



Progenity, Inc. Prices \$75.0 Million Convertible Senior Notes Offering

December 3, 2020

SAN DIEGO, Dec. 02, 2020 (GLOBE NEWSWIRE) -- Progenity, Inc. (NASDAQ: PROG) today announced the pricing of its offering of \$75.0 million aggregate principal amount of 7.25% convertible senior notes due 2025 (the "notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The issuance and sale of the notes are scheduled to settle on December 7, 2020, subject to customary closing conditions. Progenity also granted the initial purchaser of the notes an option to purchase, for settlement within a period of 13 days from, and including, the date notes are first issued, up to an additional \$15.0 million principal amount of notes.

The notes will be senior, unsecured obligations of Progenity and will accrue interest at a rate of 7.25% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2021. The notes will mature on December 1, 2025, unless earlier repurchased, redeemed or converted. At any time from, and including, the date that is 30 calendar days after the initial closing date of this offering and before the close of business on the second scheduled trading day immediately before the maturity date, noteholders may convert their notes at their option into shares of Progenity's common stock, together, if applicable, with cash in lieu of any fractional share, at the then-applicable conversion rate. In addition, noteholders that convert their notes before December 1, 2022 will, in certain circumstances, be entitled to an additional cash payment representing the present value of any remaining interest payments on the notes through December 1, 2022. The initial conversion rate is 278.0094 shares of common stock per \$1,000 principal amount of notes, which represents an initial conversion price of approximately \$3.60 per share of common stock. The conversion rate and conversion price will be subject to adjustment upon the occurrence of certain events.

The notes will be redeemable, in whole and not in part, for cash at Progenity's option at any time on or after December 1, 2023, but only if the last reported sale price per share of Progenity'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.

If a "fundamental change" (as defined in the indenture for the notes) occurs, then noteholders may require Progenity 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 interest, if any, to, but excluding, the applicable repurchase date.

Progenity estimates that the net proceeds from the offering will be approximately \$70.8 million (or approximately \$85.0 million if the initial purchaser fully exercise its option to purchase additional notes), after deducting the initial purchaser's discounts and commissions and estimated offering expenses. Progenity intends to use the net proceeds from the offering, together with the net proceeds from the underwritten public offering of common stock referred to below, to support its operations, to invest in its molecular testing research and development program, to invest in research and development with respect to its precision medicine platform, and for working capital and general corporate purposes.

Certain entities affiliated with Athyrium Capital Management, LP ("Athyrium"), one of Progenity's affiliates, have agreed to acquire up to \$103.5 million in aggregate principal amount of notes, consisting of \$25.0 million principal amount of notes to be purchased for cash in the offering and, pursuant to a separate exchange agreement, an additional \$78.5 million principal amount of notes to be issued in exchange for the discharge of amounts outstanding under Progenity's credit and security agreement with a fund managed by Athyrium.

In a separate press release, Progenity also announced today the pricing of its previously announced underwritten public offering of 7,645,259 shares of common stock, at a public offering price of \$3.27 per share. The issuance and sale of the common stock are scheduled to settle on December 7, 2020, subject to customary closing conditions. Progenity also granted the underwriters of the common stock offering a 30-day option to purchase up to an additional 1,146,788 shares of common stock. The completion of the offering of the notes is not contingent on the completion of the offering of common stock, and the completion of the offering of common stock is not contingent on the completion of offering of the notes. This press release does not constitute an offer to sell, or the solicitation of an offer to buy, any common stock in the public offering.

The offer and sale of the notes and the shares of common stock issuable upon conversion of the notes have not been, and will not be, registered under the Securities Act or any other securities laws, and the notes and such shares cannot be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws. This press release does not constitute an offer to sell, or the solicitation of an offer to buy, the notes or the shares of common stock issuable upon conversion of the notes, nor will there be any sale of the notes or such shares, in any state or other jurisdiction in which such offer, sale or solicitation would be unlawful.

About Progenity

Progenity, Inc. is a biotechnology company with an established track record of success in developing and commercializing molecular testing products, as well as innovating in the field of precision medicine. Progenity provides in vitro molecular tests designed to improve lives by providing actionable information that helps guide patients and physicians in making medical decisions during key life stages. The company applies a multi-omics approach, combining genomics, epigenomics, proteomics, and metabolomics to its molecular testing products and to the development of a suite of investigational ingestible devices designed to provide precise diagnostic sampling and drug delivery solutions. Progenity's vision is to transform healthcare to become more precise and personal by improving diagnoses of disease and improving patient outcomes through localized treatment with targeted therapies.

Forward-Looking Statements

This press release contains "forward-looking statements," which statements are subject to substantial risks and uncertainties and are based on estimates and assumptions. All statements, other than statements of historical facts included in this press release, including, but not limited to,

Progenity's expectations regarding the consummation of the offerings, the satisfaction of customary closing conditions with respect to the offerings and the anticipated use of the net proceeds are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "estimate," "predict," "potential," "develop," "plan" or the negative of these terms, and similar expressions, or statements regarding intent, belief, or current expectations, are forward looking statements. These statements involve known and unknown risks, uncertainties and other factors that could cause Progenity's actual results to differ materially from the forward-looking statements expressed or implied in this press release, the uncertainties related to market conditions and the completion of the offerings on the anticipated terms or at all, the uncertainties inherent in the clinical drug development process, such as the regulatory approval process, the timing of regulatory filings, and other matters, including the ongoing COVID-19 pandemic and associated shelter-in-place orders, that could affect sufficiency of existing cash, cash equivalents and short-term investments to fund operations and the availability or commercial potential of Progenity's products, and those risks described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Progenity's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, filed with the SEC on November 11, 2020, and other subsequent documents filed with the SEC. Progenity claim the protection of the Safe Harbor contained in the Private Securities Litigation Reform Act of 1995 for forward-looking statements. Progenity expressly disclaims any obligation to update or alter any statements whether as a result of new information, future events or otherwise, except as required by law.

Contact Information

Investor Contact:

Robert Uhl
Managing Director, Westwicke ICR
ir@progenity.com
(619) 228-5886

Media Contact:

Kate Blom-Lowery
CG Life
kblomlowery@cglife.com
(858) 457-2436