

February 25, 2019

Medexus Pharmaceuticals Announces 512% Increase in Revenue to \$14.4 Million for the Third Quarter of Fiscal 2019

Generates \$2.2 million of Adjusted EBITDA

Medexus management to host conference call at 4:30 PM ET today

MONTREAL, Feb. 25, 2019 (GLOBE NEWSWIRE) -- **Medexus Pharmaceuticals Inc. (formerly Pediapharm Inc.) (the “Company” or “Medexus”) (TSXV: MDP, OTCQB: PDDPF)** today provided a business update and announced its operating and financial results for the fiscal third quarter ended December 31, 2018. All amounts are in Canadian dollars.

Third quarter fiscal 2019 financial highlights:

- Revenue increased 512% to \$14.4 million compared to \$2.4 million for Q3 2018
- Gross profit increased 657% to \$8.9 million compared to \$1.2 million for Q3 2018
- Gross margin increased to 62.1% compared to 50.0% for the same period last year
- Adjusted EBITDA increased to \$2.2 million compared to (582,381) for Q3 2018
- Finished quarter with cash and cash equivalents of \$28.9 million as of December 31, 2018
- Working capital surplus as of December 31, 2018 increased to \$34.6 million compared to \$4.8 million as of March 31, 2018

Ken d'Entremont, Chief Executive Officer of Medexus, commented, “The third quarter marked a period of significant transformation for our Company and we are now well positioned as a leading North American specialty pharmaceutical company with a diversified product portfolio. That transformation resulted in a six-fold increase in revenue, reflecting both the merger of Pediapharm Inc. with Medexus Inc. and Medac Pharma, Inc., as well as strong organic growth across much of the product portfolio, along with an equally impressive five-fold improvement in Adjusted EBITDA to \$2.2 million. The integration is progressing as planned, and we are just now beginning to see the synergies of the combination, which should contribute to improved profitability going forward. We also have \$28.9 million of cash and cash equivalents, a working capital surplus of approximately \$34.6 million and shareholders' equity of \$57.2 million.”

“In the rheumatoid arthritis targeted segment of the business, both the Canadian and US operations experienced strong organic growth. With public reimbursement now in place in Canada, Metoject, a pre-filled syringe of methotrexate that is indicated for the treatment of rheumatoid arthritis and psoriasis, enjoyed a 274% increase in sales compared to the same period last year. Year-over-year sales growth for the lead US product, Rasuvo, a once-weekly, subcutaneous, single-dose auto-injector of methotrexate indicated for the treatment of rheumatoid arthritis, psoriasis and Juvenile Idiopathic Arthritis (JIA), was also strong coming in at 14%. Rasuvo gains have come as a result of excellent payor, prescriber and patient acceptance, and our growth has resulted in us emerging as a clear leader in the methotrexate auto-injector market. We expect this growth to continue as prescribers adopt the most effective and convenient form of methotrexate for their patients. Toward this end, we are planning to launch additional methotrexate products for the treatment of rheumatoid arthritis and other auto-immune diseases built around unique delivery methods. The registration process for one of these products is taking longer than anticipated. In the meantime, we are exploring other next generation products and have initiated work on a product intended to better address the needs of patients currently treated with oral methotrexate.”

“Within the Company's pediatric/allergy business, recent product launches included Rupall™, Otixal™ and Cuvposa™. Each of these products generated solid year-over-year prescription growth with Rupall's 89.5% increase being driven by physicians switching patients from either the generic prescription antihistamines or over-the-counter products. Otixal, a prescription product for the treatment of acute otitis media with tympanostomy tubes in pediatric patients, was launched in May 2017 and experienced 187% year-over-year growth this quarter. Finally, the April 2018 launch of Cuvposa™, which is indicated for sialorrhea in patients aged 3-18 years with neurologic conditions such as cerebral palsy, has enjoyed an excellent reception from the medical and patient communities, as it addresses an unmet medical need in these patients.”

“In terms of additional new product offerings, we launched two important initiatives in the quarter. The first of these

was with respect to our strategy to address Canada's chronic drug shortage of Triamcinolone Hexacetonide (TH), a leading treatment for JIA. To address this need, Medexus in-licensed, got approval for and launched our own TH product in October of 2018. We believe we are now positioned to ensure that children with JIA and the clinicians who care for them have a reliable source for a product which is a key component in the management of their disease. The second initiative was with respect to the launch of Gliolan®, an orally administered drug used for the visualization of certain brain tumors. During the quarter, Health Canada, via the Special Access Program, granted the Company authorization to distribute this product in Canada."

"In the very short time since the merger of the businesses, our team has made significant progress refining and accelerating our sales strategy. Looking ahead, we are focused on strong organic growth, coupled with licensing and/or acquiring additional products where we can leverage our North American sales force and infrastructure. This strategy includes an evaluation of the medac GmbH portfolio, where we enjoy a first right of refusal on current products in their portfolio. Several of these products represent potentially significant commercial opportunities in North America and we are assessing licensing certain of these drugs. Overall, we believe we have built a highly scalable business platform, which will afford us significant incremental earnings potential as we continue to grow revenue, leverage our North American sales force across products, realize synergies of the combined entities, and maintain strict financial discipline. We appreciate the commitment and passion of all our employees, as well as the strong support of our shareholders during this exciting period. We look forward to providing further updates on our progress in the weeks and months ahead."

Financial Results

For the three months ended December 31, 2018, total revenue reached \$14,421,084 compared to revenue of \$2,356,782 for the three months ended December 31, 2017. Gross profit for the three months ended December 31, 2018 increased 657% to \$8.9 million, or 61.9% of sales, compared to \$1.2 million, or 50.0% of sales, for the same period last year. Operating loss for the three months ended December 31, 2018 was \$77,871 compared to \$716,585 for the three months ended December 31, 2017. There was an additional \$927,889 of expenses related to the acquisitions of Medac Pharma, Inc. and Medexus Inc. ("Acquisitions") and the capital raise in October 2018 ("Offering"). Furthermore, the additional amortization related to the two aforementioned acquisitions had a negative impact of \$986,811. Excluding transaction-related expenses and all amortization included in cost of goods sold, the result would have been an operating income of approximately \$1.9 million. Adjusted EBITDA, as defined below, for the three-month period ended December 31, 2018 was \$2,191,272 compared to a loss of (\$582,381) for the three-month period ended December 31, 2017. The improvement is mainly due to the Acquisitions, as well as increase in gross profit driven by increase in revenue from Pediapharm pre-transaction.

For the nine months ended December 31, 2018, total revenue reached \$21,119,426 compared with revenue of \$7,905,728 in the nine months ended December 31, 2017, representing an increase of \$13,213,698. Gross profit for the nine months ended December 31, 2018 was \$12.5 million, or 59.3% of sales, compared to \$4.2 million, or 52.9% of sales, for the same period last year. Operating loss for the nine months ended December 31, 2018 was \$3,814,138 compared to \$1,606,522 for the nine months ended December 31, 2017. There was \$4,548,795 of expenses related to the Acquisitions and Offering. Furthermore, the additional amortization related to the Acquisitions had a negative impact of \$986,811. Excluding transaction-related expenses and all amortization included in cost of goods sold, the result would have been an operating income of approximately \$1.9 million. Adjusted EBITDA for the nine-month period ended December 31, 2018 was \$2,370,859 compared to (\$1,191,899) for the nine-month period ended December 31, 2017. The improvement is mainly due to the Acquisitions, as well as increase in gross profit driven by increase in revenue from Pediapharm pre-transaction.

EBITDA and Adjusted EBITDA are non-IFRS financial measures. The term EBITDA (earnings before interest, taxes, depreciation and amortization,) does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. The Company defines Adjusted EBITDA as earnings before financing costs, interest expenses, income taxes, interest income, depreciation of property and equipment, amortization of intangible assets, non-cash share-based compensation, income from sale of asset, impairment of intangible assets as well as fees related to the Acquisitions and Offering. The Company considers Adjusted EBITDA as a key metric in assessing business performance and considers Adjusted EBITDA to be an important measure of operating performance and cash flow, providing useful information to investors and analysts. See "Non-IFRS Measures" below.

Conference Call Details

Medexus will host a conference call today, Monday, February 25, 2019 at 4:30 PM Eastern Time to discuss the Company's financial results for the fiscal third quarter ended December 31, 2018, as well as the Company's

corporate progress and other developments.

The conference call will be available via telephone by dialing toll free 866-682-6100 for Canadian and U.S. callers or +1 862-298-0702 for international callers, or on the Company's Investor Events section of the website: <https://www.medexusinc.com/events/>.

A webcast replay will be available on the Company's Investor Events section of the website (<https://www.medexusinc.com/events/>) through May 25, 2019. A telephone replay of the call will be available approximately one hour following the call, through March 4, 2019, and can be accessed by dialing 877-481-4010 for Canadian and U.S. callers or +1 919-882-2331 for international callers and entering conference ID: 43906.

About Medexus

Medexus is a leading specialty pharmaceutical company with a strong North American commercial platform. The Company's vision is to provide the best healthcare products to healthcare professionals and patients, through our core values of Quality, Innovation, Customer Service and Teamwork. Medexus is focused on the therapeutic areas of auto-immune disease and pediatrics. The leading products are Rasuvo and Metoject, a unique formulation of methotrexate (auto-pen and pre-filled syringe) designed to treat rheumatoid arthritis and other auto-immune diseases; and Rupall, an innovative allergy medication with a unique mode of action.

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Forward Looking Statements

This press release contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information includes, but is not limited to, statements with respect to future business operation and results, including with respect to future profitability and financial results. All statements, other than of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are generally identifiable by use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's ability to control or predict, that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things, without limitation, the risk that the operations of the Company, Medac Pharma, Inc. and Medexus Inc. will not be integrated successfully, the Company's inability to commercialize products in the medac GmbH portfolio or its inability to realize upon potential opportunities presented thereby, as well as other risks

applicable to the Company disclosed in the Company's public disclosure record on file with the relevant securities regulatory authorities. Although Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Company can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that Company will derive therefrom. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements included in this news release are made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

Non-IFRS Measures

This press releases uses the term "Adjusted EBITDA" which is a non-IFRS financial measures, which does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing a further understanding of operations from management's perspective. The Company defines Adjusted EBITDA as earnings before financing costs, interest expenses, income taxes, interest income, depreciation of property and equipment, amortization of intangible assets, non-cash share-based compensation, income from sale of asset, impairment of intangible assets as well as fees related to the Acquisition and Offering. The Company considers Adjusted EBITDA as a key metric in assessing business performance and considers Adjusted EBITDA to be an important measure of operating performance and cash flow, providing useful information to investors and analysts. These non-IFRS measures presented are not intended to represent cash provided by operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Additional information relating to the use of this non-IFRS measure, including the reconciliation between Net Loss and Adjusted EBITDA, can be found in our management's discussion and analysis for the period ended December 31, 2018, which is available through the SEDAR website (www.sedar.com).



Source: Medexus Pharmaceuticals Inc