

Evogene Fourth Quarter and Full Year 2019 Results Script

March 4, 2020

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

Joining me today is Ms. Dorit Kreiner, our CFO.

I will begin my comments today, with a few opening words regarding Evogene's value proposition as we emerge from a pivotal year in the company's history. I will then review the activities and accomplishments of our subsidiaries in 2019 and discuss some anticipated milestones for 2020. Following my comments, Dorit will summarize Evogene's financial results for the fourth quarter and full year of 2019. We will then open the call for your questions.

Let's begin.

2019 has been a turning point in the life of the company. During the year, we completed our organizational change, as was presented at the beginning of 2018. This entailed establishing 5 subsidiaries, each utilizing Evogene's unique computational biology capabilities in order to create novel products in different life-science based markets including human health, agriculture, and industrial applications. The completion of the organizational change places us at a competitive position to translate the value of our capabilities in computational biology to novel products in the upcoming years.

Our computational biology technology, the unique *CPB* platform, leverages the revolutions in Big Data and Artificial Intelligence while incorporating a deep understanding of biology.

The *CPB* platform disrupts conventional life-science product development methodology, currently challenged by inefficiencies, by computationally

designing the core components, the heart of life-science products - **microbes**, **small molecules** and **genes**.

The uniqueness of our computational design approach stems from our ability to successfully address multiple product attributes at the beginning of the discovery process of relevant core components, rather than one at a time during the development phase. This is expected to reduce both time and cost, **but much more importantly**, increase the probability of reaching a successful product launch.

As described in previous calls, we utilize the *CPB* platform to develop novel product pipelines, both independently and with partners, mainly for human microbiome-based therapeutics, medical cannabis, ag-biologicals and ag-chemicals.

To capitalize on the value of our diverse activities, we established a new corporate structure in which each market area is organized as a separate subsidiary with clear business targets, while, as mentioned, the *CPB* platform serves as their main core technological advantage.

Our subsidiaries' main business targets, as outlined in my letter to our shareholders in early 2019, include:

- Advancing product development in their respective pipelines;
- Establishing “go-to-market” strategies, including growth via direct sales or through existing and new collaborations; and
- Securing additional, independent financial resources, if and when required.

With respect to the first two points, as I will indicate later in my comments, we are very pleased with the initial achievements reached during 2019 by our various subsidiaries, following the organizational change.

Regarding the last point, I would like to highlight that we are actively evaluating alternatives to address the financial needs of each subsidiary. We aim to support our subsidiaries in a manner that will not only provide the capital

needed to support and accelerate their activities, but that will maintain shareholder value for all Evogene shareholders. A good example of this is the Corteva investment in Lavie Bio announced in August of 2019.

With the completion of the organizational change during 2019, we already began to see the value of this new structure through the accomplishments achieved in each of our subsidiaries during the year. We expect to see the fruit of this new strategy in the coming years, as demonstrated by the following targeted milestones for 2020.

I will begin with Lavie Bio, which focuses on the development of ag-biologicals products, microbes that when applied to the field improve crop productivity-

The company was established at the beginning of the year, and in August 2019, Lavie Bio secured an external strategic equity investment from Corteva which included 10 million dollars cash and the transfer of holdings in Corteva's subsidiary, Taxon Biosciences, for 28% of Lavie Bio's shares.

In addition, during 2019, Lavie Bio's most advanced product program, bio-stimulants for wheat, continued its advancement in line with plans. During 2020, Lavie Bio plans to file for regulatory approval for a wheat bio stimulant product and to advance to the pre-commercialization phase in preparation for its targeted 2022 commercialization.

Lavie also successfully completed and received positive results from vineyard trials in Europe for its bio fungicide program for fruit and vegetables and intends to initiate additional trials into 2020.

Moving on to Biomica, which is focused on the development of human microbiome-based therapeutics –

In 2019, Biomica showed significant advancement in its various programs, particularly in its immuno-oncology program where the team completed their first pre-clinical study.

Looking to 2020, Biomica plans to extend pre-clinical studies in this program and initiate the scale-up process and first GMP production of drug candidates towards 'first in man' proof-of-concept clinical trials in 2021.

In our subsidiary Canonic, focused on the development of medical cannabis based products -

Having only been established this year, Canonic has already achieved several important milestones, including the receipt of regulatory approvals for its activities, the establishment of its dedicated facilities for cannabis breeding, and the successful import of a diverse genetic collection for its product development program. The team has now initiated the development of cannabis varieties with unique genomic profiles for medical cannabis products.

In 2020, Canonic plans to demonstrate yield improvement in its unique cannabis lines and conduct pre-clinical studies to support the development of Canonic's medical cannabis products. In 2021, Canonic plans to undertake pre-commercial activity towards commercialization of a first product in early 2022.

Moving on to AgPlenus, which is focused on developing ag-chemicals with a high degree of safety and low environmental impact.

In 2019, significant progress was achieved in the herbicide pipeline with Hit-to-Lead optimization efforts, including promising greenhouse results of compounds confirming a new mode of action. I would like to remind that the main challenge the herbicide market is facing today is the growing resistance to existing commercial solutions and a new mode-of-action herbicide is expected to address this.

The main target for this program in 2020 is to reach the phase of a "lead" chemical, which will represent an economically significant milestone and expected to enable a 'later stage' type collaboration agreement.

In Casterra, focused on providing ag-solutions for the lucrative castor oil industry – the company commenced semi-commercial trials and decided to

focus efforts on the Brazilian market. In 2020 Casterra plans to see initial commercial castor seed sales in Brazil.

In summary, Evogene made significant progress throughout 2019 and is positioned in a much better place than it was a few years ago to bring the revolution of computational biology to the design of novel life-science products. While our unique technology can be applied to a wide variety of life-science markets, I believe we have chosen to focus on areas that will prove to be lucrative.

I look forward to providing incremental updates throughout the year as we continue to execute on the strategic initiatives laid out at the beginning of the call.

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

Dorit Kreiner – CFO

Thank you Ofer.

I will begin by reviewing our cash balance.

Evogene continues to maintain a strong financial position for its activities, with approximately \$47 million in cash, cash related accounts and bank deposits as of December 31st, 2019. Cash usage amounted to approximately \$17.6 million during 2019 and \$5.2 million during the fourth quarter of 2019, in range with its cash usage estimate for 2019 of \$16 to \$18 million dollars.

\$17.6 million of Evogene's consolidated cash is appropriated to its subsidiary, Lavie Bio, including a \$10 million investment received from Corteva during the third quarter of 2019.

For the full year of 2020, we estimate that our cash usage excluding Lavie Bio and without any funds raised by our subsidiaries or payments from a significant collaboration, will be within the range of 14-16 million dollars. This cash use is mostly appropriated to Evogene's subsidiaries, mainly Biomica, AgPlenus,

Canonic and Evogene's expenses as a public company such as D&O insurances and others.

The Company does not have bank debt.

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 mainly represent product development activities of the Company and its subsidiaries, which include computational work, lab & greenhouse assays, field trials and pre-clinical studies carried out by third parties.

R&D expenses for 2019 were \$15.8 million in comparison to \$14.7 million in 2018. R&D expenses for the fourth quarter of 2019 were approximately \$ 5 million in comparison to approximately \$ 4 million in the fourth quarter of 2018. The increase in R&D expenses during the quarter is attributed to payments made to third parties for (i) pre-clinical studies conducted for Biomica and (ii) field trials conducted in target locations for Lavie Bio, as well as (iii) the acquisition of a genomic-unique seed collection for Canonic.

Operating loss for 2019 was approximately \$ 21 million in comparison to \$ 20 million in 2018. Operating loss for the fourth quarter of 2019 was \$ 6.9 million in comparison to \$ 5.3 million in the fourth quarter of 2018.

The loss in 2019 decreased to approximately \$19 million in comparison to a loss of approximately \$ 21 million in 2018. The loss for the fourth quarter of 2019 was \$ 6.7 million in comparison to a loss of \$ 5.8 million during fourth 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, I look forward to updating you with our progress over the next few months.

Thank you and good day.