

## **Evogene Full Year and Fourth Quarter 2020 Results Script (March 3<sup>rd</sup>, 2021)**

Thank you and good day everyone. We appreciate you joining us today for our full year and fourth quarter 2020 conference call. Joining me today is Ms. Dorit Kreiner, our CFO and Arnon Heyman, CEO of our subsidiary Canonic, focusing on medical cannabis.

Following my initial remarks, Arnon will then provide an update for Canonic, and following Arnon, Dorit will summarize Evogene's financial results for the full year and fourth quarter 2020. We will then open the call for your questions.

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In view of the sharply increased trading volume for our shares on NASDAQ during the last few months, it is reasonable to assume that we now have many new shareholders, and hopefully some of these new shareholders are participating in our call today.

Therefore, in my prepared remarks today, in addition to summarizing some highlights of our recent progress, I will briefly refer to the reasons why we are confident that Evogene has and will continue to have unique competitive advantages in its existing - and future - market areas of focus.

Currently most life-science based industries are becoming aware of the enormous potential that exists in computational biology to substantially decrease the time and cost of discovery and development of new products, and more importantly to greatly increase the probability of success.

Evogene has - for almost two decades - and with an investment of many tens of millions of dollars- undertaken, often in collaboration with some of the leading companies in the world, a focused multidisciplinary research and development effort, to establish a world leading broadly applicable computational predictive biology platform - which we refer to as the CPB platform.

The CPB platform combines advanced computational capabilities – of which artificial intelligence is a key component - with deep understandings of biology for the integration and analysis of multi-layered relevant big data. The goal of this integration and analysis has been to create a platform that provides key predictive insights for the discovery and development of life science-based products. The CPB platform is designed to lead to higher probability of success, while significantly reducing both time and costs.

In recent years Evogene took this asset to the next level, by creating specific engines that utilize the CPB capabilities to address the development of life science products based on specific core biological and chemical components. To date, three such engines have been created:

First engine MicroBoost AI – is the engine that supports the discovery and development of products based on microbes.

The second engine is ChemPass AI – to support the discovery and development of small molecule-based products.

And the third engine Generator AI – for products based on genetic elements.

Evogene continuously invests significant resources in developing its CPB platform and the 3 engines to strengthen its capabilities and address new challenges.

How do we choose where to utilize our technology and capabilities?

Evogene considers, among other, the following main factors in deciding which fields of activity to enter:

- Market size – commercially viable, trending, market
- Need for novel products – current products are insufficient or non-existing
- The existence of complex challenges in product discovery and development
- Can solutions to challenges be addressed via computational biology?
- Existing solutions in the market are inadequate.
- And of course, that the product core components are one of the following: microbes, small molecules, or genetic elements.

So how do we capture the value of our unique offering?

Evogene has 2 different business models. The first, which is more common and was our main business model until 2014, is product development through collaborations.

In this business model Evogene engages with a partner for joint product development of a defined product requested by the partner.

In this frame, Evogene typically conducts the initial R&D activity, discovery and early-stage development, while later stage development and commercialization is conducted by the partner.

Under this model, Evogene's potential revenues include:

- R&D funding for activities that Evogene conducts in the collaboration
- Milestone payments for when the candidates advance in our partner's pipeline
- And revenue sharing from the end product.

Until 2014, Evogene engaged in several collaborations of this type, with Bayer, Monsanto, DuPont and Syngenta, focused on improving seed traits using the GMO approach.

Moving to the second business model....

Starting in 2015, Evogene made a strategic decision, that in addition to product development with a partner based on the partner's request, it will begin developing its own product pipelines, each focusing on a specific industry segment - benefiting from our unique technology.

When such a product pipeline reaches a certain level of maturity, and due to the quality of our technology, it reaches this stage rather fast, we spin this activity into a dedicated subsidiary.

Each subsidiary is focusing on continued development of its pipeline and adding new products to its specific market segment, while using Evogene's technology as its core competitive advantage.

I would like to emphasize that each subsidiary has its own Board of Directors, separate management, Scientific Advisory Board and its own R&D team which focuses on developing its own pipeline, while they all benefit from using Evogene's technology.

According to the end-market, the subsidiaries can decide to commercialize their products independently or in collaboration with a partner.

Today, Evogene has 4 main subsidiaries, 2 focused on human health and 2 on Agriculture. I would now like to provide key information on our subsidiaries, their main achievements in 2020 and lead on to their future plans.

Let's start with Biomica

Biomica's mission is to discover and develop novel therapies for microbiome-related human disorders using computational biology.

Currently Biomica is engaged in a few different drug-product programs utilizing Evogene's MicroBoost & ChemPass engines:

- One program in the area of Immuno-Oncology
- Two programs in the area of GI related disorders, the first focusing on IBD and the second on IBS.
- And two additional programs in the area of antimicrobial resistance: CDI and MRSA

In 2020 the company successfully achieved 2 main targets in its Immuno-oncology program: positive results in a pre-clinical study; and Initial scale-up and initiation of the first GMP production of drug candidates.

We consider these excellent achievements as major milestones for Biomica and in our last analyst call, Dr. Elran Haber, Biomica's CEO, elaborated in more detail on them.

Biomica has set aggressive targets for the next 2 years; for 2021 the company is planning to initiate proof of concept, first in man study in its **Immuno-oncology** program, and extend its pre-clinical work in the IBD program. For 2022 Biomica expects to obtain the clinical data from its first-in-human, immune-oncology, study and to initiate first GMP production of drug candidates for IBD, as preparation for future clinical trials in this program.

Our second subsidiary in the area of human health is Canonic. Canonic's mission is to develop and commercialize precise & stable medical cannabis products for better therapeutic effects using computational biology.

Currently the company is engaged in the development of 2 product families, utilizing the GeneRator engine:

The **MetaYield** family- focused on stable enhancement of total plant compounds for high yield.

And the **Precise** family – focused on stable enhancement of specific active compounds for therapeutic traits, such as pain and inflammation.

In 2020 Canonic achieved the following main targets:

Firstly, the identification of leading MetaYield lines to be further developed into commercial varieties, toward expected commercial launch in 2022;

Secondly, signing an agreement with a commercial partner for cultivation and production of its proprietary cannabis varieties, as part of its strategic goal to build an end-to-end value chain – from seed to product sale.

Canonic has set clear targets for the next 2 years.

In 2021 the **MetaYield** product pipeline is expected to reach 1st commercial variety, and in the **Precise** product pipeline Canonic aims to identify specific lines that exhibit distinct effect in model systems for reducing pain or inflammation.

With respect to 2022, Canonic is expecting to launch its first **MetaYield** commercial product in Israel, and reach 1<sup>st</sup> **Precise** commercial variety for reducing pain or inflammation as preparation for commercial launch in 2023. Arnon will provide more detail on Canonic's activity later in the call.

Moving on to our agricultural subsidiaries, starting with AgPlenus.

AgPlenus's mission is to design next-generation effective, sustainable and safer crop protection products, by leveraging computational biology and chemistry.

AgPlenus focuses on developing 2 product lines utilizing the ChemPass engine: novel mode-of-action herbicides and insecticides with new sites-of-action.

AgPlenus achieved important targets in 2020, in its herbicide program: entering into a strategic collaboration with Corteva, to develop a novel herbicide, based on pre-lead candidates; and the second – reaching a lead phase for its lead candidate, as announced in December 2020.

I would like to elaborate on the second achievement:

The achievement of this milestone follows the completion of field tests that demonstrated that product candidate APH1, at commercial dose rates, effectively controlled a broad panel of weeds, including weeds that are known to have resistance to existing herbicides. These results were confirmed in independent field tests conducted by SynTech Research, an agriculture R&D contract research organization located in California.

I strongly believe that this remarkable achievement puts AgPlenus in an excellent position to engage with world leading ag-chemical companies for further development and commercialization of APH1.

For the coming 2 years I expect that AgPlenus will continue focusing mainly on its herbicide product development activity.

During 2021 the 2 main targets of AgPlenus will be to reach a herbicide tolerance trait proof of concept for APH1 and engage in a licensing agreement for an **additional candidate**.



In 2022 the 2 main targets of AgPlenus will be to reach an 'Optimized Lead' phase for APH1 and sign a strategic agreement for continued development and commercialization **for APH1**.

Moving to our ag-biologicals subsidiary Lavie Bio.

Lavie-Bio aims to improve food quality, sustainability, and agricultural productivity through the introduction of microbiome based ag-biological products.

Lavie Bio is developing the following live-microbial products, utilizing Evogene's MicroBoost AI engine:

- Bio-stimulants for improving crop yield,
- and bio-pesticides that protect the plant from pests such as diseases, fungi and insects.

Two important achievements were reported in 2020:

In October 2020, Lavie Bio shared results demonstrating the power of bio-pesticide candidate LAV312 to protect grapes from Botritis, based on results obtained in a trial that took place in an Italian winery. We expect this product will reach the market in 2024.

In December, Lavie Bio announced that its bio stimulant candidate LAV211 was successfully combined with harvesting spring wheat in North Dakota. Based on results gained during the last three years, product launch is expected in 2022.

Currently Lavie Bio has a robust product pipeline spanning from corn and wheat bio-stimulants to bio-fungicides for grapes.

For 2021 Lavie Bio has set the following main targets:

To conduct pre-commercial trials for bio-stimulant LAV211 in spring wheat and to complete bio-fungicide LAV311/312 development towards regulation.

In 2022 LavieBio is expected to initiate product sales of bio-stimulant LAV211 for spring wheat, and file for regulatory approval for its leading bio-fungicide product candidate LAV311/LAV312.

You can find all the future expected milestones for our subsidiaries in our updated presentation, that we uploaded in parallel to our annual financial reports.

With this I conclude the review of our subsidiaries and I hope you are as excited as I am about their expected future achievements.

But these are not all the highlights I wish to update you with today.

I am very pleased to share with you that we are now evaluating the entry into various new fields of activity, including:

1. Using MicroBoost AI for developing products based on microbes to address various market needs in the aqua-culture industry.
2. Using ChemPass AI for drug optimization in human health;
3. Using GeneRator AI with focus on genome editing to develop high quality plant-based food.

Before turning the mike over to Arnon for an overview of our cannabis focused subsidiary, I can summarize today's prepared remarks by stating that our excitement at Evogene today is based on two substantial value creating centers that have resulted from

our long term commitment to computational predictive biology for the development of life science based products.

The 1st being our growing group of highly focused subsidiaries in multiple key markets, each with very attractive products under development and a unique capability to rapidly develop them.

And the second being a powerful technology hub at the parent company level in the form of our CPB and specific engines for the establishment of product pipelines in new fields of activity.

With this I hand over to Arnon, Canonic's CEO. Thank you;

Arnon...

## Arnon – CEO Canonic

Thank you, Ofer.

I would like to begin by introducing myself. My name is Arnon Heyman and I serve as Canonic CEO. I have been with Evogene for the last 6 years, previously serving as vice president and general manager of the Ag Seeds division. My background is in biotechnology and I hold a PhD from the Hebrew University in Jerusalem.

Canonic's mission statement is to develop and commercialize precise and stable medical cannabis products for better therapeutic effects using computational biology.

We are here because genetics can make cannabis much more effective.

Our genomic approach is powered by our exclusive access to Evogene's CPB platform and its GeneRator AI engine. We believe that these assets and the capabilities that we bring, uniquely position us to bring substantial added value to this market to address the market's three main challenges: stability, increase yield, and specificity, as I will describe momentarily.

As you are probably aware, the cannabis market is growing at a fast pace worldwide and according to industry publications is expected to reach more than \$40B in the next 4 years. Canonic is focusing on the Israeli market to begin with, expecting to be followed by the European market and North America.

I would like to highlight some facts about the Israeli market, and why we believe it to be an exciting business opportunity to start with. By the end of 2020 we had more than 80,000 licensed patients in Israel which corresponds to approximately \$260M per year. There is a steady increase of 30-50 percent per year in patients. Analysts forecast the Israeli market to reach 250,000 licensed patients in 4 years – which corresponds to approximately \$830M per year. In addition, we see the increasing demand for premium products with patients willing to pay higher prices.

Based on this growth forecast, Canonic is targeting this attractive premium product market in Israel, expecting our first product launch to the Israeli market in 2022. Once again, I would like to emphasize that the Israeli market is only our starting point, to be followed by the European and later the North American markets.

The first key challenge we see in the cannabis global market is variety stability. Current cannabis lines demonstrate high variability in active compound concentration and other desired traits. Patients continuously seek more reliable consistent products. This variability starts with the cannabis lines demonstrating unstable genetics and it leads to frustration with inconsistent and unreliable products.

The 2<sup>nd</sup> challenge is the current active compound yield. Yield in cannabis refers to the active compounds or metabolites, found in the plant. Currently, low yield leads to higher production costs and subsequently higher costs for the patients.

But maybe the most challenging gap in the industry today is the specificity. Cannabis is known to contain hundreds of active compounds, and a critical need is to connect specific active

compounds to the relevant medical indication and to develop cannabis varieties and products that include these specific active compounds in a stable and consistent manner.

We believe that the use of artificial intelligence, together with deep understanding of genomics and analysis of big data, can decode cannabis genomics, to address these three challenges. This is what makes Canonic unique.

Canonic is engaged in the development of 2 product families:

- The **MetaYield** family- focused on stable enhancement of total plant compounds for high yield and consumers related traits.
- And **Precise**, focused on stable enhancement of specific active compounds for therapeutic traits, such as pain and inflammation.

As mentioned by Ofer, it is Canonic's strategic goal to build an end-to-end value chain – from seed to product sale. As we have described in previous announcements, we are building our strength from both ends of the value chain, starting with the genetic development of unique strains in our breeding and propagation facility, then outsourcing the intermediate stages of cultivation, packaging and distribution and.....ending with product marketing by Canonic.

Canonic is the youngest subsidiary in the Evogene group, established in 2019 and has already achieved significant milestones, most of which were previously reported, and I am proud to share some of them today with you:

I'll start with 2 important technological infrastructure achievements:

The first is the completion of one of the biggest dedicated R&D facilities for cannabis in Israel. We also imported more than 100 different cannabis lines and initiated cultivation after receiving all required regulatory approvals.

The 2<sup>nd</sup> is the establishment of our proprietary genetic and phenotypic data base to support our breeding program, and the initial identification of relevant genomic markers for our diverse product programs.

With respect to the MetaYield product family and our strategic goal to launch first product in 2022:

We are currently testing our most advanced MetaYield lines at local growers' sites as pre-commercial preparation. This involves the cultivation of the most advanced lines, yield evaluation, additional testing including consumer ranking for selected varieties and marketing activities to prepare for product launch.

We recently signed a cultivation service agreement with Telcan, an Israeli cannabis cultivator. The agreement with Telcan supports our go-to market strategy to use sub-contractors for cultivation, production and distribution of Canonic's medical cannabis products. This is a major milestone for building the value-chain supporting our intention to launch first product in 2022.

With respect to the Precise product family:

We have entered collaborations with research centers to use pre-clinical high throughput systems to screen dozens of genetic lines for 2 main indications: pain and inflammation. The generated data is integrated into our proprietary data base and is directing our product development efforts for optimized therapeutic products.

Last but not least, we announced last week the signing of a collaboration agreement with Cannbit, a subsidiary of Tikun Olam- Cannbit, a leading cannabis company in Israel, for the development of **novel precise medical cannabis** products. The companies expect that a combination of Cannbit's vast clinical data on the impact of medical cannabis strains, collected over many years, together with Canonic's recognized leading computational biology platform and cannabis breeding capabilities, will lead the companies to successful joint development of precise products. The development of the new products will be performed at Canonic's R&D facility and will be based on cannabis strains that both companies will contribute to the collaboration.

To summarize, the opportunity we found in the cannabis market for the computational genomics technology we have in house, and our advanced breeding capabilities, is unique. The team and I believe we are on track to meet the company goals and are excited to be so close to our first product launch.

After Dorit's review of the financial results, I will be happy to answer any questions you may have.

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

**Dorit – CFO Evogene**



Thank you Arnon.

I will begin by reviewing our cash balance.

As of December 31<sup>st</sup>, 2020, our consolidated cash, cash related accounts and bank deposits includes approximately \$48.2 million. Approximately \$13 million of Evogene's consolidated cash is appropriated to its subsidiary, Lavie Bio.

The \$48.2 million does not include \$28 million received after year end from the company's "At the Market Offering" initiated January 2021 and concluded during February 2021. The weighted average selling price under the ATM offering was \$7.36 per share. With that, we exhausted the remaining amount under the shelf prospectus we filed in July 2020.

During the fourth quarter of 2020, our consolidated net cash usage was approximately \$6.1 million, or \$5.1 million, if excluding Lavie Bio.

During the full year of 2020, our consolidated net cash usage was approximately \$19.3 million, or \$14.7 million, if excluding Lavie Bio, which is in the range we estimated for the full year 2020.

This year, 2021, we expect to see an increase in the cash usage as our subsidiaries enter advanced stages of product development and commercialization: Biomica is expecting to conduct its first in-man clinical trial, AgPlenus is expecting to conduct a broad field trial in its herbicide program towards advanced 'lead', and both Canonic and LavieBio are preparing for first product launch during 2022.

For the full year of 2021 we estimate that our net cash usage will be within the range of \$26 - \$28 million dollars. Excluding cash usage

by our subsidiary Lavie Bio, we estimate that our net cash usage will be within the range of \$20 - \$22 million dollars.

The Company does not have bank debt.

Before we turn to the statement of operations, I would like to explain a new line item on our balance sheet this quarter, relating to pre-funded warrants that were issued in conjunction with the \$12 million investment in November 2020. In accordance with IFRS accounting practices the warrant was recorded as a liability as of December 31, 2020. The warrants were exercised for shares at the beginning of January 2021 and therefore will not appear on our balance sheet next quarter.

Let's now turn to the statement of operations.

R&D expenses, which are reported net of grants received, were approximately \$4.8 million for the fourth quarter of 2020, in comparison to \$5.2 million, in the fourth quarter of 2019. This decrease in R&D expenses during the fourth quarter was mainly due to grants received from the Israeli Innovation Authority. For the full year of 2020, R&D expenses were approximately \$17.3 million compared to \$15.8 million in 2019. The increase in R&D expenses for 2020 were mainly attributable to payments made to third parties in connection with pre-clinical studies conducted for Biomica, field trials conducted in target locations for Lavie Bio, and an increase in non-cash expenses of \$1.4 million for amortization of share-based compensation.

General and Administrative expenses for the fourth quarter of 2020 were \$1.7 million in comparison to \$1.1 million in the fourth quarter

of 2019. For the full year of 2020 G&A expenses were approximately \$5.3m compared with \$3.8m in 2019. The increase during the fourth quarter was partly attributed to the impact of an industry-wide increase of the costs of directors' and officers' insurance. For the full year of 2020 the increase was also attributed to the impact of the costs of directors' and officers' insurance and in addition to an increase in non-cash expenses of amortization of share-based compensation.

Operating loss for the fourth quarter of 2020 was \$7.2 million, in comparison to \$6.9 million for the fourth quarter of 2019. For the full year of 2020 the operating loss was \$24.8 million compared with \$21.2 million in 2019. The increase in loss during the fourth quarter and for the full year of 2020 is attributed to the increase in the aforementioned operating expenses.

The loss for the fourth quarter of 2020 was \$8.8 million in comparison to a loss of \$6.7 million during the fourth quarter of 2019. For the full year 2020 the loss was \$26.2 million compared with \$19.1 million in 2019. The increase in the loss during the fourth quarter and for the full year of 2020 is attributed to the increase in operating expenses and an increase in financing expenses mainly attributed to \$1.9 million non-cash expenses related to the revaluation of pre-funded warrants mentioned earlier.

With that said, we would now like to open 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.