

**Evogene First Quarter 2019 Results Announcement, May 28, 2019**

**Section A**

Thank you and good day everyone. We appreciate you joining us today for our first quarter 2019 conference call. Joining me today will be Ms. Dorit Kreiner, our CFO and Dr. Arnon Heyman, CEO of Canonic, our subsidiary in the area of medical cannabis, which we established recently.

My comments today will focus on how our strategy lends itself to value creation for Evogene shareholders. I will then also review some key achievements during the past quarter.

Following my comments, Arnon will give an overview of our medical cannabis subsidiary, Canonic. His remarks today will be based on the Canonic company presentation. A link to this presentation has been provided in the quarterly press release and can also be found on Evogene's website under the investor relations section.

After Arnon's comments, Dorit will discuss our financial results for the first quarter of 2019. We will then open the call for your questions.

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Let's begin.

Evogene's strategy is grounded on two important pillars: the first one –our unique technology, the CPB platform, provides significant value and a competitive advantage for product development in various life science based markets. The second one – is that in order to maximize the commercial value of the CPB platform, we leverage it to relevant market segments with development roadblocks that can be addressed by our CPB platform.

For new investors that have recently joined Evogene I would like to give some information on the platform. Evogene's CPB platform has been designed for in silico, computational, prediction and prioritization of genes, proteins, microbes and small molecules based on multiple attributes that will be key to successful

development and commercialization of novel life-science based products. Successfully addressing these multiple product attributes at the beginning of the discovery process, rather than one at a time during the development phase, is expected to reduce the time and cost of product development, but much more importantly, increase the probability of success.

The two pillars I described earlier led us to establish our areas of activity supported by the following organizational structure:

At the heart is Evogene as a technology hub, which holds the rights for the CPB platform and is responsible for both maintaining and expanding it.

And then, a group of *divisions and subsidiaries* each focused in different *life-science based markets* that have an exclusive license for the use of the CPB platform for their field of activity, providing their main competitive advantage for their product development pipeline.

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Currently, we implement the CPB platform in three general life-science based markets: agriculture, human health and life-science based industrial applications.

In the field of agriculture, we have three *divisions and subsidiaries*:

- (i) AgPlenus Ltd., formerly our ag-chemicals division, focusing on the development of novel herbicides and insecticides,
- (ii) Lavie-bio Ltd., formerly our ag-biologicals division, focused on bio-stimulants and bio-pesticides and
- (iii) our Ag-Seeds division, focusing on (a) insect control seed traits and (b) yield & abiotic stress & disease resistance seed traits utilizing both GMO and non-GMO approaches.

In the human health field, we have two subsidiaries:

- (i) The first subsidiary – Biomica Ltd., with the mission of developing therapeutics based on microbes and small molecules in the areas of

immuno-oncology, multi drug resistant organisms and GI related disorders.

- (ii) The second subsidiary – Canonic Ltd., focusing on developing medical grade cannabis products through a plant genomic approach.

In the broad field of life-science based industrial markets, our initial activity is through our subsidiary Casterra, which was formerly named Evofuel.

Together with the announcement of our financial results we also announced that Evofuel was rebranded to better reflect the strategical change that the company underwent, focusing on castor oil producers for industrial use instead of on castor growers for the alternative fuel industry.

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We believe Evogene's value will stem from the activities and the derived value of its divisions and subsidiaries.

Meaning that when our divisions or subsidiaries achieve substantial milestones in their product development pipeline or announce a strategic collaboration agreement, this should be reflected in their valuation and of course in Evogene's valuation as well as a major shareholder.

Moreover, since one of the tasks of our subsidiaries is to secure external financial resources in addition to the revenue they will generate through collaborations, third-party investments could provide color on our subsidiaries' valuation as well.

A key motivation in the establishment of our subsidiaries was to enable a more management focused and efficient path to product development. An important parameter in the success of our subsidiaries is their leadership.

Most of our CEO's have been with Evogene for several years, previously filling the position of general manager of our internal divisions that later on were the basis of our subsidiary. These are professionals with years of business experience in Evogene and outside of Evogene.

Under these company's leadership, each company is paving its independent path, as can be seen in each company's presentation, available on our website under the investor relations section.

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I would now like to go over some select achievements during the first quarter of 2019:

- Establishment of Lavie Bio, our subsidiary focused on ag-biologicals, aiming to improve food quality, health and sustainability.
- Establishment of Canonic, our subsidiary focused on developing next generation medical cannabis products, on which Arnon will elaborate in a moment.
- And as I mentioned, Evofuel was rebranded as Casterra to better reflect its change in business focus from the alternative fuel industry to castor oil for industrial uses.

In terms of pipeline advancement, I would like to mention the following main achievements:

- Biomica announced the initiation of pre-clinical studies in its immuno-oncology program, aiming to augment current cancer therapies by adjusting patients' gut microbiome to improve response
- In AgPlenus, a leading molecule family in its herbicide pipeline demonstrated in-planta proof of new Mode-of-Action (MoA) and demonstrated activity on a panel of important weeds in greenhouse assays.
- In addition, still in AgPlenus, in its insecticide pipeline, we are happy to announce the computational identification of a new target representing a new MoA in insect pests. Efforts are now focused on the computational prediction of molecule families that should inhibit this target.

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I would now like to turn over the call to Arnon, to describe Canonic's activities.  
Arnon?

## **Section B**

### **Arnon – CEO Canonic**

Thank you, Ofer.

I would like to begin by introducing myself. My name is Arnon Heyman and I serve as Canonic CEO, Evogene subsidiary focusing on medical cannabis products. I have been with Evogene for the last 5 years, previously serving as vice president and general manager of the Ag Seeds division. My background is in biotechnology and I hold a PhD from the Hebrew University in Jerusalem.

Like Ofer mentioned at the beginning of his remarks, I would like to give an overview of our activity at Canonic. To do so, I would like to refer to Canonic's company presentation.

Let's begin by turning to slide 5 –to our company mission statement–“To develop and bring to market medical grade cannabis through a revolutionary genomic approach”.

This genomic approach is powered by our exclusive access to Evogene's CPB platform and substantial genomic assets to Canonic. We believe that these assets and capabilities that we bring to the table, uniquely position us to bring substantial added value to this market, as I will describe momentarily.

Moving on to slide 6 – the cannabis market.

As you are probably aware, the cannabis market is growing at a fast pace. On the left side of the slide you can see the US cannabis market forecast, reaching a projected 25 billion dollar market by 2025.

On the right, you can see the vast medical application attributed to cannabis active compounds. And only some of these applications are supported by strong clinical data. The conclusion is clear - cannabis can bring significant value and relief to many medical ailments.

Now that we have understood the potential of the cannabis market, this brings me to the next slide - the key challenges we see in this market.

The 1<sup>st</sup> challenge is metabolite yield – yield in cannabis refers to the active compounds or metabolites, found in the plant. Currently, low metabolite yield leads to higher production costs and subsequently higher costs for the patients.

The 2<sup>nd</sup> challenge is variety stability – Current cannabis lines demonstrate high variability in active compound concentration and other desired traits. According to recent publications, When current products are taken to the lab to verify the label concentration, we see significant variability - 50% of the products will have higher concentrations, 30% will have lower one's, only a handful of products contain accurate concentrations according to the label. This variability leads to inconsistent, unreliable products and a decline in consumer confidence in medical cannabis.

The 3<sup>rd</sup> challenge is medical tailored products – finding the linkage between clinical effects and active compounds or metabolites found in the plant is a major gap in the industry today. The industry today faces difficulty in linking active compounds to clinical trial observations. Moreover, breeders, over the years, have pushed THC levels up for recreational use, while ignoring other useful compounds.

Canonic is uniquely positioned to provide solutions to these challenges by using computational power to decode the cannabis genome.

Let's move on to slide 9 - While current breeding efforts by others are focused on a handful of genes and unintended results are common; by using the CPB unique platform we are able to see the whole genomic map including essential genes, metabolite-related genes and proprietary trait-affecting genes. With this

unique perspective, we are building the genomic pathways to solve specific challenges in a precise manner.

As you can see in slide 12, we initiated the development of three product types, as follow:

- MetaYield products are being designed to increase metabolite yield,
- Unican products are to provide stable cannabis varieties and
- Our Precise product range is targeted at specific metabolite profiles. Our focus is on the 3 main medical indications treatment today – PTSD post traumatic syndrome, chronic pain and cancer covering 90% of current medical cannabis indications.

Now I would like to ask you to turn to slide 14 for our milestone roadmap. This year we are establishing our growing and research facilities and expect to complete at least 2 cannabis growth cycles. Next year, we will demonstrate first-trait improvement in a cannabis line and expect to complete 3 more growth cycles. In the following year we anticipate seeing the first improved varieties and move fast into the final product formulation process.

We believe, we have a significant competitive advantage in view of our existing assets and technology. Let's turn to slide 19 for an example of this – in this case an asset for increased yield. Cannabis active compounds are produced in small hairs on the plant flower. These small hairs are named trichomes. Canonic has full and exclusive access, for cannabis, to IP developed in Eugene for the increase of trichomes in plants. The pictures on the right demonstrate a tomato flower before and after the successful utilization of this IP. This clear increase of trichome density and amount can lead to yield increase in the cannabis plant as well.

To conclude I can say, as Canonic CEO, that our company is well positioned today with significant technological capabilities, proprietary know how and a scientific approach unique to the cannabis market. I believe we will be able to advance rapidly to fulfill our product development goals and address the key market challenges.

After Dorit's review of the financial results, I will be happy to answer any questions you may have.

And with that, I would now like to turn the call over to Dorit. Dorit?

## **Section C**

### **Dorit Kreiner – CFO**

Thank you Arnon.

I will begin by reviewing our balance sheet. Evogene continues to maintain a strong financial position, with approximately \$50 million in cash, cash related accounts and bank deposits as of March 31<sup>st</sup>, 2019. This represents cash usage of approximately \$4.5 million during the first quarter of 2019.

The cash usage during the first quarter of 2019 includes pre-paid expenses and non-recurring payments of approximately \$1.0 million.

For the full year of 2019, we estimate that our net cash usage will be in the range of \$16 to \$18 million dollars, assuming that none of our subsidiaries secure external financial resources such as through collaborations or external fund raising. This forecast is derived from the advancement of the company's activities to later stages of product development, which include field trials and pre-clinical studies provided by third parties. This effect is moderated by operating efficiencies achieved with the new corporate structure.

The Company does not have bank debts.

Let's now turn to the statement of operations.

As discussed in prior calls, Evogene's revenues to date have consisted primarily of research and development revenues. These revenues represent R&D cost reimbursement and milestones under our various collaboration agreements, as reflected in the cost of revenues. The majority of these



agreements also provide for development milestone payments and royalties or other forms of revenue sharing from successfully developed products.

Gross profit for the first quarter of 2019 was approximately \$0.3 million in comparison to approximately \$0.1 million for the first quarter of 2018.

Moving on, the R&D expenses for the first quarter of 2019 remained stable at approximately \$3.5 million in comparison to the first quarter of 2018.

Operating loss for the first quarter of 2019 was approximately \$4.7 million in comparison to approximately \$4.9 million in the first quarter of 2018.

The net financing **income** for the first quarter of 2019 was approximately \$0.9 million in comparison to net financing **expenses** of approximately \$0.4 million in the first quarter of 2018.

This increase in the first quarter is due to the translation of Israeli Shekel nominated cash and marketable securities to US Dollars, revaluation of the Company's marketable securities and interest income on bank deposits.

So, the loss for the first quarter of 2019 decreased to \$3.8 million in comparison to a loss of \$5.4 million during first quarter of 2018.

With that said, we would now like to open up the call for any questions you may have. Operator....

**OPERATOR**

**I will now open the call to questions...**

**OFER HAVIV – CEO – Closing Remarks**

I would like to thank everyone that participated in the call today.

I would like to end by saying that we appreciate the support of our loyal shareholders and their continuing confidence in the Company.

Thank you and good day.