

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

MARINA DEL REY, Calif., Aug. 13, 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 and difficult-to-treat bacterial infections, today announced results for the second quarter of 2020 and provided a corporate and clinical update.

During the quarter, the Company announced a \$15 million award from the U.S. Department of Defense, through the Medical Technology Enterprise Consortium (MTEC) with funding from the Defense Health Agency and Joint Warfighter Medical Research Program, for a three-year program to advance development of AP-SA02 in *S. aureus* bacteremia infections. Armata will use the award to partially fund a Phase 1b/2 randomized, double-blind, placebo-controlled, dose escalation clinical study. The Company expects to initiate the clinical trial next year.

"The highlight of the second quarter was our announcement of the \$15 million award from the U.S. Department of Defense to advance AP-SA02, which we are developing as a potential treatment for *Staphylococcus aureus* bacteremia infections. In an ongoing effort to prudently manage our cash, we sought non-dilutive third-party funding to help advance this program, and we exceeded the amount that we were initially targeting. We are in the process of developing an efficient clinical plan for this promising candidate, and this award will now allow us to initiate a Phase 1b/2 clinical trial as expeditiously as possible," said Todd R. Patrick, Chief Executive Officer of Armata. "With respect to our lead program, subject to potential delays related to COVID-19, we believe we are on track to initiate our Phase 1b/2a clinical trial of AP-PA02 in *Pseudomonas aeruginosa* infections in cystic fibrosis patients later this year. Finally, we remain well capitalized with \$19.8 million of cash on our balance sheet as of June 30, 2020."

Anticipated 2020 and 2021 Milestones:

- Initiate a Phase 1b/2a clinical trial evaluating AP-PA02 as a potential treatment for *Pseudomonas aeruginosa* infections by the end of 2020
- Initiate a Phase 1b/2 clinical trial evaluating AP-SA02 as a potential treatment for *Staphylococcus aureus* bacteremia infections in 2021
- Continue to screen pathogens against the Company's proprietary phage library to identify additional high-quality bacteriophage product candidates and expand the pipeline.

Second Quarter Financial Results

Research and Development. Research and development expenses for the three months ended June 30, 2020 were approximately \$2.6 million as compared to \$3.1 million for the comparable period in 2019.

General and Administrative. General and administrative expenses for the three months ended June 30, 2020 were \$2.0 million as compared to \$2.1 million for the comparable period in 2019.

Loss from Operations. Loss from operations for the three months ended June 30, 2020 was \$4.7 million as compared to \$4.2 million for the comparable period in 2019.

Cash and Equivalents. As of June 30, 2020, Armata held \$19.8 million of unrestricted cash and cash equivalents, as compared to \$6.0 million as of December 31, 2019. Management believes the Company's existing resources will be sufficient to fund planned operations through at least the first half of 2021.

As of August 13, 2020, there were approximately 18.7 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 and difficult-to-treat bacterial 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, the expected use of proceeds from the \$15 million grant, the expected impact of the COVID-19 pandemic on the Company's operations, 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, 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 19, 2020, 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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Armata Pharmaceuticals, Inc. Condensed Consolidated Balance Sheets

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets		
Cash and cash equivalents	\$ 19,786,000	\$ 6,033,000
Prepays and other current assets	898,000	622,000
Total current assets	<u>20,684,000</u>	<u>6,655,000</u>
Property and equipment, net	12,952,000	4,214,000
Other long term assets	2,079,000	836,000
Intangible assets, net	13,746,000	13,746,000
Total assets	<u>\$ 49,461,000</u>	<u>\$ 25,451,000</u>
Liabilities and stockholders' equity		
Total current liabilities	\$ 5,207,000	\$ 4,879,000
Long term liabilities	11,539,000	2,902,000
Deferred tax liability	3,077,000	3,077,000
Total liabilities	<u>19,823,000</u>	<u>10,858,000</u>
Stockholders' equity	<u>29,638,000</u>	<u>14,593,000</u>
Total liabilities and stockholders' equity	<u>\$ 49,461,000</u>	<u>\$ 25,451,000</u>

Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Grant Revenue	\$ 31,000	\$ -	\$ 31,000	\$ -
Operating expenses:				
Research and development	2,648,000	3,076,000	5,398,000	5,137,000
General and administrative	1,973,000	2,082,000	4,144,000	3,462,000
Loss from operations	<u>4,590,000</u>	<u>5,158,000</u>	<u>9,511,000</u>	<u>8,599,000</u>
Other income (expense):				
Change in fair value of derivative liabilities	-	1,157,000	-	1,117,000
Other income (expense), net	(120,000)	(198,000)	(277,000)	(456,000)
Total other income (expense), net	<u>(120,000)</u>	<u>959,000</u>	<u>(277,000)</u>	<u>661,000</u>
Loss before income taxes and Net Loss	<u>\$ (4,710,000)</u>	<u>\$ (4,199,000)</u>	<u>\$ (9,788,000)</u>	<u>\$ (7,938,000)</u>
Net loss per share, basic	<u>\$ (0.26)</u>	<u>\$ (0.56)</u>	<u>\$ (0.68)</u>	<u>\$ (1.30)</u>
Weighted average shares outstanding, basic	<u>18,347,051</u>	<u>7,505,097</u>	<u>14,399,399</u>	<u>6,086,816</u>
Net loss per share, diluted	<u>\$ (0.26)</u>	<u>\$ (0.69)</u>	<u>\$ (0.68)</u>	<u>\$ (1.38)</u>
Weighted average shares outstanding, diluted	<u>18,347,051</u>	<u>7,720,977</u>	<u>14,399,399</u>	<u>6,452,413</u>

Armata Pharmaceuticals, Inc. Condensed Consolidated Statement of Cash Flows

	Six Months Ended June 30,	
	2020	2019
Operating activities:		
Net loss	\$ (9,788,000)	\$ (7,938,000)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities	-	(1,117,000)
Stock-based compensation	1,950,000	725,000
Depreciation	575,000	683,000
Non-cash interest expense	300,000	536,000
Changes in operating assets and liabilities, net	(1,125,000)	(1,175,000)
Net cash used in operating activities	<u>(8,088,000)</u>	<u>(8,286,000)</u>
Investing activities:		
Purchases of property and equipment, net	(377,000)	(268,000)
Cash acquired in reverse merger transaction	-	3,008,000
Net cash used in investing activities	<u>(377,000)</u>	<u>2,740,000</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	-	9,975,000
Proceeds from private placement financing, net of financing costs	22,919,000	-
Proceeds from exercise of warrants	81,000	-
Proceeds from PPP Loan	718,000	-
Net cash provided by (used in) financing activities	<u>22,718,000</u>	<u>8,975,000</u>
Net increase (decrease) in cash and cash equivalents	14,253,000	3,429,000
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>\$ 20,986,000</u>	<u>\$ 13,892,000</u>

Reconciliation of Cash and cash equivalents:

	Six Months Ended June 30,	
	2020	2019
Cash and cash equivalents	\$ 19,786,000	\$ 13,192,000
Restricted cash	<u>1,200,000</u>	<u>700,000</u>

Cash, cash equivalents and restricted cash

\$ 20,986,000 \$ 13,892,000

SOURCE Armata Pharmaceuticals, Inc.

<https://investor.armatapharma.com/2020-08-13-Armata-Pharmaceuticals-Announces-Second-Quarter-2020-Results-and-Provides-General-Corporate-Update>