

The Wall Street Analyzer

WSA: Good day from Wall Street. This is Juan Costello, Senior Analyst with the Wall Street Analyzer. Joining us today is Bill Long, the CEO of Epicore BioNetworks. The company trades on the TSX Venture. Ticker symbol EBN. Thanks for joining us again there Bill.

Bill Long: I'm glad to join you Juan.

WSA: Great, so for some of our listeners that are new to the story can you provide us an overview of Epicore?

Bill Long: Surely. Epicore is a specialty products company specializing in environmental biotech and nutritional products that go primarily for the shrimp aquaculture industry. So, Epicore develops, manufactures and markets these products from North America, but the shrimp industry, the shrimp aquaculture industry is centered around the Equator. So, 99% of our sales go outside of North America to around 29 countries around the globe. So, it's a very interesting business, very much a niche business, Epicore has been doing it for a lot of years, we've a very strong position in that niche.

WSA: Certainly and can you talk about the recent infrastructure expansion completion?

Bill Long: Yes, when I joined the company many years ago it seemed like we had a cavernous building with lots of space and empty areas. Well, that doesn't last very long when you are in a growing business and we recognized about three years ago that we were going to need more space just to operate the existing business and we looked at a number of different options and in the end we decided that it would be best if we dissolved our limited liability real estate partnership with a business the next door and in the dissolution we ended up buying land that was adjacent to our building. So, with that land available we decided the best option for expansion that's to put up our building.

We sought township approval for this in the beginning of 2014 and then after architectural drawings and contracts were set, the construction began in 2014. That construction was essentially completed this summer and we're now occupying the building. We have township approval for a 12,000 square foot building, but we decided to do it in two phases. So, the building that's just completed is 6,000 square feet, it's a high building suitable for warehousing and that's what we're planning to use it for immediately.

I can just tell you that with a product--raw materials and finished goods we moved out of our existing building--we now have some elbow room in the existing building and one of the things we've done with the elbow room is to install automated packaging equipment. So, this has greatly speeded up our processing and tremendously increased our productive capacity in the existing building and the new warehouse is just a dream. It's got all the

bells and whistles with floor drains and washable walls and it's air-conditioned because our products don't like to be stored in high heat for very long. So, we're very proud of the facility. I think it's going to do a lot for the company. Improve our operation and improve our capacity and really put us in a position to continue growing into the future.

WSA: Certainly and you go over some of your other recent news and milestones you've achieved since we last spoke last year including the inclusion into the TSXV top 50?

Bill Long: That's right, the TSX-V does this annually where I suppose they have a number of things they look at, but one of the main things they look at is trading, trading volume and direction of stock growth and this last 12 months period or so has been very positive for Epicore shares. The TSX-V then voted us one of their 50 companies of the year, we got a nice plaque on the wall and we've got some recognition from that. I'm very happy to be on the TSX-V they seem to run a really tight ship and a good one.

The trading volume this year has been considerably higher than previous years and along with that, the price of stock has gone up significantly from where it was 12 or 24 months ago. The other thing that we've done we have had coverage instituted on the company by Cantor Fitzgerald and Cantor Fitzgerald did a very nice analysis of the company and a nice write up and that's available. I think we have a link to that on our website, but it was a very nice job, it created a lot of interest in Canada for the stock and again that all came together and worked very well.

WSA: Good and what key trends are you focusing on right now in the sector and how the company is positioned to capitalize?

Bill Long: Now, we've had a growing business since, really since I became the CEO the company has grown pretty steadily every year. The growth in this aquaculture industry is seems to have a strange sort of pattern, where you grow strongly for a couple of years and then the growth slows a little bit. That's something that's going on in the industry and then it grows strongly for few more years.

In the last say three-year period one of the key factors effecting growth has been shrimp prices because of diseases in Asia, shrimp prices skyrocketed. They were two or three times the normal level. Well, starting in the middle of 2014 or later in 2014 shrimp prices started to decline and they have declined quite a bit. I know a lot of investors who follow the company, see this decline and the prices and they worry that that is going to have an adverse effect on company's results and so far that has just not occurred. Our business has remained reasonably robust. Major companies that we deal with are still growing shrimp; they're still buying our products. They are not making as much money on the shrimp they grow as they use to, but they're still making money so the industry will keep going forward.

The lower prices have produced a surge in US imports of shrimp. Some numbers I saw published recently had 2015 first half imports up 8.2% versus the prior year. So, the lower prices should increase and cause an increase in demand at the consumer level,

which is good for the industry in the long run. One of the things we're doing because the disease that started the shortfall and started this hike in prices is still around. No one has found a cure for the disease, but they've been changes in the industry growing practices that mitigate the effect of the disease. So, for example, in Mexico, Mexico switched its source of baby shrimp. They now buy the baby shrimp from Ecuador and the Ecuadorian shrimps seem a little more tolerant to the disease. So, we had a very good year in Mexico this last year and of course we're concentrating on that one to capitalize as much to count on that.

We've been working hard on getting our products registered in China. We've made sales to China; but we're really close to getting final approval on, we've got one half of our product range approved. We are close to getting final approval on the second half of the product range and China is just an immense market. That's the largest producing area for aquaculture shrimp. Now that we have a good distributor and products are getting registered we are expecting big things from China in the future.

WSA: Good and what do you feel makes Epicore unique from some of the other players in the sector?

Bill Long: Well, there a lot of companies that are producing the same sort of environmental biotech products that we have. Most of them go to non-aquaculture applications and the thing that really sets us apart in the applications we do business in is that we don't just sell a product. We sell a product and with it the knowhow on how to use the product and additionally the knowhow on general problems in the industry, so we have a consolidate type of selling approach when people, when we visit customers we may solve a problem within one of our products, so we may help them solve a problem totally unrelated to our products and it's that technical service with the sale that sets Epicore apart from people that are just pedaling this product or that.

WSA: Right and so what key goals and milestones are you hoping to accomplish over the course of the next 12 months?

Bill Long: I think the next 12 months because of this drop in shrimp prices is going to cool the industry a little bit and I think the whole industry growth will slow down compared to where it was in 2013 and '14. So, our goal is to keep our growth going even if we can't do it at this high level as we did in the past and we'll do that by concentrating on the programs that have worked in the past and just knocking on doors and getting more customers; but we also expect to see significant increases in business in some of the more developing areas where we've put effort. China is a prime example of that, but we've also put effort in the smaller markets like Australia and seeing a good response so far and we expect to see more and more business in that area. So, we have a number of market initiatives to keep our growth going and we've a development pipeline that we hope will get products into the field for field-testing in our fiscal 2016 year. Hope that that field-testing is successful and will lead to even more sales going forward. So, we've got a lot on our plate and a lot of things we are working on, I think the future looks pretty good.

WSA: Well, good and what are some of the key value drivers there that you wish investors better understood about the company?

Bill Long: Well, I think the thing that drives the underlying value of this business is a fact that shrimp aquaculture is here to stay. The oceans are fished out in that they are at a point where there could be no more increase and production from the sea. If you take any more fish out of the sea then what mankind is currently taking the stock efficiency will deplete. So, there is a lot of restrictions of sea fishing and a sea catch has been stagnant for a number of years now. Yet the world population continues to grow. So, where is the rest of the world going to get the seafood that it wants to eat? It's got to get that from aquaculture.

So, that's what drives this business on a very basic level. We'll continue to do so for some time to come; of course shrimp prices have an effect and high prices are good for us because then people have no reluctance to afford to use our products, but low prices are good for us because that means the world will demand more shrimp and shrimp production will go up. So, shrimp prices are a factor, but they are a complicated sort of factor. They still can be considered a value driver but it's a complicated sort of factor.

WSA: Great and so once again joining us today is Bill Long, the CEO of Epicore BioNetworks, which trades on the TSX Venture, ticker symbol is EBN currently trading at 14.49 a share and market cap is around \$15 million and before we conclude here Bill to recap some of your key points, why do you believe an investor should consider the company as a good investment opportunity today?

WSA: Well, I think Epicore has a solid track record of growth and it has a lot of room for more growth. The aquaculture industry is a very big one. Our share, market share in some sectors is decent, but in the Asian market where most of the shrimp are grown we have a relatively low market share, so there is a lot of room for growth. The products that we sell are proven products. They have been in this market for enough years now that shrimp growers appreciate the value that they add to their operations, which is a very good thing. Epicore has been investing in its business here in the United States at its Easthampton New Jersey site. Investing its business with a subsidiary in Ecuador and these investments will position us well to take advantages of opportunities in the future. So, I think Epicore should look attractive to investors.

Juan Costello: Well, we certainly look forward to continue to track the company's growth and report on your upcoming progress and we would like to thank you for taking the time to join us again today Bill and update our investor audience on Epicore. It's always good to have you on.

Bill Long: Well thank you very much, I appreciate the opportunity.