Titan Pharmaceuticals Second Quarter 2019 Financial Results

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Officers and Speakers

- Sunil Bhonsle; Titan Pharmaceuticals, Inc.; President and Chief Executive Officer
- Jennifer Kiernan; Titan Pharmaceuticals, Inc.; Administration and Communications
- Marc Rubin; Titan Pharmaceuticals, Inc.; Executive Chairman
- Dane Hallberg; Titan Pharmaceuticals, Inc.; EVP and Chief Commercial Officer
- Brian Crowley; Titan Pharmaceuticals, Inc.; VP, Finance

Analysts

- Jason McCarthy, Maxim Group
- Ben Haynor, Alliance Global Partners
- John Vandermosten, Zacks Small Capital Research

Presentation

Operator: Thank you for holding, and welcome to the Titan Pharmaceuticals Second Quarter 2019 Financial Results Conference Call.

(Operator Instructions)

Please be advised that this call is being taped at the company's request and will be archived on the company's website starting later today.

At this time I would like to turn the call over to Sunil Bhonsle, President and CEO of Titan Pharmaceuticals. Please go ahead, sir.

Sunil Bhonsle: Thank you, Keith, and thank you all for joining us. Welcome to the Titan Pharmaceuticals call to review financial and operational results for the second quarter ending June 30, 2019, and to provide an update on our business.

Before we begin, I wanted to inform you that we filed our quarterly report on Form 10-Q with the SEC, and the press release issued earlier today provides a summary of the results and can be found on our website at titanpharm.com.

Joining me on the call today from Titan are Dr. Marc Rubin, our Executive Chairman; Dane Hallberg, Executive Vice President and Chief Commercial Officer; and Brian Crowley, Vice President of Finance. Dr. Kate DeVarney is on a short medical leave, and unfortunately cannot join us today.

Before we get into the details of the financial results and provide an update on the company, Jennifer Kiernan will review the required cautions regarding forward-looking statements. Jennifer?

Jennifer Kiernan: Thank you, Sunil. I want to remind everyone that certain matters that will be discussed today, other than historical information, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements include, but are not limited to, any statements relating to our product commercialization and development programs and any other statements that are not historical facts. Such statements involve risks and uncertainties that could negatively affect our business, operating results, financial condition and stock price.

Factors that could cause actual results to differ materially from management's current expectations include those risks and uncertainties relating to the commercialization of Probuphine; the regulatory approval process; the development, testing, production and marketing of our drug candidates; patent and intellectual property matters; and strategic agreements and relationships.

We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations or any changes in events, conditions or circumstances on which any such statement is based, except as required by law.

And now back to you, Sunil.

Sunil Bhonsle: Thank you, Jennifer. As always, we will start the call with an overview from our Executive Chairman, Dr. Marc Rubin, followed by commercial updates from Dane Hallberg. Brian Crowley will then summarize the financial results and I will close with a brief recap before opening the call for your questions. So let's get started. Marc?

Marc Rubin: Thank you very much, Sunil, and hello, everyone. As always, I want to thank you for joining us today.

Since our last call, we have continued to work steadily, work efficiently to maximize the impact of the limited resources that you all know have been at our disposal. We have successfully put in place a focus team of people with key and deep expertise in the field of addiction, while continuing to establish the many relationships and programs that are required to build and grow our commercial capabilities. We're proud to have made important progress in laying the groundwork and establishing the foundation to successfully transition from a development-stage company into a company ultimately with full commercial potential.

Some of the key accomplishments have included -- and these are not all-inclusive. Dane will elaborate on some of these in a moment -- but we've refined and validated our marketing and our segmentation strategy; we've expanded our specialty pharmacy network by adding key players with national coverage and strong relationships with third-party payers; we've streamlined the distribution process with the goal of significantly shortening the time from prescription to

product delivery; we've been working to expand the number of insurance plans that cover Probuphine under the medical benefits; we've been implementing a state-of-the-art regulatory and compliance program, which is very, very important for any company, especially a new commercial company; we've been rolling out new doctor and patient education programs; and of course, we've been growing the number of certified healthcare providers providing maintenance treatment to their patients and who are supportive of long-acting products like Probuphine; in other words, targeting those providers whose populations include those for whom Probuphine would be most appropriate.

While during the earlier part of 2019 our focus was on identifying these initiatives and establishing agreements with appropriate service providers, the second quarter has really been about focusing on their implementation and watching them begin to take root. Dane will elaborate more about these shortly, but I am happy to report that we are starting to see real, tangible and important progress despite the limitations on our capital resources.

Another key milestone that occurred in the second quarter, of course, was the European Commission's approval of Sixmo, which is the brand name for the product in the EU, and approval of which now has established this as a global product. Europe is the third major market in which Probuphine has been approved and the second largest buprenorphine market in the world after the U.S. The European market represents a growing segment. In addition to an aging cohort of long-term opiate users, opiate-related deaths in Europe have increased over the last five years. So we believe that as the EU's first and only six-month substitution treatment for opioid dependence, Sixmo will be well received in this market. We've been working with Molteni as it prepares for Sixmo's progressive commercial launch across Europe, and we expect to initiate product shipments to Molteni by the end of this year.

With the right foundation now in place and taking hold, Titan is poised to enable meaningful commercial success, and contingent -- and importantly, contingent on access to sufficient capital. We hope to be able to demonstrate this progressively over the next few quarters. And I'm going to stop there, and with that, turn the call over to Dane for a brief commercial update. Dane?

Dane Hallberg: Thank you very much, Marc. Hello, everybody, and good to speak with you once again.

As Marc mentioned, we significantly expanded access to treatment with Probuphine since the start of the second quarter by executing three agreements with leading specialty pharmacies. In May, we announced a product purchase and supply agreement with Accredo, a specialty pharmacy, a subsidiary of Express Scripts. Accredo is one of the largest U.S. specialty pharmacies, with an award-winning advanced opioid management program. So we are pleased to partner with them. Also in June, we announced a pharmacy services agreement with Southside Specialty Pharmacy, who has a strong presence in California and Texas, states that are among those reporting the highest number of opioid-related deaths in the U.S. Finally, in early July, we announced a specialty product distribution agreement with CVS Caremark, a subsidiary of CVS Health, and one of the largest prescription management and pharmaceutical services businesses in the U.S.

One of our focuses during the second quarter was on switching the central hub services to AppianRx, and I am pleased to say that this was accomplished with minimal disruption to the supply chain. This was followed by integrating the additional specialty pharmacies into the AppianRx hub services. We have now established a process where AppianRx plays a central role among prescribing healthcare providers, insurers and specialty pharmacies. This model has decreased the time from prescription to product delivery from what was typically up to three months in the 2018 fourth quarter to as little as within two weeks today.

In addition to the prior coverage Probuphine received in the news media, we have also commenced our Step Into Stability branding campaign highlighting the unique long-term treatment features of Probuphine, and we will continue to expand this theme during the coming months.

During the second quarter, we began to see indications that our efforts to increase Probuphine awareness, expand our distribution networks, obtain wider coverage and streamline our distribution process have all been successful. One very important strategic decision was to correct the previous channel segmentation so we could identify the right healthcare providers to train and certify. Certifying healthcare providers that have the right patient populations, and where practice economics are not the primary driver when prescribing an OUD medication, are key for the success of Probuphine. I'm very happy to report that we have had success training the right clinicians and we will continue to increase the number of active prescribers during the remainder of the year.

I believe it's worth mentioning that it took an enormous amount of effort and expertise to transition Titan to a fully functioning commercial organization. I think it's fair and very important to highlight that we have made all this progress to date with limited financial resources and a core team composed of just myself and seven direct reports: one marketing consultant, one business development consultant, one VP of reimbursement and four territory sales managers. Additionally, with the proper financial resources, I believe we are now at a turning point where we can strategically grow our team and presence in key geographies and channels where we can expect solid utilization and uptake of Probuphine without the significant barriers and hurdles of the past.

Moving through the remainder of 2019, we have some ambitious goals. We want to significantly grow the number of Probuphine-friendly certified healthcare providers by expanding our training and marketing initiatives. We will keep you informed of our progress over the coming quarters.

I will now turn the call over to Brian to discuss Titan's financial results. Brian?

Brian Crowley: Thank you, Dane. A summary of the financial results was provided in our press release today and the details are available in our Form 10-Q filed with the SEC. At this time, I will just highlight a few items. Please note that all the numbers I am about to provide have been rounded and are therefore approximate.

For the second quarter of 2019, we reported $0.5 million in revenues, which included $0.3 million from product sales and $0.2 million of grant revenues related to our Nalmefene product

development program. This compared with revenues of $2.7 million in the same period of 2018, which were primarily related to license revenues from the sale of European intellectual property rights to Molteni and the return of the Braeburn license and earned royalties.

Second quarter 2019 operating expenses consisted primarily of R&D and SG&A expenses and cost of goods sold. The operating expenses were $5.4 million, compared with $3.3 million in the same quarter of 2018. The increase in second quarter 2019 operating expenses is primarily due to a $0.2-million increase in cost of goods sold and $1.9 million in additional SG&A expenses. The increase in SG&A expenses was primarily related to the commercialization of Probuphine, which resulted in higher expenses related to employees, travel, facility, consulting and professional fees and other outside services.

Net loss applicable to common shareholders in the second quarter of 2019 was $5.2 million, or $0.38 per share, compared with a net loss of $0.9 million, or $0.25 per share, in the same quarter in 2018. In August 2019, we received net proceeds of $1.8 million from the registered direct offering and concurrent private placement. We believe that these net proceeds, combined with our cash and cash equivalents of $2.3 million at June 30, 2019, are sufficient to fund our planned operations through October of 2019.

Now I will pass the call back to Sunil. Sunil?

Sunil Bhonsle: Thank you, Brian. As Dane mentioned, our focus during the second quarter was on beginning to execute many of the initiatives we announced in the first quarter of this year, particularly the integration of AppianRx, the new hub, into the Probuphine ordering process and the expansion of our specialty pharmacy network. I am pleased that during this onboarding period we were able to minimize disruptions and maintain product revenue consistent with what Titan reported in the previous quarter. We are proud of our accomplishments, and at the same time, we're fully cognizant of the additional funds we will require in the near term to continue our progress. Our top priority now is on using the proceeds from our recent offering to drive Probuphine product sales.

To meet our goal of increasing the number of current active prescribers by the end of this year, we will continue to focus on healthcare providers who already have patients undergoing buprenorphine maintenance treatment. We will offer these physicians, nurse practitioners and physician assistants with training on both the use of the product and identifying patients best suited for long-acting treatments, and we will continue to seek opportunities to further expand our outreach through potential co-promotion partnering arrangements that can provide meaningful access into specific regions, like rural areas or market segments like residential treatment centers, VA clinics, et cetera. The early signs of success Dane mentioned are positive indicators, and we're confident with broadened patient access, a fully operational streamlined distribution process and access to the necessary resources, Probuphine can achieve commercial success.

Lastly, I would like to mention that we are in the process of initiating the Phase 4 studies that are required for Probuphine, and also, the early-stage development work on the Nalmefene implant, funded by the NIDA grant, is progressing and continues to remain on schedule for the grant

requirements. We also have a couple of other early ProNeura feasibility projects in neuropathic pain and malaria prophylaxis, which are funded by third parties, and those are progressing as well.

This concludes our prepared remarks for today. Before I open the call to questions, I would like to thank our team at Titan, the board and staff for their continued hard work and dedication.

Keith, we are ready to take questions from the call participants.

Questions & Answers

Operator: (Operator Instructions)

And the first question comes from Jason McCarthy with Maxim Group.

Jason McCarthy: So over the last quarter you announced several of those key agreements that you touched on in the call, including the one with the Express Scripts subsidiary with Southside Specialty Pharmacy and with CVS Caremark. So I'd like to see if you could give us a bit more color on what these mean for Titan, and really what kind of tangible impact these could have for the relaunch?

Sunil Bhonsle: Sure. Jason, I'll have Dane address the specifics around it, but clearly, one of the things that was lacking previously was wide access that allows both the third-party-party process to be smoothly handled between the physicians, the specialty pharmacies, and the ability to make sure this is all a process that doesn't take too long a time. But let me have Dane sort of explain why these three specialty pharmacies can address some of those issues of the past. Dane?

Dane Hallberg: Sure, I'd be glad to. Thank you, Sunil. So specialty pharmacies, and I won't single one out, but what they do is, they have contracts with payers, and when a prescription comes in from a physician's office to our patient services hub, we do a preliminary benefits verification to ensure insurance and coverage. We then send that, and to ensure that the application is filled out correctly and there's nothing omitted -- and I'll get into that in a little bit -- but that is provided to the specialty pharmacy. If we don't have adequate coverage, meaning the large specialty pharmacies that we now have, that have the contracts with the payers, it's a delay, a time delay. So for example, if it's UnitedHealthcare, and the patient's under UnitedHealthcare, and our specialty pharmacies don't have a contract, we're unable to fulfill that prescription. And the result is a delay in notifying the clinician, and then a denied prescription.

So what we saw earlier was a plethora of prescriptions coming in and an extremely high denial rate. So the physician and clinician and back-office experience with Probuphine was essentially a five-page, paper-based application form, filled out, and then, three months later, for the most part, being denied. So it was a very bad experience. Now we have a patient services hub, AppianRx, that is an electronic digitized portal that reduces errors and omissions. It also electronically verifies benefits with our team at the Houston office. And now we have a fully comprehensive distribution network.

So we didn't make it easier to get the -- not only easier to get the drug, we've made it possible now. Now we're in a position, with a fully built out, streamlined and comprehensive distribution network, now we're at a position with adequate funding to build out our marketing and sales awareness to drive the prescriptions in, which will have a much greater chance of being approved. Does this make sense? Does it answer your question?

Jason McCarthy: Oh, yeah, it makes a lot of sense.

Dane Hallberg: Yes, okay.

Jason McCarthy: And very helpful. So then just one more question, actually. With the EMA approval and a commercial partner now set up over there, could you give us a bit more color on the EU market in OUD and how it kind of differs from the U.S.? Because a lot of the focus has been on the U.S. opioid crisis. Has Europe been seeing a similar epidemic?

Sunil Bhonsle: Sure. And very good question, Jason. I mean, in the sense of the dynamics of the European market, it's predominantly been one of heroin, so illicit opiates, being used. The numbers in Europe are about 1.3 million, 1.4 million people affected. The treatments have been available for quite a long time, primarily methadone-oriented. But in the last few years, last five years, what they have started to see are increases in the number of deaths and increasing use of, also, prescription opiates, and the awareness that this needs to really be managed, of course, along with buprenorphine substitution therapy that has been introduced over the past decade into several countries in Europe, it has created an environment where this is something that the major countries are starting to pay a lot of attention to. So it's a market for buprenorphine products that's the second largest market, second only to the U.S., but very much poised to grow.

One of the characteristics in speaking with our partner, Molteni, that they point out is that because treatments have been available through methadone clinics and so on for a long time, and funded by the centralized healthcare systems there, a large number of patient population, large patient population, is on maintenance treatment, typically similar to the 8 milligrams or less of buprenorphine, which makes Probuphine a very valuable alternative for these patients. And so Molteni is quite excited about the programs and the approval of Probuphine, and they feel it is timely and fits with the way the patient population is getting the attention from the medical communities. And so they are excited about that.

One thing, of course, is while the approval is central -- it can be used in all EU countries, it's been approved -- the actual pricing and reimbursement is country by country. And so the first part of the process that Molteni has started now is to apply for the local pricing requirements, and they expect by -- it's typically six months plus process, so sometime by the end of this year, early next year, the first major countries, that they should see some approvals on the pricing and they can start actual sales in those regions.

So that's sort of the status currently with the EU market, and we are supporting Molteni as needed, mostly related to our experience here and the training programs that have been developed and things like that. They don't have to reinvent the wheel, so to speak. And we certainly look forward to some good progress there.

Operator: And the next question comes from Ben Haynor with Alliance Global Partners.

Ben Haynor: So I know that -- or if I recall correctly, I guess I should say, that Accredo and AppianRx were kind of scheduled to be integrated in, I think it was, June or so, early June. Just curious if that took place; it sounds like it did. And then how quickly will you be able to get up CVS Caremark and Southside on the AppianRx platform and really start rolling?

Dane Hallberg: Yes, Ben, this is a -- it's a really good question. I think it -- yes, this is excellent, because once you get these agreements signed, it does take time to integrate, implement. It's all APIs and all that, and systems that connect to an electronic hub. We've got to make sure the flow is correct. So it was mid-June that we were able to get -- mid- to late June, we finally got everything going with Accredo. And then with CVS, we should have it toward the end of this month, they should be in the system. These specialty pharmacies, they do buy in bulk and they do stock the locations that they feel that there's going to be a need, and that's been done. And we'll be ready to go by the end of this month with CVS. But then we'll have everything in place to go out and grow the business.

Ben Haynor: And is Southside the same way as CVS, or is that different to the (indiscernible)? Sorry.

Dane Hallberg: Yes, Southside -- actually, yes, Southside is owned by Frazier Healthcare, which owns Appian. So they're a localized specialty pharmacy and kind of a niche player in very key states that have a high rate of opioid overdose and death. And so we've got a very large, say 98% of the market covered, and there's going to be areas where our smaller specialty pharmacies that we've -- our legacy pharmacies can handle what's not covered by the three big key players in the space. So I think we've got a fantastic lineup and network, and we're ready to go, so -- for the most part.

Ben Haynor: Got it. That's definitely helpful. And then I noticed that with one of your competitors' depot injections, it looks like several states have removed the -- or lessened the prior authorization requirements. Could you see that ultimately opening up the door for something similar to occur with Probuphine?

Sunil Bhonsle: Good question.

Dane Hallberg: Yes, I can take this, or Sunil, you -- it's up to you.

Sunil Bhonsle: Sorry, Dane, go right ahead.

Dane Hallberg: Actually we are seeing that with Probuphine. So in the class, when you look at long-actings, we generally see that they've opened it up for the long-actings where we are also benefiting from this. So we're seeing that in several states, in Medicaid states. We've got excellent coverage within Medicaid, and it's important to point out that with a strategic contracting strategy and segmentation strategy implemented, 40% of all the OUD patients fall within the Medicaid space. And so having adequate coverage and being able to get the drug

approved is key, obviously. And so now I think we're really set up and poised for success, and with really comprehensive coverage, with very few blocks. So we're pleased with what we have.

Ben Haynor: Yes, it sounds like you're right on kind of the cusp of really being able to drive everything.

Dane Hallberg: Yes. The key here is going to be, with proper financing, it's going to be steady growth. Steady, tangible growth. And that's what we're aiming for, now that everything is in place.

Ben Haynor: Great. And then I just had two kind of housekeeping ones. First off, if you were to split off sales and marketing, at least how I'm reading the press release, in sort of SG&A, it sounds to me like it would be about $1.6 million in the quarter. Is that correct? And then if that takes a minute, no problem. And then the other housekeeping one I had is, where are you at in terms of prescribers? And sorry if missed that.

Sunil Bhonsle: Sure. No, no. Ben, the -- I'll have the Brian address the question around the SG&A and its breakup, that the old G&A, so to speak, without the selling expenses, the $1.6 million or so, Brian, is that accurate?

Ben Haynor: Yes, I think the way the text -- yes, the text has it as $0.8 million of some aspect, $0.5 million and $0.3 million, I believe it was. But I wanted to know if that was kind of the whole of what would be considered sales and marketing. I know you don't -- or haven't broken it out exactly in those terms. But I was just looking -- I guess the bigger question is, sales and marketing, to me, looks like, the way it was worded here, that it was similar in -- the expenses there were similar in Q2 as they were in Q1. Would that be considered a fair statement?

Sunil Bhonsle: Brian, you want to address that?

Brian Crowley: That would be fair, because in Q2 of last year, there was virtually no sales and marketing expenses, but you're looking at that $1.9 million as basically the sales and marketing for the quarter.

Ben Haynor: Sure.

Brian Crowley: Okay?

Ben Haynor: Got it. And then the number of prescribers, if you have that?

Sunil Bhonsle: We are starting to collect the kind of information that obviously would make -- worthwhile to report to show progress. Not having had the right systems in place previously, we don't have a large database yet to say, hey, here's how we see these numbers and how they're trending. But give us a quarter and I'm sure we will start providing some of the guidance in terms of prescriptions and things like that at this stage. It's just a little early to -- yes, and it's just a little too early, and it's pointless giving you three weeks' worth of information. It doesn't mean much right now.

Dane Hallberg: So Ben, this is Dane. I'd like to add to that. So the key here is, you look at your X-waivered physicians, that they're the only physicians, or nurse practitioners, or PAs, mid-levels, that can prescribe MAT therapy. And you can go out and train thousands of these clinicians, but if they fall into -- a lot of private practices throughout the country, I think we've experienced this. And the practice economics drive the usage with film. And we know that up to 50% of that film's being diverted for cash, for illegal street drugs. So we took a step back, and as I indicated, our segmentation, which really showed us the key physicians, healthcare providers, nurse practitioners and PAs, the folks that -- where practice economics aren't the sole driving force. Where they are really measured by effectiveness. These are the key clinicians that we are focusing our efforts on. And the channels where these folks aren't incentivized by how many bodies they can see in a day and just write prescriptions.

So we've taken a step back, readjusted the original segmentation so that we're spending our time and resources on the clinicians that have value for the long-acting OUD treatments, and Probuphine fits into that, I guess, that tool belt, or the arsenal that they have to combat opioid addiction. But for us to go out and focus on private practices that were previously explored and spend millions of dollars is just ineffective, and we're not going to make a dent in those areas at all because of the practice economics. So we're focused on the right clinicians now, and I think you give us a quarter, you're going to see very solid, steady growth.

Operator: And the next question comes from John Vandermosten with Zacks Small Cap Research.

John Vandermosten: Wanted to start out with the Canadian revenues. I was sure we were going to see some of those this quarter, and maybe we did, but I wasn't quite sure how they'd be represented; maybe broken down between royalties and product revenues. But could you help me understand how that will be represented? And then also, when we might see that?

Sunil Bhonsle: Sure. In terms of the sales in Canada, clearly what we would receive is a royalty payment from that, and so it would be reported as royalties in this setting. The launch that they started back in the fourth quarter of last year, they have reported periodically patients being put on treatment and so on, but the numbers themselves have not gotten to be that large to generate royalties that we would report right away. The growth -- they're clearly seeing growth, and they're seeing acceptance of Probuphine and now, even recently they reported coverage by third-party payers in Canada, which is very important. Otherwise it's strictly based upon the provincial healthcare systems, which takes some time to really establish the presence of a new product like Probuphine. So they're starting to see acceptance of the product. They're starting to see reimbursements that are more meaningful. And I expect in the second half of this year we will start seeing some real usage of Probuphine in Canada as well. I think it's just a little too early in the launch. But it will be reported as royalties when we start seeing -- receiving the royalties.

John Vandermosten: Okay. And are there any product revenues at all associated with when they receive the product itself from you?

Sunil Bhonsle: Yes, there are, and we did provide product to them at the end of last year, and that's the product that they have been using.

John Vandermosten: Okay, I see. And I wanted to get a sense of how many first-time prescriptions and how many repeat prescriptions there were in the second quarter? I think you may have provided that statistic before, but if you could break down the product revenue in terms of that for me.

Sunil Bhonsle: We have not included any of that detail at this stage. Once again, it's sort of -- some of the systems, to do that accurately, were just not there before. They're starting to now -- that tracking of the data to properly indicate that is just being collected now. So at this stage, anything we would provide for the second quarter really would be just an estimate at best. So we have consciously said, let's wait till we have accurate information that we can rely upon and provide that, and it's just a matter of what was -- what we inherited, so to speak, in the prior system versus what we have now put in place with AppianRx, which makes a big difference.

John Vandermosten: Okay. And I would guess -- and tell me if I'm incorrect in this assumption -- that there are probably some patients on their third or fourth implant by now?

Sunil Bhonsle: There are, and let me also point out that clearly, the repeat usage of Probuphine is prevalent, very much so. Clearly our clinical studies and data from that indicated a very high rate of satisfaction amongst patients, and patients in the clinical studies, 80-plus-percent of patients wanted to continue treatment and go into a second study. I can't tell you what that percentage is, but we do know that repeat treatments have been quite frequent. Doctors have talked about it. Our sales reps mention it as well. And they have gone into third and fourth treatment cycles as well.

John Vandermosten: Okay. And was there a delay as you transitioned to your partners, I guess, in the recognition of any revenues during the second quarter?

Sunil Bhonsle: The revenue recognition element, clearly following the accounting principles and standards, were each quarter, we have to reassess the sales through distribution channels, specialty pharmacy partners and so on, and make sure that it reflects the usage that is continuing on, and recognize that portion of the revenue. We did that the prior quarter. We've done it again during this quarter. And what is shown as revenues clearly is adjusted for that very clear principle. Brian, anything else in that setting? I think that's the only --

Brian Crowley: No, I think you got it, Sunil. It's just we, as Sunil said, we evaluate the shipments and recognize revenue taking into account the various factors you've mentioned.

Sunil Bhonsle: Yes. I think one of the key things that I'll highlight again or point out again, the second quarter was one where numerous things were being changed in the way the prior practice of getting Probuphine had been. That meant not only do all the systems have to work right, but also you have to reeducate the healthcare providers who were using this. And so it's been a few months of everyone making certain that all pieces of this process are functioning. So I am -- clearly, to me, the disruption was somewhat minimal in this process. For a small company with

these many changes going on, that is a tremendous job that the commercial team and the logistics team and everyone has been able to accomplish here. And it reflects in that our revenues are similar to the prior quarter, and now I think we should really be able to capture all of the information and see some growth that we can rely upon.

John Vandermosten: Okay. And looking at grant revenues, I guess, is that kind of recognized? And I think you said earlier in the call that that had proceeded as expected, all the work there. And I think the grant revenues, as it was explained to me before, or at least how I remember it, was that they would be recognized and, in time, on a consistent regular basis. Was this just a slower period of recognition during the second quarter that's going to be caught up a little bit later?

Sunil Bhonsle: Absolutely, yes. It is, yes.

John Vandermosten: I'm trying to answer kind of the cadence there of those grant revenues. Because I think they're pretty much fixed; it's just when they show up (indiscernible).

Sunil Bhonsle: That's correct, yes. No, that is absolutely correct. And the periodicity of it really varies based upon how many activities are going on. A large amount of the work was done in the earlier -- in the first couple of quarters of the grant, and so you saw higher amounts being recognized. Some of the fruits of that work are now being used in that there's actual studies, nonclinical studies going on. Until that study is completed, we won't be able to recognize some of that grant monies, but it'll come -- it'll all -- schedule-wise, we are very much on schedule, and so we expect to recognize all of the revenue, just different periodicities.

Operator: Thank you. And as that's all the time we have for questions at the present, I would like to return the call to Sunil Bhonsle for any closing comments.

Sunil Bhonsle: Thank you. Thank you, Keith. Thank you all for participating in this call. As always, we truly appreciate your ongoing support and we look forward to reporting continued progress with Probuphine and our other ProNeura product programs as we move forward. Thank you, and have a great day.

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