KINDRED BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware 001-36225 46-1160142
(State or other jurisdiction of incorporation or organization) (Commission File Number) (I.R.S. Employer Identification No.)

1555 Bayshore Highway, Suite 200, Burlingame, California 94010
(Address of principal executive office) (Zip Code)

(650) 701-7901
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<table>
<thead>
<tr>
<th>Title of each class</th>
<th>Trading Symbol</th>
<th>Name of each exchange on which registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, $0.0001 par value</td>
<td>KIN</td>
<td>The NASDAQ Stock Market LLC</td>
</tr>
<tr>
<td>Preferred Stock Purchase Rights</td>
<td>KIN</td>
<td>The NASDAQ Stock Market LLC</td>
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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933(§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
**Item 2.02 Results of Operations and Financial Condition.**

On August 5, 2020, Kindred Biosciences, Inc. ("KindredBio") issued a press release announcing its financial results for the three months ended June 30, 2020 and recent business developments. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

The information furnished under this Item 2.02, including the accompanying Exhibit 99.1, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liability of such section, nor shall such information be deemed to be incorporated by reference in any subsequent filing by the Company under the Securities Act of 1933 or the Exchange Act, regardless of the general incorporation language of such filing, except as specifically stated in such filing.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

Effective July 31, 2020, Denise M. Bevers terminated her employment as the President, Chief Operating Officer, and Secretary of KindredBio, although she will remain on KindredBio’s Board of Directors. The departure of Ms. Bevers as an officer of KindredBio as part of KindredBio’s corporate restructuring was previously announced by KindredBio in a Current Report on Form 8-K that was filed with the Securities and Exchange Commission on June 8, 2020.

Effective July 31, 2020, KindredBio’s Board of Directors appointed Richard Chin, M.D. to serve as KindredBio’s President in addition to continuing to serve as KindredBio’s Chief Executive Officer, and KindredBio’s Board of Directors appointed Wendy Wee to serve as KindredBio’s Secretary in addition to continuing to serve as KindredBio’s Chief Financial Officer.

On July 31, 2020, Ms. Bevers and KindredBio entered into a Severance and Release Agreement (the “Severance Agreement”) which provides, among other things, that Ms. Bevers is entitled to receive the severance compensation and benefits that are described in Section 4(c) of her Amended and Restated Executive Employment Agreement dated May 22, 2018, as amended by Amendment No. 1 dated October 19, 2018, that KindredBio previously filed with the Securities and Exchange Commission. Ms. Bevers is entitled to receive a payment from KindredBio equal to the total of her accrued base salary, the value of her accrued vacation days, and her target bonus for the 2020 fiscal year pro-rated based on the number of days Ms. Bevers was employed during the fiscal year. Ms. Bevers is also entitled to receive (1) an additional payment from KindredBio equal to 18 months of her annual base salary and 150% of her target bonus for the 2020 fiscal year, (2) reimbursement by KindredBio for up to 18 months of insurance premiums for continued coverage under KindredBio’s health benefit plans, and (3) accelerated vesting in full of all of her outstanding stock options and other equity awards granted by KindredBio. The aggregate cash payment to Ms. Bevers will be approximately $1,162,688, less applicable withholding taxes and deductions.

The preceding description of the Severance Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Severance Agreement, a copy of which has been filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated into this Item 5.02 by reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>10.1</td>
<td>Severance and Release Agreement dated as of July 31, 2020 between Kindred Biosciences, Inc. and Denise Bevers.</td>
</tr>
<tr>
<td>104</td>
<td>Cover Page Interactive Data File (embedded within the Inline XBRL document)</td>
</tr>
</tbody>
</table>
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KINDRED BIOSCIENCES, INC.

Date: August 5, 2020

By: /s/ Wendy Wee
Wendy Wee
Chief Financial Officer
SEVERANCE AND RELEASE AGREEMENT

THIS SEVERANCE AND RELEASE AGREEMENT (the “Agreement”) is made and entered into by and between Kindred Biosciences, Inc. (the “Company”) and Denise Bevers (“Executive”).

WHEREAS, Executive’s employment with the Company will terminate on July 31, 2020 (the “Termination Date”);

WHEREAS, the Company will provide Executive with certain benefits in accordance with Executive’s amended and restated executive employment agreement with the Company dated May 22, 2018 as amended by Amendment No. 1 thereto (the “Employment Agreement”) in consideration of Executive’s separation and the promises and covenants of Executive as contained herein, including Executive’s agreement to release all claims against the Company;

NOW THEREFORE, in consideration of and exchange for the promises, covenants, and releases contained herein, the parties mutually agree as follows:

1. **Separation.** Effective on the Termination Date, Executive will cease to perform any duties whatsoever for or on behalf of the Company, except that Executive shall continue to serve as a member of the Company’s Board of Directors; provided, however, that Executive’s term as a Class III director shall expire on the date of the Company’s 2022 annual meeting of stockholders unless she is re-nominated and re-elected as a director. After the Termination Date, Executive will accrue no further vacation pay or any other benefits except as provided herein or pursuant to any pre-existing agreement pertaining to compensation for Executive’s service as a Director.

2. **Consideration.** Within seven days following the Termination Date and any delay in compliance with Section 409A as provided in Section 13, the Company shall pay Executive a one-time severance payment and other benefits as set forth in Section 4(c) of the Employment Agreement, less all required and customary withholdings and deductions (the “Severance Payment”). Without limiting the foregoing, all Equity (as defined in the Employment Agreement) previously granted to Executive by the Company shall vest in full upon Executive’s delivery of this Agreement, unless Executive revokes this Agreement pursuant to Section 8 below. Because Executive will continue to serve as a Director of the Company, she will be deemed to continue to render Continuous Service to the Company within the meaning of the provisions of the Company’s 2012, 2016 and 2018 Equity Incentive Plans and her time to exercise stock options awarded to her under such plans shall be extended accordingly. Company warrants that it has the authority to deem continuing service as a Director to be “Continuous Service” to the Company within the meaning of those plans. The Company agrees that Executive’s continuing service as a Director of the Company shall not preclude her from any other employment or lawful activity for compensation or profit as long as Executive preserves the confidentiality of Company information and protects Company trade secret information. Executive acknowledges that she would not otherwise be entitled to the Severance Payment were it not for her covenants, promises, and releases set forth herein.
3. **No Amounts Owing.** Executive acknowledges that she has received all wages and compensation due through the date of execution of this Agreement.

4. **Group Insurance Benefits.** Executive’s participation in all benefit plans shall cease as of the Termination Date, except that Company shall pay or reimburse Executive for the premiums for continuation through COBRA or Executive’s healthcare benefits as in effect prior to the Termination Date for the period ending on the earlier of the date after the applicable period coverage period as provided in Section 4 of the Employment Agreement and the first date of Executive’s eligibility for group health care coverage with a new employer. Executive’s coverage under the Company’s plan shall be subject to the terms of the applicable plan documents and generally applicable Company policies. Nothing in this Agreement shall restrict or otherwise affect the Company’s right to alter, modify, add to or discontinue its employee healthcare benefits at any time as it may determine in its sole judgment.

5. **Release by Executive & Promise Not to Sue.**

   (a) **Release.** Executive agrees for Executive, Executive’s heirs, executors, administrators, agents, successors and assigns to forever release and discharge the "Released Parties" (as defined below) from any and all claims, debts, promises, agreements, demands, causes of action, attorneys’ fees, losses and expenses of every nature whatsoever, known or unknown, suspected or unsuspected, filed or unfiled, based on anything that happened or did not happen at any time up to and including the date that Executive signs this Agreement ("Claims") with the exceptions noted below. This total release includes, but is not limited to: (1) all Claims arising directly or indirectly from Executive’s employment with the Company, the termination of that employment, and to salary, bonuses, commissions, stock, stock options, vacation pay, fringe benefits and expense reimbursements pursuant to any federal, state or local law; (2) all common law Claims, including, but not limited to, breach of contract, breach of the implied covenant of good faith and fair dealing, infliction of emotional harm, wrongful discharge, violation of public policy, defamation and impairment of economic opportunity; (3) all Claims arising under the California Constitution, the California Labor Code, and/or California Business & Professions Code; (4) all Claims arising under any law prohibiting discrimination based upon any protected characteristic (including, but not limited to, age, race, sex, national origin, religion, sexual orientation, and disability/handicap status), including, but not limited to, all Claims arising under the California Government Code; (5) all Claims arising under the California and Federal Family and medical Leave Acts and Executive Retirement Income Security Act of 1974, as amended; and (6) all Claims arising under any law/cause of action (whether federal, state, or local) governing the employment relationship. "Released Parties” means the Company, the Company’s past, present, and future parents, subsidiaries, affiliates, and the Company’s affiliates; all of the foregoing entities’ successors and assigns; all of the foregoing entities’ officers, directors, agents, employees, insurers, attorneys, representatives, benefit plans (including such plans’ insurers, administrators, and fiduciaries), and the like; and any other person/entity claimed to be jointly and/or severally liable with the Company or through which (or in concert with) the Company has acted with respect to Executive. Notwithstanding the foregoing, Claims and the Release does not apply to the Company’s obligation to pay the Severance Payment and this Release does not apply to any matter that cannot be released as a matter of law.
(b) Notwithstanding the foregoing, this Agreement does not release the following claims or rights:

◦ Claims to vested compensation or compensation that the parties agree will vest under Executive’s prior compensation agreements, consisting of (1) vested Equity Compensation under paragraph 3(c) of Executive’s Amended and Restated Employment Agreement, (2) rights to Severance Compensation under section 4(c)(i) and 4(c)(ii) of Executive’s Amended and Restated Employment Agreement including Accrued Obligations and (3) an amount equal to Executive’s Target Bonus as amended in Amendment No.1 to Amended and Restated Employment Agreement, pro-rated based on the number of days actually served in the calendar year during which the employment termination occurs to Executive.

◦ Executive’s rights under section 8 of Executive’s Amended and Restated Employment Agreement to additional cash payments to Executive (“Gross-Up Payments”) in an amount equal to the amount needed to place Executive in substantially the same after-tax economic position that Executive would have been in had the Excise Tax not applied to payments to Executive.

◦ Any contractual, statutory, or other claims or rights to a defense, to indemnity, to contribution, or to insurance coverage with respect to claims or demands asserted against Executive by third parties who allege damages or other legal harm caused by acts or omissions by Executive during Executive’s employment for Releasees.

(c) Agreement Not to Sue. Executive shall not file suit in any court (or join any suit or accept relief in any suit) against any of the Released Parties asserting, pleading, or raising any claims released/waived by this Agreement.

6. Newly Discovered Facts. Executive hereby acknowledges that she may hereafter discover facts different from or in addition to those that she now knows or believes to be true when she expressly agreed to assume the risk of the possible discovery of additional facts, and she agrees that this Agreement will be and remain effective regardless of such additional or different facts. Executive expressly agrees that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown or unsuspected claims, demands, causes of action, governmental, regulatory or enforcement actions, charges, obligations, damages, liabilities, and attorneys’ fees and costs, if any, as well as those relating to any other claims, demands, causes of action, obligations, damages, liabilities, charges, and attorneys’ fees and costs specified herein.

7. Waiver of Section 1542. Executive hereby states that it is Executive’s intention in executing this Agreement that the same shall be effective as a bar to each and every claim, demand, cause of action, obligation, damage, liability, charge, attorneys fees and costs hereinabove released whether known or unknown, suspected or unsuspected. Executive hereby
expressly waives and relinquishes all rights and benefits, if any, arising under the provisions of Section 1542 of the Civil Code of the State of California which provides:

“Section 1542. A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

8. **Time To Review Agreement/Right to Revoking.** Because Executive is over 40 years old and this Agreement includes a waiver of claims under the Age Discrimination in Employment Act, Executive acknowledges that:

   a. Executive has been and is hereby advised in writing to consult with an attorney prior to signing this Agreement;

   b. Executive has been provided a full and ample opportunity to study this Agreement, including a period of at least twenty-one (21) days within which to consider it;

   c. to the extent Executive takes less than twenty-one (21) days to consider this Agreement prior to execution, Executive acknowledges that she has had sufficient time to consider this Agreement, and that she expressly, voluntarily and knowingly waives any additional time, and

   d. Executive is aware of her rights to revoke this Agreement at any time within a seven (7) day period following the date Executive executes this Agreement.

9. **Company Property.** Executive hereby represents and warrants that on or before the Termination Date, she will return to the Company all the Company’s property and documents in her possession including, but not limited to, the Company’s Confidential Information as defined in Section 12(a) below and all information derived therefrom, trade secret information, and any and all the Company files, notes, records, computer recorded information, tangible property, credit cards, entry cards, pagers, identification badges, and keys.

10. **Non-Disparagement.**

   a. **Executive.** Executive agrees that she shall not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company or its businesses, or any of its employees or officers, now or in the future. This Section does not, in any way, restrict or impede Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. Executive shall promptly provide written notice of any such order to the Company.
b. **Company.** The Company agrees that it shall not make any disparaging statements concerning Executive in authorized corporate communications to third parties, including to a prospective employer of Executive. The Company acknowledges that lawful competition shall not be deemed disparaging statements for purposes of this Agreement.

11. **Non-Solicitation of Employees.** Executive understands and acknowledges that the Company has expended and continues to expend significant time and expense in recruiting and training its employees and that the loss of employees would cause significant and irreparable harm to the Company. Executive agrees and covenants not to directly or indirectly solicit, attempt recruit, any employee of the Company for twelve (12) months, to run consecutively, beginning on the Termination Date. Company acknowledges that for the twelve months following execution of this Agreement, current employees may voluntarily seek employment with Executive following the termination of her employment for Company provided that she does not solicit or recruit them.

12. **Confidentiality.**

   a. Executive agrees that she will not, without the prior written consent of the Company, knowingly use or disclose to any person other than to persons in the then current employ of the Company, any information of a confidential or proprietary nature relating in any way to the Company or the Company affiliates, including without limitation any information relating to the financial performance or condition, financing arrangements and the terms thereof, personnel, products, production methods, systems, designs, know-how, suppliers, customers or customer requirements, investors or investor requirements or potential investors, or any trade secrets of the Company or any the Company affiliate (collectively “Confidential Information”).

   b. To the extent allowed by law, the Company agrees to promptly notify Executive if it receives a subpoena calling for production of Executive’s employment records in order to provide Executive an opportunity to oppose the subpoena.

13. **Section 409A.** This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), or an exemption under Section 409A, and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service, as a short-term deferral, or as a settlement payment pursuant to a bona fide legal dispute shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, any installment payments provided under this Agreement shall each be treated as a separate payment. To the extent required under Section 409A, any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the
Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

14. Entire Agreement. This Agreement embodies the entire agreement of the parties hereto and supersedes any and all other agreements, understandings, negotiations, or discussions, either oral or in writing, express or implied, between the parties to this Agreement or between Executive and any Company affiliate. The parties to this Agreement each acknowledge that no representations, inducements, promises, agreements or warranties, oral or otherwise, have been made by them, or anyone acting on their behalf, which are not embodied in this Agreement.

15. Binding Nature. This Agreement, and all the terms and provisions contained herein, shall bind the heirs, personal representatives, successors and assigns of each party, and inure to the benefit of each party, its or her agents, directors, officers, employees, servants, successors, and assigns, as well as all of the Released Parties.

16. Construction. This Agreement shall not be construed in favor of one party or against the other.

17. Partial Invalidity. Should any portion, word, clause, phrase, sentence or paragraph of this Agreement be declared void or unenforceable, such portion shall be considered independent and severable from the remainder, the validity of which shall remain unaffected.

18. Compliance with Terms. The failure to insist upon compliance with any term, covenant or condition contained in this Agreement shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power contained in this Agreement at any one time or more times be deemed a waiver or relinquishment of any right or power at any other time or times.

19. Governing Law. This Agreement shall be interpreted under the law of the State of California, both as to interpretation and performance.

20. Attorneys’ Fees. In the event of any litigation relating to or arising from this Agreement, including but not limited to litigation concerning claims released or waived by this Agreement, the prevailing party shall be entitled to recover its attorneys’ fees and costs.

21. Section Headings. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

22. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, and both of which together shall constitute one and the same instrument.

23. No Admissions. It is understood and agreed by the parties that this Agreement represents a compromise and settlement for various matters and that the promises and payments
and consideration of this Agreement shall not be construed to be an admission of any liability or obligation by either party to the other party or any other person.

24. **Knowing and Voluntary Waiver.** Executive acknowledges and agrees that: (1) Executive has carefully read and fully understands the terms of this Agreement, including its release-of-claims provisions; (2) she has been given adequate time to consider, and (if she desires) to consult with an attorney about, whether to sign this agreement; and (3) Executive signs this agreement knowingly, freely, and voluntarily—without any coercion, duress, or undue influence.

IN WITNESS WHEREOF, the parties have executed this Agreement on the respective dates set forth below.

Dated: July 31, 2020

Kindred Biosciences, Inc.

By: /s/ Richard Chin  
Name: Richard Chin  
Title: Chief Executive Officer

Dated: July 31, 2020

Executive

/s/ Denise Bevers  
Denise Bevers
Kindred Biosciences Announces Second Quarter 2020 Financial Results

San Francisco, California (August 5, 2020) - Kindred Biosciences, Inc. (NASDAQ: KIN), a biopharmaceutical company focused on saving and improving the lives of pets, today announced financial results for the second quarter ended June 30, 2020 and provided updates on its programs. For the second quarter of 2020, KindredBio reported net revenues of $39.6 million and net income of $24.0 million, or $0.60 per share (diluted), which includes a non-recurring charge of $2.3 million.

“We are pleased with the progress on our pipeline of late-stage biologics,” said KindredBio’s Chief Executive Officer, Richard Chin, M.D. “The commencement of the first parvovirus pivotal study is a key milestone for this program, and we look forward to the upcoming initiation of the tirnovetmab (IL-31 antibody) pivotal study.”

Development and Corporate Updates

Biologics Candidates

- The first of the pivotal studies for KIND-030, a monoclonal antibody targeting canine parvovirus, has commenced and remaining studies will be initiated in the coming months. Pivotal efficacy and safety studies remain on track to be completed by year-end 2020, with approval expected by early 2021. Regulatory approval and review timeline are subject to the typical risks inherent in such a process.

- The scale up process for tirnovetmab (KIND-016), a fully caninized, high-affinity monoclonal antibody targeting interleukin (IL)-31 for the treatment of atopic dermatitis in dogs, is proceeding as planned and the pivotal study is on track to start in the fourth quarter of 2020.

- On December 16, 2019, KindredBio unveiled positive results from its randomized, placebo-controlled laboratory pilot study of KIND-032, a fully caninized monoclonal antibody targeting IL-4R for the treatment of atopic dermatitis in dogs. A second pilot study to further assess efficacy and dosing is planned for the third quarter of 2020.

- The pivotal efficacy study for KindredBio’s feline recombinant erythropoietin was initiated in the fourth quarter. Those veterinary clinics that had suspended clinical trials due to COVID-19 have since resumed operations. KindredBio continues to implement practices consistent with guidance provided by the U.S. Food and Drug Administration (FDA) on studies conducted during the COVID-19 pandemic to minimize the impact on timelines.

- The pilot field effectiveness study for KindredBio’s anti-TNF antibody for canine inflammatory bowel disease is underway. Those veterinary clinics that had suspended clinical trials due to COVID-19 have since resumed operations. KindredBio continues to implement practices consistent with guidance provided by the FDA on studies conducted during the COVID-19 pandemic to minimize the impact on timelines. Assuming enrollment continues as expected, completion is now anticipated by year-end 2020.

Mirataz

- The sale of Mirataz to Dechra Pharmaceuticals PLC for an upfront payment of $43 million and royalties on worldwide sales was completed on April 15, 2020, resulting in a partial quarter. Transfer of the asset went smoothly and Dechra recognized significant growth in second quarter Mirataz sales in the US market. Dechra plans to launch Mirataz in the UK and the European Union, and intends to conduct the necessary regulatory activities to achieve approvals in other key international markets. Royalties on future global sales of Mirataz by Dechra will be recorded by KindredBio as revenue.

KindredBio Equine

The strategic evaluation of the future direction of the equine franchise remains ongoing.
KindredBio recorded Zimeta net product revenues of $7,000 in the second quarter, reflecting a downturn in equine events and transportation as a result of COVID-19. The FDA approved Zimeta for the control of pyrexia in horses in November 2019. The product also received Canadian approval in June 2020.

Second Quarter 2020 Financial Results

For the quarter ended June 30, 2020, KindredBio reported net income of $24.0 million or $0.60 per share (diluted), as compared to a net loss of $14.3 million or $0.37 per share for the same period in 2019. For the six months ended June 30, 2020, net income was $1.3 million or $0.03 per share (diluted), as compared to a net loss of $30.4 million or $0.79 per share for the same period in 2019.

The company recorded $39.6 million and $40.2 million in net revenues in the three and six months ended June 30, 2020, compared with $1.2 million and $1.8 million for the same periods of 2019. The increase in revenue was primarily due to $38.7 million from the sale of Mirataz to Dechra Pharmaceuticals, which was completed on April 15, 2020. Royalty revenue totaled $158,000 in the second quarter.

Substantially all of the product revenues recorded in the first half of 2020 were for Mirataz with $138,000 and $734,000 earned in the three and six months ended June 30, 2020, respectively. Product revenues for Zimeta were $7,000 and $14,000 for the same periods, reflecting a downturn in equine events and transportation as a result of COVID-19. In conjunction with Mirataz and Zimeta, the company also recorded $18,000 in revenue derived from the co-marketing of products for partners, namely Butterfly Networks and Astaria Global.

On May 20, 2020, KindredBio entered into an agreement with Vaxart, Inc. for the manufacture of Vaxart’s oral vaccine candidate for COVID-19 and recorded contract manufacturing revenue of $546,000 based on the percentage completion of specific milestones for the quarter.

The cost of product sales totaled $27,000 in the second quarter and $3.6 million for the first six months of 2020, compared to $169,000 and $261,000 for the same periods in 2019. Cost of product sales in 2020 included a $3.5 million inventory write-off on Mirataz due to the transition to Dechra brand labelling. Contract manufacturing costs of $336,000 consisted primarily of the cost of direct materials, direct labor, and overhead costs.

Research and development expenses for the three and six months ended June 30, 2020 were $7.4 million and $16.3 million, respectively, compared to $6.7 million and $13.9 million for the same periods in 2019. Stock-based compensation expense included in research and development expense was $0.5 million and $1.1 million for the three and six months ended June 30, 2020, as compared to $0.5 million and $0.9 million for the same periods in 2019. The $2.4 million year-over-year increase in research and development expenses was primarily due to the inclusion of expenses from the Kansas facility as it began to manufacture clinical trial material. Prior to 2020, construction and commissioning expenditures associated with the Kansas facility had been categorized as general and administrative expenses.

Selling, general and administrative expenses were $5.1 million and $14.0 million for the three and six months ended June 30, 2020, compared to $9.1 million and $19.0 million for the same periods in 2019. The $5.0 million year-over-year decrease is the result of the re-categorization of Kansas plant expenditures as research and development expenses, and lower payroll and related expenses as a result of the elimination of KindredBio’s companion animal sales force. Stock based compensation expense was $1.4 million and $2.9 million for the three and six months in the first half of 2020, versus $1.4 million and $2.8 million in the year-ago period.

The company recorded restructuring charges of $2.3 million and $4.0 million for the three and six months ended June 30, 2020. Restructuring charges were the result of a strategic realignment to a biologics-only company, the prioritization of KindredBio’s late stage programs and an associated workforce reduction.
On April 15, 2020, KindredBio completed the sale of Mirataz to Dechra Pharmaceuticals for an upfront payment of $43 million, of which 10% shall be held in escrow for up to 18 months post closing.

As of June 30, 2020, KindredBio had $77.6 million in cash, cash equivalents and investments, compared with $73.5 million as of December 31, 2019. Net cash provided by operating activities for the first six months of 2020 was approximately $7.1 million, reflecting payment received for the Mirataz asset sale. The Company also invested approximately $2.9 million in capital expenditures for the purchase of associated lab and manufacturing equipment for the Kansas facility.

With respect to spending in 2020, the Company remains focused on advancing its core biologics pipeline and programs, including the commencement of multiple pivotal studies. KindredBio anticipates operating expenses of between $53 million and $55 million, excluding the impact of stock-based compensation expense and the impact of acquisitions, if any. The 2020 operating expense includes the aforementioned restructuring charges, first quarter expenditures that reflect a full organizational structure and second quarter expenditures that reflect various mid-stage development programs that have since been put on hold. Excluding first half expenditures, the annualized run rate for 2020 is expected to be between $41 million and $43 million. KindredBio also plans to invest $3.0 million to $4.0 million in capital expenditures on lab and manufacturing equipment for its biologics programs in 2020. KindredBio believes its existing cash, cash equivalents and investments, the net reduction in the company's workforce, proceeds from the Mirataz sale, and royalties and other revenues from anticipated partnerships will be sufficient to fund the current operating plan through mid-2022, excluding the drawdown of $30 million from its debt facility.

Webcast and Conference Call

KindredBio will host a conference call and webcast today at 4:30 p.m. Eastern time/1:30 p.m. Pacific time. Interested parties may access the call by dialing toll-free (888) 771-4371 from the U.S. or (847) 585-4405 internationally, and using conference ID 49852246. The call will be webcast live here, with a replay available at that link for 30 days.

Important Safety Information

Zimeta™ (dipyrone injection) should not be used more frequently than every 12 hours. For use in horses only. Do not use in horses with a hypersensitivity to dipyrone, horses intended for human consumption or any food producing animals, including lactating dairy animals. Not for use in humans, avoid contact with skin and keep out of reach of children. Take care to avoid accidental self-injection and use routine precautions when handling and using loaded syringes. Prior to use, horses should undergo a thorough history and physical examination by a veterinarian. Monitor for signs of abnormal bleeding and use caution in horses at risk for hemorrhage. Concurrent use with other NSAIDs, corticosteroids and drugs associated with kidney toxicity, should be avoided. As a class, NSAIDs may be associated with gastrointestinal, kidney, and liver toxicity. The most common adverse reactions observed during clinical trials were elevated glucose conversion enzymes, decreased blood protein, and gastric ulcers. Please see the full Prescribing Information.

About Kindred Biosciences

Kindred Biosciences is a biopharmaceutical company developing innovative biologics focused on saving and improving the lives of pets. Its mission is to bring to pets the same kinds of safe and effective medicines that human family members enjoy. The Company’s strategy is to identify targets that have already demonstrated safety and efficacy in humans and to develop therapeutics based on these validated targets for dogs and cats. KindredBio has a deep pipeline of novel biologics in development across many therapeutic classes, alongside state-of-the-art biologics manufacturing capabilities and a broad intellectual property portfolio.
For more information, visit www.kindredbio.com
Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including, but not limited to, statements regarding our expectations about the trials, regulatory approval, manufacturing, distribution and commercialization of our current and future product candidates, and statements regarding our anticipated revenues, expenses, margins, profits and use of cash.

These forward-looking statements are based on our current expectations. These statements are not promises or guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results to be materially different from any future results expressed or implied by the forward-looking statements. These risks include, but are not limited to, the following: our limited operating history and expectations of losses for the foreseeable future; the absence of significant revenue from our products and our product candidates for the foreseeable future; the likelihood that our revenue will vary from quarter to quarter; our potential inability to obtain any necessary additional financing; our substantial dependence on the success of our products and our lead product candidates which may not be successfully commercialized even if they are approved for marketing; the effect of competition; our potential inability to obtain regulatory approval for our existing or future product candidates; our dependence on third parties to conduct some of our development activities; our dependence upon third-party manufacturers for supplies of our products and our product candidates and the potential inability of these manufacturers to deliver a sufficient amount of supplies on a timely basis; the uncertain effect of the COVID-19 pandemic on our business, results of operations and financial condition; uncertainties regarding the outcomes of trials regarding our product candidates; our potential failure to attract and retain senior management and key scientific personnel; uncertainty about our ability to enter into satisfactory agreements with third-party licensees of our biologic products or to develop a satisfactory sales organization for our equine small molecule products; our significant costs of operating as a public company; potential cyber-attacks on our information technology systems or on our third-party providers’ information technology systems, which could disrupt our operations; our potential inability to repay the secured indebtedness that we have incurred from third-party lenders, and the restrictions on our business activities that are contained in our loan agreement with these lenders; the risk that our 2020 strategic realignment and restructuring plans will result in unanticipated costs or revenue shortfalls; uncertainty about the amount of royalties that we will receive from the sale of Mirataz® to Dechra Pharmaceuticals PLC; our potential inability to obtain and maintain patent protection and other intellectual property protection for our products and our product candidates; potential claims by third parties alleging our infringement of their patents and other intellectual property rights; our potential failure to comply with regulatory requirements, which are subject to change on an ongoing basis; the potential volatility of our stock price; and the significant control over our business by our principal stockholders and management.

For a further description of these risks and other risks that we face, please see the risk factors described in our filings with the U.S. Securities and Exchange Commission (the SEC), including the risk factors discussed under the caption “Risk Factors” in our Annual Report on Form 10-K and any subsequent updates that may be contained in our Quarterly Reports on Form 10-Q filed with the SEC. As a result of the risks described above and in our filings with the SEC, actual results may differ materially from those indicated by the forward-looking statements made in this press release. Forward-looking statements contained in this press release speak only as of the date of this press release and we undertake no obligation to update or revise these statements, except as may be required by law.

The results stated in this press release have not been reviewed by the Food and Drug Administration or the United States Department of Agriculture Center for Veterinary Biologics, as applicable.

Contacts

For investor inquiries:
Kindred Biosciences, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Six Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td>June 30, 2019</td>
<td>2019</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net product revenues</td>
<td>$ 163</td>
<td>$ 1,236</td>
<td>$ 766</td>
<td>$ 1,751</td>
</tr>
<tr>
<td>Revenue from asset sale</td>
<td>38,700</td>
<td>-</td>
<td>38,700</td>
<td>-</td>
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<tr>
<td>Royalty revenue</td>
<td>158</td>
<td>-</td>
<td>158</td>
<td>-</td>
</tr>
<tr>
<td>Contract manufacturing</td>
<td>546</td>
<td>-</td>
<td>546</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues</td>
<td>39,567</td>
<td>1,236</td>
<td>40,170</td>
<td>1,751</td>
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<tr>
<td>Operating costs and expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cost of product revenues</td>
<td>27</td>
<td>169</td>
<td>3,604</td>
<td>261</td>
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<tr>
<td>Contract manufacturing costs</td>
<td>336</td>
<td>-</td>
<td>336</td>
<td>-</td>
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<tr>
<td>Research and development</td>
<td>7,398</td>
<td>6,734</td>
<td>16,265</td>
<td>13,886</td>
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<tr>
<td>Selling, general and administrative</td>
<td>5,105</td>
<td>9,065</td>
<td>13,978</td>
<td>18,966</td>
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<tr>
<td>Restructuring costs</td>
<td>2,288</td>
<td>-</td>
<td>3,964</td>
<td>-</td>
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<tr>
<td>Total operating costs and expenses</td>
<td>15,154</td>
<td>15,968</td>
<td>38,147</td>
<td>33,113</td>
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<tr>
<td>Income (loss) from operations</td>
<td>24,413</td>
<td>(14,732)</td>
<td>2,023</td>
<td>(31,362)</td>
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<tr>
<td>Interest and other income (expense), net</td>
<td>(367)</td>
<td>425</td>
<td>(738)</td>
<td>1,000</td>
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<tr>
<td>Net income (loss)</td>
<td>$ 24,046</td>
<td>$(14,307)</td>
<td>$ 1,285</td>
<td>$(30,362)</td>
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<tr>
<td>Basic net income (loss) per share</td>
<td>$ 0.61</td>
<td>$(0.37)</td>
<td>$ 0.03</td>
<td>$(0.79)</td>
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<tr>
<td>Diluted net income (loss) per share</td>
<td>$ 0.60</td>
<td>$(0.37)</td>
<td>$ 0.03</td>
<td>$(0.79)</td>
</tr>
</tbody>
</table>

Weighted average shares used to calculate basic net income (loss) per share

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th></th>
<th>Six Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2020</td>
<td>2020</td>
<td>June 30, 2019</td>
<td>2019</td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>39,240</td>
<td>38,887</td>
<td>39,213</td>
<td>38,340</td>
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<tr>
<td>Total assets</td>
<td>115,942</td>
<td>114,024</td>
<td></td>
<td></td>
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<tr>
<td>Stockholders' equity</td>
<td>86,816</td>
<td>81,921</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Selected Consolidated Balance Sheet Data
(In thousands)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2020</th>
<th>December 31, 2019</th>
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</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$ 77,573</td>
<td>$ 73,546</td>
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<tr>
<td>Total assets</td>
<td>115,942</td>
<td>114,024</td>
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<tr>
<td>Stockholders' equity</td>
<td>86,816</td>
<td>81,921</td>
</tr>
</tbody>
</table>