Capnia Provides Corporate Update and Reports First Quarter 2017 Financial Results

May 11, 2017

- Completed merger with Essentialis, Inc. and concurrent financing of $10 million
- New company name, Soleno Therapeutics, Inc., to reflect new strategic focus on rare disease therapeutics; stock to trade under NASDAQ ticker symbol “SLNO”
- Scientific advice being obtained from the U.S. Food and Drug Administration (FDA) and European Medicines Agency (EMA) for the development of lead product candidate, Diazoxide Choline Controlled-Release (DCCR) in Prader-Willi syndrome (PWS)
- Company expects to initiate the Phase II/III clinical development program of DCCR in PWS by the end of 2017

REDWOOD CITY, Calif., May 11, 2017 (GLOBE NEWSWIRE) -- Capnia, Inc. (NASDAQ:CAPN), a clinical-stage biopharmaceutical company developing novel therapeutics for the treatment of rare diseases, today provided a corporate update following its recent annual meeting and announced financial results for the three months ended March 31, 2017.

At Capnia’s annual meeting, held on May 8, 2017, shareholders approved all of the proposed proxy initiatives, including the Company’s name change to Soleno Therapeutics, Inc., the re-election of Ernest Mario, Anish Bhatnagar, Stuart Collinson, and William Harris as Class III directors and, at the discretion of the Board of Directors, approval to conduct a reverse stock split, if needed. Separately, Capnia was recently granted a 180-day extension by NASDAQ to regain compliance with the exchange’s minimum bid price rule.

The name change to Soleno Therapeutics, Inc. and the Company’s shares trading under the NASDAQ ticker symbol, “SLNO”, are both currently expected to become effective on May 12, 2017.

“The recent merger between Capnia and Essentialis has refocused our business on the development and commercialization of novel therapeutics for the treatment of rare diseases, such as PWS, where our lead product candidate, DCCR, has demonstrated significant potential,” said Anish Bhatnagar, M.D., Chief Executive Officer of Capnia. “Our name change to Soleno Therapeutics reflects this new focus. We strengthened our balance sheet through the completion of a $10 million financing that closed concurrently with the merger, and are well-positioned to further advance the development program for DCCR.”

“We are looking forward to our upcoming interactions with FDA and EMA to discuss our proposed development program for DCCR as a treatment for patients with PWS,” continued Dr. Bhatnagar. “Following receipt of their guidance, we expect to initiate the subsequent clinical trial for PWS later in 2017.”

First-Quarter 2017 Financial Results

Total revenue recognized in the three months ended March 31, 2017, was $0.3 million, compared to $0.4 million for the same period in 2016.

Research and development expenses in the first quarter of 2017 were $1.0 million, compared to $1.8 million for the same period in 2016. The decrease was primarily due to a decrease in compensation expense, as a result of a reduction in personnel.

Sales and marketing expenses in the first quarter of 2017 were $0.1 million, compared to $0.5 million for the same period in 2016. The decrease was primarily due to a reduction in direct sales personnel.

General and administrative expenses in the first quarter of 2017 were $1.2 million, compared to $1.9 million for the same period in 2016. The decrease was primarily due to a decrease in compensation expense, as a result of a reduction in personnel.

The change in fair value of warrants income for the three months ended March 31, 2017, was $0.1 million, which represents a decrease in the fair value of the Series A and Series C Warrants compared to the value of the warrants at December 31, 2016. The change in fair value of warrants income in the first quarter of 2016 was $1.2 million, which represented 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, 2015.

Net loss for the first quarter of 2017 was $2.9 million, or a loss of $0.11 per share, compared to a net loss of $3.2 million, or a loss of $0.22 per share, for the first quarter of 2016.

Cash and cash equivalents at March 31, 2017, totaled $10.5 million, compared to $2.7 million at December 31, 2016.

About PWS

PWS is a rare and complex genetic neurobehavioral/metabolic disorder affecting appetite, growth, metabolism, cognitive function and behavior. The committee on genetics of the American Academy of Pediatrics states PWS affects both genders equally and occurs in people from all geographic regions: its estimated incidence is one in 15,000 to 25,000 live births. There are currently no approved therapies to treat the hyperphagia/appetite, metabolic, cognitive function, or behavioral aspects of the disorder. This disorder is typically characterized by hyperphagia, a chronic feeling of insatiable hunger, behavioral problems, cognitive disabilities, low muscle tone, short stature (when not treated with growth hormone), the accumulation of excess body fat, developmental delays, and incomplete sexual development. Hyperphagia, in the absence of effective limitations to access to food, can lead to morbid obesity. In a global survey conducted by the Foundation for Prader-Willi Research, 96.5% of respondents (parent and caregivers)

rated hyperphagia, which is the unrelenting hunger that severely diminishes the quality of life for patients and their families, as the most important or a very important symptom to be relieved by a new medicine. DCCR has received Orphan Drug Designation from the US FDA for the treatment of PWS.

About Diazoxide Choline Controlled-Release Tablet

Diazoxide choline controlled-release tablet is a novel, proprietary controlled-release, crystalline salt formulation of diazoxide, which is administered once-daily. The parent molecule, diazoxide, as an oral suspension, has been used for decades in thousands of patients in a few rare diseases in neonates, children and/or adults, but not in PWS. Essentialis conceived of and established extensive patent protection on the therapeutic use of diazoxide and DCCR in patients with PWS. The DCCR development program is supported by positive data from two completed Phase II clinical studies and six completed Phase I clinical studies in various metabolic indications, as well as a pilot study in PWS patients. In the PWS pilot study, DCCR showed promise in addressing the hallmark symptoms of PWS, most notably hyperphagia.

About Capnia (Soleno Therapeutics, Inc.)

Soleno Therapeutics, Inc. (Soleno) is focused on the development and commercialization of novel therapeutics for the treatment of rare diseases. The company is currently advancing its lead candidate, DCCR, a once-daily oral tablet for the treatment of PWS, into a Phase II/III clinical development program during 2017. Soleno continues to market Capnia's innovative medical devices, including the CoSense ® End-Tidal Carbon Monoxide (ETCO) monitor, which measures ETCO and is used by hospitals to detect hemolysis in newborns, Serenz® Nasal Relief, an over-the-counter nasal allergy relief wash available in the US, and the NeoForce portfolio of neonatal pulmonary resuscitation solutions. It is expected that these products will be monetized and will not be a focus for the company in the long term.

For more information, please visit www.soleno.life.

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 ability to initiate the Phase II/III clinical development program of DCCR in PWS in the second half of 2017.

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 11, 2017, 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 Statements of Operations
(In thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Product revenue	265	447
Cost of product revenue	209	461
Gross profit	56	(14)
Expenses		
Research and Development	994	1,772
Sales and Marketing	114	538
General and Administrative	1,158	1,939
Total expenses	2,266	4,249
Operating loss	(2,210)	(4,263)
Interest and other income (expense)		
Interest income	1	-
Change in fair value of warrant liabilities (expense)	(69)	1,170
Cease-use expense	(7)	(94)
Other expense	(602)	(2)
Interest and other income (expense), net	(677)	1,074
Net loss	$ (2,887)	$ (3,189)

Basic and diluted net loss per common share	$ (0.11)	$ (0.22)
Weighted-average common shares outstanding used to calculate basis and diluted net loss per common share	26,853,433	14,796,119

Capnia, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	As of March 31, 2017	As of December 31, 2016
Assets	**(Unaudited)**	
Current Assets		
Cash & Cash Equivalents	$ 10,539	$ 2,726
Accounts Receivable	110	133
Restricted Cash	35	35
Inventory	855	660
Prepaid expenses and other current assets	261	247
Total Current Assets	11,800	3,801
Long-term Assets		
Property & Equipment, net	93	103
Goodwill	718	718
Other intangible assets, net	21,128	817
Other Assets	126	126
Total Assets	$ 33,865	$ 5,565
Liabilities and stockholders' equity		
Current Liabilities		
Accounts Payable	$ 935	$ 538
Accrued compensation and other current liabilities	1,237	1,169
Total Current Liabilities	2,172	1,707
Long-Term Liabilities		
Series A Warrant Liability	291	194
Series C Warrant Liability	57	86
Other liabilities	1,201	143
Total Long-Term Liabilities	1,549	423
Total Liabilities	3,721	2,130
Stockholder's equity		
Preferred Stock, $0.001 par value, 10,000,000 shares authorized		
Series B convertible preferred stock, $0.001 par value, 13,780 shares designated, 12,179 and 12,780 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 47,479,879 and 16,786,952 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	47	17
Additional paid-in-capital	131,296	101,730
Accumulated deficit	(101,199)	(98,312)
Total stockholders' equity	30,144	3,435
Total liabilities and stockholders' equity	$ 33,865	$ 5,565

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Primary Logo

Capnia, Inc.