
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13E-3
(Rule 13e-100)

Rule 13e-3 Transaction Statement under Section 13(e)
of the Securities Exchange Act of 1934

ENTASIS THERAPEUTICS HOLDINGS INC.

(Name of the Issuer)

Innoviva, Inc.
Innoviva Merger Sub, Inc.
(Name of Person(s) Filing Statement)

Common Stock, \$0.001 par value per share
(Title of Classes of Securities)

293614103
(CUSIP Number of Classes of Securities)

Pavel Raifeld
Chief Executive Officer
1350 Old Bayshore Highway, Suite 400
Burlingame, CA 94010
(650) 238-9600

(Name, Address and Telephone Number of Person Authorized To Receive Notices and Communications on Behalf of the Person(s) Filing Statement)

With a copy to:

Russell Leaf
Jared Fertman
Jonathan Kubek
Willkie Farr & Gallagher LLP
787 7th Ave
New York, NY 10019
(212) 728-8000

This statement is filed in connection with (check the appropriate box):

- a. The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- b. The filing of a registration statement under the Securities Act of 1933.
- c. A tender offer.
- d. None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies:

Check the following box if the filing is a final amendment reporting the results of the transaction:

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF THIS TRANSACTION, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS SCHEDULE 13E-3. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

INTRODUCTION

This Rule 13e-3 Transaction Statement on Schedule 13E-3 (this "Statement") is being filed by Innoviva, Inc. ("Parent" or "Innoviva") and by its wholly owned subsidiary, Innoviva Merger Sub, Inc., a Delaware corporation ("Purchaser"), and relates to Purchaser's offer to purchase all of the outstanding shares of common stock, par value \$0.001 per share (the "Shares") of Entasis Therapeutics Holdings Inc., a Delaware corporation ("Entasis"), the issuer of the common stock that is the subject of the Rule 13e-3 transaction described below (other than any Shares owned at the commencement of the Offer (as defined below) by (i) Innoviva, Purchaser or any other direct or indirect wholly owned subsidiary of Innoviva and (ii) Entasis (or held in Entasis' treasury)), at a price of \$2.20 per Share, net to the seller in cash, without interest and subject to any withholding of taxes in accordance with the Merger Agreement (as defined below), upon the terms and subject to the conditions set forth in the Offer to Purchase dated June 7, 2022 (the "Offer to Purchase"), which is annexed to and filed with this Statement as Exhibit (a)(1)(A), and in the related Letter of Transmittal, which is annexed to and filed with this Statement as Exhibit (a)(1)(B), which, together with any amendments or supplements thereto, collectively constitute the "Offer." The Offer is being made pursuant to that certain Agreement and Plan of Merger, dated as of May 23, 2022, by and among Entasis, Purchaser and Innoviva (the "Merger Agreement"). The Merger Agreement provides, among other things, for the terms and conditions of the Offer and the subsequent merger of Purchaser with and into Entasis (the "Merger") in accordance with Section 251(h) of the Delaware General Corporation Law (the "DGCL").

The information contained in the Tender Offer Statement filed under cover of Schedule TO by Innoviva with the U.S. Securities and Exchange Commission (the "SEC") on June 7, 2022, (as amended or supplemented from time to time, the "Schedule TO"), the Offer to Purchase and the Solicitation/Recommendation Statement on Schedule 14D-9 filed by Entasis with the SEC on June 7, 2022, a copy of which is attached hereto as Exhibit (a)(2)(A) (as amended or supplemented from time to time, the "Schedule 14D-9"), is incorporated by reference herein and, except as described below, the responses to each item in this Statement are qualified in their entirety by the information contained in the Schedule TO, the Offer to Purchase and the Schedule 14D-9. The cross references identified herein are being supplied pursuant to General Instruction G to Schedule 13E-3 and indicate the location in the Schedule TO and Schedule 14D-9 of the information required to be included in response to the respective Items of this Statement.

Any information contained in the documents incorporated herein by reference shall be deemed modified or superseded for purposes of this Statement to the extent that any information contained herein modifies or supersedes such information. All information contained in this Statement concerning Purchaser, Innoviva or their affiliates has been provided by such person and not by any other person.

ITEM 1. SUMMARY TERM SHEET

The information set forth in the section of the Offer to Purchase entitled "Summary Term Sheet" is incorporated herein by reference.

ITEM 2. SUBJECT COMPANY INFORMATION

(a) Name and Address

The name of the subject company is Entasis Therapeutics Holdings Inc., a Delaware corporation. The address of the Entasis' principal executive office is 35 Gatehouse Drive, Waltham, Massachusetts 02451, and the telephone number at such office is (781) 810-0120.

(b) Securities

The title of the class of equity securities to which this Statement relates is Entasis' Shares. As of June 3, 2022, there were 47,851,779 Shares issued and outstanding.

(c) Trading Market and Price

The information set forth in the Offer to Purchase under the heading "The Tender Offer—Section 6. Price Range of Shares; Dividends" is incorporated herein by reference.

(d) Dividends

The information set forth in the Offer to Purchase under the heading "The Tender Offer—Section 6. Price Range of Shares; Dividends" and "The Tender Offer—Section 16. Dividends and Distributions" is incorporated herein by reference.

(e) Prior Public Offerings

Not applicable.

(f) Prior Stock Purchases

The information set forth in the Schedule 14D-9 under the heading "Item 3. Past Contracts, Transactions, Negotiations and Agreements—Arrangements between the Company, Innoviva and Certain of its Affiliates—Prior Investments" is incorporated herein by reference.

During the past two years, Innoviva made the following purchases of Shares and warrants to purchase Shares:

- Pursuant to that certain Securities Purchase Agreement, dated as of April 12, 2020, by and between Innoviva and Entasis, (i) on April 22, 2020, Innoviva purchased 1,322,510 Shares and warrants to purchase 1,322,510 Shares and (ii) on June 11, 2020, Innoviva purchased 12,677,490 Shares and warrants to purchase 12,677,490 Shares (each Share and warrant were sold together as a unit) for a per unit price of \$2.50 in a private placement; and
- Pursuant to that certain Securities Purchase Agreement, dated as of August 27, 2020, by and among Entasis and the investors named therein, including Innoviva, on September 1, 2020, Innoviva purchased 4,672,897 Shares and warrants to purchase 4,672,879 Shares (each Share and warrant were sold together as a unit) for a per unit price of \$2.675 in a private placement.

During the past two years, Innoviva Strategic Opportunities LLC (“ISO”), a wholly owned subsidiary of Innoviva, made the following purchases of Shares, warrants to purchase Shares, and related securities:

- Pursuant to that certain Securities Purchase Agreement, dated as of May 3, 2021, by and between Entasis and ISO, (i) on May 3, 2021, ISO purchased 3,731,025 Shares and warrants to purchase 3,371,025 Shares and (ii) on June 11, 2021, ISO purchased 6,268,975 Shares and warrants to purchase 6,268,975 Shares (each Share and warrant were sold together as a unit) for a per unit price of \$2.00 in a private placement; and
- Pursuant to that certain Securities Purchase Agreement, dated as of February 17, 2022, by and between Entasis and ISO, on February 17, 2022, ISO purchased a convertible promissory note for \$15,000,000 that is convertible at maturity at the election of Entasis or ISO into Shares at a conversion price of \$1.48 per Share and warrants to purchase an equal number of Shares with an exercise price of \$1.48 per Share.

The range of prices paid is a low of \$1.48 per Share and a high of \$2.675 per Share. The average purchase price for each quarter was: (i) \$2.50 per Share for Q2 2020; (ii) \$2.675 per Share for Q3 2020; (iii) \$2.00 per Share for Q2 2021; and (iv) \$1.48 for Q1 2022.

ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON

(a) Name and Address

The filing persons are Innoviva and the Purchaser. The business address and telephone number of each of Innoviva and the Purchaser is 1350 Old Bayshore Highway, Suite 400, Burlingame, California 94010, (650) 238-9600.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 8. Certain Information Concerning Parent and Purchaser” and “Schedule I—Certain Information Concerning the Directors and Executive Officers of Innoviva, Inc.” and Schedule I—Certain Information Concerning the Directors and Executive Officers of Innoviva Merger Sub, Inc.” is incorporated herein by reference.

(b) Business and Background of Entities

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 8. Certain Information Concerning Purchaser and Innoviva” and “Schedule I—Certain Information Concerning the Directors and Executive Officers of Innoviva, Inc.” and Schedule I—Certain Information Concerning the Directors and Executive Officers of Innoviva Merger Sub, Inc.” is incorporated herein by reference.

(c) Business and Background of Natural Persons

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 8. Certain Information Concerning Purchaser and Innoviva” and “Schedule I—Certain Information Concerning the Directors and Executive Officers of Innoviva, Inc. and Schedule I—Certain Information Concerning the Directors and Executive Officers of Innoviva Merger Sub, Inc.” is incorporated herein by reference.

ITEM 4. TERMS OF THE TRANSACTION

(a) Material Terms

The information set forth in the Schedule 14D-9 under the headings “Item 1. Subject Company Information—Securities,” “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” “Item 7. Purposes of the Transaction and Plans or Proposals,” and “Item 8. Additional Information—Appraisal Rights—Anti-Takeover Statutes—Regulatory Approvals—Stockholder Approval Not Required” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 1. Terms of the Offer,” “The Tender Offer—Section 2. Acceptance for Payment and Payment for Shares,” “The Tender Offer—Section 3. Procedures for Accepting the Offer and Tendering Shares,” “The Tender Offer—Section 4. Withdrawal Rights” “The Tender Offer—Section 5. Certain United States Federal Income Tax Consequences” “The Tender Offer—Section 11. The Merger Agreement; Other Agreements—The Merger Agreement,” “The Tender Offer—Section 12. Purpose of the Offer; Plans for Entasis—Purpose of the Offer,” and “The Tender Offer—Section 15. Certain Effects of the Offer” is incorporated herein by reference.

(b) Different Terms

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” “Item 7. Purposes of the Transaction and Plans or Proposals,” “Item 8. Additional Information,” and “Annex C—Section 262 of the Delaware General Corporation Law” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 8. Certain Information Concerning Parent and Purchaser,” “The Tender Offer—Section 10. Background of the Offer; Past Contacts or Negotiations with Entasis,” “The Tender Offer—Section 11. The Merger Agreement; Other Agreements—Tender and Support Agreements,” “The Tender Offer—Section 20. Transactions and Arrangements Concerning the Shares and Other Securities of Entasis,” “The Tender Offer—Section 21. Certain Agreements between Parent and its Affiliates and Entasis,” “The Tender Offer—Section 22. Interests of Certain Entasis Directors and Executive Officers in the Offer and the Merger,” and “Schedule III—General Corporation Law of Delaware Section 262 Appraisal Rights” is incorporated herein by reference.

(c) Appraisal Rights

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 4. The Solicitation or Recommendation—Reason for the Recommendation of the Entasis Board; Fairness of the Offer and the Merger,” “Item 8. Additional Information—Appraisal Rights,” and “Annex C—Section 262 of the Delaware General Corporation Law” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 19. Appraisal Rights; Rule 13e-3” and “Schedule III—General Corporation Law of Delaware Section 262 Appraisal Rights” is incorporated herein by reference.

(d) Provisions for Unaffiliated Security Holders

The filing persons have not made any provision in connection with the transaction to grant unaffiliated security holders access to the corporate files of the filing persons or to obtain counsel or appraisal services at the expense of the filing persons.

(e) Eligibility for Listing or Trading

Not applicable.

ITEM 5. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS

(a) Transactions

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” and “Item 4. The Solicitation or Recommendation” is incorporated herein by reference.

The information set forth in Item 2(f) above is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “Summary Term Sheet,” “The Tender Offer—Section 8. Certain Information Concerning Parent and Purchaser,” “The Tender Offer—Section 10. Background of the Offer; Past Contracts or Negotiations with Entasis,” “The Tender Offer—Section 11. The Merger Agreement; Other Agreements—Tender and Support Agreements,” “The Tender Offer—Section 20. Transactions and Arrangements Concerning the Shares and Other Securities of Entasis,” and “The Tender Offer—Section 21. Certain Agreements between Parent and its Affiliates and Entasis” is incorporated herein by reference.

(b)—(c) *Significant Corporate Events; Negotiations or Contacts*

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” and “Item 7. Purposes of the Transaction and Plans or Proposals” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings "Summary Term Sheet," "The Tender Offer—Section 8. Certain Information Concerning Parent and Purchaser," "The Tender Offer—Section 10. Background of the Offer; Past Contracts or Negotiations with Entasis," "The Tender Offer—Section 11. The Merger Agreement; Other Agreements," "The Tender Offer—Section 12. Purpose of the Offer; Plans for Entasis," "The Tender Offer—Section 20. Transactions and Arrangements Concerning the Shares and Other Securities of Entasis," and "The Tender Offer—Section 21. Certain Agreements between Parent and its Affiliates and Entasis" is incorporated herein by reference.

(e) Agreements Involving the Subject Company's Securities

The information set forth in the Schedule 14D-9 under the headings "Item 2. Identity and Background of Filing Person—Tender Offer and Merger," "Item 3. Past Contracts, Transactions, Negotiations and Agreements—Arrangements between the Company, Innoviva and Certain of its Affiliates," "Item 4. The Solicitation or Recommendation," and "Item 7. Purposes of the Transaction and Plans or Proposals" is incorporated herein by reference.

The information set forth in Item 2(f) above is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings "Summary Term Sheet," "The Tender Offer—Section 8. Certain Information Concerning Parent and Purchaser," "The Tender Offer—Section 10. Background of the Offer; Past Contracts or Negotiations with Entasis," "The Tender Offer—Section 11. The Merger Agreement; Other Agreements; Tender and Support Agreements," "The Tender Offer—Section 12. Purpose of the Offer; Plans for Entasis," "The Tender Offer—Section 20. Transactions and Arrangements Concerning the Shares and Other Securities of Entasis," and "The Tender Offer—Section 21. Certain Agreements between Parent and its Affiliates and Entasis" is incorporated herein by reference.

ITEM 6. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS

(b) Use of Securities Acquired

The information set forth in the Offer to Purchase under the headings "Section 11. The Merger Agreement; Other Agreements; Merger Agreement; Effect on Capital Stock; Treatment of Options; Treatment of Restricted Stock Units; Treatment of Stock Plan; Treatment of Company Equity Awards," "Section 12. Purpose of the Offer; Plans for Entasis," and "Section 15. Certain Effects of the Offer" is incorporated herein by reference.

(c)(1)—(8) Plans

The information set forth in the Schedule 14D-9 under the headings and "Item 2. Identity and Background of Filing Person—Tender Offer and Merger," "Item 3. Past Contracts, Transactions, Negotiations and Agreements," "Item 4. The Solicitation or Recommendation," and "Item 7. Purposes of the Transaction and Plans or Proposals" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “Summary Term Sheet,” “The Tender Offer—Section 9. Source and Amount of Funds,” “The Tender Offer—Section 10. Background of the Offer; Past Contacts or Negotiations with Entasis,” “The Tender Offer—Section 11. The Merger Agreement; Other Agreements,” “The Tender Offer—Section 12. Purpose of the Offer; Plans for Entasis,” “The Tender Offer—Section 15. Certain Effects of the Offer,” “The Tender Offer—Section 16. Dividends and Distributions;” and “The Tender Offer—Section 22. Interests of Certain Entasis Directors and Executive Officers in the Offer and Merger” is incorporated herein by reference.

ITEM 7. PURPOSES, ALTERNATIVES, REASONS AND EFFECTS

(a) Purposes

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” “Item 7. Purposes of the Transaction and Plans or Proposals,” and “Item 8. Additional Information—Stockholder Approval Not Required” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 8. Certain Information Concerning Parent and Purchaser,” “The Tender Offer—Section 12. Purpose of the Offer; Plans for Entasis,” and “The Tender Offer—Section 15. Certain Effects of the Offer” is incorporated herein by reference.

(b) Alternatives

The information set forth in the Schedule 14D-9 under the headings “Item 3. Past Contracts, Transactions, Negotiations and Agreements—Arrangements between the Company, Innoviva and Certain of its Affiliates,” “Item 4. The Solicitation or Recommendation,” and “Item 7. Purposes of the Transaction and Plans or Proposals” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 10. Background of the Offer; Past Contracts or Negotiations with Entasis” and “The Tender Offer—Section 12. Purpose of the Offer; Plans for Entasis” is incorporated herein by reference.

(c) Reasons

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” “Item 7. Purposes of the Transaction and Plans or Proposals,” and “Item 8. Additional Information—Stockholder Approval Not Required” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 10. Background of the Offer; Past Contracts or Negotiations with Entasis,” “The Tender Offer—Section 12. Purpose of the Offer; Plans for Entasis,” and “The Tender Offer—Section 15. Certain Effects of the Offer” is incorporated herein by reference.

(d) Effects

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger,” “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” “Item 7. Purposes of the Transaction and Plans or Proposals,” and “Item 8. Additional Information” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 1. Terms of the Offer,” “The Tender Offer—Section 5. Certain United States Federal Income Tax Consequences,” “The Tender Offer—Section 8. Certain Information Concerning Parent and Purchaser,” “The Tender Offer—Section 9. Source and Amount of Funds,” “The Tender Offer—10. Background of the Offer; Past Contracts or Negotiations with Entasis,” “The Tender Offer—11. The Merger Agreement; Other Agreements,” “The Tender Offer—12. Purpose of the Offer; Plans for Entasis,” “The Tender Offer—15. Certain Effects of the Offer,” “The Tender Offer—Section 16. Dividends and Distributions,” “The Tender Offer—Section 19. Appraisal Rights; Rule 13e-3,” “The Tender Offer—Section 22. Interests of Certain Entasis Directors and Executive Officers in the Offer and the Merger,” and “The Tender Offer—Section 23. Fees and Expenses” is incorporated herein by reference.

ITEM 8. FAIRNESS OF THE TRANSACTION

(a) Fairness

The information set forth in the Schedule 14D-9 under the headings “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” “Item 5. Person/Assets, Retained, Employed, Compensated or Used,” “Item 7. Purposes of the Transaction and Plans or Proposals,” and “Item 8. Additional Information” is incorporated herein by reference.

Innoviva and Purchaser reasonably believe that the terms of the Merger Agreement and the Offer are fair to the unaffiliated stockholders.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—10. Background of the Offer; Past Contracts or Negotiations with Entasis,” “The Tender Offer—11. The Merger Agreement; Other Agreements,” “The Tender Offer—12. Purpose of the Offer; Plans for Entasis,” “The Tender Offer—Section 13. The Recommendation by the Board of Directors of Entasis” “The Tender Offer—Section 14. Position of Parent and Purchaser Regarding Fairness of the Offer and the Merger” is incorporated herein by reference.

(b) Factors Considered in Determining Fairness

The information set forth in the Schedule 14D-9 under the heading “Item 3. Past Contracts, Transactions, Negotiations and Agreements,” “Item 4. The Solicitation or Recommendation,” “Item 5. Person/Assets, Retained, Employed, Compensated or Used,” “Item 7. Purposes of the Transaction and Plans or Proposals,” and “Item 8. Additional Information” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—10. Background of the Offer; Past Contracts or Negotiations with Entasis,” “The Tender Offer—11. The Merger Agreement; Other Agreements,” “The Tender Offer—12. Purpose of the Offer; Plans for Entasis,” “The Tender Offer—Section 13. The Recommendation by the Board of Directors of Entasis,” and “The Tender Offer—Section 14. Position of Parent and Purchaser Regarding Fairness of the Offer and the Merger” is incorporated herein by reference.

The information set forth in Exhibits (c)(1) and (c)(2) is incorporated herein by reference.

(c) Approval of Security Holders

The information set forth in the Schedule 14D-9 under the headings “Item 2. Identity and Background of Filing Person—Tender Offer and Merger” and “Item 8. Additional Information—Stockholder Approval Not Required” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “Summary Term Sheet,” “The Tender Offer—11. The Merger Agreement; Other Agreements” and “Section 12. Purpose of the Offer; Plans for Entasis” is incorporated herein by reference.

(d) Unaffiliated Representative

The information set forth in the Schedule 14D-9 under the heading “Item 4. The Solicitation or Recommendation” is incorporated herein by reference.

No unaffiliated representative has been retained to act solely on behalf of unaffiliated security holders for purposes of negotiating the terms of this transaction and/or preparing a report concerning the fairness of the transaction.

(e) Approval of Directors

The information set forth in the Schedule 14D-9 under the headings “Item 4. The Solicitation or Recommendation” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings “The Tender Offer—Section 10. Background of the Offer; Past Contracts of Negotiations with Entasis” and “The Tender Offer—Section 13. The Recommendation by the Board of Directors of Entasis” is incorporated herein by reference.

None of the directors on the board of directors of Entasis have been appointed by Innoviva. The Merger Agreement and Offer were approved by a majority of the directors of Entasis who are not employees of Entasis.

(f) Other Offers

None.

ITEM 9. REPORTS, OPINIONS, APPRAISALS AND NEGOTIATIONS

(a) Report, Opinion or Appraisal

The information set forth in the Schedule 14D-9 under the headings "Item 4. The Solicitation or Recommendation" and "Item 5. Person/Assets, Retained, Employed, Compensated or Used" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings "The Tender Offer—Section 10. Background of the Offer; Past Contacts or Negotiations with Entasis," "The Tender Offer—Section 13. The Recommendation by the Board of Directors of Entasis," and "The Tender Offer—Section 14. Position of Parent and Purchaser Regarding Fairness of the Offer and the Merger" and Exhibit (c)(1) hereto is incorporated herein by reference.

The information set forth in Exhibits (c)(1) and (c)(2) is incorporated herein by reference.

(b) Preparer and Summary of the Report, Opinion or Appraisal

The information set forth in the Schedule 14D-9 under the headings "Item 4. The Solicitation or Recommendation" and "Item 5. Person/Assets, Retained, Employed, Compensated or Used" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings "The Tender Offer—Section 10. Background of the Offer; Past Contacts or Negotiations with Entasis," "The Tender Offer—Section 13. The Recommendation by the Board of Directors of Entasis," "The Tender Offer—Section 14. Position of Parent and Purchaser Regarding Fairness of the Offer and the Merger" and Exhibit (c)(1) hereto is incorporated herein by reference.

(c) Availability of Documents

The reports, opinions or appraisals referenced in this Item 9 are available for inspection and copying at Entasis' principal executive offices located at 35 Gatehouse Drive, Waltham, MA 02451, during regular business hours, by any interested stockholder of Entasis or a representative of such interested stockholder who has been so designated in writing by such interested stockholder.

ITEM 10. SOURCE AND AMOUNTS OF FUNDS OR OTHER CONSIDERATION

(a) Source of Funds

The information set forth in the Offer to Purchase under the heading "Summary Term Sheet," "The Tender Offer—Section 9. Source and Amount of Funds," and "The Tender Offer—Section 11. The Merger Agreement; Other Agreements" is incorporated herein by reference.

(b) Conditions

The information set forth in the Offer to Purchase under the headings "Summary Term Sheet" and "The Tender Offer—Section 9. Source and Amount of Funds" is incorporated herein by reference.

(c) Expenses

The information set forth in the Schedule 14D-9 under the headings "Item 4. The Solicitation or Recommendation" and "Item 5. Person/Assets, Retained, Employed, Compensated or Used" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the heading "The Tender Offer—23. Fees and Expenses" is incorporated herein by reference.

(d) Borrowed Funds

Not applicable.

ITEM 11. INTEREST IN SECURITIES OF THE SUBJECT COMPANY

(a) Securities Ownership

The information set forth in Schedule 14D-9 under the headings "Item 2. Identity and Background of Filing Person—Tender Offer and Merger," "Item 3. Arrangements between the Company, Innoviva and Certain of its Affiliates—Prior Investments," and "Item 4. The Solicitation or Recommendation—Background of the Offer and the Merger" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings "The Tender Offer—Section 8. Certain Information Concerning Purchaser and Innoviva" is incorporated herein by reference. The address for ISO is 1350 Old Bayshore Highway, Suite 400, Burlingame, CA 94010.

(b) Securities Transactions

The information set forth in Schedule 14D-9 under the headings "Item 3. Past Contracts, Transactions, Negotiations and Agreements—Arrangements between the Company, Innoviva and Certain of its Affiliates" and "Item 6. Interest in Securities of the Subject Company" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings "The Tender Offer—Section 20. Transactions and Arrangements Concerning the Shares and Other Securities of Entasis" and "Schedule II – Security Ownership and Transactions in the Shares by Parent, Purchaser and their Respective Directors and Executive Officers" is incorporated herein by reference.

ITEM 12. THE SOLICITATION OR RECOMMENDATION

(d) Intent to Tender or Vote in a Going-Private Transaction

The information set forth in the Schedule 14D-9 under the headings "Item 3. Past Contracts, Transactions, Negotiations and Agreements—Tender and Support Agreements" and "Item 4. The Solicitation or Recommendation" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the headings "Summary Term Sheet," "The Tender Offer—Section 11. The Merger Agreement; Other Agreements—Tender and Support Agreements," and "The Tender Offer—Section 13. The Recommendation by the Board of Directors of Entasis" is incorporated herein by reference.

(e) Recommendations of Others

The information set forth in the Schedule 14D-9 under the headings "Item 3. Past Contracts, Transactions, Negotiations and Agreements—Tender and Support Agreements" and "Item 4. The Solicitation or Recommendation" is incorporated herein by reference.

The information set forth in the Offer to Purchase under the heading "Summary Term Sheet" and "The Tender Offer—Section 13. The Recommendation by the Board of Directors of Entasis" is incorporated herein by reference.

ITEM 13. FINANCIAL STATEMENTS

(a) Financial Information

The information set forth in the Offer to Purchase under the heading "The Tender Offer—Section 8. Certain Information Concerning Entasis" is incorporated herein by reference.

The audited financial statements of Entasis as of and for the fiscal years ended December 31, 2021 and December 31, 2020 are incorporated herein by reference to Item 8 of Entasis' Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on March 3, 2022. The unaudited consolidated financial statements of Entasis for the three months ended March 31, 2022 are incorporated herein by reference to Item 1 of Entasis' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, filed with the SEC on April 27, 2022. The book value per share of common stock, par value \$0.001 per share, of Entasis as of March 31, 2022 is \$0.35.

(b) Pro Forma Information

Not applicable.

ITEM 14. PERSONS/ASSETS RETAINED, EMPLOYED, COMPENSATED OR USED

(a) Solicitations or Recommendations

The information set forth in the Schedule 14D-9 under the heading “Item 5. Person/Assets, Retained, Employed, Compensated or Used” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the heading “The Tender Offer—23. Fees and Expenses” is incorporated herein by reference.

(b) Employees and Corporate Assets

Neither Innoviva nor Purchaser employed or used any officer, employee or corporate assets of Entasis in connection with the transaction.

The information set forth in the Schedule 14D-9 under the heading “Item 5. Person/Assets, Retained, Employed, Compensated or Used” is incorporated herein by reference.

The information set forth in the Offer to Purchase under the heading “The Tender Offer—23. Fees and Expenses” is incorporated herein by reference.

ITEM 15. ADDITIONAL INFORMATION

(b) Golden Parachute Compensation

The information set forth in the Schedule 14D-9 under the heading “Item 3. Past Contracts, Transactions, Negotiations and Agreements—Arrangements with the Company’s Directors and Executive Officers—Golden Parachute Compensation” is incorporated herein by reference.

(c) Other Material Information

None.

ITEM 16. EXHIBITS

The following exhibits are filed herewith:

Exhibit No.	Description
(a)(1)(A)	Offer to Purchase, dated June 7, 2022 (incorporated herein by reference to Exhibit (a)(1)(A) to the Schedule TO).
(a)(1)(B)	Form of Letter of Transmittal (incorporated herein by reference to Exhibit (a)(1)(B) to the Schedule TO).
(a)(1)(C)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees (incorporated herein by reference to Exhibit (a)(1)(C) to the Schedule TO).
(a)(1)(D)	Form of Letter to Clients for Use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees (incorporated herein by reference to Exhibit (a)(1)(D) to the Schedule TO).
(a)(1)(E)	Summary Advertisement, published June 7, 2022 in the Wall Street Journal (incorporated by reference to Exhibit (a)(1)(E) to the Schedule TO).
(a)(2)(A)	Solicitation/Recommendation Statement on Schedule 14D-9 (incorporated by reference to Schedule 14D-9 filed by Entasis with the SEC on June 7, 2022).
(a)(5)(A)	Joint Press Release issued by Entasis and Innoviva on May 23, 2022 (incorporated by reference to Exhibit 99.1 to the Entasis' Current Report on Form 8-K filed with the SEC on May 23, 2022).
(a)(5)(B)	Innoviva Acquisition and Integration FAQs, dated May 23, 2022 (incorporated by reference to Schedule TO-C filed by Innoviva with the SEC on May 24, 2022).
(a)(5)(C)	Innoviva Transaction Discussion Materials Presented at Entasis Town Hall on May 23, 2022 (incorporated by reference to Schedule TO-C filed by Innoviva with the SEC on May 24, 2022).
(a)(5)(D)	Key Messages for Project Elephant Day 1 Communications, dated May 23, 2022 (incorporated by reference to Schedule TO-C filed by Innoviva with the SEC on May 24, 2022).
(a)(5)(E)	Employee email from Pavel Raifeld, provided on May 23, 2022 (incorporated by reference to Schedule TO-C filed by Innoviva with the SEC on May 24, 2022).
(b)	None.
(c)(1)	Opinion of MTS Securities, LLC, dated May 22, 2022 (incorporated by reference to Annex B of the Schedule 14D-9).
(c)(2)	Presentation Titled "Project Ebony—Valuation Analysis," dated May 22, 2022, Presented to the Board of Directors of Entasis.
(d)(1)	Agreement and Plan of Merger, dated as of May 23, 2022, among Entasis, Innoviva and Purchaser (incorporated by reference to Exhibit 2.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on May 23, 2022).
(d)(2)	Form of Tender and Support Agreement for the Entasis' Directors and Officers (incorporated herein by reference to Exhibit 99.2 to Innoviva's Current Report on Form 8-K (File No. 000-30319), filed with the SEC on May 24, 2022).
(d)(3)	Tender and Support Agreement, dated May 23, 2022, by and among Innoviva, Merger Sub and TPG GP A, LLC (incorporated herein by reference to Exhibit 99.1 to Innoviva's Current Report on Form 8-K (File No. 000-30319), filed with the SEC on May 24, 2022).

- (d)(4) Securities Purchase Agreement, dated February 17, 2022, by and between Entasis and ISO (incorporated herein by reference to Exhibit 10.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on February 18, 2022).
 - (d)(5) Securities Purchase Agreement, dated May 3, 2021, by and between the Entasis and ISO (incorporated herein by reference to Exhibit 10.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on May 3, 2021).
 - (d)(6) Securities Purchase Agreement, by and between Entasis and the Investors named therein, dated August 27, 2020 (incorporated herein by reference to Exhibit 10.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on September 1, 2020).
 - (d)(7) Securities Purchase Agreement, by and between Entasis and Innoviva, dated April 12, 2020 (incorporated herein by reference to Exhibit 10.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on April 13, 2020).
 - (d)(8) Registration Rights Agreement, dated February 18, 2022 by and between Entasis and Innoviva (incorporated herein by reference to Exhibit 10.2 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on February 18, 2022).
 - (d)(9) Registration Rights Agreement, by and between Entasis and ISO, dated May 3, 2021 (incorporated herein by reference to Exhibit 10.2 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on May 3, 2021).
 - (d)(10) Registration Rights Agreement, by and between Entasis and the Investors named therein, dated September 1, 2020 (incorporated herein by reference to Exhibit 10.2 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on September 1, 2020).
 - (d)(11) Registration Rights Agreement, by and between Entasis and Innoviva, Inc., dated April 22, 2020 (incorporated herein by reference to Exhibit 4.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on April 22, 2020).
 - (d)(12) Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on April 13, 2020).
 - (d)(13) Form of Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 4.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on September 1, 2020).
 - (d)(14) Form of Pre-Funded Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 4.2 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on September 1, 2020).
 - (d)(15) Form of Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 4.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on May 3, 2021).
 - (d)(16) Convertible Promissory Note, dated February 18, 2022 (incorporated herein by reference to Exhibit 4.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on February 18, 2022).
 - (d)(17) Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.2 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on February 18, 2022).
 - (d)(18) Investor Rights Agreement, by and between Entasis and Innoviva, dated April 22, 2020 (incorporated herein by reference to Exhibit 10.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on April 22, 2020).
 - (d)(19) Amendment No. 1 to Investor Rights Agreement, by and between Entasis and Innoviva, dated May 23, 2022 (incorporated by reference to Exhibit 10.1 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on May 23, 2022).
 - (d)(20) Form of Voting Agreement, between Innoviva and the stockholder party thereto (incorporated herein by reference to Exhibit 10.2 to the Entasis' Current Report on Form 8-K (File No. 001-38670), filed with the SEC on April 13, 2020).
 - (f) Schedule III to the Offer to Purchase, dated June 7, 2022 (incorporated herein by reference to Exhibit (a)(1)(A) to the Schedule TO).
 - (g) None.
- [107](#) Calculation of Filing Fee Tables.

SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

Dated: June 7, 2022

INNOVIVA, INC.

By: /s/ Pavel Raifeld

Name: Pavel Raifeld

Title: Chief Executive Officer

By: /s/ Pavel Raifeld

Name: Pavel Raifeld

Title: President



Project Ebony – Valuation Analysis

Presented to the Board of Directors:



May 22, 2022

Disclaimer

The following pages contain material provided to the Board of Directors (the "Board") of Entasis ("Entasis" or the "Company") by MTS Securities, LLC ("MTS") as part of a presentation being made in support of our opinion, as to the fairness, from a financial point of view, to holders of shares of Entasis common stock (other than Innoviva, Inc., Innoviva Merger Sub, Inc. and their respective affiliates and holders of excluded shares) of the offer consideration to be received by such holders pursuant to the offer and the merger contemplated by the Agreement and Plan of Merger by and among Entasis, Innoviva and Innoviva Merger Sub (the "Transaction").

These materials were prepared on a confidential basis in connection with an oral presentation to the Board and the Special Transaction Committee thereof and not with a view toward complying with the disclosure standards under state or federal securities laws. These materials were prepared solely for the use of the Board and the Special Transaction Committee thereof in connection with their consideration of the Transaction. These materials may not be used or relied upon by any other person or entity or for any other purpose without MTS's written consent. Accordingly, neither MTS nor any of its affiliates, nor any of their respective employees, advisors or representatives, takes any responsibility nor shall have any liability for the materials contained herein to the extent used by any such other person or entity or for any such other purpose.

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These materials are prepared for discussion purposes only and are incomplete without reference to, and should be viewed in conjunction with, the oral briefing and the text of any opinion provided by MTS.

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Except where otherwise indicated, these analyses and information presented in these materials speak as of the date hereof. Under no circumstances should the delivery of these materials imply that the analyses or information presented herein would be the same if made as of any other date. Without limiting the foregoing, these materials are based in part on the Final Offer dated as of 05/21/22. MTS does not have or assume any obligation to update or otherwise revise the analyses or information contained herein. These materials shall not be deemed to constitute any legal, regulatory, tax or accounting advice.

Table of Contents

1. Entasis Overview

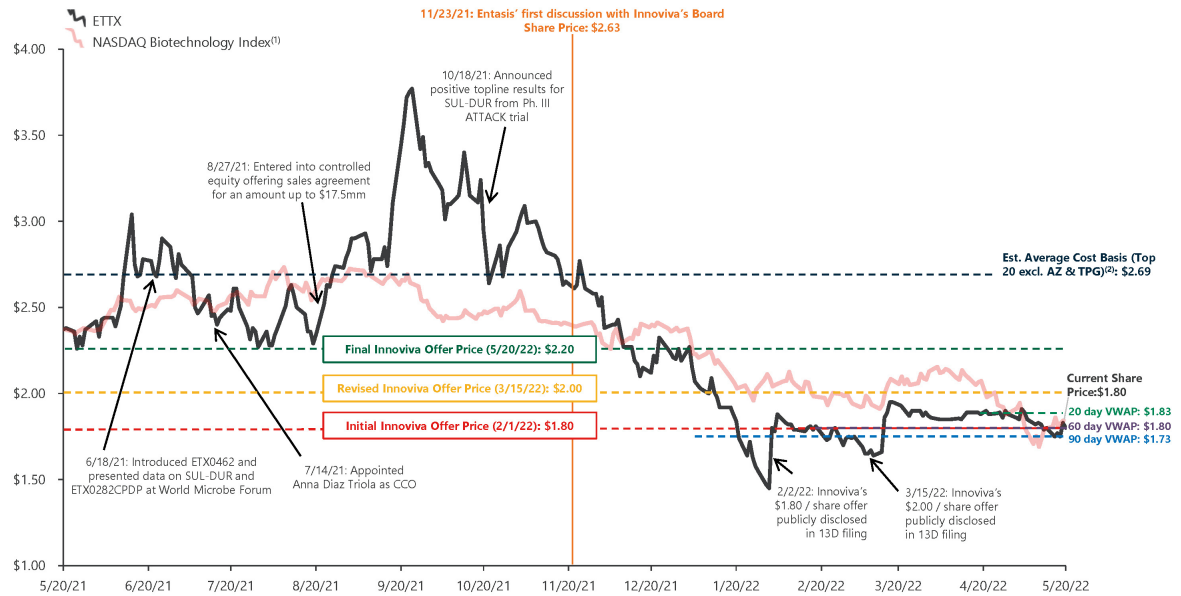
2. Entasis Valuation

Appendix



1. Entasis Overview

Stock Price Performance



(1) Indexed to ETTX stock price as of 05/20/22.
 (2) Excludes AstraZeneca and TPG Capital with average cost basis of \$10.51.
 Source(s): Capital IQ, Company website, and Company filings as of 05/20/22.

Public Market Overview (cont'd)



Current Valuation

(\$ in mm, except per share data)

Price Per Share (05/20/2022)	\$1.80
52 Week High:	\$3.88
52 Week Low:	\$1.40
Shares Outstanding (mm):	62.503
Equity Value	\$113
Plus: Debt	-
Less: Cash & Equivalents	(34)
Enterprise Value:	\$79

Trading Statistics

	Volume Weighted Average Price	Current Price Premium/(Discount)
Last 5 Trading Days	\$1.80	0.0%
Last 10 Trading Days	1.81	(0.4%)
Last 20 Trading Days	1.83	(1.8%)
Last 30 Trading Days	1.84	(2.4%)
Last 60 Trading Days	1.80	(0.2%)
Last 90 Trading Days	1.73	4.1%
Last 120 Trading Days	1.81	(0.3%)
Last 6 Months	1.86	(3.2%)
Last 12 Months	2.65	(32.1%)

Note: \$ in millions, except per share data. Share price as of market close.
Source(s): Capital IQ, Company website, and Company filings as of 05/20/22.



2. Entasis Valuation

Entasis Valuation

Summary of Methodologies

Discounted Cash Flow Analysis

- > Based on Entasis Management provided projections, including those for revenue, POS, penetration and NOL utilization⁽¹⁾
- > Analysis of Entasis's future unlevered free cash flows per Entasis assumptions about the projected economics from partnering assets in the 10 years following assumed launch
 - No terminal value, CAPEX and change in net working capital assumed
- > Cash flows discounted back to 6/30/22 using Entasis's calculated weighted-average cost of capital (WACC)⁽²⁾
 - WACC based upon comparable companies, both anti-infective and distressed biotech companies

Comparable Publicly Traded Companies

- > Analyzed late-stage anti-infective companies
- > Focused on below metrics and calculated implied Entasis share price
 - Enterprise values
 - EV / Unadjusted peak sales
- > Assumed peak sales of \$400mm per Entasis management

Precedent Transactions

- > Analyzed M&A or asset transactions involving late-stage anti-infective company/asset
- > Focused on below metrics and calculated implied Entasis share price
 - Upfront Consideration
 - Total Consideration
 - TV / Unadjusted peak sales
- > Assumed peak sales of \$400mm per Entasis management

MTS did not attribute any particular weight to any analysis, methodology or factor considered by it, but rather made qualitative judgements as to the significance and relevance of each analysis and factor; accordingly, MTS' analyses must be considered as a whole. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view.

(1) See Appendix for further detail on NOL utilization assumptions.

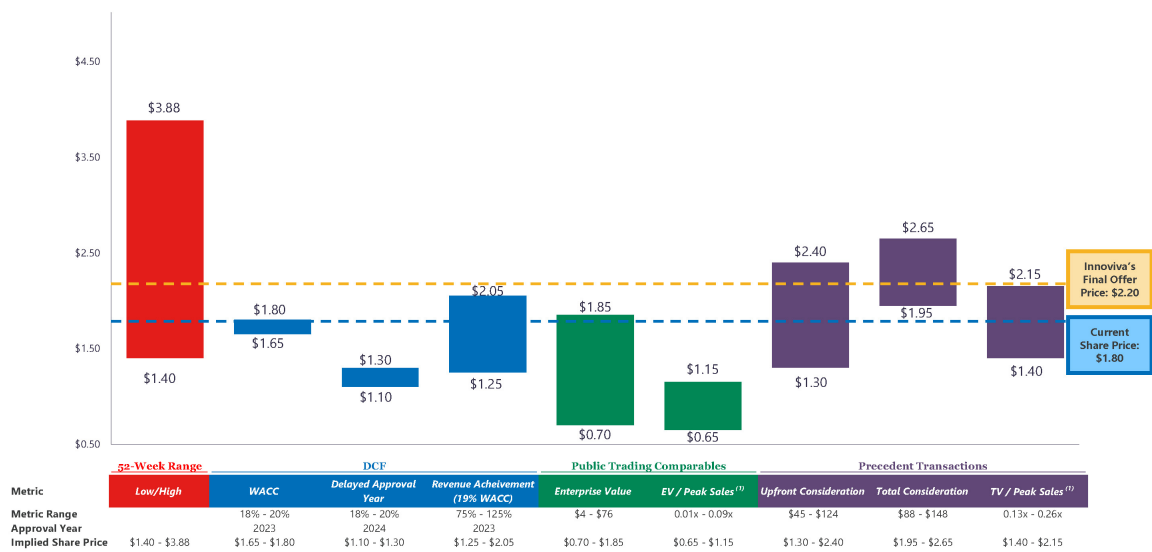
(2) See Appendix for Entasis WACC calculations.

Note: POS = Probability of Success.

Note: Analysis based on draft Merger Agreement dated 5/20/22 and Final Offer dated 05/21/22.

Entasis Valuation Summary

Implied Share Price



(1) Assumes aggregate peak sales of \$400mm as per Entasis management; comprised of \$300mm for SUL-DUR, \$100mm for Zoliflodacin.
 Note: Per share value was calculated on the basis of pro forma 62,291mm shares outstanding per Entasis management. Per Entasis management, comprised of 47,851,779 common shares outstanding as of 5/19/22, including 2,713,025 unvested RSUs, pro forma \$15mm Innoviva convertible note financing and subsequent conversion at \$1.48/share and issuance of 10.1mm warrant at exercise price of \$1.48/share; warrants are calculated using the Treasury Stock Method. Per Entasis management, \$0mm debt as of 3/31/22 and \$34mm cash as of 3/31/22 for a pro forma cash figure of \$49mm including the \$15mm from the Innoviva convertible note financing.
 Note: \$ in millions, except per share data. Share prices rounded to the nearest \$0.05 except for 52-week range.
 Source: Entasis management. Market data per CapitalIQ as of 05/20/22.

Entasis Management P&L Assumptions

Entasis Management Case: Partner at Approval, Transition to Private Shell Company (DarkCo)

General	<ul style="list-style-type: none">– Program revenue projections provided by Entasis management– Assumes that Entasis funds programs through US approval, partners the programs, and transitions to a shell company (DarkCo)– Assumes Zai partnership commercializes SUL-DUR in China– Partnership economics projected by Entasis⁽¹⁾– Projections through 2034 for SUL-DUR and Zoliflodacin, modeled as 10 years from the commercial launch in 2025– 95% cumulative regulatory probability of success for SUL-DUR sales and milestones and 66% cumulative regulatory POS for Zoliflodacin sales and milestones
Revenue & COGS	<ul style="list-style-type: none">– US net sales of SUL-DUR based on 27k carbapenem-resistant Acinetobacter cases per year with 60% peak market share– US net sales of Zoliflodacin based on 1.425mm uncomplicated gonorrhea cases per year with 20% peak market share– Commercial launch for both SUL-DUR and Zoliflodacin in 2025 by partners– Terms of the partnership deal provided by Entasis management<ul style="list-style-type: none">• SUL-DUR: Upfront payment of \$15mm, sales milestones of up to \$100mm and royalties of 20-30%• Zoliflodacin: Upfront payment of \$5mm, approval milestone of up to \$5mm, sales milestones of \$42.5mm and royalties of 18-24%– Assumes no COGS other than royalties owned to AZ
Operating Expenses	<ul style="list-style-type: none">– R&D, G&A, wind-down and shell company operating cost assumptions as provided by Entasis management– Assumes delisting one year after US partnership deal and transition to an unregistered Delaware Corp (DarkCo) solely for the distribution of milestone/royalty income<ul style="list-style-type: none">• Assumes no G&A and R&D cost post-transition other than the cost associated with the creation and maintenance of DarkCo
Taxes	<ul style="list-style-type: none">– Corporate tax rate of 26%– Assumes \$166mm of Federal NOLs⁽²⁾ through 12/31/21 are eligible for tax relief subject to use restrictions<ul style="list-style-type: none">• NOLs generated before the end of 2017 = \$13M (Section 382 limited but not subject to 80% rule)• NOLs generated between 2018 and CoC (June 11, 2020) = \$82.93M (Section 382 limited and subject to 80% rule)• NOLs generated after CoC = \$70mm (not Section 382 limited but subject to 80% rule)– State and foreign NOLs and tax credits are significantly limited and concluded to be non-material by the Entasis management

(1) Per Entasis assumptions. See Appendix for further detail on projected partnership economics by program.

(2) Per Entasis assumptions. See Appendix for further detail on NOL utilization assumptions.

Note: The CARES Act provides a special 5-year carryback for taxable years beginning in 2018, 2019 and 2020. For losses arising in taxable years beginning after Dec. 31, 2020, the net operating loss deduction is limited to 80% of the excess (if any) of taxable income.

Source: Entasis management provided projections.

Entasis P&L Projections

Entasis Management Case: Partner at Approval in 2023, Transition to DarkCo

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
SUL-DUR US Revenue (Risk Unadj.)	\$-	\$-	\$-	\$18	\$58	\$108	\$164	\$216	\$259	\$282	\$301	\$308	\$291	\$203
SUL-DUR Zai Revenue (Risk Unadj.)	-	-	-	-	14	32	52	75	94	110	121	142	157	78
Zoli US Revenue (Risk Unadj.)	-	-	-	1	3	6	16	29	47	71	90	101	48	32
SUL-DUR US Milestones / Royalties (Risk Unadj.)	-	15	-	3	19	37	27	68	47	53	97	59	55	-
SUL-DUR Zai Milestones / Royalties (Risk Unadj.)	-	11	4	6	1	3	8	6	8	17	10	12	14	6
Zoliflodacin Milestones / Royalties (Risk Unadj.)	-	5	5	0	0	1	2	4	6	15	20	24	6	-
SUL-DUR US Milestones / Royalties (Risk Adj.)	-	14	-	3	18	35	26	64	45	50	92	56	52	-
SUL-DUR Zai Milestones / Royalties (Risk Adj.)	-	10	4	6	1	2	8	6	7	16	10	12	13	6
Zoliflodacin US Milestones / Royalties (Risk Adj.)	-	5	3	0	0	1	1	3	4	10	13	16	4	-
Total Revenue (Risk-Adjusted Net Sales)	\$-	\$30	\$7	\$8	\$19	\$38	\$35	\$72	\$56	\$76	\$115	\$84	\$69	\$6
SUL-DUR Milestones/Royalties to AZ	-	-	-	(0)	(1)	(7)	(4)	(6)	(7)	(7)	(8)	(9)	(9)	(1)
Zoliflodacin Milestone/Royalties to AZ	-	-	-	(7)	(0)	(0)	(0)	(1)	(1)	(2)	(2)	(3)	(1)	-
Gross Profit	\$-	\$30	\$7	\$1	\$18	\$30	\$30	\$66	\$48	\$67	\$105	\$72	\$59	\$4
SUL-DUR R&D	(13)	(2)	-	-	-	-	-	-	-	-	-	-	-	-
G&A	(19)	(7)	-	-	-	-	-	-	-	-	-	-	-	-
Wind-Down Expense	(4)	(6)	-	-	-	-	-	-	-	-	-	-	-	-
DarkCo Administrative Expenses	-	(2)	(3)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Operating Expenses	(36)	(16)	(3)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
EBIT	(\$36)	\$14	\$5	\$1	\$17	\$29	\$30	\$65	\$48	\$66	\$104	\$72	\$59	\$4

Note: \$ in millions.
Source: Entasis management projections.

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Entasis DCF Analysis

Entasis Management Case: Partner at Approval in 2023, Transition to DarkCo (cont'd)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT	(\$36)	\$14	\$5	\$1	\$17	\$29	\$30	\$65	\$48	\$66	\$104	\$72	\$59	\$4
Taxes (26%) ⁽¹⁾	-	(1)	(0)	(0)	(1)	(2)	(2)	(9)	(12)	(17)	(27)	(19)	(15)	(1)
NOPAT / Unlevered Free Cash Flow ⁽²⁾	(\$36)	\$13	\$5	\$1	\$16	\$28	\$28	\$56	\$35	\$49	\$77	\$53	\$43	\$3

Sensitivity Analysis – Post Conversion Per Share Equity Value⁽³⁾

		2023 Approval		
		Revenue Achievement		
		75%	100%	125%
WACC	18.0%	\$1.35	\$1.80	\$2.14
	19.0%	\$1.27	\$1.71	\$2.05
	20.0%	\$1.20	\$1.63	\$1.95

Sensitivity Analysis – Post Conversion Per Share Equity Value⁽³⁾

		2024 Approval		
		Revenue Achievement		
		75%	100%	125%
WACC	18.0%	\$0.85	\$1.29	\$1.62
	19.0%	\$0.78	\$1.19	\$1.52
	20.0%	\$0.72	\$1.10	\$1.41

(1) Per Entasis management, assumes \$166mm of Federal NOL through 12/31/21 is eligible for tax relief subject to limits on use. See Appendix for details.

(2) Per Entasis management, assumes NOPAT to be equivalent to unlevered free cash flow due to lack of net working capital or CAPEX.

(3) Note: Per share value was calculated on the basis of pro forma 62.291mm shares outstanding per Entasis management. Per Entasis management, comprised of 47,851,779 common shares outstanding as of 5/19/22, including 2,713,025 unvested RSUs, pro forma \$15mm Innoviva convertible note financing and subsequent conversion at \$1.48/share and issuance of 10.1mm warrant at exercise price of \$1.48/share; warrants are calculated using the Treasury Stock Method. Per Entasis management, \$0mm debt as of 3/31/22 and \$34mm cash as of 3/31/22 for a pro forma cash figure of \$49mm including the \$15mm from the Innoviva convertible note financing.

Note: \$ in millions, except per share data.

Publicly Traded Comparable Companies

Selected Late Stage Anti-Infective Publicly Traded Companies

Company Name	Lead Product	Phase	Lead Indication	Launch Year	Market Cap	Enterprise Value	Peak Sales (POS unadj.)	EV / Peak Sales
Matinas BioPharma	MAT2203	Phase 2a	Invasive Fungal Infections	2024E	\$152	\$113	\$810	0.14x
Contrafect	Exebacase	Phase 3	Bacteraemia	2023E	139	100	900	0.11x
Daré Bioscience	DARE-BV1	Approved	Bacterial Vaginosis	2022E	97	59	822	0.07x
PolyPid	D-PLEX100	Phase 3	Surgical Site Infections	2023E	92	68	779	0.09x
Spero Therapeutics ⁽¹⁾	Tebipenem	Filed	Complicated Urinary Tract Infections	2022E	56 ⁽²⁾	(59) ⁽²⁾	940	-0.06x
Iterum Therapeutics	Sulopenem	Filed (rec'd CRL) ⁽³⁾	Uncomplicated Urinary Tract Infections	2024E	50	(3)	519	-0.01x
Cidara Therapeutics	Rezafungin	Phase 3	Candidiasis	2023E	40	7	662	0.01x
Aridis Pharmaceuticals	AR-301	Phase 3	HAP/VAP caused by S. Aureus	2023E	19	19	1,302	0.01x

All Companies (n=8)

Third Quartile	\$107	\$76	\$910	0.09x
Median	74	39	816	0.04x
Mean	80	38	842	0.05x
First Quartile	47	4	749	0.01x

(1) Spero entered into a non-dilutive interest financing agreement with HealthCare Royalty Partners for up to \$125mm (\$50mm upfront) on 9/30/21.

(2) Spero announced it is undergoing an immediate cessation of commercializing work on tebipenem HBr on May 3, 2022. Stock price has traded down ~70% following this news.

(3) Iterum received a CRL from the FDA in July 2021 requesting additional data to support approval of oral sulopenem. An additional Phase 3 UTI study is to be conducted prior to NDA resubmission.

Note: \$ in millions, except per share data; Peak sales is based on average of POS unadjusted peak sales from equity research reports.

Note: MTS selected publicly traded companies determined relevant based on late-stage clinical status and anti-infective focus area. Variable statistics shown such as market capitalization and peak sales are subject to change based on market movement and analyst coverage.

Source: Company filings and CapIQ as of 05/20/22.

Precedent Transactions

Selected Comparable Transactions

Ann Date	Target	Acquirer	Deal Type	Lead Program	Stage	Indication(s)	Upfront Consideration	Contingent Consideration	Total Consideration	Trans. Value ⁽¹⁾	Peak Sales	Trans. Value / Peak Sales
Mar-2020	Correvio	Advanz Pharma	Public M&A	Xydalba Zevtera/Mabelio	Marketed Marketed	Acute Bacterial Skin and Skin Structure Infections (ABSSSI) Bacterial Pneumonia	\$76	-	\$76	\$57	\$500	0.11x
Jun-2020	Tetraphase	La Jolla Pharmaceuticals	Public M&A	Xerava	Marketed	Complicated Intra-Abdominal Infections (cIAI)	43	16	59	\$28	196	0.15x
Mar-2020	Melinta Therapeutics	Deerfield Management	Ch. 11 Acquisition	Baxdela	Marketed	Pneumonia, skin infections	140	-	140 ⁽²⁾	140	NA	NA
Jul-2018	Zavante Therapeutics	Nabriva	Private M&A	Contepo	Filing Ready	Urinary Tract Infections (UTI)	27	98	124	124	NA	NA
Nov-2017	The Medicines Company	Melinta Therapeutics	Asset	Vabomere	Marketed	Gram negative infections, UTIs, pneumonia, general bacterial indications	220	50	270 ⁽³⁾	270	725	0.37x
Oct-2017	Symbiomix Therapeutics	Lupin Pharmaceuticals	Private M&A	Solosec	Approved	Bacterial Vaginosis	50	100	150	150	NA	NA

All Transactions (n=6)

Third Quartile	\$124	\$86	\$148	\$148	\$613	0.26x
Median	63	33	132	132	500	0.15x
Mean	93	44	137	128	474	0.21x
First Quartile	45	4	88	74	348	0.13x

(1) Private transactions are recorded with publicly available information for Transaction Value/Enterprise Value.

(2) Deerfield acquired Melinta in a \$140mm debt for equity swap during a Chapter 11 Plan of Reorganization.

(3) Includes cash components of \$165mm at closing, \$25mm and \$25mm on the 12th and 18th month closing anniversaries (\$50mm total), and \$55mm in Melinta shares (half of which had a 180-day lockup).

Note: Gray highlight indicates an asset deal.

Note: \$ in millions; Peak sales is based on average of POS unadjusted peak sales from equity research reports.

Source: Cortellis as of 05/20/22.



Appendix

Entasis Weighted Average Cost of Capital (WACC) Analysis
NOL Analysis

WACC Analysis

Selected Comparable Industry Specific Publicly Traded Companies⁽¹⁾

Unlevered Beta Analysis											
Company	Price 5/20/2022	Diluted Shares Out.	Equity Value	Cash	Total Debt	Total Cap.	Total Debt / Total Cap.	Tax	Levered Beta ⁽²⁾	1+(D*(1-D))/E	Unlevered Beta
Matinas BioPharma	\$0.70	217,062	\$152	\$44	\$5	\$157	2.9%	26.0%	1.13	1.02	1.10
ContraFect	\$3.53	39,333	139	42	3	142	2.2%	26.0%	0.71	1.02	0.70
Dare Bioscience	\$1.14	84,928	97	39	1	98	1.2%	26.0%	1.62	1.01	1.61
PolyPid	\$4.91	18,757	92	24	0	92	0.0%	23.0%	0.71	1.00	0.71
Spero Therapeutics	\$1.38	40,352	56	122	7	63	11.3%	26.0%	1.42	1.09	1.30
Iterum Therapeutics	\$0.27	184,590	50	75	22	72	30.7%	26.0%	0.98	1.33	0.74
Cidara Therapeutics	\$0.44	89,078	40	36	4	43	8.5%	26.0%	1.22	1.07	1.14
Aridis Pharmaceuticals	\$1.07	17,702	19	12	13	32	40.7%	26.0%	1.24	1.51	0.82
Mean							12.2%	25.6%	1.13	1.13	1.02
Median							5.7%	26.0%	1.17	1.05	0.96

	Weight ⁽³⁾	Cost of Capital		Contribution to WACC	Cost of Equity Calculation	
		Pre-Tax	After-Tax			
Debt Capital	12%	11.8%	8.8%	1.1%	Unlevered Beta	1.02
Equity Capital	88%	20.0%	20.0%	17.5%	Levered Beta	1.15
					Normalized Risk-Free Rate ⁽⁴⁾	2.5%
					Equity Market Risk Premium ⁽⁴⁾	5.5%
					Company Size Premium ⁽⁵⁾	11.2%
				WACC 18.6%	Cost of Common Equity	20.0%

- (1) MTS selected publicly traded companies determined relevant based on late-stage clinical status and anti-infective focus area. Variable statistics shown such as market capitalization and peak sales are subject to change based on market movement and analyst coverage.
- (2) 2-year weekly historical adjusted Beta per Bloomberg as of 05/20/22.
- (3) Debt capital calculated as the mean (total debt/total cap) of selected industry specific public trading comps; Equity capital calculated as (100% - debt capital %).
- (4) Normalized long-term risk-free rate and expected Equity Risk Premium (ERP) per Kroll report as of Sep '21.
- (5) Per Kroll report as of Dec '21. Size premium represents companies with market caps between \$11mm and \$128mm.
- Source: Company filings and CapIQ as of 05/20/22.

WACC Analysis

Selected Comparable Distressed Publicly Traded Companies⁽¹⁾

Unlevered Beta Analysis											
Company	Price 5/20/2022	Diluted Shares Out.	Equity Value	Cash	Total Debt	Total Cap.	Total Debt / Total Cap.	Tax	Levered Beta ⁽²⁾	1+(D*(1-T))/E	Unlevered Beta
Angion Biomedica Corp.	\$1.28	30.163	\$73	\$73	\$4	\$77	5.7%	26.0%	2.32	1.04	2.22
Achieve Life Sciences, Inc.	\$6.90	10.131	70	36	15	85	17.6%	26.0%	1.35	1.16	1.16
Eyenovia, Inc.	\$2.02	33.737	68	27	8	76	10.2%	26.0%	0.93	1.08	0.86
Cidara Therapeutics, Inc.	\$0.44	89.078	40	36	4	43	8.5%	26.0%	1.22	1.07	1.14
PhaseBio Pharmaceuticals, Inc.	\$0.80	48.946	39	19	7	46	14.9%	26.0%	2.03	1.13	1.79
Stealth BioTherapeutics Corp	\$0.24	163.435	39	34	14	53	26.0%	0.0%	1.13	1.35	0.84
Eloxx Pharmaceuticals, Inc.	\$0.34	86.656	29	40	13	43	31.5%	26.0%	1.21	1.34	0.90
Cyclerion Therapeutics, Inc.	\$0.55	43.503	24	41	0	24	0.0%	26.0%	2.20	1.00	2.20
Allena Pharmaceuticals, Inc.	\$0.12	109.977	13	9	5	18	27.3%	26.0%	1.58	1.28	1.24
Nabriva Therapeutics plc	\$0.19	64.369	12	34	8	21	40.1%	12.5%	1.17	1.59	0.74
Yumanity Therapeutics, Inc.	\$1.11	10.895	12	17	11	23	47.3%	26.0%	3.20	1.66	1.92
Catalyst Biosciences, Inc.	\$0.38	31.477	12	35	2	14	13.8%	26.0%	1.13	1.12	1.01
Acorda Therapeutics, Inc.	\$0.52	13.363	7	32	201	208	96.7%	26.0%	0.88	22.63	0.04
Baudax Bio	\$0.76	6.423	5	12	10	14	66.3%	26.0%	1.55	2.46	0.63
Mean	29.0%	23.2%	1.56	2.85	1.19						
Median	21.8%	26.0%	1.29	1.22	1.08						

(1) MTS selected biotech companies that it determined to be distressed based on share price performance, cash, ability to raise capital and existing cash runway through clinical catalysts. Due to updates in each company's respective performance, the comparable set has been adjusted to include the addition of Baudax Bio, Inc. (NASDAQ: BXR) and removal of Axcella Health, Inc. (NASDAQ: AXLA) with respect to the aforementioned inclusion criteria.

(2) 2-year weekly historical adjusted Beta per Bloomberg as of 05/20/22.
Source: Company filings and CapIQ as of 05/20/22.

WACC Analysis

Selected Comparable Distressed Publicly Traded Companies⁽¹⁾

	Weight ⁽²⁾	Cost of Capital		Contribution to WACC	Cost of Equity Calculation	
		Pre-Tax	After-Tax		Unlevered Beta	Levered Beta
Debt Capital	29%	8.0%	5.9%	1.7%	1.19	3.40
Equity Capital	71%	32.4%	32.4%	23.0%	Normalized Risk-Free Rate ⁽³⁾	2.5%
					Equity Market Risk Premium ⁽³⁾	5.5%
					Company Size Premium ⁽⁴⁾	11.2%
			WACC	24.7%	Cost of Common Equity	32.4%

(1) MTS selected biotech companies that it determined to be distressed based on share price performance, cash, ability to raise capital and existing cash runway through clinical catalysts.

(2) Debt capital calculated as the mean (total debt/total cap) of selected comparable distressed public trading comps; Equity capital calculated as (100% - debt capital %).

(3) Normalized long-term risk-free rate and expected Equity Risk Premium (ERP) per Kroll report as of Sep. 21.

(4) Per Kroll report as of Dec. 21. Size premium represents companies with market caps between \$11mm and \$128mm.

Source: Company filings and CapIQ as of 05/20/22.

Overview of Projected Partnership Economics

Assumptions per Entasis Management

SUL-DUR Projected Partnership Economics

- > Upfront payment - \$15mm
- > Sales milestones (\$100mm total)
 - \$10mm at \$50mm in annual sales
 - \$20mm at \$100mm in annual sales
 - \$30mm at \$200mm in annual sales
 - \$40mm at \$300mm annual sales
- > Royalties
 - 15% up to \$100mm
 - 19% up to \$200mm
 - 23% up to \$300mm
 - 25% > \$300mm

Zoli Projected Partnership Economics

- > Upfront payment - \$5mm
- > Approval Milestone - \$5mm
- > Sales milestones (\$42.5mm total)
 - \$5mm at \$50mm in annual sales
 - \$7.5mm at \$75mm in annual sales
 - \$10mm at \$100mm in annual sales
 - \$20mm at \$200mm in annual sales
- > Royalties
 - 13% up to \$50mm
 - 15% up to \$100mm
 - 17% up to \$150mm
 - 19% > \$150mm

Source: Entasis management.

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Overview of Treatment of NOLs

Assumptions per Entasis Management

NOL Treatment Overview

> ETTX has accumulated NOLs through 12/31/21 on the following schedule:

Year End	NOLs			Credits	
	Federal	State	Foreign	Federal	State
2015	\$1,694,243	\$1,656,911	\$35,216,511	\$169,289	\$89,124
2016	4,520,590	4,276,001	-	407,657	244,590
2017	6,462,330	7,019,645	-	824,021	266,706
2018	21,908,820	21,924,508	23,153,878	746,338	78,987
2019	39,822,915	40,831,805	32,073,418	536,439	230,536
2020	47,762,898	47,617,158	38,298,379	754,741	276,218
2021	43,853,508	43,861,684	28,411,558	682,836	256,881
Total	\$166,025,304	\$167,187,712	\$157,153,744	\$4,121,321	\$1,443,042

- > Federal NOLs can be separated into three categories:
 - NOLs generated before the end of 2017 = \$12.68mm – 382 limited but not subject to 80% rule
 - NOLs generated between 2018 and CoC (June 11, 2020) = \$82.93mm – 382 limited and subject to 80% rule
 - NOLs generated after CoC = \$70.42mm – not 382 limited but subject to 80% rule
- > State NOLs are significantly limited by CoC events as well as other limitations and are concluded to be non-material to model and hence are excluded
- > Foreign NOLs cannot be transferred or applied to US income and are also excluded
- > Federal R&D tax credits are limited in the same manner as NOLs and, together with State R&D tax credits, are concluded to be non-material to model and hence are excluded

Source: Entasis management.

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Calculation of Filing Fee Table

Table 1 - Transaction Valuation

	Transaction valuation	Fee Rate	Amount of Filing Fee
Fees to Be Paid	\$ 69,453,247.60 ⁽¹⁾	0.0000927	\$ 6,438.32 ⁽²⁾
Fees Previously Paid	\$ 69,453,247.60		\$ 6,438.32 ⁽³⁾
Total Transaction Valuation	\$ 69,453,247.60		
Total Fees Due for Filing			\$ 0
Total Fees Previously Paid			\$ 6,438.32
Total Fee Offsets			\$ 6,438.32
Net Fee Due			\$ 0

Table 2 – Fee Offset Claims and Sources

	Registrant or Filer Name	Form or Filing Type	File Number	Initial Filing Date	Filing Date	Fee Offset Claimed	Fee Paid with Fee Offset Source
Fee Offset Claims		SC TO-T	005-90651	June 7, 2022		\$6,438.32	
Fee Offset Sources	Innoviva, Inc.	SC TO-T	005-90651		June 7, 2022		\$6,438.32 ⁽³⁾

- (1) For purposes of calculating the filing fee pursuant to Rule 0-11(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Transaction Valuation was calculated by multiplying (a) \$2.20, the tender offer price per Share (as defined below), by (b) the sum of (i) 19,178,882 shares of common stock, par value \$0.001 per share (the "Shares"), of Entasis Therapeutics Holdings Inc. ("Entasis"), calculated as 47,851,779 Shares that are issued and outstanding less 28,672,897 Shares, which represents (A) Shares owned by Innoviva Inc. ("Innoviva"), Innoviva Strategic Opportunities LLC ("ISO") or any other direct or indirect wholly owned subsidiary of Innoviva, (B) owned by Entasis (including Shares held in treasury), (ii) 4,672,897 Shares reserved for future issuance pursuant to the outstanding warrants of Entasis not held by Innoviva or ISO, (iii) 2,561,772 Shares subject to issuance pursuant to options granted by Entasis under Entasis' Amended and Restated Stock Incentive Plan (as amended through the date hereof) (the "2015 Plan") and the Entasis' 2018 Equity Incentive Plan (as amended through the date hereof, the "2018 Plan"), (iv) 2,625,025 Shares underlying restricted stock units issued pursuant to the 2015 Plan and the 2018 Plan, (v) 1,626,919 Shares reserved for future issuance under the 2018 Plan, and (vi) 904,163 Shares reserved for future issuance under Entasis' 2018 Employee Stock Purchase Plan. The foregoing share figures have been provided by the issuer to the offerors and are as of June 3, 2022, the most recent practicable date.
- (2) The amount of the filing fee, calculated in accordance with Exchange Act Rule 0-11(b)(1) and the Securities and Exchange Commission Fee Rate Advisory #1 for Fiscal Year 2022, was calculated by multiplying \$69,453,247.60 by 0.0000927.
- (3) Innoviva previously paid \$6,438.32 upon the filing of its Schedule TO on June 7, 2022 in connection with the transaction reported hereby.

