TRACON Pharmaceuticals Announces $35 Million Non-Dilutive Debt Financing with Runway Growth Capital

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Initial $10 million draw extends cash runway to mid-2023

SAN DIEGO, Sept. 06, 2022 (GLOBE NEWSWIRE) -- TRACON Pharmaceuticals, Inc. (Nasdaq: TCON), a clinical stage biopharmaceutical company utilizing a cost-efficient, CRO-independent product development platform to advance its pipeline of novel targeted cancer therapeutics and to partner with other life science companies, today announced entry into a $35 million non-dilutive long-term debt facility with Runway Growth Capital LLC (Runway), a leading provider of loans to venture and non-venture backed companies seeking non-dilutive capital.

“This non-dilutive financing extends our cash runway to support the robust accrual of the pivotal ENVASARC trial while we await completion of the Phase 1 TJ4309 clinical trial that triggers I-Mab’s license termination option for $9 million as well as the outcome of the binding arbitration with I-Mab, both of which are expected this quarter,” said Charles Theuer, M.D., Ph.D., President and CEO of TRACON. “We are pleased to partner with Runway, which seeks long-term relationships with late-stage life science companies who will benefit from non-dilutive capital.”

“We are excited to enter into this facility with TRACON to help them achieve their goal of bringing envafolimab, the world’s first subcutaneous checkpoint inhibitor, to market in the underserved indication of sarcoma,” said Igor DaCruz, Managing Director, Life Sciences at Runway.

$10 million of the $35 million loan was funded upon closing. The additional $25 million available under the facility may be funded upon achievement of certain clinical milestones and at Runway’s discretion. The loan has a 24-month interest-only period followed by 24 monthly payments of principal and interest. In connection with the debt financing, TRACON issued Runway warrants to purchase up to 150,753 of its common stock at an exercise price of $1.99 per share.

Proceeds from the facility will be used to support the ongoing pivotal ENVASARC trial and for general corporate purposes.

About Envafolimab

Envafolimab (KN035), a single-domain antibody against PD-L1 invented by Alphamab Oncology, is the first approved subcutaneously injected PD-(L)1 inhibitor. Envafolimab was approved by the Chinese NMPA in November 2021 in adult patients with MSI-H/dMMR advanced solid tumors who failed systemic treatment and have no satisfactory alternative treatment options. In December 2019, Alphamab Oncology, 3D Medicines and TRACON entered into a collaboration whereby TRACON has the right to develop and commercialize envafolimab in soft tissue sarcoma in North America. Envafolimab is currently being studied in the pivotal ENVASARC Phase 2 trial in the United States sponsored by TRACON and a Phase 3 pivotal trial in combination with gemcitabine and oxaliplatin in advanced biliary tract cancer patients in China sponsored by TRACON’s corporate partners, Alphamab Oncology and 3D Medicines.

About ENVASARC (NCT04480502)

The ENVASARC pivotal trial is a multicenter, open label, randomized, non-comparative, parallel cohort study at 30 top cancer centers in the United States and the United Kingdom that began dosing in December 2020. TRACON expects the trial to enroll more than 160 patients with UPS or MFS who have progressed following one or two lines of prior treatment and have not received an immune checkpoint inhibitor, with 80 patients enrolled into a cohort of treatment with single agent envafolimab at 600 mg every three weeks and 80 patients enrolled into a cohort of treatment with envafolimab at 600 mg every three weeks with Yervoy. The primary endpoint is objective response rate by central review with duration of response a key secondary endpoint.

About TRACON

TRACON is a clinical-stage biopharmaceutical company utilizing a cost-efficient, CRO-independent, product development platform to advance its pipeline of novel targeted cancer therapeutics and to partner with other life science companies. The Company’s clinical-stage pipeline includes: Envafolimab, a PD-L1 single-domain antibody given by rapid subcutaneous injection that is being studied in the pivotal ENVASARC trial for sarcoma; YH001, a potential best-in-class CTLA-4 antibody in Phase 1 development; TRC102, a Phase 2 small molecule drug candidate for the treatment of lung cancer; and TJ004309, a CD73 antibody in Phase 1 development for the treatment of advanced solid tumors. TRACON is actively seeking additional corporate partnerships through a profit-share or revenue-share partnership, or through franchising TRACON’s product development platform. TRACON believes it can serve as a solution for companies without clinical and commercial capabilities in the United States or who wish to become CRO-independent. To learn more about TRACON and its product pipeline, visit TRACON's website at www.traconpharma.com.

Forward-Looking Statements

Statements made in this press release regarding matters that are not historical facts are “forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such statements include, but are not limited to, statements regarding TRACON's

plans to further develop its product candidates, TRACON's expected benefits from the partnership and financing with Runway and the expected cash runway resulting from the financing, TRACON's expectations regarding the timing and success of clinical milestones, TRACON's ability to obtain additional future funding, including achievement of the conditions necessary to obtain additional advances under the facility with Runway, and the outcome of the binding arbitration with I-Mab Biopharma. Risks that could cause actual results to differ from those expressed in these forward-looking statements include: risks associated with clinical development and regulatory approval of novel pharmaceutical product candidates; increasing inflation and interest rates among other adverse market conditions; whether TRACON or others will be able to complete or initiate clinical trials on TRACON's expected timelines, if at all, including due to risks associated with the COVID-19 pandemic and other geopolitical events; the fact that future clinical results may not be consistent with preliminary results or results from prior studies; the fact that TRACON has limited control over whether or when third party collaborators complete on-going trials, initiate additional trials or seek regulatory approval of TRACON's product candidates; the fact that TRACON's collaboration agreements are subject to early termination; whether TRACON will be able to enter into additional collaboration agreements on favorable terms or at all; potential changes in regulatory requirements in the United States and foreign countries; TRACON's reliance on third parties for the development of its product candidates, including the conduct of its clinical trials and manufacture of its product candidates; whether TRACON will be able to obtain additional financing; and other risks described in TRACON's filings with the Securities and Exchange Commission under the heading "Risk Factors". All forward -looking statements contained in this press release speak only as of the date on which they were made and are based on management's assumptions and estimates as of such date. TRACON undertakes no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they were made except as required by law.

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