

March 31, 2021



MediPharm Labs Reports Fourth Quarter and Full Year 2020 Results

BARRIE, Ontario, March 31, 2021 (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 derivative products today announced its financial results for the three and twelve months ended December 31, 2020.

"We are executing on our strategy to become a high-value, GMP-certified, global cannabis API provider to medical and wellness markets," said Keith Strachan, President and Interim CEO, MediPharm Labs. "We have successfully signed new international contracts, expanded our pharmaceutical licenses, and reduced costs as we are focused on returning to profitability and ensuring the long-term success of the business."

Q4 2020 Revenue Up 22% Sequentially on Growth in Finished Formulated Products

- Revenue of \$6.1 million increased 22% compared to \$4.9 million in Q3 2020
- Revenue from formulated finished products increased approximately 64% sequentially, of which MediPharm Labs branded products increased approximately 8%
- Delivered first shipments of *LABS Cannabis CBD Isolate* to retailers in six provinces in Q4 2020, complementing *CBD25 Regular Formula*, *CBD50 Plus Formula* and *CBD25:5 Release Formula* products for medical and wellness

Global Cannabis Pharmaceutical API, Medical, Wellness Markets Underway

- 30+ agreements in place with customers in eight countries
- Established presence of a specialized global GMP platform and portfolio of licenses providing a production-ready foundation to meet anticipated customer demand
- Subsequent to Q4 2020, completed first shipments to large European pharmaceutical company STADA in Germany

"MediPharm demonstrated strong progress in accelerating the commercialization of our finished formulated products to diversify and drive sustainable revenues," said Strachan. "With the recent receipt of our Cannabis Drug Licence from Health Canada and the initial ramp up of shipments to Germany now underway, we are seeing our global growth strategy come to fruition."

Cost Reductions and Balance Sheet Stability Supports Strategic Execution

- Completed a review of our processes and cost structure which resulted in over \$3.6 million in annualized expense reductions in Q4 2020. In addition, the Company has implemented company-wide cost containment measures
- Cash and cash equivalents totalled \$19.9 million at December 31, 2020 after repaying in full an outstanding non-revolving loan (\$5.3 million) and making installment payments on the Company's convertible loan (\$3.3 million). As at March 31, 2021, the principal balance outstanding under the convertible notes of the company is less than \$4.0 million
- The previously announced March 2021 bought-deal financing provided \$33.4 million in gross proceeds, which strengthened the balance sheet further supporting the Company's long-term growth strategy

2020 FINANCIAL SUMMARY

| | Year ended | Three-months ended | | | |
|---------------------------------|------------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| | December 31, 2020 \$'000s | December 31, 2020 \$'000s | September 30, 2020 \$'000s | June 30, 2020 \$'000s | March 31, 2020 \$'000s |
| Revenue | 36,012 | 6,058 | 4,947 | 13,918 | 11,089 |
| Gross profit | (43,978) | (24,720) | (10,588) | 2,212 | (10,882) |
| <i>Gross margin %</i> | <i>(122%)</i> | <i>(408%)</i> | <i>(214%)</i> | <i>16%</i> | <i>(98%)</i> |
| Net income/(loss) before tax | (72,100) | (30,874) | (15,422) | (3,775) | (22,029) |
| Adjusted EBITDA ¹ | (23,866) | (8,767) | (7,262) | (2,180) | (5,657) |
| <i>Adjusted EBITDA margin %</i> | <i>(66%)</i> | <i>(145%)</i> | <i>(147%)</i> | <i>(16%)</i> | <i>(51%)</i> |

(1) *Adjusted EBITDA is a non-IFRS measure. See Non-IFRS Measures section of this news release.*

Financial Results Commentary and Near-Term Outlook

MediPharm Labs took significant actions in Q4 2020 that will allow for more efficient operations as the Company made strong progress building its presence in the pharmaceutical, medical and wellness markets and executing on international customer agreements including STADA.

Greg Hunter, Chief Financial Officer, MediPharm Labs, commented, "We are encouraged by the sequential increase in fourth quarter revenue reflecting the growth of our manufacturing and white label business. In addition to the completion of cost reduction initiatives in the quarter, we are confident that our sales, product innovations and fiscal management will return us to profitability."

Q4 2020 gross profit (\$24.7 million) includes the impact of certain items, including a \$10.7 million write down of inventory to net realizable value, a \$5.6 million increased depreciation expense of certain equipment and a \$1.6 million write down of non-current deposits. Gross profit before these items was (\$6.8 million).

Net loss before tax of \$30.9 million in Q4 2020 was largely attributable to a \$10.7 million write down of inventory to its net realizable value, \$1.6 million write down of non-current deposits, \$5.9 million incremental depreciation expense of fixed assets, a \$2 million impairment on fixed assets and a \$1.4 million restructuring expense.

Adjusted EBITDA⁽¹⁾ of (\$8.8 million) in Q4 2020 was impacted by lower revenues and gross profit.

(1) Adjusted EBITDA is a non-IFRS measure. See Non-IFRS Measures section of this news release.

OPERATIONAL SUMMARY AND RECENT HIGHLIGHTS

Advancing Potential in Medical, Wellness and Adult-Use Markets: Growth Catalysts

- **STADA Arzneimittel AG Agreement** : On October 5, 2020, MediPharm Labs announced an exclusive supply agreement with STADA, a European consumer healthcare and generics company, to supply GMP- certified medical cannabis products, as well as manufacturing, logistics and regulatory support starting in 2021. STADA will be responsible for product commercialization, initially in Germany, as well as marketing and medical education utilizing a pharmaceutically experienced field force
- **Australian Commercialization and Development of Asia Pacific Markets**: On March 8, 2021, MediPharm Labs Australia secured a new GMP white-label supply and contract manufacturing agreement with Cannim Australia Pty Ltd. and commenced registrations for the launch of over-the-counter products in Australia in 2021. This adds to momentum created in 2020 when MediPharm Labs Australia achieved certification under Australia's Therapeutic Goods Administration ("TGA") for the GMP standard, secured a License to Manufacture Therapeutic Goods and signed sales agreements with customers in Australia, New Zealand and the UK
- **New South American Business**: On September 3, 2020, MediPharm Labs entered into an agreement with Cann Farm Peru S.A.C., a Lima-based producer and distributor serving Latin American markets to provide a variety of cannabis concentrate formats with optionality for patient-ready formulated products for distribution through pharmacies in Peru. On September 22, 2020, MediPharm Labs signed an agreement with XLR8 Brazil to provide GMP-certified formulated cannabis oil in a variety of cannabis concentrate formats for patient-ready use by the customer to pharmacies and other authorized channels
- **Retail Product Launches and Additional Canadian Distribution to Seven Provinces**: On October 29, 2020, the Company announced the introduction of *LABS Cannabis CBD Isolate*, the first in the Company's branded product line expected to be available through retailers across Canada. More new products are in development for 2021. On March 9, 2021, the Company announced a supply agreement with the

Société Québécois Du Cannabis under which MediPharm Labs will supply the growing medical and wellness market in Quebec. Medical patients and adult-used consumers in seven provinces can now depend on MediPharm Labs for a variety of cannabis concentrate-based products

- **Natural Health Products Site License:** On December 21, 2020, MediPharm Labs received a licence under the Natural Health Products Regulations which authorizes it to manufacture, package and label natural health products in Canada
- **Cannabis Drug Licence** (“CD Licence”). On February 17, 2021, the Company announced it received a CD Licence from Health Canada allowing it to manufacture and supply drugs that contain cannabis. These products include pharmaceutical prescription drugs that have been classified with a Drug Identification Number (DIN). The Company is positioned to supply cannabis-based pharmaceutical drugs and APIs to other CD Licence holders and clinical research trials for novel drug discovery

Governance and Senior Leadership Changes Align to Strategic Vision

- Effective January 15, 2021, Warren Everitt, the founding CEO of MediPharm Labs Australia Pacific operations was appointed to the Board of Directors, which was also strengthened during 2020 with the appointment of independent Directors Shelley Martin (the retired President and Chief Executive Officer of Nestle Canada Inc.), Chris Taves (Chief Operating Officer BMO Capital Markets) and Chris Halyk (retired President of Janssen Inc. [Canada])
- Greg Hunter, a proven business and finance leader with capital management, treasury, compliance, ERP and strategic experience in the pharmaceutical and healthcare industry was appointed the Company’s Chief Financial Officer effective February 8, 2021
- The Company’s Board of Directors has appointed a special committee to lead the search for a permanent Chief Executive Officer. The Company and the special committee have engaged and are working with global search firm Korn Ferry.

Q4 2020 FINANCIAL RESULTS CONFERENCE CALL DETAILS

MediPharm Labs executive management team will host a conference call and audio webcast to discuss the results and outlook for its fourth quarter and year ended December 31, 2020 on Wednesday, March 31, 2021, at 8:30 a.m. eastern time

Audio Conference Call Dial In Details:

Date: Wednesday, March 31, 2021
Time: 8:30 a.m. Eastern Time
Dial In: Toll-free number: +1-833-502-0471 / International number: +1-236-714-2179
Conference ID: 5076026
Audio **WEBCAST** or <https://ir.medipharmlabs.com/news-events> in the Events
Webcast: section
Replay: +1-800-585-8367/ International +1-416-621-4642 Conference ID: 5076026 until April 7, 2021 11:59 p.m.

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 non-recurring. Adjusted EBITDA is defined as net loss excluding interest, taxes, depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, impairment losses on inventory, write down of deposits 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 December 31, 2020 for additional information.

About MediPharm Labs

Founded in 2015, MediPharm Labs specializes in the production of purified, pharmaceutical-quality cannabis oil and concentrates and advanced derivative products utilizing a Good Manufacturing Practices certified facility with 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 five primary extraction lines for delivery of pure, trusted and precision-dosed cannabis products for its customers. Through its wholesale and white label platforms, MediPharm Labs formulates, develops (including through sensory testing), processes, packages and distributes cannabis extracts and advanced cannabinoid-based products to domestic and international markets. As a global leader, MediPharm Labs has completed commercial exports to Australia and has fully commercialized its wholly-owned Australian extraction facility. MediPharm Labs Australia was established in 2017.

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, statements regarding: returning to profitability; ensuring the long-term success of the business; having a production-ready foundation to meet anticipated customer demand; diversifying and driving sustainable revenues; ramping up of shipments to Germany; seeing the Company's global growth strategy come to fruition; cost reductions; balance sheet stability; more efficient operations; strong progress building a presence in the pharmaceutical, medical and wellness markets; executing on international customer agreements; cost reduction initiatives; the Company's sales, product innovations and fiscal management returning it to profitability; delivering on agreements as planned; receiving regulatory permitting for exports; growth and performance improvements over time; supplying the growing medical and wellness market in Quebec; manufacturing, packaging and labelling natural health products in Canada; and supplying cannabis-based pharmaceutical drugs and APIs to other CD Licence holders and clinical research trials for novel drug discovery. 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. 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.

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