



Source : Knight Therapeutics

14 mars 2019 06h00 HE

Knight Reports 2018 Fourth Quarter and Year End Results

MONTREAL, March 14, 2019 (GLOBE NEWSWIRE) -- Knight Therapeutics Inc. (TSX: GUD) ("Knight"), a Canadian specialty pharmaceutical company, today reported financial results for its fourth quarter and year ended December 31, 2018. All dollar amounts are in thousands except for share and per share amounts. All currencies are Canadian unless otherwise specified.

2018 Highlights

Financial Results

- Revenues were \$12,500, an increase of \$3,866 or 45% over prior year.
- Realized net gain on financial assets measured at fair value through profit or loss of \$6,444.
- Net income was \$24,079, an increase of \$6,835 or 40% versus prior year.

Corporate Developments

- Received notices of reassessment from Canada Revenue Agency and Quebec Revenue Agency of \$23,340 and \$18,242 respectively, related to the sale of Knight's Priority Review Voucher.
- Accepted the resignation of Dr. Sarit Assouline and appointed Nancy Harrison on the Board of Directors.

Products

- Received regulatory approval and launched Probuphine® for the treatment of opioid drug dependence in Canada.
- Received regulatory approval from Health Canada for Iluvien® for the treatment of diabetic macular edema.
- Submitted Netildex™ for approval and received a Notice of Non-Compliance ("NON") from Health Canada.
- Entered into an exclusive licensing agreement with Ardelyx Inc. to commercialize tenapanor in Canada.
- Entered into a licensing agreement with TherapeuticsMD, Inc. ("TXMD") to commercialize TX-004HR and TX-001HR in Canada and Israel.
- Entered into a distribution, license and supply agreement with Jaguar Health Inc. ("Jaguar") to commercialize Mytesi® in Canada and Israel.
- Entered into an out-licensing agreement with Pharma Consulting Group S.A. ("Biopas") for the commercial rights of Impavido® in Colombia, Peru, Ecuador and Paraguay.

Strategic Lending

- Received an early repayment of US\$22,757 from Medimetriks Pharmaceutical Inc. ("Medimetriks") including payment of principal of US\$20,000.
- Received US\$4,460 as a partial repayment from 60☒ Pharmaceuticals, LLC ("60P") and loaned an additional US\$2,100.
- Received \$3,188 as full loan repayment and early repayment fee from Profound Medical Inc. ("Profound").
- Received \$1,305 from Pediapharm Inc. ("Pediapharm") as full loan repayment.
- Converted \$500 Antibe Therapeutics Inc. debenture into 2,489,899 common shares subsequently sold for \$1,011.

Strategic Investments

- Acquired an additional 754,716 common shares of Crescita Therapeutics Inc. through a rights offering at \$0.53 per share.
- Invested US\$20,000 in common shares of TXMD at a price of US\$5.10 per share.
- Invested US\$900 in common shares of Jaguar at a price of US\$0.60 per share.
- Received distributions of \$6,769 from strategic fund investments and realized a gain of \$1,879.

Key Subsequent Events

- Entered into a licensing agreement with Puma Biotechnology, Inc. ("Puma") to commercialize NERLYNX® in Canada.
- Entered into a strategic financing agreement with Moksha8, Inc. ("Moksha8"), a specialty pharmaceutical company in Brazil and Mexico, for a loan of up to US\$25,000 of which US\$10,000 was issued.
- Entered into a secured loan agreement with Triumvira Immunologics ("Triumvira") for US\$5,000 for the development of its novelty T cell technology and obtained the exclusive rights to commercialize Triumvira's future products in select countries.
- Medison's board of directors declared and approved dividends of \$4,153, payable to Knight.

"During the past year we made significant progress in building a specialty pharmaceutical company in Canada and select international markets. We expanded our product portfolio with the in-licensing of five innovative products offering novel treatment options in women's health, oncology and gastroenterology," said Jonathan Ross Goodman, CEO of Knight. "Looking ahead, the talented team at Knight and myself remain fully dedicated and committed to both the patients and the shareholders we serve. We will continue to work tirelessly to make a meaningful difference in the lives of patients and in the process deliver healthy returns to our shareholders."

As at December 31, 2018, Knight had over \$787,000 in cash, cash equivalents and marketable securities. From this strong cash position, Knight will focus on the disciplined execution of its strategy to continue building a Canadian and "rest of world" specialty pharmaceutical company. This will be achieved through the in-licensing and acquisitions of pharmaceutical products for the Canadian and select international markets as well as through corporate acquisitions at a fair price. Knight is also focused on finding the right strategic partners in Latin America, the Middle East and Africa to further our "rest of world" strategy. Furthermore, Knight will continue to pursue deals such as strategic loans and or equity investments to secure rights to innovative pipeline assets including early stage products.

Financial Results

	Q4- 18	Q4- 17	Change \$ ¹	% ²	2018	2017	Change \$ ¹	% ²
Revenues	3,888	2,544	1,344	53%	12,500	8,634	3,866	45%
Gross margin	3,364	2,056	1,308	64%	10,195	7,049	3,146	45%
Operating expenses	4,001	3,266	(735)	23%	14,046	14,326	280	2%
Interest income ³	5,944	7,783	(1,839)	24%	20,934	26,300	(5,366)	20%
Share of net income of associate	114	341	(227)	67%	555	854	(299)	35%
Net income	221	7,145	(6,924)	97%	24,079	17,244	6,835	40%
Basic earnings per share	0.002	0.050	(0.048)	96%	0.169	0.121	(0.048)	40%

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

3 Includes the sum of "interest income on financial instruments measured and amortized costs" and "other interest income" as presented in the 2018 statement of income under IFRS 9. Refer to 2018 audited financial statements of Knight for further details.

Revenue: Increase due to timing and growth of Impavido® sales and growth in Movantik® sales.

Gross margin: Increase attributable to revenues and change in product mix.

Operating expenses: There is no significant variance in the year while the Q4-18 increase is due to transactional professional fees and timing of certain expenses.

Interest income: Interest income was driven by the sum of interest income and interest accretion. Interest income (excluding accretion) for Q4-18 was \$5,944, an increase of 3% or \$162 compared to prior year while interest income (excluding accretion) for YTD-18 was \$20,934, an increase of \$16 compared to prior year. The variances in interest income are explained by an increase in the average cash, cash equivalents, and marketable securities balances and an increase in interest rates, offset by a lower average loan balance.

Net gain on financial assets measured at fair value through profit or loss: A net loss of \$6,717 was recorded in Q4-18 explained by the unrealized loss on revaluations of Knight's financial assets measured at fair value through

profit or loss. For fiscal year 2018, a net gain of \$7,632 was recorded on financial assets measured at fair value through profit or loss explained mainly by (i) realized gains on disposal of equity investments: \$2,978 (ii) realized gains on recognition of day 1 gains and the early repayments of the Medimetrix, Profound and Pediapharm loans: \$1,723 (iii) realized gains on distributions from the strategic fund investments: \$1,879 (iv) net unrealized gains on the fair value revaluation of certain financial assets: \$1,052.

Net income: Net income for the quarter was driven by the above-mentioned items as well as a foreign exchange gain of \$2,716 from the relative gain on certain U.S. dollar denominated financial assets. Similarly, net income for the twelve-month period was impacted by (i) other income of \$1,979 due to the early repayment of fees on the Medimetrix, Profound and Pediapharm loans, (ii) share of net income of associate of \$555, and (iii) a foreign exchange gain of \$4,147 from the relative gains on certain U.S. dollar denominated financial assets.

Product Updates

Over the past year, the Company advanced its product pipeline with the Canadian regulatory approval of two products. Knight launched Probuphine® for the management of opioid dependence and expects to launch Iluvien® for the treatment of diabetic macular edema later in 2019. Furthermore, Knight submitted Netildex™ for the treatment of inflammatory ocular conditions of the anterior segment of the eye for regulatory approval in Canada. During Q4-18, Knight received a NON for Netildex™ and will be responding to Health Canada's concerns.

Furthermore, Knight expanded its product pipeline with the in-licensing of multiple innovative pharmaceutical products. Knight entered into an exclusive licensing agreement with TXMD for the commercial rights of TX-004HR (marketed as Imvexxy™ in the U.S.) and TX-001HR (marketed as BIJUVA™ in the U.S.) for Canada and Israel. The products treat the symptoms associated with menopause and are expected to be submitted for regulatory approval in Canada in 2019. In addition, Knight expanded its gastrointestinal portfolio with the exclusive commercial rights of tenapanor in Canada and Mytesi® for Canada and Israel. Tenapanor, marketed as Ibsrela™ for IBS-C (irritable bowel syndrome with constipation) is pending regulatory approval in the U.S. Tenapanor is also being evaluated in a Phase 3 study for hyperphosphatemia. Knight expects to submit a NDS for Ibsrela™ in 2019.

Subsequent to 2018, Knight advanced its oncology portfolio with the license agreements for the Canadian exclusive rights to commercialize NERLYNX® (neratinib) a novel treatment for breast cancer patients, and Triumvira Immunologics Inc.'s future products for Canada, Israel, Mexico, Colombia and TAC01-CD19 for Israel, Mexico, Brazil and Colombia ("Triumvira Products").

Strategic Lending and Investment Updates

On February 8, 2018, Knight received US\$4,460 as a partial repayment of the 60P loan and subsequently lent an additional US\$2,100 at an interest rate of 15%. As consideration for the additional loan, Knight obtained the commercial rights of Arakoda™ for the prophylaxis of malaria in patients aged 18 years and older for the territory of Latin America.

On February 15, 2019, the Company announced a strategic financing agreement with Moksha8, a specialty pharmaceutical company operating in Brazil and Mexico, the two largest pharmaceutical markets in Latin America. Under the terms of the agreement, Knight may loan up to US\$25,000 in working capital funding and US\$10,000 was issued at closing. The loan bears interest at 15% per annum and matures five years from the issuance date. The Company may issue up to an additional US\$100,000 for corporate development and the acquisition of product licenses in Latin America. In conjunction with the strategic financing agreement, Knight received warrants at an exercise price of US\$0.01 each representing 5% of the fully diluted shares of Moksha8.

On February 20, 2019, the Company entered into a US\$5,000 secured loan agreement with Triumvira for the development of its novelty T cell technology. The loan bears interest at 15% per annum and matures on February 20, 2020. In addition, as part of this strategic financing transaction, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares and the commercial rights to the Triumvira Products.

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 14, 2019

Time: 8:30 a.m. EST

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

Webcast: www.gudknight.com or <https://preview.tinyurl.com/y3wtsj4e>

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 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 and commercializing 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, 2018. 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.

CONTACT INFORMATION:

Knight Therapeutics Inc.
Samira Sakhia
President and Chief Financial Officer
T: 514-678-8930
F: 514-481-4116
info@gudknight.com
www.gudknight.com

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

As at December 31,	2018	2017
ASSETS		
Current		
Cash and cash equivalents	244,785	496,460
Marketable securities	445,003	232,573
Trade and other receivables	11,756	9,176
Inventories	1,136	1,224
Other current financial assets	14,030	58,848
Income taxes receivable	821	792
Total current assets	717,531	799,073
Marketable securities	97,274	36,000
Property and equipment	794	633
Intangible assets	17,475	12,576
Other financial assets	113,314	76,988
Investment in associate	79,145	75,983
Deferred income tax assets	2,959	4,730
Other receivable	23,340	—
Total assets	1,051,832	1,005,983

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	6,100	5,025
Income taxes payable	10,705	7,599
Other balances payable	197	1,354
Deferred other income	183	282
Total current liabilities	17,185	14,260
Deferred other income	—	167
Other balances payable	4,615	348
Total liabilities	21,800	14,775
Shareholders' equity		
Share capital	761,844	761,490
Warrants	785	785
Contributed surplus	14,326	12,196
Accumulated other comprehensive income	20,955	20,907
Retained earnings	232,122	195,830
Total shareholders' equity	1,030,032	991,208
Total liabilities and shareholders' equity	1,051,832	1,005,983

CONSOLIDATED STATEMENTS OF INCOME

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

	2018	2017
Revenues	12,500	8,634
Cost of goods sold	2,305	1,585
Gross margin	10,195	7,049
Expenses		
Selling and marketing	3,588	3,378
General and administrative	8,467	8,198
Research and development	1,991	2,750
	(3,851)	(7,277)
Depreciation of property and equipment	87	8
Amortization of intangible assets	1,845	1,621
Interest income on financial instruments measured at amortized cost	(16,114)	(26,300)
Other interest income	(4,820)	—
Other income	(1,979)	(1,527)
Net gain on financial assets	—	(6,734)
Impairment on financial assets	—	1,621
Net gain on financial instruments measured at fair value through profit or loss	(7,632)	—
Share of net income of associate	(555)	(854)
Foreign exchange (gain) loss	(4,147)	3,689
Income before income taxes	29,464	21,199
Income tax expense		
Current	3,535	1,897
Deferred	1,850	2,058
Net income for the year	24,079	17,244

Attributable to shareholders of the Company

Basic earnings per share	0.17	0.12
Diluted earnings per share	0.17	0.12

Weighted average number of common shares outstanding

Basic	142,827,616	142,763,730
Diluted	143,275,010	143,416,666

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	2018	2017
OPERATING ACTIVITIES		
Net income for the year	24,079	17,244
Adjustments reconciling net income to operating cash flows:		
Deferred income tax	1,850	2,058
Share-based compensation expense	2,170	3,038
Depreciation and amortization	1,932	1,629
Accretion of interest	—	(5,382)
Net gain on financial instruments	(7,632)	(6,734)
Impairment on financial assets	—	1,621
Foreign exchange (gain) loss	(4,147)	3,689
Share of net income of associate	(555)	(854)
Other income	168	(563)
Deferred other income	(266)	(323)
	17,599	15,423
Changes in non-cash working capital and other items	2	3,050
Other receivable	(23,340)	—
Dividends from associate	—	4,984
Cash (outflow) inflow from operating activities	(5,739)	23,457
INVESTING ACTIVITIES		
Purchase of marketable securities	(531,401)	(314,358)
Purchase of intangibles	(3,670)	—
Purchase of property and equipment	(202)	(126)
Issuance of loans receivables	(5,375)	(20,112)
Purchase of equities	(27,919)	(2,939)
Investment in funds	(27,169)	(21,314)
Proceeds on maturity of marketable securities	264,334	259,067
Proceeds from repayments of loans receivable	41,112	38,835
Proceeds from disposal of equities	31,207	12,872
Proceeds from distribution of funds	6,769	8,083
Cash outflow from investing activities	(252,314)	(39,992)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	90	551
Proceeds from contributions to share purchase plan	200	195
Cash inflow from financing activities	290	746
Decrease in cash and cash equivalents during the year	(257,763)	(15,789)
Cash and cash equivalents, beginning of the year	496,460	514,942

Net foreign exchange difference	6,088	(2,693)
Cash and cash equivalents, end of the year	244,785	496,460
Cash and cash equivalents	244,785	496,460
Short-term marketable securities	445,003	232,573
Long-term marketable securities	97,274	36,000
Total cash, cash equivalents and marketable securities	787,062	765,033