



Transcript of the videoconference, June 4, 2020 – 7.30 pm CEST

MedinCell participants

Christophe Douat, *CEO*

Jaime Arango, *CFO*

David Heuzé, *Head of Communications*

David Heuzé

Hello hello everybody, I am David head of Communications at MedinCell. Welcome to our video conference dedicated to the results of our fiscal year that ended March 31st.

We published today a press release at the closing of the Parisian market, with our consolidated financial results. It's available on our website.

Today we have with us Christophe Douat, our CEO. Hello Christophe

Christophe Douat

Hello David.

David Heuzé

And Jaime Arango our CFO. Hello Jaime.

Jaime Arango

Hello David, hello Christophe, hello everyone.

David Heuzé

Before they speak, I want to remind you that you can ask question by using the chat tool on the right of your screen. We already received question.

Thank you again for being with us tonight and Christophe I leave you the floor. It was a great year for MedinCell.

Christophe Douat

Yes, thanks David. In case you didn't guess we are based in France, and I am actually talking from our offices in Montpellier in the south of France.

Yes David, this has been a great year, one of course with the Covid. But as you will see in the rest of the call, we will come out of the crisis even stronger than we were at the beginning. We have done a lot of efforts to protect the company and its employees and very importantly our portfolio as evolved very nicely. We have kept the rhythm and we are on plan, on track. We have one new product that entered clinicals, a project in collaboration with Teva. Two new products entered preclinical development, again one with Teva and one with the Bill & Melinda Gates Foundation. Both programs are financed by our partners Teva for the first 2, and Gates Foundation as part of the significant \$19 M grant that we received in December to develop a 6-month bioresorbable, biocompatible, auto-injectable

contraceptive. As we announced in January, several programs have now, are going to reach the lead formulation stage in 2020, to next go into preclinical development. The first one is the contraceptive program with the Gates Foundation, so that's already one out of the tree. And the two others are our program in organ transplant and the last one is our program in animal health.

David Heuzé

Thank you, Christophe. We also launched new interesting projects this year, with the Gates Foundation, one more, and with Unitaid, involving funding, can you talk about these projects Christophe.

Christophe Douat

Yes, this are two quite amazing projects actually. And the first one has for objective prevention in HIV, what's called prophylaxis, the goal is to inject a new generation HIV drug over a few months. So that the patient is protected against HIV infection. We have already obtained some quite encouraging in vitro results. The second one is a project financed by Unitaid, which was announced in March, with the 6.4 million-dollar grant, using ivermectine to break the transmission vector of malaria.

David Heuzé

Christophe, despite the Covid-19 crisis several major events happened since the end of March and more to come in the coming months, can you explain?

Christophe Douat

Yes. First our lead program, which is in phase 3 with Teva, just completed recruitment. It's a great news, even more that they was uncertainty during the crisis about clinical trials in the US. Recruitment is completed and our partner still expects to have analysis of interim data in the second half of this year. As a reminder this is a program targeting schizophrenia. Schizophrenia is a very severe disease that with the 1% prevalence. Patients that do not follow their treatment get hospitalized and there is also social consequences. And so, having a long-acting injectable you know that ensures that the treatment is taken, is great advantage. We have 3 programs with antipsychotics with Teva and Jaime will remind us of the financial metrics.

Jaime Arango

Thank you, Christophe. Yes, indeed this deal with Teva is a classic biotech/pharma deal. Teva is in charge of all development costs and will ensure also the commercialization of the different products. In return MedinCell, we will receive milestones of up to 122 million dollars per product so for the 3 products that would be a total up to 366 million, and MedinCell will also receive royalties from the first sales of the products, high single digit.

Christophe Douat

Thank you, Jaime. Second most mature program, it's a program that intends to reduce pain inflammation and therefore opioid consumption after orthopaedic surgery, the first indication is knee surgery. The surgery where patients use the most opioid and you know that the opioid crisis was the priority of the FDA just prior to the Covid crisis. The great news here again is that phase 2 is completed and the management of our partner expects to enter directly into phase 3, without a phase 2b before the end of the year and after validation from the FDA this summer. Jaime can you please just remind us of the metrics?

Jaime Arango

Sure. Similar to Teva, AIC will assume all the development costs of this product. However, MedinCell will not receive milestones but on the other hand MedinCell will get 50% of the profits that will be generated from, the from the product.

Christophe Douat

Thank you, Jaime. Now some of you of course are expecting some information, further information on the Covid-19 program. It created a lot of interest and we believe it is justified of course. As a reminder, we call it the third path.

The first path is curative treatment, the second is vaccine, but nobody knows and if vaccines will arrive, plus viruses have mutants and so there is room before that for a third path which is prophylaxis, prevention, which could complement vaccines as well. When you do prophylaxis you can, of course, administer oral treatment but as soon as you stop your treatment you are not protected anymore. So, this is a field where long-acting injectables are absolutely key and this is why HIV, all the prophylaxis programs have now long-acting injectables.

We work with ivermectin. You know it's not just a random choice, we chose this API because it has shown efficacy in the past in vitro and in vivo on several viruses: dengue, West Nile, HIV, rabies and some others. And we knew there was potential you know against Covid. And then since accelerated, you know an Australian University showed that it was destroying virus on cells in vitro in the lab. And then several observational studies not clinical studies, just observational studies for now showed that I could have a potential impact by decreasing significantly mortality, among hospitalized patients. But further and most importantly beginning of May there was a publication from one of the most prestigious hospital in Paris, La Pitié Salpêtrière and Dr. Zahir Amoura and Dr. Changeux one of the greatest neuroscientists of our era, from Institut Pasteur and they describe the hypothesis explaining why smokers seem to be protected against the virus. And their hypothesis is that nicotine as a prophylactic impact and when the virus wants to bind to the nicotinic receptor, the nicotine prevents that binding. Now Mr Changeux, Dr Changeux from Institut Pasteur has been working on this for 40 years. And 20 years ago, he published a paper where he showed that ivermectin was the most powerful modulator of the nicotinic receptor. So, which means that ivermectin has the same impact on the receptor as nicotine, without its addictive effect. Same effect in a different manner because sometimes, you know, for those of you that are scientists you know, ivermectin is an allosteric modulator. So, we have more and more hints that comfort us in our strategy to move into, our prophylactic program using ivermectin. Our strategy is three-fold. First, we intend to validate the protective effect of ivermectin in vitro, on cells, and we expect data this year. Second, we plan on starting clinical trials phase to phase 2, phase 1/2 trials with oral ivermectin which is already available, to, with objectives to first validate the safety of ivermectin in frequent daily administrations, and also have first indication of activity in prophylaxis. Probably in regions where the virus epidemic is still active. So, we could have data before the end of the year of course subject to the evolution of the pandemic and of the possible recruitment. There are many other studies ongoing, you will notice there is about 15 of them on clinicaltrials.gov, some of them in prestigious places like John Hopkins or the university in Japan where the inventor of Ivermectin, Mister Ōmura, works. He was, he received the Nobel Prize of medicine in 2015 thanks to his work on ivermectin. So, first part in vitro, second part clinical trials. The other trials, of course worldwide, will all feed our strategy and our goal is to show that ivermectin works, if others work on it, it is, this is even better. But the finale goal of MedinCell is to develop a long-acting formulation to have efficacious prophylaxis.

Third, we are already working, full blast, on a new formulation of ivermectin one month and three months, our team has done a remarkable work in the last few weeks and the we intend and expect to have a finale formulation at the end of the year which is remarkable.

The goal is to be ready in 2021 to enter regulatory development and a potential phase 3 of course if there is a new wave of Covid. There are many ways, or many subsidies giving by governments, foundations to finance these types of programs and we are actively looking at ways to finance it, through those means.

David Heuzé

Thank you, Christophe. Jaime can you explain why we can estimate that MedinCell benefits from a solid financial situation today.

Jaime Arango

Sure David. So our treasury levels today are really comfortable which translates into a solid cash visibility. We have today over 30 million available for MedinCell and it's split as follows. At the end of March we had 16 million euros as part of cash and cash equivalents instruments of 12.4 million and also short-term and long-term investments. But since then we have received 3.1 million euros that correspond to the Research tax credit that we can get from the French government and that is coming from the calendar year 2019. And apart from that we also announced last week that we received the loan from our partner banks that is in the form of state-backed loans of 10.9 million euros and apart from that we also have access today to 5 million euros concerning the loan with the European investment bank. And these to take into account of the cash burn rate operational cash burn rate that we have today of about 1.5 million euros per month which was, for the prior year, in line with our expectations.

David Heuzé

Thank you, Jaime. Can you tell us more about cost and revenues during the past fiscal year?

Jaime Arango

Absolutely. The revenues that we reached were 6 million euros, that's a growth of about 48%. This revenue is composed in three ways, one is the milestones that we received last year from our partner, 1.3 million euros; the services that we render to the Gates Foundation, 1.5 million euros; and the rest corresponds to the Research tax credit that due to the consolidated financials, IFRS, we recognized in the top line of 3.1 million euros. Let me remind you that the revenues may vary significantly from one year to another which is because the linked one on the advancement of the different projects of our partners and therefore the milestones that we receive one year to another, and also depending on the advancement of the different projects that we have with the Gates Foundation.

Now if we talk about the expenses, they reached 25.2 million euros, a growth of 29% compared to the same period last year. From this 25 million, 17.2 correspond to research and development charges and investments. So, 95% of the growth of the expenses, of the total expenses of the company, were coming from the R&D line that where we invest that's in line with our forecast and of course in line with our strategy.

David Heuzé

Something about the other expenses?

Jaime Arango

Thank you, David. Concerning the other expenses which are business development, marketing, support functions, G&A they had a limited growth of 5%, and are in line with our forecast, thank you for the reminder.

David Heuzé

You're welcome. Let's look ahead a little bit now, how could income and expenses evolved during the current fiscal year, Jaime?

Jaime Arango

The revenues that we can count on today are based basically on the revenues linked to the advancement of the projects that we have with the Gates Foundation, the contraceptive product, and also the works that we will rehearse for Unitaid, for the malaria project. In addition to that we are expecting a milestone payment for the end of the Phase 3 of the product that we have today with Teva, and possibly the milestone payment for the second antipsychotic project which will end its phase 1 later on. The good news is that today the programs are advancing well, and our partners they have not communicated any bad news on the current clinical trials. On the operational expenses, excellent news that considering our financial situation today we have decided to return to normal activity. Let me remind you that in the beginning of April we put in place a partial activity. While we decided to maintain our strategic projects, delay the expenses that could be delayed in order to maximize the cash visibility. Now we continue to be very alert on our cash position, that's in the DNA of MedinCell, and that's what we will continue to do in the future.

Now talking about our operational expenses we are expecting these expenses to grow between 10 and 15% for the current fiscal year, taking into account the advancement of our internal projects. Now one thing to pay attention to is that this guideline excludes expenses that are linked to the Covid program for which a separate budget and separate financing resources will be specifically found.

David Heuzé

Thank you, Jaime. Can you now share your analysis of our debt?

Jaime Arango

The debt is very important, today at the end of March we had 32.7 million euros, gross debt. But what is important is that our debt is very well structured. What I mean by that is that 84% of that debt shall be reimbursed after June 2023. So, for the next 3 years will have limited cash going to reimburse the current debts and by that time we should already be perceiving regular royalties from the first product that should be on the market by then. Since the end of March or historical Bank partners, The Banque Populaire du Sud and BNP Paribas, have given us a loan of 10.9 million euros, which is under the instrument called over here in France PGE or state-guaranteed loans, with excellent conditions and let me remind you that this are non-dilutive instruments. What I can say today is that we are even stronger financially despite the current covid crisis. However, on another side we could be looking also at a couple of structural reinforcement, this is something that has already been announced in the past we continue to evaluate the opportunity to do a potential capital raise to reinforce the capital structure of the company. However, shall we do that, that should be a limited amount, we do not need the cash today but something that I'm working on is about

optimizing the financial structure for the company. So the potential operation, if it's done, will be done only if the conditions are favorable for MedinCell and its shareholders.

David Heuzé

Thank you very much Jaime. Before we answer the questions we received. Few words to conclude Christophe?

Christophe Douat

Yes. thanks a lot Jaime, this was very clear. First again this has been a great year, you know, we have great newsflow coming this year, again. You know, potential analysis interim data by our partner in the second half; our phase 2 program moving into phase 3; of course, there will be, hopefully and some news on our Covid program. Jaime explained that are cash resources are significant significantly higher than a few months ago.

But more, most importantly I would really like to thank all of MedinCell's employees, 140 people, 25 nationalities who during this period have demonstrated once more the amazing qualities of adaptability and resilience of the company, despite difficult home office conditions, sometimes with young children, they have been able to move all the programs forward and on top of that work on this ambitious new Covid program. So, I would really like to say thank you to all. And now I suggest we start with the questions.

David Heuzé

Yes Christophe, so few questions.

First, maybe you can answer I am not sure. "Ivermectin is a recognized antiparasitic this is certain, my question is: can it also act as an antibacterial targeting more particularly Bacteroides, including Prevotella? Thank you". I don't know if you can answer.

Christophe Douat

David thank you. It may be an interesting question, but I won't comment here I don't think it is related to MedinCell activities.

David Heuzé

Yes, I can confirm. Next question: "You said that you have enough cash money for next year. Why do you talk about an AK? Thanks for your answer."

Jaime Arango

An AK, it's a capital increase, potential capital increase. Indeed, our treasury situation has largely improved however we also need to look into reinforcing our capital structure. This is what is important in order to enable us to work on other solutions, potential non-dilutive solutions for the future. Now this is something that will looking at, this is something that we have said in the past, we always look at the different options and all the options are always on the table for us.

David Heuzé

Thank you Jaime, next question for you Jaime: "Are you anticipating milestone payments from Teva for mdc-IRM in this new financial year? When will the royalty revenue stream kick in?"

Jaime Arango

Right. From the revenue that we ca expect this year, there is this milestones payment coming from this program; mdc-IRM, concerning the end of the phase 3. So, we are expecting that, I cannot disclose amounts, we are not allowed to do that. Now, the royalty revenue stream, we will begin touching those royalties from the first sale of the product, so assuming under the hypothesis that the product is launched in 2021, that will be the first date when we will receive these royalties.

David Heuzé

Thank you Jaime. Christophe: " As you demonstrated the positive effects of an injectable long-acting formulation of ivermectin on Onchocerca ochengi in zebu cattle, have you initiated contact to sell it as veterinary product to start to generate revenue?". Sorry for my poor english.

Christophe Douat

Thanks David. Of course, this could be an animal health program but this particular study you refer to and which we published with IRD in France, the goal was to do a proof of concept showing that when we injected cattle with ivermectin mosquitoes that bite the cattle die. This proof of concept, which was successful, helped us you know get the support of Unitaid to finance our malaria program. If you translate this to a human population during rainy season and if you inject men and women with the long-acting ivermectin injection, all the mosquitoes that carry malaria that will bite them would die, preventing infection of other people. So the goal here will be to break malaria transmission vector, an other great pandemic you know, especially in Africa where there is a lot, still death of children, you know due to malaria.

David Heuzé

Thank you very much Christophe. This was the last question, maybe you have to have something for the conclusion Christophe.

Christophe Douat

Thank you again for your attention, as you see MedinCell keeps moving. The team is very proud of its achievements, if you have particular suggestions to improve communication with with you, our shareholders please let David know, he loves that. And we are looking forward to speaking to you soon. Thank you again for attending this presentation.

David Heuzé

Thank you, Christophe, thank you Jaime and thank you all for being with us today. For your information, the replay and the transcript of this meeting will be available quickly on our website. So good evening everyone and see you soon bye

Jaime Arango

Thank you everyone