



October 3, 2016

Merrimack Announces Major Corporate Restructuring

- Research and development to focus on a set of systems biology-derived oncology products**
- More than \$200 million in expected costs to be eliminated over the next two years**
- President and CEO Robert Mulroy to resign; Chairman of the Board Gary Crocker named interim President and CEO**

CAMBRIDGE, Mass., Oct. 3, 2016 /PRNewswire/ -- Merrimack Pharmaceuticals, Inc. (Nasdaq: MACK) today announced a major corporate restructuring with the objective of prioritizing its research and development on a focused set of systems biology-derived oncology products and strengthening its financial runway. As part of this move, Merrimack is immediately implementing a 22% reduction in headcount and eliminating more than \$200 million in expected costs over the next two years. In line with this restructuring, the Board of Directors has accepted the resignation of President and CEO Robert Mulroy, effective immediately.

In order to accelerate this change, the Board of Directors has appointed Chairman of the Board Gary Crocker as interim President and CEO. "The Board is committed to focusing our resources. This major restructuring will allow us to strategically align our pipeline with our core capabilities and prioritize ongoing clinical development efforts while improving our financial flexibility," stated Mr. Crocker. "We believe this sharper focus will drive efficiency and innovation and promote the interests of not only our shareholders and employees, but also of cancer patients worldwide. The realization of shareholder value will become as intense a focus for Merrimack as our strength in innovation and development. The Board is convinced that there is tremendous inherent value within Merrimack that can be unlocked."

In line with delivering the new goals of innovation and efficiency, John Dineen, Chairman of the Organization and Compensation Committee and former CEO of GE Healthcare, will lead the CEO search process. "We are grateful to Bob and acknowledge his leadership of Merrimack over the years," said Mr. Dineen.

The reduction in personnel will not impact the commercial team or the execution of ONIVYDE's commercial launch and label expansion. "This strategic shift is designed to align our resources with the programs that have the greatest potential for disruptive change in the diagnosis and treatment of cancer, as well as to significantly increase our financial flexibility," said Dr. Yasir Al-Wakeel, CFO and Head of Corporate Development. He adds, "With the elimination of more than \$200 million in expected expenses through research and development efficiencies, prioritization and cost containment over the next two years, today's announcement places Merrimack in a much stronger financial position." As a result, Merrimack now anticipates aggregate research and development and selling, general and administrative expenses in 2017 of approximately \$190 million when calculated in accordance with GAAP, resulting in a cash runway that is expected to fund operations for at least the next 12 months based on cash on hand, anticipated near term milestones and reimbursements and ONIVYDE profits. This corresponds to a non-GAAP financial measure of \$165 million of aggregate research and development and selling, general and administrative expenses in 2017 when excluding \$25 million of anticipated milestone obligations to PharmaEngine, which are fully offset by corresponding milestone achievement obligations from Shire. A table reconciling guidance for aggregate research and development and selling, general and administrative expenses, excluding anticipated milestone obligations to PharmaEngine, a non-GAAP financial measure, to aggregate research and development and selling, general and administrative expenses calculated in accordance with GAAP is included at the end of this press release.

The reduction in force was substantially completed on October 3rd and is expected to be fully completed by December 3rd. More information on the restructuring will be available in the Form 8-K to be filed by Merrimack today. Merrimack plans to provide more financial and strategic details regarding the conclusion of this product prioritization process by the end of the fourth quarter.

Forward-Looking Statements

To the extent that statements contained in this press release are not descriptions of historical facts, they are forward-looking statements reflecting the current beliefs and expectations of management made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements include any statements about Merrimack's strategy, future operations, future financial position, future revenues and future expectations and plans and prospects for Merrimack, and any other statements containing the words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," and similar expressions. In this press release, Merrimack's forward-looking statements include, among others, statements about expectations regarding the elimination of future expenses, the potential impact of the change in strategic focus, anticipated operating expenses and cash runway. Such forward-looking statements involve substantial risks and uncertainties that could cause Merrimack's clinical development programs, future results, performance or achievements to differ significantly from those expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the uncertainties inherent in the initiation of future clinical trials, availability of data from ongoing clinical trials, expectations for regulatory approvals and other matters that could affect the availability or commercial potential of Merrimack's products, product candidates or companion diagnostics. Merrimack undertakes no obligation to update or revise any forward-looking statements. Forward-looking statements should not be relied upon as representing Merrimack's views as of any date subsequent to the date hereof. For a further description of the risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to Merrimack's business in general, see the "Risk Factors" section of Merrimack's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on August 4, 2016 and other reports Merrimack files with the SEC.

Non-GAAP Financial Information

This press release presents guidance regarding aggregate research and development and selling, general and administrative expenses, excluding anticipated milestone obligations to PharmaEngine, which is a financial measure not calculated in accordance with GAAP. Merrimack is providing non-GAAP information that excludes one-time anticipated milestone obligations to PharmaEngine because of the nature of these items and the impact they have on the analysis of underlying business performance and trends, including the fact that these anticipated milestone obligations to PharmaEngine are entirely offset by anticipated milestone obligations to Merrimack from Shire. Management believes that providing information regarding adjusted aggregate research and development and selling, general and administrative expenses enhances investors' understanding of Merrimack's performance and of trends that facilitate comparisons between periods. This information should be considered in addition to, but not in lieu of, information prepared in accordance with GAAP. Management also uses aggregate research and development and selling, general and administrative expenses, excluding anticipated milestone obligations to PharmaEngine, to establish budgets and operational goals and to manage Merrimack's business.

The following is a reconciliation of GAAP guidance to non-GAAP guidance:

**Merrimack Pharmaceuticals, Inc.
Reconciliation to Aggregate Research and Development and Selling,
General and Administrative Expenses, Excluding Anticipated Milestone
Obligations to PharmaEngine (unaudited)**

(in thousands)

Anticipated aggregate research and development and selling, general and administrative expenses (GAAP measure)
Less: expenses related to one-time anticipated milestone obligations to PharmaEngine
Anticipated aggregate research and development and selling, general and administrative expenses, excluding
anticipated milestone obligations to PharmaEngine (non-GAAP measure)

	<u>Year Ending December 31, 2017</u>
\$	190,000
	(25,000)
\$	<u>165,000</u>

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