



Ligand Acquires CyDex Pharmaceuticals

Ligand Gains New Revenue Streams, Fully Funded Partnerships and Expanding Cash-Flow Positive Drug Reformulation Business

Conference Call Scheduled for 5:00 p.m. Eastern Time Today

SAN DIEGO--(BUSINESS WIRE)-- Ligand Pharmaceuticals Incorporated (NASDAQ: LGND) today announced it has acquired privately held CyDex Pharmaceuticals, Inc. for a combination of cash and contingent payments. CyDex, based in Lenexa, Kansas, had 2010 revenue of \$16.3 million and EBITDA of \$7.6 million, and will operate as a wholly-owned subsidiary of Ligand.

CyDex shareholders will receive \$31.2 million for the merger in upfront cash, a \$4.3 million cash payment on the one year anniversary of closing, and will be entitled to contingent cash payments related to certain transactions and pursuant to a revenue share plan. In addition, Ligand paid approximately \$800,000 at close for an adjustment for working capital.

"This transformational acquisition accelerates Ligand's financial growth and provides a unique and broad basket of new assets to further expand our business and long-term potential," said John Higgins, President and Chief Executive Officer of Ligand. "Ligand will now combine the royalties from seven marketed drugs, along with the substantial revenue from the selling of Captisol[®], to advance Ligand toward its goal of turning cash-flow positive with substantial future growth opportunities. This growth will be largely fueled by what Ligand believes is an industry unprecedented portfolio of more than 50 fully-funded partnered development programs, creating a myriad of new revenue stream possibilities."

"CyDex has created a very successful business around the Captisol drug reformulation technology over the last several years and the company has significant growth potential," said Ted Odlaug, former President and Chief Executive Officer of CyDex Pharmaceuticals. "We are very impressed with Ligand's business model, success in deal making and commitment to continue driving the CyDex business to even greater success. We believe Ligand's broad licensing network and business acumen, coupled with the opportunity to share in future upside in the business, created an attractive exit for CyDex shareholders."

Acquisition Rationale

The acquisition of CyDex' cash-flow positive business will accelerate Ligand's projected financial growth.

- Ligand's projected 2011 revenue is expected to more than double versus Ligand's stand-alone revenue as a result of the transaction, not including any new licensing revenue (i.e. SARM) or accelerated growth in Promacta[®] royalties.

Ligand's asset portfolio (including development stage programs and marketed drugs) will greatly expand to more than 60 programs, significantly increasing the opportunity for new revenue streams over the next few years.

- The existing CyDex portfolio includes numerous high-quality license and royalty bearing agreements, including Onyx Pharmaceuticals for carfilzomib and Prism for Nexterone[®].
- Post-merger corporate portfolio is comprised of 7 marketed drugs and more than 50 fully funded partnered collaborations.

CyDex diversifies Ligand's business by adding a proprietary and well-validated platform in the increasingly important drug reformulation segment of the pharmaceutical industry.

- Ligand believes that drug reformulation has become an increasingly valuable solution to the issues related to market erosion due to generic competition and continued clinical and regulatory uncertainty.

CyDex Brings the Following to Ligand:

Significant Annual Revenue — CyDex currently generates annual revenue from four marketed drugs, material sales from the selling of Captisol, and license and milestone payments.

Onyx Collaboration — CyDex and Onyx Pharmaceuticals entered into a collaboration in 2005 (originally with Proteolix) to develop the Captisol-enabled IV formulation of carfilzomib for refractory multiple myeloma. Onyx has recently reported positive Phase II data for this program and plans to file an NDA in 2011 with the FDA. CyDex is eligible to receive milestones, royalties and Captisol material sales revenue from this program.

Prism Collaboration — Prism Pharmaceuticals recently received marketing approval from the FDA for the Captisol-enabled IV form of amiodarone, to be marketed as Nexterone. Prism plans to launch Nexterone in the near term. Nexterone was developed by CyDex and licensed to Prism in 2007. CyDex is eligible to receive milestones, royalties, and Captisol material sales revenue from this program.

Large Pharma Captisol-Supply Relationships — CyDex currently has multiple material sales collaborations with undisclosed large pharmaceutical companies. These collaborations have Captisol-enabled drugs in clinical development and CyDex anticipates selling Captisol to these partners in the coming years for clinical and commercial use.

Industry Recognized Captisol Technology Brand — Captisol is recognized in the pharmaceutical industry as a powerful answer to the solubility challenges frequently faced by drug-development companies. CyDex' success is primarily based on solving drug formulation problems, particularly in the area of IV and topical formulations. CyDex has also developed an extensive Drug Master File (DMF) to which its partners can refer when filing with regulatory agencies around the world, adding significant value to the Captisol brand.

Internal Pipeline of Captisol-Enabled Drugs — CyDex is currently developing four proprietary Captisol-enabled drugs for future potential licensing:

- Clopidogrel IV in Phase I for thrombosis
- Melphalan IV in Phase II for stem cell conditioning
- Budesonide/Azelastine nasal in Phase II for seasonal rhinitis
- Topiramate IV in Phase I development for epilepsy

Acquisition Funding

The upfront acquisition payment to CyDex shareholders is comprised of \$11.2 million of Ligand's internal cash and \$20 million borrowed on a 42-month secured term loan from Oxford Finance Corporation. Oxford is a specialty lender that has originated loans ranging from \$500,000 to \$40 million to more than 200 companies. Ligand is also exploring additional financing options for up to a further \$10 million in borrowing, for a potential total borrowing of \$30 million.

2011 Financial Outlook

For 2011, Ligand expects total revenues to be \$22 million to \$24 million. The guidance assumes approximately \$13 million to \$14 million of revenue (partial year accounting) from the CyDex business, and approximately \$9 million to \$10 million of revenue from the original Ligand business, before any revenue for new licensing agreements.

Ligand's 2011 operating expenses are expected to be \$16 million to \$18 million, with an average cost of goods as a percentage of material sales to be approximately 35%. CyDex non-cash amortization expense estimates are expected to be determined in the near-term. If Ligand borrows an additional \$10 million during 2011, it anticipates ending 2011 with approximately \$20 million of cash. By the end of 2011, Ligand expects its operations to be profitable and cash-flow positive.

Conference Call

Ligand will host a conference call with accompanying slides to discuss the acquisition on Wednesday, January 26, 2011 beginning at 5:00 p.m. Eastern time (2:00 p.m. Pacific time). To participate via telephone please dial (877) 407-4019 from the U.S. or (201) 689-8337 from outside the U.S., passcode is "Ligand." A replay of the call will be available until February 25, 2011 at 5:00 p.m. Eastern time by dialing (877) 660-6853 from the U.S. or (201) 612-7415 from outside the U.S., and entering conference ID # 366148, Account # 361. The live and archived Webcast can be accessed through Ligand's Web site at www.ligand.com.

Slides accompanying management's presentation will be available in the "Investor Relations" section of www.ligand.com.

About CyDex Pharmaceuticals, Inc.

CyDex Pharmaceuticals, Inc. is a specialty pharmaceutical company developing products and licensing its Captisol technology. Captisol is currently incorporated in five FDA-approved medications and marketed by three of the company's licensees: Pfizer,

Bristol-Myers Squibb and Prism Pharmaceuticals. In addition, the company is supporting drug development efforts with more than 40 other companies worldwide, including Onyx for carfilzomib. The company maintains patents in the U.S. and worldwide for its Captisol technology, Captisol manufacturing and Captisol-enabled products, and comprehensive FDA Manufacturing and Safety Drug Master Files. To learn more about the company, please visit www.cydexpharma.com.

About Ligand Pharmaceuticals

Ligand is a BioPharma company with a business model that is based upon the concept of developing or acquiring royalty revenue generating assets and coupling them to an efficiently lean corporate cost structure. Ligand's goal is to produce a bottom line that supports a sustainably profitable business. By diversifying the portfolio of assets across numerous technology types, therapeutic areas, drug targets, and industry partners, we offer investors a de-risked opportunity to invest in the increasingly complicated and unpredictable pharmaceutical industry. We believe Ligand has assembled one of the largest and most diversified portfolio of current assets in the industry (now over 60 programs) with the potential to generate revenue in the future. These therapies address the unmet medical needs of patients for a broad spectrum of diseases including hepatitis, muscle wasting, Alzheimer's disease, dyslipidemia, diabetes, anemia, COPD, asthma, rheumatoid arthritis and osteoporosis. Ligand has established multiple alliances with the world's leading pharmaceutical companies including GlaxoSmithKline, Merck, Pfizer, Bristol-Myers Squibb and AstraZeneca. For more information, please visit www.ligand.com.

Forward-Looking Statements

This release contains forward-looking statements that involve risks and uncertainties. Ligand cautions readers that any forward-looking information is not a guarantee of future performance and actual results could differ materially from those contained in the forward-looking information. Words such as "expect," "estimate," "project," "potential," and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, but are not limited to, statements about the benefits of the transaction between Ligand and CyDex, including future financial and operating results and revenue potential, the expected effect of the merger on Ligand's operating cash burn rate, the possibility of future/contingent acquisition payments being made, the combined entity's plans, objectives, expectations and intentions and other statements that are not historical facts. Among the important factors that could cause actual results to differ materially from those in any forward-looking statements are the risks that payment events which would produce proceeds for the contingent value rights may not occur soon, or ever; the anticipated synergies and benefits from the transaction may not be fully realized or may take longer to realize than expected; CyDex' product candidates may have unexpected adverse side effects or inadequate therapeutic efficacy; and positive results in clinical trials may not be sufficient to obtain FDA approval. There can be no assurance that any product in Ligand's, CyDex' or the projected combined company's product pipeline will be successfully developed or manufactured, that final results of clinical studies will be supportive of regulatory approvals required to market licensed products, or that any of the forward-looking information provided herein will be proven accurate. Additional important factors that may affect future results are detailed in Ligand's filings with the SEC, including the company's recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. Ligand disclaims any intent or obligation to update these forward-looking statements beyond the date of this release.

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