

HLS Therapeutics Announces First Quarter Fiscal 2021 Financial Results

- Q1 2021 revenue of \$14.3 million, Adjusted EBITDA of \$6.7 million and cash from operations of \$7.2 million, up \$0.4 million, \$0.6 million and \$1.8 million, respectively, from Q1 2020
- Vascepa revenue growth drives higher total revenues offsetting impact of additional Clozaril trade purchasing in the early stages of the pandemic in Q1 2020
- Generated strong Vascepa® prescription growth - amid persistent COVID-19 disruptions - achieving 2,900 patients and 730 prescribers at end of Q1, which are increases of 40% and 33%, respectively, from the end of Q4
- Achieved Vascepa reimbursement with private insurers representing > 90% of privately covered lives in Canada
- Canadian Cardiovascular Society added icosapent ethyl (Vascepa) to its lipid management guidelines to reduce cardiovascular risk for all patients in-label

TORONTO, May 6, 2021 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSX: HLS), a specialty pharmaceutical company focusing on central nervous system ("CNS") and cardiovascular markets, announces its financial results for the three-month period ended March 31, 2021. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

Q1 FISCAL 2021 HIGHLIGHTS

- Q1 2021 revenue was \$14.3 million compared to \$13.9 million in Q1 2020.
- Q1 2021 Adjusted EBITDA was \$6.7 million compared to \$6.1 million in Q1 2020.
- Q1 2021 net loss was (\$4.8) million, or (\$0.15) per common share, compared to net income of \$0.2 million, or \$0.00 per common share, in Q1 2020.
- Q1 2021 cash generated from operations was \$7.2 million compared to \$5.3 million in Q1 2020.
- Cash and cash equivalents were \$23.2 million at March 31, 2021 compared to \$20.6 million at December 31, 2020.
- Independent panel of experts from the Canadian Cardiovascular Society formulated guidelines that strongly recommend the use of icosapent ethyl (Vascepa) and strongly recommend against Omega-3 supplements.

"HLS delivered solid financial results in Q1 and achieved important milestones in the roll-out for Vascepa, despite strict lockdowns related to COVID-19, which were in place throughout the quarter," said Gilbert Godin, CEO at HLS. "Among those milestones, more than 90% of qualified privately insured lives in Canada are now eligible for reimbursement of Vascepa and the Canadian Cardiovascular Society issued updated guidelines that recommend Vascepa to reduce cardiovascular disease for qualified patients. The inclusion of Vascepa in the Canadian Cardiovascular Society guidelines is particularly gratifying because it comes from highly regarded independent experts in Lipid Management, Cardiology and Endocrinology who are rigorous in their analysis and are practicing at the cutting edge of science. These developments further reinforce our positive outlook for the product and its potential to enhance the lives of the many Canadians who are at risk for cardiovascular disease, the number one killer worldwide."

"Our top priorities for 2021 are to continue the successful launch of Vascepa and the steady deployment of CSAN® Pronto™. In the second half of the year, we plan to launch PERSERIS® and the MyCare Psychiatry Lab Assays into the CNS market, bringing new and novel therapeutic options for patients and practitioners dealing with challenging medical conditions. Finally, we will continue to explore opportunities to expand our product portfolio through other in-licensing or M&A transactions in Canada and the U.S."

DIVIDEND

On May 5, 2021, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on September 15, 2021, to shareholders of record as of July 30, 2021.

These dividends paid on the Company's common shares are designated to be "eligible dividends" for purposes of section 89(1) of the *Income Tax Act* (Canada).

Q1 FISCAL 2021 FINANCIAL REVIEW

The Company's Management's Discussion and Analysis and Consolidated Financial Statements for the three-month period ended March 31, 2021 are available at the [Company's website](#) and at its profile at [SEDAR](#).

Revenue

The following table provides revenue segmentation by revenue type for the three-month period ended March 31, 2021:

	Three months ended March 31,	
	2021	2020
Product sales		
Canada	7,833	7,479
United States	3,935	4,147
	11,768	11,626

Royalty revenue	2,546 14,314	2,264 13,890
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Product Sales

Product sales in Canada grew by 5% as higher Vascepa product sales off-set a 2.9% decrease in Clozaril sales. Despite the continued impact of the COVID-19 pandemic, Vascepa product sales in Q1 2021 increased 45% compared to Q4 2020, reflecting the 33% increase in Vascepa prescribers and 40% increase in Vascepa patients over that period.

Continued initiation of new Clozaril patients in Canada resulted in net growth in the number of Clozaril patients at an annualized rate of 2% in Q1 2021. Clozaril net sales in Canada in Q1 2021 decreased year-over-year due to additional trade purchasing that took place in Q1 2020 in response to the early stages of the pandemic. Over time, HLS expects Clozaril net sales growth to follow the growth in patients.

Royalty revenues

On September 30, 2020, the Company acquired a diversified portfolio of royalty interests on global sales of four different products. HLS recorded royalty revenues of \$2.5 million in Q1 2021 from this royalty portfolio.

Royalty revenues in the prior year were \$2.3 million based on sales of Absorica in the U.S. market. As intended from the outset of that agreement, HLS terminated its ownership of those marketing rights effective December 31, 2020.

Operating Expenses

	Three months ended March 31,	
	2021	2020
Cost of product sales	774	819
Selling and marketing	3,168	3,616
Medical, regulatory and patient support	1,333	1,246
General and administrative	2,371	2,140
	7,646	7,821

Cost of product sales in Q1 2021 was essentially flat as increased costs for Vascepa and CSAN Pronto in Canada were off-set by lower volumes and costs on Clozaril.

Other operating expenses of \$6.9 million in Q1 2021 decreased 1.9% from Q1 2020. Selling and marketing activities were \$3.2 million, a 12% decrease from Q1 2021, which included the initial Vascepa launch expenses. Medical, regulatory and patient support activities, and general and administrative costs increased \$0.1 million and \$0.2 million, respectively.

Adjusted EBITDA²

	Three months ended March 31,	
	2021	2020
Net income (loss) for the period	(4,753)	154
Stock-based compensation	2,347	(164)
Amortization and depreciation	7,367	8,559
Acquisition and transaction costs	84	89
Finance and related costs, net	1,349	(1,490)
Income tax expense (recovery)	274	(1,079)
Adjusted EBITDA	6,668	6,069

Adjusted EBITDA for Q1 2021 was \$6.7 million, an increase of 10% from Q1 2020. This was primarily due to increased products sales from Vascepa, higher royalty revenues and modestly lower operating expenses than the year ago period.

(2) See "Cautionary Note Regarding Non-IFRS Measures" section of this press release.

Net Loss

Net loss for Q1 2021 was (\$4.8) million, or (\$0.15) per share, compared to net income of \$0.2 million in Q1 2020. Net loss decreased year-over-year primarily due to \$6.1 million of income recorded in Q1 2020 as a result of the non-cash decrease in the carrying value of lender warrants, \$1.1 million of income tax recovery in Q1 2020, offset in part by higher revenue in Q1 2021 and lower operating expenses in Q1 2021.

Cash from Operations and Financial Position

Cash generated from operations was \$7.2 million in Q1 2021, compared to \$5.3 million in Q1 2020. As at March 31, 2021, the Company had cash and cash equivalents of \$23.2 million compared to \$20.6 million at December 31, 2020.

HLS has a strong financial position with \$23.2 million of cash and cash equivalents, a \$35.0 million revolving facility that was undrawn at March 31, 2021, and the Company may also request to be provided with incremental loans, up to a maximum amount of \$70.0 million, to support acquisitions and other growth opportunities. In addition, in fiscal 2020, the Company filed a preliminary short-form base shelf prospectus with the securities commissions in each of the provinces

and territories of Canada, other than Quebec, to raise up to C\$250.0 million over a period of 25 months should an appropriate strategic opportunity emerge.

Q1 FISCAL 2021 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q1 2021 financial results. The call will be hosted by Mr. Gilbert Godin, Chief Executive Officer and Mr. Tim Hendrickson, Chief Financial Officer. **To view the slides that accompany management's discussion, please use the webcast link.**

CONFERENCE ID: 33591613
DATE: Thursday, May 6, 2021
TIME: 8:30 a.m. Eastern Standard Time
DIAL-IN NUMBER: 1-888-664-6392 or 416-764-8659
WEBCAST LINK: https://produceredition.webcasts.com/starthere.jsp?ei=1454077&tp_key=e02123aad9
TAPED REPLAY: 1-888-390-0541 or 416-764-8677
REPLAY CODE: 591613

The taped replay will be available for 14 days and the archived webcast will be available for 365 days.

A link to the live audio webcast of the conference call will also be available on the events page of the investors section of HLS Therapeutics' website at 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.

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 visit:

www.hlstherapeutics.com

²CAUTIONARY 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 expense (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, expectations regarding financial performance, and the NCIB and ASPP. 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 17, 2021 and Management's Discussion and Analysis dated May 5, 2021, 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.

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited
[in thousands of U.S. dollars]

	As at March 31, 2021	As at December 31, 2020
ASSETS		
Current		
Cash and cash equivalents	23,203	20,612
Accounts receivable	11,135	12,497
Inventories	10,205	10,630
Prepaid expenses and other current assets	2,347	2,172
Total current assets	46,890	45,911
Property, plant and equipment	1,263	1,384
Intangible assets	247,612	253,404
Restricted assets	—	2,034
Deferred income tax asset	967	1,173
Total assets	296,732	303,906
Current		
Accounts payable and accrued liabilities	16,126	14,223
Provisions	4,837	4,516
Debt and other financial liabilities	13,740	16,358
Income taxes payable	393	545
Total current liabilities	35,096	35,642
Debt and other financial liabilities	94,178	99,015
Total liabilities	129,274	134,657
Shareholders' equity		
Share capital	259,825	257,411
Contributed surplus	11,772	11,393
Accumulated other comprehensive income	3,463	2,020
Deficit	(107,602)	(101,575)
Total shareholders' equity	167,458	169,249
Total liabilities and shareholders' equity	296,732	303,906

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)
Unaudited
[in thousands of U.S. dollars, except per share amounts]

	Three months ended March 31, 2021	2020
Revenue	14,314	13,890
Expenses		
Cost of product sales	774	819
Selling and marketing	3,168	3,616
Medical, regulatory and patient support	1,333	1,246
General and administrative	2,371	2,140
Stock-based compensation	2,347	(164)
Amortization and depreciation	7,367	8,559
Operating loss	(3,046)	(2,326)
Acquisition and transaction costs	84	89
Finance and related costs, net	1,349	(1,490)
Loss before income taxes	(4,479)	(925)
Income tax expense (recovery)	274	(1,079)
Net income (loss) for the period	(4,753)	154

Net income (loss) per share:

Basic and diluted \$(0.15) \$0.00

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Unaudited

[in thousands of U.S. dollars]

	Three months ended March 31,	
	2021	2020
Net income (loss) for the period	(4,753)	154
Item that may be reclassified subsequently to net loss		
Unrealized foreign currency translation adjustment	1,443	(14,044)
Comprehensive loss for the period	(3,310)	(13,890)

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited

[in thousands of U.S. dollars]

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2020	257,411	11,393	2,020	(101,575)	169,249
Warrants exercised	1,857	(1)	—	—	1,856
Stock options exercised	557	(150)	—	—	407
Stock option expense	—	530	—	—	530
Net loss for the period	—	—	—	(4,753)	(4,753)
Dividends declared	—	—	—	(1,274)	(1,274)
Unrealized foreign currency translation adjustment	—	—	1,443	—	1,443
Balance, March 31, 2021	259,825	11,772	3,463	(107,602)	167,458
Balance, December 31, 2019	248,687	11,517	(537)	(81,468)	178,199
Warrants exercised	7,544	(1,652)	—	—	5,892
Stock options exercised	19	(5)	—	—	14
Stock option expense	—	441	—	—	441
Net income for the period	—	—	—	154	154
Dividends declared	—	—	—	(1,164)	(1,164)
Unrealized foreign currency translation adjustment	—	—	(14,044)	—	(14,044)
Balance, March 31, 2020	256,250	10,301	(14,581)	(82,478)	169,492

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

[in thousands of U.S. dollars]

	Three months ended March 31,	
	2021	2020
OPERATING ACTIVITIES		
Net income (loss) for the period	(4,753)	154
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Stock-based compensation	2,347	(164)
Amortization and depreciation	7,367	8,559
Accreted interest	186	356
Fair value adjustment on financial assets and liabilities	(311)	(3,471)
Foreign exchange	—	176
Deferred income taxes	206	(1,411)
Net change in non-cash working capital balances related to operations	2,143	1,150
Cash provided by operating activities	7,185	5,349

INVESTING ACTIVITIES		
Additions to property, plant and equipment	(6)	(26)
Rights acquisitions	(1,320)	(6,575)
Other additions to intangible assets	(28)	(448)
Cash used in investing activities	(1,354)	(7,049)
FINANCING ACTIVITIES		
Stock options exercised	407	14
Warrants exercised	5	1,590
Dividends paid	(1,267)	(1,141)
Repayment of senior secured term loan	(2,250)	(1,382)
Lease payments	(155)	(121)
Cash used in financing activities	(3,260)	(1,040)
Net increase (decrease) in cash and cash equivalents during the period	2,571	(2,740)
Foreign currency translation	20	(2,689)
Cash and cash equivalents, beginning of period	20,612	47,078
Cash and cash equivalents, end of period	23,203	41,649

SOURCE HLS Therapeutics Inc.

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<https://hlstherapeutics.investorroom.com/2021-05-06-HLS-Therapeutics-Announces-First-Quarter-Fiscal-2021-Financial-Results>