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CAPITAL
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October 2014

Tekmira Pharmaceuticals Conference Calls

12/09/14

Participants:

Tekmira: Julie Rezler (IR), Mark Murray (CEO) and Bruce Cousins (CFO)

Bremner: Sam Kelly, Tancredi Marchiolo

Ebola update:

- The objective of the management is to get approval for their product
- The WHO are seeking to use RNA therapeutics to halt the spread of Ebola
- All parties are interested in and supportive of Tekmira's efforts
- For the TKM-Ebola product, the management see a narrow distribution model, mainly selling to governments, with them being the distributors
- They also suggested that they may be seeking other commercial partners to distribute drugs that they lack the capacity to distribute themselves
- The company is exploring a regulatory framework in which TKM-Ebola could be used anywhere in the world
- When asked about testing of the drug on infected individuals the CEO said "our public information states that we are only in the 1st phase of clinical trials", although his delivery and tone suggested otherwise

1. **They emphasised the importance of the other pipelines, besides TKM-Ebola**
    - The Hepatitis programme will go to the clinic next year and has strong commercialisation potential
    - They are seeking to expand their clinical oncology offering
2. **Tekmira is, at least in the Ebola context, an arm of the US Government**
    - Their only concrete financial projections they made was a revenue stream of $70mn per year from the US Department of Defence. They reached this figure by looking at the average price the government pays for bio therapy drugs and multiplied it by the size of the stock pile. However, both the estimated average price and the estimated stockpile were based on the sentiment earlier this year. The management suggested that as the outbreak has spread, both numbers could increase significantly – thus increasing the projected revenue streams from the conservative $70mn/year
    - When asked about demand from other governments or from the private sector, they did not come up with any numbers. To me, this made it more certain that they will rely heavily on the US government for revenue

- While the company was at pains to emphasise that they were free agents, operating without restrictions from the US government, this was contradicted by two things a) they say they are not testing the potentially life-saving drug on Ebola sufferers, and b) they will rely heavily (if not solely) on the US government for revenues
- In addition, they made it clear that it was through government funding that they have managed to scale up TKM-Ebola production capability to commercial levels

Our conclusions:

- The Ebola drug works
- Revenues from TKM-Ebola will be significantly higher than the $70mn/year estimate
- The company is operating under the wing of the US Government, this may slow the FDA approval process
- There is a danger that the US government will keep TKM-Ebola on indefinite partial clinical hold, in order to maintain the biowarfare competitive advantage that the vaccine imparts
- If the drug is sold commercially, the company will seek a large pharma partner to distribute it
- **We should ride the waves of this stock, the management sounded like they were on the verge of releasing very positive news: they were understated yet confident**

UPDATE: Via email, we asked their investor relations representative whether they had provided TKM-Ebola to the hospital treating the America Dr Rick Sacra. She did not reply until the end of the week and even then failed to address my question directly. We took this as a sign that they were indeed using the treatment but were not ready to release that information to the public. On the 22nd of September, Tekmira released a statement confirming that the drug was being used to treat Dr Sacra. In this statement, they also announced that the FDA had authorised Tekmira to provide TKM-Ebola for treatment of infected patients under expanded access protocols.

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Tekmira: Julie Rezler (IR)

Bremner: Sam Kelly

Q: As we discussed during the last call, we have fully supported your PR strategy thus far but we believe that we have reached an important juncture. With the US seeing its first case of Ebola, and your drug being the only one in the FDA approval pipeline, all eyes are on you. The news has piqued speculative interest and with your shares up 28% in pre-market trading, there is an increased risk of significant volatility, unless the PR adapts. As we see it, as holders of nearly 2% of your company, your actions in the next few days are vital for reducing volatility and keeping shareholders on side. We would suggest releasing as much information as you are permitted to, especially relating to the results of tests on infected patients and US government plans to stockpile the drug.

A: We fully understand the importance of reduced volatility to investors, and we are keen to do all we can to facilitate a reduction in volatility through our PR strategy. Should we temper the market by emphasizing that TKM-Ebola has not completed clinical trials? Should we emphasise that the treatment was administered as one of many clinical interventions, in the case of Dr Sacra?

Q: We feel that it is important to temper the market sentiment, however we wouldn't want you to be unnecessarily negative. Any of the ideas above may be helpful to reduce volatility, but including positive news along with that, perhaps from one of your other product pipelines, would help lessen the negative impact. Could you perhaps release details of your work with the DoD in West Africa?

A: We are not currently using the treatment on anyone outside of the US. We appreciate the advice regarding our PR strategy, it is always good to hear an investor's viewpoint.

UPDATE: Tekmira released a statement on the 2nd of October announcing that they had released a development milestone in a project they are working on with Monsanto, prompting a $1.5mn payment. The total value of the project, at completion, could reach $86.2mn.
