Carbylan KalVista
June-24-2016
Confirmation #13639956

Operator: Greetings, and welcome to the joint Carbylan KalVista conference call.

At this time, all participants are in a listen only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. David Renzi, President and Chief Executive Officer of Carbylan Therapeutics. Thank you. You may begin.

Mr. David Renzi: Good morning, everyone, and thank you for joining us today to discuss the proposed transaction between Carbylan and KalVista.

Joining me on the call today is Andrew Crockett, Chief Executive Officer of KalVista.

Before we begin, I would like to remind everyone that any statements made during this call other than the historical facts are forward-looking statements made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect management's current expectations and are not guarantees of performance.

During the call, Carbylan and KalVista may make projections or other forward-looking statements regarding, among other things, the timing and completion of the proposed transaction, expectations regarding capitalization, resources and ownership structure of the combined company, expectations regarding the sufficiency of the combined company's resources to fund the advancement of any development program or the completion of any clinical trial, the nature, strategy and focus of the combined company, the safety, efficacy and projected development timeline and commercial potential of any product candidate and the executive officer and board structure of the combined company.

Actual results and the time of the events could differ materially from those anticipated in such forward-looking statements as a result of various risks and uncertainties, which include risks and uncertainties associated with Carbylan stockholder approval, the availability of sufficient

resources for operations and clinical development programs, the ability to successfully develop any of KalVista's product candidates and the risks associated with the process of developing obtaining regulatory approval for and commercializing drug candidates that are safe and effective for use as human therapeutics.

Additionally, information regarding factors that could cause results to differ are described more fully in Carbylan's periodic reports filed with the SEC.

I'll also note that, in connection with the proposed transaction, Carbylan intends to file a proxy statement and furnish or file other materials with the SEC. Carbylan's shareholders are urged to read the proxy statement and those other materials when they become available because they will contain important information about the proposed transaction and the parties to the transaction. The proxy statement and other relevant materials, when they become available, may be obtained free of charge at the SEC's website.

Carbylan, KalVista and each of our respective directors and executive officers may be deemed to be participants in the solicitation of proxies from shareholders of Carbylan in connection with the proposed transaction. Information regarding the interest of these directors and executives in the proposed transaction described herein will include--will be included in the proxy statement I referred to a moment ago.

Additional information regarding the directors and executive officers of Carbylan is included in Carbylan's proxy statement for its 2016 annual meeting, which was filed with the SEC on April 28th, 2016 and is supplemented by other public filings made and made with the SEC by Carbylan.

Any comments made on this call shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer of solicitation of sale would be unlawful prior to registration or qualification or applicable exemption from the security laws of any such jurisdiction.

Now let's talk about the transaction and why we're extremely pleased with this transformative event. In a minute, I will turn the call over to Andrew Crockett, the Chief Executive Officer of KalVista, who will further introduce and describe KalVista's platform, development programs and key value drivers, but let me first describe the background and key terms of the transaction.

As you all are aware, since the outcome of the stock buying results from our core 1.1 phase III clinical trial of Hydros-TA earlier this year, Carbylan's board of directors and management team

have been actively examining strategic alternatives to maximize shareholder value, including a potential acquisition, merger, strategic partnership or other strategic transaction. We undertook the review of our strategic alternatives in consultation with our shareholders and in partnership with our financial advisor Wedbush PacGrow. In connection with this review, the team actively evaluated over 150 potential merger candidates and performed significant due diligence on a large number of these candidates over the last few months.

Following this robust process, we ultimately concluded that the proposed transaction with KalVista offered the opportunity to create the most significant value for Carbylan's shareholders for several reasons, the main two being the attractive opportunity for value appreciation and the meaning for equity ownership stake provided to Carbylan's shareholders in a biopharmaceutical company and with promising clinical assets and substantial upside potential.

KalVista is a pharmaceutical company focused on the discovery, development and commercialization of small molecule protease inhibitors for diseases with significant unmet needs. Since inception in 2011, the KalVista team has developed a proprietary portfolio of small molecule plasma kallikrein inhibitors targeting hereditary angioedema, HAE, and diabetic macularedema, DME.

KalVista is currently developing an oral plasma kallikrein inhibitor for the treatment of HAE and has just received approval to begin dosing a phase I PK trial. KalVista's biologic and chemical insights on the target influenced the way that we approached this historical problem with PK and oral plasma kallikrein inhibition in this field and we believe gives us a great chance of developing a best in class oral prophylactic treatment for HAE.

Last week, we announced our entry into a definitive share purchase agreement with KalVista and the shareholders to include the Longwood Fund, Novo AS, RA Capital Management, SB Life Sciences and Dunnrock. We are pleased that the respective board of directors of both Carbylan and KalVista have unanimously approved the transaction.

Under the terms of the shared purchase agreement, KalVista shareholders have agreed to share their KalVista shares in exchange for newly issued shares of Carbylan such that KalVista will become a wholly owned subsidiary of Carbylan, and the shareholders of KalVista will become the majority owners of Carbylan. Upon the closing of the transaction, existing KalVista equity holders are currently expected to own approximately 81 percent of the combined company, and existing Carbylan shareholders are currently expected to own approximately 19 percent of the combined company. The percentage of the combined company that will be owned by Carbylan shareholders is subject to adjustment based on the amount of Carbylan's net cash at the closing of the transaction.

The combined company will be named KalVista Pharmaceuticals and will be led by the KalVista management team. The board of directors of the combined company will include two members designed by Carbylan prior to the closing of the transaction.

The holders of the majority of the outstanding shares of Carbylan common stock must approve the transaction at a special meeting of shareholders that we expect to occur late in the third quarter or early in the fourth quarter of 2016. Subject to approval by a majority of Carbylan shareholders and other customary closing conditions, we anticipate that we can close the transaction late in the third quarter or early in the fourth quarter of 2016. Carbylan's three largest shareholders, InterWest Partners, Alta Partners and Vivo Capital, have entered into agreements in support of the transaction.

Before I turn the call over to Andrew, let me emphasize that the Carbylan board of directors and management team believe that this transaction is in the best interest of Carbylan shareholders. We see the tremendous potential of KalVista, and we believe that the transaction offers Carbylan shareholders a very compelling opportunity for long term value creation.

With that overview, I am delighted to turn the call over to Andrew Crocket, the Chief Executive Officer of KalVista, for his comments on the transaction and KalVista's business and development programs. Andrew?

Mr. Andrew Crockett: Thanks very much, David.

Good morning to everyone on the line, and thank you for joining the call. I am very excited about the transaction with Carbylan and feel confident it provides an opportunity to build value for both companies' shareholders with the ability to accelerate our lead programs in HAE and DME.

As David mentioned, KalVista is focused on the discovery, development and commercialization of small molecule protease inhibitors for diseases with significant unmet needs. We have developed a proprietary portfolio of plasma kallikrein inhibitors targeting HAE and DME.

KalVista's near term goal is to offer a best in class oral plasma kallikrein inhibitor for HAE. We believe that an oral drug administered daily for the prophylactic treatment of HAE will be an important advancement in the treatment regimen of patients who suffer from this disease.

Heredity angioedema, or HAE, is a rare genetic disease in which patients lack the ability to regulate plasma kallikrein activity. HAE patients suffer attacks of swelling, which can occur in various parts of the body. While patients with HAE suffer from debilitating and even life threatening attacks, these patients are usually otherwise healthy.

Several lines of evidence have shown that plasma kallikrein is an important mediator of these attacks and that inhibiting plasma kallikrein is able to reduce both the frequency and severity of the attacks.

Our discovery platform continues to add to an existing portfolio containing multiple oral plasma kallikrein inhibitors. KBD818 will be the first of those molecules to enter the clinic. I'm happy to report that our clinical trial application for KBD818, our first oral plasma kallikrein inhibitor drug candidate, has been accepted by the MHRA, the United Kingdom's regulatory authority, allowing us to begin our first in human trial.

We anticipate enrolling our first subjects in the third quarter of this year. This first in human study will provide data for the key characteristics of safety, drug exposure and plasma kallikrein inhibition. We expect to report data from this study in the first half of next year.

We are currently progressing further candidates towards regulatory preclinical studies and plan to take at least one of those into the clinic in the first half of next year. We believe taking multiple oral molecules into phase I clinical trials gives us the most confidence and highest chance of success in achieving best in class oral status and also enables us to pursue other indications where plasma kallikrein inhibition currently shows promise.

The proposed transaction provides resources needed to achieve important clinical milestones within the combined company. In addition, the newly combined company will be publicly listed, maximizing our opportunity to leverage our small molecule plasma kallikrein inhibitor platform and ultimately take best in class molecules through to NDA and eventually to market.

Post transaction, KalVista is expected to have approximately 35 to $40 million of net cash to advance our pipeline. Our priority for use of these resources will be to advance our oral plasma kallikrein inhibitors into clinical trials for the treatment of HAE.

Since our founding in 2011, there have been two critical pillars that continue to drive KalVista's business today. First, we have an experienced research team of scientists that have been working in the field of small molecule protease drug discovery for more than two decades. This is a notoriously challenging drug discovery area, and we believe that the experience of our team gives KalVista significant competitive advantage.

In addition, all of our molecules have been discovered by KalVista scientists. These discoveries are the foundation of our intellectual property. This team continues to strengthen our plasma kallikrein platform and may enable KalVista to pursue additional protease drug targets beyond kallikrein in the future.

Second, our scientific cofounders from the Joslin Clinic of Harvard University are experts in the role of plasma kallikrein in diseases with significant unmet need, our initial area of focus as a company. The combination of drug discovery and plasma kallikrein expertise coupled with an experienced team that has been successful in bringing small molecule drugs to the market has yielded an exciting pipeline at KalVista.

While we are prioritizing our resources on development of our oral inhibitor platform for HAE, we are also advancing our intravitreal plasma kallikrein inhibitor, KBD001, for DME. We have successfully completed a first in human trial and generated safety data supportive of progression to clinical efficacy studies. Consistent with our strategy of advancing multiple oral candidates, this may provide an additional indication for oral treatment with plasma kallikrein inhibitors.

DME is a serious microvascular complication of diabetes, and at least 20 percent of diabetic persons will develop macularedema. DME is caused by retinal swelling due to leaky blood vessels in a macula. The result of the swelling can be blurring and a substantial reduction in vision, even legal blindness.

Current treatments of DME include laser photocoagulation and the more recent approval of various intravitreal anti-VEGF agents. While the anti-VEGFs are very effective in many patients, approximately half of DME patients do not fully respond to anti-VEGF therapy. The plasma kallikrein pathway has been identified in several recent publications as an exciting VEGF independent pathway that could significantly improve patient outcomes in DME.

In summary, the combination of our two companies will create a robust and advanced platform in an attractive space and provide critical and timely access to greater resources, overall a win-win for both companies and for their shareholders and for patients in need.

Thank you for your time and interest this morning. With that, operator, can we please open it up to questions?

Operator: Thank you. At this time, we'll be conducting a question and answer session. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone

will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

Once again, ladies and gentlemen, it is star, one to ask a question at this time. We'll pause a moment longer.

Thank you. Our first question comes from the line of Daniel Morrison [sp], private investor. Please proceed with your question.

Mr. Daniel Morrison: Is today's press release a strategic move due to the, uh, Brexit vote?

Mr. David Renzi: Uh, can you repeat your question? I'm sorry, I didn't hear that.

Mr. Daniel Morrison: Was today's, uh, press release scheduled, uh, to counter the, uh, Brexit vote results?

Mr. Andrew Crockett: Uh, Dave, do you want me to take that question?

Mr. David Renzi: Sure, sure, go ahead, Andy.

Mr. Andrew Crockett: Yeah, I mean, I think, actually, I mean, the press release was issued certainly in advance of the Brexit vote. But, um--and while this is certainly major news for the global economy, we do not anticipate that this will affect our transaction. Um, we are closely watching the situation in the UK and EU for regulatory intellectual property and, uh, financial implications.

Mr. Daniel Morrison: Thank you.

Operator: Thank you. Our next question comes from the line of Mitch Andrea [sp], private investor. Please proceed with your question.

Mr. Mitch Andrea: Yeah, my question would be how is a 19 percent stake in the company a good value for the Carbylan shareholders versus 100 percent?

Mr. David Renzi: It's a good question. Um, you know, we evaluated, as I mentioned, 150 different, um, potential strategic opportunities for Carbylan, and the net result of all of the criteria that we used to evaluate, um, those potential partners was that the KalVista opportunity was the best, uh, value for our shareholders. And I think, when we release the

proxy later this year, you'll get more detail around, um, you know, what that means to each of our shareholders.

Mr. Mitch Andrea: Okay, thank you.

Operator: Thank you. Our next question comes from the line of Barry Foreman, private investor. Please proceed with your question.

Mr. Barry Foreman: Do you know how many outstanding shares of the new company will be out there?

Mr. David Renzi: Again, um, we're working through that right now. As I mentioned in the, uh, conference call, we're, you know, we're earnestly working on the--beginning to work on the proxy, which will be filed later this year, and all that information will be contained in the proxy. So, at this time, we're not prepared to address that level of, um, uh, detail, but those details will be coming out shortly.

Operator: Thank you. We have no further questions at this time. I'd like to turn the floor back over to Mr. Renzi for final remarks.

Mr. David Renzi: Thank you, Melissa.

So, everyone, thank you so much for, uh, joining us on this call this morning. I know there's a lot of breaking, uh, macro news that's, uh, out there and probably consuming much of your time. But, that aside, I think this opportunity for Carbylan and KalVista to combine as one company is truly, uh, a great opportunity and one that we at Carbylan believe will bring potentially significant enhancement to our shareholders. And we look forward to continuing to work to close this transaction over the next several months and will, um, look forward to communicating with all of you, uh, in the near future. So, thank you, again, for joining us on this call.

Operator: Thank you, ladies and gentlemen. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.