

SENESTECH, INC.
(NASDAQ: SNES)



First Quarter Fiscal Year 2019
Financial Results

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CORPORATE PARTICIPANTS

Ken Siegel - Chief Executive Officer, SenesTech, Inc.
Dr. Loretta Mayer - Chair, Co-Founder, Chief Science Officer, SenesTech, Inc.
Dr. Cheryl Dyer - Co-Founder, Chief Science Officer, SenesTech, Inc.
Tom Chesterman - Chief Financial Officer, SenesTech, Inc.
Edward Albe - Senior Vice President of Commercialization, SenesTech, Inc.
Robert Blum – Managing Partner, Lytham Partners

PRESENTATION

Operator

Good day and welcome to the SenesTech Reports First Quarter Fiscal Year 2019 Financial Results and the appointment of Ken Siegel as the new...as the company's new Chief Executive Officer. 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 telephone keypad, to withdraw your question, please press "*" then "2." Please note, this event is being recorded.

I'd now like to turn the conference over to Robert Blum with Lytham Partners. Please go ahead, sir.

Robert Blum

Thank you very much, Cole and thank all of you for joining us today. As the operator indicated on today's call, we will discuss SenesTech's first quarter 2019 financial results for the period ended March 31, 2019 and discuss the appointment of Ken Siegel as the company's new Chief Executive Officer.

With us on the call today are Dr. Loretta Mayer, Chair and Co-Founder of SenesTech; Ken Siegel, the company's newly appointed Chief Executive Officer; Dr. Cheryl Dyer, Co-Founder and Chief Research Officer; Edward Albe, the company's recently appointed Senior Vice President of Commercialization 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.

Please note that listeners both on the live portion of the call, as well as webcast will be able to ask questions. If you are on the webcast, you can type your question into the question box and press submit. We will take as many questions as time will permit for. If you're dialed in, you will ask questions by pressing the "*" "1" button as usual.

Before we begin with prepared remarks, we submit for the record the following statements. 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 risk 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 our filings with the Securities and Exchange Commission. All forward-looking statements contained during this conference call speak only as of the date in 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. Loretta, please proceed.

Loretta Mayer

Thank you, Robert. I really appreciate this opportunity and having everybody out there on the call. I cannot hide how excited I am and I have been anticipating this call for quite some time. In this company, since the day we founded it, we have been diligently working towards this tipping point moment and for me tipping point is where opportunity meets preparedness and of course, this defines success.

On our last call, I announced our selection of Edward Albe, our new Senior Vice President of Commercialization. I scooped him a little on some of his ideas, but today, you're going to hear directly from him about our commercialization, trajectory and our success. Also today, I'm going to personally introduce you to Ken Siegel, who'll be joining Cheryl and I, in this SenesTech journey as our new CEO.

We've anticipated this moment for a long time, as I mentioned before, planning to capture the full potential of our platform technology, takes years of discovery, development, trial and error, scale-up in every aspect of our commercial process and clearly, a tremendous amount of hard work.

As you are going to hear from Ken today, he is a founder's choice and we were so fortunate to be able to make that choice. Here's what I mean by that? He is our choice, because he shares our dedication to a better world through sound science. There is no question that he is not totally aligned with the founding principles of this company.



He is our choice, because we moved this R&D science company to prepare for what we have always believed in our hearts and know this is a billion-dollar company. And now, we have a seasoned multibillion-dollar executive to execute this plan...this plan which is our dream. He is our choice because he provides the space for me personally to return to my role as Chief Science Officer. And during this incredibly exciting time, where we can really offer the sustainable low risk approach an alternative to current rodent management strategies.

And I think right now, during this time, as we are learning more and more about resistance, which can be frightening to a lot of people in the industry, resistance...you are up extremely hard, we are moving forward with our technology which is a proven technology that will not drive towards resistance.

Finally, he is our choice because he's an experienced executive who understands corporate social responsibility. Actually, he brings the voice of the customer literally inside our organization. He has purchased these services in his previous career and he has been a part of what the customer is thinking, believing and he can articulate that for us.

Now, he's stepping out onto a playing field where the studies are complete, the efficacy is proven; now it's time to meet the demands of our customers and develop best practices in each of our market segments.

We have the tools now to understand the challenge of this poison resistance. And as I mentioned earlier, this is where I'm going to be focusing my time with Cheryl and our science teams, as we move this product forward and educate the public.

The use of contraceptives, to be clear, will not lead to resistance, and I'm very excited to be a part of that. There is a growing demand for our company and when you look at early adopters, its people who want to do something different, they want to do something that is going to be novel and really solve the problem. And I believe it was the Chinese who have cited early before the Birth of Christ what are we going to do with these rats. This is not new.

On the consumer pest management products and services, they are starting to raise their voice. And for those of you who may be familiar with the California Assembly Bill 1788, just the fact that, that bill is before the legislature. In fact, it's cleared the committees and the assembly, it is moving forward; it has been approved by the assembly, read into the Senate. It is on its last pass through the legislature and will go to the governor's office for signature.

Just the existence of that and the 16 counties in California that have resolutions banning the use of these foremost common second generation anticoagulant rodenticides, boy, that's a mouthful SGARs. That telegraphs to the industry the time has come, it's come for a new practice. And it's time for fertility control that doesn't harm other species, has a lower risk to handlers, all of the things that we know about ContraPest.

In our meeting, the demand in California alone is going to require the visionary commercial management of a tried and true multibillion dollar executive. As Chairman of the board and on behalf of the board, and together with Cheryl, our Co-Founder, I'm excited to introduce you to our newly appointed Chief Executive Officer, Ken Siegel. Ken.



Ken Siegel

Thank you so much, Loretta. Let me say, I'm truly honored to work with Cheryl and with Loretta to lead SenesTech in this new chapter of its evolution. As many of you who have seen, I've been on the board of directors for few months and during that time, I've had the opportunity to see the significant progress that's been made to this point and how everything is beginning to accelerate as we get ContraPest to penetrate markets, particularly around this country. In my opinion and this is obviously shared with people within the organization widely.

ContraPest is a disruptive technology, one that has the ability to displace existing applications and shake up the entire industry. It's one of the reasons why I'm so excited about this. Disruptive technology succeeds because the existing players in the market tend to focus on the advancement and improvement of their existing products. In fact, each iteration of their product is simply a variation on the same theme.

The consequence, there's tremendous built-in inertia. The major participants have built their organizations, they built their infrastructure, and they built their sales strategies simply to support what's worked for them historically and what they believe their customers need. A disruptive technology like ContraPest sneaks up on them.

Disruptive technology starts small, often entering markets that existing players have ignored, have abandoned or simply can't service. They come in slowly, but relentlessly and they move up market ultimately displacing the established competitors. Again, ContraPest is exactly that type of product. It's carving out niches in certain areas, poison sensitive locations for example, such as zoos, such as food. It proves its safety and efficacy and then it's going to expand into their core markets.

So in my career and you'll see it from my bio, I've seen this played out many times. We can go back early in my career when I was involved in intellectual property and software technology and saw the advent...first the personal computer business and then the advent of the explosion of the Internet. In back...in those times, the notion was that hardware would rule the world and essentially most of the major players bet on the success of hardware. And what ended up turning out was the small upstarts, the aggressive companies who recognize that software, that recognize that applications were, in fact, the future, were the ones that ultimately emerged on top. And if you think about it, that was the beginning of the end of companies that were massive and extraordinarily powerful like IBM.

More recently, as a leader in the hotel industry, I've seen multiple disruptions, some of which we were able to survive, some of which we actually caused and some of which are challenges for the industry today. So for example, Loretta talks about what happened 500 BC. I won't go back quite that far, but think about the industry that I come from has been in existence for several thousand years. And in fact, talking about BC, it has its own story in the Bible that there was no room at the inn.

And literally for thousands of years, the industry didn't change. And then a small company then, which I was associated with, which was Starwood, concluded that what people actually wanted when they stayed in a hotel was a comfortable bed. And you think about that going, okay, how simple...how almost ridiculous that is. But in essence, they created an entirely different brand and entirely different identity simply based on the fact that they gave the customers something they hadn't gotten before. And for those of you who are now sleeping on pillow top mattresses and have your down pillows, et cetera, an awful lot of that comes from what Starwood did in 2000.



What's interesting, though, is as disruptive as that was and as game changing as it was, it took most of our competitors nearly 10 years to follow. And I'll come back to that again later, because it's one of the things that gives me great faith in the future of SenesTech. Years later and I'll be brief on this thing. We saw additional disruptions. The advent of technology, advent of mobile apps, the explosive expansion of the internet gave rise to upstart companies like Priceline and Expedia, essentially pure technology companies that decided they were going to enter the travel and leisure space.

So with no capital requirements, no infrastructure other than creating technology, they managed to go into a small niche in the hospitality business. And what they would do is, they would allow hotels, they would allow airlines to sell distressed inventories, seats that would otherwise go unoccupied or rooms that were empty on a last minute basis. And the quid pro quo for that was, they took significant portions of the revenue and hotels and airlines are more than happy to give them that business because it was a business they couldn't otherwise address, but what happens is, you suddenly then given them a competitor that you didn't recognize, a substantial revenue stream and then the ability to capture your own customers and then begin to, what we call, then dis-intermediate you from your customers. And then use the revenue; use the disintermediation to move up in your core markets to a point in which they were controlling significant portions of the more profitable inventory across the system.

The hotel industry was able to respond, in part, due to innovation in other areas. We expanded loyalty programs, we created recognition, we created experiences, et cetera. They survived, but at a cost as a significant revenue stream and a cost of significant changes in competition, as pricing became much more transparent. We were fortunate to travel agent industry was not, in fact, they didn't see this train coming and for the most part, they are gone.

Finally, an area of disruption is now playing out most extremely in this industry, was the advent of Airbnb. And I think Airbnb, in many ways, closely parallels is what we're doing with ContraPest.

The Airbnb model was to focus on segments that the hotel industry could not support, they focused on very low budget travelers who are looking for experiences and didn't care particularly about where it was they were going to stay.

Over time, as that began to take on momentum, they began to expand in other areas. And I was, together with the industry, we did not believe that Airbnb had legs or had traction was going to continue to stay at the bottom-end of the market. Again, they occupied niches that we couldn't satisfy or that we could abandon and for many years we felt that branding, we felt that loyalty; we felt that recognition would be sufficient to offset the potential compelling case of an Airbnb.

As you begin to see now, they are expanding into all sorts of different directions they are beginning to create alternatives to hotels, they have gone very high-end, and they are now immaterial threat to a business that's been around for several thousand years. Interestingly, Airbnb was formed 10 years ago. And as you may have seen recently, companies like Marriott have now announced that they're going into this business that they're going to attempt to create an Airbnb competitor.

The critical concern...the critical issue I have is an Airbnb like a ContraPest, has a significant time advantage. And the critical question is, is when you have 10 years of lead time, how hard and how much effort is going to take to catch up? We'll see, but frankly having been on both the disrupting side and the disrupted side, I can tell you, I'd much rather be a disruptor than disrupted.



So back to ContraPest, at a high-level the awareness and activity surrounding ContraPest is the most it's ever been. ContraPest is a proven and widely available product and it's already known to be effective and sustainable.

As Ed will talk to you about in a little bit, the activity over the last few months by his team, including deployments in large municipalities, as well as the new product launch that we're doing in a major agri business in California, it's confirming the need as Loretta said for a novel solution to a 1,000 or a 2,000 year-old problem. She also said the market is moving towards ContraPest. Municipalities and other large companies are aware of the problems that have developed as a result of the worldwide use of poisons to try to reduce rodent populations and the effect that they're having on other species and on the environment.

CSR and sustainability initiatives, among these key constituencies continues to grow. As she mentioned, as an executive officer of Starwood for many years, I can attest firsthand to the fact that this became a number one driver in our decision-making, because it was so relevant to our customers and to the new generations that we wanted to attract. These companies and our customers are searching for less harmful ways of doing things but not at the extent of efficacy, and ContraPest is a product that addresses both of those concerns.

SenesTech's goal is to reduce dependency on poisons while also effectively reducing the corresponding negative impact of rodents on human populations are ones I believe this market is increasingly focused on. As Loretta mentioned at the end of her talk, the recent move is by the State of California to pass a ban on rodenticides is the tip of the iceberg. If and when that legislation passes, we think it will have ContraPest being extremely well positioned to potentially dominate that market.

My conviction in joining SenesTech as CEO is not only based on my beliefs and those long-term trends, but also based on the near-term progress that's being made, including those recent successful deployments with early adopters. It's my belief that we are on the verge of moving from awareness and activity to wide scale adoption. That's not to say we don't have a lot of work to do, but I'm confident we can drive substantial growth in 2019 and beyond. So I'm looking forward to expanding on those recent successes by building awareness in large municipalities, in food and agricultural customers, but also leveraging my own experience to bring about strategies that will accelerate the sales cycle and expand our reach.

So with that, let me turn the call over to Ed Albe, our recently appointed Chief Commercialization Officer, to discuss some of the changes we're implementing on the sales and marketing front.

Edward Albe

Thank you, Ken, and congratulations on new role.

Ken Siegel

Thank you.

Edward Albe

Thank you, Dr. Mayer, and thank you, Dr. Dyer. And to everyone in the audience, let me express my unbridled enthusiasm in joining SenesTech. As Dr. Mayer had mentioned during her conference call at the end of March, I originally joined SenesTech in a consulting capacity, ostensibly to understand the

product and the market a little better. So I spent the better part of 90 days meeting with customers, prospective customers, stakeholders and trying to understand and remediate what I would consider to be our new commercialization strategy.

This is a real critical investment in ourselves; essentially ContraPest has no direct competitors. It effectively is creating a new market, that's what I found. And if...and we are also...to use a vernacular in marketing, we are swimming in blue ocean. We have the ability to be a first mover in an area that has not seen anything like this before. So that's pretty exciting, and I'm even that much more excited to be at this point in my career part of something that is going to make a change, not only for the shareholders, stakeholders, community and just about everyone else out there, but the environment and the secondary and the predators that feed off of rats. So this is more than exciting for me.

So in our ongoing customer discovery and market validation phase, it became abundantly clear that pivoting to this revised strategy is not only welcome, but its demanded. Our continued successful deployments in locations such as Washington D.C., San Francisco, Bay Area, Southern California, St. Louis, as well as, zoos, animal care facilities, protein production facilities, will enhance the market proliferation of our fertility control technology.

We also heard quite clearly that our pest management professional or PMP partners need our direct support in communicating this novel approach to their customers as part of their integrated pest management protocol, it's novel to them as well. So we have to spend time with these select key partners in letting them understand just how this is applied in the marketplace.

So the last point I can honestly make is that, we are highly focused, we are very targeted on select verticals that we believe have a significant total addressable market. The future is bright for us. I'm looking forward to being part of that future and build that with SenesTech.

So with that, let me turn the call over to Tom Chesterman, our CFO, for some remarks on the financial progress. There you go, Tom.

Tom Chesterman

Thank you, Ed. As we've just released the full financials and 10-Q will be filed momentarily, I'm going to keep my remarks brief, so that we can get to any questions you have.

As you saw in today's press release, revenue for the quarter was \$19,000 which was essentially flat from the year ago quarter, however down from the most recent sequential quarter. This sequential decline is largely due to a change in the marketing approach that we've talked about that commenced at the beginning of the year, as well as, the expected seasonal reduced rodent activity that is normal, and the transition to the removal of ContraPest restricted use only status at the state level.

Adjusted EBITDA was a \$2 million loss during the first quarter of 2019, compared to a \$1.8 million loss during Q1 of 2018. As discussed in last quarter, we continue to drive improvements in our operating expenses and limit our cash utilization wherever possible. At this point we currently expect cash expenses on a monthly basis to run approximately \$600,000 down significantly from our spend last year.

We ended the quarter with cash of \$2.9 million. Additionally, subsequent to the end of the quarter, we have received accelerating warrant exercises amounting to over \$1.6 million. At this time, in fact, we



still have 8 million warrants outstanding that are in the money that if exercised would yield over \$9 million. As I mentioned, we did file...or we are filing our 10-Q in a few moments and then we'll have much more detail on our financial performance for your review.

With that, let me turn the call back over to Loretta for some final comments and then questions.

Loretta Mayer

Thank you, Tom. We are really excited to have you Ken and Ed joining us on these leadership roles absolutely will allow us to capitalize on the opportunity before us. We know that each of you shares our commitment to SenesTech's mission and passion for our product.

We know there are extensive executive experience, corporate relationships and understating of these customers that are ideally suited to rapid driving of the adoption of ContraPest. Our philosophy is that, I've always stand to be a guiding light and again, today, it is top of mind, and that is, it's all about the people. It's been my pleasure to serve as CEO for SenesTech and represent our dedicated employees and again heartfelt dedicated shareholders, their loyalty has been with us for years. It's even a greater pleasure for me today that call on Ken to take the baton.

And with that, Ken, Ed, Tom, Cheryl, and I will be available for questions. So I'm turning the call over to you, operator, for our questions.

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question and answer session. To ask a question, you may press "*" then "1" on your touchtone phone. If you are using a speakerphone, please pickup your handset before pressing the keys, to withdraw your question, please press "*" then "2." At this time, we will pause momentarily to assemble the roster.

And the first question today comes from Kevin Ellich with Craig-Hallum. Please go ahead.

Kevin Ellich

Good afternoon. Congratulations, Ken, on the new position with SenesTech and congratulations, Loretta, on going back to being Chief Scientific Officer and Chair. I guess, Ken, really good background on your view of the company, and how it plays to your role as being a disruptor and that while it's still very early days for you, but you did join the Board in February. Wondering what's your strategic vision or plan to drive top line growth, earnings, and cash flow? And then, given your background coming from the hospitality industry and actually purchase being on the other side of the table buying ContraPest, wondering if you'll play more of a role on the sales front since you have that experience as well?

Ken Siegel

So let me answer the second part of the question first. And the answer to that is absolutely, yes. One of the things I'm really hoping and planning to do is use my network in hospitality and other areas to help Ed and his team drive sales. So this isn't simply a matter of opening doors. I plan on getting out on the road with the team and actually sitting down and seeing whether we can close some sales. In terms of the overall strategy and vision, I think that the strategy that Loretta and team articulated at



the year-end call is the right strategy. What we're doing now is given resources and given priorities, we're focusing our firepower on the areas that we think have the highest probability of revenue generation in the shortest period of time.

So California has become target number one for us, particularly given the potential passage of 1788, plus the fact that as one of the more progressive markets, they with 16 counties already banning rodenticides, we know that we have a natural entree there. It also happens to be the fifth largest economy in the world and heavily agricultural based, so it's a natural target for our efforts.

As we begin to get traction in those areas, I mean, one of the things that Ed is acutely focused on is getting early adopters, getting influencers to purchase, but also getting early adopters and influencers or a large-scale, so that they can in turn help us drive additional players into the market, because you go from the adopters to the...ultimately, the "me-too"s, but we want to get those adopters onboard first. Where we are fine-tuning the strategy is, particularly given my own background, I am heavily biased towards corporates.

The municipalities are very compelling. They have a slower sales cycle and they have budget constraints. Corporations because of the flatter organizations have the ability to make decisions more quickly and have an ability really for us to go with our total cost of ownership presentations. So, we can identify for them how much SenesTech and ContraPest will ultimately benefit their businesses. So this isn't simply a matter of coming up with something that's new and interesting, simply coming up with something that is better for the environment, they're getting something that works. And over a relatively short period of time, we'll actually enhance the bottom line. So continuing to hammer those particular points to use California as a critical revenue base for us continue to expand across North America. And then as we get further on and we build our revenue base, begin to expand more broadly outside of the country. But that's really it...at a very high-level nutshell and hopefully; I'll have more to talk to you about next quarter.

Kevin Ellich

Now that's really helpful. And I guess, you talked about the longer sales cycle with municipalities and governments. On top of that, what do you think the biggest challenges the company faces in terms of growing adoption of ContraPest? Clearly, it's a proven product and what we're seeing in California will definitely help. But are there hurdles and issues that you think you'll be able to help the company help overcome now that you're in the driver's seat?

Ken Siegel

The interesting piece of this thing is, this gets back to the disruption issue. The historic way that rodent control has been handled is, you throw out lots of poison in 25-foot spaces. And most customers are highly attuned to that particular methodology that the PPMs have robust businesses based on that.

So, as Ed pointed out, there's a bit of an education process here. What we are going to need to do is help the PPMs, but also create much higher pull-through demand from the ultimate customers. We are creating dedicated field support teams that will help with the deployment, the implementation. We're also working on our introductory pricing model, because the critical issue here is to get take, to get trial. And we believe once we get in, we will be able to dramatically expand. So this is not a radical departure from what we've done historically, but it's using the tools that we have at hand to simply get a crack to get a niche within these entities. And we believe in doing that, we'll be able to expand quickly.



Kevin Ellich

Sure. Now, that all makes sense. I guess, Tom, going to some of those points that Ken just laid out, especially in terms of helping drive pull-through demand and the pricing model and the sales teams, will there be incremental costs associated with that, or you just gave us the \$600,000 cash expense, I think, on a monthly basis. Is that going to be the plan going forward, or will that be changing do you think?

Tom Chesterman

Well, I think that there will be some upward pressure in as we move more resources into the areas that Ed talked about. As we move more resources into California, I'm quite hopeful that we can time that. So that it also coincides with more production and more revenue, but there might be a slight pressure. I really don't think it'll be significant though. We've gone past all of the really heavy investments. And as Ed mentioned, the heaviest investment was this past quarter of intense scrutiny into what is the customer exactly means. So, I think that investment will be recouped fairly quickly in terms of revenue take up.

Kevin Ellich

Got it. And then, Tom, just real quickly, Q1 revenue came in a little lighter than we expected. You definitely gave the items in the press release as to why. Wondering, excluding those temporary disruptions and what not, how much did that affect your sales? And what would sales have been in the quarter without those issues?

Tom Chesterman

Well, that's an almost impossible question to answer. It is known that there is seasonality to this business and to rodent activity. So...and the harsh weather that we experienced throughout the country in the first quarter certainly had an impact...a significant impact. How much of that? Well, that's impossible to tell at this time. I wish I could get you...once I get six, eight, 10 years' worth of quarterly experience, I can get you a much better set of guidance numbers.

Kevin Ellich

Got it. And then lastly, you made the comment on warrant exercises subsequent to quarter-end. Did I hear you correctly? Did you say, it was \$1 million or was it 1 million warrants that were exercised?

Tom Chesterman

We actually have \$1.6 million in the door since the beginning of April.

Kevin Ellich

Got it. Okay, thanks. I'll follow-up offline. Thank you.

Tom Chesterman

Sure. Thank you.

Operator

And I would like to turn the conference over to Robert Blum for any webcast questions.

Robert Blum

Thanks so much for the call. And again, as a reminder, everyone on the webcast, if you would like to ask a question, you can submit it through the ask the question box there. Wanted to jump into a couple



of them here that we've received, the first one here, if demand were to double or triple, do you have the operational capacity and raw materials to meet that demand?

Loretta Mayer

Thanks, Robert. I will take that. The short answer, yes, we have anticipated this, our manufacturing is running at a very high efficiency rate. And we have stockpiled a lot of our inventories in the active ingredients. We are set to meet that demand.

Robert Blum

Alright. Our next question here and that's a little bit of, I guess, it was from the National Geographic piece that went out recently, which stated scientists these days are working on what might be the ultimate in rat control, a genetic engineering technique that will spread infertility genes through a wild rat population. If fears of unintended consequences can be overcome, this method might one day enable us to wipe out rats on an unheard of scale without poison. Can you comment on this? Is there a competitor for ContraPest?

Cheryl Dyer

This is Cheryl. So I've of course looked at this idea and the answer is no, and here is why? As this technology is developing, sometimes called gene drive, it will in essence, eliminate, it will prevent the passing on of the genes that cause the infertility, because they're infertile, so it's very circular. It's the same as eliminating the genes of the rat that died, because it can no longer reproduce, the rats that persist because they're resistant, will continue to pass on that resistance. So gene drive actually engages the same impact on the gene pool of the population of rats. And it too, will be selected against and it will no longer work very rapidly, and this is covered in Dr. Shuster's paper where he talked about, what's called, CRISPR/Cas9 technology. So bottom line, it will not compete with us, because it will put itself out of business.

Robert Blum

Alright. Thank you, Cheryl. Our next question here is, what is your plan for raising capital and for reducing cash burn until you're able to show sustainable revenue?

Tom Chesterman

Yes, I think we talked a little bit about this before. From a planning standpoint, obviously, the best way of reducing the burn is to get profitable revenue. And that is our number one priority. Second to that, exercising of warrants is also a fairly clean and efficient way of raising capital, and we're seeing increasing productivity from that area. We do have a shelf. We could move to that, but that is not as efficient as either the idea of increasing revenues or getting warrants to exercise through the price of the stock going up.

Robert Blum

Alright. Thank you, Tom. Our next question here, any progress on a mice label or new formula?

Cheryl Dyer

This is Cheryl, again. So yes, we've been working with EPA to add mouse to the label. They have a data set, they requested from us, where we proved its efficacy here in-house with research mice. So now if a product is waiting for them to do their review of that data set and they're very anxious to put it on the label.



Robert Blum

Alright. Thanks, Cheryl. Our next question is, has there been any preliminary feedback from DC regarding the news article that was questioning the expense there?

Loretta Mayer

Yes, there has been a fair amount of feedback. And I'm really glad to have the opportunity to answer this. First of all, the expense that was quoted in the news article that went out did not really address the point that Ed has been making and Ken spoke to, which is the total cost to the customer. And the cost that they related was a cost for a product...the Mayor and the City Council approved a \$1 million experimental cost. And the reason they call it experimental is, because they need to determine their best practices to get their total cost. And it is just as simple as you can spend your current rodenticide budget of \$1 million a year over and over and over again or you can solve your problem and reduce your population in a sustainable manner and that's what we offer. So this question of extraordinary cost in [technical difficulty] is really out of context.

Robert Blum

Alright. Thank you very much, Loretta. Cole, I would like to turn it back to you for any additional questions that might be through the teleconference.

Operator

Thank you. And our next question comes from Brad Doline [ph] with [indiscernible]. Please go ahead. Mr. Doline [ph], your line is open.

Analyst

Oh, sorry, the question was answered.

Ken Siegel

Okay.

Analyst

It was answered in a previous question. Thank you.

Robert Blum

Alright, very good. Let me go ahead and take additional question then from the webcast here. Can you provide updated guidance or progress on California and New Zealand contracts; have there been any new contract developments or opportunities for the coming rest of the year?

Loretta Mayer

I want to split that, if I could, Robert. Let me take New Zealand, and Ed, you can take California. We are not licensed or registered in the country of New Zealand, therefore we cannot engage in any contract. We have done with the Lincare Group down in New Zealand, preliminary work to establish the same efficacy that we have seen up here. What I can tell you is, we have been invited to New Zealand in December to present our success and progress with fertility control to their group. As you know, New Zealand has declared, it will be invasive species free by 2050. And I knew they were going to need our help and I'm glad we're going down there to do that. Ed, do you want to speak to California?



Edward Albe

Sure. There's...we publicized some of the efforts that are being going on in California in specific very iconic spots. Some of the information relative to the size and intent is at this point, somewhat confidential. However, the situation in California, Dr. Mayer likes to...likes it when I say that in California, the market is essentially going to have only two choices, ContraPest or nothing at all. So the reality is, we're making tremendous groundswell in the San Francisco Bay area, and I look forward to that being just that absolutely fertile ground for us in going forward. So I hope that answers your question.

Robert Blum

Alright, great. Once again, everyone on the teleconference line to ask a question, please press "*" followed by "1" key there. We'll go ahead and take an additional question from the webcast portal. Is there any updated guidance on Hawaii?

Loretta Mayer

Sure, I can speak to that. In Hawaii, two weeks ago, we received our...the lifting of our restricted use. So that now allows us to sell to pest management companies who were not previously licensed to handle restricted use product which is a significant amount. Most of the PMPs in Hawaii are not large corporations they are small local entrepreneurs. So now that burden has been removed. We will be publishing or submitting for publication in the next 30 days the results of our work with the Army at...on Oahu. And those are some very positive results which then will lead to many other Island locations moving forward. That was the primary drive in Hawaii and we are having success on both of those fronts overcoming the hurdles of regulatory.

Robert Blum

Alright, great. Cole, I would like to go ahead and turn it back over to you for any questions from the teleconference.

Operator

Thank you. Our next question comes from Chris Paik [ph] with Raymond James. Please go ahead.

Robert Blum

Chris, your line is open. Cole, if there is another gentleman in the queue, please proceed?

Operator

Sure, thanks. Our next question comes from Josh Burney a Private Investor. Please go ahead.

Josh Burney

Actually, my question was answered, it was entirely about California Deployment and Hawaii Oahu. But Mr. Siegel, welcome to the rat pack, we're definitely happy to have you here.

Ken Siegel

Yes. My family is referring to me as rat man. I'm not sure, I'm so happy about that. But thank you.

Josh Burney

Well, no you are the rat king now you see. You guys have done an absolutely wonderful job. Loretta, it's been an absolute pleasure watching you work and grow SenesTech to where it is today. I can tell



you as a Private Investor how excited I'm about the future of this company and myself and my followers are definitely onboard 100%. So we're with you. Keep up the fine work.

Loretta Mayer

Thank you, Josh. You are a big piece of our success. It's a long haul and I'm just really excited for where we are today. It's been a pleasure. Thank you.

Robert Blum

Alright. Thanks so much, Josh. We're going to go to one final question from the webcast here. Are there any new developments in partnerships overseas that you speak on?

Ken Siegel

We're...as Loretta alluded to in her remarks, we are working on partnerships in the Caribbean, given the significant issues they have with alien species infestation. Those are in early stages as we assess the true size and value of the markets, but they are clearly something that is very exciting to us because once we have an in-road in one of those Islands, we believe they can cascade across many of them. So more to come on that in the future, but there's nothing that we can specifically announce right now.

Robert Blum

Alright. Thanks so much, Ken and it looks like maybe we do have time for one more question. What is the plan for commercial deployment, as far as, selling at retail outlets?

Loretta Mayer

Well, of course, our desire is to supplant as much poison from our environment as possible. The largest way to do that is to make it available to absolutely everyone. And in doing that, we must go through the process that we have gone through which is maintaining sound science. And what we are doing is establishing best practices. So at the time we are ready to do that, we will be able to include in...on the label and in instructions for private consumers how to use the product in every situation. We do not have all of that data that we are really comfortable with yet, and also we have to change our label with the EPA once again. And that is definitely on our blotter, but not yet.

Robert Blum

Alright. Thanks so much, Loretta. And with that, we have no further questions. Loretta, I would like to turn it back over to you for any additional closing remarks.

CONCLUSION

Loretta Mayer

Well, I think, my first closing remark is hallelujah. I'm thrilled, and so happy to end this call and thank you all for being with us along the way.

Ken Siegel

Thanks, everyone.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time, and have a great day.

