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**NOVAN**

**H.C. Wainwright Conference**

**September 9, 2019**

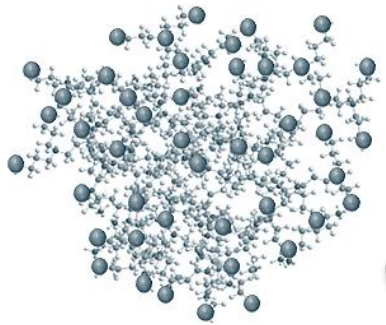
# Forward-Looking Statements

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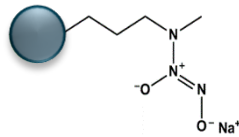
This presentation includes forward-looking statements that reflect our current views with respect to, among other things, our plans to develop and commercialize our product candidates, including our interpretation of preclinical and clinical studies and the success and timing of our product development activities and clinical trials, our intention to advance the development of certain product candidates, including SB206 for the treatment of molluscum, SB204 for the treatment of acne and SB414 for the treatment of atopic dermatitis, the expected financial and other benefits of existing and future financing arrangements, expansion of our network of business partners and collaborations, the future prospects of our business and our product candidates. These forward-looking statements are included throughout this presentation. We have used the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “future,” “will,” “seek,” “foreseeable,” “targeted” and similar terms and phrases to identify forward-looking statements in this presentation. The forward-looking statements contained in this presentation are based on management’s current expectations and are subject to substantial risks, uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to risks and uncertainties including, but not limited to: risks and uncertainties in the clinical development process, including, among others, length, expense, ability to enroll patients, reliance on third parties, and that results of earlier research and preclinical or clinical trials may not be predictive of results, conclusions or interpretations of later research or trials; risks related to the regulatory approval process, which is lengthy, time-consuming and inherently unpredictable; risks related to the manufacture of clinical trial materials and commercial supplies of any potentially approved product candidates, including the manufacture of our NVN1000 active pharmaceutical ingredient in our primary facility, our internal manufacturing capabilities and our ability to transfer technology and processes as contemplated by the manufacturing agreement; our ability to secure the grants described within and any other grants, including the amount and timing of any grants to support funding for a women’s health product candidate; our ability to obtain substantial additional funding for the further advancement and development of our product candidates; our ability to identify and enter into strategic relationships for the further development and potential commercialization of our product candidates; the risk we will not be able to utilize the full amount under the facility with Aspire Capital Fund LLC on favorable timing or price terms or otherwise; and other risks and uncertainties described in our annual report filed with the SEC on Form 10-K for the twelve months ended Dec. 31, 2018, and in any subsequent filings with the SEC. Any forward-looking statement made by us in this presentation speaks only as of the date of this presentation. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

# Underlying Science

## Stable



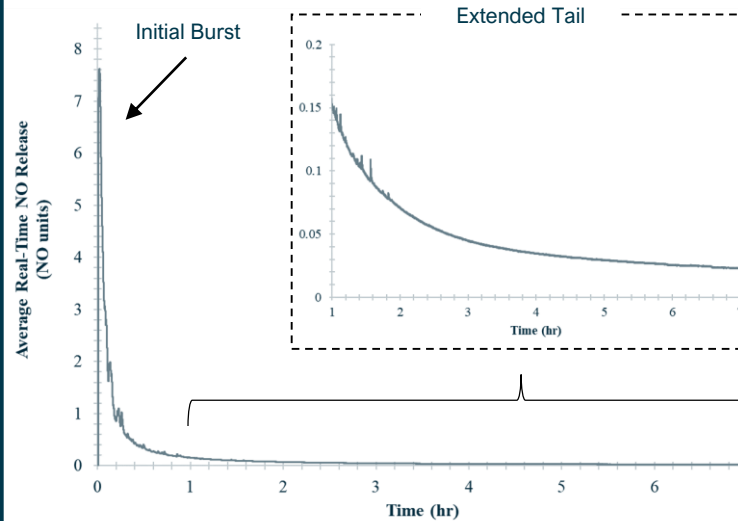
**New  
Chemical  
Entity  
(NCE)**



**Platform enabling NCE creation  
with sustained NO delivery**

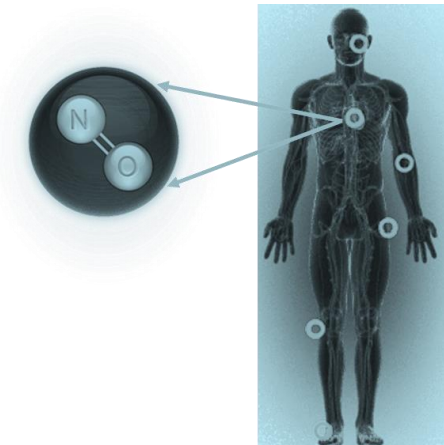
## Tunable

**Real-Time Nitric Oxide Release**



**Formulations targeted to each  
indication with tunable dosing**

## Druggable



**Drug candidates with proven  
target engagement**

# Program Snapshot

| Product Candidates              | Indication        | Preclinical   | Phase 1 | Phase 2 | Phase 3 |
|---------------------------------|-------------------|---|---------|---------|---------|
| <b>DERMATOLOGY</b>              |                   |   |         |         |         |
| SB206                           | Molluscum         | [Progress bar spanning Preclinical, Phase 1, and Phase 2] |         |         |         |
| SB414                           | Atopic Dermatitis | [Progress bar spanning Preclinical and Phase 1]           |         |         |         |
|                                 | Psoriasis         | [Progress bar spanning Preclinical and Phase 1]           |         |         |         |
| SB204                           | Acne Vulgaris     | [Progress bar spanning Preclinical, Phase 1, and Phase 2] |         |         |         |
| SB208                           | Tinea Pedis       | [Progress bar spanning Preclinical and Phase 1]           |         |         |         |
| <b>MEN'S AND WOMEN'S HEALTH</b> |                   |   |         |         |         |
| SB206                           | Genital Warts     | [Progress bar spanning Preclinical, Phase 1, and Phase 2] |         |         |         |
| WH504                           | High-Risk HPV     | [Progress bar spanning Preclinical]                       |         |         |         |
| WH602                           | High-Risk HPV     | [Progress bar spanning Preclinical]                       |         |         |         |
| <b>GASTROENTEROLOGY</b>         |                   |   |         |         |         |
| Undisclosed                     | Various           | [Progress bar spanning Preclinical]                       |         |         |         |

# Agenda

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1. Financial Update
2. Clinical Update
3. Focus for the Next 12-Months

# Balance Sheet & Runway

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- Cash, cash equivalents and restricted cash: ~\$32.8M as of 6/30/19
- \$95.8M of total capital raised since Jan. 2018
  - \$35.2M common equity
  - \$60.6M non-dilutive transactions:
    - \$13.4M from Sato Pharmaceuticals<sup>1</sup>
    - \$35.0M from Reedy Creek Investments LLC<sup>2</sup>
    - \$12.0M from Ligand Pharmaceuticals
    - ~\$223K from National Institutes of Health (NIH)
- \$25.0M equity financing structure agreed with Aspire Capital Fund LLC in Sep. 2019
- Cash runway<sup>3</sup>:
  - Through top line results of the molluscum Phase 3
  - Into 2Q 2020 with receipt of \$10M contingent payment from Reedy Creek

# Aspire Capital Transaction

## Terms

- Aspire committed to purchase up to \$25.0M of common shares, at Novan's request, for up to 30 months
- "Regular purchases": any business day, up to 100K shares or \$500K
- "VWAP purchases": next business day, purchase up to 30% of trading volume<sup>1</sup>
- Novan has issued 345,622 common shares as a commitment fee

## Benefits to Novan

- Potential source of capital for next 30 months
- Company controls timing, amount and price
- Minimizes overall cost of capital
- No restrictions on use of capital
- No warrants, derivatives or other securities
- Does not restrict additional market financings
- Does not preclude further bus. dev. action

# Clinical Update: Previous Twelve Months

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- **Current:**
  - SB206 Phase 3 pivotal trials for molluscum contagiosum
- **Underway:**
  - SB414 preparatory work for Phase 2 in atopic dermatitis
  - Exploration of additional viral-based indications
  - Pre-clinical activity in gastroenterology
  - New Chemical Entity (NCE) effort and incremental intellectual property (IP)
- **Completed:**
  - SB206 Phase 2 trial for molluscum contagiosum
  - SB414 Phase 1b trial for atopic dermatitis
  - SB414 Phase 1b trial for psoriasis
  - Specific academic work for HPV with University of Alabama at Birmingham

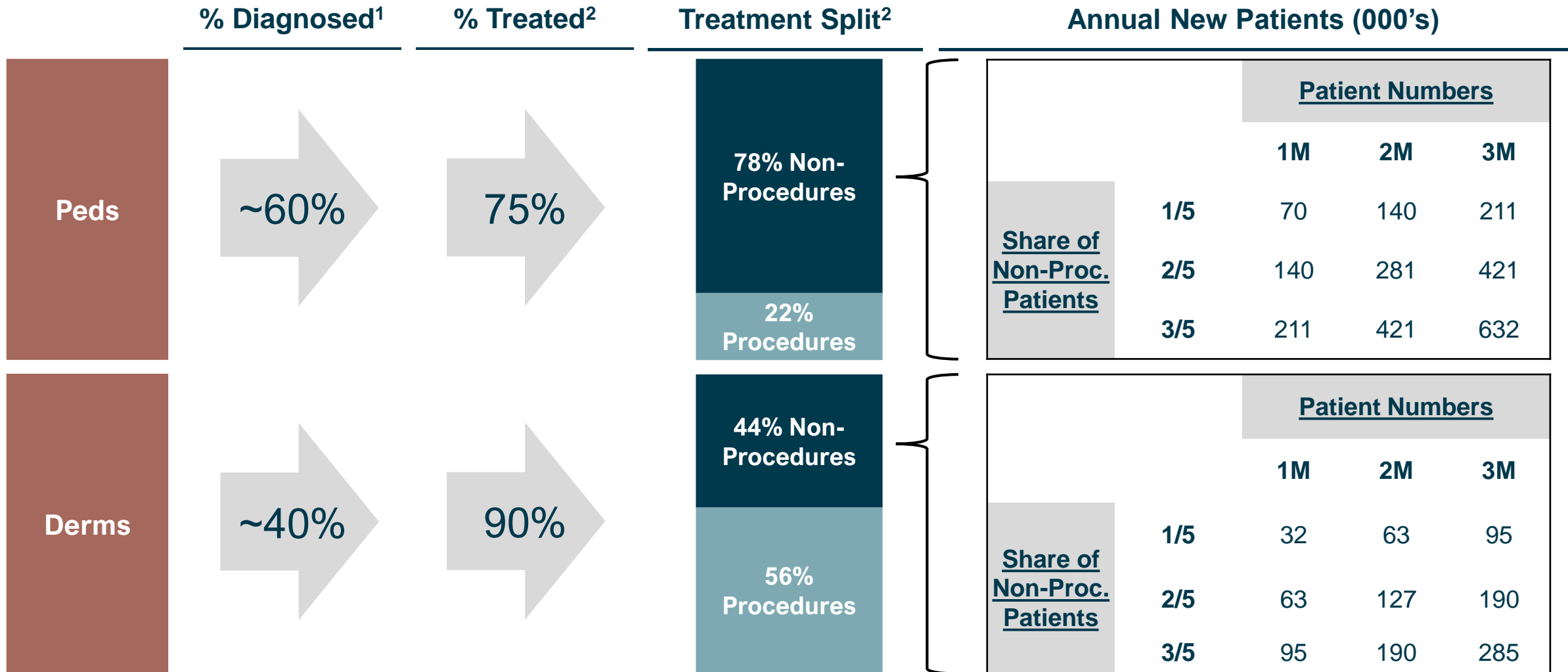


# Molluscum: Execution of Pivotal Phase 3

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- Positive Phase 2 top line results announced in December 2018
- End-of-Phase 2 FDA meeting with FDA completed with written minutes received ‘within one day’ during March 2019
- “B-SIMPLE” (**B**erdazimer **S**odium **I**n **M**olluscum **P**atients with **L**esions) Phase 3 trials enrolling and dosing patients as of June 4, 2019
- Patient enrollment completed as of August 13, 2019 (~10 weeks)
- Top line efficacy and safety results: expected ‘no later than’ early 1Q 2020

# Molluscum: Potential Patient Demand



*“If SB206 continues to demonstrate a reasonable benefit over placebo, without the toxicity observed with cantharidin (used off label today with ~70%–80% success and major toxicity), and becomes the only FDA-approved agent for the treatment of MC, it will change the treatment paradigm for MC and be employed as 1L therapy, with surgery following as 2L.”*

*~Unnamed KOL, Sell-Side Research Report<sup>1</sup>*

# Phase 3 Trial Details: B-SIMPLE SB206

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- **Trial design:**
  - Randomized, double-blind, vehicle-controlled, parallel group trials<sup>1</sup>
  - 340 subjects per pivotal trial, 2:1 (active vs. vehicle) randomization
  - Visits: Screening/Baseline then Weeks 2, 4, 8,12, plus safety follow-up at Week 24
- **Application:** SB206 12% or vehicle once daily for up to 12 weeks to all treatable lesions (baseline and new)
- **Inclusion criteria:** subjects 6 months of age and older with a minimum of 3 and a maximum of 70 lesions at baseline
- **Primary endpoint:** proportion of subjects with complete clearance of all treatable molluscum lesions at Week 12

# Nitric Oxide Platform & Business Expansion

## Rationale

## Next Steps

### Women's Health<sup>1-2</sup>

- Anti-viral properties demonstrated in Phase 2 studies (EGW & molluscum)
- Mechanistic rationale supported by UAB publication
- Receipt of NIH federal grant for WH504, an intravaginal gel
- Anticipates additional federal grant of ~\$1.0M for WH602, an intravaginal suppository

- Formulation development of WH504 & WH602
- MedPharm partnership will work on intravaginal suppository formulation (WH602)
- Advance into IND-enabling toxicology and pharmacology studies and preclinical activity

### GI Diseases<sup>3-5</sup>

- NO produced in the GI tract regulates many of its functions
- NO-releasing variants of NSAIDs have enhanced therapeutic benefit in the past vs. NSAID alone
- Numerous GI diseases result from undesired inflammation and/or an imbalance in the gut microbiome/microbial activity

- Animal model testing on-going with goal of:
  - Understanding NO route of delivery
  - NCE optimization
  - NCE candidate selection
  - Understand relevant disease/animal models
  - Research mechanism of action

1. Novan's Drug Substance Demonstrates Inhibition of HPV-18 Virus Production  
 2. Novan Advances Women's Health Business Unit with Non-Dilutive Funding  
 3. MacNaughton WK, et al. (1989). Endothelium-derived relaxing factor (nitric oxide) has protective actions in the stomach. *Life Sci* 45: 1869-1876

4. Wallace JL (2019). Nitric oxide in the gastrointestinal tract: opportunities for drug development. *Br. J Pharmacol.* 176:147-154  
 5. Wallace JL et al. (2017) Gaseous Mediators in Gastrointestinal Mucosal Defense and Injury. *Dig. Dis. Sci.* 62: 2223-2230

# Focus for the Next 12-Months

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- Complete Phase 3 pivotal trials with SB206 for molluscum
- Initiate Phase 2 with SB414 for atopic dermatitis
- Continue SB204 acne external discussions
- Assess clinical opportunities across therapeutic categories
- Complete drug product/drug substance capability transfer
- Complete real estate footprint and infrastructure reconfiguration
- Manage operating runway, balance sheet and cash flow
- Be creative in order to advance the platform

A background network diagram consisting of numerous light blue and grey nodes connected by thin lines, creating a complex web-like structure. The nodes are scattered across the page, with a higher density on the left side. The overall color palette is light blue and grey.

# Q&A

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