spending on activities to enable the clinical development filing for KVD824. We anticipate that expenses will decline in the near term as KVD824 enters clinical development.

Expenses for early stage research activities were \$10.3 million for the nine months ended January 31, 2019 compared to \$7.3 million for the same period in the prior year due to increased research activity on additional projects compared to the same period in the prior year. We anticipate that expenses will continue to increase as multiple candidates are assessed in discovery and advanced into early stage development.

*General and Administrative Expenses.* General and administrative expenses were \$7.9 million for the nine months ended January 31, 2019 compared to \$6.9 million for the same period in the prior year. The increase of \$1.0 million was substantially due to an increase of \$0.9 million in stock based compensation. We anticipate that expenses will continue at or above current levels.

*Other Income.* Other income was \$6.3 million for the nine months ended January 31, 2019 compared to \$0.6 million for the same period in the prior year. The increase of \$5.7 million was primarily due to an increase of \$2.8 million in income from research and development tax credits compared to the same period in the prior year, an increase in interest income of \$1.0 million and a decrease in foreign currency exchange rate losses from transactions denominated in foreign currencies in our U.K. subsidiary.

## Liquidity and Capital Resources

We have funded operations primarily through the issuance and sale of capital stock, the Merck Option Agreement, and grant income. As of January 31, 2019, we have received cumulative equity funding totaling \$160.5 million, \$37.0 million from the Merck Option Agreement, grant income of \$8.9 million and we have an accumulated deficit of \$84.0 million. Our working capital, primarily cash, is anticipated to fund our operations for at least the next twelve months from the date these unaudited interim condensed consolidated financial statements are issued.

We will need to expend substantial resources for research and development, including costs associated with the clinical testing of our product candidates and will need to obtain additional financing to fund our operations and to conduct trials for our product candidates. We will seek to finance future cash needs through equity offerings, future grants, corporate partnerships and product sales.

We have never been profitable and have incurred significant operating losses in each year since inception. Cash requirements may vary materially from those now planned because of changes in our focus and direction of our research and development programs, competitive and technical advances, patent developments, regulatory changes or other developments. Additional financing will be required to continue operations after we exhaust our current cash resources and to continue our long-term plans for clinical trials and new product development. There can be no assurance that any such financing can be obtained by us, or if obtained, what the terms thereof may be, or that any amount that we are able to raise will be adequate to support our working capital requirements until we achieve profitable operations. If adequate additional working capital is not secured when it becomes needed, we may be required to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned research programs. Any of these actions could materially harm our business and prospects.

## Cash Flows

The following table shows a summary of the net cash flow activity for the nine months ended January 31, 2019 and 2018 (in thousands):

	Nine Months Ended	
	January 31,	
	2019	2018
Cash flows used in operating activities	\$ (25,854)	\$ 16,513
Cash flows used in investing activities	(55,375)	(343)
Cash flows provided by financing activities	87,788	8,999
Effect of exchange rate changes on cash and cash equivalents	(1,269)	2,559
Net increase (decrease) in cash and cash equivalents	<u>\$ 5,290</u>	<u>\$ 27,728</u>

### *Net cash used in operating activities*

Net cash used in operating activities of \$25.9 million for the nine months ended January 31, 2019 primarily consisted of a net loss of \$12.3 million, a decrease in deferred revenue of \$13.2 million, a \$2.4 increase in the research and development tax credit receivable and a \$2.4 million increase in prepaid expenses related to prepayments made to clinical research organizations and interest receivable related to our investments. These unfavorable adjustments were partially offset by \$2.4 million of noncash adjustments and favorable net working capital movements of \$1.7 million from accounts payable, which increased as a result of amounts due to clinical research organizations outstanding at January 31, 2019. Compared to the prior year, the decrease in cash flows used in operating activities was primarily due to the receipt of the upfront payment related to the Merck Option Agreement in the nine months ended January 31, 2018.

### *Net cash used in investing activities*

Net cash used in investing activities for the nine months ended January 31, 2019 was \$55.4 million compared to \$0.3 million used in investing activities during the same period in the prior year and primarily consisted of the purchase of available for sale securities. Cash used in investing activities for the six months ended January 31, 2018 was primarily due to the acquisition of lab equipment.

### *Net cash provided by financing activities*

The net cash provided by financing activities during the nine months ended January 31, 2019 was \$87.8 million compared to \$9.0 million in the same period in the prior year due primarily to the proceeds received from the sale of common stock through a private placement transaction in August 2018 and a public offering in September 2018.

### *Operating Capital Requirements*

To date, we have not generated any product sales revenues and we do not have any products that have been approved for commercialization. We do not expect to generate significant revenue unless and until we obtain regulatory approval for, and commercialize, one of our current or future product candidates. We anticipate that we will continue to incur losses for the foreseeable future, and we expect those losses to increase as we continue the development of, and seek regulatory approvals for, product candidates, and begin to commercialize any approved products. We are subject to all of the risks inherent in the development of new therapeutic products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. We currently anticipate that, based upon our operating plans and existing capital resources, we have sufficient funding to operate for at least the next twelve months.

Until such time, if ever, as we can generate substantial revenues, we expect to finance our cash needs through a combination of equity or debt financings, collaborations, strategic partnerships or licensing arrangements. To the extent that additional capital is raised through the sale of stock or convertible debt securities, the ownership interest of existing stockholders will be diluted, and the terms of these newly issued securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing, if available, may involve agreements that include increased fixed payment obligations and covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, declaring dividends, selling or licensing intellectual property rights and other operating restrictions that could adversely impact our ability to conduct business. Additional fundraising through collaborations, strategic partnerships or licensing arrangements with third parties may require us to relinquish valuable rights to product candidates, including other technologies, future revenue streams or research programs, or

grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate product development or future commercialization efforts or grant rights to develop and commercialize our other product candidates even if we would otherwise prefer to develop and commercialize such product candidates internally.

### **Contractual Obligations and Commitments**

We enter into contracts in the normal course of business with contract research organizations and clinical trial sites for the conduct of clinical trials, preclinical and clinical studies, professional consultants and other vendors for clinical supply manufacturing or other services. These contracts generally provide for termination on notice, and therefore are cancelable contracts and not included in the table of contractual obligations and commitments. We are party to several operating leases for office and laboratory space as well as a capital lease for certain laboratory equipment as of January 31, 2019. See the minimum lease payments schedule in Note 4 to these unaudited interim condensed consolidated financial statements.

### **Off-Balance Sheet Arrangements**

At January 31, 2019 we were not a party to any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

### **Critical Accounting Policies and Significant Judgments and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with U.S. GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of our financial statements and the reported revenue and expenses during the reported periods. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience, known trends and events, contractual milestones and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. See Note 2 to the unaudited interim condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of our significant accounting policies and assumptions used in applying those policies. While the accounting policies and estimates that we deem to be critical are discussed in more detail in the Annual Report on Form 10-K filed on July 30, 2018, the revenue recognition policy has been updated upon the adoption of ASC 606 on May 1, 2018, which did not have a material impact to our financial statements. Please refer to Note 2 for the updated policy and application of ASC 606 to our revenue arrangement discussed in Note 5.

### **Recently Issued Accounting Pronouncements**

See discussion in Note 2 to these unaudited interim condensed consolidated financial statements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

### **Interest Rate Risk**

We have exposure to market risk in interest income sensitivity, which is affected by changes in the general level of interest rates. However, because of the short-term nature of the bank deposit arrangements and the very low interest rates prevailing in the United Kingdom and the United States, a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operations. We do not believe that our cash or cash equivalents have significant risk of default or illiquidity.

### **Foreign Exchange Rate Risk**

We maintain cash balances primarily in both U.S. Dollars ("USD") and British Pound Sterling ("GBP") to fund ongoing operations. Cash, cash equivalents and available for sale securities as of January 31, 2019 was composed of \$56.3 million and consisted of readily available checking and bank deposit accounts held primarily in both USD and GBP and \$54.8 million of securities held. As of January 31, 2019, 88% of cash and cash equivalents were held in USD and 12% in GBP. We currently incur significant expenses in GBP and convert USD as needed to fund those expenses. We do not believe our cash and cash equivalents are exposed to significant exchange rate risk, though we do not currently engage in exchange rate hedging or other similar activities. A 10% change in the exchange rate would result in an immaterial net gain or loss.

## Effects of Inflation

We do not believe that inflation and changing prices had a significant impact on the results of operations for any periods presented herein.

## ITEM 4. CONTROLS AND PROCEDURES.

### *Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of January 31, 2019.

### *Changes in Internal Controls over Financial Reporting*

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II**

**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

**Item 1A. RISK FACTORS**

There have been no material changes to the risk factors described in the section captioned “Part I, Item 1A, Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended April 30, 2018 and in our Quarterly Report on Form 10-Q for the quarter ended July 31, 2018. In addition to the other information set forth in this report, you should carefully consider the factors discussed in the section captioned “Part I, item 1A, Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended April 30, 2018 and in our Quarterly Report on Form 10-Q for the quarterly period ended July 31, 2018, which could materially affect our business, financial condition, or future results. The risks described here and in our Annual Report on form 10-K and in our Quarterly Report on Form 10-Q are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may have a material adverse effect on our business, financial condition, or operating results.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Not applicable.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5. OTHER INFORMATION**

Not applicable.

**Item 6. EXHIBITS**

**Exhibits**

- 10.1 [Amendment, dated January 31, 2019, to the Service Agreement dated November 1, 2015, by and between KalVista Pharmaceuticals Ltd and Dr. Christopher M. Yea.#](#)
- 10.2 [Equity Acceleration Letter dated March 11, 2019, by and between KalVista Pharmaceuticals Ltd, and Dr. Christopher M. Yea.#](#)
- 31.1 [Certification of Principal Executive Officer Required Under Rule 13a-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 31.2 [Certification of Principal Financial Officer Required Under Rule 13a-14\(a\) of the Securities Exchange Act of 1934, as amended.](#)
- 32.1 [Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14\(b\) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350.](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- # Management Contract or compensatory plan or arrangement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**KALVISTA PHARMACEUTICALS, INC.**

Date: March 14, 2019

By: /s/ T. Andrew Crockett  
\_\_\_\_\_  
**T. Andrew Crockett**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

Date: March 14, 2019

By: /s/ Benjamin L. Palleiko  
\_\_\_\_\_  
**Benjamin L. Palleiko**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**

**DEED OF VARIATION OF CONTRACT**

- (1) KALVISTA PHARMACEUTICALS LIMITED
  - (2) DR CHRISTOPHER YEA
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**BETWEEN:**

- (1) KALVISTA PHARMACEUTICALS LIMITED incorporated and registered in England and Wales with company number 07543947 whose registered office is at Building 227 Tetricus Science Park, Porton Down, Salisbury, Wiltshire, SP4 0JQ (the “**Company**”); and
  - (2) DR CHRISTOPHER MARTYN YEA [\*\*\*] (the “**Executive**”).
- (together the “**Parties**”)

**BACKGROUND:**

- (A) The Company and the Executive are party to a service agreement dated 1 November 2015 (the “**Contract**”), a copy of which is attached at Schedule 1 to this deed.
- (B) The KalVista Pharmaceuticals, Inc. compensation committee has approved certain changes to the Agreement. Consequently, the Parties wish to amend the Agreement as set out in this deed with effect from the date of this deed (the “**Variation Date**”).

**1. Terms defined in the Contract**

In this deed, expressions defined in the Contract and used in this deed have the meaning set out in the Contract.

**2. Variation**

- 2.1 With effect from the Variation Date the Parties agree the following amendments to the Contract:

a)	<p>Clause 1 is amended so that the definitions of “Change of Control” and “Control” are deleted and replaced with the following:</p> <p>“<b>Change of Control</b>” means the occurrence of any of the following events: (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of KVP, Inc representing more than fifty percent (50%) of the total voting power represented by KVP, Inc’s then-outstanding voting securities; provided, however, that for purposes of this subclause (i) the acquisition of additional securities by any one Person who is considered to own more than fifty percent (50%) of the total voting power of the securities of KVP, Inc will not be considered a Change of Control; (ii) the consummation of the sale or disposition by KVP, Inc of all or substantially all of KVP, Inc’s assets; (iii) the consummation of a merger or consolidation of KVP, Inc with any other corporation, other than a merger or consolidation which would result in the voting securities of KVP, Inc outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of KVP, Inc or such surviving entity or its parent outstanding immediately after</p> <p>such merger or consolidation; or (iv) a change in the effective control of KVP, Inc that occurs on the date that a majority of members of the KVP, Inc Board is replaced during any twelve (12) month period by members of the KVP, Inc Board whose appointment or election is not endorsed by a majority of the members of the KVP, Inc Board prior to the date of the appointment or election. For purpose of this subclause (iv), if any Person is considered to be in effective control of KVP, Inc, the acquisition of additional control of KVP, Inc by the same Person will not be considered a Change of Control. For purposes of this definition, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with KVP, Inc.</p>
b)	<p>Clause 1 has the following definitions added:</p> <p>“<b>Beneficial Owner</b>” and “<b>Beneficial Ownership</b>” shall have the meaning ascribed to such terms in Rule 13d-3 promulgated under the United States’ Securities Exchange Act of 1934, as amended.</p> <p>“<b>KVP, Inc</b>” means KalVista Pharmaceuticals, Inc.</p> <p>“<b>KVP, Inc Board</b>” means the board of directors of KVP, Inc.</p> <p>“<b>Person</b>” shall have the meaning ascribed to such term in Section 3(a)(9) of the United States’ Securities Exchange Act of 1934 and used in Sections 13(d) and 14(d) thereof.</p>
c)	<p>Clause 3.4 is amended to read as follows:</p> <p>Should this Agreement be terminated by the Company in accordance with clause 3.1 or clauses 17.1.1, 17.1.2 or 17.1.4, the Company will pay the Executive severance pay (“<b>Severance Pay</b>”) within 10 working days of the Termination Date consisting of:</p> <p>3.4.1 12 months’ basic Salary as per clause 10.1; and</p> <p>3.4.2 12 months’ continuation or payment in lieu of the Contractual Benefits.</p> <p>This clause 3.4 will <b>not</b> apply (and no Severance Pay will be payable) where the Executive resigns or the Company terminates this agreement pursuant to clauses 17.1.3 and 17.1.5 - 17.1.13.</p>

d)	<p>Clause 3.6 is deleted in its entirety and replaced with the following:</p> <p>If the Executive's employment is terminated by the Company (or its successor) during the two year period immediately following a Change of Control, and as a result of such termination the Executive is entitled to the Severance Pay pursuant to clause 3.4, then in addition to the Severance Pay, the Executive shall be entitled to a lump sum payment equivalent to the Executives full target bonus (pursuant to clause 10.3) for the fiscal year in which the Termination Date occurs. The rights and payments due to the Executive under this clause 3.6 shall be conditioned on the Executive's execution of a settlement agreement releasing claims against the Company and its affiliates in a form acceptable to the Company (the "<b>Release</b>")</p> <p>and on that Release becoming irrevocable within 60 days following the Termination Date (the date of such agreement being the "<b>Settlement Date</b>"). The payment in this clause 3.6 shall be paid no later than the 28 days after the Settlement Date.</p>
e)	<p>Clauses 10.1 is amended to increase the Executive's salary to £263,800 per annum.</p> <p>Clause 10.3 is amended to increase the Executives target bonus eligibility to 35% of the Executive's Salary.</p>

2.2 Except as set out in clause 2.1, the Contract shall continue in full force and effect.

**3. Governing law**

This deed and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

**4. Jurisdiction**

4.1 Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this deed or its subject matter or formation.

**THIS AGREEMENT** has been entered into as a deed on the date stated at the beginning of it.

**SCHEDULE 1**  
**ORIGINAL AGREEMENT**

**Executed as a Deed** )  
by **DR CHRISTOPHER YEA** ) /s/ Dr Christopher Yea  
in the presence of: )

*Signature of witness: /s/ Debra Lyon*

*Name: Debra Lyon*

*Address: [\*\*\*]*

*Occupation: Finance Manager*

**Executed as a Deed** )  
(but not delivered until the date )  
appearing at the head of page 1) )  
by **KALVISTA PHARMACEUTICALS** )  
**LIMITED** acting by Benjamin L. Palleiko )  
a director in the presence of: )

/s/ Benjamin L. Palleiko  
Director

*Signature of witness: /s/ Anabela Quelha*

*Name: Anabela Quelha*

*Address: [\*\*\*]*

*Occupation: Business Operations Administrator*

**KalVista Pharmaceuticals, Inc.**

March 11, 2019

Dr. Christopher Yea

Dear Christopher:

You are party to a Service Agreement with KalVista Pharmaceuticals Limited, a company incorporated and registered in England and Wales (“**KVP UK**”) and a subsidiary of KalVista Pharmaceuticals, Inc., a Delaware corporation (“**KVP US**”), dated as of November 1, 2015 and amended by a deed January 31, 2019 (the “**UK Service Agreement**”),

If your employment is terminated by KVP UK (or its successor) during the two year period immediately following a Change of Control (as defined in the UK Service Agreement), and as a result of such termination you are entitled to the Severance Pay set forth therein, then, in addition to the Severance Pay, all of your then-unvested Equity Awards (as defined below) will vest in full (the “**Acceleration**”). This Acceleration is conditioned on your execution of a settlement agreement releasing claims against the KVP US and its affiliates in a form acceptable to KVP US (the “**Release**”) and on that Release becoming irrevocable within 60 days following the termination date.

“**Equity Awards**” means any stock options, restricted stock, restricted stock units, stock appreciation rights, phantom stock or other equity based awards granted by KVP US to you.

Your eligibility to receive the Acceleration shall not create a right to further employment with the KVP UK or KVP US, or the right to receive additional equity. Your rights under this letter agreements are entirely separate from any rights you have under your terms and conditions of employment with KVP UK.

Sincerely,

**KalVista Pharmaceuticals, Inc.**

By: /s/ Benjamin L. Palleiko

Name: Benjamin L. Palleiko

Title:

Financial Officer

Chief

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, T. Andrew Crockett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KalVista Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 14, 2019

/s/ T. Andrew Crockett

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T. Andrew Crockett  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Benjamin L. Palleiko, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KalVista Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 14, 2019

/s/ Benjamin L. Palleiko

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Benjamin L Palleiko  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of KalVista Pharmaceuticals Inc. (the "Company") on Form 10-Q for the fiscal quarter ended January 31, 2019 (the "Report"), I, T. Andrew Crockett, as Chief Executive Officer of the Company, and Benjamin L. Palleiko, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 14, 2019

/s/ T. Andrew Crockett

T. Andrew Crockett  
Chief Executive Officer  
(Principal Executive Officer)

Dated: March 14, 2019

/s/ Benjamin L. Palleiko

Benjamin L. Palleiko  
Chief Financial Officer  
(Principal Financial and Accounting Officer)