



Capnia Reports Fourth Quarter and Full Year 2014 Financial Results

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REDWOOD CITY, Calif., March 10, 2015 (GLOBE NEWSWIRE) -- Capnia, Inc. (Nasdaq:CAPN), focused on the development of novel products based on its proprietary technologies for precision metering of gas flow, today announced financial results for the fourth quarter and twelve months ended December 31, 2014.

"Capnia completed several important milestones in 2014, including a successful initial public offering and the launch of CoSense®, the only device available for accurate assessment of end-tidal carbon monoxide (ETCO) in newborns," said Anish Bhatnagar, M.D., Chief Executive Officer of Capnia. "The commercial rollout of CoSense is proceeding in the U.S. We also continue to evaluate the potential of our therapeutic nasal CO₂ technology for the treatment of symptomatic allergic rhinitis, cluster headache and trigeminal neuralgia (TN). This is an exciting time for the Company, and we look forward to communicating our progress throughout 2015."

Fourth Quarter 2014 and Recent Highlights

- **Completion of Series B Warrant Transaction.** In March 2015, Capnia completed a privately negotiated transaction with certain holders of Capnia's Series B warrants who agreed to exercise their Series B warrants to purchase an aggregate of 589,510 shares of Capnia's Common Stock at an exercise price of \$6.50 per share, resulting in gross proceeds to the Company of approximately \$3.8 million. In connection with this exercise of Series B warrants, Capnia issued to each investor who exercised Series B warrants, new Series C warrants exercisable at \$6.25 per share for the same number of shares of Common Stock underlying the Series B warrants that were exercised. The cashless exercise feature that was contained in the Series B warrant that results in an increasing number of shares of Common Stock issuable without consideration as the price of the Common Stock decreases is not contained in the Series C warrants. Capnia intends to offer to all remaining holders of Series B warrants pursuant to a formal tender/registered exchange offer process, subject to certain limitations, the opportunity to exercise the Series B warrants held by them and receive Series C warrants on the same basis as in the private transaction.
- **Announced First U.S. Commercial Sales of CoSense.** In February 2015, Capnia announced the first commercial sales of the Company's CoSense ETCO Monitors and single-use sampling sets to leading healthcare institutions.
- **Presented CoSense Data at the 2014 American Society of Hematology.** In December 2014, Capnia presented proof-of-concept data for the Company's CoSense ETCO Monitor in patients with sickle cell anemia (SCA) at the 2014 American Society of Hematology Annual Meeting and Exposition in San Francisco. The Company believes CoSense has potential applications in the monitoring of a range of diseases involving hemolysis and altered bilirubin metabolism, and data from this study supports the potential of CoSense as a screening tool for neonates at risk for SCA.
- **Applied for Orphan Drug Designation in the U.S. for the Treatment of Trigeminal Neuralgia.** In December 2014, Capnia submitted an application to the U.S. Food and Drug Administration (FDA) requesting Orphan Drug Designation for its nasal CO₂ technology for the treatment of TN. TN is a clinical condition characterized by debilitating pain in regions of the face innervated by one or more divisions of the trigeminal nerve.
- **Planned Partnership with Clinvest® to Develop Treatment for Cluster Headache.** In January 2015, Capnia announced the execution of a Memorandum of Understanding (MOU), whereby the Company and Clinvest®, a research organization dedicated to the advancement of medicine and health management through clinical research, will collaborate to develop a therapeutic product for the treatment of cluster headache using Capnia's proprietary nasal CO₂ technology. Under the terms of the MOU, Clinvest is expected to conduct an investigator-sponsored clinical trial evaluating Capnia's nasal CO₂ on up to 50 patients with episodic cluster headaches. Capnia will provide the investigational product and logistical support for the trial, as well as limited financial support.
- **Completion of Initial Public Offering.** In November 2014, Capnia completed its IPO of 1,650,000 units, each unit consisting of one share of common stock, one Series A warrant (exercisable into one share of common stock) and one Series B warrant (exercisable into one share of common stock) resulting in aggregate net proceeds of approximately \$8.0 million. Proceeds from the IPO will be used to fund the ongoing commercial launch of CoSense, and related costs, and for working capital, capital expenditures, and other corporate purposes.

Fourth Quarter 2014 Financial Results

No revenue was recognized in the three months ended December 31, 2014 or December 31, 2013.

Research and development expenses in the fourth quarter of 2014 were \$0.6 million, compared to \$0.4 million in the fourth quarter of 2013. The increase was primarily due to reimbursement of R&D expense of \$0.3 million under the GSK license agreement in the fourth quarter of 2013. The GSK license agreement was terminated in the second quarter of 2014. Exclusive of this reimbursement R&D expenses were largely constant in both quarters.

Sales and marketing expenses in the fourth quarter of 2014 were \$0.2 million. There were no sales and marketing expenses for the year ended December 31, 2013. The increase was primarily due to the addition of the Vice President of Sales in June 2014 and the commercial launch activities for CoSense initiated in October 2014.

General and administrative expenses in the fourth quarter of 2014 increased to \$1.1 million, compared to \$0.2 million in the fourth quarter of 2013. The increase was primarily due to an increase in consulting costs, employee related costs due to increased headcount and an increase in stock based compensation expense of \$0.3 million in 2014 versus 2013.

Interest expense increased by \$1.9 million in the fourth quarter of 2014 compared to the fourth quarter of 2013. This increase was primarily due to the write-off of the unamortized balance of the debt discount associated with the 2014 convertible notes as of November 18, 2014 (the IPO date).

Other expense in the fourth quarter of 2014 increased by \$3.6 million compared to the fourth quarter of 2013. This increase was due to an increase of \$5.8 million in the fair value of the Series B warrant liability from November 18, 2014 to December 31, 2014, and a net decrease of \$2.2 million in the fair value of other stock warrants.

Net loss for the fourth quarter of 2014 was \$7.9 million, or a loss of \$2.23 per share, compared to a net loss of \$1.0 million, or a loss of \$1.82 per share, for the fourth quarter of 2013.

Cash, cash equivalents, and marketable securities at December 31, 2014 totaled \$8.0 million. This compared to \$1.3 million at December 31, 2013.

Full Year 2014 Financial Results

There was no revenue for the twelve months ended December 31, 2014, compared to \$3.0 million for the twelve months ended December 31, 2013. The \$3.0 million of revenue in the fiscal year ended December 31, 2013 represented the revenue from the license agreement with GSK.

Research and development expenses for the twelve months ended December 31, 2014 decreased 6% to \$2.2 million, compared to \$2.4 million for the same period in 2013. The decrease was primarily due to employee related costs due to lower headcount in 2014 versus 2013.

Sales and marketing expenses for the twelve months ended December 31, 2014 were \$0.3 million. There were no sales and marketing expenses for the year ended December 31, 2013. The increase was primarily due to the addition of the Vice President of Sales in June 2014 and commercial launch activities for CoSense.

General and administrative expenses for the twelve months ended December 31, 2014 increased 82% to \$2.7 million, compared to \$1.5 million for the same period in 2013. The increase was primarily due to an increase in consulting costs, employee related costs, including stock compensation expense of \$0.3 million, due to increased executive headcount in 2014 versus 2013.

Interest expense increased by \$1.3 million for the twelve months ended December 31, 2014 compared to the same period in 2013. This increase was primarily due to the write-off of the unamortized balance of the debt discount associated with the 2014 convertible notes as of November 18, 2014 (the IPO date).

Other expense for the twelve months ended December 31, 2014 increased by \$4.6 million compared to the same period in 2013. This increase was due to an increase of \$5.8 million in the fair value of the Series B warrant liability from November 18, 2014 to December 31, 2014, offset by a net decrease of \$1.2 million in the fair value of other stock warrants.

Net loss for the twelve months ended December 31, 2014 was \$13.9 million, or a loss of \$10.92 per share, compared with a net loss of \$3.7 million, or a loss of \$5.10 per share, for the same period in 2013.

About Capnia

Capnia, Inc. develops and commercializes novel products based on its proprietary technologies for precision metering of gas flow. Capnia's lead product is CoSense®, which aids in the detection of hemolysis, a dangerous condition in which red blood cells degrade rapidly. CoSense, based on the Sensalyze™ Technology Platform, is a portable, non-invasive device that rapidly and accurately measures carbon monoxide in exhaled breath. CoSense has 510(k) clearance from the FDA and has also received CE Mark certification for sale in the European Union. Capnia's proprietary therapeutic technology, currently under development, uses nasal, non-inhaled CO₂ and is being evaluated to treat the symptoms of allergies, as well as the trigeminally mediated pain conditions such as cluster headache, TN and migraine.

Forward-Looking Statements

This press release contains forward-looking statements that are subject to many risks and uncertainties. Forward-looking statements include statements regarding our intentions, beliefs, projections, outlook, analyses or current expectations concerning, among other things, our ongoing and planned product development and clinical trials and the ability to receive Orphan Drug Designation approval from the FDA.

We may use terms such as "believes," "estimates," "anticipates," "expects," "plans," "intends," "may," "could," "might," "will," "should," "approximately" or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained herein, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this presentation. As a result of these factors, we cannot assure you that the forward-looking statements in this presentation will prove to be accurate. Additional factors that could materially affect actual results can be found in Capnia's Form 10-Q filed with the Securities and Exchange Commission on December 18, 2014, including under the caption titled "Risk Factors." Capnia expressly disclaims any intent or obligation to update these forward looking statements, except as required by law.

Capnia, Inc.

Condensed Statements of Operations and Comprehensive Loss

(In thousands, except per share amounts)

**Three Months
Ended**

Fiscal Year Ended

	<u>December 31,</u>		<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue	--	--	--	\$ 3,000
Expenses				
Research and Development	608	360	2,242	2,380
Sales and Marketing	157	--	253	--
General and Administrative	<u>1,080</u>	<u>199</u>	<u>2,665</u>	<u>1,467</u>
Total expenses	<u>1,845</u>	<u>559</u>	<u>5,160</u>	<u>3,847</u>
Operating income (loss)	(1,845)	(559)	(5,160)	(847)
Interest and other income (expense)				
Interest income	--	--	1	2
Interest expense	(2,319)	(389)	(4,130)	(2,860)
Other expense	<u>(3,690)</u>	<u>(26)</u>	<u>(4,586)</u>	<u>(2)</u>
Net loss and comprehensive loss	<u>\$ (7,854)</u>	<u>\$ (974)</u>	<u>\$ (13,875)</u>	<u>\$ (3,707)</u>
Basic and diluted net loss per common share	<u>\$ (2.23)</u>	<u>\$ (1.82)</u>	<u>\$ (10.92)</u>	<u>\$ (5.10)</u>
Weighted-average common shares outstanding used to calculate basic and diluted net loss per common share	<u>3,516,886</u>	<u>535,685</u>	<u>1,270,033</u>	<u>535,648</u>

Capnia, Inc.
Condensed Balance Sheets
(In thousands)

	<u>As of December 31, 2014</u>	<u>As of December 31, 2013</u>
Assets		
Current Assets		
Cash & Cash Equivalents	\$ 7,957	\$ 1,269
Restricted Cash	20	20
Accounts Receivable	--	150
Inventory	109	--
Prepaid expenses and other current assets	<u>252</u>	<u>85</u>
Total Current Assets	8,338	1,524
Long-term Assets		

Property & Equipment, net	58	63
Total Assets	<u>\$ 8,396</u>	<u>\$ 1,587</u>

Liabilities, convertible preferred stock and stockholders' deficit

Current Liabilities

Accounts Payable	\$ 987	\$ 58
Accrued expenses	201	129
Line of Credit	102	--
Convertible promissory notes and accrued interest	--	13,992
Total Current Liabilities	1,290	14,179

Long-Term Liabilities

Series B Warrant Liability	17,439	--
Convertible preferred stock warrant liability	--	1,464

Commitments and Contingencies

Convertible Preferred Stock

Series A convertible preferred stock, \$0.001 par value, 40,000 shares authorized, 0 and 31,250 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively; (aggregate liquidation preference of \$1,500)	--	1,500
Series B convertible preferred stock, \$0.001 par value, 320,000 shares authorized, 0 and 119,140 shares issued and outstanding at December 31, 2014 and December 31, 2013 respectively; (aggregate liquidation preference of \$6,863)	--	6,863
Series C convertible preferred stock, \$0.001 par value, 1,500,000 shares authorized, 0 and 715,039 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively; (aggregate liquidation preference of \$15,445)	--	15,445

Stockholder's deficit

Common stock, \$0.001 par value, 100,000,000 shares authorized at December 31, 2014 and 10,000,000 shares authorized at December 31, 2013; 6,769,106 and 535,685 shares issued and outstanding at December 31, 2014 and December 31, 2013	7	1
Additional paid-in-capital	60,635	19,235
Accumulated deficit	<u>(70,975)</u>	<u>(57,100)</u>
Total stockholders' deficit	<u>(10,333)</u>	<u>(37,864)</u>
Total liabilities and stockholders' deficit	<u>\$ 8,396</u>	<u>\$ 1,587</u>

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