IMMUCELL CORPORATION
Nasdaq: ICCC

First Quarter of Fiscal Year 2017
Financial Results

Thursday, May 11, 2017
4:30 p.m. Eastern

CORPORATE PARTICIPANTS

Michael Brigham – President and CEO, ImmuCell Corporation
Adam Lowensteiner – Senior Account Manager, Lytham Partners

PRESENTATION

Operator
Good afternoon and welcome to the ImmuCell Corporation First Quarter Fiscal Year 2017 Financial Results Conference Call. All participants will be in listen-only-mode. Should you need assistance please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation there will be an opportunity to ask questions. To ask a question you may press "*" then "1" on your telephone keypad. Please note, this event is being recorded.

I would now like to turn the conference over to Adam Lowensteiner with Lytham Partners. Please go ahead.

Adam Lowensteiner
Thank you Chad, and I thank all of you for joining us today to review the unaudited financial results of ImmuCell Corporation for the first quarter of 2017 which ended on March 31, 2017. My name is Adam Lowensteiner with Lytham Partners, we are the Investor Relations consulting firm for ImmuCell.

With us on the call representing the company today is Michael Brigham, President and Chief Executive Officer. At the conclusion of today's prepared remarks, we will open the call for a question and answer session.

Before Michael gets started, let me say that statements made by management of ImmuCell during the course of this conference call that not historical facts are considered to be forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a Safe harbor for such forward-looking statements. Words such as believe, expect, anticipate, estimate, will and other similar words or statements of expectation identify forward-looking statements. Such statements involve risks and uncertainties including but not limited to those

risks and uncertainties detailed from time-to-time in filings the company submits to the Securities and Exchange Commission.

Investors are cautioned that forward-looking statements made during the course of this conference call are based on management's current expectations, and actual results could differ materially from the statements made. The company disclaims any obligations to update forward-looking statements. A more complete safe harbor statement was included in today's press release and a Form 10-Q that were both filed by the company.

With that let me turn the call over to Michael Brigham, President and CEO of ImmuCell Corporation. Michael?

Michael Brigham
Thanks Adam and I thank all of you for taking the time to participate in today's call. We set a record for total sales during the quarter surpassing the previous high level set during the first quarter of 2015. The strong work by our enlarged sales team has nearly doubled our sales since 2012. Before I update you on the status of our investment in our Nisin plant, I would like to review the bottom line and top line results for the first quarter of 2017. We recorded the eleventh consecutive quarter of positive net operating income. We reported net income of $584,000 or $0.12 per diluted share for the first quarter compared to $452,000 or $0.11 per diluted share for the first quarter of 2016.

The 29% higher earnings in the current period were somewhat diluted by having more shares outstanding in the current period as a result of shares issued during two equity raises during 2016. We still have less than 5 million shares outstanding today, 4,848,000 shares to be more precise.

Total sales during the quarter were up 19% in comparison to the first quarter of 2016. Total sales for the 12-month period ended March 31, 2017 were $10.1 million. Sales of First Defense our lead product have increased during 22 of the past 26 quarters in comparison to the respective periods of the prior years.

The prolonged period of order backlog which began in early 2015 and extended to the middle of 2016 disrupted our normal shipping patterns. It is important to keep this in mind as we compare 2017 results to 2016. When we were short on inventory during the first quarter of 2016, we prioritized shipments to our domestic customers and could not allocate enough product to international markets. With our production capacity now increased by 100% we fully met international demand during the first quarter of 2017. This largely explains the 133% increase in international sales of First Defense quarter-over-quarter.

During the second quarter of 2016, we overflowed our distribution chain with product as we came out of backlog and filled nearly all outstanding orders. This will make the comparison of the second quarter of ‘17 to the second quarter of ‘16 difficult.

On the other hand, with distributor inventory reset as of the third quarter of 2016, sales during the third and fourth quarters of 2016 were down in comparison to the same periods in

2015. This should lead to more favorable variances as we compare the second half of 2017 to the second half of 2016. We just need to work through these inevitably bumpy period-to-period comparisons until the impact of the disrupted order pattern caused by the backlog is no longer in our prior year comparison. I believe that comparing 12-month periods will be a good way to see through this quarter-to-quarter variability.

Market conditions in the dairy and beef industries including milk prices and prices for calves weakened during 2016 in comparison to 2015 but milk prices have made a modest improvement going into 2017. The average class-3 milk price declined to $14.87 per 100 pounds during 2016 from $15.80 during 2015, but it did improve by almost 11% to $16.49 during the first quarter of 2017.

Our objective is to bring the most effective technology to market. Our competitors, companies like Boehringer Ingleheim, Elanco, Merck, and Zoetis may be bigger than we are, but they do not offer the kind of product that we do. Getting market share from these existing competitive products provides a great opportunity for growth for us.

Calf-Guard from Zoetis is the market share leader, but this product does not have an E-coli claim and puts the calf through vaccination stress and can be inactivated by colostrum which is why it is recommended to withhold colostrum when administering Calf-Guard. We provide calves immediate immunity that can be administered with colostrum as soon after birth as possible. We know that is standard practice for good calf health.

The market share of Bovine Ecolizer from Elanco is relatively small compared to ours and Calf-Guard's but we are still aggressively displacing that product by reminding customers about the importance of our coronavirus claim which their product does not have and by discussing new data from our lab that shows that a dose of First Defense contains about 28 times more E-coli antibody which would provide calves more protection.

We see that the total market is growing. Our message is conducive to gaining market share from these competitors while also continuing to grow the pie by establishing new users as scours preventions. Very importantly the anticipated addition of a Rotavirus claim to our product line later this year would allow us not only to compete more effectively against these products but also against vaccines given to the mother cow to increase the quality of the colostrum that she produces for the newborn. We intend to market this product under the trade name First Defense Tri-Shield.

We will also anticipate establishing USDA claims for our bivalent gel tube formulation of First Defense Technology. We will continue to offer this product format after Tri-Shield is available to the market. With increased production capacity in place, we have begun to engage additional distributor partnerships to bring First Defense into new international territories. So, we like the calf scours market. We believe that the disease cost to the, dairy and beef industry is about $740 million per year. That's a good size market but the mastitis market is even bigger.

Mastitis costs the dairy industry about $2 billion per year which is the single largest cause of economic harm to the industry. Presently, mastitis is treated with traditional antibiotic products and treatment is generally reserved for clinical infections, when the cow produces non-saleable milk. Subject to FDA approval, we expect to enter into the mastitis market with our Mast Out product. Our groundbreaking product innovation is unlike all other antibiotic treatments on the market today.

Our goal is to revolutionize the way mastitis is treated by making the treatment of subclinical infections economically feasible by now recording a milk discard or a meat withhold during or for a period of time after treatment. No other product can offer this value proposition. Nisin the active ingredient in Mast Out is a bacteriocin that is not used in human medicines and would not contribute to the growing concern that the widespread use of antibiotics encourages the growth of antibiotic-resistant bacteria or superbugs.

As many of you know, we initiated construction of our $20 million pharmaceutical facility to produce Nisin, the active ingredient in Mast Out during the third quarter of 2016. As of March 31, 2017 we have invested about $6.5 million in this project leaving about $13.5 million to go. To finance this, we had approximately $7.2 million in cash and investments on hand as of March 31, 2017 and we have access to up to $7 million in available bank debt.

The spending on this project comprised of the bulk of the construction activity and equipment purchases is heavily weighted through September 30, 2017. I encourage you to take a look at the what's new page on our website at www.immucell.com to view progress photos of the construction. We will continue to provide periodic updates there. The tangible visual progress is very exciting. Construction of the building shell is now substantially complete. We have made significant progress on the interior fit out of the building, which is where most of the work is focused today.

To maintain the timeline for anticipated FDA approval in 2019, we are working to complete construction by the fourth quarter of 2017 and complete the installation and qualification of equipment by the first quarter of 2018, followed by a process validation and the subsequent regulatory filings. We expect that two submissions of the regulatory package covering the manufacturing objectives will be required, each of which would be subject to a six-month review by the FDA.

With all that said, let's have the operator open up the lines for your questions. Thank you very much.

QUESTION AND ANSWER

Operator
Thank you, sir. We will now begin the question and answer session. To ask a question you may press "*" then "1" on your telephone keypad. And if you are using a speakerphone, please pick up your handset before pressing the keys, to withdraw your question, please press "*" then "2". At this time we will pause momentarily to assemble our roster. Once again, if

you have a question please press "*" then "1". At this time, I am showing that we have no questions so I would like to return the conference back to Michael Brigham for any closing remarks.

CONCLUSION

Michael Brigham
Well, I do appreciate you joining the call. I hope that means you have no questions, but certainly the queue has been filed, the press release has been filed. We will be getting our investor deck up on our website if that is a good way for you to follow the story and get updates, that information is available and I appreciate the listen and have a great day everybody. Adam, you want to close this out if there are no late adds to the queue?

Adam Lowensteiner
Yes, thanks Michael and thanks everyone for participating in today's call. We look forward to talking with you again at the conclusion of the second quarter around August 10. And have a great day.

Operator
Thank you, gentlemen. The call has concluded at this time, you may now disconnect your lines. Take care.