

HLS Therapeutics Announces Q4 and Fiscal 2021 Financial Results

- **Q4 2021 revenue of \$15.7 million, Adjusted EBITDA of \$6.2 million and cash from operations of \$4.0 million**
- **2021 revenue of \$60.0 million, Adjusted EBITDA of \$26.3 million and cash from operations of \$16.4 million**
- **Vascepa® prescriptions grew 19% sequentially in Q4 2021 - amid continued COVID-19 disruptions**
- **1,710 physicians have prescribed Vascepa, up 25% sequentially and up from 550 at the end of 2020. 6,100 patients have used Vascepa, up 21% sequentially and up from 2,000 at the end of 2020**
- **HLS is in the final stages of the process for public plan reimbursement of Vascepa. Final outcome is expected within weeks.**

TORONTO, March 17, 2022 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSX: HLS), a pharmaceutical company focusing on central nervous system ("CNS") and cardiovascular markets, announces its financial results for the three- and twelve-month periods ended December 31, 2021. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

Q4 & FISCAL 2021 FINANCIAL HIGHLIGHTS

- Q4 2021 revenue was \$15.7 million compared to \$16.5 million in Q4 2020. Fiscal 2021 revenue was \$60.0 million compared to \$56.1 million in 2020.
- Q4 2021 product sales were \$13.2 million compared to \$11.9 million in Q4 2020. Fiscal 2021 product sales were \$50.6 million compared to \$45.7 million in 2020.
- Q4 2021 Adjusted EBITDA was \$6.2 million compared to \$8.7 million in Q4 2020. Excluding the Q4 2020 Absorica royalties terminated December 31, 2020, and the \$0.5 million one-time realized gain on the acquired royalty receivable, Q4 2020 Adjusted EBITDA was \$5.9 million. Fiscal 2021 Adjusted EBITDA was \$26.3 million compared to \$24.1 million in 2020.
- Q4 2021 net loss was (\$4.2) million, or (\$0.13) per common share, compared to net loss of (\$7.3) million, or (\$0.23) per common share, in Q4 2020. Fiscal 2021 net loss was (\$13.1) million, or (\$0.41) per common share, compared to net loss of (\$15.3) million, or (\$0.48) per common share, in 2020.
- Q4 2021 cash generated from operations was \$4.0 million compared to \$5.8 million in Q4 2020. Fiscal 2021 cash generated from operations was \$16.4 million compared to \$9.3 million in 2020.
- Cash and cash equivalents were \$21.2 million at December 31, 2021 compared to \$20.6 million at December 31, 2020.

Q4 & FISCAL 2021 BUSINESS HIGHLIGHTS

- Pfizer initiated its promotional activity for Vascepa in late September.
- Vascepa received private payer health plan coverage in Canada for more than 90% of in-label patients.
- The Canadian Cardiovascular Society, the Canadian Heart & Stroke Foundation and Thrombosis Canada issued guidelines that strongly recommend the use of icosapent ethyl (Vascepa).
- Exceeded Canadian market growth rate with Clozaril patients up 2.5% year-over-year, gaining market share in the process.
- Launched MyCare Therapeutic Drug Monitoring ("TDM") which measures patient drug levels for six of the most common antipsychotics used to treat schizophrenia and bi-polar disorder.

"In fiscal 2021, we made important progress on the roll-out of Vascepa, generated steady and reliable performance from our core products, and advanced other products through the pipeline and towards commercial launch," said Gilbert Godin, CEO of HLS. "This was achieved despite the ongoing constraints put in place throughout the year due to the COVID-19 pandemic, that among other things, restricted in-person interactions with physicians and limited the number of interactions overall."

"Among our significant accomplishments with Vascepa during the year, we achieved reimbursement coverage with private payers representing more than 90% of privately covered eligible lives in Canada, Vascepa was added to the recommended treatment guidelines for three of Canada's most respected organizations in the field of Cardiovascular health and we announced a promotional agreement with Pfizer. The net effect of these efforts was the continued upward trajectory of Vascepa prescription volumes as well as generating significant increases to the number of physicians prescribing the product and the number of patients taking it."

"While the Delta and Omicron variants of the COVID-19 virus meant that restrictions were in place during much of the year and into the first two months of 2022, we are encouraged by recent steps that suggest markets

could be opening more broadly in Canada. As of mid-March, the majority of the provinces, including the largest ones, have removed many restrictions with some provinces having done away with most, if not all, of them. While we aren't about to claim the end of the pandemic is upon us, short of another wave, we are very encouraged by these recent developments and what they could mean for greater physician access in 2022."

"For 2022, our priorities are to finalize public market access for Vascepa in Canada, leverage the HLS and Pfizer cardiovascular commercial teams to increase awareness and adoption of Vascepa, continue the roll-out of CSAN Pronto and MyCare, launch PERSERIS and seek out other growth opportunities via our ongoing business development activities."

"Regarding public market access for Vascepa, we are pleased to report that we are in the final stages of the process for the reimbursement of Vascepa. We can't comment on the outcome today but look forward to providing a more detailed communication and next steps when the outcome becomes public, likely within weeks."

DIVIDEND

On March 16, 2022, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on June 15, 2022, to shareholders of record as of April 29, 2022.

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).

Q4 & FISCAL 2021 FINANCIAL REVIEW

The Company's Management's Discussion and Analysis and Consolidated Financial Statements for the three- and twelve-month periods ended December 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- and twelve-month periods ended December 31, 2021:

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Product sales				
Canada	9,245	7,656	34,609	29,393
United States	4,003	4,198	16,013	16,265
	13,248	11,854	50,622	45,658
Royalty revenue	2,442	4,631	9,387	10,451
	15,690	16,485	60,009	56,109

Product Sales

Product sales (Vascepa and Clozaril) in Q4 2021 were \$13.2 million, up 12%, and were \$50.6 million in fiscal 2021, up 11%. Product sales in Canada grew 21% in Q4 2021 and 18% in fiscal 2021. The increases primarily reflect growth in sales of Vascepa, stable revenues with Clozaril and the strengthening of the Canadian dollar from its lows at the outset of the pandemic last year.

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 \$2.4 million in Q4 2021 and \$9.4 million in fiscal 2021 from this royalty portfolio.

Royalty revenues were \$4.6 million in Q4 2020 and were \$10.5 million in fiscal 2020 and were based on sales of Absorica in the U.S. market as well as \$2.3 million in Q4 2020 from the diversified portfolio acquired on September 30, 2020. Regarding Absorica, as intended from the outset of that agreement, HLS terminated its ownership of the marketing rights for the product effective December 31, 2020.

In addition, the Company had a one-time \$0.5 million realized gain in Q4 2020 due to actual royalties received that were in excess of the estimated acquired receivable when the diversified portfolio of royalties was acquired in Q3 2020.

Operating Expenses

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Cost of product sales	1,122	1,311	3,972	3,625
Selling and marketing	4,407	3,260	14,660	12,900
Medical, regulatory and patient support	1,508	1,284	5,679	5,467
General and administrative	2,471	2,403	9,364	10,487
	9,508	8,258	33,675	32,479

Operating expenses in Q4 2021 were \$9.5 million, up 15% from Q4 2020, and were \$33.7 million for fiscal 2021, up 4% from last year. Cost of product sales increased in 2021 due to the expansion of Vascepa, which was partially offset by a return to more historical levels of cost of product sales for Clozaril. Selling and marketing expense increased by \$1.8 million in 2021, reflecting the additional support costs related to Vascepa in Canada, including the Vascepa primary care salesforce expansion at the end of the Q3 2021.

Adjusted EBITDA ⁽¹⁾

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Net loss for the period	(4,188)	(7,278)	(13,117)	(15,331)
Stock-based compensation	529	2,420	2,354	2,531
Amortization and depreciation	8,045	9,513	30,264	33,186
Acquisition and transaction costs	77	152	169	709
Finance and related costs, net	1,048	3,372	5,355	4,012
Income tax expense (recovery)	671	557	1,309	(968)
Adjusted EBITDA	6,182	8,736	26,334	24,139

Adjusted EBITDA in Q4 2021 was \$6.2 million and for fiscal 2021 was \$26.3 million. The increase for fiscal 2021 was due primarily to higher product sales in Canada along with one-time retirement costs expensed in Q3 2020, which were partially offset by this year's increase in cost of product sales and selling and marketing expense due to the growing sales of Vascepa.

"We are pleased that even in a year of investment for the launch of a major product like Vascepa that we were able to maintain good cost management throughout the organization and to grow our Adjusted EBITDA for the year," said Tim Hendrickson, CFO of HLS.

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

Net Loss

Net loss for Q4 2021 was (\$4.2) million, or (\$0.13) per share, compared to a net loss of (\$7.3) million, or (\$0.23) per share, in Q4 2020. Net loss for fiscal 2021 was (\$13.1) million, or (\$0.41) per share, compared to a net loss of (\$15.3) million, or (\$0.48) per share, in 2020. Net loss decreased for the quarter and fiscal year periods due primarily to the growth in Vascepa sales, offset in part by increased cost of product sales and sales and marketing expenses related to the product's ongoing rollout.

Cash from Operations and Financial Position

Cash generated from operations was \$4.0 million in Q4 2021, compared to \$5.8 million in Q4 2020. For fiscal 2021, cash from operations was \$16.4 million compared to \$9.3 million in 2020. As at December 31, 2021, the Company had cash and cash equivalents of \$21.2 million compared to \$20.6 million at December 31, 2020.

HLS has a strong financial position with \$21.2 million of cash and cash equivalents, a \$35.0 million revolving facility that was undrawn at December 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.

Q4 FISCAL 2021 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q4 and fiscal 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:	86772514
DATE:	Thursday, March 17, 2022
TIME:	8:30 a.m. ET
DIAL-IN NUMBER:	1-888-664-6392 or 416-764-8659
WEBCAST LINK:	https://produceredition.webcasts.com/starthere.jsp?ei=1528259&tp_key=599f8c5ca9
TAPED REPLAY:	1-888-390-0541 or 416-764-8677
REPLAY CODE:	772514

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 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

¹CAUTIONARY 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 16, 2022, and Management's Discussion and Analysis dated March 16, 2022, 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.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[in thousands of U.S. dollars]

	As at December 31, 2021	As at December 31, 2020
ASSETS		
Current		
Cash and cash equivalents	21,179	20,612
Accounts receivable	11,511	12,497
Inventories	8,925	10,630
Prepaid expenses and other current assets	2,136	2,172
Total current assets	43,751	45,911
Property, plant and equipment	1,569	1,384
Intangible assets	229,181	253,404
Deferred tax asset	690	1,173
Other non-current assets	714	2,034
Total assets	275,905	303,906
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	10,596	14,223
Provisions	3,472	4,516
Debt and other liabilities	13,507	16,358
Income taxes payable	97	545
Total current liabilities	27,672	35,642
Debt and other liabilities	86,844	99,015
Deferred tax liability	653	—
Total liabilities	115,169	134,657
Shareholders' equity		
Share capital	265,917	257,411
Contributed surplus	11,717	11,393
Accumulated other comprehensive income	2,959	2,020
Deficit	(119,857)	(101,575)
Total shareholders' equity	160,736	169,249
Total liabilities and shareholders' equity	275,905	303,906

HLS THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF NET LOSS
[in thousands of U.S. dollars, except per share amounts]

	Three months ended December 31, 2021 2020		Year ended December 31, 2021 2020	
Revenues	15,690	16,485	60,009	56,109
Expenses				
Cost of product sales	1,122	1,311	3,972	3,625
Selling and marketing	4,407	3,260	14,660	12,900
Medical, regulatory and patient support	1,508	1,284	5,679	5,467

General and administrative	2,471	2,403	9,364	10,487
Stock-based compensation	529	2,420	2,354	2,531
Amortization and depreciation	8,045	9,513	30,264	33,186
Operating loss	(2,392)	(3,706)	(6,284)	(12,087)
Realized gain on acquired royalty receivable	—	(509)	—	(509)
Acquisition and transaction costs	77	152	169	709
Finance and related costs, net	1,048	3,372	5,355	4,012
Loss before income taxes	(3,517)	(6,721)	(11,808)	(16,299)
Income tax expense (recovery)	671	557	1,309	(968)
Net loss for the period	(4,188)	(7,278)	(13,117)	(15,331)
Net loss per share:				
Basic and diluted	\$ (0.13)	\$ (0.23)	\$ (0.41)	\$ (0.48)

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

[in thousands of U.S. dollars]

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Net loss for the period	(4,188)	(7,278)	(13,117)	(15,331)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	798	7,385	939	2,557
Comprehensive income (loss) for the period	(3,390)	107	(12,178)	(12,774)

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

[in thousands of U.S. dollars]

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2019	248,687	11,517	(537)	(81,468)	178,199
Warrants exercised	8,663	(1,652)	—	—	7,011
Stock options exercised	61	(16)	—	—	45
Stock option expense	—	1,544	—	—	1,544
Net loss for the year	—	—	—	(15,331)	(15,331)
Dividends declared	—	—	—	(4,776)	(4,776)
Unrealized foreign currency translation adjustment	—	—	2,557	—	2,557
Balance, December 31, 2020	257,411	11,393	2,020	(101,575)	169,249
Warrants exercised	3,203	(192)	—	—	3,011
Stock options exercised	5,332	(1,410)	—	—	3,922
Shares repurchased	(29)	—	—	(18)	(47)
Stock option expense	—	1,926	—	—	1,926
Net loss for the year	—	—	—	(13,117)	(13,117)
Dividends declared	—	—	—	(5,147)	(5,147)
Unrealized foreign currency translation adjustment	—	—	939	—	939
Balance, December 31, 2021	265,917	11,717	2,959	(119,857)	160,736

HLS THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of U.S. dollars]

**Three months ended
December 31,** **Year ended
December 31,**

	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net loss for the period	(4,188)	(7,278)	(13,117)	(15,331)
Adjustments to reconcile net loss to cash provided by operating activities				
Stock-based compensation	529	2,420	2,354	2,531
Amortization and depreciation	8,045	9,513	30,264	33,186
Accreted interest	206	261	783	1,173
Fair value adjustment on financial assets and liabilities	(797)	1,642	(1,970)	(2,243)
Unrealized foreign exchange	—	—	—	176
Deferred income taxes	617	(131)	1,136	(2,483)
Net change in non-cash working capital balances related to operations	(434)	(581)	(3,021)	(7,665)
Cash provided by operating activities	3,978	5,846	16,429	9,344
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(22)	(4)	(47)	(36)
Royalty acquisition	—	(855)	—	(31,692)
Rights acquisitions	—	(1,825)	(3,820)	(12,050)
Other additions to intangible assets	(400)	(138)	(643)	(899)
Cash used in investing activities	(422)	(2,822)	(4,510)	(44,677)
FINANCING ACTIVITIES				
Stock options exercised	260	—	3,922	45
Warrants exercised	—	—	986	1,590
Shares repurchased	—	—	(47)	—
Dividends paid	(1,269)	(1,238)	(5,122)	(4,749)
Drawdown of senior secured term loan	(3,000)	—	—	20,000
Repayment of senior secured term loan	—	(2,250)	(10,500)	(6,132)
Debt costs	—	—	—	(658)
Lease payments	(161)	(158)	(637)	(532)
Cash provided by (used in) financing activities	(4,170)	(3,646)	(11,398)	9,564
Net increase (decrease) in cash and cash equivalents during the period	(614)	(622)	521	(25,769)
Foreign exchange on cash and cash equivalents	57	344	46	(697)
Cash and cash equivalents, beginning of period	21,736	20,890	20,612	47,078
Cash and cash equivalents, end of period	21,179	20,612	21,179	20,612

SOURCE HLS Therapeutics Inc.

For further information: HLS CONTACT INFORMATION, Dave Mason, Investor Relations, HLS Therapeutics Inc., (416) 247-9652, d.mason@hlstherapeutics.com

<https://hlstherapeutics.investorroom.com/2022-03-17-HLS-Therapeutics-Announces-Q4-and-Fiscal-2021-Financial-Results>