Transcript of the audioconference, December 3, 2019 - 7.30pm CET

MedinCell participants

Christophe Douat, *CEO*

Jaime Arango, *CFO*

Introduction

Good afternoon,

This is Christophe Douat, CEO of MedinCell.

Welcome to our audioconference, following the press release of the half-year financial results.

You can post your questions directly in the chat section on the right-hand side of your screen.

The press release and the half-year report are also on our investor website.

Jaime Arango our CFO will now take over.

Jaime Arango

Thank you very much Christophe.

Good afternoon everybody.

I'm going to present to you the financial highlights of our first semester.

If you want clarification, do not hesitate to send your questions as Christophe just mentioned.

What is important to remember is that we execute as planned.

First, we still benefit from a strong financial visibility.

At the end of September, we had 16.1 M€ in cash and cash equivalent and 4.7 M€ of non-risky financial assets. As a reminder, at the start of this period, 6 months earlier, we had 21.3 M€ in cash and cash equivalent and 4.6 M€ in financial assets.

During this half-year we received the payment of the second tranche from the European Investment Bank of 7,5 M€. There is still 5 M€ that can be drawn under conditions.

During these first six months, we increased our revenues to reach 3.9 M€. This is more than double with a 117% growth compared to the same period last year.

We received, in particular, a milestone payment related to the authorization to start Phase 1 clinical trials for the mdc-TJK program. We were also compensated for our formulation activities by partners, including the Gates Foundation.

I'd also like to stress out that as of September 30, we had not yet received the payment of the Research Tax Credit, for an amount of 2.5 M€, which does not appear in our operating cash flow.

Second, our current operating expenses are under control and in line with our expectations.

They reached 11.9 M€ during the semester.

This is an increase of 42%, but it's worth noting, that almost 75% of these additional expenses come directly from the development of the product portfolio.

In doing so, we are in line with our strategy of funding the progression of our product portfolio as planned during the IPO.

So, we are passing now to the stage of becoming a pharma company.

Indeed, our objective remains profitability. It's the DNA of the company since its inception. It should come with the increase in revenue from milestones and sales royalties of our first products.

Now Christophe your turn to continue

Christophe Douat

Thank you, Jaime, and thank you to all of you who listen to us today.

Everything continues to progress well, and news are rich for MedinCell.

First, the third antipsychotic of our partner Teva, mdc-ANG, started its formal preclinical activities, this summer.

Teava has also received FDA approval to initiate clinical developments in August of the second antipsychotic product, mdc-TJK.

End of August we also launched an animal health activity to realize the financial potential of our technology in this field.

We have started an exploratory program with the Gates Foundation for HIV Prevention in September. This is our second collaboration with the Foundation.

For all this news you can find press releases on our website.

We keep growing our team with senior talents to enable our evolution toward a full-fledged pharma company.

In particular, we are welcoming a new Chief Business Officer who joined us beginning of summer, Gaël L'Hévéder, one of his objectives is to increase our partnerships.

Indeed, the maturity of our technology, which is now in three clinical trials, including one in Phase 3, obviously increases our attractiveness with potential partners.

Now let's go some significant post-closing events, that happened after September 30.

Last week, we announced the signing of a major agreement with the Gates Foundation for a global amount of up to $19 million over four years for the mdc-WWM program.

As a reminder, we own the marketing rights of the product worldwide, including the United States.

We have just received an update from our partner Teva on the three antipsychotic products developed with our technology.

mdc-IRM Phase 3 is progressing well.

The up to date new projections from our partner is that interim analysis will be expected in the second half of 2020, contingent upon the projected recruitment rate and patient relapse events.

First in human for mdc-TJK started.

It's a good news that shows the confidence of our partner. It also shows, with this third product in clinical, that we have a versatile technological platform. This is rare in the industry.

As a conclusion I would like to thank the whole MedinCell team as well as our partners, who semester after semester allow us to advance the products towards market authorization.

Before we answer the questions, we received on the chat, I'd like to let you know that the transcript will include translation of the one we received during the French session.

So let's see about the questions.

The first question we have is "Can you give us more details on the animal health program?"

So right now, we have kept the API used in this first initial program confidential, we just mentioned in our press release end of august that this first product will target post-surgery pain and inflammation. We haven't given any other details yet on other programs.

The next question is "Why did you stop the development of mdc-DOM?"

Here, I should probably step back and explain that every time we start a new formulation program, mdc-DOM was in the early formulation stage, we do very thorough analysis of the medical unmet need of the potential TPP specifications of the product, of the potential sales forecast, reimbursement pricing, compatibility with the technology, competition, full market assessment, intellectual property as well. And it is only once we have green light

that we move the program at the formulation stage. But we don't stop there, every three months we hold what we call strategic investment reviews where we reassess all those issues for every program we have into development.

During the last strategic investment review, we held for mdc-DOM we realize that some of the updated market assessment did not match our initial market evaluations and so we decided to stop the program.

Any more question?

Well. I think this is the end of our English session, I would like to thank our English participant. I would like to mention again we will keep you inform of all new events, in particular all information...

I see one more question

"Rovi has announced the completion of its Doria® (Risperidone LAI) clinical program in September with NDA/MAA in the near future. What will be the impact on TV46000 mdc-IRM »

Obviously, we are fully aware with our partner of all programs, you know, that are potential competition. I cannot comment more than that on the competitive position of our program other than, you know we have a very productive collaboration with our partner on IRM and the program is moving forward as I mentioned earlier in its Phase 3.

I have no more questions. I would like to thank you again for participating to our call. Full transcript will be available on the web. We will see you again inn 6 months. In the meantime, we will hold potential shareholder and investors events both in Montpellier and in Paris.

I would like to wish you a merry Christmas and a happy new year.

Thank you.

Questions and Answers from the French audioconference

This document is an unofficial translation into English of the original French version. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version.

Eric Le Berrigaud (Bryan Garnier & Co)

In fact, I wanted to come back obviously to the Teva news, I can imagine, like often in the industry, that when there is a partner like that, you do not know much more than what you just told us. But can we try to see together what are are all the possibilities, and we are not going into a game of probabilities but the rationale that could be that the delay is related to a difficulty to recruit, obviously we see on clinicaltrials.gov that most sites continue to be open and continue to recruit which may suggest that recruitment is not completed. And then on the other hand the fact that it is rather an issue in the number of events, I know that I ask you a question that is not simple because we will speculate, but I am trying to have a little bit your gut feeling on the subject.

Christophe Douat

Okay.

So, I cannot give a gut feeling, but I can in any case say that the information we received from Teva is the information we communicated, and we will continue to do so over the months. But perhaps I can explain, so that people understand here, the background of the clinical trial. This trial, in fact, measures the average time before patients have an imminent relapse. In a comparable clinical trial, this duration is evaluated at 7 months. The objective of a product such as ours is obviously to extend this time, which is the time to a relapse without treatment. But to validate it statistically, it requires a sufficiently high number of events.

So the interim study needed a number of minimum events. The fact that Teva tells us that it will happen in the second half of the year, indicates that it has not yet been reached, obviously it can be due to several factors, the two main ones are a slower or later recruitment, but also maybe longer durations before impending relapses. We do not know, Teva does not give us this information, we must now wait for the continuation of the clinical trial.

Eric Le Berrigaud (Bryan Garnier & Co)

Just a clarification on the number of participants, when we go on clinicaltrials.gov we read 596 participants, and in some documents at the time of the IPO there was also this number of participants, and on the other hand we hear 417 in three arms of 139. What is the difference between the two numbers? In fact, is it 600 patients to end up with 417 eligible patients once we have passed all the criteria, is this the idea, or is there another explanation between

these two numbers?

Christophe Douat

No, it is exactly that and then at the end you must have at least 417, so 139 in all three groups.

Eric Le Berrigaud (Bryan Garnier & Co)

Okay, and we agree that Teva today did not provide you with a number of patients to date, recruited, included or screened or anything that would make it possible to break the assumption of a late recruitment.

Christophe Douat

No Teva did not give us any information of this type.

Eric Le Berrigaud (Bryan Garnier & Co)

Ok, thank you.

Christophe Douat

Eric, do you have more questions?

Eric Le Berrigaud (Bryan Garnier & Co)

No, it's fine for me, thank you.

Christophe Douat

Very good thank you. Now let's answer to the questions that were send directly to us on the chat.

First question "Congratulations for the new grant from the Gates Foundation. Have you already cashed the $ 4.75 million? In the case of failure or abandonment of the program, will they have to be reimbursed? "

Jaime?

Jaime Arango

Thank you, Christophe. Last week, as we had announced, we have already received the $ 4.75 million. So, it is already cashed, now the objective of this grant is to pay the development costs related to this program. It means that if there are costs that are not spent or incurred for this money, the difference of what they have paid versus what we have not spent is to repay back to the Gates Foundation.

Christophe Douat

Next question, thanks Jaime. Next question. "Who will lead the preclinical development activities of MedinCell WWM, MedinCell or the Gates Foundation? "

The answer is simple, it will be MedinCell.

Next question, "AIC results announcement period? scheduled for September 2019 ".

I remind you that we made a press release on September 25th that stated that the program, CWM, was progressing as planned. And as it says, the company is analyzing three-month data, and plans to meet the FDA in the meantime to discuss the current results. The current clinical study ends in March 2020.

Next question, "In the agreement with the Bill & Melinda Gates Foundation, how much do you consider the addressable market that you will be able to address directly or through other commercial partnerships? Would your distribution choice be focused on direct sales or sales by one or more partners? "

On the first part of the question, we mentioned in the press release that the contraceptive market in the United States in 2018, by memory, was about $ 5 billion, of which about 1/3 on long-acting devices, implants but also intrauterine devices. This market has an annual CAGR growth of about 8%. So the addressable market today is this third of 5 billion, knowing that it grows by 8% per year but we can also think that the product we develop, which will be a best-in-class product, could also help to take a piece of the 2/3 of the other market, like from women who take oral contraception. So, this is both a market takeover of this segment, plus an expansion of the market.

On the choice of distribution, it is a product that is intended to be prescribed by a very large physicians base, mainly GPs, it is more than 200,000 GPs in the United States, it is clearly out of MedinCell's reach, while there are commercial partners who are equipped, who have commercial sales forces to address this market, and so when the time comes

MedinCell will look for a partner to commercialize this product. It is obvious that this partner choice will be done rather in the later stages of the clinical trials, to preserve a significant part of the value of the product.

Next question, "Is mdc-CMV clinical trial entry still scheduled for the first half of 2020? "

I remind you that mdc-CMV is our first internal product. A product that aims to have in one injection 2 in 1, anesthesia for 4 to 6 hours followed by analgesia for several days. This product, as we announced, is now in the preclinical stage and still planned for start of clinical trials in mid-2020.

You announce, following question, essential recruitments of seniors in progress. Do you have any particular recruitment difficulties?

So I obviously mentioned recruiting senior people but it is obvious that we are recruiting a lot which have these pharmaceutical skills that allow us to advance in phases of development in regulatory, quality, analytical, and clinical now. At all levels of seniority necessary. We were able to recruit these positions in due time to ensure the development of our first internal product, CMV. MedinCell becomes more and more attractive, on one hand thanks to its mission of an impact company, in global health. But also we can say, by its location in the south of France where the sun shines 50% more time than in Paris. But also by its mode of operation, its business model where all people are shareholders. So no, we do not have any particular recruiting difficulties and it is becoming easier to attract people to MedinCell as the company progresses. Today we are 130 with about 25 nationalities, so we even manage to attract talent from abroad.

Are they financing operations planned soon? If so why?

Jaime?

Jaime Arango

As I said earlier, we benefit from a strong financial visibility. Nevertheless, in operations, where we can find financing in the future, what is the focus today? Potential partnerships is our priority. As Christophe said earlier, we have more visibility through our technology, we have products that are now in advanced clinical phases, Phase 3, Phase 2, Phase 1. There is a validation of our technology, and thanks to last year's IPO, we gained visibility. So partnerships, priority number 1.

The second is to continue exploring non-dilutive solutions, for example with the third tranche of the EIB or other kinds of Grants from foundations that could finance other projects.

And then the third option we still have, which we can access, is a potential capital increase. As a reminder, last year we raised 31.4 M€ in the IPO at low price of the range. If we made it at the median price, as we expected, we had hoped to raise 45 M€. In addition to that, the cash we received was less than we anticipated, because there was a participation from our partner that served for a partial repayment of the debt. So net we raised 22.5 M€ vs. 45 M€ expected. So it's always a possibility and we look at all the solutions continually, if the market conditions are good of course.

Christophe Douat

Great, thank you very much, Jaime.

Next question "Good evening, is the security of the manufacturing process of polymer for mdc-IRM with Corbion for the first commercial batches finished? is the method and methods of analysis validated? if not, what would be the new calendar, the scale-up in GMP grade being a crucial phase "

So this is obviously a very confidential information related to our relationship with Corbion, which I remind you produces polymers for all our projects, including our projects in partnership. To give some context, this alliance with Corbion was precisely created to ensure and secure the production of polymers and the scale-up of these polymers in GMP pharmaceutical quality for our programs. So it is obvious that the company and our partners have taken the necessary actions to ensure that this polymer production is in quality grades necessary for both clinical trials that are already underway, but also for the following events, and even for the potential future commercialization.

Next question "What kind of molecules will be used for animal health medicine? Do you already have partners for development? "

For the moment we have not given the name of the molecules we are working on. However, we have indicated in our press release of August that we are working on a first project in post-surgery pain and inflammation.

“Do you already have partners for development?”

Yes, we have an alliance with Cornerstone Group as we announced in August.

Next question again for Jaime on the Gates Foundation, so a topic that really raises interest from our participants "I did not understand if the Grant of the Gates Foundation will have to be paid back or not, can you be clearer? "

Jaime please.

Jaime Arango

Very well. I will try to be clearer. So any costs that will be spent, invested in the contraceptive project or that will be incurred will not have to be reimbursed to the Gates Foundation.

What helps us with the Gates Foundation is that they pay us in advance of activities, which helps us with the net working capital.

For example, we have already received 4 millions 750 thousand € (editor's note: it is $ 4.75 million), if at a time X or Y because we have already spent $3 M and committed 3 M dollars and we decide to stop the program, the difference of $1.75 M should be refunded to the Gates Foundation, and not all the funds that had been granted to us.

Christophe Douat

So if I get it right Jaime, it's the unspent money that could possibly be reimbursed.

Jaime Arango

Exactly. Thank you Christophe.