



Source: Knight Therapeutics

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Knight Therapeutics Reports Fourth Quarter and Year End 2019 Results

MONTREAL, March 30, 2020 (GLOBE NEWSWIRE) -- Knight Therapeutics Inc. (TSX: GUD) ("Knight"), a leading pan-American (ex-USA) specialty pharmaceutical company, today reported financial results for its fourth quarter and year ended December 31, 2019. All currency amounts are in thousands except for share and per share amounts. All currencies are Canadian unless otherwise specified.

2019 Highlights

Financials

- Revenues were \$47,461, an increase of \$34,961 or 280% over prior year.
- Interest income generated of \$23,542 an increase of \$2,608 or 12% over prior year.
- Net income was \$18,033 compared to net income of \$24,079 in prior year.
- Adjusted operating income¹ of \$26,406 an increase of \$9,023 or 52% compared to prior year.

Corporate Developments

- Acquired 51.2% of Biotoscana Investments S.A. ("GBT"), a company operating in LATAM for BRL 595,662 (\$189,024). Following the close of the agreement, Knight initiated the process to launch a mandatory tender offer ("MTO") to acquire the remaining 48.8% from public shareholders.
- Launched a NCIB in July 2019 and purchased 7,249,249 common shares for an aggregate cost of \$54,838.
- Entered into a definitive settlement and purchase agreement with Medison Biotech (1995) Ltd. ("Medison") pursuant to which Knight agreed to sell its 28.3% ownership for a cash consideration of \$77,000. In addition, both parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties. The transaction was closed on March 16, 2020.
- Promoted Arvind Utchanah from Vice-President Finance to Chief Financial Officer effective March 30, 2020.

Products

- Entered into a licensing agreement with Puma Biotechnology, Inc. ("Puma") to commercialize NERLYNX® in Canada and received regulatory approval from Health Canada for NERLYNX® for the treatment of HER2-positive breast cancer.
- Submitted Ibsrela™ for regulatory approval for the treatment of Irritable Bowel Syndrome with Constipation ("IBS-C") to Health Canada.
- Reached an agreement with the pan-Canadian Pharmaceutical Alliance regarding Probuphine® and to date have obtained reimbursement through public insurance plans administered by Alberta, Saskatchewan, New Brunswick, Manitoba, Quebec, Newfoundland, Nova Scotia, Veterans Affairs Canada and the Non-Insured Health Benefits for First Nations and Inuit Program ("NIHB").
- Submitted Imvexxy™ for regulatory approval for the treatment of postmenopausal symptoms of vulvar and vaginal atrophy due to estrogen deficiency to Health Canada.
- Submitted Bijuva™ for regulatory approval for the treatment of moderate to severe vasomotor symptoms associated with menopause to Health Canada.
- Partnered with Debiopharm to commercialize Trelstar®, approved for the treatment of advanced prostate cancer, in Canada. Knight expects to take over commercial activities in Canada in early 2020.

Strategic Lending

- Entered into a strategic financing agreement with Moksha8, a specialty pharmaceutical company operating in Brazil and Mexico, for a loan of up to US\$25,000 (\$32,470).
- Entered into a US\$5,000 (\$6,585) secured loan with Triumvira for the development of its novelty T cell therapies and obtained the exclusive rights to commercialize Triumvira's future products in select countries.
- Received US\$750 (\$1,005) for the full repayment of the strategic loan issued to Medimetriks.

- Received \$3,639 for the full repayment of the strategic loan issued to Crescita.

¹ Adjusted operating income is not a defined term under IFRS, refer to the definition below for additional details.

Key Subsequent Events

- Purchased an additional 2,169,278 common shares for an aggregate cost of \$13,310 through the NCIB in 2020.
- Ensuring supply of medicines and safety of our employees during the COVID-19 pandemic.

“We are pleased to report that 2019 was transformative for Knight’s mission to become a “rest of world” specialty pharmaceutical company. The past several years we have focused on expanding into Latin America, resulting in this year’s acquisition of a controlling stake in Grupo Biotocana” said Jonathan Ross Goodman, CEO of Knight Therapeutics Inc. “In addition, we advanced our Canadian product pipeline with the in-licensing of three new drugs and received regulatory approval for two additional products, while three submissions are pending approval from Health Canada. Looking ahead, we remain committed to supplying the medicines our patients need as our community faces an unprecedented health crisis, and will continue leveraging our strong balance sheet to build a business our shareholders can be proud of”.

Select Financial Results

	Q4-19			Q4-18	Change	
	KNIGHT ³	GBT ³	TOTAL		\$ ¹	% ²
Revenues	3,350	33,921	37,271	3,888	33,383	859%
Gross margin	3,150	15,249	18,399	3,391	15,008	443%
Selling and marketing	1,582	2,866	4,448	907	(3,541)	390%
General and administrative	9,348	2,773	12,121	2,653	(9,468)	357%
Research and development	633	778	1,411	492	(919)	187%
Amortization of intangible assets	425	1,715	2,140	478	(1,662)	348%
Impairment of intangible assets	4,226	-	4,226	-	(4,226)	NA
Interest income	5,434	-	5,434	5,944	(510)	9%
Interest expense	644	370	1,014	-	(1,014)	NA
Net (loss) income	(10,360)	7,207	(3,153)	221	(3,374)	NA
Basic net (loss) earnings per share	(0.076)	0.027	(0.049)	0.002	(0.051)	NA
Adjusted operating income	2,588	9,063	11,651	5,607	6,044	108%

	YTD-19			YTD-18	Change	
	KNIGHT ³	GBT ³	TOTAL		\$ ¹	% ²
Revenues	13,540	33,921	47,461	12,500	34,961	280%
Gross margin	11,669	15,249	26,918	10,279	16,639	162%
Selling and marketing	4,923	2,866	7,789	3,588	(4,201)	117%
General and administrative	21,687	2,773	24,460	8,638	(15,822)	183%
Research and development	3,135	778	3,913	1,991	(1,922)	97%
Amortization of intangible assets	1,698	1,715	3,413	1,845	(1,568)	85%
Impairment of intangible assets	4,226	-	4,226	-	(4,226)	NA
Interest income	23,542	-	23,542	20,934	2,608	12%
Interest expense	644	370	1,014	-	(1,014)	NA
Net income	10,826	7,207	18,033	24,079	(6,046)	25%
Basic net earnings per share	0.078	0.026	0.104	0.169	(0.065)	38%
Adjusted operating income	17,343	9,063	26,406	17,383	9,023	52%

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 Refer to operating segment disclosure in Section 23 of management discussion and analysis for the quarter ended December 31, 2019 for definition of “Knight” and “GBT”

For the full year ended and quarter ended December 31, 2019, Knight consolidated GBT’s financial results for the month of December 2019.

Revenue: GBT’s financial results accounted for \$33,921 of incremental revenues. For the full year ended 2019, GBT reported total revenues of BRL 743,097 (\$250,498) of which Knight has consolidated the month of December 2019. The average 2019 monthly revenues were at BRL 61,925 (\$20,875) compared to BRL 105,935 (\$33,921) for the month of December 2019. The revenues for December 2019 were exceptionally higher than the average monthly revenues due to timing of certain product shipments. Knight does not expect similar magnitude as December 2019 monthly revenues to continue in the future. Variances in Knight’s revenues for the quarter and the twelve-month period was mainly attributable to the timing of sales for Impavido®, growth in Movantik® sales and launch of Probuphine™.

Gross margin: Change in gross margin was mainly attributable to the consolidation of GBT’s financial results, which accounted for \$15,249 of incremental gross margin. Knight’s increase in gross margin for the quarter and twelve-month period is attributable to the product mix.

Selling and marketing: GBT’s financial results accounted for \$2,866 incremental selling and marketing expenses. For the three and twelve-month periods, the increase in Knight’s selling and marketing expenses was due to commercial activities including preparation for launch of new products.

General and administrative: GBT’s financial results accounted for \$2,773 of incremental general and administrative expenses. Knight’s general and administrative expenses for Q4-19 were \$9,348, an increase of 252% or \$6,695 compared to Q4-18 mainly due to expenses of \$5,542 on legal, consulting and advisory fees related to the acquisition of GBT (“GBT Fees”). For the twelve-month period, Knight’s general and administrative expenses were \$21,687, and increase of 151% or \$13,049 mainly due to the GBT Fees of \$8,019 for the full year and an expense of \$3,756 related to the activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison’s CEO. Knight expects to incur additional significant expenses related to the MTO in 2020.

Research and development: GBT’s financial results accounted for \$778 of incremental research and development expenses. Increase in Knight’s research and development expenses for the quarter due to submissions of Bijuva™ for regulatory approval to Health Canada, while the increase for the twelve-month period was due to submissions of Ibsrela™, Imvexxy™ and Bijuva™.

Amortization of intangible assets: The amortization of the definite-life intangible assets acquired in the GBT transaction represents \$1,715. There was no significant change variance in Knight’s amortization.

Impairment of financial assets: Charge of \$4,226 due to change in commercial expectations.

Interest income: Interest income is the sum of interest income on financial instruments measured at amortized costs and other interest income. Interest income for Q4-19 was \$5,434, a decrease of 9% or \$510 compared to Q4-18 due to a decrease in the average cash and marketable securities balances offset by a higher average loan balance and an increase in interest rates. For the twelve-month period, interest income was \$23,542, an increase of 12% or \$2,608 compared to the same period last year driven by a higher average loan balance and an increase in interest rates, offset by a decrease in the average cash and marketable securities balances.

Net (loss) income: Net loss for the quarter was \$3,153 (Q4-18: income of \$221) in the same period last year. The variance mainly resulted from the above-mentioned items as well as (i) interest expense of \$1,014 due to interest accretion on the MTO liability and GBT’s bank loans, (ii) a net gain on the revaluation of financial assets measured at fair value through profit or loss of \$1,065 (Q4-18: loss of \$6,717) and (iii) a foreign exchange loss of \$3,187 (Q4-18: gain of \$2,716) largely due to the revaluation of the MTO liability, offset by GBT’s overall relative gains on certain net assets denominated in foreign currencies. Similarly, net income for the twelve-month period was \$18,033 (YTD-18: \$24,079). The variance mainly resulted from the above-mentioned items as well as (i) interest expense of \$1,014 due to interest accretion on the MTO liability and GBT’s bank loans, (ii) other income of \$2,195 (YTD-18: \$1,979) due to fees earned on strategic loans and a strategic fund, (iii) a net gain on revaluation of financial assets measured at fair value through profit or loss of \$20,714 (YTD-18: \$7,632), and (iii) a foreign exchange loss of \$6,502 (YTD-18: gain of \$4,147).

Non-IFRS measure – Adjusted operating income: Adjusted operating income is a non-IFRS measure. Knight defines “Adjusted operating income” as operating (loss) income adjusted to exclude amortization and impairment of intangible assets, acquisition costs, non-recurring expenses incurred but to include interest income earned net

of interest expenses and costs related to leases. In addition, the adjusted operating income does not reflect the portion of GBT's Adjusted Earnings attributable to the non-controlling interests.

For the three-month period ended December 31, 2019, adjusted operating income was \$11,651, an increase of \$6,044 or 108% compared to the same period last year. The consolidation of GBT's financial results accounted for \$9,063 of the increase, offset by an increase in Knight's selling and marketing activities due to product launches and an increase in certain administrative expenses. For the twelve-month period, adjusted operating income was \$26,406, an increase of \$9,023 or 52%, mainly due to the consolidation of GBT's financial results.

Acquisition of GBT

GBT is a specialty pharmaceutical company headquartered in Montevideo, Uruguay, operating in 10 countries in Latin America. GBT markets and sells licensed innovative products and engages in development, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT's business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology and certain other specialty therapeutics.

On November 29, 2019 Knight acquired a controlling stake of 51.2% in GBT ("GBT Transaction"), from a controlling shareholder group that included Advent International and Essex Woodlands, among others. The purchase price per share paid by Knight at closing was BRL 10.96 (\$3.48), for an aggregate purchase price of BRL 595,662 (\$189,024), which was funded entirely from Knight's cash on hand. An amount equivalent to 20% of the purchase price was deposited in escrow to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction. The escrow amount will be released equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.

The remaining 48.8% ownership of GBT is publicly-held and traded on B3 S.A. – Brasil, Bolsa, Balcão ("B3"), Brazil's main stock exchange, through Brazilian Depository Receipts ("BDR"). Following the close of the Transaction, Knight initiated the process of launching a mandatory public tender offer to acquire the BDRs from public shareholders (the "Unified Tender Offer") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may opt to be paid in cash on the settlement date an amount of BRL10.15 per BDR plus interest at the Selic rate calculated from November 29, 2019. On December 20, 2019, Knight submitted to B3 an authorization request to carry out the Unified Tender Offer, which is expected to take 4 to 8 months from launch to completion.

Product Updates

In January 2019, Knight entered into an exclusive license agreement with Puma for the exclusive right to commercialize NERLYNX® (neratinib) in Canada. On July 16, 2019, Health Canada approved NERLYNX® for the extended adjuvant treatment of women with early-stage hormone receptor positive, HER2-overexpressed/amplified breast cancer following adjuvant trastuzumab-based therapy. In December 2019 Pan-Canadian Oncology Drug Review Expert Review Committee ("pERC") published their final report recommending that NERLYNX® should not be reimbursed through the public insurance plans. Knight is pursuing private reimbursement to ensure that patients have access to this novel therapy.

On February 20, 2019 Knight entered into an exclusive license agreement with Triumvira to commercialize its future approved products for Canada, Israel, Mexico, Colombia and for TAC01-CD19 for Israel, Mexico, Brazil and Colombia. Triumvira is developing novel T cell therapies that are safer and more efficacious than current gene therapy cancer treatments, including chimeric antigen receptor (CAR) and engineered T cell receptor (TCR) therapies.

In August 2019, Knight reached an agreement with the pan-Canadian Pharmaceutical Alliance and to date has obtained reimbursement of Probuphine® through public insurance plans administered by Alberta, Saskatchewan, New Brunswick, Manitoba, Quebec, Newfoundland, Nova Scotia, Veterans Affairs Canada, and the NIHB. Probuphine® is indicated for the management of opioid dependence in patients clinically stabilized on no more than 8 mg of sublingual buprenorphine in combination with counseling and psychosocial support and will become an important weapon in the fight against opioid dependence.

On October 30, 2019 and November 26, 2019, Knight announced that Imvexxy™ and Bijuva™, respectively, were accepted for review by Health Canada. In the US, Imvexxy™ is indicated for the treatment of moderate-to-severe dyspareunia (vaginal pain associated with sexual activity), a symptom of vulvar and vaginal atrophy (VVA), due to menopause. Bijuva™ is a bio-identical hormone therapy combination of estradiol and progesterone in a single, oral softgel for the treatment of moderate-to-severe vasomotor symptoms due to menopause. Both products were licensed from TherapeuticsMD, Inc.

In November 2018, Health Canada approved Iluvien®, a sustained release intravitreal implant for the treatment of diabetic macular edema. In September 2019, the Canadian Agency For Drugs And Technologies In Health

published their final report recommending that Iluvien® should not be reimbursed through the public insurance plans. Knight is working with Alimera Sciences Inc. to assess the resubmission process.

On January 8, 2020, Knight announced it has partnered with Debiopharm in an exclusive agreement that grants Knight the Canadian rights to commercialize Trelstar® (triptorelin), an agonist analogue of the natural gonadotropin-releasing hormone (GnRH). Trelstar® is currently approved and sold in Canada. The agreement is expected to close during the first half of 2020 upon which Knight will take over commercial activities and start recognizing related revenues.

Strategic Lending Update

On February 15, 2019, Knight 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 committed to 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. 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 September 30, 2019, Knight loaned an additional US\$1,500 as an advance of a future loan commitment at an interest rate of 15% per annum and maturing in 2021.

Under the terms of the agreement, Knight has a remaining loan commitment of US\$10,500 which will be disbursed upon Moksha8 meeting pre-defined profitability targets. In addition, Knight may issue an additional US\$100,000 at Knight's sole discretion for corporate development and the acquisition of product licenses.

On February 20, 2019, Knight 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.

During 2016, Knight issued US\$23,000 to Medimetriks in secured loans to support its acquisition of the exclusive U.S. development and commercialization rights of OPA-15406 from Otsuka. On March 7, 2018, Knight received an early repayment of principal of US\$20,000 and interest and fees of US\$2,757. Subsequent to the early repayment and scheduled principal repayments of US\$2,250, the outstanding loan balance was US\$750. The remaining loan balance was repaid in full on June 18, 2019.

On December 20, 2019, Knight received an early repayment of \$3,656 from Crescita, including full repayment of the outstanding principal and interest.

COVID-19 Update

The recent outbreak of the coronavirus, or COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. Certain countries where the Company has significant operations, have required entities to limit or suspend business operations and have implemented travel restrictions and quarantine measures. Knight is working to alleviate some of the pressure that the global COVID-19 pandemic has placed on our healthcare systems and ensure that we maintain supply of our medicines to patients. The Company and its employees have transitioned to working remotely, including our field sales and medical teams. The Company is taking steps to establish digital and virtual channels to ensure that physicians and patients continue to receive continued support. Furthermore, the Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

NCIB Update

On July 8, 2019, Knight announced that the Toronto Stock Exchange approved its notice of intention to make a NCIB. Under the terms of the NCIB, Knight may purchase for cancellation up to 12,053,693 common shares of Knight which represented 10% of its public float as at July 2, 2019. As at March 30, 2020, Knight has purchased a total of 9,418,527 common shares for an aggregate cost of \$68,148 or \$7.23 per share, has 135,381,707 common shares outstanding, and 1,901,666 common shares remain to be cancelled.

Furthermore, Knight entered into an agreement with a broker to facilitate purchases of its common shares under the NCIB. Under Knight's automatic share purchase plan (the "ASPP"), the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. Such purchases are made by the broker based on parameters and instructions communicated by Knight prior to any regulatory restrictions or self-imposed blackout periods.

Other Corporate Developments

On November 21, 2019, Knight and Medison entered into a definitive agreement pursuant to which Knight agreed to sell to the Medison group all of Knight's shares in Medison, reflecting approximately 28.3% of the share capital of Medison, in consideration for \$77,000 payable in cash. In addition, the parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties. Finally, Medison, which together with its affiliates own approximately 10,400,000 shares or 7.5% of Knight, agreed to a four-year standstill commitment and will divest its position in Knight during this period. On March 16, 2020, subsequent to fiscal year 2019, Knight received 75% (\$57,750) of the consideration and the remaining 25% (\$19,250) will be held by a trustee and is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority.

On March 30, 2020, Arvind Utchanah was promoted from Vice-President Finance to Chief Financial Officer. Samira Sakhia, who previously served as Knight's President and Chief Financial Officer, will continue to focus on her role as President.

Conference Call Notice

Knight will host a conference call and audio webcast to discuss its fourth quarter results today at 5:30 pm ET. Knight cordially invites all interested parties to participate in this call.

Date: Monday, March 30, 2020

Time: 5:30 p.m. ET

Telephone: Toll Free 1-877-223-4471 or International 647-788-4922

Webcast: www.gud-knight.com or [Webcast](#)

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.gud-knight.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 Canada and Latin America. Knight owns a controlling stake in Grupo Biotoscana, a pan-Latin American specialty pharmaceutical company. 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 for the year ended December 31, 2019 and in Knight Therapeutics Inc.'s latest Annual Information Form filed on www.sedar.com. 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.

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RECONCILIATION TO ADJUSTED OPERATING INCOME

[In thousands of Canadian dollars]

Adjustments to operating (loss) income include the following:

- Acquisition costs relate to expenses of \$5,542 for the quarter and \$8,019 for the twelve-month period on legal, consulting and advisory fees related to the acquisition of GBT.
- Other non-recurring expenses relate to expenses incurred by the Company that are not due to, and are not expected to occur in, the ordinary course of business. During 2019, the Company recorded an expense of

\$3,756 (YTD-18: \$300) related to the activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison's CEO.

- With the adoption of IFRS 16, the lease payments of Knight are not reflected in operating expenses. The IFRS 16 adjustment approximates the cash outflow related to leases of Knight.
- Interest income Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable.
- Interest expense on bank loans includes GBT's interest expense mainly related to interest on its bank loans and excludes Knight's interest accretion

For the three-month and twelve-month periods ended December 31, 2019, Knight calculated adjusted operating income as follows:

	Q4-19				YTD-19			YTD-18
	KNIGHT ¹	GBT ¹	TOTAL	Q4-18	KNIGHT ¹	GBT ¹	TOTAL	18
Operating (loss) income	(13,064)	7,117	(5,947)	(1,139)	(24,000)	7,117	(16,883)	(5,783)
Adjustments to operating (loss) income:								
Amortization of intangible assets	425	1,715	2,140	478	1,698	1,715	3,413	1,845
Impairment of intangible assets	4,226	—	4,226	—	4,226	—	4,226	—
Depreciation of property, plant and equipment	100	452	552	24	405	452	857	87
Acquisition costs	5,542	—	5,542	—	8,019	—	8,019	—
Other non-recurring expenses	—	410	410	300	3,756	410	4,166	300
Lease costs (IFRS 16 adjustment)	(75)	(261)	(336)	—	(303)	(261)	(564)	—
Interest income	5,434	—	5,434	5,944	23,542	—	23,542	20,934
Interest expense on bank loans	—	(370)	(370)	—	—	(370)	(370)	—
Adjusted operating income	2,588	9,063	11,651	5,607	17,343	9,063	26,406	17,383

¹ Refer to operating segment disclosure in Section 23 of management discussion and analysis for the quarter ended December 31, 2019 for definition of "Knight" and "GBT"

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

As at December 31,	2019	2018
ASSETS		
Current		
Cash, cash equivalents and restricted cash	174,268	244,785
Marketable securities	235,045	445,003
Trade and other receivables	103,467	11,618
Inventories	70,870	1,136
Prepays and deposits	3,306	138
Other current financial assets	26,303	14,030
Income taxes receivable	8,265	821
Total current assets	621,524	717,531
Marketable securities	126,869	97,274
Trade and other receivables	4,715	—
Prepays and deposits	4,652	—
Right-of-use assets	6,409	—

Property, plant and equipment	22,639	794
Investment properties	1,740	—
Intangible assets	173,372	17,475
Goodwill	88,262	—
Other financial assets	132,848	113,314
Investment in associate	—	79,145
Deferred income tax assets	3,991	2,959
Other receivable	41,582	23,340
	607,079	334,301
Assets held for sale	76,700	—
Total assets	1,305,303	1,051,832

CONSOLIDATED BALANCE SHEETS (continued)
[In thousands of Canadian dollars]

As at December 31,	2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	94,406	6,100
Lease liabilities	1,788	—
Other liabilities	1,750	—
Mandatory tender offer liability	184,023	—
Bank loans	50,557	—
Income taxes payable	15,447	10,705
Other balances payable	2,833	197
Deferred other income	—	183
Total current liabilities	350,804	17,185
Lease liabilities	4,812	—
Bank loan	5,022	—
Other balances payable	1,699	4,615
Deferred income tax liabilities	27,860	—
Total liabilities	390,197	21,800
Shareholders' equity		
Share capital	723,832	761,844
Warrants	785	785
Contributed surplus	16,463	14,326
Accumulated other comprehensive income	17,405	20,955
Retained earnings	52,246	232,122
Attributable to shareholders of the Company	810,731	1,030,032
Non-controlling interests	104,375	—
Total equity	915,106	1,030,032
Total liabilities and shareholders' equity	1,305,303	1,051,832

CONSOLIDATED STATEMENTS OF INCOME

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

	2019	2018
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Revenues	47,461	12,500
Cost of goods sold	20,543	2,221
Gross margin	26,918	10,279
Expenses		
Selling and marketing	7,789	3,588
General and administrative	24,460	8,638
Research and development	3,913	1,991
Amortization of intangibles	3,413	1,845
Impairment of intangibles	4,226	—
	(16,883)	(5,783)
Interest income on financial instruments measured at amortized cost	(18,780)	(16,114)
Other interest income	(4,762)	(4,820)
Interest expense	1,014	—
Other income	(2,195)	(1,979)
Net gain on financial instruments measured at fair value through profit or loss	(20,714)	(7,632)
Share of net income of associate	(906)	(555)
Foreign exchange loss (gain)	6,502	(4,147)
Loss on hyperinflation	176	—
Income before income taxes	22,782	29,464
Income tax expense		
Current	3,836	3,535
Deferred	913	1,850
Net income for the year	18,033	24,079
Attributable to:		
Shareholders of the Company	14,517	24,079
Non-controlling interests	3,516	—
Attributable to shareholders of the Company		
Basic earnings per share	0.10	0.17
Diluted earnings per share	0.10	0.17
Weighted average number of common shares outstanding		
Basic	139,758,522	142,827,616
Diluted	140,139,220	143,275,010

CONSOLIDATED STATEMENTS OF CASH FLOWS
[In thousands of Canadian dollars]

	2019	2018
OPERATING ACTIVITIES		
Net income for the year	18,033	24,079
Adjustments reconciling net income to operating cash flows:		
Deferred income tax	913	1,850
Share-based compensation expense	2,137	2,170
Depreciation and amortization	4,270	1,932
Net gain on financial instruments	(20,714)	(7,632)
Impairment on intangible assets	4,226	—
Foreign exchange loss (gain)	6,502	(4,147)

Loss on hyperinflation	176	—
Share of net income of associate	(906)	(555)
Other income	(184)	168
Deferred other income	(183)	(266)
Other adjustments	572	—
	14,842	17,599
Changes in non-cash working capital and other items	6,043	2
Other receivable	(18,242)	(23,340)
Dividends from associate	4,159	—
Interest payments on bank loans	(2,206)	—
Cash inflow (outflow) from operating activities	4,596	(5,739)
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	(172,306)	—
Purchase of marketable securities	(223,507)	(531,401)
Purchase of intangibles	(2,839)	(3,670)
Purchase of property and equipment	(109)	(202)
Issuance of loans receivables	(20,046)	(5,375)
Purchase of equity investments	(405)	(27,919)
Purchase of derivatives	(133)	—
Settlement of forward foreign exchange contracts	(3,447)	—
Investment in funds	(20,175)	(27,169)
Proceeds on maturity of marketable securities	400,373	264,334
Proceeds from repayments of loans receivable	8,540	41,112
Proceeds from disposal of equity investments	4,104	31,207
Proceeds from distribution of funds	18,090	6,769
Cash outflow from investing activities	(11,860)	(252,314)
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	—	90
Proceeds from contributions to share purchase plan	230	200
Proceeds from repayment of share purchase loans	425	—
Repurchase of common shares through Normal Course Issuer Bid	(54,838)	—
Principal repayment of lease liabilities	(716)	—
Principal repayments on bank loans	(7,896)	—
Cash inflow from financing activities	(62,795)	290
Decrease in cash and cash equivalents during the year	(70,059)	(257,763)
Cash and cash equivalents, beginning of the year	244,785	496,460
Net foreign exchange difference	(458)	6,088
Cash and cash equivalents, end of the year	174,268	244,785
Cash and cash equivalents	174,268	244,785
Marketable securities	361,914	542,277
Bank loans	(55,579)	—
Total cash, cash equivalents and marketable securities net of bank loans	480,603	787,062