

HLS Therapeutics Announces Q2 Fiscal 2022 Financial Results

- **Q2 2022 revenue of \$15.5 million, Adjusted EBITDA of \$6.2 million and cash from operations of \$3.5 million.**
- **Total Vascepa prescriptions grew 88% year-over-year, reflecting sequential growth of total and new Vascepa® prescriptions in Q2 2022 of 18% and 30%, respectively.**
- **2,400 physicians have prescribed Vascepa, up 131% year-over-year and 19% sequentially; 8,500 patients have taken Vascepa, up 107% year-over-year and 19% sequentially.**

TORONTO, Aug. 11, 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 six-month periods ended June 30, 2022. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

Q2 FISCAL 2022 HIGHLIGHTS

- Q2 2022 revenue was \$15.5 million compared to \$14.9 million in Q2 2021.
- Canadian Product Sales were \$9.5 million, up 7% from Q2 2021 (up 11% in Canadian Dollar terms).
- Q2 2022 Adjusted EBITDA was \$6.2 million compared to \$6.6 million in Q2 2021.
- Q2 2022 net loss was (\$9.1) million, or (\$0.28) per common share, compared to net loss of (\$2.2) million, or (\$0.07) per common share, in Q2 2021.
- Q2 2022 cash generated from operations was \$3.5 million compared to \$1.7 million in Q2 2021.
- Cash and cash equivalents were \$21.2 million at June 30, 2022 essentially unchanged versus December 31, 2021.
- 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.
- Obtained public reimbursement for Vascepa in Quebec, New Brunswick, Northwest Territories and the Non-Insured Health Benefits (NIHB) program for First Nations and Inuit peoples prior to the end of the fiscal quarter.
- Share repurchases under the Company's Normal Course Issuer Bid ("NCIB") of \$0.4 million.

SUBSEQUENT TO QUARTER-END

- Obtained public reimbursement for Vascepa in Ontario and Saskatchewan. Approximately 70% of publicly covered lives in Canada are now eligible for reimbursement for Vascepa.
- Quebec prescription growth for Vascepa was 29% in the two-month period following the announcement of public reimbursement compared to the prior two-month period.

"In Q2 we delivered a solid quarter and signed an LOI with the pCPA paving the way for public reimbursement of Vascepa, which we believe will be the single greatest catalyst to realize the growth potential of the product," said Gilbert Godin, CEO of HLS. "Shortly thereafter, we signed product listing agreements with Quebec and several other provincial or territorial authorities, and subsequent to quarter-end, we signed agreements with Ontario and Saskatchewan. As a result, with five months to go in the second half of 2022 we have public reimbursement for Vascepa for approximately 70% of Canadians on public plans, as well as for more than 95% of Canadians on private plans who are in-label."

"The onset of public reimbursement allows us to work closely with our partner, Pfizer, to ramp our outreach efforts to the physician community and drive prescription growth of Vascepa. In Q2 we reached new heights in physician interactions, and more than 75% of those were in-person meetings compared to approximately 50% in Q1 2022. The frequency of interaction with physicians is key for driving adoption and in June, on the heels of signing the LOI with the pCPA and after completing the first few public plan agreements, we achieved record monthly call volumes. The combination of public reimbursement along with the expansion of our sales effort will be key factors in the growth of Vascepa prescription volumes in the second half of the year and into 2023."

DIVIDEND

On August 10, 2022, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on December 15, 2022, to shareholders of record as of October 31, 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).

Q2 & YEAR-TO-DATE FISCAL 2022 FINANCIAL REVIEW

The Company's Management's Discussion and Analysis and Consolidated Financial Statements for the three- and six-month periods ended June 30, 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- and six-month periods ended June 30, 2022:

	Three months ended June 30, 2022		Six months ended June 30, 2022	
	2022	2021	2022	2021
Product sales				
Canada	9,527	8,912	17,930	16,745
United States	3,718	3,861	7,161	7,796
	13,245	12,773	25,091	24,541
Royalty revenue	2,287	2,172	4,997	4,718
	15,532	14,945	30,088	29,259

Product Sales

Record Q2 2022 product sales in Canada grew 11% in Canadian currency (7% growth in reported US dollars), led by increased sales of Vascepa, which grew 87% year-over-year.

Clozaril continues to be the leading treatment for treatment-resistant schizophrenia and the number of patients in Canada grew at a 2% annualized run-rate in the quarter. Clozaril sales in Canada has started to return to more typical levels as pandemic restrictions related to the Omicron virus were being removed as we entered Q2 2022. In the US, Clozaril had a decrease of \$0.1 million in net sales in Q2 2022 primarily reflecting modest volume erosion offset in part by pricing changes.

Royalty revenues

Royalty revenues of \$2.3 million in Q2 2022 increased from \$2.2 million in Q2 2021 reflecting stability in the marketed products in the portfolio.

Operating Expenses

	Three months ended June 30, 2022		Six months ended June 30, 2022	
	2022	2021	2022	2021
Cost of product sales	1,154	896	2,107	1,670
Selling and marketing	4,542	3,731	8,371	6,899
Medical, regulatory and patient support	1,347	1,501	2,623	2,834
General and administrative	2,331	2,256	4,513	4,627
	9,374	8,384	17,614	16,030

Operating expenses in Q2 2022 increased 12% from Q2 2021. Cost of product sales increased due to the year-over-year growth in Vascepa sales. Increased selling and marketing activities reflect additional marketing support costs for Vascepa and initial introductory spending related to MyCare, partially offset by modest reductions in medical, regulatory and patient support activities. The increase in the selling and marketing activities for Vascepa includes the primary care salesforce expansion begun in Fall 2021 as well as a return to increased activities following removal of public health restrictions in late Q1 2022. General and administrative costs were essentially flat year-over-year in Q2 2022.

Adjusted EBITDA ⁽¹⁾

	Three months ended June 30, 2022		Six months ended June 30, 2022	
	2022	2021	2022	2021
Net loss for the period	(9,143)	(2,197)	(12,759)	(6,950)
Stock-based compensation	1,230	(409)	2,045	1,938
Amortization and depreciation	8,489	7,480	16,876	14,847
Finance and related costs, net	1,043	1,510	1,363	2,859
Transaction and other costs	4,542	—	4,887	84
Income tax expense	(3)	177	62	451
Adjusted EBITDA	6,158	6,561	12,474	13,229

Adjusted EBITDA in Q2 2022 was 6% lower year-over-year due primarily to the increased selling and marketing expense and increased cost of product sales 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 Q2 2022 was (\$9.1 million), or (\$0.28) per share, compared to a net loss of (\$2.2 million), or (\$0.07) per share, in Q2 2021. Net loss increased as higher revenue was offset by an increase in cost of product sales and sales and marketing related to Vascepa as well as \$4.5 million in transaction and other costs.

Transaction and other costs largely consisted of a non-cash \$3.1 million impairment charge related to PERSERIS and a \$1.3 million charge related to the retirement of the Executive Chair of the Company and the elimination of the Executive Chair role.

Regarding the PERSERIS impairment charge, during the quarter, negotiations with the pCPA concluded without an agreement with respect to public reimbursement for the product. This was a disappointing outcome given that the Canadian Drug and Health Technology Agency (CADTH) had made a positive listing recommendation on terms that the pCPA was unwilling to accept. Our path forward for PERSERIS is to pursue public listing agreements individually with select provinces that are interested in the product.

Cash from Operations and Financial Position

Cash generated from operations was \$3.5 million in Q2 2022, compared to \$1.7 million in Q2 2021. Cash and cash equivalents was \$21.2 million at June 30, 2022 essentially unchanged from \$21.2 million at December 31, 2021. In the 2022 year-to-date period, HLS has made dividend payments totaling \$2.5 million, share buybacks under the NCIB amounting to \$0.4 million and \$6.0 million in repayments on the senior secured term loan.

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 June 30, 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.

Q2 FISCAL 2022 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q2 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: 28339844
DATE: Thursday, August 11, 2022
TIME: 8:30 a.m. ET
DIAL-IN NUMBER: 1-888-664-6392 or 416-764-8659
WEBCAST LINK: <https://app.webinar.net/54EjRjvoV>
TAPED REPLAY: 1-888-390-0541 or 416-764-8677
REPLAY CODE: 339844

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) "transaction costs and other charges", (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 August 10, 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 June 30, 2022	As at December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	21,160	21,179
Accounts receivable	10,710	11,511
Inventories	10,130	8,925
Income taxes recoverable	272	—
Prepaid expenses and other current assets	2,702	2,136
Total current assets	44,974	43,751
Property, plant and equipment	1,294	1,569
Intangible assets	217,857	229,181
Deferred tax asset	530	690
Other non-current assets	1,973	714
Total assets	266,628	275,905

LIABILITIES AND SHAREHOLDERS' EQUITY**Current**

Accounts payable and accrued liabilities	14,097	10,596
Provisions	2,759	3,472
Debt and other liabilities	22,832	13,507
Income taxes payable	—	97
Total current liabilities	39,688	27,672
Debt and other liabilities	81,619	86,844
Deferred tax liability	922	653
Total liabilities	122,229	115,169

Shareholders' equity

Share capital	266,007	265,917
Contributed surplus	12,625	11,717
Accumulated other comprehensive income	973	2,959
Deficit	(135,206)	(119,857)
Total shareholders' equity	144,399	160,736
Total liabilities and shareholders' equity	266,628	275,905

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS
Unaudited

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Revenue	15,532	14,945	30,088	29,259
Expenses				
Cost of product sales	1,154	896	2,107	1,670
Selling and marketing	4,542	3,731	8,371	6,899
Medical, regulatory and patient support	1,347	1,501	2,623	2,834
General and administrative	2,331	2,256	4,513	4,627
Stock-based compensation	1,230	(409)	2,045	1,938
Amortization and depreciation	8,489	7,480	16,876	14,847
Finance and related costs, net	1,043	1,510	1,363	2,859
Transaction and other costs	4,542	—	4,887	84
Loss before income taxes	(9,146)	(2,020)	(12,697)	(6,499)
Income tax expense (recovery)	(3)	177	62	451
Net loss for the period	(9,143)	(2,197)	(12,759)	(6,950)
Net loss per share:				
Basic and diluted	\$(0.28)	\$(0.07)	\$(0.39)	\$(0.22)

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

[in thousands of U.S. dollars]

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Net loss for the period	(9,143)	(2,197)	(12,759)	(6,950)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	(4,424)	2,737	(1,986)	4,180
Comprehensive income (loss) for the period	(13,567)	540	(14,745)	(2,770)

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	236	(64)	—	—	172
Shares repurchased	(146)	(191)	—	(41)	(378)
Share purchase obligation	—	(272)	—	—	(272)
Stock option expense	—	1,435	—	—	1,435
Net loss for the period	—	—	—	(12,759)	(12,759)
Dividends declared	—	—	—	(2,549)	(2,549)
Unrealized foreign currency translation adjustment	—	—	(1,986)	—	(1,986)
Balance, June 30, 2022	266,007	12,625	973	(135,206)	144,399
Balance, December 31, 2020	257,411	11,393	2,020	(101,575)	169,249
Warrants exercised	2,963	(192)	—	—	2,771
Stock options exercised	2,901	(770)	—	—	2,131
Stock option expense	—	1,043	—	—	1,043
Net loss for the period	—	—	—	(6,950)	(6,950)
Dividends declared	—	—	—	(2,594)	(2,594)
Unrealized foreign currency translation adjustment	—	—	4,180	—	4,180
Balance, June 30, 2021	263,275	11,474	6,200	(111,119)	169,830

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

[in thousands of U.S. dollars]

	Three months ended June 30, 2022		Six months ended June 30, 2022	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net loss for the period	(9,143)	(2,197)	(12,759)	(6,950)
Adjustments to reconcile net loss to cash provided by operating activities				
Stock-based compensation	1,230	(409)	2,045	1,938
Amortization and depreciation	8,489	7,480	16,876	14,847
Impairment charge	3,051	—	3,051	—
Accreted interest	205	182	412	368
Fair value adjustment on financial assets and liabilities	(696)	(384)	(2,170)	(695)
Deferred income taxes	20	59	429	265
Net change in non-cash working capital balances related to operations	356	(3,016)	1,386	(873)
Cash provided by operating activities	3,512	1,715	9,270	8,900
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(15)	(9)	(24)	(15)
Rights acquisitions	—	(2,500)	—	(3,820)
Other additions to intangible assets	(66)	(23)	(92)	(51)
Cash used in investing activities	(81)	(2,532)	(116)	(3,886)
FINANCING ACTIVITIES				
Stock options exercised	7	1,724	172	2,131
Warrants exercised	—	915	—	920
Shares repurchased	(357)	—	(378)	—
Dividends paid	(1,267)	(1,310)	(2,549)	(2,577)

Repayment of senior secured term loan	(3,000)	(2,250)	(6,000)	(4,500)
Lease payments	(180)	(162)	(339)	(317)
Cash used in financing activities	(4,797)	(1,083)	(9,094)	(4,343)
Net increase (decrease) in cash and cash equivalents during the period	(1,366)	(1,900)	60	671
Foreign currency translation	(138)	44	(79)	64
Cash and cash equivalents, beginning of period	22,664	23,203	21,179	20,612
Cash and cash equivalents, end of period	21,160	21,347	21,160	21,347

SOURCE HLS Therapeutics Inc.

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<https://hlstherapeutics.investorroom.com/2022-08-11-HLS-Therapeutics-Announces-Q2-Fiscal-2022-Financial-Results>