Capnia Reports Second Quarter 2016 Financial Results

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Strong Consumer Feedback from Pilot Serenz Sales in the UK

REDWOOD CITY, Calif., Aug. 12, 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 second quarter ended June 30, 2016.

"We had a strong first half of 2016, highlighted by the commencement of pilot sales of Serenz® Allergy Relief in pharmacies across the United Kingdom," said Anish Bhatnagar, M.D., Chief Executive Officer of Capnia. "Consumer feedback on Serenz has been strong, and we are working toward a full commercial launch across the EU in 2017. We also expanded our global neonatology franchise by signing an exclusive distribution agreement for our CoSense® End-Tidal Carbon Monoxide (ETCO) Monitor in India, building upon prior agreements in the U.S. and China. In the US, we continue to ramp up our distribution efforts, and there are a number of leading hospitals currently evaluating CoSense for their neonatology programs. Finally, we continued to advance our therapeutics pipeline, with ongoing enrollment in our Phase 2 trigeminal neuralgia and cluster headache trials."

Second Quarter 2016 and Recent Highlights

Serenz and Therapeutics Pipeline

- ***Initiated European Commercial Launch of Serenz.*** Serenz is now available over the counter at more than 150 retail pharmacy locations as well as online across the UK. As part of a launch tracking initiative, Capnia is assessing customer feedback for Serenz. Preliminary feedback shows:
  - 95% of survey participants report that Serenz met or exceeded their expectations,
  - 85% report that they are very likely or likely to recommend Serenz to a family member or friend, and
  - 82% are very likely or likely to purchase the product again in the future.

Survey participants state that rapid relief from allergy symptoms is the most important purchase consideration. Market research commissioned by Capnia indicates that the market for seasonal allergy relief across Europe is in excess of $600 million. The Company will continue to assess product feedback ahead of a potential full commercial launch in Europe in 2017.

- ***New Nasal, Non-inhaled CO_2 Patent Issued by USPTO.*** The patent, titled "Gas Dispenser for Dispensing Accurate Doses of Therapeutic Gas from a Reservoir Containing Highly Compressed Therapeutic Gas," was assigned U.S. Patent No. 9,364,620. This patent strengthens Capnia's IP portfolio and enhances the commercial value and potential of its nasal CO_2 technology. Capnia is currently evaluating the technology in two Phase 2 clinical trials to assess its effectiveness in treating patients suffering from cluster headache and trigeminal neuralgia.

CoSense and Neonatology-Focused Commercial Product Line

- ***Early Influential Adopters.*** CoSense units placed at a number of leading hospitals driving recurring sales and growth of revenue from Precision Sample Sets.
- ***Exclusive Distribution Arrangements.*** Capnia has secured CoSense distribution agreements in China, India, and the United States. Capnia is also finalizing distribution agreements in Singapore and Saudi Arabia and is in advanced negotiations with distributors in several other countries.
- ***CoSense and Other Pipeline Candidate Data Presented at the PAS 2016.*** Capnia, in collaboration with academic researchers, presented five posters and one oral presentation at the 2016 Pediatric Academic Societies Annual Meeting highlighting scientific data for its CoSense® ETCO Monitor and other pipeline candidates.

Financial/Corporate

- ***Private Placement of Convertible Preferred Stock.*** The transaction, which will take place in two separate closings, will result in gross proceeds to Capnia of $13.8 million. Approximately $7.8 million of the proceeds from the offering will be used to redeem 7,780 shares of Series A Convertible Preferred Stock held by the same investor, with the remaining balance of $6 million available for working capital purposes. The first closing, which occurred on July 5, 2016, raised $3,151,000 in gross proceeds. Capnia also repurchased certain shares of Convertible Preferred Stock for an aggregate cost of $1,779,012.
- ***Rajen Dalal appointed 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.

Second Quarter 2016 Financial Results

Total revenue recognized in the three and six months ended June 30, 2016 was $391,000 and $838,000, respectively, compared to $97,000 and $119,000 for the same periods in 2015.

Research and development expenses in the three and six months ended June 30, 2016 were $1.3 million and $3.1 million, respectively, compared to $1.2 million and $2.1 million for the same periods in 2015. For the six months ended June 30, 2016 versus the same period in 2015, the increase was primarily due to expenses incurred for the launch of Serenz in the UK and employee-related expenses, including stock based compensation expense, as a result of increased headcount.

Sales and marketing expenses in the three and six months ended June 30, 2016 were $0.6 million and $1.1 million, respectively, compared to $0.5 and $0.8 for the same periods in 2015. The increase was primarily due to an increase in the number of sales and marketing personnel to support the commercial efforts related to CoSense, as well as the launch of Serenz in the UK.

General and administrative expenses in the three and six months ended June 30, 2016 were $1.5 million and $3.5 million, respectively, compared to $1.4 million and $2.7 million for the same periods in 2015. For the six months ended June 30, 2016 versus the same period in 2015, the $0.8 million increase was primarily due to higher legal fees and consulting costs, increased headcount, costs associated with the operations of Capnia's wholly-owned subsidiary, NeoForce, Inc., the Company's expanded corporate headquarters 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 June 30, 2016 resulted in $47,000 of expense, which represents an increase in the fair value of the Series A and Series C Warrants compared to the value of the warrants at March 31, 2016. For the six months ended June 30, 2016 the change in value of warrants expense was $1.1 million of income, which represents a decrease in the value of the Series A, Series B and Series C Warrants compared to the value of the warrants at December 31, 2015.

Net loss for the three months ended June 30, 2016 was $3.5 million, or a loss of $0.23 per share, compared to net income of $1.9 million, or $0.25 per share, for the same period in 2015. Net income for the three months ended June 30, 2015 was primarily the result of $4.9 million due to the change in fair value of the Series A, Series B and Series C Warrants compared to the value of the warrants at March 31, 2016. Net loss for the six months ended June 30, 2016 was $6.7 million, or a loss of $0.44 per share, compared to a net loss of $9.8 million, or a loss of $1.35 per share, for the same period in 2015.

Cash and cash equivalents at June 30, 2016 totaled $2.5 million, compared to $5.5 million at December 31, 2015.

About Capnia

Capnia is a leading provider and developer of innovative healthcare products to be used for the screening, detection and treatment of medical conditions. Capnia's flagship products are based on its proprietary technologies, which utilize precision metering of gas flow. Capnia currently markets Serenz® Allergy Relief in the UK. The CoSense® ETCO Monitor measures ETCO, which can be used to detect hemolysis and the Infant Solutions product line, including innovative pulmonary resuscitation devices for neonates and infants, are marketed globally. Capnia is also clinically evaluating its nasal, non-inhaled CO_2 technology to treat trigeminally-mediated pain conditions such as cluster headache and trigeminal neuralgia.

For more information, please visit www.capnia.com.

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 commercialization and development and our ability to successfully launch Serenz in the EU.

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 May 12, 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 June 30, 2016	As of December 31, 2015
Assets		
Current Assets		
Cash & Cash Equivalents	$ 2,502	$ 5,495
Accounts Receivable	288	156
Restricted Cash	35	35
Inventory	774	551
Prepaid expenses and other current assets	157	167
Total Current Assets	3,756	6,404
Long-term Assets		

Property & Equipment, net	118	86
Goodwill	718	718
Other intangible assets, net	867	917
Other Assets	76	76
Total Assets	$ 5,535	$ 8,201
Liabilities and stockholders' equity		
Current Liabilities		
Accounts Payable	$ 957	$ 695
Accrued compensation and other current liabilities	944	1,634
Series B Warrant Liability	-	865
Total Current Liabilities	1,901	3,194
Long-Term Liabilities		
Series A Warrant Liability	631	1,213
Series C Warrant Liability	193	462
Other liabilities	200	109
Total Long-Term Liabilities	1,024	1,784
Total Liabilities	2,925	4,978
Stockholder's equity		
Series A convertible preferred stock, $0.001 par value, 40,000 shares authorized, 7,880 and 4,555 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 15,761,530 and 14,017,909 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	15	14
Additional paid-in-capital	95,543	89,456
Accumulated deficit	(92,948)	(86,247)
Total stockholders' equity	2,610	3,223
Total liabilities and stockholders' equity	$ 5,535	$ 8,201

Capnia, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Product revenue	391	97	838	119
Cost of product revenue	428	22	889	40
Gross profit (loss)	(37)	75	(51)	79
Expenses				
Research and Development	1,327	1,181	3,098	2,059
Sales and Marketing	577	506	1,115	772
General and Administrative	1,509	1,432	3,449	2,718
Total expenses	3,413	3,119	7,662	5,549
Operating income (loss)	(3,450)	(3,044)	(7,713)	(5,470)
Interest and other income (expense)				
Interest expense, net				(1)
Change in fair value of warrant liabilities (expense)	(47)	4,925	1,123	(1,249)
Cease-use expense	-	-	(94)	-
Other expense	(16)	-	(18)	-
Inducement charge for Series C warrants	-	-	-	(3,050)
Interest and other income (expense), net	(63)	4,925	1,011	(4,300)

Net income (loss)	$ (3,513)	$ 1,881	$ (6,702)	$ (9,770)
Net income (loss) per common share:				
Basic	$ (0.23)	$ 0.25	$ (0.44)	$ (1.35)
Diluted	$ (0.23)	$ 0.25	$ (0.44)	$ (1.35)
Weighted-average common shares outstanding used to calculate net income (loss) per common share:				
Basic	15,528,922	7,517,794	15,162,520	7,243,164
Diluted	15,528,922	7,630,644	15,162,520	7,243,164

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