

Transcription
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Presentation

Operator

Greetings and welcome to the Mauna Kea full year results 2019 and first quarter sales 2020 conference. At this time all participants are in a listen-only mode. A brief questions and answer session will follow the formal presentation. Please note that this conference call is being recorded and that the recording will be available on the company's website for replay shortly. It is now my pleasure to introduce your host, Mr. Rob Gershon, CEO of Mauna Kea Technologies, please go ahead sir.

Robert Gershon

Thank you, Philippe and welcome everyone to Mauna Kea Technologies full year 2019 financial results and first quarter 2020 sales results conference all. I am joined on the call today by Christophe Lamboeuf, our Chief Financial Officer.

Let me start with a brief agenda for what we will cover during our prepared remarks. I will start with a brief summary of our sales performance and review of our key operating highlights for the full year 2019 period. I will then provide a brief summary of our sales performance for the first quarter of 2020. After these opening remarks, Christophe will provide you with a detailed review of our full-year 2019 financial results and balance sheet condition as of December 31st, 2019.

I will then provide an update on our progress with the formal evaluation process, to identify new clinical indications for commercial focus, which was one of our three strategic priorities in 2019. I will then outline our strategic priorities for 2020 and share our current thoughts on the Covid-19 crisis; including our recent efforts to enhance our balance sheet and reduce our operating expenses as a result of the Covid-19 pandemic.

Then we will open the call to your questions.

As previously reports, our total sales for the full-year 2019 period increased 10% year-over-year to €7.4 million. Sales to clinical customers represented 96% of the total company sales in 2019, increasing 27% year-over-year. As discussed throughout 2019, this is a direct result of our strategic focus to dedicate our commercial resources to the clinical market. Total sales growth in 2019 was driven by sales of consumables, which increased 47% year-over-year, offsetting declines in both system sales and service revenue of 14% and 20% respectively, compared to the full year 2018 period.

The increase in sales of consumables reflects strong execution towards our primary strategic priority for 2019, driving sales of consumables, which represent utilization-driven growth across our installed base of Cellvizio systems. We believe the 47% increase in consumables sales in 2019 is the clearest evidence of Cellvizio customers appreciating the utility of our technology, and represents a strong foundation of growth for the company in the future. Consumable sales to US customers increased 41% year-over-year in 2019 and represented our largest driver of consumables growth by geography this year.

We also performed well against our second strategic priority for 2019, driving revenue outside the US; but doing so in a targeted fashion in an effort to maximize the resources we invest in certain international markets. International sales increased 26% in 2019, led by a very strong demand in the Asia Pacific region and solid growth trends in EMEA and rest of world regions. Asia Pacific sales increased 60% year-over-year in 2019, fueled by a strong and growing relationship with Yohi, our distribution partner in China.

EMEA and rest of world sales decreased 9% year-over-year in 2019, but again, this performance does not reflect the solid growth we experienced in the clinical market, which posted 20% growth year-over-year, but was offset by a 66% decrease in sales to pre-clinical customers compared to last year.

While we are pleased with delivering strong performance relative to the first two strategic priorities in 2019, our operational execution enhanced the company's ability to drive growth in the years to come.

During our first half 2019 conference call in October, we discussed our year-to-date operational progress in several areas, including but not limited to, one, expanding our leadership team; two, new product development; three, reimbursement and, four, expanding our portfolio of clinical validation.

In our press release this afternoon, we also highlighted our progress in recent months. In the interest of brevity today, I will call your attention to some of the most important milestones from 2019, given their impact on our growth objectives going forward.

First, the importance of the 510(k) clearance and market introduction of our Cellvizio AQ-Flex 19 Confocal Miniprobes in early 2019, cannot be overstated. We have talked about this innovative technology throughout the year, specifically the unique ability to use it through existing bronchoscopes, transbronchial needles and other bronchoscopic accessories. Simply stated, we continue to believe the AQ-Flex may represent one of the most important clearances for the company's growth opportunity in the years to come.

Second, in January 2020, we announced the 510(k) clearance for the Cellvizio 100-series and all associated confocal miniprobes for the indication of visualization of blood flow, when used in conjunction with the fluorescent dye, fluorescein as a drug device combination. This was our seventeenth 510(k) clearance for the Cellvizio platform and one that we believe could be meaningful to our future growth as we evaluate the potential for clinical use of Cellvizio with highly-specific molecular imaging markers. I will discuss this potential growth area later on in the call.

Third, last month, in March, we announced 510(k) clearance and CE marking of our next generation Cellvizio platform. This marked the eighteenth 510(k) clearance of the Cellvizio platform. This next generation platform was designed to facilitate and better integrate endo-microscopy within procedure suites, as well as within third-party platforms. And the hardware and software was designed to easily facilitate future developments, including integration of artificial intelligence capabilities for assisted image interpretation.

This next platform will be launched commercially, on a limited basis, in the second half of 2020, and with its modular and flexible design, as well as being AI and molecular imaging ready, we expect this new system to host our future innovations, indications and support partnership development.

So, in summary, we are pleased with our performance in 2019. We executed against our first two primary strategic priorities, which resulted in strong sales growth in both the US and in select international markets. We also made significant operating progress, which we believe enhances our ability to drive growth in the years to come.

Turning to a review of our sales results for the first quarter of 2020, which we announced in our press release this afternoon. Total sales for the first quarter of 2020 period were €1.5 million, down 14% year-over-year. Total clinical sales for the first quarter of 2020, decreased €0.1 million, or 7% year-over-year, to €1.5 million, compared to €1.6 million in the prior year period. The decrease in total clinical sales was driven by a 50% decrease in clinical sales in the EMEA and rest of world region, and a 14% decrease in clinical sales in the Asia Pacific region, partially offset by a 20% increase in clinical sales in the US.

Sales to clinical customers represented 100% of total company sales in Q1 of 2020, compared to 92% of sales last year. The year-over-year decrease in pre-clinical sales in the first quarter of 2020 was a direct result of our strategic focus on clinical sales opportunities compared to our strategy in recent years, which included targeted pre-clinical customers as well.

First quarter 2020 sales performance by product category was driven primarily by a 27% decrease in consumables sale and, to a lesser extent, a 1% decrease in systems sales in the period. The year-over-year decrease in total consumable sales in the first quarter of 2020 was due to lower procedure-related demand for Cellvizio probes as a direct result of the Covid-19 pandemic.

First quarter 2020 total sales performance benefitted from a stronger than expected demand for Cellvizio systems in both the US and APAC during the period.

With that, let me turn the call over to Christophe for a detailed review of our 2019 financial results. Christophe.

Christophe Lamboeuf

Thanks, Rob. Given the detailed disclosure of our full-year revenue performance in our press release this afternoon, and as previously disclosed in our fourth quarter and full-year 2019 sales press release on January 29th, 2020, my commentary today will focus on our financial results for the full year 2019 period, beginning with gross profit.

Gross profit for the full-year 2019 period increased €0.5 million or 10% year-over-year to €5.2 million compared to €4.7 million last year. Gross margin for the full year 2019 period was 69.6%, compared to 69.6% in the full-year 2018 period. Total operating expenses for the full-year 2019 period increased €1.4 million or 8% year-over-year to €19.3 million compared to €17.8 million for the full-year 2018. The increase in total operating expenses was primarily driven by an increase in administration expenses of €3.2 million or 57% year-over-year to €6.2 million, driven by investments made in the scan-heart offer of 2018 to strengthen the management team and [inaudible] ensure the payment of €0.8 million or 588% year-over-year to €1 million, driven by the allocation of free shares and stock options in 2018.

The increase in total operating expenses for the full-year 2019 period was partially offset by lower research and development expenses due to the capitalization of €0.8 million of expenses and lower sales and marketing expenses, which decreased respectively €1.5 million and €0.1 million compared to the full-year 2018 period.

Operating loss for the full-year 2019 period was €17 million, compared to an operating loss of €12 million for the full-year 2018 period. The increase in operating loss was driven by the €0.5 million increase in gross profit, offset by the €1.4 million increase in operating expenses, compared to the prior year period.

Net loss for the full-year 2019 period was €15.3 million, compared to a net loss of €12.8 million for the full-year 2018 period. The increase in net loss was primarily driven by the increase in operating loss compared to the prior year periods, as well as an increase in interest expenses net, driven primarily by non-recurring financial costs of €1.7 million associated with the earlier repayment of the IPF partners bond financing.

Turning to a review of the balance sheet, as of December 31st, 2019, the company had a cash balance of €10 million and long-term debt obligations of €15.5 million, compared to €8.6 million cash and €6.5 million long-term debt obligation as of December 31st, 2018. The change in cash during the full-year 2019 period was driven by €10.3 million cash used in operating activities and €1.4 million cash used in investing activities, offset by €13 million cash from financing activities.

Cash from financing activities for the full-year 2019 period was driven by proceeds from the first tranche of €11.5 million under a financing agreement concluded on June 20th, 2019, with the European Investment Bank and a strategic liquid investment of €7.5 million by Johnson & Johnson Innovation, JJDC, on December 16th, 2019, partially offset by a redemption of all non-deluded bond financing with IPF partners for a total amount of €10.7 million on June 28th, 2019.

With that I will turn the call back to Rob. Rob.

Robert Gershon

Thanks, Christophe. Turning to an update on our progress with the formal evaluation process to identify new clinical indications for commercial focus, which was one of our three strategic priorities in 2019. As discussed in our last call, we are currently undertaking a formal process to evaluate new clinical indications to identify the company's next commercial focus area. To the extent that this process is successful, we believe that it will result in us uncovering the next application for commercial focus that will serve as the future growth engine of the company.

In March 2019, we identified interventional pulmonology as the first potential new clinical application that we put through this process. As a reminder, the primary goal of our formal process is to evaluate the commercial opportunity interventional pulmonology presents in terms of market potential, clinical value, product feasibility and overall strategic value for our company.

As we have moved through each stage of this formal process, we have been increasingly encouraged by the potential opportunity in the interventional pulmonology market, given the very large incidence rate of lung cancer, the highest mortality rate among all cancer types, and the fact that we have a unique solution to help improve the current lung biopsy paradigm. The development of Cellvizio's needle-based probe allows the physician to penetrate and visualize inside the lung nodule in real time and in vivo.

We also believe that the AQ-Flex could provide diagnostic yield and reduce the need for unnecessary invasive procedures for diagnosing or staging lung cancer. We continue to believe one of the most compelling aspects of the interventional pulmonology opportunity for Mauna Kea is that Cellvizio, when used in combination with robotic and advanced navigation platforms has the promise of improved targeting in site two tissue characterization and increased diagnostic yield.

To that end, in December, we announced a collaboration with the lung cancer initiative at Johnson & Johnson, which is working to develop new diagnostic and therapeutic approaches for this disease, with significant unmet need. This is an exciting collaboration for Mauna Kea. We have been working hard in recent months, and will be providing an update on the progress of our collaboration with J&J's LCI team in the near future.

While we are proud of the progress we have made with the formal evaluation of interventional pulmonology in 2019, and we are understandably excited to collaborate with J&J's LCI team on potential application for our technology in the endo-luminal robotic space, we thought it would be helpful to highlight some of the other potential new clinical applications that we have started the process of evaluating this year.

Each of these represent interesting potential new clinical applications for Cellvizio that may be considered for commercial focus. But it is important to remember that each of these processes are on-going. So, today's commentary should be viewed as a preview with the expectation that we will provide updates as things progress in 2020.

Interestingly, one of the new clinical applications we are pre-viewing today is within interventional pulmonology or, more specifically, the large potential market opportunity outside of our collaboration with J&J's LCI, which is manual bronchoscopy.

Building upon the recent published studies on the use of Cellvizio during manual bronchoscopy for peripheral lung nodules, we continue to work with interventional pulmonology KOLs in the US and Europe, who are evaluating the potential contributions Cellvizio can make to increase diagnostic yield. It is important to understand that, while the endo-luminal application of robotic and navigation-assisted technologies is incredibly compelling, it remains in the early days of adoption. The substantial majority of procedures today are done with manual bronchoscopy.

We are evaluating how our current Cellvizio technologies may improve outcomes in this space; or how we may focus our R&D efforts to create innovative new solutions by enhancing our current technologies.

One final comment, as it relates to the manual bronchoscopy opportunity. We believe there may be an application for Cellvizio to help those patients suffering from acute respiratory disease syndrome, or ARDS. These patients are typically on respirators in the ICU and determining the level of fibrosis in the lungs is integral to determining the treatment path. Biopsy is the standard method of determining the level of fibrosis but, for many of these patients, many of these patients are too sick for a biopsy.

Clinicians are further challenged by the fact that steroids are a viable option for treatment of the fibrosis, but only for some patients, and can cause serious complications, including death in others. Cellvizio has been used to characterize low and high-grade fibrosis without the need to biopsy, which could lead to critical changes in patient management and treatment going forward. In fact, there was a poster presentation on this topic at ERS last fall, based upon clinical work completed by a team from the Department of Pulmonology at Amsterdam University Medical Centre. We are in the early days in our evaluation of this specific opportunity; but one that appears to be very compelling.

We have also identified an interesting potential new clinical application within GI in the area of irritable bowel syndrome, or IBS, with a specific focus on food allergies. This is a large market, as food allergy or intolerance, affects 11% of the global population. There is a real clinical problem to address as there are no reliable bio-markers available and the current diagnostic methods are unreliable, which means that many patients continue to suffer without clear treatment.

We are beginning a KOL pilot program in Germany, as we believe Cellvizio enables real-time observation of mucosal response to food antigens, which may provide certainty, compared to the current testing methodologies, which are lacking.

Finally, as I mentioned earlier in my prepared remarks, a most recent clearance for Cellvizio 100-series and all associated confocal miniprbes for the indication of visualization of blood flow, when used in conjunction with a fluorescent dye, fluorescein, as a drug device combination, gives us access to a new, rapidly-developing field of medicine.

Pharmaceutical and other companies are creating molecules that attach to targeted cancer cells. Currently near infra-red cameras are used to excite and visualize these molecules. We have a near infra-red version of Cellvizio that has been able to similarly excite and visualize certain molecules. This is an important area of development for us. Two areas of clinical interest are being explored. Fluorescent guided surgery for tissue characterization to eliminate false positives. And evaluating patient response to drug treatment at the cellular level. So, more to come here in 2020 but an exciting potential opportunity nonetheless.

Before we open the call for questions, I want to briefly review our three strategic priorities for 2020, to remind investors where our organization is focused on driving execution and results. Importantly, while our three strategic priorities in 2020 are similar to the ones we highlighted in 2019, I can ensure you, we have enhanced our approach to each of these priorities and expect continued results again this year.

First, we are intently focused on driving utilization-base consumable sales in our active installed base in the US GI market. Our sales leadership team executed a comprehensive overhaul of our commercial targeting and growth strategy in the US GI market in 2019. The result of this effort was a new, enhanced and more targeted commercial plan to optimize our growth in this market going forward. The key tenant of this commercial strategy remains unchanged, to drive strong utilization-based demand for consumables in the US GI market.

However, we have focused this effort on supporting and growing the installed-base of devoted users and KOLs that most appreciate the benefits Cellvizio offers to GI clinicians. As of the end of 2019, we have an installed base of approximately 80 active Cellvizio systems in the US and, this installed base of active systems, drove consumable demand of more than €2.8 million during 2019. This demand represented the strongest driver of consumables growth in the company of 2019, and we expect the demand from our active user-base in the US to represent the largest portion of total company consumable sales again in 2020.

Importantly, our commercial leadership team developed a new, more targeted strategy for driving future adoption of Cellvizio in the US GI market. For many years this company has talked about our US GI market as roughly 15,000 GI physicians across a range of GI specialties, and that these 15,000 physicians practice at more than 3,400 facilities. Our learnings over the last year clearly demonstrated that there are a select group, within this 15,000, that represent ideal targets for Cellvizio.

Specifically, we have identified roughly 1,500 GI physicians that do a high volume of upper GI biopsies, EGDs, each year. And a significant portion of these upper GI biopsies are done on Medicare patients, where Cellvizio has very strong reimbursement. This targeted group of potential Cellvizio users practice at roughly 1,000 facilities and represent an estimated \$220 million of annual recurring revenue opportunity for Mauna Kea in the US as we penetrate this group of potential new users.

We believe our enhanced US commercial strategy will result in us increasing the number of active Cellvizio systems in the US in 2020. The team is also armed with a more comprehensive offering of message to adopt Cellvizio going forward, specifically, in addition to the purchase option and our pay-per-use program, we have launched a new capital lease program in 2020.

With respect to our second strategic priority in 2020, our commercial efforts outside of the US, we will continue to be very targeted, specifically in the clinical market, in an effort to maximize our resources. We will continue to focus on targeting clinical customers in certain OUS markets, where we have established KOL support and a strong distribution relationship, where we can pursue growth at an attractive potential return on invested capital.

Our third strategic priority is to continue our formal evaluation process or identifying a new clinical indication for Mauna Kea's next commercial focus area. We are encouraged by the work that we have done thus far in interventional pulmonology and we are also continuing to take other new potential indications through the formal evaluation process and we look forward to updating investors as things develop this year.

Finally, I want to share a few thoughts on the unprecedented global crisis that everyone is dealing with over the first few months of 2020. As indicated in our press release in late March, and reiterated this afternoon, our near-term outlook has been challenged by the global crisis caused by Covid-19 during the first quarter of 2020. Across our entire business world-wide, our teams are fully prepared to conduct all business-related engagements virtually and are embracing new and creative ways to continue to engage and support our customers in order to help achieve strong clinical outcomes.

We have seen a slowdown in procedure trends as a result of the growing number of health authorities either recommending, or enforcing procedure deferrals. We saw a significant impact on our business in China early in the first quarter as a result of the government mandate calling for no endoscopic procedures.

Our clinical sales in our EMEA and rest of world regions experienced a significant slowdown in procedure-related demand, which impacted our consumable sales during the quarter. After a solid start to the quarter in the US, consumable demand slowed materially as the pandemic worsened throughout the month of March. Understandably demand for new systems has also been impacted by the pandemic, similar to what other capital equipment manufacturers have experienced in recent weeks as the US healthcare system has turned most of its focus, and nearly all available resources to treating Covid-19 infected patients.

We expect these trends to have a more significant impact on our second quarter financial results. Given the rapidly evolving dynamics in our primary commercial markets around the world, we are unable to predict when Cellvizio procedures and system adoption trends will improve. Meanwhile, we have implemented a series of significant cost-cutting actions, designed to reduce operating expenses and maximize our capital resources to support the company's growth initiatives.

In recent weeks, we have pursued opportunities to enhance our balance sheet by negotiating a draw-down of the second tranche of our loan agreement with the European Investment Bank, for €6 million; and secured a loan for \$0.7 million, or €0.64 million from the Paycheck Protection Program authorized under the US Cares Act. Together, these actions should provide sufficient liquidity to manage the business for the next 12 months.

We are navigating the unprecedented changes in our target markets responsibly and we are focused on ensuring that the organization is well positioned to drive growth post-Covid-19 when normal caseloads resume in the US, APAC and EMEA and rest of world regions.

With that, Philippe, we will now open the call for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please dial 0 and 1 on your telephone keypad. Thank you. Just hold for the first question.

Robert Gershon

Hello? Philippe, is there a question?

Operator

Apologies for the technical issue. Please, we have a question from Mr. Carl [inaudible] from [inaudible] Partners Securities, please go ahead.

Carl [?]

Hi gentleman, thank you for taking my questions. Just quickly, I've got three questions for you today. Could you firstly, if possible, provide a time frame towards the IP, the interventional pulmonology market entry and when you think that may be? And will the Covid impact delay that, maybe into even 2021 possibly?

Secondly, with regards to Covid and the impact on the business, are you able to provide any more clarity on the slowdown and reduction in procedure numbers? So, I think we've seen a third of the reduction year-on-year in Q1; is this expected to be significantly worse in Q2?

And then also, finally, with regards to the third tranche of the EIB loan, is there any limit on the time frame between the most recent tranche and your ability to draw on the next tranche? Thank you.

Robert Gershon: Okay. Thanks for your thoughtful questions. I will take them one step at a time. With respect to, or one question at a time, excuse me. With respect to the time frame on interventional pulmonology, so we continue to make progress on all fronts, as indicated in our prepared remarks, including our progress with the J&J collaboration. At this time, we can't expand upon the collaboration with J&J but we will provide an update.

With respect to Covid-19, it has slightly slowed our progress, but we don't expect it to stop our progress during 2020. So, it is not anything that we expect to further delay IP into 2021. So, while we expected it to be slightly further ahead now, Covid-19 certainly disrupted some of the progress, but the progress does continue and we do expect to provide an update on progress in 2020.

In terms of more clarity on the procedure numbers, what I will do is I will share some thoughts on the procedure numbers with respect to the different regions that we operate. So, what we saw in Q1, in APAC, we saw consumable trends were weak throughout the quarter. But we did receive, as things started to open up in China towards the end of the quarter, we did receive an order from our distribution partner that helped offset the weakness in the lack of consumables since things were shut down.

In the EMEA and rest of world, the consumable sales were down through, they were down 13% quarter-to-date – so, I am referring to this quarter, of course, through February and the total consumable sales were down 73% for the quarter. So, we did see March being the very biggest impact.

In the US, we had a different experience where we actually saw an uptake in consumables in the beginning of the quarter, through the end of February, and then it was up some 6% through the end of February. And then, by the end of the quarter, it was down 2% as a result of the pronounced slowdown in March.

So, with respect to the third tranche, I certainly invite Christophe to add any additional color, but there are certain conditions that need to be met before we draw down the third tranche. And it is not necessarily completely time-based; but I don't know, Christophe, if there any anything else that we could say about the third tranche.

Christophe Lamboeuf

No, that is about right. There is no timing associated to this but there are some milestones to be met, as Rob said. And, the conditions are not met at the moment; so, we don't have any clear visibility on this.

Carl

Perfect, thank you.

Operator

Thank you. We have a next question from Marcel Decouture from [inaudible] BHF, please go ahead.

Marcel Decouture

Hi, thank you for this update, really helpful. So, two quick questions if I may? I would like to have your thoughts on the second wave of the Covid-19. We are seeing a second wave come through in Asia and I suppose reasonably that we will see them across in Europe and the US for the end of this year. So, if I can have your thoughts of that impact and, maybe of your overall business?

And, in function of your answer, could you come back on your management of your costs? You underlined that you have financial visibility for the next 12 months; so, what are your assumptions on the normal comeback of the business, including your new cash bank guidance? Thank you very much.

Robert Gershon: Yeah, okay, thank you for your questions. This is certainly a time of great uncertainty for everyone around the world. And it is very difficult to comment on a second wave of Covid-19 and its potential impact on the business. It is just so uncertain and such a dynamic environment, it is very, very difficult for us to speculate on what the impact is.

With respect to managing our costs and the assumptions that we are making, there are certainly some absolute controllable costs within OPEX that we have focused on and these are the typical costs that you would expect. It is marketing and sales related. It is R&D. Some of the clinical studies that we are doing. So, we do have the ability to control those costs and manage them.

And, what we are assuming in terms of a recovery period, again it is such an uncertain time and so dynamic and recovery is happening at a different pace across the world that it is hard to predict, but our working assumption is that the recovery period will certainly go right into Q4. So, we are not assuming a recovery occurs before, or the recovery period occurs before the beginning of Q4. So, we will continue, of course, to monitor everything as we all are doing, on a daily basis, and make any necessary adjustments to our assumptions and our tactics to continue to preserve cash and execute against our strategies as the Covid-19 pandemic allows us to.

Marcel Decouture

Thank you very much.

Operator

Thank you. We have no other questions for the moment. Ladies and gentlemen, I would like to remind you that if you wish to ask a question, please dial 0 – 1 on your telephone keypad. We have a, sorry, we have a question from Hubert Mattais from Mattais et Compagnie, please go ahead.

Hubert Mattais

Good afternoon, Robert. Sorry, I was late on the call. Could you give us a little bit of flavor where you are standing with JJDC? Reading the release today, I would like to make sure, is the deal closed or not yet, first of all?

Robert Gershon

Oh sure, so yes. So, we announced on December 16th, 2019 the closure of the deal with J&JDC in which they invested. Yes, so that occurred.

Hubert Mattais

Okay, so, you cashed the \$7.5 million?

Robert Gershon

That is correct.

Hubert Mattais

Okay, right. Because the tense, which is used in the press release, was not clear, will subscribe, it has subscribed actually, okay. So, could you give us a little bit of flavor of what is it leading to looking down the road? I mean, have you a business relationship with them or not yet? What are the possible partnerships that you can have with JJ on the long-term? Could you give a little bit of flavor to that respect? Thank you.

Robert Gershon

Yes, sure. So, in addition to the strategic investment, we also entered into a collaboration with the lung cancer initiative and the activity level remains high. But, per the agreement, that we have, we are bound by not revealing our progress until certain milestones are met. So, I, unfortunately, cannot elaborate, except to say, as progress continues and certain milestones are met in the relationship, we will be providing updates accordingly. But, until then, we are really bound by the confidentiality of our agreement.

Hubert Mattais

Okay. So, does that mean that if those milestones are met you have additional revenues or it will be affecting the share capital?

Robert Gershon

Yeah. I just want to clarify, that is a great question, I'm glad you asked that. I just want to clarify, when I used the term milestone, I really am referring to progress milestones; so, not necessarily financial or sales and so forth. But there is not much more that I could really comment on this relationship at this time, except to say that it is certainly quite active.

Hubert Mattais

Without disclosing things you can't disclose, does that mean that you have engineers from Mauna Kea working with engineers from JJ or am I completely wrong to that respect? Is that the wrong assumption?

Robert Gershon

Our respective teams are working together. So, it is – I can't really expand upon where -

Hubert Mattais

No, clear, clear.

Robert Gershon

within the organization; but our respective teams are working together, specifically with the lung cancer initiative.

Hubert Mattais

Right. And, again, without making any assumption, is that something where you are expecting things to be developing in 2020 or because of the Covid-19 and plus the fact that it takes time to make those teams work together, we should be looking down 2021?

Robert Gershon

Yeah, we'll provide an update, as I mentioned earlier, certainly Covid-19 has slowed the pace of certain activities, although other activities continue despite Covid-19. And we will provide an update during 2020 but there is no announcement to make beyond that.

Hubert Mattais

Okay, thank you. Thank you.

Operator

Thank you, we have no other questions.

Robert Gershon

Okay, well, all right, as we close, I just want to thank everyone for participating in today's call and please stay safe, stay healthy and, as we all navigate these very unprecedented times, thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation. You many now disconnect.