Evogene First Quarter 2020 Results Script (May 26th, 2020)

Thank you and good day everyone. We appreciate you joining us today for our first quarter 2020 conference call.

Joining me today is Ms. Dorit Kreiner, our CFO and Mr. Gadi Ben Nissim, our newly appointed executive vice president for corporate development. I would like to take this opportunity to welcome Gadi to the team. Gadi brings more than 20 years of versatile international commercial & strategic experience in the Pharma industry, mostly with Teva Pharmaceuticals, where he held various senior leadership positions. I am confident he will be a very large asset to our team.

Gadi – Thank you Ofer. I am happy to join this exciting company and look forward to working together.

Likewise, Gadi.

I will begin my comments today by addressing the impact of the coronavirus outbreak on Evogene. I will then briefly give some insight into our re-branding, which we unveiled last week, and provide an update on some recent developments.

Following my comments, Dorit will summarize Evogene's financial results for the first quarter of 2020. We will then open the call for your questions.

As mentioned, I would like to address the impact of the COVID-19 pandemic on the company's activities. I want to assure our shareholders that the company and its employees are working in compliance with the restrictions and guidelines provided by the Israeli health authorities in order to ensure the health of our employees.

I am pleased to share that Evogene's operations have not been severely impacted and that we have almost resumed full activity, in line with the official guidelines. As of today, we have not found it necessary to change any of our main targets and goals for 2020; and will update if this changes.

I would also like to take this opportunity to thank our employees for their great efforts and commitment during this challenging time. At the beginning of the outbreak, in order to strengthen the company’s ability to withstand the impact of COVID-19, the company initiated a temporary wage reduction, across the board. In addition, we decided to cut back on secondary activities that are not directly connected to our near-term milestones.

These adjustments in expenditure and an expected increase in revenues, attributed to the collaboration AgPlenus signed with Corteva, have allowed us to not only maintain our expected cash burn rate of 14-16 million dollars for 2020 as initially estimated, but potentially reduce it even further to 13-15 million dollars. These guidelines exclude our subsidiary Lavie Bio.

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I would now like to discuss Evogene's rebranding, announced last week. The new branding reflects the Company's expanded vision and new business model and will facilitate clearer communications with potential partners and investors. This is a significant step in our evolution, and we’re happy to share a new investor presentation and additional materials, available in our filings and on our website.

I would like to give some insight on why we believe the company needed this rebranding to better reflect its current offering.

Established as a spin-off from Compugen in 2002, Evogene was initially focused on applying its capabilities in computational biology in agriculture and more specifically, on improving seed traits via genomic modification. Evogene's previous logo was based on a leaf and DNA helix and was a good reflection of the company's activity during this period.

This focus on improving seed traits based on genomic modification shifted following changes in consumer tastes that lead Evogene to broaden its vision and focus on several new target markets.

In the years that followed, the Company’s management took a series of steps that paved the path to its new value proposition. Two key decisions underlay this development; the first was expanding Evogene’s technological capabilities in computational biology to include development of products based on microbes and small molecules, in addition to genomics, and the second was to expand Evogene’s focus beyond agriculture, to human health.

These decisions led to the creation of the two main pillars of our new offering – our computational biology technology, better known as the CPB platform, and our rapidly growing subsidiaries. I would like to elaborate more on these two pillars.

Let's start with the first pillar, the CPB platform.

After two decades of hard work, tens of millions of dollars invested, and validation in the form of collaborations with strategic partners, Evogene now holds what can be considered one of the leading computational biology platforms, which aims to revolutionize product development in life-science industries – the CPB platform. Using our CPB based solutions in the discovery and development of life-science based products is expected to substantially increase the probability of a successful product launch, while reducing the time and cost of development.

A deep understanding of biology, combined with disruptive computational technologies, including artificial intelligence and big data, have led to the birth of this powerful platform. The platform provides tailor-made solutions for the discovery and development of products based on microbes, small molecules and genetic elements for life-science based industries, including: human health, agriculture and industrial applications.

The new logo aims to reflect this expansion in our capabilities and ambitions. Now with this technology in our hands and new branding, we are ready to engage with world leading companies across diverse market segments focusing on different product types.

In respect to the second pillar, our subsidiaries –

With the establishment of our powerful technology, we decided that in certain market segments we will utilize the CPB platform internally to build a product pipeline in such a segment. The subsidiaries we established over the past few years, were built on these internal product pipelines. Each subsidiary was established to advance existing and future candidate products towards commercialization in a defined market segment, using the CPB platform through an exclusive license for its field. The subsidiary may decide to develop and commercialize its products independently or through strategic collaborations.

Today, Evogene has five such subsidiaries – Biomica and Canonic in the areas of human health, AgPlenus and Lavie Bio in the areas of Agriculture and Casterra in the area of Industrial Applications.

I am proud of our subsidiaries and what they have accomplished in such a short period of time. The level of maturity these subsidiaries have reached, and the rapid advancement achieved in product development, is a direct result of the use of the CPB platform.

It is important for me to note, that each subsidiary has several upcoming milestones which mark their development roadmap and these can be viewed in our presentation filed last week.

I am happy to share that during the first quarter AgPlenus reached one of these milestones with the announcement of their collaboration with Corteva for the co-development of new Mode-of-Action herbicides, based on herbicidal candidates discovered by AgPlenus. We see this collaboration to hold great promise.

Other achievements announced by our subsidiaries during the first quarter of 2020 included:

Biomica entering an agreement with Biose Industrie for scale-up and GMP production of drug candidates BMC121 & BMC127 for its immuno-oncology program, which is intended to support the preparation towards anticipated first-in-man proof-of-concept clinical trials.

Lastly, Canonic announced an agreement with Hadassah Medical Center for pre-clinical studies to support the development of Canonic's medical cannabis products, focusing on inflammatory indications at Prof. Reuven Or's laboratory.

I am very pleased with the progress we've made so far as a company and am certain that we have a solid strategy that will prove fruitful over the next few years. We will continue to develop the CPB platform, harnessing our technology to forge new strategic partnerships, while holding each subsidiary accountable to their milestones and supporting them in any way possible. We are ready to benefit as a shareholder from our subsidiaries as their value is unlocked and becomes apparent.

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.

As Ofer described earlier, the company has taken certain measures to mitigate the impact of the COVID-19 pandemic on the Company, including a temporary reduction in salary-based expenditure and a cut back in secondary activities. In addition, the Company expects an increase in revenues for the remainder of 2020, following the collaboration agreement AgPlenus signed with Corteva during the first quarter of the year.

These adjustments in expenditure and an expected increase in revenues, have allowed us to not only maintain our expected cash burn rate for 2020, but to potentially reduce it to 13-15 million dollars. These guidelines exclude cash usage of our subsidiary Lavie Bio.

Evogene continues to maintain a strong financial position for its activities, with approximately $40.6 million in consolidated cash, cash related accounts and bank deposits as of March 31st, 2020. Approximately $16 million of Evogene's consolidated cash is appropriated to its subsidiary, Lavie Bio.

Consolidated cash usage amounted to approximately $6.3 million, during the first quarter of 2020, or $4.6 million, if excluding Lavie Bio. The cash usage during the first quarter includes pre-paid expenses and non-recurring payments of approximately $0.8 million.

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 for the first quarter of 2020 were $4.6 million, including a non-cash expense of $0.9 million for amortization of share-based compensation, in comparison to $3.5 million, including a non-cash expense of $0.1 million for amortization of share-based compensation, in the first quarter of 2019. R&D expenses in this quarter were attributed to product development activities of the Company and its subsidiaries, including fermentation, lab work and pre-clinical studies carried out by third parties as well as expenses relating to computational work.

Business Development expenses for the first quarter of 2020 were $1 million, including a non-cash expense of $0.7 million for amortization of share-based compensation, in comparison to $0.5 million, including a non-cash expense of $0.1 million for amortization of share-based compensation, in the first quarter of 2019.

General and Administrative expenses for the first quarter of 2020 were $1.3 million, including a non-cash expense of $0.3 million for amortization of share-based compensation, in comparison to $0.9 million including a non-cash expense of 31 thousand dollars for amortization of share-based compensation in the first quarter of 2019.

Operating loss for the first quarter of 2020 was $ 6.9 million, including a non-cash expense of $1.9 million for amortization of share-based compensation mainly attributed to options granted to Lavie Bio employees, in comparison to $ 4.7 million, including a non-cash expense of $0.2 million for amortization of share-based compensation in the first quarter of 2019.

Net financing **expenses** for the first quarter of 2020 was $0.4 million in comparison to net financing **income** of $0.9 million in the first quarter of 2019. The increase in the net financing expenses during the quarter is due to the translation of Israeli Shekel nominated cash and marketable securities to US Dollars.

The loss for the first quarter of 2020 was $ 7.2 million in comparison to a loss of $ 3.8 million during first quarter of 2019. This increase is attributed to an increase of $1.7 million in non-cash expenses mainly related to the amortization of share-based compensation in Lavie Bio and to net financing **expenses** in comparison to net financing **income,** in the corresponding quarter in 2019.

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.