

## HLS Therapeutics Announces Fiscal 2017 Financial Results

- **Revenue was \$75.1 million, a 39% increase year-over-year**
- **Cash generated from operations was \$27.2 million, a 25% increase year-over-year**
- **Reverse Take-Over and listing on TSX-V completed post year end**
- **CDN \$25.0 million in capital added with Reverse Take-Over**

TORONTO, March 29, 2018 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSXV: HLS) an emerging specialty pharmaceutical company announces the financial results for the three-month and twelve-month periods ended December 31, 2017 for the pre-amalgamation HLS Therapeutics Inc. Unless otherwise noted, all financial results referenced are in United States ("US") dollars.

### FISCAL 2017 HIGHLIGHTS

- Revenue was \$75.1 million, an increase of 39%
- Net loss was \$6.1 million, or \$0.24 per share
- Adjusted EBITDA was \$55.9 million, an increase of 45%
- Cash generated from operations was \$27.2 million, an increase of 25%
- Repaid \$13.1 million of debt in 2017; repaid an additional \$7.1 million of debt subsequent to year end bringing the total debt repaid since the Company's inception to \$40.8 million
- Entered into a license agreement in Q3 to register, commercialize and distribute in Canada, Vascepa®, a product for the treatment of cardiovascular disease
- Entered into a license agreement in Q4 to commercialize and distribute in Canada, Trinomia®, a second product for the treatment of cardiovascular disease
- Announced plans for a reverse take-over onto the TSX Venture Exchange, which was completed subsequent to year end on March 12, 2018

"2017 was a year of strong financial and operational execution for HLS," said Greg Gubitza, CEO of HLS. "With our foundational products, we benefited from a full year of royalty revenue from Absorica and we generated growth for Clozaril in Canada, where we have a dedicated team providing value-add services to our patients and their care-givers. Our prudent management of expenses and our ability to generate significant cash from operations enabled us to support our growth and to continue to pay-down debt."

"Perhaps most importantly, in 2017 we planted the seeds for the future by in-licensing two pre-registration stage products – Vascepa and Trinomia – for the Canadian market that we believe have transformative growth potential. Both products are currently on track to file with Health Canada in 2018, and they both target cardiovascular indications, which is an area that we believe has great potential for our expansion. In addition to these two agreements, we have built a rich pipeline of opportunities to further expand our product portfolio, and subsequent to year-end, we completed our listing on the TSX-V exchange gaining CDN \$25.0 million of capital and opening-up a new channel to access future growth capital."

### FINANCIAL REVIEW

#### Revenue

Total revenue for the three-month period ended December 31, 2017 ("Q4 2017") and the twelve-month period ended December 31, 2017 ("F2017") was \$20.4 million and \$75.1 million, compared to \$15.8 million and \$54.0 million in the same periods last year. Product revenue for Q4 2017 and F2017 was \$11.7 million and \$47.4 million, compared to \$12.3 million and \$46.3 million in the same periods last year. Royalty revenue for Q4 2017 and F2017 was \$8.7 million and \$27.6 million, compared to \$3.5 million and \$7.7 million in the same periods last year.

For the full year period, product revenue increased 4% in Canada where Clozaril is a commercial stage promoted product. In the U.S. market Clozaril is an established non-promoted product. Product sales for the U.S. market increased 1% as a result of the initial sale of product under an authorized generic supply agreement. Royalty revenue increased year-over-year as 2017 had a full year contribution of Absorica, whose rights were acquired in Q3 2016. Absorica royalty revenue also benefited by approximately \$10.0 million in 2017 as a result of competitive disruptions and the positive impact of a promotional campaign undertaken by the marketer of Absorica in the U.S., which ran from early 2017 until year-end.

#### Operating Expenses

Operating expenses, which consist of cost of product sales, selling and marketing expense, medical, regulatory and patient support expense, and general and administrative expense, were \$19.2 million in F2017, compared to \$15.5 million in F2016.

Cost of product sales were \$4.1 million in F2017, compared to \$1.9 million in F2016. The increase was due primarily to the additional product supplies made under an authorized generic supply agreement and the one-time costs associated with the tech-transfer of manufacturing responsibilities for the U.S. market to the HLS contract manufacturing supply chain, which is expected to result in lower manufacturing costs over time.

General and administrative costs were \$7.6 million in F2017, compared to \$6.7 million in F2016. The increase was due primarily to the adjustment of management compensation following the achievement of pre-defined business development

objectives in July 2016 and building-out the Company's administrative infrastructure, including the introduction of an employee benefit plan.

### **Adjusted EBITDA**

Adjusted EBITDA for Q4 2017 and F2017 was \$15.5 million and \$55.9 million, compared to \$11.4 million and \$38.5 million in the same periods last year. The year-over-year increases were due primarily to a full year contribution of Absorica royalties, favorable market conditions related to Absorica and growth in Clozaril revenue, partially offset by higher cost of product sales and general and administrative expenses. (Adjusted EBITDA is a non-IFRS measure and is defined below)

### **Interest Expense and Debt**

Interest on the senior secured term loan was \$16.6 million in F2017, compared to \$17.9 million in F2016. The decrease in interest expense is due to the Company's repayment of debt. As at December 31, 2017, total outstanding principal on the senior secured term loan stood at \$151.3 million, down \$13.1 million from \$164.4 million at the end of F2016 and from \$185.0 million at the Company's inception. Subsequent to year end, an additional \$7.1 million of debt has been repaid, bringing the total amount of debt repaid since inception to \$40.8 million.

### **Cash from Operations and Financial Position**

Cash generated from operations was \$27.2 million in F2017, compared to \$21.8 million in F2016. The increase is due to the increase in royalty receipts resulting from a full year contribution from Absorica as well as stable cash generation from the Clozaril business. As at December 31, 2017, the Company has cash and cash equivalents of \$36.2 million and a working capital balance of \$30.4 million.

### **SUBSEQUENT EVENTS**

#### **Going-Public Transaction and TSX Venture Exchange Listing**

On December 21, 2017, the Company entered into a definitive agreement providing for the amalgamation of the Company and Automodular Corporation ("AMD") by way of a plan of arrangement (the "Arrangement") in accordance with Section 183 of the *Business Corporations Act* (Ontario). Pursuant to the Arrangement, the Company and AMD would amalgamate to form a new entity named "HLS Therapeutics Inc.", operating in the life sciences industry. The completion of the Arrangement would result in a reverse takeover of AMD as defined in the policies of the TSX Venture Exchange (the "Exchange").

A joint information circular dated February 5, 2018 was filed with the Exchange and is available on SEDAR.

On March 8, 2018, the Company announced that shareholders of both companies had voted in favor of the Arrangement, which was then completed on March 12, 2018. The resulting issuer, named HLS Therapeutics Inc., gained CDN \$25.0 million in capital in connection with the Arrangement and the common shares of HLS commenced trading on the Exchange under the ticker symbol 'HLS' on March 14, 2018.

Financial statements and MD&A for AMD for the year ended December 31, 2017 have been filed on SEDAR and can be found under the HLS issuer profile.

### **FISCAL 2017 CONFERENCE CALL**

HLS will hold a conference call Thursday, March 29, at 8:30 am Eastern Time hosted by Mr. Greg Gubitzi, Chief Executive Officer, Mr. Gilbert Godin, President and Chief Operating Officer and Mr. Tim Hendrickson, VP Finance and Administration. A question and answer session will follow the corporate update.

DATE: Thursday, March 29, 2018  
TIME: 8:30 am ET  
DIAL-IN NUMBER: (888) 231-8191 or (647) 427-7450  
TAPED REPLAY: (855) 859-2056 or (416) 849-0833  
REFERENCE NUMBER: 2483038

A link to the live audio webcast of the conference call will also be available on the events page of the investors section of the HLS website at [www.hlstherapeutics.com](http://www.hlstherapeutics.com). Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to hear the webcast. An archived webcast will be available for one year.

### **ABOUT HLS**

HLS (TSXV: HLS) is a specialty pharmaceutical company focused on the acquisition and commercialization of late-stage development, commercial-stage promoted and established, branded pharmaceutical products in the North American markets. HLS's focus is on products targeting the central nervous system and cardiovascular therapeutic areas. HLS's management team is comprised of seasoned pharmaceutical executives with a strong track record of success in these therapeutic areas and at managing products in each of these lifecycle stages.

### **CAUTIONARY NOTE REGARDING NON-IFRS MEASURES**

This press release refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not

have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of HLS's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of HLS's financial information reported under IFRS. HLS uses non-IFRS measures to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. HLS also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. HLS's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess HLS's ability to meet its future debt service, capital expenditure and working capital requirements.

In particular, management uses Adjusted EBITDA as a measure of HLS's performance. To reconcile net loss for the year with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition costs", (iv) "finance and related costs", and (v) "provision for (recovery of) income taxes" appearing in the Consolidated Statement of Net Loss are added to net loss for the year to determine Adjusted EBITDA. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

	<b>Year ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Net loss for the year	(6,097)	(14,893)
Stock-based compensation	363	294
Amortization and depreciation	32,233	26,722
Acquisition costs	166	4,057
Finance and related costs	24,264	23,882
Provision for (recovery of) income taxes	4,952	(1,526)
Adjusted EBITDA	55,881	38,536

## **FORWARD LOOKING INFORMATION**

*This release includes forward-looking statements regarding HLS and its business. Such statements are based on the current expectations and views of future events of HLS's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements, including, among others, statements with respect to HLS's pursuit of additional product and pipeline opportunities in certain therapeutic markets, statements regarding growth opportunities and expectations regarding financial performance. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting HLS, including risks relating to the speciality pharmaceutical industry, risks related to the regulatory approval process, economic factors and many other factors beyond the control of HLS. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause HLS's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks and assumptions associated with this release can be found in the joint information circular of HLS and AMD dated February 5, 2018 in respect of the Arrangement, which has been filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com). Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and HLS undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*

*Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

## **HLS THERAPEUTICS INC. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

[in thousands of U.S. dollars]

	<b>As at December 31, 2017</b>	<b>As at December 31, 2016</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	36,219	37,763
Accounts receivable	25,846	14,038
Inventories	1,354	1,200
Foreign currency forward contract	—	199
Prepaid expenses and other current assets	1,617	872
Total current assets	65,036	54,072
Property, plant and equipment	441	410
Intangible assets	312,659	327,983

Restricted cash	5,555	955
Deferred tax asset	955	1,208
<b>Total assets</b>	<b>384,646</b>	<b>384,628</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current

Accounts payable and accrued liabilities	12,596	8,950
Provisions	6,976	7,234
Other financial liabilities	14,160	10,078
Income taxes payable	870	306
<b>Total current liabilities</b>	<b>34,602</b>	<b>26,568</b>
Other financial liabilities	158,114	173,265
Deferred tax liability	11,548	9,231
<b>Total liabilities</b>	<b>204,264</b>	<b>209,064</b>

##### Shareholders' equity

Share capital	192,743	192,743
Contributed surplus	12,330	11,967
Accumulated other comprehensive income (loss)	5,941	(4,611)
Deficit	(30,632)	(24,535)
<b>Total shareholders' equity</b>	<b>180,382</b>	<b>175,564</b>
<b>Total liabilities and shareholders' equity</b>	<b>384,646</b>	<b>384,628</b>

#### HLS THERAPEUTICS INC. CONSOLIDATED STATEMENTS OF NET LOSS

[in thousands of U.S. dollars, except per share amounts]

	Year ended December 31, 2017	Year ended December 31, 2016
<b>Revenues</b>	75,082	54,031
<b>Expenses</b>		
Cost of product sales	4,136	1,891
Selling and marketing	3,551	3,201
Medical, regulatory and patient support	3,875	3,740
General and administrative	7,639	6,663
Stock-based compensation	363	294
Amortization and depreciation	32,233	26,722
Operating income	23,285	11,520
Acquisition and transaction costs	166	4,057
Finance and related costs, net	24,264	23,882
Loss before income taxes	(1,145)	(16,419)
Income tax expense (recovery)	4,952	(1,526)
<b>Net loss for the year</b>	<b>(6,097)</b>	<b>(14,893)</b>
<b>Net loss per share:</b>		
Basic and diluted	\$(0.24)	\$(0.60)

#### HLS THERAPEUTICS INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

[in thousands of U.S. dollars]

	Year ended December 31, 2017	Year ended December 31, 2016
<b>Net loss for the year</b>	<b>(6,097)</b>	<b>(14,893)</b>
Item that may be reclassified subsequently to net loss		
Unrealized foreign currency translation adjustment	10,552	(4,611)
<b>Comprehensive income (loss) for the year</b>	<b>4,455</b>	<b>(19,504)</b>

#### HLS THERAPEUTICS INC. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of U.S. dollars]

**Accumulated other**

	Share capital	Contributed surplus	comprehensive income (loss)	Deficit	Total
<b>Balance, December 31, 2015</b>	192,743	11,673	—	(9,642)	194,774
Stock-based compensation	—	294	—	—	294
Net loss for the year	—	—	—	(14,893)	(14,893)
Unrealized foreign currency translation adjustment	—	—	(4,611)	—	(4,611)
<b>Balance, December 31, 2016</b>	192,743	11,967	(4,611)	(24,535)	175,564
Stock-based compensation	—	363	—	—	363
Net loss for the year	—	—	—	(6,097)	(6,097)
Unrealized foreign currency translation adjustment	—	—	10,552	—	10,552
<b>Balance, December 31, 2017</b>	192,743	12,330	5,941	(30,632)	180,382

**HLS THERAPEUTICS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
[in thousands of U.S. dollars]

	Year ended December 31, 2017	Year ended December 31, 2016
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(6,097)	(14,893)
Add (deduct) items not involving cash		
Stock-based compensation	363	294
Amortization and depreciation	32,233	26,722
Accreted interest	6,770	5,509
Fair value adjustment on financial assets and liabilities	770	667
Deferred income taxes	1,570	(3,806)
Net change in non-cash working capital balances	(8,443)	7,265
<b>Cash provided by operating activities</b>	<b>27,166</b>	<b>21,758</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(179)	(318)
Acquisitions	(10,354)	(19,375)
<b>Cash used in investing activities</b>	<b>(10,533)</b>	<b>(19,693)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of senior secured term loan	(13,132)	(20,596)
Increase in restricted cash	(4,600)	(955)
Lender royalty payment	(478)	(187)
<b>Cash used in financing activities</b>	<b>(18,210)</b>	<b>(21,738)</b>
Net decrease in cash and cash equivalents during the year	(1,577)	(19,673)
Foreign exchange	33	324
Cash and cash equivalents, beginning of year	37,763	57,112
Cash and cash equivalents, end of year	36,219	37,763

SOURCE HLS Therapeutics Inc.

For further information: Dave Mason, Investor Relations, LodeRock Advisors at (416) 247-9652, or dave.mason@loderockadvisors.com; Gilbert Godin, President and Chief Operating Officer of HLS at (484) 232-3400, ext. 101, or g.godin@hlstherapeutics.com

<https://hlstherapeutics.investorroom.com/2018-03-29-HLS-Therapeutics-Announces-Fiscal-2017-Financial-Results>