

HLS Therapeutics Acquires Portfolio of Four Royalty Interests

- **HLS anticipates the portfolio will generate sustained and diversified revenues and cash flows**
- **Portfolio forecasted to generate an IRR in excess of 20% per year for at least ten years**
- **Compelling financial dynamics: purchase price reflects a multiple of 5.5X Adjusted EBITDA, assuming payment of all contingent milestone payments.**
- **Products are marketed by global blue-chip healthcare organizations that are leaders in their sectors**

TORONTO, Sept. 30, 2020 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSX: HLS), a specialty pharmaceutical company focusing on central nervous system and cardiovascular markets, announces that it has acquired through CrownWheel Partners LLC ("CrownWheel"), a wholly-owned portfolio company of Longitude Capital, certain entities that hold the rights to a diversified portfolio (the "Portfolio") of royalty interests on global sales of four different products for upfront consideration of \$30.8 million cash plus commercial performance milestone payments of up to \$18.5 million. HLS is also assuming contingent payments of up to \$10.0 million tied to regulatory milestones. All financial figures are in United States ("U.S.") dollars, unless otherwise stated.

TRANSACTION HIGHLIGHTS

- **Increased Diversification:** the four non-correlated products expand the portfolio of foundational assets at HLS and diversify the Company's revenue, Adjusted EBITDA and cash flow.
- **Stable Revenue in a Long-Duration Portfolio:** three of the four products are in-market today and generated royalties of approximately \$8.4 million over a trailing twelve-month period ended June 30, 2020. Royalties from the Portfolio are expected through calendar 2032 at a minimum.
- **Immediately Accretive to Adjusted EBITDA and Cash Flow:** HLS forecasts that the Portfolio will generate a growing stream of royalties and Adjusted EBITDA averaging just under \$11.0 million annually over the next ten years, for an implied acquisition multiple of 5.5X Adjusted EBITDA and an annual IRR in excess of 20% during that period. Royalties are expected to continue for several years beyond that ten-year period at a reduced level.
- **Products are marketed by global blue-chip healthcare organizations:** the underlying Portfolio products are commercialized by global industry leaders: Sanofi-Genzyme, Takeda, Boston Scientific and Pfizer.

"Completing this transaction is consistent with our strategy to generate stable and durable revenue and cash flow from foundational assets to support organic and acquisitive growth opportunities. Our team identified the unique opportunity to assemble this Portfolio as part of our targeted pro-active business development activities," said Gilbert Godin, President & COO of HLS. "In the near-term, this royalty stream allows us to bolster cash flow and Adjusted EBITDA with minimal operating requirements while we continue to focus on the execution of our Vascepa launch and the deployment of our CSAN Pronto innovation. In addition, we continue to prepare for the introduction in 2021 of two complementary pipeline products, PERSERIS and Trinomia currently in registration with Health Canada, as well as the MyCare Insite diagnostic device."

ROYALTY PORTFOLIO

EMBLEM S-ICD System (Boston Scientific Corporation)

- Subcutaneous implantable defibrillator for the treatment of life-threatening ventricular tachyarrhythmias
- Currently marketed

Obizur (Takeda Pharmaceutical Company Limited)

- Porcine recombinant Factor VIII for Acquired Hemophilia A
- Currently marketed

Eraxis (Pfizer Inc.)

- IV echinocandin for the treatment of Candidemia and other forms of Candida infections
- Currently marketed

Olipudase alfa (Sanofi Genzyme)

- Novel Enzyme Replacement Therapy (ERT) in late-stage development for acid sphingomyelinase deficiency (ASMD) an orphan disease with high unmet medical need
- First and only investigational ERT in late-stage development for the treatment of ASMD

- Demonstrated positive results in two separate clinical trials
- No treatments are currently approved for ASMD
- Global regulatory submissions expected to begin in H2 2021

FINANCIAL TERMS

In consideration for the Portfolio, HLS will pay up to \$49.3 million consisting of \$30.8 million upfront and potential commercial milestone payments of up to \$18.5 million payable on achievement of certain sales thresholds. In addition, HLS is assuming up to \$10.0 million of existing contingent payments payable on achievement of regulatory approval milestones. For the trailing twelve-month period ended June 30, 2020, the Portfolio generated royalties of \$8.4 million. The Company forecasts that the Portfolio will generate a growing stream of royalties and Adjusted EBITDA averaging just under \$11.0 million annually over the next ten years, for an implied acquisition multiple of 5.5X Adjusted EBITDA and an annual IRR in excess of 20% during that period.

HLS is using a combination of \$20.0 million additional term borrowing under its Credit Agreement and cash on hand to fund the up-front purchase price. In addition, HLS has secured a \$10.0 million increase in its revolver facility to support up to \$10.0 million of contingent milestone payments that could be payable in the next two years. As a result of this additional funding, \$70.0 million remains available to the Company under the terms of the Company's Credit Agreement. Following this additional borrowing, the Interest on the Company's borrowing will be at a rate per annum equal to the sum of LIBOR plus a range of 2.75% to 4.0% depending on the leverage ratio of the Company at the time. Both the additional term borrowing and any revolver borrowing, if needed, will be amortized at the same rate as the existing borrowing.

The Company's remaining cash-on-hand after closing is in excess of \$15.0 million and HLS expects to receive its first royalties from the Portfolio in mid-Q4 2020, representing royalties generated on Q3 2020 net sales.

ABOUT HLS THERAPEUTICS INC.

Formed in 2015, 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 composed 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. For more information, please visit: www.hlstherapeutics.com

ABOUT LONGITUDE CAPITAL

Longitude Capital is a leading healthcare venture capital firm, that invests in transformative biotechnology, medical technology, and health solutions companies seeking to improve clinical outcomes, enhance quality of life, and drive efficiency of healthcare delivery. Founded in 2006, Longitude Capital invests in both privately held and publicly traded companies through a variety of investment approaches. Longitude Capital has offices in Menlo Park, CA, Greenwich, CT, and Boston, MA. For more information, please visit www.longitudecapital.com.

ABOUT CROWNWHEEL PARTNERS

CrownWheel Partners, a wholly-owned portfolio company of Longitude Capital, invests in commercial and late-stage products through the full or partial monetization of royalty streams, revenue participation, the purchase of structured debt and equity, and the acquisition of legacy or non-core products. For more information, please visit www.crownwheelpartners.com.

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 income (loss) for the period with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition and transaction costs", (iv) "finance and related costs", and (v) "income tax recovery" appearing in the Consolidated Statement of Net Income (Loss) are added to net income (loss) for the period 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.

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 specialty 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 Company's Annual Information Form dated March 18, 2020 and Management's Discussion and Analysis dated May 6, 2020, both of which have been filed on SEDAR and can be accessed at 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.

SOURCE HLS Therapeutics Inc.

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