

Evogene Second Quarter 2019 Results Announcement, July 31, 2019

Thank you and good day everyone. We appreciate you joining us today for our second quarter 2019 conference call. Joining me today are Ms. Dorit Kreiner, our CFO and Mr. Ido Dor, CEO of Evogene's ag-biologicals subsidiary - Lavie Bio

In my brief comments today, I will focus mainly on providing more color on Evogene's role in supporting its subsidiaries in order to accelerate their product development towards commercialization in each subsidiaries' market. I will then also review some recent key achievements.

Following my comments, Ido will give an overview of Lavie Bio, which will then be followed by Dorit, who will discuss our financial results for the second quarter of 2019. We will then open the call for your questions.

Let's begin.

As our longer term shareholders should be familiar with, Evogene's core asset is its unique computational technological capabilities, the CPB platform. This unique platform has allowed us to establish market-oriented subsidiaries in various life-science markets developing their own dedicated product pipeline towards commercialization, while the CPB platform serves as their main competitive advantage.

Once again, I would like to remind of the capabilities of our unique CPB platform for the prioritization and optimization of genes, proteins, microbes and small molecules. These discoveries in turn have the potential to be – or to provide the basis for creating - novel - and often next generation – products in life-science based industries.

In particular, the CPB has allowed us, during the past few years, to very efficiently establish a number of market-focused subsidiaries with exciting early stage product pipelines for the market areas we have selected to date.

At present, Evogene has subsidiaries focused in three general life-science based areas: agriculture, human health and life-science based industrial applications.

In the area of agriculture, we have two *subsidiaries*, and also have one *division*:

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

In the human health field, we have two subsidiaries:

- (i) Biomica Ltd., focusing on the development of therapeutics based on microbes and small molecules in the areas of immuno-oncology, multi drug resistant organisms and GI related disorders.
- (ii) Canonic Ltd., our newly established subsidiary 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, focusing on castor oil producers for industrial use.

As I noted at the beginning of my comments, I would like to take this opportunity to share how we view Evogene's role in regard to supporting its subsidiaries in order to fast-track their product development towards commercialization in each subsidiaries' market.

I would like to divide the discussion to three avenues: technology, corporate support and funding support.

Let's start with the technological support Evogene provides – exclusive access to its CPB technology.

Moving beyond the initial contribution of the CPB platform to the establishment of Evogene's subsidiaries' existing product pipelines, each subsidiary has an exclusive right to use the CPB platform each for its dedicated area. The use of the CPB will support the subsidiaries in two main aspects: expand their product portfolio to new product types in their field of activity and optimization of their product candidates through development towards commercialization.

I would like to note that the CPB is continuously evolving and improving, so that the value of the CPB for each subsidiary increases over time.

Moving to managerial and corporate support:

Here I would like to highlight two significant contributions of Evogene to its subsidiaries.

The first is that Evogene's subsidiaries management teams work closely with Evogene's board, management and advisors, on an ongoing basis, to benefit from their broad business experience in order to execute their strategic plan. Additionally, Evogene provides access to its broad industry network of relationships.

The second point is the support they receive from Evogene's corporate departments such as finance and legal as well as Evogene's existing infrastructures such as labs, greenhouses etc. Collectively, with these resources available, Evogene aims to help subsidiary management to focus on business execution and product development.

Last but not least - funding:

With respect to financing, as is clear from our financial report issued today, and as will be further addressed by Dorit in her remarks, Evogene continues to maintain a strong financial position and has sufficient funds for its activities in the next few years.

Evogene intends to financially support its subsidiaries till they reach a point of maturity in which they have created enough valuable assets to warrant an

attractive valuation at fundraising or to be able to generate revenues from sales or collaborations to cover its expenses.

Evogene aims to remain a major stakeholder in its subsidiaries following any external fundraising in order to maintain for Evogene shareholders a significant share of the subsidiaries' future profits and/or market value.

In view of the maturity of the activities of several of our subsidiaries and the substantial value they represent, we have initiated dedicated fundraising processes together with the management of these subsidiaries.

Any funds raised will be directed to the subsidiary's financial requirements for achieving their milestone roadmap.

Speaking of which, you may find the main milestones we expect to see in our subsidiaries in 2019 and 2020 in an updated corporate presentation, filed today.

Before turning the call over to Ido, I would like to briefly comment on a few recent achievements,

- Evogene announced that it had amended its plant disease collaboration agreement with Bayer (originally entered into with Monsanto that has been acquired by Bayer) to include genome editing targets. This amendment follows positive results in corn stalk rot fungal disease control. Evogene will use its CPB platform to identify the required edits to improve disease resistance in corn, focusing on altering gene expression or function. Any promising targets would be pursued under milestone and royalty bearing agreements by Bayer's in-house team for validation.
- Also, we were very pleased to announce Lavie Bio's positive 2nd year field results in its bio-stimulant program for wheat with product candidates showing repeated significant yield improvement in spring wheat field trials across multiple locations, varieties and conditions.
- ***

With that, I would now like to turn over the call to Ido, to describe Lavie's activities.

Ido Dor – CEO Lavie Bio

I am happy to take part in Evogene's quarterly conference call.

My name is Ido Dor and I lead the activity of Lavie Bio, Evogene's subsidiary in the area of ag-biologicals. Previously, I led this activity in Evogene from its initiation in 2015 .

Today I would like to speak to you about our product development at Lavie .

In a nutshell, Lavie aims to improve food quality, sustainability and agriculture productivity through the introduction of microbiome based ag-biological products. We aim to do things better by nature, focusing on productivity, health and sustainability .

The agriculture market is shifting. The tone of the conversation and demand for products is being increasingly driven by consumer preferences rather than farmer preferences. The consumer is increasing the visibility and significance of sustainable practices, health and quality of produce. Ag-biologicals are instrumental in this journey and we, at Lavie, are excited to take part in this change.

To achieve these goals, Lavie is developing ag-biologicals for a wide variety of crops. We are developing bio-stimulants, bio-pesticides and bio-X products.

Bio-stimulants are products aimed to improve the plant's yield and natural response to environmental conditions – for example: improved resistance to drought, better nutrient uptake etc.

Bio-pesticides aim to protect plants from pests. Our focus is specifically on protection against diseases .

Bio-X products are our unique segment where we focus our efforts on food functionality in order to drive quality and health properties.

We currently have 5 different product programs, 2 bio-stimulant programs for corn and wheat, 2 bio-pesticide programs focusing on bio-fungicides for corn and grapes and a program focusing on food functionality consumer traits.

In light of our announcement on field results in our bio-stimulant wheat program, I wanted to highlight this program in this call. This is the program in which we aim to launch our first product in 2022. I would like to describe why we chose to enter this program and our development path.

In choosing which crop and treatment to pursue, we wanted to focus on a crop with promising potential in a market structure in which we can actually control and manage the path to product and go to market.

We identified wheat, or more specifically spring wheat, which is wheat planted in the spring, as a high commercial value crop to focus on. Wheat is a key staple in our diet. So, this is a big market of more than 25M acres in North America with a fragmented structure that will allow us an independent go-to-market .

For this purpose, we aimed to bring microbiome interactions that got lost in evolution. We used a collection of more than 200 wild wheat species, analyzed their microbiome population and their phenotypes to help us build a unique collection of microbes. This was the starting point for our genomic based screening and optimization .

We began with in-silico candidate identification using the CPB platform. These candidates were then screened in greenhouse tests with leading candidates then going through an initial formulation and fermentation process to prepare them for testing in wheat fields. Following the success of 1st year field testing, we optimized the solution, combined new functionality, and significantly improved the formulation technology and fermentation protocols to address shelf life and establishment in the soil. As we just recently announced, these leading candidates were re-tested in the field, with repeated significant yield improvement across multiple locations, varieties and conditions with additional data and understanding obtained.

These results indicate that Lavie wheat bio-stimulant products could potentially gain the farmer an additional \$20-\$50 profit per acre. As I mentioned, spring wheat is planted across 25M acres in North America.

We are now in a situation where we are focusing our efforts on 3 leading product candidates: LAV 211, LAV 212 and LAV 213. In 2019 are expected to include broader validation trials in target growth locations, mainly in the US, to be followed by additional field trials in Canada next year.

So, in the case of spring wheat, or other high-value specialty crop where the market is not dominated by large multi-national ag-companies, our go-to-market approach is based on direct commercialization through distribution channels or via strategic alliances. As I mentioned, we are aiming at a 2022 product launch for our spring wheat bio-stimulants.

Another go-to-market approach is via co-development collaborations. It makes sense for us to collaborate with multi-national ag-companies in row crops such as corn where the market is led by such companies. In such instances, the end product itself is most likely a seed-coating on our collaborator's proprietary seed varieties.

With that I would like to thank you for your time and hope to update you on our continued development to provide better productivity, health and sustainability, naturally.

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

Dorit Kreiner – CFO

Thank you Ido.

I will begin by reviewing our balance sheet. Evogene continues to maintain a strong financial position, with approximately \$46 million in cash, cash related accounts and bank deposits as of June 30th, 2019. This represents cash usage of approximately \$8.7 million during the first half of 2019 and \$4.2 million during the second quarter of 2019.

For the full year of 2019, we continue to 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 new collaborations or external fund raising.

Evogene's consolidated cash use is mostly appropriated to its subsidiaries, mainly Lavie Bio, AgPlenus, and Biomica, with funds also used for the establishment of infrastructure and greenhouses for Canonic.

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 half of 2019 was approximately \$0.4 million in comparison to approximately \$0.2 million for the first half of 2018. Gross profit for the second quarter of 2019 remained stable at approximately \$0.1 million in comparison to the second quarter of 2018.

Moving on, the R&D expenses for the first half of 2019 remained stable at approximately \$7 million in comparison to the first half of 2018. The R&D expenses for the second quarter of 2019 remained stable at approximately \$3.5 million in comparison to the second quarter of 2018. R&D expenses mostly represent product development activities of the company and its subsidiaries, which include field trials and pre-clinical studies provided by third parties. Evogene's consolidated R&D expenses were mostly attributed to its subsidiaries, mainly Lavie Bio, AgPlenus, and Biomica, and to its seed division activity.

Operating loss for the first half of 2019 was approximately \$9.4 million in comparison to approximately \$9.6 million in the first half of 2018. Operating loss for the second quarter of 2019 remained stable at approximately \$4.7 million in comparison to the second quarter of 2018.

The net financing **income** for the first half of 2019 was approximately \$1.5 million in comparison to net financing **expenses** of approximately \$0.5 million in the first half of 2018. The net financing **income** for the second quarter of 2019 was approximately \$0.6 million in comparison to net financing **expenses** of approximately \$0.1 million in the second quarter of 2018.

This increase in the first half of 2019, is due to 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 half of 2019 decreased to \$7.9 million in comparison to a loss of \$10.1 million during first half of 2018. The loss for the second quarter of 2019 decreased to \$4.1 million in comparison to a loss of \$4.8 million during second 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.

Thank you and good day.