

## ASX Announcement

13 August 2019

### Implementation of strategic focus results in restructuring and 50% reduction in operating costs

#### Highlights

- Efficiencies realised by aligning operations with the immediate priority to commercialise Progenza and develop additional therapies for the global pain market
- Product development phase of Progenza for OA completed enabling focus now on Phase 2 trial in Japan and partnership development in US, Europe and Asia.
- Restructuring and implementation of a range of cost saving initiatives delivers a 50% reduction in recurring operating costs, to \$250,000 per month
- Scientific partnership model supports the funding and ongoing research and development of Progenza and Sygenus, whilst significantly reducing costs and reliance on in-house resources
- Revised executive remuneration structure enables the more efficient deployment of cash and ensures strong alignment of senior executives to long-term value creation for shareholders

**Regeneus Ltd (ASX: RGS) (Regeneus or the Company)**, a clinical-stage regenerative medicine company announces it has completed a restructuring of its operations and implemented a number of cost saving initiatives that will deliver a 50 per cent reduction in recurring operating costs, to \$250,000 per month.

The initiatives ensure the ongoing alignment of the Company's operations to its revised strategy of developing therapies for the global pain market, utilising its Progenza and Sygenus technologies, as well as providing an extended cash runway to complete a major licensing deal for OA in Japan.

#### Reduced operating footprint aligns costs with strategy

The Company has restructured its operations, reducing headcount of employees, delivering better alignment between the Company's resources and strategic priorities, and reflecting the shift away from in-house resources and towards scientific partnerships to support ongoing pre-clinical and clinical development.

The Company has also secured new smaller premises and will relocate from its current location this month, delivering further significant cost savings.

#### Scientific Partnerships support cost-effective research and development

To support the ongoing research and development of Progenza and Sygenus under a cost-effective model, the Company will utilise its partnerships with leading universities and contract research organisations to develop and commercialise additional therapies that address a broad range of indications in pain.

Under this model, Regeneus will benefit from direct access to funding and the additional capabilities of these established scientific parties, reducing the need to maintain resources in-house and supporting the Company's ongoing research and development with a significantly reduced cost-base.

### **Updated remuneration structure aligns executive compensation with long-term value creation**

Demonstrating the strong confidence and continued alignment of the management team to the Company's strategy, the CEO, CSO and CFO have agreed to a revised remuneration structure that aligns with the Company's new strategy, announced 22 July 2019.

As part of the restructure and showing a clear and ongoing personal commitment to the long-term strategic direction of Regeneus, Leo Lee the CEO has agreed to reduce his potential cash compensation of \$650,000 per annum (comprising base salary of \$325,000 and cash bonus of up to \$325,000) to \$290,000 per annum to maximise cash utilisation by the Company. Subject to board review and shareholder approval, equity will be granted to offset reduction of his cash remuneration. The Board and Leo believe this change in his remuneration package will better align executive compensation to creation of shareholder value.

Additionally, in line with the Company's immediate focus to bring Progenza for osteoarthritis to market in Japan by 2023, Prof. Graham Vesey, executive director and CSO has agreed to reduce his executive role to reflect the reduced focus on the Company's RGS4K and Animal Health platforms. This will result in a reduction of remuneration to \$140,000 per annum. The reduction in no way impacts Regeneus' ability to deliver on its commercialisation strategy for Progenza and reflects an appropriate alignment of costs and resources to planned operational activity. John Bird, the CFO and COO, has also agreed to reduce his executive role, resulting in a reduction in remuneration.

This Executive remuneration restructure delivers a total of \$605,000 or 50% ongoing cost savings to the business and provides for more efficient use of cash, whilst demonstrating the executive team's ongoing commitment and alignment to the Company's success and long-term value creation.

### **Completion of Phase 2 and commercialisation of Progenza in Japan**

As its number one priority, Regeneus' focus is on the commercialisation of its most mature technology platform – Progenza – and the completion of a Phase 2 clinical trial for the treatment of osteoarthritis, to bring the product to market.

The Company is currently finalising negotiations with a major Japanese company for a commercial licensing deal, which will take Progenza for osteoarthritis through a Phase 2 trial to commercialisation, and expects to announce a positive outcome from these discussions in the near term.

A recent capital raise, reduced operating costs and pending commercial deal is expected to fully fund the path to Japan commercialization.

### **Leo Lee, Regeneus CEO comments:**

"The Board and executive team have put in place a number of initiatives which generate significant savings for the Company and align operations with our new strategic priorities. We remain confident in our ability to bring Progenza to market in Japan by 2023. The resulting 50 per cent reduction in costs from these initiatives and the restructuring of the business is expected to

provide us with sufficient runway to finalise our Japanese commercialisation deal and commercially launch Progenza to this timeline.”

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**About Regeneus Ltd**

Regeneus Ltd (ASX:RGS) is a Sydney-based clinical-stage regenerative medicine company using stem cell technologies to develop a portfolio of novel cell-based therapies to address significant unmet medical needs in the human health markets with a focus on osteoarthritis and other musculoskeletal disorders, neuropathic pain and dermatology.

<http://www.regeneus.com.au>

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