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## VALIDATION OF THE “RESTARTED” PLAN BY THE PARIS COMMERCIAL COURT

- **End of court-ordered receivership proceedings**
- **Continuation of core research in lupus and allergies**
- **Creation of a new business investing in BioTechs and MedTechs**
- **New shareholder (HBR Investment Group) and changes in governance**
- **Restructuring of liabilities**
- **Transfer of ORNANE financing agreement of a total residual nominal amount of €5.85 million over a maximum period of 10 months, in favor of HBR Investment Group, and signing of a new OCEANE-BSA financing agreement for a maximum nominal amount of €40 million over a maximum 48-month period<sup>1</sup>**
- **Planned resumption of trading and upcoming financial events**

**Paris and Boston, May 18<sup>th</sup>, 2020 7:00 am CET - Néovacs (Euronext Growth Paris: ALNEV)** informs shareholders that the Paris Commercial Court has approved, in a decision handed down on May 15<sup>th</sup>, 2020, the Company’s continuity plan as presented by HBR Investment Group. The approval of the plan will enable Néovacs to close ongoing receivership proceedings.

The “Restarted” (“*Nouveaux départs*”) plan aims to boost the core development business, and extend the Group’s expertise into other areas, within a strengthened and sound financial structure.

Vincent Serra, Chief Scientific Officer and Chief Operating Officer at Néovacs, made the following comments: *“When I took over the management of Néovacs at the end of 2019, we had reached an impasse – I couldn’t have imagined such a positive outcome. Not only will we be able to continue our scientific work aiming to make the most of our unique and patented technological platform – we’ll also be able to help our colleagues complete their own projects and, together, create long-term value for Néovacs shareholders.”*

Hugo Brugière, President of HBR Investment Group and Chairman and Chief Executive Officer of Néovacs, added: *“We identified the potential of Néovacs and its teams early on, which extends far beyond its current scope of activities. Thanks to the new OCEANE-BSA line of financing entered into May 17<sup>th</sup>, 2020, the implementation of which will be the subject of a resolution at the next General Meeting, in addition to the potential added benefit of partnership agreements, the Company can now ensure a fresh start while helping breathe new life into other promising projects. It’s very exciting; we*

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<sup>1</sup> Subject to the approval of the General Meeting. Investors are encouraged to take note of the detailed characteristics, costs and dilutive impact of this financing agreement, presented in the Appendix to this release (only on the French version).

*look forward to renewing dialog with shareholders and resuming trading the Néovacs share so investors can take positions on the basis of this new plan.”*

### **Continuation of core research in lupus and allergies**

The first part of the plan involves continuing Néovacs’ core activities in both its existing research areas, **lupus** and **allergies**, backed by its technological platform Kinoïde®. This innovative approach makes use of the patient’s immune system to regulate the harmful overproduction of cytokine (active immunotherapy). Néovacs’ Kinoïde technology, used in the treatment of lupus, is patent-protected until 2038.

For the treatment of **lupus**, and having consulted with European regulatory agencies, Néovacs is considering continuing the clinical trial program with the launch of a Phase III study, requiring joint financing with a pharmaceutical partner. Discussions are expected to begin as early as this year.

Regarding the treatment of **allergies** (asthma in particular), a research program is under consideration to optimize the combination of Kinoïde IL-4 and IL-13 to reduce manufacturing and characterization costs.

### **Creation of a new business investing in BioTechs and MedTechs**

In addition to continuing its core businesses, Néovacs aims to become a key player in launching and developing medical and paramedical companies in difficulty. Projects may include the development of drug candidates (BioTech) or medical devices (MedTech).

The goal is to draw on the skills of an experienced scientific team to identify the most promising projects, with financial and managerial expertise being provided by the new major shareholder HBR Investment Group to structure projects, and on the financial resources supplied by the new line of OCEANE-BSA financing. This business will help diversify Néovacs’ risk exposure by investing in ambitious yet realistic projects.

### **New shareholder**

The “Restarted” plan is being driven by HBR Investment Group, which has committed to acquiring, within no more than five business days as of from the judgment adopting the Company's continuation plan, 831,000 Néovacs shares and 107 bonds redeemable in cash and/or in new and/or existing shares (ORNANEs) with a nominal value of €10,000, held by European Select Growth Opportunities Fund (ESGOF) under the financing agreement signed on March 22<sup>nd</sup>, 2019 by Néovacs and ESGOF, for a total purchase price of around €335,000.

HBR Investment Group was founded in 2015 to invest in companies undergoing either restructuring or major growth, requiring managerial support and a capital injection. HBR Investment Group, the two shareholders of which are Hugo Brugière (Chairman and controlling shareholder) and Baudouin Hallo (Chief Executive Officer), today holds around thirty direct and indirect equity investments around the world, in companies of varying sizes and sectors. The main investment strategy involves investment in or the takeover of struggling companies. HBR Investment Group is a shareholder in Cybergun, where Hugo Brugière is Chairman and Chief Executive Officer. He is also a director at Europlasma. The Cybergun and Europlasma shares are admitted for trading on Euronext Growth Paris.

HBR will request the conversion of all the ORNANEs acquired into new Néovacs shares, pursuant to the terms of the ORNANEs, so that the delivery-settlement of the new Néovacs shares resulting from

the conversion takes place no later than three business days prior to the date of the Extraordinary General Meeting on June 11<sup>th</sup>, 2020.

This conversion into new Néovacs shares should make HBR Investment Group Néovacs' major shareholder, while reducing the Company's liabilities. At this point, HBR Investment Group will not exceed the 50% threshold of shares or voting rights liable to trigger the obligation to file a public tender offer.

Based on Néovacs' current share capital and the last known<sup>2</sup> price, i.e. €0.058, the conversion of all ORNANES<sup>3</sup> to be acquired in the coming days by HBR Investment Group will give rise to the creation of 21,400,000 new shares<sup>4</sup>, i.e. a theoretical future dilution of 12% for existing shareholders<sup>5</sup>. In this case, HBR Investment Group would hold 22,231,000 Néovacs shares, representing 12.32% of the capital and 12.35% of voting rights, including the 831,000 Néovacs shares to be acquired in the coming days by HBR Investment Group<sup>6</sup>.

The table below includes the change in the Néovacs share ownership structure:

	Before operation				After acquisition of 831,000 Néovacs shares by HBR Investment Group				After acquisition of 831,000 Néovacs shares by HBR Investment Group and creation of 21,400,000 shares through full conversion of ORNANES <sup>7</sup>			
	Number of shares	% capital	Voting rights	% voting rights	Number of shares	% capital	Voting rights	% voting rights	Number of shares	% capital	Voting rights	% voting rights
Historic shareholders	4,470,106	2.81%	5,111,756	3.22%	4,470,106	2.81%	5,111,756	3.22%	4,470,106	2.48%	5,111,756	2.84%
Treasury shares	1,454,869	0.91%	0	0.00%	1,454,869	0.91%	0	0.00%	1,454,869	0.81%	0	0.00%
Sub-total float	153,182,112	96.28%	153,438,841	96.78%	152,351,112	95.75%	152,607,841	96.25%	152,351,112	84.40%	152,607,841	84.81%
HBR Investment Group	0	0.00%	0	0.00%	831,000	0.52%	831,000	0.52%	22,231,000	12.32%	22,231,000	12.35%
<b>Total</b>	<b>159,107,087</b>	<b>100%</b>	<b>158,550,597</b>	<b>100%</b>	<b>159,107,087</b>	<b>100%</b>	<b>158,550,597</b>	<b>100%</b>	<b>180,507,087</b>	<b>100%</b>	<b>179,950,597</b>	<b>100%</b>

Please note that this table is provided for information purposes only, as there is no guarantee that the ORNANE conversion will be carried out at a rate of €0.058.

<sup>2</sup> Closing price on November 8<sup>th</sup>, 2019.

<sup>3</sup> The characteristics of the ORNANES are set out in the press release published by Néovacs on March 25<sup>th</sup>, 2019 (<https://neovacs.fr/wp-content/uploads/2019/03/pr-032519-pdf>). Please note that, under an agreement between Néovacs and European Select Growth Opportunities Fund, the maturity of the ORNANES acquired has been extended by six months, now set at September 25<sup>th</sup> 2020 for ORNANES issued under tranche 1, and April 2<sup>nd</sup>, 2021 for ORNANES issued under tranche 3.. An ORNANE conversion table is available on the Company's website.

<sup>4</sup> Within the maximum number of shares available under the terms of (i) the authorization granted by the Extraordinary Shareholders' Meeting of March 12<sup>th</sup>, 2018 (6<sup>th</sup> resolution) concerning outstanding ORNANES issued under tranche 1, and (ii) the authorization granted by the Extraordinary General Meeting of May 29<sup>th</sup>, 2019 (15<sup>th</sup> resolution) concerning the outstanding ORNANES issued under tranche 3.

<sup>5</sup> Based on a conversion price of €0.05, corresponding to 92% of the lowest volume-weighted average price of the Company's shares over the last 10 trading days, available on today's date. This dilution bears no impact on either the final number of shares to be issued or their issue price, to be determined on the basis of the share price, under the terms set out in the ORNANE characteristics.

<sup>6</sup> It is specified that following the judgment of May 15<sup>th</sup>, 2020 adopting the continuation plan, Néovacs, the commissioner for the execution of the plan and HBR Investment Group will request the Paris Commercial Court to specify the scope of the of inalienability relating to the Néovacs shares which will be held by HBR Investment Group following the execution of the agreement concluded with ESGOF

<sup>7</sup> In the event of a conversion based on the last known price (closing price as of November 8<sup>th</sup>, 2019 of €0.058).

## **Enhanced governance structure**

In the *Restarted* plan, the Néovacs Board of Directors, which met May 16<sup>th</sup>, 2020, coopted Hugo Brugière as Director and appointed him Chairman and Chief Executive Officer of the Company, with immediate effect.

Jean-Jacques Bertrand, who was Chairman of the Board of Directors, became the Vice-Chairman of the Board of Directors, and Vincent Serra, PhD, who had been Chief Executive Officer since September 30, 2019, became, at his request, the Chief Scientific Officer and Chief Operating Officer. His daily duties will include coordinating the Company's innovation projects. Baptiste Pourtout was also reappointed as Chief Financial Officer.

The Board of Directors now comprises:

- Hugo Brugière, Chairman
- Jean-Jacques Bertrand, Vice-Chairman
- Jacques Banchereau
- Arlene Morris
- Patrick Valroff
- Daniel Zagury

## **Restructuring of liabilities**

The plan also provides for the settlement of liabilities claimed by Néovacs' creditors, which amounted to €20.4 million on the date it was approved.

These liabilities have been significantly reduced thanks to the agreement reached with Acofi Gestion concerning €15.0 million in debt for the financing of Néovacs' Research Tax Credit (CIR) between 2014 and 2018, which has helped reduce liabilities to €3.2 million. In response to objections from the tax authorities, Acofi Gestion reported, as a precaution, all amounts financed or otherwise as liabilities, as well as amounts that could be subject to recovery for over-payment in the event that the authorities' challenges are successful. As such, HBR Investment Group, the Company and Acofi Gestion have come to an agreement, subject to the Commercial Court's approval of the HBR Investment Group continuity plan, under which Néovacs would be released from any prior claims in exchange for:

- (i) Néovacs' cooperation with Acofi Gestion's teams in future discussions with the authorities in relation to the CIR dispute.
- (ii) Predirec Innovation funds retaining all amounts recovered by Acofi Gestion in respect of the amounts financed between 2014 and 2018, up to a maximum of €4.5 million (above which, amounts would be recovered by Néovacs).

Residual liabilities, reduced to €3.2 million, will be the subject of a debt clearance plan compatible with the financing arrangements in place and future cash flows. It will be proposed that preferred and unsecured creditors (€3.0 million) be repaid up to 30% no later than four months following the approval of the continuity plan, in exchange for the waiver of the balance or total in nine progressive annual installments. So far, 43% of creditors have selected Option 1 and 35% have chosen Option 2.

### **Transfer of the ORNANE financing agreement of a residual nominal amount of €5.85 million over a maximum residual period of 10 months in favor of HBR Investment Group**

HBR Investment Group and ESGOF have agreed to transfer, by way of novation, all of the rights and obligations binding on ESGOF under the terms of the financing agreement entered into on March 22<sup>nd</sup>, 2019 between Néovacs and ESGOF<sup>8</sup>, in favor of HBR Investment Group. This novation was finalized May 15<sup>th</sup>, 2020 as a result of the Company's continuity plan being approved by the Commercial Court.

Under this agreement, the residual financing capacity comes to a nominal amount of €5.85 million.

The purpose of this novation is to enable HBR Investment Group to secure financing for the continuity plan, in addition to the OCEANE-BSA financing described below, if required.

### **Signing of a new OCEANE-BSA financing agreement of a total nominal amount of €40 million over a maximum 48-month period<sup>9</sup>**

A 48-month issue contract was entered into May 17<sup>th</sup>, 2020 between Néovacs and the Luxembourgish European High Growth Opportunities Securitization Fund ("EHGO"), member of the Alpha Blue Ocean group, with a view to setting up a flexible bond financing facility via the issuance of 4,000 warrants convertible or exchangeable into new and/or existing shares, with a nominal value of €10,000 each (the "OCEANES"), divided into forty tranches of 100 OCEANES each, as well as share subscription warrants (the "BSAs") (the OCEANES and BSAs being jointly referred to as the "OCEANE-BSAs"). The total nominal amount of the OCEANES thus issued will come to €40 million.

This line of financing via the issuance of OCEANE-BSAs is intended to ensure that Néovacs has the capital required for the next stages of development in two research areas, as well as the new BioTech/MedTech investment business, and the settlement of liabilities. This is the only financing solution available to a company in Néovacs' position, emerging from insolvency proceedings, with no cash flow generated by its business activities and with a dispersed shareholder structure unable to cover its financing needs. The cost of financing totals 5% of the maximum total nominal amount of the OCEANES to be issued, payable in four equal tranches via the issuance of OCEANES (without BSAs attached), and therefore with no negative impact on cash flow<sup>10</sup>. The issuance of the Warrants (as defined in the Appendix - only on the French version) and the first tranche of OCEANES with BSAs attached in favor of EHGO, in a nominal amount of €1 million, will be carried out subject to prior approval of an authorization granted by the Company's Extraordinary General Meeting of June 11th, 2020 and the resumption of trading of the Néovacs share.

The number of BSAs issued under this financing arrangement will enable EHGO to acquire, by exercising said BSAs, shares in the Company representing 50% of the total nominal amount of the

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<sup>8</sup> As a reminder, the characteristics of the financing arrangements are set out in the press release published by Néovacs on March 25<sup>th</sup>, 2019 (<https://neovacs.fr/wp-content/uploads/2019/03/pr-032519-pdf>). The terms of the financing remain unchanged as a result of the novation in favor of HBR Investment Group. An ORNANE conversion table is available on the Company's website.

<sup>9</sup> Subject to approval from the General Meeting. Investors are encouraged to take note of the detailed characteristics, costs and dilutive impact of this financing agreement, presented in the Appendix to this release. (only on the French version)

<sup>10</sup> See Commitment costs in the Appendix (only on the French version)

OCEANEs to be issued, divided by the exercise price of the BSAs thus issued, in the event that all the BSAs are exercised.

BSAs will be issued when each tranche of OCEANEs is drawn down.

The characteristics and terms of the OCEANE-BSA warrants to be issued to EHGO are set out in an Appendix to this release (only on the French version).

It is reminded that there is no equity relationship or concert between HBR Investment Group, Hugo Brugière and EHGO (or more generally the Alpha Blue Ocean group). EHGO has not made any commitment to retain the Néovacs shares received via the OCEANE conversion or exercise of BSAs and may sell them at any time.

The Company will keep a table of OCEANEs, BSAs and the number of outstanding shares updated on its website ([www.neovacs.fr](http://www.neovacs.fr)).

### **Planned resumption of trading**

The Board of Directors has granted the Chairman and Chief Executive Officer the authority to take steps to resume trading of the Néovacs share as soon as possible.

A press release will be published as soon as the resumption date is known.

### **Upcoming financial events**

The Board of Directors has convened an *in camera* Extraordinary General Meeting for June 11<sup>th</sup>, 2020 at 3:00 pm. The Company will publish the result of voting as soon as possible.

The meeting agenda is set out in the Company press release dated May 6<sup>th</sup>, 2020 ([https://www.actusnews.com/news/63391-neovacs\\_cp\\_avis\\_ag\\_juin2020\\_vdef.pdf](https://www.actusnews.com/news/63391-neovacs_cp_avis_ag_juin2020_vdef.pdf)).

This agenda is liable to change to take the latest developments of the *Nouveaux Départs* plan into account, as detailed in this release. Shareholders are encouraged to check the notice of meeting, which will be published within the required deadlines.

In light of the insolvency proceedings and ongoing health crisis, the Company was unable to publish its full-year results by April 30<sup>th</sup>, 2020 and is making every effort to release its annual financial report by June 30<sup>th</sup>, 2020.

**In order to establish direct and constructive dialog between the new management and shareholders before the resumption of trading and prior to the next General Meeting, a conference call will be organized on May 19<sup>th</sup>, 2020 at 6.30 pm. Shareholders wishing to attend can register by writing to [ag@neovacs.com](mailto:ag@neovacs.com).**

### **Risks relating to financing operations**

The main risks relating to the planned operations include:

- (i) On the date hereof, the Néovacs share price is still suspended. Néovacs cannot anticipate the conditions under which its shares will be traded on Euronext Growth when trading

- resumes, including the impact of the operations detailed herein.
- (ii) The planned operations involve the issuance of complex financial securities, including a bond component and an option component tied to the Company's shares.
  - (iii) The issuance of OCEANE-BSA warrants in favor of EHGO is subject to the June 11<sup>th</sup>, 2020 General Meeting's approval of the relevant resolution.
  - (iv) The terms and conditions of the financial securities issued under the financing arrangements may be modified with the approval of the general body of holders and, where relevant, of the Company's General Meeting.
  - (v) Company shareholders will see their shareholding significantly diluted due to (i) the issuance of new share resulting from the conversion of ORNANES acquired by HBR Investment Group, (ii) the issuance of new shares under the ORNANE financing agreement, which was the subject of a novation in favor of HBR Investment Group, and (iii) the issuance of new shares resulting from the conversion of OCEANES and the exercise of detached share warrants (BSAs) subscribed by EHGO as part of the OCEANE BSA financing agreement. An example of the potential dilution resulting from these transactions (based on certain assumptions) is presented in Appendix (only on the French version).
  - (vi) Holders of BSAs are protected, specifically in relation to certain events or a drop in the share price.
  - (vii) The volatility and liquidity of Néovacs shares may fluctuate significantly.
  - (viii) The sale of Néovacs shares by HBR Investment Group or EHGO could have a negative impact on the liquidity and market price of the Néovacs share.

### **Liquidity and future financing risk**

The Company has carried out a specific review of its liquidity risk and considers that it is in a position to meet its future maturities within 12 months following the date of this press release, taking into account its current cash position, forecast cash flows and the OCEANE-BSA financing line signed with EHGO on May 17<sup>th</sup>, 2020, subject to approval from the General Meeting of June 11<sup>th</sup>, 2020.

On the date of this press release, the Company has cash (net of financial debt) of €600,000, and estimates its 12-month financing requirement at between €6-12 million, depending on the progress of its various projects. This amount will be covered by the new OCEANE-BSA financing line entered into on May 17<sup>th</sup>, 2020 with EHGO. In the event that making use of this OCEANE-BSA financing line is not possible, the Company will have the option to invoke the ORNANE financing agreement transferred to HBR Investment Group on May 15<sup>th</sup>, 2020 of a residual nominal amount of €5.85 million, subject to certain contractual conditions. Finally, in the event that additional financing is required in 2021, HBR Investment Group has undertaken to provide additional resources of a maximum amount of €856,000, according to terms to be determined.

### **Risks relating to the Company and its business**

The main risks relating to the Company and its business were presented in the Annual Report for the year ended December 31<sup>st</sup>, 2018, available on the Néovacs website.

## **ABOUT NEOVACS**

Néovacs is a French biotech company listed on Euronext Growth since 2010. The Company is focused on therapeutic vaccines targeting the treatment of autoimmune diseases. Its innovative technology named Kinoid™, patented until 2038, induces a polyclonal immune response, applicable in several indications. Neovacs has developed the IFN $\alpha$  KINOID to treat lupus in a clinical phase IIb study, the main study is now ended and the full results have been presented at the 13th international Lupus Congress 2019. The Company also carried out preclinical work on IL-4/ IL-13 Kinoid, another therapeutic vaccine for the treatment of allergies. The aim of this "KINOID approach" is to enable patients to better cope with a life-long treatment that would be more effective, well tolerated and unburdensome. For more information: [www.neovacs.fr](http://www.neovacs.fr).

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