



Company	Mesoblast
Code	MSB
Meeting	AGM
Date	27/11/19
Venue	181 William St Melbourne
Monitor	Stewart Burn and Mike Robey

Number attendees at meeting	34 shareholders plus 35 visitors
Number of holdings represented by ASA	33
Value of proxies	\$2.6m (16 th largest shareholder)
Number of shares represented by ASA	1,360,032
Market capitalisation	\$1013m
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with director Donal O'Dwyer

Building up to an exciting next year

Not many spaces left when the meeting started, and they definitely didn't come for the morning tea. The meeting was very well chaired by Donal O'Dwyer standing in for Joe Swedish, the company's non-executive board chair. The only attendees from Mesoblast (MSB) were Silviu Itescu (CEO) and the directors Donal O'Dwyer and Michael Spooner. The others are based overseas and didn't attend, we hope this will change in the future, maybe video conferencing might be possible!

An interview with Joe Swedish (Chair) was shown as he was unable to be there, with details here <https://www.asx.com.au/asxpdf/20191127/pdf/44bzw0c6wjfm74.pdf>

He believes that the clinical results are going well and are ahead of classical drug treatments, with MSB's approach attacking the underlying cause of complex multifactorial diseases. He certainly appears to be fully aware of issues associated with gaining reimbursement from USA-based health insurance companies.

This was followed by the Silviu Itescu's presentation, details here <https://www.asx.com.au/asxpdf/20191127/pdf/44bzvrpvnv6hz3n.pdf>

MSB is pretty good at keeping the market informed, so there really wasn't anything new in this report. Silviu's slides outlined the companies' approach to their technologies, pipelines and commercialisation. He outlines the business approach, which is risk sharing with partners and indicated that they are now in the late stage of testing and commercialisation.

Some brief highlights

In the USA in the last stages of approval of aGVHD by the FDA. Scalability is through Lonza in Singapore and they need partners with a good geographical footprint. Only a small sales force is needed in the USA (12-15 people) due to existing hospital networks.

Sales in Japan are impressive, with this commercialisation being used as groundwork for the upcoming USA launch. He described how Remestemcel-L could reduce hospitalisation times by up to 60 days, thus saving approx US\$600,000 per patient. He expects a \$700m market penetration in the USA. He gave a comparison with CSL's IVIG (immunoglobulin) which was initially for infrequently occurring illnesses but was extended overtime to a broad range of illnesses. Launch in the USA is expected next year.

Other pipelines

The CEO also ran through details of their other product pipelines covering heart failure and back pain, all of which is in the presentation. One-point worth noting is that 50% of all opioid prescriptions are for chronic lower back pain (CLBP). Probably the major highlight is the potential for \$150m in upfront payments.

Q & A

Q: A question on Heart Failure (HF) regarding what would happen if the results were extraordinary.

A: This has occurred in the past, but MSB would need to reach primary endpoints first. But we would be keeping all options open.

Q: ASA asked about scalability of production and the risk plans, costs and commercialisation strategy, including the split between MSB and its partners.

A: For aGVHD, MSB is doing it alone with Lonza in Singapore as the production facility. MSB have a risk plan covering all aspects of distribution, warehousing etc.

Q: ASA asked why retail shareholders were not allowed to participate in the recent placement of \$70m and if they would be allowed to participate in future placements.

A: CEO indicated that he always likes to involve shareholders in capital raisings and he pointed out that the share price is currently 10% lower than the offer price of \$2 so we have not been disadvantaged from the CR. We will continue to press MSB on retail shareholder rights in any future raisings.

Items of Business

All items of business were passed resoundingly, except for the remuneration report (83% for) and the issue of options to directors (85% for) and are detailed here

<https://www.asx.com.au/asxpdf/20191127/pdf/44c08krptn959x.pdf>

Q&A

Q: ASA pointed out that directors are well rewarded relative to other companies and that options granted to the CEO and directors dilute retail shareholders. We asked that this be considered in the future.

A: The director chairing the meeting, Donal O'Dwyer, thanked ASA for the opportunity to meet us before the AGM. He stated that the activities to date are to invest and spend wisely to promote the technologies. Cash is thus critical, and we can't be expected to go to the retail market and purchase shares. He stated that they have changed the package for the CEO which has been well received. With regards to director, it is not MSB's policy to issue options every year, so those issued should be the last.

Q: ASA congratulated MSB on appointing a female director, but questioned the gender diversity of the Board and asked if this may be addressed in the future, we also raised the issue of Directors with little or no shareholding in the company

A: Mr O'Dwyer noted our concerns regarding director holdings and stated that as MSB grows it will highlight gender diversity as a major factor in Director appointments.

Previously I have had some concerns regarding MSB, but I came away from this meeting very happy. I believe I can even say I am quite excited to see what the next 12 months will bring.