Capnia Reports Fourth Quarter and Full Year 2015 Financial Results

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-Company to Commence Pilot Sales of Serenz® to European Pharmacies in 2Q 2016-

-Recently Announced CoSense® Distribution Agreements Covering the U.S. and China-

REDWOOD CITY, Calif., March 24, 2016 (GLOBE NEWSWIRE) -- Capnia, Inc. (NASDAQ:CAPN), a diversified healthcare company that develops and commercializes innovative diagnostics, devices and therapeutics addressing unmet medical needs, today announced financial results for the fourth quarter and twelve months ended December 31, 2015.

"At Capnia, we have achieved several important milestones over the past several months, including strengthening our CoSense sales efforts by securing two exclusive distribution agreements, one in the U.S. and one in China," said Anish Bhatnagar, M.D., Chief Executive Officer of Capnia. "We advanced our therapeutics pipeline with the initiation of our Phase 2 clinical trial evaluating nasal, non-inhaled CO_2 for the treatment of trigeminal neuralgia (TN) and receipt of orphan drug designation (ODD) for the same indication. We also solidified our balance sheet with the closing of a private placement of preferred stock. Looking forward to 2016, we are expecting a number of value-creating milestones. During the second quarter, we are on track to commence pilot sales of Serenz to European Union pharmacies. We are also anticipating top-line sales growth with our neonatology products and data from our ongoing nasal, non-inhaled CO_2 trials for TN and cluster headache during 2016."

Fourth Quarter and Recent Highlights

CoSense and Neonatology-Focused Products

- ***Announced a Nationwide Distribution Agreement with Bemes, Inc., for the Sale of CoSense in the U.S.*** Under the terms of the agreement, Bemes has the exclusive right to provide sales, marketing, distribution and field service activities for CoSense in the United States. Bemes and its network of sub-distributors allows comprehensive nationwide distribution of CoSense with 44 sales representatives covering almost every state.
- ***Announced an Exclusive Distribution Agreement with Shanghai CiiC for the Sale of CoSense in China.*** CoSense sales are expected to commence by the end of 2016, subject to Shanghai CiiC securing all necessary regulatory approvals.
- ***Announced that the CoSense ETCO Monitor was showcased at the 2016 Mobile World Congress.*** CoSense was showcased by Capnia's technology partner, Harman International, as an example of its capabilities in the health care arena. Harman has been a strategic partner to Capnia, helping Capnia to develop the embedded system software and hardware aspects of CoSense.

Therapeutics Pipeline

- ***Announced the First Patient Enrolled in Clinical Trial for Trigeminal Neuralgia.*** The multi-center, placebo-controlled, single-blind, Phase 2 clinical trial is designed to enroll up to 50 patients with TN. The primary efficacy endpoint of the trial is pain relief as reported on a visual analog scale (VAS) in a subject diary, assessed through 24 hours from initial dose. Capnia expects to report top-line data from this trial by the end of 2016.
- ***Announced Receipt of Orphan Drug Designation for Nasal CO_2 for the Treatment of TN.*** Receipt of ODD for TN provides Capnia with seven years of market exclusivity in TN and additional financial benefits.
- ***Received Re-Certification of European CE Mark for Serenz for the Treatment of Allergy Symptoms.*** With the CE Mark, the Company plans to move forward with pilot sales of Serenz to pharmacies in the EU during the second quarter of 2016, with the intent of gathering commercial feedback on the product in preparation of a possible full launch of Serenz.

Financial/Corporate

- ***Announced the Expiration of all Remaining Series B Warrants.*** The Series B warrants, which expired on February 12, 2016, were issued as part of Capnia's initial public offering, and had variable settlement provisions including provisions for cashless conversion.
- ***Closed the Second Tranche of a $10 Million Private Placement of Convertible Preferred Stock.*** With the closing of the $5.4 million second tranche, Capnia has now completed the placement of its previously-announced $10 million convertible preferred stock and warrant offering with a single investor. Capnia closed the $4.6 million first tranche in October 2015.
- ***Joined the Consortium for Universal Rh Disease Elimination (CURhE) as a Founding Member.*** CURhE is a global consortium that has been established to eradicate Hemolytic Disease of the Fetus and Newborn (HDFN), a potentially fatal disease. Capnia's ETCO monitor is the only point-of-care device that can detect hemolysis in neonates.

Fourth Quarter 2015 Financial Results

Total revenue recognized in the three months ended December 31, 2015 was $242,000. There was no revenue recognized in the three months ended December 31, 2014.

Research and development expenses in the fourth quarter of 2015 were $1.3 million, compared to $0.6 million in the fourth quarter of 2014. The increase was primarily due to employee related expenses, including stock based compensation expense, as a result of increased headcount in the three months ended December 31, 2015 versus the same period in 2014.

Sales and marketing expenses in the fourth quarter of 2015 were $0.5 million, compared to $0.2 million for the same period in 2014. The increase was primarily due to the increased sales and marketing personal for the continued commercial activity of CoSense.

General and administrative expenses in the fourth quarter of 2015 increased to $1.7 million, compared to $1.1 million in the fourth quarter of 2014. 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 2015 versus 2014.

Interest expense for the three months ended December 31, 2015 was zero versus $2.3 million for the fourth quarter of 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 December 31, 2015 was $0.6 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 September 30, 2015. The change in fair value of warrants expense in the fourth quarter of 2014 was $3.1 million. This 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 $2.7 million in the fair value of other stock warrants.

Net loss for the fourth quarter of 2015 was $2.8 million, or a loss of $0.22 per share, compared to a net loss of $7.2 million, or a loss of $2.05 per share, for the fourth quarter of 2014.

Full Year 2015 Financial Results

Total revenue recognized for the year ended December 31, 2015 was $607,000. There was no revenue recognized in the year ended December 31, 2014.

Research and development expenses for the twelve months ended December 31, 2015 increased 102% to $4.5 million, compared to $2.2 million for the same period in 2014. The increase was primarily due to employee related expenses, including stock based compensation expense, as a result of increased headcount in 2015 versus 2014.

Sales and marketing expenses for the twelve months ended December 31, 2015 increased 588% to $1.7 million versus $0.3 million for the same period in 2014. The increase was primarily due to employee related expenses, including stock based compensation expense, as a result of increased sales and marketing headcount and other expenses associated with the commercialization of CoSense in 2015 versus 2014.

General and administrative expenses for the twelve months ended December 31, 2015 increased 130% to $6.1 million, compared to $2.7 million for the same period in 2014. The increase was primarily due to an increase in consulting costs, employee related costs, including stock compensation expense of $0.7 million, due to increased executive headcount in 2014 versus 2015 and the cost of being a public company in all of 2015.

Interest expense decreased by $4.1 million for the twelve months ended December 31, 2015 compared to the same period 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 IPO date).

Other expense for the twelve months ended December 31, 2015 increased by $177,000 compared to the same period in 2014. This increase was due to the value of the commitment shares provided to Aspire Capital in the year ended December 31, 2015.

The change in fair value of warrants expense for the year ended December 31, 2015 was $0.5 million, which represents an increase in the fair value of the Series A, Series B and Series C warrants compared to the value of the warrants at December 31, 2014. For the year ended December 31, 2014 the change in fair value of warrants expense was $3.9 million, which represents 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 $1.9 million in the fair value of other stock warrants.

The inducement charge for Series C Warrants for the year ended December 31, 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 the twelve months ended December 31, 2015 was $15.9 million, or a loss of $1.69 per share, compared with a net loss of $13.2 million, or a loss of $10.42 per share, for the same period in 2014**.**

Cash, cash equivalents, and marketable securities at December 31, 2015 totaled $5.5 million, versus $8.0 million at December 31, 2014.

About Capnia

Capnia, Inc. is a diversified healthcare company that develops and commercializes innovative diagnostics, devices and therapeutics addressing unmet medical needs. Capnia's lead commercial 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_2 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 TN and Cluster Headache pilot trials 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-K filed with the Securities and Exchange Commission on March XX, 2016, 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 shares and per share amounts)

	As of December 31, 2015	As of December 31, 2014
Assets		
Current Assets		
Cash & Cash Equivalents	$ 5,495	$ 7,957
Restricted Cash	35	20
Accounts Receivable	156	-
Inventory	551	109
Prepaid expenses and other current assets	167	252
Total Current Assets	6,404	8,338
Long-term Assets		
Property & Equipment, net	86	58
Goodwill	718	-
Other Assets	76	-
Other Intangible Assets, net	917	-
Total Assets	$ 8,201	$ 8,396
Liabilities and stockholders' equity (deficit)		
Current Liabilities		
Accounts Payable	$ 695	$ 987
Accrued expenses	1,633	201
Series B Warrant Liability	865	-
Line of Credit and Accrued Interest	-	102
Total Current Liabilities	3,193	1,290
Long-Term Liabilities		
Series A Warrant Liability	1,213	857
Series B Warrant Liability	-	17,439
Series C Warrant Liability	462	-
Other Liabilities	109	-
Total Long-Term Liabilities	1,784	18,296
Total Liabilites	4,977	19,586
Stockholders' equity (deficit)		
Series A Convertible Preferred Stock, $0.001 par value, 40,000 shares authorized at December 31, 2015 and 2014; 4,555 and 0 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	1	-
Common stock, $0.001 par value, 100,000,000 shares authorized at September 30, 2015 and December 31, 2014 14,017,909 and 6,769,106 shares issued and outsanding at December 31, 2015 and December 31, 2014, respectively	14	7
Additional paid-in-capital	89,456	59,141
Accumulated deficit	(86,247)	(70,338)
Total stockholders' equity (deficit)	3,224	(11,190)

Total liabilities and stockholders' equity (deficit)	$ 8,201	$ 8,396

Capnia, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except shares and per share amounts)

	Three months ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Government grant revenue	$ -	-	$ 220	-
Product revenue	242	-	388	-
Total Revenue	242		608	
Cost of product revenue	257	-	353	-
Gross Profit	(15)	-	255	-
Expenses				
Research and Development	1,284	608	4,536	2,242
Sales and Marketing	498	157	1,737	253
General and Administrative	1,709	1,080	6,141	2,665
Total expenses	3,491	1,845	12,414	5,160
Operating loss	(3,506)	(1,845)	(12,159)	(5,160)
Interest and other income (expense)				
Interest income	-	-	-	1
Other expense	-	-	(184)	(7)
Interest expense	-	(2,319)	-	(4,130)
Change in fair value of warrant liabilities	661	(3,053)	(516)	(3,941)
Inducement charge for Series C warrants	-	-	(3,049)	-
Net loss	$ (2,845)	$ (7,217)	$ (15,908)	$ (13,237)
Net loss per common share basis and diluted net loss per common share	$ (0.22)	$ (2.05)	$ (1.69)	$ (10.42)
Weighted-average common shares outstanding used to calculate basic and diluted net loss per common share	13,112,612	3,516,886	9,425,880	1,270,033

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CAPNIA

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