

HLS Therapeutics Announces Q3 Fiscal 2022 Financial Results and Renewal of Normal Course Issuer Bid

- **Q3 2022 revenue of \$15.7 million, Adjusted EBITDA of \$6.0 million and cash from operations of \$4.2 million.**
- **Total Vascepa prescriptions grew 14% sequentially and 89% year-over-year.**
- **2,800 physicians have prescribed Vascepa, up 16% sequentially and 105% year-over-year: 9,885 patients have taken Vascepa, up 17% sequentially and 96% year-over-year.**

TORONTO, Nov. 10, 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 nine-month periods ended September 30, 2022. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

Q3 FISCAL 2022 HIGHLIGHTS

- Revenue was \$15.7 million compared to \$15.1 million in Q3 2021, and up 7% to \$16.1 million measured at constant currency.
- Canadian Product Sales were \$9.6 million, up 11% from Q3 2021 (up 15% in constant currency).
- Adjusted EBITDA was \$6.0 million compared to \$6.9 million in Q3 2021.
- Net loss was (\$4.4) million, or (\$0.14) per common share, compared to net loss of (\$2.0) million, or (\$0.06) per common share, in Q3 2021.
- Gained public reimbursement for Vascepa in Ontario and Saskatchewan increasing the total of publicly covered lives in Canada to 70%.
- Favorably updated certain terms of the credit facility to provide additional capital flexibility for the business.

SUBSEQUENT TO QUARTER-END

- October Vascepa shipments increased 19% over September 2022 and 39% over the average month in Q3 2022 and October total prescriptions ("TRx") exceeded Q3 2022 monthly average by 11%.
- Quebec Vascepa new prescriptions ("NRx") grew 20% in the most recent four-week period ending October 28, 2022, compared to the previous four-week period.
- Ontario Vascepa NRx grew 12% in the most recent four-week period ending October 28, 2022, compared to the previous four-week period.
- Released on November 6, 2022, at the American Heart Association Scientific Sessions, the results of the independent RESPECT-EPA Study are the third in a series of trials to underscore cardiovascular risk reduction benefits of Eicosapentaenoic Acid ("EPA").
- Share repurchases under the Company's Normal Course Issuer Bid ("NCIB") in the most recent six months through October totaled C\$1.0 million.

"Our operating metrics are strong. On a constant currency basis, setting aside the negative impact of exchange rates, Q3 product revenue in Canada grew 15% and consolidated revenue would have been \$16.1 million. The Company generated solid and reliable levels of Adjusted EBITDA and cash flow from operations, which were \$6.0 million and \$4.2 million, respectively, in the quarter," said Gilbert Godin, CEO of HLS. "Operationally, we signed product listing agreements in Ontario and Saskatchewan, bringing public market reimbursement coverage for Vascepa to approximately 70% of Canadians on public plans, while more than 95% of Canadians on private health plans, who are in-label, have reimbursement coverage for the product."

"Vascepa prescription activity ramped-up toward the end of the quarter with record prescription volumes generated in the final week of September. Data from other leading indicators, such as October shipments, have shown continued strength that we believe signals a more pronounced increase in prescription volumes for the product is underway. For example, sales volume grew by more in October alone than it did in the entire third quarter."

"90% of target physicians have been reached at least once by our Vascepa sales teams," added Mr. Godin.

"Increasing the frequency of calls on those physicians will raise awareness of the product and help generate trial and adoption."

Mr. Godin continued: "Clozaril continues to generate steady and reliable financial results. Clozaril revenue in Canada increased 3% in the third quarter as reported in U.S. Dollars, or up 7% on a constant currency basis, making up for a slower start to the year. The broader market remains stable and continues to recover from the impact the pandemic had on the access to treatment for existing patients and on new patient enrollment. We continue to maintain our leading market share and are working to further expand that with the ongoing deployment of CSAN Pronto."

RENEWAL OF NORMAL COURSE ISSUER BID

The Company announced today that it has filed with the Toronto Stock Exchange (the "TSX"), and the TSX has accepted, the Company's notice of intention to renew its Normal Course Issuer Bid (the "NCIB") for its issued and

outstanding common shares (each a "Common Share"). Pursuant to the NCIB, HLS may, if considered advisable, purchase for cancellation through the facilities of the TSX and/or alternative Canadian trading systems, from time to time over the next 12 months, up to an aggregate of 1,620,366 Common Shares, representing 5% of the 32,407,318 issued and Outstanding Common Shares as of October 31, 2022.

HLS may commence purchases of Common Shares under the NCIB on November 14, 2022, and the NCIB will remain in effect until the earliest of: (i) the close of trading on November 13, 2023, (ii) the date upon which HLS acquires the maximum number of Common Shares permitted under the NCIB, and (iii) the date upon which HLS provides written notice of termination of the NCIB to the TSX. Daily purchases pursuant to the NCIB will be limited to 3,699 Common Shares, other than purchases made pursuant to the block purchase exception, based on the average daily trading volume on the TSX for six months ending October 31, 2022 of 14,798 Common Shares.

Purchases of Common Shares under the NCIB will be made by Haywood Securities Inc. ("Haywood") based on the parameters prescribed by the TSX, the provisions of the Company's credit agreement and applicable Canadian securities laws at a price per Common Share equal to the market price at the time of acquisition. All Common Shares acquired by the Company under the NCIB will be cancelled.

The Company also intends to renew the automatic share purchase plan (the "ASPP") with Haywood to allow for the purchase of Common Shares under the NCIB at times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods.

HLS believes that any purchases pursuant to the NCIB, if considered advisable, will be in the best interests of the Company and will be a desirable use of corporate funds. HLS previously sought and received approval of the TSX to purchase up to 1,622,559 Common Shares in a normal course issuer bid (the "Previous Bid") that commenced on November 9, 2021 and expired on November 8, 2022. As of October 31, 2022, HLS had purchased 90,500 Common Shares on the open market at an average purchase price of C\$11.68 per Common Share under the Previous Bid.

DIVIDEND

On November 9, 2022, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on March 15, 2023, to shareholders of record as of January 31, 2023.

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).

Q3 & YEAR-TO-DATE FISCAL 2022 FINANCIAL REVIEW

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

	Three months ended September 30, 2022		Nine months ended September 30, 2022	
	2022	2021	2022	2021
Product sales				
Canada	9,570	8,619	27,500	25,364
United States	3,590	4,214	10,751	12,010
	13,160	12,833	38,251	37,374
Royalty revenue	2,544	2,227	7,541	6,945
	15,704	15,060	45,792	44,319

Product Sales

Record Q3 2022 product sales in Canada grew 15% in Canadian currency (11% growth in reported U.S. dollars), led by increased sales of Vascepa, which grew 48% year-over-year.

Clozaril continues to be the leading treatment for treatment-resistant schizophrenia with the number of active patients growing modestly year-over-year in a relatively flat market. Revenues in the quarter and year-to-date period remain consistent with the prior year periods and have shown gradual improvement during 2022 following the removal of pandemic restrictions in Canada during the first quarter of the year. In the US, Clozaril had a decrease of \$0.6 million in net sales in Q3 2022 reflecting a one-time benefit in Q3 2021 from the successful resolution of a state rebate matter, while current year revenues benefited from favorable gross-to-net trends and pricing change to offset modest volume erosion.

Royalty revenues

Royalty revenues of \$2.5 million in Q3 2022 increased from \$2.2 million in Q3 2021 reflecting stability in the marketed products in the portfolio. Commercialization for the product underlying the fourth royalty interest in the

portfolio is now in its early stages following approvals in Japan and Europe earlier in 2022 and in the United States in Q3 2022.

Operating Expenses

	Three months ended September 30, 2022		Nine months ended September 30, 2022	
	2022	2021	2022	2021
Cost of product sales	1,357	1,180	3,464	2,850
Selling and marketing	4,306	3,354	12,677	10,253
Medical, regulatory and patient support	1,498	1,337	4,121	4,171
General and administrative	2,527	2,266	7,040	6,893
	9,688	8,137	27,302	24,167

Operating expenses in Q3 2022 increased 19% from Q3 2021. Cost of product sales increased due to the year-over-year growth in Vascepa sales. 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. Increased Selling and marketing expenses also reflect additional marketing support costs for Vascepa following the achievement of public market access in several key provinces, including Ontario and Quebec, as well as introductory spending related to MyCare. Medical, regulatory and patient support costs and General and administrative costs have increased modestly year-over-year.

Adjusted EBITDA ⁽¹⁾

	Three months ended September 30, 2022		Nine months ended September 30, 2022	
	2022	2021	2022	2021
Net loss for the period	(4,410)	(1,979)	(17,169)	(8,929)
Stock-based compensation	125	(113)	2,170	1,825
Amortization and depreciation	8,834	7,372	25,710	22,219
Finance and related costs, net	1,489	1,448	2,852	4,307
Transaction and other costs	69	8	4,956	92
Income tax expense (recovery)	(91)	187	(29)	638
Adjusted EBITDA	6,016	6,923	18,490	20,152

Adjusted EBITDA in Q3 2022 was 13% 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 Q3 2022 was (\$4.4 million), or (\$0.14) per share, compared to a net loss of (\$2.0 million), or (\$0.06) per share, in Q3 2021. Net loss increased as higher revenue was offset by an increase in cost of product sales and sales and marketing expense related to the expansion of Vascepa, as well as higher Amortization and depreciation.

Cash from Operations and Financial Position

Cash generated from operations was \$4.2 million in Q3 2022, compared to \$3.6 million in Q3 2021. Cash and cash equivalents was \$21.3 million at September 30, 2022 compared to \$21.2 million at December 31, 2021. In the year-to-date period through September 2022, HLS has made dividend payments totaling \$3.8 million, share buybacks under the NCIB of \$0.6 million and \$7.4 million in repayments on the senior secured term loan.

On September 30, 2022, HLS updated its credit agreement and senior secured term loan with its existing syndicate of lenders. The updates extend the maturity of the loan by one year and increase the financial flexibility for the Company as it executes on its strategic priorities. Total borrowing and unused borrowing capacity remain unchanged.

As at September 30, 2022, HLS has a strong financial position with \$21.3 million of cash and cash equivalents, \$25.0 million of revolving facility which remains undrawn, 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.

Q3 FISCAL 2022 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q3 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: 70968021
DATE: Thursday, November 10, 2022
TIME: 8:30 a.m. ET
DIAL-IN NUMBER: 1-888-664-6392 or 416-764-8659
WEBCAST LINK: <https://app.webinar.net/Lj7XWoRZY05>
TAPED REPLAY: 1-888-390-0541 or 416-764-8677
REPLAY CODE: 968021

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 November 9, 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 September 30, 2022	As at December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	21,279	21,179
Accounts receivable	10,167	11,511
Inventories	10,075	8,925
Income taxes recoverable	167	—
Prepaid expenses and other current assets	3,903	2,136
Total current assets	45,591	43,751
Property, plant and equipment	1,266	1,569
Intangible assets	202,267	229,181
Deferred tax asset	551	690
Other non-current assets	660	714
Total assets	250,335	275,905
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	13,285	10,596
Provisions	2,751	3,472
Debt and other liabilities	15,139	13,507
Income taxes payable	—	97
Total current liabilities	31,175	27,672
Debt and other liabilities	86,967	86,844
Deferred tax liability	747	653
Total liabilities	118,889	115,169
Shareholders' equity		
Share capital	265,629	265,917
Contributed surplus	13,325	11,717
Accumulated other comprehensive income (loss)	(6,605)	2,959
Deficit	(140,903)	(119,857)
Total shareholders' equity	131,446	160,736
Total liabilities and shareholders' equity	250,335	275,905

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS

Unaudited

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

	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Revenue	15,704	15,060	45,792	44,319
Expenses				
Cost of product sales	1,357	1,180	3,464	2,850
Selling and marketing	4,306	3,354	12,677	10,253
Medical, regulatory and patient support	1,498	1,337	4,121	4,171
General and administrative	2,527	2,266	7,040	6,893
Stock-based compensation	125	(113)	2,170	1,825
Amortization and depreciation	8,834	7,372	25,710	22,219
Finance and related costs, net	1,489	1,448	2,852	4,307
Transaction and other costs	69	8	4,956	92
Loss before income taxes	(4,501)	(1,792)	(17,198)	(8,291)
Income tax expense (recovery)	(91)	187	(29)	638
Net loss for the period	(4,410)	(1,979)	(17,169)	(8,929)
Net loss per share:				
Basic and diluted	\$(0.14)	\$(0.06)	\$(0.53)	\$(0.28)

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Unaudited
[in thousands of U.S. dollars]

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
Net loss for the period	(4,410)	(1,979)	(17,198)	(8,929)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	(7,578)	(4,039)	(9,564)	141
Comprehensive loss for the period	(11,988)	(6,018)	(26,733)	(8,788)

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited
[in thousands of U.S. dollars]

	Share	Contributed	Accumulated other		
	capital	surplus	comprehensive	Deficit	Total
			income (loss)		
Balance, December 31, 2021	265,917	11,717	2,959	(119,857)	160,736
Stock options exercised	251	(67)	—	—	184
Shares repurchased	(539)	—	—	(109)	(648)
Share purchase obligation	—	(255)	—	—	(255)
Stock option expense	—	1,930	—	—	1,930
Net loss for the period	—	—	—	(17,169)	(17,169)
Dividends declared	—	—	—	(3,768)	(3,768)
Unrealized foreign currency translation adjustment	—	—	(9,564)	—	(9,564)
Balance, September 30, 2022	265,629	13,325	(6,605)	(140,903)	131,446
Balance, December 31, 2020	257,411	11,393	2,020	(101,575)	169,249
Warrants exercised	3,203	(192)	—	—	3,011
Stock options exercised	4,976	(1,314)	—	—	3,662
Shares repurchased	(29)	—	—	(18)	(47)
Stock option expense	—	1,490	—	—	1,490
Net loss for the period	—	—	—	(8,929)	(8,929)
Dividends declared	—	—	—	(3,878)	(3,878)
Unrealized foreign currency translation adjustment	—	—	141	—	141
Balance, September 30, 2021	265,561	11,377	2,161	(114,400)	164,699

HLS THERAPEUTICS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
[in thousands of U.S. dollars]

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net loss for the period	(4,410)	(1,979)	(17,169)	(8,929)
Adjustments to reconcile net loss to cash provided by operating activities				
Stock-based compensation	125	(113)	2,170	1,825
Amortization and depreciation	8,834	7,372	25,710	22,219
Impairment charge	—	—	3,051	—
Accreted interest	200	209	612	577
Fair value adjustment on financial assets and liabilities	(397)	(478)	(2,567)	(1,173)

Net change in non-current working capital balances related to operations	(196)	(1,254)	1,283	(2,517)
Cash provided by operating activities	4,151	3,551	13,421	12,451
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(12)	(10)	(36)	(25)
Royalty milestone payment	(10,000)	—	(10,000)	—
Rights acquisitions	—	—	—	(3,820)
Other additions to intangible assets	—	(192)	(92)	(243)
Cash used in investing activities	(10,012)	(202)	(10,128)	(4,088)
FINANCING ACTIVITIES				
Stock options exercised	12	1,531	184	3,662
Warrants exercised	—	66	—	986
Shares repurchased	(270)	(47)	(648)	(47)
Dividends paid	(1,220)	(1,276)	(3,769)	(3,853)
Revolver drawdown	10,000	—	10,000	—
Repayment of credit agreement borrowing	(1,389)	(3,000)	(7,389)	(7,500)
Debt costs	(639)	—	(639)	—
Lease payments	(162)	(159)	(501)	(476)
Cash used in (provided by) financing activities	6,332	(2,885)	(2,762)	(7,228)
Net increase in cash and cash equivalents during the period	471	464	531	1,135
Foreign currency translation	(352)	(75)	(431)	(11)
Cash and cash equivalents, beginning of period	21,160	21,347	21,179	20,612
Cash and cash equivalents, end of period	21,279	21,736	21,279	21,736

SOURCE HLS Therapeutics Inc.

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

<https://hlstherapeutics.investorroom.com/2022-11-10-HLS-Therapeutics-Announces-Q3-Fiscal-2022-Financial-Results-and-Renewal-of-Normal-Course-Issuer-Bid>