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Ligand Announces Aziyo Biologics Acquires Commercial Products from Partner CorMatrix

Ligand to be paid $10 million from Aziyo in exchange for royalty rate buy-down

SAN DIEGO--(BUSINESS WIRE)-- **Ligand Pharmaceuticals Incorporated (NASDAQ: LGND)** announces it will receive $10 million from a contractually specified royalty rate buy-down following the sale by CorMatrix Cardiovascular, Inc. of rights to its commercial pericardial repair and CanGaroo® Envelope extracellular matrix (ECM) products to Aziyo Biologics. In May 2016, Ligand acquired rights to royalties on these products and several pipeline ECM programs from CorMatrix for $17.5 million.

Under the terms of the original transaction, Ligand was entitled to a $10 million payment if, upon acquisition, the new owner elected to buy-down the royalty rate. As a result of this transaction, Ligand will receive a 5% royalty on these commercial products from Aziyo, down from the original 20% royalty with CorMatrix. As part of the royalty rate reduction, Aziyo has agreed to pay Ligand up to $10 million of additional sales-based milestones tied to the commercial success of the currently-marketed products and to extend the term on these royalties by one year. Ligand's rights to potential royalties from CorMatrix upon the successful development of its remaining pipeline ECM programs remain unchanged.

"The royalty transaction entered into with CorMatrix last year has been successful in generating cash and has contributed quality shots on goal to our portfolio. CorMatrix made a strategic shift to focus on its pipeline assets, and we are encouraged by the experience and marketing strength of Aziyo's management team," said John Higgins, Chief Executive Officer. "This transaction repays the majority of the initial royalty purchase price, adds $10 million of new potential milestones and extends the term for royalties to be earned from the underlying ECM products. Ligand also retains rights to royalties on pipeline products being developed by CorMatrix. Overall, this transaction improves the value of the deal and near-term cash generation."

Financial Outlook

As a result of this transaction, Ligand will book an estimated $2 million of additional revenue in 2017, net of offsetting non-cash accounting expenses. Previous net revenue guidance for 2017 was at least $130 million, and Ligand now expects 2017 net revenue to increase to at least $132 million. The additional revenue is expected to be classified as contract revenue and royalty revenue is expected to be slightly lower for the full year due to the lower royalty rate on CorMatrix products beginning with the second half of 2017. Additional upside in contract revenue guidance is reduced from $24 million to $14 million, reflecting the revenue from the royalty rate buy-down and associated amortization.

This new revenue guidance implies a minimum adjusted diluted EPS for 2017 of $2.90, increased from original guidance of at least $2.70.

About Aziyo Biologics

Aziyo Biologics, Inc. was created by HighCape Partners and Tissue Banks International with the mission of restoring health and mobility to the greatest number of patients. Aziyo's vision is to impact healthcare through innovation of new solutions that expand the possibilities of regenerative medicine.

About CorMatrix Cardiovascular

CorMatrix® Cardiovascular, Inc. is a privately held medical device company dedicated to developing and delivering innovative biomaterial devices that harness the body's innate ability to repair damaged cardiac and vascular tissue.

About Ligand Pharmaceuticals

Ligand is a biopharmaceutical company focused on developing or acquiring technologies that help pharmaceutical companies discover and develop medicines. Our business model creates value for stockholders by providing a diversified portfolio of biotech and pharmaceutical product revenue streams that are supported by an efficient and low corporate cost structure. Our goal is to offer investors an opportunity to participate in the promise of the biotech industry in a profitable, diversified and lower-risk business than a typical biotech company. Our business model is based on doing what we do best: drug discovery, early-stage drug development, product reformulation and partnering. We partner with other pharmaceutical companies to leverage what they do best (late-stage development, regulatory management and commercialization) to ultimately generate our revenue. Ligand's Captisol® platform technology is a patent-protected, chemically modified cyclodextrin with a structure designed to optimize the solubility and stability of drugs. OmniAb® is a patent-protected transgenic animal platform used in the discovery of fully human mono-and bispecific therapeutic antibodies. Ligand has established multiple alliances, licenses and other business relationships with the world's leading pharmaceutical companies including Novartis, Amgen, Merck, Pfizer, Celgene, Gilead, Janssen, Baxter International and Eli Lilly.

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Forward-Looking Statements

This news release contains forward-looking statements by Ligand that involve risks and uncertainties and reflect Ligand's judgment as of the date of this release. Words such as "plans," "believes," "expects," "anticipates," and "will," and similar expressions, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements regarding: the timing of the $10 million payment related to the buy-down by Aziyo of the royalty rate, which is expected to be paid in full by the end of 2017; the timing of the sales-based milestones; the launch of CorMatrix's development stage products, if ever; the expected timing of the completion of the transactions; the expected revenues to be generated by the ECM products and the impact on Ligand's adjusted EPS; future financial and operating results of Ligand; growth in the number of products in Ligand's

portfolio, Ligand's future revenues and other projected financial measures, expected value creation for shareholders and guidance regarding full-year 2017 and 2018 financial results. Actual events or results may differ from Ligand's expectations. For example, Aziyo may not make the $10 million milestone payment as expected and may not be successful in commercializing the ECM products it has acquired from CorMatrix. Further, CorMatrix may not be successful in developing its ECM products and may abandon its development. With regards to Ligand's proforma projections, Ligand may not receive expected revenue from material sales of Captisol, expected royalties on partnered products and research and development milestone payments. Ligand and its partners may not be able to timely or successfully advance any product(s) in its internal or partnered pipeline. In addition, there can be no assurance that Ligand will achieve its guidance for 2017 or 2018 or any portion thereof or beyond; that Ligand will be able to create future revenues and cash flows by developing innovative therapeutics; that results of any clinical study will be timely, favorable or confirmed by later studies, that products under development by Ligand or its partners will receive regulatory approval; that there will be a market for the product(s) if successfully developed and approved; or that Ligand's partners will not terminate any of its agreements or development or commercialization of any of its products. Further, Ligand and its partners may experience delays in the commencement, enrollment, completion or analysis of clinical testing for its product candidates, or significant issues regarding the adequacy of its clinical trial designs or the execution of its clinical trials, which could result in increased costs and delays, or limit Ligand's ability to obtain regulatory approval. Ligand may not be able to successfully implement its strategic growth plan and continue the development of its proprietary programs. The failure to meet expectations with respect to any of the foregoing matters may reduce Ligand's stock price. Additional information concerning these and other risk factors affecting Ligand can be found in prior press releases available at www.ligand.com as well as in Ligand's public periodic filings with the Securities and Exchange Commission available at www.sec.gov. Ligand disclaims any intent or obligation to update these forward-looking statements beyond the date of this release. This caution is made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

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