

March 30, 2020



## MediPharm Labs Reports Fourth Quarter and Full Year 2019 Results

- 2019 Revenue \$129 Million, Adjusted EBITDA<sup>1</sup> \$25 Million
- Q4 2019 Revenue \$32 Million, Adjusted EBITDA<sup>1</sup> \$3 Million
- Year-end Cash and Equivalents of \$39 million

BARRIE, Ontario, March 30, 2020 (GLOBE NEWSWIRE) -- MediPharm Labs Corp.(TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) ("MediPharm Labs" or the "Company") a global leader in specialized, research-driven pharmaceutical-quality cannabis extraction, distillation and derivative products today announced its financial results for the three and twelve months ended December 31, 2019 and reaffirmed its strategic priority to build a multi-jurisdictional, GMP-certified pharmaceutical-grade platform to serve the world's most attractive emerging cannabis medical markets.

"2019 was a transformational year for MediPharm Labs. We were one of only a very few cannabis companies to successfully execute on its strategy and be profitable," said Pat McCutcheon, Chief Executive Officer, MediPharm Labs. "We established ourselves as a high-quality extract Company, earning our first GMP certification, positioning ourselves to become a global supplier of pharma-quality products as future brands, larger consumer packaged goods companies and pharmaceutical companies begin to enter the market."

"We move forward with a strengthened market leadership position and diversified platform. Our portfolio of licences and first licensed offshore facility in Australia position us well to create new and innovative products at home and abroad and to achieve global expansion creating tangible value for customers and shareholders."

### 2019 BUSINESS HIGHLIGHTS AND RECENT ACCOMPLISHMENTS

- First full year of profitability and a top five cannabis revenue company in the Canadian Cannabis industry
- Signed multiple new supplier agreements with other Cannabis Act licensed holders, direct-to-consumer brands, provincial and private retailers including Medical Cannabis by Shoppers (2020); first international export agreements with AusCann Group Holdings Ltd., an Australian medicinal cannabis company, and ADREXpharma GmbH, a German pharmaceutical distributor
- Received first GMP certification by the Therapeutic Goods Administration of Australia (TGA) and completed its subsidiary's offshore facility in Australia

- Successful ramp up of the Company's operations to support customers in the development and introduction of a range of Cannabis 2.0 products; first shipments delivered prior to year-end
- Successful shipment of the Company's first international exports of wholesale cannabis extract to Australia
- Achieved a Research Licence and conducted its first controlled human administration trials in Barrie
- Expanded licensed facility footprint, to 25,000 sq. ft. to scale up automated downstream production, packaging and R&D supporting fulfillment of new product formats and formulation orders in 2020

## **2019 FINANCIAL SUMMARY<sup>1,2</sup>**

- Revenue of \$129.3 million reflecting a leadership position serving multiple customers in the wholesale concentrate market in Canada as well as initial international wholesale exports to Australia
- Gross profit of \$42.9 million, gross margin of 33%, Adjusted EBITDA<sup>1</sup> of \$24.7 million, Adjusted EBITDA margin of 19% and net income before tax was \$6.8 million
- Year-end Cash and Equivalents of \$38.6 million

## **FOURTH QUARTER 2019 SUMMARY<sup>1</sup>**

- Revenue increased to \$32.4 million from \$10.2 million in Q4 2018, and decreased 25% from \$43.4 million in Q3 2019 due to a reduction in volume of bulk extract sold and average selling price
- Gross profit increased to \$10.0 million from \$4.0 million in Q4 2018 and decreased 32% from \$14.7 million in Q3 2019. Gross margin was 31% compared to 39% a year ago and down from 34% in Q3 2019 primarily due to a reduction in the average selling prices and impact of lower volumes on production costs, partially offset by lower dried flower costs
- Adjusted EBITDA<sup>(1)</sup> increased to \$2.7 million in Q4 2019 from \$2.1 million in Q4 2018, and decreased 74% from \$10.1 million in Q3 2019. The decrease from Q3 2019 reflects a decrease in revenue and gross profit and increased operating expenses attributable largely to ERP implementation expenses
- Net loss before tax decreased to \$2.4 million from \$3.5 million in Q4 2018, and decreased from net income before tax of \$5.4 million in Q3 2019
- As at December 31, 2019, past due balance of receivables was approximately \$8.6 million, of which \$7.7 million was related to a previously announced statement of claim filed subsequent to quarter end. All remaining outstanding balances as at year-end

have been collected

The Company reported that the Canadian cannabis sector experienced significant challenges in the fourth quarter that resulted in an oversupply of bulk extract in the market and subsequent reduction in selling price and lower volumes. These factors included: a slower than anticipated expansion of retail channels in Canada, slower licensing of new and specialized cannabis 2.0 businesses, lower than expected conversion of bulk extract inventory into finished goods by vertically integrated players and slower than expected entry to the market by larger consumer packaged goods and pharmaceutical companies.

“Through 2019, MediPharm Labs pioneered its way in an incredibly young industry. We executed well on a highly specialized and focused business model and took a leadership position among the top five cannabis revenue generating companies in Canada,” said Mr. McCutcheon. “We ended the year with capital strength and liquidity, while achieving and surpassing all of our significant operational and financial milestones despite the significant challenges faced by the sector in Canada.”

### 2019 Quarterly and Full Year Summary Financial Highlights<sup>(1)(2)</sup>

	Year ended	Three-months ended			
	December 31, 2019 \$'000s	December 31, 2019 \$'000s	September 30, 2019 \$'000s	June 30, 2019 \$'000s	March 31, 2019 \$'000s
Revenue	129,252	32,444	43,386	31,472	21,950
Gross profit	42,914	9,987	14,754	11,311	6,862
<i>Gross margin %</i>	33%	31%	34%	36%	31%
Net income/(loss) before tax	6,752	(2,401)	5,395	4,083	(325)
Adjusted EBITDA <sup>(1)</sup>	24,737	2,661	10,066	7,700	4,310
<i>Adjusted EBITDA margin %</i>	19%	8%	23%	24%	20%

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

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

### Looking Ahead

The cannabis market challenges experienced in the fourth quarter are expected to persist in the near-term. Additionally, while it remains a rapidly evolving situation, the global COVID-19 pandemic is expected to have various operational impacts in the near term, including potential supply chain challenges, work from home adjustments, and enhanced safety protocols. The Company’s manufacturing facility was exempted from the recent provincial mandated workplace closures as an essential service, the extent of the impact on COVID-19 on the Company’s operational and financial performance will depend on various developments, including the duration and magnitude of the outbreak, and the impact on customers, employees and vendors.

As a result, the Company has taken active steps in the immediate term to manage the business and maintain its liquidity and financial strength enabling management to continue prudently develop and invest in the business for the longer-term. In the immediate term, the Company is executing on the following:

*Diversifying and Accelerating Growth through:*

- Prioritizing and accelerating new product development opportunities already in the Company's pipeline of 2.0 products and outside the current portfolio - including topicals or R&D for other delivery methods
- Launch of in-house MediPharm branded wellness and medical products further diversifying the Company's revenue stream and targeting distribution across multiple patient and adult-use channels
- Intensified efforts to supply international medical markets and enhance global distribution, now possible given receipt of first GMP
- Entering new contract manufacturing agreements to enhance customer's ability to convert bulk extract inventory into finished goods

*Maintaining Liquidity and Financial Strength through:*

- Deferral of non-essential budgeted capital expenditures
- Reduced employee base by 10% in Q1 and rebalanced production workforce to meet needs of current environment and future growth
- Procurement driven cost savings initiatives whilst continuing to focus on improving operational efficiencies

"As an expression of confidence in the longer-term potential of our Canadian footprint, we are moving forward with our recently launched in-house brand and to scale up our automated downstream production, quality control and testing capabilities, as well as our research and development functions within our recently expanded GMP facility in Barrie," said Mr. McCutcheon. "These initiatives will support our brand as well as the fulfillment and distribution of orders and new product formulations not only in 2020 but in the decade ahead."

"With our first GMP certification in hand, we are well positioned to supply international medical markets that offer additional growth and diversification for our revenue streams as the Canadian market continues to evolve," said Mr. McCutcheon. "Our international efforts are expected to be further strengthened by efforts to broaden our GMP certifications to include Europe and the start-up of our Australian facility."

Mr. McCutcheon added: "While current domestic market conditions are disappointing, MediPharm Labs has attracted a number of exciting customers and prospects both internationally and domestically, proving that our expertise and GMP-certified capabilities are in demand."

## **GROWTH CATALYSTS**

1. Expected EU GMP certification of the Canadian facility and TGA GMP certification of Australian facility
2. International export agreements

3. Development of high-quality branded in-house consumer products and contract manufacturing agreements
4. Application of MediPharm Labs' Research License
5. New opportunities for R&D and clinical trials

*The Company's consolidated financial statements and management's discussion and analysis for the three and nine months ended December 31, 2019 are available on SEDAR and on [www.medipharmlabs.com](http://www.medipharmlabs.com).*

#### **Q4 CONFERENCE CALL AND WEBCAST**

The Company will host a conference call and audio webcast on March 30, 2020 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: 5576297.

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/2152211/3D5EEC47DD1A08B3183F90AD781074FE>

#### **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 December 31, 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, building a multi-jurisdictional, GMP-certified, pharmaceutical-grade platform to serve the world's most attractive emerging cannabis medical markets; entrance of future brands, consumer packaged goods companies and pharmaceutical companies into the cannabis market; creation of new and innovative products; achievement of global expansion and creation of value for customers and shareholders; scaling up of automated downstream production, packaging and R&D; receipt of new format and formulation orders in 2020 and the decade ahead; impact of the COVID19 pandemic on the business and operations of the Company, its suppliers and its customers; entering into new contract manufacturing agreements; supply of international markets, including export agreements, and diversification of revenue streams; receipt of additional GMP certifications and start-up and TGA GMP certification of Australian facility; development of in-house consumer products and contract manufacturing agreements; application of Research Licence; and realization of opportunities for R&D and clinical trials. 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.