Tetraphase Pharmaceuticals Reports Fourth Quarter and Full-Year 2019 Financial Results and Highlights Achievements and Key 2020 Milestones

March 12, 2020

XERAVA Carton Sales Grew over 45% Compared with the Third Quarter of 2019

XERAVA is on formulary or available at 1,200 Institutions

Increased Formulary Uptake, with a 99% Success Rate for all Formulary Reviews to Date

WATERTOWN, Mass.--(BUSINESS WIRE)-- Tetraphase Pharmaceuticals, Inc. (NASDAQ:TTPH), a biopharmaceutical company focused on commercializing its novel tetracycline XERAVA to treat serious and life-threatening infections, today reported financial results for the fourth quarter and year ended December 31, 2019, provided an overview of recent achievements, and highlighted key milestones for 2020.

"We made significant progress throughout 2019, ending the year with $3.6 million in XERAVA net sales for the full year and a quarter-to-quarter net revenue increase in the fourth quarter of 2019 of 49.3%. Our sales consist solely of actual use and not stocking retail or other channels," said Larry Edwards, President and Chief Executive Officer of Tetraphase. "We believe XERAVA is a critically important new addition to the hospital antibiotic armamentarium, and we remain committed to increasing formulary uptake and reaching all of our targeted accounts. The reorganization efforts we undertook in 2019 to create a streamlined organization singularly focused on the commercialization of XERAVA, including the elimination of our research and development function, are central to the success of our mission. With two recently completed equity offerings in November 2019 and January 2020 adding to our balance sheet, we are now in a stronger financial position to execute on our goals."

Key Milestones for 2020

- Complete 143 formulary reviews for XERAVA by mid-year
- Continue pulling through appropriate utilization at the 1,200 hospitals at which XERAVA is on formulary or available
- Continue double-digit quarter over quarter growth for XERAVA
- Create additional opportunities in TIER 2 and TIER 3 Accounts
- Out-license pipeline assets and enter into arrangements for commercialization of XERAVA in Europe and Latin America
- Filing by Everest Medicines for regulatory approval of XERAVA for complicated intra-abdominal infections in China in the fourth quarter of 2020

Fourth Quarter and Recent Highlights

- **Continued to Progress Launch of XERAVA in U.S. Hospitals With High Antibiotic Usage**

  The Company continues to see increased formulary uptake, with a 99% success rate for all formulary reviews to date and $3.6 million in XERAVA sales for the full-year 2019. XERAVA sales for 2018 were $178,000. Tetraphase's salesforce is now focusing on bringing XERAVA to both Tier 1 as well as Tier 2 institutions, which are the highest users of antibiotics defined by days of therapy. The reorder rate for XERAVA continues to be strong, with reorder rates as high as 67% for all accounts and approximately 77% within the Tier 1 account segment. XERAVA is on formulary or available at more than 1,200 accounts and approximately 143 formulary reviews are pending or planned to take place over the next six months.

- **Completed Two Equity Financings Totaling Net Proceeds of $23.0 Million**

  In January 2020, the Company completed a private placement with Armistice Capital, LLC, a healthcare-focused institutional investor, priced at-the-market, that generated gross proceeds of approximately $10 million. In addition, the Company concurrently completed a registered direct offering with certain healthcare-focused institutional investors, priced at-the-market, that generated gross proceeds of approximately $7.5 million. The net proceeds from the concurrent January 2020 private placement and registered direct offering were approximately $15.9 million.

  In November 2019, the Company completed a registered direct offering with Armistice Capital, LLC, a healthcare-focused institutional investor, priced at-the-market, that generated net proceeds of approximately $7.1 million.

  The Company issued warrants in connection with all of the financings listed above.

Fourth Quarter and Full-Year 2019 Financial Results

As of December 31, 2019, Tetraphase had cash and cash equivalents of $21.2 million and 3.5 million shares outstanding. Subsequent to the end of the fourth quarter, the Company raised an additional $15.9 million in net proceeds via an equity offering. The Company expects that its cash and cash equivalents, including the equity proceeds and its expected revenue, will be sufficient to fund operations into the first quarter of 2021.

For the fourth quarter of 2019, Tetraphase reported a net loss of $11.4 million, or $2.75 per share, compared to a net loss of $21.5 million, or $8.00 per share, for the same period in 2018, driven by both increased product revenues and lower operating expenses. For the year ended December 31, 2019, Tetraphase reported a net loss of $70.1 million, or $22.85 per share, compared to a net loss of $72.2 million, or $27.48 per share, for the same period in 2018.

Total revenues were $1.7 million for the fourth quarter of 2019, of which $1.5 million was from sales of XERAVA, compared to $4.3 million for the same period in 2018, of which $178,000 was from sales of XERAVA. Total revenues were $7.4 million for the year ended December 31, 2019, of which $3.6 million was from sales of XERAVA, compared to $18.9 million for the same period in 2018, of which $178,000 was from sales of XERAVA. Total revenues for the fourth quarter and year ended December 31, 2019 consisted of XERAVA product revenue, license and collaboration revenue from the Company's relationship with Everest Medicines and government contract revenue. The primary driver of the year over year decrease in revenue was a reduction in the up front and regulatory milestones received from the Company's relationship with Everest Medicines and the wind down of its government awards and grants and the related revenue.

Research and development (R&D) expenses for the fourth quarter of 2019 were $2.5 million, compared to $10.7 million for the same period in 2018. R&D expenses for the year ended December 31, 2019 were $22.8 million, compared to $54.9 million for the same period in 2018. The significant year over year decrease in R&D expenses was driven by the completion of XERAVA development and our corporate reorganization in June 2019, which included the cessation of development of our pipeline candidates.

Selling, general and administrative (SG&A) expenses for the fourth quarter of 2019 were $9.3 million, compared to $14.7 million for the same period in 2018. SG&A expenses for the year ended December 31, 2019 were $49.0 million, compared to $37.1 million for the same period in 2018. The decrease in fourth quarter 2019 SG&A expenses compared to fourth quarter 2018 SG&A expenses was driven by our 2019 corporate reorganization and by up-front Xerava launch expenses incurred in the fourth quarter of 2018. The increase in full year 2019 SG&A expenses compared to full year 2018 SG&A expenses was driven primarily by a full year of commercial and medical affairs expenses in 2019 following the fourth quarter 2018 launch of Xerava.

About XERAVA™

XERAVA (eravacycline for injection) is a tetracycline class antibacterial indicated for the treatment of complicated intra-abdominal infections (cIAI) in patients 18 years of age and older. XERAVA was investigated for the treatment of cIAI as part of the Company's IGNITE (Investigating Gram-Negative Infections Treated with Eravacycline) Phase 3 program. In the first pivotal Phase 3 trial in patients with cIAI, twice-daily intravenous (IV) XERAVA met the primary endpoint by demonstrating statistical non-inferiority of clinical response compared to ertapenem and was well-tolerated. In the second Phase 3 clinical trial in patients with cIAI, twice-daily IV XERAVA met the primary endpoint by demonstrating statistical non-inferiority of clinical response compared to meropenem and was well-tolerated. In both trials, XERAVA achieved high cure rates in patients with Gram-negative pathogens, including resistant isolates.

XERAVA™ Important Safety Information

XERAVA is a tetracycline class antibacterial indicated for the treatment of complicated intra-abdominal infections in patients 18 years of age and older.

XERAVA is not indicated for the treatment of complicated urinary tract infections.

To reduce the development of drug-resistant bacteria and maintain the effectiveness of XERAVA and other antibacterial drugs, XERAVA should be used only to treat or prevent infections that are proven or strongly suspected to be caused by susceptible bacteria.

XERAVA is contraindicated for use in patients with known hypersensitivity to eravacycline, tetracycline-class antibacterial drugs or to any of the excipients. Life-threatening hypersensitivity (anaphylactic) reactions have been reported with XERAVA.

The use of XERAVA during tooth development (last half of pregnancy, infancy and childhood to the age of eight years) may cause permanent discoloration of the teeth (yellow-gray-brown) and enamel hypoplasia.

The use of XERAVA during the second and third trimester of pregnancy, infancy and childhood up to the age of eight years may cause reversible inhibition of bone growth.

Clostridium difficile associated diarrhea (CDAD) has been reported with use of nearly all antibacterial agents and may range in severity from mild diarrhea to fatal colitis.

The most common adverse reactions observed in clinical trials (incidence ≥ 3%) were infusion site reactions, nausea, and vomiting.

XERAVA is structurally similar to tetracycline-class antibacterial drugs and may have similar adverse reactions. Adverse reactions including photosensitivity, pseudotumor cerebri, and anti-anabolic action which has led to increased blood urea nitrogen, azotemia, acidosis, hyperphosphatemia, pancreatitis, and abnormal liver function tests, have been reported for other tetracycline-class antibacterial drugs, and may occur with XERAVA. Discontinue XERAVA if any of these adverse reactions are suspected.

To report SUSPECTED ADVERSE REACTIONS, contact Tetraphase Pharmaceuticals Inc., at 1-833-7-XERAVA (1-833-793-7282) or FDA at 1-800-FDA-1088 or www.fda.gov/medwatch.

Please see full prescribing information for XERAVA.

About Tetraphase Pharmaceuticals, Inc.

Tetraphase Pharmaceuticals, Inc., is a biopharmaceutical company using its proprietary chemistry technology to create novel tetracyclines for serious and life-threatening conditions, including infections caused by many of the multidrug-resistant bacteria highlighted as urgent public health threats by the World Health Organization and the Centers for Disease Control and Prevention. The Company has created more than 3,000 novel tetracycline compounds using its proprietary technology platform. Tetraphase's lead product XERAVA™ is approved for the treatment of complicated intra-abdominal infections by the U.S. Food and Drug Administration and the European Medicines Agency. The Company's pipeline also includes antibiotics TP-271 and TP-6076, which are Phase 2 ready, and TP-2846, which is in preclinical testing for acute myeloid leukemia. The Company intends to out

license its pipeline candidates. Please visit www.tphase.com for more company information.

Forward-Looking Statements

Any statements in this press release about our future expectations, plans and prospects, including statements regarding our strategy, future operations, prospects, plans and objectives, including our anticipated sales revenue, cash runway, and other statements containing the words "anticipates," "believes," "expects," "plans," "will" and similar expressions, constitute forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including our cash runway and the expected revenue will be sufficient to fund our operations in the future and other commercial risk factors discussed in the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 12, 2020. In addition, the forward-looking statements included in this press release represent our views as of March 12, 2020. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so.

Tetraphase Pharmaceuticals, Inc.

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)

	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 21,239	$ 107,776
Accounts receivable, net	1,503	2,274
Contract asset	-	3,000
Inventory	1,595	748
Prepaid expenses and other current assets	2,156	2,674
Property and equipment, net	98	1,121
Intangibles assets, net	4,259	4,652
Operating lease right-of-use assets	4,836	-
Restricted cash	699	699
Total assets	$ 36,385	$ 122,944
Liabilities and Stockholders' equity		
Accounts payable and accrued expenses	$ 8,223	$ 14,971
Operating lease liabilities	4,995	-
Loan payable, long term	-	28,291
Total stockholders' equity	23,167	79,682

Total liabilities and stockholders' equity	$ 36,385	$ 122,944

Tetraphase Pharmaceuticals, Inc.

Condensed Consolidated Statement of Operations (Unaudited)

(In thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Revenues:				
Product revenue, net	$ 1,460	$ 178	$ 3,575	$ 178
License and collaboration revenue	-	3,177	2,000	12,677
Government revenue	230	928	1,801	6,049
Total revenue	1,690	4,283	7,376	18,904
Expenses:				
Cost of revenue - product sales	1,334	130	2,687	130
Cost of revenue - intangible asset amortization	98	98	393	98
Research and development	2,534	10,717	22,785	54,879
Selling, general and administrative	9,266	14,727	49,043	37,078
Total expenses	13,232	25,672	74,908	92,185
Loss from operations	(11,542)	(21,389)	(67,532)	(73,281)
Other income and expenses	170	(92)	(2,553)	1,123
Net loss	$ (11,372)	$ (21,481)	$ (70,085)	$ (72,158)
Net loss per share-basic and diluted	$ (2.75)	$ (8.00)	$ (22.85)	$ (27.49)
Weighted-average number of common shares used in net loss per share-basic and diluted	4,139	2,683	3,067	2,625

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