

HLS Therapeutics Announces Second Quarter Fiscal 2021 Financial Results

- **Q2 2021 revenue of \$14.9 million and Adjusted EBITDA of \$6.6 million, up 19% and 36%, respectively, from Q2 2020**
- **Generated strong Vascepa[®] prescription growth - amid persistent COVID-19 disruptions - achieving 4,100 patients and 1,050 prescribers at end of Q2, which are increases of 41% and 44%, respectively, from the end of Q1 2021**
- **Vascepa revenue increased 42% sequentially from Q1 2021**
- **Generated cash from operations of \$8.9 million year-to-date compared to \$1.1 million in the same period last year**

TORONTO, Aug. 5, 2021 /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, 2021. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

Q2 FISCAL 2021 HIGHLIGHTS

- Q2 2021 revenue was \$14.9 million compared to \$12.6 million in Q2 2020.
- Q2 2021 Adjusted EBITDA was \$6.6 million compared to \$4.8 million in Q2 2020.
- Q2 2021 net loss was (\$2.2) million, or (\$0.07) per common share, compared to net loss of (\$6.5) million, or (\$0.20) per common share, in Q2 2020.
- Q2 2021 cash generated from operations was \$1.7 million compared to cash used in operations of (\$4.2) million in Q2 2020.
- Cash and cash equivalents were \$21.3 million at June 30, 2021 compared to \$20.6 million at December 31, 2020.
- Clozaril increased its leading market share as its patient count in Canada increased 3% annually.

"Q2 was another solid quarter financially despite the ongoing challenges posed by the COVID-19 pandemic," said Gilbert Godin, CEO of HLS. "Q2 reflects the emerging contribution from Vascepa. Vascepa is delivering strong growth in its key operational metrics, despite the headwinds imposed on the rollout by the pandemic, which has made physician access a challenge since its launch. This reinforces both our confidence in Vascepa and our conviction in its peak year sales estimate of \$275-325 million. Clozaril also continues to deliver strong and reliable performance and our patient count for the product increased in Canada by 3% annually driving the growth of the market in the process."

"As the larger provinces began to open-up, we saw an uptick in activity and if June is any indication of what is to follow, we believe the second half of the year will be an exciting time for Vascepa. We have previously spoken of 2021 being the year of the inflection point for the product driven by five primary catalysts. Of these catalysts, we have achieved reimbursement coverage for more than 90% of privately covered lives in Canada and Vascepa has been added to the treatment guidelines by the Canadian Cardiovascular Society, Thrombosis Canada and more recently, the Heart & Stroke Foundation's Canadian Stroke Best Practices. With vaccination rates amongst the highest of any nation in the world, we are now seeing the market in Canada open-up as many of the strict COVID-19 restrictions are lifted and we continue to prepare for our salesforce expansion later this year. The fifth catalyst is to gain public market access for Vascepa in Canada. On this front, negotiations are in progress, and we continue to expect access to the public market within the typical 18-24-month window post-launch that is generally associated with products like Vascepa given the endorsement by leading national and international medical societies and the priority review from Health Canada."

DIVIDEND

On August 4, 2021, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on December 15, 2021, to shareholders of record as of October 29, 2021.

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 2021 FINANCIAL REVIEW

The Company's Management's Discussion and Analysis and Consolidated Financial Statements for the three- and six-month periods ended June 30, 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 six-month periods ended June 30, 2021:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Product sales				
Canada	8,912	6,875	16,745	14,354
United States	3,861	3,932	7,796	8,079
	12,773	10,807	24,541	22,433
Royalty revenue	2,172	1,798	4,718	4,062
	14,945	12,605	29,259	26,495

Product Sales

Product sales grew by 18% in Q2 2021 and 9% for the 2021 year-to-date period. The increases reflect growth in sales of Vascepa, growth in Clozaril's patient count in Canada and the strengthening of the Canadian dollar. Reflecting the 44% increase in Vascepa prescribers and 41% increase in Vascepa patients from Q1 2021, Vascepa product sales in Q2 2021 increased 42% sequentially, despite the ongoing challenges from the COVID-19 pandemic during the period.

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 \$2.2 million in Q2 2021 and \$4.7 million for the 2021 year-to-date period from this royalty portfolio.

Royalty revenues in the respective periods of the prior year were \$1.8 million and \$4.1 million and were based on sales of Absorica in the U.S. market. As intended from the outset of that agreement, HLS terminated its ownership of those marketing rights effective December 31, 2020.

Operating Expenses	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cost of product sales	896	671	1,670	1,490
Selling and marketing	3,731	3,177	6,899	6,793
Medical, regulatory and patient support	1,501	1,699	2,834	2,945
General and administrative	2,256	2,244	4,627	4,384
	8,384	7,791	16,030	15,612

Operating expenses in Q2 2021 were \$8.4 million, an increase of 8% from Q2 2020, and for the 2021 year-to-date period were \$16.0 million, an increase of 3% from the same period last year. Operating expenses increased year-over-year due primarily to higher cost of product sales related to the sale of Vascepa and the deployment of CSAN Pronto as well as higher sales and marketing expenses related to Vascepa, offset in part by lower medical, regulatory and patient support costs.

Adjusted EBITDA¹	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net loss for the period	(2,197)	(6,474)	(6,950)	(6,320)
Stock-based compensation	(409)	918	1,938	754
Amortization and depreciation	7,480	8,198	14,847	16,757
Acquisition and transaction costs	—	234	84	323
Finance and related costs, net	1,510	2,636	2,859	1,146
Income tax expense (recovery)	177	(698)	451	(1,777)
Adjusted EBITDA	6,561	4,814	13,229	10,883

Adjusted EBITDA in Q2 2021 was \$6.6 million, an increase of 36% from Q2 2020, and for the 2021 year-to-date period was \$13.2 million, an increase of 22% from the same period last year. The increases were due primarily to higher sales of Vascepa and higher royalty revenues from royalty interests, which were partially offset by the increase in Vascepa selling and marketing activities and the increase in cost of product sales related to higher sales volumes.

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

Net Loss

Net loss for Q2 2021 was (\$2.2) million, or (\$0.07) per share, compared to a net loss of (\$6.5) million, or (\$0.20) per share, in Q2 2020. Net loss for the 2021 year-to-date period was (\$7.0) million, or (\$0.22) per share, compared to a net loss of (\$6.3) million, or (\$0.20) per share, in the same period last year. Net loss improved in Q2 2021 due primarily to reduced stock compensation expense, reduced amortization following the termination of the Absorica agreement and higher revenues from Vascepa and royalty interests, offset, in part, by increased investment in sales and marketing for Vascepa.

Cash from Operations and Financial Position

Cash generated from operations was \$1.7 million in Q2 2021, compared to cash used in operations of (\$4.2) million in Q2 2020. For the 2021 year-to-date period, cash from operations is \$8.9 million compared to \$1.1 million in the same period last year. As at June 30, 2021, the Company had cash and cash equivalents of \$21.3 million compared to \$20.6 million at December 31, 2020.

HLS has a strong financial position with \$21.3 million of cash and cash equivalents, a \$35.0 million revolving facility that was undrawn at June 30, 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.

Q2 FISCAL 2021 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q2 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:	49535873
DATE:	Thursday, August 5, 2021
TIME:	8:30 a.m. Eastern Daylight Time
DIAL-IN NUMBER:	1-888-664-6392 or 416-764-8659
WEBCAST LINK:	https://produceredition.webcasts.com/starthere.jsp?ei=1479846&tp_key=5870717b9b
TAPED REPLAY:	1-888-390-0541 or 416-764-8677
REPLAY CODE:	535873

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 17, 2021 and Management's Discussion and Analysis dated August 4, 2021, 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.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[in thousands of U.S. dollars]

	As at June 30, 2021	As at December 31, 2020
ASSETS		
Current		
Cash and cash equivalents	21,347	20,612
Accounts receivable	12,867	12,497
Inventories	10,063	10,630
Prepaid expenses and other current assets	3,010	2,172
Total current assets	47,287	45,911
Property, plant and equipment	1,172	1,384
Intangible assets	246,737	253,404
Restricted assets	—	2,034
Deferred income tax asset	908	1,173
Total assets	296,104	303,906
Current		
Accounts payable and accrued liabilities	15,321	14,223
Provisions	4,123	4,516
Debt and other liabilities	14,078	16,358
Income taxes payable	112	545
Total current liabilities	33,634	35,642
Debt and other liabilities	92,640	99,015
Total liabilities	126,274	134,657

Shareholders' equity

Share capital	263,275	257,411
Contributed surplus	11,474	11,393
Accumulated other comprehensive income	6,200	2,020
Deficit	(111,119)	(101,575)
Total shareholders' equity	169,830	169,249
Total liabilities and shareholders' equity	296,104	303,906

HLS THERAPEUTICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Unaudited

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Revenue	14,945	12,605	29,259	26,495
Expenses				
Cost of product sales	896	671	1,670	1,490
Selling and marketing	3,731	3,177	6,899	6,793
Medical, regulatory and patient support	1,501	1,699	2,834	2,945
General and administrative	2,256	2,244	4,627	4,384
Stock-based compensation	(409)	918	1,938	754
Amortization and depreciation	7,480	8,198	14,847	16,757
Operating loss	(510)	(4,302)	(3,556)	(6,628)
Acquisition and transaction costs	—	234	84	323
Finance and related costs, net	1,510	2,636	2,859	1,146
Loss before income taxes	(2,020)	(7,172)	(6,499)	(8,097)
Income tax expense (recovery)	177	(698)	451	(1,777)
Net loss for the period	(2,197)	(6,474)	(6,950)	(6,320)
Net loss per share:				
Basic and diluted	\$(0.07)	\$(0.20)	\$(0.22)	\$(0.20)

HLS THERAPEUTICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited

[in thousands of U.S. dollars]

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net loss for the period	(2,197)	(6,474)	(6,950)	(6,320)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	2,737	6,306	4,180	(7,738)
Comprehensive income (loss) for the period	540	(168)	(2,770)	(14,058)

HLS THERAPEUTICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited

[in thousands of U.S. dollars]

Accumulated other

	Share capital	Contributed surplus	comprehensive income (loss)	Deficit	Total
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
Balance, December 31, 2019	248,687	11,517	(537)	(81,468)	178,199
Warrants exercised	7,544	(1,652)	—	—	5,892
Stock options exercised	52	(14)	—	—	38
Stock option expense	—	839	—	—	839
Net loss for the period	—	—	—	(6,320)	(6,320)
Dividends declared	—	—	—	(2,334)	(2,334)
Unrealized foreign currency translation adjustment	—	—	(7,738)	—	(7,738)
Balance, June 30, 2020	256,283	10,690	(8,275)	(90,122)	168,576

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

	Three months ended June 30, 2021		Six months ended June 30, 2021	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net loss for the period	(2,197)	(6,474)	(6,950)	(6,320)
Adjustments to reconcile net loss to cash provided by operating activities				
Stock-based compensation	(409)	918	1,938	754
Amortization and depreciation	7,480	8,198	14,847	16,757
Accreted interest	182	312	368	668
Fair value adjustment on financial assets and liabilities	(384)	1,372	(695)	(2,099)
Foreign exchange	—	—	—	176
Deferred income taxes	59	(927)	265	(2,338)
Net change in non-cash working capital balances related to operations	(3,016)	(7,615)	(873)	(6,465)
Cash provided (used in) by operating activities	1,715	(4,216)	8,900	1,133
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(9)	(1)	(15)	(27)
Rights acquisitions	(2,500)	(1,825)	(3,820)	(8,400)
Other additions to intangible assets	(23)	(311)	(51)	(759)
Cash used in investing activities	(2,532)	(2,137)	(3,886)	(9,186)
FINANCING ACTIVITIES				
Stock options exercised	1,724	24	2,131	38
Warrants exercised	915	—	920	1,590
Dividends paid	(1,310)	(1,169)	(2,577)	(2,310)
Repayment of senior secured term loan	(2,250)	(1,250)	(4,500)	(2,632)
Debt costs	—	(176)	—	(176)
Lease payments	(162)	(123)	(317)	(244)
Cash used in financing activities	(1,083)	(2,694)	(4,343)	(3,734)

**Net increase (decrease) in cash and cash equivalents
during
the period**

	(1,900)	(9,047)	671	(11,787)
Foreign currency translation	44	1,060	64	(1,629)
Cash and cash equivalents, beginning of period	23,203	41,649	20,612	47,078
Cash and cash equivalents, end of period	21,347	33,662	21,347	33,662

SOURCE HLS Therapeutics Inc.

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<https://hlstherapeutics.investorroom.com/2021-08-05-HLS-Therapeutics-Announces-Second-Quarter-Fiscal-2021-Financial-Results>