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PRESENTATION

Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to this Theratechnologies Conference Call. (Operator Instructions).

I would like to remind everyone that this conference call is being recorded today, October 8, 2019, at 8:30 a.m. Eastern Time, and I would like to turn the conference over to Denis Boucher, Vice President, Communications and Corporate Affairs. Mr. Boucher, please go ahead.

Denis Boucher - *Theratechnologies Inc. - VP of Communications & Corporate Affairs*

Okay. Thank you, and welcome. Mr. Luc Tanguay, President and Chief Executive Officer of Theratechnologies as well as Mr. Philippe Dubuc, Senior Vice President and Chief Financial Officer, will be the speakers on today's call. A Q&A period open exclusively to financial analysts will follow their presentation.

Before Luc begins his remarks, I have been asked by Theratechnologies to read the following message regarding forward-looking statements. I would like to remind everyone that Theratechnologies remarks today contain forward-looking statements about its current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. In preparing these forward-looking statements, several assumptions were made by Theratechnologies, and there are risks that results actually obtained by the company will differ materially from those statements. As a consequence, the company cannot guarantee that any forward-looking statement will materialize, and you are cautioned not to place undue reliance on them. Theratechnologies refers current and potential investors to the forward-looking information section of its management's discussion and analysis issued this morning and to its Annual Information Form dated February 20, 2019, and the Risk Factors section therein available at sedar.com and on EDGAR at sec.gov under Theratechnologies' public filings.

Forward-looking statements represent Theratechnologies' expectations as of October 8, 2019. Except as may be required by securities laws, Theratechnologies does not undertake any obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

I would now like to turn the conference over to Luc.

Luc Tanguay - *Theratechnologies Inc. - President, CEO & Non-Independent Director*

(foreign language), Denis. Good morning, everyone, and thank you for being with us today. I do hope that you had a great summer. On our side, we worked on several projects to support EGRIFTA and Trogarzo as well as to move forward with the clinical development of NASH in HIV patients and our targeted oncology platform.

To start with, EGRIFTA SV will be commercially available in the coming weeks. Already our entire sales team has been fully trained and is ready to detail it to physicians in the U.S. EGRIFTA SV, which stands for small volume and single vial, should help to generate cells growth. As you know, EGRIFTA SV features several advantages over the original formulation. First of all, it is stored at room temperature. The needle is also much smaller. Finally, as I just mentioned, it comes in a single vial and less medication needs to be administered.

We believe that with so many improvement, patient adherence should increase. Greater adherence means that more patient will stay on drug for a longer period of time, which will sustain sales growth. We also think that more patients and physicians may be convinced that the new formulation is simple enough to use to justify initiating treatment.

As for Trogarzo, our third quarter sales are not quite yet at the level we wanted them to be. Sales of Trogarzo are up substantially from the same quarter last year but they have not sufficiently increased compared to the previous quarter.

Over the last quarter, unit sales to specialty pharmacies have grown by 6%. It's obvious that adjustments are needed and adjustment will be made. In fact, they are being made as we speak. Our goal remains to have peak sales of at least 5x current sales of EGRIFTA. The key is to make sure that we have the right tools in place to get to that objective. Over the last few months, many initiatives has been implemented such as appellate direct-to-consumer advertising program. Already, we have seen an impact from our social media campaign in terms of generating traffic on our branded websites as well as increasing scripts for those specific territories. All parameters are pointing in the right direction, and this is why we have decided to expand this campaign immediately in 10 -- in the 10 largest U.S. cities. We hope that we will observe the same kind of impact we are having in the pilot city.

In the coming weeks and months, many more activities designed to increase product awareness and patient empowerment will also be initiated. Also physicians will have -- will be able to prescribe Trogarzo electronically. We believe that these tools will lead to greater patient and physician awareness, combined to an exceptional rate of patient retention and high degree of treatment compliance, we are convinced that we will generate more traction in the next 12 months.

The European approval of Trogarzo represents another important achievement for the company. It's also a great accomplishment for the team at Theratechnologies, which steered the file all the way to approval. I want to take this opportunity to thank them for their hard work and perseverance in leading this file to a successful conclusion.

While we already have patient on treatment in France, Italy and Spain through government paid early access programs, the key will be to secure reimbursement in the European countries. We have put the right team in place to work on this crucial aspect, and we expect sales to really start picking up in 2021 as reimbursement is secure on a country-by-country basis over the next 12 months. As a result of the launch of EGRIFTA SV, the strong push for Trogarzo in the U.S. and its approval in Europe, we have a strong base to grow revenues in 2020.

Of course, there is a lot more to Theratechnologies than our 2 commercialized products having rebuilt an enviable pipeline since the beginning of 2019. First, there is the development of EGRIFTA for the treatment of NASH in HIV patients. As you know, there has been a lot of interest in the medical and patient communities ever since we released the study results on the impact of tesamorelin on liver fat. NASH represents a huge opportunity in HIV alone. Our early markets research points to a population over 100,000 patients. Compared to the other experimental treatments currently being investigated for NASH, EGRIFTA is already commercialized and its safety profile is already well demonstrated.

The Phase III trial required to obtain a NASH indication could involve a relatively small number of patients. In the coming weeks, we will request a meeting with the FDA and the EMA to ascertain our clinical development plan. Our pipeline also includes our targeted oncology platform, which we acquired as a proprietary technology with minimal upfront costs. Furthermore, the investment required to complete a proof-of-concept in humans will be limited. In vitro and in vivo results obtained thus far are showing great promise and more data is due to come out soon. But already

we are attracting attention and interest. Just last week, for example, we announced that the government of Québec and the Canadian Cancer Society granted a total of $1.4 million to support the development of our platform.

I want you to know that we have an aggressive time frame for the development of our oncology platform. In fact, we intend to initiate human trials in 2020 in view of obtaining a proof-of-concept in 2021 in ovarian and triple-negative breast cancers. There is currently a huge unmet medical need for these 2 types of cancers, and our targeted platform could very well be part of the answer to this need.

As we are about to be listed on NASDAQ, there is no doubt in my mind that the analyst and the investor who closely follow a number of biotechs in the U.S. will be interested and excited about our story. It's obvious that we have a lot we can showcase to them. In fact, in addition of -- to having a great R&D pipeline, we are a commercial-stage biopharmaceutical company with 2 products generating growing revenues.

To make sure that our message is heard and understood, we have already increased our efforts on the Investor Relations side. We already announced the hiring on investor relation firms in the U.S. to help us extend our reach in that territory. Furthermore, we have decided to proceed with the hiring of a U.S.-based internal investor relation person.

Finally, we will hold an Investor Day session in New York City on October 23, which will have a strong focus on our development pipeline. This will be a great opportunity to present the very latest on our research pipeline, including NASH and our targeted oncology platform.

To ensure that the clinical potential for both programs is fully understood, we'll have Dr. Steve Grinspoon and Dr. Richard Béliveau as guest speakers to present the science and the results that have been obtained thus far.

I hope this gives you some perspective on what's in store for Theratechnologies. In fact, we will finish the year with substantial revenue growth compared to last year. We are making the right moves to generate and accelerate growth in the short term but we are also building a tremendous future for this company.

I will now let Philippe present our results for the third quarter, and I'll come back after Philippe. Philippe?

Philippe Dubuc - *Theratechnologies Inc. - Senior VP & CFO*

Thank you. Good morning, everyone. As Luc alluded to, third quarter sales continue to show solid growth. Our third quarter consolidated revenues were up 19.2% compared to the same quarter last year and reached $16.1 million. If we compare year-to-date results, revenue growth reached 50% over last year's comparable 9-month period with sales reaching $46.8 million compared to $31.2 million.

Looking at sales by product. Third quarter sales of EGRIFTA stood at $9.1 million compared to $9.8 million last year. Nevertheless, they were up by $0.5 million compared to Q2 of 2019. We continue to anticipate a return to growth for EGRIFTA in the coming quarters with numerous catalysts on the horizon beginning with the launch of EGRIFTA SV in the next few weeks. In addition to being a more convenient product for patients, it provides us with much lower rebates to public payers and a higher gross margins.

We also recently announced the deal with the AIDS Drug Assistance Program, or ADAP, which should broaden reimbursement coverage for EGRIFTA SV and are awaiting a peer-reviewed publication of Dr. Grinspoon's NAFLD-NASH study results.

As for Trogarzo, while unit sales to pharmacies were up 6% from Q2 to Q3, revenues were essentially unchanged at $6.9 million in the third quarter of 2019 over the second quarter, mostly due to temporary inventory adjustments at the distributor level. Compared to Q3 of last year, revenues were up 86.5% in dollar terms. As Luc said earlier, we are making adjustments and implementing new initiatives that will support growth over the coming quarters and help us reach our objective of generating peak sales of at least 5x current sales of EGRIFTA.

As I mentioned during the last quarter, we made a payment of $3.5 million to TaiMed in Q3 having reached a first commercial milestone of $20 million in sales over the past 4 quarters.

Cost of goods sold in the third quarter of 2019 amounted to $5.2 million, up from $3.3 million for the same quarter last year. This increase is mostly due to the growth of Trogarzo sales and to overall increased sales in the U.S.

As for R&D expenses, they remain stable at $2.1 million in Q3 2019 compared to the same quarter last year. While more expenses were reported for regulatory and prelaunch activities in Europe as well as activities for the development of our oncology platform, they were offset by the savings resulting from the release by the FDA of our post-approval commitments for EGRIFTA.

Selling and market development expenses increased to $6.3 million compared to $5.1 million last year. This is a reflection of increased activities in both the U.S. and Europe.

General and administrative expenses grew to $1.8 million in the third quarter of 2019 compared to $1.5 million last year. This is, again, a fast -- a factor of our growing presence in Europe but is also related to our NASDAQ listing and increased Investor Relations effort in the U.S.

We recorded a positive adjusted EBITDA of approximately $1.6 million in Q3 2019 compared to $2.1 million last year.

In Q3 2019, finance costs amounted to $1.25 million compared to $1.24 million last year. Finance costs were somewhat offset by finance income of $253,000 due to our higher cash and equivalents balances for the quarter.

For the third quarter of 2019, we recorded a net loss of $1.6 million or $0.02 per share compared to a net profit of $282,000 or $0.00 per share for the same period last year when we recorded an income tax reversal of $1.3 million related to the issuance of our convertible debentures.

Operating activities generated close to $1 million in cash flow during the quarter and changes in working capital items generated an additional $3.6 million. Inventory levels were stable while accounts receivables decreased and payables were slightly higher than at the end of the previous quarter. And despite the $3.5 million payment to TaiMed for the first commercial milestone, our financial position remained strong and increased from the second quarter of 2019 to $44.1 million in cash and bonds at the end of the third quarter compared to $43 million at the end of the second quarter of this year.

Finally, I'd like to take this opportunity to announce that our common shares will begin trading on NASDAQ on Thursday, October 10, which should help increase our profile with U.S. investors and eventually lead to higher liquidity for our shares, which in turn should help our stock price reflect the value of Theratechnologies.

On this, I will now turn to Luc for his closing remarks.

Luc Tanguay - *Theratechnologies Inc. - President, CEO & Non-Independent Director*

Thank you, Philippe. And I'm excited with what I see coming for our company. We have 2 great products, and I'm very confident that they will keep bringing increasing revenues over the coming quarters.

We are an agile company, which reacts and adapts quickly. An illustration of this is our decision to expand the social media campaign to the 10 largest cities in the U.S. giving the result obtained with our pilot program.

We can also expect revenue to gradually build up due to the European approval of Trogarzo, the increased marketing activities for Trogarzo in the U.S. and the upcoming launch of EGRIFTA SV. In the meantime, we are working on new formulation for EGRIFTA and Trogarzo. As you know, we are working on a slow push for Trogarzo and on the F8 formulation for EGRIFTA. In addition, we have a great research pipeline with the clinical development of EGRIFTA for the treatment of NASH in HIV patients and our targeted oncology platform, which holds tremendous potential.

In just a few days, our share will be traded on NASDAQ. Through our increased effort in Investor Relations, we will certainly attract more attention to the amazing story we have to tell about our company. More than ever, the whole team is excited about what can be accomplished at Theratechnologies with everything that we have ongoing.

I want to thank you all for being on the call today, and we'll now take questions from financial analysts.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Brian Abrahams from RBC Capital Markets.

Brian Corey Abrahams - *RBC Capital Markets, LLC, Research Division - Senior Analyst*

I guess, on the -- I was curious a little bit more on the dynamics underlying the Trogarzo unit growth of 6% and the degree to which that's being driven by new patient starts or are you seeing -- I guess what are you seeing by way of compliance? Is there, sort of, a steady cohort of patients who are remaining on the drug that you're, kind of, adding on to with new patients every quarter? Or are you seeing a large number of new patients and then -- but some patients coming off of therapy?

Luc Tanguay - *Theratechnologies Inc. - President, CEO & Non-Independent Director*

I have Jovan Antunovic with me, which is our Commercial Officer. Jovan you want to answer that? Maybe I can add to this.

Jovan Antunovic - *Theratechnologies Inc. - Senior VP & Chief Commercial Officer*

Sure. Sure. So Brian, yes, what we are seeing is the growth that's coming from new patients. We've always said that we have a strong retention rate and that continues to be the case and that coupled to higher reimbursement is driving the growth that we're seeing.

Brian Corey Abrahams - *RBC Capital Markets, LLC, Research Division - Senior Analyst*

Got it. And then would love to hear a little bit more about, I guess, what the most encouraging things you guys are starting to see from some of the enhanced marketing efforts like the social media and the DTC campaign. When you might expect to see more pull through as those efforts expand? And then I guess, sort of, as it correlated to that, the slow push formulation, what are the timelines there? What are the -- what still needs to be done? And how much do you expect that would impact future adoption?

Jovan Antunovic - *Theratechnologies Inc. - Senior VP & Chief Commercial Officer*

Sure. So on social media question first, Brian, what we did is we launched pilots for both EGRIFTA and Trogarzo, and what we've seen is that positive signals from both the standpoint of activity on our website but also more importantly, in terms of enrollments, which led us to expand the pilot project to a total of 10 different cities for both brands. As it relates to the IM, I'll pass the question over to Christian.

Christian Marsolais - *Theratechnologies Inc. - Senior VP & Chief Medical Officer*

Yes. For the IM at the moment, we will be completing the IV bolus. But for the IM, we'll probably initiate or submit something for the FDA to initiate the program later after the IV bolus is completed.

Brian Corey Abrahams - *RBC Capital Markets, LLC, Research Division - Senior Analyst*

Got it. One last question for me then. Just curious as you guys look to your upcoming regulatory discussions for EGRIFTA in NASH. I'm just curious if you could maybe frame what your latest base case is for the trial design that you guys were -- would likely want to go forward with.

Christian Marsolais - *Theratechnologies Inc. - Senior VP & Chief Medical Officer*

Yes. Brian, it will be difficult at this stage because we haven't completed the interaction with the FDA. But what I can say is that we had some interaction with expert in NASH. We also had interaction with HIV patient advocates that are very interested in the indication. We will be submitting our baggage in the coming weeks to interact with the FDA and EMA, and we will most likely have the meeting with those 2 agencies at the beginning of next year.

And it is, well, it's the plan, as Luc has mentioned, we think we can do something with a relatively small number of patients to -- for the NASH indication in HIV patients. And everything is progressing very well at the moment, and we'll probably be able to come back to you in the first quarter after the interaction with the FDA and the EMA.

Operator

(Operator Instructions) Your next question comes from the line of Endri Leno with National Banks.

Endri Leno - *National Bank Financial, Inc., Research Division - Associate*

Just a couple for me. I mean, first, what would drive into the decline in EGRIFTA quarter -- well, year-over-year?

Luc Tanguay - *Theratechnologies Inc. - President, CEO & Non-Independent Director*

What drives the decline you mean? You said?

Endri Leno - *National Bank Financial, Inc., Research Division - Associate*

Yes. Yes. Yes.

Luc Tanguay - *Theratechnologies Inc. - President, CEO & Non-Independent Director*

I think there's no specific answer to that, Endri. It's just that this drug is on the market for 10 years now. We also put a lot of effort in the last 2, 3 quarters on Trogarzo. That being said, we are pretty much in line with our budget for EGRIFTA this year. I think we put a lot of hope and were very positive on the outcome that we might have with EGRIFTA SV. So we're just preparing the market for this. So the efforts in the last 2, 3 quarters were mostly on Trogarzo. That being said, we're quite in line with our budget for EGRIFTA this year.

Endri Leno - *National Bank Financial, Inc., Research Division - Associate*

Okay. Great. And have you had any initial discussions for EGRIFTA SV? And what has -- reception or initial feedback have been?

Luc Tanguay - *Theratechnologies Inc. - President, CEO & Non-Independent Director*

We have, as I said, we trained our sales force about 1.5 weeks ago and they were very excited about the project. And I think if you look at all the advantages that we have with this new formulation for the patients that we have currently on the drug, it's a very good news. I think we'll have a quick response on transferring to the new program, and also we think that we'll be able to convince new patients to use EGRIFTA SV, and Christian would like to add something on this.

Christian Marsolais - *Theratechnologies Inc. - Senior VP & Chief Medical Officer*

Endri, we -- as you know, there's a non-HIV NASH study ongoing at the moment in the U.S. with Dr. Takara Stanley, who's a colleague of Dr. Grinspoon, and they're using the SV in that trial. And the feedback that we have from her and the patient is that this product is much easier to use and much more comfortable for the patient to some extent. The difference in the volume of administration from 2 to 0.35 as well as the smaller needle makes it much easier for the patients.

Endri Leno - *National Bank Financial, Inc., Research Division - Associate*

Great. And just switching gears a little bit to Trogarzo in Europe, I was wondering whether you've had any initial discussions on reimbursements especially in the countries where the AIP is ongoing? And when would you expect discussions to really beginning in earnest for reimbursement?

Christian Marsolais - *Theratechnologies Inc. - Senior VP & Chief Medical Officer*

We have early discussion with -- on reimbursement but it's really too early to get into the detail of that. We'll have -- we have a very busy schedule in terms of talking to different country agencies about that in the first quarter of next year. So it just has been approved on the 26th of September and discussion and pricing as you know usually starts after that. So it's early in terms of what we have at this point but we -- as I said, we have a pretty good team already in place working for us in Europe on this. And we believe that on the country-by-country basis, in the next 12 months, we'll be able to negotiate with at least the big 5 in Europe in this regard.

Operator

And there are no further questions at this time. I will turn the call back over to the presenters.

Denis Boucher - *Theratechnologies Inc. - VP of Communications & Corporate Affairs*

Well, thank you. As there are no more questions at this time, we will conclude our earnings conference call for third quarter. On behalf of everyone here at Theratechnologies, I would like to thank you for being on the call today. Have a great day.

Operator

This concludes today's conference call. You may now disconnect.
