



Ironwood Pharmaceuticals Prices \$300 Million of Convertible Senior Notes

CAMBRIDGE, Mass.--(BUSINESS WIRE)-- [Ironwood Pharmaceuticals, Inc.](#) (NASDAQ:IRWD) today announced the pricing of \$300 million aggregate principal amount of convertible senior unsecured notes that will mature on June 15, 2022 (the Notes). The Notes are being offered and sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. Ironwood has also granted the initial purchasers of the Notes an option to purchase up to an additional \$45 million aggregate principal amount of the Notes solely to cover over-allotments.

The Notes will bear cash interest at a rate of 2.25%, payable on June 15 and December 15 of each year, beginning on December 15, 2015. The Notes will not be redeemable prior to maturity. The Notes will be convertible, only during certain periods and subject to certain circumstances, into cash, shares of Ironwood Class A common stock, or a combination of cash and shares of Ironwood's Class A common stock, at Ironwood's election. The initial conversion rate for the Notes is 60.3209 shares of Ironwood's Class A common stock per \$1,000 principal amount of the Notes, which is equivalent to an initial conversion price of approximately \$16.58 per share of Ironwood's Class A common stock, representing an approximately 35% conversion premium based on the last reported sale price of Ironwood's Class A common stock of \$12.28 per share on June 9, 2015.

In connection with the pricing of the Notes, Ironwood also entered into privately negotiated convertible note hedge transactions and warrant transactions with certain financial institutions (the option counterparties) in order to reduce the potential dilution with respect to shares of Ironwood's Class A common stock upon any conversion of the Notes and/or offset any cash payments Ironwood is required to make in excess of the principal amount of converted Notes, in each case, up to a threshold amount. The warrant transactions could have a dilutive effect with respect to Ironwood's Class A common stock to the extent that the market price per share of Ironwood's Class A common stock, as measured under the terms of the warrant transactions, exceeds the applicable strike price of the warrants on any expiration date of the warrants, which is initially approximately 75% higher than the last reported sale price of Ironwood's Class A common stock on June 9, 2015. If the initial purchasers exercise their option to purchase additional Notes, Ironwood expects to enter into additional convertible note hedge and warrant transactions.

Ironwood estimates that the net proceeds of the offering will be approximately \$292 million (or approximately \$336 million if the initial purchasers' option to purchase additional Notes is exercised in full), after deducting the initial purchasers' discounts and commissions, but prior to deducting estimated offering expenses. Ironwood intends to use the net proceeds of the offering to strengthen its balance sheet, improve its capital structure and to fund general corporate purposes, which may include the repayment or redemption of all or a portion of its outstanding indebtedness and the acquisition of, or investment in, businesses or other strategic assets, and to pay the cost of the convertible note hedge transactions (after such cost is partially offset by proceeds from the warrant transactions).

Ironwood has been advised that, in connection with the convertible note hedge and warrant transactions, the option counterparties or their respective affiliates expect to enter into various hedging transactions, including (without limitation) derivative transactions, with respect to Ironwood's Class A common stock and/or to purchase Ironwood's Class A common stock concurrently with or shortly after the pricing of the Notes. This activity could increase (or reduce the size of any decrease in) the market price of Ironwood's Class A common stock or the Notes at that time. In addition, the option counterparties and/or their respective affiliates may, from time to time, modify their hedge positions by entering into or unwinding various hedging positions, including (without limitation) derivative transactions, with respect to Ironwood's Class A common stock and/or purchase or sell Ironwood's Class A common stock or other securities of Ironwood in secondary market transactions (and are likely to do so during any observation period related to a conversion of the Notes). This activity could also cause a decrease or offset or avoid an increase in the market price of Ironwood's Class A common stock or the Notes.

The offer and sale of the Notes are not being registered under the Securities Act, or any state securities laws. The Notes may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws.

This news release does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein, nor shall there be any sale of these securities, in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of such jurisdiction.

About Ironwood Pharmaceuticals

Ironwood Pharmaceuticals (NASDAQ: IRWD) is focused on creating medicines that make a difference for patients, building value to earn the continued support of our fellow shareholders, and empowering our team to passionately pursue excellence. We discovered, developed and are commercializing linaclotide, which is approved in the United States and a number of other countries. Our pipeline priorities include exploring further opportunities for linaclotide, as well as leveraging our therapeutic expertise in gastrointestinal disorders and our pharmacologic expertise in guanylate cyclases to address patient needs across the upper and lower gastrointestinal tract. Ironwood was founded in 1998 and is headquartered in Cambridge, Mass.

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This press release contains forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, including, but not limited to, statements regarding the estimated net proceeds of the offering and Ironwood's anticipated use of the net proceeds from the sale of the Notes. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement. Applicable risks and uncertainties include, but are not limited to, those related to whether or not Ironwood will be able to consummate the offering and the hedge and warrant transactions on the timeline or with the terms anticipated, if at all. In addition, Ironwood's management retains broad discretion with respect to the allocation of the net proceeds of this offering. Applicable risks also include those that are listed under the heading "Risk Factors" and elsewhere in Ironwood's Quarterly Report on Form 10-Q for the three months ended March 31, 2015, in addition to the risk factors that are included from time to time in Ironwood's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and any subsequent SEC filings. Ironwood undertakes no obligation to update these forward-looking statements to reflect events or circumstances occurring after this press release. Except as otherwise noted, these forward-looking statements speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.

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