



Innoviva, Inc. Prices Upsized Offering of \$225 Million of 2.125% Convertible Senior Notes

March 3, 2022

- Proceeds expected to be used to repurchase a portion of the 2023 Notes, fund capped call transactions, and for general corporate purposes

BURLINGAME, Calif.--(BUSINESS WIRE)--Mar. 3, 2022-- Innoviva, Inc. (NASDAQ: INVA) (the "Company" or "Innoviva") today announced the pricing of \$225 million aggregate principal amount of the Company's 2.125% convertible senior notes due 2028 (the "Notes"). The size of the offering was increased from the previously announced offering size of \$200 million. The Notes will be sold in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Act"). The Company also granted the initial purchasers of the Notes an option to purchase, for settlement within a period of 13 days from, and including, the date the Notes are first issued, up to an additional \$45 million aggregate principal amount of the Notes. The offering is expected to close on March 7, 2022, subject to satisfaction of customary closing conditions.

The Notes will mature on March 15, 2028, unless earlier converted, redeemed or repurchased in accordance with their terms. The Notes will be unsecured, senior obligations of Innoviva, and will accrue interest at a rate of 2.125% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2022.

The Notes will be convertible, based on the applicable conversion rate, into cash, shares of the Company's common stock or a combination thereof, at the Company's election. The initial conversion rate for the Notes is 38.1432 shares of the Company's common stock per \$1,000 principal amount of the Notes (which is equivalent to an initial conversion price of approximately \$26.22 per share), representing a 35.0% conversion premium over the last reported sale price of Company's common stock on March 2, 2022, which was \$19.42 per share. The conversion rate is subject to customary anti-dilution adjustments in certain circumstances. Prior to September 15, 2027, the Notes will be convertible at the option of the holders only upon the occurrence of specified events and during certain periods. From, and including, September 15, 2027, until the close of business on the second scheduled trading day immediately preceding the maturity date, the Notes will be convertible at any time.

The Notes will be redeemable, in whole or in part, at the Company's option at any time, and from time to time, on or after March 20, 2025 and on or before the 75th scheduled trading day immediately before the maturity date but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for a specified period of time. The redemption price will be equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, calling any Note for redemption will constitute a make-whole fundamental change (as defined in the indenture for the Notes) with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted after it is called for redemption.

If a "fundamental change" (as defined in the indenture for the Notes) occurs, then, subject to limited exceptions, noteholders may require the Company to repurchase their Notes for cash. The repurchase price will be equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid special and additional interest, if any, to, but excluding, the applicable repurchase date.

The Company estimates that the net proceeds from this offering will be approximately \$216.8 million (or approximately \$260.5 million if the initial purchasers fully exercise their option to purchase additional Notes), after deducting the initial purchasers' discount and commissions and the Company's estimated offering expenses. The Company intends to use \$18.1 million of the net proceeds of the offering to fund the cost of entering into the capped call transactions described below. In addition, the Company intends to use \$165.6 million of the remaining net proceeds to repurchase \$144.8 million aggregate principal amount of its 2.125% Convertible Subordinated Notes due 2023 (the "2023 Notes") in the concurrent repurchases described below. The Company intends to use any remaining net proceeds for general corporate purposes.

Contemporaneously with the pricing of the Notes, the Company entered into separate and individually negotiated transactions (the "concurrent repurchases") with certain holders of the 2023 Notes to repurchase \$144.8 million aggregate principal amount of the 2023 Notes for an aggregate of \$165.6 million in cash, plus accrued interest.

The Company expects that certain holders of any 2023 Notes that the Company agreed to repurchase that have hedged their equity price risk with respect to such 2023 Notes (the "hedged holders") will, concurrently with or shortly after the pricing of the Notes offered hereby, unwind all or a part of their hedge positions by buying the Company's common stock and/or entering into or unwinding various derivative transactions with respect to the Company's common stock. The amount of the Company's common stock to be purchased by the hedged holders may be substantial in relation to the historic average daily trading volume of the Company's common stock. Any repurchase of the 2023 Notes and the potential related market activities by holders of the 2023 Notes participating in the concurrent repurchases could increase (or reduce the size of any decrease in) the market price of the Company's common stock and may have increased the initial conversion price of the Notes. The Company cannot predict the magnitude of such market activity or the overall effect it will have on the price of the Notes or the Company's common stock.

In addition, in connection with the pricing of the Notes, the Company entered into privately negotiated capped call transactions with one or more of the initial purchasers and/or their respective affiliates and/or other financial institutions (the "option counterparties"). The cap price of the capped call transactions will initially be \$33.9850 per share, which represents approximately a 75.00% premium to the closing price of the Company's common stock on March 2, 2022, and is subject to certain adjustments under the terms of the capped call transactions. The capped call transactions will cover, subject to customary adjustments, the number of shares of common stock initially underlying the Notes. The capped call transactions are expected generally to reduce potential dilution to the Company's common stock upon conversion of the Notes or at the Company's election (subject to certain conditions) offset any cash payments the Company is required to make in excess of the aggregate principal amount of converted Notes, as the case may be, with such reduction or offset subject to a cap.

The Company has been advised that, in connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates expect to purchase shares of the Company's common stock and/or enter into various derivative transactions with respect to the common stock concurrently with or shortly after the pricing of the Notes. This activity could increase (or reduce the size of any decrease in) the market price of the common stock or the Notes at that time. In addition, the option counterparties or their respective affiliates may modify their hedge

positions by entering into or unwinding various derivatives with respect to the common stock and/or purchasing or selling the common stock or other securities of the Company in secondary market transactions following the pricing of the Notes and prior to the maturity of the Notes (and are likely to do so on each exercise date of the capped call transactions and in connection with any early termination event in respect of the capped call transactions). This activity could also cause or avoid an increase or a decrease in the market price of the common stock or the Notes, which could affect a noteholder's ability to convert the Notes and, to the extent the activity occurs during any observation period related to a conversion of the Notes, it could affect the number of shares and value of the consideration that a noteholder will receive upon conversion of the Notes.

In addition, if any such capped call transaction fails to become effective, whether or not this offering of the Notes is completed, the option counterparty party thereto may unwind its hedge positions with respect to the common stock, which could adversely affect the value of the common stock and, if the Notes have been issued, the value of the Notes.

The Notes have been offered to qualified institutional buyers pursuant to Rule 144A under the Act. Neither the Notes nor the shares of the Company's common stock issuable upon conversion of the Notes, if any, have been or will be registered under the Act or the securities laws of any other jurisdiction and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities (including the 2023 Notes), and shall not constitute an offer, solicitation, or sale in any jurisdiction in which such offer, solicitation, or sale is unlawful. The Notes and the shares of the Company's common stock issuable upon conversion of the Notes, if any, will not be registered under the Act or any state securities laws, and unless so registered, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Act and applicable state laws.

About Innoviva

Innoviva, Inc. (referred to as "Innoviva", the "Company", or "we" and other similar pronouns), is a company with a portfolio of royalties that include respiratory assets partnered with Glaxo Group Limited ("GSK"), including RELVAR[®]/BREO[®] ELLIPTA[®] (fluticasone furoate/ vilanterol, "FF/VI"), ANORO[®] ELLIPTA[®] (umeclidinium bromide/ vilanterol, "UMEC/VI") and TRELEGY[®] ELLIPTA[®] (the combination FF/UMEC/VI). Under the Long-Acting Beta2 Agonist ("LABA") Collaboration Agreement, Innoviva is entitled to receive royalties from GSK on sales of RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®]. Innoviva is also entitled to 15% of royalty payments made by GSK under its agreements originally entered into with us, and since assigned to Theravance Respiratory Company, LLC ("TRC"), relating to TRELEGY[®] ELLIPTA[®] and any other product or combination of products that may be discovered and developed in the future under the LABA Collaboration Agreement and the Strategic Alliance Agreement with GSK (referred to herein as the "GSK Agreements"), which have been assigned to TRC other than RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®].

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Cautionary Note on 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 regarding Innoviva's completion of the offering, Innoviva's anticipated use of proceeds, Innoviva's ability to repurchase the 2023 Notes 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. Such forward-looking statements involve substantial risks and uncertainties that could cause the Company's future results, performance or achievements to differ significantly from those expressed or implied by the forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements. Forward-looking statements should not be relied upon as representing the Company'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 the Company's business in general, see the "Risk Factors" section of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 28, 2022, which is on file with the SEC and available on the SEC's website at www.sec.gov. In addition to the risks described above and in Innoviva's other filings with the SEC, other unknown or unpredictable factors also could affect Innoviva's results. Past performance is not necessarily indicative of future results. No forward-looking statements can be guaranteed and actual results may differ materially from such statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. The information in this press release is provided only as of the date hereof, and Innoviva assumes no obligation to update its forward-looking statements on account of new information, future events or otherwise, except as required by law.

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