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Pulmatrix, Inc.
(Nasdaq/PULM/$2.46/Not rated)

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2016 Year-End Highlights

Pulmatrix filed its 2016 10K and released a year-end corporate update Friday, March 10th. The update covered the status of the current development programs, PUR 0200 and PR1900, as well as laid out 2017 planned milestones. On the financial front, the Company reported 2016 revenue of $0.8 million compared to $1.2 million in 2015. The decrease in year-over-year revenue was due to the conclusion of funding associated with the European PUR0200 bioequivalence and PK clinical study. R&D expense rose to $10.2 million in 2016 from $7.2 million in 2015, largely due to increased activities associated with the PUR1900 program. General and administrative expenses fell to $8.0 million in 2016 from $17.0 million in 2015. The decrease was due to lower employee stock-based compensation in 2016 while 2015 was impacted by approximately $9 million in one-time merger-related costs. In addition, in 2016, the Company wrote off $4.5 million (net of tax provision) in intangibles and recorded a goodwill impairment of $5 million. Net loss for 2016 was $27.8 million compared to a net loss of $26.2 million in 2015. The Company reported $9.7 million in cash as of February 28, 2017.

2016 and 2017 YTD Achievements Noted:

1) Raised $7.5 million in fresh cash in 2017 in two separate registered direct offerings;
2) Received FDA Orphan Drug and QIDP designations for PUR1900 in cystic fibrosis in 2016;
3) Debuted PUR1900 pre-clinical data at the November North American Cystic Fibrosis Conference;
4) In May, the PUR0200 PK/bioavailability European clinical study for the treatment of chronic obstructive pulmonary disease (COPD) was completed.

PUR 0200 and the Mylan Collaboration

PULM completed the PUR0200 European bioequivalence and PK study in collaboration with Mylan N.V. in May 2016. As part of the collaboration, Mylan had an option to negotiate the exclusive right to develop, manufacture, commercialize and market any resulting products of PUR0200 outside the United States. Mylan's option expired unexercised, as of December 31, 2016, and all rights have now reverted back to Pulmatrix.

In the corporate update, the Company stated it plans to pursue both European and US clinical paths for PUR0200. For Europe, the Company intends to seek out scientific advice from three countries as to how best design a registration trial protocol. In the US, PULM intends to hold a pre-IND meeting with the FDA in the second half of 2017 to discuss the clinical development and regulatory (505(b)2 or ANDA) paths for PUR0200. With Mylan now out of the picture, PULM is seeking to form strategic collaborations with other third parties

with respect to the clinical development of PUR0200 in the United States and outside the United States for the COPD indication. The Company is continuing CMC work to support a future European regulatory path.

Focus Shifts to Cystic Fibrosis and the PUR1900 Program

In the absence of a strategic partner for PUR0200, PULM is now shifting focus to the development of the **iSPERSE™** technology for inhaled anti-fungal therapies to treat and prevent pulmonary infections in CF and severe asthma patients as well as other rare/orphan indications. PULM intends to complete CMC development work of a second generation PUR1900 formulation in 2017. Further, the Company is planning to initiate a Phase I/Ib PUR1900 clinical study in health normal volunteers and asthma patients in the second half of 2017. If successful, the Company is planning a Phase II Proof-of-Concept clinical study for second half of 2018.

PUR1900 is PULM's inhaled formulation of itraconazole, a standard of care anti-fungal treatment commercially available as an oral drug. Development of PUR1900 is focused on treatment of *Aspergillus* spp. infection in patients with CF and severe asthma. Through the **iSPERSE** system's direct delivery of itraconazole to the lungs, PUR1900 achieves higher local drug concentrations as compared to oral delivery and overcomes several limitations of traditional oral antifungal therapies including poor oral bioavailability and lung penetration, drug-drug interactions and gastrointestinal side effects. In addition to CF patients, pulmonary *Aspergillus* spp. infections affect approximately 14 million patients worldwide according to the Global Action Fund for Fungal Infections (Improving Outcomes for Patients with Fungal Infections across the World: A Road Map for the Next Decade). The majority of these cases occur in asthmatics with allergic disease but also include invasive *Aspergillus* spp. infections that are associated with a high rate of mortality in immunocompromised patients.

Extensive Patent Portfolio

PULM continues to invest in protecting and expanding its intellectual property portfolio. As of December 31, 2016, Pulmatrix had 115 patents and pending patent applications (including provisional applications) related to the **iSPERSE** technology. Within its patent portfolio, PULM is the sole owner of 10 issued or allowed U.S. patents, with expiration dates ranging from 2025 to 2031, as well as 44 issued or allowed foreign patents, with expiration dates of 2025 to 2031. The Company notes in its 10K that there are 61 additional pending patent applications (including provisionals) in the United States, Europe, Asia and other jurisdictions as of such date.

We Summarize 2017 Planned Milestones as Follows:

1) Conduct a pre-IND meeting with the FDA in the second half of 2017 to determine the US clinical path for PUR0200;
2) Seek to secure a strategic partner for PUR0200 in specific geographies;
3) Complete CMC and non-clinical safety testing for PUR1900;
4) Plan a Phase I/Ib clinical safety trial for PUR1900 in normal, healthy volunteers;
5) Advance pre-clinical study of the Company's pipeline product, PUR1500, towards a lead selection based upon either a 505(b)2 path or in-license opportunity. PUR1500 is directed towards the treatment of idiopathic pulmonary fibrosis.

Comment

PULM stock broke critical support early this week. This appears to be a continuation of a decline underway after the stock's run-up in late January and early February that was perhaps further driven by the change in focus of the Company towards PUR1900 and impact from possible investor disappointment over Mylan's lack of interest in exercising the option for PUR0200. Management will now have to "step up its game" to secure a new strategic partner for PUR0200 while at the same time, move PUR1900 more rapidly into the clinic. We suspect investors will be closely monitoring how quickly management can demonstrate progress

on both these fronts. With as an extensive portfolio of intellectual property as is held by Pulmatrix, we would also expect that investors may want to see efforts towards monetizing some of the inherent value in the patent estate. Therefore, until there is news on one or more of these fronts, we believe investors may be likely to take a "wait and see" attitude towards PULM shares. *SG*

Companies mentioned in this report:
Mylan N.V. (MYL/NYSE/$42.94/Not rated

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Total	6	100%	5	83%

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