November 5, 2015

XOMA Provides Corporate Update and Reports Financial Results for Third Quarter 2015

BERKELEY, Calif., Nov. 5, 2015 (GLOBE NEWSWIRE) -- XOMA Corporation (Nasdaq:XOMA), a leader in the discovery and development of therapeutic antibodies, today provided a corporate update and reported its financial results for the quarter ended September 30, 2015.

"One hundred days ago, we announced multiple actions we would take in order to firmly position XOMA as an endocrine company, and we've executed on all of them," commented John Varian, Chief Executive Officer of XOMA. "First, we raised $37 million in non-dilutive capital by licensing our TGF beta antibody program to Novartis. Second, we deferred the near-term debt repayment obligation of a $13.5 million loan due to Novartis by extending the loan's due date. These two actions improved our cash position by $50.5 million. Third, we found strategic alternatives to divest our non-core operations through the sale of our biologics manufacturing facilities to Agenus, for an upfront payment of approximately $5 million in cash and $1 million in common stock, and the divesture of our biodefense program to Nanotherapeutics, including the transfer of program-related employees to the acquiring companies. Finally, we restructured the company to support our endocrine franchise, which, in combination with the Agenus and Nanotherapeutics deals, resulted in a headcount reduction of over 50 percent. Our employee base now reflects the appropriate infrastructure required to rapidly advance our endocrine franchise, particularly XOMA 358, and we have the capital to fund our operations into 2017.

"Last month, we opened the first of two planned Phase 2 proof-of-concept studies for XOMA 358 in patients with hypoglycemia due to hyperinsulinemia. The open-label Phase 2 clinical study will enroll patients with congenital hyperinsulinism at two internationally recognized treatment centers. We are very excited about taking XOMA 358 into patients who are living with this debilitating disease, as the Phase 1 study showed this compound can lower insulin receptor activity in healthy volunteers," concluded Mr. Varian.

Recent Corporate Developments

- Initiated a Phase 2 proof-of-concept study of XOMA 358 in patients with congenital hyperinsulinism at Children's Hospital of Philadelphia
- Licensed the company's first-in-class anti-TGF beta antibody program to Novartis for an upfront payment of $37 million, potential milestone payments of up to $480 million and royalties tiered up to low double digits
- Extended the maturity date of its $13.5 million note due to Novartis until September 2020

- Signed a definitive agreement to sell its biologics manufacturing operations and transferred associated headcount to Agenus Inc.
- Divested its biodefense program to Nanotherapeutics, Inc., a biopharmaceutical company located in Alachua, Florida
- Restructured the company's internal operations to support its endocrine franchise
- Terminated the Phase 3 EYEGUARD clinical program and associated expenses and regained global rights to the gevokizumab program
- Achieved cash runway to finance XOMA's endocrine franchise into 2017

Financial Results

XOMA reported total revenues of $2.1 million in the third quarter ended September 30, 2015, compared with $5.1 million in the corresponding period of 2014. The 2015 revenues reflect lower activity under the Company's existing contracts with National Institute of Allergy and Infectious Diseases (NIAID) for the development of anti-botulism agents, lower reimbursements from Servier for gevokizumab-related expenses, and lower milestone payments received in 2015 as compared with 2014.

Research and development (R&D) expenses for the third quarter of 2015 were $17.6 million, compared with $20.2 million in the corresponding period of 2014. The reduction in the 2015 R&D expenses reflects decreases of $1.5 million in salaries and related expenses and $1.1 million in clinical trial expenses.

Selling, general and administrative (SG&A) expenses were $5.6 million in the third quarter of 2015, as compared to $5.4 million in the corresponding quarter of 2014, primarily reflecting increased consulting expenses related to XOMA's out-licensing activities, partially offset by decreased salaries and related expenses.

The Company reported restructuring charges of $2.6 million in the quarter ended September 30, 2015, which were associated with a headcount reduction to reduce operating expenses to support its endocrine franchise.

For the third quarter of 2015, XOMA reported a net loss of $0.5 million, compared with a net loss of $14.4 million for the third quarter of 2014. Excluding non-cash charges related to the revaluation of warrant liabilities of $24.4 million and $5.7 million in the quarters ended September 30, 2015 and 2014, respectively, net loss was $24.9 million and $20.1 million, respectively.

On September 30, 2015, XOMA had cash, cash equivalents, and short-term investments of $32.0 million. In October, the Company received $37.0 million from the Novartis transaction. The Company ended December 31, 2014, with cash, cash equivalents, and short-term investments of $78.4 million.

Investor Conference Call and Webcast

XOMA will host a conference call and webcast today, November 5, 2015, at 4:30 p.m. ET / 1:30 PT. The webcast can be accessed via the Investors and Media section of XOMA's website at http://investors.xoma.com/events.cfm and will be available for replay until close of business on February 5, 2016. Telephone numbers for the live audiocast are 877-369-6589 (U.S./Canada) and 408-337-0122 (international).

About XOMA Corporation

XOMA Corporation is a leader in the discovery and development of therapeutic antibodies. The Company's innovative product candidates result from the Company's expertise in developing ground-breaking monoclonal antibodies, including allosteric antibodies, which have created new opportunities to potentially treat a wide range of human diseases. XOMA's scientific research has produced a portfolio of six endocrine assets, each of which have the opportunity to address multiple indications. The Company's lead product candidate, XOMA 358, is an allosteric monoclonal antibody that reduces insulin receptor activity, which could have a major impact on the treatment of hyperinsulinism. The Company recently initiated Phase 2 development activities for XOMA 358 in patients with congenital hyperinsulinism. Additionally, XOMA is developing gevokizumab (IL-1 beta modulating antibody) in an ongoing Phase 3 program enrolling patients with pyoderma gangrenosum, a rare ulcerative skin condition. For more information, visit www.xoma.com.

Forward-Looking Statements

Certain statements contained in this press release including, but not limited to, statements related to anticipated timing, enrollment and success of clinical trials and Proof-of-Concept trials, therapeutic potential of our product candidates, sufficiency of our cash resources and anticipated levels of cash utilization, or statements that otherwise relate to future periods are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on assumptions that may not prove accurate, and actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry and for companies engaged in the development of new products in a regulated market. Potential risks to XOMA meeting these expectations are described in more detail in XOMA's most recent filing on Form 10-K and in other SEC filings. Consider such risks carefully when considering XOMA's prospects. Any forward-looking statement in this press release represents XOMA's views only as of the date of this press release and should not be relied upon as representing its views as of any subsequent date. XOMA disclaims any obligation to update any forward-looking statement, except as required by applicable law.

XOMA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Revenues:				
License and collaborative fees	$ 645	$ 2,450	$ 1,852	$ 4,615
Contract and other	1,429	2,686	5,412	9,903
Total revenues	2,074	5,136	7,264	14,518
Operating expenses:				
Research and development	17,559	20,235	57,255	61,371
Selling, general and administrative	5,632	5,354	15,913	15,768
Restructuring	2,561	—	2,561	84
Total operating expenses	25,752	25,589	75,729	77,223
Loss from operations	(23,678)	(20,453)	(68,465)	(62,705)
Other income (expense):				
Interest expense	(1,030)	(1,060)	(3,152)	(3,295)
Other income (expense), net	(194)	1,393	1,453	1,332
Revaluation of contingent warrant liabilities	24,422	5,721	24,206	33,685
Net loss	$ (480)	$ (14,399)	$ (45,958)	$ (30,983)
Basic net loss per share of common stock	$(0.00)	$ (0.13)	$ (0.39)	$ (0.29)
Diluted net loss per share of common stock	$(0.00)	$ (0.17)	$ (0.39)	$ (0.55)
Shares used in computing basic net loss per share of common stock	118,552	107,208	117,437	106,768
Shares used in computing diluted net loss per share of common stock	118,552	114,323	117,437	114,876
Other comprehensive loss:				
Net loss	$ (480)	$ (14,399)	$ (45,958)	$ (30,983)
Net unrealized (loss) gain on available-for-sale securities	—	(2)	—	5
Comprehensive loss	$ (480)	$ (14,401)	$ (45,958)	$ (30,978)

XOMA CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	September 30, 2015	December 31, 2014
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,046	$ 78,445
Trade and other receivables, net	39,343	3,309
Prepaid expenses and other current assets	2,878	1,859
Total current assets	74,267	83,613
Property and equipment, net	4,097	5,120
Other assets	664	669
Total assets	$ 79,028	$ 89,402
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 5,665	$ 5,990
Accrued and other liabilities	9,680	9,892
Deferred revenue – current	39,345	1,089
Interest bearing obligations – current	4,123	19,018
Accrued interest on interest bearing obligations – current	324	257
Total current liabilities	59,137	36,246
Deferred revenue – long-term	—	1,939
Interest bearing obligations – long-term	44,462	16,290
Contingent warrant liabilities	4,070	31,828
Other liabilities - long term	549	—
Total liabilities	108,218	86,303
Stockholders' (deficit) equity:		
Preferred stock, $0.05 par value, 1,000,000 shares authorized, 0 issued and outstanding	—	—
Common stock, $0.0075 par value, 277,333,332 shares authorized, 118,796,332 and 115,892,450 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	891	869
Additional paid-in capital	1,135,354	1,121,707
Accumulated deficit	(1,165,435)	(1,119,477)
Total stockholders' (deficit) equity	(29,190)	3,099
Total liabilities and stockholders' (deficit) equity	$ 79,028	$ 89,402

CONTACT: Company and Investor Contact:
Ashleigh Barreto

510-204-7482
barreto@xoma.com

Juliane Snowden
The Oratorium Group, LLC
jsnowden@oratoriumgroup.com

Media Contact:
Ryan Flinn
W2O Group
415-946-1059
rflinn@w2ogroup.com

Source: XOMA Corporation