Transcript of the half year audio conference, December 3, 2018 - 7.30pm CET

MedinCell participants

Christophe Douat, *CEO*

Jaime Arango, *CFO*

Nicolas Heuzé, *Director of Corporate Development & Corporate finance*

Christophe Roberge, *CTO*

Introduction

Good evening everyone,

My name is Kerry and I'm from MedinCell.

Before we begin, here is some useful information.

This conference call is dedicated to the first half of our financial year, from April 1st to September 30th.

You will find on our website the press release and our half-year financial report that were published as soon as the market closed today.

Over the next few days, you will also be able to find there:

a recording of both conferences - one in French and one in English, as well as

the presentation that we're going to use this evening

There will be two parts to our meeting. In the first half, the executive management team will present the first half-year highlights, then second half will be dedicated to answering your questions. You can post your questions from now on in the chat on the right-hand side of your screen.

As our meeting is limited to 45 minutes, questions will be prioritized depending on how many 'likes' they receive. You can like a question in the chat by clicking on the icon next to it, and it will move up the list. Otherwise, questions will be answered in the order they're received.

I will now hand you over to Christophe Douat, our CEO, who is here today with Jaime Arango, our Chief Financial Officer, Nicolas Heuzé, our Director of Corporate Development & Corporate finance and Christophe Roberge, our Chief Technology Officer.

Christophe Douat

Thank you Kerry, I wish I had your nice British accent.

Good evening everyone,

Before I go any further, I would like to thank you all for being here with us today.

I'm very excited to talk to you just a few weeks following our IPO.

This is the start of a whole new chapter in our amazing adventure.

This is our first conference, so my introduction will be a little long this time.

Many of our longstanding shareholders are here with us this evening. We have always been in regular contact with you—in keeping with MedinCell's tradition of trust, directness and transparency.

I would like to welcome to our family all our new shareholders that came on board at the time of the IPO.

Being a listed company will not change any of this, and we will continue to build a strong relationship all of you.

This is the mindset in which we have approached this first event this evening and in which we will answer your questions.

We have always begun our shareholder meetings by restating our vision and our values.

Our vision is twofold —MedinCell is:

a Humanist pharma that aims to achieve financial success through the widescale adoption of its treatments throughout the world

it is also a company in which employees are actively incentivized as shareholders. 120 employees all of them aligned with your interests since they are already or set to become shareholders.

MedinCell has strong values, such as the power of the group, adaptability, and innovation, and some are of major importance with shareholder relations: transparency, directness, trust, and of course having fun.

We hope that you will as well be able to enjoy the journey with us.

As shareholders, you need to understand the steps in our product development process. These steps provide the maturity of the product, and what needs to be done to reach commercialization.

They are the basis of MedinCell's financial value.

We have also provided the definition of these key steps at the end of the press release today.

There are several steps

- First, what we call Formulation Research, it starts at the development of a program. It aims to obtain a prototype of the product that meets the targeted specifications.

It is during this phase that we must define and validate the target formulation, which will then be used for regulatory development.

This regulatory development consists in:

- first in a non-clinical phase, which we call non-clinical, in order to validate the non-toxicity of the product in vivo.

- then the tests in humans called clinical phases. Phase I, II and III.

All the products in our portfolio use molecules that have already been approved and benefit therefore from a simpler regulatory process, whose name is in the US 505(b)(2).

Now, what are the highlights of the last 6 months ending on September 30?

The highlight is obviously the start of the Phase III clinical trial in the US for the product IRM. IRM stands for Iron Man. It's the name of one of Marvel's superheroes, and all our programs have code names, named after superheroes.

This phase III is a very strong validation of the technology and the last step before applying for marketing approval.

IRM is the first of a new generation of long-acting injectables for the treatment of schizophrenia, with better delivery as a subcute injection and better ease of use.

Teva is financing the entire development and will ensure its commercialization.

MedinCell is paid with milestone payments at certain development and commercialization stages and will receive later royalties on sales.

The current study began in May 18. It involves 596 patients in 80 centers, a significant effort. It is proceeding according to plan.

The estimated end of data collection is expected in early 20, with interim results to validate efficacy.

During these six months, another product entered clinical development, in Phase II, in the US. It is called CWM, which stands for Catwoman. It is intended for the treatment of post-op orthopedic pain.

It is actually about putting a depot directly into the joint at the time of knee surgery to reduce pain and inflammation.

We are developing this product in partnership with a company created by Canadian surgeons, AIC. They bring the need for the product and their expertise. AIC finances the development while profit will be shared 50/50 with MedinCell.

This program has started in a first center in May. Patient recruitment at this first center was a little slow, so AIC management took the necessary actions to secure the trial's timing by adding two sites. These two sites are specialized in patient recruitment and the conduct of this type of study in orthopedics. With these three sites results are expected in the summer 19.

A second product developed with Teva called TJK, which stands for The Jokerhas entered the non-clinical phase. Remember non-clinical is between formulation research and human trial.

It could enter clinical development in the first half of 19.

In addition to these three programs in the development phase, our portfolio is currently composed of 7 other products in the formulation research stage.

A new program was launched during this period in urology.

The six other programs already at that stage have made good progress. They aim to develop products in different therapeutic areas: psychiatry, transplantation, chronic pain, anesthesia as well as contraception.

Some of them are funded by partners, such as the Bill & Melinda Gates Foundation or the third program by Teva.

Others are being funded by the Company for the time being, in line with our strategy of expanding the portfolio. The partnership strategy is specific to each program and depends on each product.

To execute this strategy of portfolio expansion and finance the Company, we have successfully completed several major fundraisings in recent months.

Our Chief Financial Officer, Jaime Arango, will present these next as well as the financial highlights of the period.

But before I hand over to him, I would like to welcome Joël Richard, who has just joined MedinCell.

Joël is a pharma industry veteran, who was previously Ipsen's pharmaceutical head of development.

Joël is now head of our technical and pharmaceutical operations.

Jaime your turn.

Jaime Arango

Thank you Christophe.

Hello everyone, I'm delighted to be with you here today.

I'm going to present you the financial highlights of the first half of our financial year ending on September 30th.

Christophe has just described the progress of our product portfolio. Now, in a company like ours, the second key element is cash.

As such, the first half of 2018 was marked by the success of our financing strategy.

At the end of September, before the IPO proceeds showed up in our financial statements, we had a strong cash balance, with €11.4 million in cash and cash equivalent and €4.6 million in risk-free financial assets.

That reflected the following fundraising transactions we completed.

Firstly, we signed a loan totaling €20 million with the European Investment Bank in March 18 and received an initial drawdown of €7.5 million back in June.

Payment of the two remaining tranches is subject to us meeting certain targets.

Since some of these have already been met, the Company can, at any time, request the payment by the European Investment Bank of the second tranche of €7.5 million.

Secondly, we issued a new set of convertible bonds which were subscribed by CM-CIC Innovation and BNP Paribas Développement, raising a total of €3.2 million. As a reminder, we had previously issued €4 million of this instrument to Seventure in the previous exercise.

These bonds were automatically converted into shares upon completion of our IPO.

This resulted in a €31.4 million capital increase in gross proceeds.

As this operation was completed on October 8, the proceeds are not shown in the financial statements we are presenting to you today.

The IPO was backed by the Company's financial investors and by Teva, through the debt reduction of €6 million and by French and international funds specialized in life science or also socially responsible investment.

Given this available cash, and considering our current and future cash burn levels, we benefit from a strong cash visibility, which will be completed by the revenue from our partnerships and the research tax credit.

In summary, the sources of financing are the sum of the available cash of €11.4 million, the non-risky assets of €4.6 million, the gross proceeds from the IPO of €31 million, plus the remaining available tranches from the European Investment Bank of €12.5 million for a total of €60 million.

These funds are to be put in perspective with the €6.4 million in operating cash consumed over the first half of the year that we just closed.

These financial resources allow us to finance the strategy of the Company presented at the time of the IPO without considering a capital increase in the short or medium term.

In regard to our income statement and our revenue:

Our first-half reached revenue of €1.8 million.

The bulk of this was service revenue from the formulation research activities for products supported by our partners.

It's worth pointing out that, paradoxically, the variance in revenue compared to the first half of the previous year reflects the progress made by projects conducted in partnership with Teva.

In other words, our partner takes direct charge of the non-clinical and clinical activities once the formulation research phase is completed by MedinCell. This reduces the level of payments we received.

However, this top-line reduction was partially offset by revenue earned from collaboration with the Bill & Melinda Gates Foundation.

Beside the stream of revenues related to services and development milestones the first revenue streams from product sales are expected to be royalties generated by the commercialization of the products developed with Teva.

Our revenue will therefore fluctuate significantly from one year to another due to the product development cycle and depending on the financial conditions of our partnerships.

Let's move on now and have a look at our operating expenses

They totaled €8.4 million, an increase of 24% compared to the same period in the previous year, in line with the strategy of the Company.

R&D accounted for more than half of the additional expenses, with R&D increasing by 23% during the first half.

You understand that these expenses are in fact investments to build our product portfolio even if they are recorded as operating expenses and not booked as an asset on the balance sheet.

This half-year we recorded financial expenses of €3.3 million.

The IPO generated one-time expenses of €2.3 million.

Out of this, €1.7m have no cash impact, and they correspond to the accounting treatment of the Bonds that I previously described. The remaining amounts are related to Teva's participation in the IPO.

Christophe Douat

Thanks a lot Jaime.

It is time now to answer the questions from all the participants and I will start with the first one.

And the first one says, "Congratulations for your IPO. Beautiful clinic pipeline but when will your products be available on the market?"

Nicolas Heuzé

Hi, this is Nicolas speaking. For strategic, competitive and confidential reasons we do not communicate forecast and forward-looking information like this one.

However, what we can say today is that the first the product developed with Teva if currently in Phase III, which started in June this year [Editor's note: Phase III started in May.]. This Phase III should be completed by first half 2020 and this is the final stage before applying for marketing approval in the US.

Christophe Douat

Thank you Nicolas.

Second question: "Will you attend the JP Morgan conference in San Francisco next January?"

Nicolas?

Nicolas Heuzé

Yes, we will be attending JP Morgan conference in January to meet US investors as well as business partners.

Christophe Douat

The next question is "Will you initiate your next phase 1 trial with Teva in the US?"

Yes, it will be initiated with Teva, however we can not disclose where it will be conducted.

Next question, "What exactly is your partnership with the Gates foundation?"

I will ask Nicolas to answer.

Nicolas Heuzé

Thank you. So, at this stage our partnership is about formulating a long acting contraceptive product that will be available for developing countries. We entered a year ago a grant agreement with Teva to finance this formulation research stage. With the Gates sorry. This grant was for $3.5 million, which we got already $2million, and we expect to receive the second tranche next year, first semester.

In addition to that we are in discussion with the Gates Foundation to further finance this product after this formulation research stage is completed. It's a work ongoing and this could be confirmed next year.

We also have other partners looking at this product for the future, and to participate to the development of this product in the future.

[Editor's note: The agreement with the Bill and Melinda Gates Foundation gives to MedinCell the right to commercialize the product in developed countries.]

Christophe Douat

Nicolas thank you very much.

I think this was the last question.

So, I would like to thank all the participants for being here with us today. Have a good evening or afternoon for those of you who are from the US and we will be talking to you again soon. Bye bye.