

November 12, 2019



# MediPharm Labs Reports Strong, Profitable 2019 Third Quarter While Investing for Future Global Advantage

**Revenue \$43.4 million, adjusted EBITDA \$10.1 million**

BARRIE, Ontario, Nov. 12, 2019 (GLOBE NEWSWIRE) -- MediPharm Labs Corp. (TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) ("MediPharm Labs" or the "Company") a global leader in specialized, research-driven cannabis extraction, distillation and purification, today announced its financial results for the three and nine months ended September 30, 2019. During the period the Company posted strong growth in revenue, adjusted EBITDA and net income even while making significant investments in capacity and capability that will benefit future performance and support global growth opportunities.

## KEY Q3 2019 FINANCIAL HIGHLIGHTS<sup>(1)</sup> <sup>(2)</sup>

- Revenue was \$43.4 million, a 38% increase over Q2 2019, as the Company expanded its leadership of the Canadian cannabis extraction industry
- Gross Profit was \$14.8 million, a 30% increase over Q2 2019 and Gross Margin was 34% compared to 36% in Q2 2019 despite lower market-selling prices and increased GMP audit certification costs
- Adjusted EBITDA was \$10.1 million, 31% higher than Q2 2019 and Adjusted EBITDA margin was 23% compared to 24% in Q2 2019 even as the Company made targeted audit-related expenditures to grow its EU-GMP-standard-built production facilities and expand its product capabilities
- Net income before tax was \$5.4 million compared to net income before tax of \$4.1 million in Q2 2019
- The Company's balance sheet and financial capacity to support growth remained strong, with positive working capital of \$87 million and cash and equivalents of \$42.1 million at September 30, 2019, as well as unutilized credit under its new facility that closed subsequent to period end
- Filed an application to list its common shares on the NASDAQ Stock Market after period end

(1) See Non-IFRS Measures section of this news release.

(2) Year-over-year periods are not comparable as the Company commenced sales in the fourth quarter of 2018.

“Results from the third quarter marked our fourth consecutive quarter of positive Adjusted EBITDA<sup>(1)</sup> and revenue growth,” said Patrick McCutcheon, Chief Executive Officer, MediPharm Labs. “Our results are fueled by our expanding private label business, increasing exports and expanding relationships with our growing customer base. During the quarter our team has made great strides towards European GMP and Australian compliance of our facilities and continued to build out our capabilities and capacity across our global platforms in Canada and Australia. These investments will prepare us for a very exciting future as the market and world leader in extraction and white label production.”

### YEAR-TO-DATE 2019 FINANCIAL HIGHLIGHTS <sup>(1)(2)</sup>

Revenue for the nine months ended September 30, 2019 was \$96.8 million, gross profit was \$32.9 million (gross margin 34%), Adjusted EBITDA was \$22.1 million (Adjusted EBITDA margin of 23%) and net income before tax was \$9.2 million.

“We are on track to surpass the \$100-million milestone in revenue this year, which is a remarkable testament to the tireless efforts of the skilled professionals at MediPharm Labs,” said Mr. McCutcheon. “With the completion of the roll-out of our initial white label products in sight, and as the regulated retail distribution system starts to hit stride, we can seize the opportunities that Cannabis 2.0 brings beginning next year.”

### FINANCIAL HIGHLIGHTS SUMMARY

	Nine-months ended September 30, 2019 \$'000s	Three-months ended September 30, 2019 \$'000s	Three-months ended June 30, 2019 \$'000s	Three-months ended March 31, 2019 \$'000s
<b>Revenue</b>	<b>96,808</b>	<b>43,386</b>	<b>31,472</b>	<b>21,950</b>
Gross profit	32,928	14,754	11,311	6,862
<i>Gross margin %</i>	34%	34%	36%	31%
Net income/(loss) before tax	9,154	5,395	4,083	(325)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>22,077</b>	<b>10,066</b>	<b>7,700</b>	<b>4,310</b>
<i>Adjusted EBITDA margin %</i>	23%	23%	24%	20%

**Upsized Credit Facility:** On October 10, 2019, subsequent to quarter end, the Company announced it had successfully closed a credit agreement with top 5 Canadian Schedule I bank, Scotiabank, for an aggregate \$38.7 million. The Credit Facility was upsized from the previously committed term sheet and is comprised of a revolving term facility, a non-revolving term facility and a non-revolving delayed draw term facility. With this larger Credit Facility and proceeds from the bought deal equity offering, the Company has strengthened its balance sheet and enhanced its financial flexibility.

The Company's consolidated financial statements and management's discussion and analysis for the three and nine months ended September 30, 2019 are available on SEDAR and on [www.medipharmlabs.com](http://www.medipharmlabs.com).

## STRATEGIC AND OPERATING HIGHLIGHTS

**White Label Manufacturing of Branded Products:** Launched less than a year ago, the Company has secured agreements with, among others, AV Cannabis Inc. (Ace Valley), and Peace Naturals Project Inc. (Cronos Group). The Company expects to begin shipping white label, formulated tincture bottles in the fourth quarter of 2019, with vapeables shipping to commence subject to applicable Health Canada and product authorizations provincial purchase orders.

**Bulk Extract Supply Agreements:** Over the past nine-months, the Company has secured long-term bulk extract agreements with industry leaders including AusCann Group Holdings Ltd., Cronos Group, ADREXpharma GmbH and TerrAscend Canada Inc., and (subsequent to quarter end) Olli Brands Inc., an innovative leader in the creation and food-grade manufacturing of premium, smoke-free cannabis-infused edibles and teas. The Company also entered into numerous spot sales of cannabis extracts in the B2B market.

**Broader Asset Portfolio of Licences:** Subsequent to quarter end, the Company received its research licence under the *Cannabis Act* and *Cannabis Regulations*. This licence enables MediPharm Labs to perfect dried cannabis, cannabis extracts and concentrates, distillates, oil, edibles, topicals and terpenes through controlled human administration trials at its Barrie facility.

Year-to-date, its standard processing licence was also amended allowing it to sell cannabis products to holders of a licence for sale of medicinal cannabis products and provincially authorized retailers and distributors. The Company's Australian subsidiary also received its licence in Australia to manufacture extracts and tinctures for the purpose of a clinical trial or for medical cannabis products.

**Certifications:** Pro-Cert Organic Systems Ltd. awarded the Company with an organic certification for the production of cannabis extracts at its Barrie facility. This facility is built to GMP standards and the Company expects it to receive Australian and European GMP certificates in the first half of 2020 following rigorous audit processes now underway. The Company's Australian subsidiary is also pursuing a GMP licence under the Australian *Therapeutic Goods Act 1989*.

**Canadian Capacity Increase:** Early in the third quarter, the Company announced increased annual processing capacity of 300,000 kg. The Company also has a new customized, 200,000 kg extraction line on-site and available for commissioning once allocated to a licensed room.

**Bought Deal Financing:** The Company completed its bought deal financing in June 2019 for net proceeds of approximately \$70.6 million. The Company has utilized a portion of the proceeds to support its growth including for construction facility improvements and biomass input to facilitate cannabis extract sales.

**Export Markets:** In September 2019, the Company entered into an export agreement with

ADREXpharma GmbH, a German pharmaceutical company, to export private label formulated cannabis oil to Germany, subject to receipt of applicable regulatory approvals including GMP certification and import/export permits. During the third quarter, the Company completed its second set of shipments of medical cannabis concentrate to Australia.

**Developments in Australia:** In addition to receiving its manufacturing licence, the Company's Australian subsidiary is building its sales and supply channels by entering into agreements with Australian licensed cultivators to purchase dried flower and securing a manufacturing agreement for the production of cannabis oil and manufactured products.

Mr. McCutcheon concluded, "As we look out to the future, beyond 2020, MediPharm Labs moves forward on strong footing and poised for growth. As a globally focused cannabis company, moving closer to GMP certification, we have ambitious plans with the financial means to achieve our potential and take our share of the world's medical cannabis market."

## **GROWTH CATALYSTS**

1. Product delivery under new committed sales contracts and white label agreements
2. Conversion of opportunities in the Company's sales pipeline into booked orders in Canada and Australia
3. Canadian licensing of edibles, beverage-infused drinks and topicals ("Cannabis 2.0") and advancement of the provincially regulated retail distribution model
4. MediPharm Labs' new Research Licence and its application in the development of high quality, branded consumer products by customers
5. Licensing of the newly constructed 25,000 square foot build-out of production space in the Company's Barrie facility and ongoing production ramp up
6. Completion of the first phase of construction and equipment installation to enable production at the Company's Australian extraction facilities on track for Q4 2019
7. Expected GMP certification of both Canadian and Australian facilities
8. New product development

## **Q3 CONFERENCE CALL AND WEBCAST**

The Company will host a conference call and audio webcast on November 12, 2019 at 8:30 a.m. eastern time to discuss its results and outlook. Participants are asked to dial in approximately 10 minutes before the start of the call using one of the following numbers: Toll-free: 877-791-0216; International: 647-689-5661. A replay will be available approximately one hour after the call ends by dialing: Toll-free: 800-585-8367; International 416-621-4642. Conference ID: 6389604.

Participants are asked to dial in approximately 10 minutes before the start of the call.

An audio webcast will be available in the Events section of the MediPharm Labs' Investor Relations website <https://ir.medipharmlabs.com/news-events> or by visiting the following link: <https://event.on24.com/wcc/r/2062118/A8D0ABD43D6943B4507A4521F109875F>

## **NON-IFRS MEASURES**

Adjusted EBITDA is not a recognized performance measure under IFRS, does not have a

standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is included as a supplemental disclosure because Management believes that such measurement provides a better assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are nonrecurring. Adjusted EBITDA is defined as net loss excluding interest, taxes, depreciation and amortization, and share-based compensation. Adjusted EBITDA has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, taxes, share-based compensation and transaction fees. Because of these limitations, Adjusted EBITDA should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, analysis of the Company's results as reported under IFRS. The most directly comparable measure to Adjusted EBITDA calculated in accordance with IFRS is operating income (loss). The above is a reconciliation of the Company's operating loss to Adjusted EBITDA. See "Reconciliation of non-IFRS measures" in the Company's Management's Discussion and Analysis for the period ended September 30, 2019 for additional information.

### **About MediPharm Labs Corp.**

Founded in 2015, MediPharm Labs specializes in the production of purified, pharmaceutical-grade cannabis oil and concentrates and advanced derivative products utilizing cGMP (current Good Manufacturing Practices) designed facility and ISO standard built clean rooms. MediPharm Labs has invested in an expert, research-driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with 5 primary extraction lines having 300,000 KG of annual processing capacity to deliver pure, safe and precisely-dosed cannabis products for its customers. Through the Company's wholesale, private and white label platform, MediPharm Labs formulates, processes, packages and distributes active pharmaceutical ingredients and advanced cannabinoid-based products to domestic and international markets. As a global leader, MediPharm Labs has completed commercial exports to Australia and is nearing completion of its Australian extraction facility expected in 2019 with 75,000 KG of annual processing capacity.

### **For more information:**

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### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION:**

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that

certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements relate to, among other things, among other things, obtaining future performance and global growth based of current investments; ramping up of production capacity and expansion of product capabilities; becoming a leader in extraction and white label markets; roll-out of white label products; retail distributors hitting their stride; and all growth catalysts referenced herein, including product delivery under currently committed contracts and agreements, conversion of sales opportunities in pipeline into booked orders, Canadian licensing of Cannabis 2.0 businesses, application of the Company’s research licence for product development, licensing of newly construction 25,000 build-out, completion of Australian construction and equipment installation (including timing and capacity thereof), GMP certifications for Canadian and Australian facilities and new product development. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; the inability of MediPharm Labs to obtain adequate financing; the delay or failure to receive regulatory approvals; and other factors discussed in MediPharm Labs’ filings, available on the SEDAR website at [www.sedar.com](http://www.sedar.com). There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Except as required by law, MediPharm Labs assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change.



Source: MediPharm Labs Corp.