

Organovo Reports Q2 2012 Financial Results, Provides Business Update

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SAN DIEGO, Aug. 15, 2012 /PRNewswire/ -- **Organovo Holdings, Inc.** (OTCQB: ONVO) ("Organovo") a three-dimensional biology company focused on delivering breakthrough 3-D bioprinting technology, today reported unaudited financial results for the period ended June 30, 2012.

(Logo: <http://photos.prnewswire.com/prnh/20120813/MM55537LOGO>)

Organovo is focused on breakthrough 3D bioprinting technology to create tissue on demand for research and medical applications. The company's NovoGen MMX Bioprinter^(TM) is part of a 3D human tissue generation platform that works across a broad array of tissue and cell types to recapitulate in vivo biology. Organovo's bioprinting technology has immediate applications in disease research, drug discovery and development, and toxicology testing. In the future, the Company believes that applications of this technology hold the promise to generate tissues for therapeutic uses.

Second quarter 2012 revenues increased approximately 49% above the same period in 2011. Collaborative research revenues for the second quarter increased approximately 81% over the same period of prior year revenues, but were partially offset by a reduction in grant revenues. Loss from Operations for the second quarter was approximately \$1,449,700.

Recent Corporate Highlights

On July 17, 2012, Organovo announced the commencement of operations at its new, larger facility in San Diego, California. The new facility has over three times the capacity of Organovo's previous headquarters and is expected to facilitate the Company's needs to grow staff and research and development output.

On July 9, 2012, Organovo announced the receipt of two issued patents. The patents consisted of the issuance in the United States of a patent to which the Company owns the exclusive license from the University of Missouri, and the issuance in the United Kingdom of the Company's first assigned patent.

On July 9, 2012 Organovo announced the appointment of James T. Glover, former CFO of Beckman Coulter and Anadys Pharmaceuticals, to its Board of Directors. Mr. Glover has been affirmed as an independent director by the Organovo Board of Directors, and the Company expects to attract additional independent directors as it grows.

On May 21, 2012, Organovo announced the hiring of Dr. Eric Michael David as Chief Strategy Officer.

On April 25, 2012, Organovo announced the hiring of Michael Renard as its Executive Vice President, Commercial Operations, and the promotion of Dr. Sharon Presnell to Chief Technology Officer.

The Company is performing on current contracts with Pfizer and United Therapeutics. The Company expects to book revenue on both contracts in the second half of 2012.

"Organovo continues to deliver on plan," stated Keith Murphy, chief executive officer of Organovo. "Our growing team, seasoned leadership, and greater capacity in the new facility all point to a growth in our impactful research and development efforts, which will contribute to growth in long term shareholder value."

Financial Results

For the second quarter 2012 total revenues of approximately \$259,000 were \$85,600 or 49% above the approximately \$173,300 in revenues for the same period in 2011. Collaborative research revenues for the second quarter of approximately \$259,000 increased \$115,600 or 81% over the same period of prior year revenues of approximately \$143,400. That growth was partially offset by no grant or product revenues in the second quarter 2012, compared to approximately \$30,000 of grant revenues in the prior year second quarter.

Operating expenses increased approximately \$1,061,600 or 164% in the second quarter 2012 over the second quarter 2011, from approximately \$647,000 in 2011 to \$1,708,600 in 2012. Most significantly, relative to the same period in the prior year, the Company invested in infrastructure and outside services to support its transition from private ownership to a publicly owned and traded corporation. As expected in such transition, incremental initiatives were established in investor outreach, corporate governance, and SEC financial reporting. Non-payroll related incremental public company expenses incurred in the second quarter 2012 over the second quarter 2011 was approximately \$150,000. There were no second quarter 2011 public company expenses. Moreover, the Company invested in building its executive, research, and development staff, increasing second quarter 2012 payroll related expenses by approximately \$523,800 or 174% over the second quarter 2011. Second quarter 2012 executive search fees were approximately \$24,000, newly established fees to our non-employee board members were approximately \$41,300 and additional space was rented to accommodate our growing administrative and research staff at an approximate incremental cost of \$25,000 over the period in 2011.

The increase in other expenses for the second quarter 2012 over the second quarter 2011, an increase of approximately \$33,876,600, was primarily related to the non-cash transaction costs associated with the warrants issued in our 2012 Private Placement. During the first quarter of 2012 we incurred costs due to the placement agent for the first quarter Private Placement fees of \$1,617,629 and reimbursed expenses and legal fees of \$166,310. In addition, we issued warrants to purchase 6,099,195 shares of our common stock to the placement agent and warrants to purchase 15,247,987 of our common stock to investors in the Private Placement. The warrants issued to the placement agent and Private Placement investors were determined to be derivative liabilities as a result of the anti-dilution provisions in the warrant agreements that may result in an adjustment to the warrant exercise price. We will revalue the derivative liability on each balance sheet date and will do so until the securities to which the derivatives liabilities relate are exercised or expire. The change in fair value of warrant liabilities for the three months ended June 30, 2012, was approximately \$33,937,200. Other expenses for the three months ended June 30, 2011 of approximately \$58,900 related to interest recorded on convertible notes payable.

Organovo Holdings Inc.

(A development stage company)

Condensed Balance Sheets

	June 30, 2012	December 31, 2011
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,469,312	\$ 339,607
Inventory	527,246	291,881
Deferred financing costs	—	318,843
Prepaid expenses and other current assets	204,488	79,874
Total current assets	9,201,046	1,030,205
Fixed Assets - Net	323,153	278,208
Restricted Cash	88,290	—
Other Assets	96,923	100,419

Total assets	\$ 9,709,412	\$ 1,408,832
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	\$ 259,518	\$ 657,560
Accrued expenses	406,371	437,837
Deferred revenue	223,117	152,500
Accrued interest payable	—	24,018
Convertible notes payable, current portion	—	703,833
Total current liabilities	889,006	1,975,748
Warrant Liabilities	80,577,988	1,266,869
Total liabilities	\$ 81,466,994	\$ 3,242,617
Commitments and Contingencies		
Stockholders' Deficit		
Common stock, \$0.001 par value; 150,000,000 shares authorized, 43,772,483 and 22,445,254 issued and outstanding at June 30, 2012 and December 31, 2011, respectively	43,773	22,445
Additional paid-in capital	7,355,924	4,835,326
Deficit accumulated during the development stage (79,157,279)	(79,157,279)	(6,691,556)
Total stockholders' deficit	(71,757,582)	(1,833,785)
Total Liabilities and Stockholders' Deficit	\$ 9,709,412	\$ 1,408,832

Organovo Holdings, Inc.

(A development stage company)

Unaudited Condensed Statements of Operations

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Period from April 19, 2007 (Inception) through June 30, 2012
Revenues					
Product	\$ —	\$ —	\$ —	\$ 100,000	\$ 223,500
Collaborations	258,975	143,375	378,975	217,740	1,142,063
Grants	—	30,000	—	56,924	664,112
Total Revenues	258,975	173,375	378,975	374,664	2,029,675
Cost of product revenue	—	—		50,584	133,607
Selling, general, and administrative expenses	1,056,066	335,946	1,957,909	579,440	4,623,946
Research and development expenses	652,568	311,066	1,199,855	709,730	4,398,243
Loss from Operations	(1,449,659)	(473,637)	(2,778,789)	(965,090)	(7,126,121)
Other Income (Expense)					
Fair value of warrant liabilities in — excess of proceeds received	—	—	(19,019,422)	—	(19,019,422)
Change in fair value of warrant liabilities	(33,937,175)	—	(47,442,994)	—	(47,449,563)
Financing transaction costs in excess of proceeds received	—	—	(2,129,500)	—	(2,129,500)
Interest expense	—	(58,843)	(1,087,453)	(111,925)	(3,405,895)

Interest income	1,692	—	1,984	—	3,990
Other expense	—	—	(9,549)	(1,550)	(30,768)
Total Other Income (Expense)	(33,935,483)	(58,843)	(69,686,934)	(113,475)	(72,031,158)
Net Loss	\$ (35,385,142)	\$ (532,480)	\$ (72,465,723)	\$ (1,078,565)	\$ (79,157,279)

Net loss per common share - basic and diluted

\$ (0.82)	\$ (0.05)	\$ (1.96)	\$ (0.10)
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Weighted average shares used in computing net loss per common share - basic and diluted

43,029,026	11,546,910	36,974,745	11,175,474
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Organovo Holdings, Inc.

(A development stage company)

Unaudited Condensed Statements of Cash Flows

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Period from April 19, 2007 (Inception) through June 30, 2012
Cash Flows From Operating Activities			
Net loss	\$ (72,465,723)	\$ (1,078,565)	\$ (79,157,279)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of deferred	318,843	—	438,296

financing costs

Depreciation and amortization	38,728	32,430	195,056
Amortization of debt discount	896,167	—	2,083,735
Interest accrued on convertible notes payable	11,616	111,925	495,392
Fair value of warrant liabilities in excess of proceeds	19,019,422	—	19,019,422
Change in fair value of warrant liabilities	47,442,994	—	47,449,563
Stock-based compensation	42,642	1,882	59,591
Warrants issued in connection with exchange agreement	—	—	527,629
Increase (decrease) in cash resulting from changes in:			
Accounts receivable	—	—	—
Grants receivable	—	59,744	—
Inventory	(235,365)	(93,717)	(527,246)
Prepaid expenses and other assets	(124,614)	(10,835)	(217,620)
Accounts payable	(398,042)	213,828	259,518
Accrued expenses	(31,467)	28,918	406,371
Deferred revenue	70,618	125,048	223,117
Net cash used in operating activities	(5,414,181)	(609,342)	(8,744,455)
Cash Flows From Investing Activities			
Restricted cash deposits	(88,290)	—	(88,290)
Purchases of fixed assets	(80,177)	(9,286)	(507,000)
Purchases of intangible assets	—	(65,000)	(95,000)
Net cash used in investing activities	(168,467)	(74,286)	(690,290)
Cash Flows From Financing Activities			
Proceeds from issuance of	—	298,700	4,630,000

convertible notes payable			
Proceeds from issuance of common stock and warrants	13,822,600	—	13,822,600
Proceeds from issuance of related party notes payable	—	150,000	250,000
Repayment of related party notes payable	—	(25,000)	(250,000)
Repayment of convertible notes and interest payable	(110,247)	—	(110,247)
Deferred financing costs	—	(6,415)	(438,296)
Net cash provided by financing activities	13,712,353	417,285	17,904,057
Net Increase (Decrease) in Cash and Cash Equivalents	8,129,705	(266,343)	8,469,312
Cash and Cash Equivalents at Beginning of Period	339,607	285,308	—
Cash and Cash Equivalents at End of Period	\$ 8,469,312	\$ 18,965	\$ 8,469,312

About Organovo Holdings, Inc.

Organovo is a three-dimensional biology company focused on delivering breakthrough bioprinting technology and creating tissue on demand for research and medical applications. The Company's NovoGen three-dimensional bioprinting technology is a platform that works across all tissue and cell types. Organovo's NovoGen MMX Bioprinter was selected as one of the "Best Inventions of 2010" by TIME Magazine. Organovo is helping pharmaceutical partners develop human biological disease models in three dimensions that enable therapeutic drug discovery and development. Organovo's bioprinting technology can also be developed to create surgical tissues direct therapy. Organovo leads the way in solving complex medical research problems and building the future of medicine. For more information, please visit <http://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 current reports on Form 8-K. We do not undertake to update these forward-looking statements made by us.

