With that said, let me turn the call over to Michael Brigham, President and CEO of ImmuCell Corporation, after which we will open the call for your questions. Michael?

Michael Brigham
Great. Thank you all for taking the time to join today's call. I do appreciate that. Let me start by saying Happy Valentine's Day to all. Also, I have to apologize; I'm just coming out of quite a cold, so forgive me for the scratchy voice here. I'm going to go a little bit off script today and just speak to you top of mind about a few things that I think are important to note about the press release disclosures we made last night. As Joe mentioned, a more complete and audited review of 2018 will be available when we file our annual report on Form 10-K towards the end of March.

So, top of mind, let's start with sales. You can see sales are up 5%. This is in a very difficult dairy economy and we really do see and feel the pain of our customers, so we're quite pleased to be up with the 5% increase and Tri-Shield is driving a lot of that increase, and I'll talk about that as my second topic. You know, the fourth quarter was off a bit. I see Seeking Alpha picks that up as a title, as a headliner, and if you dig into the numbers, we're talking about a less than $200,000 flux there, so it doesn't concern me a great bit. I did put some detail into the Q, into the press release as to why that happened and I'm comfortable with those reasons for that flux. And, the other point I want to make is when we back out some noncore animal health products and just look at our core animal health products, the sales were up about 8%. So, 5 and 8, when you look at the numbers that way in this very difficult dairy economy, not horrible.

So, let's go to Tri-Shield next. A very exciting new product for us. A challenging year for both our production team and our sales team. Bottom line is we don't have enough inventory to meet demand. That's a frustrating situation, but it's great to see this customer demand. The sales team is working really hard to manage that, to allocating product directly to customers so that we don't get in a situation where customers are not able to get product that we promised to them and when we promise it. We meet their PO and deliver it. But, we simply are not producing as much as the market wants. We're fixing that problem, and I expect to see that come through our sales line in the second half of '19. It's been a long technical fix with the vaccine production part of this product, and then the production cycle is a long cycle, about five or six months, so fixing that problem now really does not show impact in our sales line, at least significant impact until the second half of the year. But, as I said, the increases we're seeing in sales right now are partially being driven by Tri-Shield. We see the bolus format of this product as maturing and not a source of significant growth going forward, but both of our gel formula, formats, both the bivalent and the trivalent gel formats of this product are seeing growth and we are again seeing this customer demand exceeding supply because the customer is really receptive to our Beyond Vaccination story. We positioned the product as an alternative to dam vaccines, and people like this. The like the opportunity to save the needle, not stick a needle in the cow and instead delivered measured antibodies directly to the newborn calf.

So, moving on to the product development side. You know, the PD expense for 2018 is high. We're largely invested in the Nisin product, the FDA product. This is driving those high PD expenses. We expect that to continue, but not at such a high rate as in, as shown in '18. We did previously project that we would have this first CMC submission into the FDA by the end of 2018, and that obviously did not happen. I should note the CMC I'm referring to, this is the manufacturing technical section for the Nisin product. But, we're pretty confident now where we sit. We're just wrapping up the details and to get that in here in February yet and with that we will put out a press release and provide some detail confirming that it's been filed and some detail on that, on the status and a project update.

So, the most important thing I wanted to talk about is something that I can't really talk about in a 10-K or in an SEC report. I want to talk about some non-GAAP financial measures that we look at here internally. And, I emphasize non-GAAP, so when we file an SEC report it's, you know, I'm a former Ernst & Young guy, I know GAAP, I respect GAAP, but I also think management and perhaps you investors need to look at numbers from a slightly different angle and I can do that in this press release. That, I'm referring to the chart on page 3 of the press release where we start off by looking at our net loss before taxes, so I backed out taxes because they're noncash at this point. We are not paying cash taxes, so back out taxes. Start with net loss before taxes and then look at depreciation and look at stock option compensation expense. When we back out those three items and the amortization, we move from, you know, the red to the black, and like I said that's really my point is that's not a GAAP measure but when we understand the amount of depreciation that we're putting through our books, which is a requirement at this point, even though we're not seeing revenue out of the Nisin plant, we are not matching revenue with expenses in this case. We are depreciating that plant before we have any revenue.

So, I like to look at that and of course, the statement of cash flows, a full GAAP statement will be provided with the 10-K filing at the end of March, but there's kind of a view of the way management looks at these numbers with a little, you know, when I look at the local newspaper here putting their story out this morning, you know, the headliner is this big $2.3 million loss. I get it. You know, I do spend a lot of time with the staff writer there. If you take the time to read his story, you can see he understands what I've been talking about as far as the impact of depreciation and other non-cash expenses. But, of course the headline is the big $2.3 million loss, but it again, on a cash basis it's not $2.3 million cash loss, so thanks for taking a look at that angle. Please, I encourage you to review that table and that's kind of my off the cuff kind of comments, on those four points. But, those are just a few of the results that are important to me. I choose not to write up a big script and read to you, you know, some of these numbers and these fluxes by dollars and percentages. You can see all those in the press release because I value the time we have here on this call and hope that you agree that this is a productive approach to the call. It saves us more time for your questions, which are important to me.

So, with that said let's have the operator open up the lines for your questions.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question-and-answer session. To ask a question, you may press star (*) then one (1) on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*) then two (2). At this time we will pause momentarily to assemble our roster. The first question today will be from Sam Rebotsky with SER Asset Management. Please go ahead.

Sam Rebotsky
Yeah, good morning, Michael. Hope you feel better soon. Is the second half, you talk about having enough supply for the Tri-Shield. Will you be able to significantly increase sales because as you're allocating right now, how should we look at sales from the Tri-Shield going forward?

Michael Brigham
Yeah, thanks Sam. Good question. So, you know, projections are just that, projections. They're going to be wrong. I don't know if they're going to be high or low, so I don't have a dollar figure to sort of throw out there publicly at this point, but I do expect significant sales in the second half, and way above this 5% and 8% range and we'll report those as we go. It'll be staged so that you'll see the fourth quarter being higher than the previous three quarters of 2018, and we'll step through it as first quarter, second quarter 2019, but really again, the fixes that we're putting into the vaccine technology now are six months away from doses that we can give to the sales teams to move to market, so the bigger impact is going to be Q3 and Q4.

Sam Rebotsky
Okay. That sounds good. Now, the First Defense, do we have the same problem or can we ship all the First Defense we want to?

Michael Brigham
Oh yeah. I mean, I refer to it as one First Defense line, then we have the Dual Force and the Tri-Shield. I think you're referring to the Dual Force bolus, the traditional product. You know, it's 27 years on the market now since first USDA approval. So, that, we have plenty of the bolus. No backlog on the bolus. But, we just do see that, those sales kind of being mature and not a source of great growth but still a huge portion of our total sales. So, flat but important and no problem with inventory there. And, we'll move forward, you know, the gel formats just opened up new customers to the product, you know, perhaps the beef customer that doesn't like to bolus delivery as much and also again, this Beyond Vaccination concept, customers that are using a dam vaccine that maybe weren't willing to give that up for the bivalent coverage but maybe more willing to give it up for that trivalent coverage of the Tri-Shield.

Sam Rebotsky
Okay. And, further on the submission of the [unintelligible], will you expect to submit it before the end of February, which is 14 days away, so we're pretty certain on that submission today that we've done all the testing and we're ready to submit that?

Michael Brigham
I can commit to that, Sam. I mean, I know the testing is done, it's been done for awhile. It's really the documentation and the formatting of the submission. You know, I put a lot of pressure on our team to put that in before this call, because it would have been convenient for me, and I found it more productive to step back a little bit and make sure they just get it right and not make a rush submission at the last minute plus or minus a couple weeks, plus or minus a couple of months at this point, you know, isn't going to really be a big negative. So, yes, at this point, not by today, but very soon.

Sam Rebotsky
Okay. Good luck. It's exciting. Looking forward to seeing the submission and your improvements that you expect to have for the rest of the year. Good luck, Michael.

Michael Brigham
Thank you, Sam. I appreciate that.

Operator
Once again, if you would like to ask a question please press star (*) then one (1). Again, that's star (*) then one (1) if you would like to ask a question. It looks like we have a follow-up from Mr. Rebotsky with SER Asset Management. Please go ahead, sir.

Sam Rebotsky
Okay. After you have everything together, Michael, do you think you want to start telling the new investors and potential investors the story and so that they could hear what ImmuCell is doing?

Michael Brigham
So, when you say everything together, Sam, are you referring to just having the submission into the FDA?

Sam Rebotsky
Yeah, well, presumably may, will you start telling your story to new investors prior to filing the 10-K in March or are you going to wait for that or are you going to start going around once you submit to the FDA, go to more investor conferences and share what ImmuCell has been doing?

Michael Brigham
Yep, thanks. I get it now. So, that schedule is something I talk to Joe Diaz about quite often. He kind of leads that program, guides me through that program. As I look at my schedule, quite selfishly, I don't think we're going to be able to get out on the road until I get that 10-K filed. There's just quite a lot of work involved in that and other matters that are going to kind of tie up a good deal of this February, March time. But, then things settle down and I think what our routine is is to get out on the road with investors that Lytham Partners introduces to us, you know, a couple times after each press release. So, a long-winded answer, Sam, but I think what I'm trying to say is a couple times per year after each earnings release; in this case, just probably more likely to be after the 10-K filing.

Sam Rebotsky
Okay. Well, good luck Michael. I think it's a good story. I mean, I've been involved a long time. I think it will bear fruit at this point in time as soon as you submit to the FDA and good luck.

Michael Brigham
Appreciate it. Thanks again, Sam.

Operator
Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Joe Diaz for any closing remarks.

CONCLUSION

Joe Diaz
Okay. Thank you, all of you for participating in today's call. We do look forward to talking with you again to review the results of the current first quarter of 2019 sometime around the middle of May or thereabouts. Again, I remind you that the full audited 2018 financial details will be available toward the

end of March with the filing of the Form 10-K. With that, have a great finish to the week, and we'll look forward to talking with you again soon. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.