



HLS Therapeutics Inc.

News Release

# HLS Therapeutics Announces Q1 2024 Financial Results

5/9/2024

TORONTO, May 9, 2024 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSX: HLS), a pharmaceutical company focused on addressing unmet needs in the treatment of psychiatric disorders and cardiovascular disease, announces its financial results for the three-month period ended March 31, 2024. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

## KEY HIGHLIGHTS

- Q1 2024 revenue was \$12.5 million, Adjusted EBITDA<sup>1</sup> was \$2.7 million and cash from operations was \$0.8 million, compared to \$14.8 million, \$5.1 million and \$4.0 million, respectively, in Q1 2023.
- Canadian product sales grew 4% from \$8.8 million to \$9.2 million, however, royalty revenues declined 75% from \$2.7 million to \$0.7 million.
- Completed a Product Listing Agreement ("PLA") with the province of British Columbia ("BC"), for the listing and public reimbursement of Vascepa.
- On May 1, 2024, HLS provided Pfizer with a notice of termination of the promotional services agreement (the "Agreement") for the commercialization of Vascepa in primary care.

"We made progress on several fronts in Q1, but financial results for Vascepa and Clozaril were below expectations as ex-factory orders typically placed at quarter end were pushed into April due to the early Easter holiday. As expected, the large decline in royalty related revenue had the greatest impact on revenue and Adjusted EBITDA," said Craig Millian, CEO of HLS. "Subsequent to quarter end, we saw a pick-up in activity as Canadian ex-factory sales for Vascepa and Clozaril grew 25% year-over-year in April as compared to March, which had a 3% year-over-year decline."

## Q1 2024 OTHER HIGHLIGHTS

- Vascepa unit demand increased by 54% compared to Q1 2023.
- The number of consistent prescribers<sup>2</sup> for Vascepa increased 112% compared to Q1 2023.
- Vascepa net revenue was C\$4.5 million, up 27% compared to C\$3.5 million in Q1 2023.
- The number of patients on Clozaril in Canada increased by 1.4% compared to Q1 2023.

Mr. Millian added: "Following a solid start to the year for Vascepa in January and February, March unit demand and sales activity fell short of expectations. Although sales growth picked up in April, unit demand is still tracking below the 70% full-year target that is needed to get us back to plan. While we are confident that several catalysts will help drive demand growth this year, including the public listing in BC, we have concluded that Vascepa is unlikely to achieve its full year sales goal. Therefore, bold action is required to meet our objective of getting Vascepa to profitability by year end."

"We have been closely examining the performance of our go-to-market model in primary care. We have concluded that the ROI for this model remains unprofitable and, despite best efforts, there are not enough signs of improvement to justify continuing at our current level of investment. As a result, we have provided Pfizer with a notice of termination of the Agreement between the two companies. We are working with them on an orderly wind down and transition back to HLS of all primary care related activities which we expect will be completed during the second half of 2024. We thank Pfizer for the commitment and effort that they have made towards trying to make this go-to-market model successful."

"We believe in the promise and long-term revenue potential of Vascepa and are confident we can effectively support both specialists and the growing base of primary care prescribers with our HLS sales team while retaining the flexibility to scale the team as demand grows. We are excited about this opportunity to bring both specialty and primary care in-house and to take an even greater role in ensuring this important medicine reaches its potential. Furthermore, the termination of the Agreement with Pfizer, once fully executed, could result in as much as \$5 million in annual OPEX savings. Ultimately, we are committed to getting Vascepa to profitability by year-end and are confident we can continue to drive growth at a reasonable cost. Positioning Vascepa to be a positive contributor to Adjusted EBITDA by year end sets up well for long-term profitable growth given that its patent estate extends into the 2030s, with the last patent set to expire in 2039."

## 2024 UPDATED OUTLOOK

For both Vascepa and Clozaril, HLS expects to positively impact demand for the remainder of the year with the actions it is taking. However, based on year-to-date trends for Vascepa and some potential adjustments from the

sales force transition, the Company is lowering its full year consolidated revenue guidance to a range of \$60-62 million from \$63.5-66.5 million.

Vascepa revenue is now expected to be in a range of \$17-18 million (C\$22.5-24.5 million), compared to the prior range of \$20.5-22.5 million (C\$27.5-30 million). The revised 2024 Vascepa revenue guidance represents an increase of 27-38% over 2023. Clozaril demand trends are in line with expectations through April and it remains on track with its 2024 revenue outlook of about \$40 million. The 2024 outlook for the royalty portfolio also remains unchanged with it expected to generate revenue of \$3-4 million.

Based on lower expected sales of Vascepa, and not including any potential benefits the Company may derive in 2024 from the termination of the Agreement described above, HLS is also lowering its full year Adjusted EBITDA target to \$17-19 million from its prior expectation of \$21 million. The Company will continue to identify expense reductions and still expects Vascepa to make a positive contribution to Adjusted EBITDA starting in the fourth quarter.

## Q1 2024 FINANCIAL REVIEW

The Company's Management's Discussion and Analysis and Consolidated Financial Statements for the three-month period ended March 31, 2024, are available at the **Company's website** and at its profile at **SEDAR+**.

### Revenue

	Three months ended March 31, 2024	2023
Product sales		
Canada	9,154	8,811
United States	2,642	3,212
	11,796	12,023
Royalty revenue	677	2,734
	12,473	14,757

Excluding royalties, revenue for the Company's marketed products (Vascepa, and Clozaril) in Q1 2024 was down 2% from Q1 2023. Lower than expected sales were driven in large part by the delayed timing of ex-factory orders for both Vascepa and Clozaril at the end of March and, in the case of US Clozaril, excess year-end inventory.

Product sales – Canada

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000's of CAD	Three months ended		
	2024	March 31, 2023	% change
Clozaril	7,865	8,418	(6.6) %
Vascepa	4,471	3,515	27.2 %
Other	13		
	12,349	11,933	3.5 %

Q1 2024 product sales in Canada increased 3.5% in Canadian dollars compared to Q1 2023. This was led by growth in Canadian dollar sales of Vascepa, which increased 27% in Q1 2024, while Q1 2024 Clozaril revenue in Canada declined 7% compared to Q1 2023. The last week of the quarter overlapped with the Easter holiday weekend, which resulted in certain orders typically placed during the final business days of Q1 2024 being pushed into the first week of April. The timing of orders negatively impacted both Vascepa and Clozaril net sales by a combined total exceeding US\$0.6 million. Reflecting strong underlying demand fundamentals, patient numbers for Clozaril Canada were up 1.4% in Q1 2024 compared to Q1 2023.

#### Product Sales – United States

In the U.S., Q1 2024 Clozaril sales declined 18% compared to Q1 2023. Key demand fundamentals remain in place with the variance to the prior year revenue largely due to wholesalers in the US ending 2023 with an unusually high level of inventory and subsequently working through that in Q1 2024.

#### Royalty revenues

Q1 2024 royalty revenues were down 75% from Q1 2023 as the term for what was the largest royalty in the portfolio came to an end midway through Q4 2023.

### Operating Expenses

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	Three months ended	
	March 31, 2024	2023
Cost of product sales	1,774	1,444
Selling and marketing	4,526	4,807
Medical, regulatory and patient support	1,265	1,076
General and administrative	2,201	2,351
	9,766	9,678

Cost of product sales was up for the quarter due to the higher sales volumes of Vascepa.

Excluding cost of product sales, Q1 2024 operating expenses were \$8.0 million, down 3% from Q1 2023. Selling and marketing and general and administrative expenses were both down by 6% compared to Q1 2023, while medical, regulatory and patient support expenses increased 18% due to timing differences for expense recognition but is expected to be similar overall in 2024 to the prior year. For 2024, the Company will continue to focus on cost management and seeking expense reductions throughout the business.

## Adjusted EBITDA<sup>1</sup>

	Three months ended March 31, 2024	2023
Net loss for the period	(6,106)	(5,792)
Stock-based compensation	256	(55)
Amortization and depreciation	5,919	8,319
Finance and related costs, net	2,667	2,434
Other costs	—	213
Income tax recovery	(29)	(40)
<b>Adjusted EBITDA</b>	<b>2,707</b>	<b>5,079</b>

Q1 2024 Adjusted EBITDA was \$2.7 million compared to \$5.1 million in Q1 2023. The decrease for the quarter was due primarily to the 75% decrease in royalty portfolio revenue as well as the timing of certain Clozaril and Vascepa orders during the quarter, which was partially offset by the 27% growth in Vascepa revenue.

For Q1 2024, the direct brand contribution from Clozaril to Adjusted EBITDA was \$6.1 million, while the direct brand contribution from Vascepa to Adjusted EBITDA was a loss of \$1.6 million.

## Net Loss

Net loss for Q1 2024 was (\$6.1) million, or (\$0.19) per share, compared to a net loss of (\$5.8) million, or (\$0.18) per share, in Q1 2023. Net loss increased in Q1 2024 primarily due to the changes to revenue and operating expenses as previously explained.

## Cash from Operations and Financial Position

Cash generated from operations in Q1 2024 was \$0.8 million compared to \$4.0 million in Q1 2023. Cash was \$19.4 million at March 31, 2024 compared to \$22.0 million at December 31, 2023.

Total borrowings under the credit agreement at March 31, 2024, was \$86.4 million compared to \$88.5 million at December 31, 2023.

## Q1 2024 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q1 2024 financial results. The call will be hosted by Mr. Craig Millian, CEO, and Mr. John Hanna, Interim CFO. To view the slides that accompany management's discussion, please use the webcast link.

CONFERENCE ID: 64428

DATE: Thursday, May 9, 2024

TIME: 8:30 a.m. ET

WEBCAST LINK: <https://app.webinar.net/lw3W7LjxZGA>

TRADITIONAL DIAL-IN NUMBER: 1-800-836-8184 or 1-289-819-1350

RAPIDCONNECT: To instantly join the conference call by phone, please use the following URL to easily register and be connected into the conference call automatically: <https://emportal.ink/3xw9YCV>

TAPED REPLAY: 1-888-660-6345 or 1-289-819-1450

REPLAY CODE: 64428#

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](http://www.hlstherapeutics.com). Please connect at least 15 minutes before the conference call to ensure enough time for any software download 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](http://www.hlstherapeutics.com)

## <sup>1</sup>CAUTIONARY 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) "finance and related costs, net", (iv) "other costs", and (v) "income tax 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.

## <sup>2</sup>CONSISTENT PRESCRIBER

A consistent prescriber is a physician that has prescribed Vascepa in at least 4 of the past 5 weeks.

## 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 13, 2024, and Management's Discussion and Analysis dated May 8, 2024, both of which have been filed on SEDAR and can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca). 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, 2024	As at December 31, 2023
<b>ASSETS</b>		
Current		
Cash	19,443	21,952
Accounts receivable	9,566	10,608
Inventories	10,085	9,534
Income taxes recoverable	81	86
Other current assets	1,601	1,915
<b>Total current assets</b>	<b>40,776</b>	<b>44,095</b>
Property, plant and equipment	824	965
Intangible assets	154,458	162,344
Deferred tax asset	1,088	1,037
Other non-current assets	605	619
<b>Total assets</b>	<b>197,751</b>	<b>209,060</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities	13,128	14,107
Provisions	5,880	5,424
Debt and other liabilities	6,881	6,876
Income taxes payable	305	281
<b>Total current liabilities</b>	<b>26,194</b>	<b>26,688</b>
Debt and other liabilities	82,059	84,233
Deferred tax liability	432	442
<b>Total liabilities</b>	<b>108,685</b>	<b>111,363</b>
Shareholders' equity		
Share capital	261,359	262,127
Contributed surplus	13,996	13,865
Accumulated other comprehensive loss	(5,211)	(2,838)

Deficit	(181,078)	(175,457)
Total shareholders' equity	89,066	97,697
Total liabilities and shareholders' equity	197,751	209,060

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

	Three months ended March 31,	
	2024	2023
Revenue	12,473	14,757
Expenses		
Cost of product sales	1,774	1,444
Selling and marketing	4,526	4,807
Medical, regulatory and patient support	1,265	1,076
General and administrative	2,201	2,351
Stock-based compensation	256	(55)
Amortization and depreciation	5,919	8,319
Finance and related costs, net	2,667	2,434
Other costs	—	213
Loss before income taxes	(6,135)	(5,832)
Income tax recovery	(29)	(40)
Net loss for the period	(6,106)	(5,792)
Net loss per share:		
Basic and diluted	\$(0.19)	\$(0.18)

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

	Three months ended March 31,	
	2024	2023
Net loss for the period	(6,106)	(5,792)
Item that may be reclassified subsequently to net loss		
Unrealized foreign currency translation adjustment	(2,373)	93
Comprehensive loss for the period	(8,479)	(5,699)

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 loss	Deficit	Total
Balance, December 31, 2023	262,127	13,865	(2,838)	(175,457)	97,697
Shares repurchased	(768)	—	—	485	(283)
Stock option expense	—	131	—	—	131
Net loss for the period	—	—	—	(6,106)	(6,106)
Unrealized foreign currency translation adjustment	—	—	(2,373)	—	(2,373)
Balance, March 31, 2024	261,359	13,996	(5,211)	(181,078)	89,066
Balance, December 31, 2022	265,206	13,821	(5,260)	(148,449)	125,318

Stock options exercised	178	(44)	—	—	134
Shares repurchased	(219)	—	—	35	(184)
Share purchase obligation	—	185	—	—	185
Stock option expense	—	319	—	—	319
Net loss for the period	—	—	—	(5,792)	(5,792)
Dividends declared	—	—	—	(1,182)	(1,182)
Unrealized foreign currency translation adjustment	—	—	93	—	93
<b>Balance, March 31, 2023</b>	<b>265,165</b>	<b>14,281</b>	<b>(5,167)</b>	<b>(155,388)</b>	<b>118,891</b>

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

	Three months ended March 31,	
	2024	2023
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(6,106)	(5,792)
Adjustments to reconcile net loss to cash provided by operating activities		
Stock-based compensation	256	(55)
Amortization and depreciation	5,919	8,319
Accreted interest	282	191
Fair value adjustment on financial assets and liabilities	187	551
Deferred income taxes	(61)	(177)
Net change in non-cash working capital balances related to operations	301	983
<b>Cash provided by operating activities</b>	<b>778</b>	<b>4,020</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(2)	—
<b>Cash used in investing activities</b>	<b>(2)</b>	<b>—</b>
<b>FINANCING ACTIVITIES</b>		
Stock options exercised	—	134
Shares repurchased	(283)	(184)
Dividends paid	—	(1,182)
Repayment of credit agreement borrowing	(2,075)	(2,121)
Debt costs	(533)	—
Lease payments	(143)	(161)
<b>Cash used in financing activities</b>	<b>(3,034)</b>	<b>(3,514)</b>
Net increase (decrease) in cash during the period	(2,258)	506
Foreign currency translation	(251)	(15)
<b>Cash, beginning of period</b>	<b>21,952</b>	<b>20,723</b>
<b>Cash, end of period</b>	<b>19,443</b>	<b>21,214</b>

SOURCE HLS Therapeutics Inc.