



Capnia Reports Third Quarter 2016 Financial Results

November 14, 2016

REDWOOD CITY, Calif., Nov. 14, 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 third quarter ended September 30, 2016.

"We continue to see significant interest from hospitals in the US and other countries for the installation of our CoSense ETCO monitor, and we believe the developing installed base will drive future revenue growth," said Anish Bhatnagar, M.D., Chief Executive Officer of Capnia. "Also, consumer feedback from our pilot launch of Serenz® Allergy Relief in the United Kingdom continues to be strong, and we are working on a full commercial launch of the product. We have established a solid foundation, and look forward to a fruitful 2017."

Third Quarter 2016 and Recent Highlights

Serenz and Therapeutics Pipeline

- **Continued European Commercial Launch of Serenz.** Serenz is available over the counter at more than 150 retail pharmacy locations as well as online across the UK and Ireland. The Company continues to prepare for a potential full commercial launch in Europe.
- **Ongoing Phase 2 Clinical Trials Evaluating Nasal CO₂ for the Symptomatic Treatment of Trigeminal Neuralgia (TN) and Cluster Headache.** The Company's Phase 2 clinical trials evaluating nasal, non-inhaled carbon dioxide (nasal CO₂) for the symptomatic treatment of TN and cluster headache continue to enroll at multiple sites across the US.

CoSense and Neonatology-Focused Commercial Product Line

- **Securing Early Influential Adopters in the US.** CoSense units continue to be placed at a number of leading hospitals driving growth in recurring sales of Precision Sample Sets.
- **Advancing New CoSense Distribution Agreements in Global Territories.** Capnia continues to execute on its comprehensive global commercialization strategy by securing partnerships in key market territories, including the U.S., China, India, Canada, Saudi Arabia, Singapore and Qatar.

Third Quarter 2016 Financial Results

Total revenue recognized in the three and nine months ended September 30, 2016 was \$329,000 and \$1.2 million, respectively, compared to \$247,000 and \$366,000 for the same periods in 2015. The increase in revenue for the nine months ended September 30, 2016 versus the same period in 2015 was primarily a result of the revenue of NeoForce, a company acquired by Capnia in September of 2015.

Research and development expenses in the three and nine months ended September 30, 2016 were \$1.1 million and \$4.2 million, respectively, compared to \$1.2 million and \$3.3 million for the same periods in 2015. For the nine months ended September 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.

Sales and marketing expenses in the three and nine months ended September 30, 2016 were \$342,000 and \$1.5 million, respectively, compared to \$467,000 and \$1.2 million for the same periods in 2015. The increase was primarily due to an increase in outside sales and marketing expenses for the commercial efforts related to CoSense, as well as the launch of Serenz in the UK.

General and administrative expenses in the three and nine months ended September 30, 2016 were \$1.4 million and \$4.8 million, respectively, compared to \$1.7 million and \$4.4 million for the same periods in 2015. For the nine months ended September 30, 2016 versus the same period in 2015, the \$0.4 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 September 30, 2016 resulted in \$200,000 of income, which represents a decrease in the fair value of the Series A and Series C Warrants compared to the value of the warrants at June 30, 2016. For the nine months ended September 30, 2016, the change in value of warrants resulted in \$1.3 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 attributable to common stockholders for the three months ended September 30, 2016 was \$6.4 million, or a loss of \$0.41 per share, compared to a net loss of \$3.3 million, or \$0.33 per share, for the same period in 2015. Net loss attributable to common stockholders for the three months ended September 30, 2016, was primarily the result of a \$3.6 million reduction to the net loss of \$2.8, from the extinguishment of Series A Convertible Preferred Stock and modification of Series D Warrants. Net loss attributable to common stockholders for the nine months ended September 30, 2016 was \$13.1 million, or a loss of \$0.85 per share, compared to a net loss of \$13.1 million, or a loss of \$1.60 per share, for the same

period in 2015.

Cash and cash equivalents at September 30, 2016 totaled \$5.4 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 and Ireland. 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 CO₂ 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.

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 November 14, 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 September 30, 2016	As of December 31, 2015
Assets		
Current Assets		
Cash & Cash Equivalents	\$ 5,415	\$ 5,495
Accounts Receivable	137	156
Restricted Cash	35	35
Inventory	703	551
Prepaid expenses and other current assets	217	167
Total Current Assets	6,507	6,404
Long-term Assets		
Property & Equipment, net	116	86
Goodwill	718	718
Other intangible assets, net	842	917
Other Assets	126	76
Total Assets	\$ 8,309	\$ 8,201
Liabilities and stockholders' equity		
Current Liabilities		
Accounts Payable	\$ 862	\$ 695
Accrued compensation and other current liabilities	915	1,634
Series B Warrant Liability	-	865
Total Current Liabilities	1,777	3,194
Long-Term Liabilities		
Series A Warrant Liability	509	1,213
Series C Warrant Liability	115	462
Other liabilities	196	109
Total Long-Term Liabilities	820	1,784

Total Liabilities	2,597	4,978
Stockholder's equity		
Preferred Stock, \$0.001 par value, 10,000,000 shares authorized		
Series A convertible preferred stock, \$0.001 par value, 10,000 shares designated, 0 and 4,555 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	-	-
Series B convertible preferred stock, \$0.001 par value, 13,780 shares designated, 13,780 and 0 shares issued and outstanding at September 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	101,395	89,456
Accumulated deficit	(95,698)	(86,247)
Total stockholders' equity	5,712	3,223
Total liabilities and stockholders' equity	\$ 8,309	\$ 8,201

Capnia, Inc.

Condensed Consolidated Statements of Operations

(In thousands, except share and per share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
Government grant revenue	-	155	-	220
Product revenue	329	92	1,167	146
Total revenue	329	247	1,167	366
Cost of product revenue	399	56	1,287	96
Gross profit	(70)	191	(120)	50
Expenses				
Research and Development	1,131	1,193	4,231	3,252
Sales and Marketing	342	467	1,457	1,239
General and Administrative	1,398	1,714	4,846	4,432
Total expenses	2,871	3,374	10,534	8,923
Operating loss	(2,941)	(3,183)	(10,654)	(8,653)
Interest and other income (expense)				
Interest expense, net				(1)
Change in fair value of warrant liabilities (expense)	200	73	1,323	(1,177)
Cease-use expense	-	-	(94)	-
Other expense	(9)	(183)	(27)	(183)
Inducement charge for Series C warrants	-	-	-	(3,050)
Interest and other income (expense), net	191	(110)	1,202	(4,411)
Net loss	\$ (2,750)	\$ (3,293)	\$ (9,452)	\$ (13,064)
Loss on extinguishment of convertible preferred stock	(3,651)	-	(3,651)	-
Net loss attributable to common stockholders	\$ (6,401)	\$ (3,293)	\$ (13,103)	\$ (13,064)
Net loss per common share:				
Basic and diluted net loss per common share	\$ (0.41)	\$ (0.33)	\$ (0.85)	\$ (1.60)
Weighted-average common shares outstanding used to calculate basis and diluted net loss per common share	15,761,530	10,040,079	15,363,648	8,178,897

Investor Relations Contact:
Michelle Carroll/Susie Kim
Argot Partners
(212) 600-1902
michelle@argotpartners.com
susan@argotpartners.com

 Primary Logo

Capnia, Inc.