Organovo Reports Fiscal 2013 Financial Results

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SAN DIEGO, May 28, 2013 /PRNewswire/ -- Organovo Holdings, Inc. (OTCQX: ONVO) ("Organovo"), a three-dimensional biology company focused on delivering breakthrough 3D bioprinting technology, has reported on its financial results for the three month transition period ended March 31, 2013, completing the Company's fiscal 2013 reporting. The Company also reported on its corporate highlights during fiscal 2013.

FY2013 Corporate Highlights

- **Organovo achieved first fully cellular, functional 3D bioprinted liver tissue, demonstrating the power of our bioprinting technology to create functional human tissue that replicates human biology better than what has come before;**
- **Reduced derivative-liability-laden warrant overhang by approximately 88 percent, resulting in shareholder equity at the end of FY 2013 exceeding the respective initial listing requirement for either NYSE or NASDAQ;**
- **Formed a collaboration with OHSU Knight Cancer Institute to develop more clinically predictive in vitro three dimensional cancer models;**
- **Partnered with ZenBio to create 3D tissue models;**
- **Formed a partnership with Autodesk Research to develop 3D bioprinting software;**
- **Received multiple issued patents, including the Company's first assigned patent, and acquired an additional issued patent;**
- **Joined QX tier of the OTC Markets;**
- **Moved to a new, larger research and headquarters facility;**
- **Expanded executive management team with the addition of Dr. Eric David as Chief Strategic Officer and Michael Renard as Executive Vice President of Commercial Operations;**
- **Appointed additional independent director James Glover to the Board of Directors and to serve as Audit Committee Chairman;**
- **Featured in *Wall Street Journal.***

"Organovo reached important milestones in demonstrating our ability to create functional human tissues in fiscal year 2013," stated Keith Murphy , chief executive officer of Organovo. "We continue to grow quickly, attract great partners, and see tremendous scientific results from our bioprinting efforts. Building upon our financial and operational achievements during the last year, we look forward to continued success in fiscal 2014 as we seek to continue to provide long-term shareholder value."

Change in Fiscal Year End

On March 31, 2013, the Board of Directors of the Company (the "Board") approved a change in the Company's fiscal year end from December 31st to March 31st. As a result of this change, the Company has filed a Transition Report on Form 10-K for the three-month transition period ended March 31, 2013.

Financial Results

Comparison of the three months ended March 31, 2013 and 2012

Revenues

Revenues of $0.2 million for the three months ended March 31, 2013 increased approximately $0.1 million, or nearly 100%, over revenues of $0.1 million for the same period in 2012. That increase can be attributed to $0.1 million of grant revenue during the three months ended March 31, 2013. The Company had no active grants or grant revenue during the three months ended March 31, 2012.

Operating Expenses

Operating expenses increased approximately $2.8 million, or 200%, from $1.4 million for the three months ended March 31, 2012 to $4.2 million for the three months ended March 31, 2013. Of this increase, $1.9 million is related to increased selling, general and administrative expense while the other $0.9 million relates to increased investment in research and development expense. These increases are attributed to the continued strategic growth of the Company, including additional staffing to support research and development initiatives, incremental investment associated with strategic growth and commercialization project initiatives, expenses related to operating a publicly traded corporation, relocation to a larger facility, and increased stock compensation expense relative to employees and certain consulting services.

Research and Development Expenses

Research and development expense increased $0.9 million, or 180%, from $0.5 million for the three months ended March 31, 2012 to $1.4 million for the three months ended March 31, 2013 as the Company more than doubled its research staff to support its obligations under certain collaborative research agreements and government grants, and to expand product development efforts in preparation for research-derived revenues. Full-time research and development staffing increased from ten full-time employees as of March 31, 2012 to twenty-one full-time employees as of March 31, 2013. In addition to the incremental payroll, benefits and stock-based compensation resulting from increased staffing levels, the Company relocated its facilities to accommodate its growing research staff, and increased its spending on lab equipment and supplies in proportion to its increased research activities.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.9 million, or 211%, from $0.9 million for the three months ended March 31, 2012 to $2.8 million for the three months ended March 31, 2013. Increased staffing expenses of approximately $0.6 million included full-time administrative headcount which was increased from five full-time employees to nine full-time employees, including the addition of two executives, to provide strategic infrastructure in developing collaborative relationships and preparation for commercialization of research based product introductions and to address the additional compliance requirements of becoming a publicly traded corporation. In addition, stock-based compensation costs increased due to approximately $0.4 million in additional grants to employees, and approximately $0.3 million for the revaluation of restricted common stock issued to consultants during the three months ended March 31, 2013. Finally, the Company incurred approximately $0.3 million more in external expenses related to becoming a publicly traded corporation, including SEC financial reporting, investor relations, corporate governance, and audit fees.

Other Income (Expense)

The $23.7 million decrease in other expenses as compared to the three months ended March 31, 2012 was primarily due to the inclusion of one-time non-cash transaction costs associated with the Merger and 2012 Private Placements in other expense during the first quarter of 2012, including approximately $19.0 million of expense for the excess of the fair value of warrant liabilities over proceeds received, $2.1 million of financing costs in excess of proceeds received and $1.0 million in interest expense from the accretion of debt discount and amortization of deferred financing costs related to the 2011 Private Placement, the Merger and the 2012 Private Placement. The non-cash expense related to the change in fair value of warrant liabilities decreased by approximately $1.5 million, due in part to fewer warrants outstanding as of March 31, 2013. Interest expense of less than $0.1 million for the three months ended March 31, 2013 is primarily related to the modification of certain warrant agreements during the period.

Various factors are considered in the pricing models we use to value the warrants, including the Company's current stock price, the remaining life of the warrants, the volatility of the Company's stock price, and the risk free interest rate. Future changes in these factors will have a significant impact on the computed fair value of the warrant liability. As such, we expect future changes in the fair value of the warrants to continue to vary significantly from quarter to quarter.

Financial Condition, Liquidity and Capital Resources

Since its inception, the Company has primarily devoted its efforts to research and development, business planning, raising capital, recruiting management and technical staff, and acquiring operating assets. Accordingly, the Company is considered to be in the development stage.

Since inception, the Company has incurred negative cash flows from operations. As of March 31, 2013, the Company had cash and cash equivalents of $15.6 million and an accumulated deficit of $66.4 million. The Company also had negative cash flows from operations of $2.8 million for the three months ended March 31, 2013. At March 31, 2013, we had total current assets of $16.1 million and current liabilities of $8.4 million, resulting in working capital of $7.7 million. Net cash used in investing activities was $0.2 million for the three months ended March 31, 2013. The increased use of net cash in investing activities was primarily due to purchases of equipment for the research lab.

Net cash provided by financing activities was $3.7 million for the three months ended March 31, 2013.

On February 5, 2013, the Company provided a Notice of Redemption to affected warrant holders, of approximately 2.4 million warrant shares, that they would have until March 14, 2013 to exercise their outstanding warrants at $1.00 per share. Thereafter, any warrants that remained unexercised would have been automatically redeemed by the Company at a redemption price of $0.0001 per share of common stock then issuable upon exercise of the redeemed warrant. As of March 14, 2013, all redeemable warrants had been exercised for net proceeds of approximately $2.3 million. During the three months ended March 31, 2013, the Company also received approximately $1.4 million of additional proceeds from the exercise of other warrants unrelated to the Notice of Redemption.

Through March 31, 2013, the Company has financed its operations primarily through the sale of convertible notes, the private placement of equity securities, and through revenue derived from grants or collaborative research agreements. Based on its current operating plan and available cash resources, the Company has sufficient resources to fund its business for at least the next twelve months.

About Organovo Holdings, Inc.
Organovo designs and creates functional, three-dimensional human tissues for medical research and therapeutic applications. The Company is collaborating with pharmaceutical and academic partners to develop human biological disease models in three dimensions. These 3D human tissues have the potential to accelerate the drug discovery process, enabling treatments to be developed faster and at lower cost. In addition to numerous scientific publications, our technology has been featured in The Wall Street Journal, Time Magazine, The Economist, and numerous others. Organovo is changing the shape of medical research and practice. Learn more at www.organovo.com.

Safe Harbor Statement
Any statements contained in this press release that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties. The factors that could cause actual future results to differ materially from current expectations include, but are not limited to, risks and uncertainties relating to the Company's ability to develop, market and sell products based on its technology; the expected benefits and efficacy of the Company's products and technology; the availability of substantial additional funding for the Company to continue its operations and to conduct research and development, clinical studies and future product commercialization; and the Company's business, research, product development, regulatory approval, marketing and distribution plans and strategies. These and other factors are identified and described in more detail in our filings with the SEC, including our transition report on Form 10-KT filed with the SEC on May 24, 2013. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

ORGANOVO HOLDINGS, INC.

(A development stage company)

CONSOLIDATED BALANCE SHEETS
(in thousands except per share data)

	March 31, 2013	**December 31, 2012**	**December 31, 2011**

Assets			
Current Assets			
Cash and cash equivalents	**$ 15,628**	**$ 14,817**	**$ 340**
Grant receivable	**101**	**162**	**—**
Inventory	**88**	**360**	**292**
Deferred financing costs	**—**	**—**	**319**
Prepaid expenses and other current assets	**327**	**527**	**80**
Total current assets	**16,144**	**15,866**	**1,031**
Fixed Assets — Net	**1,045**	**714**	**278**
Restricted Cash	**88**	**88**	**—**
Other Assets — Net	**98**	**81**	**100**
Total assets	**$ 17,375**	**$ 16,749**	**$ 1,409**
Liabilities and Stockholders' Equity (Deficit)			
Current Liabilities			
Accounts payable	**$ 641**	**$ 425**	**$ 658**
Accrued expenses	**780**	**981**	**438**
Deferred revenue	**53**	**—**	**153**
Capital lease obligation, current portion	**10**	**10**	**—**
Accrued interest payable	**—**	**—**	**24**
Convertible notes payable	**—**	**—**	**704**
Warrant liabilities, current	**6,898**	**20,619**	**—**
Total current liabilities	**8,382**	**22,035**	**1,977**
Warrant liabilities, non-current	**—**	**—**	**1,267**
Deferred revenue, net of current portion	**9**	**—**	**—**
Capital lease obligation, net of current portion	**15**	**17**	**—**
Total liabilities	**$ 8,406**	**$ 22,052**	**$ 3,244**
Commitments and Contingencies (see Note 8)			
Stockholders' Equity (Deficit)			
Common stock, $0.001 par value; 150,000,000 shares authorized, 64,686,919, 58,535,411 and 22,445,254 shares issued and outstanding at March 31, 2013, December 31, 2012 and December 31, 2011, respectively	**65**	**59**	**22**
Additional paid-in capital	**75,269**	**44,883**	**4,835**
Deficit accumulated during the development stage	**(66,365)**	**(50,245)**	**(6,692)**
Total stockholders' equity (deficit)	**8,969**	**(5,303)**	**(1,835)**
Total Liabilities and Stockholders' Equity (Deficit)	**$ 17,375**	**$ 16,749**	**$ 1,409**

ORGANOVO HOLDINGS, INC.
(A development stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012 (Unaudited)	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	*Period from April 19, 2007 (Inception) through March 31, 2013*
Revenue						
Product	**$ —**	**$ —**	**$ —**	**$ 224**	**$ —**	**$ 224**
Collaborations	**98**	**120**	**1,035**	**688**	**75**	**1,896**
Grants	**117**	**—**	**162**	**57**	**528**	**943**
Total Revenue	**215**	**120**	**1,197**	**969**	**603**	**3,063**
Cost of product revenue	**—**	**—**	**—**	**121**	**—**	**134**
Selling, general, and administrative expenses	**2,792**	**902**	**7,080**	**1,733**	**578**	**12,539**
Research and development expenses	**1,448**	**547**	**3,436**	**1,420**	**1,203**	**8,082**
Loss from Operations	**(4,025)**	**(1,329)**	**(9,319)**	**(2,305)**	**(1,178)**	**(17,692)**
Other Income (Expense)						
Fair value of warrant liabilities in excess of proceeds received	**—**	**(19,019)**	**(19,019)**	**—**	**—**	**(19,019)**
Change in fair value of warrant liabilities	**(12,034)**	**(13,506)**	**(9,931)**	**(7)**	**—**	**(21,972)**
Financing transaction costs in excess of proceeds received	**—**	**(2,130)**	**(2,130)**	**—**	**—**	**(2,130)**
Loss on inducement to exercise warrants	**—**	**—**	**(1,904)**	**—**	**—**	**(1,904)**
Loss on disposal of fixed assets	**—**	**—**	**(158)**	**—**	**—**	**(158)**
Interest expense	**(65)**	**(1,088)**	**(1,088)**	**(2,067)**	**(161)**	**(3,471)**
Interest income	**4**	**—**	**5**	**—**	**—**	**11**
Other expense	**—**	**(9)**	**(9)**	**(4)**	**—**	**(30)**
Total Other Income (Expense)	**(12,095)**	**(35,752)**	**(34,234)**	**(2,078)**	**(161)**	**(48,673)**
Net Loss	**$ (16,120)**	**$ (37,081)**	**$ (43,553)**	**$ (4,383)**	**$ (1,339)**	**$ (66,365)**
Net loss per common share — basic and diluted	**$ (0.26)**	**$ (1.17)**	**$ (1.01)**	**$ (0.19)**	**$ (0.09)**	
Weighted average number of shares used in computing net loss per share — basic and diluted	**61,750,157**	**31,591,663**	**43,149,657**	**22,925,694**	**14,620,140**	

ORGANOVO HOLDINGS, INC.
(A development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Three Months Ended	Three Months Ended	Year Ended December 31,	Year Ended December 31,	Year Ended December 31,	*Period from April 19, 2007*

	March 31, 2013	March 31, 2012 (Unaudited)	2012	2011	2010	*(Inception) through March 31, 2013*
Cash Flows From Operating Activities						
Net loss	$ (16,120)	$ (37,081)	$ (43,553)	$ (4,383)	$ (1,339)	$ (66,365)
Adjustments to reconcile net loss to net cash used in operating activities:						
Amortization of debt discount	—	896	896	1,188	—	2,084
Loss on disposal of fixed assets	—	—	158	—	—	158
Depreciation and amortization	80	17	195	68	59	431
Amortization of deferred financing costs	—	319	319	119	—	438
Amortization of warrants issued for services	261	—	556	—	—	817
Interest accrued on convertible notes payable	—	12	12	232	—	495
Warrants issued in connection with exchange agreement	—	—	—	528	—	528
Loss on inducement to exercise warrants	—	—	1,904	—	—	1,904
Expense associated with warrant modification	65	—	—	—	—	65
Stock-based compensation	848	4	1,435	9	4	2,300
Fair value of warrant liabilities in excess of proceeds	—	19,019	19,019	—	—	19,019
Change in fair value of warrant liabilities	12,034	13,506	9,931	7	—	21,972
Increase (decrease) in cash resulting from changes in:						
Grants receivable	61	—	(162)	60	(55)	(101)
Inventory	—	(45)	(459)	(224)	(68)	(751)
Prepaid expenses and other current assets	(61)	(65)	(101)	(69)	(2)	(255)
Accounts payable	216	(217)	(233)	373	230	641
Accrued expenses	(201)	(37)	543	132	83	780
Deferred revenue	62	116	(153)	46	107	62
Accrued interest	—	—	—	—	161	—
Net cash used in operating activities	(2,755)	(3,556)	(9,693)	(1,914)	(820)	(15,778)
Cash Flows From Investing Activities						
Restricted cash deposits	—	(38)	(88)	—	—	(88)
Purchases of fixed assets	(137)	(6)	(357)	(46)	(48)	(921)
Purchases of intangible assets	(19)	—	—	(65)	(5)	(114)
Net cash used in investing activities	(156)	(44)	(445)	(111)	(53)	(1,123)
Cash Flows From Financing Activities						
Proceeds from issuance of convertible notes payable	—	—	—	2,543	992	4,630
Proceeds from issuance of common stock and exercise of warrants, net	3,724	13,723	24,714	—	—	28,438
Proceeds from exercise of stock options	—	—	18	—	—	18
Proceeds from issuance of related party notes payable	—	—	—	225	25	250
Repayment of related party notes payable	—	—	—	(250)	—	(250)
Repayment of convertible notes and interest payable	—	(110)	(110)	—	—	(110)
Principal payments on capital lease obligations	(2)	—	(7)	—	—	(9)
Deferred financing costs	—	—	—	(438)	—	(438)
Net cash provided by financing activities	3,722	13,613	24,615	2,080	1,017	32,529
Net Increase in Cash and Cash Equivalents	811	10,013	14,477	55	144	15,628
Cash and Cash Equivalents at Beginning of Period	14,817	340	340	285	141	—
Cash and Cash Equivalents at End of Period	$ 15,628	10,353	$ 14,817	$ 340	$ 285	$ 14,817
Supplemental Disclosures of Cash Flow Information:						
Interest	$ —	$ 10	$ 10	$ —	$ —	$ 10
Income Taxes	$ —	$ 1	$ 1	$ 1	$ 1	$ 3

SOURCE Organovo Holdings, Inc.

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