August 9, 2023

Medexus Announces Strong Fiscal Q1 2024 Results, Including Record Quarterly Revenue of US$31.6 Million

Fiscal Q1 2024 revenue reflects a 37% increase over fiscal Q1 2023, demonstrating strong revenue growth and continued overall performance

Management to host conference call at 8:00 AM Eastern time on Thursday, August 10, 2023

Toronto, Ontario and Chicago, Illinois--(Newsfile Corp. - August 9, 2023) - Medexus Pharmaceuticals (TSX: MDP) (OTCQX: MEDXF) today announced its operating and financial results and provided a business update for the company's first fiscal quarter ended June 30, 2023 (the company's fiscal Q1 2024). All dollar amounts in this news release are in United States dollars unless specified otherwise.

Financial highlights

- Record total revenue of $31.6 million in fiscal Q1 2024, a year-over-year increase of 37%. This represents the strongest quarterly revenue in Medexus's history. The substantial improvement over the same quarter in the previous year was primarily due to continuing strong sales of IXINITY, continuing strong Rupall demand growth, including in part due to timing of orders, and Rasuvo performance, and the recognition of 100% of Gleolan net sales in total revenue.

- Record Adjusted EBITDA* of 6.6 million in fiscal Q1 2024, a year-over-year increase of $4.7 million. This represents the strongest quarterly Adjusted EBITDA in Medexus's history. The substantial improvement over the same quarter in the previous year was primarily due to the increase in revenue mentioned above and a small reduction in operating expenses.

- Operating profit of $4.8 million in fiscal Q1 2024, compared to $0.0 million in fiscal Q1 2023.

- Net income of $0.7 million in fiscal Q1 2024, compared to $(1.4) million in fiscal Q1 2023.

- Adjusted Net Income*, which adjusts for the unrealized gains and losses included in net income (loss), of $0.6 million, compared to $(3.6) million in fiscal Q1 2023.

- Cash and cash equivalents (and total available liquidity) of $15.8 million at June 30, 2023.

** Refer to "Non-GAAP measures" at the end of this news release for information about Adjusted EBITDA and Adjusted Net Income (Loss).*

Ken d'Entremont, Chief Executive Officer of Medexus, commented, "We are very pleased to report another great quarter, with continued strength and stability across the company's base business, and notably strong Rupall performance driving this latest quarter's record revenue. These results demonstrate the robustness of our product portfolio and our ability to generate revenue growth and positive operating profit, net income, and Adjusted EBITDA*."

Marcel Konrad, Chief Financial Officer of Medexus, further noted, "Our cash position has continued to improve in the first quarter of fiscal year 2024, increasing from $13.1 million at March 31, 2023 to $15.8 million at June 30, 2023. In July, we used some of this cash to repurchase and cancel C$1.7 million principal amount of convertible debentures under our NCIB. Adjusting for that transaction, we continue to expect to have approximately $20 million of total cash at September 30 - assuming successful execution of our cash management plan, and not including any additional amounts that may become available under the $20 million uncommitted accordion facility with BMO."

Operational highlights

- **IXINITY (US)**: Unit demand in the United States remained strong during the three-month period ended June 30, 2023, experiencing a slight decrease over the trailing 12-month period ended June 30, 2023 - reflecting the effects of lower observed average quantities of product consumed by newer patients, following the particularly strong quarter for new patient conversions in the three-month period ended March 31, 2023. (Source: customer-reported dispensing data.) Medexus's sales and marketing initiatives also benefited from resumption of in-person selling since mid-financial year 2023. Medexus has also continued to invest moderately in its IXINITY manufacturing process improvement initiative, which has had a positive impact on batch yield and manufacturing costs, expected to be offset by increases in direct costs of Medexus's third-party contract manufacturing arrangements.

- **Rasuvo (US)**: Medexus maintained its market leading position during the three-month period ended June 30, 2023, with an estimated >80% unit share during the trailing 12-month period ended June 30, 2023, as unit demand for Rasuvo remained strong in the moderately-growing US branded methotrexate market with a highly efficient allocation of sales force resources. (Source: Symphony Sub National 06/30/2023 Data & Chargebacks, PAP). However, competition in the US branded methotrexate market continues to adversely affect Rasuvo product-level revenue. Medexus implemented effective unit-level price reductions to defend and grow its strong market position.

- **Rupall (Canada)**: Unit demand in Canada remained strong during the three-month period ended June 30, 2023, which is reflected in the unit demand growth of 26% over the trailing 12-month period ended June 30, 2023. (Source: IQVIA CDH units - Drugstores and hospitals purchases, MAT June 2023.) This strong performance reflects successful execution of the company's sales and marketing initiatives to sustain the product's strong performance over the six years since launch, as well as the timing of certain orders during the quarter. Medexus continues to evaluate appropriate business-planning options well in advance of Rupall's Health Canada market exclusivity expiration date of January 2025. This includes securing rights to

commercialize new products that would be a strategic fit with Rupall, such as terbinafine hydrochloride nail lacquer (discussed below).

- **Gleolan (US)**: Medexus continued to execute the company's post-transition commercial plan including new sales and marketing initiatives, including application of additional existing sales force resources to expand and deepen market coverage. Medexus is also engaging in active inventory management to optimize the product's working capital position over the coming quarters. In May 2023, Medexus presented data at ISPOR 2023 demonstrating a 33% cost savings with Gleolan, compared to conventional white light surgery, in US patients with high-grade glioma. Based on the publication, which was sponsored by Medexus, although Gleolan is additive to the cost of surgery, its use results in lower cost per "imaging complete resection", and therefore is a more efficient use of resources in the surgical resection of high-grade glioma.

- **Metoject (Canada)**: Unit demand increased by 12% in the trailing 12-month period ended June 30, 2023 in spite of direct generic competition. (Source: IQVIA - TSA database.) Product-level performance continues to experience disruption from the launch of a generic product in the Canadian methotrexate market in calendar year 2020. In the three-month period ended June 30, 2023, unit demand for Metoject benefited from unanticipated shortages of competing product inventory. Medexus continues to implement effective unit-level price reductions to defend and grow its strong market position.

Product pipeline highlights

- **Treosulfan (US)**: medac, licensor of Medexus's commercialization rights to treosulfan and the party responsible for regulatory matters, continues to work toward resubmission of the new drug application (NDA) for treosulfan. Based on Medexus's assessment of the FDA's feedback and discussions with medac, Medexus continues to expect that it will take medac a period extending into first half calendar year 2024 to collect and submit the information requested by the FDA. In light of the ongoing delay in medac's response to the FDA's requests in respect of the treosulfan NDA, the FDA's review of the treosulfan NDA has now continued beyond the agreed outside date for FDA approval set out in the treosulfan license agreement, which provides that milestone payment amounts are subject to renegotiation and adjustment during an agreed negotiation period, which is currently underway.

- **Topical Terbinafine (Canada)**: Medexus has made progress on preparing the new drug submission seeking Health Canada approval of terbinafine hydrochloride nail lacquer to treat fungal nail infections, and continues to expect to submit later in calendar year 2023. Management views this product as a strategic fit with Rupall and expects that it will both contribute to the company's Canadian revenues and engage the commercial infrastructure previously put in place to support Rupall, one of Medexus's current leading products.

Additional information

Medexus's financial statements and management's discussion and analysis for the fiscal quarter ended June 30, 2023 are available on Medexus's corporate website at www.medexus.com and in the company's corporate filings on SEDAR atwww.sedarplus.ca

(as successor to www.sedar.com).

Conference call details

Medexus will host a conference call at 8:00 AM Eastern time on Thursday, August 10, 2023, to discuss the company's operating and financial results and corporate updates for fiscal Q1 2024.

To participate in the call, please dial the following numbers:

888-506-0062 (toll-free) for Canadian and U.S. callers

+1-973-528-0011 for international callers

Access code: 550553

A live webcast of the call will be available on the Investors section of Medexus's corporate website or at the following link:

https://www.webcaster4.com/Webcast/Page/2010/48802

A replay of the call will be available approximately one hour following the end of the call through Thursday, August 17, 2023. To access the replay, please dial the following numbers:

877-481-4010 for Canadian and U.S. callers

+1-919-882-2331 for international callers

Conference ID: 48802

A replay of the webcast will be available on the Investors section of Medexus's corporate website until Saturday, August 10, 2024.

About Medexus

Medexus is a leading specialty pharmaceutical company with a strong North American commercial platform and a growing portfolio of innovative and rare disease treatment solutions. Medexus's current focus is on the therapeutic areas of oncology, hematology, rheumatology, auto-immune diseases, allergy, and dermatology. For more information about Medexus and its product portfolio, please see the company's corporate website at www.medexus.com and its filings on SEDAR at www.sedarplus.ca (as successor to www.sedar.com).

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Forward-looking statements

Certain statements made in this news release contain forward-looking information within the meaning of applicable securities laws (**forward-looking statements**). The words "anticipates", "believes", "expects", "will", "plans", "potential", and similar words, phrases, or expressions are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words, phrases, or expressions. Specific forward-looking statements in this news release include, but are not limited to, statements regarding: Medexus's business strategy or outlook and future growth plans; expectations regarding future financial or operating performance; expectations regarding availability of funds from operations, cash flow generation, and capital allocation (including anticipated cash needs, capital requirements, and needs for and ability to secure additional financing, and the potential availability of the uncommitted accordion facility under the BMO credit agreement discussed in this news release); the occurrence, timing, and expected outcome of the FDA review process for treosulfan, any related collection and submission of information by medac, and the occurrence, timing, and expected outcome of the related renegotiation of the license agreement for treosulfan in the United States; and competitive position of and anticipated trends and challenges in the company's business and the markets in which it operates. These statements are based on factors or assumptions that were applied in drawing a conclusion or making a forecast or projection, including assumptions based on historical trends, current conditions, and expected future developments. Since forward-looking statements relate to future events and conditions, by their very nature they require making assumptions and involve inherent risks and uncertainties. Medexus cautions that although it is believed that the assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors include, but are not limited to, those set out in Medexus's materials filed with the Canadian securities regulatory authorities from time to time, including Medexus's most recent annual information form and management's discussion and analysis. Given these risks, undue reliance should not be placed on these forward-looking statements, which are made only as of the date of this news release. Other than as specifically required by law, Medexus undertakes no obligation to update any forward-looking statements to reflect new information, subsequent or otherwise.

Trademarks and trade names

This news release contains references to trademarks and other protected names and marks, including those belonging to other companies, persons, or entities. Solely for convenience, trademarks and other protected names and marks referred to in this document may appear without the "®" or "™" symbols. Each such reference should be read as though it appears with the relevant symbol. Any such references are not intended to indicate, in any way, that the holder or holders of the relevant intellectual property rights will not assert, to the fullest extent under applicable law, its rights to these trademarks and other protected names and marks.

Non-GAAP measures

Company management uses, and this news release refers to, financial measures that are not recognized under IFRS and do not have a standard meaning prescribed by generally accepted accounting principles (**GAAP**) in accordance with IFRS or other financial or

accounting authorities (**non-GAAP measures**). These non-GAAP measures may include "non-GAAP financial measures" and "non-GAAP ratios" (each defined in National Instrument 52-112, Non-GAAP and Other Financial Measures Disclosure). Medexus's method for calculating these measures may differ from methods used by other companies and therefore these measures are unlikely to be comparable to similarly-designated measures used or presented by other companies.

In particular, management uses Adjusted Net Income (Loss) and Adjusted EBITDA as measures of Medexus's performance. Adjusted Net Income (Loss), EBITDA (earnings before interest, taxes, depreciation, and amortization), and Adjusted EBITDA are non-GAAP financial measures. In addition, Adjusted Net Income (Loss) may be presented on a per share basis.

An explanation and discussion of each of these non-GAAP measures, including their limitations, is set out under the heading "Preliminary Notes-Non-GAAP measures" in Medexus's most recent management's discussion and analysis. A reconciliation of each of these non-GAAP measures to the most directly comparable IFRS measure can be found under the heading "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)" below.

Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)

The following tables are derived from and should be read together with Medexus's consolidated statement of operations for the three-month period ended June 30, 2023. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Income (Loss) and Adjusted EBITDA and provides additional information related to Medexus's operating performance. However, Medexus's non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Medexus's financial information as reported under IFRS.

(Amounts in $ '000s)		
For the three-month period ended June 30	**2023**	**2022**
Net income (loss)	651	(1,398)
Add back:		
Unrealized gain on fair value of derivatives	(7)	(2,239)
Adjusted Net Income (Loss)	**644**	**(3,637)**

(Amounts in $ '000s)		
For the three-month period ended June 30	**2023**	**2022**
Net income (loss)	651	(1,398)
Add back:		
Depreciation and amortization (property, equipment, intangible assets)	1,446	1,542

Interest expense	4,255	3,149
Income tax expense (recovery)	233	(154)
EBITDA	6,585	3,139
Add back:		
Share-based compensation	295	303
Transaction fees	-	28
Foreign exchange loss (gain)	(292)	675
Unrealized gain on fair value of derivatives	(7)	(2,239)
Adjusted EBITDA	**6,581**	**1,906**

To view the source version of this press release, please visit https://www.newsfilecorp.com/release/176683

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