

Organovo Reports Q1 Fiscal 2014 Results, Provides Business Update

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SAN DIEGO, Aug. 12, 2013 /PRNewswire/ -- Organovo Holdings, Inc. (NYSE MKT: ONVO) ("Organovo") a three-dimensional biology company focused on delivering breakthrough 3D bioprinting technology, has reported on its financial results for the three-month period ended June 30, 2013 and provides a business update.

Recent Corporate Highlights

- Presented data on first fully cellular 3D Bioprinted Liver Tissue
- Listed common stock on the NYSE MKT
- Successfully completed \$46.6 million public offering
- Appointed Tamar D. Howson to the Company's Board of Directors
- Nominated Richard Heyman Ph.D. for election to the Board of Directors at the upcoming Annual Meeting
- Changed fiscal year-end from December 31st to March 31st
- Organovo and Methuselah Foundation Announced Funding of Bioprinting Research at Research Institutions

On April 26th, Organovo described the first fully cellular 3D bioprinted liver tissue, having presented data on its *in vitro* three-dimensional liver at the 2013 Experimental Biology conference in Boston, Massachusetts. For the first time, human liver tissues were generated that were truly three-dimensional, being up to 500 microns in thickness in the smallest dimension, and consisting of multiple cell types arranged in defined spatial patterns that reproduce key elements of native tissue architecture and demonstrated excellent functional characteristics that replicates human biology better than what has come before.

On July 9th, Organovo announced that its common stock had been approved for listing on the New York Stock Exchange MKT. Trading commenced on the NYSE MKT on July 11th, and Company's CEO Keith Murphy rang the opening bell at the NYSE on July 15th.

On August 7th, Organovo successfully completed a public offering in which it raised gross proceeds of \$46.6 million through the issuance of 10,350,000 shares of its common stock.

On June 10th, Organovo announced the appointment of Tamar D. Howson to its Board of Directors. Ms. Howson is a seasoned business development executive within the pharmaceutical industry, having formerly served as senior vice president of both Bristol-Meyers Squibb and SmithKline Beecham. She currently serves as a business development and strategy consultant to biopharmaceutical companies. She also serves as a director at Idenix, Oxigene Pharmaceuticals, and Warner Chilcott.

On July 18th, Organovo announced that Richard A. Heyman, Ph.D. had been nominated to be elected to the Company's Board of Directors at the Annual Meeting of Shareholders scheduled to be held on August 21, 2013. Dr. Heyman is an experienced life science executive who is currently chief executive officer of Aragon Pharmaceuticals, which he co-founded in 2009. In June 2013, Aragon announced a definitive agreement with Johnson and Johnson whereby Aragon will be acquired for up to \$1 billion dollars in total transaction value. Previously, Dr. Heyman was Chief Scientific Officer at Kalypsys, Inc.

On April 3rd, Organovo announced a fiscal year-end change from December 31st to March 31st, in alignment with its intention to list its common stock on a U.S. exchange at the earliest available opportunity.

On July 24th, Organovo announced that Methuselah Foundation has initiated a campaign in which it will fund research at

major research institutions using Organovo's proprietary NovoGen Bioprinting technology. The program will feature grants of research funding from the non-profit Methuselah Foundation to major academic research centers engaged in cutting-edge biomedical research. Eligible institutions will include public and private research universities and private non-profit research institutes. Under the program, Methuselah Foundation will divide a donation of at least \$500,000 in direct funding for research projects across several institutions.

"Organovo has consistently and effectively executed its business plan from both a technology and business perspective," stated Keith Murphy, chief executive officer of Organovo. "Following our recent capital raise, we are well positioned to grow long-term shareholder value through development and launch of our first commercial product in 2014, through the capture of additional collaborative partnerships, and through expanded investment in the development of therapeutic tissues intended for implantation."

Financial Results

For the three months ended June 30, 2013, total revenues of approximately \$0.1 million were \$0.2 million or 67% below the approximately \$0.3 million in revenues for the same period in 2012. This decrease reflects the planned phasing of deliverables under the original project scope of our collaborative arrangements despite current overall increases in collaborative research activities. The Company is increasing its internal investment in these collaborative activities with the intention of accelerating the growth of shareholder value.

Operating expenses increased approximately \$2.1 million or 124% in the three months ended June 30, 2013 over the same period in 2012, from approximately \$1.7 million in 2012 to \$3.8 million in 2013. Most significantly, relative to the same period in the prior year, the Company invested in building its research, development and administrative staff, increasing its headcount from 21 full-time employees as of June 30, 2012 to 35 full-time employees as of June 30, 2013, including 24 employees within research and development. Consequently payroll and benefits expenses increased by approximately \$0.5 million or 70% over the same period in 2012, and stock-based compensation increased from under \$0.1 million to \$0.8 million for the same periods. To accommodate our growing research and development needs the Company relocated to a larger space, tripling our facilities related expenses when compared to prior periods. With the increased research and development activity and output, inputs such as lab supplies and contracted services increased across the board. Finally, the Company incurred approximately \$0.3 million more in external expenses related to public company status versus the same period, prior year, in addressing SEC financial reporting, investor relations, corporate governance and audit requirements.

The approximate \$33.9 million decrease in other expense for the three month period ending June 30, 2013 compared to the same period of the prior year, was primarily related to 2012 non-cash transaction costs associated with the warrants issued in our 2012 Private Placement. Due to the majority of the underlying warrants being exercised prior to June 30, 2013, or modified and reclassified to equity, the net warrant derivative liability was substantially less than in the same period of 2012 due to significantly fewer underlying warrants.

The Company also had negative cash flow from operations of \$2.7 million during the three months ended June 30, 2013, with end-of-period cash and cash equivalents of approximately \$12.8 million and an accumulated deficit of \$70.1 million. At June 30, 2012, the Company had cash and cash equivalents of approximately \$8.5 million and an accumulated deficit of \$79.2 million. At June 30, 2013, the Company had total current assets of approximately \$13.3 million and current liabilities of approximately \$7.6 million, resulting in working capital of \$5.7 million. At June 30, 2012, we had total current assets of approximately \$9.2 million and current liabilities of approximately \$0.9 million, resulting in working capital of \$8.3 million. Subsequently, on August 7, 2013, the Company sold 10,350,000 shares of the Company's common stock, with net proceeds to the Company of approximately \$43.3 million, after deducting underwriting discounts and commissions and estimated offering expenses of \$3.3 million.

As of June 30, 2013, the Company had 64,951,014 total issued and outstanding shares of Common Stock, and five year warrants for the opportunity to purchase an additional 3,481,760 shares of Common Stock at exercise prices between \$0.85 and \$1.00 per share and 550,000 warrants with terms between two and five years and exercise prices between \$2.21

and \$3.24 per share. Subsequent to June 30, 2013, the Company had 1,242,478 warrants exercised on a cashless basis, for a net issuance of 981,055 shares and 225,000 warrants exercised for 225,000 common shares for cash proceeds to the Company of \$609,000. In aggregate, issued and outstanding common stock, shares underlying outstanding warrants, and shares reserved for the 2008 and 2012 incentive plans total 74,267,596 shares of common stock as of June 30, 2013.

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, the Company's 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;; 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 report on Form 10-Q filed August 9, 2013, the prospectus supplement filed with the SEC on August 2, 2013 and the transition report on Form 10-KT filed with the SEC on May 24, 2013 and our other filings with the Securities and Exchange Commission. 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)
Condensed Consolidated Balance Sheets
(in thousands except per share data)

	June 30, 2013	March 31, 2013
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,849	\$ 15,628
Grant receivable	—	101
Inventory	85	88
Prepaid expenses and other current assets	327	327
Total current assets	13,261	16,144
Fixed Assets - Net		
	1,113	1,045

Restricted Cash	38	88
Other Assets - Net	96	98
 Total assets	 \$ 14,508	 \$ 17,375
 Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 374	\$ 641
Accrued expenses	1,143	780
Deferred revenue	28	53
Capital lease obligation, current portion	10	10
Warrant liabilities	6,025	6,898
 Total current liabilities	 7,580	 8,382
Deferred revenue, net of current portion	8	9
Capital lease obligation, net of current portion	12	15
 Total liabilities	 \$ 7,600	 \$ 8,406
 Commitments and Contingencies (Note 5)		
Stockholders' Equity		
Common stock, \$0.001 par value; 150,000,000 shares authorized, 64,951,014 and 64,686,919 shares issued and outstanding at June 30, 2013 and March 31, 2013, respectively	65	65
Additional paid-in capital	76,979	75,269
Deficit accumulated during the development stage	(70,136)	(66,365)
 Total stockholders' equity	 6,908	 8,969
 Total Liabilities and Stockholders' Equity	 \$ 14,508	 \$ 17,375

Organovo Holdings, Inc.
(A development stage company)
Unaudited Condensed Consolidated Statements of Operations
(in thousands except per share data)

	<i>Period from</i>
Three Months Ended	Three Months Ended
June 30, 2013	April 19, 2007
	<i>June 30, 2012</i>
	<i>(Inception)</i>

*through
June 30, 2013*

Revenues

Product	\$ —	\$ —	\$ 224
Collaborations	94	259	1,990
Grants	12	—	955
 Total Revenues	 106	 259	 3,169
Cost of product revenue	—	—	134
Selling, general, and administrative expenses	2,378	1,056	14,917
Research and development expenses	1,462	653	9,544
 Loss from Operations	 (3,734)	 (1,450)	 (21,426)
 Other Income (Expense)			
Fair value of warrant liabilities in excess of proceeds received	—	—	(19,019)
Change in fair value of warrant liabilities	(23)	(33,937)	(21,995)
Financing transaction costs in excess of proceeds received	—	—	(2,130)
Loss on inducement to exercise warrants	—	—	(1,904)
Loss on disposal of fixed assets	(4)	—	(162)
Interest expense	(13)	—	(3,484)
Interest income	3	2	14
Other expense	—	—	(30)
 Total Other Income (Expense)	 (37)	 (33,935)	 (48,710)
 Net Loss	 \$ (3,771)	 \$ (35,385)	 \$ (70,136)

Net loss per common share - basic and diluted	\$ (0.06)	\$ (0.82)
Weighted average shares used in computing net loss per common share - basic and diluted	64,794,144	43,029,026

Organovo Holdings, Inc.

(A development stage company)

Unaudited Condensed Consolidated Statements of Cash Flows (in thousands)

	Period from	Three Months Ended	Three Months Ended	April 19, 2007
		June 30, 2013	June 30, 2012	(Inception)

**through
June 30, 2013**

Cash Flows From Operating Activities

Net loss	\$ (3,771)	\$ (35,385)	\$ (70,136)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of deferred financing costs	—	—	438
Amortization of warrants issued for services	72	—	889
Depreciation and amortization	93	20	524
Loss on disposal of fixed assets	4	—	162
Amortization of debt discount	—	—	2,084
Interest accrued on convertible notes payable	—	—	495
Fair value of warrant liabilities in excess of proceeds	—	—	19,019
Change in fair value of warrant liabilities	23	33,937	21,995
Loss on inducement to exercise warrants	—	—	1,904
Expense associated with warrant modification	12	—	77
Stock-based compensation	802	39	3,102
Warrants issued in connection with exchange agreement	—	—	528
Increase (decrease) in cash resulting from changes in:			
Grants receivable	101	—	—
Inventory	3	(190)	(748)
Prepaid expenses and other assets	(72)	(60)	(327)
Accounts payable	(267)	(181)	374
Accrued expenses	363	5	1,143
Deferred revenue	(26)	(46)	36
Net cash used in operating activities	(2,663)	(1,861)	(18,441)

Cash Flows From Investing Activities

Deposits released from restriction (restricted cash deposits)	50	(50)	(38)
Purchases of fixed assets	(163)	(72)	(1,084)
Purchases of intangible assets	—	—	(114)
Net cash used in investing activities			
Net cash used in investing activities	(113)	(122)	(1,236)

Cash Flows From Financing Activities

Proceeds from issuance of convertible notes payable	—	—	4,630
Proceeds from issuance of common stock and warrants	—	99	28,438
Proceeds from exercise of stock options	—	—	18
Proceeds from issuance of related party notes payable	—	—	250
Repayment of related party notes payable	—	—	(250)
Principal payments on capital lease obligation	(3)	—	(12)
Repayment of convertible notes and interest payable	—	—	(110)
Deferred financing costs	—	—	(438)

Net cash provided by (used in) financing activities	(3)	99	32,526
Net Increase (Decrease) in Cash and Cash Equivalents	(2,779)	(1,884)	12,849
Cash and Cash Equivalents at Beginning of Period	15,628	10,353	—
Cash and Cash Equivalents at End of Period	\$ 12,849	\$ 8,469	\$ 12,849

Supplemental Disclosure of Cash Flow Information:

Interest	\$ —	\$ —	\$ 10
Income Taxes	\$ —	\$ —	\$ 3

SOURCE Organovo Holdings, Inc.

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