Investor Relations

Armata Pharmaceuticals Announces Third Quarter Results and Provides Corporate and Clinical Update

MARINA DEL REY, Calif., Nov. 12, 2019 /PRNewswire/ -- Armata Pharmaceuticals, Inc. (NYSE American: ARMP) ("Armata" or the "Company"), a clinical-stage biotechnology company focused on precisely targeted bacteriophage therapeutics for antibiotic-resistant infections, today announced third quarter results and provided a corporate and clinical update.

Key Third Quarter and Subsequent Period Highlights:

- Announced development of new synthetic phage candidate, AP-PA02, targeting *Pseudomonas aeruginosa*, and elevated this candidate to its lead development program based on robust killing kinetics observed in pre-clinical trials to date
- Expanded Board of Directors with the appointment of research and development veteran Todd C. Peterson, Ph.D. who brings more than 35 years of experience in biotechnology and life sciences research and development across the areas of molecular biology, nucleic acids and genomics product and technology development
- Strengthened clinical team with the appointment of Heather Dale Jones, M.D., as Medical Director. Dr. Jones, a pulmonologist, brings more than 20 years of experience in clinical research and medical practice to the Armata team, and reinforces Armata's commitment to develop *Pseudomonas* phage product candidates for respiratory infections
- Announced receipt of a $1.3 million R&D tax credit from the Australian Tax Office
- Provided a corporate update at the Ladenburg Thalmann Healthcare Conference in September

"During the third quarter and subsequent period, we achieved important corporate and development objectives that we believe best position us for long-term success," said Todd R. Patrick, Chief Executive Officer of Armata. "Most notably, we introduced a new lead clinical program, the synthetic phage candidate AP-PA02, which we are developing to combat *Pseudomonas aeruginosa,* an increasingly resistant bacterial infection that is particularly problematic for cystic fibrosis patients. The emergence of AP-PA02 reflects the significant research and development capabilities that our company possesses, including our proprietary phage library that allowed us to screen AP-PA02 against a diverse panel of hundreds of *Pseudomonas* isolates, as well as our best-in-class GMP phage manufacturing capabilities. We are moving quickly with the goal of initiating a Phase 1 first-in-human trial in 2020. In parallel, we are working to optimize a second *Pseudomonas* phage candidate for the treatment of bacterial pneumonia.

"We also strengthened our team with the appointments of Dr. Todd Peterson as Board member and Dr. Heather Dale Jones as Medical Director. We are quickly approaching a transformational milestone for our company with the anticipated advancement of our phage programs into the clinic, and I am confident that with these appointments, we have the team in place to effectively leverage our proprietary capabilities and position us to be a leader in the development of phage-based therapeutics to combat the growing global crisis of antibiotic resistance," Mr. Patrick concluded.

Upcoming Milestones 2020:

- Initiate a clinical trial evaluating safety and tolerability of AP-PA02 in cystic fibrosis patients chronically infected with *P. aeruginosa*
- Initiate development of an optimized *Pseudomonas* phage product candidate for the treatment of bacterial pneumonia utilizing a core set of phages derived from AP-PA02
- Obtain third party, non-dilutive funding to advance our *Staphylococcus aureus* phage into clinical trials
- Continue to screen pathogens against Armata's proprietary phage library to identify additional high-quality bacteriophage product candidates and expand the pipeline

Third Quarter Financial Results

Research and Development. Research and Development expenses for the three months ended September 30, 2019 were $3.0 million as compared to $1.9 million for the comparable period in 2018. The increase of $1.0 million was primarily related to a $0.4 million increase in stock-based compensation expense, $0.2 million increase in personnel expenses resulting from the merger of C3J Therapeutics, Inc. ("C3J") and AmpliPhi Biosciences Corporation to form Armata Pharmaceuticals (the "Merger") and $0.3 million increase in laboratory supplies and consulting costs.

General and Administrative. General and Administrative expenses for the three months ended September 30, 2019 were $3.8 million as compared to $0.5 million in the comparable period in 2018. The increase of $3.3

million was primarily due to a $2.1 million increase in stock-based compensation expense, $0.6 million increase in professional fees (legal, audit and investment banking) associated with the Merger, a $0.3 million increase in personnel-related expenses, and a $0.2 million increase in insurance costs.

Loss from Operations. Loss from operations for the three months ended September 30, 2019 was $6.8 million as compared to $2.4 million for the comparable period in 2018. The increase of $4.4 million was due to an increase in non-cash stock-based compensation and additional operating costs in connection with the Merger.

Cash and Equivalents. As of September 30, 2019, Armata held $8.7 million of unrestricted cash and cash equivalents as compared to $9.7 million as of December 31, 2018. Not reflected in the September 30, 2019 cash and cash equivalents balance, subsequent to the end of the quarter, the company received a $1.3 million R&D tax credit from the Australian Tax Office. Management believes its existing resources will be sufficient to fund planned operations into the second quarter of 2020.

As of November 12, 2019, there were approximately 9.9 million shares of common stock outstanding.

About Armata Pharmaceuticals, Inc.

Armata is a clinical-stage biotechnology company focused on the development of precisely targeted bacteriophage therapeutics for the treatment of antibiotic-resistant infections using its proprietary bacteriophage-based technology. Armata is developing and advancing a broad pipeline of natural and synthetic phage candidates, including clinical candidates for *Pseudomonas aeruginosa*, *Staphylococcus aureus*, and other pathogens. In addition, in collaboration with Merck, known as MSD outside of the United States and Canada, Armata is developing proprietary synthetic phage candidates to target an undisclosed infectious disease agent. Armata is committed to advancing phage with drug development expertise that spans bench to clinic including in-house phage specific GMP manufacturing.

Forward Looking Statements

This communication contains "forward-looking" statements, including, without limitation, statements related to the anticipated benefits of the Merger and related transactions, Armata's ability to meet expected milestones, expand its pipeline, and pursue additional potential partnerships, Armata's ability to be a leader in the development of phage-based therapeutics, and statements related to the timing and results of clinical trials, including the anticipated initiation of clinical trials of AP-PA02 and AP-SA02, Armata's ability to expand testing of isolates from around the world and the results of those tests, Armata's ability to develop new products based on bacteriophages and synthetic phages, and Armata's expectations for performance of Armata's therapeutic candidates based on Armata's recent nonclinical work. Any statements contained in this communication that are not statements of historical fact may be deemed to be forward-looking statements. These forward-looking statements are based upon Armata's current expectations. Forward-looking statements involve risks and uncertainties. Armata's actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of these risks and uncertainties, which include, without limitation, risks related to the ability of Armata's lead clinical candidates, AP-PA02 and AP-SA02, to be more effective than previous candidates; Armata's ability to expedite development of AP-PA02; Armata's ability to advance its preclinical and clinical programs and the uncertain and time-consuming regulatory approval process; Armata's ability to develop products based on bacteriophages and synthetic phages to kill bacterial pathogens; the Company's expected market opportunity for its products; and Armata's ability to sufficiently fund its operations as expected, including obtaining additional funding as needed. Additional risks and uncertainties relating to Armata and its business can be found under the caption "Risk Factors" and elsewhere in Armata's filings and reports with the SEC, including in Armata's Annual Report on Form 10-K, filed with the SEC on March 25, 2019, Armata's Proxy Statement on Schedule 14A, filed with the SEC on April 4, 2019, as amended, and Armata's subsequent filings with the SEC. Armata expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Armata's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

Media Contacts:

At Armata:
Steve Martin
Armata Pharmaceuticals, Inc.
ir@armatapharma.com
858-800-2492

Investor Relations:
Joyce Allaire
LifeSci Advisors, LLC

jallaire@lifesciadvisors.com
212-915-2569

Armata Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets

	September 30, 2019 (Unaudited)	December 31, 2018
Assets		
Cash and cash equivalents	$ 8,690,000	$ 9,663,000
Prepaids and other current assets	652,000	697,000
Held-for-sale assets, net	592,000	-
Total current assets	9,934,000	10,360,000
Property and equipment, net	4,788,000	3,249,000
Other long term assets	836,000	936,000
Intangible assets, net	13,746,000	-
Total assets	$ 29,304,000	$ 14,545,000
Liabilities and stockholders' equity		
Total current liabilities	$ 4,965,000	$ 2,032,000
Long term liabilities	3,130,000	3,702,000
Derivative liabilities	-	1,117,000
Deferred tax liability	3,077,000	-
Total liabilities	11,172,000	6,851,000
Stockholders' equity	18,132,000	7,694,000
Total liabilities and stockholders' equity	$ 29,304,000	$ 14,545,000

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Revenue	$ -	$ -	$ -	$ -
Operating expenses:				
Research and development	3,019,000	1,915,000	8,156,000	6,388,000
Acquisition of in-process research and development	-	-	-	6,767,000
General and administrative	3,758,000	514,000	7,220,000	1,709,000
Total operating expenses	6,777,000	2,429,000	15,376,000	14,864,000
Loss from operations	(6,777,000)	(2,429,000)	(15,376,000)	(14,864,000)
Other income (expense):				
Change in fair value of derivative liabilities	-	(105,000)	1,117,000	(241,000)
Other income (expense), net	(178,000)	(237,000)	(634,000)	(496,000)
Total other income (expense), net	(178,000)	(342,000)	483,000	(737,000)
Loss before income taxes and Net Loss	$ (6,955,000)	$ (2,771,000)	$ (14,893,000)	$ (15,601,000)
Net loss per share, basic	$ (0.73)	$ (0.60)	$ (2.05)	$ (3.35)
Weighted average				

shares outstanding, basic	9,552,688	4,652,777	7,254,803	4,652,777
Net loss per share, diluted	$ (0.73)	$ (0.60)	$ (2.11)	$ (3.35)
Weighted average shares outstanding, diluted	9,552,688	4,652,777	7,497,194	4,652,777

Note: Historical share numbers have been adjusted for the merger and reverse 1-for-14 reverse stock split to provide comparability with the current period.

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statement of Cash Flows

	Nine Months Ended September 30,	
	2019	**2018**
	(Unaudited)	(Unaudited)
Operating activities:		
Net loss	$ (14,893,000)	$ (15,601,000)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Acquisition of in-process research and development	-	5,691,000
Change in fair value of derivative liabilities	(1,117,000)	241,000
Stock-based compensation	3,224,000	47,000
Depreciation	1,049,000	1,139,000
Non-cash interest expense	717,000	709,000
Changes in operating assets and liabilities, net	(1,833,000)	342,000
Net cash used in operating activities	(12,853,000)	(7,432,000)
Investing activities:		
Cash acquired in reverse merger transaction	3,008,000	-
Purchase and sale/maturity of investment securities, net	-	9,624,000
Purchases of property and equipment, net	(203,000)	(275,000)
Net cash used in investing activities	2,805,000	9,349,000
Financing activities:		
Payment of deferred consideration for asset acquisition	(1,000,000)	-
Proceeds from sale of common stock, net of offering costs	9,975,000	-
Net cash provided by used in financing activities	8,975,000	-
Net increase (decrease) in cash and cash equivalents	(1,073,000)	1,917,000
Cash, cash equivalents and restricted cash, beginning of period	10,463,000	12,276,000
Cash, cash equivalents and restricted cash, end of period	$ 9,390,000	$ 14,193,000

SOURCE Armata Pharmaceuticals, Inc.

---

https://investor.armatapharma.com/2019-11-12-Armata-Pharmaceuticals-Announces-Third-Quarter-Results-and-Provides-Corporate-and-Clinical-Update