

Nemaura Medical: Positive Results from Head-to-Head Study with Major CGM

RedChips CEO, Dave Gentry interviews Dr. Faz Chowdhury, CEO of Nemaura Medical (NSADAQ: NMRD).

Dave Gentry: Dr. Chowdhury, thanks for being with us today.

Faz Chowdhury: Oh it's my pleasure.

Dave Gentry: Now you recently announced a head-to-head study with one of the major incumbents in the continuous glucose monitoring space. What can you tell us about this study?

Faz Chowdhury: Yes, so let me give you some background as to why we decided to start these studies. We've had discussions with a number of health care insurers. Yes, of course our target is to get product reimbursement. Now when we look at existing CGMs, whether it's a Dexcom or the Abbott, you've got CGM's that last for up to 10 days at a time or 14 days at a time. And what we have seen is that based on anecdotal evidence, whereby individuals that have been in intensive monitoring using a finger-prick testing alone on certain days a week or a month. So the long term clinical outcome has been quite good. So the objective here was establish to full extent can we potentially achieve the same clinical outcome over the long run, whether that be three, six, nine months for example. As you would achieve if you were to wear a CGM every single day of the month. And you can understand and appreciate what we see from cost perspective either through self funding or through the Health Care providers.

That was to be the core driver for our start in the studies. Now what we did earlier today if you would have noticed, is that we in fact published some of the earlier data. In this case a direct comparison with Libre. Because we thought, well we've done the clinical studies you know, we've got the CE approval, and people are using the device. How does it actually compare with the Libre in this case? And you'll no doubt agree with some of the data that we've published that you know we categorically demonstrate that our data is on par in terms of accuracy with the likes of Libre. And over the coming weeks and months what we intend to do is publish further data not just showing the clinical outcome but also from a user perspective in terms of how users are actually adopting the system, because we've got to bear in mind that within, with regard to CGM usage, it is highly underutilized. You have something like 450 million diabetics around the world. In the U.S. alone you've got over 35 million diabetics. And yet when you look at how many diabetics have actually adopted the CGM, it is actually quite a small number. And we believe, based on the research that we've done, that one of the barriers to entry has been cost and also been invasive nature of devices. So that is certainly another factor that we will be very carefully monitoring as these studies progress.

Dave Gentry: Right, your product is non-invasive, it's much more cost effective so you're basically going head-to-head against the giant in the space. What is the current status of your commercial launch?

Faz Chowdhury: So after receiving CE approval we started what we called our phase 1 of our commercial launch. Which is where we've been getting devices for a number of uses to primarily provide us feedback with regards to usability, the rate they were benefiting from the data they were gathering. And in parallel to that we have been putting a huge amount of effort into scaling up our manufacturing operations. And the great thing has been that over the course of these last few months, we've been able to further optimize our system as well as improve the user interface. So for example you may have noticed that we have launched our re-skinned app for the device. Which is currently available on Play Store and it will also soon be available on the App Store as well. So with regards to commercial launch therefore, our primary target are the two key markets in Europe as we see it. So, we've got the U.K. and we've got Germany. Those are our two key targets initially.

They are what we are planning to do based on what we've recently established regarding the ability to sell the device into the U.S. under the well-being category. We do intend to go into the U.S., so over the course of this year, what you will see is that we will be rolling out product and product will be commercially available online to purchase both in the U.K. and in Germany, and then later in the year in the U.S., under the well-being category. So that's where we stand currently.

Dave Gentry: Excellent. And will you be able to secure reimbursements from Health Care plans and insurers?

Faz Chowdhury: That is absolutely our target. We have already compiled the applications, both for Germany and the U.K. We are in the process of adding further revenue, so for example based on the recent user studies that we've been doing we are adding that into the application to demonstrate the utility of the device, the benefit people are actually deriving from using glucose monitoring on a continuous basis but on non-consecutive days. So we are absolutely going to be pursuing reimbursement both in the U.K. and Germany initially as a medical device. In the U.S. we are planning to launch ProBeat as a well-being device. Now, the thing here is that this will be, as far as we are aware, it will be the first device that is a continuous glucose monitor that will be available in the U.S. as a well-being device. And we will be gathering the data and we will be able to provide prompt and education tips, and health tips etc., to individuals. To help them either prevent becoming diabetic or to help people with type 2 for example, stabilize their condition. So in a way it's a bit like the Livongo model. The key difference here is that we actually have a device that is unique in that there is no other non-invasive continuous glucose monitor on the market that we are aware of.

So it enables us as a result to gather big data from pools of population that so far have not been reached by the likes of let's say Dexcom or Abbot. And of course that is a very important point, you see, because when you look at the different segments within the

diabetes script, we have prediabetics, we've got type 2 on oral meds or on diet control alone, and then you've got the type 1. Now of course when you look at the way glucose levels are affected in those individuals is very different how they're affected by a different lifestyle or dietary or environmental factors for example. And so we will be able to gather that data and we will be able to develop artificial intelligence that allows us and provides us predictive alerts. And so this is really important because if you look at the U.S. alone, you have over 18 million pre-diabetics, and the bulk of them don't actually know that they're prediabetic yet, and what's better than preventing those individuals from becoming diabetic in the first place? And that's really one of our core targets under the wellness category in the U.S. with ProBeat. And we again will be pursuing reimbursement in the U.S. for that, although it's under the well-being category.

Now, the reason we say that and the reason we believe it will be possible, well the reason we are quite positive in our ability to attract reimbursement, is that the precedent has already been set in the likes of Germany and the U.K. Where there are DPPs, which are diabetic prevention programs that utilize mobile phone apps, which are non-medical devices that provide hints, tips, advice, educational tools etc. to individuals to either help them prevent becoming a diabetic or stabilize their glucose levels if they're type 2 for example. And so therefore we are carrying that forward essentially into the U.S., into the single largest territory in the world, as far as we're concerned from a commercial point of view. And of course we have first-mover advantage and our objective is to get into that market by the end of the year, sometime in the last quarter of this year. And also in parallel as we are selling products and generating revenues here in Europe to pursue the reimbursement case with the health care insurers in the U.S.

Dave Gentry: And Faz, how big is the market opportunity for your target market?

Faz Chowdhury: Overall, globally there are over 450 million people that have diabetes. If I take the U.S. alone, you've got roughly 88 million pre-diabetics, you've got about 25-26 million people with type 2 diabetes and then another 8 or 9 million with type 1 diabetes. So the number, the market in that sense, is vast. Just with U.K. and Germany alone, we have over 10 million people with diabetes. And what we've got to appreciate here is that it is a condition that is very poorly managed, not just by those who have the condition but also by the health care providers. I mean, this is a condition that actually leads to something like 10-15% of entire health care budget being spent on managing the complications of diabetes. So surely the better way to address this is very early intervention, either prevention of people becoming diabetic or those that are diabetic, type 2 that can reverse their diabetes, we help them reverse that condition. Or at least allow them to have far better control over glucose fluctuation. And of course, by far, the best metric by which you measure that is by measuring timing range.

So over what period of time during the day have we kept your glucose profile within a narrow zone. And of course you can't do that with finger-prick testing. Now, you can do that with CGMs that currently exist like the Libre and the Dexcom. But the problem that we see with both of those systems is that they predominantly tailor, cater for the type 1 market, because within the type 2 space, and most certainly within the prediabetes

space, if you don't really need to wear a continuous glucose monitor every single day of your life, Why would you do it? It's inconvenient, it's a cost and especially if it's not required from a clinical perspective, why would you? And from that point of view, we have the first-mover advantage and we are able to, we believe, get the lion's share of that market within the type 2 space and certainly the prediabetes space, as compared to the current incumbents in this space. So for us, therefore, it's not just simply a case of what is the market size. It's really more a case of, well, this is the market and these are the areas that our key competitors quite simply cannot penetrate. And we intend to.

Dave Gentry: Excellent. Give us a snapshot of the current financial position of the company.

Faz Chowdhury: Yes, so, as a company we've always had a very lean burn rate. And most recently we've secured a \$5 million loan on a two-year term. And that provides us sufficient runway for at least another 12 months, if not more. But bearing in mind, within that period we also expect to generate significant revenues moving forward, both in U.K., Germany, and the U.S. And of course, to add to that the other thing I should point out that we have recently made public is that we are in discussions with several multinational companies within the pharma and medtech space and therefore we also potentially see revenue options coming in through collaborations with these partners for one or more territories moving forward. So as it stands we are in a reasonably comfortable position.

Dave Gentry: What are the terms on the \$5 million loan?

Faz Chowdhury: The loan is in fact very favorable from our perspective in that, it has allowed us to basically continue our manufacturing and our commercial operations without adversely affecting our stock by taking in let's say toxic equity deals or anything of that nature, so there's no warrants, it's not equity related, it's a clean load, and the terms are that in the first year, or first 12 months, \$600,000 are repayable and the rest will be repayable from months 12 to 24.

Dave Gentry: To recap today briefly, what's the essential value proposition for investors today?

Faz Chowdhury: Well there are I would say three key things to consider. First of all we are now going to enter into the single largest market in the world. Where we have potentially over 100 million potential customers, or potential users, of our device. We are going to be generating revenues in the U.K. and in Germany, we expect to generate revenues. So therefore we are now out of the domain of being an R&D based company and into the domain of commercialization and revenue generation, OK? This is key. So the bulk of what we are doing now is about generating revenues, and finally the other thing for me to point out I guess, which I just alluded to is that, look, the market is huge, there are clear unmet needs, but from our perspective it is not simply just the case of market size; it is a case that we have a technology that can penetrate areas of that market that the two key competitors simply cannot, by virtue of the fact that their

devices have to be worn from 10 to 14 days at a time, with the associated costs. So I think, therefore, from that perspective there is certainly, we believe, significant opportunity for growth of our company and of course the stock.

Dave Gentry: Faz thanks for being on the show today.

Faz Chowdhury: My pleasure. Thank you very much.

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