Investor Relations

Armata Pharmaceuticals Announces Fourth Quarter and Full Year 2020 Results and Provides General Corporate Update

MARINA DEL REY, Calif., March 18, 2021 /PRNewswire/ -- Armata Pharmaceuticals, Inc. (NYSE American: ARMP) ("Armata" or the "Company"), a biotechnology company focused on pathogen-specific bacteriophage therapeutics for antibiotic-resistant and difficult-to-treat bacterial infections, today announced results for the fourth quarter and full year 2020 and provided a corporate and clinical update.

Fourth Quarter 2020 and Recent Highlights:

- Announced FDA clearance of Investigational New Drug (IND) application to initiate Phase 1b/2a SWARM-*P.a.* clinical trial of lead candidate AP-PA02 in *Pseudomonas aeruginosa* infections
- Appointed biotechnology finance veteran Robin C. Kramer to its Board of Directors
- Hired Mina Pastagia, M.D., M.S., as Vice President of Clinical Development, adding significant expertise in the field of anti-infective development, including phage-based therapeutics
- Subsequent to the end of the fourth quarter 2020, the Company raised gross proceeds of $20.0 million through a securities purchase agreement with Innoviva Strategic Opportunities LLC, a wholly owned subsidiary of Innoviva, Inc., Armata's largest shareholder

"During the fourth quarter and subsequent period, we made great progress across all aspects of our business," stated Todd R. Patrick, Chief Executive Officer of Armata. "We took a significant step forward in the clinical development of our lead candidate, AP-PA02, and strengthened both our Board and leadership team. We also solidified our balance sheet which, together with remaining funds from the non-dilutive contract awards that we received last year, provide the resources to achieve meaningful milestones both this year and next.

"Looking ahead, in addition to initiating a Phase 1b/2 trial of AP-SA02 in *Staphylococcus aureus* bacteremia infections, we are also working toward the initiation of additional clinical trials assessing phage-based candidates in difficult to treat pathogens. Indications we are exploring include non-cystic fibrosis bronchiectasis, pneumonia and prosthetic joint infection. With an efficient clinical plan targeting several distinct indications, we believe we can play a key role in the advancement of phage therapy as a viable answer to the rise of antimicrobial resistance," Mr. Patrick concluded.

Anticipated 2021 and 2022 Milestones:

- Complete the single ascending dose (SAD) cohort of the SWARM-*P.a.* Phase 1b/2a clinical trial evaluating AP-PA02 as a potential treatment for *Pseudomonas aeruginosa* infections in the coming months
- Initiate and complete the multiple ascending dose (MAD) cohort of SWARM-*P.a.* trial in late 2021/early 2022
- Initiate a Phase 1b/2 clinical trial evaluating AP-SA02 as a potential treatment for *Staphylococcus aureus* bacteremia
- Initiate at least one additional clinical trial using either of its two lead phage product candidates or slightly altered mixtures of phage products in an additional indication

Fourth Quarter Financial Results

Grant Revenue. The Company recognized grant revenue of $0.5 million for the three months ended December 31, 2020, which represents MTEC's share of the costs incurred for the Company's AP-SA02 program for the treatment of *Staphylococcus aureus* bacteremia. For the full year 2020, the Company recognized grant revenue of $0.8 million. The Company recognized no grant revenue in 2019.

Research and Development. Research and development expenses for the three months ended December 31, 2020 were approximately $5.0 million as compared to $1.7 million for the comparable period in 2019. The increase was primarily related to the increase in clinical trial and personnel related expenses. For the full year 2020, research and development expenses were $14.4 million as compared to $9.8 million for the full year 2019. Research and development expenses for the full year 2019 included a credit of $1.3 million for Australian tax rebates received.

General and Administrative. General and administrative expenses for the three months ended December 31, 2020 were $2.0 million as compared to $2.0 million for the comparable period in 2019. For the full year 2020, general and administrative expenses were $8.0 million as compared to $9.3 million for the full year 2019. The net decrease of $1.3 million for the full year was driven by a reduction in share-based compensation and lower professional expenses in 2020 as compared to those expenses incurred in 2019.

Loss from Operations. Loss from operations for the three months ended December 31, 2020 was $(6.5) million as compared to a loss from operations of $(4.4) million for the comparable period in 2019. For the full year 2020, loss from operations was $(21.6) million as compared to a loss from operations of $(19.8) million for the full year 2019.

Cash and Equivalents. As of December 31, 2020, Armata held approximately $9.7 million of unrestricted cash and cash equivalents, as compared to $6.0 million as of December 31, 2019. Subsequent to the end of the fourth quarter 2020, the Company raised gross proceeds of $20.0 million through the sale of common stock to Innoviva Strategic Opportunities LLC, a wholly owned subsidiary of Innoviva, Inc. (Nasdaq: INVA), Armata's largest shareholder. Management believes the Company's existing resources will be sufficient to fund planned operations into the first quarter of 2022.

The audit opinion included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 contains a going concern explanatory paragraph.

As of March 18, 2021, there were approximately 24.9 million shares of common stock outstanding.

About Armata Pharmaceuticals, Inc.

Armata is a clinical-stage biotechnology company focused on the development of pathogen-specific 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 the use of proceeds from the securities offering, Armata's bacteriophage development programs, Armata's ability to meet expected milestones, 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, 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; 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 18, 2021, 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

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 9,649,000	$ 6,033,000
Awards receivable	561,000	94,000
Prepaids and other current assets	636,000	528,000
Total current assets	10,846,000	6,655,000
Property and equipment, net	12,837,000	4,214,000
Other long term assets	2,087,000	836,000
Intangible assets, net	13,746,000	13,746,000
Total assets	$ 39,516,000	$ 25,451,000
Liabilities and stockholders' equity		
Total current liabilities	$ 6,705,000	$ 4,879,000
Long term liabilities	10,877,000	2,902,000
Deferred tax liability	3,077,000	3,077,000
Total liabilities	20,659,000	10,858,000

Stockholders' equity	18,857,000	14,593,000
Total liabilities and stockholders' equity	$ 39,516,000	$ 25,431,000

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations

	Three Months Ended Dec 31,		Twelve Months Ended Dec 31,	
	2020	**2019**	**2020**	**2019**
	(Unaudited)	(Unaudited)		
Grant Revenue	$ 504,000	$ -	$ 823,000	$ -
Operating expenses:				
Research and development	4,980,000	1,668,000	14,444,000	9,824,000
General and administrative	1,977,000	2,045,000	7,966,000	9,265,000
Loss on sale of assets	-	663,000		663,000
Total operating expenses	6,957,000	4,376,000	22,410,000	19,752,000
Loss from operations	(6,453,000)	(4,376,000)	(21,587,000)	(19,752,000)
Other income (expense):				
Change in fair value of derivative liabilities	-	-	-	1,117,000
Other income (expense), net	(171,000)	(210,000)	(594,000)	(844,000)
Total other income (expense), net	(171,000)	(210,000)	(594,000)	273,000
Loss before income taxes and Net Loss	$ (6,624,000)	$ (4,586,000)	$ (22,181,000)	$ (19,479,000)
Net loss per share, basic	$ (0.36)	$ (0.48)	$ (1.35)	$ (2.49)
Weighted average shares outstanding, basic	18,422,821	9,579,265	16,415,012	7,827,197
Net loss per share, diluted	$ (0.36)	$ (0.48)	$ (1.35)	$ (2.55)
Weighted average shares outstanding, diluted	18,422,821	9,579,265	16,415,012	8,009,909

Armata Pharmaceuticals, Inc.
Condensed Consolidated Statements of Cash Flows

	Twelve Months Ended Dec 31,	
	2020	**2019**
Operating activities:		
Net loss	$ (22,181,000)	$ (19,479,000)
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	3,475,000	4,271,000
Depreciation	1,114,000	1,351,000
Non-cash interest expense	628,000	918,000
Payment of accreted interest for deferred consideration for asset acquisition	(432,000)	-
Changes in operating assets and liabilities, net	(874,000)	(1,526,000)
Net cash used in operating activities	(18,270,000)	(15,582,000)
Investing activities:		
Purchases of property and equipment, net	(824,000)	(131,000)
Cash acquired in reverse merger transaction	-	3,008,000
Net cash used in investing activities	(824,000)	2,877,000
Financing activities:		
Prinicpal payment of deferred consideration for asset acquisition	(568,000)	(1,000,000)
Proceeds from sale of common stock, net of offering costs	22,893,000	9,975,000
Proceeds from exercise of warrants and stock options	168,000	-
Proceeds from PPP Loan	717,000	-
Net cash provided by (used in) financing activities	23,210,000	8,975,000
Net increase (decrease) in cash and cash equivalents	4,116,000	(3,730,000)
Cash, cash equivalents and restricted cash, beginning of period	6,733,000	10,463,000
Cash, cash equivalents and restricted cash, end of period	$ 10,849,000	$ 6,733,000

Reconciliation of Cash and cash equivalents:	Twelve Months Ended Dec 31,	
	2020	**2019**
Cash and cash equivalents	$ 9,649,000	$ 6,033,000
Restricted cash	1,200,000	700,000
Cash, cash equivalents and restricted cash	$ 10,849,000	$ 6,733,000

SOURCE Armata Pharmaceuticals, Inc.

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https://investor.armatapharma.com/2021-03-18-Armata-Pharmaceuticals-Announces-Fourth-Quarter-and-Full-Year-2020-Results-and-Provides-General-Corporate-Update