



Source: Knight Therapeutics

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Knight Reports Second Quarter 2016 Results

MONTREAL, QUEBEC--(Marketwired - Aug. 11, 2016) - Knight Therapeutics Inc. (TSX:GUD) ("Knight" or the "Company"), a leading Canadian specialty pharmaceutical company, today reported financial results for its second quarter ended June 30, 2016.

All figures are in thousands of Canadian dollars except for share and per share amounts.

Key Events in Second Quarter 2016

- Announced and completed a bought deal at \$8.00 per common share for gross proceeds of \$230,000 including over-allotment exercise.
- Received a Notice of Deficiency from Health Canada for ATryn®.
- Entered into a distribution agreement with EMPA Healthcare LLC to commercialize Neuragen® in the United Arab Emirates and Kuwait.

Key Events Subsequent to the Quarter Ended June 30, 2016

- Acquired 11,470,920 common shares of Pediapharm Inc. in exchange for 221,126 common shares and 221,126 four-year warrants of Knight with an exercise price of \$10.00.
- Entered into a distribution agreement with S.I.F.I - Società Industria Farmaceutica Italiana S.p.A. to commercialize NETILDEX™ in Canada.
- Entered into a licencing and distribution agreement with 3D Signatures Inc. ("3D Signatures") and Plicit Capital Corp. ("Plicit"). Knight also committed to a minimum equity investment of \$1,000 pursuant to a business combination and public listing transaction between 3D Signatures and Plicit.
- Expanded distribution agreement with Ember Therapeutics Inc. ("Ember") to include the territories of Romania and the Caribbean and acquired the rights to two newly-acquired Ember products: Migralex™ and RHY/Vavelta®.

Financial Results Reported in Thousands of Canadian Dollars

For the quarter ended June 30, 2016, the Company reported revenues of \$1,135 and net income of \$4,446. As at June 30, 2016, the Company had \$638,423 in cash, cash equivalents and marketable securities, total shareholders' equity of \$861,965 and 132,480,708 common shares outstanding.

"This past quarter marked our 4th successful equity-raise in 28 months all at increasing valuations," said Jonathan Ross Goodman, President and CEO of Knight Therapeutics Inc. "We hope to demonstrate that we are as GUD at commercializing innovative pharmaceuticals that touch people's lives as we are at raising money. To this end, we have deployed or committed over \$300 million since our founding in low risk, fair return opportunities that will improve the health of Canadians and help build Knight into Canada's leading specialty pharma company."

Conference Call Notice

Knight will host a conference call to discuss its second quarter results today at 8:30 am ET. Investors and other interested parties may call 1-877-223-4471 (Operator Assisted Toll-Free) or 647-788-4922 (local or international).

A taped replay of the conference call will be available from today at 11:30 am ET until Sunday, September 11, 2016 at 11:59 pm ET. To access the replay, please call 1-800-585-8367 or 416-621-4642 and use access code 10254484.

Knight expects to release its third quarter 2016 financial results on the morning of Thursday, November 10, 2016. Knight expects to hold a conference call at 8:30 am ET on the morning of the release. All interested parties are cordially invited to attend. Investors and other interested parties may call 1-877-223-4471 (Operator Assisted Toll-Free) or 647-788-4922 (local or international).

About Knight Therapeutics Inc.

Knight Therapeutics Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian and select international markets. Knight Therapeutics Inc.'s shares trade on TSX under the symbol GUD. For more information about Knight Therapeutics Inc., please visit the company's web site at www.gud-knight.com or www.sedar.com.

Forward-Looking Statement

This document contains forward-looking statements for Knight Therapeutics Inc. and its subsidiaries. These forward looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. Knight Therapeutics Inc. considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of Knight Therapeutics Inc. and its subsidiaries, may ultimately prove to be incorrect. Factors and risks, which could cause actual results to differ materially from current expectations are discussed in Knight Therapeutics Inc.'s Annual Report and in Knight Therapeutics Inc.'s Annual Information Form for the year ended December 31, 2015. Knight Therapeutics Inc. disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information or future events, except as required by law.

INTERIM CONSOLIDATED BALANCE SHEETS

[Unaudited] [In thousands of Canadian dollars]

As at	June 30, 2016	December 31, 2015
ASSETS		
Current		
Cash and cash equivalents	363,713	237,481
Marketable securities	274,710	233,726
Trade and other receivables	4,505	2,994
Inventories	833	1,460
Other current financial assets	36,763	23,588
Income taxes receivable	146	231
Total current assets	680,670	499,480
Property and equipment	-	18
Intangible assets	5,956	3,320
Other financial assets	95,076	62,616
Investment in associate	81,393	81,027
Deferred income tax assets	4,904	2,527
Total assets	867,999	648,988
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,289	2,416
Income taxes payable	4,745	4,031
Deferred other income	-	293
Total current liabilities	6,034	6,740
Deferred income tax liabilities	-	186
Total liabilities	6,034	6,926
Shareholders' equity		

Share capital	662,702	439,148
Warrants	161	161
Contributed surplus	7,712	6,772
Accumulated other comprehensive income	26,441	35,955
Retained earnings	164,949	160,026
Total shareholders' equity	861,965	642,062
Total liabilities and shareholders' equity	867,999	648,988

INTERIM CONSOLIDATED STATEMENTS OF INCOME

[Unaudited] [In thousands of Canadian dollars, except for share and per share amounts]

	Three-months ended June 30		Six-months ended June 30	
	2016	2015	2016	2015
Revenues	1,135	333	2,203	580
Cost of goods sold	535	272	781	358
Gross margin	600	61	1,422	222
Expenses				
Selling and marketing	154	-	168	-
General and administrative	2,055	2,446	4,234	5,123
Research and development	524	301	807	635
	(2,133)	(2,686)	(3,787)	(5,536)
Depreciation of property and equipment	10	7	18	15
Amortization of intangible assets	122	21	163	42
Interest income	(6,124)	(3,596)	(10,940)	(7,562)
Other income	(354)	(525)	(1,453)	(966)
Net gain on financial assets	(783)	(6,495)	(2,512)	(14,024)
Purchase gain on business combination	-	-	-	(550)
Gain on settlement of loan receivable	-	(358)	-	(358)
Share of net income of associate	(805)	-	(1,659)	-
Foreign exchange loss (gain)	357	592	4,127	(3,818)
Income before income taxes	5,444	7,668	8,469	21,685
Income tax expense (recovery)	578	(1,053)	3,119	(1,053)
Deferred income tax expense	420	201	427	402
Net income for the period	4,446	8,520	4,923	22,336
Attributable to shareholders of the Company				
Basic earnings per share	0.04	0.09	0.05	0.24
Diluted earnings per share	0.04	0.09	0.05	0.24
Weighted average number of common shares outstanding				
Basic	112,681,825	93,089,609	108,078,434	92,816,245
Diluted	113,112,999	93,222,325	108,410,280	93,028,011

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited] [In thousands of Canadian dollars]

	Three-months ended June 30		Six-months ended June 30	
	2016	2015	2016	2015
Net income for the period	4,446	8,520	4,923	22,336
Realized gain reclassified to statement of income net of tax of \$1 and \$65 for the three and six-month period ended June 30, 2016 (net of tax of \$810 and \$1,300 for the three and six-month period ended June 30, 2015)	(6)	(5,206)	(416)	(8,050)
Other comprehensive income (loss) to be reclassified to income or loss in subsequent periods:				
Unrealized gain on available-for-sale financial instruments net of tax of \$75 and \$147 for the three and six-month period ended June 30, 2016 (net of tax of \$72 and \$404 for the three and six-month period ended June 30, 2015)	2,127	898	2,548	3,000
Unrealized (loss) gain on translating financial statements of foreign operations	(668)	(2,065)	(11,646)	10,852
Other comprehensive income (loss) for the period	1,453	(6,373)	(9,514)	5,802
Total comprehensive income (loss) for the period	5,899	2,147	(4,591)	28,138

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[Unaudited] [In thousands of Canadian dollars]

	<i>Notes</i>	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
Balance as at January 1, 2015		341,065	-	2,100	9,967	125,859	478,991
Net income for the period		-	-	-	-	22,336	22,336
Realized gain reclassified to statement of income, net of tax of \$1,300		-	-	-	(8,050)	-	(8,050)
Change in fair value of available-for-sale financial instruments, net of deferred tax of \$404		-	-	-	3,000	-	3,000
Change in unrealized gain on translating financial statements of foreign operations		-	-	-	10,852	-	10,852

Comprehensive income	-			5,802	22,336	28,138
Share-based compensation expense	-	-	2,865	-	-	2,865
Issuance of shares upon financing, net of costs and deferred tax of \$2,200	14,573	-	-	-	-	14,573
Issuance of shares upon exercise of stock options	1,487	-	(553)	-	-	934
Issuance of warrants	-	161	-	-	-	161
Exercise of compensation warrants	930	-	(295)	-	-	635
Issuance of shares under share purchase plan	42	-	-	-	-	42
Balance as at June 30, 2015	358,097	161	4,117	15,769	148,195	526,339
Balance as at January 1, 2016	439,148	161	6,772	35,955	160,026	642,062
Net income for the period	-	-	-	-	4,923	4,923
Realized gain reclassified to statement of income, net of tax for \$65	-	-	-	(416)	-	(416)
Change in fair value of available-for-sale financial instruments, net of deferred tax of \$147				2,548		2,548
Change in unrealized loss on translating financial statements of foreign operations	-	-	-	(11,646)	-	(11,646)
Comprehensive income (loss)	-		-	(9,514)	4,923	(4,591)
Share-based compensation expense	-	-	1,883	-	-	1,883
Issuance of shares upon bought deal, net of costs and deferred tax of \$3,080	221,631	-	-	-	-	221,631
Issuance of shares to associate	2,073	-	(943)	-	-	1,130

Share purchase loans	(200)	-	-	-	-	(200)
Issuance of shares under share purchase plan	50	-	-	-	-	50
Balance as at June 30, 2016	662,702	161	7,712	26,441	164,949	861,965

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

[Unaudited] [In thousands of Canadian dollars]

	Six-month period ended June 30	
	2016	2015
OPERATING ACTIVITIES		
Net income for the period	4,923	22,336
Adjustments reconciling net income to operating cash flows:		
Deferred tax	427	403
Share-based compensation expense	1,883	2,865
Depreciation and amortization	181	57
Accretion of interest	(2,846)	(2,220)
Realized gain on sale of other financial assets	(142)	(13,799)
Unrealized gain on financial assets	(2,370)	(225)
Gain on settlement of loan receivable	-	(358)
Foreign exchange loss (gain)	4,127	(4,146)
Purchase gain on business combination	-	(550)
Share of net income from associate	(1,659)	-
Changes in non-cash working capital related to operations	963	(5,376)
Deferred other income	(293)	(709)
Cash inflow (outflow) from operating activities	5,194	(1,722)
INVESTING ACTIVITIES		
Purchase of marketable securities	(283,125)	(383,578)
Purchase of financial assets	(5,423)	(2,356)
Purchase of intangibles	(2,924)	-
Investment in funds	(9,225)	(8,295)
Issuance of loans receivable	(37,449)	(31,347)
Proceeds from repayments of loans receivable	2,023	10,028
Proceeds from disposal of financial assets	4,026	29,242
Proceeds from sale of marketable securities	234,104	420,691
Dividend income from associate	2,423	-
Consideration paid on business combination	-	(1,750)
Cash (outflow) inflow from investing activities	(95,570)	32,635
FINANCING ACTIVITIES		
Issuance of shares upon bought deal	218,552	-
Proceeds from exercise of compensation warrants	-	635
Proceeds from exercise of an over-allotment option	-	12,424
Share option plan	-	934
Share purchase plan	50	42

Share purchase loans	(200)	-
Cost related to prior period share issuance	-	(207)
Cash inflow from financing activities	218,402	13,828
Increase in cash during the period	128,026	44,741
Cash and cash equivalents, beginning of the period	237,481	283,445
Net foreign exchange difference	(1,794)	861
Cash and cash equivalents, end of the period	363,713	329,047
Supplemental cash flow information:		
Interest received	6,821	4,991
Income taxes paid	2,334	2,068

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