

Armata Pharmaceuticals Announces First Quarter 2020 Results and Provides General Corporate Update

MARINA DEL REY, Calif., May 14, 2020 /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 results for the first quarter of 2020 and provided a corporate and clinical update.

Key First Quarter 2020 and Subsequent Period Highlights:

- Executed both tranches of a \$25 million securities purchase agreement pursuant to which Innoviva, Inc. purchased approximately 8.7 million shares of Armata common stock at \$2.87 per share and warrants to purchase an additional approximately 8.7 million shares with an exercise price of \$2.87 per share.
- In connection with the Innoviva, Inc. financing transaction, appointed Sarah Schlesinger, M.D. and Odysseas Kostas, M.D. to its Board of Directors, both of whom also serve on the Board of Innoviva.
- Advanced development of its lead program, a *Pseudomonas aeruginosa* phage product candidate AP-PA02, toward submission of an Investigational New Drug application (IND) seeking regulatory approval to initiate a first-in-human clinical trial this year. GMP production of the product candidate has been completed at the Company's Marina del Rey facility.
- Obtained \$5 million award from the Cystic Fibrosis Foundation relative to the clinical testing of AP-PA02 in cystic fibrosis (CF) patients with chronic *Pseudomonas aeruginosa* infections.
- Continued to engage in discussions with potential partners and collaborators regarding clinical development of the Company's second program, the *Staphylococcus aureus* phage product candidate, AP-SA02.
- Participated in a panel discussion on the resurgence of non-antibiotic anti-infectives at the Maxim Group M-Vest Infectious Disease Virtual Conference.

"The first quarter of 2020 is one during which we took significant steps – both clinically and financially – to advance toward our goal of becoming a leading developer of phage-based therapeutics to fight dangerous drug-resistant bacterial infections," said Todd R. Patrick, Chief Executive Officer of Armata. "Regarding our lead *Pseudomonas aeruginosa* product, AP-PA02, we were awarded up to \$5 million by the Cystic Fibrosis Foundation to help fund a Phase 1/2 clinical trial of this promising candidate. *Pseudomonas* infections are particularly dangerous for CF patients, and we are grateful to the Foundation for this important financial assistance. And while we are watching the COVID-19 pandemic carefully, and the resulting disruption of drug development timelines that it is causing around the world, we are proceeding with IND-enabling activities and believe we remain on track to advance AP-PA02 into the clinic this year."

Mr. Patrick continued, "We are very well capitalized with \$24.2 million of unrestricted cash and cash equivalents as of March 31, reflecting the closing of both tranches under our securities purchase agreement with Innoviva. This financing significantly extended our cash runway and allows us to pursue meaningful milestones this year and next. We believe phage represent an important new therapeutic option, particularly where antibiotics fall short, and our sole focus remains on advancing development of our pipeline as efficiently as possible."

Anticipated 2020 Milestones:

- File an IND and initiate a clinical trial evaluating the safety and tolerability of AP-PA02 in cystic fibrosis patients chronically infected with *Pseudomonas aeruginosa*.
- Obtain third party, non-dilutive funding to advance *Staphylococcus aureus* phage product candidate, AP-SA02, into clinical trials.
- Continue to screen pathogens against the Company's proprietary phage library to identify additional high-quality bacteriophage product candidates and expand the pipeline.

First Quarter Financial Results

Research and Development. Research and development expenses for the three months ended March 31, 2020 were approximately \$2.8 million as compared to \$2.1 million for the comparable period in 2019.

General and Administrative. General and administrative expenses for the three months ended March 31, 2020 were \$2.2 million as compared to approximately \$1.4 million for the comparable period in 2019. The increase was due to increased corporate expenses associated with being a public company following the merger of C3J Therapeutics, Inc. and AmpliPhi Biosciences Corporation, which closed on May 9, 2019.

Loss from Operations. Loss from operations for the three months ended March 31, 2020 was \$4.9 million as

compared to \$3.4 million for the comparable period in 2019.

Cash and Equivalents. As of March 31, 2020, Armata held \$24.2 million of unrestricted cash and cash equivalents, as compared to \$6.0 million as of December 31, 2019. The company's unrestricted cash and cash equivalents reflects the closing of both tranches of the \$25 million Innoviva securities purchase agreement.

As of May 14, 2020, there were approximately 18.6 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 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 develop new products based on bacteriophages and synthetic phages, the timing and ability of Armata to obtain non-dilutive funding on acceptable terms, if at all, Armata's expectations for performance of Armata's therapeutic candidates based on Armata's recent nonclinical work, and Armata's ability to continue to screen pathogens against Armata's proprietary phage library to identify additional high-quality bacteriophage product candidates and expand the pipeline. 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; Armata's ability to sufficiently fund its operations as expected, including obtaining additional funding as needed; and any delays or adverse events within, or outside of, Armata's control, caused by the recent outbreak of COVID-19. 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, and in its 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.

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	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Assets		
Cash and cash equivalents	\$ 24,209,000	\$ 6,033,000
Award receivable	1,000,000	-
Prepays and other current assets	567,000	622,000
Total current assets	<u>25,776,000</u>	<u>6,655,000</u>
Property and equipment, net	3,844,000	4,214,000
Other long term assets	736,000	836,000
Intangible assets, net	13,746,000	13,746,000
Total assets	<u>\$ 44,102,000</u>	<u>\$ 25,451,000</u>
Liabilities and stockholders' equity		
Total current liabilities	\$ 6,357,000	\$ 4,879,000
Long term liabilities	1,186,000	2,902,000
Deferred tax liability	<u>3,077,000</u>	<u>3,077,000</u>
Total liabilities	<u>10,620,000</u>	<u>10,858,000</u>
Stockholders' equity	<u>33,482,000</u>	<u>14,593,000</u>
Total liabilities and stockholders' equity	<u>\$ 44,102,000</u>	<u>\$ 25,451,000</u>

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations

	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
	(Unaudited)	(Unaudited)
Operating expenses:		
Research and development	\$ 2,750,000	\$ 2,061,000
General and administrative	2,171,000	1,380,000
Loss from operations	<u>4,921,000</u>	<u>3,441,000</u>
Other income (expense):		
Change in fair value of derivative liabilities	-	(40,000)
Other income (expense), net	(157,000)	(258,000)
Total other income (expense), net	<u>(157,000)</u>	<u>(298,000)</u>
Loss before income taxes and Net Loss	<u>\$ (5,078,000)</u>	<u>\$ (3,739,000)</u>
Net loss per share, basic and diluted	<u>\$ (0.49)</u>	<u>\$ (0.80)</u>
Weighted average shares outstanding, basic and diluted	<u>10,451,746</u>	<u>4,652,777</u>

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

	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating activities:		
Net loss	\$ (5,078,000)	\$ (3,739,000)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities		40,000
Stock-based compensation	1,044,000	-
Depreciation	295,000	348,000
Non-cash interest expense	159,000	306,000
Changes in operating assets and liabilities, net	<u>(652,000)</u>	<u>586,000</u>

Net cash used in operating activities	<u>(4,232,000)</u>	<u>(2,459,000)</u>
Investing activities:		
Purchases of property and equipment, net	<u>(104,000)</u>	<u>(142,000)</u>
Net cash used in investing activities	<u>(104,000)</u>	<u>(142,000)</u>
Financing activities:		
Payment of deferred consideration for asset acquisition	(1,000,000)	(1,000,000)
Proceeds from sale of common stock, net of offering costs	23,331,000	-
Proceeds from exercise of warrants	81,000	-
Net cash provided by (used in) financing activities	<u>22,412,000</u>	<u>(1,000,000)</u>
Net increase (decrease) in cash and cash equivalents	18,076,000	(3,601,000)
Cash, cash equivalents and restricted cash, beginning of period	6,733,000	10,463,000
Cash, cash equivalents and restricted cash, end of period	<u>\$ 24,809,000</u>	<u>\$ 6,862,000</u>

Reconciliation of Cash and cash equivalents:

	Three Months Ended March 31,	
	2020	2019
Cash and cash equivalents	\$ 24,209,000	\$ 6,162,000
Restricted cash	600,000	700,000
Cash, cash equivalents and restricted cash	<u>\$ 24,809,000</u>	<u>\$ 6,862,000</u>

SOURCE Armata Pharmaceuticals, Inc.

<https://investor.armatapharma.com/2020-05-14-Armata-Pharmaceuticals-Announces-First-Quarter-2020-Results-and-Provides-General-Corporate-Update>