



Source: Knight Therapeutics

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Knight Reports 2017 Fourth Quarter and Year End Results

MONTREAL, QUEBEC--(Marketwired - March 15, 2018) - Knight Therapeutics Inc. (TSX:GUD) ("Knight"), a leading Canadian specialty pharmaceutical company, today reported financial results for its fourth quarter and year ended December 31, 2017. All dollar amounts are in thousands except for share and per share amounts. All currencies are Canadian unless otherwise specified.

2017 Highlights

Financial Results

- Revenues were \$8,634, an increase of \$2,694 or 45% over prior year
- Net income was \$17,244, a decrease of \$1,316 or 7% versus prior year
- Cash flows from operations at \$23,457, an increase of \$8,719 or 59% over prior year

Products

- Announced the commercialization of Movantik® in Canada
- Submitted Iluvien® for approval for the treatment of diabetic macular edema to Health Canada, and received a Notice of Non-Compliance from Health Canada related to the submission subsequent to year end
- Submitted Probuphine® for approval for the treatment of opioid drug dependence to Health Canada

Strategic Lending and Investments

- Issued additional loans of US\$16,303 to Synergy CHC Corp ("Synergy") and 60° Pharmaceuticals LLC ("60P")
- Received a total of US\$19,283 on early repayment of strategic loans from Apicore Inc. and Pro Bono Bio plc.
- Amended loan with Crescita Therapeutics Inc. ("Crescita") resulting in an early repayment of \$2,488
- Received additional 1,577,363 common shares of Medimetriks Pharmaceuticals Inc. ("Medimetriks") initially valued at US\$2,453
- Received dividends of \$4,984 from Medison Biotech (1995) Ltd. ("Medison")
- Received distributions of \$8,083 from strategic fund investments and realized a gain of \$2,077
- Realized gain of \$1,457 on disposal of common shares of Merus Labs International Inc. upon the close of its acquisition by Norgine B.V.

Key Subsequent Events

- Submitted Netildex™ for approval for the treatment of inflammatory ocular conditions of the anterior segment of the eye to Health Canada
- Received US\$22,757 from Medimetriks including the early payment of principal of US\$20,000, interest and fees
- Received US\$4,460 as a partial repayment of the 60P loan

"We are pleased to report that 2017 marked a pivotal year for Knight's simple yet meaningful mission to make people better through the products we sell. In 2017, we launched our first commercial prescription pharmaceutical in Canada," said Jonathan Ross Goodman, CEO of Knight. "While we continue to advance our pipeline, building Canada's leading specialty pharmaceutical company is a marathon, not a sprint, and will take time. We continue to view our balance sheet as a significant competitive advantage and remain confident that our patience and focus on securing the rights to innovative products at fair prices will pay healthy dividends in the future."

As at December 31, 2017, Knight had over \$765,000 in cash, cash equivalents and marketable securities. From this strong cash position, Knight will continue to pursue business and corporate development opportunities.

Financial Results

	Q4-17	Q4-16	Change		2017	2016	Change	
			\$ ¹	% ²			\$ ¹	% ²
Revenues	2,544	1,845	699	38 %	8,634	5,940	2,694	45 %
Gross margin	2,056	1,372	684	50 %	7,049	4,390	2,659	61 %
Operating expenses	3,266	3,692	426	12 %	14,326	11,789	(2,537)	22 %
Interest income	7,783	6,099	1,684	28 %	26,300	24,414	1,886	8 %
Share of net income of associate	341	38	303	797 %	854	2,793	(1,939)	69 %
Net income	7,145	7,939	(794)	10 %	17,244	18,560	(1,316)	7 %
Basic earnings per share	0.05	0.06	(0.01)	17 %	0.12	0.15	(0.03)	20 %

¹ A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income

² Percentage change is presented in absolute values

Revenue and gross margin: Increase in 2017 is due to addition and growth of Movantik® and an increase in Impavido® sales.

Operating expenses: Increase in the year is explained by commercial activities including promotion of Movantik®, and an increase in the number of employees as Knight expands commercialization and prepares to launch new products in Canada.

Interest income: Increase in 2017 is driven by a higher balance of cash and marketable securities, increasing interest rates, and higher interest accretion related to strategic loans.

Share of net income of associate: Decrease in 2017 is due to Medison's lower net income mainly attributable to increases in marketing and selling expenses linked to new product launches as well as to an increase in the amortization of fair value adjustments recorded by Knight.

Product Updates

According to IQVIA data, Movantik® sales in Canada grew by 68% in 2017 and were \$936. In December 2016, Knight entered into an agreement with AstraZeneca for the rights to Movantik® in Canada and Israel under which Knight is responsible for all commercial, regulatory and certain supply chain activities. Movantik® is the first once-daily oral peripherally-acting mu-opioid receptor antagonist for the treatment of opioid-induced constipation in adult patients with non-cancer pain who have had an inadequate response to laxative(s).

Knight has submitted three products for approval by Health Canada approval since the start of 2017. Probuphine® is a subdermal implant designed to deliver buprenorphine continuously for six months for the treatment of opioid drug dependence, promoting patient compliance and retention. Iluvien® is a sustained release intravitreal implant for the treatment of diabetic macular edema. Netildex™ is a fixed combination of netilmicin and dexamethasone for the treatment of inflammatory ocular conditions of the anterior segment of the eye, in presence or at risk of bacterial infection. If approved, the launch of the Iluvien®, Probuphine® and Netildex™ will be key to the continued expansion of our commercial presence in Canada. Subsequent to year end, Knight received a Notice of Non-Compliance from Health Canada regarding its submission for Iluvien. Knight plans to respond to Health Canada's issues within the prescribed 90-day window.

Strategic Lending and Investment Updates

On August 9, 2017, Knight issued an additional three-year secured loan of US\$10,000 with an annual interest rate of 10.5% to Synergy. As part of the transaction, Knight will receive a success fee upon maturity of the loan.

On August 14, 2017, Knight amended its loan with Crescita. The amendment resulted in an early repayment of \$2,488 reducing the principal balance to \$4,100. Additionally, Knight agreed to amend the collateral on the loan with the release of a letter of credit in exchange for a general security interest over Crescita's assets. The interest rate of 9% per annum and maturity date of January 22, 2022 remain unchanged. On March 12, 2018, Knight subscribed for 754,716 shares of Crescita for \$400 following the exercise of rights received as part of a Crescita rights offering. As at March 14, 2018, Knight owns a total of 2,834,689 common shares of Crescita representing approximately 13.5% of its common shares outstanding.

During 2017, Knight issued an additional US\$6,303 under its loan agreement with 60P. As at December 31, 2017, Knight had issued a total of US\$9,145 to 60P at an interest rate of 15% per annum with a maturity date of

December 31, 2020. On February 8, 2018, 60P repaid US\$4,460 of the outstanding loan amount. In addition, pursuant to its loan agreements with Medimetriks, Knight received an additional 1,577,363 common shares of Medimetriks in 2017, increasing its ownership to 15.6% on a fully diluted basis as at December 31, 2017. On March 7, 2018, Knight received an early repayment from Medimetriks for principal of US\$20,000 and interest and fees.

Conference Call Notice

Knight will host a conference call and audio webcast to discuss its fourth quarter and year end results today at 8:30 am ET. Knight cordially invites all interested parties to participate in this call.

Date: Thursday, March 15, 2018

Time: 8:30 a.m. EST

Telephone: 1-877-223-4471 or 647-788-4922

Webcast: <http://www.gudknight.com/> or <http://bit.ly/2tmGaa8>

This is a listen-only audio webcast. Media Player is required to listen to the broadcast.

Replay: An archived replay will be available for 30 days at <http://www.gudknight.com/>

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.gudknight.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, 2017. 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.

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

As at December 31,	2017	2016
ASSETS		
Current		
Cash and cash equivalents	496,460	514,942
Marketable securities	232,573	221,108
Trade and other receivables	9,176	6,440
Inventories	1,224	790
Other current financial assets	58,848	51,789
Income taxes receivable	792	4,683
Total current assets	799,073	799,752
Marketable securities	36,000	-
Property and equipment	633	32
Intangible assets	12,576	14,153
Other financial assets	76,988	90,643
Investment in associate	75,983	80,113
Deferred income tax assets	4,730	6,077
Total assets	1,005,983	990,770

LIABILITIES AND SHAREHOLDERS' EQUITY**Current**

Accounts payable and accrued liabilities	5,025	3,207
Income taxes payable	7,599	5,659
Other balances payable	1,354	537
Deferred other income	282	355
Total current liabilities	14,260	9,758
Deferred other income	167	417
Other balances payable	348	877
Total liabilities	14,775	11,052
Shareholders' equity		
Share capital	761,490	760,447
Warrants	785	785
Contributed surplus	12,196	9,469
Accumulated other comprehensive income	20,907	30,431
Retained earnings	195,830	178,586
Total shareholders' equity	991,208	979,718
Total liabilities and shareholders' equity	1,005,983	990,770

CONSOLIDATED STATEMENTS OF INCOME

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

	2017	2016
Revenues	8,634	5,940
Cost of goods sold	1,585	1,550
Gross margin	7,049	4,390
Expenses		
Selling and marketing	3,378	532
General and administrative	8,198	9,302
Research and development	2,750	1,955
	(7,277)	(7,399)
Depreciation of property and equipment	8	18
Amortization of intangible assets	1,621	419
Interest income	(26,300)	(24,414)
Other income	(1,527)	(3,894)
Net gain on financial assets	(6,734)	(1,659)
Impairment on financial assets	1,621	-
Share of net income of associate	(854)	(2,793)
Foreign exchange loss	3,689	1,451
Income before income taxes	21,199	23,473
Income tax expense		
Current	1,897	4,190
Deferred	2,058	723
Net income for the year	17,244	18,560
Attributable to shareholders of the Company		
Basic earnings per share	0.12	0.15
Diluted earnings per share	0.12	0.15

Weighted average number of common shares outstanding

Basic	142,763,730	120,723,270
Diluted	143,416,666	121,263,522

CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

	2017	2016
OPERATING ACTIVITIES		
Net income for the year	17,244	18,560
Adjustments reconciling net income to operating cash flows:		
Deferred tax	2,058	723
Share-based compensation expense	3,038	3,640
Depreciation and amortization	1,629	437
Accretion of interest	(5,382)	(6,201)
Realized gain on financial assets	(4,421)	(2,569)
Unrealized (gain) loss on financial assets	(2,313)	910
Impairment on financial assets	1,621	-
Foreign exchange loss	3,689	1,451
Share of net income from associate	(854)	(2,793)
Other income	(563)	(1,274)
Deferred other income	(323)	479
	15,423	13,363
Changes in non-cash working capital related to operations	3,050	(3,462)
Dividends from associate	4,984	4,837
Cash inflow from operating activities	23,457	14,738
INVESTING ACTIVITIES		
Purchase of marketable securities	(314,358)	(535,685)
Purchase of intangibles	-	(9,853)
Purchase of property and equipment	(126)	(7)
Issuance of loans receivables	(20,112)	(43,274)
Purchase of equities	(2,939)	(16,371)
Investment in funds	(21,314)	(16,503)
Proceeds from sale of marketable securities	259,067	544,812
Proceeds from repayments of loans receivable	38,835	11,324
Proceeds from disposal of equities	12,872	9,572
Proceeds from distribution of funds	8,083	4,610
Proceeds from disposal of derivatives	-	2,157
Cash outflow from investing activities	(39,992)	(49,218)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of costs	-	313,574
Proceeds from exercise of stock options	551	-
Proceeds from contributions to share purchase plan	195	105
Issuance of share purchase loans	-	(350)
Cash inflow from financing activities	746	313,329
(Decrease) increase in cash during the year	(15,789)	278,849
Cash and cash equivalents, beginning of the year	514,942	237,481
Net foreign exchange difference	(2,693)	(1,388)

Cash and cash equivalents, end of the year	496,460	514,942
Marketable securities, end of the year	268,573	221,108
Cash, cash equivalents and marketable securities, end of the year	765,033	736,050

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