SENESTECH, INC.
NASDAQ: SNES

SenesTech Conference Call

Monday, January 23, 2017
4:30 p.m. Eastern

CORPORATE PARTICIPANTS

Dr. Loretta Mayer - Chair, Chief Executive Officer and Co-Founder
Tom Chesterman - Chief Financial Officer
Robert Blum – Managing Partner, Lytham Partners

PRESENTATION

Operator
Welcome to the SenesTech Conference Call. All participants will be in listen only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your touchtone phone, to withdraw your question, please press "*" then "2." Please note today's event is being recorded.

I would now like to turn the conference over to Robert Blum. Please go ahead.

Robert Blum
Thank you, Amy, and thank you for joining us today to discuss SenesTech's recent corporate development. With us on the call representing the company today, are Dr. Loretta Mayer, Chair, Chief Executive Officer and Co-Founder of SenesTech and Tom Chesterman, the company's Chief Financial Officer. At the conclusion of today's prepared remarks, we will open the call for a question and answer session.

Before I begin with prepared remarks, we submit for the record the following statement. Statements made by the management team of SenesTech during the course of this conference call may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934 as amended, and such forward-looking statements are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements describe future expectations, plans, results or strategies and are generally preceded by words such as may, future, plan or planned, will or should, expected, anticipates, draft, eventually or projected.

Listeners are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events or results to differ materially from those projected in the forward-looking statements, including the risks that actual results may differ materially from those projected in the forward-looking statements as a result of various factors and other risks identified in the company's filings with the Securities and Exchange Commission.

All forward-looking statements contained during this conference call speak only as of the date on which they were made, and are based on management's assumptions and estimates as of such date. The company does not undertake any obligation to publicly update any forward-looking statements, whether as a result of the receipt of new information, the occurrence of future events or otherwise.

With that said, let me turn the call over to Dr. Loretta Mayer, Chair, Chief Executive Officer and Co-Founder of SenesTech. Loretta?

Dr. Loretta Mayer
Thank you, Robert, and good afternoon to all of you. Thanks for joining us, we appreciate it very much. I will begin with a little bit of background because, this being our first call as a public company, I want to make certain that we give some background on SenesTech ancestry, but more importantly, our opportunity to have a significant impact on the world around us.
And I would just note here that I am sure everybody is anxious to get to the important news that we want to discuss. But bear with me. As much as you are aware, SenesTech has created a revolutionary technology. ContraPest is our first product and it's an animal pest control that changes that age-old "kill and kill again" practice, by using cutting-edge science to get to the root cause of the problem which as you know, is reproduction.

Two, to illustrate that, two mating rats over the course of their typical eight month life span in the wild; that will translate into nearly 15,000 descendants. The reproductive capability of rats simply outpaces the ability to kill them with poison. It's why they are considered to be the most successful species in history and currently on earth.

However their success and their ability to so rapidly reproduce has created a number of significant global challenges. The first one that we address are rodents who destroy a tremendous amount of third world's food supply through consumption and contamination. A recent report concluded that 20% of the stored food supply world lost has been due to rodent activity.

The second major challenge is that rodents create a significant amount of damage to public infrastructure. The National Wildlife Research Center, a division of USDA, estimates that nearly $27 billion in damage to public infrastructure is caused by rodents every year.

Thirdly, rodents do transmit diseases and deadly pathogens to humans and other animals. Additionally, the most widely used current treatment is rodenticides and that has a number of shortcomings including the impact on humans, pets, and on the surrounding environments.

And by the way, it's not very humane.

Food security damaged by damaged infrastructure, disease prevention, environmental contamination are significant global challenges where a reduction in the rodent population with a humane, sustainable, non-lethal effective and environmentally neutral solution can have far reaching impacts on the world around us.

As a first alternative solution to this global challenge, we believe we have a significant opportunity to effect dramatic change to an industry that hasn't seen one in many, many years. ContraPest has the ability to change the way in which rodent control across the globe is treated, and a real paradigm shift from the current treatment protocols that pose damage to human, animals and contamination to our environment.

Since our approval in August 2016 by the EPA to commercialize ContraPest, we have fielded literally hundreds of inbound calls and inquiries from around the world. This include customers that have historically relied upon rodenticides for their current solutions, such as subway system operators, government housing authorities, but also we have received a lot of calls from those who were prohibited from even utilizing rodenticides such as zoos, food production facilities, healthcare providers.

The fact that we could be applied across such a wide cross section shows an enormous potential to both address the current traditional rodenticide market opportunity but also address the market which currently is un-addressable. Those are brand new markets unknown to our industry partners and this shows an enormous potential for ContraPest.

Now, as most of you saw from this morning's announcement, we've agreed to terminate our current exclusive North American license agreement giving SenesTech full rights and capabilities to commercialize and manufacture ContraPest in North America. We firmly believe this is in the best interest for ContraPest for rapid and widespread adoption as a leading alternative to rodent control. And it's a best long term interest of SenesTech and its shareholders.

We entered into this license agreement in May of 2014. We were a very different company, we had not yet submitted ContraPest for approval, our licensee was also a different company, while we had a long communication with our licensee about how to implement this licensing agreement very recently, this communication has made it clear that we needed to terminate this existing agreement.

Stepping back, we have to acknowledge that ContraPest is a new paradigm and we believe that it will someday completely displace rodenticides. This is a tough position for a rodenticide manufacturer to be in as our licensee and we understand that. While we can't speak for our licensee, we do believe that the non-compete was unacceptable to them and to their overall business.

This is, however, not a bad thing. On one hand, it's a validation of course, that ContraPest is considered a viable threat to rodenticides, that's certainly what we believe.

On the other hand, we are excited that we can have direct control of our destiny and the development of ContraPest forward, and more directly, we can drive the world away from the need to use poisons. We can now do things we couldn't do before and I think those things we can do better.

With all of that said, let me turn this call over Tom Chesterman, our CFO, and he can provide some additional details. Tom?

Tom Chesterman
Thank you, Loretta, and thank you to everyone on the call today. In our press release this morning, we made a statement that we expect this event to have a negligible but positive impact on the commercialization of ContraPest over the short term, and a significantly positive one over the long term. I would like to explain that further.

As part of our development of ContraPest, we needed to demonstrate the ability to manufacture ContraPest on a commercial scale. To do that, we scaled up our manufacturing process. As a result, we currently estimate that we can manufacture approximately 300,000 liters of ContraPest annually from our headquarters in Flagstaff, Arizona with very minimal capital expenditures.

This should be sufficient to meet the customer demand that we have anticipated in 2017. We also believe that we can add capacity as needed efficiently, and we have reserved the longer lead time items that would be necessary to add capacity. We will of course, assess the need for potential manufacturing partnerships, including contract manufacturing.

Additionally, as Loretta discussed, we are fielding hundreds of calls from potential customers around the world. We believe there is tremendous demand for ContraPest. We will initially respond to these sales opportunities through our in-house capabilities. Longer term, we may find it appropriate to bring in marketing or distribution partners in specific geographies so that we can dramatically expand the reach of ContraPest.

Given that we are in a much stronger position than we were when we signed the current agreement, we believe there is a high possibility we can structure an agreement that provides SenesTech and its shareholders with a greater share of the overall economics related to ContraPest sales.

As we've further discussed in the press release, we have agreed in a series of letters to terminate the license agreement. We have agreed to reimburse our licensee further costs in the buyout of licensee for a payment of $1 million. That has been paid and we have now exchanged signed agreements terminating the original license agreement.

Before I turn the call back over to Loretta and open the call to any questions, I do want to note that for various reasons we're unable to go into too many specifics, but we will do our best to answer as many questions as possible.

With that, let met turn it back over to Loretta.

Dr. Loretta Mayer
Thanks so much, Tom. With the revolutionary EPA approved product addressing these significant global challenges and a pipeline of products that are based on the expansion of this platform, we are extremely excited about the future of SenesTech. This step to regain control of our intellectual property in North America and move the discussion and voice to SenesTech will enhance that future.

We thank you all for your support. And now, let's open this call up to questions. Amy?

QUESTION AND ANSWER

Operator
Thank you. To ask a question you may press "*" then "1" on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw you question, please press "*" then "2."

The first question is from Charles Haff with Craig-Hallum.

Charles Haff
Hi, thanks for taking my questions. Can you hear me okay?

Tom Chesterman
Yes we can.

Dr. Loretta Mayer
Yes, fine, I hear you fine.

Charles Haff
First question, couple of cats and dogs here, excuse the pun, but additional state approvals beyond the 15 that you've previously disclosed. Have you received any additional state approvals?

Dr. Loretta Mayer
Yes we have, Charles. We have, as of last Friday, received 19 approvals, or approvals in 19 states, we have 21 pending, and just this morning we received notice of acceleration by the State of New York to have our reviewed approval by the first of February instead of the end of June.

Charles Haff
Okay. And was one of the 19 the State of New York by chance?

Dr. Loretta Mayer
Yes. No, no, I am sorry, New York is still pending. New York typically takes anywhere from five to six months, and they have notified us this morning they will be complete in February, this February.

Charles Haff
Okay. And another question I have based on my channel checks, it seems like there is quite a bit of interest from the pest control organizations. I am wondering if you can, I know you probably don't want to get into details, but if you can give us a sketch of what type of demand or how far along the path you are in discussions with some of the pest control organizations.

Dr. Loretta Mayer
Sure, I can do that. We actually have entered into our first arrangement with a major pest control company, and they are a company that is fully committed into providing this alternative to their customers. And they are beginning with a project in an animal controlled facility where poisons are not useful. You cannot use them, and they are using this as training grounds for their personnel to begin their launch of the product.

Charles Haff
Okay. And how long would you think it would take them to assess ContraPest in the training facility before they would make a more permanent decision?

Dr. Loretta Mayer
We are estimating, between the two of us, we are estimating four to six months.

Charles Haff
Okay. Thank you. And then Tom, you mentioned the 300,000 liters of internal manufacturing capacity that should get you through 2017, so should we infer that you plan to sell that much ContraPest in 2017?

Tom Chesterman
It's is a very good thought. I think it is a little too early to give our forecast out there for specific sales, but we don't anticipate having a problem meeting what we anticipate is going to be strong demand.

Charles Haff
Okay. And then, lastly, you mentioned in the prepared remarks that you are in a stronger position now than you were when you originally signed the agreement with Neogen in May of 2014. I am sure we can all see that based on the EPA approval and so forth. And you mentioned the better economics that you would expect to get in the future. Is that the bottom line for SenesTech shareholders and for you all as you are managing the businesses, is you assess the situation and thought that you could get better economics than you had with the original agreement?

Dr. Loretta Mayer
Well, Charles, yes that is definitely a key driver for us. Also, I think the other key driver for us is that we have stepped away from any conflict of interest relative to a competitive rodenticide environment, for us which is just not acceptable. The other thing that places SensesTech in a much stronger position frankly has been the demand from around the world of people who want this product and will buy it. That was a market signal we did not have before. And Tom, do you have anything to add to that relative to the economics?

Tom Chesterman
No, I think that your assumption is correct, Charles, we are in a different position, we got market demand, we have got a defined product. And so, yes, we should be able to get superior economics for it. We certainly hope we can, and we will be looking for that.

Charles Haff
Okay, great. Thanks for taking my questions.

Operator
As reminder, to ask a question, you may press "*" then "1."

Our next question is from Tom Schwartz at Roth.

Mr. Schwartz, please go ahead with your question.

Tom Schwartz
Oh, sorry, I was on mute, I apologize. A couple of questions, there were two items, I think, that were left ongoing out of the EPA approval, one had to deal with stability and shelf life, and I think there are some ongoing data that you are creating to demonstrate that. And then the other one had to do with toxicity and getting a certain confirmation from the EPA that would allow you to go from level 2 to level 3 or level 3 to level 2. Can you just bring us up-to-date on those two ongoing programs?

Dr. Loretta Mayer
Yes, I can. Let me begin first with the toxicity. Those were studies that the EPA did not require of us, but by doing those, we improved our label. That consisted of five studies relative to exposure to handlers and those studies have come back at all our level 4, level 4 is the least, the least toxic that is the analogous to water and one study which was dermal exposure only came back at a level 3, which indicated that if the product was left on your skin in excess of four hours, you would have a red irritated area, that is only the toxicity to our compound that has been before the EPA. They are processing it right now and have advised us to expect that we can change our label within the next four months, and so that would be in April of this year. Now, let me speak to one other toxicity, and that is avian toxicity. And we also contracted that out to a third party, they have completed their avian toxicity studies, there was no harm to the bird species that they tested and that is being submitted to the EPA and they will address it.

On the last piece, is stability and shelf life, again when they give us our registration, the EPA did

not require stability from us, they accepted the stability that was reflected in the efficacy studies they reviewed for the pig barn study, the USDA study, and then the New York City subway study. We did, however, explained to them that we would be happy to provide it, because we need stability for our manufacturing and warehouse uses. Those stability protocols have been completed. Our product takes a little bit different set of equipment and protocols to measure the active ingredients. And we'll be submitting those in the next 30 days.

Tom Schwartz
Thank you.

Dr. Loretta Mayer
Sure.

Operator
As a reminder, to ask a question you may press "*" then "1" on your touchtone phone.

Our next question is from Craig Nelson of Western GeoLogic.

Craig Nelson
Hi, Loretta, I think it was at the annual meeting, the last annual meeting that there was some discussion about the introduction into the European Union market and I think that they have mentioned something about working with a Danish agent. Has there been any progress there you can discuss with that aspect?

Dr. Loretta Mayer
Sure. I certainly can. A little bit of background on that; the European Union last July voted to go to a comparative assessment strategy for rodenticides, that means any products submitted for registration must meet or exceed the characteristics of those product registered. And believing that we would be a highly desired product for Europe, we were directed to a member state in Europe, your dossier must be a carried by a member state. We then met in July of last year with the Danish government. They reviewed our EPA registration, and we made a presentation. We then returned in, it was August, I'm sorry Craig, stumbling there, and at that particular time, we began collecting our submissions.

So, where we are is we have our data gap analysis, we have hired at SenesTech an international regulatory authority, Dr. Sandra Alcaraz and she is right now packaging that for the Danish government, they will be our competent authority and they will carry our registration for the EU.

Operator
This includes our question and-answer session. I would like to turn the conference back over to Dr. Mayer for closing remarks.

Dr. Mayer?

CONCLUSION

Dr. Loretta Mayer
Sorry, Amy, here I am. Thank you so much. We look forward to talking with all of you again and that will be when we conduct our year-end conference call in the coming months. And we wish you all a splendid evening and balance of your day wherever you are. Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.