MERRIMACK PHARMACEUTICALS INC

FORM 8-K
(Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 30, 2017

MERRIMACK PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-35409**	**04-3210530**
(State or other jurisdiction of incorporation)	**(Commission file number)**	**(IRS Employer Identification No.)**

One Kendall Square, Suite B7201
Cambridge, MA **02139**
(Address of principal executive offices) **(Zip code)**

Registrant's telephone number, including area code: (617) 441-1000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.02: Termination of a Material Definitive Agreement

On March 27, 2017, in connection with the closing of the transaction contemplated by the Asset Sale Agreement (as defined and described below), Merrimack Pharmaceuticals, Inc. (the " Company ") provided notice to U.S. Bank National Association as trustee (the " Trustee ") under the Indenture dated as of December 22, 2015 (the " Indenture "), of its election to conditionally redeem all of the $175,000,000 outstanding aggregate principal amount of its 11.5% senior secured notes due 2022 (the " Secured Notes ") issued under the Indenture. The Secured Notes will be redeemed on April 27, 2017 (the " Redemption Date ") at a redemption price of 111.5% of the principal amount thereof (the " Redemption Price "), plus accrued and unpaid interest on the Secured Notes to, but excluding, the Redemption Date.

On April 3, 2017, the Company irrevocably deposited the aggregate Redemption Price, plus accrued and unpaid interest, with the Trustee and irrevocably instructed the Trustee to apply such amount to the redemption in full of the Secured Notes on the Redemption Date. The Indenture was satisfied and discharged on April 3, 2017.

A description of the material terms of the Indenture is set forth in Item 1.01 of the Current Report on Form 8-K filed with the Securities and Exchange Commission (the " SEC ") by the Company on December 22, 2015, which description is incorporated herein by reference.

Item 2.01: Completion of Acquisition or Disposition of Assets

On April 3, 2017, the Company completed the previously announced sale of the Company's right, title and interest in the non-cash assets, equipment, inventory, contracts and intellectual property primarily related to or used in the Company's business operations and activities involving or relating to developing, manufacturing and commercializing ONIVYDE and MM-436 (the " Commercial Business ") to Ipsen S.A. (" Ipsen "). Pursuant to the previously disclosed Asset Purchase and Sale Agreement, dated as of January 7, 2017 (the " Asset Sale Agreement "), between the Company and Ipsen, Ipsen paid the Company $575,000,000 in cash (subject to a working capital adjustment as provided in the Asset Sale Agreement) and assumed certain related liabilities. The Company may be entitled to up to $450,000,000 in additional payments based on the achievement by or on behalf of Ipsen of certain milestone events if the FDA approves ONIVYDE for certain indications as follows:

- $225,000,000 upon the regulatory approval by the FDA of ONIVYDE for the treatment of metastatic adenocarcinoma of the pancreas as first-line treatment (i) in combination with fluorouracil and leucovorin (with or without oxaliplatin), (ii) in combination with gemcitabine and abraxane or (iii) following submission and filing of regulatory approval by Ipsen for purposes of commercialization by Ipsen;
- $150,000,000 upon the regulatory approval by the FDA of ONIVYDE for the treatment of small cell lung cancer after failure of first-line chemotherapy; and
- $75,000,000 upon the regulatory approval by the FDA of ONIVYDE for an additional indication unrelated to those described above.

The Company used a portion of the net proceeds from the transaction contemplated by the Asset Sale Agreement to redeem the outstanding Secured Notes and satisfy and discharge the Indenture, as described further in Item 1.02 of this Current Report on Form 8-K. The Company intends to distribute $140 million of the proceeds to stockholders in the form of a special dividend and invest $125 million from the remaining net proceeds into its refocused oncology pipeline, targeting the clinical development of MM-121, MM-141 and MM-310. In connection with a lawsuit filed by the trustee and certain holders of the 4.50% Convertible Senior Notes due 2020, in the Court of Chancery in the State of Delaware, captioned *Wells Fargo Bank, National Association, Wolverine Flagship Fund Trading Limited, Highbridge International LLC, and Highbridge Tactical Credit & Convertibles Master Fund, L.P. v. Merrimack Pharmaceuticals, Inc.* (the " Delaware Action "), the Company has agreed to deposit $60 million in proceeds from the Asset Sale into an escrow agreement within five business days of the closing of the transaction. The funds will remain in escrow for the duration of the Delaware Action in order to provide security to the plaintiffs for their claims in the Delaware Action. If the Delaware Action, which the Company believes is without merit, is resolved favorably for the Company, the Board of Directors intends to declare an additional special dividend at the conclusion of the Delaware Action to return to stockholders any remaining escrow funds, assuming that the Company has sufficient surplus at such time to allow for the declaration of this dividend.

In connection with the closing of the transaction contemplated by the Asset Sale Agreement, on April 3, 2017, the Company entered into an IP License Agreement with Ipsen, pursuant to which Ipsen is granting to the Company a perpetual, worldwide, non-exclusive, royalty-free, fully paid-up license in and to all patents included in the transferred intellectual property, other than certain patents relating to generic liposomal technology, with respect to which the license will be exclusive, in each case for use outside of the Commercial Business. The Company is granting to Ipsen a non-exclusive, royalty-free, fully paid up, perpetual, irrevocable and worldwide license to all patents it owned at the time of the closing of the transaction contemplated by the Asset Sale Agreement for use in connection with the Commercial Business.

In connection with the closing of the transaction contemplated by the Asset Sale Agreement, on April 3, 2017, the Company entered into a sublease with Ipsen, pursuant to which Ipsen is subleasing from the Company a portion of the Company's leased space in Cambridge, Massachusetts.

In connection with the closing of the transaction contemplated by the Asset Sale Agreement, on April 3, 2017, the Company entered into a Transition Services Agreement with Ipsen, pursuant to which the Company and Ipsen are providing certain services to each other for a period of 24 months.

The foregoing description of the Asset Sale Agreement is not complete and is subject to and qualified in its entirety by reference to the Asset Sale Agreement filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on January 9, 2017, and incorporated herein by reference. The transaction was described in detail in the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on February 14, 2017, which description is incorporated herein by reference.

The Company's unaudited pro forma condensed consolidated financial statements giving effect to the sale of the Commercial Business are filed as Exhibit 99.1 hereto.

Item 5.02: Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers

Principal Accounting Officer

On March 31, 2017, the Board of Directors (the " Board ") of the Company appointed Yasir B. Al-Wakeel, the Company's Chief Financial Officer and Head of Corporate Development, to also be Principal Accounting Officer and Treasurer. Dr. Al-Wakeel, age 35, has served as the Company's Chief Financial Officer and Head of Corporate Development since August 2015. Dr. Al-Wakeel previously served in various capacities at Credit Suisse, an investment banking firm, from January 2008 to June 2015. While at Credit Suisse, Dr. Al-Wakeel was most recently a Director of Healthcare Investment Banking focused on biotechnology and, prior to that role, he was an Equity Research Analyst covering the biotechnology and specialty pharmaceuticals sectors. Before joining Credit Suisse, Dr. Al-Wakeel was a practicing physician, holding both clinical and academic medical posts. Dr. Al-Wakeel holds a BM BCh (Doctor of Medicine) from Oxford University, an M.A. in theology from Cambridge University and a B.A. from Cambridge University. William A. Sullivan previously served as the Company's Principal Accounting Officer and Treasurer.

2016 Cash Bonus Awards

On March 30, 2017, the Organization and Compensation Committee (the " Committee ") of the Board approved 2016 annual cash bonus awards for the Company's named executive officers pursuant to the Company's annual cash bonus program, as set forth below:

Name	2016 Base Salary	Bonus Percentage Range	Target Cash Bonus	2016 Actual Cash Bonus (1)	Actual Bonus as % of Salary
Yasir B. Al-Wakeel *Chief Financial Officer and Head of Corporate Development*	$370,000	0-35%	$129,500	$129,500	35%
Peter N. Laivins *Head of Development*	$333,704	0-35%	$116,796	$116,796	35%
William M. McClements *Head of Corporate Operations*	$386,237	0-35%	$135,183	$135,183	35%
Edward J. Stewart *Head of Commercial*	$360,281	0-35%	$126,098	$126,098	35%
William A. Sullivan *Principal Accounting Officer and Treasurer*	$321,273	0-35%	$112,446	$112,446	35%

(1) Established based on a determination that the corporate objective, individual objective and general management contribution elements had been substantially satisfied as a whole.

Separation Agreements

On April 3, 2017, the Company entered into a Separation and Release of Claims Agreement (the " Separation Agreements ") with each of Peter N. Laivins, William M. McClements and Edward J. Stewart. Pursuant to the Separation Agreements, in connection with each such individual resigning from his respective positions with the Company as of April 3, 2017, the Company agreed to:

- commencing on the first regularly scheduled payroll date following June 2, 2017, continue paying such individual's annual base salary for a period of twelve (12) months (the " Severance Period "), as set forth below:

Name	Base Salary
Peter N. Laivins	$333,704
William M. McClements	$386,237
Edward J. Stewart	$360,281

- continue paying the share of the premium for such individual's health and dental insurance through the end of the Severance Period that it currently pays on behalf of active and similarly situated employees who receive the same type of coverage and/or to otherwise continue to provide to such individual during the Severance Period all Company employee benefit plans and arrangements available to the Company's senior management employees; and
- on June 2, 2017, pay such individual a pro-rated 2017 bonus, as set forth below:

Name	Pro-Rated Bonus
Peter N. Laivins	$27,395.17
William M. McClements	$33,035.04
Edward J. Stewart	$30,211.84

The Separation Agreements also include a release of claims by each such individual against the Company.

2017 Base Salary

On March 30, 2017, the Committee approved an increase of Yasir B. Al-Wakeel's base salary to $407,000, retroactive to January 1, 2017.

Retention Bonus

On March 30, 2017, the Committee approved payment of a retention bonus of $350,000 to Yasir B. Al-Wakeel, contingent upon the closing of the asset sale, provided that (i) if Dr. Al-Wakeel terminates his employment with the Company on or before December 31, 2017 without Good Reason (as defined in Dr. Al-Wakeel's Employment Agreement) or the Company terminates Dr. Al-Wakeel's employment on or before December 31, 2017 for Cause (as defined in Dr. Al-Wakeel's Employment Agreement), Dr. Al-Wakeel will be required to repay two-thirds of such amount, minus any applicable taxes and withholding that Dr. Al-Wakeel was required to pay with respect to such amount, within 60 days after his termination, and (ii) if Dr. Al-Wakeel terminates his employment with the Company on or after January 1, 2018 but on or before June 30, 2018 without Good Reason or the Company terminates Dr. Al-Wakeel's employment on or after January 1, 2018 but on or before June 30, 2018 for Cause, Dr. Al-Wakeel will be required to repay one-third of such amount, minus any applicable taxes and withholding that Dr. Al-Wakeel was required to pay with respect to such amount, within 60 days after his termination. Dr. Al-Wakeel will not be required to repay any portion of the retention bonus if he terminates his employment with the Company at any time for Good Reason or if the Company terminates his employment at any time without Cause.

Item 8.01 Other Events

On April 3, 2017, the Company issued a press release announcing the closing of the transaction contemplated by the Asset Sale Agreement. A copy of the press release is attached as Exhibit 99.2 and is incorporated herein by reference.

Item 9.01: Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
2.1	Asset Purchase and Sale Agreement, dated January 7, 2017, between Merrimack Pharmaceuticals, Inc. and Ipsen S.A. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on January 9, 2017)
99.1	Unaudited pro forma condensed consolidated balance sheet as of December 31, 2016 and unaudited pro forma condensed consolidated statements of operations and comprehensive loss for the years ended December 31, 2016, 2015 and 2014
99.2	Press Release issued by Merrimack Pharmaceuticals, Inc., dated April 3, 2017

Forward Looking Statements

This Form 8-K contains forward-looking statements of the Company that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Form 8-K are forward-looking statements. Forward looking statements can be identified by the use of the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions. The Company's forward looking statements include, among others, statements about the proposed special dividend; potential milestone payments; the Company's ability to fund its operations, including continued investment in its research and development pipeline; and the Company's plans to develop and commercialize its clinical stage product candidates and diagnostics. Actual events or results may differ materially from those described in this Form 8-K due to a number of risks and uncertainties. Risks and uncertainties include, among other things, whether the Company receives payments related to the milestone events under its contract with Shire or under the Asset Sale Agreement; whether the Company's expenses are as predicted; whether the Company is able to satisfy the necessary legal tests required to make the anticipated dividend; negative effects of the consummation of the transaction on the market price of the Company's common stock; significant transaction costs; unknown liabilities; other business effects, including the effects of industry, market, economic, political or regulatory conditions; and those risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 1, 2017, the Definitive Proxy Statement on Schedule 14A, filed with the SEC on February 14, 2017 and its other filings with the SEC. The forward-looking statements in this Form 8-K represent the Company's views as of the date of this Form 8-K. The Company anticipates that subsequent events and developments will cause its views to change. However, while it may elect to update these forward-looking statements at some point in the future, it has no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing the Company's views as of any date subsequent to the date of this Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Merrimack Pharmaceuticals, Inc.

By: /s/ Jeffrey A. Munsie
Jeffrey A. Munsie
General Counsel and Secretary

Dated: April 5, 2017

Exhibit 99.1

Merrimack Pharmaceuticals, Inc.

Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma condensed consolidated financial statements are based upon the historical consolidated statements of Merrimack Pharmaceuticals, Inc. ("Merrimack"), adjusted to give effect to the sale of Merrimack's business operations and activities involving or relating to developing, manufacturing and commercializing ONIVYDE and MM-436 (the "Commercial Business") in accordance with the Asset Purchase and Sale Agreement dated January 7, 2017 (the "Asset Sale Agreement") between Merrimack and Ipsen S.A. ("Ipsen"). These unaudited pro forma condensed consolidated financial statements are derived from, and should be read in conjunction with, Merrimack's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the United States Securities and Exchange Commission (the "SEC") on March 1, 2017.

The unaudited pro forma condensed consolidated balance sheet gives effect to the proposed asset sale as if it had occurred on December 31, 2016. The cash proceeds and impact of the resulting gain are only included in the December 31, 2016 unaudited pro forma condensed consolidated balance sheet. The unaudited pro forma condensed consolidated statements of operations and comprehensive loss for the years ended December 31, 2016, 2015 and 2014 give effect to the proposed asset sale as if it had occurred on January 1, 2014. The unaudited pro forma condensed consolidated statement of operations and comprehensive loss for the year ended December 31, 2016 gives effect to the use of a portion of the proceeds from the proposed asset sale to redeem all $175.0 million aggregate principal amount of Merrimack's 11.5% senior secured notes due 2022 (the "Notes"), as if the redemption had occurred on January 1, 2016. The unaudited pro forma condensed consolidated statement of operations and comprehensive loss for the year ended December 31, 2016 also gives effect to a Sublease Agreement (the "Sublease") entered into between Merrimack and Ipsen on April 3, 2017 as if the Sublease had been executed on January 1, 2016.

The pro forma adjustments related to the sale of the Commercial Business are based on available information and assumptions that management believes are (1) directly attributable to the sale of the Commercial Business; (2) factually supportable; and (3) with respect to the unaudited pro forma condensed consolidated statements of operations and comprehensive loss, expected to have a continuing impact on consolidated operating results. Certain of the most significant assumptions are set forth under the Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

The pro forma adjustments may differ from those that will be calculated for purposes of reporting discontinued operations in future filings. The unaudited pro forma condensed consolidated financial information is not necessarily indicative of the results of operations or financial position that might have been achieved for the dates or periods indicated, nor is it indicative of the results of operations or financial position that may occur in the future. Merrimack cautions stockholders that its future results of operations, including uses of cash and financial position, will significantly differ from those described in these unaudited pro forma condensed consolidated financial statements.

Merrimack Pharmaceuticals, Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of December 31, 2016

(in thousands)	Historical Merrimack Pharmaceuticals, Inc.	Sale of Commercial Business	Pro Forma Without Commercial Business
Assets			
Current assets:			
Cash and cash equivalents	$ 21,524	$ 306,953(a)(b)	$ 328,477
Restricted cash	102	60,000(c)	60,102
Accounts receivable, net	17,469	(17,194)(d)	275
Inventory	14,554	(14,554)(d)	—
Prepaid expenses and other current assets	3,786	(1,547)(d)	2,239
Total current assets	57,435	333,658	391,093
Restricted cash	674	—	674
Property and equipment, net	15,765	(3,737)(d)	12,028
Other assets	27	—	27
Intangible assets, net	3,977	(3,977)(d)	—
Goodwill	3,605	(3,605)(d)	—
Total assets	$ 81,483	$ 322,339	$ 403,822
Liabilities, non-controlling interest and stockholders' deficit			
Current liabilities:			
Accounts payable, accrued expenses and other	$ 49,982	$ 214,447(d)(e)(f)	$ 264,429
Deferred revenues	36,226	(36,226)(d)	—
Deferred rent	2,014	—	2,014
Total current liabilities	88,222	178,221	266,443
Deferred revenues, net of current portion	25,673	(25,673)(d)	—
Deferred rent, net of current portion	3,386	—	3,386
Long-term debt	216,861	(169,911)(d)	46,950
Total liabilities	334,142	(17,363)	316,779
Commitments and contingencies			
Non-controlling interest	(1,539)	—	(1,539)
Stockholders' deficit:			
Preferred stock, $0.01 par value: 10,000 shares authorized at December 31, 2016; no shares issued or outstanding at December 31, 2016	—	—	—
Common stock, $0.01 par value: 200,000 shares authorized at December 31, 2016; 130,197 shares issued and outstanding at December 31, 2016	1,302	—	1,302
Additional paid-in capital	702,377	—	702,377
Accumulated deficit	(954,799)	339,702(e)(g)	(615,097)
Total stockholders' deficit	(251,120)	339,702	88,582
Total liabilities, non-controlling interest and stockholders' deficit	$ 81,483	$ 322,339	$ 403,822

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Merrimack Pharmaceuticals, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations and Comprehensive Loss for the Year Ended December 31, 2016

(in thousands, except per share amounts)	Historical Merrimack Pharmaceuticals, Inc.	Sale of Commercial Business	Pro Forma Without Commercial Business
Revenues:			
Product revenues, net	$ 53,064	$ (53,064)(h)	$ —
License and collaboration revenues	87,119	(87,119)(h)	—
Other revenues	4,090	(4,090)(h)	—
Total revenues	144,273	(144,273)	—
Costs and expenses:			
Cost of revenues	6,912	(6,912)(h)	—
Research and development expenses	160,917	(56,328)(h)(i)	104,589
Selling, general and administrative expenses	80,729	(46,526)(h)(i)	34,203
Restructuring expenses	5,856	(146)(h)	5,710
Total costs and expenses	254,414	(109,912)	144,502
Loss from operations	(110,141)	(34,361)	(144,502)
Other income and expenses:			
Interest income	276	—	276
Interest expense	(43,645)	20,876(j)	(22,769)
Other expense, net	(8)	—	(8)
Net loss	(153,518)	(13,485)	(167,003)
Net loss attributable to non-controlling interest	(1,778)	—	(1,778)
Net loss and comprehensive loss attributable to Merrimack Pharmaceuticals, Inc.	$ (151,740)	$ (13,485)	$ (165,225)
Net loss per share available to common stockholders—basic and diluted	$ (1.21)		$ (1.32)
Weighted-average common shares used in computing net loss per share available to common stockholders—basic and diluted	125,334		125,334

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Merrimack Pharmaceuticals, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations and Comprehensive Loss for the Year Ended December 31, 2015

(in thousands, except per share amounts)	Historical Merrimack Pharmaceuticals, Inc.	Sale of Commercial Business	Pro Forma Without Commercial Business
Revenues:			
Product revenues, net	$ 4,328	$ (4,328)(h)	$ —
License and collaboration revenues	84,930	(84,930)(h)	—
Total revenues	89,258	(89,258)	—
Costs and expenses:			
Cost of revenues	46	(46)(h)	—
Research and development expenses	160,988	(41,841)(h)	119,147
Selling, general and administrative expenses	57,795	(30,632)(h)	27,163
Total costs and expenses	218,829	(72,519)	146,310
Loss from operations	(129,571)	(16,739)	(146,310)
Other income and expenses:			
Interest income	99	—	99
Interest expense	(19,232)	—	(19,232)
Other income, net	917	—	917
Net loss	(147,787)	(16,739)	(164,526)
Net income attributable to non-controlling interest	170	—	170
Net loss attributable to Merrimack Pharmaceuticals, Inc.	$ (147,957)	$ (16,739)	$ (164,696)
Other comprehensive income:			
Unrealized gain on available-for-sale securities	74	—	74
Other comprehensive income	74	—	74
Comprehensive loss	$ (147,883)	$ (16,739)	$ (164,622)
Net loss per share available to common stockholders—basic and diluted	$ (1.33)		$ (1.48)
Weighted-average common shares used in computing net loss per share available to common stockholders—basic and diluted	111,356		111,356

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Merrimack Pharmaceuticals, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Operations and Comprehensive Loss for the Year Ended December 31, 2014

(in thousands, except per share amounts)	Historical Merrimack Pharmaceuticals, Inc.	Sale of Commercial Business	Pro Forma Without Commercial Business
Revenues:			
License and collaboration revenues	$ 102,756	$ (10,460)(h)	$ 92,296
Total revenues	102,756	(10,460)	92,296
Costs and expenses:			
Research and development expenses	138,495	(36,140)(h)	102,355
Selling, general and administrative expenses	30,517	(8,810)(h)	21,707
Total costs and expenses	169,012	(44,950)	124,062
Loss from operations	(66,256)	34,490	(31,766)
Other income and expenses:			
Interest income	114	—	114
Interest expense	(18,230)	—	(18,230)
Other income, net	813	—	813
Net loss	(83,559)	34,490	(49,069)
Net loss attributable to non-controlling interest	(268)	—	(268)
Net loss attributable to Merrimack Pharmaceuticals, Inc.	$ (83,291)	$ 34,490	$ (48,801)
Other comprehensive loss:			
Unrealized loss on available-for-sale securities	(50)	—	(50)
Other comprehensive loss	(50)	—	(50)
Comprehensive loss	$ (83,341)	$ 34,490	$ (48,851)
Net loss per share available to common stockholders—basic and diluted	$ (0.80)		$ (0.47)
Weighted-average common shares used in computing net loss per share available to common stockholders—basic and diluted	104,410		104,410

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Merrimack Pharmaceuticals, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

1. Background

On January 7, 2017, Merrimack Pharmaceuticals, Inc. ("Merrimack") entered into an Asset Purchase and Sale Agreement (the "Asset Sale Agreement") with Ipsen S.A. ("Ipsen"). Pursuant to the Asset Sale Agreement, Ipsen acquired Merrimack's right, title and interest in Merrimack's business operations and activities involving or relating to developing, manufacturing and commercializing ONIVYDE and MM-436 (the "Commercial Business"). Ipsen did not acquire Merrimack's rights to $33.0 million in net milestone payments that may become payable pursuant to the Baxalta Agreement, among other excluded assets. Pursuant to the Asset Sale Agreement, at the closing of the asset sale, Ipsen paid Merrimack $575.0 million in cash (subject to a working capital adjustment as provided in the Asset Sale Agreement and a related escrow) and assumed certain related liabilities. Following the closing of the asset sale, Merrimack may be entitled to up to $450.0 million of additional payments based on achievement by or on behalf of Ipsen of certain milestone events related to FDA approval of ONIVYDE for certain indications. Merrimack and Ipsen also entered into a Sublease Agreement on April 3, 2017 whereby Ipsen agreed to sublease 70,237 square feet of Merrimack's corporate headquarters and manufacturing facility.

Additionally, Merrimack's 11.5% senior secured notes due 2022 (the "Notes") were collateralized by substantially all of Merrimack's assets. In connection with the closing of the asset sale, Merrimack will redeem all $175.0 million aggregate principal amount of outstanding Notes at the then applicable redemption price, plus accrued and unpaid interest to the date of redemption. The redemption price is equal to 111.5% of the outstanding principal amount of the Notes redeemed, plus accrued and unpaid interest to the redemption date.

2. Unaudited Pro Forma Adjustments

The following pro forma adjustments are included in the unaudited pro forma condensed consolidated balance sheet and/or the unaudited pro forma condensed consolidated statements of operations and comprehensive loss.

(a) Reflects the proceeds from the sale of the Commercial Business of $575.0 million, less $195.1 million to extinguish the Notes, $0.8 million of accrued interest as of December 31, 2016 related to the Notes, $60.0 million deposited into an escrow account for the matter described in footnote (c) and $12.1 million of transaction-related expenses.

(b) On April 3, 2017, Merrimack entered into an escrow agreement with Ipsen and JPMorgan Chase Bank, N.A. pursuant to which Ipsen deposited $3.1 million for purposes of securing post-closing finalization of any net working capital adjustment to the purchase price. This amount has not been included as a pro forma adjustment as the final net working capital adjustment is not yet known and is therefore not factually supportable.

Ipsen also deposited $1.3 million in the same escrow account related to the settlement of certain excluded liabilities. This amount has not been included as a pro forma adjustment, as the final adjustment related to these liabilities is not yet known and is therefore not factually supportable.

(c) Reflects funds held in escrow upon the closing of the asset sale.

As previously disclosed by Merrimack, a lawsuit was filed by the trustee and certain holders of the Merrimack outstanding 4.50% convertible notes due 2020 (the "Convertible Notes"), in the Court of Chancery in the State of Delaware, captioned *Wells Fargo Bank, National Association, Wolverine Flagship Fund Trading Limited, Highbridge International LLC, and Highbridge Tactical Credit & Convertibles Master Fund, L.P. v. Merrimack Pharmaceuticals, Inc.* (the "Delaware Action"). The Delaware Action seeks, among other things, to enjoin the issuance of the $200.0 million special dividend that Merrimack has announced it intends to pay following the closing of the asset sale and seeks specific performance of Merrimack's alleged obligation to repurchase the Convertible Notes in connection with the closing of the asset sale. As noted in the definitive proxy materials filed on March 17, 2017, if the Delaware Action is successful, Merrimack may be prohibited from issuing some or all of the expected $200.0 million special dividend to its stockholders.

Merrimack believes the Delaware Action is without merit and intends to vigorously defend against all claims asserted. Merrimack has decided to proceed directly to trial and will request a schedule for discovery and trial that would result in a trial in fall 2017. In connection with this decision, Merrimack has agreed to, within five business days following the closing of the asset sale, deposit into an escrow account $60.0 million in proceeds from the asset sale. The funds will remain in escrow for the duration of the Delaware Action in order to provide security to the plaintiffs for their claims in the Delaware Action. This amount has been reflected as restricted cash on a pro forma basis.

(d) Reflects the elimination of assets and liabilities attributable to the Commercial Business.

(e) In connection with the closing of the asset sale, Merrimack will redeem all $175.0 million aggregate principal amount of outstanding Notes at a redemption price equal to 111.5% of the outstanding principal amount of the Notes, plus accrued and unpaid interest to the date of redemption. Accordingly, Merrimack will pay $195.1 million, plus accrued and unpaid interest to the date of redemption, to redeem the Notes in April 2017. The associated liability of $169.9 million as of December 31, 2016 was removed on a pro forma basis, resulting in an overall pro forma loss on extinguishment of $25.2 million that is included as adjustment to accumulated deficit. The pro forma adjustment to accounts payable, accrued expenses and other also includes the removal of $0.8 million of accrued interest as of December 31, 2016 related to the Notes.

(f) This figure includes the $223.7 million in taxes payable that arise from the gain on sale of the Commercial Business on a pro forma basis. Merrimack expects that the actual cash taxes paid on the gain on sale of the Commercial Business will be significantly less than the statutory obligation outlined above as Merrimack expects to be able to utilize substantial net operating losses to offset the taxable gain generated by the sale.

(g) The overall adjustment to accumulated deficit includes the after-tax gain on the sale of the Commercial Business of $364.9 million, which is calculated as follows:

(in thousands)	
Purchase price	$ 575,000
Less transaction-related expenses	(12,083)
Net proceeds	562,917
Assets of the Commercial Business	(44,614)
Liabilities of the Commercial Business	70,270
Pre-tax gain on sale of the Commercial Business	588,573
Taxes on gain on sale of the Commercial Business at the combined federal and state statutory tax rate of 38%	(223,657)
After-tax gain on sale of the Commercial Business	$ 364,916

Merrimack expects that the actual cash taxes paid on the gain on sale of the Commercial Business will be significantly less than the statutory obligation outlined above as Merrimack expects to be able to utilize substantial net operating losses to offset the taxable gain generated by the sale.

(h) Reflects the elimination of revenues, cost of revenues, research and development expenses, selling, general and administrative expenses and restructuring expenses directly attributable to the Commercial Business.

(i) On April 3, 2017, Merrimack and Ipsen entered into the Sublease Agreement whereby Ipsen agreed to sublease 70,237 square feet of Merrimack's corporate headquarters and manufacturing facility. The adjustments to research and development expenses and selling, general and administrative expenses give effect to the receipt of rental income pursuant to the Sublease Agreement as if the Sublease Agreement had been executed on January 1, 2016. Merrimack's policy is to record rental income as a reduction to the corresponding rent expense.

(j) Reflects the elimination of interest expense attributable to the Notes for the year ended December 31, 2016.

(k) Merrimack has historically not recognized any income tax benefit related to its net losses because Merrimack maintains a full valuation allowance on its deferred tax assets. A full valuation allowance is maintained, as future profitability is uncertain. As a result, no income tax benefit is being presented on a pro forma basis.

(l) The unaudited pro forma condensed consolidated financial statements of operations and comprehensive loss do not reflect the $25.2 million pro forma loss on extinguishment of the Notes described in footnote (e), or the after-tax gain on sale of the Commercial Business described in footnote (f), as these represent non-recurring items that will not have a continuing impact on the consolidated operating results of Merrimack.

Exhibit 99.2

Merrimack Launches as New, Refocused Research & Clinical Development Company with Resources to Advance Prioritized Lead Pipeline Candidates MM-121, MM-141 and MM-310

Completes Sale of ONIVYDE ® and Generic Version of DOXIL ® to Ipsen

Merrimack Plans to Return $140 Million to Stockholders through Special Cash Dividend

To Set Record Date for Payment of Special Cash Dividend in Due Course

CAMBRIDGE, Mass., April 3, 2017 – Merrimack Pharmaceuticals, Inc. (NASDAQ: MACK) today announced that it has commenced operating as a new, refocused research and clinical development company in connection with the completion today of its previously announced transaction with Ipsen S.A. valued at up to $1.025 billion. Under the terms of the agreement, Merrimack sold to Ipsen its first commercial product, ONIVYDE ® , including U.S. commercialization rights and its licensing agreement with Shire plc, and its development, license and supply agreement with Actavis for a generic version of doxorubicin hydrochloride (HCI) liposome injection that is marketed in the United States as DOXIL ® .

Merrimack received $575 million in cash upon closing and is eligible to receive up to $450 million in additional regulatory approval-based milestone payments. Merrimack will also retain the rights to receive net milestone payments pursuant to its exclusive licensing agreement with Shire plc for the ex-U.S. development and commercialization of ONIVYDE for up to $33 million.

"The completion of this sale marks our first day as a new Merrimack: a refocused research and clinical development company, with a promising pipeline that is poised for continued long-term success and stockholder value creation," said Richard Peters, M.D., Ph.D., President and Chief Executive Officer. "Today, we have a more sustainable financial structure than at any point in Merrimack's history, which will allow us to deliver significant cash returns to our stockholders while also funding our long-term corporate objectives and strategies into the second half of 2019. We are also moving forward focused on MM-121, MM-141 and MM-310, our three clinical programs that we believe have the highest probability of success and the highest expected return on investment. The Board of Directors and the management team are confident in the tremendous opportunities for success in our focused pipeline on behalf of cancer patients around the world and as a means to deliver additional value to our stockholders."

With the completion of the Ipsen transaction, Merrimack is now prioritizing three clinical programs:

- **MM-121 (seribantumab)** is a first-in-class fully human monoclonal antibody that binds to the HER3 receptor and targets heregulin positive cancers. Merrimack is currently conducting the Phase 2 randomized SHERLOC study evaluating MM-121 in HRG+ non-small cell lung cancer patients in combination with docetaxel or pemetrexed and plans to initiate another Phase 2 randomized study this year in Her2 negative, hormone receptor, and heregulin positive breast cancer patients.
- **MM-141 (istiratumab)** is a bispecific tetravalent antibody and a potent inhibitor of the PI3K/AKT/mTOR pathway by targeting IGF1-R and HER3. Currently, Merrimack is conducting the CARRIE study, a Phase 2 randomized trial evaluating MM-141 in previously untreated metastatic pancreatic cancer patients with high levels of free IGF1 in combination with nab-paclitaxel and gemcitabine.
- **MM-310** is an antibody-directed nanotherapeutic (ADN) that contains a novel prodrug of docetaxel and targets the EphA2 receptor, which is highly expressed in most solid tumor types. MM-310 was designed to improve the therapeutic window of docetaxel in major oncology indications, such as prostate, ovarian, bladder, gastric, pancreatic and lung cancers. A first-in-human Phase 1 study to evaluate safety and preliminary activity of MM-310 was initiated in the first quarter of 2017.

As previously announced, Merrimack intends to use the $575 million upfront payment, net of tax reserves and transaction-related and other costs, to:

- Invest $125 million to develop Merrimack's streamlined oncology pipeline such that Merrimack will be able to fund itself into the second half of 2019;
- Extinguish the $175 million in outstanding Senior Secured Notes due in 2022, plus approximately $20 million of costs associated with the redemption; and
- Return $140 million to Merrimack's stockholders through a special cash dividend. The Board of Directors plans to approve the special cash dividend and announce a record date and ex-dividend date in due course.

Advisers

BofA Merrill Lynch and Credit Suisse Securities (USA) LLC are serving as financial advisers to Merrimack and Skadden, Arps, Slate, Meagher & Flom LLP is serving as legal adviser.

About Merrimack

Merrimack is a biopharmaceutical company based in Cambridge, Massachusetts that is outthinking cancer to ensure that patients and their families live fulfilling lives. Our mission is to transform cancer care through the smart design and development of targeted solutions based on the deep understanding of cancer pathways and biological markers. All our product candidates, including three in clinical studies and several others in preclinical development, fit into our strategy of 1) understanding the biological problems we are trying to solve, 2) designing specific solutions and 3) developing those solutions for biomarker-selected patients. This three-pronged strategy seeks to ensure optimal patient outcomes. For more information, please visit Merrimack's website at www.merrimack.com.

Forward Looking Statements

This release contains forward-looking statements of Merrimack that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this release are forward-looking statements. Forward looking statements can be identified by the use of the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions. Merrimack's forward-looking statements include, among others, statements about the expected dividend, potential milestone payments and its ability to fund its operations, including continued investment in its research and development pipeline; and Merrimack's plans to develop and commercialize its clinical stage product candidates and diagnostics. Actual events or results may differ materially from those described in this release due to a number of risks and uncertainties. Risks and uncertainties include, among other things, whether Merrimack receives payments related to the milestone events under its contract with Shire, when expected or at all, under the asset purchase agreement; risks related to whether Merrimack's expenses are as predicted; whether Merrimack is able to satisfy the necessary legal tests required to make the anticipated dividend; negative effects of the consummation of the transaction on the market price of Merrimack's common stock; unknown liabilities; other business effects, including the effects of industry, market, economic, political, or regulatory conditions; and those risk factors discussed in Merrimack's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 1, 2017, the Definitive Proxy Statement on Schedule 14A, filed with the SEC on February 14, 2017, and its other filings with the SEC. The forward-looking statements in this release represent Merrimack's views as of the date of this release. Merrimack anticipates that subsequent events and developments will cause its views to change. However, while it may elect to update these forward-looking statements at some point in the future, it has no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing Merrimack's views as of any date subsequent to the date of this release.

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