Evogene Third Quarter 2019 Results Script

November 13, 2019

Thank you and good day everyone. We appreciate you joining us today for our third quarter 2019 conference call.

Joining me today are Ms. Dorit Kreiner, our CFO, and Dr. Elran Haber, CEO of Biomica, Evogene’s human microbiome pharmaceuticals subsidiary.

In my comments today, I would like begin by discussing the recent Corteva investment in our subsidiary Lavie Bio. This investment is a major milestone for both Lavie and Evogene, as Corteva’s investment represents the first major third party financial and commercial implementation of our new corporate strategy, which I outlined earlier this year. Following this, I will briefly review our other subsidiaries' recent progress.

Following my comments, Elran will provide an overview of Biomica and the progress they’ve made, and Dorit will summarize Evogene’s financial results for the third quarter of 2019. We will then open the call for your questions.

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Let's begin.

As described in our Shareholders Letter earlier this year, Evogene’s strategy is based on maximizing the utilization of our unique and broadly applicable CPB discovery and development platform though a group of subsidiaries, each focused on a different market.

The individual market areas that we chose to focus on have been carefully selected based on a well-recognized need for next generation products, combined with evidence that our CPB platform can overcome the primary barriers to developing such next generation products. Each of these subsidiaries has its own experienced management, including product development and commercial teams, but their primary competitive advantage is an exclusive license from Evogene for the use of the CPB platform in their respective areas.

From a financial standpoint, Evogene intends to provide financial support to each of these subsidiaries until they reach the point of maturity whereby their progress and assets warrant an attractive valuation from third parties.

Lavie Bio, our subsidiary focusing on developing ag-biological products, recently reached this stage of maturity. Lavie Bio has been working with the Corteva team since 2017 as part of a collaboration focused on the development of bio-stimulants for corn. For those of you who are less familiar, Corteva is an Ag company that was established following the merger of Dow and DuPont, with a market cap of over 19 billion dollars.

Based on the strong relationship established, Corteva decided to invest $10 million dollars in Lavie Bio and merge the complementary capabilities of its subsidiary, Taxon Biosciences, into Lavie Bio in return for equity of Lavie Bio. These transactions have now been completed resulting in Corteva holding a 30% share of Lavie, and Evogene maintaining a majority holding of 70%. Corteva also has a representative on Lavie Bio’s board of directors.

The highly synergistic IP and assets from Taxon are being merged into Lavie’s platform and we will share with you in the coming quarter how this is further strengthening Lavie’s infrastructure and product pipeline.

Lavie will also benefit greatly from the experience, reach and leading market position of Corteva, in view of Corteva holding certain commercialization rights, mainly to Lavie Bio's future products for corn and soybean.

As previously mentioned, these agreements are a significant milestone not only for Lavie Bio but for Evogene as well. Evogene achieves increased financial flexibility in the near-term and gains significant know-how for pursuing similar investments in other subsidiaries in the future. Furthermore, and very importantly, this is a clear proof-of-concept for Evogene's shareholder value building strategy based on leveraging its unique CPB platform through a series of market focused subsidiaries.

In addition to Lavie Bio, we now have another four separate subsidiaries and an internal division, each focused on different life-science based fields of activity. As mentioned, all benefit and are connected to our underlying computational platform – the CPB.

As I shared in my letter to our shareholders from early 2019, these companies have three main objectives:

- The first – to advance their product development and pipeline;
- The second – to establish "go-to-market" strategies, including growth via direct sales or through existing and new collaborations; and
- The third – to secure additional, independent financial resources, if and when required.

I am proud that we have not only completed this significant change in our corporate structure, but we are already beginning to see each company make notable progress towards achieving the above-mentioned objectives.

To demonstrate these achievements, I would like to share with you a few recent developments in addition to Lavie Bio's agreements with Corteva, all of which further demonstrate the rapid implementation of our new corporate strategy.

I would like to start with Biomica, one of our human health focused subsidiaries, which recently announced several pieces of news in respect to their product development pipeline.

The first and most important of these announcements is the positive preliminary results in pre-clinical studies achieved in its immuno-oncology program, demonstrating improved anti-tumor activity.

The second announcement is Biomica’s advancement to pre-clinical studies in its inflammatory bowel disease program. This is the second program to enter pre-clinical studies; in addition to its immuno-oncology program.

The third announcement is a new collaboration with the Weizmann Institute of Science, a world leading research institution based in Israel, to develop a selective treatment against antibiotic resistant bacteria. Biomica has in-licensed IP and knowhow generated by Nobel Prize winner, Prof. Ada Yonath.

As I mentioned at the beginning of the call, Elran will elaborate more on Biomica's achievements in a few minutes.

Moving on to Canonic, our subsidiary focusing on developing medical cannabis products. Canonic recently announced the initiation of its cannabis cultivation and breeding program of cannabis varieties with unique genomic profiles for the development of medical cannabis products.

This initiation of the cultivation and breeding program follows the successful and import of a collection of widely genetically diverse cannabis lines, the establishment of specialized R&D facilities, and the receipt of the required regulatory approvals for cannabis activities from the Israeli Medical Cannabis Agency (IMCA).

Moving now to our agriculture subsidiaries….

I will start with AgPlenus, our subsidiary focusing on ag-chemicals. This company is also advancing its product pipeline and has recently expanded its herbicide pipeline with an additional two chemical families, to include a total of five chemical families with validated new modes-of-action.

In its insecticide program, the first molecules resulting from discovery efforts are being synthesized and are expected to enter insect screening within the next few months.

With respect to Lavie Bio, in addition to the significant milestone achieved with the investment of Corteva, Lavie Bio also made notable progress in its product development with the team reaching a significant milestone in its bio-fungicide pipeline for fruit & vegetables. In this program, Lavie Bio has moved forward to the advanced development stage following successful vineyard trials in Europe.

Likewise, in its bio-insecticide program, Lavie Bio has completed the discovery stage and has built a promising pipeline targeting pests in corn & soybean.

Lastly, I would like to update you regarding Casterra, our life science based industrial applications-focused subsidiary. In the past year, Casterra had undertaken semi commercial trials in both Brazil and Argentina. Following the results of these trials, Casterra has decided to focus on the Brazilian market, which has a well-developed castor market with several castor oil manufacturers providing a substantial demand for castor grain and where Casterra now has a local representative.

To sum up, our subsidiaries have made significant progress with their product development over the last few months. I am very pleased that the implementation of our new corporate strategy is running smoothly and our subsidiaries are experiencing growth. I look forward to providing updates on each company as they continue along the path to commercialization.

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

Elran Haber – CEO Biomica

Thank you, Ofer.

I am happy to be taking part in Evogene's quarterly conference call. My name is Elran Haber and I have been the CEO of Biomica since the beginning of 2018.

Prior to joining Biomica, I served as CEO of Therapix Biosciences, where I led the company to a successful Nasdaq IPO and advanced the Company's programs to clinical stages. I also spent more than 10 years as chairman and board member of several companies and have served in senior executive roles in various life science companies and at a private investment firm.

I would like to begin by giving some background on Biomica, Evogene's subsidiary that focuses on the human microbiome. I'll then provide an update on our operating activities.

To give you some background … The microbiome refers to the trillions of microbes living in and on our bodies. These microbes play a **critical role** in food digestion, protection from diseases and production of nutrients. There is a large body of clinical evidence regarding the microbiome's role in a wide array of illnesses. Biomica's mission is to discover and develop novel therapies for microbiome-related human disorders using computational predictive biology.

The microbiome market space is currently an area of high industry and financial community interest. As of today, almost every big pharma company is taking a stake in this space and since 2014, more than $1.5 billion has been invested in stand-alone microbiome companies. Rapidly growing with a projected 70% compound annual growth rate, the microbiome market space provides a multi-billion dollar market opportunity.

More importantly for Biomica, the key discovery and development challenges of microbiome based therapeutics are big-data driven and the challenge today is how to make sense out of enormous amounts of raw data. Current practices

employ a biological approach,…. But the problem is that this approach is similar to finding a needle in a haystack. However, these challenges are precisely the type that can be uniquely addressed by the proven capabilities of Evogene;s world leading CPB platform, allowing Biomica to move forward with a novel and very powerful approach.

We believe that in order to succeed we must utilize robust computational technologies. We are able to integrate big data from our proprietary databases and perform analyses using artificial intelligence and other tools to provide and prioritize drug candidate relevant predictions. Biomica is a pioneer in the field of high-resolution microbial function analysis combined with detailed taxonomic analysis and clinical data.

The computational tools developed by Evogene over the years are particularly adept at screening extremely large databases. At Biomica, we have taken these tools and adapted them to Biomica's development requirements, providing us with the ability to intervene either by selectively eliminating pathogenic microbes or by supplementing the patient with beneficial microbes.

With these advantages, we are very proud of our rapidly developing early stage pipeline. Our pipeline can be divided into three main programs:

- Immuno-oncology
- GI related disorders including IBS and IBD
- Multi Drug Resistant Organisms

In Immuno-oncology it has been shown in various studies published in the scientific literature that one of the key reasons that some patients may not respond to immuno-therapies is due to differences in patients' microbiome.

Our initial focus in this area is on Lung Cancer (NSCLC). In this program we have been able to identify microbe consortia (cocktails), that aim to improve the clinical response of immune-checkpoint inhibitors therapy through immunomodulating combination therapy. To give you an idea on the potential of this market, checkpoint inhibitors are projected to generate more than $50 billion in revenue by 2025.

Recently, we announced having completed an initial animal study with positive preliminary results, wherein anti-tumor activity was tested in mice treated with BMC121 & BMC 127.

BMC-121 & BMC-127 are rationally-designed LBP consortia comprised of unique microbes that harbor specific functional capabilities with the potential to enhance immunologic therapeutic responses and facilitate anti-tumor immune activity though multiple biological processes.

We intend to further evaluate the results of this study in future studies.

Our second program addresses ***GI related disorders***.

GI related disorders include two main unmet medical needs including irritable bowel syndrome (IBS) and inflammatory bowel disorder (IBD) which includes ulcerative colitis and Crohn's disease.

IBD affect 43 million patients in the US. While the presence of IBD is increasing, the overall patient response to currently available treatments is limited to only 40-60%. The current market size for IBD products is around $10.5 billion.

Biomica's program aims to develop a novel microbiome-based drug for IBD that triggers multiple mechanisms for the reduction of intestinal inflammation.

We have detected an array of microbial functions associated with states of inflammation and remission as well as specific bacterial strains carrying anti-inflammatory functions.

BMC321 & BMC322 are rationally-designed LBP consortia comprised of unique microbes that harbor multiple functional capabilities with the potential to reduce gut mucosal inflammation. These drug candidates are currently being evaluated in pre-clinical studies using multiple IBD animal models.

In our third program, targeting ***Multi Drug Resistant Organisms,*** we are focused on C.diff infection (CDI) and more recently on MRSA.

CDI is the most common hospital-acquired infection (over 600,000 a year), an increasing cause of morbidity and mortality.

Our approach is to utilize BMC201 a non-antibiotic inhibitor of C. difficile toxin, which is responsible for the symptoms associated with CDI, while preserving healthy gut microbiome. Biomica utilizes a unique virtual screening process for the identification and design of small molecular agents with selective activity towards the C. diff toxin.

The economic cost associated with CDI is estimated as $5.4 billion mostly due to hospitalization costs.

Moving on to MRSA. MRSA is a multi-drug resistant bacterium, responsible for several difficult-to-treat infections in humans, leading to tens of thousands of annual cases of mortality in the US. Current medical treatments include broad spectrum antibiotics, which are becoming increasingly ineffective. The MRSA market is projected to reach over $3.9 billion by 2025. Biomica recently announced that it will collaborate with Nobel Prize winner, Prof. Ada Yonath at the Weizmann Institute of Science to develop a selective treatment against antibiotic resistant bacteria.

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To summarize, we have advanced to pre-clinical studies in two of our programs – in immuno-oncology and GI related disorders with preliminary results in our immuno-oncology program. In 2020 we expect to continue our work and share more results on this program and also share initial results in our GI related disorders program. We also expect to advance to preclinical studies in our CDI program.

Finally, I want to stress that we are open to further discussions with investors and if you would like to speak with us, feel free to contact Evogene’s investor relations team.

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

Dorit Kreiner – CFO

Thank you Elran.

I will begin by reviewing our balance sheet.

Evogene continues to maintain a strong financial position, with approximately $52.1 million in cash, cash related accounts and bank deposits as of September 30th, 2019. Cash usage amounted to approximately $12.3 million during the first nine months of 2019 and $3.7 million during the third quarter of 2019. Evogene's consolidated cash includes a $10 million investment in its subsidiary, Lavie Bio, received during the third quarter of 2019.

For the full year of 2019, we estimate that our cash usage will be within the range it provided of 16-18 million dollars. I would also like to update that as approved in Evogene's general shareholder meeting; we made the annual payment for our directors and officers liability insurance during the fourth quarter of the year, which was substantially higher than in previous years due to changes in D&O insurance market conditions.

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 debt.

In our year end results conference call, we intend to share our expected burn rate for 2020.

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 royalties or other forms of revenue sharing from successfully developed products.

R&D expenses for the third quarter of 2019 were $3.6 million in comparison to $3.9 million in the third quarter of 2018.

R&D expenses mostly represent product development activities of the Company and its subsidiaries, which include computational work, lab & greenhouse assays, field trials and pre-clinical studies provided by third parties.

Operating loss for the third quarter of 2019 was $4.9 million in comparison to $5.1 million in the third quarter of 2018.

The loss for the third quarter of 2019 decreased to $4.5 million in comparison to a loss of $4.8 million during third 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

Thank you all for joining the call today, we appreciate your time and attention. As I mentioned earlier, we have a number of exciting announcements on the horizon across our 5 subsidiaries. I look forward to updating you with these pieces of news as well as on our progress in general over the next few months.

Thank you and good day.