

HLS Therapeutics Announces Q1 Fiscal 2022 Financial Results

- **Q1 2022 revenue of \$14.6 million, Adjusted EBITDA of \$6.3 million and cash from operations of \$5.8 million.**
- **Vascepa® prescriptions grew 12% sequentially and 111% year-over-year in Q1 2022 amid Omicron COVID-19 disruptions.**
- **Achieved record levels of physician outreach and prescription activity in March as Omicron restrictions were lifted.**
- **2,025 physicians have prescribed Vascepa, up 18% sequentially and 177% year-over-year; 6,945 patients have taken Vascepa, up 14% sequentially and 139% year-over-year.**
- **Subsequent to quarter-end, completed LOI with the pCPA regarding public market reimbursement.**

TORONTO, May 5, 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-month period ended March 31, 2022. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

Q1 FISCAL 2022 HIGHLIGHTS

- Q1 2022 revenue was \$14.6 million compared to \$14.3 million in Q1 2021.
- Q1 2022 Adjusted EBITDA was \$6.3 million compared to \$6.7 million in Q1 2021.
- Q1 2022 net loss was (\$3.6) million, or (\$0.11) per common share, compared to net loss of (\$4.8) million, or (\$0.15) per common share, in Q1 2021.
- Q1 2022 cash generated from operations was \$5.8 million compared to \$7.2 million in Q1 2021.
- Cash and cash equivalents were \$22.7 million at March 31, 2022 compared to \$21.2 million at December 31, 2021.

SUBSEQUENT TO QUARTER-END

- Completed a Letter of Intent ("LOI") with the pan-Canadian Pharmaceutical Alliance ("pCPA") for the terms and conditions under which Vascepa will qualify for public market reimbursement in Canada.

"Q1 was a tale of two quarters with January and February under strict pandemic lockdowns and limited physician access, while March opened up and saw a strong resumption of detailing and prescription activity," said Gilbert Godin, CEO of HLS. "The net result was that, during the quarter, we generated sequential prescription growth of 12% for Vascepa at a time when all other cardiovascular classes of drugs regressed by more than 5% on average, and we continued to deliver reliable cash flows from our core products. Importantly, as restrictions eased in March, we saw a significant pick-up in call volumes and prescriptions for Vascepa with both reaching new monthly highs. This momentum continued through April, and we believe the trend bodes well for a stronger Q2 and second half of the year."

"Subsequent to quarter-end, we announced the completion of a LOI with the pCPA, which establishes the terms and conditions for gaining public market access for Vascepa in Canada. We have already started to work with provinces and territories to add Vascepa to their respective plans, a process that is expected to occur progressively over the next few months. Gaining public market access will be the single biggest catalyst to bring this life-saving medication to Canadians and it positions HLS for transformational growth, increasing our conviction in achieving our peak-year sales estimate of C\$250-300 million."

DIVIDEND

On May 4, 2022, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on September 15, 2022, to shareholders of record as of July 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).

Q1 FISCAL 2022 FINANCIAL REVIEW

The Company's Management's Discussion and Analysis and Consolidated Financial Statements for the three-month period ended March 31, 2022 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, 2022:

	Three months ended March 31, 2022		2021
Product sales			
Canada	8,403		7,833
United States	3,443		3,935
	11,846		11,768
Royalty revenue	2,710		2,546
	14,556		14,314

Product Sales

Product sales in Canada grew 7% in Q1 2022 compared to Q1 2021 despite strict pandemic-related lockdowns in place in January and February that limited patient-physician interactions, which are essential for initiating new therapies. The increase in Canadian product sales primarily reflects 111% year-over-year growth in sales of Vascepa, offset in part by a \$0.5 million decline in Clozaril revenue.

Clozaril continues to be the leading treatment for treatment-resistant schizophrenia and the number of patients in Canada at quarter-end was 2% higher year-over-year; however, lockdown conditions have a significant impact on the treatment conditions in the schizophrenic therapeutic area, and this was evident during the quarter. The Company expects these conditions to improve as a majority of the pandemic-related restrictions in Canada began to be lifted toward the end of Q1 2022. In the US, Clozaril had a decrease of \$0.5 million in net sales in Q1 2022 reflecting the impact of trade inventory dynamics.

Royalty revenues

Royalty revenues of \$2.7 million in Q1 2022 increased 6% from Q1 2021 reflecting underlying strength in the marketed products in the portfolio.

Operating Expenses

	Three months ended March 31, 2022		2021
Cost of product sales	953		774
Selling and marketing	3,829		3,168
Medical, regulatory and patient support	1,276		1,333
General and administrative	2,182		2,371
	8,240		7,646

Operating expenses in Q1 2022 increased 8% from Q1 2021. Cost of product sales increased due to the year-over-year increase in Vascepa sales. Increased selling and marketing activities reflect additional marketing support costs for Vascepa and initial introductory spending related to MyCare. These higher costs were partially offset by modest reductions in medical, regulatory and patient support activities and general and administrative expenses.

Adjusted EBITDA ⁽¹⁾

	Three months ended March 31, 2022		2021
Net loss for the period	(3,616)		(4,753)
Stock-based compensation	815		2,347
Amortization and depreciation	8,387		7,367
Acquisition and transaction costs	345		84
Finance and related costs, net	320		1,349

Income tax expense	65	274
Adjusted EBITDA	6,316	6,668

Adjusted EBITDA in Q1 2022 was 5% lower year-over-year due primarily to the increased cost of sales and selling and marketing expense related to the growth in sales of Vascepa.

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

Net Loss

Net loss for Q1 2022 was (\$3.6) million, or (\$0.11) per share, compared to a net loss of (\$4.8) million, or (\$0.15) per share, in Q1 2021. Net loss decreased due to a lower operating loss and reduced finance and related costs as rising interest rates resulted in a \$1.5 million income inclusion on the Company's interest rate swap.

Cash from Operations and Financial Position

Cash generated from operations was \$5.8 million in Q1 2022, compared to \$7.2 million in Q1 2021. Of note, the Q1 2021 period included Q4 2020 royalty receipts for the current portfolio of royalty interests and the final Absorica royalty receipt prior to the termination of that agreement. HLS grew its cash and cash equivalents to \$22.7 million at March 31, 2022 compared to \$21.2 million at December 31, 2021, inclusive of a \$1.3 million dividend payment and a \$3.0 million payment on the senior secured term loan made during the quarter.

HLS has a strong financial position with \$22.7 million of cash and cash equivalents, a \$35.0 million revolving facility that was undrawn at March 31, 2022, 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 2022 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q1 2022 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: 40019581
DATE: Thursday, May 5, 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=1544747&tp_key=e96e137a22
TAPED REPLAY: 1-888-390-0541 or 416-764-8677
REPLAY CODE: 019581

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.

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 May 4, 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.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[in thousands of U.S. dollars]

	As at March 31, 2022	As at December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	22,664	21,179
Accounts receivable	10,423	11,511
Inventories	8,604	8,925
Income taxes recoverable	247	—

Prepaid expenses and other current assets	1,985	2,136
Total current assets	43,923	43,751
Property, plant and equipment	1,433	1,569
Intangible assets	223,282	229,181
Deferred tax asset	586	690
Other non-current assets	1,300	714
Total assets	270,524	275,905

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	10,937	10,596
Provisions	2,835	3,472
Debt and other liabilities	12,595	13,507
Income taxes payable	—	97
Total current liabilities	26,367	27,672
Debt and other liabilities	84,170	86,844
Deferred tax liability	958	653
Total liabilities	111,495	115,169

Shareholders' equity

Share capital	266,129	265,917
Contributed surplus	12,264	11,717
Accumulated other comprehensive income	5,397	2,959
Deficit	(124,761)	(119,857)
Total shareholders' equity	159,029	160,736
Total liabilities and shareholders' equity	270,524	275,905

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF LOSS

Unaudited

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

Three months ended March 31, 2022 2021

Revenue	14,556	14,314
Expenses		
Cost of product sales	953	774
Selling and marketing	3,829	3,168
Medical, regulatory and patient support	1,276	1,333
General and administrative	2,182	2,371
Stock-based compensation	815	2,347
Amortization and depreciation	8,387	7,367
Operating loss	(2,886)	(3,046)
Acquisition and transaction costs	345	84
Finance and related costs, net	320	1,349
Loss before income taxes	(3,551)	(4,479)
Income tax expense	65	274
Net loss for the period	(3,616)	(4,753)
Net loss per share:		
Basic and diluted	\$(0.11)	\$(0.15)

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Unaudited

[in thousands of U.S. dollars]

Three months ended

**March 31,
2022** **2021**

Net loss for the period	(3,616)	(4,753)
Item that may be reclassified subsequently to net loss		
Unrealized foreign currency translation adjustment	2,438	1,443
Comprehensive loss for the period	(1,178)	(3,310)

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

[in thousands of U.S. dollars]

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2021	265,917	11,717	2,959	(119,857)	160,736
Stock options exercised	227	(62)	—	—	165
Shares repurchased	(15)	—	—	(6)	(21)
Stock option expense	—	609	—	—	609
Net loss for the period	—	—	—	(3,616)	(3,616)
Dividends declared	—	—	—	(1,282)	(1,282)
Unrealized foreign currency translation adjustment	—	—	2,438	—	2,438
Balance, March 31, 2022	266,129	12,264	5,397	(124,761)	159,029
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

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

[in thousands of U.S. dollars]

	Three months ended March 31, 2022 2021	
OPERATING ACTIVITIES		
Net loss for the period	(3,616)	(4,753)
Adjustments to reconcile net loss to cash provided by operating activities		
Stock-based compensation	815	2,347
Amortization and depreciation	8,387	7,367
Accreted interest	207	186
Fair value adjustment on financial assets and liabilities	(1,474)	(311)
Deferred income taxes	409	206
Net change in non-cash working capital balances related to operations	1,030	2,143
Cash provided by operating activities	5,758	7,185

INVESTING ACTIVITIES

Additions to property, plant and equipment	(9)	(6)
Rights acquisitions	—	(1,320)
Other additions to intangible assets	(26)	(28)
Cash used in investing activities	(35)	(1,354)

FINANCING ACTIVITIES

Stock options exercised	165	407
Warrants exercised	—	5
Shares repurchased	(21)	—
Dividends paid	(1,282)	(1,267)
Repayment of senior secured term loan	(3,000)	(2,250)
Lease payments	(159)	(155)
Cash used in financing activities	(4,297)	(3,260)

Net increase in cash and cash equivalents during the period	1,426	2,571
Foreign currency translation	59	20
Cash and cash equivalents, beginning of period	21,179	20,612
Cash and cash equivalents, end of period	22,664	23,203

SOURCE HLS Therapeutics Inc.

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<https://hlstherapeutics.investorroom.com/2022-05-05-HLS-Therapeutics-Announces-Q1-Fiscal-2022-Financial-Results>