



## Capnia Reports Third Quarter 2015 Financial Results

November 12, 2015

REDWOOD CITY, Calif., Nov. 12, 2015 (GLOBE NEWSWIRE) -- Capnia, Inc. (NASDAQ:CAPN), a diversified healthcare company that develops innovative diagnostics, devices and therapeutics addressing unmet medical needs, today announced financial results for the third quarter ended September 30, 2015.

"The third quarter was highlighted by our acquisition of revenue-generating, neonatal pulmonary resuscitation solutions from NeoForce," said Anish Bhatnagar, M.D., Chief Executive Officer of Capnia. "This transaction enabled us to increase our presence in neonatology by expanding our neonatal product line and also broadens the expertise of our sales organization, both of which should help drive sales of our CoSense® ETCO monitor."

"Since our last quarterly update, we completed two financings that provide access up to \$20 million of capital to fund the Company's ongoing development and commercialization activities," said David O'Toole, Chief Financial Officer of Capnia. "With our strengthened balance sheet, we are well-positioned to achieve key milestones in the coming months and quarters."

### **Recent Developments and Highlights**

#### **CoSense and Neonatology-Focused Products**

- **Acquired Marketed Neonatal Pulmonary Resuscitation Solutions From NeoForce.** In September, Capnia increased its presence in neonatology through the acquisition of the assets of NeoForce Group, Inc., a developer of innovative pulmonary resuscitation solutions for the inpatient and ambulatory neonatal markets with several currently-marketed products.
- **Appointed NeoForce Founder, Otho Boone, as General Manager of Neonatology.** Mr. Boone, who founded NeoForce in 2005, brings to Capnia over 25 years of medical device sales, operations and product development experience at neonatology focused companies such as Drager, Hill-Rom Air Shields and Ohmeda. Prior to founding NeoForce, Mr. Boone was Vice President of Global Marketing at Drager. Mr. Boone has a depth of expertise and broad relationships with top tier hospitals across the United States, which Capnia plans to leverage to accelerate the adoption of its CoSense ETCO monitor.
- **Published Clinical Data in the Journal Neonatology Supporting the Use of the CoSense ETCO Monitor to Detect Hemolysis in Neonates.** The results of the study conducted in neonates with bilirubin above the 75th percentile on the Bhutani bilirubin nomogram demonstrated the feasibility of CoSense in detecting hemolysis in jaundiced newborns and reducing jaundice-related readmissions.

#### **Therapeutics Pipeline**

- **Announced the First Patient Enrolled in Clinical Trial for Cluster Headache.** This pilot, single-center clinical trial is designed to enroll 25 patients with episodic cluster headaches. The primary efficacy endpoint of the trial is the greatest change from pre-treatment headache pain intensity to post treatment. Capnia expects to report top-line data from this trial in 2016.

#### **Financial/Corporate**

- **Completed Two Financings Providing a Total of up to \$20 Million.** The previously-announced financings include a \$10 million at-the-market firm commitment Stock Purchase Agreement with Aspire Capital completed in July 2015, and a \$10 million private placement of convertible preferred stock and Series D Warrants with funds managed by Sabby Management, LLC, of which the first closing for \$4.5 million occurred in October 2015.
- **Acquired Ownership of Patent for Breath End Tidal Gas Monitor.** Amended the asset purchase agreement with BioMedical Drug Development, Inc. (BDDI) originally signed in 2010, which now gives Capnia 100% of the financial interest in the product.

#### **Third Quarter 2015 Financial Results**

Total revenue recognized in the three and nine months ended September 30, 2015 was \$247,000 and \$366,000, respectively. There was no revenue recognized in the three and nine months ended September 30, 2014.

Research and development expenses in the three and nine months ended September 30, 2015 were \$1.2 million and \$3.3 million, respectively, compared to \$0.7 million and \$1.6 million for the same periods in 2014. The increase was primarily due to employee related expenses, including stock based compensation expense, as a result of increased headcount in the three and nine months ended September 30, 2015 versus the same periods in 2014.

Sales and marketing expenses in the three and nine months ended September 30, 2015 were \$0.5 million and \$1.2 million, respectively, compared to \$0.1 million for the same periods in 2014. The increase was primarily due to employee related costs associated with hiring a Chief Commercial Officer and salesforce, as well as expenses related to commercialization activities for CoSense.

General and administrative expenses in the three and nine months ended September 30, 2015 were \$1.7 million and \$4.4 million, compared to \$0.7 million and \$1.6 million for the same periods in 2014. The increase was primarily due to an increase in consulting costs and employee-related costs resulting from increased headcount, including stock based compensation expense of \$0.7 million in the nine months ended September 30, 2015 versus \$21,000 in the nine months ended September 30, 2014. The year-over-year period increases were also due to costs of being a public company.

Interest expense, net, for the three and nine months ended September 30, 2015 was zero and \$1,000, respectively, a decrease of \$0.7 million and \$1.8 million compared to the same periods in 2014. This decrease was primarily due to debt balances from the 2010/2014 convertible notes outstanding in the first three quarters of 2014 that were converted to equity as of November 18, 2014.

The change in fair value of warrants income for the three months ended September 30, 2015 was \$0.1 million, which represents a decrease in the fair value of the Series A, Series B and Series C warrants compared to the value of the warrants at June 30, 2015. For the nine months ended September 30, 2015 the change in fair value of warrants expense was \$1.2 million, which represents an increase in the value of the Series A and Series B warrants compared to the value of the warrants at December 31, 2014 and the value of the Series C warrants compared to the value of the warrants at March 31, 2015.

The inducement charge for Series C Warrants for the nine months ended September 30, 2015 was \$3.0 million compared to zero for the same period in 2014. The increase was due to the issuance of the Series C Warrants in the first quarter of 2015 that were treated as an inducement.

Net loss for three months ended September 30, 2015 was \$3.3 million, or a loss of \$0.33 per share, compared to a net loss of \$2.6 million, or a loss of \$4.47 per share, for the third quarter of 2014. Net loss for the nine months ended September 30, 2015 was \$13.1 million, or a loss of \$1.60 per share, compared to a net loss of \$6.0 million, or a loss of \$11.24 per share, for the same period in 2014.

Cash and cash equivalents at September 30, 2015 totaled \$4.7 million, compared to \$8.0 million at December 31, 2014.

## About Capnia

Capnia, Inc. is a diversified healthcare company that develops innovative diagnostics, devices and therapeutics addressing unmet medical needs. Capnia's lead product, CoSense, is based on the Sensalyze™ Technology Platform. It is a portable, non-invasive device that rapidly and accurately measures carbon monoxide (CO) in exhaled breath. CoSense has 510(k) clearance for sale in the U.S. and has received CE Mark certification for sale in the European Union. CoSense is used for the monitoring of CO from internal sources (such as hemolysis, a dangerous condition in which red blood cells degrade rapidly), as well as external sources (such as CO poisoning and smoke inhalation). The initial target market is newborns with jaundice that are at risk for hemolysis, comprising approximately three million births in the U.S. and European Union. The Company's commercial, neonatology-focused product line also includes innovative pulmonary resuscitation solutions, including the NeoPIP™ Infant T-Piece Resuscitator and Universal T-Piece Circuit consumables. Capnia's proprietary therapeutic technology uses nasal, non-inhaled CO<sub>2</sub> and is being evaluated to treat the symptoms of allergies, as well as the trigeminally-mediated pain conditions such as cluster headache, trigeminal neuralgia 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, renewed focus on our therapeutic business and our ability to report data from our Cluster Headache pilot trial in 2016.

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 August 10, 2015, 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 Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(unaudited)

	As of September 30, 2015	As of December 31, 2014  (Revised)
<b>Assets</b>		

Current Assets		
Cash & Cash Equivalents	\$ 4,720	\$ 7,957
Restricted Cash	111	20
Accounts Receivable	94	--
Inventory	376	109
Prepaid expenses and other current assets	225	252
Total Current Assets	5,526	8,338
Long-term Assets		
Property & Equipment, net	98	58
Goodwill	718	
Other Assets	946	--
Total Assets	\$ 7,288	\$ 8,396

**Liabilities and stockholders' deficit**

Current Liabilities		
Accounts Payable	\$ 953	\$ 987
Accrued expenses	1,224	201
Series B Warrant Liability	3,851	--
Line of Credit and Accrued Interest	--	102
Total Current Liabilities	6,028	1,290
Long-Term Liabilities		
Series A Warrant Liability	1,819	857
Series B Warrant Liability	--	17,439
Series C Warrant Liability	581	--
Other Liabilities	151	--
Total Long-Term Liabilities	2,551	18,296
Total Liabilities	8,579	19,586
Stockholders' deficit		
Common stock, \$0.001 par value, 100,000,000 shares authorized at September 30, 2015 and December 31, 2014, 12,318,508 and 6,769,106 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	12	7
Additional paid-in-capital	82,099	59,141
Accumulated deficit	(83,402)	(70,338)
Total stockholders' deficit	(1,291)	(11,190)
Total liabilities and stockholders' deficit	\$ 7,288	\$ 8,396

**Capnia, Inc.**

**Condensed Consolidated Statements of Operations and Comprehensive Loss**

(In thousands, except share and per share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Government grant revenue	\$ 155	--	\$ 220	--
Product revenue	92	--	146	--
Total Revenue	247		366	
Cost of product revenue	56	--	96	--

Gross Profit	191	--	270	--
Expenses				
Research and Development	1,193	717	3,252	1,633
Sales and Marketing	467	84	1,239	96
General and Administrative	1,714	746	4,432	1,585
Total expenses	3,374	1,547	8,923	3,314
Operating loss	(3,183)	(1,547)	(8,653)	(3,314)
Interest and other income (expense)				
Interest expense, net	--	(752)	(1)	(1,810)
Change in fair value of warrant liabilities	73	(318)	(1,177)	(895)
Other expense	(183)	--	(183)	--
Inducement charge for Series C warrants	--	--	(3,050)	--
Net loss	\$ (3,293)	\$ (2,617)	\$ (13,064)	\$ (6,019)
Net loss per common share basis and diluted net loss per common share	\$ (0.33)	\$ (4.47)	\$ (1.60)	\$ (11.24)
Weighted-average common shares outstanding used to calculate basic and diluted net loss per common share	10,040,079	535,685	8,178,897	535,685

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