

August 16, 2021



# MediPharm Reports Second Quarter 2021 Results and Advances Pharmaceutical Strategy; Announces new Board Chair

BARRIE, Ontario, Aug. 16, 2021 (GLOBE NEWSWIRE) -- MediPharm Labs Corp. (TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) ("MediPharm" or the "Company") a pharmaceutical company specialized in research-driven development and manufacturing of cannabis API and finished dose products today announced its financial results for the three and six months ended June 30, 2021, a period of ongoing progress in establishing itself as an international pharmaceutical company specializing in cannabis.

## Second Quarter Overview

"In Q2 2021, we were awarded one of the most difficult to achieve North American GMP certifications to establish ourselves and as a true pharmaceutical company while continuing to deliver our international medical cannabis sales," said Keith Strachan, President and Interim CEO, MediPharm. "We underwent a Health Canada audit for a pharmaceutical GMP Drug Establishment Licence which led to the successful issuance of this licence – the first of its kind in the North American cannabis industry. We also executed on our first replenishment deliveries of GMP certified medical cannabis products to Germany including to our long-term partner STADA Arzneimittel AG, a market leader in consumer healthcare and generics, while also achieving deliveries to two new customers in the region. Demand signals for our MediPharm products were strong across all distribution channels in Canada including initial deliveries to the Province of Québec."

"Looking ahead, efforts are well underway to ensure MediPharm maintains a leading position in the projected multibillion-dollar global cannabis pharmaceutical market. This is where our unique licences and expertise will make us the go-to partner for pharmaceutical companies around the globe resulting in material revenue growth in years to come."

## Q2 2021 Key Highlights

### **Achieved Major Pharmaceutical Milestone for global distribution, including the U.S.**

- Highly regulated traditional and established pharmaceutical channels have no borders. During the second quarter, MediPharm hosted Health Canada pharmaceutical inspectors for an intensive GMP Drug Establishment Licence inspection. Subsequent to the quarter, on July 12, 2021, MediPharm was awarded a Drug Establishment Licence (the "DEL") to confirm compliance with international Good Manufacturing Practice ("GMP") Standards. This truly makes MediPharm a full pharmaceutical

company that can support big pharma's entry into the drugs containing cannabis space.

- The DEL allows MediPharm to conduct pharmaceutical manufacturing and sale of Active Pharmaceutical Ingredients and Finished Dose Goods containing cannabis. These channels are focused on larger patient markets that lack a defined federal cannabis framework, including in the United States.
- This is the first domestic GMP Licence in North America for cannabis related pharmaceutical production that includes the full extraction of the cannabis natural plant.
- The DEL enhances supply chain capability by allowing MediPharm to ship products from Canada to its global customer base. This eliminates the need for an EU GMP licence as EU regulatory bodies will recognize the domestic certification under existing pharmaceutical Mutual Recognition Agreements. This is in conjunction with the Company's Australian subsidiary further strengthens MediPharm's global reach.
- MediPharm's current and future domestic Canadian cannabis partners will benefit from the DEL as MediPharm can now provide them a conduit to pharmaceutical and international markets
- Patient demand for cannabis as a medical solution has increased around the world. Research advancements and big pharma participation will fill this need with traditional pharmaceutical drugs. These pharmaceutical companies are MediPharm's current and future customers.

### **Continued International Growth, Leveraging Australian GMP Platform**

- International sales increased 24% sequentially to \$2.5M with Germany increasing 24% sequentially and Australia increasing 30% sequentially.
- Added two new customer deliveries in Germany and sent follow-up orders to Q1 2021 customers, STADA and Adrex Pharma, executing on a total of four customer fulfillments.
- Strengthened position as a recognized global leader in medical cannabis production with approval by the Health Canada DEL which allows the export of cannabis oil products to customers globally.

### **Scaled Canadian Presence with High-Demand New Products, Expanded Distribution**

- Succeeded in the Ontario Cannabis Store product call adding SKUs in oil and vape formats, particularly a high demand CBD vape product that contains only CBD and naturally derived terpenes. This CBD vape is more shelf stable versus current Canadian competitors.
- Began delivery to government operated cannabis retail stores in the Province of Québec. The Company has experienced positive reorders with weekly POs being fulfilled.
- The Company continued to experience the negative effects of COVID19 on Canadian retail sales. Most retail stores were still operating under strict provincial COVID19 restrictions and provincial operated distributors continued to lower inventory on-hand,

both of which negatively impacted Canadian adult-use sales. The Company expects Canadian adult-use sales to increase if COVID19 restrictions continue to be relaxed in the second half of 2021.

### Balance Sheet Stability Supports Strategic Execution

- Cash and cash equivalents totaled \$39 million at June 30, 2021 and the cash balance outstanding under the convertible notes was under \$2 million. This strong cash balance, together with expected income tax refunds and CEWS/CERS payments is sufficient to support of the Company's long-term growth strategy.

### Financial Results Summary Table

	Three months ended		
	June 30 2021 \$'000s	March 31 2021 \$'000s	December 31 2020 \$'000s
Revenue	5,072	5,495	6,058
Gross Profit	(7,733)	(680)	(24,720)
Adjusted Gross Profit (1)	(1,419)	(680)	(6,813)
Net loss	(11,812)	(13,867)	(30,951)
Loss per share – basic and diluted	(0.04)	(0.07)	(0.21)
Adjusted EBITDA (2)	(3,675)	(6,159)	(8,767)

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

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

### Q2 2021 FINANCIAL RESULTS COMMENTARY AND NEAR-TERM OUTLOOK

“Q2 2021 continued to show the strength of our diversified GMP platform to service or growing list of international medical customers,” said Greg Hunter, CFO, MediPharm. “We were pleased to see international sales growth of 24% sequentially to help offset the challenging operating conditions in domestic Canadian retail channels as the result of COVID19.”

“As a multi-site and multi-country operator, with unique pharmaceutical licences and high-demand formulations, we continue to make investments to drive future growth and expand our international sales. To maximize opportunities and market share in Canada, we successfully expanded our retail distribution footprint with the addition of Québec and achieved several new listings for our recently launched formulations.”

- Sales declined 7.7% sequentially to \$5.1M. International sales increased 24% sequentially from \$2.0M to \$2.5M while domestic Canadian sales declined 26% from \$3.5M to \$2.6M as a result of restrictive COVID19 lock downs and resulting provincial distributor inventory reductions.
- Gross profit of (\$7.7M) was impacted by \$5.7M of inventory write-downs from NRV and

slow moving and obsolete inventory as well as \$0.5M of accelerated depreciation for assets not in use. Adjusting for these 2 items gross profit was (\$1.4M). Q2 gross profit declined sequentially due to lower sales volumes, product mix and production volumes in the Canadian domestic market as a result of restrictive COVID19 lock downs.

- Net loss of \$11.8M improved sequentially due to reduced finance expense from the convertible debenture, Q2 income from the Canadian emergency wage subsidy and the Canadian emergency rent subsidy but was partially offset by inventory write-downs.
- Adjusted EBITDA of (\$3.7M) improved sequentially and included income of \$3.7M for the Canadian emergency wage subsidy and the Canadian emergency rent subsidy.

Going forward, the Company expects finished product sales to continue to improve and sales to international pharmaceutical, medical and wellness markets to build over time according to planned customer ramp-up schedules.

### **Looking Ahead - Strategic Pharmaceutical Progress Update**

To maintain leadership in the emerging global pharmaceutical, medical and wellness cannabis market – which represents more sustainable and profitable revenue - MediPharm has made industry leading advancements on its key priorities and is now fundamentally better positioned than ever to establish itself as an ideal partner to pharmaceutical companies, researchers and global patients.

**Licensing and Regulatory Progress** - MediPharm has secured licences globally to pioneer multiple regulatory pathways and access new markets, and possibly up to 50 countries as cannabis legalization takes hold over time. Over the past three years, the Company has built an industry-leading and expanding portfolio of licences – including a GMP Drug Establish Licence from Health Canada, which is very unique to the Company and is required for the production of pharmaceutical prescription drugs with marketing authorization. This supports the participation in IP-capable clinical trials and partnerships with other pharmaceutical companies.

**Medical Product Registration** – The Company continues the complex and highly regulated medical product registration process in key markets, such as Brazil and New Zealand, to compliment registrations in Germany, Australia, and Peru. Advancements in a GMP validated cannabinoid purification process has allowed the commencement of registrations for MediPharm Active Pharmaceutical Ingredients (“APIs”) with global regulators such as the US FDA.

**Clinical Trial Participation** – Given the Company’s unique licensing and expertise it continues to participate in the research sector of the cannabis industry. In Q2 2021, the Company entered into a research master agreement with McMaster University that allows participation in various cannabis based clinical trials. The first trial with Health Canada approval will study the effectiveness of MediPharm CBD50 on treating pain post knee surgery. Having completed safety and toxicology requirements, the trial is actively recruiting patients.

**Growing International Sales** - The Company expects international sales to accelerate as strong progress has been made with over 30 sales agreements in place in nine countries.

International revenues reflect sales to customers in only three countries thus far. European revenue, representing one of the fastest growing cannabis markets, saw repeat orders and revenue growth in Q2 2021 with now four German partner deliveries. As stated in the past, the early years in international pharmaceutical contracts are lean, but sales will grow steadily through 2021 and expand exponentially over time.

## **GOVERNANCE UPDATE**

### **Appointment of New Board Chair**

The Company's Board of Directors is pleased to announce that it has unanimously appointed Chris Taves as Chairman of the Board effective immediately. Mr. Taves joined MediPharm's Board in July 2020 and also chairs its Audit Committee. He brings a wealth of experience in the banking and capital markets industries having recently held the position of Chief Operating Officer of BMO Capital Markets, a leading full-service financial services provider and member of BMO Financial Group, one of the largest banks in North America. He also serves as a board member of BMO China Co. and First Mortgage General Partnership. Pat McCutcheon, previous Chairman of the Board, and Shelley Martin, previous Lead Independent Director, remain on the Board of Directors and will continue to assist the Company in devising its strategic direction.

As Chairman, Chris Taves will oversee the leadership of the Company into its next stage of growth as a leader in the supply of cannabis-based drugs and API to pharmaceutical companies around the world.

### **CEO Search**

The Company's Board of Directors previously appointed a special committee to lead the search for a permanent CEO. Following its engagement with global search firm Korn Ferry, the search committee has interviewed several strong candidates and anticipates selecting a new CEO aligned to its growth into a global pharmaceutical company.

## **Q2 2021 FINANCIAL RESULTS CONFERENCE CALL**

MediPharm executive management team will host a conference call and audio webcast to discuss the results and outlook for the three and six month period ended June 30, 2021 on Monday, August 16, 2021, at 8:30 a.m. eastern time.

### **Audio Conference Call Dial in Details:**

Date: August 16, 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: 4889291  
Audio Webcast: [WEBCAST](#) or <https://ir.medipharmlabs.com/news-events> in the Events section  
Replay: +1-800-585-8367/ International +1-416-621-4642 Conference ID: 4889291 until August 23, 2021 at 11:59 p.m. eastern time

## **NON-IFRS MEASURES**

Adjusted EBITDA and adjusted Gross Profit are not recognized performance measures under IFRS, do not have a standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Adjusted EBITDA and adjusted Gross Profit are 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 June 30, 2021 for additional information. Adjusted gross profit is defined as gross profit/(loss) excluding the adjustments for accelerated depreciation, write down of non-current deposits and write down of inventory. Adjusted gross profit is a useful measure as it represents gross profit for management purposes based on costs to manufacture, package and ship inventory sold, exclusive of any impairments due to changes in internal or external influences.

### **About MediPharm**

Founded in 2015, MediPharm is a pharmaceutical company that specializes in the development and manufacture of purified, pharmaceutical-quality cannabis concentrates, active pharmaceutical ingredients and advanced derivative products utilizing a Good Manufacturing Practices certified facility with ISO standard-built clean rooms. MediPharm has invested in an expert, research driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with four primary extraction lines for delivery of pure, trusted and precision-dosed cannabis products for its customers. Through its wholesale and white label platforms, MediPharm 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 has completed commercial exports to Australia and completed commercialization of its Australian extraction facility which generated its first revenues in H1 2020. MediPharm Labs Australia was established in 2017.

#### **For further information, please contact:**

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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, statements regarding: the Company establishing itself as an international pharmaceutical company; a leading position in the projected multibillion-dollar global cannabis pharmaceutical market; becoming the go-to partner for pharmaceutical companies around the globe; material revenue growth in years to come; supporting big pharma’s entry into the drugs containing cannabis space; enhanced supply chain capability; increasing patient demand; research advancements; big pharma participation in the cannabis industry; adult-use sales increasing if COVID19 restrictions continue to be relaxed in the second half of 2021; the Company’s strong cash balance together with expected income tax refunds and CEWS/CERS payments being sufficient to support its long-term growth strategy; investments driving future growth; expanding international sales; finished product sales continuing to improve; sales to international pharmaceutical, medical and wellness markets to build over time according to planned customer ramp-up schedules; access to new markets; participation in IP-capable clinical trials; partnerships with other pharmaceutical companies; additional medical product registrations; acceleration of international sales; steady sales growth through 2021; sales expanding exponentially over time; returning to profitability; strong demand signals for MediPharm products; participation in IP-capable clinical trials; and growth into a global pharmaceutical company. 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 to obtain adequate financing; the delay or failure to receive regulatory approvals; and other factors discussed in MediPharm’s 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 assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change.



Source: MediPharm Labs Corp.