Harmony Biosciences Reports Second Quarter 2021 Financial Results and Business Updates

August 10, 2021

WAKIX® *(pitolisant) Net Revenue of $73.8 Million for Second Quarter 2021 vs. $38 Million for the Same Period in 2020*

Initiated Phase 2 Clinical Trial in Patients with Myotonic Dystrophy

Acquired Potential First-in-Class Molecule with Novel Mechanism of Action

Secured Additional Capital Through Strategic Financing Collaboration with Blackstone

Conference Call and Webcast to be Held Today at 8:30 a.m. ET

PLYMOUTH MEETING, Pa., Aug. 10, 2021 (GLOBE NEWSWIRE) -- Harmony Biosciences Holdings, Inc. (“Harmony” or the “Company”) (Nasdaq: HRMY), a pharmaceutical company dedicated to developing and commercializing innovative therapies for patients with rare neurological diseases, today reported financial results and business updates for the second quarter ended June 30, 2021.

“Harmony has made significant progress towards growing the company through our three pillars growth strategy during the first half of 2021,” stated John Jacobs, President and Chief Executive Officer of Harmony. “Building on the momentum we saw in the first quarter of this year, we continue to advance the commercialization of WAKIX® with strong second quarter revenues due to both an increase in average number of patients on WAKIX and the number of healthcare professionals prescribing the product.

With the initiation of our Phase 2 study in patients with Myotonic Dystrophy in the second quarter, we are continuing to advance our clinical development programs, with the goal of broadening the clinical utility of WAKIX beyond narcolepsy. Also, importantly, we took the first step in our plan to build a broad portfolio of products beyond WAKIX, via the acquisition of a potential first-in-class molecule with a novel mechanism of action. In addition, and to further support our expanding clinical programs and business development objectives, we recently consummated a strategic financing collaboration with Blackstone that provides us with additional capital to drive continued long-term growth for Harmony.”

Second Quarter 2021 Financial Highlights:

- Net product revenue of $73.8 million for the quarter ended June 30, 2021, a 94.2% increase versus the prior year quarter revenue of $38.0 million;
- Strong organic growth in WAKIX sales, supported by an increased average number of patients on WAKIX and number of unique healthcare professionals who have prescribed WAKIX since launch;
- Positive net income and achieved profitability for the second quarter in a row; and
- Cash and cash equivalents of $159.7 million.

Second Quarter 2021 Financial Results

Net product revenues for the quarter ended June 30, 2021 were $73.8 million, compared to $38.0 million for the same period in 2020. The 94.2% growth versus the prior year quarter can be attributed to strong commercial sales of WAKIX driven by organic demand.

For the quarter ended June 30, 2021, GAAP net income available to shareholders was $14.1 million, or $0.24 per diluted share, compared to a net loss of $10.5 million, or $1.34 per diluted share, for the same period in 2020. Non-GAAP adjusted net income was $31.9 million, or $0.54 per diluted share, for the quarter ended June 20, 2021, compared to an adjusted net loss of $0.5 million, or a loss of $0.07 per diluted share, for the same period in 2020.

Reconciliations of applicable GAAP measures to non-GAAP adjusted information are included at the end of the press release.

The components of Harmony’s operating expenses include:

- Research and Development expenses were $6.5 million in the second quarter of 2021 as compared with $4.2 million for the same quarter in 2020, representing a 55.9% increase;
- Sales and Marketing expenses were $17.0 million in the second quarter of 2021 as compared to $12.4 million for the same quarter in 2020, representing a 36.8% increase;
- General and Administrative expenses were $14.3 million in the second quarter of 2021 as compared to $7.6 million for the same quarter in 2020, representing a 87.5% increase; and
- Total operating expenses were $37.8 million in the second quarter of 2021 as compared with $24.2 million for the same quarter in 2020, representing a 56.0% increase.

As of June 30, 2021, Harmony had cash and cash equivalents of $159.7 million.

Clinical Development and Recent Updates

- Enrollment continues in Harmony’s Phase 2 clinical trial evaluating the safety and efficacy of pitolisant for the treatment of EDS and other symptoms in patients with PWS and is on track to achieve top line data in the first half of 2022.

- In June 2021, Harmony initiated a Phase 2 clinical trial to evaluate the safety and efficacy of pitolisant for EDS and other non-muscular symptoms in adult patients with type 1 myotonic dystrophy (DM1). Top-line results are anticipated in the second half of 2022.
- In August 2021, Harmony acquired HBS-102 (formerly CSTI-100), a potential first-in-class molecule with a novel mechanism of action. HBS-102 is a Melanin Concentrating Hormone Receptor 1 (MCHR1) antagonist that has the potential to offer an innovative approach to the treatment of narcolepsy, including the symptoms of Rapid Eye Movement (REM) sleep dysregulation, such as cataplexy, hallucinations and sleep paralysis. HBS-102 targets the generator of REM sleep and its associated behaviors, which is controlled by melanin concentrating hormone (MCH) neurons located in the lateral hypothalamus. Under the terms of the agreement, Harmony will acquire full development and commercialization rights globally, with the exception of Greater China, with financial terms including an upfront payment and potential development and regulatory milestones and royalties.
- In August 2021, Harmony entered into a strategic financing collaboration with Blackstone to provide Harmony up to $330 million which includes $200 million to refinance its existing debt at a lower interest rate, $100 million for drawdown within the next twelve months, and a $30 million equity investment in Harmony common stock.

Conference Call Today at 8:30 a.m. ET
We are hosting our second quarter 2021 financial results conference call and webcast today beginning at 8:30 a.m. Eastern Time. The live and replayed webcast of the call will be available on the investor page of our website at https://ir.harmonybiosciences.com/. To participate in the live call by phone, dial (833) 614-1471 (domestic) or +1 (914) 987-7209 (international), and reference passcode 2955734. A replay will be accessible until August 17, 2021 by dialing (855) 859-2056 (domestic) or +1 (404) 537-3406 (international).

Non-GAAP Financial Measures
In addition to our GAAP results, we provide certain non-GAAP metrics including adjusted net income and adjusted net income per share. We believe that the presentation of these measures provides important supplemental information to management and investors regarding our performance. These measurements are not a substitute for GAAP measurements, and the manner in which we calculate adjusted net income and adjusted net income per share may not be identical to the manner in which other companies calculate adjusted net income and adjusted net income per share. Company management uses these non-GAAP measurements as an aid in monitoring our ongoing financial performance from quarter-to-quarter and year-to-year on a regular basis and for benchmarking against comparable companies.

These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures; should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP; have no standardized meaning prescribed by GAAP; and are not prepared under any comprehensive set of accounting rules or principles. In addition, from time to time in the future there may be other items that we may exclude for purposes of its non-GAAP financial measures; and we may in the future cease to exclude items that it has historically excluded for purposes of its non-GAAP financial measures.

About WAKIX® (pitolisant) Tablets
WAKIX, a first-in-class medication, is approved by the U.S. Food and Drug Administration for the treatment of excessive daytime sleepiness or cataplexy in adult patients with narcolepsy and has been commercially available in the U.S. since Q4 2019. It was granted orphan drug designation for the treatment of narcolepsy in 2010, and breakthrough therapy designation for the treatment of cataplexy in 2018. WAKIX is a selective histamine 3 (H_3) receptor antagonist/inverse agonist. The mechanism of action of WAKIX is unclear; however, its efficacy could be mediated through its activity at H_3 receptors, thereby increasing the synthesis and release of histamine, a wake promoting neurotransmitter. WAKIX was designed and developed by Bioprojet (France). Harmony has an exclusive license from Bioprojet to develop, manufacture and commercialize pitolisant in the United States.

Indications and Usage
WAKIX is indicated for the treatment of excessive daytime sleepiness (EDS) or cataplexy in adult patients with narcolepsy.

Important Safety Information

Contraindications
WAKIX is contraindicated in patients with known hypersensitivity to pitolisant or any component of the formulation. Anaphylaxis has been reported. WAKIX is also contraindicated in patients with severe hepatic impairment.

Warnings and Precautions
WAKIX prolongs the QT interval; avoid use of WAKIX in patients with known QT prolongation or in combination with other drugs known to prolong the QT interval. Avoid use in patients with a history of cardiac arrhythmias, as well as other circumstances that may increase the risk of the occurrence of torsade de pointes or sudden death, including symptomatic bradycardia, hypokalemia or hypomagnesemia, and the presence of congenital prolongation of the QT interval.

The risk of QT prolongation may be greater in patients with hepatic or renal impairment due to higher concentrations of pitolisant; monitor these patients for increased QTc. Dosage modification is recommended in patients with moderate hepatic impairment and moderate or severe renal impairment (see full prescribing information). WAKIX is not recommended in patients with end-stage renal disease (ESRD).

Adverse Reactions
In the placebo-controlled clinical trials conducted in patients with narcolepsy with or without cataplexy, the most common adverse reactions (≥5% and twice placebo) for WAKIX were insomnia (6%), nausea (6%), and anxiety (5%). Other adverse reactions that occurred at ≥2% and more frequently than in patients treated with placebo included headache, upper respiratory infection, musculoskeletal pain, heart rate increased, hallucinations, irritability, abdominal pain, sleep disturbance, decreased appetite, cataplexy, dry mouth, and rash.

Drug Interactions
Concomitant administration of WAKIX with strong CYP2D6 inhibitors increases pitolisant exposure by 2.2-fold. Reduce the dose of WAKIX by half.

Concomitant use of WAKIX with strong CYP3A4 inducers decreases exposure of pitolisant by 50%. Dosage adjustments may be required (see full prescribing information).

H1 receptor antagonists that cross the blood-brain barrier may reduce the effectiveness of WAKIX. Patients should avoid centrally acting H1 receptor antagonists.

WAKIX is a borderline/weak inducer of CYP3A4. Therefore, reduced effectiveness of sensitive CYP3A4 substrates may occur when used concomitantly with WAKIX. The effectiveness of hormonal contraceptives may be reduced when used with WAKIX and effectiveness may be reduced for 21 days after discontinuation of therapy.

Use in Specific Populations
WAKIX may reduce the effectiveness of hormonal contraceptives. Patients using hormonal contraception should be advised to use an alternative non-hormonal contraceptive method during treatment with WAKIX and for at least 21 days after discontinuing treatment.

There is a pregnancy exposure registry that monitors pregnancy outcomes in women who are exposed to WAKIX during pregnancy. Patients should be encouraged to enroll in the WAKIX pregnancy registry if they become pregnant. To enroll or obtain information from the registry, patients can call 1-800-833-7460. The safety and effectiveness of WAKIX have not been established in patients less than 18 years of age.

WAKIX is extensively metabolized by the liver. WAKIX is contraindicated in patients with severe hepatic impairment. Dosage adjustment is required in patients with moderate hepatic impairment.

WAKIX is not recommended in patients with end-stage renal disease. Dosage adjustment of WAKIX is recommended in patients with moderate or severe renal impairment.

Dosage reduction is recommended in patients known to be poor CYP2D6 metabolizers; these patients have higher concentrations of WAKIX than normal CYP2D6 metabolizers.

Please see the **Full Prescribing Information** for WAKIX for more information.

To report suspected adverse reactions, contact Harmony Biosciences at 1-800-833-7460 or FDA at 1-800-FDA-1088 or **www.fda.gov/medwatch**.

About HBS-102
HBS-102 is an investigational compound being developed as a potential treatment for narcolepsy and other rare neurological diseases. HBS-102 is a potential first-in-class molecule with a novel mechanism of action which targets melanin concentrating hormone (MCH) brain cells in the hypothalamus, which make up the control center for REM sleep and related behaviors. In the setting of orexin deficiency (as occurs in patients with type 1 narcolepsy), there is an imbalance between orexin and MCH which could result in the control center for REM sleep going unchecked that could lead to REM sleep intruding into wakefulness. If that occurs, the clinical symptoms are experienced as cataplexy, hallucinations, and/or sleep paralysis. HBS-102, an MCHR1 antagonist, blocks the activity of the MCH neurons, which could potentially reduce REM intrusions into wakefulness and therefore reduce the debilitating symptoms of cataplexy, hallucinations and sleep paralysis.

About Harmony Biosciences
Harmony Biosciences is a commercial stage pharmaceutical company headquartered in Plymouth Meeting, PA. The Company was established by Paragon Biosciences, LLC, and is focused on providing novel treatment options for people living with rare neurological disorders who have unmet medical needs. For more information on Harmony, please visit the company's website: www.harmonybiosciences.com.

Forward Looking Statement
This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including statements regarding our product WAKIX. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the following: our commercialization efforts and strategy for WAKIX; the rate and degree of market acceptance and clinical utility of WAKIX, pitolisant in additional indications, if approved, and any other product candidates we may develop or acquire, if approved; our research and development plans, including our plans to explore the therapeutic potential of pitolisant in additional indications; our ongoing and planned clinical trials; our ability to expand the scope of our license agreement with Bioprojet; the availability of favorable insurance coverage and reimbursement for WAKIX; the impact of the COVID-19 pandemic; the timing of and our ability to obtain regulatory approvals for pitolisant for other indications as well as any other product candidates; our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; our ability to identify additional products or product candidates with significant commercial potential that are consistent with our commercial objectives; our commercialization, marketing and manufacturing capabilities and strategy; significant competition in our industry; our intellectual property position; loss or retirement of key members of management; failure to successfully execute our growth strategy, including any delays in our planned future growth; our failure to maintain effective internal controls; the impact of government laws and regulations; volatility and fluctuations in the price of our common stock; and the significant costs and required management time as a result of operating as a public company; the fact that the price of Harmony's common stock may be volatile and fluctuate substantially; significant costs and required management time as a result of operating as a public company. These and other important factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 25, 2021, and our other filings with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this press release. Any such forward-looking statements represent management's estimates as of the date of this press release. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change.

HARMONY BIOSCIENCES HOLDINGS, INC.
CONSOLIDATED
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands except share and per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net product revenues	$ 73,821	$ 38,005	$ 133,495	$ 57,845
Cost of product sold	12,687	6,456	23,097	9,930
Gross profit	61,134	31,549	110,398	47,915
Operating expenses:				
Research and development	6,498	4,169	11,177	7,600
Sales and marketing	17,022	12,443	32,529	25,697
General and administrative	14,302	7,628	28,848	15,772
Total operating expenses	37,822	24,240	72,554	49,069
Operating income (loss)	23,312	7,309	37,844	(1,154)
Loss on debt extinguishment	—	—	—	(22,639)
Other income (expense), net	4	(400)	(15)	(1,546)
Interest expense, net	(7,227)	(6,936)	(14,354)	(13,308)
Income (loss) before income taxes	16,089	(27)	23,475	(38,647)
Income taxes	(1,972)	—	(1,972)	—
Net income (loss) and comprehensive income (loss)	$ 14,117	$ (27)	$ 21,503	$ (38,647)
Accumulation of dividends on preferred stock	—	(10,446)	—	(20,891)
Net income (loss) available to common stockholders	$ 14,117	$ (10,473)	$ 21,503	$ (59,538)
EARNINGS (LOSS) PER SHARE:				
Basic	$ 0.25	$ (1.34)	$ 0.38	$ (7.63)
Diluted	$ 0.24	$ (1.34)	$ 0.37	$ (7.63)
Weighted average number of shares of common stock - basic	56,940,840	7,805,848	56,916,282	7,798,928
Weighted average number of shares of common stock - diluted	58,592,876	7,805,848	58,635,195	7,798,928

HARMONY BIOSCIENCES HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except share and per share data)
(unaudited)

	June 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 159,686	$ 228,631
Trade receivables, net	31,196	22,176
Inventory, net	4,951	3,823
Prepaid expenses	7,322	6,959
Other current assets	1,559	1,302
Total current assets	204,714	262,891
NONCURRENT ASSETS:		
Property and equipment, net	944	938
Restricted cash	750	750
Intangible assets, net	153,135	162,343
Other noncurrent assets	152	152
Total noncurrent assets	154,981	164,183
TOTAL ASSETS	$ 359,695	$ 427,074
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 2,006	$ 2,556
Accrued compensation	6,043	8,942
Accrued expenses	26,653	122,727
Other current liabilities	1,893	314
Total current liabilities	36,595	134,539
NONCURRENT LIABILITIES:		
Long term debt, net	195,610	194,250

Other noncurrent liabilities	939	1,105
Total noncurrent liabilities	196,549	195,355
TOTAL LIABILITIES	233,144	329,894
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock - $0.00001 par value; 10,000,000 shares and 0 shares authorized at June 30, 2021 and December 31, 2020, respectively; 0 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	—	—
Common stock—$0.00001 par value; 500,000,000 shares authorized at June 30, 2021 and December 31, 2020, respectively; 57,000,139 shares and 56,890,569 issued and outstanding at June 30, 2021 and December 31, 2020, respectively	1	1
Additional paid in capital	593,242	585,374
Accumulated deficit	(466,692)	(488,195)
TOTAL STOCKHOLDERS' EQUITY	126,551	97,180
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 359,695	$ 427,074

HARMONY BIOSCIENCES HOLDINGS, INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(In thousands except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	**$ 14,117**	**$ (27)**	**$ 21,503**	**$ (38,647)**
Non-GAAP Adjustments:				
Interest expense	7,227	6,936	14,354	13,308
Taxes	1,972	—	1,972	—
Depreciation	100	97	200	194
Amortization	4,629	1,907	9,208	3,693
EBITDA	28,045	8,913	47,237	(21,452)
Additional Non-GAAP Adjustments:				
Stock-based compensation expense	3,827	568	7,078	936
Loss on debt extinguishment	—	—	—	22,639
Warrant expense	—	438	—	1,584
Non-GAAP adjusted net income (loss)	$ 31,872	$ 9,919	$ 54,315	$ 3,707
Accumulation of yield on preferred stock	—	(10,446)	—	(20,891)
Non-GAAP adjusted net income (loss) available to common stockholders	31,872	(527)	54,315	(17,184)
GAAP reported net income (loss) per diluted share	**$ 0.24**	**$ (1.34)**	**$ 0.37**	**$ (7.63)**
Non-GAAP adjusted net income (loss) per diluted share	$ 0.54	$ (0.07)	$ 0.93	$ (2.20)
Weighted average number of shares of common stock used in non-GAAP diluted per share	58,592,876	7,805,848	58,635,195	7,798,928

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