Kodiak Sciences Announces Sale of Future Royalties on KSI-301 for $225 Million to Baker Bros. Advisors

December 2, 2019

- Kodiak Sells Capped Royalty Right on Global Net Sales of KSI-301 for $225 million
- Royalty Rate of 4.5% on Annual Net Sales Terminates after 4.5 times the Funded Amount Has Been Paid
- Transaction Enables an Immediate Acceleration of Clinical, Manufacturing and Commercial Investments Towards Kodiak's "2022 Vision"

PALO ALTO, Calif., Dec. 2, 2019 /PRNewswire/ -- Kodiak Sciences Inc. (Nasdaq: KOD) today announced that the Company has entered into a funding agreement to sell a capped royalty right on global net sales of KSI-301 to Baker Bros. Advisors for $225 million. KSI-301 is Kodiak's investigational therapy being developed for the treatment of retinal vascular diseases including age-related macular degeneration and diabetic eye diseases.

Under the terms of the agreement, Baker Bros. Advisors (BBA) purchased a capped 4.5% royalty on net sales of the Company's anti-VEGF antibody biopolymer conjugate therapy known as KSI-301 to be paid upon marketing approval in exchange for $225,000,000 in committed development funding payable to the Company (the "funding amount"). Unless earlier terminated or re-purchased by the Company, the royalty "caps" or terminates upon the date that BBA has received an aggregate amount equal to 4.5 times the funding amount paid to the Company. In an instance where Kodiak develops anti-VEGF containing follow-on products to KSI-301, there may be royalties of 1.5% to 2.25% owed on these products, but total payments under the funding agreement will never exceed the cap of 4.5 times the funding amount paid to the Company.

BBA is required to pay to the Company the first $100,000,000 of the funding amount at the closing of the funding transaction (expected to occur on January 10, 2020) and the remaining $125,000,000 of the funding amount upon Kodiak achieving, among other things, 50% enrollment in its two planned pivotal clinical studies of KSI-301 in patients with retinal vein occlusion (estimated to occur in late 2020).

The Company has the option, exercisable at any point during the term of the funding agreement, to repurchase from BBA 100% of the royalties due to BBA under the funding agreement for a purchase price equal to the funding amount paid to the Company as of such time times 4.5 less amounts paid by the Company to BBA.

"In thinking through how best to finance our accelerating clinical, manufacturing and commercial plans for KSI-301 and our ABC platform, royalty funding is meaningfully less dilutive than equity and preserves both our future financing and strategic flexibility," said Victor Perlroth, MD, Chairman and Chief Executive Officer of Kodiak Sciences. "This royalty financing provides the foundation to fund the KSI-301 development program through our 2022 Vision of pivotal read-outs in retinal vein occlusion, wet age-related macular degeneration and diabetic macular edema and our anticipated Biologics License Application (BLA) and supplemental BLA submissions."

The parties also agreed that, subject in all cases to compliance with applicable securities laws and regulations, in the event the Company issues shares of common stock in an underwritten public offering on or prior to June 30, 2020, the Company will use its best efforts to cause the managing underwriters of such offering to allow Baker Bros. Advisors to participate in an amount up to 25% of the shares offered in the offering plus additional shares equal to $25 million, all at the public offering price.

The royalty financing was the result of a competitive process overseen by independent and disinterested directors of Kodiak with the assistance of outside counsel.

J.P. Morgan and Goldman Sachs & Co. LLC acted as financial advisors to Kodiak on the transaction. Cooley LLP and Lenz & Staehelin served as legal advisors to Kodiak.

About KSI-301

KSI-301 is an investigational anti-VEGF therapy built on the Company's Antibody Biopolymer Conjugate, or ABC, Platform and is designed to maintain potent and effective drug levels in ocular tissues for longer than existing agents. Kodiak's objective with KSI-301 is to develop a new first-line agent to improve outcomes for patients with retinal vascular diseases and to enable earlier treatment and prevention of vision loss for patients with diabetic eye disease. The Company's DAZZLE pivotal study in patients with treatment-naïve wet AMD was initiated in October 2019. Kodiak plans to initiate additional pivotal studies of KSI-301 in 2020 in retinal vein occlusion, diabetic macular edema and diabetic retinopathy. These studies are anticipated to form the basis of the Company's initial and supplemental BLAs to support potential approval and commercialization. KSI-301 is being developed and is fully owned globally by Kodiak Sciences Inc. In December 2019, Kodiak entered into an agreement to sell a 4.5% capped royalty right on global net sales of KSI-301 to Baker Bros. Advisors for $225 million.

About Kodiak Sciences Inc.

Kodiak™ is a clinical stage biopharmaceutical company specializing in novel therapeutics to treat chronic, high-prevalence retinal diseases. We are focused on bringing new science to the design and manufacture of next generation retinal medicines to prevent and treat the leading causes of blindness globally. Our ABC Platform™ merges the fields of antibody-based and chemistry-based therapies and is at the core of Kodiak's discovery engine. Kodiak's lead product candidate, KSI-301, is a novel anti-VEGF antibody biopolymer conjugate being developed for the treatment of retinal vascular diseases including age-related macular degeneration and diabetic eye diseases. Kodiak has leveraged its ABC Platform to build a pipeline of product candidates in various stages of development including KSI-501, our bispecific anti-IL-6/VEGF biopolymer conjugate for the treatment of neovascular retinal diseases with an inflammatory component, and we are expanding our early research pipeline to include ABC Platform based triplet inhibitors for multifactorial retinal diseases such as dry AMD and the neurodegenerative aspects of glaucoma. Kodiak is based in Palo Alto, CA. For more information, visit www.kodiak.com.

Forward-Looking Statements

This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not based on historical fact and include statements regarding our ability to advance our product candidates, including KSI-301, the timing of, and our ability to receive, development funding under our funding agreement with Baker Bros. Advisors, the sufficiency of the development funding to advance KSI-301, our 2022 Vision and participation by Baker Bros. Advisors in any future equity financing. Forward-looking statements generally include statements that are predictive in nature and depend upon or refer to future events or conditions, and include words such as "may," "will," "should," "would," "expect," "plan," "believe," "intend," "pursue," and other similar expressions among others. Any forward-looking statements are based on management's current expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those set forth in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the preliminary safety, efficacy and durability data for our KSI-301 product candidate from the Phase 1 study will not continue or persist; cessation or delay of any of the ongoing clinical studies and/or our development of KSI-301 may occur; future potential regulatory milestones of KSI-301, including those related to current and planned clinical studies may be insufficient to support regulatory submissions or approval; anticipated presentation of data at upcoming conferences may not occur; our research and development efforts and our ability to advance our product candidates into later stages of development may fail; any one or more of our product candidates may not be successfully developed, approved or commercialized; adverse conditions in the general domestic and global economic markets; as well as the other risks identified in our filings with the Securities and Exchange Commission. For a discussion of other risks and uncertainties, and other important factors, any of which could cause our actual results to differ from those contained in the forward-looking statements, see the section entitled "Risk Factors" in our most recent Form 10-Q, as well as discussions of potential risks, uncertainties, and other important factors in our subsequent filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date hereof and Kodiak undertakes no obligation to update forward-looking statements, and readers are cautioned not to place undue reliance on such forward-looking statements.

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