



Capnia Reports First Quarter 2016 Financial Results

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-Early 2016 Marked by Commencement of Serenz® Sales to European Pharmacies and New Global Distribution Agreements for CoSense® -

REDWOOD CITY, Calif., May 10, 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 first quarter ended March 31, 2016.

"During early 2016, we made significant progress advancing both our commercial product portfolio as well as our therapeutics pipeline," said Anish Bhatnagar, M.D., Chief Executive Officer of Capnia. "We signed two important distribution agreements for CoSense in the US and China, and commenced sales of Serenz Allergy Relief to pharmacies in Europe. In the few months since we executed the Bemis distribution agreement, CoSense product demonstrations and other early sales activities, which are being conducted by 44 sales representatives targeting hospitals in all 50 states, have resulted in significant interest in continuing the sales process. We believe these activities will begin to bear fruit and impact revenue growth this year."

Dr. Bhatnagar continued, "We dosed the first patients in our Phase 2 clinical trial evaluating nasal carbon dioxide (CO₂) for the treatment of trigeminal neuralgia (TN), and we look forward to data read-outs from this trial, as well as our ongoing Phase 2 trial for the treatment of cluster headache, later this year. We added significant medical device and diagnostics experience to our Board with the appointment of Rajen Dalal. And finally, we strengthened and simplified our balance sheet through a private placement of convertible preferred stock and the expiration of all remaining Series B warrants. We look forward to building upon our current momentum as 2016 progresses."

First Quarter and Recent Highlights

CoSense and Neonatology-Focused Products

- **Secured Exclusive Distribution Agreement with Bemis for CoSense in the U.S.** Under the terms of the agreement, Bemis has the exclusive right to provide sales, marketing, distribution and field service activities for CoSense in the United States. Bemis and its network of sub-distributors allows comprehensive nationwide distribution of CoSense with 44 sales representatives covering all 50 states.
- **Secured Exclusive Distribution Agreement with Shanghai CiiC for CoSense in China.** Shanghai CiiC has already commenced the regulatory process in China. CoSense sales are expected to commence by the end of 2016.
- **Presented CoSense and Other Pipeline Candidate Data at the PAS 2016.** Capnia and collaborators presented five posters and gave one oral presentation featuring scientific data for its CoSense ETCO monitor and other pipeline candidates at the 2016 Pediatric Academic Societies Annual Meeting in Baltimore, MD.
- **CoSense Showcased at the 2016 Mobile World Congress.** The CoSense monitor was exhibited by Capnia's technology partner, Harman International Industries, at the 2016 Mobile World Congress in Barcelona, Spain.

Therapeutics

- **Commenced Pilot Sales of Serenz to European Pharmacies.** The product, a proprietary handheld nasal, non-inhaled CO₂ device for the treatment of symptoms related to allergic rhinitis (AR, or nasal allergies), is now available over the counter in two UK-based pharmacy chains, Paydens Group and Weldricks Pharmacy Limited, with more than 150 retail pharmacy locations throughout the UK.
- **Received Re-Certification of European CE Mark for Serenz for the Treatment of Nasal Allergy Symptoms.** Re-certification allows for the sales of Serenz without restriction across the 28 member nations of the European Union (EU).
- **Enrolled First Patient in Phase 2 Clinical Trial Evaluating Nasal CO₂ for the Symptomatic Treatment of Trigeminal Neuralgia.** The multi-center, placebo-controlled, single-blind 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.

Financial/Corporate

- **Appointed Rajen Dalal to the Board of Directors.** Mr. Dalal brings to Capnia extensive leadership experience, having served as a senior executive and board member for various medical device and point-of-care diagnostic companies during his career.
- **Closed Second Tranche of Private Placement of Convertible Preferred Stock.** The \$5.4 million tranche is the second transaction of a \$10 million convertible preferred stock and warrant offering with funds managed by Sabby Management, LLC.

- **Announced Expiration of Series B Warrants.** As part of the Company's initial public offering in November 2014, Capnia issued Series B Warrants to purchase an aggregate 2,449,605 shares of the Company's Common Stock. The Series B Warrants had variable settlement provisions including provisions for cashless conversion. As of February 12, 2016, all Series B warrants either have been exercised or expired.

First Quarter 2016 Financial Results

Total revenue recognized in the three months ended March 31, 2016 was \$447,000 as compared to \$22,000 in the same period in 2015.

Research and development expenses in the first quarter of 2016 were \$1.8 million, compared to \$0.9 million in the first quarter of 2015. The increase was primarily due to \$0.2 million of expenses incurred for the launch of Serenz in the UK and \$0.6 of employee related expenses, including stock based compensation expense, as a result of increased headcount in the three months ended March 31, 2016 versus the same period in 2015.

Sales and marketing expenses in the first quarter of 2016 were \$0.5 million, compared to \$0.3 million for the same period in 2015. The increase was primarily due to the increased sales and marketing personnel for the continued commercial activity of CoSense.

General and administrative expenses in the first quarter of 2016 increased to \$1.9 million, compared to \$1.3 million in the first quarter of 2015. The increase was primarily due to an increase in consulting costs, employee related costs due to increased headcount, costs associated with NeoForce operations, expanded headquarter office space in Redwood City and an increase in stock based compensation expense in 2016 versus 2015.

The change in fair value of warrants for the three months ended March 31, 2016 was \$1.2 million of income, 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 December 31, 2015. The change in fair value of warrants in the first quarter of 2015 was an expense of \$6.2 million, which represented an increase of the fair value of the Series A and Series B warrants in that quarter.

Net loss for the first quarter of 2016 was \$3.2 million, or a loss of \$0.22 per share, compared to a net loss of \$11.7 million, or a loss of \$1.67 per share, for the first quarter of 2015.

Cash and cash equivalents at March 31, 2016 totaled \$6.5 million, versus \$5.5 million at December 31, 2015.

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 End-Tidal Carbon Monoxide Monitor 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. Serenz Allergy Relief is Capnia's proprietary commercial product that uses nasal, non-inhaled CO₂ to relieve nasal allergy symptoms such as congestion, sneezing, itchy and runny nose. The nasal, non-inhaled CO₂ therapeutic technology is also being evaluated to treat 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, the potential to commence sales in China 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 25, 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 share amounts)
(unaudited)

	As of March 31, 2016	As of December 31, 2015
Assets		
Current Assets		
Cash & Cash Equivalents	\$ 6,492	\$ 5,495
Accounts Receivable	187	156
Restricted Cash	35	35
Inventory	653	551
Prepaid expenses and other current assets	216	167

Total Current Assets	7,583	6,404
Long-term Assets		
Property & Equipment, net	121	86
Goodwill	718	718
Other intangible assets, net	892	917
Other Assets	76	76
Total Assets	<u>\$ 9,390</u>	<u>\$ 8,201</u>

Liabilities and stockholders' equity

Current Liabilities		
Accounts Payable	\$ 1,262	\$ 695
Accrued compensation and other current liabilities	1,317	1,634
Series B Warrant Liability	-	865
Total Current Liabilities	<u>2,579</u>	<u>3,194</u>
Long-Term Liabilities		
Series A Warrant Liability	558	1,213
Series C Warrant Liability	219	462
Other liabilities	200	109
Total Long-Term Liabilities	<u>977</u>	<u>1,784</u>
Total Liabilities	3,556	4,978
Stockholder's equity		
Series A convertible preferred stock, \$0.001 par value, 40,000 shares authorized, 8,335 and 4,555 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	-	-
Common stock, \$0.001 par value, 100,000,000 shares authorized, 15,403,111 and 14,017,909 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	15	14
Additional paid-in-capital	95,255	89,456
Accumulated deficit	(89,436)	(86,247)
Total stockholders' equity	<u>5,834</u>	<u>3,223</u>
Total liabilities and stockholders' equity	<u>\$ 9,390</u>	<u>\$ 8,201</u>

Capnia, Inc.

Condensed Consolidated Statement of Operations (In thousands, except share and per share amounts) (unaudited)

	Three Months Ended	
	March 31,	
	2016	2015
Revenue	\$ 447	\$ 22
Cost of product revenue	<u>461</u>	<u>18</u>
Gross profit (loss)	(14)	4
Expenses		
Research and Development	1,772	878
Sales and Marketing	538	260
General and Administrative	<u>1,939</u>	<u>1,292</u>
Total expenses	<u>4,249</u>	<u>2,430</u>

Operating loss	(4,263)	(2,426)
Interest and other income (expense)		
Interest expense, net	-	(1)
Change in value of warrants	1,170	(6,174)
Cease-use expense	(94)	-
Other expense	(2)	-
Inducement charge for Series C warrants	-	(3,050)
Net loss	<u>\$ (3,189)</u>	<u>\$ (11,651)</u>
Basic and diluted net loss per common share	<u>\$ (0.22)</u>	<u>\$ (1.67)</u>
Weighted-average common shares outstanding used to calculate basic and diluted net loss per common share	<u>14,796,119</u>	<u>6,965,483</u>

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