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Operator

Ladies and gentlemen, thank you for standing by. And welcome to today's Xeris Pharmaceuticals Fourth Quarter Final Results Conference Call. At this time, all participants are in a listen-only mode. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] I would now like to hand the conference over to your speaker, Allison Wey, Senior Vice President of Investor Relations. Please, go ahead.

Allison Wey

Thank you, Mae. Good morning and welcome to Xeris' Pharmaceuticals fourth quarter and full year 2020 financial results and corporate update conference call. A press release with the company's fourth quarter and full year 2020 results was issued earlier this morning and can be found on our website.

We are joined this morning by Paul Edick, Chairman and CEO; and Barry Deutsch, CFO. Paul will provide opening remarks, Barry will provide details on our financial results, and then we will open the line for Q&A.

Before we begin, I'd like to remind you that this call will contain forward-looking statements concerning the impact of COVID-19 on Xeris' business practices, Xeris' future expectations, plans, prospects, clinical approvals, commercialization, corporate strategy and performance, which constitute forward-looking statements for the purposes of the Safe Harbor provision under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward-looking statements, as a result of various important factors, including the effect of uncertainties related to the COVID-19 pandemic on the U.S. and global markets, Xeris' business, financial condition, operations, clinical trials and third-party suppliers and manufacturers, and other risks factors including those discussed in our filings with the SEC.

In addition, any forward-looking statements represent our views only as of the date of this call and should not be relied upon as representing our views as of any subsequent date. We specifically disclaim any obligations to update such statements.

Now, I'll turn the call over to Paul.

Paul Edick

Thank you, Allison, and thank you everybody for joining us today. I hope you and yours have been able to stay safe and healthy during these challenging times. My headline for you today regarding Xeris performance in 2020 and the fourth quarter in particular, is that I believe we achieved a great deal, and performed very successfully in the face of multiple headwinds. I couldn't be more pleased or proud of the efforts of the entire Xeris team, which enabled us to make great progress throughout 2020 and positioned us well for a very strong 2021. And they did so, despite the year long pandemic, which continued to strengthen in the fourth quarter, into the first quarter of 2021, periods of civil unrest and nature periodically being hacked. The consistent growth of Gvoke Pre-Filled Syringe and the work done to get tremendous unrestricted payer coverage in the first half of 2020, set us up for a great start to the Gvoke HypoPen launch in July, and you will hear continued growth in the early stages of the launch during the fourth quarter and into the first quarter of 2021. I'd like to first point out some of the fourth quarter highlights and recent developments. In the fourth quarter, we grew Gvoke prescriptions 11%, while the glucagon market actually declined as a function of normal seasonality of the market in the fourth quarter and the unusual impact of the resurgent pandemic. We'll talk a little bit more about that later in my remarks. In the fourth quarter, we recorded $7.1 million in net sales, which brought us to over $20 million for the full year.

Given the unusual circumstances and 100% virtual nature of our sales effort during the year, we consider this to be a very positive start to our Gvoke brand. We receive CHMP positive Opinion for Ogluo, which is the approved name for ready-to-use HypoPen in the EU, and more recently final approval in the EU. We began our ex-US licensing initiatives and entered into an exclusive agreement with a leading Israeli pharmaceutical distribution company to commercialize Gvoke in Israel and the Palestine -- Palestinian Authority. We received initial feedback, in advance our discussions with the FDA on three-pipeline programs; exercise-induced hyperglycemia, post-bariatric hyperglycemia, and our pramlintide-insulin combination product, which we believe has the potential to be a better mealtime insulin. We seamlessly moved our R&D facility from San Diego to Chicago, allowing us to be in one city, more continuous as a team. And that's more aligned as a company, and we've reduced our debt by equitizing a significant portion of our convertible bonds. Barry will discuss this in more detail in his remarks later on.

Before going into more details on our performance, I'd like to share some additional context regarding the overall impact of COVID-19, the overall impact that COVID-19 has had on the pharmaceutical market as a whole.

I think it's important to understand that the headwinds most all companies are experiencing are real and significant.

Before doing so, however, I want to be clear, and somewhat reiterate my – Xeris headline. We believe our performance stands out as very positive in the face of what has been happening in the entire pharmaceutical marketplace. That said a few factoids. According to recently published report by IQVIA, nearly 1 billion expected physician visits did not happen in 2020. That same report projects an additional 200 million visits shortfall through July of this year. Those missed visits have a direct effect on prescription utilization. IQVIA projects that 3.5 billion prescriptions that would otherwise have been written will be lost during – due to the pandemic, particularly relevant to Xeris, because we're in the very early stages of our new Gvoke HypoPen launch, is that total prescriptions that are especially new to brand prescriptions across all therapeutic categories declined significantly in 2020. That has a lot to do with the fact that visits to endocrinology offices were down over 44% versus the prior year, and established brands weren't as impacted as newer or launched products because generating new brand awareness and prescribing requires face-to-face interaction and healthcare professionals to build initial recognition and recall.

As for the impact of the pandemic had on the glucagon market specifically, it should be –I want to note that during the first quarter of 2020, before we were experiencing the impact of stay-at-home orders, shutdowns and civil unrest, the glucagon market grew 27% year-over-year. Thanks entirely to the introduction of new ready-to-use glucagon products, such as Gvoke and Baqsimi. Conversely from Q2 through Q4, the market only grew 6% versus the year care – the year carried mostly by the launch of Gvoke HypoPen and that growth is concentrated mostly during the summer months, as some areas of the country eased the restrictions and we initiated the Gvoke HypoPen launch.

As I've said, despite these headwinds, the launch of Gvoke Pre-Filled Syringe and the Gvoke HypoPen have gone very well. The Gvoke prescriptions grew more than 350% from Q1 2020 to Q4 2020. Gvoke total prescriptions grew 11% in the fourth quarter during the traditionally weak glucagon period. Total prescribers of Gvoke grew another 27% in the fourth quarter and total unique prescribers at year end exceeded 5,000. In Gvoke share, we expanded glucagon market increased to nearly 12% by year end 2020.

So how do we do so well in the face of the 2020 challenges? At the initial launch of Gvoke PFS, our commercial strategy focused on converting glucagon emergency kits to Gvoke. This initial effort and focus paid-off and generated momentum to the Gvoke brand. Combined Gvoke and Baqsimi ended the year with almost 45% share of the expanded marketplace and legacy kits lost 16% of their market share since the launch of Gvoke. We were also able to tap into significant pent-up demand for Gvoke HypoPen when we initiated our launch virtually in July. We maintain a very high level of engagement with diabetes community through digital and social media as well as significant number of online community influencers. We invested immediately and consistently in our team's ability to work virtually and to engage healthcare providers virtually, which allows us to steadily grow awareness of Gvoke across the prescriber community, even when physician practices were closed for restricting access. We initially established outstanding payer coverage Gvoke and maintained it through the end of 2020. Since the second quarter and through today, approximately 80% of patients have unrestricted access to Gvoke across all payer types.

We also established and continued to this day, our zero dollar copay program to aid people with diabetes during these trying times.

As we look at 2021 and beyond, we will concentrate our promotional efforts on reinforcing for both prescriber and patient community, the importance of ensuring that all patients on insulin therapy, are all at risk of severe hypoglycemia having ready-to-use glucagon product, such as the Gvoke HypoPen available for rescue in the event of a severe low blood sugar episode.

As a reminder, there are approximately 6.8 million insulin taking people with diabetes in the United States, and more than six million of them do not have glucagon of any kind, on hand.

Let's remember, the number one side effect of insulin therapy is low blood sugar, which is why guidelines from the ADA that anyone at risk of clinically significant hyperglycemia, defined as blood glucose below 54 milligrams per deciliter be prescribed glucagon. Yeah, only 10% of those on insulin, and therefore at risk, have glucagon available. Sadly, as a result, approximately 270,000 people are hospitalized every year and 27,000 people every year die from severe hypoglycemia in the United States at a cost of over $1.8 billion.

Our promotional mission will focus on increasing prescriber and patient awareness of Gvoke to reduce this very real impact that severe hyperglycemia can have on people's lives. This takes educating healthcare providers that all of their insulin taking patients with diabetes are at risk, and deserve to have a safe and effective and simple glucagon option available.

Our message to prescribers is clear. Every prescription written for insulin should be accompanied by a prescription for a ready-to-use glucagon option, like the Gvoke HypoPen. To aid our effort, we've also expanded our sales organization to reach more healthcare professionals through the addition of 40 in totally virtual inside sales representatives.

We also plan to amplify the voices of patients and caregivers who use Gvoke, so that more of the insulin taking patient population, without glucagon, understand the importance of having it on hand.

As we turn our attention to our fourth quarter financial performance, specifically, you may recall that on last quarter's call, we discussed the disconnect between net sales of total prescriptions as reported by third-party vendors, such as IQVIA or Symphony, particularly in the launch phase of new products such as Gvoke HypoPen.

We have a lot of questions on this and I want to provide as much clarity as possible. This is likely due to the estimated or projected nature of prescription volume and prescription growth rather than actual volume.

As expected, we experienced a continuation of this disconnect during our fourth quarter.

Just as a reminder, net sales equals shipments the wholesaler and not the number of prescriptions.

We have two things that impacted net sales change in the third quarter to the fourth quarter.

First, wholesaler and retailer inventories, build in front of the highly anticipated launch of Gvoke HypoPen in the third quarter [technical difficulty], obtained from back-to-school to lower than normal Q4 seasonality. Glucagon market is historically lower in the fourth quarter and into the first quarter and these factors will continue to play into the program buying patterns of wholesalers. Once again, my goal here is to just provide context and some of the variability we're seeing, which has a lot to do with the early stage of our launch and lack of buying history. Overtime, this gap should narrow, wholesaler buying patterns should stabilise, and third-party databases -- database information should more accurately reflect Gvoke's growth, although, probably not in the near-term. That said, we're seeing -- what we're seeing in the most recent February monthly data is encouraging.

Some of the leading indicators that could bode very well for beginning momentum into the second quarter include our share of the Glucagon market is up to 16%. We've -- recent weekly script data is trending up, activity in the hub is trending up, zero dollar copay claims appear to be trending up. And our field and virtual engagements with healthcare professionals is also trending up. With that, I'd like to move to Ogluo in the EU, we reserved the -- we received a positive opinion in the fourth quarter, and then the final approval last month for Europe and overall ready-to-use glucagon.

As such, we are now approved at all 27 EU countries, plus Norway and Iceland. We're actively seeking a commercialization partner for the EU that launched -- the launch of vaccine in Europe and premium reimburse pricing that their product has been granted, as compared to the legacy kits, which we find very encouraging has actually ignited additional discussions with potential partners. That added to the fact that we believe we have a better option for insulin taking community is that, which is at-risk is also encouraging. Simultaneously, however, we are preparing to launch beginning in the fourth quarter on a country-by-country basis, should a commercial partnership or licensee not materialize.

Moving on to the pipeline, at the end of 2020, and in early January, we had as planned our meetings or interactions with the FDA on three of our reserves all programs; PBH, EIH and pram-insulin to align on Phase 3 study designs for each of those programs. Because of the pandemic, these meetings are either telephonic or in writing, not face-to-face with the FDA.

We have responded to the initial feedback from the FDA for each program, and expect to have final resolutions on the path forward for each in the second quarter of 2021. Based on that final feedback, study, design and costs, we will potentially take either EIH or PBH forward into Phase 3.

As for pram-insulin, once the Phase 3 plan is clear, we will actively seek a partner to further develop and commercialize it.

As we have previously discussed, we have an agreement with the FDA for Phase 3 program for diazepam and are looking for a suitable partner to advance that program as well. In summary, we had an impressive year in spite of the challenges the 2020 -- that we faced in 2020.

Even as the challenges are persisting into the first part of 2021, we still expect to steadily grow demand for Gvoke brand, aggressively seeking development and commercialization partners for select -- pipeline programs, advanced ready-to-use glucagon for prevention of hyperglycemia, prepared partner and/or launch Ogluo in Europe in the fourth quarter and advance our technology platforms in XeriSol and XeriJect through internal development and external partnerships.

Before I turn the call to Barry, I want to take a moment to thank the Xeris employees.

We have achieved all of this despite the pandemic and has it not been for the people and talent we have in place, we would not be where we are today. I'm proud of our team's commitment and our ability to be successful during the challenging year.

We have prioritized the health and safety of our employees and the communities we serve, while continuing to execute on our strategy and setting up for a great 2021. I'll turn it over to Barry Deutsch to go through our financials.

Barry Deutsch Thanks, Paul. We commercially launched Gvoke prefilled syringe and Gvoke HypoPen, the treatment of severe hyperglycemia in people with diabetes in November 2019 and July 2020, respectively. Total net sales of Gvoke were $7.1 million and $1.6 million for the fourth quarters ended December 31, 2020 and 2019 respectively. Net sales for Gvoke were $20.2 million and $1.6 million for the years ended December 31, 2020 and 2019 respectively. Net sales represent gross product sales less estimated allowances for patient copay assistance programs such as the $0 copay program implemented during the COVID-19 pandemic, prompt payment and other discounts, air rebates, chargeback, product returns, all of which are recording at the time of sale – particular wholesaler or other customer. We apply significant judgments and estimates in determining some of these allowances.

As Gvoke is the first product we have launched, we have limited history with regard to these allowances and will continually refine our estimates moving forward as more information becomes available. Cost of good sold was $3.4 million for the quarter ended December 31, 2020, which included $0.7 million related to excess and obsolete inventory for the quarter ended December 31, 2019 cost of goods sold was $1.6 million. Cost of good sold was $9.3 million for the year ended December 31, 2020, which included $2.3 million related to excess and obsolete inventory and under absorb overhead costs of $1.5 million.

For the year ended December 31, 2019, cost of goods sold was $1.6 million, which included under absorbed overhead costs $0.6 million. Manufacturing costs for Gvoke incurred prior to approval and initial commercialization were expensed as incurred as research and development expense. Total operating expenses were $23.1 million and $94.7 million, respectively for the quarter and full year ended December 31, 2020, compared to $33.1 million and $123.5 million, respectively for the quarter and full year ended December 31, 2019. Quarter and full year ended December 31, 2020 were $5.1 million and $20.9 million, respectively, compared to $12.4 million and $60.4 million for the same period in 2019. The decrease of $7.3 million in R&D expenses in the fourth quarter of 2020 compared to the fourth quarter 2019 was primarily driven by decreased expenses associated with our clinical trials and reduction of manufacturing batches and supplies needed for preclinical and clinical trials. The full year decrease in R&D expenses of $39.5 million was primarily driven by expenses incurred in the prior year for the manufacturing of Gvoke prior to initial commercialization, decreased expenses associated with our clinical trials, a reduction of manufacturing batches and supplies needed for preclinical and clinical trials and an increase in the allocation of certain personnel and facilities costs to cost of goods sold, partially offset by restructuring expenses in 2020 related to the relocation of our laboratory from San Diego to Chicago. 2020 clinical trial expenses decreased significantly for both the quarter and full year periods.

As we have concluded all ongoing clinical programs. And no new studies have been initiated as we finalize our discussions with the FDA and go forward development requirements. Selling, general and administrative expenses were $18 million for the quarter ended December 31, 2020, compared to $20.6 million for the same period in 2019, decrease of -- compared to the prior year for the initial launch of Gvoke and decreased expenses related to conferences and programmes due to the Covid-19 pandemic. Selling, general and administrative costs increased $10.7 million for the year ended December 31, 2020, when compared to the year ended December 31, 2019. The increase is primarily driven by an increase in compensation and related personnel costs, due to additional headcount to support commercialization efforts of Gvoke and increased FDA registration fees, partially offset by decreases in marketing, selling expenses, due to both costs incurred in the prior year for the initial launch of Gvoke, decrease expenses related to conferences and programmes due to the Covid-19 pandemic. 31, 2020, interest expense increased $3.5 million in comparison to the year ended December 31, 2019, primarily due to a loss on conversion of convertible debt of $2.6 million. Interest on the convertible notes issued in the June 2020 offering of $1.9 million, a loss on extinguishment of debt of $0.7 million, and increased borrowing levels under our senior debt facility, partially offset a loss on extinguishment of debt of $2.3 million in the prior year. To-date $39.1 million in principal amount of convertible notes has converted into 13.2 million shares of the company's common stock. Approximately $30.7 million of the $39.1 million that has converted did so via agreements we entered into with some of the holders of the debt. In particular, on November 13, Xeris entered in the separate privately negotiated exchange agreements with certain holders of the company's convertible notes. Pursuant to the exchange agreements, the company exchanged approximately $30.7 million in aggregate principal amount of the notes were approximately 10.4 million newly issued shares of the company's common stock.

As of December 31, 2020, the outstanding balance of convertible notes was $47.2 million. In October, we entered into an amendment to our senior debt facility that provided for an additional $3.5 million term loan, which was drawn in November.

As of December 31, 2020, the outstanding balance under the senior debt facility was $43.5 million. Net loss for the three months ended December 31, 2020 was $21.9 million or $0.41 per share compared to $33.1 million or $1.23 per share for the same period in 2019.

For the full year 2020, net loss was $91.1 million or $2.14 per share compared to $125.6 million or $4.81 per share for the full year. December 31, 2020, we held $133.8 million in cash, cash equivalents and investments compared to $88.8 million as of December 31, 2019. The number of shares outstanding as of February 28, 2021 is approximately 59.8 million. We believe that our cash and cash equivalents and investments expected revenue from sales of Gvoke will enable us to fund our operating and capital expenditure requirements for at least the next 12 months. Revenue from Gvoke will determine when we will be cash flow breakeven. I will turn the call back to Paul.

Paul Edick Thanks Barry. In conclusion, we had an impressive year in spite of the challenges 2020 represent -- presented to us. In 2021, we still expect to steadily grow demand for the Gvoke brand, as I said previously, continue to seek development in commercialization partners for our pipeline programs.

As I said, advanced ready-to-use glucagon for prevention of hypoglycemia prepared to partner or launch in Europe, and continue to advance our technology platforms through external partnerships. We're looking forward to another year of progress and success in 2021. And I will now ask the operator to open it up for questions.

Operator [Operator Instructions] Your first question is from David Amsellem with Piper Sandler.

Your line is open.

David Amsellem Thanks.

So, just a few here. When you talk about unrestricted access to Gvoke, can you just elaborate, I mean, is there -- have you seen any kind of -- does that mean hassle free, are there any real prior ops, utilization, management, how should we think about that? That's number one. And then secondly, can you elaborate on the 40 -- additional 40 reps and how many doctors they're targeting and sort of how are you envisioning the role of the expanded sales organization? And then lastly, in terms of the trajectory of Gvoke, can you talk about where inventory levels stand right now? And if we should think any more destocking pressure if at all in the first quarter? Thanks.

Paul Edick Thanks David. Unrestricted access, I'll take that one first. Unrestricted, non-restricted, no prior authorizations, there's no step at it. There's nothing to get in the way of a patient's ability to get Gvoke -- to get 80% or better is about as good as you can do in the industry in just about any therapeutic category. Rarely will do we see upwards of 90% unrestricted coverage. There are some small plans that just require prior authorizations as a matter of course.

So, that's almost as good as it gets.

In terms of the additional representatives, these are inside sales only. They're 100% virtual, a lot less expensive, and they are either on the phone, on their computers, emailing, doing FaceTime, doing Zoom calls, doing teams calls. And they're a combination of either they cover their own white-space places where we don't have regular field rep, or they're partnered with two or three of the field reps to cover additional -- to get more breadth and depth of coverage in our -- in the field.

I think we're moving from somewhere in the neighborhood of 11,000 to 12,000 targets, with these additional people we can get upwards of 30,000 to 40,000 targets that we can get to by phone or email. And then in terms of the trajectory of wholesale inventories, I think we saw a fairly significant buy in at the beginning of the Gvoke HypoPen launch. That's worked itself down in the fourth quarter, probably will work its way the rest through in the first quarter, and then we should see things start to get back to normal.

David Amsellem Okay, that's helpful. Thanks.

Operator Your next question comes from Ami Fadia with SVB Leerink.

Ami Fadia Hi. Can you hear me, okay?

Paul Edick Yes.

Ami Fadia Okay, great. Thank you. Maybe just a follow-up from the previous question. Can you just give us a sense of whether the inventory levels are more in line with where the demand is at, or do you simply think that there would be some destocking in the channel before we get to kind of a more of a steady state? And just separately with regard to the pipeline, it seems like the update that you gave with regards to the PBH and EIH, Exercise-Induced Hypoglycemia type of incremental updates that do you intend to initiate a study for at least one of the two, do you think you have been implemented Bariatric from the FDA and what to do there?

Paul Edick Ami, you were breaking up a little bit, but let me try to answer the second part first.

Our discussions with the FDA on Post-Bariatric Hypoglycemia and Exercise-Induced Hypoglycemia have gone quite well. We're in the final stages of trying to get alignment on what the Phase 3 program will look like for both.

Our preference, as we've said before, is probably to take the Exercise-Induced Hypoglycemia program forward. It is potentially most straightforward study that we could do. And we'll make that decision in the second quarter.

As far as inventory, I wouldn't describe it as a large amount of inventory, it let us way through in the fourth quarter and a little bit into the first quarter. We should get back to them tracking pretty equally by the end of the quarter – this quarter.

As you know, IQVIA is still understates units anywhere from 20% to 50%. And until we have more history and more buying history, that gap is not going to narrow, but it will narrow over time.

Ami Fadia Okay, great. Well, I have one more question.

You obviously put in more insulin first on the marketing front and you've indicated that ultimately the growth, the significant potential in this market will come from overall market expansion. Can you talk about what you are doing to drive that as the economy sort of opens up and as physicians visits start to come back?

Paul Edick Yeah.

As we've said in the past, if you talk to endocrinologist during the pandemic, they're really focused on a small number of things. They're focused on making sure insulin patients are actually getting their insulin. That's the most important thing. They're focused on making sure that if they've got a CGM, they're paying attention to CGM. They're focused on the people with pumps. They're just not initiating a lot of new anything, as there is very much maintenance mode, trying to take care of patients. And if you can imagine the person with diabetes, there's 10 things at least that the physician has to talk to them about. And now they've got to do a lot of that virtually.

If you go back in time to pre-pandemic, when Lily and us were out detailing actively face to face with physicians, you saw double-digit growth in the market. And it was almost 100% new to glucagon.

So we fully expect that as we get back out into the field, hopefully, late second quarter, early third quarter, that we'll be face to face with healthcare professionals again, and some of that market growth will continue. Right now, most of the change and most of our growth has been converting the legacy kits. That's been the easiest thing to do when you can't get physicians to do something new.

Ami Fadia Got it. Thank you.

Operator Your next question is from Randall Stanicky with RBC.

Your line is open.

Randall Stanicky Great, thanks. Yeah. Hey Paul, just a more specific follow-up to the prior question. Do you expect -- once the pandemic lift, do you expect the market to go back to where it was pre-pandemic, or could there be some catch up and greater expansion and particularly ahead of the back-to-school season in late summer? That's number one. Number two, how are you guys thinking about the impact on pricing from Amphastar Generic Glucagon Emergency Kit. And then also with Zealands product coming in potentially later this month, I think you've talked in the past about more voices in the market is good. But is there a price dynamic that we should be thinking about there as well? Thanks.

Paul Edick Thanks, Randall.

In terms of the market, assuming that we and Lilly are both back out talking to physicians and helping them understand why, and it's been interesting both companies, our primary message has been, patients who are on insulin are at-risk for low blood sugar and severe low blood sugar, and new ready-to-use options are now available and patients should have it.

As long as both companies including Zealand, if that's our message, there are six million people who don't have glucagon handy.

So we would fully expect the same kind of dynamic that we saw when -- before the pandemic would reignite.

Assuming that's the case, assuming we're all back out talking to doctors again, what you saw in late 2019 in the first couple months of 2020 was a low double digit growth turned into a mid teens growth, turned into a low 20% growth, and by March, it was at 27% and accelerating.

So we would expect the same thing to happen post-pandemic. Including, as far as back-to-school is concerned, I think it's going to be really hard for schools not to reopen.

So we're expecting that the majority of schools are going to be open again, comes up, August, September. We're anticipating that if that's the case, we'll have a more normal back-to-school period.

So that's very encouraging.

As far as the new generic, I guess, the only way to answer that is, the kids have been generic forever.

You've got Lilly, you've got Novo spend the same kit; it's always been the same price.

I think if there's going to be an impact of the most recent generic, it's going to be on Lilly and Novo, it's not going to be, I don't think, it's going to have much effective any on the new ready-to-use products. And yes, I do believe that if Zealand enters the market and is focused on positioning their products for patients and positioning their product for the 6 million patients who don't have glucagon. Physicians will then have multiple options for making sure that patients who are at risk for severe hypo have some form of glucagon, some form of ready-to-use glucagon. And in that situation, we believe that Gvoke HypoPen is the best option available.

Randall Stanicky Great. Thanks.

Operator [Operator Instructions] Your next question is from Difei Yang with Mizuho Group.

Your line is open.

Difei Yang Good morning. Thanks for taking my question.

Just on the phase 3 program for exercise induced hyperglycemia, would you talk a bit about the anticipated duration of this phase 3?

Paul Edick Difei, I think the kind of trials we're looking at in phase 3 probably at least 18 months beginning to end, it depends on the final patient numbers, it depends on recruitment rates.

So, I wouldn't see us finishing that program inside of two years.

Difei Yang Okay. Thank you. Then separate question on the convertible debt. There's -- there are still convertible debts outstanding, do you have plans to convert them when the time's right?

Paul Edick So I -- we, there is still a big chunk of that convert out there, we have no plans at the moment to try to equities them. The conversion date is still a couple years away.

So we've got plenty of time to decide what to do with those. And by the way on your first question on the exercise study, if we get to a final with the FDA sometimes in the second quarter, we couldn't even get a study started before the fourth quarter, so it's going to take a little time.

Difei Yang Okay. Thank you, Paul for the clarification.

Operator Our next question is from Jim [indiscernible] Capital.

Your line is open.

Unidentified Analyst Good morning. Thank you.

Just following up on a prior call in regards to the convertible debt. What led you to equities the initial fees of what preclude you from doing the remainder, it seems like the stock continues to be shorted against that convertible constantly on direct show list, would appreciate your comments on that?

Paul Edick Yeah. There were several factors, Jim. The short position on our stock, if you're -- if you were following it, obviously you were -- our stock price went up pretty aggressively, shortly after the convertible deal was done. That made it -- so that the borrow in our stock was quite high. We had a number of bondholders, who approached us to convert or to equitize just on their own.

As a result of that, we reached out to a few of the larger holders to see if they wanted to equitize early on -- at rates that we thought were preferable to the company. Several of them chose to do that, because once again the borrow was so high and remained high.

So, -- but at the end of the day, they -- a lot of those bondholders did well. The people who are currently holding, they are in the money.

So, it wasn't something we set out to do. It sort of came to us by way of the dynamics of the marketplace. The short position was high, the borrow was high, just circumstance.

Unidentified Analyst Thank you.

Operator We have no further questions. At this time, I turn the call back to Paul Edick for closing remarks.

Paul Edick Well, I'd like to say thank you to everyone for listening. We appreciate you paying attention. We appreciate your interest in the company and your investments in the company. And we look forward to discussions again in the future. Thank you very much.

Operator This concludes today's conference call.

You may now disconnect.