

HLS Therapeutics Announces Q3 Fiscal 2021 Financial Results

- **Q3 2021 revenue of \$15.1 million and Adjusted EBITDA of \$6.9 million, up 15% and 53%, respectively, from Q3 2020**
- **Generated strong Vascepa® prescription growth - amid persistent COVID-19 disruptions - achieving increases in prescribers and patients of 30% and 23%, respectively, from the end of Q2 2021**
- **Vascepa revenue increased 33% sequentially from Q2 2021**
- **Generated cash from operations of \$12.5 million year-to-date compared to \$3.5 million in the same period last year**
- **Announced promotional agreement with Pfizer for Vascepa in Canada**

TORONTO, Nov. 4, 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 nine-month periods ended September 30, 2021. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

Q3 FISCAL 2021 HIGHLIGHTS

- Q3 2021 revenue was \$15.1 million compared to \$13.1 million in Q3 2020.
- Q3 2021 Adjusted EBITDA was \$6.9 million compared to \$4.5 million in Q3 2020.
- Q3 2021 net loss was (\$2.0) million, or (\$0.06) per common share, compared to net loss of (\$1.7) million, or (\$0.05) per common share, in Q3 2020.
- Q3 2021 cash generated from operations was \$3.6 million compared to \$2.4 million in Q3 2020.
- Cash and cash equivalents were \$21.7 million at September 30, 2021 compared to \$20.6 million at December 31, 2020.
- Pfizer initiated its promotional activity for Vascepa in late September.
- Grew the number of Clozaril patients 3% year-over-year for Q3 2021 and the year-to-date period and gaining market share in the process.

"Revenue and Adjusted EBITDA grew in Q3 driven by strength and resilience with our foundational products as well as a growing contribution from Vascepa," said Gilbert Godin, CEO of HLS. "We continue to make important operational progress with Vascepa despite the impact of the COVID-19 delta variant, which has slowed market re-opening and kept in-person patient-physician interactions well below pre-pandemic norms. Encouragingly, the percentage of patient-physician visits that are taking place in-person is growing again and top health officials in Canada's largest provincial jurisdiction are publicly urging physicians to increase their face-to-face interactions. We believe this call-to-action will serve as a catalyst for Vascepa as a recent study¹ found that physicians are 50% more comfortable initiating new therapies in a face-to-face setting versus virtual communications."

"A key step in Vascepa's progress during the quarter was the announcement on August 16, 2021, of a promotional agreement with Pfizer for the Canadian market. We expect this agreement will enable the rapid, efficient and impactful expansion of Vascepa to a primary care physician audience that is more than four times larger than that which is already being served by the HLS team with its focus primarily on specialists. Pfizer began detailing Vascepa toward the end of September and ultimately, we believe this collaboration will benefit patients and physicians while at the same time strengthening the economic potential for the product and expanding the benefit to society."

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 1,622,559 Common Shares, representing 5% of the Common Shares as of October 26, 2021.

HLS may commence purchases of Common Shares under the NCIB on November 9, 2021, and the NCIB will remain in effect until the earliest of: (i) November 8, 2022, (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 4,537 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, 2021, of 18,149 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 1,587,193 Common Shares in a normal course issuer bid (the "Previous Bid") that commenced on November 9, 2020 and will expire on November 8, 2021. To date under the Previous Bid, HLS has purchased 3,600 Common Shares on the open market at an average purchase price of C\$16.41 per Common Share.

DIVIDEND

On November 3, 2021, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on March 15, 2022, to shareholders of record as of January 28, 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).

Q3 & YEAR-TO-DATE FISCAL 2021 FINANCIAL REVIEW

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

	Three months ended September 30, 2021		Nine months ended September 30, 2021	
	2021	2020	2021	2020
Product sales				
Canada	8,619	7,383	25,364	21,737
United States	4,214	3,988	12,010	12,067
	12,833	11,371	37,374	33,804
Royalty revenue	2,227	1,758	6,945	5,820
	15,060	13,129	44,319	39,624

Product Sales

Product sales grew by 13% in Q3 2021 and 11% for the 2021 year-to-date period. The increases primarily reflect growth in sales of Vascepa and the strengthening of the Canadian dollar from its lows at the outset of the pandemic last year. Despite the impact the pandemic has had on market re-opening, Q3 2021 activities led to a 30% increase in Vascepa prescribers and a 23% increase in Vascepa patients from Q2 2021, while Vascepa product sales increased 33% sequentially.

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 Q3 2021 and \$6.9 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 \$5.8 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.

<i>Operating Expenses</i>	Three months ended September 30, 2021		Nine months ended September 30, 2021	
	2021	2020	2021	2020
Cost of product sales	1,180	824	2,850	2,314
Selling and marketing	3,354	2,847	10,253	9,640

Medical, regulatory and patient support	2,267	3,788	6,893	8,084
	8,137	8,609	24,167	24,221

Operating expenses in Q3 2021 were \$8.1 million, a decrease of 5% from Q3 2020, and for the 2021 year-to-date period were \$24.2 million, a level consistent with the same period last year. Cost of product sales and selling and marketing costs grew in Q3 2021 and for the year-to-date period due primarily to the growth in sales, and related activities, for Vascepa. General and administrative expenses were lower year-over-year due primarily to Q3 2020 incurring a one-time expense related to the retirement of the Company's former CEO.

Adjusted EBITDA²	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net loss for the period	(1,979)	(1,733)	(8,929)	(8,053)
Stock-based compensation	(113)	(643)	1,825	111
Amortization and depreciation	7,372	6,916	22,219	23,673
Acquisition and transaction costs	8	234	92	557
Finance and related costs, net	1,448	(506)	4,307	640
Income tax expense (recovery)	187	252	638	(1,525)
Adjusted EBITDA	6,923	4,520	20,152	15,403

Adjusted EBITDA in Q3 2021 was \$6.9 million, an increase of 53% from Q3 2020, and for the 2021 year-to-date period was \$20.2 million, an increase of 31% from the same period last year. The increases were due primarily to higher sales of Vascepa and higher royalty revenues from royalty interests along with the one-time retirement costs in Q3 2020, which were partially offset by the increase in cost of product sales and selling and marketing activities related to the increase in Vascepa sales volumes.

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

Net Loss

Net loss for Q3 2021 was (\$2.0) million, or (\$0.06) per share, compared to a net loss of (\$1.7) million, or (\$0.05) per share, in Q3 2020. Net loss for the 2021 year-to-date period was (\$8.9) million, or (\$0.28) per share, compared to a net loss of (\$8.1) million, or (\$0.25) per share, in the same period last year. Net loss increased year-over-year due primarily to non-cash fair-value adjustments made in the prior year periods and increased investment in sales and marketing for Vascepa in 2021, offset in part by higher 2021 revenues from Vascepa and royalty interests.

Cash from Operations and Financial Position

Cash generated from operations was \$3.6 million in Q3 2021, compared to \$2.4 million in Q3 2020. For the 2021 year-to-date period, cash from operations is \$12.5 million compared to \$3.5 million in the same period last year. As at September 30, 2021, the Company had cash and cash equivalents of \$21.7 million compared to \$20.6 million at December 31, 2020.

HLS has a strong financial position with \$21.7 million of cash and cash equivalents, a \$35.0 million revolving facility that was undrawn at September 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.

Q3 FISCAL 2021 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q3 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: 97175749
DATE: Thursday, November 4, 2021
TIME: 8:30 a.m. Eastern Standard Time
DIAL-IN NUMBER: 1-888-664-6392 or 416-764-8659
WEBCAST LINK: https://produceredition.webcasts.com/starthere.jsp?ei=1503335&tp_key=b9fb30d53b
TAPED REPLAY: 1-888-390-0541 or 416-764-8677
REPLAY CODE: 175749

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

²CAUTIONARY 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.

REFERENCES

¹ MD Analytics, COVID-19 Impact, A 4th wave survey among physicians, October 2021

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited

[in thousands of U.S. dollars]

	As at September 30, 2021	As at December 31, 2020
ASSETS		
Current		
Cash and cash equivalents	21,736	20,612
Accounts receivable	12,002	12,497
Inventories	9,747	10,630
Prepaid expenses and other current assets	2,590	2,172
Total current assets	46,075	45,911
Property, plant and equipment	1,205	1,384
Intangible assets	235,894	253,404
Restricted assets	—	2,034
Deferred income tax asset	739	1,173
Total assets	283,913	303,906
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	12,365	14,223
Provisions	3,236	4,516
Debt and other liabilities	14,276	16,358
Income taxes payable	45	545
Total current liabilities	29,922	35,642
Debt and other liabilities	89,207	99,015
Deferred income tax liability	85	—
Total liabilities	119,214	134,657
Shareholders' equity		
Share capital	265,561	257,411
Contributed surplus	11,377	11,393
Accumulated other comprehensive income	2,161	2,020
Deficit	(114,400)	(101,575)
Total shareholders' equity	164,699	169,249
Total liabilities and shareholders' equity	283,913	303,906

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS
Unaudited

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

	Three months ended September 30, 2021		Nine months ended September 30, 2021	
	2021	2020	2021	2020
Revenue	15,060	13,129	44,319	39,624
Expenses				
Cost of product sales	1,180	824	2,850	2,314
Selling and marketing	3,354	2,847	10,253	9,640
Medical, regulatory and patient support	1,337	1,238	4,171	4,183
General and administrative	2,266	3,700	6,893	8,084
Stock-based compensation	(113)	(643)	1,825	111
Amortization and depreciation	7,372	6,916	22,219	23,673
Operating loss	(336)	(1,753)	(3,892)	(8,381)
Acquisition and transaction costs	8	234	92	557
Finance and related costs, net	1,448	(506)	4,307	640
Loss before income taxes	(1,792)	(1,481)	(8,291)	(9,578)
Income tax expense (recovery)	187	252	638	(1,525)

Net loss for the period	(1,979)	(1,733)	(8,929)	(8,053)
Net loss per share:				
Basic and diluted	\$(0.06)	\$(0.05)	\$(0.28)	\$(0.25)

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

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2021	2020	2021	2020
Net loss for the period	(1,979)	(1,733)	(8,929)	(8,053)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	(4,039)	2,910	141	(4,828)
Comprehensive income (loss) for the period	(6,018)	1,177	(8,788)	(12,881)

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

	Share capital	Contributed surplus	AOCI	Deficit	Total
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)
Foreign currency translation adjustment	-	-	141	-	141
Balance, September 30, 2021	265,561	11,377	2,161	(114,400)	164,699
Balance, December 31, 2019	248,687	11,517	(537)	(81,468)	178,199
Warrants exercised	7,544	(1,652)	-	-	5,892
Stock options exercised	61	(16)	-	-	45
Stock option expense	-	1,123	-	-	1,123
Net loss for the period	-	-	-	(8,053)	(8,053)
Dividends declared	-	-	-	(3,535)	(3,535)
Foreign currency translation adjustment	-	-	(4,828)	-	(4,828)
Balance, September 30, 2020	256,292	10,972	(5,365)	(93,056)	168,843

HLS THERAPEUTICS INC.
CONDENSED 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,
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net loss for the period	(1,979)	(1,733)	(8,929)	(8,053)
Adjustments to reconcile net loss to cash provided by operating activities				

Stock-based compensation	(113)	(643)	1,825	111
Amortization and depreciation	7,372	6,916	22,219	23,673
Accreted interest	209	244	577	912
Fair value adjustment on financial assets and liabilities	(478)	(1,786)	(1,173)	(3,885)
Foreign exchange	—	—	—	176
Deferred income taxes	254	(14)	519	(2,352)
Net change in non-cash working capital balances related to operations	(1,714)	(619)	(2,587)	(7,084)
Cash provided by operating activities	3,551	2,365	12,451	3,498
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(10)	(5)	(25)	(32)
Royalty acquisition	—	(30,837)	—	(30,837)
Rights acquisitions	—	(1,825)	(3,820)	(10,225)
Other additions to intangible assets	(192)	(2)	(243)	(761)
Cash used in investing activities	(202)	(32,669)	(4,088)	(41,855)
FINANCING ACTIVITIES				
Stock options exercised	1,531	7	3,662	45
Warrants exercised	66	—	986	1,590
Shares repurchased	(47)	—	(47)	—
Dividends paid	(1,276)	(1,201)	(3,853)	(3,511)
Repayment of senior secured term loan	(3,000)	(1,250)	(7,500)	(3,882)
Drawdown of senior secured term loan	—	20,000	—	20,000
Debt costs	—	(482)	—	(658)
Lease payments	(159)	(130)	(476)	(374)
Cash provided by (used in) financing activities	(2,885)	16,944	(7,228)	13,210
Net increase (decrease) in cash and cash equivalents during the period	464	(13,360)	1,135	(25,147)
Foreign currency translation	(75)	588	(11)	(1,041)
Cash and cash equivalents, beginning of period	21,347	33,662	20,612	47,078
Cash and cash equivalents, end of period	21,736	20,890	21,736	20,890

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/2021-11-04-HLS-Therapeutics-Announces-Q3-Fiscal-2021-Financial-Results>